

7 May 2009

Vedanta Resources Plc
Preliminary Results for the Year Ended 31 March 2009

- 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 \$4.9 billion and modest net debt of \$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

| Consolidated Group Results (in US\$ million, except as stated) | FY 2009 | FY 2008 | % Change |
|---|----------------|----------------|-----------------|
| Revenue | 6,578.9 | 8,203.7 | (19.8) |
| EBITDA | 1,612.2 | 3,010.4 | (46.5) |
| <i>EBITDA margin (%)</i> | 24.5% | 36.7% | - |
| Operating special items | (31.9) | 11.1 | - |
| Operating profit | 1,107.0 | 2,592.4 | (57.3) |
| Attributable Profit | 219.4 | 879.0 | (75.0) |
| Basic Earnings per Share (US cents) | 76.4 | 305.4 | (75.0) |
| Earnings per Share on Underlying Profit (US cents) | 119.7 | 303.9 | (60.6) |
| <i>ROCE (excluding project capital work in progress)</i> | 24.4% | 45.6% | - |
| Final Dividend (US cents per share) | 25.0 | 25.0 | - |
| Total Dividend (US cents per share) | 41.5 | 41.5 | - |

"These are robust results in a challenging economic environment, which reflect the inherent strengths of Vedanta's business model" **said Anil Agarwal, Chairman, Vedanta Resources plc.** "With strong volume growth, high quality assets and continued progress in cost reduction, we are confident of delivering another year of profitable growth and strong free cash flows."

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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

Disclaimer

This press release contains “forward-looking statements” – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “should” or “will.” Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, uncertainties arise from the behaviour of financial and metals markets including the London Metal Exchange, fluctuations in interest and or exchange rates and metal prices; from future integration of acquired businesses; and from numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive or regulatory nature. These uncertainties may cause our actual future results to be materially different from those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

Chairman's Statement

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 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 6,500Mw 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 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 USc 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 FY2009.

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. S K 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

Business Review

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 FY2009) of the year ended 31 March 2009 ("FY2009"). We also took proactive steps to temporarily shut down high cost operations at our MALCO aluminium operations, 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\$ 3billion in FY2009. 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 FY2009") and fourth ("Q4 FY2009") quarters of FY2009, 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 USc per lb in the first half ("H1 FY2009") of FY2009 to approximately 140 USc 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 FY2009, including non-cash inventory write-downs of US\$ 79 million. Excluding inventory write-down, EBITDA was US\$ 1,691.2 million which was 43.8% lower compared with FY2008, primarily due to the sharp fall in the commodity prices of aluminium by 15%, copper by 22%, zinc by 48%, lead by 42% and lower TC-RC realisations.

EBITDA recorded by the individual businesses is set out below.

| <i>(in US\$ million, except otherwise stated)</i> | FY2009 | FY2008 | % Change |
|---|----------------|---------------|-----------------|
| Aluminium | 196.1 | 380.7 | (48.5) |
| Copper | 222.9 | 667.3 | (66.6) |
| Zinc | 605.4 | 1,380.1 | (56.1) |
| Iron ore | 557.1 | 585.6 | — |
| Others | 30.7 | (3.3) | — |
| Total | 1,612.2 | 3,010.4 | (46.5) |

The key reasons for the movement in EBITDA between FY2009 and FY2008 are set out below.

- Lower average LME prices of all metals reduced EBITDA by US\$ 1,422 million;
- Higher sales volumes resulted in higher EBITDA of US\$ 244 million;
- Sharp fall in LME prices resulted in inventory write-downs of US\$ 79 million;
- Industry-wise escalations in input costs in H1 FY2009 were partly offset by positive cost efficiency initiatives across most of our operations in H2 FY2009. Total operating costs negatively impacted EBITDA by US\$ 276 million, during the year;
- During the year, the Indian rupee depreciated against the US dollar by 14.1%, increasing EBITDA by US\$ 58 million, net of translation losses;
- A 25% decrease in TC-RC realisations during FY2009 resulted in lower operating margins for the business, reducing EBITDA by US\$ 27 million;
- Surplus power sales in FY2009, primarily at MALCO and BALCO contributed US\$ 24 million to EBITDA; and
- Our allied businesses i.e. phosphoric acid, met coke, pig iron, etc, benefitted from record prices in H1 FY2009 and contributed positively to EBITDA by US\$ 88 million.

In addition to the initiatives to increase volumes and reduce costs, the group also has made progress in consolidating minorities, selectively acquiring assets and increasing the resource base through exploration.

Following the sharp fall in the price of copper, we arrived at a revised agreement with Asarco for acquiring substantially all of its operating assets for a reduced consideration of US\$ 1.7 billion down from US\$ 2.6 billion comprising of US\$ 1.1 billion in cash and US\$ 0.6 billion of deferred payments over nine years. The agreement is subject to the approval of the U.S. Bankruptcy Court for the Southern District of Texas, Corpus Christi Division and is also likely to require the approval of the Company's shareholders.

Continued focus on exploration has yielded significant success during the year, with gross addition of 46.3 million tonnes to reserves and resources in the Zinc business and a gross addition of 57.8 million tonnes in the Iron Ore business, adding approximately four years of mine life in each of these businesses.

ALUMINIUM

The performance of our Aluminium Business in FY2009 is set out in the table below.

| <i>(in US\$ millions, except as stated)</i> | FY2009 | FY2008 | % Change |
|---|---------------|---------------|-----------------|
| Production volumes (in kt) | | | |
| Alumina - Lanjigarh | 586 | 267 | 119.5 |
| Alumina - Korba and Mettur | 241 | 291 | (17.2) |
| Aluminium - Jharsuguda | 82 | — | — |
| Aluminium - Korba | 357 | 359 | (0.6) |
| Aluminium - Mettur | 23 | 37 | (37.8) |
| Sale of commercial power (in million units) | 545 | 199 | 173.9 |
| Average LME cash settlement prices (US\$ per tonne) | 2,234 | 2,620 | (14.7) |
| Average exchange rate (INR per US\$) | 45.91 | 40.24 | 14.1 |
| Unit costs | | | |
| Aluminium Business (US\$ per tonne)** | 1,702 | 1,771 | (3.9) |
| Aluminium Business (INR per tonne)** | 78,139 | 71,258 | 9.6 |
| BALCO Plant II - Production cost (US\$ per tonne) | 1,623 | 1,674 | (3.0) |
| BALCO Plant II - Production cost (INR per tonne) | 74,517 | 67,362 | 10.6 |
| BALCO Plant II - Smelting cost* (US\$ per tonne) | 859 | 805 | 6.7 |
| BALCO Plant II - Smelting cost* (INR per tonne) | 39,436 | 32,385 | 21.8 |
| Revenue** | 937.1 | 1,140.2 | (17.8) |
| EBITDA** | 196.1 | 380.7 | (48.5) |
| EBITDA Margin | 20.9% | 33.4% | — |
| Operating Profit | 117.2 | 307.0 | (61.8) |

*Smelting cost comprises production cost excluding alumina cost

** Excluding Jharsuguda operations as smelter is under trial runs

Production Performance

Record production of 462,000 tonnes of aluminium in FY2009 was an increase of 16.7% compared with FY2008. This increase in production is attributable to the first time production contribution of 82,000 tonnes from the new Jharsuguda aluminium smelter in FY2009, which was offset to some extent by the ramp down of the MALCO smelter in mid December 2008 and a shutdown of a part of the BALCO Plant I smelter in Q4 FY2009, due to higher operational costs. Consequently, we are selling surplus power to maximise returns.

The production of wire rods, a value added product, was 150,000 tonnes in FY2009, up 10% compared with FY2008.

The Lanjigarh refinery produced 586,000 tonnes of alumina from the first stream, feeding our captive requirements. The second stream commenced commissioning activities in April 2009. We expect to start progressive feeding of the refinery with our own Niyamgiri bauxite by mid FY2010.

We commenced progressive commissioning of the 250,000 tonne Phase 1 of the Jharsuguda aluminium smelter where 264 pots out of 304 pots have been brought on line to date. The first phase of 250,000 tpa is expected to be fully operational in the first quarter of FY2010.

Unit Costs

FY2009 witnessed two divergent halves with H1 FY2009 driven by the buoyancy in the global markets leading to higher input costs. This contrasted with the deteriorating economic conditions in H2 FY2009 as a result of which input costs of commodities started softening.

Unit CoP at BALCO Plant II was US\$ 1,623 per tonne (INR 74,517 per tonne) in FY2009 compared with US\$ 1,674 per tonne (INR 67,362 per tonne) in FY2008. Smelting costs at BALCO Plant II were US\$ 859 (INR 39,436 per tonne) per tonne in FY2009 compared with costs of US\$ 805 (INR 32,385 per tonne) per tonne in FY2008, primarily due to higher input costs including carbon and coal, despite improved operational efficiencies. Continued focus on reducing costs helped in achieving an exit smelting cost of \$637 per tonne at BALCO Plant II at end of FY2009.

Sales

We improved our penetration of the domestic market, selling 353,000 tonnes in FY2009, up 17.1% compared with FY2008. Domestic sales represented 77% of total sales, which provided a benefit vis-a-vis exports due to import tariffs.

Financial Performance

Despite an increase in annual volumes and lower input costs in H2 FY2009, EBITDA in FY2009 was US\$ 196.1 million, down 48.5% compared with FY2008, primarily due to the 14.8% reduction in LME prices and higher input costs for the full year which negatively impacted EBITDA by US\$ 120.4 million and US\$ 105.1 million respectively, partially offset by the sale of surplus power commercially which contributed US\$ 15.9 million to EBITDA in FY2009.

Projects

Jharsuguda I Aluminium Smelter

The first 250,000 tpa phase of the 500,000 tpa Jharsuguda I aluminium smelter is progressing well and is expected to be fully operational by the first quarter of FY2010, six months ahead of the original schedule. Work on the second 250,000 tpa phase is on schedule with phased commissioning expected to commence from June 2009 and full operations by end FY2010.

Jharsuguda II Aluminium Smelter

The new 1.25 mtpa Jharsuguda II aluminium smelter project is progressing well with civil construction activities in progress in all major areas of the four pot lines and associated plants. All major packages have been ordered and the project is on schedule for phased commissioning from March 2010 and full operations by September 2012.

Balco Aluminium Smelter

Work on the new 325,000 tpa aluminium smelter at BALCO has commenced, long lead-time equipment ordered and construction commenced. Construction of the 1,200Mw captive power plant is in full swing, main plant foundation completed and equipment erection started. The first metal tapping from October 2010, as previously announced.

Lanjigarh Alumina Refinery

The first stream of the 1.4 mtpa alumina refinery at Lanjigarh is fully operational and produced 171,000 tonnes in Q4 FY2009, close to its rated capacity. The refinery produced 586,000 tonnes of alumina in FY2009. The second stream of the alumina refinery has also recently commenced operations. Currently, bauxite feed for this refinery is being sourced from BALCO, nearby bauxite mines and from central India. We expect to start progressive feeding of the Lanjigarh alumina refinery with our own Niyamgiri bauxite by mid FY2010, which will reduce unit operating costs.

Work on the 600,000 tpa debottlenecking project at our Lanjigarh alumina refinery is progressing on schedule for completion by March 2010, as earlier announced. Ordering of critical items has commenced for the new 3mtpa Lanjigarh alumina refinery expansion project and work is in full swing. The project is expected to be commissioned, in phases, by Mid 2011.

COPPER

INDIA/AUSTRALIA

The performance of our Copper—India/ Australia business in FY2009 is set out below.

| <i>(in US\$ millions, except as stated)</i> | FY2009 | FY2008 | % Change |
|---|----------------|---------------|-----------------|
| Production volumes (in kt) | | | |
| Mined metal content | 27 | 28 | (3.6) |
| Cathode | 313 | 339 | (7.7) |
| Rod | 220 | 225 | (2.2) |
| Average LME cash settlement prices (US\$ per tonne) | 5,885 | 7,588 | (22.4) |
| Average exchange rate (INR per US\$) | 45.91 | 40.24 | 14.1 |
| Unit conversion costs (US cents per lb) | 3.1 | 1.8 | 72.2 |
| Unit conversion costs (INR per tonne) | 3,138 | 1,563 | 100.8 |
| Realised TC-RCs (US cents per lb) | 11.7 | 15.7 | (25.5) |
| Revenue | 2,537.9 | 3,118.8 | (18.6) |
| EBITDA | 293.7 | 327.2 | (10.2) |
| EBITDA Margin | 11.5% | 10.5% | — |
| Operating Profit | 242.9 | 284.9 | (14.7) |

Production Performance

Production of cathodes at our Copper—India business was 313,000 tonnes in FY2009, down 7.7% compared with FY2008 due to planned bi-annual maintenance in the first quarter of FY2009 and an unplanned shut-down to repair damage in the cooling tower structure in Q3 FY2009.

Mined metal production at our Australian mines was broadly in line at 27,000 tonnes in FY2009. CMT supplies c.9% of our total concentrate requirements at the Indian copper smelting operations.

Unit Costs

Net cost of 3.1 USc/lb (INR 3,138 per tonne) in FY2009 was higher than 1.8 USc/lb (INR 1,563 per tonne) in FY2008, largely due to higher power costs in H1 FY2009 and a decline in by-product realisations during H2 FY2009.

Unit CoP at our Australian operations in FY2009 was 140 USc per lb down from 160 USc per lb in FY2008, primarily on account of lower TC-RC paid to the smelter and a reduction in royalty which is LME linked.

TC-RC

Realised TC-RCs for FY2009 were 11.7 USc/lb, down 25.5% compared with FY2008. We were largely insulated from the volatility in the spot market as a large part of our total concentrate requirement was sourced through long term contracts with mines as well as through captive supplies from our Australian mines. Based on long term settlements at better terms and current market conditions, we expect TC-RCs to improve in FY2010.

Sales

Sales in the domestic market was 198,000 tonnes in FY2009, a substantial increase of 26.1% compared with FY2008, giving us better contribution vis-à-vis exports. This increase was primarily due to growth in the domestic electrical and power sector. Exports correspondingly fell to 114,000 tonnes.

Financial Performance

EBITDA for FY2009 was US\$ 293.7 million, down 10.2% compared with FY2008 due to lower by-product realisations in H2 FY2009 and weaker TC-RC realisations during the year. However, EBITDA from allied businesses including phosphoric acid and precious metals contributed US\$65 million to EBITDA, in line with FY 2008.

