

**Bharti Airtel Limited**

(Incorporated as a public limited company on July 7, 1995 under the Companies Act, 1956)  
Qutab Ambience, H-5/12, Mehrauli Road, New Delhi 110030, India



- Airtel stands 2nd in ET Brand Equity's Survey for the 'Most trusted' Brands-2007'
- Airtel ranked 3rd in 'Shareholder Returns' on Business Week's 'IT 100 list'.
- Partnering with the best to deliver more to **45** million customers.

• Presenting GPS on Airtel with Blackberry 8800  
Find your way to anywhere.

• Airtel Enterprise Services helps over 1000 corporates come closer, as they grow bigger.

**July 26, 2007**

Sunil B Mittal  
Chairman & Managing Director

Akhil Gupta  
Joint Managing Director

Manoj Kohli  
President & Chief Executive Officer

Sarjit Dhillon  
Chief Financial Officer & Director Strategy

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The financial statements included in this quarterly report fairly presents in all material respects the financial condition, results of operations, cash flows of the company as of, and for the periods presented in this report.

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Mobile Services | Enterprise Services  
Broadband & Telephone Services



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## Supplemental Disclosures

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**Safe Harbor:** - 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 actual results can 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 as 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 understood and read along with this supplemental disclosure.

**General Risk:** - Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this 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 Bharti Airtel including the risks involved.

**Convenience translation:** - We publish our financial statements in Indian Rupees. All references herein to “Indian Rupees” and “Rs.” are to Indian Rupees and all references herein to “US dollars” and “US\$” are to United States dollars. All translations from Indian Rupees to United States dollars were made (unless otherwise indicated) using the rate of Rs.40.58 = US \$1.00, the noon buying rate as announced by the Federal Reserve Bank of New York on June 29, 2007. All amounts translated into United States dollars as described above are provided solely for the convenience of the reader, and no representation is made that the Indian Rupees 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 above rates or at all. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding off. Information contained on our websites [www.bhartiairtel.in](http://www.bhartiairtel.in), [www.airtel.in](http://www.airtel.in), [www.airteltelephone.com](http://www.airteltelephone.com), [www.airtel-broadband.com](http://www.airtel-broadband.com), [www.airtelongdistance.com](http://www.airtelongdistance.com) and [www.airtelenterprise.com](http://www.airtelenterprise.com) is not part of this Quarterly Report.

**Use of Certain Non-GAAP measures:** - This result announcement contains certain information on the Company’s results of operations and cash flows that have been derived from amounts calculated in accordance with United States Generally Accepted Accounting Principles (US GAAP), but are not in themselves US GAAP measures. They should not be viewed in isolation as alternatives to the equivalent US GAAP measures and should be read in conjunction with the equivalent US GAAP measures. **Further, disclosures are also provided under “Use of Non - GAAP financial information” on page 19.**

**Others:** - In this report, the terms “we”, “us”, “our”, “Bharti”, or “the Company”, unless otherwise specified or the context otherwise implies, refer to Bharti Airtel Limited (“Bharti Airtel”) and its subsidiaries, Bharti Hexacom Limited (“Bharti Hexacom”), Bharti Airtel Services Limited (erstwhile Bharti Comtel), Bharti Aquanet Limited (“Bharti Aquanet”), Satcom Broadband Equipment Limited (Satcom), Bharti Broadband Limited (BBL), Bharti Infratel Limited (Bharti Infratel), Bharti Telemedia Limited (Bharti Telemedia), Bharti Airtel (USA) Limited, Bharti Airtel (UK) Limited, Bharti Airtel (Canada) Limited, Bharti Airtel (Hong Kong) Limited, Bharti Airtel Lanka (Private) Limited and Bharti Airtel (Singapore) Private Ltd.

**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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## Section 1

### BHARTI AIRTEL – PERFORMANCE AT A GLANCE

| Particulars  | UNITS         | Full Year Ended March 31, |               |               |               | Quarter Ended |
|--|---------------|---------------------------|---------------|---------------|---------------|---------------|
|  |               | 2004                      | 2005          | 2006          | 2007          | June 30, 2007 |
| <b>Total Customer Base</b>                           | <b>000's.</b> | <b>7,141</b>              | <b>11,842</b> | <b>20,926</b> | <b>39,013</b> | <b>44,676</b> |
| Mobile Services                                      | 000's.        | 6,504                     | 10,984        | 19,579        | 37,141        | 42,704        |
| Broadband & Telephone Services                       | 000's.        | 637                       | 857           | 1,347         | 1,871         | 1,972         |
| <b><u>Consolidated financials as per US GAAP</u></b> |               |                           |               |               |               |               |
| Revenue  | INR Mn.       | 48,320                    | 80,028        | 116,215       | 185,196       | 59,046        |
| EBITDA   | INR Mn.       | 15,968                    | 30,128        | 43,374        | 74,508        | 24,466        |
| Cash profit from operations                          | INR Mn.       | 13,588                    | 28,132        | 40,862        | 73,070        | 26,218        |
| Income before income taxes                           | INR Mn.       | 5,976                     | 16,604        | 25,366        | 48,860        | 18,901        |
| Net income   | INR Mn.       | 5,076                     | 14,978        | 22,567        | 42,571        | 15,116        |
| <b><u>Consolidated financials as per US GAAP</u></b> |               |                           |               |               |               |               |
| Revenue  | US\$ Mn.      | 1,113                     | 1,835         | 2,613         | 4,297         | 1,455         |
| EBITDA   | US\$ Mn.      | 368                       | 691           | 975           | 1,729         | 603           |
| Cash profit from operations                          | US\$ Mn.      | 313                       | 645           | 919           | 1,695         | 646           |
| Income before income taxes                           | US\$ Mn.      | 138                       | 381           | 570           | 1,134         | 466           |
| Net income   | US\$ Mn.      | 117                       | 343           | 507           | 988           | 372           |
| <b><u>Key Ratios</u></b>                             |               |                           |               |               |               |               |
| EBITDA Margin  | %             | 33.0%                     | 37.6%         | 37.3%         | 40.2%         | 41.4%         |
| Net Profit Margin                                    | %             | 10.5%                     | 18.7%         | 19.4%         | 23.0%         | 25.6%         |
| Net Debt to funded equity ratio                      | Times         | 0.89                      | 0.66          | 0.48          | 0.45          | 0.22          |
| Return on Stockholders Equity                        | %             | 11.7%                     | 28.0%         | 29.5%         | 37.4%         | 40.8%         |
| Return on Capital employed                           | %             | 9.7%                      | 18.0%         | 21.3%         | 28.2%         | 29.3%         |

1. Annual financial highlights for the year ended March 31, 2004, 2005, 2006 and 2007 are based on consolidated audited results as per United States Generally Accepted Accounting Principles (US GAAP).
2. Financial highlights for the quarter ended June 30, 2007 are audited and are based on the consolidated results as per United States Generally Accepted Accounting Principles (US GAAP).
3. Income before income taxes for the full year ended March 31, 2006 and 2007 as well as quarter ended June 30, 2007 are after fringe benefit tax.
4. Exchange rate for Rupee conversion to US\$ is (a) Rs. 43.40 for the financial year ended March 31, 2004 (b) Rs. 43.62 for the financial year ended March 31, 2005 (c) Rs. 44.48 for the financial year ended March 31, 2006 (d) Rs. 43.10 for the financial year ended March 31, 2007 and (e) Rs. 40.58 for the quarter ended June 30, 2007 being the noon buying rate as announced by The Federal Reserve Bank of New York at the end of the respective periods.

## Section 2

### AN OVERVIEW

#### 2.1 Introduction

We are one of India's leading providers of telecommunication services with a nationwide presence in all the 23 licensed jurisdictions (also known as Telecom Circles). We served an aggregate of 44,676,197 customers as of June 30, 2007, of whom 42,703,938 subscribe to our GSM services and 1,972,259 use our broadband & telephone services either for voice or broadband access delivered through DSL. We are the largest wireless service provider in the country, based on the number of customers as reported by the industry as of June 30, 2007. We also offer an integrated suite of telecom solutions to our enterprise customers, in addition to providing long distance connectivity both nationally and internationally. All these services are rendered under a unified brand "Airtel".

#### 2.2 Business Divisions

**Mobile Services** - We offer mobile and fixed wireless services (FWP) using GSM technology on 900MHz and 1800MHz bands, and are the largest wireless service provider in the country, based on the number of customers. Our 42,703,938 mobile customers accounted for a market share of 23.5% of wireless market, as on June 30, 2007.

We offer postpaid, prepaid, roaming and value added services through our extensive sales and distribution channel covering over 640,000 outlets.

Our network is present in 4,855 census towns and 243,584 non-census towns & villages in India, covering approximately 62% of the country's population. Our network operating centers, which monitor the health of our mobile network are located in Gurgaon, near Delhi, and Chennai.

**Broadband & Telephone Services** - We provide broadband (DSL) and fixed line telephone services in 94 cities. We had 1,972,259 customers as on June 30, 2007 of which 33.1% were subscribing to broadband services.

The strategic direction in our broadband & telephone business is to focus on the larger cities that offer high revenue potential. Our product offering in this segment includes supply & installation of fixed-line telephones providing local, national & international long distance voice connectivity and broadband Internet access through DSL. The business also provides value added services such as intelligent network based advanced management services, viz. toll free numbers, virtual private automatic branch exchange networks, ring back tones and call forwarding among others.

**Enterprise Services** - Our Enterprise Services division comprises of the Carriers and Corporates business units.

**Carriers** - This business unit is India's first private long distance communications service provider, offering a portfolio of wholesale services in data and voice domain. This business segment includes a pan-India network infrastructure including the optical transport network, national and international voice-switching network, multi protocol label switches (MPLS), asynchronous transfer modes (ATM) and frame relays (FR) among others. It offers extensive coverage through a nationwide optic fiber network of 43,658 kms. This network also connects a submarine cable landing station in Chennai (owned by a subsidiary) with two international cable systems, Network i2i and SMW 4, that provide connectivity across transatlantic and transpacific routes respectively.

**Corporates** - This business unit serves large Corporates and small and medium enterprises (SMEs) for all their data and telecommunication needs. It combines owned media and technologies with those of alliance partners to provide end-to-end integrated telecom solutions. The group focuses on all major industry verticals such as BFSI, IT, ITES, manufacturing & distribution, media & services, government & PSUs, education, telecom, and retail among others. Services provided include mobile services, voice services, satellite services (BIT internet, VPNs, satellite based IPLCs for redundancy reasons), managed data & Internet services, managed e-business services and managed customised integrated solutions.

#### 2.3 Partners

**Strategic Equity Partners** - We have a strategic alliance with SingTel, which has enabled us to further enhance and expand our telecommunications networks in India to provide quality service to our customers. The investment made by SingTel in Bharti is one of their largest investments in the world outside Singapore.

**Equipment & Technology Partners** - We believe in deploying the finest technology and operating state-of-the-art networks. Equipment suppliers for our mobile networks include Ericsson and Nokia. In case of the telephone services and long distance networks, equipment suppliers include Siemens, Nortel, Corning, among others. We have a long-term sourcing arrangement with IBM that caters substantially to all our information technology requirements. We also have a technology alliance with Nortel for call center technology requirements.

## Section 3

### FINANCIAL HIGHLIGHTS

This section presents the (1) un-audited financial results for the quarter ended June 30, 2006 and audited financial results for the quarter ended June 30, 2007 as per United States Generally Accepted Accounting Principles (USGAAP). Detailed financial statements, analysis and other related information is attached to this report as Annexure (page 25). Also, kindly refer to Section 7 (use of Non - GAAP financial information on page 18) and Glossary (page 36) for detailed definitions.

#### 3.1 Consolidated - Summary of Consolidated Financial Statements

##### 3.1.1 Consolidated Summarised Statement of Operations (net of inter segment eliminations)

*Amount in Rs. Million, except ratios*

| Particulars                      | Quarter Ended |           |               |
|----------------------------------|---------------|-----------|---------------|
|                                  | June 2007     | June 2006 | Y-on-Y Growth |
| Total revenues                   | 59,046        | 38,564    | 53%           |
| EBITDA                           | 24,466        | 15,021    | 63%           |
| Cash profit from operations      | 26,218        | 13,330    | 97%           |
| Income before Income taxes       | 18,901        | 8,599     | 120%          |
| Current tax expense              | 2,248         | 1,094     |               |
| Income after current tax expense | 16,653        | 7,505     | 122%          |
| Deferred tax expense / (Income)  | 1,346         | (142)     |               |
| Net income                       | 15,116        | 7,551     | 100%          |
| EBITDA / Total revenues          | 41.4%         | 39.0%     |               |

##### 3.1.2 Consolidated Summarised Balance Sheet

*Amount in Rs. Million*

| Particulars                                       | As at<br>June 30, 2007 |
|---|------------------------|
| <b>ASSETS</b>                                     |                        |
| Total current assets                              | 49,262                 |
| Total non current assets                          | 284,066                |
| <b>Total assets</b>                               | <b>333,328</b>         |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>       |                        |
| Total current liabilities                         | 128,655                |
| Total non current liabilities                     | 52,708                 |
| <b>Total liabilities</b>                          | <b>181,363</b>         |
| <b>Minority Interests</b>                         | <b>2,052</b>           |
| <b>Total stockholders' equity</b>                 | <b>149,913</b>         |
| <b>Total liabilities and stockholders' equity</b> | <b>333,328</b>         |

### 3.2 Segment - wise Summarised Statement of Operations

#### 3.2.1 Mobile Services - comprises of consolidated statement of operations of mobile operations.

*Amount in Rs. Million, except ratios*

| Particulars             | Quarter Ended |           |               |
|-------------------------|---------------|-----------|---------------|
|                         | June 2007     | June 2006 | Y-on-Y Growth |
| Total revenues          | 46,976        | 28,411    | 65%           |
| EBITDA                  | 19,087        | 10,341    | 85%           |
| EBIT                    | 13,321        | 6,961     | 91%           |
| EBITDA / Total revenues | 40.6%         | 36.4%     |               |

#### 3.2.2 Non-mobile Services – comprises of the Broadband & Telephone Services and Enterprise Services (carriers and corporates).

