

RELIANCE COMMUNICATIONS (RCOM) ANNOUNCES ITS FINANCIAL RESULTS
FOR THE QUARTER ENDED DECEMBER 31, 2007

RCOM REMAINS THE MOST PROFITABLE TELECOM COMPANY IN INDIA

NET PROFIT INCREASES BY 48.5 % TO RS. 1373 CRORE (US\$ 348 MILLION)

REVENUES HIGHER BY 29.8% AT RS. 4,874 CRORE (US\$ 1,237 MILLION)

EBITDA MARGIN EXPANDS FROM 40.5% TO 43.2%

RETURN ON NET WORTH 35%

NET WORTH EXPANDS TO RS. 24,014 CRORE (US\$ 6.1 BILLION)
AND NET DEBT-EQUITY RATIO PLACED AT A CONSERVATIVE 0.28 : 1

AGGRESSIVE NETWORK EXPANSION ACCELERATED WITH RS. 8,800 CRORE
(US\$ 2.23 BILLION) CAPITAL EXPENDITURE DURING THE QUARTER

Mumbai, January 31, 2008: Reliance Communications Limited (RCOM) today announced its unaudited consolidated financial results for the quarter ended December 31, 2007.

Highlights of the financial performance for the quarter are:

- **Net Profit of Rs. 1373 crore (US\$ 348 million), higher by 48.5%** compared to Net Profit of Rs. 924 crore (US\$ 210 million) in the corresponding quarter last year.
- **EBITDA at Rs. 2,106 crore (US\$ 534 million), growth of 38.4%. EBITDA margin expands to 43.2% from 40.5%.**
- **Revenue growth of 29.8% at Rs. 4,874 crore (US\$ 1,237 million) from Rs. 3,755 crore (US\$ 851 million).**
- **Return on Net Worth 35%** on the back of improved resource utilization.
- **Shareholders Equity (Net Worth) increases to Rs. 24,014 crore (US\$ 6.1 billion) – among the top three companies in India.**
- **Conservative capital structure – Net Debt to Equity Ratio maintained at a conservative level of 0.28:1, despite capex spend of Rs. 8,800 crore (US\$ 2.23 billion) during the quarter.**

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

"The Indian telecom sector is poised at the threshold of a significant growth opportunity and RCOM, as a fully-integrated and converged service provider, is best-positioned to capture this growth."

BUSINESS REVIEW

▪ **WIRELESS**

Reliance Communications added 4.6 million wireless customers during the quarter, compared to 4.0 million in the corresponding quarter last year. At the close of the quarter, RCOM had **41 million wireless customers**. During the quarter, RCOM's ARPU marginally declined to Rs. 339. However, wireless revenue per minute (RPM) remained stable at 0.75 paise, as against an industry-wide trend of continuous decline.

Wireless business revenues increased by 43.8% to Rs. 3,957 crore (US\$ 1,004 million) from Rs. 2,752 crore (US\$ 624 million). EBITDA grew by 53.7% to Rs. 1,582 crore (US\$ 401 million) from Rs. 1,029 crore (US\$ 233 million). EBIDTA Margins expanded to 40.0% from 37.4%.

▪ **GLOBAL**

FLAG Telecom continued its momentum of major new contract wins while expanding presence into new countries and making strong progress on the deployment of its "Next Generation Network" project.

Overall, **long distance volumes increased by 22%** compared to the corresponding quarter last year to cross 754 crore (7.5 billion) minutes. Volumes in the international retail calling card showed creditable improvement despite increased competition and the customer base now exceeds 1.4 million.

EBITDA of the Global business during the quarter ended December 31, 2007 was at Rs. 343 crore (US\$ 87 million) and EBITDA margin was at 25.8%.

▪ **BROADBAND**

The **number of access lines increased to 900,000** at the end of the quarter, a **70% increase** from 530,000 in the corresponding quarter last year. Leveraging its network of 25,000 kms of metro fiber optic cables, RCOM expanded its wireline connectivity by 91% to more than 727,000 buildings from 380,000 buildings in the corresponding quarter last year.

New orders booked by the business during the quarter grew by 48% over the preceding quarter. Reliance Communications has a market share of over 50% of new business acquisitions in the enterprise connectivity space.

