CHIEF EXECUTIVE'S STATEMENT
TOM ALBANESE

IN FY2017, VEDANTA DELIVERED A STRONG PERFORMANCE ACROSS EACH OF THE KEY FINANCIAL METRICS AND THIS HAS GIVEN US A GOOD SPRINGBOARD INTO FY2018.

Let me open this report on FY2017 by reverting to my statement for the previous year.

In May 2016, we were looking at two central themes. First, that Vedanta's low-cost production ethos and focus on cash flows positioned us to be highly resilient in the face of any prolonged downturn in the commodity market. In addition, Vedanta was well positioned to benefit from any upturn, and that we were cautiously optimistic that an improvement might come soon. Back to today, and I'm pleased to report that the market did indeed see a marked upturn, and that we made sure we maximised the opportunities that came with that recovery. In FY2017, Vedanta delivered a strong performance across each of the key financial metrics and this has given us a good springboard into FY2018.

THE MARKET: RETURNING TO BALANCE

We saw an altogether better environment for our business in FY2017. The commodities sector benefited from a combination of positive global economic activity, coupled with a progressive tightening of commodity supply. This resulted in the World Bank Commodities Prices Index for minerals and metals showing a healthy increase of almost 11%[1] over the year. But the news was better still for Vedanta: the commodities that performed best were also the ones in which we're particularly strong (zinc and oil). This meant that Vedanta outperformed the sector generally, registering a significant increase. Of these commodities, the best performer was zinc. Vedanta is particularly well placed here, through Zinc India's low costs, its output as the world's second largest producer, and through our ramp up of projects at Zinc India and at the Gamsberg mine at Zinc International. The net result is that Vedanta represents one of the best opportunities for investors looking to participate in the zinc market.

When we look at the key demand drivers, there was much concern a year ago about China. Despite a continuing growth rate that was the envy of most economies, the debate was whether China would go through a hard or soft landing. Since then, financial reform and fiscal stimulus have made analysts more confident of a soft landing trajectory, and this has certainly been our view in the specific area of metals.

Equally significant is that the strong improvement in the US economy has given the sense that, for the first time in a long period, there is a positive economic outlook globally. This was shown by how the market absorbed the considerable political and economic shocks that came from the elections and the markets during the year.

This augurs well for commodities which, for the first time in five years, closed the year higher than they were at the outset. In addition to the more benign global environment, this was due to supply-side expansions of the last 10 years having run their course. This led to the emergence of supply pressures not seen since 2011 and, in the case of zinc, absolute shortages. Indeed, we are under no illusions: volatility is a given in our sector, and our focus never wavers from exerting tight fiscal discipline and maintaining a robust balance sheet.

HIGHLIGHTS

I'm pleased to report progress on a range of areas across the business, together with various challenges and tasks addressed and resolved.

HEALTH, SAFETY AND ENVIRONMENT

Vedanta is committed to protecting the health and safety of our employees and stakeholders who might be impacted by our operations. We operate a policy of 'zero harm', so it is with deep regret that we recorded seven fatalities during the year. Four occurred in a single tragic crane accident at our zinc operations in Rajasthan.

No injury of any kind is ever acceptable, and our non-negotiable principle is that everyone who works with us – direct employees or visiting contractors – should go home safe.

1 Source: World Bank Commodities Market Outlook January 2017

Main image: Jharsuguda smelter and power operations

OUR STRATEGY

To deliver growth, long-term value and sustainable development through our diversified portfolio of large, long-life, low-cost assets.

