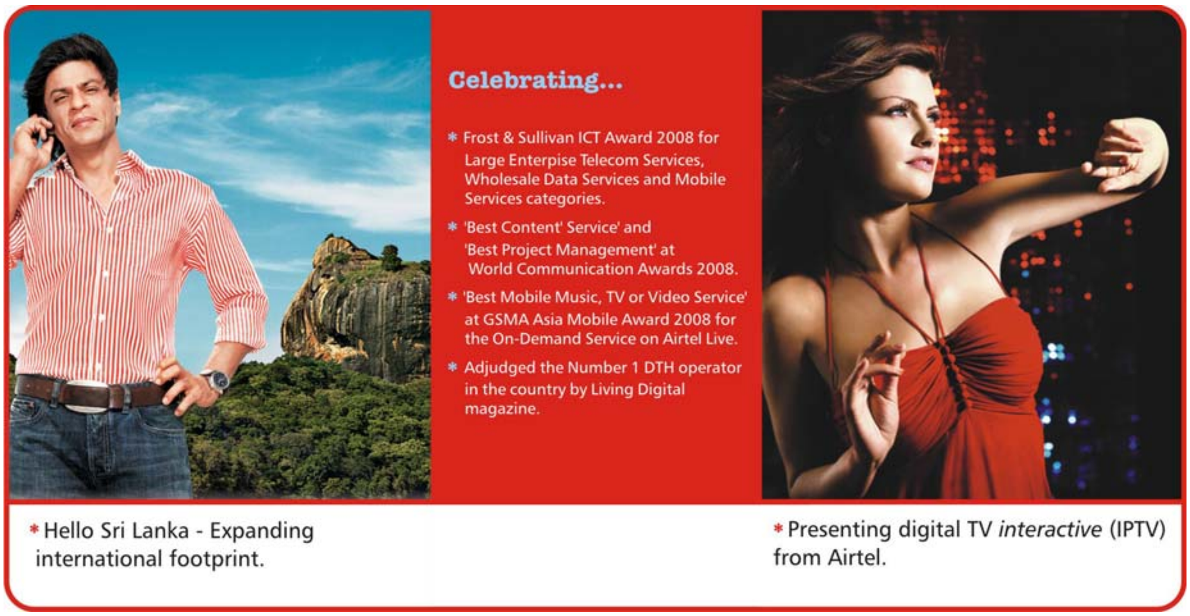
**Quarterly report on the results for the third quarter and nine months ended December 31, 2008**

**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




**January 22, 2009**

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.

Mobile Services I Enterprise Services
Telemedia Services I

## Supplemental Disclosures

**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. 48.58 = US $1.00, the noon buying rate as announced by the Federal Reserve Bank of New York on December 31, 2008. 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, www.airtel.in, www.airteltelephone.com, www.airtel-broadband.com, www.airtellongdistance.com and 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 21.**

**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, 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, Bharti Airtel (Singapore) Private Ltd, Network i2i Limited, Bharti Airtel Holdings (Singapore) Pte Ltd, Bharti Infratel Lanka (Private) Limited (subsidiary of Bharti Airtel Lanka (Private) Limited) and Bharti Infratel Ventures Limited (subsidiary of Bharti Infratel). Bharti Aquanet Limited ("Bharti Aquanet") has been merged with Bharti Airtel Limited, w.e.f January 1, 2009.

**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 | | |
|---|---|---|---|---|---|---|---|---|
| | | 2005 | 2006 | 2007 | 2008 | June 30, 2008 | Sept 30, 2008 | Dec. 31, 2008 [5] |
| **Total Customer Base** | **000's.** | **11,842** | **20,926** | **39,013** | **64,268** | **71,777** | **79,989** | **88,270** |
| Mobile Services | 000's. | 10,984 | 19,579 | 37,141 | 61,985 | 69,384 | 77,479 | 85,651 |
| Telemedia Services | 000's. | 857 | 1,347 | 1,871 | 2,283 | 2,394 | 2,509 | 2,619 |
| **Consolidated financials as per US GAAP** | | | | | | | | |
| Revenue | INR Mn. | 80,028 | 116,215 | 185,196 | 270,250 | 84,833 | 90,203 | 96,334 |
| EBITDA | INR Mn. | 30,128 | 43,374 | 74,508 | 113,715 | 35,221 | 36,993 | 39,450 |
| Cash profit from operations | INR Mn. | 28,132 | 40,862 | 73,070 | 111,374 | 33,389 | 31,252 | 37,546 |
| Income before income taxes | INR Mn. | 16,604 | 25,366 | 48,860 | 76,537 | 23,814 | 19,724 | 24,629 |
| Net income | INR Mn. | 14,978 | 22,567 | 42,571 | 67,008 | 20,250 | 20,463 | 21,593 |
| **Consolidated financials as per US GAAP** | | | | | | | | |
| Revenue | US$ Mn. | 1,835 | 2,613 | 4,297 | 6,753 | 1,976 | 1,942 | 1,983 |
| EBITDA | US$ Mn. | 691 | 975 | 1,729 | 2,841 | 820 | 796 | 812 |
| Cash profit from operations | US$ Mn. | 645 | 919 | 1,695 | 2,783 | 778 | 673 | 773 |
| Income before income taxes | US$ Mn. | 381 | 570 | 1,134 | 1,912 | 555 | 425 | 507 |
| Net income | US$ Mn. | 343 | 507 | 988 | 1,674 | 472 | 441 | 444 |
| **Key Ratios** | | | | | | | | |
| EBITDA Margin | % | 37.6% | 37.3% | 40.2% | 42.1% | 41.5% | 41.0% | 41.0% |
| Net Profit Margin | % | 18.7% | 19.4% | 23.0% | 24.8% | 23.9% | 22.7% | 22.4% |
| Net Debt to Stockholders Equity [5] | Times | 0.66 | 0.45 | 0.31 | 0.19 | 0.17 | 0.20 | 0.23 |
| Return on Stockholders Equity | % | 28.0% | 29.5% | 37.4% | 38.0% | 37.9% | 35.9% | 34.1% |
| Return on Capital employed | % | 18.0% | 21.3% | 28.2% | 31.7% | 33.8% | 33.9% | 32.5% |

1. *Annual financial highlights for the year ended March 31, 2005, 2006, 2007 and 2008 are based on consolidated audited results as per United States Generally Accepted Accounting Principles (US GAAP).*
2. *Financial highlights for the quarter ended June 30,2008, September 30, 2008 and December 31, 2008 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, March 31, 2007 and March 31, 2008 as well as quarter ended June 30, 2008, September 30, 2008 and December 31, 2008 are after fringe benefit tax.*
4. *Exchange rate for Rupee conversion to US$ is (a) Rs. 43.62 for the financial year ended March 31, 2005 (b) Rs. 44.48 for the financial year ended March 31, 2006 (c) Rs. 43.10 for the financial year ended March 31, 2007 (d) Rs. 40.02 for the financial year ended March 31, 2008 (e) Rs. 42.93 for the quarter ended June 30, 2008 (f) Rs 46.45 for the quarter ended September 30, 2008 and (g) Rs.48.58 for the quarter ended December 31, 2008 being the noon buying rate as announced by The Federal Reserve Bank of New York at the end of the respective periods.*
5. *Net Debt to Stockholders Equity for the period amounts to 0.12 times exclusive of fully and compulsory convertible, non-cumulative, unsecured and interest free Debentures.*

# 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 88,270,194 customers as of December 31, 2008; of whom 85,650,733 subscribe to our GSM services and 2,619,461 use our Telemedia Services either for voice and/or broadband access delivered through DSL. We are the largest wireless service provider in the country, based on the number of subscribers as of December 31, 2008. We also offer an integrated suite of telecom solutions to our enterprise customers, in addition to providing long distance connectivity both nationally and internationally. We have recently forayed into media by launching our DTH and IPTV Services. All these services are rendered under a unified brand "Airtel".

The company also deploys, owns and manages passive infrastructure pertaining to telecom operations under its subsidiary Bharti Infratel Limited. Bharti Infratel owns 42% of Indus Towers Limited. Bharti Infratel and Indus Towers are the two top providers of passive infrastructure services in India.

## 2.2 Business Divisions

**Mobile Services** - We offer mobile services 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 85,650,733 mobile customers accounted for a market share of 24.7% of wireless market, as on December 31, 2008.

We offer post-paid, pre-paid, roaming and value added services through our extensive sales and distribution channel covering 1,069,706 outlets.

Our network is present in 5,057 census towns and 401,882 non-census towns and villages in India, thus covering approximately 79% 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.

**Telemedia Services** – We provide broadband (DSL) and telephone services (fixed line) in 95 cities with growing focus on new media and entertainment solutions such as DTH and IPTV. We had 2,619,461 customers as on December 31, 2008 of which 37.9% were subscribing to broadband/ internet services. Our product offerings in this segment include supply and installation of fixed-line telephones providing local, national and international long distance voice connectivity and broadband Internet access through DSL.

We also remain strongly committed to our focus on Small and Medium Business enterprises .We provide a range of customised Telecom/ IT solutions and aim to achieve revenue leadership in this rapidly growing segment of the ICT market.

The strategy of our Telemedia business is to focus on cities with high revenue potential, except for DTH which is an all-India offering. Airtel digital TV is available to customers through 23,200 retail points in 120 cities across the country.

**Enterprise Services** - Enterprise Services provides a broad portfolio of services to large Enterprise and Carrier customers. This division comprises the Carrier and Corporate business units.

Enterprise Services is regarded as the trusted communications partner to India's leading organizations, helping them to meet the challenges of growth.

**Carriers –** Carrier business unit provides long distance wholesale voice and data services to carrier customers as well as to other business units of Airtel. It also offers virtual calling card services in the overseas markets.

The business unit owns a state of the art national and international long distance network infrastructure enabling it to provide connectivity services both within India and connecting India to the world.

The national long distance infrastructure comprises of 90,205 Rkms of optical fibre, over 1,500 MPLS and SDH POPs and over 1,250 POIs with the local exchanges, providing a pan India reach.

The international infrastructure includes ownership of the i2i submarine cable system connecting Chennai to Singapore, consortium ownership of the SMW4 submarine cable system and investment in capacities across a number of diverse submarine cable systems across transatlantic and transpacific routes. In recent past we have announced investments in new cable systems such as Asia America Gateway (AAG), India Middle East and Western Europe (IMEWE), Unity North, EIG (Europe India Gateway) and Eastern Africa Submarine Cable System (EASSy).

**Corporates** – This business unit delivers end to end telecom solutions to India's large corporates. It serves as the single point of contact for all telecommunication needs for corporate customers in India by providing full suite of communication services across data, voice and managed services.

It specializes in providing customized solutions to address unique requirements of different industry verticals; BFSI, IT, ITeS, Manufacturing and distribution, media, education, telecom, Government and PSUs and retail among others.

Backed by the alliances with leading technology companies worldwide and state of the art infrastructure, it offers complete range of telecom solutions. These solutions enable corporates to network their offices within India and across the globe, provide them infrastructure to run business critical applications and provide them means to connect with their customers, vendors and employees.

These services include; Internet, MPLS -VPN, domestic and international private leased circuits, Satellite services (VSAT), Audio & Video conferencing, Data centre services, Managed network services, corporate value added services, EPBX, Centrex, Contact centre solutions, Toll free services, Mobile enterprise enablement solutions.

**Passive Infrastructure Services** – Bharti Infratel provides passive infrastructure services on a non-discriminatory basis to all telecom operators in India. Bharti Infratel deploys, owns and manages passive infrastructure on an all India basis. The company had approx 61,355 towers as on December 31, 2008, out of which 35,066 towers would be transferred to Indus Towers Ltd (a Joint Venture between Bharti Infratel, Vodafone & Idea Cellular). Indus towers has built 10,433 towers during April 2008 to December 2008.

### 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 made in the world outside Singapore.

**Equipment and Technology Partners -** We have established strong alliances with equipment and technology partners who share the same drive for the development of innovative solutions. Ericsson, Nokia and Huawei are equipment partners supporting our aggressive expansion plans by deploying state of the art technology across our networks. IBM has been working closely with us to transform our IT system, key business processes and establishing an enterprise integration platform. Telephone services and long distance networks equipment partners include Siemens, Nortel, CISCO, WIPRO among others. Nortel, IBM Daksh, Mphasis, Firstsource, Teleperformance and HTMT are associated with us for providing excellent customer experience through dedicated call center operations. We have a strategic partnership with Infosys to provide a suite of products, including devices, application servers and interactive applications to enhance digital lifestyle for our customers.