*Amount in Rs. Million, except ratios*

| Particulars             | Quarter Ended |           |               |
|-------------------------|---------------|-----------|---------------|
|                         | June 2007     | June 2006 | Y-on-Y Growth |
| Total revenues          | 18,452        | 14,215    | 30%           |
| EBITDA                  | 6,428         | 4,879     | 32%           |
| EBIT                    | 4,582         | 3,507     | 31%           |
| EBITDA / Total revenues | 34.8%         | 34.3%     |               |

#### 3.2.3 Broadband & Telephone Services - comprises of consolidated statement of operations of broadband & telephone operations.

*Amount in Rs. Million, except ratios*

| Particulars             | Quarter Ended |           |               |
|-------------------------|---------------|-----------|---------------|
|                         | June 2007     | June 2006 | Y-on-Y Growth |
| Total revenues          | 6,513         | 5,182     | 26%           |
| EBITDA                  | 2,100         | 1,193     | 76%           |
| EBIT                    | 943           | 384       | 146%          |
| EBITDA / Total revenues | 32.2%         | 23.0%     |               |

#### 3.2.4 Enterprise Services – comprises of the Enterprise Services – Carriers (Long distance services) and Enterprise Services - Corporates

*Amount in Rs. Million, except ratios*

| Particulars             | Quarter Ended |           |               |
|-------------------------|---------------|-----------|---------------|
|                         | June 2007     | June 2006 | Y-on-Y Growth |
| Total revenues          | 11,940        | 9,033     | 32%           |
| EBITDA                  | 4,328         | 3,686     | 17%           |
| EBIT                    | 3,639         | 3,123     | 17%           |
| EBITDA / Total revenues | 36.3%         | 40.8%     |               |

**3.2.4.1 Enterprise Services – Carriers** - comprises of the domestic, international long distance operations and landing station (at Chennai).

*Amount in Rs. Million, except ratios*

| Particulars             | Quarter Ended |           |               |
|-------------------------|---------------|-----------|---------------|
|                         | June 2007     | June 2006 | Y-on-Y Growth |
| Total revenues          | 9,210         | 7,064     | 30%           |
| EBITDA                  | 3,169         | 2,750     | 15%           |
| EBIT                    | 2,756         | 2,278     | 21%           |
| EBITDA / Total revenues | 34.4%         | 38.9%     |               |

**3.2.4.2 Enterprise Services – Corporates**

*Amount in Rs. Million, except ratios*

| Particulars             | Quarter Ended |           |               |
|-------------------------|---------------|-----------|---------------|
|                         | June 2007     | June 2006 | Y-on-Y Growth |
| Total revenues          | 2,730         | 1,969     | 39%           |
| EBITDA                  | 1,159         | 936       | 24%           |
| EBIT                    | 883           | 845       | 4%            |
| EBITDA / Total revenues | 42.5%         | 47.5%     |               |

**3.2.5 Others** – comprises of Bharti corporate offices

*Amount in Rs. Million, except ratios*

| Particulars           | Quarter Ended |           |               |
|-----------------------|---------------|-----------|---------------|
|                       | June 2007     | June 2006 | Y-on-Y Growth |
| Total revenues        | 426           | 0         | -             |
| EBITDA                | (638)         | (119)     | -             |
| Depreciation & Others | 59            | 51        | -             |
| EBIT                  | (697)         | (170)     | -             |

**3.3 Segment-wise Investments and Contribution**

**3.3.1 Investments in projects**

*Amount in Rs. Million, except ratios*

| Segment  | As at June 30, 2007 |             |
|--|---------------------|-------------|
|  | Rs. Million         | % of Total  |
| Mobile Services  | 264,494             | 74%         |
| Broadband & Telephone Services                         | 46,514              | 13%         |
| Enterprise Services - Carriers                         | 39,701              | 11%         |
| Enterprise Services - Corporates                       | 6,267               | 2%          |
| Others   | 1,093               | 0%          |
| <b>Total</b>   | <b>358,069</b>      | <b>100%</b> |
| Less:- Accumulated Depreciation & Amortisation         | 78,899              |             |
| <b>Net Fixed Assets &amp; Other Project Investment</b> | <b>279,170</b>      |             |

*Note: The investment in projects comprises gross fixed assets, intangible assets, capital work in progress, gross goodwill, investment in JV's and one-time entry fee paid towards acquisition of licenses.*



### 3.3.2 Segment-wise Contribution to Revenue, EBITDA and Capex incurred during the period

| Segment                          | Quarter Ended June 2007 |             |               |             |               |             |
|----------------------------------|-------------------------|-------------|---------------|-------------|---------------|-------------|
|                                  | Revenue                 |             | EBITDA        |             | Capex         |             |
|                                  | Rs. Million             | % of total  | Rs. Million   | % of total  | Rs. Million   | % of total  |
| Mobile Services                  | 46,976                  | 80%         | 19,087        | 78%         | 32,806        | 88%         |
| Broadband & Telephone Services   | 6,513                   | 11%         | 2,100         | 9%          | 1,384         | 4%          |
| Enterprise Services - Carriers   | 9,210                   | 16%         | 3,169         | 13%         | 2,176         | 6%          |
| Enterprise Services - Corporates | 2,730                   | 5%          | 1,159         | 5%          | 732           | 2%          |
| Others                           | 426                     | 1%          | (638)         | -3%         | 74            | 0%          |
| <b>Sub Total</b>                 | <b>65,854</b>           | <b>112%</b> | <b>24,877</b> | <b>102%</b> | <b>37,173</b> | <b>100%</b> |
| Eliminations                     | (6,808)                 | -12%        | (410)         | -2%         | -             | -           |
| <b>Total</b>                     | <b>59,046</b>           | <b>100%</b> | <b>24,466</b> | <b>100%</b> | <b>37,173</b> | <b>100%</b> |

Note: Eliminations are on account of inter-segment transactions.

## SECTION 4

### OPERATING HIGHLIGHTS

The financial figures used for computing ARPU, Non Voice revenue, SMS revenue, gross revenue per employee per month are based on United States Generally Accepted Accounting Principles (US GAAP).

#### 4.1 Bharti Airtel Consolidated

| Parameters                                 | Unit          | June 30, 2007 | March 31, 2007 | Q-on-Q Growth | June 30, 2006 | Y-on-Y Growth |
|--|---------------|---------------|----------------|---------------|---------------|---------------|
| <b>Customers on our Network</b>            |               |               |                |               |               |               |
| Mobile Services                            | 000's.        | 42,704        | 37,141         | 15%           | 23,073        | 85%           |
| Broadband & Telephone Services             | 000's.        | 1,972         | 1,871          | 5%            | 1,505         | 31%           |
| <b>Total</b>                               | <b>000's.</b> | <b>44,676</b> | <b>39,013</b>  | <b>15%</b>    | <b>24,577</b> | <b>82%</b>    |
| Non Voice Revenue as a % of Total Revenues | %             | 13.8%         | 14.6%          |               | 15.8%         |               |
| Total On-Roll Employees                    | No.           | 22,955        | 20,314         | 13%           | 14,374        | 60%           |

#### 4.2 Mobile Services

| Parameters                                  | Unit    | June 30, 2007 | March 31, 2007 | Q-on-Q Growth | June 30, 2006 | Y-on-Y Growth |
|---|---------|---------------|----------------|---------------|---------------|---------------|
| <b>Subscriber Base</b>                      |         |               |                |               |               |               |
| All India Mobile Subscribers                | 000's.  | 181,405       | 162,405        | 12%           | 109,245       | 66%           |
| Mobile Customers on Bharti's Network        | 000's.  | 42,704        | 37,141         | 15%           | 23,073        | 85%           |
| <b>Net Additions</b>                        |         |               |                |               |               |               |
| All India Mobile Subscribers                | 000's.  | 19,000        | 15,864         | 20%           | 13,090        | 45%           |
| Mobile Customers on Bharti's Network        | 000's.  | 5,563         | 5,167          | 8%            | 3,493         | 59%           |
| <b>Market Share</b>                         |         |               |                |               |               |               |
| Bharti's Mobile Market Share                | %       | 23.5%         | 22.9%          |               | 21.1%         |               |
| Bharti's Market Share of Net Additions      | %       | 29.3%         | 32.6%          |               | 26.7%         |               |
| <b>Pre-Paid Customers</b>                   |         |               |                |               |               |               |
| Total Customer Base                         | %       | 89.7%         | 88.5%          |               | 84.4%         |               |
| Total Net Additions                         | %       | 97.5%         | 97.3%          |               | 93.7%         |               |
| <b>Other Operating Information</b>          |         |               |                |               |               |               |
| Average Revenue Per User (ARPU)             | Rs.     | 390           | 406            | -4%           | 441           | -11%          |
| Average Revenue Per User (ARPU)             | US\$    | 9.6           | 10.0           | -4%           | 10.9          | -11%          |
| Average Minutes of Use Per User             | Minutes | 478           | 475            | 1%            | 441           | 8%            |
| <b>Monthly Churn</b>                        |         |               |                |               |               |               |
| Post-paid Voluntary Churn                   | %       | 1.1%          | 1.0%           |               | 1.3%          |               |
| Post-paid Company Initiated Churn           | %       | 2.5%          | 2.2%           |               | 2.1%          |               |
| Prepaid                                     | %       | 4.0%          | 3.6%           |               | 4.7%          |               |
| <b>Non Voice Revenue</b>                    |         |               |                |               |               |               |
| SMS Revenue as a % of Mobile Revenues       | %       | 5.0%          | 6.0%           |               | 6.4%          |               |
| Non Voice Revenue as a % of Mobile Revenues | %       | 9.9%          | 10.1%          |               | 10.8%         |               |

#### 4.3 Broadband & Telephone Services

| Parameters                      | Unit   | June 30, 2007 | March 31, 2007 | Q-on-Q Growth | June 30, 2006 | Y-on-Y Growth |
|---------------------------------|--------|---------------|----------------|---------------|---------------|---------------|
| Broadband & Telephony Customers | 000's. | 1,972         | 1,871          | 5%            | 1,505         | 31%           |
| Net additions                   | 000's. | 101           | 134            | -24%          | 158           | -36%          |
| Average Revenue Per User (ARPU) | Rs     | 1,121         | 1,112          | 1%            | 1,202         | -7%           |
| Average Revenue Per User (ARPU) | US\$   | 27.6          | 27.4           | 1%            | 29.6          | -7%           |

#### 4.4 Traffic Details - Gross of inter-segment eliminations

| Parameters                           | Unit          | June 30, 2007 | March 31, 2007 | Q-on-Q Growth | June 30, 2006 | Y-on-Y Growth |
|--------------------------------------|---------------|---------------|----------------|---------------|---------------|---------------|
| Mobile Services                      | Mn Min        | 57,125        | 49,240         | 16%           | 28,194        | 103%          |
| Broadband & Telephone Services       | Mn Min        | 4,454         | 4,241          | 5%            | 3,780         | 18%           |
| National Long Distance Services      | Mn Min        | 5,856         | 5,004          | 17%           | 2,882         | 103%          |
| International Long Distance Services | Mn Min        | 1,243         | 1,194          | 4%            | 753           | 65%           |
| <b>Total Minutes on Network</b>      | <b>Mn Min</b> | <b>68,678</b> | <b>59,679</b>  | <b>15%</b>    | <b>35,609</b> | <b>93%</b>    |

#### 4.5 Network and Coverage

| Parameters                                | Unit | June 30, 2007 | March 31, 2007 | Q-on-Q Growth | June 30, 2006 | Y-on-Y Growth |
|---|------|---------------|----------------|---------------|---------------|---------------|
| <b>Mobile Services</b>                    |      |               |                |               |               |               |
| Census Towns                              | No.  | 4,855         | 4,676          | 179           | 4,026         | 829           |
| Non-Census Towns & Villages               | No.  | 243,584       | 207,327        | 36,257        | 101,614       | 141,970       |
| Population Coverage                       | %    | 62%           | 59%            |               | 46%           |               |
| <b>Broadband &amp; Telephone Services</b> |      |               |                |               |               |               |
| No. of cities covered                     | No.  | 94            | 94             | -             | 92            | 2             |
| <b>Carriers (National Long Distance)</b>  |      |               |                |               |               |               |
| Optic Fibre Network                       | Rkms | 43,658        | 40,484         | 3,174         | 35,016        | 8,642         |

#### 4.6 Human Resource Analysis

| Parameters                                | Unit | June 30, 2007 | March 31, 2007 | Q-on-Q Growth | June 30, 2006 | Y-on-Y Growth |
|---|------|---------------|----------------|---------------|---------------|---------------|
| <b>Consolidated</b>                       |      |               |                |               |               |               |
| Total On-Roll Employees                   | No.  | 22,955        | 20,314         | 13%           | 14,374        | 60%           |
| Number of Customers per employee          | No.  | 1,946         | 1,920          | 1%            | 1,710         | 14%           |
| <b>Mobile Services</b>                    |      |               |                |               |               |               |
| Number of Customers per employee          | No.  | 5,623         | 5,280          | 6%            | 3,483         | 61%           |
| Gross Revenue per employee per month      | Rs.  | 2,061,701     | 2,010,853      | 3%            | 1,429,677     | 44%           |
| <b>Broadband &amp; Telephone Services</b> |      |               |                |               |               |               |
| Number of Customers per employee          | No.  | 170           | 176            | -3%           | 261           | -35%          |
| Gross Revenue per employee per month      | Rs.  | 187,241       | 189,689        | -1%           | 299,935       | -38%          |
| <b>Enterprise Services - Carriers</b>     |      |               |                |               |               |               |
| Gross Revenue per employee per month      | Rs.  | 2,229,412     | 3,978,201      | -44%          | 2,921,560     | -24%          |
| <b>Enterprise Services - Corporates</b>   |      |               |                |               |               |               |
| Gross Revenue per employee per month      | Rs.  | 504,957       | 635,040        | -20%          | 688,527       | -27%          |

## SECTION 5

### MANAGEMENT DISCUSSION & ANALYSIS

#### 5.1 Key Industry and Company Developments

##### 5.1.1 Industry

###### Consultation Paper on review of key license conditions

On June 12, 2007 Telecommunication Regulatory Authority of India (TRAI) released a consultation paper to review some key license conditions to keep the licensing and regulatory framework in sync with technological changes. Issues under consideration are:

- Whether there is a need to review the existing limit on market share of merged entity to *inter alia* permit any intra-circle merger or acquisition?
- Whether there is a need to review the existing limit on equity holding of a single entity in more than one licensee in the same service area for access services?
- Whether a licensee using one technology (CDMA or GSM) should be assigned additional spectrum meant for the other technology under one license?
- Whether the existing roll out obligations on cellular mobile services be retained?
- Whether there is a need to limit the number of cellular operators in a service area in view of the spectrum scarcity?

