Chairman's Statement
Anil Agarwal

"We have a proven track record of consistently growing our reserves and resources ('R&R') organically in our mining operations and this year our exploration activities resulted in the addition of significant R&R in our Zinc India, Copper and Iron Ore operations.

Following Government approval to allow exploration in development areas, we recommenced drilling at our Rajasthan oil & gas operations to realise its basin potential of 300,000 bopd, and already achieved an early discovery in April, the 26th in the block."

Vedanta has delivered a set of strong results driven by production ramp-ups and continued cost control across our well-diversified portfolio of Tier-1 assets against a backdrop of challenging economic conditions and volatile commodity prices. With growth in free cash flow generation to US$3.5 billion, and positive free cash flow after capex, we reduced our net debt by US$1.5 billion and maintained a progressive dividend. We also achieved exploration success during the year and our focus remains to consistently create long-term value for shareholders.

Strong position in growth markets
Global growth and commodity demand remains volatile and emerging markets continue to be the key drivers of growth. Vedanta is well positioned to capitalise on emerging market growth with a significant portion of its assets in India and Africa. For example, India imports over 80% of its crude oil requirements, and we are currently the largest private sector producer of crude oil in India. With significant production growth since the Cairn India acquisition and a balanced portfolio of oil & gas assets that have exploration upside, we are well positioned to drive production growth in oil & gas. Similarly, with favourable demographics and urbanisation driving consumption growth in India, we are well placed to meet the growing demand as India's largest domestic producer across our remaining commodities.

A strong operating and financial performance
We achieved record production of mined zinc-lead and silver at Zinc India and an impressive 32% increase in oil & gas production driven by higher output at the Rajasthan block.

Despite industry-wide inflationary pressures, we have reduced or maintained unit costs across the majority of our operations. Whilst we are not immune to cost inflationary pressures, we continued to control costs and have demonstrated a track record of implementing operational improvements and maintaining our relatively new asset base at low sustaining capex costs.

Robust Results

Driven by a robust operating performance, we delivered 21% growth in EBITDA to US$4.9 billion and a 45% EBITDA margin[1] despite lower LME prices. We achieved positive free cash flows after growth capital expenditure of around US$1.5 billion, and remain focused on deleveraging. Our balance sheet remains strong with cash and liquid investments of US$8 billion.

On behalf of the Board, I would like to thank our 31,000 employees across the world for their contribution to these results. Their commitment and efforts, combined with the strength of our management team, continue to drive our performance.

Robust execution of our strategy

Long-term value

We have a proven track record of consistently growing our reserves and resources ('R&R') organically in our mining operations and this year our exploration activities resulted in the addition of significant R&R in our Zinc India, Copper and Iron Ore operations.

Following Government approval to allow exploration in development areas, we recommenced drilling at our Rajasthan oil & gas operations to realise its basin potential of 300,000bopd, and already achieved an early discovery in April, the 26th in the block.

1 Excludes custom smelting at Copper and Zinc India operations.

Last year we initiated a Group structure consolidation exercise to simplify our Group structure, create a more efficient capital structure with better alignment of debt and cash flows across the Group, deliver significant synergies and unlock value for shareholders. This exercise has received shareholder approvals and various regulatory approvals including the approval of the High Court of Bombay at Goa, and we now await the final approval of the High Court of Madras.

Organic growth and selective M&A

We delivered production ramp-up across the portfolio during the year, and remained focused on capital allocation to low-risk brown field projects with attractive returns. We successfully integrated the oil & gas operations of Cairn India, and ramped up production at our Rajasthan operations by 40% to c.175,000bopd since completing the acquisition in December 2011. One of the significant milestones was recommencing exploration at Rajasthan, and we achieved a discovery in April. With potential for further upside at the proven Rajasthan block, we plan to invest c.80% of our US$3 billion oil & gas capex programme on the Rajasthan block the over the next three years. At our cost-efficient Zinc India business, we plan to grow mined metal capacity by 20% to 1.2mtpa driven primarily by brown field expansion projects over the next six years.

Top: Switchyard of 540 MW CPP at BALCO.

Bottom: Engineer verifying cathodes at zinc smelter, Chanderiya.

Chairman's Statement continued

"We have progressively increased our dividend, delivering a 15% CAGR since listing in FY 2004."

Left: Operator at pot room of 500ktpa smelter, VAL.

Right: Engineers inspecting benches at Goa mines, Sesa Goa.

Last year we acquired iron ore assets close to the coast in Liberia, including some brown field deposits. We rapidly ramped up exploration and completed drilling of 65,000 metres, which has yielded positive results and indicated c.1 billion of JORC[2] certified reserves and resources with substantial further upside. Further drilling is in progress and we are on track to deliver the first shipment by March 2014.

Recently, the Supreme Court lifted the ban on mining of iron ore in Karnataka and we are working towards resuming our mining operations in the region. Mining in Goa, however remains suspended and the Supreme Court process is in progress. Vedanta is India's largest private sector miner of iron ore and committed to responsible mining practices.

Sustainability

Following the development and group-wide roll-out of our business sustainability framework last year, we have consistently implemented this across the Group to enhance the value of our business, reduce our risks and preserve our licence to operate.

In addition to our c.31,000 strong workforce, we indirectly create employment for around 60,000 people through our contractors. We are one of the largest employers of mining engineers and geologists in India and one of the largest contributors to India's Exchequer.

In Zambia, we are both the largest private sector employer and largest contributor of taxes. Our community programmes benefit around 3.7 million people in India and Africa, across 2,200 villages, and I take great pride in the positive impact we are making across our communities.

We have made considerable progress on our five priority areas:

1. Embed sustainable development into every aspect of what we do.
2. Improve our health and safety performance for a safer, more secure and healthier environment.
3. Contribute further and in a more targeted way to local communities.
4. Continue to manage and minimise our impact on air, water and land.
5. Maintain a dialogue with stakeholders to help us further understand what is needed to help support a sustainable society and planet.

Further detail will be available in our comprehensive Sustainability Report for the year.

2 JORC stands for Joint Ore Reserves Committee.

Vedanta has complied with the recommendations outlined in the sustainability review by URS Scott Wilson, and I expect to complete this process during 2013. We are keen to continue working with all our stakeholders on this journey, ensuring we are a sustainable business that will deliver value to all stakeholders.

Dividends

We have progressively increased our dividend since listing in FY 2004, delivering a 15% CAGR since listing in FY 2004. This year the Board has recommended a final dividend of 37 US cents per share, an increase of 6%. This takes the total dividend for the year to 58 US cents per share, 5% above last year.

Governance

We have recently inducted two new Independent Non-Executive Directors to the Vedanta Board. In August 2012, Geoffrey Green joined our Board. As a long serving legal adviser to major listed companies in the UK, Mr Green has a wealth of knowledge and expertise in relation to the strategic issues of UK listed companies, and the UK corporate governance framework. In May 2013, we announced that Deepak Parekh will join our Board. Mr Parekh has extensive experience at India's premier housing finance company, HDFC Limited, where he currently serves as Non-Executive Chairman, and also serves on the boards of several other companies such as Lafarge SA in France and DP World Limited in the UAE.

Looking forward

We remain positive on the prospects for our well balanced and diversified portfolio of commodity assets despite the volatility in commodity prices. Our focus continues to be on generating shareholder returns through measured capital allocation, with a focus on low-risk, phased projects with high returns.

Anil Agarwal
Chairman
16 May 2013

Left: Night view of Nchanga smelting complex, KCM.

Middle: Engineer at Rampura Agucha open cast zinc-lead mine, HZL.

Right: Coal Handling Plant, BALCO.