ZAMBIA

The performance of our Copper—Zambia business in FY2009 is set out below.

| <i>(in US\$ millions, except as stated)</i> | FY2009 | FY2008 | % Change |
|---|----------------|---------------|-----------------|
| Production volumes (in kt) | | | |
| Mined metal content | 81 | 76 | 6.6 |
| Cathode | 133 | 150 | (11.3) |
| Average LME cash settlement prices (US\$ per tonne) | 5,585 | 7,588 | (26.4) |
| Unit costs (US cents per lb) | 258.3 | 191.5 | 34.9 |
| Revenue | 773.1 | 1,103.1 | (29.9) |
| EBITDA | (70.8) | 340.1 | (120.8) |
| EBITDA Margin | (9.2%) | 30.8% | — |
| Operating (Loss) / Profit | (165.9) | 250.6 | (166.2) |

Production Performance

Cathode production at our Copper–Zambia business was 133,000 tonnes in FY2009 compared with 150,000 tonnes in FY2008, lower by 11.3% primarily due to organic contamination in the tailings leach plant in the first quarter of FY2009 and the gradual ramp down of the Nkana smelter in Q3 FY2009 where operating costs are high, in order to facilitate feed to the new Nchanga smelter.

The new Nchanga smelter performed well in February and March 2009. Recovery of sulphur and cobalt in the new smelting process helped to significantly reduce net CoP. In April 2009, there was a leakage in the furnace leading to production disruption. Our technology provider and brick supplier have been engaged in assessing the root cause to provide a robust technical solution. The plant is expected to restart in the first week of May 2009.

Mining output is being increased and sustained in the open pits with pit optimisation and adequate plant to dewater/desilt the mines during the monsoon. External contracting of water removal for certain sections of the mine has played a vital role in the turn around. Mined metal production in FY2009 was 81,000 tonnes, up 6.6% compared with FY2008 due to a series of measures including pre-stripping of open-pit mines, improved underground mine development and better plant availability/refurbishment of equipment. These measures provide increased confidence that we will achieve better production from our mines and consequently from our smelting facilities. We have also identified new areas at Chingola Open Pit A to be mined in FY2010. Further, cobalt mining has started from the Nchanga Open Pit at Cut II. We are optimistic about further enhancing value from this cobalt stream.

Unit Costs

Unit CoP was 258.3 USc per lb in FY2009, up 33% compared with FY2008. Costs in H1 FY2009 were at a historical high on account of higher input costs, higher manpower costs, lower production and a strong Kwacha.

At Konkola, measures including replacement of old compressed air lines and electrical lines have yielded significant improvements in mining operations. Our continued efforts to curtail costs, optimise assets, ramp down high cost operations, renegotiate all contracts for supplies, commodities and logistics and enhance recoveries of cobalt and sulphuric acid, were helped by cost deflation in major inputs. All these steps were further supported by the depreciation of the Zambian kwacha against the US dollar in H2 FY2009. As part of our measures to reduce costs, we have shutdown the high cost Nkana smelter and have also reduced manpower at this operation by 2,000 people to date.

These initiatives helped us in achieving a significant reduction in unit CoP in H2 FY2009 to 222.3 USc per lb. We exited FY2009 with substantially lower unit CoP of approximately 140.0 USc per lb in March 2009.

Financial Performance

We incurred EBITDA losses of US\$ 70.8 million in FY2009 compared with EBITDA profits of US\$ 340.1 million in FY2008, primarily due to increased operating costs in FY2009 (US\$ 69 million), a 26.4% drop in LME prices (US\$ 275 million), lower volumes (US\$ 48 million) and one time inventory write-downs (US\$ 79 million).

Exploration

We have rich deposits at our copper mines, with current reserves and resources of 470 million tonnes of ore at an average grade of 2.5%, equivalent to c.12 million tonnes of copper content. In line with our approach to ensure long mine life in our operations, we plan to soon commence extensive exploration work at KCM and expect to add significant reserves and resources through brown field exploration.

Projects

The new Nchanga smelter is commissioned and is now ramping up. We expect the smelter to achieve its rated capacity by Q2 FY2010. Abundant availability of copper concentrate within the proximity of our plants provides us with an opportunity to engage in custom smelting to supplement the production from our integrated operations.

Construction activity at the Konkola Deeps mine expansion project is progressing well. We achieved a major milestone in Q4 FY2009 by sinking the production shaft to a depth of c.950 metres, supported by a satisfactory orientation between the two sub-shafts. We are on course for mid-shaft commissioning by mid FY2010 by which additional hoisting capacity of about 3 mtpa of ore will become available with the use of one rock winder in one compartment of the shaft. Sinking of the Number 4 shaft to its final depth of 1,490 metres will continue through the other compartment. The remaining infrastructure, including the bottom crusher, loading station, deepening of Number 1 shaft, and the 1,390 metre level pump chamber will be completed by end CY2011.

ZINC

The performance of our Zinc business in FY2009 is set out in the table below.

| <i>(in US\$ millions, except as stated)</i> | FY2009 | FY2008 | % Change |
|---|---------------|---------------|-----------------|
| Production volumes – Zinc (in kt) | | | |
| Mined metal content | 651 | 551 | 18.1 |
| Refined metal | 552 | 426 | 29.6 |
| Production volumes – Lead (in kt) | | | |
| Mined metal content | 84 | 78 | 7.7 |
| Refined metal | 60 | 58 | 3.5 |
| Production volumes – Saleable silver (in m. oz) | 3.38 | 2.58 | 31.0 |
| Sale of commercial power, including wind power (in million units) | 297 | 112 | 165.2 |
| Average LME zinc cash settlement prices (US\$ per tonne) | 1,563 | 2,992 | (47.8) |
| Average LME lead cash settlement prices (US\$ per tonne) | 1,660 | 2,875 | (42.3) |
| Average exchange rate (INR per US\$) | 45.91 | 40.24 | 14.1 |
| Unit costs | | | |
| Zinc (US\$ per tonne) | 710 | 884 | (19.7) |
| Zinc (INR per tonne) | 32,621 | 35,590 | (8.3) |
| Zinc excluding royalties (US\$ per tonne) | 609 | 686 | (11.2) |
| Zinc excluding royalties (INR per tonne) | 27,973 | 27,625 | 1.3 |
| Revenue | 1209.1 | 1,941.4 | (37.7) |
| EBITDA | 605.4 | 1,380.1 | (56.1) |
| EBITDA Margin | 50.1% | 71.1% | - |
| Operating Profit | 548.3 | 1,333.0 | (58.9) |

Production Performance

Mined metal production for zinc and lead from all our mines was 735,000 tonnes in FY2009, up 16.9% over FY2008, primarily as a result of commissioning of the stream III concentrator at the Rampura Agucha mine.

We delivered record refined zinc metal production in FY2009 of 552,000 tonnes, up 29.6% compared with FY2008. Production was higher primarily on account of commissioning the new zinc smelter at Chanderiya in December 2007 and the 88 ktpa de-bottlenecking project. The production of lead during FY2009 was 60,000 tonnes, up 3.5% compared with FY2008.

Production of saleable silver in FY2009 was our highest ever at 3.38 million troy ounces, up 31% compared with FY2008.

Unit Costs

Unit costs of production in FY2009 excluding royalties were lower at US\$ 609 per tonne (INR 27,973 per tonne) compared with US\$ 686 per tonne (INR 27,625 per tonne) in FY2008. Cost performance in Indian rupee terms during the year was impacted by higher input costs, benefit of increased volumes, volatile acid credits and higher coal cost used for captive power plant. The underlying operating performance showed an improving trend with exit CoP (excluding royalties) in March 2009 of US\$593 per tonne (INR 30,380 per tonne) despite lower by-product credits.

Sales

We sold 332,000 tonnes of zinc metal in the domestic markets during FY2009, broadly in line with domestic sales in FY2008. Zinc export sales were 221,000 tonnes in FY2009, up 151.1% from 88,000 tonnes in FY2008. In addition to refined zinc metal, we also sold 76,000 dry metric tonnes of surplus zinc concentrate and 56,000 dry metric tonnes of lead concentrate, in FY2009.

Financial Performance

Despite a 26.4% increase in production volumes and stable operating costs, EBITDA in FY2009 was US\$ 605.4 million, down 56% compared with FY2008 EBITDA of US\$ 1,380.1 million, primarily due to the significant reduction in LME zinc and lead prices by 47.8% and 42.3%, respectively. Higher volumes contributed positively to EBITDA by cUS\$ 130 million whilst lower LME prices reduced EBITDA by cUS\$ 850 million.

Exploration

Ongoing exploration activities at HZL have yielded significant success with the gross addition of 46.3 million tonnes to reserves and resources prior to a depletion of 6.7 million tonnes in FY2009. Contained zinc-lead metal has increased by 4.0 million tonnes, prior to a depletion of 0.7 million tonnes during the same period. Total reserves and resources at 31 March 2009 were 272.0 million tonnes containing 31.5 million tonnes of zinc-lead metal and 713.3 million ounces of silver. The reserves and resources position has been independently reviewed and certified as per the JORC standard.

In FY2009, record annual drilling of 70,300 metres was completed. The success of our exploration efforts has been primarily at the Rampura Agucha and Sindesar Khurd mines. The success of exploration efforts during the year is signified by additions at the Rampura Agucha and Sindesar Khurd mines where we now have a reserve and resource base of 118.7 million tonnes (FY2008: 107.3 million tonnes) and 56.6 million tonnes respectively (FY2008: 37.1 million tonnes).

Projects

We successfully commissioned our 1.0 mtpa stream III concentrator at Rampura Agucha and captive power plant of 80 Mw at Zawar during the year.

Construction activities at the 210,000 tpa zinc smelter and 100,000 tpa lead smelter at Rajpura Dariba 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 for progressive commissioning from mid 2010. At Sindesar Khurd the ramp portal is nearing completion and resources have been mobilised to achieve accelerated mine development.

In line with the Group's philosophy of being a fully self reliant producer of power, a 160MW captive thermal power plant is also being built at Rajpura Dariba. The project is progressing well on schedule.

IRON ORE

The performance of our Iron Ore business in FY2009 is set out in the table below.

| <i>(in US\$ millions, except as stated)</i> | FY2009 | FY2008* |
|---|----------------|----------------|
| Production volumes (kt) | | |
| Saleable ore | 15,986 | 11,469 |
| Pig iron | 217 | 248 |
| Sales volumes (kt) | | |
| Iron ore | 15,103 | 11,287 |
| Pig iron | 224 | 244 |
| Revenue | 1,070.4 | 888.9 |
| EBITDA | 557.1 | 585.6 |
| EBITDA Margin | 52.1% | 65.9% |
| Operating Profit | 348.0 | 420.0 |

* Information is presented for the post acquisition period of 11 months through 31 March 2008 and is not directly comparable with the current period.

Sesa Goa has set itself an ambitious growth vision and has taken several initiatives towards implementing this plan through an accelerated debottlenecking programme, performance improvement measures and capability building with active support from our other Group companies.

Production Performance

Saleable iron ore produced in FY2009 was 15.99 million tonnes, a record for Sesa Goa and an increase of 28.5% over full year production of 12.44 million tonnes in FY2008, primarily attributable to a comprehensive improvement programme to increase the operational efficiencies.

Production of pig iron was 217,000 tonnes in FY2009, lower by 19.9% compared with full year production in FY2008. The fall in production was primarily on account of low off take and consequently only one line was in operation in Q3 FY2009.

Sales

The iron ore market achieved record highs in the early part of the year. There was a steep fall in demand in Q3 FY2009 due to the subdued performance of the global steel industry, with no evidence of a sustained recovery.

Iron ore shipments during the full year FY2009 were 15.10 million tonnes, consistent with the significantly higher production. Due to the impact of the seasonal monsoon in the Goa region, shipments of approximately 10.46 million tonnes were made in the second half of FY2009, consistent with typical shipment patterns. During FY2009, a majority of the production was sold in the spot market due to increased volumes in the year and lower offtake by long term contract buyers.

We sell in global markets with exports to China, Japan, Pakistan and other Asian and European countries. Exports account for nearly 95% of total sales, with the remainder being sold in the domestic market primarily from Orissa. China accounts for nearly 80% of our total exports. The global market for iron ore is expected to remain in surplus in the short to medium term, primarily due to steel mills being operated at reduced capacity. As a result of these market conditions, spot prices of iron ore are expected to remain soft in the short to medium term while long term benchmark price is expected to reduce significantly.

We sold 224,000 tonnes of pig iron in FY2009, consistent with our production, primarily in the domestic market.

Financial Performance

Revenues in FY2009 were US\$ 1,070.4 million with EBITDA of US\$ 557.1 million. Met coke and pig iron businesses contributed EBITDA of \$67.1 million in FY2009. Revenues were higher due to record sales volumes. EBITDA was lower on account of higher costs, lower realisation and hedging losses which more than offset the benefits of higher volumes.

Exploration

In line with the Group's focus on augmenting its resource base, 28,000 meters drilling was carried out at Sesa Goa. We had significant success and increased gross reserves and resources by 57.8 million tonnes, prior to a depletion of 15.8 million tonnes and reduction of 4.7 million tonnes on account of non-renewal of third party mining leases in FY2009. Total reserves and resources at 31 March 2009 were 239.8 million tonnes.

OTHER BUSINESSES

Commercial Energy

Work on the 2,400MW (600MW x 4) green field coal based independent thermal power plant at Jharsuguda, Orissa is progressing well. Design and detailed engineering is completed and most of the equipment for the first unit has been received on site. The boiler drums have been erected and construction of turbine generator decks is complete. The cooling tower and chimney construction to support the first unit are nearing completion. The project is on schedule progressive commissioning from Q4 2009.

In respect of our green energy initiative projects, we have commissioned entire 123.2Mw wind power plants and are working satisfactorily.

OUTLOOK

FY2009 was a tumultuous year for the mining sector which witnessed a period of unprecedented buoyancy in commodity prices in the first half, followed by their sharp fall in the second half. The world witnessed several mine closures, production cutbacks and deferral of projects. Despite such negative market sentiments and a depressed outlook for demand, we remain focused on our basic objectives of achieving a least-cost position and developing low capital cost projects. Our focus, as in the past, has always been to continuously strengthen our competitive position through aggressive cost management, excellent operational efficiencies without sacrificing the long term growth potential of our business. We expect to deliver higher volumes in all our businesses in FY2010 on the back of our expansions, ongoing debottlenecking initiatives and continuous improvement in our operational efficiencies. We expect the situation witnessed in the last six months of many high cost operations globally incurring cash losses to get corrected and also expect the market to stabilise in the near future.