###### Access to Essential Facilities at Cable Landing Stations Regulations, 2007

On June 07, 2007 TRAI issued a regulation for ensuring non-discriminatory, fair and open access at the cable landing stations (CLSs) as well as co-location facilities for all eligible Internet Service Providers (ISPs) and International Long Distance Operators (ILDOS) within a well-defined time frame. Salient features are:

- All owners of CLSs are required to publish a Reference Interconnect Offer (RIO) approved by TRAI, containing terms and conditions at which it shall provide access, co-location and landing facilities at its CLS.
- Clear time frame has been prescribed for various activities such as submission of draft RIO to TRAI, approval by TRAI, publication of approved RIO by the owner of CLS, negotiation of agreement between owner of CLS and eligible ISPs and ILDOs, provision of co-location facility, backhaul circuits etc.

###### Unsolicited Commercial Communications Regulation 2007

On June 05, 2007 TRAI issued a regulation to establish a mechanism for curbing unwanted telemarketing calls. Salient features are:

- Creation of a "National Do Not Call Registry" (NDNC registry) enlisting telephone numbers of all subscribers who do not want to receive Unsolicited Commercial Communications (UCC) in the form of calls and SMS. The registry may be created & maintained by National Informatics Center (NIC).
- Every telemarketer to verify its calling lists with the NDNC registry before making a call.
- Penalty of Rs.500 per call/SMS to be imposed on telemarketer for calling a number listed in the NDNC

registry. For continuing default, telecom resources provided to the telemarketer to be disconnected.

- All telecom service providers to provide toll free numbers to receive request from their subscribers who want to enroll in the NDNC registry.
- All telemarketers to register themselves with Department of Telecommunications (DoT) as per the procedure outlined in the DoT guidelines dated June 06, 2007, to avoid disconnection of its telecom resources by the telecom service providers.

###### Consumers Protection and Redressal of Grievances Regulation, 2007

On May 04, 2007 TRAI issued a regulation mandating creation of a hierarchical institutional mechanism within the service provider company for resolution of consumers' grievances. The salient features are:

- Every service provider company to set up a three tier redressal mechanism comprising a call centre, nodal officer and appellate authority.
- The procedures and time frame for redressal of grievances at each of these levels has been defined.
- Every service provider company to provide toll free access to its call centre for lodging complaints.
- Call centre to assign a unique docket number to every complainant and intimate the action taken to the complainant through telephonic/electronic medium within the time frame specified.
- Call centre to intimate contact details of the nodal officer to the complainant in case he is not satisfied with the redressal of his grievance.
- In case the consumer is still not satisfied with the service of the nodal officer, he may approach appellate authority.
- Every service provider to publish a manual for handling consumer complaints outlining time limits, benchmarks and procedures for seeking redressal of grievances.
- Manual to be available for reference at every office of the service provider, including call centre, sales outlets and website.
- The service provider shall provide a copy of the manual or its abridged version to each consumer at the time of enrolment.

###### Recommendations on Review of Internet Services

In December 2006 TRAI had initiated a public consultation to review the licensing regime for Internet services. Pursuant thereto, on May 10, 2007, TRAI submitted the following recommendations to DoT:

- Scope of Internet license should be expanded to allow use of any device/ technology to provide access to Internet unless explicitly prohibited.
- Internet content should be defined as all content available without any access restriction on Internet and include web hosting, web co-location but does not include service provider configured closed user group.
- No restrictions on the use of devices/protocol for Internet telephony calls to facilitate use of affordable and user-friendly devices/adapters conforming to international specifications.

- Internet Service Providers (ISPs) should not be permitted to connect to PSTN/PLMN.
- Non-operational ISPs should be encouraged to roll out services quickly. Also, a framework for surrender of license should be provided.
- All new ISPs to be licensed at national or circle level. Licenses for operating within secondary switching area (SSA level) to be abolished. SSA level ISPs to be encouraged to migrate to circle or national level by providing additional bank guarantees applicable to the latter categories.
- Entry fee of Rs. 2 mn and Rs.1 mn should be levied for national and circle level ISPs respectively. In addition, annual license fee @ 6% of Adjusted Gross Revenue (AGR) has been recommended along with minimum annual license fee of Rs.50,000, Rs.10,000 and Rs.5000 for national, circle and SSA level ISPs.
- The scope of Internet telephony may be extended to cover carriage of voice signals through public Internet by the use of (a) Personal Computers (PCs) or Internet Protocol (IP) based Customer Premises Equipment connecting (CPE) a PC or any device or an adapter in India to PSTN/PLMN abroad and (b) any device or adapter connected directly to ISP nodes in India to similar terminals within or outside India.
- Addressing scheme for Internet telephony shall only conform to IP addressing scheme of Internet Assigned Numbers Authority (IANA). E.164 numbering applicable to subscribers of fixed/mobile service shall not be used.
- FDI cap of 74% should apply to all ISPs whether or not they setup an international Internet gateway. ISPs exceeding the 74% ceiling should be given 2 years to comply therewith.

#### **Bharti (Mobile Services) – Punjab Circle Litigation**

The arbitration proceedings for a claim for the refund of license fee and interest paid to the DoT were decided against Bharti Mobile, the licensee of the Punjab mobile circle. The company has already paid the license fees and interest thereon before the commencement of arbitration proceedings. The company challenged the award before the Hon'ble Delhi High Court and the matter is now listed for next hearing on November 13, 2007.

#### **5.1.2 COMPANY**

##### **Key developments**

- The company was **ranked 3rd globally for best returns to the shareholders by the BusinessWeek Magazine** in 'The Infotech 100' list in July 2007. The BusinessWeek IT 100 list is an annual ranking of best performing technology companies across the globe. The companies featured in the BusinessWeek IT 100 ranking were selected from 28,000 listed companies worldwide.
- Airtel was chosen as the **second most trusted service brand** in India in the prestigious 'Most Trusted Brands 2007 Survey' conducted by the Economic Times Brand Equity. This achievement is clearly a milestone in our journey towards being the most admired brand by 2010 and reflects the trust of customers in Airtel.
- The company has been awarded the **Voice & Data 100: Top Cellular Operator Award** for the year 2007

by Voice & Data magazine. This is the eighth time in a row that this award has been awarded to Airtel and it truly reflects our consistency in serving our customers.

- **Bharti Airtel Limited signed a memorandum of Understanding with Nokia Siemens Networks for USD 900 Mn** in July 2007. This is an expansion contract across Airtel's mobile, fixed and Intelligent Network platforms. Nokia Siemens Networks will expand Airtel's GSM network in eight circles; its National Long Distance and International Long Distance network with 1.8 million Next Generation Network (NGN) ports – the largest ever NGN contract in the country – and its International Calling Card prepaid service capacity by 4.5 million new users.
- The company launched the '**Airtel Messenger**' in June 2007. This feature-rich service gives all Airtel mobile customers the advantage of having the same experience as a desktop chat service. Airtel Messenger users can send and receive messages in real-time via their mobile without the need to be attached to a computer.
- The company tied up with High Tech Computer Corp. (HTC), the world's leading provider of Microsoft® Windows Mobile®-based smart devices and introduced **The HTC Touch™ - India's first mobile phone with TouchFLO™ technology** in June 2007. This handheld device operates on the intuitive touch screen navigation technology and is now exclusively available to Airtel Mobile users in India.
- Bharti Airtel won the **Forbes Global IT Excellence award** for its Outsourcing arrangement with Nortel in May 2007. Forbes had recognized world's superior outsourcing arrangements after evaluating 86 nominated relationships worldwide and Bharti Airtel/ Nortel have been selected as a winner in the 11th Annual Outsourcing Excellence Award.
- The company announced a **39% reduction in International Long Distance Tariffs to USA and Canada for its mobile users in India** in May 2007. With this, all Airtel mobile users can call USA and Canada at Rs 1.99 per minute. The revised tariff is applicable on the Airtel STD & ISD Calling Card worth Rs 2245/- only.
- The company introduced its popular **Lifetime Prepaid at a lower price point of Rs 495 only**. Airtel was the first mobile services provider in the country to offer Lifetime Prepaid at this price point in May 2007. This is a significant initiative that further reinforces Airtel's commitment to make mobile more affordable and provide greater value to the Airtel prepaid customer.
- **On May 23, 2007 the company crossed the 40 million-mobile customer milestone**. With this, Bharti Airtel became the first Indian mobile services provider and the 10th in the world (as per Wireless Intelligence) to join an exclusive list of global telecom operators with more than 40 million customers from a single-country. This landmark customer base was achieved in just 12 years, making Bharti Airtel one of the fastest companies to make it to this exclusive list.

## 5.02 Results of Operations

*The company has reported its audited financial results for the quarter ended June 30, 2007. The financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles (US GAAP).*

### Key Highlights - For the quarter ended June 30, 2007

- Total Revenues of Rs. 59.05 billion (up 53% Y-o-Y).
- EBITDA of Rs. 24.47 billion (up 63% Y-o-Y).
- Cash profit from operations of Rs. 26.22 billion (up 97% Y-o-Y).
- Highest ever-net addition of ~5.66 million of total customers on its network.
- Market leader with a market share of all India mobile subscribers at 23.5%.

### Bharti Airtel Consolidated

#### Customer Base

As on June 30, 2007, the company had an aggregate of 44,676,197 customers, consisting of 42,703,938 GSM mobile and 1,972,259 broadband & telephone customers. Its total customer base as on June 30, 2007 increased by 82% compared to the customer base as on June 30, 2006.

#### Revenues/Turnover

During the quarter ended June 30, 2007, the company had revenues of Rs. 59,046 million; a growth of 53% compared to the quarter ended June 30, 2006. Revenues from mobile services represented 80% of the total revenues for the quarter ended June 30, 2007. Non-voice revenue contributed to approximately 13.8% of the total revenues for the quarter.

**Operating Expenses (ex-revenue share license and spectrum fee)** During the quarter ended June 30, 2007; the company incurred an opex of Rs. 19,681 million representing 33.3% of the total revenues. The operating expense comprises:

- Rs. 6,824 million towards network operations costs (~11.6% of turnover)
- Rs. 3,512 million towards employee costs, (~5.9% of turnover)
- Rs. 184 million towards equipments costs, and
- Rs. 9,162 million towards selling general and administrative costs (~15.5% of turnover)
- 

The operating expenses grew by 45% compared to the quarter ended June 30, 2006. The increase in the operating expenses is associated to the costs pertaining to the expansion of operations.

#### EBITDA, Finance Cost and Cash Profit from Operations

During the quarter ended June 30, 2007, the company had an EBITDA of Rs. 24,466 million; a growth of 63% compared to the quarter ended June 30, 2006. The EBITDA margin for the quarter was 41.4%.

The net finance income for the quarter ended June 30, 2007 was Rs. 1,752 million. The interest on borrowings during the quarter was Rs. 743 million and the finance income (primarily related to income on marketable securities) was Rs. 220 million. The balance amount was other finance costs, effect of exchange fluctuation and the effect of derivative accounting.

The cash profit from operations for the quarter was Rs. 26,218 million, an increase of 97%, as compared to the quarter ended June 30, 2006. During the quarter ended June 30, 2007, the company had depreciation & amortisation expenses of Rs. 8,120 million.

#### Income Before Income Taxes (PBT)

The income before income tax for the quarter was Rs. 18,901 million, an increase of 120%, as compared to the quarter ended June 30, 2006.

The current tax for the quarter ended June 30, 2007 was Rs. 2,248 million and deferred tax expense of Rs. 1,346 million.

#### Net income

The net income for the quarter ended June 30, 2007, was Rs 15,116 million.

#### Balance Sheet

As on June 30, 2007, the company had total assets of Rs. 333,328 million and total liabilities of Rs. 181,363 million respectively. The difference of Rs. 151,965 million was on account of stockholder equity and minority interest.

The company had a net debt of Rs. 32,761 million (US\$ 807 million) as on June 30, 2007, resulting in a net debt to EBITDA (LTM) of 0.39 times.

#### Capital Expenditure

During the quarter ended June 30, 2007, the company incurred capital expenditure of Rs. 37,173 million (US\$ 916 million).

#### Human Resources

As on June 30, 2007, the company had a total of 22,955 employees consisting of 7,595 in mobile services, 14,773 in non-mobile services and 587 in corporate office (as common pool).

### Mobile Services

#### Customer Base, Churn, ARPU and MoU

As at the end of the quarter the company had 42,703,938 GSM mobile customers on its network, which accounted for a market share 23.5% of the All India mobile market.