# Section 3

## FINANCIAL HIGHLIGHTS

This section presents the (1) audited financial results for the third quarter and nine months ended December 31, 2007, and (2) audited financial results for the third quarter and nine months ended December 31, 2008 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 28). Also, kindly refer to Section 7 (use of Non - GAAP financial information on page 21) and Glossary (page 40) for detailed definitions.*

### 3.1 Consolidated - Summary of Consolidated Financial Statements

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

*Amount in Rs. Million, except ratios*

| Particulars | Quarter Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| | Dec. 2008 | Dec. 2007 | Y-on-Y Growth | Dec. 2008 | Dec. 2007 | Y-on-Y Growth |
| Total revenues | 96,334 | 69,639 | 38% | 271,370 | 192,059 | 41% |
| EBITDA | 39,450 | 29,634 | 33% | 111,664 | 81,197 | 38% |
| Cash profit from operations before Derivative and Exchange Fluctuation | 39,767 | 28,800 | 38% | 111,750 | 78,954 | 42% |
| Cash profit from operations after Derivative and Exchange Fluctuation | 37,546 | 28,824 | 30% | 102,187 | 81,013 | 26% |
| Income before Income taxes | 24,629 | 19,032 | 29% | 68,167 | 55,404 | 23% |
| Current tax expense | 2,806 | 1,748 | 61% | 7,622 | 6,116 | 25% |
| Income after current tax expense | 21,823 | 17,284 | 26% | 60,545 | 49,288 | 23% |
| Deferred tax expense / (Income) | (248) | (184) | | (3,029) | 177 | |
| Net income | 21,593 | 17,224 | 25% | 62,306 | 48,479 | 29% |
| EBITDA / Total revenues | 41.0% | 42.6% | | 41.1% | 42.3% | |

#### 3.1.2 Consolidated Summarized Balance Sheet

*Amount in Rs. Million*

| **Particulars** | **As at December 31, 2008** |
|---|---|
| **ASSETS** | |
| Total current assets | 142,336 |
| Total non current assets | 443,828 |
| **Total assets** | **586,164** |
| | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | |
| Total current liabilities | 221,591 |
| Total non current liabilities | 72,971 |
| **Total liabilities** | **294,562** |
| | |
| **Minority Interest** | **10,369** |
| **Total stockholders' equity** | **281,233** |
| | |
| **Total liabilities and stockholders' equity** | **586,164** |

### 3.2 Segment - wise Summarized Statement of Operations

**3.2.1 Mobile Services -** comprises of consolidated statement of operations of Mobile Services.

*Amount in Rs. Million, except ratios*

| Particulars | Quarter Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| | Dec. 2008 | Dec. 2007 | Y-on-Y Growth | Dec. 2008 | Dec. 2007 | Y-on-Y Growth |
| Total revenues | 79,392 | 56,105 | 42% | 221,385 | 153,660 | 44% |
| EBITDA | 24,963 | 22,887 | 9% | 68,190 | 62,701 | 9% |
| EBIT | 18,403 | 15,345 | 20% | 49,851 | 42,724 | 17% |
| EBITDA / Total revenues | 31.4% | 40.8% | | 30.8% | 40.8% | |

**3.2.2 Telemedia Services –** comprises of consolidated statement of operations of Telemedia Services.

*Amount in Rs. Million, except ratios*

| Particulars | Quarter Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| | Dec. 2008 | Dec. 2007 | Y-on-Y Growth | Dec. 2008 | Dec. 2007 | Y-on-Y Growth |
| Total revenues | 8,458 | 7,307 | 16% | 24,932 | 20,843 | 20% |
| EBITDA | 3,531 | 3,173 | 11% | 10,594 | 8,063 | 31% |
| EBIT | 1,969 | 1,592 | 24% | 6,220 | 4,215 | 48% |
| EBITDA / Total revenues | 41.7% | 43.4% | | 42.5% | 38.7% | |

**3.2.3 Enterprise Services –** comprises of the Enterprise Services – Carriers (Long distance services) and Enterprise Services – Corporates

*Amount in Rs. Million, except ratios*

| Particulars | Quarter Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| | Dec. 2008 | Dec. 2007 | Y-on-Y Growth | Dec. 2008 | Dec. 2007 | Y-on-Y Growth |
| Total revenues | 21,808 | 14,636 | 49% | 63,254 | 40,047 | 58% |
| EBITDA | 9,799 | 5,029 | 95% | 27,823 | 14,254 | 95% |
| EBIT | 8,259 | 4,052 | 104% | 23,613 | 11,667 | 102% |
| EBITDA / Total revenues | 44.9% | 34.4% | | 44.0% | 35.6% | |

**3.2.3.1 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 | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| | Dec. 2008 | Dec. 2007 | Y-on-Y Growth | Dec. 2008 | Dec. 2007 | Y-on-Y Growth |
| Total revenues | 17,733 | 11,346 | 56% | 50,429 | 30,604 | 65% |
| EBITDA | 8,050 | 3,652 | 120% | 22,285 | 10,283 | 117% |
| EBIT | 6,936 | 2,837 | 144% | 19,275 | 8,332 | 131% |
| EBITDA / Total revenues | 45.4% | 32.2% | | 44.2% | 33.6% | |

### 3.2.3.2 **Enterprise Services – Corporates-** comprises of end to end telecom solutions being provided to corporates

*Amount in Rs. Million, except ratios*

| Particulars | Quarter Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| | Dec. 2008 | Dec. 2007 | Y-on-Y Growth | Dec. 2008 | Dec. 2007 | Y-on-Y Growth |
| Total revenues | 4,075 | 3,290 | 24% | 12,825 | 9,443 | 36% |
| EBITDA | 1,749 | 1,377 | 27% | 5,538 | 3,971 | 39% |
| EBIT | 1,323 | 1,215 | 9% | 4,338 | 3,335 | 30% |
| EBITDA / Total revenues | 42.9% | 41.9% | | 43.2% | 42.1% | |

### 3.2.4 **Others –** comprises of Digital TV operations, Bharti corporate offices and new projects

*Amount in Rs. Million, except ratios*

| Particulars | Quarter Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| | Dec. 2008 | Dec. 2007 | Y-on-Y Growth | Dec. 2008 | Dec. 2007 | Y-on-Y Growth |
| Total revenues | 929 | 655 | 42% | 2,666 | 1,627 | 64% |
| EBITDA | (2,263) | (982) | -130% | (4,791) | (2,517) | -90% |
| Depreciation and Others | 173 | 119 | 45% | 143 | 292 | -51% |
| EBIT | (2,436) | (1,101) | -121% | (4,934) | (2,809) | -76% |

### 3.2.5 **Passive Infrastructure Services –** represents Bharti Infratel Ltd, and comprises of passive infrastructure being provided to telecom operators

*Amount in Rs. Million, except ratios*

| Particulars | Quarter Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| | Dec. 2008 | Dec. 2007 | Y-on-Y Growth | Dec. 2008 | Dec. 2007 | Y-on-Y Growth |
| Total revenues | 12,702 | - | - | 35,248 | - | - |
| EBITDA | 4,258 | - | - | 12,119 | - | - |
| Share of loss/(profits) in associates/ joint ventures | 454 | - | - | 659 | - | - |
| EBIT | 436 | - | - | 3,195 | - | - |
| EBITDA / Total revenues | 33.5% | - | - | 34.4% | - | - |

## 3.3 Segment-wise Investments and Contribution

### 3.3.1 Investments in projects

*Amount in Rs. Million, except ratios*

| Segment | As at December 31, 2008 | |
|---|---|---|
| | Rs. Million | % of Total |
| Mobile Services | 287,332 | 50% |
| Telemedia Services | 64,243 | 11% |
| Enterprise Services - Carriers | 71,894 | 13% |
| Enterprise Services - Corporates | 7,613 | 1% |
| Passive Infrastructure Services | 137,180 | 24% |
| Others | 5,950 | 1% |
| **Total** | **574,212** | **100%** |
| Less:- Accumulated Depreciation and Amortization | 140,531 | |
| **Net Fixed Assets and Other Project Investment** | **433,681** | |

### 3.3.2 Segment-wise contribution to Revenue, EBITDA and Capital expenditure incurred during the period [1]

| Segment | Quarter Ended December 2008 | | | | | |
|---|---|---|---|---|---|---|
| | Revenue | | EBITDA | | Capex | |
| | Rs. Million | % of total | Rs. Million | % of total | Rs. Million | % of total |
| Mobile Services | 79,392 | 82% | 24,963 | 63% | 20,936 | 54% |
| Telemedia Services | 8,458 | 9% | 3,531 | 9% | 4,341 | 11% |
| Enterprise Services - Carriers | 17,733 | 18% | 8,050 | 20% | 3,559 | 9% |
| Enterprise Services - Corporates | 4,075 | 4% | 1,749 | 4% | 339 | 1% |
| Passive Infrastructure Services | 12,702 | 13% | 4,258 | 11% | 8,076 | 21% |
| Others | 929 | 1% | (2,263) | -6% | 1,524 | 4% |
| **Sub Total** | **123,289** | **128%** | **40,288** | **102%** | **38,775** | **100%** |
| Eliminations | (26,955) | -28% | (838) | -2% | - | - |
| **Total** | **96,334** | **100%** | **39,450** | **100%** | **38,775** | **100%** |

| Segment | Nine Months Ended December 2008 | | | | | |
|---|---|---|---|---|---|---|
| | Revenue | | EBITDA | | Capex | |
| | Rs. Million | % of total | Rs. Million | % of total | Rs. Million | % of total |
| Mobile Services | 221,385 | 82% | 68,190 | 61% | 53,670 | 48% |
| Telemedia Services | 24,932 | 9% | 10,594 | 9% | 9,457 | 8% |
| Enterprise Services - Carriers | 50,429 | 19% | 22,285 | 20% | 12,790 | 11% |
| Enterprise Services - Corporates | 12,825 | 5% | 5,538 | 5% | 871 | 1% |
| Passive Infrastructure Services | 35,248 | 13% | 12,119 | 11% | 30,965 | 28% |
| Others | 2,666 | 1% | (4,791) | -4% | 3,560 | 3% |
| **Sub Total** | **347,485** | **128%** | **113,935** | **102%** | **111,313** | **100%** |
| Eliminations | (76,115) | -28% | (2,271) | -2% | - | - |
| **Total** | **271,370** | **100%** | **111,664** | **100%** | **111,313** | **100%** |

*Note1: Revenue and EBITDA eliminations are on account of inter-segment transactions. Capex is net of eliminations*

# 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 | Dec. 31, 2008 | Sept. 30, 2008 | Q-on-Q Growth | Dec. 31, 2007 | Y-on-Y Growth |
|---|---|---|---|---|---|---|
| **Customers on our Network** | | | | | | |
| Mobile Services | 000's. | 85,651 | 77,479 | 11% | 55,163 | 55% |
| Telemedia Services | 000's. | 2,619 | 2,509 | 4% | 2,178 | 20% |
| **Total** | **000's.** | **88,270** | **79,989** | **10%** | **57,341** | **54%** |
| Non Voice Revenue as a % of Total Revenues | % | 14.5% | 15.1% | | 14.1% | |
| Total Employees | No. | 25,553 | 25,616 | - | 24,703 | 3% |

