

We are happy to present the performance of the Company for the Quarter ended 30th June 2010.

1. Background context – Indian Telecom Sector Trends:

Since we do not have any published information this quarter at the time of releasing this note, we have not updated the numbers for Q1. Our comments on the trends remain the same as in the last quarter:

| | Q3 08-09 | Q4 08-09 | Q1 09-10 | Q2 09-10 | Q3 09-10 | Q4 09-10 | Q1 10-11 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|-------------|
| <u>Airtel</u> | | | | | | | |
| EOQ Sub base (Mn) | 86 | 94 | 102 | 111 | 119 | 128 | 137 |
| Total Revenue (Rs. Mn) | 79,392 | 82,216 | 82,285 | 80,994 | 79,618 | 81,975 | |
| VAS Revenue Excl P2P SMS (Rs. Mn) | 4,287 | 4,604 | 4,114 | 3,969 | 3,981 | 5,000 | |
| <u>Idea</u> | | | | | | | |
| EOQ Sub base (Mn) | 38 | 43 | 47 | 51 | 58 | 64 | 69 |
| Total Revenue (Rs. Mn) | 26,209 | 29,356 | 29,759 | 29,739 | 31,495 | 33,477 | |
| VAS Revenue Excl P2P SMS (Rs. Mn)* | 1,475 | 1,679 | 1,616 | 1,576 | 1,603 | 1,704 | |
| <u>Rcom</u> | | | | | | | |
| EOQ Sub base (Mn) | 61 | 73 | 80 | 84 | 95 | 120 | 125 |
| Total Revenue (Rs. Mn) | 44,119 | 45,015 | 47,931 | 40,100 | 40,225 | 40,900 | |
| VAS Revenue Excl P2P SMS (Rs. Mn)* | 2,691 | 2,746 | 2,923 | 2,445 | 2,453 | 2,454 | |
| <u>Vodafone</u> | | | | | | | |
| EOQ Sub base (Mn) | 61 | 69 | 76 | 83 | 91 | 101 | 109 |
| Total Revenue (Rs. Mn) | 53,280 | 62,529 | 59,683 | 56,348 | 58,703 | 60,608 | |
| VAS Revenue Excl P2P SMS (Rs. Mn) | 3,004 | 3,399 | 3,399 | 3,202 | 3,214 | 3,163 | |
| Total VAS Revenue Excl P2P SMS (Rs. Mn) | 11,457 | 12,428 | 12,052 | 11,192 | 11,251 | 12,322 | |
| Growth | 6.4% | 8.5% | -3.0% | -7.1% | 0.5% | 9.5% | |
| OnMobile India Revenues (Rs. Mn) | 839 | 900 | 838 | 793 | 820 | 942 | 952 |
| Growth | 10.5% | 7.3% | -6.9% | -5.4% | 3.4% | 14.8% | 1.1% |

Source: COAI and AUSPI / Quarterly published financials / * Internal estimates

VAS Revenue excluding P2P SMS also includes a lot of other services outside of our domain like GPRS data down load, games etc.

2. Material New Developments – Customers

- We expanded our Reverse RBT offering, continued to add new subscribers to the existing GSM operator in India at an accelerated pace.
- We continued with our aggressive deployment schedule of the multi-country Telefonica project in LATAM. We are live in 2 countries now. Initial results are higher than our expectations, so far.
- We have won back the VAS contract with the Indian operator that was previously lost in the last FY. Services have been launched at the end of the quarter.
- In the Asia-Pacific region, we launched Music Radio services in two operators a quarter after we won these projects.
- In Europe we deployed our speech recognition and IVR solution for a large retail chain in partnership with a large Telco.

3. Material New Developments – Products

- We have added a pan India roaming capability to the Reverse RBT product and added dynamic content refresh and shuffle extending our lead in this key product segment.
- With one of the large Indian Operators and our content partners, we developed an exciting new product, Mobile Box Office to bring Bollywood movie clips to the mobile phone.
- In conjunction with the FIFA World cup we developed the OnMobile Futbol product across SMS and WAP and deployed it in the LATAM market across 12 Countries.
- We extended the feature set of our Social Networking products by adding new connectors to LinkedIn for the OnMobile Social Network Gateway.
- For our Network Address Book product we added an enterprise capability to allow companies to share and sync addresses across the enterprise.

4. Material New Developments – Organizational

Offices

- New offices registered in Venezuela and Brazil to further expand and facilitate our Latin American Operations.