Of its 42,703,938 GSM mobile customers as of June 30, 2007, postpaid customer contributed 10.3% to the overall customer base while pre-paid customers contributed the balance 89.7%. During the quarter, its share of 5,562,728 net additions was 29.3% of All India wireless subscriber net additions.

The monthly churn for the quarter ended June 30, 2007 was 3.6% (1.1% voluntary churn and 2.5% company initiated churn) for its post-paid segment, and 4.0% for the pre-paid segment.

During the quarter, blended ARPU was Rs. 390 (US\$ 9.6) per month as compared to Rs 406 per month in the quarter ended March 31, 2007. The blended monthly usage per

customer, during the quarter, was at 478 minutes. The non-voice revenue, which includes Short Messaging Service (SMS), voice mail service, call management and other value added services like Hello Tunes and Airtel Live contributed to approximately 9.9% of the total revenues of the segment. The Short Messaging Services (SMS) revenue, which is primarily text messaging accounted for 5.0% of the total revenue of the segment, for the quarter ended June 30, 2007.

#### **Revenues, EBITDA and EBIT**

The revenues for the quarter ended June 30, 2007 for mobile services stood at Rs 46,976 million, an increase of 65% over the corresponding quarter last year. The revenue from this segment contributed to 80% of its total consolidated revenues. The EBITDA during the quarter ended June 30, 2007 was Rs 19,087 million representing growth of 85% over the quarter ended June 30, 2006. The EBITDA margin for the quarter ended June 30, 2007 was 40.6%. The EBIT for the quarter ended June 30, 2007 was Rs 13,321 million as compared to Rs 6,961 million for the quarter ended June 30, 2006, an improvement of 91%.

#### **Capital Expenditure**

During the quarter ended June 30, 2007, the company incurred a capital expenditure of Rs 32,806 million (US\$ 808 million) on its mobile services.

#### **Broadband & Telephone Services (B&T)**

##### **Customer Base and ARPU**

At the end of the quarter ended June 30, 2007, the company had its broadband & telephone operations in 94 cities. During the quarter, the company added 100,872 customers on its broadband & telephone networks with 1,972,259 customers as on June 30, 2007. The company had approximately 653,000 customers (~33.1% of the total customer base) subscribing to broadband (DSL) services.

The ARPU for the quarter was Rs. 1,121 (US\$ 27.6) per month.

##### **Revenues, EBITDA and EBIT**

For the quarter ended June 30, 2007, the revenues from its broadband & telephone operations of Rs 6,513 million, represented a growth of 26% over the corresponding quarter last year. The EBITDA for the quarter was Rs. 2,100 million compared to Rs. 1,193 million in the corresponding prior year quarter, an increase of 76% respectively. The EBITDA margin for this segment was 32.2% for the quarter ended June 30, 2007. The EBIT for the quarter ended June 30, 2007 was Rs 943 million.

##### **Capital Expenditure**

During the quarter ended June 30, 2007, the company incurred a capital expenditure of Rs. 1,384 million (US\$ 34 million) on its B&T services.

#### **Enterprise Services – Carriers**

##### **Revenues, EBITDA and EBIT**

For the quarter ended June 30, 2007, the revenues from its long distance services was Rs. 9,210 million representing a growth of 30% over the corresponding quarter last year. The EBITDA from this segment during the quarter was Rs 3,169 million, a growth of 15% over the corresponding quarter last year. The EBITDA margin for the quarter, was 34.4%. The EBIT of this segment was Rs. 2,756 million

representing a growth of 21% over the corresponding quarter last year.

#### **Enterprise Services - Corporates**

##### **Revenues, EBITDA and EBIT**

For the quarter ended June 30, 2007, the revenue from this segment was Rs. 2,730 million, a growth of 39% over the corresponding quarter last year. The EBITDA for this segment for the quarter ended June 30, 2007 was Rs. 1,159 million. The EBITDA margin for this segment in the quarter ended June 30, 2007 was 42.5%. The EBIT of this segment was Rs. 883 million representing a growth of 4% over the corresponding quarter last year.

**SECTION 6**  
**Stock Market Highlights**

**6.1 General Information**

| <b>Shareholding &amp; Financial Data</b>        |               |                  |
|---|---------------|------------------|
| Code/Exchange                                   |               | 532454/BSE       |
| Bloomberg/Reuters                               |               | BHARTI IN/BRTLBO |
| No. of Shares Outstanding (30/06/07)            | Million Nos.  | 1,897.15         |
| Closing Market Price - BSE (24/07/07)           | Rs./Share     | 932.15           |
| Combined Volume (NSE & BSE) (01/04/07-24/07/07) | No. in Mn/day | ~ 1.4            |
| Combined Value (NSE & BSE) (01/04/07-24/07/07)  | Rs. Mn./day   | ~ 1021           |
| Market Capitalisation                           | Rs. Bn        | 1,768            |
| Market Capitalisation                           | US\$ Bn       | 43.58            |
| Book Value Per Share                            | Rs./share     | 79.02            |
| Market Price/Book Value                         | Times         | 11.80            |
| Net Debt to EBITDA (LTM)                        | Times         | 0.39             |
| Enterprise Value                                | Rs. Bn        | 1,801            |
| Enterprise Value                                | US\$ Bn       | 44.39            |
| Enterprise Value/ Annualised Q1 Revenue         | Times         | 30.50            |
| Enterprise Value/ Annualised Q1 EBITDA          | Times         | 73.62            |

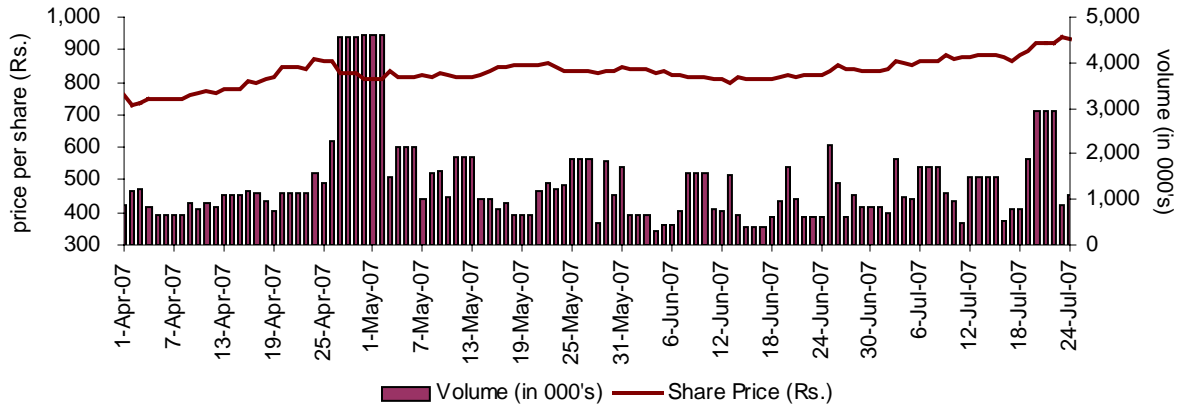
**6.2 Summarised Shareholding pattern as of June 30, 2007**

| <b>Category</b>                             | <b>Number of Shares</b> | <b>%</b>       |
|---|-------------------------|----------------|
| <b>Promoter &amp; Promoter Group</b>        |                         |                |
| Indian (Bharti Telecom Ltd)                 | 859,986,028             | 45.33%         |
| Foreign (Singtel represented by Pastel Ltd) | 295,659,650             | 15.58%         |
| <b>Sub total</b>                            | <b>1,155,645,678</b>    | <b>60.91%</b>  |
| <b>Public Shareholding</b>                  |                         |                |
| Institutions                                | 550,703,826             | 29.03%         |
| Non-institutions*                           | 190,798,960             | 10.06%         |
| <b>Sub total</b>                            | <b>741,502,786</b>      | <b>39.09%</b>  |
| <b>Total</b>                                | <b>1,897,148,464</b>    | <b>100.00%</b> |

Note: \* includes 5.62% held by Vodafone. Thus, the effective free float was 33.42%. For detailed shareholding pattern of the company kindly visit our website - <http://www.bhartiairtel.in>

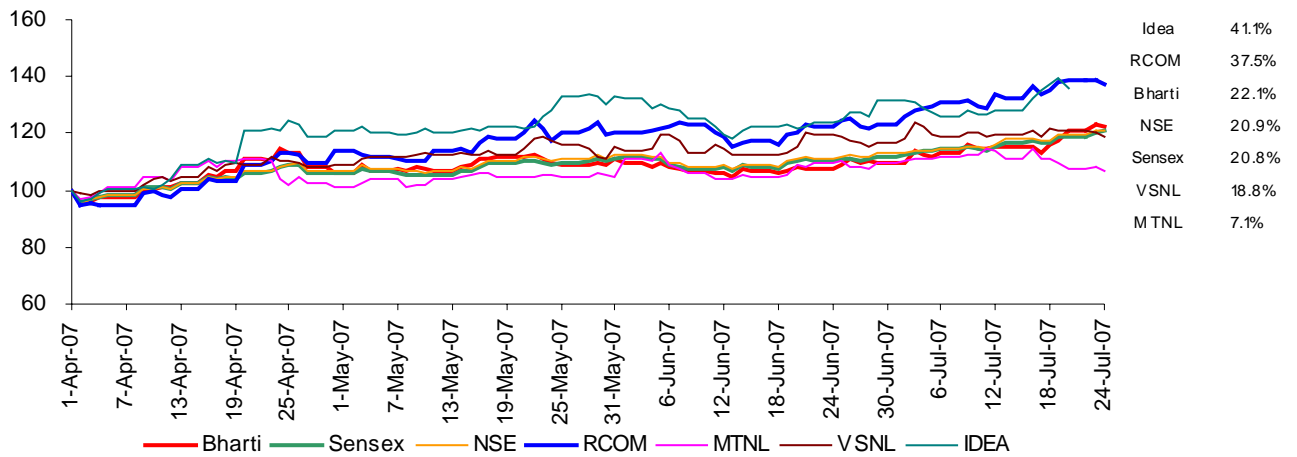


**6.3 Bharti Airtel Daily Stock price<sup>1</sup> (BSE) & Volume (Combined of BSE & NSE) Movement**



Source: Bloomberg

**6.4 Comparison of Domestic Telecom stock movement with Sensex and Nifty**



Source: Bloomberg

## SECTION 7

### Use of Non-GAAP Financial Information

In presenting and discussing the Company's reported financial position, operating results and cash flows, certain information is derived from amounts calculated in accordance with US GAAP, but this information is not in itself an expressly permitted GAAP measure. Such non - GAAP measures should not be viewed in isolation as alternatives to the equivalent GAAP measures.

A summary of non - GAAP measures included in this report, together with details where additional information and reconciliation to the nearest equivalent GAAP measure can be found, is shown below.

| Non - GAAP measure   | Equivalent GAAP measure for USGAAP | Location in this results announcement of reconciliation and further information   |
|--|------------------------------------|---|
| Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) | Operating Income                   | Consolidated Page 20, Mobile Services: - Page 21, Non Mobile Services: - Page 22, Broadband & Telephone Services: - Page 22, Enterprise Services (Carriers): - Page 22, Enterprise Services (Corporates): - Page 23, Others: - Page 23. |
| Earnings before Interest and Taxation (EBIT)                               | Operating Income                   | Consolidated Page 20, Mobile Services: - Page 21, Non Mobile Services: - Page 22, Broadband & Telephone Services: - Page 22, Enterprise Services (Carriers): - Page 22, Enterprise Services (Corporates): - Page 23, Others: - Page 23. |
| Cash Profit from Operations  | Operating Income                   | Page 19   |
| Income after current tax expenses  | Income before taxation             | Page 19   |
| Net Revenues   | Total revenues                     | Page 19   |
| Total Non Current Assets   | N.A                                | Page 19   |
| Total Non Current Liabilities  | N.A                                | Page 19   |
| Earnings before Interest & Taxes [for Non-mobile Services]                 | N.A.                               | Page 20   |
| Total Revenues [for Non-mobile Services]                                   | N.A.                               | Page 20   |
| Schedule of Cost of services   | N.A                                | Page 22   |
| Schedule of Operating expenses   | N.A                                | Page 22   |
| Schedule of Depreciation and Amortization                                  | N.A                                | Page 22   |
| Schedule of Net debt   | N.A                                | Page 22   |
| Schedule of Finance cost (net)   | N.A                                | Page 23   |
| Schedule of Income tax   | N.A                                | Page 23   |

7.1 **Reconciliation of Non-GAAP financial information based on USGAAP**

7.1.1 **Consolidated**

*Amount in Rs million*

| Particulars   | Quarter Ended<br>June 2007 |
|---|----------------------------|
| <b>Operating Income To EBITDA</b>                                     |                            |
| <b>Operating Income</b>   | <b>16,347</b>              |
| Depreciation & Amortisation   | 8,120                      |
| <b>EBITDA</b>   | <b>24,466</b>              |
| <b>Operating Income to Cash Profit from Operations</b>                |                            |
| <b>Operating Income</b>   | <b>16,347</b>              |
| Depreciation & Amortisation   | 8,120                      |
| Interest income   | 5,077                      |
| Interest expense  | (3,325)                    |
| <b>Cash Profit from Operations</b>                                    | <b>26,218</b>              |
| <b>Operating Income to EBIT</b>                                       |                            |
| <b>Operating Income</b>   | <b>16,347</b>              |
| <b>Less:</b>  |                            |
| Share of profits in associates/ joint ventures                        | 1                          |
| Non operating expenses  | 6                          |
| <b>Add:</b>   |                            |
| Other income  | 809                        |
| <b>EBIT</b>   | <b>17,149</b>              |
| <b>Total Revenue to Net Revenue</b>                                   |                            |
| <b>Total Revenue</b>  | <b>59,046</b>              |
| <b>Less:-</b>   |                            |
| Access charges  | 9,071                      |
| <b>Net Revenue</b>  | <b>49,975</b>              |
| <b>Income before Income taxes to Income after current tax expense</b> |                            |
| Income before Income taxes  | 18,901                     |
| <b>Less:-</b>   |                            |
| Current tax expense   | 2,248                      |
| <b>Income after current tax expense</b>                               | <b>16,653</b>              |

