



Report on the Unaudited Financial Status, Results of Operations, and Cash Flows for the Quarter ended December 31, 2007

Reliance Communications Limited

Registered office: H Block, 1st Floor, Dhirubhai Ambani Knowledge City, Navi Mumbai – 400710

January 31, 2008

presenting, BlackBerry from Reliance Mobile.
live the smarter life!



BlackBerry 8703e



BlackBerry World Edition 8830

BlackBerry from Reliance Mobile is powered with CDMA technology that gives you the fastest mobile internet access along with a host of other advanced features, which will enhance both your professional and personal life.

- Send & receive e-mails on the go
- Download and transfer heavy files instantly
- Browse the web with fast and consistent internet speed
- Use Instant Messaging to chat with friends and family
- Stay updated with real-time data
- Bloomberg applications
- Financial services and stock market applications
- Watch streaming videos on Reliance Mobile World

full voice & data
world roaming*

phone

e-mail +
text messaging

organiser



browser

instant
messagingReliance
Mobile World

BlackBerry from Reliance Mobile advantage:

Fastest speed & CDMA technology

- Wireless internet speed of up to 144 kbps
- Superior download speed for heavy e-mail attachments

Widest coverage & consistency

- Only network in India which allows e-mail, data, internet access across 15,000 towns & 4 lac villages
- Global roaming* across 398 networks in 190 countries with both CDMA & GSM partners*
- Only operator to have maximum network on key national highways & major railway routes

Customised applications

- Widest range of applications, customised as per your organisational requirements

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Supplemental Disclosures

Safe Harbour: Some information in this report may contain forward-looking statements. We have based these forward-looking statements on our current beliefs, expectations, and intentions as to facts, actions and events that will or may occur in the future. Such statements generally are identified by forward-looking words such as "believe", "plan", "anticipate", "continue", "estimate", "expect", "may", "will" or other similar words.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We have chosen these assumptions or bases in good faith, and we believe that they are reasonable in all material respects. However, we caution you that forward-looking statements and assumed facts or bases almost always vary from actual results, and the differences between the results implied by the forward-looking statements and assumed facts or bases and the actual results could be material depending on the circumstances. You should also keep in mind that any forward-looking statement made by us in this report or elsewhere speaks only of the date on which we made it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the forward-looking statements in this report after the date hereof. In light of these risks and uncertainties, any forward-looking statement made in this report or elsewhere may or may not occur and has to be read and understood along with this supplemental disclosure.

General Risk: Investments in equity and equity-related securities involve a degree of risk and investors should not invest in the equity shares of the Company unless they can afford to take the risk of losing their investment. For taking an investment decision, investors must rely on their own examination of the Company including the risks involved.

Convenience Translation: All references in this report to "Rs" are to Indian Rupees and all references herein to "US\$" are to United States Dollars.

We publish our financial statements in Indian Rupees, the legal currency of the Republic of India. All amounts translated into United States Dollars in this report are provided solely for the convenience of the reader, and no representation is made that the Indian Rupee or United States Dollar amounts referred to herein could have been or could be converted into United States Dollars or Indian Rupees respectively, as the case may be, at any particular rate, the rates stated in this report, or at all.

Others: In this report, the terms "we", "us", "our", "the Company" or "the Group", unless otherwise specified or the context otherwise implies, refer to Reliance Communications Limited ("Reliance Communications") and its affiliates, including, inter alia, FLAG Telecom Group Limited ("FLAG"), Reliance Telecom Limited ("RTL"), Reliance Communications Infrastructure Limited ("RCIL") and Reliance Infratel Limited ("Reliance Infratel"). Further abbreviations are defined within this report.

Any discrepancies in any table between total and sums of the amounts listed are due to rounding off.

Disclaimer: This communication does not constitute an offer of securities for sale in the United States. Securities may not be sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended. Any public offering of securities to be made in the United States will be made by means of a prospectus and will contain detailed information about the Company and its management, as well as financial statements.

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1. Overview

1.1. Introduction

Reliance Communications Limited ("Reliance Communications" or "the Company") is India's largest integrated communications service provider in the private sector with over 43 million individual, enterprise, and carrier customers.

We operate pan-India across the full spectrum of wireless, wireline, and long distance, voice, data, video 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.

Our shares were listed in India on the Bombay Stock Exchange and National Stock Exchange on March 6, 2006 and our Global Depository Receipts were listed on the Luxembourg Stock Exchange on August 3, 2006.

1.2. Strategic Business Units

The business of Reliance Communications is organized into three strategic customer-facing business units: Wireless, Global, and Broadband. In addition, subsidiaries of Reliance Communications are engaged, inter alia, in the ownership, operation and development of telecom infrastructure, such as wireless communications sites and towers. Our strategic business units are supported by our fully integrated, state-of-the-art network and operations platform and by the largest retail distribution and customer service facilities of any communications service provider in India.

1.2.1. Wireless

We offer CDMA and GSM based wireless services, including mobile and fixed wireless voice, data, and value added services for individual consumers and enterprises. Our CDMA services are offered in 20 Circles (considering Tamil Nadu and Chennai as one combine circle) and GSM services are currently offered in 8 Circles, with 6 Circles being common to both CDMA and GSM.

Recently, we have received requisite Government approvals and spectrum to roll-out GSM services in additional 14 Circles. Now we will be the only player offering both GSM & CDMA (Dual Technology) services on a nationwide basis.

Our range of products includes mobile handsets, fixed wireless phones/ terminals, and high-speed internet data cards. Recently we have launched Blackberry service as well, on both CDMA and GSM platforms. Our primary brands are Reliance Mobile for the mobile portfolio of services and Reliance Hello for the fixed wireless portfolio of services. Our data service is provided under the brand Reliance Net Connect, and we provide a unique wireless multi media experience under the brand Reliance Mobile World.

We also offer public calling office ("PCO") and coin collection box services over our wireless network through independent retail operators of such facility. Additionally, we provide connectivity for devices such as point of sale, lottery terminal, and ATM.