### 4.2 Mobile Services

| Parameters | Unit | Dec. 31, 2008 | Sept. 30, 2008 | Q-on-Q Growth | Dec. 31, 2007 | Y-on-Y Growth |
|---|---|---|---|---|---|---|
| **Subscriber Base**[2] | | | | | | |
| All India Mobile Subscribers | 000's. | 346,894 | 315,312 | 10% | 233,625 | 48% |
| Mobile Customers on Bharti's Network | 000's. | 85,651 | 77,479 | 11% | 55,163 | 55% |
| **Net Additions** | | | | | | |
| All India Mobile Subscribers | 000's. | 31,582 | 28,444 | 11% | 24,541 | 29% |
| Mobile Customers on Bharti's Network | 000's. | 8,172 | 8,095 | 1% | 6,287 | 30% |
| **Market Share** | | | | | | |
| Bharti's Mobile Market Share | % | 24.7% | 24.6% | | 23.6% | |
| Bharti's Market Share of Net Additions | % | 25.9% | 28.5% | | 25.6% | |
| **Pre-Paid Subscribers** | | | | | | |
| Total Customer Base | % | 93.5% | 92.9% | | 91.0% | |
| Total Net Additions | % | 99.6% | 98.4% | | 95.4% | |
| **Other Operating Information** | | | | | | |
| Average Revenue Per User (ARPU) | Rs. | 324 | 331 | -2% | 358 | -9% |
| Average Revenue Per User (ARPU) | US$ | 6.7 | 6.8 | -2% | 7.4 | -9% |
| Average Minutes of Use Per User | Minutes | 505 | 526 | -4% | 474 | 7% |
| **Monthly Churn** | | | | | | |
| Post-paid Voluntary Churn | % | 1.1% | 1.1% | | 0.9% | |
| Post-paid Company Initiated Churn | % | 1.2% | 1.4% | | 1.8% | |
| Pre-paid | % | 2.9% | 3.2% | | 3.9% | |
| **Non Voice Revenue** | | | | | | |
| SMS Revenue as a % of Mobile Revenues | % | 4.1% | 4.3% | | 4.4% | |
| Non Voice Revenue as a % of Mobile Revenues | % | 9.5% | 10.0% | | 9.3% | |

*Note 2: All India mobile subscribers based on report published by TRAI.*

### 4.3 Telemedia Services

| Parameters | Unit | Dec. 31, 2008 | Sept. 30, 2008 | Q-on-Q Growth | Dec. 31, 2007 | Y-on-Y Growth |
|---|---|---|---|---|---|---|
| Telemedia Customers | No. | 2,619 | 2,509 | 4% | 2,178 | 20% |
| Net additions | No. | 110 | 116 | -5% | 103 | 7% |
| Average Revenue Per User (ARPU) | Rs | 1,098 | 1,147 | -4% | 1,140 | -4% |
| Average Revenue Per User (ARPU) | US$ | 22.6 | 23.6 | -4% | 23.5 | -4% |

### 4.4 Traffic Details

| Parameters | Unit | Dec. 31, 2008 | Sept. 30, 2008 | Q-on-Q Growth | Dec. 31, 2007 | Y-on-Y Growth |
|---|---|---|---|---|---|---|
| Mobile Services | Mn Min | 123,626 | 115,834 | 7% | 73,840 | 67% |
| Telemedia Services | Mn Min | 4,750 | 5,002 | -5% | 4,604 | 3% |
| National Long Distance Services | Mn Min | 11,609 | 11,349 | 2% | 7,898 | 47% |
| International Long Distance Services | Mn Min | 2,603 | 2,284 | 14% | 1,591 | 64% |
| **Total Minutes on Network [3]** | **Mn Min** | **142,588** | **134,470** | **6%** | **87,933** | **62%** |

*Note 3: The minutes are gross of Intersegment Elimination*

### 4.5 Network and Coverage

| Parameters | Unit | Dec. 31, 2008 | Sept. 30, 2008 | Q-on-Q Growth | Dec. 31, 2007 | Y-on-Y Growth |
|---|---|---|---|---|---|---|
| **Mobile Services** | | | | | | |
| Census Towns | No. | 5,057 | 5,050 | 7 | 4,902 | 155 |
| Non-Census Towns and Villages | No. | 401,882 | 384,521 | 17,361 | 320,623 | 81,259 |
| Population Coverage | % | 79% | 77% | | 68% | |
| Network Sites | No. | 88,319 | 82,554 | 5,765 | 60,299 | 28,020 |
| **Telemedia Services** | | | | | | |
| Cities covered | No. | 95 | 95 | - | 94 | 1 |
| **Carriers (National Long Distance)** | | | | | | |
| Optic Fibre Network | Rkms | 90,205 | 83,389 | 6,816 | 67,138 | 23,067 |

### 4.6 Passive Infrastructure Services

| Parameters | Unit | Dec. 31, 2008 | Sept. 30, 2008 | Q-on-Q Growth | Dec. 31, 2007 | Y-on-Y Growth |
|---|---|---|---|---|---|---|
| Total Towers | No. | 61,355 | 59,966 | 2% | - | - |
| **Key Indicators** | | | | | | |
| Sharing Revenue per Sharing Operator per month | Rs. | 31,488 | 32,177 | -2% | - | - |
| Sharing Factor | Times | 1.34 | 1.26 | - | - | - |

### 4.7 Human Resource Analysis

| Parameters | Unit | Dec. 31, 2008 | Sept. 30, 2008 | Q-on-Q Growth | Dec. 31, 2007 | Y-on-Y Growth |
|---|---|---|---|---|---|---|
| **Consolidated** | | | | | | |
| Total Employees | No. | 25,553 | 25,616 | - | 24,703 | 3% |
| Number of Customers per employee | No. | 3,454 | 3,123 | 11% | 2,321 | 49% |
| **Mobile Services** | | | | | | |
| Number of Customers per employee | No. | 10,555 | 9,527 | 11% | 6,590 | 60% |
| Gross Revenue per employee per month | Rs. | 3,261,121 | 2,985,491 | 9% | 2,317,748 | 41% |
| **Telemedia Services** | | | | | | |
| Number of Customers per employee | No. | 242 | 224 | 8% | 184 | 31% |
| Gross Revenue per employee per month | Rs. | 260,398 | 252,241 | 3% | 206,014 | 26% |
| **Enterprise Services - Carriers** | | | | | | |
| Gross Revenue per employee per month | Rs. | 3,324,522 | 3,171,423 | 5% | 2,292,121 | 45% |
| **Enterprise Services - Corporates** | | | | | | |
| Gross Revenue per employee per month | Rs. | 706,362 | 855,187 | -17% | 584,575 | 21% |

# SECTION 5

# MANAGEMENT DISCUSSION AND ANALYSIS

## 5.1 Key Industry and Company Developments

### 5.1.1 Industry

**Auction of 3G & BWA spectrum:**

On December 12, 2008, DoT issued the Information Memorandum on "Auction of 3G and BWA spectrum".

The highlights of the document are as under:-

1. Eligibility Criterion

- 3G Auction

  Any entity:

  (i) who holds a Unified Access Service (UAS) / Cellular Mobile Telephone Service (CMTS) Licence; or
  (ii)
    a. Who has previous experience of running 3G telecom services either directly or through a majority-owned subsidiary; and
    b. Gives an undertaking to obtain UAS Licence through a new entrant nominee UAS Licence

  can bid for 3G spectrum.

- BWA Auction

  Any entity:

  (i) Who holds a UAS / CMTS Licence; or
  (ii) Who holds an ISP Licence (Category "A" or "B"); or
  (iii) gives an undertaking to obtain a UAS licence through a new entrant nominee UAS Licence

  can bid for BWA spectrum.

  Foreign applicants will need to form an Indian subsidiary to obtain UAS Licence. However, they are allowed to participate in the auctions directly; and apply for a licence subsequently through an Indian subsidy.

- Associated Licences

  In the case of single group providing telecom services under different companies' name, only a single group company can participate in the bidding on its behalf as well as its group company behalf.

  Associated Licensees are defined as existing UAS / CMTS licensees that are controlled, directly or indirectly, by a single entity, which also has at least 26% shareholding in the Company.

  In case, a group bidding entity is declared the successful bidder in any service area and there is no associated licensee corresponding to the group bidding entity in that service area, then the Government shall assign the spectrum to the group bidding entity or one of its Associated Licensees or a wholly owned subsidiary of the Group Bidding Entity that acquires a UAS Licence in that service area.

2. Availability of 3G & BWA spectrum for auction

- 3G spectrum

  i. 4 blocks (2x5MHz) will be available for auction in (a) Mumbai (b) Kolkata (c) Maharashtra (d) Andhra Pradesh (e) Karnataka (f) Tamil Nadu (g) Kerala (h) Punjab (i) Haryana (j) Madhya Pradesh (k) Bihar (l) Orissa (m) Assam (n) Jammu & Kashmir (o) Uttar Pradesh (East)
  ii. 3 blocks (2x5MHz) will be available for auction in (q) Himachal Pradesh and (b) Uttar Pradesh (West)
  iii. 2 blocks (2x5MHz) will be available for auction in (a) Delhi and (b) Gujarat
  iv. 1 block (2x5MHz) will be available for auction in (a) West Bengal
  v. No blocks are available for auction in (a) Rajasthan and (b) North-East

- BWA spectrum

  i. 3 blocks (20MHz) are available for auction in all service areas

  DoT has already assigned one block of 3G and BWA spectrum to MTNL for Delhi and Mumbai Service Areas and to BSNL for rest of the service areas.

3. Not more than 1 block of 3G spectrum and 1 block of BWA spectrum (either in 2.3GHz or 2.5GHz) will be allocated to any single bidder in a service area.

4. The right of usage of 3G spectrum will be for 20 years and for BWA spectrum, it would be for 15 years.

5. Reserve Price
   - For 3G Spectrum - The reserve price would be Rs.1600 million for Mumbai, Delhi and Category "A" Service Areas, Rs.800 million for Kolkata and Category "B" Service Areas and Rs.300 million for Category "C" Service Areas.
   - For BWA Spectrum - The reserve price for 20MHz would be Rs.800 million for Metro and Category "A" Service Areas, Rs.400 million for Category "B" Service Areas and Rs.150 million for Category "C" Service Areas.

6. E-Auction of 3G spectrum is a two-staged process. 3G Spectrum licences will be allocated by a simultaneous ascending e-auction. The final winners will be chosen by a two-stage process:
   - The Clock Stage: This stage will establish the winning bidders and a common winning prize for all lots of spectrum bands in a service area.
   - The Assignment Stage: The Clock Stage will be followed by an Assignment Stage that will allocate specific frequencies available to the winning bidders identified in the Clock Stage. This will consist of a single round of bidding and will allow winning bidders to express preferences for the specific frequencies at which their lot might be located.

7. Roll-out obligations to be met in five years from the time of the grant of spectrum. Roll-out obligations for 3G & BWA spectrum in (1) Metro circles, and (2) Category A, B and C circles.
   - In Metro circles, coverage should be at least 90% of the service area.
   - In the rest of the circles, the coverage should be at least 50% coverage of the District Head Quarters

(DHQs), out of which at least 15% of the DHQs should be rural Short Distance Charging Areas ("SDCA").

While, DoT issued the indicative timelines for auction process of 3G and BWA spectrum, however, the auction process could not be started as per defined timelines. As per DoT's website, DoT will issue revised timelines for auction of 3G and BWA spectrum shortly.

**Recommendations to DoT on The Reference made On The Spectrum Charging For 3G Services Moves from spectrum charges linked with revenue to Flat Rate linked to market based price**

On December 10, 2008, TRAI gave its concurrence on the following DoT's proposal for spectrum charges:-

i. The revised spectrum charges for 2G spectrum would be as under:-

| Spectrum in MHz in 2G | Proposed Charges as % of AGR |
|---|---|
| upto 4.4/2.5 | 3 |
| upto 6.2/5 | 4 |
| upto 8 | 5 |
| upto 10 | 6 |
| upto 12.5 | 7 |
| upto 15 | 8 |

ii. The new revised slab rates applicable to an operator with 2G spectrum should be applicable to the 2G + 3G spectrum holder on their total AGR.
iii. For stand-alone 3G operator, the annual spectrum charges will be 3%, with moratorium of 1 year from assignment of spectrum.

Apart from endorsing the above proposals of DoT, TRAI has also recommended for an annual administrative charge of 2% of the highest bid amount (over and above the auction price) during validity of 3G spectrum.

However, DoT has not yet accepted the proposal of 2% administrative charge.

**TRAI's Consultation Paper on "Review of Interconnection Usage Charges (IUC)"**

On December 31, 2008, TRAI issued a consultation paper on the above subject. The main issues raised by TRAI are as under:-

i. Termination Charge:-
  - Methodology to be adopted for ascertaining the termination charge
  - How the termination charge for Mobile and Fixed to be fixed up – Uniform or separate
  - Issues related to termination charge for incoming International Calls
  - Issues related to termination charge for 3G services

ii. Carriage Charge:
  - Whether the present ceiling of carriage charge @Rs.0.65 paisa should be maintained or reviewed at lower / higher level
  - Whether any separate ceiling of carriage charge is required for remote / rural areas

iii. Transit / Carriage Charge between LDCA and SDCA
  - What should be the transit / carriage charge from LDCA to SDCA. Whether it should be specified separately or under forbearance or reviewed at lower / higher level

iv. TAX Transit Charge
  - Whether the present TAX transit charge should be maintained at the same level or under forbearance or reviewed at lower / higher level

The last date of stakeholder's comments is January 30, 2009.

