

Chairman's Statement

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cash flow has positioned us well to deliver in these unprecedented markets. This has enabled us to continue to grow production and invest in our industry-leading growth programme. With this background, I am delighted that Vedanta is once again proposing an increase in its final dividend to 275 US cents per share, a 10% increase compared to FY 2009.

Financial Performance

We delivered strong results in 2010, which once again benefited from our low cost position, diversified revenues and record production growth across all our businesses. Revenues rose by 21% to US\$7.9 billion and EBITDA rose by 42% to US\$2.3 billion during the year. Basic earnings per share increased 187% to US\$2.20.

We generated a healthy US\$1.8 billion of free cash flow, representing 79% of EBITDA. Our balance sheet and liquidity remains strong. During the year we raised US\$4.2 billion of long-term capital through a mix of debt and equity to refinance debt maturities and for general corporate purposes. Gearing as at 31 March 2010 was 7.5%, net debt was US\$0.9 billion and our Group cash position, including liquid investments, was US\$7.2 billion. We remain committed to retaining investment grade credit metrics.

Organic Growth and Operational Performance

FY 2010 was an outstanding year. Production grew across all commodities, costs were kept under control, and we made excellent progress with our organic growth programme.

During the year we spent US\$3.5 billion on our organic expansion programme. In Q4 Hindustan Zinc commissioned the 1 mtpa zinc concentrator and 210 ktpa zinc smelter, becoming the largest integrated producer of zinc in the world with capacity of 1.064

I am delighted to report another excellent set of results in a challenging year for our industry and the global economy. The 2010 financial year began with developed markets in recession and commodity prices and industrial demand at multi-year lows. Emerging markets – especially India and China – proved more resilient to the economic downturn, with continued economic and metals consumption growth.

The large and coordinated stimulus from governments globally has secured greater stability in financial markets and a return to economic growth. Commodity prices and industrial demand have recovered and we enter the 2011 financial year with much greater optimism to when we entered 2010.

Our structurally low cost position across commodities, excellent liquidity and strong

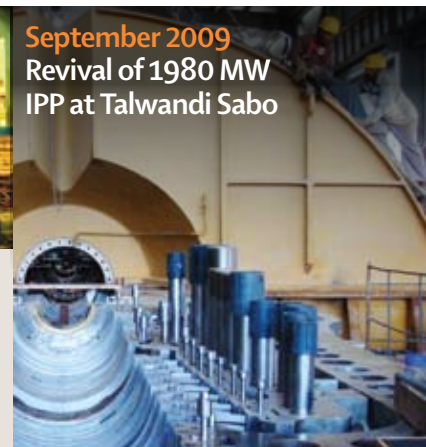
Our Year in Review

June 2009
Sesa Goa acquires Dempo Group's Goa mining assets



July 2009
Sterlite follow on ADR – raised US\$1.1 billion

September 2009
Revival of 1980 MW IPP at Talwandi Sabo



mtpa. KCM achieved a significant milestone by commissioning the mid-shaft loading station ('MSL') in March 2010. The MSL commissioning is a significant milestone towards KDMP expansion and will result in an increase in the hoisting capacity of the mine. At Jharsuguda, production ramp up and commissioning of the balance pots of the 500 ktpa aluminium smelter is progressing well. We are also making good progress at our other aluminium projects.

We also announced a number of additional projects to increase capacity across our businesses. A doubling of our copper custom smelting capacity at Tuticorin to 800 ktpa with associated 160 MW power plant will further reduce our costs and put us amongst the lowest quartile cost custom smelters in the world. We revived the 1,980 MW thermal power plant project at Talwandi Sabo in the state of Punjab to take advantage of the exciting opportunities offered by the power sector in India. Earlier in the year we also announced iron ore mine production expansion to 50 mtpa, placing us on course to become one of the top five iron ore producers in the world. We are on track to increase production progressively over next two to three years through a combination of increased mining and logistics capacity enhancement initiatives. Additionally we initiated our 375 ktpa pig iron expansion project.

The tragic collapse of a power plant chimney that was under construction at BALCO through our subcontractor SEPCO was an unfortunate incident and investigations have revealed this was caused by severe thunderstorms and lightning. We have taken immediate steps to compensate and support the affected families, and strengthened monitoring and systems at our project sites to ensure this does not happen in the future.

Acquisitions

During the year we expanded and consolidated our Iron Ore business by acquiring VS Dempo ('VSD'), one of the largest exporters of iron ore in Goa. VSD's Goa mining assets include processing plants, barges, jetties, transhippers and loading capacities at Mormugoa port. Our results have benefited in terms of record iron ore production and I am pleased to report that we are also benefiting from synergies at Sesa Goa.

Dividend and Share Buyback

We remain committed to our progressive dividend policy. The Board has recommended a final dividend of 27.5 US cents per share, an increase of 10% which will be paid on 4 August 2010 to shareholders on the register at 9 July 2010. This takes the total dividend for the year to 45 US cents per share, an increase of 8.4%.

We continue to look for opportunities to enhance shareholder value by buying back shares and increasing our stake in key subsidiaries at attractive prices. We spent US\$549 million in buying back shares of Vedanta and our subsidiaries, invested a further US\$111 million in preference shares of a subsidiary and increased Vedanta's buyback programme from US\$350 million to US\$825 million during the year.

Sustainability

Vedanta has a long standing commitment to sustainable development, and we believe that business today has greater responsibility than ever before to enhance society's overall well being. We continue to proactively foresee social and environmental factors that will be influencing our businesses in the long-term and prepare for those changes now, so that we can emerge as a more effective and stronger company.

We have a track record of exceeding our own performance year on year in energy and water usage, recycling and reuse of waste innovatively, and engaging and working with communities towards building a sustainable business. Ensuring the safety of all our employees is a key priority for us, and the Board remains focused on improving the performance in this crucial area. We have also remained focused on actively engaging with our key stakeholders, enhancing our reporting and increasing transparency. As we expand our footprint globally, we will continue to build on our strong legacy in the sustainability space.

Outlook

The recovery in demand and commodity prices appears well-founded and the medium- and long-term outlook for our commodities remains strong. We are well placed to benefit from a sustained recovery given our structurally low cost position, presence in growing economies and the organic growth programme. Our priorities are focused on delivering a significant increase in capacity across our businesses and strengthening our low cost position. We are both optimistic and well placed for the future.

Finally on behalf of the Board I would like to thank our over 30,000 employees who have contributed to the excellent performance during the year. Our unrivalled growth and delivery at benchmark standards will help us maintain sustainable growth and maximise shareholder value.

Anil Agarwal

Chairman
5 May 2010



October 2009
Announced 400 ktpa copper expansion with 160 MW CPP at Tuticorin

November 2009
Announced Iron Ore expansion to 50 mtpa



March 2010
Commissioned 210 ktpa zinc smelter and 1mtpa concentrator
Completed KDMP mid shaft loading at KCM