We are among the top two providers of wireless communication services in the country, with a subscriber base of 41 mn subscribers as of 31st December, 2007 representing a market share of 17.9%. We are the second largest seller of mobile handsets/ devices in the country, and the largest service provider engaged in this activity. Due to our unique strength in high speed wireless data transmission, we have nearly 65% market share of the data card and USB modem market for laptops and PCs. In addition, we are the largest PCO operator in the private sector with over 50% market share.

1.2.2. Global

We offer national and international long distance calling services. We operate this business unit primarily on a wholesale basis, offering carriage and termination to other carriers as well as on an inter segment basis to other business units of Reliance Communications. In overseas markets, we offer a retail virtual calling card service for calls to India (Reliance India Call) and to 200 other international destinations (Reliance Global Call). Our retail services currently have significant ILD business in the United States, Canada, the United Kingdom, Australia, New Zealand, Hong Kong and Malaysia.

We entered the long distance market in India in mid-2003, and have become the largest carrier of international voice minutes, with a market share of 35% for ILD wholesale inbound. In addition, we have over 1.4 million customers for our Reliance India Call service. Usage of Reliance India Call accounts for 40% of total retail market calls from the United States to India.

We offer national and international (submarine cable) network infrastructure on both an Indefeasible Right of Use ("IRU") and leased circuit basis, internet bandwidth, and managed services and Global Ethernet to carriers and enterprises globally. We have global partnerships with carriers such as C&W, Verizon/MCI, Sprint, Deutsche Telekom, and BT for Global VPN and bi-lateral IPLCs.

We own and operate through FLAG the largest private submarine cable system in the World, directly connecting 40 countries from the East coast of the United States, to Europe, the Middle East, India, South and East Asia, through to Japan. The 65,000 route kilometres FLAG Global Network provides unique connectivity between the world's largest telecommunications market in developed countries and the world's fastest growing telecommunications markets in developing countries. It also seamlessly interconnects with our 165,000 route kilometres fibre optic cables within India.

We are expanding our connectivity in 'underserved' regions of the world. We have awarded the contract for construction of the FLAG Next Generation Network cable system which will provide seamless connectivity to countries in East Africa, the Eastern Mediterranean, South and East Asia, and Trans-Pacific

Our long term customers include more than 250 global carriers and more than 400 large enterprises. We are building deeper presence in the Middle East and rolling Virtual Points of Presence in Bahrain, Saudi Arabia, U.A.E. and Qatar. This will enable us and our partners in each of the countries to sell one stop shop global connectivity services to enterprise customers.

We are continuing to add new customers in our Global Ethernet services. The acquisition of Yipes Holdings, Inc. ("Yipes"), the largest pure-play provider of Global Ethernet services in the U.S., will provide further impetus to our Global Ethernet business.

1.2.3. Broadband

We offer the most comprehensive portfolio of enterprise voice, data, video, internet and IT infrastructure services provided by any operator in India. These services include: national and international private leased circuits, broadband internet access, audio and video conferencing, MPLS-VPN, Centrex, and managed internet data centre ("IDC") services. We offer unique, value added products and services to large and medium enterprises for their communications, networking, and IT infrastructure needs across the country.

We launched our enterprise broadband services in the first half of 2005, focusing initially on the top 40 cities in India. In these cities, we are leveraging our existing metro fibre optic networks to establish direct building connectivity on-net. We operate in 42 cities in India with over 727,000 buildings connected directly to our network serving over 901,000 access lines.

Our primary building access technology is metro Ethernet LAN, which offers performance and cost advantages versus other access technologies in areas with high service potential. Our Metro Ethernet LAN technology gives us a significant edge in delivering high bandwidth data services, as compared with all of our competitors who operate on predominantly copper networks. In cities where we are not currently providing wireline direct building connectivity, we have selectively deployed wireless LMDS to access targeted buildings in accordance with our customers requirements. In Pune and Bangalore, we have augmented building connectivity through deployment of WiMAX 802.16d technology.

We have established an enterprise customer base that includes over 800 of the Top 1,000 Indian enterprises and MNCs and are expanding our enterprise subscriber base rapidly in the SME segment too. We are the clear market leader in IDC services (Reliance Data Center) with over 60% market share. We are also maintaining our leadership in other high growth segments of the market such as MPLS-VPN and Centrex solutions.

1.3. Network and Operating Facilities

We are engaged in one of the largest network rollout programmes undertaken in the history of telecom in India, which will be completed by March 2008. Upon completion of this project, we will be present in 23,000 towns through our CDMA network and 8,000 towns through our GSM network. This network will cover over 600,000 villages and address 90% of the country's population. Recently, we have received requisite Government approvals and spectrum to roll-out GSM services in the additional 14 Circles and have started expanding the network to support this roll-out.

Our national inter-city long distance network is the largest next generation network in India, with over 110,000 route kilometres of ducted fibre optic cables, which is being expanded to 130,000 route kilometres. We have a totally unique asset in over 25,000 route kilometres of ducted fibre optic cables installed in the leading cities in India. The entire inter-city and metro fibre optic backbone network is deployed in a ring and mesh architecture and is MPLS enabled. The Reliance Data Network has over 180 MPLS integrated network nodes. We have augmented our IDC capacity by 50,000 sq. ft. in Mumbai during this quarter. Currently, we have over 250,000 sq. ft. of IDC capacity in multiple locations. Our network operating centre in Navi Mumbai, India, is one of the most advanced in the world. The entire range of our products and services is enabled by streamlined, fully integrated, flow through operating and business support systems. These facilities provide us with by far the most superior platform in India for offering bandwidth intensive, feature rich, converged services and solutions for consumers, enterprises, and carrier customers with virtually limitless scalability.

Our national networks are integrated with our international networks. We are expanding our network coverage for Connectivity services. FLAG signed a Global Partnership agreement with VANCO which is one of world's largest Virtual Network Operators. This enables our customers to gain access to 230 countries that VANCO operates in.