**TRAI's Consultation paper of "Measures to improve Telecom Penetration in Rural India – The next 100 million subscribers"**

On December 16, 2008, TRAI issued a paper on the above subject for stakeholders' comments. Some of the initiatives proposed by TRAI in this paper are:

i. Modification of present methodology of disbursement from bidding mechanism to allowing subsidy to any service provider who installs the tower in the identified geographical areas and shares it with others,
ii. Inclusion of subsidy for the backhaul from the towers to the block headquarters to the entity installing the tower,
iii. Separate facility based operator- funded by the USOF for providing the fiber connectivity,
iv. Free availability of the fibre for next five years to any operator who provides services in the villages.
v. Defray the charges for spectrum used for providing microwave backhaul for rural BTS,
vi. The post offices in the country can be utilized for :
  - Working as sales outlet of telecom service providers
  - Bill Collection centres based on mutually agreed commission
  - Telecom service providers can offer some commission for bringing in new subscribers
  - The Postman can be effectively used to educate the potential Customers and First-Time users about the uses and benefits of the Services being offered.
  - For address verification and credit verification

The last date of submission of stakeholders' comments was January 12, 2009.

**Consultation Paper on Lock-in period for Promoter's Equity and Other Related Issues for UASL**

On January 9, 2009, TRAI issued a consultation paper on Lock-in period for promoter's equity and other related issues for UASL. In the said consultation paper, the following issues have been raised:-

i. Whether there should be a condition in the Unified Access Service license agreement providing for a lock-in period on sale of equity of promoters, who have 10% or more stakes in the Licensee Company and whose networth have been taken into consideration for determining the eligibility for grant of license?
ii. What should be the minimum lock-in period for sale of equity of such promoters?
iii. Can there be a mechanism to address the earlier licenses which did not have a lock-in condition?
iv. What measures may be taken to prevent entry of fly-by-night operators in the telecom sector?
v. Whether the sale of such equity should be linked to fulfilling roll out obligations?
vi. Whether the lock-in provision should not be applicable to the shares, which are transferred pursuant to enforcement of pledge by the lending financial institutions/banks due to events of defaults committed by the borrowers with the condition that such shares should have been pledged for investment only in the particular licensed project? Whether the conditions relating to

transfer of license need any modification and if so, what should be those modifications?

vii. Whether issue of additional/fresh equity share capital by the licensee companies/their holding companies by way of private placement/public issues should be permitted without observing any lock-in period but subject to all necessary statutory provisions?

viii. Whether there should be any restriction on change in management control in addition to conditions restricting dilution of equity?

The last date of stakeholders' comments was January 20, 2009.

### 5.1.2 Company

**Key developments**

- **On January 12th, 2009,** Bharti Airtel Lanka (Pvt.) Ltd, a subsidiary of Bharti Airtel **launched its mobile services in Sri Lanka under the Airtel brand**. The services have been launched on a state-of-the-art 3.5G network. Airtel has launched a suite of innovative services and redefined affordability by offering attractive call rates. Bharti Airtel plans to invest around USD 200 million in its Sri Lanka operations.

- Bharti Airtel launched Triple Play with **Airtel digital TV *interactive*** – Telephone, Broadband and TV on a single line on January 19, 2009. The Triple Play Service is initially available to customers in Delhi, Gurgaon and Noida. Airtel's state-of-the-art IPTV Headend, with best-in-class MPEG4-10 compression technology, will allow it to offer more content and better quality images as well as services like live broadcast television, network based time-shifted TV, real video-on-demand and a host of other interactive services.

- Bharti Airtel won the **'Best Mobile Music, TV or Video Service'** at the GSMA Asia Mobile Award 2008 at Macau. Airtel's Music-On-Demand service was awarded for creating a uniquely intuitive, personalized user experience of music on mobile.

- Bharti Airtel bagged the **'Best Content Service'** and **'Best Project Management'** at the World Communication Awards 2008. The Airtel-IFFCO Farmer Information Dissemination Platform project was awarded the **'Best content service'** for its innovation and being able to provide rural consumers granular information regarding their livelihood requirements.

- Bharti Airtel was honoured at the 7th Frost & Sullivan ICT Awards 2008 with **Market Leadership awards** in the **'Large Enterprise Telecom Services', 'Wholesale Data Services'** and **'Mobile Services'** categories. Frost & Sullivan India ICT Awards are amongst the most recognized and respected awards in the Indian ICT industry presented to companies that demonstrate best practices in their industry, commending the diligence, commitment and innovative business strategies required to advance in the global marketplace.

- Bharti Airtel entered into an exclusive tie-up with **mChek** to offer the **toll tag recharge** through Airtel mobile for the Delhi Gurgaon Expressway.

- Bharti Airtel forged a strategic partnership with **asklaila**, India's first local information service, enabling Airtel customers to get up-to-date information about their city, free of cost, through asklaila's extensive city information database. The asklaila-powered **'Airtel city search'** is accessible across six cities, including Delhi, Mumbai, Chennai, Hyderabad, Kolkata and Bangalore.

- Bharti Airtel launched **VeriSign® Identity Protection** (VIP) Services for its Enterprise customers in India, in partnership with VeriSign - a leading provider of Internet infrastructure services. VIP Services is a comprehensive suite of authentication and fraud detection solutions that enables organizations to strengthen and protect their customers' online identities.

- Bharti Airtel entered into a strategic agreement with **Virtela,** a leading global managed service provider, to significantly enhance its international managed MPLS (Multi Protocol Label Switching) connectivity internationally to more than 5,000 PoPs (Point of Presence) across 190 countries. Under the agreement, Bharti Airtel and Virtela have integrated their networks through connection points in Southeast Asia and Europe in order to expand Bharti's MPLS based IP-VPN (Internet Protocol Virtual Private Network) capabilities around the world.

- Airtel digital TV was rated as the **number 1 DTH operator** in the country by Living Digital magazine. Living Digital is a Cyber Media publication, the largest specialty media house in South Asia and amongst India's top five magazine publishers.

- Bharti Airtel was adjudged the winner of the **Nasscom-CNBC TV 18 IT User Award 2008** for **the Telecom vertical.** The IT User Awards were instituted by NASSCOM in 2003, to recognise enterprises across verticals which have implemented projects demonstrating benefits of IT to the enterprise, thereby leading the wave of IT adoption in India.

- Bharti Airtel won the **Technology Managers Forum 2008 Best Practice Awards programme** in the Business Process Improvement category along with its partner IBM for its **e-tize** project. The e-tize project was recognized as denoting a standard of excellence that has been achieved within an organisation and providing a model for the industry that can be quantified, adapted and repeated.

- Bharti Airtel expanded its **Premium International Toll Free services** from **80 countries** for its enterprise customers in India. These services enable enterprises to offer a convenient and cost effective way to their overseas customers, business partners and employees travelling abroad, to communicate with them, through an international toll free number.

## 5.2 Results of Operations

*The company has reported its audited financial results for the quarter ended December 31, 2008. The financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles (US GAAP).*

**Key Highlights - *For the quarter ended December 31, 2008***

- **Overall Customer base at 88.3 million.**
- **Highest ever-net addition of 8.3 million customers in a single quarter.**
- **Market leader with a market share of all India wireless subscribers at 24.7%**
- **Total Revenues of Rs. 96.3 billion (up 38% Y-o-Y).**
- **EBITDA of Rs. 39.5 billion (up 33% Y-o-Y).**
- **Cash profit from operations of Rs. 37.5 billion (up 30% Y-o-Y).**
- **Net Profit of Rs. 21.6 billion (up 25% Y-o-Y).**

### Bharti Airtel Consolidated

**Customer Base**
As on December 31, 2008, the company had an aggregate of 88,270,194 customers, consisting of 85,650,733 GSM mobile and 2,619,461 Telemedia customers. Its total customer base as on December 31, 2008 increased by 54% compared to the customer base as on December 31, 2007.

**Revenues/Turnover**
During the quarter ended December 31, 2008, the company had revenues of Rs 96,334 million; a growth of 38% compared to the quarter ended December 31, 2007. Revenues from mobile services represented 82% of the total revenues for the quarter ended December 31, 2008. Non-voice revenue contributed to approximately 14.5% of the total revenues for the quarter.

**Operating Expenses (ex-revenue share license and spectrum fee)** During the quarter ended December 31, 2008; the company incurred an operating expenditure of Rs. 33,426 million representing 34.7% of the total revenues. The operating expense comprises:

- Rs. 15,734 million towards network operations costs (~16.3% of turnover)
- Rs. 4,311 million towards employee costs, (~4.5% of turnover)
- Rs. 225 million towards equipments costs, and
- Rs. 13,156 million towards selling general and administrative costs (~13.7% of turnover)

The operating expenses grew by 48% compared to the quarter ended December 31, 2007. 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 December 31, 2008, the company had an EBITDA of Rs. 39,450 million; a growth of 33% compared to the quarter ended December 31, 2007. The EBITDA margin for the quarter was 41%.

The net finance expense for the quarter ended December 31, 2008 was Rs. 1,904 million. The interest on borrowings during the quarter was Rs. 973 million and the finance income (primarily related to income on marketable securities) was Rs. 1,446 million. The balance amount was other finance costs, effect of exchange fluctuation and the effect of derivative accounting.

The cash profit from operations after derivative and exchange fluctuations for the quarter was Rs. 37,546 million, an increase of 30%, as compared to the quarter ended December 31, 2007.

During the quarter ended December 31, 2008, the company had depreciation and amortization expenses of Rs. 12,702 million.

**Income Before Income Taxes (PBT)**
The income before income tax for the quarter was Rs. 24,629 million, an increase of 29%, as compared to the quarter ended December 31, 2007. The current tax for the quarter ended December 31, 2008 was Rs. 2,806 million and deferred tax expense / (income) of Rs. (248) million.

**Net income**
The net income for the quarter ended December 31, 2008 was Rs 21,593 million.

**Balance Sheet**
As on December 31, 2008, the company had total assets of Rs. 586,164 million and total liabilities of Rs. 294,562 million respectively. The difference of Rs. 291,602 million was on account of stockholder's equity and minority interest.

The company had a net debt of Rs. 64,923 million (US$ 1336 million) as on December 31, 2008, resulting in a net debt to EBITDA (LTM) of 0.45 times. However, Net Debt to EBITDA (LTM) for the period amounts to 0.23 times exclusive of fully and compulsory convertible, non-cumulative, unsecured and interest free Debentures.

**Capital Expenditure**
During the quarter ended December 31, 2008, the company incurred capital expenditure of Rs. 38,775 million (US$ 798 million).

**Human Resources**
As on December 31, 2008, the company had a total of 25,553 employees consisting of 8,115 in Mobile services, 10,827 in Telemedia services, 3,701 in Enterprise services, 2,330 in Others and 580 in Passive Infrastructure services.

### Mobile Services

**Customer Base, Churn, ARPU and MoU**
As at the end of the quarter the company had 85,650,733 GSM mobile customers on its network, which accounted for a market share of 24.7% of the all India mobile market.

Of its 85,650,733 GSM mobile customers as of December 31, 2008, post-paid customers contributed 6.5% to the overall customer base while pre-paid customers contributed the balance 93.5%. During the quarter, Bharti's share of 8,171,518 net additions was 25.9% of all India wireless subscriber net additions.

The average monthly churn for the quarter ended December 31, 2008 was 2.3% (1.1% voluntary churn and 1.2% company initiated churn) for its post-paid segment, and 2.9% for the pre-paid segment.

During the quarter, blended ARPU was Rs. 324 (US$ 6.7) per month as compared to Rs 331 (US$ 6.8) per month in the quarter ended September 30, 2008. The blended monthly usage per customer, during the quarter, was at 505 minutes. Non voice revenue, which includes Short Messaging Service (SMS), voice mail service, call management and other value added services like Hello Tunes, Music on Demand and Airtel Live contributed to approximately 9.5% of the total revenues of the segment. The Short Messaging Services (SMS) revenue, which is primarily text messaging, accounted for 4.1% of the total revenue of the segment, for the quarter ended December 31, 2008.