*Amount in Rs. Million*

| Particulars                                      | Quarter Ended<br>June 2007 |
|--|----------------------------|
| Property and equipment, net                      | 240,241                    |
| Acquired intangible assets, net                  | 15,039                     |
| Goodwill   | 23,684                     |
| Investment in associates and joint ventures      | 206                        |
| Investments                                      | 502                        |
| Restricted cash, non-current                     | 56                         |
| Deferred taxes on income                         | 23                         |
| Other assets                                     | 4,315                      |
| <b>Total Non Current Assets</b>                  | <b>284,066</b>             |
| <b>Total Non Current Liabilities</b>             |                            |
| Long-term debt, net of current portion           | 36,607                     |
| Deferred taxes on income                         | 5,966                      |
| Unearned income- Indefeasible right to use sales | 3,716                      |
| Other liabilities                                | 6,418                      |
| <b>Total Non Current Liabilities</b>             | <b>52,708</b>              |

### 7.1.2 Mobile Services

| <i>Amount in Rs million</i>                    |                            |
|--|----------------------------|
| Particulars                                    | Quarter Ended<br>June 2007 |
| <b>Operating Income To EBITDA</b>              |                            |
| <b>Operating Income</b>                        | <b>13,034</b>              |
| Depreciation & Amortisation                    | 6,053                      |
| <b>EBITDA</b>                                  | <b>19,087</b>              |
| <b>Operating Income to EBIT</b>                |                            |
| <b>Operating Income</b>                        | <b>13,034</b>              |
| <b>Less:</b>                                   |                            |
| Share of profits in associates/ joint ventures | 2                          |
| <b>Add:</b>                                    |                            |
| Other income                                   | 289                        |
| <b>EBIT</b>                                    | <b>13,321</b>              |

### 7.1.3 Non-mobile Services

| <i>Amount in Rs million</i>                  |                            |
|--|----------------------------|
| Particulars                                  | Quarter Ended<br>June 2007 |
| <b>Revenues For Non-mobile Services</b>      |                            |
| Revenues from Broadband & Telephone Services | 6,513                      |
| Revenues from Enterprise Services            | 11,940                     |
| <b>Revenues For Non-mobile Services</b>      | <b>18,452</b>              |
| <b>EBITDA For Non-mobile Services</b>        |                            |
| EBITDA from Broadband & Telephone Services   | 2,100                      |
| EBITDA from Enterprise Services              | 4,328                      |
| <b>EBITDA For Non-mobile Services</b>        | <b>6,428</b>               |
| <b>EBIT For Non-mobile Services</b>          |                            |
| EBIT from Broadband & Telephone Services     | 943                        |
| EBIT from Enterprise Services                | 3,639                      |
| <b>EBIT For Non-mobile Services</b>          | <b>4,582</b>               |

### 7.1.4 Broadband & Telephone Services

| <i>Amount in Rs million</i>       |                            |
|-----------------------------------|----------------------------|
| Particulars                       | Quarter Ended<br>June 2007 |
| <b>Operating Income To EBITDA</b> |                            |
| <b>Operating Income</b>           | <b>898</b>                 |
| Depreciation & Amortisation       | 1,202                      |
| <b>EBITDA</b>                     | <b>2,100</b>               |
| <b>Operating Income to EBIT</b>   |                            |
| <b>Operating Income</b>           | <b>898</b>                 |
| <b>Add:</b>                       |                            |
| Other income                      | 46                         |
| <b>EBIT</b>                       | <b>943</b>                 |

### 7.1.5 Enterprise Services – Carriers (Long Distance Services)

| Particulars                                    | <i>Amount in Rs million</i> |              |
|--|-----------------------------|--------------|
|  | Quarter Ended<br>June 2007  |              |
| <b>Operating Income To EBITDA</b>              |                             |              |
| <b>Operating Income</b>                        |                             | <b>2,292</b> |
| Depreciation & Amortisation                    |                             | 877          |
| <b>EBITDA</b>                                  |                             | <b>3,169</b> |
| <b>Operating Income to EBIT</b>                |                             |              |
| <b>Operating Income</b>                        |                             | <b>2,292</b> |
| <b>Less:</b>                                   |                             |              |
| Share of profits in associates/ joint ventures |                             | (2)          |
| <b>Add:</b>                                    |                             |              |
| Other income                                   |                             | 462          |
| <b>EBIT</b>                                    |                             | <b>2,756</b> |

### 7.1.6 Enterprise Services - Corporates

| Particulars                       | <i>Amount in Rs million</i> |              |
|-----------------------------------|-----------------------------|--------------|
|                                   | Quarter Ended<br>June 2007  |              |
| <b>Operating Income To EBITDA</b> |                             |              |
| <b>Operating Income</b>           |                             | <b>876</b>   |
| Depreciation & Amortisation       |                             | 283          |
| <b>EBITDA</b>                     |                             | <b>1,159</b> |
| <b>Operating Income to EBIT</b>   |                             |              |
| <b>Operating Income</b>           |                             | <b>876</b>   |
| <b>Add:</b>                       |                             |              |
| Other income                      |                             | 7            |
| <b>EBIT</b>                       |                             | <b>883</b>   |

### 7.1.7 Others

| Particulars                       | <i>Amount in Rs million</i> |              |
|-----------------------------------|-----------------------------|--------------|
|                                   | Quarter Ended<br>June 2007  |              |
| <b>Operating Income To EBITDA</b> |                             |              |
| <b>Operating Income</b>           |                             | <b>(696)</b> |
| Depreciation & Amortisation       |                             | 57           |
| <b>EBITDA</b>                     |                             | <b>(638)</b> |
| <b>Operating Income To EBIT</b>   |                             |              |
| <b>Operating Income</b>           |                             | <b>(696)</b> |
| <b>Less:</b>                      |                             |              |
| Non operating expenses            |                             | 6            |
| <b>Add:</b>                       |                             |              |
| Other Income                      |                             | 5            |
| <b>EBIT</b>                       |                             | <b>(697)</b> |

## 7.2 Schedule to Financial Statements

### 7.2.1 Schedule of Cost of services

| Particulars                                    | <i>Amount in Rs million</i> |
|--|-----------------------------|
|  | Quarter Ended<br>June 2007  |
| Access charges                                 | 9,071                       |
| Licence fees, revenue share & spectrum charges | 5,827                       |
| Network operations costs                       | 6,824                       |
| Employee costs                                 | 3,512                       |
| Depreciation & amortisation                    | 8,011                       |
| <b>Cost of Services</b>                        | <b>33,245</b>               |

### 7.2.2 Schedule of Operating expenses

| Particulars                              | <i>Amount in Rs. Million</i> |
|--|------------------------------|
|  | Quarter Ended<br>June 2007   |
| Network operations costs                 | 6,824                        |
| Equipment costs                          | 184                          |
| Employee costs                           | 3,512                        |
| Selling general and administrative costs | 9,162                        |
| <b>Operating Expenses</b>                | <b>19,681</b>                |

### 7.2.3 Schedule of Depreciation and Amortisation

| Particulars                          | <i>Amount in Rs million</i> |
|--------------------------------------|-----------------------------|
|                                      | Quarter Ended<br>June 2007  |
| Fixed Assets                         | 7,506                       |
| Licence Fees                         | 154                         |
| ESOP                                 | 81                          |
| Intangibles                          | 378                         |
| <b>Depreciation and Amortisation</b> | <b>8,120</b>                |

### 7.2.4 Schedule of Net debt

| Particulars   | <i>Amount in Rs. Million</i> |
|---|------------------------------|
|   | Quarter Ended<br>June 2007   |
| Long term debt, net of current portion                      | 36,607                       |
| Short-term borrowings and current portion of long-term debt | 8,329                        |
| <b>Less:</b>  |                              |
| Cash and cash equivalents                                   | 6,376                        |
| Restricted cash   | 134                          |
| Restricted cash, non-current                                | 56                           |
| Short term investments                                      | 5,107                        |
| Investments   | 502                          |
| <b>Net Debt</b>   | <b>32,761</b>                |

**7.2.5 Schedule of Finance cost (net)**

| Particulars                        | Amount in Rs million       |
|------------------------------------|----------------------------|
|                                    | Quarter Ended<br>June 2007 |
| Interest on borrowings             | 743                        |
| Finance charges                    | 119                        |
| Finance income                     | (220)                      |
| Derivatives & exchange fluctuation | (2,394)                    |
| <b>Finance cost (net)</b>          | <b>(1,752)</b>             |

**7.2.6 Schedule of Income tax**

| Particulars               | Amount in Rs million       |
|---------------------------|----------------------------|
|                           | Quarter Ended<br>June 2007 |
| Current tax expense       | 2,248                      |
| Deferred tax expense      | 1,346                      |
| <b>Income tax expense</b> | <b>3,594</b>               |

## ANNEXURE – DETAILED FINANCIAL AND RELATED INFORMATION

### A.1 FINANCIAL STATEMENTS AS PER UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP)

#### A.1.1 Consolidated Statement of Operations (as per USGAAP)

Amount in Rs. Million, except ratios

| Particulars   | Quarter Ended   |                 |               |
|---|-----------------|-----------------|---------------|
|   | June 2007       | June 2006       | Y-on-Y Growth |
|   | Audited         | Un-audited      |               |
| <b>Revenues</b>   |                 |                 |               |
| Services  | 58,675          | 38,303          | 53%           |
| Indefeasible right of use sales   | 109             | 109             | 0%            |
| Equipment   | 262             | 151             | -             |
| <b>Total Revenues</b>   | <b>59,046</b>   | <b>38,564</b>   | <b>53%</b>    |
| <b>Operating Expenses</b>   |                 |                 |               |
| Cost of Services<br><i>(Inclusive of depreciation and amortisation)</i>                           | (33,245)        | (21,974)        | 51%           |
| Costs of equipment sales  | (184)           | (335)           |               |
| Selling, general & administrative expenses<br><i>(Inclusive of depreciation and amortisation)</i> | (9,271)         | (6,206)         | 49%           |
| Pre-operating cost  | 0               | (9)             |               |
| <b>Total Operating Expense</b>  | <b>(42,699)</b> | <b>(28,523)</b> | <b>50%</b>    |
| <b>Operating Income</b>   | <b>16,347</b>   | <b>10,041</b>   | <b>63%</b>    |
| Interest expense  | (3,325)         | (2,449)         | 36%           |
| Interest income   | 5,077           | 757             |               |
| Share of profits in associates / joint ventures   | (1)             | 0               |               |
| Other income  | 809             | 250             |               |
| Non operating expenses  | (6)             | (1)             |               |
| <b>Income before Income Taxes</b>   | <b>18,901</b>   | <b>8,599</b>    | <b>120%</b>   |
| Income tax expense  | (3,594)         | (952)           |               |
| Minority interest   | (191)           | (96)            |               |
| <b>Net income</b>   | <b>15,116</b>   | <b>7,551</b>    | <b>100%</b>   |
| Earnings per share for profit attributable to common shareholders                                 |                 |                 |               |
| Basic   | 7.98            | 3.99            |               |
| Diluted   | 7.96            | 3.98            |               |
| Weighted average number of shares used in computing earnings per share                            |                 |                 |               |
| Weighted average number of common shares (in millions)  | 1,894           | 1,891           |               |
| Weighted average number of diluted shares (in millions)   | 1,898           | 1,895           |               |



**A.1.2 Consolidated Balance Sheet (as per USGAAP)**

| Particulars   | <i>Amount in Rs. Million</i>      |
|---|-----------------------------------|
|   | As at<br>June 30, 2007<br>Audited |
| <b>ASSETS</b>   |                                   |
| Cash and cash equivalents                                   | 6,376                             |
| Accounts receivable, net of allowances for doubtful debts   | 13,211                            |
| Unbilled receivables  | 6,800                             |
| Inventories   | 1,212                             |
| Short term investments                                      | 5,107                             |
| Deferred taxes on income                                    | 1,984                             |
| Derivative financial instruments                            | 87                                |
| Restricted cash   | 134                               |
| Prepaid expenses and other current assets                   | 13,662                            |
| Due from related parties                                    | 688                               |
| <b>Total Current Assets</b>                                 | <b>49,262</b>                     |
| Property and equipment, net                                 | 240,241                           |
| Acquired intangible assets, net                             | 15,039                            |
| Goodwill  | 23,684                            |
| Investment in associates and joint ventures                 | 206                               |
| Investments   | 502                               |
| Restricted cash, non-current                                | 56                                |
| Deferred taxes on income                                    | 23                                |
| Other assets  | 4,315                             |
| <b>Total Assets</b>   | <b>333,328</b>                    |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                 |                                   |
| <b>Current liabilities</b>                                  |                                   |
| Short-term borrowings and current portion of long-term debt | 8,329                             |
| Trade payables  | 21,034                            |
| Equipment supply payables                                   | 54,082                            |
| Accrued expenses  | 14,674                            |
| Unearned income   | 19,155                            |
| Unearned income- Indefeasible right to use sales            | 336                               |
| Derivative financial instruments                            | 3,655                             |
| Due to related parties                                      | 0                                 |
| Other current liabilities                                   | 7,377                             |
| Deferred taxes on income                                    | 14                                |
| <b>Total current liabilities</b>                            | <b>128,655</b>                    |
| Long-term debt, net of current portion                      | 36,607                            |
| Deferred taxes on income                                    | 5,966                             |
| Unearned income- Indefeasible right to use sales            | 3,716                             |
| Other liabilities   | 6,418                             |
| <b>Total liabilities</b>                                    | <b>181,363</b>                    |
| Minority interest   | 2,052                             |
| <b>Stockholders' equity</b>                                 |                                   |
| Common stock, par value Rs.10 per share                     | 18,971                            |
| Additional paid in capital                                  | 57,013                            |
| Treasury stock  | (134)                             |
| Retained earnings   | 74,072                            |
| Accumulated other comprehensive income (loss)               | (10)                              |
| <b>Total stockholders' equity</b>                           | <b>149,913</b>                    |
| <b>Total liabilities and stockholders' equity</b>           | <b>333,328</b>                    |