We are also emerging as one of the major internet content carriers from the Middle East, China and SAARC countries including India, Pakistan, Sri Lanka and Maldives. FLAG has consistently moved up the AS ranking over the last 6 quarters from #25 to #16.

Our consumer and SME offerings are supported by one of the most extensive and powerful distribution networks in India with throughput capacity for over 24 million handsets per annum. The backbone of our retail presence is nearly 2,000 exclusive Reliance World and Reliance Express stores with a presence in over 700 Indian cities. These stores offer customer activation and after sales service. Reliance World stores also operate as broadband experience centres offering a range of broadband internet and video conferencing applications. Together with preferred retailers, we have a branded retail presence in over 1,300 towns. Furthermore, we have nearly 500,000 retailers who offer sale of Reliance Mobile connections or recharge of our prepaid mobile and FWP's in our coverage footprint. Our customer service is further supported by our 8,000-employee, multi-lingual contact centre facilities.

1.4. Principal Operating Companies

Reliance Communications Limited is a major operating company and is also the holding company for the other major operating companies in the Group. Reliance Communications provides CDMA-based wireless, wireline, broadband, and long distance services in India and overseas. Its major assets are the CDMA wireless network, transmission networks used in its business, and the contact centres. Recently, we have received requisite Government approvals and spectrum to roll-out GSM services in 14 Circles.

FLAG Telecom Group Limited ("FLAG") is a subsidiary of Reliance Communications. FLAG provides international connectivity services and infrastructure. Its major assets are the FLAG Atlantic, FLAG North Asia Loop, FLAG Europe Asia and FALCON submarine cable systems. Pursuant to the receipt of all regulatory approvals, the acquisition of Yipes Holdings Inc. was completed on December 17, 2007. Yipes is held as a wholly owned subsidiary of FLAG.

Reliance Telecom Limited ("RTL") is a wholly owned subsidiary of Reliance Communications. RTL provides GSM-based wireless services in 8 service areas, and owns the GSM wireless networks in its service areas.

Reliance Communications Infrastructure Limited ("RCIL") is a wholly owned subsidiary of Reliance Communications. RCIL provides wireless multimedia (Reliance Mobile World) and internet access (Reliance Netconnect) services to customers of Reliance Communications.

Reliance Infratel Limited which was earlier known as "Reliance Telecom Infrastructure Limited", owns, operates, and develops telecom infrastructure, primarily consisting of wireless communication sites and towers. It currently owns virtually all of the towers used by Reliance Communications' CDMA and GSM wireless networks and is developing additional towers to meet the needs of Reliance Communications and other customers. Reliance Infratel is currently a subsidiary of Reliance Communications. On July 19, 2007 Reliance Communications announced that it had sold 5% of Reliance Infratel to seven international institutional investors for a cash consideration of US\$ 337.5 million at Enterprise value of US\$ 9 billion.

2. Financial Highlights

Unaudited financial results for the quarter ended December 31, 2007 as per Indian GAAP. In the tables below, "Qtr ended 30/9/07" refers to the three month period ended September 30, 2007 and "Qtr ended 31/12/07" refers to the three month period ended December 31, 2007. Exchange rate for conversion of Indian Rupees to United States Dollars is Rs 39.75 = US\$ 1.00 for the quarter ended September 30, 2007 and Rs 39.41 = US\$ 1.00 for the quarter ended December 31, 2007, being the noon buying rates as announced by the Federal Reserve Bank of New York on September 28, 2007 and December 31, 2007 respectively.

2.1. Summarized Consolidated Statement of Operations

(Rs Million, except ratios)

Particulars	Qtr ended 30/9/07	Qtr ended 31/12/07	Q-on-Q Growth (%)
Total revenue	45,785	48,742	6.5%
Net revenue	36,039	37,554	4.2%
EBITDA	19,618	21,065	7.4%
Cash profit from operations	20,045	21,204	5.8%
Profit before tax and exceptional item	26,192	15,331	-41.5%
Exceptional item	(12,203)	-	NA
Net profit	13,046	13,729	5.2%
<i>EBITDA margin (%)</i>	42.9%	43.2%	

(US\$ Million)

Particulars	Qtr ended 30/9/07	Qtr ended 31/12/07	Q-on-Q Growth (%)
Total revenue	1,152	1,237	7.4%
Net revenue	907	953	5.1%
EBITDA	494	535	8.3%
Cash profit from operations	504	538	6.7%
Profit before tax and exceptional item	659	389	-41.0%
Exceptional item	(307)	-	NA
Net profit	328	348	6.1%
<i>EBITDA margin (%)</i>	42.9%	43.2%	

Note: The exceptional items of Rs 12,203 million for the quarter ended September 30, 2007 relates to the net gain on the sale of 5% of the shares of Reliance Infratel, a subsidiary of the Company.

2.2. Summarized Consolidated Balance Sheet

(Rs Million, except ratios)

Particulars	As at 31/12/07
Assets	
Net fixed assets, including capital work-in-progress	467,273
Investments	1,345
Total current assets (excluding cash & cash equivalents)	126,692
Total assets	595,310
Liabilities and stockholders equity	
Total current liabilities and provisions	264,781
Net debt	67,170
Total liabilities	331,951
Stockholders equity (Net of Goodwill)	240,136
Minority interest	23,223
Total liabilities and stockholders equity	595,310
<i>Net debt to annualized EBITDA (x)</i>	0.86
<i>Net debt to stockholders equity (x)</i>	0.28
<i>Book value per equity share (Rs)</i>	116

(US\$ Million)

Particulars	As at 31/12/07
Assets	
Net fixed assets, including capital work-in-progress	11,857
Investments	34
Total current assets (excluding cash & cash equivalents)	3,215
Total assets	15,106
Liabilities and stockholders equity	
Total current liabilities and provisions	6,720
Net debt	1,704
Total liabilities	8,424
Stockholders equity (Net of Goodwill)	6,093
Minority interest	589
Total liabilities and stockholders equity	15,106

