

**RELIANCE COMMUNICATIONS LIMITED ANNOUNCES
PROFORMA CONSOLIDATED RESULTS FOR QUARTER ENDED JUNE 30, 2006 -
THE FIRST FULL QUARTER AFTER LISTING**

**EBITDA OF RS 1,206 CRORE (US\$ 263 MILLION) AGAINST RS 159 CRORE
(US\$ 36 MILLION) IN THE CORRESPONDING QUARTER LAST YEAR – UP 658%**

**NET PROFIT OF RS 513 CRORE (US\$ 112 MILLION)
AGAINST YEAR AGO LOSS OF RS 250 CRORE (US\$ 57 MILLION)**

**REVENUES OF RS 3,250 CRORE (US\$ 710 MILLION) FOR THE QUARTER
AGAINST RS 2,283 CRORE (US\$ 518 MILLION) – AN INCREASE OF 42%**

**EBITDA GROWTH OF 15 %
OVER THE TRAILING QUARTER ENDED MARCH 31, 2006**

**EBITDA MARGIN OF 37.1 %
AGAINST 35.3% IN THE TRAILING QUARTER**

NET PROFIT UP 27 % OVER THE TRAILING QUARTER

**CONTINUATION OF STRONG GROWTH TREND IN PROFITABILITY
ACROSS ALL BUSINESSES - WIRELESS, GLOBAL, AND BROADBAND**

NET WORTH OF RS 12,226 CRORE (US\$ 2,665 MILLION)

**NET DEBT OF RS 2,441 CRORE (US\$ 533 MILLION) -
NET DEBT EQUITY RATIO AT A CONSERVATIVE 0.2:1**

**RELIANCE COMMUNICATIONS ALREADY A SENSEX STOCK –
TO BE PART OF NIFTY AND CNX-100 INDEX FROM SEPTEMBER 1, 2006**

Mumbai, July 31, 2006: Reliance Communications Limited (RCOM) today announced unaudited proforma consolidated financial results for the quarter ended 30th June, 2006.

The highlights of financial performance are:

- **EBITDA of Rs 1,206 crore (US\$ 263 million), growth of 15%** over the trailing quarter ended March 31, 2006
- **EBITDA margin of 37.1 %**, against 35.3% in the trailing quarter
- **Net Profit of Rs. 513 crore (US\$ 112 million), growth of 27 %** over the trailing quarter
- **Total Assets of nearly Rs 26,886 crore (US\$ 5861 million)**
- **Net Worth of Rs 12,226 crore (US\$ 2,665 million)** as at 30th June, 2006
- **Net Debt of Rs. 2,441 crore (US\$ 533 million)** as at 30th June, 2006

The proforma consolidated financial results relate to RCOM and its operating companies, including inter alia Reliance Infocomm Limited (RIC), Reliance Communications Infrastructure Limited (RCIL), Reliance Telecom Limited (RTL), and FLAG Telecom Limited (FLAG).

In the interests of better disclosure, and to assist investors in understanding overall performance of RCOM, the proforma numbers have been prepared as if the proposed corporate reorganization (previously announced) had been implemented for the quarter.

The proforma numbers are based on a prudent and conservative accounting methodology, whereby revenues during the quarter from free incoming Lifetime plans have been deferred over a period of 48 months.

Commenting on the results, **Mr Anil Dhirubhai Ambani, Chairman, Reliance Communications Limited** said:

“I am delighted at the sustained improvement in profitability, and expect the strong business momentum to continue for the rest of the financial year.

EBITDA for the quarter increased 658% to Rs. 1,206 crore (US\$ 263 million), against Rs. 159 crore (US\$ 36 million) in the corresponding quarter last year.

The company has earned a net profit of Rs. 513 crore (US\$ 112 million) in this quarter, against the year ago loss of Rs. 250 crore (US\$ 57 million).”

Corporate Developments

- **Scheme of Amalgamation Approved by respective high courts within a record time of 120 days from the date of Board Approvals**

The scheme of Amalgamation and Arrangement (SoAA) for the amalgamation of Reliance Infocomm Ltd., Ambani Enterprises Ltd., Reliance Business Management Pvt. Ltd., Formax Commercial Pvt. Ltd., Reliance Communications Technologies Ltd., Reliance Software Solutions Pvt. Ltd., Reliance Communications Solutions Pvt. Ltd. and Panther Consultants Pvt. Ltd. and Demerger of the Network division of the Reliance Communications Infrastructure Ltd., with the Company have been approved by the respective High Courts.

Upon effectiveness of the Scheme and allotment of new equity shares of the Company, the paid up equity capital of the company will stand increased to 204,46,14,990 shares of Rs. 5 each fully paid up, and RCIL as also FLAG Telecom will become wholly owned subsidiaries of the company.

- **Reliance Communications wins FLAG Arbitration against VSNL – FLAG’s capacity to increase exponentially**

During the quarter, the International Court of Arbitration has decided, in favour of the Company and against VSNL, the Arbitration relating to FLAG’s right to upgrade the capacity in India on FLAG Europe – Asia cable. As a result, FLAG’s capacity for International traffic from India will be enhanced immediately by 140 Gigabytes. FLAG also has the right to equip capacity to any level.