We further expect that our intensified focus on cost control will yield results and that we will derive additional benefits from our ongoing programmes to reduce our operating costs. We also see incremental benefits accruing from higher commercial power sales from our operations at BALCO and MALCO.

We aim to complete our ongoing projects on or ahead of schedule and within budgets. A large part of our production is sold in India, where we see continuous growth in consumption in line with a positive GDP outlook. As is typical of all developing economies, the growth rate of metal consumption in India is expected to be c1.5 times the GDP growth rate.

All these augur well for us and are confident of delivering a good performance in the coming year.

FINANCIAL REVIEW

HIGHLIGHTS

- Revenues of US\$ 6.6 billion and EBITDA of US\$ 1.6 billion
- Free cash flow of US\$ 1.7 billion
- Investment of US\$ 3.0 billion in growth projects
- Strong balance sheet
 - Capital employed of US\$ 7.6 billion
 - Net debt of US\$ 0.2 billion
- Cash and liquid investments of US\$ 4.9 billion
- US\$ 397.1 million share buyback and increase in subsidiary stakes
- Long-term non recourse project finance of US\$ 3.7 billion secured for project pipeline, including US\$2 billion which is subject to final documentation

KEY FINANCIAL PERFORMANCE INDICATORS

| (in \$ million except as stated) | FY2009 | FY2008 | FY2007 | FY2006 | FY2005 |
|--|---------|-----------|---------|----------|--------|
| EBITDA | 1,612.2 | 3,010.4 | 2,703.0 | 1,105.50 | 454.0 |
| Underlying EPS (US Cents per share) | 119.7 | 303.9 | 327.0 | 130.2 | 48.9 |
| Free Cash Flow | 1,709.6 | 2,216.9 | 1,504.2 | 634.8 | 204.4 |
| ROCE (excluding project capital WIP) (%) | 24.4 | 45.6 | 78.5 | 37.9 | 32.0 |
| Net (Cash)/Debt | 200.8 | (2,142.7) | (432.7) | 11.9 | 74.3 |

BALANCE SHEET AND CASH FLOWS

We continue to have a strong balance sheet with capital employed of US\$ 7.6 billion and net debt of US\$ 200.8 million. Net debt comprises US\$ 4,912.6 million of cash and liquid investments offset by debt of US\$ 5,113.4 million. An explanation of the movement from net cash to net debt during the year is provided later in this review.

During the year we raised debt of US\$ 2,208 million of which US\$ 1.25 billion was raised by the parent company and the rest by the subsidiaries. The parent company issued 5 and 10 year bonds totalling US\$ 1.25 billion under difficult market conditions at an average coupon rate of c.9.2%. External debt held by operating subsidiaries rose to US\$ 1,718.3 million at 31 March 2009 compared to US\$ 757.3 million at 31 March 2008. This was due to additional project financing secured by some of our subsidiaries which are engaged in large capacity expansions. We refinanced a US\$ 1 billion loan taken out for the acquisition of Sesa and have increased the tenure of this loan by 4.6 years. At 31 March 2009, our balance sheet gearing was 2.6%.

In FY2009 the Indian rupee, the functional currency of our Indian subsidiaries, depreciated approximately 27.5% against US dollar. A large part of our shareholders' equity is contributed by our Indian subsidiaries. Since our presentation currency is the US dollar, the depreciation of Indian rupee has resulted in a currency translation loss in shareholders' equity (including minority interests) of US\$ 2,195.3 million.

Cash and liquid investments at 31 March 2009 were US\$ 4.9 billion, the majority Indian rupee denominated. Of this, US\$ 380.5 million was cash and cash equivalents and US\$ 4,532.1 million was liquid investments. Cash and cash equivalents include cash and bank balances, short-term deposits with banks and short term highly liquid investments. Liquid investments consist of investments in mutual funds and bank deposits with maturity of more than 90 days. Our policy is to invest only in those funds and banks which have a high credit rating. We place significant emphasis on safety and liquidity of the investments.

The movement in net (debt)/cash in FY2009 is set out below.

| <i>(in US\$ million, except as stated)</i> | FY2009 | FY2008 |
|---|------------------|----------------|
| EBITDA | 1,612.2 | 3,010.4 |
| Operating exceptional items | (31.9) | 11.1 |
| Working capital movements | 620.6 | (53.3) |
| Changes in long term creditors and non-cash items | 104.7 | (19.4) |
| Sustaining capital expenditure* | (306.3) | (256.9) |
| Sale of tangible fixed assets | 7.9 | 2.7 |
| Net interest paid | (208.7) | 33.0 |
| Dividend received | 241.9 | 144.5 |
| Tax paid | (330.8) | (655.2) |
| Free cash flow | 1,709.6 | 2,216.9 |
| Expansion capital expenditure* | (3,021.3) | (1,997.7) |
| Issue of shares by subsidiary | — | 1,969.4 |
| Purchase of fixed assets investments | (85.4) | — |
| Acquisition of minorities | (316.8) | — |
| Acquisitions, net of cash & liquid investments acquired | — | (757.7) |
| Buyback of shares of Vedanta Resources plc | (80.3) | — |
| Sale of non core business | — | 83.1 |
| Dividends paid to equity shareholders | (118.8) | (104.3) |
| Dividends paid to minority shareholders | (56.1) | (53.5) |
| Other movements** | (374.4) | 353.8 |
| Movement in net (debt)/cash | (2,343.5) | 1,710.0 |

*On an accruals basis

**includes foreign exchange movements

Cash generation and conservation are key business drivers and more so in the current economic environment. Free cash flow ("FCF") was US\$ 1.7 billion in FY2009, down 22.7% compared with FCF of US\$ 2.2 billion in FY2008. FCF as a percentage of EBITDA has improved significantly to 106% in FY2009 up from 74% in FY2008. Strong focus on working capital management has resulted in a contribution of US\$ 620.6 million to free cash flow during the year.

Gross working capital, represented by inventory and receivables, reduced from US\$ 2,346.8 million at 31 March 2008 to US\$ 1,644.1 million at 31 March 2009. Gross working capital turnover, a parameter to determine efficiency of working capital management, improved from 3.5 times revenue in FY2008 to 4.0 times revenue in FY2009. Our net working capital, represented by gross working capital less trade and other payables, in FY2009 was approximately negative 4.9% of turnover compared with 4.0% of turnover in FY2008. Some of our subsidiaries, which are not fully integrated operations normally, carry relatively higher working capital levels. These operations manage their working capital effectively by matching their receivable and payable cycles.

Tax outflow reduced to US\$ 330.8 million in FY2009 from US\$ 655.2 million in 2008 partially due to tax effectiveness measures put in place in previous years, the benefit of which has accrued during the year and also due to lower taxable profits.

Of the total interest cost of US\$ 362.2 million in FY2009, US\$ 250.2 million is charged in the income statement and the remainder has been capitalised as a part of our expansion in fixed assets. Interest expense (including capitalised interest) of US\$ 362.2 million is higher than the previous year by US\$ 60.1 million due to an increase in average debt taken to fund expansion projects. Interest rates also increased during the year as a result of tighter liquidity and an increase in credit spreads. Consequently our borrowing rates in FY2009, despite being competitive in the current market environment, were at a rate higher than the average of FY2008.

Sustaining capital expenditure of US\$ 306.3 million in FY2009 is higher than the previous year mainly due to investments to improve operational efficiencies, to modernise our older plants and to meet our health, safety and environmental goals. During H2 FY2009, we have significantly scaled down our sustaining capital expenditure.

We invested US\$ 3.0 billion in expansion projects. We remain committed to completing our expansion projects at or under budget and at or ahead of the estimated timelines.

During the year we reviewed some of our major expansion projects and have deferred spending on some of the projects to remain focused on conserving cash. A large part of the expansion capital expenditure was spent in our aluminium and energy businesses. We have spent US\$ 375 million on the 1.25mtpa Jharsuguda smelter expansion project and US\$ 882 million in the 2,400MW commercial energy project at the same location.

We spent US\$ 397.1 million in buying back shares of Vedanta as well as buying shares in our subsidiaries — KCM, MALCO, Sesa and Sterlite. We continue to look for opportunities to increase our stake in key subsidiaries at attractive prices.

Return on Capital Employed (“ROCE”) in FY2009 was 24.4%, lower than 45.6% in FY2008 due to lower operating profits, largely a factor of lower metal prices during the year. ROCE is an important KPI in our businesses. We accord high priority to capital productivity and we enhance the ratio by optimising asset performance and by minimising capital investment. The operating review has discussed the measures we have taken and the results of these measures in improving our asset performance. We have demonstrated our strong track record of completing our expansion projects on or ahead of schedule as well as within their budget. A good example of the former measure is the significantly higher output of iron ore in FY2009 over FY2008 without incurring any major capital expenditure. ROCE is also affected by the timing of expansion projects being delivered during the year due to the time lag in capturing the full benefit from additional capacities.

CAPITAL RESOURCES AND LIQUIDITY

Our cash and liquid investments of US\$ 4.9 billion provide us with a strong platform to fund our growth projects and other commitments. Our net debt as at 31 March 2009 was US\$ 200.8 million. We continue to generate strong cash flows and generated about US\$ 1.7 billion of FCF during FY2009, of which about US\$ 900 million was generated in H2 FY2009 in which EBITDA was just US\$ 340 million.

Even in the current economic environment, we continue to enjoy strong support from lending institutions due to our operational track record as well as our strong balance sheet. We raised US\$ 1.25 billion in the form of long dated bonds during FY2009 and have recently secured project financing of US\$ 3.7 billion for our aluminium and energy sector expansion projects, including US\$2 billion which is subject to final documentation.

PROJECT CAPITAL EXPENDITURE

| <i>(in US\$ million)</i> | Revised Cost | Spent to 31 March 2009 | Committed but not yet spent | Status |
|-----------------------------------|-------------------------|-----------------------------------|--|------------------------------|
| Lanjigarh I refinery (Alumina) | 1,015.3 | 932.0 | 83.3 | Stream I Completed |
| Jharsuguda I smelter (Aluminium) | 2,112.8 | 2,009.7 | 103.1 | Stream II nearing completion |
| Konkola mine (copper) | 674.0 | 491.3 | 128.3 | In Progress |
| Nchanga smelter (copper) | 470.0 | 431.2 | 10.7 | In Progress |
| Chanderiya smelter (zinc) | 306.5 | 304.8 | 1.7 | In Progress |
| Wind energy | 141.0 | 141.0 | — | In Progress |
| Zinc-lead debottlenecking | 148.5 | 146.7 | 1.8 | Completed |
| Commercial energy | 1,900.0 | 882.2 | 533.1 | In Progress |
| Dariba smelting project (zinc) | 720.0 | 244.3 | 279.2 | In Progress |
| Korba III smelter (aluminium) | 1,820.0 | 297.3 | 415.6 | In Progress |
| Jharsuguda II smelter (Aluminium) | 2,920.0 | 375.1 | 1,286.5 | In Progress |
| Lanjigarh II refinery (alumina) | 1,720.0 | 88.5 | 700.5 | In Progress |
| Grand Total | 13,948.1 | 6,344.1 | 3,543.8 | |

We incurred additional capex in our Lanjigarh I refinery (Alumina), with the originally estimated cost of US\$ 800 million increasing to approximately US \$1,015 million. This was because of adverse exchange rate movements during the year and higher costs incurred on sourcing bauxite from third parties during the trial run period.

Project capital expenditure on the Nchanga smelter has also increased from approximately US\$ 372 million to US\$ 470 million largely due to commissioning delays and consequential higher pre-operative, trial-run expenditure and utilities costs.

Based on the expansion projects currently underway, the capital expenditure required to complete these projects over the next three years is approximately US\$ 7.6 billion.

Our debt maturity now averages 3.5 years. In the next two years, US\$ 1,472.4 million of debt falls due for repayment. Our cash and liquid investments, free cash generation and tied up funds are sufficient to meet our capital and debt commitments.

GROUP RESULTS

Group operating results for FY2009 are set out below.

| <i>(in US\$ million, except as stated)</i> | FY 2009 | FY 2008 | % Change |
|---|----------------|----------------|-----------------|
| Revenue | 6,578.9 | 8,203.7 | (19.8) |
| EBITDA | 1,612.2 | 3,010.4 | (46.4) |
| EBITDA margin (%) | 24.6% | 36.7% | — |
| Operating special items | (31.9) | 11.1 | — |
| Depreciation and amortisation | (473.3) | (429.1) | 10.3 |
| OPERATING PROFIT | 1,107.0 | 2,592.4 | (57.3) |
| Net interest income | 73.9 | 170.8 | (56.7) |
| Profit before taxation | 1,180.9 | 2,763.2 | (57.3) |
| Income tax expense | (280.5) | (757.7) | (63.0) |
| Tax rate (%) | 23.8% | 27.4% | — |
| Minority interest | 681.1 | 1,126.5 | (39.5) |
| Minority interest rate (%) | 75.6% | 56.2% | — |
| Attributable to equity shareholders in parent | 219.3 | 879.0 | (75.1) |
| Basic earning per share (US cents per share) | 76.4 | 305.4 | (75.0) |
| Underlying earning per share (US cents per share) | 119.7 | 303.9 | (60.6) |

We recorded revenues and EBITDA during the year of approximately US\$ 6.6 billion and US\$ 1.6 billion, respectively. Revenues and EBITDA have been discussed in detail in the Business Review.

During the year we decided to discontinue our high cost aluminium operations. Furthermore, due to the non-renewal of the mining lease at one of the third party mines in Sesa Goa, we have impaired the entire carrying value of the mining property value in that location. Impairment losses recognised in the income statement of FY2009 are US\$ 28.9 million and are shown as part of special items.

Net interest income in FY2009 was US\$ 73.9 million compared with US\$ 170.8 million in FY2008. Investment income increased to US\$ 456.2 million in FY2009 from US\$ 321.4 million in FY 2008 as a result of better yield on investments and also due to higher cash generated by many of our Indian subsidiaries. Average cash and cash equivalents and liquid investments increased in FY2009 to US\$ 5,226.7 million up from US\$ 4,572.0 million in FY2008.