2.3. Summarized Statement of Operations by Segment

2.3.1. Wireless

(Rs Million, except ratios)

Particulars	Qtr ended 30/9/07	Qtr ended 31/12/07	Q-on-Q Growth (%)
Gross revenue	37,230	39,567	6.3%
Net revenue	27,722	28,892	4.2%
EBITDA	14,873	15,819	6.4%
EBIT	10,236	10,738	4.9%
<i>EBITDA margin (%)</i>	39.9%	40.0%	
<i>EBIT margin (%)</i>	27.5%	27.1%	

2.3.2. Global

(Rs Million, except ratios)

Particulars	Qtr ended 30/9/07	Qtr ended 31/12/07	Q-on-Q Growth (%)
Gross revenue	13,161	13,299	1.1%
Net revenue	7,253	7,078	-2.4%
EBITDA	3,276	3,428	4.7%
EBIT	1,903	1,935	1.7%
<i>EBITDA margin (%)</i>	24.9%	25.8%	
<i>EBIT margin (%)</i>	14.5%	14.6%	

2.3.3. Broadband

(Rs Million, except ratios)

Particulars	Qtr ended 30/9/07	Qtr ended 31/12/07	Q-on-Q Growth (%)
Gross revenue	4,371	4,564	4.4%
Net revenue	3,802	3,947	3.8%
EBITDA	2,102	2,222	5.7%
EBIT	1,508	1,617	7.2%
<i>EBITDA margin (%)</i>	48.1%	48.7%	
<i>EBIT margin (%)</i>	34.5%	35.4%	

Note: "Net revenue" in 2.3.1, 2.3.2, and 2.3.3 above represents gross segment revenue less license fees and access charges.

2.3.4. Others

(Rs Million, except ratios)

Particulars	Qtr ended 30/9/07	Qtr ended 31/12/07	Q-on-Q Growth (%)
Other income	1,087	1,544	42.0%
Other expenses	1,653	1,802	9.0%
EBITDA	(566)	(258)	NM
EBIT	(783)	(477)	NM

Note: "Other income" in 2.3.4 above represents revenue earned from operating activities not included in segments (as defined). "Other expenses" in 2.3.4 above represents expenses related to such activities and unallocated corporate expenses.

2.4. Contribution to Revenue by Segment

(Rs Million, except ratios)

Segment	Qtr ended 30/9/07		Qtr ended 31/12/07	
	Revenue	% of Total	Revenue	% of Total
Wireless	37,230	66%	39,567	67%
Global	13,161	24%	13,299	22%
Broadband	4,371	8%	4,564	8%
Others	1,087	2%	1,544	3%
Sub Total	55,849	100%	58,974	100%
<i>Eliminations</i>	(10,064)		(10,232)	
Total	45,785		48,742	

Note: "Others" comprises "Other income" as shown in 2.3.4 above.

2.5. Contribution to EBITDA by Segment

(Rs Million, except ratios)

Segment	Qtr ended 30/9/07		Qtr ended 31/12/07	
	EBITDA	% of Total	EBITDA	% of Total
Wireless	14,873	75%	15,819	75%
Global	3,276	17%	3,428	16%
Broadband	2,102	11%	2,222	10%
Others	(566)	-3%	(258)	-1%
Sub Total	19,685	100%	21,211	100%
<i>Eliminations</i>	(67)		(146)	
Total	19,618		21,065	

2.6. Investment in Projects by Segment

(Rs Million, except ratios)

Segment	Cumulative to 31/12/07		Qtr ended 31/12/07	
	Rs Million	% of Total	Rs Million	% of Total
Wireless	317,313	65%	60,605	69%
Global	111,672	23%	22,393	25%
Broadband	41,566	9%	5,034	6%
Others	15,422	3%	147	0%
Total	485,973	100%	88,179	100%

Note: Investment in projects in quarter ended 31/12/07 for Global business is gross of translation difference amounting to Rs. 587 million in respect of FLAG and other overseas companies. Thus, the quarterly net investment in projects is Rs. 87,592 million (Rs. 88,179 million less Rs. 587 million)

Investment in projects comprises gross fixed assets, intangible assets (unamortized one time entry fee paid) and capital work-in-progress. The categories of assets allocated to each segment are set out in Section 4.

3. Key Performance Indicators

The financial figures used for computing ARPU, RPM, SMS revenue, non-voice revenue, and ARPL are based on Indian GAAP. Data used for computing wireless market share is derived from reports published by industry associations. Although we believe that such data is reliable, it has not been independently verified. Definitions of terms are set out in Section 7. "Qtr ended 30/9/07" refers to the three month period ended September 30, 2007; "Qtr ended 31/12/07" refers to the three month period ended December 31, 2007.

3.1. Wireless

Metric	Unit	Qtr ended 30/9/07	Qtr ended 31/12/07
Service areas operational*	Nos	22	22
Wireless customers	Nos	36,324,141	40,964,251
GSM Wireless	Nos	5,036,485	6,001,978
CDMA Wireless	Nos	31,287,656	34,962,273
Wireless market share (All-India)	%	17.7%	17.9%
Wireless net adds	Nos	4,445,175	4,640,110
Market share – wireless net adds	%	18.6%	19.1%
Pre-paid % of total wireless customers	%	87.8%	89.0%
Pre-paid % of wireless net adds	%	99.2%	98.1%
Wireless ARPU	Rs/Sub	361	339
Wireless churn	%	1.5%	1.4%
Wireless minutes of use (MoU)	Bn Mins	50.7	52.5
Wireless MoU per customer/month	Min/Sub	490	449
Wireless revenue per minute (RPM)	Rs/Min	0.74	0.75
SMS revenue (% of ARPU)	%	1.4%	1.2%
Non-voice revenue (% of ARPU)	%	6.2%	6.4%

* Considering Tamil Nadu and Chennai as one combine circle

3.2. Global

Metric	Unit	Qtr ended 30/9/07	Qtr ended 31/12/07
Total ILD minutes	Mn Mins	1,688	1,747
Total NLD minutes	Mn Mins	5,853	5,795

Note: Definition of ILD minutes includes transit minutes and global calling card minutes. Definition of NLD minutes includes carriage of all ILD minutes originating or terminating in India.