**A.1.3 Consolidated Statement of Cash Flows (as per USGAAP)**

|  |                         | <i>Amount in Rs. Million</i>   |
|--|-------------------------|--------------------------------|
| Particulars  |                         | Quarter Ended<br>June 30, 2007 |
| <b><u>Cash flows from operating activities</u></b>                   |                         |                                |
| <b>Net income</b>  | <b>a</b>                | <b>15,116</b>                  |
| Add: Non Cash items  | <b>b</b>                |                                |
| Depreciation and amortisation  |                         | 8,120                          |
| Tax expense / (income)   |                         | 3,594                          |
| Impact of fair valuation of financial instruments                    |                         | 2,375                          |
| <b>Cash generated from operations before working capital changes</b> | <b>c=a+b</b>            | <b>29,205</b>                  |
| (Increase)/decrease in working capital                               |                         | 22,199                         |
| (Increase)/decrease in non-current assets                            |                         | (5,533)                        |
| Increase/(decrease) in non-current liabilities                       |                         | 3,751                          |
| <b>Net cash provided/(used) by/in operating activities</b>           | <b>d</b>                | <b>20,417</b>                  |
| <b>Cash flows from investing activities</b>                          |                         |                                |
| Purchase of property, plant and equipment                            |                         | (37,173)                       |
| Investment / loss in associate                                       |                         | (24)                           |
| <b>Net cash provided/(used) by/in investing activities</b>           | <b>e</b>                | <b>(37,197)</b>                |
| <b>Cash flows from financing activities</b>                          |                         |                                |
| Increase/(decrease) in borrowings                                    |                         | (9,899)                        |
| Stockholders Equity  |                         | (505)                          |
| <b>Net cash provided/(used) by/in financing activities</b>           | <b>f</b>                | <b>(10,403)</b>                |
| Cash and cash equivalents*   |                         |                                |
| Beginning of the period  | <b>g</b>                | 10,155                         |
| End of the period  | <b>h=c+d+e<br/>+f+g</b> | 12,176                         |

\*Includes short-term investments, restricted cash, restricted cash-non-current and investments.

## A.2 Trend and Ratio Analysis

The financial figures used in the quarterly trends are based on US GAAP financial statements.

### A.2.1 Based on Statement of Operations

Amount in Rs. Million

| Parameters                         | For the Quarter Ended |        |        |        |        |
|------------------------------------|-----------------------|--------|--------|--------|--------|
|                                    | Jun-07                | Mar-07 | Dec-06 | Sep-06 | Jun-06 |
| Total Revenues                     | 59,046                | 53,932 | 49,129 | 43,571 | 38,564 |
| Access and interconnection charges | 9,071                 | 9,335  | 8,242  | 7,190  | 6,612  |
| Operating Expenses                 | 19,681                | 17,091 | 16,260 | 15,471 | 13,535 |
| Licence Fee                        | 5,827                 | 5,098  | 4,574  | 3,886  | 3,395  |
| EBITDA                             | 24,466                | 22,408 | 20,055 | 17,025 | 15,021 |
| Cash profit from operations        | 26,218                | 21,930 | 21,372 | 16,437 | 13,330 |
| Income before income taxes         | 18,901                | 15,068 | 14,412 | 10,782 | 8,599  |
| Net income                         | 15,116                | 13,531 | 12,151 | 9,338  | 7,551  |

|                                    | Jun-07 | Mar-07 | Dec-06 | Sep-06 | Jun-06 |
|------------------------------------|--------|--------|--------|--------|--------|
| <b>As a % of Total Revenues</b>    |        |        |        |        |        |
| Access and interconnection charges | 15.4%  | 17.3%  | 16.8%  | 16.5%  | 17.1%  |
| Operating Expenses                 | 33.3%  | 31.7%  | 33.1%  | 35.5%  | 35.1%  |
| Licence Fee                        | 9.9%   | 9.5%   | 9.3%   | 8.9%   | 8.8%   |
| EBITDA                             | 41.4%  | 41.5%  | 40.8%  | 39.1%  | 39.0%  |
| Cash profit from operations        | 44.4%  | 40.7%  | 43.5%  | 37.7%  | 34.6%  |
| Income before income taxes         | 32.0%  | 27.9%  | 29.3%  | 24.7%  | 22.3%  |
| Net income                         | 25.6%  | 25.1%  | 24.7%  | 21.4%  | 19.6%  |

### A.2.2 Based on Balance Sheet

#### A.2.2 Based on Balance Sheet

Amount in Rs. Million

| Parameters   | As at         |              |              |               |               |
|--|---------------|--------------|--------------|---------------|---------------|
|  | June 30, 2007 | Mar 31, 2007 | Dec 31, 2006 | Sept 30, 2006 | June 30, 2006 |
| Stockholders Equity                                | 149,913       | 135,553      | 121,848      | 109,643       | 100,161       |
| Net Debt   | 32,761        | 42,306       | 41,050       | 44,589        | 42,201        |
| Capital Employed = Stockholder's equity + Net Debt | 182,674       | 177,859      | 162,898      | 154,232       | 142,363       |

| Parameters                                  | Jun-07 | Mar-07 | Dec-06 | Sep-06 | Jun-06 |
|---|--------|--------|--------|--------|--------|
| Return on Stockholder's equity (LTM)        | 40.8%  | 38.2%  | 35.5%  | 31.6%  | 29.6%  |
| Return on Capital Employed (LTM)            | 29.3%  | 28.6%  | 26.3%  | 25.1%  | 24.0%  |
| Net Debt to EBITDA (LTM)                    | 0.39   | 0.57   | 0.63   | 0.80   | 0.86   |
| Assets turnover ratio (LTM)                 | 115.7% | 112.4% | 108.3% | 103.1% | 98.2%  |
| Interest Coverage ratio (times)             | 32.95  | 28.48  | 24.84  | 22.35  | 21.08  |
| Book Value Per Equity Share (in Rs)         | 79.0   | 71.5   | 64.3   | 57.8   | 52.8   |
| Net debt to Stockholders' Equity (Times)    | 0.22   | 0.31   | 0.34   | 0.41   | 0.42   |
| <b>Per share data (for the period)</b>      |        |        |        |        |        |
| Net profit/(loss) per common share (in Rs)  | 7.98   | 7.14   | 6.42   | 4.94   | 3.99   |
| Net profit/(loss) per diluted share (in Rs) | 7.96   | 7.14   | 6.41   | 4.93   | 3.98   |

### A.2.3 Bharti's Three Line Graph

The company tracks its performance on a three-line graph.

The parameters considered for the three-line graph are:

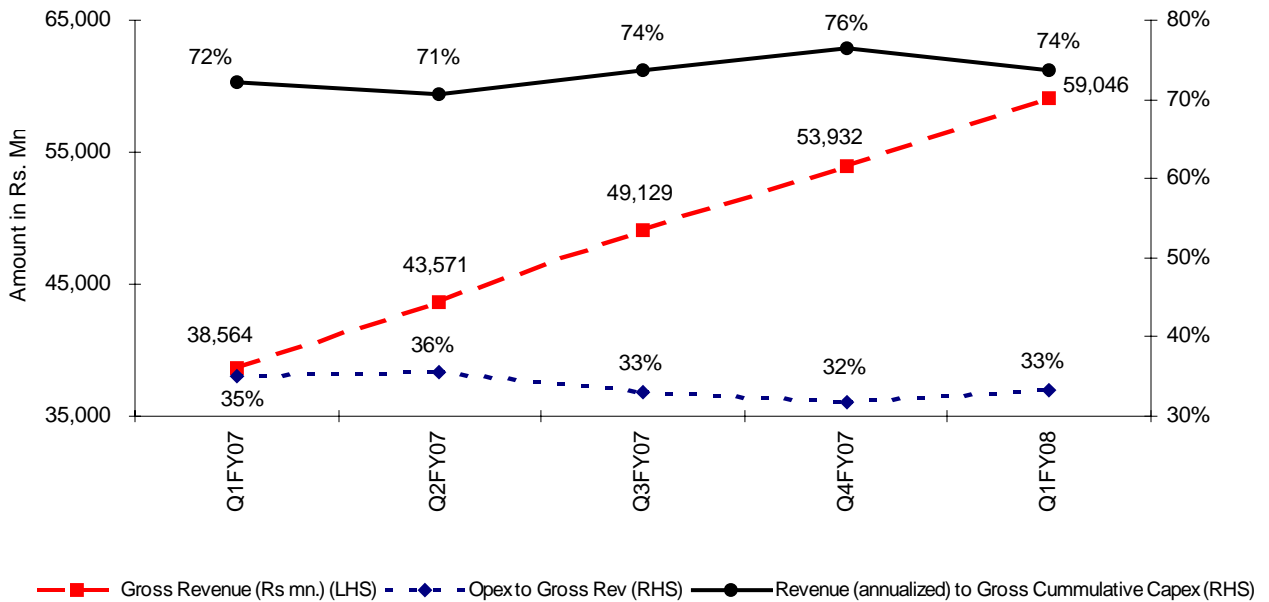
1. Gross Revenues i.e. absolute turnover/sales
2. Opex Productivity – operating expenses divided by the gross revenues for the respective period. Operating expenses is the sum of (i) equipment costs (ii) employee costs (iii) network operations costs & (iv) selling, general and administrative costs. This ratio depicts the operational efficiencies in the company.
3. Capital Productivity – this is computed by dividing revenue for the quarter (annualized) by gross cumulative

capex (gross fixed assets, capital work in progress and intangibles) till date i.e. the physical investments made in the assets creation of the company.

This ratio depicts the productivity of assets of the company.

The company believes that as far as the absolute revenues keep increasing periodically, opex productivity stabilizes or keeps coming down and capital productivity keeps improving, the company's overall financial health can be tracked.

Given below is the graph for the last five quarters of the company:



#### A.2.4 Operational Performance

| Parameters                                   | Unit    | June 30, 2007 | March 31, 2007 | Dec. 31, 2006 | Sept. 30, 2006 | June 30, 2006 |
|--|---------|---------------|----------------|---------------|----------------|---------------|
| <b>Consolidated</b>                          |         |               |                |               |                |               |
| Customers                                    | 000's   | 44,676        | 39,013         | 33,712        | 28,693         | 24,577        |
| Employees (On-roll)                          | No.     | 22,955        | 20,314         | 18,213        | 18,584         | 14,374        |
| <b>Mobile services</b>                       |         |               |                |               |                |               |
| Customers                                    | 000's   | 42,704        | 37,141         | 31,974        | 27,061         | 23,073        |
| Prepaid customers as a % of total customers  | %       | 89.7%         | 88.5%          | 87.1%         | 85.5%          | 84.4%         |
| Postpaid customers as a % of total customers | %       | 10.3%         | 11.5%          | 12.9%         | 14.5%          | 15.6%         |
| Bharti's mobile subscribers market share     | %       | 23.5%         | 22.9%          | 21.8%         | 21.4%          | 21.1%         |
| Average Revenue Per User (ARPU)              | Rs.     | 390           | 406            | 427           | 438            | 441           |
| Average Minutes of Use Per User              | Minutes | 478           | 475            | 467           | 451            | 441           |
| Post-paid Voluntary Churn                    | %       | 1.1%          | 1.0%           | 1.2%          | 1.2%           | 1.3%          |
| Post-paid Company Initiated Churn            | %       | 2.5%          | 2.2%           | 2.3%          | 2.4%           | 2.1%          |
| Prepaid Churn                                | %       | 4.0%          | 3.6%           | 4.8%          | 5.1%           | 4.7%          |
| SMS Revenue as a % of Total Mobile Revenues  | %       | 5.0%          | 6.0%           | 6.2%          | 6.1%           | 6.4%          |
| Employees (On-roll)                          | No.     | 7,595         | 7,034          | 6,864         | 6,963          | 6,624         |
| <b>Broadband &amp; Telephone Services</b>    |         |               |                |               |                |               |
| Customers                                    | 000's   | 1,972         | 1,871          | 1,738         | 1,631          | 1,505         |
| Average Revenue Per User (ARPU)              | Rs.     | 1,121         | 1,112          | 1,198         | 1,115          | 1,202         |
| <b>Non-mobile Services</b>                   |         |               |                |               |                |               |
| Employees (On-roll)                          | No.     | 14,773        | 12,789         | 10,942        | 11,228         | 7,518         |
| <b>Others (Corporate Office)</b>             |         |               |                |               |                |               |
| Employees (On-roll)                          | No.     | 587           | 491            | 407           | 393            | 232           |

#### A.2.5 Traffic, Coverage & Network Trends

| Parameters                           | Unit          | June 30, 2007 | March 31, 2007 | Dec. 31, 2006 | Sept. 30, 2006 | June 30, 2006 |
|--------------------------------------|---------------|---------------|----------------|---------------|----------------|---------------|
| Mobile Services                      | Mn Min        | 57,125        | 49,240         | 41,305        | 33,844         | 28,194        |
| Broadband & Telephone Services       | Mn Min        | 4,454         | 4,241          | 4,055         | 4,080          | 3,780         |
| National Long Distance Services      | Mn Min        | 5,856         | 5,004          | 4,429         | 3,628          | 2,882         |
| International Long Distance Services | Mn Min        | 1,243         | 1,194          | 1,059         | 882            | 753           |
| <b>Total Minutes on Network</b>      | <b>Mn Min</b> | <b>68,678</b> | <b>59,679</b>  | <b>50,847</b> | <b>42,434</b>  | <b>35,609</b> |

Note: The minutes are gross of intersegment eliminations

| Parameters                                | Unit | June 30, 2007 | March 31, 2007 | Dec. 31, 2006 | Sept. 30, 2006 | June 30, 2006 |
|---|------|---------------|----------------|---------------|----------------|---------------|
| <b>Mobile Services</b>                    |      |               |                |               |                |               |
| Census Towns                              | No.  | 4,855         | 4,676          | 4,581         | 4,357          | 4,026         |
| Non-Census Towns & Villages               | No.  | 243,584       | 207,327        | 176,593       | 155,076        | 101,614       |
| Population Coverage                       | %    | 62%           | 59%            | 54%           | 50%            | 46%           |
| <b>Broadband &amp; Telephone Services</b> |      |               |                |               |                |               |
| No. of cities covered                     | No.  | 94            | 94             | 94            | 94             | 92            |
| <b>Carriers (National Long Distance)</b>  |      |               |                |               |                |               |
| Optic Fibre Network                       | RKms | 43,658        | 40,484         | 39,330        | 36,151         | 35,016        |

## A.3 Key Accounting Policies as per USGAAP

### 1. Joint Ventures

The Group's interest in Joint ventures in which the Group has a majority interest, but does not control due to significant participatory rights of the minority stockholders are accounted for under the equity method of accounting and is initially recognized at cost. Under this method, the Group's share of the post-acquisition profits or losses of the joint venture is recognized in the consolidated statement of income and its share of post-acquisition movements in equity is recognized in equity. The cumulative post-acquisition movements are adjusted against the cost of the investment. Unrealized gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in joint venture includes goodwill identified on acquisition.

