

RELIANCE COMMUNICATIONS ANNOUNCES
FINANCIAL RESULTS FOR THE QUARTER ENDED DECEMBER 31, 2006

NET PROFIT UP 198% AT RS 924 CRORE (US\$ 209 MILLION)

EBITDA HIGHER BY 76% AT RS 1,527 CRORE (US\$ 346 MILLION)

EBITDA MARGIN EXPANDS TO A RECORD 41% FROM 29%

REVENUES AT RS 3,755 CRORE (US\$ 851 MILLION) – AN INCREASE OF 26%

CONTINUATION OF STRONG EBITDA GROWTH
ACROSS ALL BUSINESSES – PERSONAL, GLOBAL AND ENTERPRISE

RECORD 4 MILLION WIRELESS CUSTOMER ADDITIONS
DURING THE QUARTER

BOARD APPROVES GLOBAL LISTING OF FLAG TELECOM

BOARD APPROVES RELIANCE TELECOM INFRASTRUCTURE TO EXAMINE OPTIONS FOR
UNLOCKING THE VALUE OF ITS ASSETS

SHAREHOLDERS EQUITY CROSSES RS 20,000 CRORE (US\$ 4.5 BILLION)

Mumbai, January 31, 2007: Reliance Communications Limited today announced its unaudited consolidated financial results for the quarter ended December 31, 2006. The highlights of financial performance are:

- **Net Profit of Rs. 924 crore** (US\$ 209 million), **higher by 198%** compared to Net Profit of Rs. 310 crore (US\$ 70 million) in the corresponding quarter last year
- **EBITDA at Rs. 1,527 crore** (US\$ 346 million), **growth of 76%** over the corresponding quarter last year
- **Revenue growth of 26%** at Rs. 3,755 crore (US\$ 851 million) from Rs. 2,991 crore (US\$ 678 million)
- **EBITDA margin expands to a record 41% from 29%**, with strong contributions across all businesses – Personal, Global and Enterprise
- **Shareholders Equity crosses Rs. 20,000 crore** (more than US\$ 4.5 billion). Net Debt to Equity Ratio further reduces to 0.07:1, providing substantial borrowing capacity to fund future growth
- **Capex for FY2007 now expected at over Rs. 7,700 crore** (US\$ 1.75 billion)

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

"We have delivered another quarter of strong revenue and EBITDA growth across all our business segments. Net profits have increased by 3 times in the past year.

This performance has lifted Reliance Communications into the select group of companies with annualised EBITDA of well over Rs 5,000 crore (US\$1.1 billion), EBITDA margins above 40%, Shareholders Equity of over Rs 20,000 crore (US\$4.5 billion), and a Stockmarket Value of nearly Rs 94,000 crore (over US\$21 billion). Reliance Communications is now one of Asia's most valuable telecom companies.

We remain focused on further strengthening our position within India's rapidly growing telecom sector, achieving profitable growth, and delivering long term value for our 2 million shareholders."

UNLOCKING VALUE

▪ FLAG TELECOM

The Board of Reliance Communications has approved the global listing of FLAG Telecom.

Reliance Communications has turned around the performance of FLAG Telecom over the past year and aligned it with the Indian franchise.

FLAG Telecom sees enormous growth potential in bridging the digital divide and had recently announced its nearly Rs 7,000 crore (US\$1.5 billion) Next Generation Network project which on completion will make the company the largest fully IP-enabled global undersea cable system operator touching 80% of the world population.

The potential global listing of FLAG Telecom would highlight the hidden value created in its business and provide further focus on the unique growth opportunities.

▪ RELIANCE TELECOM INFRASTRUCTURE

The Board of Reliance Communications noted the shareholder approval given to the scheme of demerger of the wireless towers business. The Board approved Reliance Telecom Infrastructure to examine options for unlocking the value of its assets.

BUSINESS REVIEW

▪ PERSONAL (WIRELESS)

Reliance Communications added a record 4 million wireless customer (net) during the quarter, compared with 2.1 million in the corresponding quarter last year.

At end-December 2006, the Company had over 30 million wireless customers on its network, representing a market share of 20.5% of the All India wireless market. It maintained market share of net wireless customer additions at 20.2% in Q3 FY2007.

Revenues of the Personal business increased by 39% to Rs. 2,752 crore (US\$ 624 million) from Rs. 1,981 crore (US\$ 449 million). EBITDA increased 62% to Rs. 1,029 crore (US\$ 233 million) from Rs. 636 crore (US\$ 144 million).

▪ GLOBAL

FLAG Telecom won major new contracts worth more than US\$ 100 million (about Rs. 440 crore) during Q3 FY2007.

In the increasingly competitive ILD market, Reliance Communications maintained its leading market share of 40%.

Reliance India Call has recently been introduced in Australia and the worldwide access of our Reliance Global Call service has been extended to 200 countries.

EBITDA increased by 68% during the quarter to Rs. 355 crore (US\$ 80 million). The Global business achieved higher profit margins, with an increased contribution from the portfolio of data services. EBITDA margins increased to 27% from 15%.

▪ ENTERPRISE (BROADBAND)

The number of access lines increased to 530,000 in Q3 FY2007 from 217,000.

Leveraging the 20,000 kms of metro fiber optic cables, the number of buildings directly connected to the Reliance network increased by 110,000 in the past quarter to 379,000.

Major new orders booked by the Enterprise business during the quarter increased by over 25%. Reliance Communications has 50% market share of new Enterprise business acquisitions.

Enterprise achieved revenue growth of 149% to Rs. 316 crore (US\$ 72 million) and an EBITDA margin of 47% in Q3 FY2007.

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Background

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

Reliance Communications is India's largest integrated communications service provider in the private sector with over 32 million individual consumer, enterprise, and carrier customers.

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.