5. Non Financial KPIs – Last four quarters

| KPI | Dec'08 | Mar'09 | Jun'09 | Sep'09 | Dec'09 | Mar'10 | June'10 |
|-----------------------|--------|--------|--------|--------|--------|--------|---------|
| Subscriber Reach (Mn) | 550 | 600 | 630 | 687 | 673 | 727 | 786 |
| Unique Users (Mn) | 45 | 57 | 64 | 71 | 77 | 83 | 86 |
| Active RBT Users (Mn) | 30 | 33 | 37 | 40 | 42 | 44 | 46 |
| Number of Employees | 1,133 | 1,146 | 1,154 | 1,223 | 1,209 | 1,236 | 1271 |
| Countries Live in | 22 | 22 | 23 | 23 | 24 | 25 | 26 |

6. Financials – Core vs. Investments:

| | Core Business | | Investments | | Total | |
|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Rs. Mn | Q4 09-10 | Q1 10-11 | Q4 09-10 | Q1 10-11 | Q4 09-10 | Q1 10-11 |
| Revenues | 1,193.6 | 1,199.0 | 35.2 | 38.6 | 1,228.8 | 1,237.6 |
| <i>Domestic</i> | 939.5 | 952.0 | 2.4 | - | 941.9 | 952.0 |
| <i>International</i> | 254.2 | 247.0 | 32.8 | 38.6 | 286.9 | 285.6 |
| COGS | 377.3 | 333.8 | 5.8 | 2.0 | 383.0 | 335.8 |
| Gross Profit | 816.4 | 865.2 | 29.4 | 36.6 | 845.8 | 901.8 |
| Gross Margin | 68.4% | 72.2% | 83.6% | 94.8% | 68.8% | 72.9% |
| Manpower cost | 334.1 | 335.1 | 56.1 | 74.9 | 390.3 | 410.0 |
| Other Opex | 176.6 | 147.1 | 59.7 | 60.9 | 236.3 | 208.0 |
| EBITDA | 305.6 | 383.0 | (86.4) | (99.2) | 219.2 | 283.8 |
| % | 25.6% | 31.9% | | | 17.8% | 22.9% |
| Depreciation | 97.5 | 108.5 | 14.8 | 23.9 | 112.3 | 132.4 |
| Operating Profit | 208.2 | 274.5 | (101.3) | (123.1) | 106.9 | 151.4 |
| % | 17.4% | 22.9% | | | 8.7% | 12.2% |
| Other Income | | | | | 55.9 | 54.8 |
| Profit before Tax | | | | | 162.8 | 206.2 |
| % | | | | | 13.2% | 16.7% |
| Tax | | | | | 60.5 | 27.8 |
| Profit After Tax | | | | | 110.7 | 185.8 |
| PAT % | | | | | 8.6% | 14.4% |
| EPS (Diluted) | | | | | 1.9 | 3.1 |

Definition of Investments:

New Customers: Investments (e.g., hardware, third party software, manpower costs, travel) in new customer deployments till 1 year following launch of services.

New Products: Large, measurable and discreet expenditures in new products development and deployment till 1 year following launch of this product in the first Customer.

Key Highlights and Observations of Q1 financials:

- During the previous quarter we had mentioned about one time booking of revenues. Excluding this impact, the sequential revenue growth in Q1 10-11 would be 5%.
- The Core business Operating profit has improved from 17.4% to 22.9%. This is because of lower COGS in our European business as compared to the last quarter. Also, our last quarter had certain direct costs associated to the one time revenue mentioned above.
- Our investments continue to remain stable as compared to the last quarter.
- In other income line, we had a forex gain of around Rs. 21 Mn in this quarter on account of favourable currency movements.
- Our effective tax rate will be significantly lower in this financial year due to non-recognition of deferred tax liability on assets deployed in our newly formed Special Economic Zone (SEZ) unit.

7. Financials - Rolling 4 Quarters (Current year vs. Last year):

| Rs. Mn | 4 Quarters ending June 09 | 4 Quarters ending June 10 | % Growth |
|--------------------------|------------------------------|------------------------------|-------------|
| Net Revenue | 4,357 | 4,709 | 8% |
| COGS | 926 | 1,347 | 46% |
| Gross Profit | 3,431 | 3,362 | -2% |
| Gross Margin | 79% | 71% | |
| Total Opex | 2,116 | 2,491 | 18% |
| EBITDA | 1,316 | 871 | -34% |
| | 30% | 18% | |
| Depreciation | 481 | 440 | -8% |
| Operating Profit | 835 | 431 | -48% |
| % | 19% | 9% | |
| Other Income / | 274 | 232 | -15% |
| Profit before Tax | 1,109 | 663 | -40% |
| Tax | 322 | 148 | -54% |
| Profit After Tax* | 787 | 527 | -33% |
| % | 17% | 11% | |
| EPS (Diluted) | 13.1 | 8.9 | -32% |

* includes share of profit from associates