The Group's interest in jointly controlled entities is accounted for by the equity method of accounting and is initially recognized at cost.

### 2. Property and equipment

Property and equipment are stated at historical cost, net of accumulated depreciation and amortization. All direct costs relating to the acquisition and installation of property and equipment are capitalized.

Depreciation and amortization is recorded on a straight-line basis over the estimated useful lives of the assets.

| Assets   | Years   |
|--|---|
| Building   | 20  |
| Network Equipment                                  | 3/5/10/15   |
| Computer equipment                                 | 3   |
| Office, furniture and equipment                    | 5   |
| Vehicles   | 5   |
| Leasehold improvements                             | Remaining period of Lease or 10 years whichever is less |
| Assets individually costing Rs. 5 thousand or less | 1   |

Land is not depreciated. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses arising from retirement or disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income on the date of retirement and disposal.

Costs of additions and substantial improvements to property and equipment are capitalized. The costs of maintenance and repairs of property and equipment are charged to operating expenses.

### 3. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary or jointly controlled entity at the date of acquisition. Goodwill on acquisition of subsidiaries is disclosed separately. Goodwill arising on accounting for jointly controlled entities or entities in which the Group exercises significant influence is included in investments in the related associates/jointly controlled entities. Goodwill is stated at cost less accumulated amortization and impairment losses, if any.

The Group adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," which sets forth the accounting for goodwill and intangible assets subsequent to their acquisition. SFAS 142 requires that goodwill and indefinite-lived intangible assets be allocated to the reporting unit level, which the Group defines as each circle. FAS 142 also prohibits the amortization of goodwill and indefinite-lived intangible assets, but requires that they be tested for impairment at least annually, or more frequently as warranted, at the reporting unit level.

The goodwill impairment test under FAS 142 is performed in two phases. The first step of the impairment test, used to identify potential impairment, compares the fair value of the reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, goodwill of the reporting unit is considered impaired, and step two of the impairment test must be performed. The second step of the impairment test quantifies the amount of the impairment loss by comparing the carrying amount of goodwill to the implied fair value. An impairment loss is recorded to the extent the carrying amount of goodwill exceeds its implied fair value.

### 4. Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are expressed in the functional currency Indian Rupees at the rates of exchange in effect at the balance sheet date. Transactions in foreign currencies are recorded at rates ruling on the transaction dates. Gains or losses resulting from foreign currency transactions are included in the consolidated statement of income.

### 5. Capital leases

#### Lessee accounting

Assets acquired under capital lease are capitalized as assets by the Group at the lower of fair value of the leased property or the present value of the related lease payments or where applicable, estimated fair value of such assets. Amortization of leased assets is computed on straight line basis over the shorter of useful life of the assets or remaining lease period. Amortization charge for capital leases is included in depreciation expense for the year.

#### Lessor accounting

Assets leased to others under capital leases are recognized as receivables at an amount equal to the net investment in the leased assets. The finance income is

recognized based on periodic rate of return on the net investment of the lessor outstanding in respect of the capital lease.

## **6. Impairment of long – lived assets and intangible assets**

The Group reviews its long-lived assets, including identifiable intangibles with finite lives, for impairment whenever events or changes in business circumstances indicate that the carrying amount of assets may not be fully recoverable. Such circumstances include, though are not limited to, significant or sustained declines in revenues or earnings and material adverse changes in the economic climate. For assets that the Group intends to hold for use, if the total of the expected future undiscounted cash flows produced by the asset or asset Group is less than the carrying amount of the assets, a loss is recognized for the difference between the fair value and carrying value of the assets. For assets the Group intends to dispose of by sale, a loss is recognized for the amount by which the estimated fair value, less cost to sell, is less than the carrying value of the assets. Fair value is determined based on quoted market prices, if available, or other valuation techniques including discounted future net cash flows.

## **7. Revenue recognition**

### **(i) Service revenues**

Service revenues include amounts invoiced for usage charges, fixed monthly subscription charges and VSAT/internet usage charges, roaming charges, activation fees, processing fees and fees for value added services ('VAS'). Service revenues also include revenues associated with access and interconnection for usage of the telephone network of the other operator for local, domestic long distance and international calls.

Service revenues are recognized as the services are rendered and are stated net of discounts and taxes. Revenues from pre-paid cards are recognized based on actual usage. Activation revenue and related activation costs, not exceeding the activation revenue, are deferred and amortized over their estimated useful life of 14 to 69 months for the three month period ended June 30, 2007 ( for the year ended March 31, 2007 – 12 to 74 months and March 31, 2006 – 31 to 69 months), which is consistent with the estimated churn of customers. Excess of activation costs over activation revenue, if any, are expensed as incurred. Subscriber acquisition costs are expensed as incurred. On introduction of new prepaid products processing fee on recharge coupon is being recognized over the estimated customer relationship period or coupon validity period, whichever is lower.

Service revenues from the internet and VSAT business comprise revenues from registration, installation and provision of internet and satellite services. Registration fee and installation charges are deferred and amortized over the expected customer relationship period. Service revenue is recognized from the date of satisfactory installation of equipment and software at the customer site and provisioning of internet and satellite services. Revenue from prepaid dialup packs is recognized on an actual usage basis and is net of sales returns and discounts.

Revenues from national and international long distance operations comprise revenue from provision of voice services, which are recognized on completion of services while revenue from provision of bandwidth services is recognized over the period of use. Revenue is stated net of discounts and waivers.

Unbilled receivables represent revenues recognized from the bill cycle date to the end of each month. These are billed in subsequent periods as per the terms of the billing plans.

Unearned revenue includes amounts received in advance on pre-paid cards and advance monthly rentals on post paid. The related services are expected to be performed within the next operating cycle.

### **(ii) Equipment sales**

Equipment sales consist primarily of revenues from sale of VSAT and internet equipment (hardware) and related accessories to subscribers. Equipment sales are treated as activation revenue and are deferred and amortized over the customer relationship period.

### **(iii) Multiple element arrangements**

The Group enters into certain multiple-element revenue arrangements which involve the delivery or performance of multiple products, services or rights to use assets including VSAT and internet equipment, internet and satellite services, indefeasible right to use and hardware and equipment maintenance. The Group evaluates all deliverables in an arrangement to determine whether they represent separate units of accounting at the inception of the arrangement in accordance with EITF 00-21 "Revenue Arrangements with Multiple Deliverables".

The Group has determined that objective and reliable evidence of fair value does not exist for undelivered items in arrangements involving the bundling of sales of VSAT and internet equipment with provision of internet and satellite services. Accordingly, equipment sales for these arrangements are deferred and amortized over the customer relationship period. The arrangement consideration allocated to delivered items that do not qualify as separate units of accounting are combined with the other applicable undelivered items within the arrangement. The Group then recognizes revenue for those combined deliverables as a single unit of accounting over the term of the arrangement.

For other arrangements, the Group has established that objective and reliable evidence of fair value for all units of accounting in the arrangement exists. Accordingly, the arrangement consideration is allocated to the separate units of accounting based on their relative fair values. Revenue recognized by the Group on a delivered item is limited to the amount that is not contingent upon the delivery of additional items or conditional on meeting other specified performance criteria.

## **8. License fees**

### **Licenses signed prior to NTP - 99**

Annual license fees incurred by the Group under the old license fee regime until the date of migration to the NTP - 99, i.e. July 31, 1999 and revenue-share fees from the date of

migration to NTP – 99 were expensed as incurred. However, the Group's share of licenses acquired under business combinations during the old license regime, prior to July 31, 1999, were accounted for at their respective fair values as at the date of acquisition and are amortized on a straight-line basis over the remaining period of the license from the date of acquisition of respective circles. Upon the migration to the NTP - 99, the remaining unamortized cost of such licenses acquired had been carried over and forms a part of the new cost basis for the license signed under NTP - 99. Amortization of licenses is disclosed as part of "Depreciation and Amortization" in the consolidated statement of income.

#### **Licenses signed under NTP - 99**

License agreements signed/awarded under NTP - 99 stipulate the payment of: 1) one time fee termed as 'license entry fee' to obtain the right to operate services and 2) annual usage charge on the basis of the percentage of revenues i.e. 'revenue share'.

License entry fees were recognized as an intangible asset and were measured initially at cost. After initial recognition, license entry fees are measured at cost less accumulated amortization and any other impairment losses. License entry fees are amortized on a straight-line basis over the period of the license from the date of commencement of commercial operations in the respective circles. The Group's share of licenses acquired under business combinations arising after the 'applicability' of NTP - 99 were accounted for at their respective fair values as at the date of acquisition and are amortized on a straight line basis over the remaining period of the license. Amortization of license entry fees is disclosed as part of "Depreciation and Amortization" in the consolidated statement of income. The revenue-share fee is computed on the basis of Adjusted Gross Revenue ('AGR') and is expensed as incurred.

#### **UASL Licenses & license fees**

The Group has migrated its cellular mobile licenses in 15 circles to Unified Access Service Licenses (UASL) after obtaining the necessary approvals from DoT. UASL permits the licensee to provide basic and / or cellular services using any technology in a defined service area.

UASL entry fees were recognized as an intangible asset and were measured initially at cost. After initial recognition, license entry fees are measured at cost less accumulated amortization and any other impairment losses. License entry fees are amortized on a straight-line basis over the period of the license from the date of commencement of commercial operations in the respective circles.

### **9. Other intangible assets**

Other intangible assets comprising enterprise resource planning software, bandwidth capacities, brands, customer relationships, distribution networks, licenses and noncompete clauses, are capitalized at the Group's share of respective fair values on the date of an acquisition. The methodologies used for valuation of these intangibles is as follows:

- Software is capitalized at the amounts paid to acquire the respective license for use and is amortized over the period of such license, not exceeding three years.

- Bandwidth capacities are capitalized at the amounts paid to acquire the capacities and are amortized over the period of the agreement subject to a maximum of 15 years.
- Brands are valued using the Royalty Relief approach and are amortized on a straight-line basis over the period of expected benefit, not exceeding the life of the licenses and are written off in their entirety when no longer in use.
- Customer relationships reflect the estimated fair value of the customer accounts acquired from which the Group can expect to derive future benefits over the estimated life.
- Distribution networks reflect the fair value of the estimated benefit and are amortized over an estimated useful life of three years.
- The fair value of licenses are valued using the Market Value Approach. The licenses are amortized over the remaining license period
- Noncompete clauses are fair valued based on the actual and projected business plans and are amortized on a straight-line basis over the remaining period of license.

Amortization of intangible assets is disclosed as part of cost of services and selling, general and administrative expenses in the consolidated statement of income.

### **10. Income-taxes**

In accordance with the provisions of FAS 109, Accounting for Income Taxes, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of income in the period in which such change is enacted. Based on management's judgment, the measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which it is more likely than not that some portion or all of such benefits will not be realized.

### **11. Pre operating costs**

Pre operating costs represent certain marketing and administrative expenses incurred prior to the commencement of commercial operations of the new circles. These costs are expensed as incurred.

### **12. Derivative financial instruments**

The Group enters into derivative instruments, including interest rate swaps and foreign currency forward contracts, to manage interest rate movements of its debt obligations



and foreign currency exposures related to the import of equipment used in operations and its foreign currency denominated debt instruments.

FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or in other comprehensive income, depending on whether a derivative is designated as part of a hedging relationship and, if it is, depending on the type of hedging relationship.

### **13. Asset Retirement Obligations**

Asset retirement obligations associated with the Group's wireless and wireline services cell sites, switch sites, retail, and administrative location operating leases are subject to the provisions of FAS No. 143 "Accounting for Asset Retirement Obligations". The lease agreements entered into by the Group may contain clauses requiring restoration of the leased site at the end of the lease term and therefore create asset retirement obligations. The Group records the fair value of a liability for an asset retirement obligation in the period in which it is incurred and capitalizes the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the estimated useful life of the related asset. Upon settlement of the liability, the Group either settles the obligation for its recorded amount or incurs a gain or loss upon settlement.