**Revenues, EBITDA and EBIT**
The revenues for the quarter ended December 31, 2008 for mobile services stood at Rs 79,392 million, an increase of 42% over the corresponding quarter last year. The revenue from this segment contributed to 82% of the total consolidated revenues. The EBITDA during the quarter ended December 31, 2008 was Rs. 24,963 million representing growth of 9% over the quarter ended December 31, 2007. The EBITDA margin for the quarter ended December 31, 2008 was 31.4%. The EBIT for the quarter ended December 31, 2008 was Rs 18,403 million as compared to Rs 15,345 million for the quarter ended December 31, 2007, an improvement of 20%.

**Capital Expenditure**
During the quarter ended December 31, 2008, the company incurred a capital expenditure of Rs 20,936 million (US$ 431 million) on its mobile services.

**<u>Telemedia Services</u>**

**Customer Base and ARPU**
At the end of the quarter ended December 31, 2008, the company had its Telemedia operations in 95 cities. During the quarter, the company added 110,001 customers on its Telemedia networks with 2,619,461 customers as on December 31, 2008. The company had approximately 9.92 lakh customers (~37.9% of the total customer base) subscribing to broadband (DSL) services.

The ARPU for the quarter was Rs. 1,098 (US$ 22.6) per month.

**Revenues, EBITDA and EBIT**
For the quarter ended December 31, 2008, the revenues from its Telemedia operations of Rs 8,458 million, represented a growth of 16% over the corresponding quarter last year. The EBITDA for the quarter was Rs. 3,531 million compared to Rs. 3,173 million in the corresponding prior year quarter, an increase of 11% respectively. The EBITDA margin for this segment was 41.7% for the quarter ended December 31, 2008. The EBIT for the quarter ended December 31, 2008 was Rs 1,969 million.

**Capital Expenditure**
During the quarter ended December 31, 2008, the company incurred a capital expenditure of Rs. 4,341 million (US$ 89 million) on its Telemedia services.

**<u>Enterprise Services – Carriers</u>**

**Revenues, EBITDA and EBIT**
For the quarter ended December 31, 2008, the revenues from its long distance services were Rs. 17,733 million, representing a growth of 56% over the corresponding quarter last year. The EBITDA from this segment during the quarter was Rs 8,050 million, an increase of 120% over the corresponding quarter last year. The EBITDA margin for the quarter was 45.4%**.** The EBIT of this segment was Rs. 6,936 million representing an increase of 144% over the corresponding quarter last year.

**Capital Expenditure**
During the quarter ended December 31, 2008, the company incurred a capital expenditure of Rs. 3,559 million (US$ 73 million) on its Enterprise Services-Carriers.

**<u>Enterprise Services - Corporates</u>**

**Revenues, EBITDA and EBIT**
For the quarter ended December 31, 2008, the revenue from this segment was Rs. 4,075 million, a growth of 24% over the corresponding quarter last year. The EBITDA for this segment for the quarter ended December 31, 2008 was Rs. 1,749 million. The EBITDA margin for this segment in the quarter ended December 31, 2008 was 42.9%. The EBIT of this segment was Rs. 1,323 million representing a growth of 9% over the corresponding quarter last year.

**Capital Expenditure**
During the quarter ended December 31, 2008, the company incurred a capital expenditure of Rs. 339 million (US$ 7 million) on its Enterprise Services-Corporates.

**<u>Passive Infrastructure Services</u>**

**Towers and Sharing Operators**
As at the end of the quarter, the company had 61,355 towers. Sharing factor for the quarter ended December 31, 2008 was 1.34 times.

**Revenues, EBITDA and EBIT**
For the quarter ended December 31, 2008, the revenues from its passive infrastructure services were Rs. 12,702 million. The EBITDA from this segment during the quarter was Rs 4,258 million. The EBITDA margin for the quarter, was 33.5%. The EBIT of this segment was Rs. 436 million.

**Capital Expenditure**
During the quarter ended December 31, 2008, the company incurred a capital expenditure of Rs. 8,076 million (US$ 166 million) on its passive infrastructure services.

## SECTION 6

## STOCK MARKET HIGHLIGHTS

### 6.1 General Information

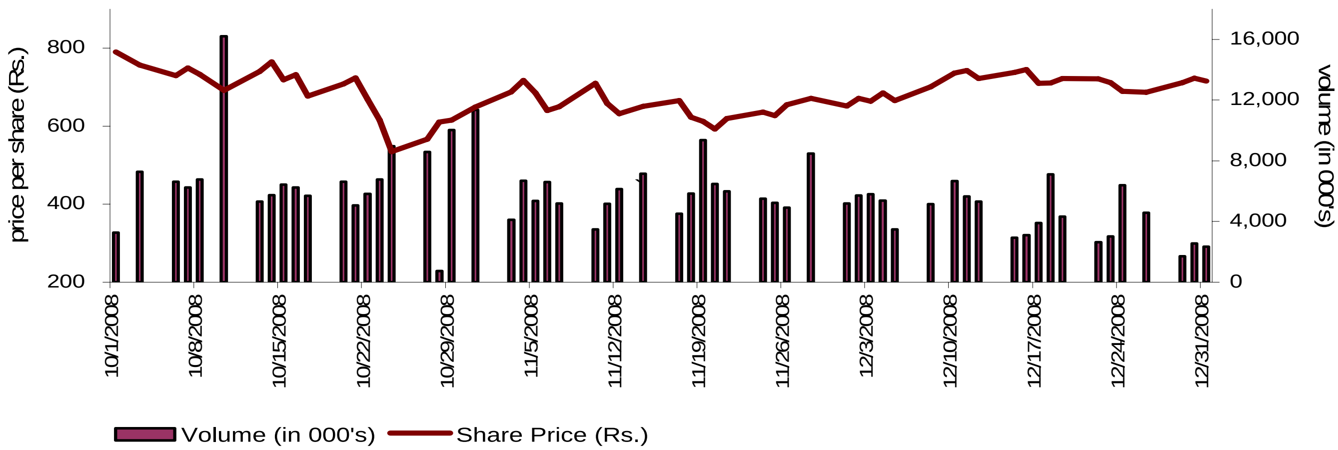
| Shareholding and Financial Data | | |
|---|---|---|
| Code/Exchange | | 532454/BSE |
| Bloomberg/Reuters | | BHARTI IN/BRTI.BO |
| No. of Shares Outstanding (31/12/08) | Million Nos. | 1,898.22 |
| Closing Market Price - BSE (31/12/08) | Rs./Share | 715.10 |
| Combined Volume (NSE & BSE) (01/10/08-31/12/08) | No. in Mn/day | 5.75 |
| Combined Value (NSE & BSE) (01/10/08-31/12/08) | Rs. bn./day | 3.88 |
| Market Capitalization | Rs. bn | 1,357 |
| Market Capitalization | US$ bn | 27.94 |
| Book Value Per Equity Share | Rs./share | 148.16 |
| Market Price/Book Value | Times | 4.83 |
| Net Debt to EBITDA (LTM)[4] | Times | 0.45 |
| Enterprise Value | Rs. bn | 1,422 |
| Enterprise Value | US$ bn | 29.28 |
| Enterprise Value/ Annualised Q3 Revenue | Times | 3.69 |
| Enterprise Value/ Annualised Q3 EBITDA | Times | 9.01 |

*Note 4: Net Debt to EBITDA (LTM) for the period amounts to 0.23 times exclusive of fully and compulsory convertible, non-cumulative, unsecured and interest free Debentures.*

### 6.2 Summarized Shareholding pattern as of December 31, 2008

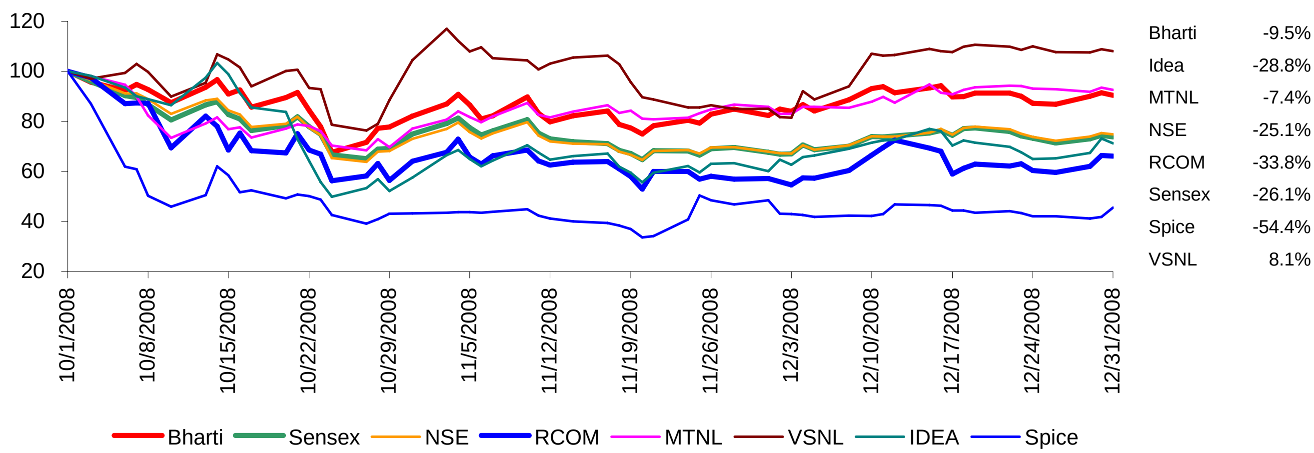
| Category | Number of Shares | % |
|---|---|---|
| **Promoter & Promoter Group** | | |
| Indian | 859,986,028 | 45.30% |
| Foreign | 414,744,373 | 21.85% |
| **Sub total** | **1,274,730,401** | **67.15%** |
| **Public Shareholding** | | |
| Institutions | 540,143,844 | 28.46% |
| Non-institutions | 83,341,949 | 4.39% |
| **Sub total** | **623,485,793** | **32.85%** |
| **Total** | **1,898,216,194** | **100.00%** |

**6.3 Bharti Airtel Daily Stock price (BSE) and 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 Amortization (EBITDA) | Operating Income | Consolidated : - Page 22, Mobile Services : - Page 23, Telemedia Services : - Page 24, Enterprise Services (Carriers): - Page 24, Enterprise Services (Corporates): - Page 24, Others: - Page 25, Passive Infrastructure Services : - Page 25. |
| Earnings before Interest and Taxation (EBIT) | Operating Income | Consolidated : - Page 22, Mobile Services : - Page 23, Telemedia Services : - Page 24, Enterprise Services (Carriers): - Page 24, Enterprise Services (Corporates): - Page 24, Others: - Page 25, Passive Infrastructure Services : - Page 25. |
| Cash Profit from Operations after Derivative and Exchange Fluctuations | Operating Income | Page 22 |
| Income after current tax expenses | Income before taxation | Page 22 |
| Net Revenues | Total revenues | Page 22 |
| Total Non Current Assets | N.A | Page 23 |
| Total Non Current Liabilities | N.A | Page 23 |
| Earnings before Interest and Taxes | N.A. | Page 22 |
| Total Revenues | N.A. | Page 22 |
| Schedule of Cost of services | N.A | Page 26 |
| Schedule of Operating expenses | N.A | Page 26 |
| Schedule of Depreciation and Amortization | N.A | Page 26 |
| Schedule of Net debt | N.A | Page 26 |
| Schedule of Finance cost (net) | N.A | Page 27 |
| Schedule of Income tax | N.A | Page 27 |

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

**7.1.1 Consolidated**

*Amount in Rs million*

| Particulars | Quarter Ended December 2008 | Nine Months Ended December 2008 |
|---|---|---|
| **Operating Income To EBITDA** | | |
| **Operating Income** | **26,748** | **77,368** |
| Depreciation and Amortization | 12,702 | 34,296 |
| **EBITDA** | **39,450** | **111,664** |
| **Operating Income to Cash Profit from Operations** | | |
| **Operating Income** | **26,748** | **77,368** |
| Depreciation and Amortization | 12,702 | 34,296 |
| Interest income | 8,107 | 14,931 |
| Interest expense | (10,011) | (24,408) |
| **Cash Profit from Operations** | **37,546** | **102,187** |
| **Operating Income to EBIT** | | |
| **Operating Income** | **26,748** | **77,368** |
| **Less:** | | |
| Share of Loss/(profits) in associates/ joint ventures | 451 | 657 |
| Non operating expenses | 3 | 164 |
| **Add:** | | |
| Other income | 239 | 1,097 |
| **EBIT** | **26,533** | **77,644** |
| **Total Revenue to Net Revenue** | | |
| **Total Revenue** | **96,334** | **271,370** |
| **Less:** | | |
| Access charges | 13,426 | 38,754 |
| **Net Revenue** | **82,908** | **232,616** |
| **Income before Income taxes to Income after current tax expense** | | |
| Income before Income taxes | 24,629 | 68,167 |
| **Less:** | | |
| Current tax expense | 2,806 | 7,622 |
| **Income after current tax expense** | **21,823** | **60,545** |

