



a step ahead

*For Immediate Release*

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

**Gurgaon, India, 07<sup>th</sup> September 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 second quarter ended June 30, 2011.

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

- Consolidated revenues up by 18% Q-o-Q to INR 2,782 million. Quarterly revenues continue to grow faster than wireless (Voice & Data) subscriber base, which was up by 17% to 11.7 million.
- Non-voice revenues from both data and mobile VAS for the quarter up by 36% Q-o-Q to INR 796.9 million, which now contributes 29% of total revenue and the contribution has increased by 3.8 p.p for the quarter.
- Blended mobile ARPU for the last three quarters remained consistent at INR 82, as against a declining trend in the market
- SSTL's data card subscriber base for the quarter up by 40% to 820,000 subscribers. SSTL added 236,000 data card subscribers during the quarter, highest additions in a quarter till date.
- Consolidated OIBDA loss for the quarter stands at INR 4,101 million. OIBDA margins improved 46 p.p. Q-o-Q.
- Looking beyond Q2 2011, SSTL successfully launched world's first CDMA EV-DO Rev. B Phase II network. The network has been launched in the city of Jaipur, with more cities to follow subsequently.

**According to Vsevolod Rozanov, President and Chief Executive Officer of Sistema Shyam Teleservices Ltd,** "In spite of the continued challenges faced by the telecom industry in India, SSTL is on track to successfully execute its data centric: voice enabled strategy. We have received an extremely favorable response from the market to our strategy. We remain committed to be a "Step Ahead" of competition, when it comes to focusing on innovation and delivering greater customer value to all our wireless customers."

## Financial Summary

INR million	Q2 '11	Q2'10	Y-o-Y	Q1'11	Q-o-Q
Revenues	2,782	1,055	164%	2,362	18%
OIBDA	-4,101	-3,882	-6%	-4,552	11%
-margin	-147%	-368%	221p.p.	-193%	46p.p.
Net Income	-6,576	-6,613	1%	-6,664	1%
-margin	-236%	-627%	391p.p.	-282%	46p.p.

SSTL's mobile subscriber base increased by 17% quarter-on-quarter and reached 11.7 million customers as of June 30, 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 contribution by newly launched circles. Mobile subscribers' MoU for Q2 2011 declined to 295 min vs 305 min in Q1 2011; the decline in MoU was mainly because of the decreasing share of free on-net minutes.

Industry net subscriber addition in Q2 2011 dipped to 39.9 million compared to 59.4 million in Q1 2011. Total subscriber base reached 852 million and wireless tele-density was 71% at the end of Q2 2011. SSTL's subscriber market share increased to 1.38% in Q2 2011 (vs. 1.24% in Q1 2011).

SSTL reported an OIBDA loss of INR 4,101 million for Q2 2011, reflecting an improvement in OIBDA margin by 221 p.p. Y-o-Y, margins improved as a result of **164% revenue growth over Q2 2010 the revenue growth was driven by 131% increase in subscriber base over Q2 2010. By the end of Q2 2011, SSTL expanded its high speed mobile data services to more than 200 cities in India, including all five metros. The number of data subscribers increased by 40% over Q1 2011 to 820,000.**

**Sergey Savchenko, Chief Financial Officer of Sistema Shyam Teleservices Ltd., commented, "One of the key highlights for our Q2-2011 results is that our revenue growth continues to be faster than our growth in wireless subscribers. In the current quarter our blended mobile ARPU remained consistent as against a declining trend in the market, this is a strong reflection of our continued efforts to target quality customers. Our HSD services now cover more than 200 cities across India, up from 130 cities in Q1 2011, showing our continued effort to further expand our data services footprint across the country."**

The CAPEX investments made by SSTL in India at the end of Q2 2011 stands at INR 60.8 billion; this includes the investment of INR 2,527 million made during Q2 2011. Consolidated debt from banks and financial institutions at the end of Q2 2011 stands at INR 57,367 million.

Additionally, in May '11 SSTL adopted a regional operating structure in view of the company's rapidly expanding voice and data services across the country. As per the new structure, operations of all circles across India are divided into four regions i.e. North, East, South and West. The structure was put in place to enable faster decision making and ensuring flawless execution of the company's data centric- voice enabled strategy.

### **Since End of Q2 2011**

- One of the significant milestones achieved post Q2 2011 includes SSTL crossing the 1 million data card subscriber mark.
- SSTL successfully launched world's first CDMA EV-DO Rev. B Phase II network in India. The network has been launched in the city of Jaipur, with more cities to follow subsequently.
- SSTL in July '11 started phased roll out of HSD services on major highways across the country and was the first telecom operator in India to launch Seamless High Speed Connectivity on a major National Highway. As a part of this strategic initiative Delhi – Jaipur stretch of National Highway 08 now has seamless HSD connectivity.
- SSTL in July '11 also expanded its Board of Directors in compliance with the Indian telecom licensing norms with appointment of two Directors and two Independent Directors taking the total strength to 13 members.

### **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 13 million wireless subscribers and under the MBlaze brand provides mobile broadband services to more than 1,000,000 customers in over 200 cities across the country.

### **For more information please contact:**

Viraj Chouhan  
Corporate Communications- Director  
Sistema Shyam TeleServices Ltd.  
Viraj.chouhan@mtsindia.in  
+91 9136404000