### **14. Indefeasible right to use (IRU)**

Fibre and duct are sold as part of the operations of Group's Enterprise service carriers business. The Group has decided to view these as integral equipment. Under the agreements, title is not transferred to the lessee. The transactions are therefore recorded as operating lease agreements. Direct expenditures incurred in connection with agreements are capitalized and written off over the term of the agreement. The contracted sales price is chiefly paid in advance and is recognized as revenue during the period of the agreement. IRU Sales not recognized in consolidated statements of income, net of amount recognizable within one year is recorded as unearned income in non-current liability and amount recognizable within one year is recorded as unearned income in the current liabilities.

#### A.4 Summarised Profit & Loss Statement as per Indian GAAP

| Particulars   | Amount in Rs million                        |
|---|---|
|   | Quarter Ended<br>June 30, 2007<br>(Audited) |
| Service Revenue   | 58,525                                      |
| Sales of Goods  | 210   |
| <b>Total Income</b>   | <b>58,735</b>                               |
| <b>Profit before Finance Expenses /(Income) (Net),<br/>Depreciation, Amortisation, Pre-operative<br/>Expenditure, Charity and Donation, Taxation and Other<br/>Income</b> | <b>24,444</b>                               |
| Finance expenses (net)  | (2,649)                                     |
| Depreciation  | 7,889                                       |
| Amortisation  | 446   |
| Other Income  | 837   |
| Charity & Donation  | 6   |
| <b>Profit Before tax</b>  | <b>19,590</b>                               |
| Tax Expenses/ (Income)  |   |
| -Current Tax  | 3,377                                       |
| -Fringe Benefit Tax   | 65  |
| -Deferred Tax   | 1,718                                       |
| <b>Profit After Tax</b>   | <b>14,429</b>                               |
| Minority Interest   | 187   |
| <b>Profit for the period</b>  | <b>14,242</b>                               |

#### A.5 Summary of Differences in Net income/ Profit between USGAAP (audited) and Indian GAAP (audited)

| Particulars  | Amount in Rs million           |
|--|--------------------------------|
|  | Quarter Ended<br>June 30, 2007 |
| <b>Net income as per US GAAP</b>   | <b>15,116</b>                  |
| <b>Add: Differences on account of:</b>   |                                |
| Minority Interest and loss of Joint Venture  | 6                              |
| Differences in accounting for finance charges  | 914                            |
| Differential depreciation provided in IGAAP due to forex fluctuations<br>not considered in US GAAP | 18                             |
| <b>Less: Differences on account of:</b>  |                                |
| Deferred Tax expense   | 373                            |
| Amortisation of Goodwill/ Intangibles  | 67                             |
| Being difference in revenue recognition  | 86                             |
| License fee amortisation   | 146                            |
| Remeasurement of financial instruments not applicable in IGAAP                                     | 14                             |
| Provision for current tax  | 1,126                          |
| <b>Net profit as per Indian GAAP</b>   | <b>14,242</b>                  |

## GLOSSARY

### Technical and Industry Terms

| Company Related                                      |   |
|--|---|
| ARPU (for Mobile and Broadband & Telephone services) | Average revenue per customer per month is computed by: dividing the total revenues, excluding equipment sales and the connection fees, during the relevant period by the average customers; and dividing the result by the number of months in the relevant period.   |
| Asset Turnover                                       | Asset Turnover is defined as total revenues, for the preceding (last) 12 months from the end of the relevant period, divided by average assets. Asset is defined as the sum of non current assets and net current assets. Net current assets are computed by subtracting current liabilities from current assets. Average assets are calculated by considering average of quarterly average for the preceding (last) four quarters from the end of the relevant period.   |
| Access and Interconnection Charges / Total Revenues  | Access and interconnection charges for the relevant period divided by total revenues for the relevant period.   |
| Average Customers                                    | Average customers are derived by computing the average of the monthly average customers for the relevant period.  |
| Book Value Per Equity Share                          | Total stockholder's equity as at the end of the relevant period divided by issued and outstanding equity shares as at the end of the relevant period.   |
| Capital Employed                                     | Capital Employed is defined as sum of stockholder's equity and net debt.  |
| Cash Profit From Operations                          | It is not a US GAAP measure and is defined as operating income adjusted for depreciation & amortization, pre-operating costs, interest expense and interest income.   |
| Churn  | Churn is calculated by dividing the total number of disconnections during the relevant period by the average customers; and dividing the result by the number of months in the relevant period. Postpaid churn has been subdivided into: <ol style="list-style-type: none"> <li>a) Voluntary: indicating the number of subscribers who opt out of the network at their own behest.</li> <li>b) Company initiated churn: indicating the number of subscribers whose churn is initiated by the company due to non-payment.</li> </ol> |
| Gross Revenue per Employee per month                 | It is computed by dividing the Gross Revenue (net of inter-segment eliminations) by the closing number of employees in a given business unit and number of months in the relevant period.   |
| EBITDA   | Earnings/(loss) before interest, taxation, depreciation and amortization.<br><br>It is not a US GAAP measure and is defined as operating income adjusted for depreciation & amortization and pre-operating costs.   |
| EBITDA Margin or EBITDA / Total Revenues             | It is computed by dividing EBITDA for the relevant period by total revenues for the relevant period.  |
| EBIT   | Earnings before interest and taxation for the relevant period. It is equivalent to Income before interest income, interest expense & taxes.   |
| Broadband & Telephony Customers Per Employee         | Number of Broadband & Telephony customers on our networks as at end of the relevant period divided by number of employees in the Broadband & Telephone segment as at end of the relevant period.  |
| Income after current tax expense                     | It is not a US GAAP measure and is defined as Income before taxation adjusted for current tax expense.  |
| Interest Coverage Ratio                              | EBITDA for the relevant period divided by interest on borrowing for the relevant period.  |
| Market Capitalization                                | Number of issued and outstanding shares as at end of March 31, 2007 multiplied by closing market price (BSE) as at end of July 24, 2007.  |
| MoU/Sub/Month  | Minutes of Usage. Duration in minutes for which a customer uses the network. It is typically expressed over a period of one month.<br><br>Average minutes of usage per subscriber per month is calculated by: dividing the total minutes of usage (incoming, outgoing and in-roaming) on our network during the relevant period by the average customers; and dividing the result by the number of months in the relevant period.   |
| Mobile Customers Per Employee                        | Number of GSM customers on our networks as at end of the relevant period divided by number of employees in the mobile segment as at end of the relevant period.   |
| Net Debt   | It is not a US GAAP measure and is defined as the long-term debt, net of current portion plus short-term borrowings and current portion of long-term debt less cash and cash equivalents, restricted cash, restricted cash non-current, short-term investments and investments as at the end of the relevant period.  |
| Net Debt to EBITDA                                   | It is computed by dividing net debt as at the end of the relevant period by EBITDA for preceding (last) 12 months from the end of the relevant period.  |

|  |  |
|--|--|
| Net Debt to Stockholder's Equity                 | It is computed by dividing net debt as at the end of the relevant period by stockholder's equity as at the end of the relevant period.   |
| Earnings Per Common Share                        | It is computed by dividing net income attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.   |
| Earnings Per Diluted Share                       | The calculation of Net income per diluted share adjusts net income and the weighted average number of ordinary shares outstanding, to give effect to all dilutive potential ordinary shares that were outstanding during the year.<br>Net income attributable to ordinary shareholders is adjusted for the after-tax effect of the following: (1) dividends on potential ordinary shares (for example, dilutive convertible preferred shares); (2) interest recognised on potential ordinary shares (for example, dilutive convertible debt); and (3) any other changes in income or expense resulting from the conversion of dilutive potential ordinary shares (e.g., an entity's contribution to its non-discretionary employee profit-sharing plan may be revised based on changes in net profit due to the effects of items discussed above). |
| Net Revenues                                     | It is not a US GAAP measure and is defined as total revenues adjusted for access charges for the relevant period.  |
| Non-mobile services                              | It comprises Broadband & Telephone Services and Enterprise Services.   |
| Non Voice Revenue as a % of consolidated revenue | It is computed by dividing the total non-voice revenue of the company (consolidated) by the total revenues for the relevant period. Non-voice revenues include VAS Revenues for Mobile, VAS and Internet Revenues for Broadband & Telephone Services, Bandwidth Revenue for Long Distance Services, and Bandwidth and Internet Revenues for Enterprise Services.   |
| Non Voice Revenue as a % of Mobile Revenue       | It is computed by dividing the total non-voice revenue of mobile services by the total revenues of mobile services for the relevant period. Non-voice revenue for mobile services includes revenues from value added services (including SMS, GPRS, MMS Ring Back Tones etc.).   |
| Post-Paid Services                               | The provision of mobile services, wherein the subscribers pay for usage including airtime, rental value added services, access and interconnection charges and any other applicable charges at the end of the billing period.  |
| Pre-Paid Services                                | The provision of mobile services wherein subscribers pay a fixed amount, which is valid for a certain period, for usage including airtime, value added services, access and interconnection charges and any other applicable charges prior to commencement of service.   |
| Return On Capital Employed (ROCE)                | For the full year ended March 31, 2004, 2005, 2006 & 2007, ROCE is computed by dividing the sum of net profit & finance cost (net) for the period by average (of opening and closing) capital employed. For the quarterly computation, it is computed by dividing the sum of net profit & finance cost (net) for the preceding (last) 12 months from the end of the relevant period by average capital employed. Average capital employed is calculated by considering average of quarterly average for the preceding (last) four quarters from the end of the relevant period.  |
| Return On Stockholder's Equity                   | For the full year ended March 31, 2004, 2005, 2006 & 2007, it is computed by dividing net profit for the period by the average (of opening and closing) Stockholder's equity. For the quarterly computations, it is computed by dividing net profit for the preceding (last) 12 months from the end of the relevant period by the average Stockholder's equity for the preceding (last) 12 months. Average Stockholder's equity is calculated by considering average of quarterly average for the preceding (last) four quarters from the end of the relevant period.  |
| Total Operating Expenses / Total Revenues        | Total operative expenses for the relevant period divided by total revenues for the relevant period.  |
| Total Operating Expenses                         | It is defined as sum of equipment costs, employee costs, network operations costs and selling, general & administrative cost for the relevant period.  |
| Operating Income                                 | Operating income is defined as total revenues less total operating expenses for the relevant period.   |

## Regulatory

|       |   |
|-------|---|
| AGR   | Adjusted Gross Revenues. Used for computing the License Fees and spectrum charges payable by an Access Provider and have been provisionally defined as gross revenue of the Access Provider net of access charges actually paid to other telecom service providers, roaming revenues passed on to other telecom service providers and service tax and sales tax actually paid to the Government, if the same had been included in the Gross Income. |
| AUSPI | Association of Unified Telecom Service Providers of India. It is the representative industry body for private Basic Service Operators which interacts on policy and regulatory issues with various Government bodies such as Department of Telecommunications (DoT), Telecom Regulatory Authority   |

of India (TRAI), apex industry organizations like ASSOCHAM, Confederation of Indian Industry (CII), and Federation of Indian Chambers of Commerce & Industry (FICCI), analysts and other institutions of world repute.

|       |   |
|-------|---|
| COAI  | The Cellular Operators Association of India (COAI) was constituted in 1995 as a registered, non - profit, non - governmental society dedicated to the advancement of communication in India, in particular of modern communication through Cellular Mobile Telephone Services. The main objective of the COAI is to protect, promote and upgrade cellular operations in India and also to look after the common and collective interests of its members.  |
| CMSP  | Cellular Mobile Service Provider. CMSP is another term for Cellular Operators or Cellular Mobile Telephone Service Licensees.   |
| DoT   | Department of Telecommunications. DoT is a department under the Ministry of Telecommunications, Government of India. The Department of Telecommunications is responsible for the policy formulation, licensing, wireless spectrum management etc. The department allocates frequency and manages radio communications in close coordination with the international bodies and is responsible for enforcing wireless regulatory measures and monitoring the wireless transmission of all users in the country. |
| IUC   | Interconnection Usage Charges. IUC are the charges prescribed by TRAI vide IUC Regulations including amendments issued from time to time, which are payable by one service provider to another for usage of the network elements for origination, transit or termination of the calls.  |
| TDSAT | Telecom Disputes Settlement & Appellate Tribunal. TDSAT has been set up under Section 14 of the Telecom Regulatory Authority of India Act, 1997 by TRAI (Amendment) Act, 2000 to adjudicate disputes and dispose of appeals with a view to protect the interests of service providers and consumers of the telecom sector and to promote and ensure orderly growth of the telecom sector.   |
| TRAI  | Telecom Regulatory Authority of India. TRAI is a statutory body established under the Telecom Regulatory Authority of India Act, 1997 in January 1997, as an autonomous body with quasi-judicial powers to regulate telecommunication services in India.  |
| UASP  | Unified Access Service Provider. UASPs are licensed by DoT for providing access services viz. wireline and wireless including full mobility, limited mobility and fixed wireless using any technology.  |

#### Others (Industry)

|         |  |
|---------|--|
| BSE     | The Stock Exchange, Mumbai   |
| GSM     | Global System for Mobile Communications. This is a second generation digital technology originally developed for Europe. Initially developed in the 900 MHz band and subsequently modified for the 850, 1800 and 1900MHz bands. Originally stood for Groupe Speciale Mobile. It is an open and non-proprietary system with one of its great strength being the international roaming capability. |
| IGAAP   | Generally Accepted Accounting Principles in India.   |
| NSE     | The National Stock Exchange of India Limited.  |
| Sensex  | Sensex is a stock index introduced by The Stock Exchange, Mumbai in 1986. It is a basket of 30 constituent stocks representing a sample of large, liquid and representative companies. The base year of Sensex is 1978-79 and the base value is 100. The index is widely reported in national and international markets through print as well as electronic media.                               |
| SMS     | Short Messaging Service. It is a text message service, which enables the user to send short messages to other users.   |
| US GAAP | United States Generally Accepted Accounting Principles.  |

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