Chief Executive Officer's statement

Making progress against our strategic priorities.

Tom Albanese, Chief Executive Officer

We have continued to focus on improving our operational performance and enhancing production, delivering record volumes of zinc and aluminium, and delivering free cash flow in volatile commodity markets.

At the end of my first year as Chief Executive, I am pleased with the progress we have made against the key operational priorities I set last year and the continued momentum of the Company towards its strategic objectives, against the backdrop of volatile global commodity markets.

Progress against operational priorities

The highlights for the year include the ramping up of our world-class aluminium assets, following the approximate US$8 billion investment programme, to reach record production levels. We are now well positioned for an accelerated growth in 2016 with progressive ramp up of the new smelters at Korba and Jharsuguda. The total mined metal production for zinc and lead also reached a historic high, supported by strong performance of the Rampura Agucha mine, one of the largest and lowest cost zinc mines in the world.

Chief Executive Officer's statement continued

1 Diversified portfolio

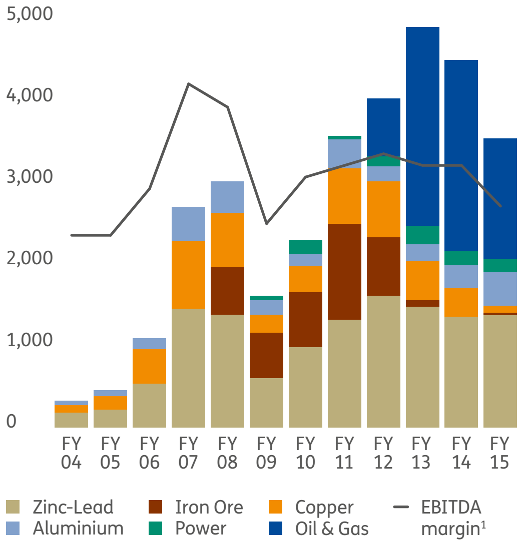
A broad natural resources portfolio diversified across base metals, bulks and Oil & Gas has delivered consistent EBITDA margins in excess of 30% over the past 11 years.

1 Margins exclude custom smelting at Copper and Zinc India operations.

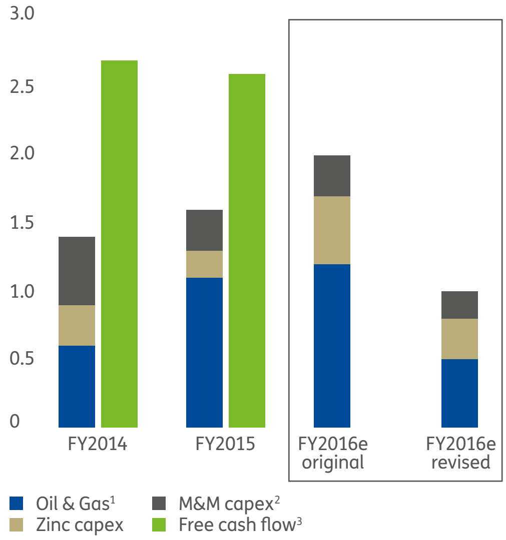
2 Cash flow and growth capex

In a volatile commodity price environment, Vedanta is revising capex downwards and prioritising capital to high-return, low-risk projects. This will maximise cash flows, giving the flexibility to invest further as oil prices improve.

1 Consistent margins driven by diversification
EBITDA by segment (US$m)



2 Optimising capex to drive cash flow generation
(US$bn)



1 Capex net to Cairn India; subject to Government of India approval.
2 M&M refers to metals and mining and power, excludes zinc; excludes capex on Lanjigarh refinery expansion and Tuticorin smelter.
3 Free cash flow after sustaining capex but before growth capex.

The year also saw significant progress being made in development of underground mines at Rampura Agucha and Sindesar Khurd (SK). Our Oil & Gas business delivered a robust performance with Mangala and Aishwariya fields performing as expected, and strong contributions coming from offshore assets. Our Oil & Gas business will now reap the benefits from the high-impact Enhanced Oil Recovery (EOR) project in Rajasthan. Looking ahead, increasing gas production in the Raageshwari Deep Gas field and development at Barmer Hill will continue to provide us with growth options.

Though our copper smelter in India recorded the highest-ever production and best-in-class operational efficiencies during the year, the turnaround at Konkola Copper Mines (KCM) in Zambia continues to present challenges. Volumes and ore grade were lower at the Nchanga mine complex and the rehabilitation programme of shafts have affected production in Konkola Deeps. However, with the new management team and operating strategy in place, we have already started seeing positive momentum in the last quarter. While it was disappointing that iron ore mining at Goa did not resume last year, this has had less of a material impact due to decline in iron ore prices globally. We have made some progress on this front during the year. Mining in Karnataka resumed in February 2015 and we have been allocated an interim annual capacity of 5.5mt of saleable ore in Goa where mining is expected to recommence post the monsoon season, after receipt of the remaining approvals from the Government. Export duty has now been reduced to 10% for <58% grade iron ore.