### 7.1.1 Consolidated (cont.)

*Amount in Rs million*

| Particulars | Quarter Ended December 2008 | Nine Months Ended December 2008 |
|---|---|---|
| **Total Non Current Assets** | | |
| Property and equipment, net | 392,999 | 392,999 |
| Acquired intangible assets, net | 13,523 | 13,523 |
| Goodwill | 27,043 | 27,043 |
| Investment in associates and joint ventures | 116 | 116 |
| Restricted cash, non-current | 15 | 15 |
| Other assets | 10,132 | 10,132 |
| **Total Non Current Assets** | **443,828** | **443,828** |

| Particulars | Quarter Ended December 2008 | Nine Months Ended December 2008 |
|---|---|---|
| **Total Non Current Liabilities** | | |
| Long-term debt, net of current portion | 56,642 | 56,642 |
| Deferred taxes on income | 5,708 | 5,708 |
| Unearned income- Indefeasible right to use sales | 3,367 | 3,367 |
| Other liabilities | 7,254 | 7,254 |
| **Total Non Current Liabilities** | **72,971** | **72,971** |

### 7.1.2 Mobile Services

*Amount in Rs million*

| Particulars | Quarter Ended December 2008 | Nine Months Ended December 2008 |
|---|---|---|
| **Operating Income To EBITDA** | | |
| **Operating Income** | **18,236** | **49,391** |
| Depreciation and Amortization | 6,727 | 18,799 |
| **EBITDA** | **24,963** | **68,190** |

| | | |
|---|---|---|
| **Operating Income to EBIT** | | |
| **Operating Income** | **18,236** | **49,391** |
| **Less:** | | |
| Share of profits in associates/ joint ventures | 4 | 5 |
| Non operating expenses | - | 1 |
| **Add:** | | |
| Other income | 171 | 466 |
| **EBIT** | **18,403** | **49,851** |

### 7.1.3 Telemedia Services

*Amount in Rs million*

| Particulars | Quarter Ended December 2008 | Nine Months Ended December 2008 |
|---|---|---|
| **Operating Income To EBITDA** | | |
| **Operating Income** | **1,963** | **6,165** |
| Depreciation and Amortization | 1,568 | 4,429 |
| **EBITDA** | **3,531** | **10,594** |

| | | |
|---|---|---|
| **Operating Income to EBIT** | | |
| **Operating Income** | **1,963** | **6165** |
| **Add:** | | |
| Other income | 6 | 55 |
| **EBIT** | **1,969** | **6220** |

### 7.1.4 Enterprise Services – Carriers

*Amount in Rs million*

| Particulars | Quarter Ended December 2008 | Nine Months Ended December 2008 |
|---|---|---|
| **Operating Income To EBITDA** | | |
| **Operating Income** | **6,882** | **19,087** |
| Depreciation and Amortization | 1,168 | 3,198 |
| **EBITDA** | **8,050** | **22,285** |

| | | |
|---|---|---|
| **Operating Income to EBIT** | | |
| **Operating Income** | **6,882** | **19,087** |
| **Add:** | | |
| Other income | 54 | 188 |
| **EBIT** | **6,936** | **19,275** |

### 7.1.5 Enterprise Services - Corporates

*Amount in Rs million*

| Particulars | Quarter Ended December 2008 | Nine Months Ended December 2008 |
|---|---|---|
| **Operating Income To EBITDA** | | |
| **Operating Income** | **1,315** | **4,322** |
| Depreciation and Amortization | 434 | 1,216 |
| **EBITDA** | **1,749** | **5,538** |

| | | |
|---|---|---|
| **Operating Income to EBIT** | | |
| **Operating Income** | **1,315** | **4,322** |
| **Add:** | | |
| Other income | 8 | 16 |
| **EBIT** | **1,323** | **4,338** |

### 7.1.6 Others

*Amount in Rs million*

| Particulars | Quarter Ended December 2008 | Nine Months Ended December 2008 |
|---|---|---|
| **Operating Income To EBITDA** | | |
| **Operating Income** | **(2,442)** | **(5,144)** |
| Depreciation and Amortization | 179 | 353 |
| **EBITDA** | **(2,263)** | **(4,791)** |

| **Operating Income To EBIT** | | |
|---|---|---|
| **Operating Income** | **(2,442)** | **(5,144)** |
| **Less:** | | |
| Share of loss/(profits) in associates/ joint ventures | (7) | (7) |
| Non operating expenses | 3 | 163 |
| **Add:** | | |
| Other Income | 2 | 366 |
| **EBIT** | **(2,436)** | **(4,934)** |

### 7.1.7 Passive Infrastructure Services

*Amount in Rs million*

| Particulars | Quarter Ended December 2008 | Nine Months Ended December 2008 |
|---|---|---|
| **Operating Income To EBITDA** | | |
| **Operating Income** | **891** | **3,844** |
| Depreciation and Amortization | 3,367 | 8,275 |
| **EBITDA** | **4,258** | **12,119** |

| **Operating Income To EBIT** | | |
|---|---|---|
| **Operating Income** | **891** | **3,844** |
| **Less:** | | |
| Share of loss/(profits) in associates/ joint ventures | 454 | 659 |
| **Add:** | | |
| Other Income | (1) | 10 |
| **EBIT** | **436** | **3,195** |

## 7.2 Schedules to Financial Statements

### 7.2.1 Schedule of Cost of services

*Amount in Rs million*

| Particulars | Quarter Ended December 2008 | Nine Months Ended December 2008 |
|---|---|---|
| Access charges | 13,426 | 38,754 |
| Licence fees, revenue share and spectrum charges | 10,030 | 27,660 |
| Network operations costs | 15,734 | 42,449 |
| Employee costs | 4,311 | 12,487 |
| Depreciation and Amortization (excluding intangibles) | 12,341 | 33,543 |
| **Cost of Services** | **55,842** | **154,893** |

### 7.2.2 Schedule of Operating expenses

*Amount in Rs million*

| Particulars | Quarter Ended December 2008 | Nine Months Ended December 2008 |
|---|---|---|
| Network operations costs | 15,734 | 42,449 |
| Equipment costs | 225 | 1,274 |
| Employee costs | 4,311 | 12,487 |
| Selling, general and administrative costs | 13,156 | 37,080 |
| **Operating Expenses** | **33,426** | **93,290** |

### 7.2.3 Schedule of Depreciation and Amortization

*Amount in Rs million*

| Particulars | Quarter Ended December 2008 | Nine Months Ended December 2008 |
|---|---|---|
| Fixed Assets | 12,070 | 32,746 |
| Licence Fees | 159 | 469 |
| ESOP | 321 | 635 |
| Intangibles | 152 | 446 |
| **Depreciation and Amortization** | **12,702** | **34,296** |

### 7.2.4 Schedule of Net debt

*Amount in Rs million*

| Particulars | Quarter Ended December 2008 | Nine Months Ended December 2008 |
|---|---|---|
| Long term debt, net of current portion | 56,642 | 56,642 |
| Short-term borrowings and current portion of long-term debt | 54,167 | 54,167 |
| **Less:** | | |
| Cash and cash equivalents | 13,321 | 13,321 |
| Restricted cash | 134 | 134 |
| Restricted cash, non-current | 15 | 15 |
| Short term investments | 32,416 | 32,416 |
| **Net Debt [5]** | **64,923** | **64,923** |

*Note 5: Net Debt for the period amounts to Rs 32,888 million exclusive of fully and compulsory convertible, non-cumulative, unsecured and interest free Debentures.*

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

*Amount in Rs million*

| Particulars | Quarter Ended December 2008 | Nine Months Ended December 2008 |
|---|---|---|
| Interest on borrowings | 973 | 2,606 |
| Finance charges | 156 | 706 |
| Finance income | (1,446) | (3,398) |
| Derivatives and exchange fluctuation | 2,221 | 9,563 |
| **Finance cost (net)** | **1,904** | **9,477** |

#### 7.2.6 Schedule of Income tax

*Amount in Rs million*

| Particulars | Quarter Ended December 2008 | Nine Months Ended December 2008 |
|---|---|---|
| Current tax expense | 2,806 | 7,622 |
| Deferred tax expense / (income) | (248) | (3,029) |
| **Income tax expense** | **2,558** | **4,593** |

## 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 US GAAP)

*Amount in Rs. Million, except ratios*

| Particulars | Quarter Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| | Dec. 2008 | Dec. 2007 | Y-on-Y Growth | Dec. 2008 | Dec. 2007 | Y-on-Y Growth |
| **Revenues** | | | | | | |
| Services | 95,987 | 69,308 | 38% | 269,504 | 191,042 | 41% |
| Indefeasible right to use sales | 109 | 109 | | 327 | 327 | |
| Equipment Sales | 238 | 222 | 7% | 1,539 | 690 | 123% |
| **Total Revenues** | **96,334** | **69,639** | **38%** | **271,370** | **192,059** | **41%** |
| **Operating Expenses** | | | | | | |
| Cost of Services | (55,842) | (40,286) | 39% | (154,893) | (109,321) | 42% |
| *(Inclusive of depreciation and amortization )* | | | | | | |
| Costs of Equipment sales | (225) | (183) | 23% | (1,274) | (572) | 123% |
| Selling, general & administrative expenses | (13,519) | (9,913) | 36% | (37,835) | (28,527) | 33% |
| *(Inclusive of amortization of intangibles )* | | | | | | |
| **Total Operating Expense** | **(69,586)** | **(50,382)** | **38%** | **(194,002)** | **(138,420)** | **40%** |
| **Operating Income** | **26,748** | **19,257** | **39%** | **77,368** | **53,639** | **44%** |
| Interest expense | (10,011) | (989) | | (24,408) | (5,581) | |
| Interest income | 8,107 | 179 | | 14,931 | 5,397 | |
| Share of (loss)/profits in associates / joint ventures | (451) | (1) | | (657) | 1 | |
| Other income | 239 | 643 | -63% | 1,097 | 2,057 | -47% |
| Non operating expenses | (3) | (57) | | (164) | (109) | |
| **Income before Income Taxes** | **24,629** | **19,032** | **29%** | **68,167** | **55,404** | **23%** |
| Income tax expense | (2,558) | (1,564) | | (4,593) | (6,293) | |
| Minority interest | (478) | (244) | | (1,268) | (632) | |
| **Net income** | **21,593** | **17,224** | **25%** | **62,306** | **48,479** | **29%** |
| Earnings per share for profit attributable to common shareholders | | | | | | |
| Basic | 11.39 | 9.09 | | 32.86 | 25.59 | |
| Diluted | 11.38 | 9.08 | | 32.84 | 25.54 | |
| Weighted average number of shares used in computing earnings per share | | | | | | |
| Weighted average number of common shares (in millions) | 1,896 | 1,895 | | 1,896 | 1,895 | |
| Weighted average number of diluted shares (in millions) | 1,897 | 1,898 | | 1,897 | 1,898 | |