OUR PRIORITIES

PRODUCTION GROWTH AND ASSET OPTIMISATION

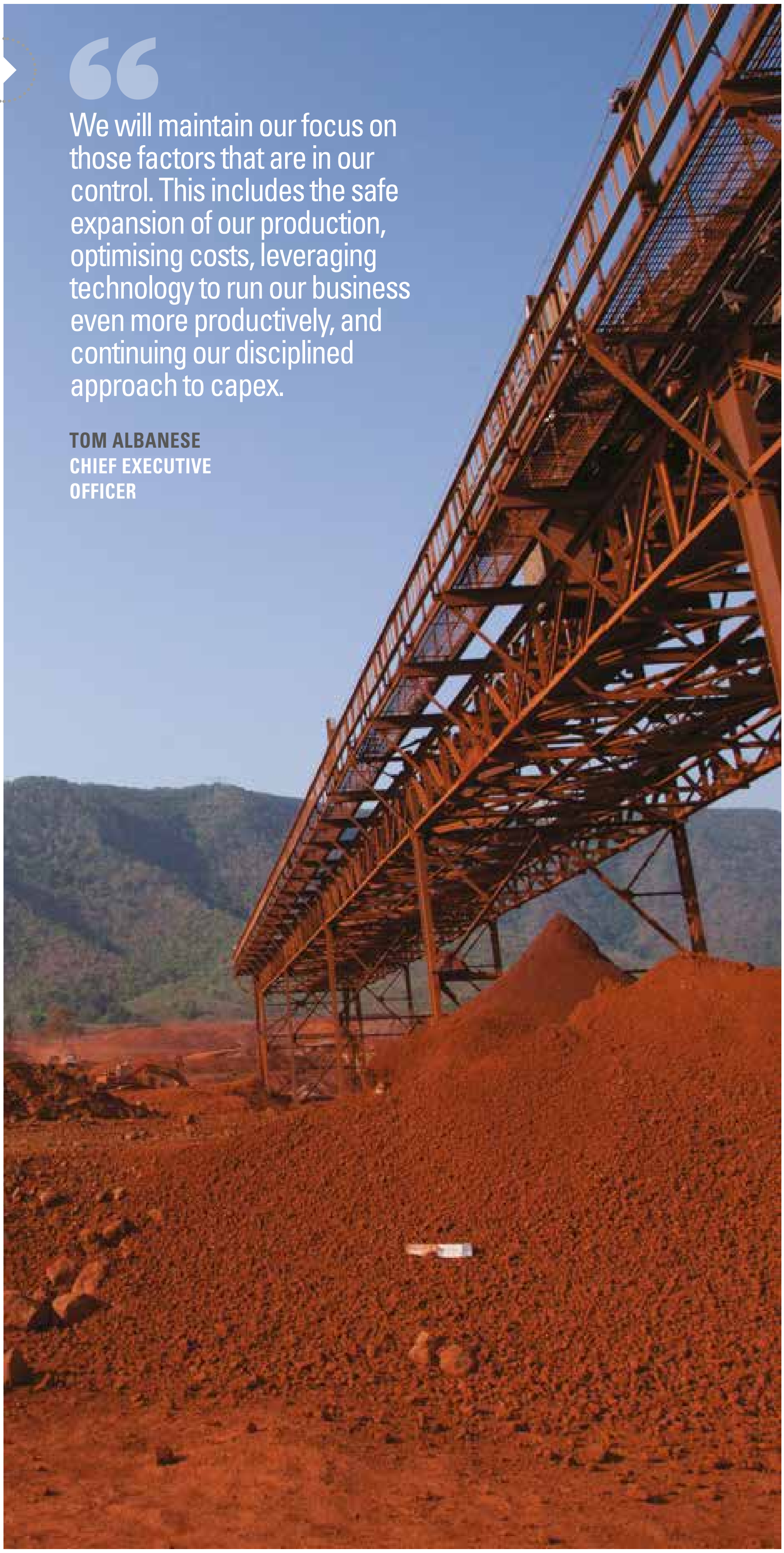
DELEVERAGING THE BALANCE SHEET

SIMPLIFY GROUP STRUCTURE

CREATE SUSTAINABLE VALUE FOR ALL STAKEHOLDERS

IDENTIFY NEXT GENERATION OF RESOURCES

For more information
see pages 32-33



> We will maintain our focus on those factors that are in our control. This includes the safe expansion of our production, optimising costs, leveraging technology to run our business even more productively, and continuing our disciplined approach to capex.
>
> **TOM ALBANESE**
> **CHIEF EXECUTIVE OFFICER**

Red mud filtration unit at Lanjigarh

We continue to analyse every incident, and through acting on what we learn, our safety KPIs have showed measurable improvements, with LTIFR down to 0.39 (FY2016: 0.51). However, it is clear that more is needed.

Our sustainable development agenda is at the core of Vedanta's strategic priorities and governs every business decision. During the year, our social investment stood at US$18 million and our efforts benefited 2.2 million people across 576 villages and 1,142 peripheral villages where we operate.

Vedanta is a strong advocate of child development and women empowerment. In India, we are transforming 4,000 state-run child welfare centres into pre-fabricated units with the latest technology and modern amenities known as 'Nand Ghars' (also known as Anganwadi). These centres will be the convergence point for a number of government programmes such as clean water, sanitation facilities and electricity, with additional services such as primary healthcare, women empowerment and entrepreneurship training.

In South Africa, we are supporting Pink Drive, a non-profit organisation to create awareness on breast cancer. Vedanta is also promoting skill development amongst youth in addition to agriculture, livestock and livelihood development programmes in India and Africa. In FY2017, for example, we assisted 90,000 farmers.