3.3. Broadband

Metric	Unit	Qtr ended 30/9/07	Qtr ended 31/12/07
Service areas operational	Nos	18	18
Towns active (wireline only)	Nos	42	42
Access lines	Nos	792,000	901,000
Access line net adds	Nos	87,000	109,000
ARPL	Rs/line	1,948	1,797
Buildings directly connected	Nos	666,368	727,229

4. Basis of Presentation of Financial Statements

4.1. Reporting Periods

The financial year end of Reliance Communications Limited is March 31. Each financial year ("FY") is referred to by the calendar year in which the particular financial year end occurs. The current financial year will be for a period of 12 months, commenced on April 1, 2007 and ending on March 31, 2008.

4.2. Consolidated and Segment Financial Results

4.2.1. Revenues

Revenues of the Company have been reported in the following manner:

- ❑ Consolidated Revenues and Segment Gross Revenues

Consolidated revenues of the Company have been classified as "Services and Sales" revenue. This represents revenues earned from the provision of services and from the sale of network infrastructure on an IRU basis.

For the purposes of business segment reporting, revenues have been classified under three segments namely "Wireless", "Global", and "Broadband". The lines of business included in each segment and the basis of segment revenue reporting is described in Section 4.3 below. Revenue earned from operating activities not included in these segments (as defined) is shown as "Other Income" under "Others" in the segment analysis.

- ❑ Elimination of Inter Segment Revenues

Revenues for each business segment are reported at gross level where inter segment revenue is also included. Hence, revenue of one segment, from inter segment source, is reported as the expense of the related segment. Elimination takes place in determining consolidated revenues for the Company.

For the purpose of determining transfer pricing between segments, open market wholesale rates for comparable services or, where applicable, rates stipulated by the regulatory authorities have been adopted.

4.2.2. Net Revenues by Segment

"Net Revenues" represent revenues earned less direct variable operating expenses in the nature of: (1) access deficit charges (ADC), revenue share (including levies for Universal Service Obligation), and spectrum fees (referred to collectively as "License Fees"); and (2) charges for access, carriage, interconnection, and termination (referred to collectively as "Access Charges").

Expenses included under License Fees are currently incurred as a percentage of adjusted gross revenue. Expenses included under Access Charges, including ADC, are currently incurred either at rates stipulated by the regulatory authorities on the basis of percentage of adjusted gross revenue, or on the basis of fixed or ceiling cost per minute, or are determined by commercial negotiation with other carriers and between our business segments, as appropriate.

Access Charges and license Fees are disclosed in aggregate as part of the classification of "Operating Expenses" in the consolidated statement of operations. Net Revenues are reported for each business segment.

4.2.3. Operating Expenses

Operating expenses of the Company have been reported in the following manner:

- Consolidated and Segment Gross Operating Expenses

Consolidated operating expenses of the Company have been classified under four categories of costs, namely "Access Charges and license Fees", "Network Operations", "Employees", and "Selling, General & Administrative".

- Elimination of Inter Segment Expenses

Principles, as stated in 4.2.1 above, have been followed for reporting gross operating expenses of each segment and elimination of such expenses in determining consolidated EBITDA for the Company.

4.3. Composition of Segments

Financial performance of the Company has been reported under the following three business segments:

- Wireless
- Global
- Broadband

Financial results by segment include all products and services covered by the individual segment as described below. Operating activities not included in the segments (as defined below) are grouped under "Others".

4.3.1. Wireless

The Wireless segment functions in a retail mode. Wireless services are offered on both CDMA and GSM technology platforms. Wireless services consist mainly of the following:

- Mobile services for individuals and corporate customers, including local and long distance voice, messaging, wireless internet access, wireless multimedia and value added services. Services are offered on both pre-paid and post paid bases.
- Fixed wireless phone and terminal services are mainly for residential and SME customers, including local and long distance voice, messaging, wireless internet access, wireless multimedia, and value added services. Services are offered on both pre-paid and post paid bases.
- Public calling offices and coin collection boxes for local and long distance voice using fixed wireless phones and terminals. Service is provided to independent retail operators of such facilities on a pre-paid basis.

Assets allocated to this business segment include: radio equipment (base trans-receiver stations (BTSs), microwave towers, antennas, mobile switching centers (MSCs), and related electronics, software and systems for operations); intra-city access networks (ducts and optical fiber) other than in 42 cities; utilities, servers, customer premises equipment, and license fees.

4.3.2. Global

The global segment provides wholesale and retail voice and data services from many international locations. It provides the following services to the wireless and broadband segments of Reliance Communications on an inter segment basis and to other telecom companies (on a carrier's carrier basis) and enterprises in India and across the globe:

- ❑ National inter-circle (NLD) carriage services for voice, data, and internet.
- ❑ International long distance (ILD) carriage services for voice, data, and internet.
- ❑ IRUs and leased circuits for international voice and data connectivity through submarine cable systems, together with cable restoration and maintenance services.
- ❑ Global Ethernet services to enterprise customers across four industry verticals i.e. financial, legal, healthcare and Government
- ❑ International managed data services, including IP-VPN.
- ❑ Virtual calling card and voice content services provided by overseas operating units in USA, UK, Canada, Australia, New Zealand, Hong Kong and Malaysia in a retail mode to individual customers for calling India and global destinations.
- ❑ Managed contact centre solutions for call centres in India and overseas.