### A.1.2 Consolidated Balance Sheet (as per US GAAP)

*Amount in Rs. Million*

| Particulars | As at December 31, 2008 |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | 13,321 |
| Accounts receivable, net of allowances for doubtful debts | 21,597 |
| Unbilled receivables | 9,569 |
| Inventories | 1,113 |
| Short term investments | 32,416 |
| Deferred taxes on income | 6,206 |
| Derivative financial instruments | 11,452 |
| Restricted cash | 134 |
| Pre-paid expenses and other current assets | 27,767 |
| Due from related parties | 18,761 |
| **Total Current Assets** | **142,336** |
| Property and equipment, net | 392,999 |
| Acquired intangible assets, net | 13,523 |
| Goodwill | 27,043 |
| Investment in associates and joint ventures | 116 |
| Restricted cash, non-current | 15 |
| Other assets | 10,132 |
| **Total Assets** | **586,164** |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | |
| **Current liabilities** | |
| Short-term borrowings and current portion of long-term debt | 54,167 |
| Trade payables | 25,867 |
| Equipment supply payables | 66,392 |
| Accrued expenses | 31,431 |
| Unearned income | 30,400 |
| Unearned income- Indefeasible right to use sales | 336 |
| Derivative financial instruments | 270 |
| Other current liabilites | 12,728 |
| **Total current liabilities** | **221,591** |
| Long-term debt, net of current portion | 56,642 |
| Deferred taxes on income | 5,708 |
| Unearned income- Indefeasible right to use sales | 3,367 |
| Other liabilities | 7,254 |
| **Total liabilities** | **294,562** |
| Minority interest | 10,369 |
| **Stockholders' equity** | |
| Common stock, par value Rs.10 per share | 18,982 |
| Advances against equity | 7 |
| Additional paid in capital | 73,825 |
| Treasury stock | (108) |
| Retained earnings | 188,271 |
| Accumulated other comprehensive income (loss) | 256 |
| **Total stockholders' equity** | **281,233** |
| **Total liabilities and stockholders' equity** | **586,164** |

### A.1.3 Consolidated Statement of Cash Flows (as per US GAAP)

*Amount in Rs. Million*

| Particulars | | Quarter Ended December 31, 2008 | Nine months ended December 31, 2008 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Net income** | **a** | **21,593** | **62,306** |
| Add: Non Cash items | **b** | | |
| Depreciation and amortization | | 12,702 | 34,296 |
| Tax expense / (income) | | 2,558 | 4,593 |
| Impact of fair valuation of financial instruments | | 2,304 | 9,659 |
| **Cash generated from operations before working capital changes** | **c=a+b** | **39,157** | **110,854** |
| (Increase)/decrease in working capital | | (8,576) | (4,995) |
| (Increase)/decrease in non-current assets | | (5,798) | (12,578) |
| Increase/(decrease) in non-current liabilities | | 1,271 | 1,135 |
| **Net cash provided/(used) by/in operating activities** | **d** | **(13,103)** | **(16,438)** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (38,775) | (111,313) |
| (Investment) / sale in associate | | (4) | (8) |
| **Net cash provided/(used) by/in investing activities** | **e** | **(38,779)** | **(111,321)** |
| **Cash flows from financing activities** | | | |
| Increase/(decrease) in borrowings | | 7,023 | 4,087 |
| Increase/(decrease) in Stockholders Equity | | 836 | 3,697 |
| **Net cash provided/(used) by/in financing activities** | **f** | **7,859** | **7,784** |
| Cash and cash equivalents[6] | | | |
| Beginning of the period | **g** | 50,751 | 55,006 |
| End of the period | **h=c+d+e+f +g** | 45,885 | 45,885 |

*Note 6: Includes short-term investments, restricted cash, restricted cash, non-current.*

## 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 | | | | |
|---|---|---|---|---|---|
| | Dec-08 | Sep-08 | Jun-08 | Mar-08 | Dec-07 |
| Total Revenues | 96,334 | 90,203 | 84,833 | 78,191 | 69,639 |
| Access and interconnection charges | 13,426 | 12,902 | 12,426 | 12,298 | 10,424 |
| Operating Expenses | 33,426 | 31,212 | 28,654 | 25,574 | 22,590 |
| Licence Fee | 10,030 | 9,096 | 8,532 | 7,801 | 6,991 |
| EBITDA | 39,450 | 36,993 | 35,221 | 32,518 | 29,634 |
| Cash profit from operations after Derivative and Exchange Fluctuations | 37,546 | 31,252 | 33,389 | 30,361 | 28,824 |
| Income before income taxes | 24,629 | 19,724 | 23,814 | 21,132 | 19,032 |
| Net income | 21,593 | 20,463 | 20,250 | 18,529 | 17,224 |

| | Dec-08 | Sep-08 | Jun-08 | Mar-08 | Dec-07 |
|---|---|---|---|---|---|
| **As a % of Total Revenues** | | | | | |
| Access and interconnection charges | 13.9% | 14.3% | 14.6% | 15.7% | 15.0% |
| Operating Expenses | 34.7% | 34.6% | 33.8% | 32.7% | 32.4% |
| Licence Fee | 10.4% | 10.1% | 10.1% | 10.0% | 10.0% |
| EBITDA | 41.0% | 41.0% | 41.5% | 41.6% | 42.6% |
| Cash profit from operations after Derivative and Exchange Fluctuations | 39.0% | 34.6% | 39.4% | 38.8% | 41.4% |
| Income before income taxes | 25.6% | 21.9% | 28.1% | 27.0% | 27.3% |
| Net income | 22.4% | 22.7% | 23.9% | 23.7% | 24.7% |

### A.2.2 Based on Balance Sheet

*Amount in Rs. Million*

| Parameters | As at | | | | |
|---|---|---|---|---|---|
| | Dec-08 | Sep-08 | Jun-08 | Mar-08 | Dec-07 |
| Stockholder's Equity | 281,233 | 259,280 | 238,329 | 217,042 | 183,729 |
| Net Debt | 64,923 | 50,731 | 41,562 | 42,057 | 44,885 |
| Capital Employed = Stockholder's equity + Net Debt | 346,156 | 310,011 | 279,891 | 259,099 | 228,614 |

| Parameters | Dec-08[7] | Sep-08 | Jun-08 | Mar-08 | Dec-07 |
|---|---|---|---|---|---|
| Return on Stockholder's equity (LTM) | 34.1% | 35.9% | 37.9% | 39.6% | 41.0% |
| Return on Capital Employed (LTM) | 32.5% | 33.9% | 33.8% | 33.2% | 32.9% |
| Net Debt to EBITDA (LTM) [7] | 0.45 | 0.38 | 0.33 | 0.37 | 0.43 |
| Assets Turnover ratio (LTM) | 107.7% | 108.6% | 110.8% | 115.4% | 117.5% |
| Interest Coverage ratio (times) | 40.54 | 44.46 | 43.97 | 37.46 | 34.74 |
| Book Value Per Equity Share (in Rs) | 148.2 | 136.6 | 125.6 | 114.4 | 96.8 |
| Net debt to Stockholders' Equity (Times) [7] | 0.23 | 0.20 | 0.17 | 0.19 | 0.24 |
| **Per share data (for the period)** | | | | | |
| Net profit/(loss) per common share (in Rs) | 11.39 | 10.79 | 10.68 | 9.78 | 9.09 |
| Net profit/(loss) per diluted share (in Rs) | 11.38 | 10.79 | 10.67 | 9.76 | 9.08 |
| Market Capitalization (Rs. bn) | 1,357 | 1,490 | 1,370 | 1,568 | 1,887 |
| Enterprise Value (Rs. bn) | 1,422 | 1,541 | 1,411 | 1,610 | 1,932 |

*Note 7: Net Debt to EBITDA (LTM) for the period amounts to 0.23 times and Net Debt to Stockholders Equity amounts to 0.12 exclusive of fully and compulsory convertible, non-cumulative, unsecured and interest free Debentures.*

### 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:

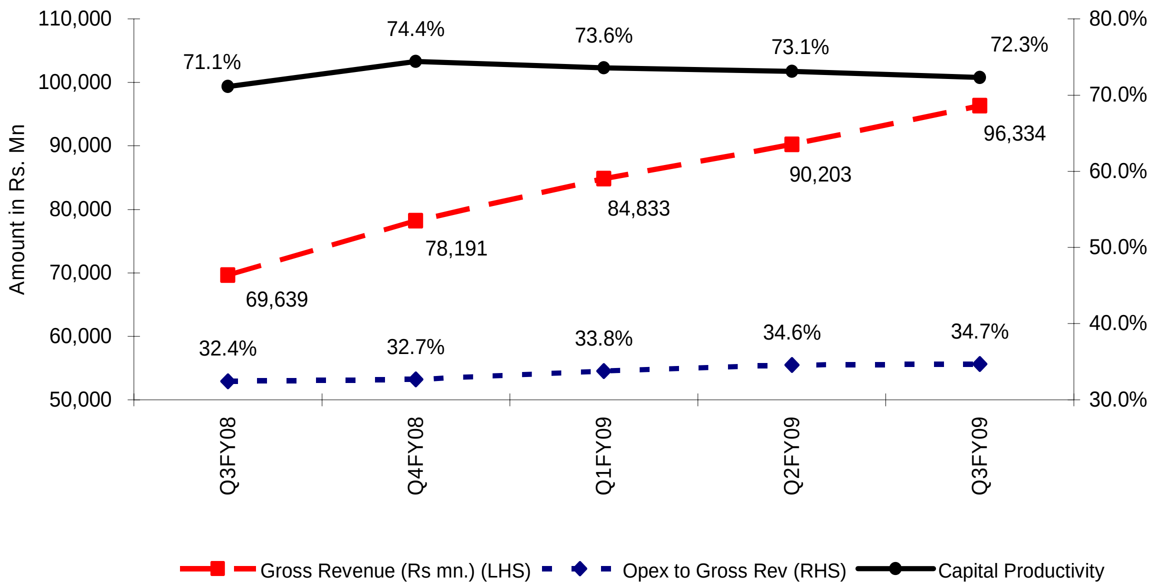
1. Gross Revenues i.e. absolute turnover/sales

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 long 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 | Dec. 31, 2008 | Sept. 30, 2008 | June 30, 2008 | March 31, 2008 | Dec. 31, 2007 |
|---|---|---|---|---|---|---|
| **Consolidated** | | | | | | |
| Customers | 000's | 88,270 | 79,989 | 71,777 | 64,268 | 57,341 |
| Employees | No. | 25,553 | 25,616 | 26,144 | 25,543 | 24,703 |
| | | | | | | |
| **Mobile services** | | | | | | |
| Customers | 000's | 85,651 | 77,479 | 69,384 | 61,985 | 55,163 |
| Pre-paid customers as a % of total customers | % | 93.5% | 92.9% | 92.3% | 91.6% | 91.0% |
| Post-paid customers as a % of total customers | % | 6.5% | 7.1% | 7.7% | 8.4% | 9.0% |
| Bharti's mobile subscribers market share[8] | % | 24.7% | 24.6% | 24.2% | 23.7% | 23.6% |
| Average Revenue Per User (ARPU) | Rs. | 324 | 331 | 350 | 357 | 358 |
| Average Minutes of Use Per User | Minutes | 505 | 526 | 534 | 507 | 474 |
| Post-paid Voluntary Churn | % | 1.1% | 1.1% | 1.0% | 1.0% | 0.9% |
| Post-paid Company Initiated Churn | % | 1.2% | 1.4% | 1.4% | 1.5% | 1.8% |
| Pre-paid Churn | % | 2.9% | 3.2% | 3.8% | 4.3% | 3.9% |
| SMS Revenue as a % of Total Mobile Revenues | % | 4.1% | 4.3% | 4.2% | 4.4% | 4.4% |
| Employees | No. | 8,115 | 8,133 | 8,534 | 8,452 | 8,371 |
| | | | | | | |
| **Telemedia Services** | | | | | | |
| Customers | 000's | 2,619 | 2,509 | 2,394 | 2,283 | 2,178 |
| Average Revenue Per User (ARPU) | Rs. | 1,098 | 1,147 | 1,138 | 1,137 | 1,140 |
| Employees | No. | 10,827 | 11,214 | 11,489 | 12,242 | 12,227 |
| | | | | | | |
| **Enterprise Services Consolidated** | | | | | | |
| Employees | No. | 3,701 | 3,686 | 3,749 | 3,828 | 3,518 |
| | | | | | | |
| **Others** | | | | | | |
| Employees | No. | 2,330 | 2,233 | 2,132 | 725 | 587 |
| | | | | | | |
| **Passive Infrastructure Services** | | | | | | |
| Employees | No. | 580 | 350 | 240 | 296 | - |

*Note 8: All India mobile subscribers based on report published by TRAI.*

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

| Parameters | Unit | Dec. 31, 2008 | Sept. 30, 2008 | June 30, 2008 | March 31, 2008 | Dec. 31, 2007 |
|---|---|---|---|---|---|---|
| Mobile Services | Mn Min | 123,626 | 115,834 | 105,217 | 89,058 | 73,840 |
| Telemedia Services | Mn Min | 4,750 | 5,002 | 4,842 | 4,736 | 4,604 |
| National Long Distance Services | Mn Min | 11,609 | 11,349 | 10,322 | 9,398 | 7,898 |
| International Long Distance Services | Mn Min | 2,603 | 2,284 | 2,048 | 1,850 | 1,591 |
| **Total Minutes on Network[9]** | **Mn Min** | **142,588** | **134,470** | **122,428** | **105,042** | **87,933** |

