

Media Statement by the Chairman on the Report submitted by Special Auditor to DoT.

Mumbai, October 15, 2009:

Good afternoon – I thank you all, for being on this call at short notice.

It is a matter of deep regret that over the past few days, a vicious and mala fide campaign of falsehoods and disinformation has been conducted against the Reliance Anil Dhirubhai Ambani Group.

All of you from the national media are fully aware of the hands of our known corporate rivals behind these nefarious activities, including inter alia:

- circulation of e-mails from false IDs
- distribution of papers in unsigned and unmarked envelopes
- spreading of false and vicious rumors regarding the company and its employees
- drumming up of motivated propaganda; and
- unleashing a campaign of calumny and disinformation

This sequence of events has been accompanied by the usual hammering of our group stocks, to create panic and loss of confidence, and to cause huge losses to over 11 million loyal shareholders of our Group.

There is a familiar pattern to these events.

Nearly 2 years ago, in 2007-08, when we were launching our Reliance Power IPO, and on its listing, there was a similarly vicious campaign of disinformation and hammering of our stocks to sabotage the IPO.

This time too, all these events are being stage-managed and blown out of proportion by our known corporate rivals, at a time when there are important developments concerning our Group:

- (1) We have filed the draft prospectus for the Reliance Infratel IPO, which we hope to go ahead with, based upon receipt of approvals in due course; and
- (2) The all-important hearings in the gas matter are coming up before the Hon'ble Supreme Court early next week.

It is shocking to me that a series of non-issues are being sensationalised and baseless allegations have been levelled against one of our group companies, Reliance Communications, over the past few days.

As per the license terms and conditions, DoT had appointed special auditors in early 2009 to examine the records of all major telecom operators, including RCOM, Bharti Airtel, Vodafone, Tata, and Idea.

For the past 5 days, even before a copy of the alleged special audit report on RCOM was made available to us, selective extracts from the same were shockingly leaked and widely distributed to the media – clearly indicating the hidden intent and mala fide design.

I must straightaway point out that whatever alleged remarks the special auditor has arrived at are completely unilateral, biased and prejudiced, because, contrary to basic standards of professional conduct, and against all auditing norms and practices, the alleged report/findings have not even been discussed by the special auditors with RCOM till date – even though they have been conducting the audit for the past more than 6 months.

In addition, the special auditors, apparently at the instance of our corporate rivals have far exceeded their terms of reference and recorded unwarranted and completely incorrect findings on matters beyond the scope of their audit, thereby again demonstrating their bias and prejudice.

There has been a lot of unnecessary and wild speculation in some sections of the media on the comparison between RCOM's revenue as per TRAI figures and as per RCOM's financial accounts, as commented upon by the special auditors.

The most crucial aspect of the matter, which is conveniently being ignored, is that all these revenue figures have been reported by the company, RCOM itself in its filings with (a) the stock exchanges (b) DoT and (c) TRAI from quarter to quarter, over the last many years, and this is not something that has been "discovered," as made out by a section of the media, by the special auditors.

The fact is and I want to reiterate:

1. That there is no irregularity or discrepancy in RCOM's accounts;
2. That these accounts have been duly audited by reputed statutory auditors such as KPMG;
3. That these accounts have been subjected to the peer group review by auditors appointed by SEBI as recently as in May 2009.
4. That these accounts have been prepared in accordance with generally accepted Indian accounting standards and principles;
5. That these accounts are in line with telecom and general industry practice.

I would also like to reiterate that: RCOM is fully compliant with:

1. All SEBI disclosure guidelines;
2. Listing guidelines of the stock exchanges; and
3. All relevant provisions of the Companies Act, 1956.

RCOM will discuss the issues raised in the special audit report with DoT and/or other authorities, as may be required – as there are apparently several industry issues arising from the report, and there may be a handful of company specific issues.

Upon examination of all these issues, if there are any legitimate dues found payable towards licence fees, RCOM shall naturally make payment of the same, as per the license terms and conditions.

Besides the above:

1. We are lodging a formal complaint with SEBI to probe the hammering of our group stocks over the past few days.
2. We are lodging a formal complaint with the cyber crime police authorities to investigate the dissemination of false and malicious e-mails against our group from bogus IDs.
3. We will take up the conduct and actions of the special auditors with the Institute of Chartered Accountants of India through our statutory auditors.

We have successfully defeated all such motivated campaigns conducted against us in the past, and we are confident of doing so even in this latest round.

Meanwhile, I look forward to the continued support of our over 11 million shareholders, and am confident they will continue to extend their support to us, despite this latest campaign of disinformation being perpetrated by our known corporate rivals to impair our growth prospects.

I also take this opportunity to wish all of you a Happy Diwali and a prosperous New Year!