Market environment

The volatility of global commodity prices has dampened our financial results, and this has slowed down the pace of our deleveraging programme. That said, I was pleased to see reduction in our gross and net debt in the second half, despite lower oil prices.

Recognising the current commodity environment we are implementing a series of initiatives to reduce capital and operating costs across all our businesses to maintain financial strength and a strong balance sheet.

Looking forward we see demand and supply rebalancing with more robust pricing as a consequence. China's slowdown is moving to a more sustainable level of growth and Vedanta's position as low-cost operator of long-life mines will serve it well as global demand returns to more normal levels.

As a non-Indian, I had the privilege of being in India during the election campaign and I have great expectations that the new government will get India's economy up and running, in contrast to the slowdown in China and stagnation in Europe. The pace of change has inevitably been slower than the early optimism suggested but progress on coal and energy policies and clarity on iron ore mining are encouraging. The step towards the auction of coal blocks, which we participated in, is a critical part of the journey to make India self-sufficient in coal. Today, India is one of the largest importers of coal, despite its huge reserves, and coal must be a key feature of the Government's energy strategy.

Licence to operate

Safety has been a key priority at Vedanta as it is a weak link in our otherwise robust sustainability programme. The best businesses are the safest businesses and there has been a marked improvement in our results this year. Although I am encouraged by our progress, I am saddened by eight fatalities and there remains much more to do on our journey towards achieving a 'Zero Harm' culture.

My personal focus is on raising the levels of safety consciousness across the Group and ensuring that we invest more in safety management alongside raising standards, expectations and accountabilities.

Maintaining our licence to operate is at the heart of the Group strategy and essential for our access to resources, people and capital. I am a firm believer that being a responsible miner is critical to a sustainable future and our corporate social responsibility (CSR) programme must be world class.

In my first year as CEO, I have been struck by the sheer breadth and depth of our community development initiatives. We have very strong CSR programmes around child health care and education, water, sanitation, livelihood and the empowerment of women. The sector is now increasingly seeing ethics and integrity overlapping with the sustainable development agenda, and so we have added Strategic Communication as a fourth pillar to our sustainability model, to ensure transparent dialogue with our stakeholders. This reflects our commitment to become a corporate citizen who will not act without the consent of local communities.

Our long-term success is only partly attributable to our core facilities; people, performance and innovation are all equally important. This year we have made great strides in water and energy management, with various improvement initiatives including enhanced operating efficiencies resulting in water and energy savings surpassing our targets.

It is critical to our success that we have the highest quality of workforce and I have been incredibly impressed by the professional capability and leadership ability demonstrated by our employees – from our recent graduates to our senior executives. We have set up an innovation task force as part of our drive to encourage innovation across our business units. This includes the engineers within the Group and will extend to universities and other avenues. We have also invigorated the initiatives for developing high potential talents through our 'ACT UP' and Leaders Connect Programmes, to create leadership succession at all levels across the organisation.

Progress against strategic priorities

Our key strategic priorities remain unchanged. We have ramped up production and optimised opex and capex across our businesses and reduced gross debt by US$0.2 billion (US$16.7 billion in FY2015). We continue to focus on optimising our assets, maintaining positive free cash flows, efficiently refinancing upcoming maturities and deliver on our priority of deleveraging.

The long-life nature of our resource base underpins our track record of adding more to our reserves and resources (R&R) than we extract and we continue to use our exploration skills to expand the potential of our ore bodies and petroleum reservoirs going forward. As we can only book reserves against the duration of our leases and our current oil & gas lease in Rajasthan expires in 2020, our oil & gas reserve schedule does not accurately reflect the strong exploration success and potential of the Rajasthan basin. The renewal of this lease is currently under consideration by the Government of India.

I acknowledge shareholder feedback that we need to simplify Vedanta's Group structure and we intend to put greater focus on this in the coming year to make Vedanta easier to understand and more attractive to invest in.

Looking forward

There is much to do on the operational front in FY2016; to move aluminium above its current operating level of 38% capacity, secure a local source of bauxite for our refineries and smelters, stabilise KCM, restart iron ore mining in Goa, and ensure our Oil & Gas business is positioned for robust performance notwithstanding weak oil prices. We need to continue strengthening our balance sheet through further deleveraging and delivering a simpler corporate structure.

We will continue to have a relentless focus on costs alongside rising capacity utilisation thus driving value growth. Looking forward over the next few years, we expect the worst of the sector oversupply to be behind us and Vedanta will be well placed to take advantage of future growth in India and globally, as a premier developer and innovator of choice. This will position the Company and its shareholders for a long period of profitable value creation.

Tom Albanese
Chief Executive Officer
13 May 2015

> Vedanta is well-positioned to meet India's need for commodities, while operating at global standards of sustainable development.