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*For Immediate Release*

## **Sistema Shyam TeleServices Ltd Announces Financial Results for the Third Quarter Ended September 30, 2011**

**Gurgaon, India, 12<sup>th</sup> December 2011** – Sistema Shyam TeleServices Ltd. (SSTL), which operates its telecom services under the MTS brand in India, today announces its unaudited consolidated US GAAP financial results for the third quarter ended September 30, 2011.

### **Key Financial & Operational Highlights for the Third Quarter of 2011**

- Consolidated revenues up by 18% Q-o-Q to INR 3,282 million (USD 72 million). Quarterly revenues continue to grow faster than wireless (Voice & Data) subscriber base, which was up by 13% to 13.27 million.
- Non-voice revenues from both data and mobile VAS for the quarter up by 32% Q-o-Q to INR 1,052 million (USD 23 million), which now contributes 32% of total revenue and the contribution has increased by 3.4 p.p for the quarter.
- Blended mobile ARPU for the quarter increased to INR 85 vs. INR 82. The increase in ARPU is in contrast to a declining trend in the market.
- SSTL's data card subscriber base for the quarter up by 30% to 1.07 million subscribers. SSTL added 0.25 million data card subscribers during the quarter, highest additions in a quarter till date.
- Consolidated OIBDA loss for the quarter stands at INR 4,584 million (USD 100 million). OIBDA margins improved 7 p.p. Q-o-Q.
- SSTL launched, MTS MTAG 3.1 and MTS Livewire, India's most affordable Android powered Smartphones in the Sub INR 5,000 category. With the launch of affordable Smartphones, SSTL takes the power and appeal of Android to the masses.

**According to Vsevolod Rozanov, President and Chief Executive Officer of Sistema Shyam Teleservices Ltd,** "SSTL has once again demonstrated robust growth across its key business metrics. The market response to our data centric: voice enabled strategy continues to be extremely positive. Infact, Government's intent to increase broadband penetration in the country, as outlined in the Draft National Telecom Policy 2011 also supports our business strategy. However, we are awaiting further clarity on issues, such as additional spectrum availability. In spite of all these challenges, we are committed to further drive growth in data usage amongst the masses, with smartphones and tablets playing a major role in this process"

**Financial Summary:**

<i>INR million</i>	<i>Q3 '11</i>	<i>Q3'10</i>	<i>Y-o-Y</i>	<i>Q2'11</i>	<i>Q-o-Q</i>
Revenues	3,282	1,461	125%	2,782	18%
OIBDA	-4,584	-3,982	-15%	-4,101	-12%
<i>-margin</i>	<i>-140%</i>	<i>-272%</i>	<i>132p.p.</i>	<i>-147%</i>	<i>7p.p.</i>
Net Income	-10,097	-4,940	-104%	-6,576	-54%
<i>-margin</i>	<i>-308%</i>	<i>-338%</i>	<i>30p.p.</i>	<i>-236%</i>	<i>-72p.p.</i>

SSTL's mobile subscriber base increased by 13% quarter-on-quarter and reached 13.27 million customers as of 30<sup>th</sup> September, 2011. The growth in subscriber base of the company was largely driven by further strengthening of the distribution network, an increase in its retail universe across India and increased contribution from newly launched circles. Mobile subscribers' MoU for Q3 2011 declined to 291 min vs. 294 min in Q2 2011; the decline in MoU was mainly because of the decreasing share of free on-net minutes and also due to seasonal dip in the subscriber's activity.

Industry net subscriber addition in Q3 2011 dipped further to 22 million compared to 39.9 million in Q2 2011. Total subscriber base reached 874 million and wireless tele-density was 73% at the end of Q3 2011. SSTL's subscriber market share increased to 1.52% in Q3 2011 (vs. 1.38% in Q2 2011).

SSTL reported an OIBDA loss of INR 4,584 million for Q3 2011, reflecting an improvement in OIBDA margin by 132 p.p. Y-o-Y, margins improved as a result **of 125% revenue growth over Q3 2010, the revenue growth was driven by 100% increase in subscriber base over Q3 2010. By the end of Q3 2011, SSTL's high speed mobile data services cover more than 200 cities in India, including all five metros. The number of data subscribers increased by 30% over Q2 2011 to 1.07 million.**

SSTL's bottom line during the quarter was impacted by increased forex charges. The Rupee has depreciated considerably against Dollar and other foreign currencies thus resulting in increased forex charges on long term Foreign Currency denominated loans.

**Sergey Savchenko, Chief Financial Officer of Sistema Shyam Teleservices Ltd., commented, "One of the key highlights of our Q3-2011 results is that our Non Voice Revenue growth continues to be higher than the industry. Contribution of Non Voice Revenues to overall revenues increased to 32% during the current quarter, an increase of 3.4 p.p. over the last quarter. During the quarter our blended mobile ARPU increased in contrast to a declining trend in the market, this is again a strong reflection of our continued efforts to target quality customers."**

The CAPEX investments made by SSTL in India at the end of Q3 2011 stands at INR 62.43 billion; this includes the investment of INR 1,617 million made during Q3 2011. Consolidated debt from banks and financial institutions at the end of Q3 2011 stands at INR 68.6 billion.

**Since End of Q3 2011**

- SSTL added another chapter to its blueprint to provide Super Fast Internet across India. The Company launched Seamless High Speed Connectivity across Chennai-Bengaluru stretch of National highway 04 making it the second highway to have HSD services. Incidentally, Delhi-Jaipur stretch of National Highway 08 was also the first highway to have HSD services, launched by SSTL.
- SSTL launched International Roaming for its customers. SSTL partnered with 433 GSM Networks in 231 Countries. With this launch, SSTL becomes the first Telecom Operator in the country to launch international data roaming for CDMA prepaid customers.

**About Sistema Shyam TeleServices Ltd**

Sistema Shyam TeleServices Ltd. (SSTL) is a venture, involving equity participation by Sistema {LSE: SSA} of Russia, the Russian Federation and the Shyam Group of India. Sistema is the majority shareholder in the company which operates its telecom services under the MTS brand. MTS is well recognized in India and worldwide for its commitment to high quality and innovative telecom solutions. MTS has recently been ranked by Millward Brown as 80th most valuable brand in the world. In a short span of time, MTS in India has secured over 14 million wireless subscribers and under the MBlaze brand provides mobile broadband services to more than 1.2 million customers in over 200 cities across the country.

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