*Note 9 : The minutes are gross of intersegment eliminations*

| Parameters | Unit | Dec. 31, 2008 | Sept. 30, 2008 | June 30, 2008 | March 31, 2008 | Dec. 31, 2007 |
|---|---|---|---|---|---|---|
| **Mobile Services** | | | | | | |
| Census Towns | No. | 5,057 | 5,050 | 5,048 | 5,023 | 4,902 |
| Non-Census Towns and Villages | No. | 401,882 | 384,521 | 364,287 | 342,623 | 320,623 |
| Population Coverage | % | 79% | 77% | 74% | 71% | 68% |
| Network Sites | No. | 88,319 | 82,554 | 75,876 | 69,141 | 60,299 |
| **Telemedia Services** | | | | | | |
| Cities covered | No. | 95 | 95 | 94 | 94 | 94 |
| **Carriers (National Long Distance)** | | | | | | |
| Optic Fibre Network | RKms | 90,205 | 83,389 | 78,540 | 73,787 | 67,138 |

#### A.2.6 Passive Infrastructure Services

| Parameters | Unit | Dec. 31, 2008 | Sept. 30, 2008 | June 30, 2008 | March 31, 2008 | Dec. 31, 2007 |
|---|---|---|---|---|---|---|
| Total Towers | No. | 61,355 | 59,966 | 58,013 | 53,083 | - |
| **Key Indicators** | | | | | | |
| Sharing Revenue per Sharing Operator per month | Rs. | 31,488 | 32,177 | 31,893 | 30,017 | - |
| Sharing Factor | Times | 1.34 | 1.26 | 1.22 | 1.22 | - |

## A.3 Key Accounting Policies as per US GAAP

### 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 | 3-20 |
| Computer equipment | 3 |
| Office, furniture and equipment | 2/5 |
| 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.

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. Goodwill of a reporting unit is tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

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.

The balance sheets and statements of operations of the Group's foreign operations are measured using the local currency as the functional currency. Assets and liabilities of these foreign operations are translated to Rupees at period end exchange rate and revenue and expense amounts are translated to Rupees at the average rates of exchange prevailing during the period. The resulting foreign currency translation adjustments are accumulated as a component of other comprehensive 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 poriod. Amortization charge for capital leases is included in depreciation expense for the period.

**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, 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 their expected customer relationship period of 12 months. 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 or for other arrangements with multiple deliverables. Accordingly, equipment sales for these arrangements are deferred and amortized over the term of the arrangement. 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.

## 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 recorded as a component of depreciation and amortization.

**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 impairment losses that have been recognised. 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 recorded as a component of depreciation and amortization. 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 impairment losses that have been recognised. 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 non-compete 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 are 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 18 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 consolidated statements of income in the period in which the change is enacted. 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" and FASB interpretation no. 47 "Accounting for Conditional Asset Retirement Obligation".. 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 the Group's Enterprise service carriers business. The Group has determined 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 expensed off over the term of the agreement. The contracted sales price is primarily 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. Cashless swap of IRU where either the fair value of the equipment relinquished can not be reasonably determined or the group has continuing involvement with the equipment transferred are accounted for at costs.

### 15. Allowance for uncollectible accounts receivable

The allowance for uncollectible accounts receivable reflects management's best estimate of probable losses inherent in the accounts receivable balance. Management primarily determines the allowance based on the aging of accounts receivable balances and historical write-off experience, net of recoveries. The Group provides for amounts outstanding for more than 90 days in case of active subscribers and for all amounts outstanding from customers who have been deactivated as reduced by security deposits, or in specific cases where management is of the view that the amounts are not recoverable. For receivables due from the other operators on account of their NLD and ILD traffic, IUC and roaming charges, the Group provides for amounts outstanding for more than 120 days from the date of billing net of any amounts payable to the operators pertaining to the same period or in specific cases where management is of the view that the amounts are not recoverable. Amounts due from debtors that have been outstanding, though fully provided, are evaluated on a regular basis by the management and are written off, if as a result of such evaluation, it is determined that these amounts will not be collected.

### 16. Issuance of Stock by Subsidiaries

At the time a subsidiary sells its stock to unrelated parties at a price less than or in excess of its book value, the Company's investment in that subsidiary's net assets decreases/increases. The Company's policy is to record such changes in its Consolidated Statement of Stockholders' Equity

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

*Amount in Rs million*

| Particulars | Quarter Ended December 31, 2008 | Nine months ended December 31, 2008 |
|---|---|---|
| | Audited | Audited |
| Service Revenue | 96,446 | 270,029 |
| Sales of Goods | 228 | 940 |
| **Total Income** | **96,674** | **270,969** |
| **Profit before Finance Expenses /(Income) (Net), Depreciation, Amortization, Pre-operative Expenditure,Charity and Donation, Taxation and Other Income** | **39,588** | **111,699** |
| Finance expenses (net) | 4,576 | 14,626 |
| Depreciation and Amortization | 12,488 | 33,481 |
| Amortisation | 827 | 2,141 |
| Other Income | 211 | 1,119 |
| Charity and Donation | 2 | 164 |
| **Profit Before tax** | **21,906** | **62,406** |
| Tax Expenses/ (Income) | | |
| -Current Tax | 2,263 | 5,070 |
| -Fringe Benefit Tax | 135 | 345 |
| -Deferred Tax | (727) | (2,490) |
| **Profit After Tax** | **20,235** | **59,481** |
| Minority Interest | 471 | 1,369 |
| **Profit for the period** | **19,764** | **58,112** |

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

*Amount in Rs million*

| Particulars | Quarter Ended December 31, 2008 | Nine months ended December 31, 2008 |
|---|---|---|
| **Net profit / (loss) as per US GAAP** | **21,593** | **62,306** |
| **Add: Differences on account of:** | | |
| Minority Interest and loss of Joint Venture | (31) | (167) |
| Deferred Tax expense | 770 | 1,634 |
| | | |
| **Less: Differences on account of:** | | |
| Amortization of Goodwill/ Intangibles | 202 | 602 |
| Being difference in revenue recognition | (11) | 133 |
| License fee amortization | 146 | 438 |
| Differences in accounting for finance charges | 2,482 | 4,500 |
| Remeasurement of financial instruments not applicable in IGAAP | (135) | 202 |
| Differential depreciation provided in IGAAP due to forex fluctuations not considered in US GAAP | (116) | (214) |
| **Net profit/(loss) as per Indian GAAP** | **19,764** | **58,112** |

# GLOSSARY

**Technical and Industry Terms**

| **Company Related** | |
|---|---|
| Access and Interconnection Charges / Total Revenues | Access and interconnection charges for the relevant period divided by total revenues for the relevant period. |
| AGR | Adjusted Gross Revenues. Used for computing the License Fees and WPC 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. |
| ARPU (for Mobile and Telemedia Services) | Average revenue per customer per month is computed by: dividing the total revenues, excluding equipment sales 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. |
| Average Minutes of Use per user | Average minutes of usage per customer 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. |
| Average Sharing Operators | Average Sharing Operators are derived by computing the average of the monthly average sharing operators for the relevant period |
| Average Customers | Average customers are derived by computing the average of the monthly average customers for the relevant period. |
| Average Towers | Average towers are derived by computing the average of the monthly average towers 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 and 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. Post-paid churn has been subdivided into:<br>a) Voluntary: indicating the number of subscribers who opt out of the network at their own behest.<br>b) Company initiated churn: indicating the number of subscribers whose churn is initiated by the company due to non-payment. |
| Customers Per Employee | Number of customers on networks of a business unit as at end of the relevant period divided by number of employees in the respective business unit as at end of the relevant period. |
| DTH | Direct to Home broadcast service |
| Earnings Per Basic 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 Profit/ (loss) per diluted share adjusts net profit or loss 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 profit or loss 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 recognized 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). |

| | |
|---|---|
| | Earnings/ (loss) before interest, taxation, depreciation and amortization. |
| EBITDA | It is not a US GAAP measure and is defined as operating income adjusted for depreciation and 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 / (Loss) before interest and taxation for the relevant period. It is equivalent to Income/ (loss) before interest income, interest expense and taxes. |
| 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. |
| ILD | International Long Distance Services. |
| Income/(loss) after current tax expense | It is not a US GAAP measure and is defined as Income/ (loss) before taxation adjusted for current tax expense. |
| Interest Coverage Ratio | EBITDA for the relevant period divided by interest on borrowing for the relevant period. |
| Investments in projects | 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. |
| ICT | Information Communication Technology |
| IPTV | Internet Protocol TV. IPTV is the method of delivering and viewing television programmes using an IP transmission and service infrastructure, which can deliver digital television to the customers. IPTV when offered using an IP network and high speed broadband technology becomes interactive because of availability of return path and is capable of providing Video on Demand (VOD), time shifted television and many other exciting programmes. |
| LTM | Last twelve months. |
| Market Capitalization | Number of issued and outstanding shares as at end of December 31, 2008 multiplied by closing market price (BSE) as at end of December 31, 2008. |
| MoU | Minutes of Usage. Duration in minutes for which a customer uses the network. It is typically expressed over a period of one month. |
| MPLS | MPLS stands for Multi Protocol Label Switching network created on SDH platform. It simplifies the configuration and management of larger networks as point to point connections are not required. |
| Network Site | Comprises of Base Transmission System (BTS) which holds the radio transreceivers (TRXs) that define a cell and coordinates the radio links protocols with the mobile device. It includes all the Ground based, Roof top and In Building Solutions as at the end of the 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 minus 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. |
| Net Revenues | It is not a US GAAP measure and is defined as total revenues adjusted for access charges for the relevant period. |
| NLD | National Long Distance 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 Telemedia 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.). |
| Operating Income | Operating Income is defined as total revenues less total operating expenses for the relevant period. |
| POI | The geographical location where two networks interconnect and exchange traffic |

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| POP | Point of Presence. POP means a technical arrangement made by the National Long Distance Service Operator under which it can accept outgoing calls from and deliver terminating calls to the area required to be served from such Point of Presence. |
| 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, 2005, 2006, 2007 and 2008, ROCE is computed by dividing the sum of net profit and 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, 2005, 2006, 2007 and 2008, 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. |
| SDH | Synchronous Digital Hierarchy. It is a standard technology for synchronous data transmission on optical media, andprovide faster and less expensive network interconnection. |
| Sharing revenue per Sharing Operator per month | It is computed by dividing gross revenue less energy and other pass through, from Passive Infrastructure services by average sharing operators. |
| Sharing factor | It is computed by dividing average sharing operators by average towers |
| Total Towers | It is the sum of ground based towers, and roof top towers and Others. |
| 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 and administrative cost for the relevant period. |
| **Regulatory** | |
| AUSPI | Association of Unified Telecom Service Providers of India. |
| BSO | Basic Service Operator |
| BWA | Broadband Wireless Access |
| COAI | Cellular Operators Association of India |
| CMSP | Cellular Mobile Service Provider. |
| CMTS | Cellular Mobile Telephone Service |
| DHQ | District Head Quarters |
| DoT | Department of Telecommunications |
| EVDO | Evolution Data Only |
| ILDO | International Long Distance Operator |
| ISP | Internet Service Provider |
| IUC | Interconnection Usage Charges. |

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| LDCA | Long Distance Charging Area |
| MNO | Mobile Network Operator |
| NLDO | National Long Distance Operator |
| PLMN | Public Land Mobile Network |
| PSTN | Public Switch Telephone Network |
| SDCA | Short Distance Charging Area |
| TDSAT | Telecom Disputes Settlement & Appellate Tribunal. |
| TEC | Telecom Engineering Centre. |
| TRAI | Telecom Regulatory Authority of India. |
| UASL | Unified Access Service License. |
| USOF | Universal Service Obligation Fund. |

**Others (Industry)**

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| BSE | The Stock Exchange, Mumbai |
| GSM | Global System for Mobile Communications. |
| 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. |
| SMS | Short Messaging Service. |
| US GAAP | United States Generally Accepted Accounting Principles. |

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