Finance costs have also increased to US\$ 250.2 million in FY2009, up from US\$ 150.6 million in FY 2008 due to an increase in average debt levels. Average debt was US\$ 4,370 million in FY2009, up from US\$ 3,198 million in FY2008. During the year, we raised new debt of US\$ 2,208 million mainly to meet our project finance requirements. We had also secured short-term funding facilities from banks to meet working capital requirements of some of our businesses. Our alumina refinery at Lanjigarh was commissioned during the year and the interest expense incurred after commissioning is reflected in the income statement, having been capitalised prior to that date.

During the year, there was unprecedented volatility in foreign currency exchange rates particularly between the Indian rupee and the US dollar. The Indian rupee depreciated against the US dollar by c27.5%. Financial liabilities restated at the closing exchange rates in our Indian subsidiaries resulted in an exchange loss of US\$ 132.0 million in the income statement.

The effective tax rate for FY2009 was 23.8% compared with 27.4% in FY2008, primarily due to efficiencies in tax management in many of our businesses. We made effective use of various tax benefits available in India and such benefits have resulted in lower effective tax rates in some of our major operating subsidiaries including HZL, Sterlite and Sesa. At KCM, a new tax regime was introduced from April 2008. Tax rates applicable to mining companies were increased from 25% to 30% and a new windfall tax was also introduced. Based on our discussions with the government authorities in Zambia, we provided for windfall tax at the rate of 25% above the minimum threshold limit. The amount of windfall tax recognised in FY2009 was US\$ 29 million. We have been engaged in discussions with the Zambian Government on this matter and recently the Zambian Government has announced withdrawal of windfall tax with effect from April 2009.

The current tax rate at KCM has increased to 32.1% in FY2009, up from 22.6% in FY2008 as a result of a change in the profit mix. Higher contribution of profits from units having a higher incidence of current tax together with tax losses in KCM led to the increase in the overall current tax rate.

Basic EPS in FY2009 was 76.4 US cents per share as against 305.4 US cents per share in FY2008 due to lower attributable profits, a result of lower operating profits and a change in profit mix amongst subsidiaries. Underlying EPS, which excludes special items and exchange losses on borrowings in FY2009 was 119.7 US cents per share compared with 303.9 US cents per share in FY2008. Special items include impairment losses of mining reserves at one of our mines.

SHARE BUYBACK AND ACQUISITION OF SUBSIDIARY SHARES

The steep correction in the global equity market valuations has provided us with an opportunity to buy-back shares in the Company and in our individual subsidiaries at attractive valuations. Consequently, during the year we have invested US\$ 80.3 million buying back 9.6 million equity shares or 3.3% of outstanding shares.

We also increased our equity stake in some of our subsidiaries in India under the recently announced scheme of Securities and Exchange Board of India ("SEBI"). In Sterlite Industries (India) Limited, we have increased our equity stake from 59.9% at 31 March 2008 to 60.9% at 31 March 2009. In Sesa Goa Limited, we have increased our equity stake from 51.2% at 31 March 2008 to 52.7% at 31 March 2009. We are in the process of buying back the entire 20% minority stake in The Madras Aluminium Company Limited through a delisting process under SEBI guidelines. The response from the minority shareholders is encouraging and to date our stake has increased to 93.2%, up from 80%.

We also successfully acquired ZCI's 28.4% stake in KCM in April 2008 for \$217.2 million, taking our total shareholding in KCM to 79.4%.

We will continue to evaluate the options of buying back shares in Vedanta. We will also continue to increase our underlying shareholdings in our subsidiaries both under schemes notified by SEBI and through other avenues available to us under the applicable laws.

In respect of our options to acquire the minority stake held by Government of India in BALCO, mediation proceedings as directed by the Delhi High Court did not reach a conclusion and consequently an arbitration process is currently underway. In the case of HZL, we have not yet exercised our call option which became exercisable in April 2007. We are awaiting a response from the Indian Government to our interest in purchasing the entire residual stake of the Government of India in HZL.

We entered into an agreement in May 2008 with Asarco LLC, the third largest copper producer in the United States of America, to purchase substantially all of its operating assets for a total consideration of US\$2.6 billion. Global economic conditions had since deteriorated and with the uncertain outlook for commodity prices, we renegotiated our agreement with ASARCO for a revised consideration of US\$1.7 billion.

RISKS AND UNCERTAINTIES

RISKS AND RISK MANAGEMENT PRACTICES

Our businesses and operations are subject to a variety of risks and uncertainties which are no different from any other company in general and our competitors in particular. Such risks are the result of not only the business environment within which we operate but also of other factors over which we have little or no control. These risks may be categorised between operational, financial, environmental, health and safety, political, market-related and strategic risks. We have well documented and practised risk management policies that act as an effective tool in minimising various risks to which our businesses are exposed to during the course of their day-to-day operations as well as in their strategic actions.

Risks are identified through a formal risk management programme with the active involvement of business managers and senior management personnel at both the subsidiary level as well as at the corporate level. Each significant risk has an 'owner' within the Group at a senior level, and the impact to the Group if a risk materialises and its likelihood of crystallisation is regularly reviewed. A risk register and matrix is maintained, which is regularly updated in consultation with business managers. The risk management process is coordinated by our management assurance function and is regularly reviewed by our Audit Committee. Key business decisions are discussed at the monthly meetings of the Executive Committee and senior managers address risk management issues when presenting initiatives to the Executive Committee. The overall internal control environment and risk management programme is reviewed by our Audit Committee on behalf of the Board.

INTERNAL CONTROLS

A strong internal control culture is pervasive throughout the Group. Regular management assurance visits to our operations and holding companies are undertaken to ensure the Group's high standards of internal control are maintained. The strength of a business's internal control environment forms a component of senior managers' performance appraisals. Further details on the Group's internal control environment are provided in the annual Corporate Governance Report.

TREASURY MANAGEMENT

Our core philosophy in treasury management revolves around three main pillars, namely (a) capital protection, (b) liquidity maintenance, and (c) yield maximisation. Treasury policies are approved by the Board and adherence to these policies is strictly monitored at our Executive Committee meetings. Day-to-day treasury operations of our Group subsidiaries are managed by the respective subsidiary finance teams within the framework of the overall Group treasury policies. Long-term fund raising including strategic treasury initiatives are handled by a central team while short-term funding for routine working capital requirements is delegated to subsidiary companies. Each of our subsidiaries has a strong internal control system including segregation of front office and back office functions with a separate reporting structure. We have a strong system of internal control which enables effective monitoring of adherence to Group policies. The internal control measures are effectively supplemented by regular management assurance audits.

We do not purchase or issue derivative financial instruments for trading or speculative purposes and neither do we enter into complex derivative transactions to manage our treasury and commodity risks. Derivative transactions in both treasury and commodities are normally in the form of forward contracts and interest rate swaps and currency swaps, which are subject to strict guidelines and policies. Interest rate swaps are taken to achieve a balance between fixed rate and floating rate obligations (as described below under 'Interest rate risks') and currency swaps are taken primarily to convert the Group's exposure to non-US dollar currencies into US dollars.

COMMODITY RISKS

Our principal commodities are aluminium, copper, zinc, lead and iron ore. This diversified basket offers a partial hedging mechanism against volatility in the prices of individual commodities.

Of the Group's principal commodities, aluminium, copper, zinc and lead are priced with reference to LME prices. LME prices are influenced by global demand and supply for these metals which in turn is influenced by global economic scenarios, regional growth, infrastructure spending by governments and also by speculative activities.

In the case of iron ore, prices are not linked to any metal exchange but are generally influenced by all the factors enumerated above which is reflected in the benchmark prices agreed between major iron ore suppliers and steel makers. We sell iron ore under annual price contracts as well as at spot prices determined at the time of supplies. Price fluctuations can affect our business assumptions and hence our investment decisions, operational and financial performance.

While the Group aims to achieve average LME prices for a month or for a year, average realised prices may not necessarily reflect the LME price movements because of a variety of reasons including uneven sales during the year. Any fluctuation in the prices of the metals that we produce and sell will have an immediate and direct impact upon the profitability of our businesses.

As a general policy, we aim to sell our products at prevailing market prices. Hedging activity in commodities is undertaken on a strategic basis to a limited degree and is subject to both strict limits laid down by our Board and strictly defined internal controls and monitoring mechanisms. Decisions relating to hedging of commodities are taken at the corporate level and with clearly laid down guidelines for their implementation by the subsidiaries.

Our custom smelting operations of copper at Tuticorin enjoy a natural hedge except to the extent of a possible mismatch in quotational periods between the purchase of copper concentrate and the sale of finished copper. The Group's policy on custom smelting is to generate its margins mainly from TC-RCs, premiums and sale of by-products. Hence quotational period mismatches are actively managed to ensure that the gains or losses are minimised. TC-RCs are a major source of income for the copper smelting operations in India and therefore are susceptible to fluctuations which are influenced by factors such as demand and supply conditions prevailing in the market for mine output. The copper smelting business actively reviews its procurement strategy to strike an appropriate balance between copper concentrate procured at spot TC-RCs and those which are sourced at long-term contractual TC-RCs. Approximately 60% of the copper concentrate consumed in FY2009 came from long-term contracts and the balance from the spot market.

Our Australian mines in Tasmania supply c9% of the concentrate requirement of the custom smelter at Taticorin. This situation adversely impacts the profitability of the copper smelting business particularly at times when TC-RCs exhibit a declining trend. We insulate ourselves by constantly focusing on reducing unit cash costs at our smelting and refining operations.

KCM is largely an integrated copper producer and hence our Group strategy to protect it from copper price fluctuations is to focus on controlling its costs.

Set out below are the key commodity price sensitivities on EBITDA resulting from a change of US\$ 100 per tonne in LME prices.

| | Average market price in FY2009 (US\$/tonne) | Effect on EBITDA of US\$ 100per tonne change in LME (US\$ million) |
|-----------|--|---|
| Copper | 5,885 | 13.9 |
| Aluminium | 2,234 | 39.7 |
| Zinc | 1,563 | 57.9 |
| Lead | 1,660 | 8.9 |

The above sensitivities are based on FY2009 volumes, costs and exchange rates and provide the estimated impact on EBITDA of changes in prices assuming that all other variables remain constant.

POLITICAL, LEGAL, ECONOMIC AND REGULATORY RISKS

Our mining and smelting operations are located in India, Zambia and Australia and our holding and investment companies are located in jurisdictions including the United Kingdom, Mauritius and Cyprus.

The political, legal, fiscal and other regulatory regimes in these countries may result in restrictions such as the imposition or increase in royalties, mining rights, taxation rates, legislation pertaining to repatriation of money and so on. Changes to government policies such as changes in royalty rates, reduction in import tariffs in India, reduction in assistance given by Government of India for exports and reduction or curtailment of income tax benefits available to some of our operations in India and Zambia are some of the examples of risks under this category.

The majority of our Group revenues and profits are derived from commodities sold to customers in India. The performance and growth of our businesses are dependent on the health of the overall Indian economy. Any downturn in the rate of economic growth in India, whether due to political instability or regional conflicts or economic slowdown may have a material adverse effect on demand for the metals produced and sold by us.

We may also be affected by the omissions and commissions of political acts of governments in these countries over which we have no control. We strive to maintain harmonious relationships with the governments in these countries and actively monitor developments in political, regulatory, fiscal and other areas which may have a bearing on our businesses.

RESERVES AND RESOURCES

The ore reserves stated in this report are estimates and represent the quantities of copper, zinc, iron ore, lead and bauxite that we believe could be mined, processed, recovered and sold at prices sufficient to cover the estimated future total costs of production, remaining investment and anticipated additional capital expenditures. Our future profitability and operating margins depend upon our ability to access mineral reserves that have geological characteristics enabling mining at competitive costs. Replacement reserves may not be available when required, or, if available, may not be of a quality capable of being mined at costs comparable to the existing or exhausting mines.

Moreover, these estimates are subject to numerous uncertainties inherent in estimating quantities of reserves and could vary in the future as a result of actual exploration and production results, depletion, new information on geology and fluctuations in production, operating and other costs and economic parameters such as metal prices, smelter treatment charges and exchange rates, many of which are beyond our control. We engage the services of independent experts normally once every three years to ascertain and verify the quantum of reserves and resources including ore grade and other geological characteristics.

DELIVERY OF EXPANSION PROJECTS ON TIME AND WITHIN BUDGET

We have a strong pipeline of green field and brown field expansions projects and we have committed funds for these projects. These projects have achieved various stages of completion. Our plans to generate sufficient cash flows from these projects to repay our long-term debt and our ability to raise further debt are dependent upon the successful completion of these projects on time and under budgeted cost and a faster production ramp up.

Our current and future projects may be significantly delayed by failures to receive regulatory approvals or renewal of approvals in a timely manner, failure to obtain sufficient funding, technical difficulties, human resources constraints, technological or other resource constraints or for other unforeseen reasons, events or circumstances.

As a result, these projects may incur significant cost overruns and may not be completed on time, or at all. We have the necessary resources in all the areas such as technology, financial and human resources and have successfully completed the majority of our Phase I projects on time and below their budgeted costs, demonstrating our ability to manage the successful completion of large green field and brown field projects.

ASSETS USE CONTINUITY AND INSURANCE

Productive assets in use in mining and smelting operations and the associated power plants may face breakdowns in the normal course of operations or due to abnormal events such as fire, explosion, environmental hazards or other natural calamities. Our insurance policies may not cover all forms of risks due to certain exclusions and limitations. It may also not be commercially feasible to cover all such risks.

Consequently, our insurance coverage may not cover all the claims including for environmental or industrial accidents or pollution. We regularly carry out extensive work on the adequacy of our insurance coverage by engaging consultants and specialists and decide on the optimal levels of insurance coverage typical of our industry in India, Zambia and Australia.

SAFETY, HEALTH AND ENVIRONMENT RISKS

We are engaged in mining activities which are inherently hazardous and any accident or explosion may cause personal injury or death, property damage or environmental damage at or to its mines, smelters, refineries or related facilities and also to communities that live near the mines and plants.

Such incidents may not only result in expensive litigation, damage claims and penalties but also cause loss of reputation. We also operate in Zambia which has a high incidence of HIV/AIDS – a threat to economic development. We accord very high priority to safety, health and environment matters.

