

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

1. Background context – Indian Telecom Sector Trends:

Further to the trends of VAS revenue we were spelling out every quarter, during the quarter, as per our internal estimates, we estimate that Indian Operator VAS revenues for quarter 2 is likely to grow at 5% over the previous quarter. During the same timeframe OnMobile India revenues have growth at 7% maintaining our historical above average market growth trajectory.

2. Material New Developments – Customers

- We continued to add customers for our Reverse RBT offering with the launch of the service at one of India's leading Telco.
- We launched services in Mexico as the third country and the first large-scale deployment in the multi-country **Telefonica** project in LatAm. Our current take rate for the RBT and Voice services in are running in line with our expectations.
- We expanded our footprint for our Mobile Box Office offering by signing on an additional four operators in India. This makes our MBO offering the leading audio cinema in the Indian market.
- As part of our multi-operator global project for **Vodafone**, we launched RBT services in Vodafone Egypt which has a 26M total subscriber base. The migration from the in-house developed system was accomplished in an accelerated timeframe and early revenue traction is very encouraging.
- We have won the contract to upgrade and replace the current RBT systems at a public Telecom operator in both Mumbai and Delhi.
- In the Asia-Pacific region, we doubled the penetration of Music Radio services in one large operator in SAARC, and in that same region, ramped up the penetration of RBT to 20+% in a large operator in Bangladesh.
- In Pakistan we launched live speech recognition based Music Search service in two large operators.

3. Material New Developments – Products

- We developed a handset-based antitheft solution with remote wipe and tracking capability that is gaining wide acceptance with consumers in a large operator in APAC.
- With Android continuing to ramp world-wide, we have expanded our sync and personal data management capability on that platform and that resulted in two wins for the OnMobile PDM product in Western operators.
- We developed and launched the Tafseer portal which contains interpretations from the Holy Quran – a first in the industry. This portal was launched at an operator in the ME region.
- The OnMobile BI (Business Intelligence) product reached an important milestone of saving 250K subscribers from churning in one month at a large operator in Indonesia.

4. Material New Developments – Organizational

Acquisition

OnMobile acquired the leading 3G video technology and mobile solutions, developed over eight years, by Silicon Valley-based Dilithium Networks Inc. Dilithium pioneered mobile video, authored the global standard for 3G video telephony, and is the largest customer validated 3G video solution for mobile operators globally including deployments in China Mobile, Vodafone XYZ, Deutsche Telekom, Yahoo, BSNL, Chunghwa Telecom, D2see, Echovox, France, Etisalat, France Telecom (Orange), Qualcomm, HTC, VTM Belgium.

This acquisition will enable OnMobile to deploy Dilithium's leadership technology in the rapidly expanding mobile video solutions space, leveraging OnMobile's 2G and 2.5G VAS platforms embedded into the world's leading telecom operators, - thereby accelerating their launch of 3G VAS services.

The acquisition also provides OnMobile with Dilithium's extensive patent portfolio - over 175 patents in some of the world's most advanced video technologies. Dilithium's technology enables the delivery of novel 3G Value Added Services by offering superior video quality and scale to the creation, adaptation and distribution of all types of multimedia assets across a wide range of handsets and networks.

Human Resources

During the quarter we have appointed Ratnesh Sharma as our VP of marketing to head all our marketing aspects at OnMobile. Ratnesh comes with a 20 years of experience in driving products to market leadership in both, global Fortune-500 Companies as well as high-growth entrepreneurial environments.

Offices

New offices registered in Panama, Chile, Nicaragua and Spain to further expand and facilitate our Latin American and European Operations.