NLD and ILD assets are allocated to this segment. NLD assets include: transport equipment and electronics; transmission networks (ducts and optical fiber) connecting various Media Convergence Nodes (MCNs) across all circles; buildings, utilities, and license fees. ILD assets include: dedicated ports and switches, electronics, infrastructure at various points of presence and other cable systems not owned and operated by the Company. In addition, the submarine cable systems, cable landing stations, switching equipment for PoPs and associated facilities of FLAG, are included in this segment.

4.3.3. Broadband

All services provided through wireline, LMDS or Wimax access technologies and involving the provision of IT infrastructure are covered under this segment. Services are provided across various customer groups including residential, SMEs, and large corporates. Products and services include the following:

- ❑ Voice Products: E1 DID, Centrex, PBX trunks, audio conferencing, and fixed line phones.
- ❑ Data products: VPN, leased lines, IPLCs, Ethernet, video conferencing, internet data centre (IDC) services (including managed hosting, applications, storage, and disaster recovery), and broadband internet.

Assets allocated to this segment include: in-building wiring and building access networks from building access nodes in all locations where active; intra-city access networks (ducts and optical fiber) in 42 cities; internet data centers; digital loop carriers (DLC), routers, modems and related electronics; customer premises equipment (CPE) and license fees.

4.3.4. Others

Others comprise operating activities not included in the segments as defined above. These activities include retailing (Reliance World), property leasing and investments.

Assets shown under Others mainly comprise properties owned by the Company, including the Dhirubhai Ambani Knowledge City, and property and fittings (including electronics for video-conferencing and other digital services) used by Reliance World retail outlets.

5. Financial Statements

Unaudited financial results for the quarter ended December 31, 2007 as per Indian GAAP. An explanation of the basis of presentation is set out in Section 4. In the tables below, "Qtr ended 30/9/07" refers to the three month period ended September 30, 2007 and "Qtr ended 31/12/07" refers to the three month period ended December 31, 2007. Previous quarter's figures have been re-grouped, re-arranged and re-classified wherever necessary.

5.1. Consolidated Results of Operations

(Rs. Million, except ratios)

Particulars	Qtr ended 30/9/07	Qtr ended 31/12/07
Total revenues	45,785	48,742
Services and sales	45,785	48,742
Total operating expenses	26,167	27,677
Access charges and license fees	9,746	11,188
Network operations	5,662	5,446
Employees	3,056	3,087
SG&A	7,703	7,956
EBITDA before exceptional item	19,618	21,065
Finance charges (net)	(1,125)	(1,518)
Depreciation / amortization	6,754	7,252
Exceptional items (See note below)	(12,203)	-
Profit before tax	26,192	15,331
Provision for tax (including Fringe benefit tax and Deferred tax)	698	1,379
Net profit after tax (before adjustment of share of Minority Interest/ Associates)	25,494	13,952
Share of Minority and associates	12,448	223
Net profit after tax (after adjustment of share of Minority Interest/ Associates)	13,046	13,729
Ratios		
<i>EBITDA margin (%)</i>	<i>42.9%</i>	<i>43.2%</i>
<i>Net profit margin (%)</i>	<i>28.5%</i>	<i>28.2%</i>

Note:

The exceptional items of Rs 12,203 million in the quarter ended September 30, 2007 relates to the net gain on the sale of 5% of the shares of Reliance Infratel, a subsidiary of the Company.

5.2. Consolidated Balance Sheet

(Rs. Million)

Particulars	As at 31/12/07
ASSETS	
Current assets	
Inventories	3,768
Debtors	29,708
Other current assets	20,750
Loans and advances	72,466
Total current assets (excluding cash and cash equivalents)	126,692
Fixed assets	
Gross block	408,870
Less: Depreciation	80,825
Net block	328,045
Capital work-in-progress	139,228
Total fixed assets	467,273
Investments	1,345
Total assets	595,310
LIABILITIES AND STOCKHOLDERS EQUITY	
Stockholders equity	
Share capital	10,314
Reserves and surplus (net of Goodwill)	229,822
Stockholders equity	240,136
Minority interest	23,223
Current liabilities and provisions	
Current liabilities	220,988
Provisions	43,793
Total current liabilities and provisions	264,781
Debt	
Secured loans	
Foreign currency loans	16,597
Rupee loans	19,005
Unsecured loans	
Foreign currency loans	97,250
Rupee loans	46,812
Less: Cash and cash equivalents	112,494
Net debt	67,170
Total liabilities and stockholders equity	595,310

5.3. Consolidated Statement of Cash Flows

(Rs. Million)

Particulars		Qtr ended 30/9/07	Qtr ended 31/12/07
Cash flows from operating activities:			
Net profit/(loss) before tax	A	26,192	15,331
Add: Non cash/non operating items	B	(5,271)	7,412
Depreciation and amortization		6,754	7,252
Provision for doubtful debts		552	146
Finance charges (net)*		(170)	712
(Profit)/loss on sale of investments		(204)	(698)
Exceptional items		(12,203)	-
Cash generated from operations before working capital changes	A+B	20,921	22,743
(Increase)/decrease in working capital		(19,956)	(17,378)
Cash generated from operations		965	5,365
Tax paid		(654)	(742)
Net cash provided/used by/in operating activities	C	311	4,623
Cash flows from investing activities:			
(Purchase)/sale of property, plant, and equipment (net)		(28,601)	(80,270)
(Purchase)/sale of investments (net)		12,202	10,605
Interest income / (expense) (net)		760	(272)
Net cash provided/used by/in investing activities	D	(15,639)	(69,937)
Cash flows from financing activities:			
Increase/(decrease) in borrowings		(9,035)	53,502
Net cash provided/used by/in financing activities	E	(9,035)	53,502
Cash and cash equivalents:			
Beginning of the period	F	148,669	124,306
End of the period	C+D+E+F	124,306	112,494

* Financial charges exclude realized foreign exchange gain/loss.

6. Accounting Policies

Set out below are the significant accounting policies to the Unaudited Consolidated Statement of Operations and the Consolidated Balance Sheet.