OPERATIONAL RISKS

Our operations are subject to conditions and events beyond our control that could, among other matters, increase our mining, transportation or production costs, disrupt or halt operations at our mines and production facilities for varying lengths of time or even permanently. These conditions and events include disruptions in mining and production due to equipment failures, unexpected maintenance problems and other interruptions, non-availability of raw materials of appropriate quantity and quality for our energy requirements, disruptions to or increased cost of transport services or strikes and industrial actions or disputes. While many of these risks are beyond our control, we have adequate and competent experience in these areas and have consistently demonstrated our ability to actively manage these problems proactively.

It is our policy to realise market prices for our commodities and therefore the profitability of our operations is dependent upon our ability to produce metals at a low cost which in turn is a factor of our commercial efficiencies and higher volumes. Prices of many of our input materials are influenced by a variety of factors including demand and supply as well as inflation.

Increase in the cost of such input materials would adversely impact our competitiveness. We have consistently demonstrated our ability to manage our costs and some of our operations have costs situated in the lowest quartile of the cost curve. We have a strong commercial function and we identify the best opportunities for cost reduction and quickly implement them. We are highly focused on costs and volumes and all operational efficiencies and cost efficiencies are discussed regularly at the business review meetings as well as at the Group Executive Committee meetings. As metal prices have started reducing in the recent months, we have been able to quickly adapt ourselves to the changing market conditions and reduce our costs significantly.

FINANCIAL RISKS AND SENSITIVITIES

Within the areas of financial risk, our Board has approved policies which embrace liquidity, currency, interest rate, counterparty and commodity risks.

Liquidity Risks

We require funds both for short-term operational needs as well as for long-term investment programmes mainly in growth projects. The recent global financial crisis has significantly restricted the supply of credit. Banks and financial institutions have tightened lending norms. If this situation continues, our ability to raise funds and at attractive rates may be significantly impacted.

We aim to minimise this risk by generating sufficient cash flows from our current operations which in addition to available cash and cash equivalents and liquid financial asset investments and sufficient committed funding facilities will provide liquidity both in the short-term as well as in the long-term. At 31 March 2009, we had cash and liquid investments of US\$ 4.9 billion as well as US\$ 1.9 billion of committed funding facilities from our lenders. Long-term borrowings are supplemented by short- to medium-term project finance wherever required.

Our balance sheet is strong and gives us sufficient headroom for raising further debt should the need arise. We generally maintain a healthy debt-equity ratio as well as retain the flexibility in our financing structure to alter this ratio when the need arises.

Our contractual cash obligations excluding the convertible bond (on an undiscounted basis) by remaining maturity of our financial liabilities arising in the ordinary course of business at 31 March 2009 are set out below.

| Remaining maturities (in US\$ million) | < 1 year | 1-2 years | 2-5 years | > 5 years | Total |
|---|--------------------|------------------|------------------|---------------------|----------------|
| Bank and other borrowings | 1,284.8 | 173.9 | 1,626.2 | 1,412.2 | 4,497.1 |
| Capital commitments | 2,413.7 | 1,260.3 | — | — | 3,674.0 |
| Total | 3,698.5 | 1,434.2 | 1,626.2 | 1,412.2 | 8,171.1 |

At 31 March 2009, we had access to funding facilities of US\$ 7,024.3 million of which US\$ 1,909.5 million was yet to be drawn as set out below.

| Funding facilities (in US\$ million) | Total facility | Drawn | Yet to be drawn |
|---|-----------------------|----------------|------------------------|
| Less than 1 year | 3,204.4 | 1,298.5 | 1,905.9 |
| 1-2 years | 173.9 | 173.9 | — |
| 2-5 years and above | 3,645.9 | 3,642.5 | 3.4 |
| Total | 7,024.2 | 5,114.9 | 1,909.3 |

The financial statements have been prepared in accordance with the going concern basis of accounting. The use of this basis of accounting takes into consideration the Group's current and forecast financing position.

Currency Risks

Our presentation currency is the US dollar. A majority of our assets are located in India where the Indian rupee is the functional currency for our subsidiaries. Operating costs are influenced by the currencies of those countries where our Group's mines and plants are located. A majority of our mines and plants are located in India and hence the Indian rupee is the currency in which most of our costs are incurred and whose fluctuation may have a significant impact on our financial results. Currency exposures also exist in the nature of capital expenditure and services denominated in currencies other than the Indian rupee. KCM's functional currency is the US dollar with its cost base having a mix of the Zambian kwacha and the US dollar.

Our Group borrowings are predominantly denominated in US dollars while a large portion of cash and liquid investments are held in other currencies, mainly in the Indian rupee. Some financial assets and liabilities are not held in the functional currency of the respective subsidiary.

We also hold some intra-Group balances in currencies which are not the functional currency of the respective subsidiary and hence the Group is exposed to movements in the functional currency of those entities and the currencies in which these balances are held.

Consequently, currency fluctuations may have a large impact on our Group financial results. We are subject to currency risks affecting the underlying cost base in the operating subsidiary companies and also the translation of unit cash costs, income statement and the balance sheet (including non-US dollar denominated borrowings) in the consolidated financial statements, where the functional currency is not the US dollar.

Foreign currency exposures are managed through a Group-wide hedging policy. The policy is reviewed periodically to ensure that the risk from fluctuating currency exchange rates is appropriately managed. Natural hedges available in the business are identified at each entity level and hedges are placed only for the net exposure.

Short-term net exposures are hedged progressively based on their maturity. A more conservative approach has been adopted for project expenditures to avoid budget overruns. Longer-term exposures are not hedged. Stop-loss and take-profit triggers are implemented to protect us from adverse market movements, while at the same time enabling us to take advantage of favourable market opportunities.

Key foreign currency sensitivities on EBITDA resulting from a 10.0% movement in exchange rates are set out in the table below.

| <i>(in US\$ million)</i> | Closing US dollar exchange rate as at 31 March 2009 | Average US dollar exchange rate in FY2009 | Impact of a 10% movement in currency on EBITDA |
|--------------------------|---|---|--|
| CURRENCY | | | |
| Indian Rupee | 50.95 | 45.91 | 265.6 |
| Australian Dollar | 35.02 | 36.14 | 8.2 |
| Zambian Kwacha | 5,622 | 4,196 | 54.0 |

The above sensitivities are based on FY 2009 volumes, costs and prices and give the estimated impact on EBITDA of changes in exchange rates assuming that all other variables remain constant.

Interest Risks

At 31 March 2009, our net debt of approximately US\$ 201 million comprised cash and liquid investments of US\$ 4.9 billion offset by debt of US\$ 5.1 billion.

We are exposed to the interest rate risk on short-term and long-term floating rate instruments and also on the refinancing of fixed rate debt. Our policy is to maintain a balance of fixed and floating interest rate borrowings. The proportion of fixed and floating rate debt is determined by current market interest rates. As at 31 March 2009, 49.3% of our total debt was at a fixed rate and the balance was at a floating rate.

Our floating rate debt is largely linked to the US dollar LIBOR. We also aim to minimise the average interest rates on our borrowings by opting for a higher proportion of long-term debt mainly to fund our growth projects. We have entered into cross currency interest rate swaps in order to convert fixed rate US dollar borrowings to floating rate US dollar borrowings. Cash and liquid investments are invested in short-term deposits and debt mutual funds to achieve the triple goal of maintaining liquidity, carrying insignificant risk and achieving satisfactory returns. A majority of our investments of surplus cash is of short duration and is influenced by movements in interest rates.

Considering our net debt position at 31 March 2009 and our investments in bank deposits and debt mutual funds, any decrease in interest rates would result in a net gain and any increase in interest rates would result in a net loss. Based on our gross debt as at 31 March 2009, with all other variables remaining constant, a one percentage point increase in the US dollar LIBOR would impact our profit before tax by US\$ 25.9 million.

An analysis of the weighted average interest rates for debt and cash and current asset investments as at 31 March 2009 is given in the table below.

| | Interest Paid fixed % | Investment income average yield % |
|-----------------|-----------------------|-----------------------------------|
| CURRENCY | | |
| Indian Rupee | 10.6% | 11.1% |
| US Dollar | 7.7% | 2.4% |

Some of the investments above generate a tax free return.

Counterparty Risks

We are exposed to counterparty credit risks on our investments and receivables. We have clearly defined policies to mitigate counterparty risks. Cash and liquid investments are held primarily in mutual funds and banks with good credit ratings. Emphasis is given to the security of investments. Limits are defined for exposure to individual counterparties in the case of mutual fund houses and banks. Most of the surplus cash is invested in banks and mutual funds in India where there is a well developed financial market. We also review the underlying investment portfolio of mutual fund houses to ensure that indirect exposures or latent exposures are minimised.

A large majority of receivables due from third parties are secured either through advance receipt of money or by use of trade financial instruments such as letters of credit. Moreover, given the diverse nature of our businesses, trade receivables are spread over a number of customers with no significant concentration of credit risk. Our history of the collection of trade receivables shows a negligible provision for bad and doubtful debts. Therefore we do not expect any material risk on account of non-performance by any of the counterparties.

EMPLOYEES

People are one of our key assets and we derive our ability to maintain our competitive position from them. Therefore, people in general and key personnel in particular leaving the organisation is a risk. Additionally, our inability to recruit and retain good talent would adversely affect us.

Our vision is to build a fast, flexible and flat organisation with world class capabilities and a high performance culture across all of our businesses. We believe in nurturing leaders from within and providing opportunities for growth across all levels and geographies. We have robust processes and systems in place for leadership development, training and growth to deliver value to the organisation and society.

We provide superior rewards for outstanding performance and have a long term incentive plan which covers a large number of employees in the group. A large proportion of our workforces are members of a trade union. We actively communicate and enter into dialogue with our workforce and believe in maintaining a positive atmosphere by being proactive with respect to resolution of labour issues.

Consolidated Income Statement

| <i>\$ million</i> | Note | Year ended 31 March 2009 | Year ended 31 March 2008 |
|---|------|-----------------------------|-----------------------------|
| Continuing operations | | | |
| Revenue | 2 | 6,578.9 | 8,203.7 |
| Cost of sales | | (5,136.1) | (5,317.8) |
| Gross profit | | 1,442.8 | 2,885.9 |
| Other operating income | | 115.9 | 86.8 |
| Distribution costs | | (163.0) | (170.1) |
| Administrative expenses | | (256.8) | (221.3) |
| Special items | 3 | (31.9) | 11.1 |
| Operating profit | 2 | 1,107.0 | 2,592.4 |
| Investment revenue | 4 | 456.2 | 321.4 |
| Finance costs | 5 | (250.2) | (150.6) |
| Net Exchange (losses)/gains on borrowings and capital creditors | 6 | (132.0) | - |
| Profit before taxation | | 1,181.0 | 2,763.2 |
| Tax expense | 7 | (280.5) | (757.7) |
| Profit for the year | | 900.5 | 2,005.5 |
| Attributable to: | | | |
| Equity holders of the parent | | 219.4 | 879.0 |
| Minority interests | | 681.1 | 1,126.5 |
| | | 900.5 | 2,005.5 |
| <hr/> | | | |
| Basic earnings per ordinary share (US Cents) | 8 | 76.4 | 305.4 |
| Diluted earnings per ordinary share (US Cents) | 8 | 75.8 | 286.7 |

Consolidated Balance Sheet

| <i>\$ million</i> | Note | As at 31 March 2009 | As at 31 March 2008 |
|--|--------|------------------------|------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Goodwill | | 12.2 | 13.3 |
| Property, plant and equipment | | 9,348.4 | 8,354.5 |
| Financial asset investments | | 91.6 | 30.0 |
| Other non-current assets | | 21.4 | 29.8 |
| Other financial assets (derivatives) | | 52.8 | 95.0 |
| Deferred tax assets | | 11.2 | 15.1 |
| | | 9,537.6 | 8,537.7 |
| Current assets | | | |
| Inventories | | 909.3 | 1,298.8 |
| Trade and other receivables | | 735.0 | 1,048.0 |
| Other current financial assets (derivatives) | | 82.0 | 44.9 |
| Liquid investments | | 4,532.1 | 4,648.5 |
| Cash and cash equivalents | | 380.5 | 458.2 |
| | | 6,638.9 | 7,498.4 |
| TOTAL ASSETS | | 16,176.5 | 16,036.1 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Short term borrowings | 10, 11 | (1,298.5) | (1,417.2) |
| Trade and other payables | | (1,967.7) | (2,018.4) |
| Other current financial liabilities (derivatives) | | (114.7) | (23.3) |
| Provisions | | (6.9) | (27.3) |
| Current tax liabilities | | (47.6) | (33.5) |
| | | (3,435.4) | (3,519.7) |
| Net current assets | | 3,203.5 | 3,978.7 |
| Non-current liabilities | | | |
| Medium and long term borrowings | 10, 11 | (3,212.3) | (956.0) |
| Convertible bonds | 11 | (604.1) | (600.9) |
| Trade and other payables | | (76.4) | (0.2) |
| Other financial liabilities (derivatives) | | (59.7) | (83.7) |
| Deferred tax liabilities | | (1,010.6) | (1,380.8) |
| Retirement benefits | | (29.3) | (42.5) |
| Provisions | | (165.5) | (185.2) |
| Non equity minority interests | | (11.9) | (59.4) |
| | | (5,169.8) | (3,308.7) |
| TOTAL LIABILITIES | | (8,605.2) | (6,828.4) |
| NET ASSETS | | 7,571.3 | 9,207.7 |
| EQUITY | | | |
| Share capital | | 28.9 | 28.8 |
| Share premium account | | 21.1 | 20.0 |
| Share based payment reserves | | 14.0 | 15.6 |
| Convertible bond reserve | | 111.5 | 115.7 |
| Hedging reserves | | (39.6) | (9.1) |
| Other reserves | | 1,168.9 | 1,932.6 |
| Treasury shares | | (80.3) | - |
| Retained earnings | | 1,888.1 | 1,743.5 |
| Equity attributable to equity holders of the parent | | 3,112.6 | 3,847.1 |
| Minority interests | | 4,458.7 | 5,360.6 |
| TOTAL EQUITY | | 7,571.3 | 9,207.7 |