The Broadband business achieved revenue growth of 44.4% to Rs 456 crore (US\$ 116 million), and EBITDA grew by 49.5% to Rs. 222 crore (US\$ 56 million). EBITDA margin was at 48.7% in the quarter ended December 31, 2007, from 47% in the corresponding quarter in the previous year.

▪ **CORPORATE DEVELOPMENTS**

▪ **RCOM received start-up spectrum to offer nationwide GSM services**

RCOM recently received start-up spectrum to offer nationwide GSM services. RCOM plans to launch GSM services all over India. The launch of nationwide GSM services would enable RCOM to effectively target the fast-growing GSM market. Reliance Telecom, a subsidiary of RCOM already offers GSM services in 8 circles. We will now be nationwide GSM & CDMA player.

▪ **RCOM completes acquisition of Yipes Holdings, Inc.**

During the quarter, RCOM completed the acquisition of Yipes Holdings after receiving approvals from Federal Communications Commission (FCC).

The combination of Yipes' enterprise Ethernet services, FLAG Telecom's submarine cable assets and global relationships and RCOM's commitment for expansion and growth will enable the creation of a global service-delivery platform with unmatched coverage and capability. Yipes' customers will enjoy broader coverage, access to more international markets, and the rollout of new innovative services.

▪ **RCOM partners with Microsoft to deliver IPTV in India on the Microsoft Mediaroom Platform**

RCOM and Microsoft announced strategic partnership to deliver Reliance IPTV services in India powered by award-winning Microsoft Mediaroom Internet Protocol Television (IPTV) software platform. RCOM have the exclusive deployment right for the platform in India.

Reliance's IPTV service, powered by the Microsoft Mediaroom platform, will allow Reliance to deliver entirely new, connected and personalized television experiences for Indian consumers, with several advanced features, such as video-on-demand (VOD), digital video recording (DVR), instant channel changing, and personal media sharing. IPTV subscribers will be able to watch popular standard definition (SD) content as well as high definition (HD) content - for the first time in India - at the click of a button from the comfort of their homes, and enjoy a connected entertainment experience that will soon allow them to watch their favorite shows on their TV or PC.

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About Reliance Communications

Reliance Communications Limited founded by the late Shri. Dhirubhai H Ambani (1932–2002) is the flagship company of the Reliance Anil Dhirubhai Ambani Group. The Reliance Anil Dhirubhai Ambani Group currently has a market capitalization of over Rs. 3,20,000 crore, net worth in excess of Rs. 40,000 crore, cash flows of Rs. 9,000 crore, net profit of Rs. 5,000 crore and zero net debt.

Rated among "Asia's Top 5 Most Valuable Telecom Companies", Reliance Communications is India's foremost and truly integrated telecommunications service provider. The company, with a customer base of over 43 million including over 1.4 million individual overseas retail customers, ranks among the Top 10 Asian Telecom companies by number of customers. Reliance Communications' corporate clientele includes 1850 Indian and multinational corporations, and over 200 global carriers.

Reliance Communications has established a pan-India, next generation, integrated (wireless and wireline), convergent (voice, data and video) digital network that is capable of supporting best-of-class services spanning the entire infocomm value chain, covering over 15,000 towns and 400,000 villages. Reliance Communications owns and operates the world's largest next generation IP enabled connectivity infrastructure, comprising over 165,000 kilometers of fibre optic cable systems in India, USA, Europe, Middle East and the Asia Pacific region.

Financial Results summary

(Rs. Crore)

Particulars	3 months ended 31/12/07	3 months ended 31/12/06	Increase / (Decrease)
Turnover			
Wireless	3,957	2,752	43.8%
Global	1,330	1,334	-0.3%
Broadband	456	316	44.4%
Diversified	154	77	
Total (post eliminations)	4,874	3,755	29.8%
EBITDA			
Wireless	1,582	1,029	53.7%
Global	343	355	-3.4%
Broadband	222	149	49.5%
Diversified	-26	-7	
Total (post eliminations)	2,106	1,523	38.3%
<i>EBITDA margin</i>	<i>43.2%</i>	<i>40.5%</i>	<i>2.7 ppt</i>
Depreciation	725	652	11.2%
Financial Charges (net)	-152	-69	
Exceptional items	-	3	
PBT	1,533	937	63.6%
Tax	138	13	
PAT (before minority interest)	1,395	924	51.0%
Share of minority interest	22	-	
PAT (after minority interest)	1,373	924	48.6%