6.1. Principles of Consolidation

Consolidation has been carried out in compliance with the applicable Accounting Standards, viz., AS 21 and AS 23, issued by the Institute of Chartered Accountants of India.

6.2. Other Significant Accounting Policies

6.2.1. Basis of Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

6.2.2. Use of Estimates

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/materialized.

6.2.3. Fixed Assets

Fixed assets are stated at cost net of cenvat/value added tax and include amount added on revaluation less accumulated depreciation, amortization and impairment loss, if any.

- All costs including financing cost until commencement of commercial operations relating to borrowings attributable to fixed assets, are capitalized.
- Expenses incurred relating to projects prior to commencement of commercial operation are considered as project development expenditure and shown under capital work-in-progress.
- In respect of operating leases, rentals are expensed with reference to lease terms and other considerations in compliance with the provisions of the AS 19 issued by The Institute of Chartered Accountants of India, except for rentals pertaining to the period up to the date of commencement of commercial operations, which are capitalized.
- In respect of finance leases, the lower of the fair value of the assets and present value of the minimum lease rentals is capitalized as fixed assets with corresponding

amount shown as liabilities for leased assets in compliance with the provisions of the AS 19 issued by The Institute of Chartered Accountants of India. The principal component in the lease rental in respect of the above is adjusted against liabilities for leased assets and the interest component is recognized as an expense in the year in which the same is incurred except in case of assets used for capital projects where it is capitalized.

- Entry fees paid for telecom licenses and indefeasible right of connectivity are stated at cost for acquiring the same less accumulated amortization. These are classified as part of fixed assets.

6.2.4. Depreciation/Amortization

- Depreciation on fixed assets is provided on straight line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 except in cases of cable systems, telecom electronic equipment, customer premises equipment and certain other assets for which useful life has been considered based on technical estimation. Depreciation is net of the amount adjusted from Provision for Business Restructuring in accordance with the Scheme.
- Depreciation on assets taken on finance lease is provided over the remaining period of lease from the commencement of commercial operations.
- Leasehold land is depreciated over the period of the lease term.
- Intangible assets, namely entry fees for telecom licenses and indefeasible right of connectivity are amortized equally over the balance period of licenses or indefeasible rights from the date of commencement of commercial services or acquisition.
- The depreciation schedule for various classes of assets is as follows:

Asset Class	Period (Years)
Leasehold Land	Over the lease period
Building	30 & 60
Plant and Machinery	10-20
Furniture and Fixture	5-10
Office Equipment	5-10
Vehicles	5

6.2.5. Impairment of Assets

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the profit and loss account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

6.2.6. Investments

Investments are classified into long term and current investments. Investments which are intended to be held for more than one year are classified as long term investments and investments which are intended to be held for less than one year, are classified as current investments.

Current investments are carried at lower of cost and quoted/fair value, computed category wise. Long term investments are stated at cost. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary in the opinion of the management.

6.2.7. Inventories

Inventories are valued at lower of cost or net realizable value. Cost of communication devices and accessories and stores and spares are determined on weighted average basis, or net realizable value whichever is less.

6.2.8. Employee Retirement Benefits

Gratuity and leave encashment liabilities are provided for based on actuarial valuation. While Company's contributions towards provident fund and superannuation fund are provided on actual contribution basis in accordance with the related stipulation.

6.2.9. Borrowing Cost

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets up to the commencement of commercial operations. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. Other borrowing costs are recognized as expense in the year in which they are incurred.

6.2.10. Foreign Currency Transactions

- ❑ Transactions denominated in foreign currencies are normally recorded at the exchange rates prevailing at the time of the transaction.
- ❑ Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of monetary items, which are covered by forward exchange contracts, the difference between the year end rate and the rate on the date of the contract is recognized as exchange difference and the premium paid on forward contracts has been recognized over the life of the contract.
- ❑ Non monetary foreign currency items are carried at cost.
- ❑ Any income or expense on account of exchange difference either on settlement or on translation is recognized in the profit and loss account.

6.2.11. Revenue Recognition

Revenue (income) is recognized as and when the services are performed on the basis of actual usage of the Company's network. Revenue on upfront charges for services with lifetime validity and fixed validity periods are recognized over the estimated useful life of subscribers and specified fixed validity period, as appropriate. The estimated useful life is consistent with estimated churn of the subscribers.

6.2.12. Provision for Doubtful Debts

Provision is made in the accounts for doubtful debts in cases where the management considers the debts to be doubtful of recovery.

6.2.13. Miscellaneous Expenditure

Miscellaneous expenses are charged to profit and loss account as and when they are incurred.

6.2.14. Taxes on Income

Provision for income tax is made on the basis of estimated taxable income for the year at current rates. Tax expenses comprise both current tax and deferred tax at the applicable enacted or substantively enacted rates. Current tax represents the amount of income tax payable/recoverable in respect of the taxable income/loss for the reporting period. Deferred tax represents the effect of timing difference between taxable income and accounting income for the reporting period that originate in one period and are capable of reversal in one or more subsequent periods.

6.2.15. Government Grants

Subsidies provided by Government for providing telecom services in rural areas are recognized as operating income.

6.2.16. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

7. Notes to Accounts

1. Previous period figures have been reworked, regrouped, rearranged and reclassified, wherever required.
2. During the previous period, financial year of the Company was for fifteen months from 1st January, 2006 to 31st March, 2007. To enable relevant comparison, fourth quarter of the previous period (from 1st October, 2006 to 31st December, 2006) and nine months (from 1st April, 2006 to 31st December, 2006) of previous year have been reported as corresponding previous periods.
3. Subsequent to 31st December, 2007, the Company has pursuant to exercise of option by holders of FCCB allotted 11,55,514 equity shares of Rs. 5 each at an aggregate premium of Rs. 54.97 crore. Consequent upon the said allotments the paid up capital of the Company has increased to 206,40,26,881 fully paid equity shares of Rs. 5 each.
4. Pursuant to the receipt of all regulatory approvals, the acquisition of Yipes Holdings Inc., USA, was completed at the close of business on 17th December, 2007. The acquisition was made through Flag Telecom Group Limited, subsidiary of the Company. Consequently, Yipes Holdings Inc., Yipes Enterprise Services Inc., Yipes Systems Inc. and YTV Inc. became subsidiaries of the Company.