- **Conservative Accounting – Proactive Extraordinary Expenditure provision for Subscriber verification costs**

The regulatory authorities may require verification/ re-verification of all subscribers. The company estimates the cost of such an exercise in a full year at Rs 60 crore. Accordingly, on a conservative basis, an amount of Rs. 15 crore has been provided in this quarter to meet the cost of any such exercise.

Business Review

▪ Wireless

As at 30th June, 2006, the Company had 22.52 million wireless customers on its network, representing a market share of 20.6% of the All India wireless market.

Users of wireless multi media services increased 24% to 7.9 million as on 30th June 2006, from 6.4 million users as on 31st March 2006, continuing the strong upward trend in usage of these services by our customers.

Revenues of the Wireless business increased 15% sequentially, from Rs. 2,120 crore (US\$ 480 million) to Rs. 2,432 crore (US\$ 535 million).

EBIDTA increased from Rs. 757crore (US\$ 170 million) to Rs. 875 crore (US\$ 192 million) – an increase of 16% sequentially.

▪ Global

In an increasingly competitive wholesale ILD market, we maintained our leadership with a market share of over 40%.

In the retail ILD market, we continued to experience strong growth in our overseas Reliance India call franchise. Active customers have now crossed the 0.6 million threshold. We are currently expanding the virtual calling cards to several new countries where this a significant non –resident Indian population.

New contract values for sales of Indefeasible rights of use (IRU) by FLAG once again reached a record level in the quarter ended 30th June, 2006. We continued winning major long-term contracts, including notable multi-gigabyte capacity sales to Deutsche Telekom in the trans-atlantic segment and China Netcom in the trans-pacific segment.

Global business experienced strong margin expansion and growth in profitability. EBITDA during the quarter increased 8%. EBITDA margins increased from 18.6% to 23%.

▪ Broadband

Our broadband operations continued to focus on directly connecting buildings in the top 30 cities in India. The number of buildings on-net increased 77% to 1,80,759 from 1,01,741 at the end of the prior quarter. We have geared up our construction activity, leveraging the existing optic fibre in the ground, to accelerate the roll out.

The number of access lines increased to 256,000 from 217,000 at the end of the prior quarter. The take up rate for our services has been consistently strong in the quarters following the activation of each building on-net.

Broadband achieved revenue growth of 16.6 % sequentially, and an EBITDA margin of 38.8% as compared to 31.1%.

Financial Review

Driven by strong focus on improving product portfolio, and focus on driving cost efficiencies, we achieved significant growth in profitability.

EBITDA before extraordinary items increased by 15.1 % from Rs 1,047 crore (US\$ 234 million) to Rs 1,206 crore (US\$ 263 million) sequentially.

Profit after tax increased by 27.3 % from Rs 403 crore (US\$ 91million) to Rs 513 crore (US\$112 million) sequentially.

As at 30th June, 2006, the net worth of the company stood at Rs 12,225 crore (US\$ 2,665 million), the highest net worth of any private sector telecom services company in India.

Our net debt stood at Rs. 2,441 crore (US\$533 million), reflecting a net debt: equity ratio of 0.2:1, and providing a strong platform for leveraging our Balance Sheet to raise resources for future growth plans.

The market capitalization of RCOM as at July 28, 2006, based on equity capital post reorganization, was Rs. 53,043 crore (nearly US\$ 11.6 billion).

RCOM, which is already a part of the benchmark index – Sensex, will also be included in the Nifty and CNX-100 index from September 1, 2006.

All formalities for issuance of the GDRs of the company have been completed, and the same are expected to be listed shortly on the Luxembourg Stock Exchange.

Mobilisation of Resources

Allotment of FCCBs

The company has made allotment of Foreign Currency Convertible Bond (FCCB) of USD 500 million on 9th May 2006, having a maturity period of 5 years and 1 day. Each FCCB is convertible into 1 equity share of the company at a price of Rs. 480.68 per share, representing a premium of 50% to the closing price of the share on 21st March 2006.

Issue of GDR/ADRs

The Board of Directors has approved a proposal to sponsor a secondary market offering of Global/American Depositary Receipts (GDR / ADRs). The proposed offering will enable existing shareholders to offer their shareholdings to:

- Financial/Strategic international investors
- Retail/Institutional investors in Japan

The offering, of up to Rs. 4,500 crore (US\$ 1 billion), will be at a premium to the domestic market price, and will be in one or more tranches, as may be appropriate. **The proposed GDR/ADR program relates only to existing shares, and will not result in any increase in the outstanding share capital.**

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Background

Reliance Communications Limited is part of the Reliance – Anil Dhirubhai Ambani Group.

RCOM is one of India's largest integrated communications service provider in the private sector with over 22.5 million individual consumer, enterprise, and carrier customers as at 30th June, 2006.

We operate pan-India across the full spectrum of wireless, wireline, and long distance, voice, data, and internet communication services. We also have an extensive international presence through the provision of long distance voice, data and internet services and submarine cable network infrastructure globally.

For further information please contact: Mr.Gaurav Wahi (Mobile: 09322904680)