Approved by the Board on 6 May 2009

Anil Agarwal

Chairman

Consolidated Cash Flow Statement

| <i>\$ million</i> | Note | Year ended 31 March 2009 | Year ended 31 March 2008 |
|---|-----------|-----------------------------|-----------------------------|
| Operating activities | | | |
| Profit before taxation | | 1,181.0 | 2,763.2 |
| Adjustments for: | | | |
| Depreciation | | 473.2 | 429.1 |
| Investment revenues | | (456.2) | (321.4) |
| Finance costs, including foreign exchange | | 382.2 | 150.6 |
| Profit on disposal of property, plant and equipment | | - | (0.3) |
| Profit on disposal of subsidiary | | - | (29.8) |
| Share based payment charge | | 13.1 | 12.8 |
| Inventory net realisable value write down | | 79.0 | - |
| Other non-cash items | | 12.6 | (2.0) |
| Operating cash flows before movements in working capital | | 1,684.9 | 3,002.2 |
| Decrease(increase) in inventories | | 69.9 | (276.0) |
| Decrease(increase) in receivables | | 167.9 | (64.7) |
| Increase in payables | | 383.9 | 287.4 |
| Cash generated from operations | | 2,306.6 | 2,948.9 |
| Dividends received | | 241.9 | 144.5 |
| Interest income received | | 130.2 | 112.7 |
| Interest paid | | (399.9) | (213.7) |
| Income taxes paid | | (330.8) | (655.2) |
| Dividends paid | | (118.8) | (104.3) |
| Net cash from operating activities | | 1,829.2 | 2,232.9 |
| Cash flows from investing activities | | | |
| Acquisition of subsidiary | | - | (990.4) |
| Cash acquired with subsidiary | | - | 4.5 |
| Net proceeds on disposal of subsidiary | | - | 83.4 |
| Cash disposed of with subsidiary | | - | (0.3) |
| Purchases of property, plant and equipment | | (2,799.6) | (1,744.8) |
| Proceeds on disposal of property, plant and equipment | | 7.9 | 2.7 |
| Dividends paid to minority interests of subsidiaries | | (56.1) | (53.5) |
| Increase in liquid investments | | (961.9) | (3,617.2) |
| Buyback of shares | | (80.3) | - |
| Buyout of minority interest | | (316.8) | - |
| Purchase of financial asset investments | | (85.4) | (0.1) |
| Net cash used in investing activities | | (4,292.2) | (6,315.7) |
| Cash flows from financing activities | | | |
| Issue of ordinary shares | | 0.1 | 0.1 |
| Increase in short term borrowings | | 209.0 | 1,100.4 |
| Increase/ (decrease) in long-term borrowings | | 1,999.1 | (150.1) |
| Proceeds from issue of shares to minority interests of subsidiaries | | - | 1,969.4 |
| Net cash from financing activities | | 2,208.2 | 2,919.8 |
| Net decrease in cash and cash equivalents | | (254.8) | (1,163.0) |
| Effect of foreign exchange rate changes | | 177.1 | 36.4 |
| Cash and cash equivalents at beginning of year | | 458.2 | 1,584.8 |
| Cash and cash equivalents at end of year | 11 | 380.5 | 458.2 |

Consolidated Statement of Changes in Equity

| <i>\$ million</i> | Attributable to equity holders of the Company | | | | | | | | | Total equity |
|---|---|---------------|------------------------------|--------------------------|------------------|-----------------|-------------------|----------------|--------------------|----------------|
| | Share capital | Share premium | Share based payment reserves | Convertible bond reserve | Hedging reserves | Other reserves* | Retained earnings | Total | Minority interests | |
| At 1 April 2007 | 28.8 | 18.7 | 7.3 | 119.5 | (29.7) | 661.0 | 1,521.3 | 2,326.9 | 1,824.5 | 4,151.4 |
| Profit for the period | - | - | - | - | - | - | 879.0 | 879.0 | 1,126.5 | 2,005.5 |
| Acquisition of a subsidiary | - | - | - | - | - | - | - | - | 963.0 | 963.0 |
| Disposal of a subsidiary | - | - | - | - | - | - | - | - | (9.7) | (9.7) |
| Conversion of convertible bond | - | 1.3 | - | (0.2) | - | - | - | 1.1 | - | 1.1 |
| Convertible bond transfers | - | - | - | (3.6) | - | - | 3.6 | - | - | - |
| KCM call option | - | - | - | - | - | (213.2) | - | (213.2) | - | (213.2) |
| Sterlite ADR offering *** | - | - | - | - | - | - | 698.5 | 698.5 | 1,270.9 | 1,969.4 |
| Exchange differences on translation of foreign operations | - | - | - | - | 1.1 | 228.9 | - | 230.0 | 222.8 | 452.8 |
| Transfers ** | - | - | - | - | - | 1,259.1 | (1,259.1) | - | - | - |
| Movement in fair value of cash flow hedges | - | - | - | - | 19.5 | - | - | 19.5 | 17.2 | 36.7 |
| Movement in fair value of financial investments | - | - | - | - | - | (3.2) | - | (3.2) | (1.1) | (4.3) |
| Dividends paid | - | - | - | - | - | - | (104.3) | (104.3) | (53.5) | (157.8) |
| Exercise of LTIP /STIP awards | - | - | (4.5) | - | - | - | 4.5 | - | - | - |
| Recognition of share based payment | - | - | 12.8 | - | - | - | - | 12.8 | - | 12.8 |
| At 31 March 2008 | 28.8 | 20.0 | 15.6 | 115.7 | (9.1) | 1,932.6 | 1,743.5 | 3,847.1 | 5,360.6 | 9,207.7 |

Consolidated Statement of Changes in Equity

| <i>\$ million</i> | Attributable to equity holders of the Company | | | | | | | | | | Total equity |
|---|---|---------------|-----------------|------------------------------|--------------------------|------------------|-----------------|-------------------|----------------|-------------------|----------------|
| | Share capital | Share premium | Treasury Shares | Share based payment reserves | Convertible bond reserve | Hedging reserves | Other reserves* | Retained earnings | Total | Minority interest | |
| At 1 April 2008 | 28.8 | 20.0 | - | 15.6 | 115.7 | (9.1) | 1,932.6 | 1,743.5 | 3,847.1 | 5,360.6 | 9,207.7 |
| Profit for the period | - | - | - | - | - | - | - | 219.4 | 219.4 | 681.1 | 900.5 |
| Conversion of convertible bond | - | 1.1 | - | - | (0.2) | - | - | - | 0.9 | - | 0.9 |
| Convertible bond transfers | - | - | - | - | (4.0) | - | - | 4.0 | - | - | - |
| KCM call option | - | - | - | - | - | - | 213.2 | 63.8 | 277.0 | (233.1) | 43.9 |
| Exchange differences on translation of foreign operations | - | - | - | - | - | 4.6 | (1,023.8) | - | (1,019.2) | (1,176.1) | (2,195.3) |
| Transfers ** | - | - | - | - | - | - | 59.7 | (59.7) | - | - | - |
| Movement in fair value of cash flow hedges | - | - | - | - | - | (35.1) | - | - | (35.1) | 6.0 | (29.1) |
| Movement in fair value of financial investments | - | - | - | - | - | - | (12.8) | - | (12.8) | - | (12.8) |
| Dividends paid | - | - | - | - | - | - | - | (118.8) | (118.8) | (56.1) | (174.9) |
| Exercise of LTIP /STIP awards | 0.1 | - | - | (14.7) | - | - | - | 14.7 | 0.1 | - | 0.1 |
| Purchase of Treasury Shares | - | - | (80.3) | - | - | - | - | - | (80.3) | - | (80.3) |
| Additional Investment in Subsidiaries | - | - | - | - | - | - | - | 21.2 | 21.2 | (123.7) | (102.5) |
| Recognition of share based payment | - | - | - | 13.1 | - | - | - | - | 13.1 | - | 13.1 |
| At 31 March 2009 | 28.9 | 21.1 | (80.3) | 14.0 | 111.5 | (39.6) | 1,168.9 | 1,888.1 | 3,112.6 | 4,458.7 | 7,571.3 |

* Other reserves comprise:

| | Currency translation reserve | Merger reserve | Investment revaluation reserve | General reserve | Other | Total |
|---|---------------------------------|----------------|-----------------------------------|-----------------|----------------|----------------|
| At 1 April 2007 | 48.7 | 4.4 | 3.4 | 604.5 | - | 661.0 |
| Exchange differences on translation of foreign operations | 228.9 | - | - | - | - | 228.9 |
| Revaluation of available-for-sale investments | - | - | (3.2) | - | - | (3.2) |
| KCM call option | - | - | - | - | (213.2) | (213.2) |
| Transfer from retained earnings ** | - | - | - | 1,259.1 | - | 1,259.1 |
| At 31 March 2008 | 277.6 | 4.4 | 0.2 | 1,863.6 | (213.2) | 1,932.6 |
| Exchange differences on translation of foreign operations | (1,023.8) | (0.9) | - | - | - | (1,023.8) |
| Revaluation of available-for-sale investments | - | - | (12.8) | - | - | (12.8) |
| KCM call option | - | - | - | - | 213.2 | 213.2 |
| Transfer from retained earnings ** | - | - | - | 59.7 | - | 59.7 |
| At 31 March 2009 | (746.2) | 3.5 | (12.6) | 1,923.3 | - | 1,168.9 |

** Under Indian law, a general reserve is created through a year-on-year transfer from the income statement. The purpose of these transfers is to ensure that distributions in a year are less than the total distributable results for the year. The general reserve becomes fully distributable in future periods.

*** In June 2007, Sterlite listed on the New York Stock Exchange and raised \$ 2,016.0 million (before expenses). The offering resulted in a reduction of Vedanta's shareholding in Sterlite from 75.98% to 59.87%. This reduction has not resulted in any change in control and hence Sterlite continues to be consolidated in Vedanta's consolidated financial statements. This reduction has been accounted in Vedanta's consolidated financial statements as an equity transaction. The carrying amount of the minority interest has been adjusted to reflect the change in Vedanta's interest in Sterlite's net assets. The difference between the amount by which the minority interest is adjusted and the net consideration received of \$1,969.4 million is recognised directly in equity and attributed to equity holders of Vedanta.

Notes to Preliminary Announcement

1. General information and accounting policies

This preliminary results announcement is for the year ended 31 March 2009. The announcement, including all comparatives has been prepared using the accounting policies consistent with the 2008 and 2009 audited financial statements.

Compliance with applicable law and IFRS

The financial statements have been prepared in accordance with those parts of the Companies Act 1985 applicable to companies reporting under IFRS, Article 4 of the IAS Regulation and International Financial Reporting Standards (IFRS) as adopted by the European Union and related interpretations.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2009 or 2008, but is derived from those accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s237(2) or (3) Companies Act 1985.

The financial information has been prepared in accordance with the going concern basis of accounting. The use of this basis of accounting takes into consideration the Group's current and forecast financing position, additional details of which are provided in the Risks and Uncertainties - Liquidity Risks section of the Finance Review.

2. Segment information

The Group's primary format for segmental reporting is business segments. The business segments consist of aluminium, copper, zinc and iron ore, with residual components being reported as "Other" (mainly energy). Business segment data includes an allocation of certain directly attributable corporate costs, allocated on an appropriate basis. The risks and returns of the Group's operations are primarily determined by the nature of the different activities in which the Group is engaged. Inter-segment sales are charged based on prevailing market prices. The Group's activities are organised on a global basis.

(a) Business segments

The following tables present revenue and profit information and certain asset and liability information regarding the Group's business segments for the years ended 31 March 2009 and 2008.

| Year ended 31 March 2009 \$ million | Continuing Operations | | | | | | Total Operations |
|--|-----------------------|----------------|----------------|----------------|-------------|--------------|---------------------|
| | Aluminium | Copper | Zinc | Iron Ore | Other | Elimination | |
| REVENUE | | | | | | | |
| Sales to external customers | 937.1 | 3,311.0 | 1,209.1 | 1,070.4 | 51.3 | - | 6,578.9 |
| Inter-segment sales | 4.4 | 3.2 | - | - | - | (7.6) | - |
| Segment revenue | 941.5 | 3,314.2 | 1,209.1 | 1,070.4 | 51.3 | (7.6) | 6,578.9 |
| RESULT | | | | | | | |
| Segment result before special items | 117.2 | 80.0 | 548.3 | 376.9 | 17.6 | - | 1,140.0 |
| Special items (note 3) | - | (3.0) | - | (28.9) | - | - | (31.9) |
| Segment result after special items | 117.2 | 77.0 | 548.3 | 348.0 | 17.6 | - | 1,108.1 |
| Unallocated corporate expenses | | | | | | | (1.1) |
| OPERATING PROFIT | | | | | | | 1,107.0 |
| Net finance income | | | | | | | 74.0 |
| PROFIT BEFORE TAXATION | | | | | | | 1,181.0 |
| Tax expense | | | | | | | (280.5) |
| PROFIT FOR THE YEAR | | | | | | | 900.5 |
| ASSETS AND LIABILITIES | | | | | | | |
| Segment assets | 4,718.4 | 4,282.9 | 3,129.9 | 2,471.0 | 1,103.7 | - | 15,705.9 |
| Unallocated assets | | | | | | | 470.6 |
| TOTAL ASSETS | | | | | | | 16,176.5 |
| Segment liabilities | (3,020.7) | (1,819.6) | (303.7) | (1,657.1) | (317.6) | - | (7,118.7) |
| Unallocated liabilities | | | | | | | (1,486.5) |
| TOTAL LIABILITIES | | | | | | | (8,605.2) |
| Other segment information | | | | | | | |
| Additions to property, plant and equipment | 1,841.4 | 618.8 | 294.6 | 27.1 | 545.7 | - | 3,327.6 |
| Depreciation | (80.2) | (142.8) | (57.1) | (180.2) | (12.9) | - | (473.2) |

| Year ended 31 March 2008 \$ million | Continuing Operations | | | | | | Total Operations |
|--|-----------------------|----------------|----------------|--------------|-------------|--------------|------------------|
| | Aluminium | Copper | Zinc | Iron Ore | Other | Elimination | |
| REVENUE | | | | | | | |
| Sales to external customers | 1,140.2 | 4,221.9 | 1,941.4 | 888.9 | 11.3 | - | 8,203.7 |
| Inter-segment sales | 2.5 | - | - | - | - | (2.5) | - |
| Segment revenue | 1,142.7 | 4,221.9 | 1,941.4 | 888.9 | 11.3 | (2.5) | 8,203.7 |
| RESULT | | | | | | | |
| Segment result before special items | 307.0 | 535.5 | 1,333.0 | 420.0 | (4.3) | - | 2,591.2 |
| Special items | - | - | - | - | 11.1 | - | 11.1 |
| Segment result after special items | 307.0 | 535.5 | 1,333.0 | 420.0 | 6.8 | - | 2,602.3 |
| Unallocated corporate expenses | | | | | | | (9.9) |
| OPERATING PROFIT | | | | | | | 2,592.4 |
| Net finance income | | | | | | | 170.8 |
| PROFIT BEFORE TAXATION | | | | | | | 2,763.2 |
| Tax expense | | | | | | | (757.7) |
| PROFIT FOR THE YEAR | | | | | | | 2,005.5 |
| ASSETS AND LIABILITIES | | | | | | | |
| Segment assets | 3,773.9 | 4,981.8 | 3,305.5 | 3,140.3 | 552.6 | - | 15,754.1 |
| Unallocated assets | | | | | | | 282.0 |
| TOTAL ASSETS | | | | | | | 16,036.1 |
| Segment liabilities | (1,944.0) | (1,920.7) | (338.8) | (1,849.8) | (138.8) | - | (6,192.1) |
| Unallocated liabilities | | | | | | | (636.3) |
| TOTAL LIABILITIES | | | | | | | (6,828.4) |
| OTHER SEGMENT INFORMATION | | | | | | | |
| Additions to property, plant and equipment | 1,086.8 | 533.3 | 376.0 | 29.1 | 229.4 | - | 2,254.6 |
| Depreciation | (73.8) | (131.7) | (47.1) | (165.6) | (10.9) | - | (429.1) |