5. Non Financial KPIs – Last few quarters

| KPI | Mar'09 | Jun'09 | Sep'09 | Dec'09 | Mar'10 | Jun'10 | Sep'10 |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|
| Subscriber Reach (Mn) | 600 | 630 | 687 | 673 | 727 | 786 | 1,016 |
| Unique Users (Mn) | 57 | 64 | 71 | 77 | 83 | 86 | 88 |
| Active RBT Users (Mn) | 33 | 37 | 40 | 42 | 44 | 46 | 49 |
| Number of Employees | 1,146 | 1,154 | 1,223 | 1,209 | 1,236 | 1,271 | 1,241 |
| Countries Live in | 22 | 23 | 23 | 24 | 25 | 26 | 28 |

4. Financials – Core vs. Investments:

| Rs. Mn | Core Business | | Investments | | Total | |
|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Q1 10-11 | Q2 10-11 | Q1 10-11 | Q2 10-11 | Q1 10-11 | Q2 10-11 |
| Revenues | 1,199.0 | 1,278.6 | 38.6 | 36.7 | 1,237.6 | 1,315.3 |
| <i>Domestic</i> | 952.0 | 1,016.8 | - | - | 952.0 | 1,016.8 |
| <i>International</i> | 247.0 | 261.8 | 38.6 | 36.7 | 285.6 | 298.5 |
| COGS | 333.8 | 341.4 | 2.0 | 3.9 | 335.8 | 345.3 |
| Gross Profit | 865.2 | 937.2 | 36.6 | 32.8 | 901.8 | 970.0 |
| Gross Margin | 72.2% | 73.3% | 94.8% | 89.4% | 72.9% | 73.7% |
| Manpower cost | 335.1 | 346.1 | 74.9 | 79.8 | 410.0 | 425.9 |
| Other Opex | 147.1 | 182.0 | 60.9 | 83.4 | 208.0 | 265.4 |
| EBITDA | 383.0 | 409.1 | (99.2) | (130.4) | 283.8 | 278.7 |
| % | 31.9% | 32.0% | | | 22.9% | 21.2% |
| Depreciation | 108.5 | 104.3 | 23.9 | 24.2 | 132.4 | 128.5 |
| Operating Profit | 274.5 | 304.8 | (123.1) | (154.6) | 151.4 | 150.2 |
| % | 22.9% | 23.8% | | | 12.2% | 11.4% |
| Other Income | | | | | 54.8 | 113.8 |
| Profit before Tax | | | | | 206.2 | 264.0 |
| % | | | | | 16.7% | 20.1% |
| Tax | | | | | 27.8 | 43.70 |
| Profit After Tax | | | | | 185.8 | 228.3 |
| PAT % | | | | | 14.4% | 16.6% |
| EPS (Diluted) | | | | | 3.1 | 3.8 |

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 Q2 financials:

- We continue to show an improvement in the Gross margin because of lower COGS both in our European business as well as Indian business.
- The Core business Operating profit also shows a continued improvement from 22.9% to 23.9% during the quarter.
- Our total Operating profit has marginally declined because of two reasons:
 - a) Forex loss on account of unfavorable currency movement.
 - b) One-time expenses relating to purchase of Dilithium assets.
 The impact of both the items put together is around Rs. 20 Mn, which has impacted our Operating Profit by around 1.5 percentage points.
- We have stepped up our investments in new businesses, mainly in LatAm and by way of Dilithium asset acquisition.

- Our effective tax rate remains to be significantly lower due to non-recognition of deferred tax liability on assets deployed in our newly formed Special Economic Zone (SEZ) unit, as highlighted in our last quarter highlights.

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

| Rs. Mn | 4 Quarters ending Sep 09 | 4 Quarters ending Sep 10 | Gr % |
|--------------------------|--------------------------|--------------------------|-------------|
| Net Revenue | 4,469 | 4,938 | 10% |
| COGS | 1,048 | 1,391 | 33% |
| Gross Profit | 3,421 | 3,547 | 4% |
| Gross Margin | 77% | 72% | |
| Total Opex | 2,253 | 2,532 | 12% |
| EBITDA | 1,168 | 1,015 | -13% |
| | 26% | 21% | |
| Depreciation | 455 | 486 | 7% |
| Operating Profit | 713 | 529 | -26% |
| % | 16% | 11% | |
| Other Income / (Exp) | 265 | 279 | 5% |
| Profit before Tax | 978 | 808 | -17% |
| Tax | 267 | 180 | -33% |
| Profit After Tax | 702 | 656 | -6% |
| % | 15% | 13% | |
| EPS (Diluted) | 11.7 | 11.0 | -6% |

* includes share of profit from associates