We are a signatory to the World Business Council for Sustainable Development 'WASH' (Water and Sanitation Hygiene) pledge. Under this we provide access to safe drinking water and promote best hygiene practices among employees and the community.

Our focus on sustainable development, inclusive growth and greater value creation for all our internal and external stakeholders is critical to ensure the future of our operations and helps us earn our social licence to operate.

Vedanta is also determined to minimise the impact of our operations on the environment. As a resources company, we appreciate the vital importance of using resources wisely, and one example is our water recycling programme that is now delivering water recycling rates of 24%.

We are also operating waste-to-revenue retrieval programmes, and during the year we will send about 50% of our fly ash waste for re-use in construction materials.

Our operations are mostly located in developing countries where growth of the country and human indices are dependent on reliable and affordable coal-based power. We are committed to the climate change agenda and set up a Carbon Forum anchored by our CEO, Power with representation from the businesses to guide the Group Executive Committee on our climate change mitigation programme. Practical examples of this include an investment in a 16MW solar power project by our Zinc business in India.

CAIRN INDIA AND VEDANTA LIMITED MERGER COMPLETED

I am pleased that we closed the year by completing the merger of Cairn India Limited into Vedanta Limited. The objective here is to simplify our Group structure, and the move followed the strong approval from all sets of shareholders and the necessary regulatory permissions.

We see synergies ahead, principally through a more efficient balance sheet and through being able to allocate capital with more flexibility. We continue to be committed to expand energy production through Cairn, one of the largest oil & gas private producers in India, focusing on the major discoveries at the Rajasthan block.

VOLUME RAMP UP

We achieved increased production across key commodities within our business.

- **Aluminium.** We began ramping up on 1 April 2016. At that point our run rate was approximately 900ktpa and by the close of the year we saw over 30% increase to 1.2 million tonnes. This improvement was not as fast as we had hoped, stalled by a few operational outages. However, the ramp up in Q4 FY2017 saw production at a record level, up 56% year-on-year and marking strong progress towards our total production capacity of 2.3 million tonnes for aluminium.
- **Power.** The full 1,980MW Talwandi Sabo Power Limited (TSPL) in Punjab became operational this year, enabling the business to contribute improved earnings.
- **Iron Ore.** It is good to report that the mining ban in Goa is now in the past, and during the year we ramped up production within the mining cap limits. We have also been able to control costs, producing iron ore at a cash cost comparable with some of the world's largest operations. India's geology is similar to that of Western Australia, the world leader in iron ore mining, and a lot needs to be done to realise the resource potential of the country.
- **Copper Zambia.** We remained focused on improving volumes and cost at this asset but this was impacted by lower production due to low equipment availability. The custom production, however, was strong post the biennial shutdown at the smelter.

CONTINUING COST SAVINGS

We complemented the benefits of better market conditions by maintaining tight financial discipline. Despite many analysts saying that the industry appears to have reached 'peak savings', our programme continues to drive down costs intelligently and safely, through optimising our plant and through achieving material efficiencies across the supply chain. We have achieved US$814 million cost savings over the last two years since this cost savings programme was launched over the base of FY2015.

STRENGTHENING THE BALANCE SHEET

These successes play to our fiscal ethos: that we should be able to generate positive cash flows even in the most difficult passages of the market cycle. With this in mind, I also want to highlight the achievements on the balance sheet. Through tight cash flow control and capital discipline we have delivered on our promise to strengthen the balance sheet and extended our average debt maturities. This was also complemented by the success of our recent US$1 billion bond issuance, which was oversubscribed by three times. This bond issuance extended our 2018 and 2019 debt maturities to 2022. We also undertook several other liability management initiatives such as the bond buybacks and continue work in this direction to further strengthen the balance sheet.

FY2018 AND BEYOND

We approach the new financial year with optimism. I believe the progressive improvements in the markets that we saw last year will continue, driven largely by supply-side constraints.

At the same time, we bring a strong sense of realism and experience to our decision-making: our plans and investments do not rely on further help from market conditions, and we are prepared for volatility at any time.

We will maintain our focus on those factors that are in our control. This includes the safe expansion of our production, optimising costs, leveraging technology to run our business even more productively, and continuing our disciplined approach to capex.

On a personal note, I have elected to step down as CEO at the end of August 2017. I have spent a wonderful three-plus years in the role and leave the business in a strong position to contribute to, and benefit from, the future of India. I have always seen this extraordinary country as the next great growth vector, and my experiences here have only reinforced that view. I believe Vedanta will continue to be the premier opportunity for those investing in India, and I look forward to watching the Company's progress in the exciting years ahead.

Tom Albanese
Chief Executive Officer
24 May 2017