(b) EBITDA* by segment

| | Year ended 31 March 2009 \$ million | Year ended 31 March 2008 \$ million |
|-------------------------------|---|---|
| Aluminium | 196.1 | 380.7 |
| Copper | 222.9 | 667.3 |
| - India/Australia | 293.7 | 327.2 |
| - Zambia | (70.8) | 340.1 |
| Zinc | 605.4 | 1,380.1 |
| Iron Ore | 557.1 | 585.6 |
| Other | 30.7 | (3.3) |
| EBITDA | 1,612.2 | 3,010.4 |
| Depreciation | (473.3) | (429.1) |
| Special items | (31.9) | 11.1 |
| Group operating profit | 1,107.0 | 2,592.4 |

* EBITDA represents operating profit before special items, depreciation and amortisation

(c) Geographical segmental analysis

The Group's operations are located in India, Zambia and Australia. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

| | Year ended 31 March 2009 \$ million | Year ended 31 March 2008 \$ million |
|--------------|---|---|
| Far East | 836.5 | 2,013.8 |
| India | 3,348.8 | 3,796.2 |
| Africa | 138.9 | 127.6 |
| Europe | 116.8 | 239.5 |
| Middle East | 763.1 | 1,188.5 |
| Asia Others* | 1,324.3 | 688.3 |
| Other | 50.5 | 149.8 |
| Total | 6,578.9 | 8,203.7 |

* includes China & Korea

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

| | Carrying amount of segment assets | | Additions to property, plant and equipment | |
|--------------|--------------------------------------|--------------------------------------|--|---|
| | As at 31 March 2009 \$ million | As at 31 March 2008 \$ million | Year ended 31 March 2009 \$ million | Year ended 31 March 2008 \$ million |
| Australia | 81.8 | 224.5 | 3.5 | 2.2 |
| India | 13,694.5 | 14,019.0 | 2,664.0 | 1,743.8 |
| Zambia | 1,803.4 | 1,484.6 | 578.5 | 507.6 |
| Other | 596.8 | 308.0 | 81.6 | 1.0 |
| Total | 16,176.5 | 16,036.1 | 3,327.6 | 2,254.6 |

3. Special items

| | Year ended 31 March 2009 \$ million | Year ended 31 March 2008 \$ million |
|--|---|---|
| Profit on disposal of subsidiary* | - | 29.8 |
| Losses in respect of obligation to associate | (3.0) | (18.7) |
| Impairment of Mining Reserves** | (28.9) | - |
| | (31.9) | 11.1 |

* Relates to the disposal of Sterlite Gold.

** The impairment of mining reserves relates to mines at Sesa Goa operated on a lease basis which have expired and are considered unlikely to be renewed.

4. Investment revenue

| | Year ended 31 March 2009 \$ million | Year ended 31 March 2008 \$ million |
|---|---|---|
| Interest income on loans and receivable | 27.9 | 26.7 |
| Interest income on cash and bank balances | 72.2 | 50.5 |
| Change in fair value of financial assets held for trading | 34.0 | 75.8 |
| Profit on disposal of financial assets held for trading | 27.5 | 52.5 |
| Dividend income on financial assets held for trading | 241.9 | 144.5 |
| Expected return on defined benefit arrangements | 2.0 | 2.2 |
| Foreign exchange gain / (loss) on cash and liquid investments | 61.0 | (18.5) |
| Capitalisation of interest income* | (10.3) | (12.3) |
| | 456.2 | 321.4 |

* Capitalisation of interest income relates to the income from temporary surplus funds, specifically borrowed to attain a qualifying asset.

5. Finance costs

| | Year ended 31 March 2009 \$ million | Year ended 31 March 2008 \$ million |
|--|---|---|
| Interest on bank loans and overdrafts | 289.6 | 203.2 |
| Interest on convertible bonds | 37.2 | 36.9 |
| Interest on financial liability measured at fair value | 34.5 | 47.8 |
| Interest on other loans | 26.9 | 8.1 |
| Total Interest cost | 388.2 | 296.0 |
| Unwinding of discount on provisions | 4.2 | 5.6 |
| Unwinding of discount on KCM deferred consideration | - | 0.2 |
| Interest on defined benefit arrangements | 7.7 | 6.0 |
| Change in fair value of financial liabilities measured at fair value | (5.5) | 21.6 |
| Gain arising on qualifying hedges | (32.4) | (29.0) |
| Loss on non-qualifying hedges | - | 1.7 |
| Capitalisation of borrowing costs* | (112.0) | (151.5) |
| | 250.2 | 150.6 |

* Borrowing costs capitalised relates to funds borrowed specifically for the purpose of obtaining a qualifying asset.

6. Net Exchange losses/(gains) on borrowings and capital creditors

| | Year ended 31 March 2009 \$ million | Year ended 31 March 2008 \$ million |
|---|---|---|
| Exchange losses/(gains) on borrowings and capital creditors | 458.1 | (81.0) |
| Less: Qualifying borrowing costs capitalised | (326.1) | 81.0 |
| | 132.0 | - |

7. Tax

| | Year ended 31 March 2009 \$ million | Year ended 31 March 2008 \$ million |
|---|---|---|
| Current tax: | | |
| UK Corporation tax | - | - |
| Foreign tax | | |
| - India | 323.0 | 603.3 |
| - Zambia | 30.1 | 1.0 |
| - Australia | 20.5 | 19.4 |
| - Other | 5.7 | - |
| | 379.3 | 623.7 |
| Deferred tax: | | |
| Current year movement in deferred tax | (98.8) | 108.7 |
| Attributable to increase in the rate of Zambian corporation tax | - | 25.3 |
| | (98.8) | 134.0 |
| Total tax expense | 280.5 | 757.7 |
| Effective tax rate | 23.8% | 27.4% |

Deferred tax recycled from equity to income statement is a credit of \$4.8 million (2008: charge of \$23.0 million).

8. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and the Group's Convertible Bond).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

| | Year ended 31 March 2009 \$ million | Year ended 31 March 2008 \$ million |
|---|---|---|
| Net profit attributable to equity holders of the parent | 219.4 | 879.0 |

| | Year ended 31 March 2009 | Year ended 31 March 2008 |
|---|-----------------------------|-----------------------------|
| Weighted average number of ordinary shares for basic earnings per share | 287.2 | 287.8 |
| Effect of dilution: | | |
| Convertible bonds | - | 27.9 |
| Share options | 2.2 | 3.8 |
| Adjusted weighted average number of ordinary shares for diluted earnings per share | 289.4 | 319.5 |

Earnings per share based on profit for the year

| | Year ended 31 March 2009 | Year ended 31 March 2008 |
|---|-----------------------------|-----------------------------|
| Basic earnings per share on the profit for the year | | |
| Profit for the year attributable to equity holders of the parent (\$ million) | 219.4 | 879.0 |
| Weighted average number of shares of the Company in issue (million) | 287.2 | 287.8 |
| Earnings per share on profit for the year (US cents per share) | 76.4 | 305.4 |

| | Year ended 31 March 2009 | Year ended 31 March 2008 |
|---|-----------------------------|-----------------------------|
| Diluted earnings per share on the profit for the year | | |
| Profit for the year attributable to equity holders of the parent (\$ million) | 219.4 | 879.0 |
| Adjustment in respect of convertible bonds of Vedanta (\$ million) | - | 36.9 |
| Profit for the year after dilutive adjustment (\$ million) | 219.4 | 915.9 |
| Adjusted weighted average number of shares of the Company in issue (million) | 289.4 | 319.5 |
| Diluted earnings per share on profit for the year (US cents per share) | 75.8 | 286.7 |

During the year ended 31 March 2009, 535,350 options issued under the Long Term Incentive Plan were converted to equity shares pursuant to vesting and exercise of the options (2008: 564,894 options). Also during the year ended 31 March 2009, 42,452 shares were issued on conversion of a portion of the convertible bond (2008: 50,169 shares). The issue of these shares has been included in determining the 2009 weighted average number of shares.

Profit for the year would be increased if holders of the convertible bonds in Vedanta exercised their right to convert their bond holdings into Vedanta equity. The impact on profit for the year of this conversion would be the reduction in interest payable on the convertible bond.

The outstanding awards under the LTIP are reflected in the diluted EPS figure through an increased number of weighted average shares. The conversion feature of the Convertible Bonds was anti dilutive in the current year and has therefore been omitted from the calculation of the diluted EPS.

There have been no other material transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

Earnings per share based on Underlying Profit for the year

The Group's Underlying Profit is the profit for the year after adding back special items, exchange losses on borrowings and capital creditors and their resultant tax and minority interest effects, as shown in the table below:

| | Note | Year ended 31 March 2009 \$ million | Year ended 31 March 2008 \$ million |
|--|------|---|---|
| Profit for the year attributable to equity holders of the parent | | 219.4 | 879.0 |
| Special items | 4 | 31.9 | (11.1) |
| Exchange losses on borrowings and capital creditors | | 132.0 | - |
| Minority interest effect of special items and exchange losses | | (39.5) | 6.9 |
| Underlying Profit for the year | | 343.8 | 874.8 |

| | Year ended 31 March 2009 | Year ended 31 March 2008 |
|--|-----------------------------|-----------------------------|
| Basic earnings per share on Underlying Profit for the year | | |
| Underlying profit for the year (\$ million) | 343.8 | 874.8 |
| Weighted average number of shares of the Company in issue (million) | 287.2 | 287.8 |
| Earnings per share on Underlying Profit for the year (US cents per share) | 119.7 | 303.9 |

| | Year ended 31 March 2009 | Year ended 31 March 2008 |
|--|-----------------------------|-----------------------------|
| Diluted earnings per share on Underlying Profit for the year | | |
| Underlying profit for the year (\$ million) | 343.8 | 874.8 |
| Adjustment in respect of convertible bonds of Vedanta (\$ million) | | 36.9 |
| Underlying profit for the year after dilutive adjustment (\$ million) | 343.8 | 911.7 |
| Adjusted weighted average number of shares of the Company (million) | 289.4 | 319.5 |
| Diluted earnings per share on Underlying Profit for the year (US cents per share) | 118.8 | 285.4 |

9. Dividends

| | Year ended 31 March 2009 \$ million | Year ended 31 March 2008 \$ million |
|--|---|---|
| Amounts recognised as distributions to equity holders: | | |
| Equity dividends on ordinary shares: | | |
| Final dividend for 2007-08 : 25 US cents per share (2006-07 : 20 US cents per share) | 71.8 | 57.5 |
| Interim dividend paid during the year : 16.5 US cents per share (2007-08 : 16.5 US cents per share) | 47.0 | 46.8 |
| | 118.8 | 104.3 |
| Proposed for approval at AGM | | |
| Equity dividends on ordinary shares: | | |
| Final dividend for 2008-09: 25US cents per share (2007-08: 25 US cents per share) | 69.8 | 72.0 |

10. Borrowings

| | As at 31 March 2009 \$ million | As at 31 March 2008 \$ million |
|--|--------------------------------------|--------------------------------------|
| Bank loans | 2,483.3 | 1,710.0 |
| Bonds | 1,812.4 | 615.9 |
| Other loans | 215.1 | 47.3 |
| Total | 4,510.8 | 2,373.2 |
| Borrowings are repayable as: | | |
| Within one year (shown as current liabilities) | 1,298.5 | 1,417.2 |
| In the second year | 173.9 | 104.6 |
| In two to five years | 1,626.2 | 826.2 |
| After five years | 1,412.2 | 25.2 |
| Total borrowings | 4,510.8 | 2,373.2 |
| Less: payable within one year | (1,298.5) | (1,417.2) |
| Medium and long term borrowings | 3,212.3 | 956.0 |

At 31 March 2009, the Group had available US\$ 1,909.4 million (2008: \$1,426.5 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

11. Movement in Net Debt (1)

| US\$ million | Cash and cash equivalents | Debt due within one year | | Debt due after one year | | Liquid investments | Total Net Debt |
|----------------------------------|---------------------------|--------------------------|-----------------------------|-------------------------|-----------------------------|--------------------|----------------|
| | | Debt carrying value | Debt-related derivatives(2) | Debt carrying value | Debt-related derivatives(2) | | |
| At 1 April 2007 | 1,584.8 | (249.1) | (7.1) | (1,477.7) | (18.6) | 600.4 | 432.7 |
| Cash flow | (1,167.2) | (1,100.4) | - | 150.1 | - | 3,617.2 | 1,499.7 |
| Cash acquired with subsidiary | 4.5 | (2.0) | - | - | - | 230.2 | 232.7 |
| Cash disposed of with subsidiary | (0.3) | - | - | - | - | - | (0.3) |
| Other non-cash changes(3) | - | (35.8) | 5.9 | (202.7) | 29.9 | 75.8 | (126.9) |
| Foreign exchange differences | 36.4 | (29.9) | - | (26.6) | - | 124.9 | 104.8 |
| At 1 April 2008 | 458.2 | (1,417.2) | (1.2) | (1,556.9) | 11.3 | 4,648.5 | 2,142.7 |
| Cash flow | (254.8) | (209.0) | - | (1,999.1) | - | 961.9 | (1,501.0) |
| Other non-cash changes (3) | - | - | 9.6 | (341.3) | (18.2) | 33.3 | (316.6) |
| Foreign exchange differences | 177.1 | 327.7 | - | 80.9 | - | (1,111.6) | (525.9) |
| At 31 March 2009 | 380.5 | (1,298.5) | 8.4 | (3,816.4) | (6.9) | 4,532.1 | (200.8) |

(1) Net (debt)/ cash being total debt after fair value adjustments under IAS 32 and 39 as reduced by cash and cash equivalents and liquid investments.