Pending valuation of goodwill and completion of accounting related to the said acquisition, operational results for the period from 18th December to 31st December, 2007 is not forming part of consolidated financial results of the Company.

5. Pursuant to the relevant approval received from the appropriate authority, the Company has acquired the entire interest with effect from 25th October, 2007 in Reliance Big TV Limited having license to operate Direct to Home Services.
6. The Company has paid requisite fees for providing telecommunication services using GSM technology amounting to Rs. 1,651 crore to the Department of Telecommunications (DOT) on 19th October, 2007. Consequently, the Company has obtained permission for providing telecommunication services using GSM technology in fourteen telecom circles under its existing Unified Access Service License (UASL) from the DoT. Subsequently the Company has received start-up spectrum to launch the said services.
7. Financial charges (Net) includes an amount of Rs. 230.70 crore being the income realised and accrued on underlying investments on certain fixed maturity plans of mutual funds made by Reliance Communications Infrastructure Limited, a subsidiary of the company, during the quarter and nine months ended 31st December, 2007.

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8. Consequent upon Accounting Standards 11 "The Effect of Changes in Foreign Exchange Rates" ("AS") as notified by Companies (Accounting Standards) Rules, 2006 becoming applicable to the current accounting period commencing on 1st April, 2007, and considering the view expressed by the Council of the Institute of Chartered Accountants of India that the provisions of the AS would prevail notwithstanding that they are in conflict with Schedule VI of the Companies Act, 1956, the Company has re examined the accounting policies related to accounting for changes in foreign exchange rates, as a result of which:
- (a) Net gain arising on account of foreign exchange difference amounting to Rs. 139.84 crore & Rs. 689.89 crore for the quarter and nine months ended 31st December, 2007 respectively, relating to liabilities for acquisition of fixed assets, has been recognized in the Profit and Loss Account.
 - (b) Gain of Rs. 0.01 crore and loss of Rs. 186.44 crore for the quarter and nine months ended 31st December, 2007 respectively arising on mark to market of Derivative Instruments is recognized in the Profit & Loss Account; and
 - (c) Foreign Currency Convertible Bonds are treated as non-monetary liabilities also pursuant inter alia market price of the Company's equity share exceeding the conversion price, stipulated in the offer document. Consequently foreign exchange gain of Rs. 56.46 crore and Rs. 600.21 crore for the quarter and nine months ended 31st December, 2007 respectively is not recognised in the Profit & Loss Account.

If these changes had not been made and there was no change in the accounting policies relating to changes in foreign exchange rates, the profit would have been lower by Rs. 83.39 crore and higher by Rs. 96.76 crore for the quarter and nine months ended 31st December, 2007 respectively.

8. Glossary

Key Performance Indicators and Financial Terms

Wireless Segment	
Wireless market share	Total wireless customers (CDMA Mobile + GSM Mobile + FWP + Wireless PCO), at the end of the relevant period, divided by All-India wireless customers, at the end of the same period. All-India wireless customer numbers are sourced from industry reports.
Market share of wireless net adds	Wireless customer net additions during the relevant period, divided by All-India wireless customer net additions during the same period.
Wireless ARPU	Computed by dividing total wireless revenue for the relevant period by average customers; and dividing the result by the number of months in the relevant period.
Wireless net ARPU	Computed by dividing net wireless revenue for the relevant period by average customers; and dividing the result by the number of months in the relevant period.
Wireless churn	Computed by taking average monthly wireless disconnections divided by opening monthly subscriber base in the relevant period. Churn is expressed as a percentage.
Total wireless minutes of use (MoU)	Sum of all incoming and outgoing minutes used on the wireless access network by all customers in aggregate.
Wireless MoU per customer per month	Total wireless MoU divided by average number of wireless customers on the network in the relevant period. The result is expressed as the average per customer per month.
Wireless revenue per minute (RPM)	Wireless ARPU divided by the average wireless MoU per customer per month.
SMS revenue (% of ARPU)	Comprises both charges for customer to customer messaging services and for applications accessed by customers over the SMS platform. SMS revenue is divided by wireless revenue, and expressed as a percentage of ARPU.
Non-voice revenue (% of ARPU)	Comprises SMS revenue, charges for applications accessed by customers over the wireless multimedia platform, wireless internet access services, wireless data, and other value added services. Non-voice revenue is divided by wireless segment revenue, and expressed as a percentage of ARPU.

Global Segment	
ILD minutes	Total of incoming and outgoing international long distance minutes carried by the Global business. This includes minutes originating or terminating in India, international transit minutes, and global calling card minutes.
NLD minutes	Total of national long distance minutes carried by the Global business. The domestic carriage of all ILD minutes has been included in NLD minutes.

Broadband Segment	
Buildings directly connected	The number of buildings directly connected to Reliance Communications's own network (either by wireline, fiber optic, or other fixed access technologies) at the end of the relevant period.
Access lines	Number of narrowband and broadband voice and data access lines in use.
ARPL	ARPL (average revenue per line) is computed by dividing total Broadband business revenue by the average number of access lines in use during the relevant period; and dividing the result by the number of months in the relevant period.

Financial Terms	
Net revenue	Total revenue less (1) charges for access deficit, USO levy, revenue share and spectrum fees (referred to as "License Fees") and (2) charges for access, carriage, interconnection and termination (referred to as "Access Charges").
Cash profit from operations	Is defined as the sum of profit after tax, depreciation and amortization.
Investment in projects	Investment in projects comprises net fixed assets, intangible assets, capital work-in-progress, and one time entry fee paid unamortized.

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