



Operational Review continued

Power

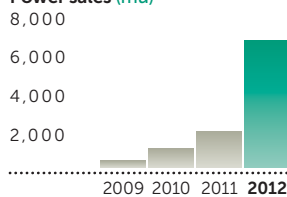
Key Achievements

- > Record sales of 6,554 million units, up 248.8% from previous year
- > Commissioned two 600MW units in the independent power plant ('IPP') at Jharsuguda and the fourth unit has been synchronised
- > 150MW wind power project commissioned, taking green power generation capacity to 274MW

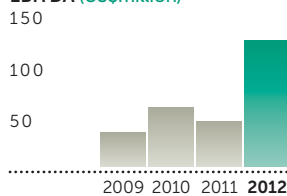
Strategic Priorities

- > Commission the fourth unit of the 2,400MW project at Jharsuguda by Q1 FY 2012–13
- > Power sales and transmission strategy
- > Coal sourcing
- > Develop Sterlite Energy Limited ('SEL') captive coal block
- > Complete 1,980MW project at Talwandi Sabo power project with minimal time/cost overrun

Power sales (mu)



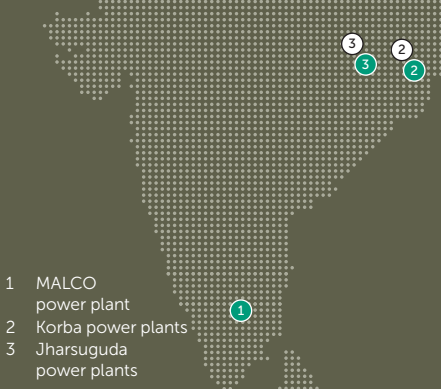
EBITDA (US\$million)



Main image: Switch yard of 1,215MW CPP, VAL Jharsuguda.

Above right: Turbine at 2,400MW IPP, SEL, Jharsuguda

Operations India



Map not to scale

Market Overview

The Indian power sector has achieved a compound annual growth of 7.6% in its installed capacity since the end of the Government of India's tenth five year plan, to achieve an installed capacity of 190.6GW at the end of February 2012. Of this, 65.4% represented thermal capacity, while 11.7% was from renewable energy sources. Despite the market growth, power supply has lagged behind demand, with supply falling short of India's peak energy demand for FY 2011-12 by 12.1%, as anticipated by the Central Electricity Authority ('CEA'). Per capita consumption of electricity in the country of about 814kwh in 2011 was only about 24% of the world's average, highlighting the growth prospects for the future.

Coal deficits and higher costs due to imports has adversely impacted the industry in recent years. However, the Government of India's efforts to ensure a minimum of 80% of fuel supply to power producers is expected to improve the performance of the power sector.



Review of Performance

(In US\$ millions, except as stated)

	FY 2011-12	FY 2010-11	% change
Power sales (MU)	6,554	1,879	248.8%
MALCO and Wind Energy SEL ¹	916	1,023	(10.5)%
	5,638	856	558.6%
Revenue	458.3	124.0	269.7%
EBITDA	122.0	43.9	177.9%
EBITDA margin	26.6%	35.4%	-
Operating profit	40.3	20.2	98.5%

¹ Including generation under trial run 926 MU in FY 2011-12 vs 646 MU in FY 2010-11.

Operations

Power sales were 6,554 million units during FY 2011-12, compared with 1,879 million units during the corresponding prior period, as the three 600MW units at the Jharsuguda 2,400MW power plant came into operation. During Q4, the third 600MW unit started commercial production and the fourth 600MW unit was synchronised.

Average power sales prices in FY 2011-12 were US cents 7.5 per unit compared with US cents 9.7 per unit in FY 2010-11.

Average power generation costs in FY 2011-12 were US cents 5.5 per unit compared with US cents 6.2 per unit in FY 2010-11.

Financial Performance

EBITDA in FY 2011-12 was US\$122.0 million, higher than the EBITDA of US\$43.9 million in FY 2010-11. EBITDA rose primarily due to higher volumes partially offset by a fall in power tariffs and higher operating costs, primarily coal.

Projects

Talwandi Sabo IPP

Work at the 1,980MW power project at Talwandi Sabo is progressing as scheduled. The first unit of the 660MW is expected to be commissioned during Q4 FY 2012-13. In view of the current environment of coal and power tariff, we have decided to drop the expansion plan of the fourth unit.

Jharsuguda IPP

Transmission lines are being set up to enhance existing transmission capacity to meet the requirements for the new units being commissioned and are expected to be completed by Q3 FY 2012-13.

Outlook

We plan to complete the ongoing projects on schedule and to continue our focus on improving coal logistics and expediting coal block development at SEL.