(2) Debt related derivatives exclude derivative financial assets and liabilities relating to commodity contracts and forward foreign currency contracts.

(3) Other non-cash changes comprises of \$341.3 million (2008: \$205 million) of project buyers credit obtained from banks, for which there is no cash movement as it represents the refinancing of amounts previously owed to suppliers and hence previously excluded from debt. It also includes \$33.3 million (2008 \$ 75.8 million) of fair value movement in investments. A movement of \$8.6 million (2008: \$ 35.8) which pertains to fair value of debt related derivatives is also included in other non-cash changes.

GLOSSARY AND DEFINITIONS

5S

A Japanese concept laying emphasis on housekeeping and occupational safety in a sequential series of steps as Sort (Seiri); Set in Order (Seiton); Shine (Selso); Standardise (Seiketsu); and Sustain (Shitsuke)

Adapted Comparator Group

The new comparator group of companies used for the purpose of comparing TSR performance in relation to the LTIP, adopted by the Remuneration Committee on 1 February 2006 and replacing the previous comparator group comprising companies constituting the FTSE Worldwide Mining Index (excluding precious metals)

AGM or Annual General Meeting

The annual general meeting of the Company which is scheduled to be held on Wednesday 2 August 2006 at 3.00pm, UK time, at the Mayfair Conference Centre, 17 Connaught Place, London W2 2EL

AE

Anode effects

AGRC

Ararat Gold Recovery Company incorporated in Armenia, engaged in gold mining and processing

AIDS

Acquired immune deficiency syndrome

Aluminium Business

The aluminium business of the Group, comprising its fully-integrated bauxite mining, alumina refining and aluminium smelting operations in India, and trading through Vedanta Aluminium Limited, the Bharat Aluminium Company Limited and the Madras Aluminium Company Limited, companies incorporated in India

Articles of Association

The articles of association of Vedanta Resources plc

Attributable Profit

Profit for the financial year before dividends attributable to the equity shareholders of Vedanta Resources plc

BALCO

Bharat Aluminium Company Limited, a company incorporated in India

Board or Vedanta Board

The board of directors of the Company

Board Committees

The committees reporting to the Board: Audit, Remuneration, Nominations, and Health, Safety and Environment, each with its own terms of reference

Businesses

The Aluminium Business, the Copper Business and the Zinc Business together

Capital Employed

Net assets before Net (Debt)/Cash

Capex

Capital expenditure

Cash Tax Rate

Current taxation as a percentage of profit before taxation

CEO

Chief executive officer

CII

Confederation of Indian Industries

CLZS

Chanderiya lead and zinc smelter

CO2

Carbon dioxide

CMT

Copper Mines of Tasmania Pty Limited, a company incorporated in Australia

Combined Code or the Code

The Combined Code on Corporate Governance published by the Financial Reporting Council in June 2006.

Company or Vedanta

Vedanta Resources plc

Company financial statements

The audited financial statements for the Company for the year ended 31 March 2009 as defined in the Independent Auditors' Report on the individual Company Financial Statements to the members of Vedanta Resources plc

Convertible Bonds

\$725 million 4.60% guaranteed convertible bonds due 2026, issued by a wholly-owned subsidiary of the Company, Vedanta Finance (Jersey) Limited ('VFJL'), and guaranteed by the Company, the proceeds of which are to be applied towards re-financing subsidiary indebtedness, the Company's capital expenditure programme including the Jharasaguda aluminium smelter project and other general corporate purposes

Copper Business

The copper business of the Group, comprising:

- a copper smelter, two refineries and two copper rod plants in India, trading through Sterlite Industries (India) Limited, a company incorporated in India;
- one copper mine in Australia, trading through Copper Mines of Tasmania Pty Limited, a company incorporated in Australia; and
- an integrated operation in Zambia consisting of three mines, a leaching plant and a smelter, trading through Konkola Copper Mines PLC, a company incorporated in Zambia

CREP

Corporate responsibility for environmental protection

Cents/lb

US cents per pound

CRRI

Central Road Research Institute

CSR

Corporate social responsibility

CTC

Cost to company, the basic remuneration of executives in India, which represents an aggregate figure encompassing basic pay, pension contributions and allowances

CY

Calendar year

Deferred Shares

Deferred shares of £1.00 each in the Company

DGMS

Director General of Mine Safety in the Government of India

Directors

The Directors of the Company

Dollar or \$

United States dollars, the currency of the United States of America

DRs

Depository receipts of 10 US cents, issuable in relation to the \$725 million 4.6% guaranteed convertible bonds due 2026

EBITDA

Earnings before interest, taxation, depreciation, goodwill amortisation/impairment and special items

EBITDA Margin

EBITDA as a percentage of turnover

Economic Holdings or Economic Interest

The economic holdings/interest are derived by combining the Group's direct and indirect shareholdings in the operating companies. The Group's Economic Holdings/Interest is the basis on which the Attributable Profit and net assets are determined in the consolidated accounts

E&OHSAS

Environment and occupational health and safety assessment standards

E&OHSMS

Environment and occupational health and safety management system

EPS

Earnings per ordinary share

ESOP

Employee share option plan

ESP

Electrostatic precipitator

Executive Committee

The Executive Committee to whom the Board delegates operational management and comprising the Executive Directors and the senior management within the Group

Executive Directors

The Executive Directors of the Company

Expansion Capital Expenditure

Capital expenditure that increases the Group's operating capacity

Financial Statements or Group financial statements

The consolidated financial statements for the Company and the Group for the year ended 31 March 2009 as defined in the Independent Auditors' Report to the members of Vedanta Resources plc

Free Cash Flow

Cash flow arising from EBITDA after net interest (including gains on liquid investments and adjusted for net interest capitalised), taxation, Sustaining Capital Expenditure and working capital movements

FY

Financial year

GAP , including UK GAP and Indian GAAP

Generally Accepted Accounting Principles, the common set of accounting principles, standards and procedures that companies use to compile their financial statements in their respective local territories

GDP

Gross domestic product

Gearing

Net Debt as a percentage of Capital Employed

GJ

Giga joule

Government or Indian Government

The Government of the Republic of India

Gratuity

A defined contribution pension arrangement providing pension benefits consistent with Indian market practices

Group

The Company and its subsidiary undertakings and, where appropriate, its associate undertaking

HSE

Health, safety and environment

HZL

Hindustan Zinc Limited, a company incorporated in India

IAS

International Accounting Standards

ICMM

International Council on Mining and Metals

IFL

India Foils Limited, a company incorporated in India

IFRI C

International Financial Reporting Interpretations Committee

IFRS

International Financial Reporting Standards

INR

Indian Rupees

Interest Cover

EBITDA divided by finance costs

ISO 9001

An international quality management system standard published by the International Organisation for Standardisation

ISO 14001

An international environmental management system standard published by the International Organisation for Standardisation

KCM or Konkola Copper Mines

Konkola Copper Mines PLC, a company incorporated in Zambia

KDMP

Konkola deep mining project

Key Result Areas or KRA s

For the purpose of the remuneration report, specific personal targets set as an incentive to achieve short-term goals for the purpose of awarding bonuses, thereby linking individual performance to corporate performance

KLD

Kilo litres per day

KPI s

Key performance indicators

Kwh

Kilo-watt hour

Kwh/d

Kilo-watt hour per day

LIBOR

London inter bank offered rate

Listing or IPO (Initial Public Offering)

The listing of the Company's ordinary shares on the London Stock Exchange on 10 December 2003

Listing Particulars

The listing particulars dated 5 December 2003 issued by the Company in connection with its Listing

Listing Rules

The listing rules of the Financial Services Authority, with which companies with securities that are listed in the UK must comply

LME

London Metals Exchange

London Stock Exchange

London Stock Exchange plc

Lost time injury

An accident/injury forcing the employee/contractor to remain away from his/her work beyond the day of the accident

LTIFR

Lost time injury frequency rate: the number of lost time injuries per million man hours worked

LTIP

The Vedanta Resources Long-Term Incentive Plan or Long-Term Incentive Plan

MALCO

The Madras Aluminium Company Limited, a company incorporated in India

Management Assurance Services

The function through which the Group's internal audit activities are managed

MAT

Minimum alternative tax

MIS

Management information system

MOEF

The Ministry of Environment & Forests of the Government of the Republic of India

mt or tonnes

Metric tonnes

MW

Megawatts of electrical power

NCCBM

National Council of Cement and Building Materials

Net (Debt)/Cash

Total debt after fair value adjustments under IAS 32 and 39, cash and cash equivalents and liquid investments

NGO

Non-governmental organisation

NIHL

Noise induced hearing loss

Non-executive Directors

The Non-Executive Directors of the Company

OHSAS 18001

Occupational Health and Safety Assessment Series (standards for occupational health and safety management systems)

Ordinary Shares

Ordinary shares of 10 US cents each in the Company

PBT

Profit before tax

PFC

Per fluorocarbons

PH C

Primary health centre

PPE

Personal protective equipment

Provident Fund

A defined contribution pension arrangement providing pension benefits consistent with Indian market practices

Recycled water

Water released during mining or processing and then used in operational activities

Relationship Agreement

The agreement dated 5 December 2003 between the Company, Volcan Investments Limited and members of the Agarwal family that regulates the ongoing relationship between them, the principal purpose of which is to ensure that the Group is capable of carrying on business independently of Volcan, the Agarwal family and their associates

Return on Capital Employed or ROCE

Profit before interest, taxation, special items, tax effected at the Group's effective tax rate as a percentage of Capital Employed

The Reward Plan

The Vedanta Resources Share Reward Plan, a closed plan approved by shareholders on Listing in December 2003 and adopted for the purpose of rewarding employees who contributed to the Company's development and growth over the period leading up to Listing in December 2003

RO

Reverse osmosis

SA 8000

Standard for Social Accountability based on international workplace norms in the International Labour Organisation ('ILO') conventions and the UN's Universal Declaration of Human Rights and the Convention on Rights of the Child

Senior Management Group

For the purpose of the remuneration report, the key operational and functional heads within the Group

Sesa Goa

Sesa Goa Limited, a company incorporated in India engaged in the business of mining iron ore

SEWT

Sterlite Employee Welfare Trust, a long-term investment plan for Sterlite senior management

The Share Option Plan

The Vedanta Resources Share Option Plan, a closed plan approved by shareholders on Listing in December 2003 and adopted to provide maximum flexibility in the design of incentive arrangements over the long term

SHGs

Self help groups

SID

Senior Independent Director

SO₂

Sulphur dioxide

SBU

Strategic Business Unit

SOTL

Sterlite Optical Technologies Limited, a company incorporated in India

SOVL

Sterlite Opportunities and Ventures Limited, a company incorporated in India

Special items

Items which derive from events and transactions that need to be disclosed separately by virtue of their size or nature

SPM

Suspended particulate matter. Fine dust particles suspended in air

Sterling, GBP or £

The currency of the United Kingdom

Sterlite

Sterlite Industries (India) Limited, a company incorporated in India

Sterlite Energy Limited (SEL)

Sterlite Energy Limited, a company incorporated in India

Sterlite Gold

Sterlite Gold Limited, a company incorporated in Canada which has its main subsidiary in Armenia

Superannuation Fund

A defined contribution pension arrangement providing pension benefits consistent with Indian market practices

Sustaining Capital Expenditure

Capital expenditure to maintain the Group's operating capacity

TCM

Thalanga Copper Mines Pty Limited, a company incorporated in Australia

TC-RC

Treatment charge/refining charge being the terms used to set the smelting and refining costs

TGS

Tail gas scrubber

TGT

Tail gas treatment

tpa

Metric tonnes per annum

TPM

Tonne per month

TSR

Total shareholder return, being the movement in the Company's share price plus reinvested dividends

Turnbull Guidance

The revised guidance on internal control for directors on the Combined Code issued by the Turnbull Review Group in October 2005

Twin Star

Twin Star Holdings Limited, a company incorporated in Mauritius

Twin Star Holdings Group

Twin Star and its subsidiaries and associated undertaking

Underlying EPS

Underlying earnings per ordinary share

Underlying Profit

Profit for the year after adding back special items and exchange losses on borrowings and capital creditors and their resultant tax and minority interest effects

US cents

United States cents

VAL

Vedanta Alumina Limited, a company incorporated in India

VFD

Variable frequency drive

VFJL

Vedanta Finance (Jersey) Limited, a company incorporated in Jersey

VFL

Visible felt leadership

Volcan

Volcan Investments Limited, a company incorporated in the Bahamas

VRCL

Vedanta Resources Cyprus Limited, a company incorporated in Cyprus

VRFL

Vedanta Resources Finance Limited, a company incorporated in the United Kingdom

VRHL

Vedanta Resources Holdings Limited, a company incorporated in the United Kingdom

VSS

Vertical Stud Söderberg

Water Used for Primary Activities

Total new or make-up water entering the operation and used for the operation's primary activities; primary activities are those in which the operation engages to produce its product

WBCSD

World Business Council for Sustainable Development

ZCI

Zambia Copper Investment Limited, a company incorporated in Bermuda

ZCCM

ZCCM Investments Holdings plc, a company incorporated in Zambia

Zinc Business

The zinc-lead business of the Group, comprising its fully-integrated zinc-lead mining and smelting operations in India, and trading through the Hindustan Zinc Limited, a company incorporated in India