



For Immediate Release

Sistema Shyam TeleServices Ltd Announces Financial Results for the First Quarter Ended March 31, 2011

Gurgaon, India, 7th June 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 first quarter ended March 31, 2011.

Key Financial & Operational Highlights For The First Quarter 2011

- Consolidated revenues up by 22% Q-o-Q to INR 2,362 million. During the quarter, Revenue growth has been faster than the growth in total wireless (Voice & Data) subscriber base, up by 19% to 10.05 million.
- Blended mobile ARPU for the quarter remained consistent at INR 82, as against a declining trend in the market.
- High-speed data (HSD) services expanded to 130 cities of India by the end of Q1 2011. Currently, MTS' HSD services are present in over 150 cities.
- In line with “Data Centric- Voice enabled” strategy, SSTL branded and launched the android 2.1 powered HTC Iris smart phone as “MTS Pulse”. This launch set a new trend in India as MTS Pulse was offered for FREE to customers as part of a bundled offer. Further, SSTL’s data card subscriber base for the quarter up by 36% to 0.58 million.
- Non-voice revenues from both data and mobile VAS for the quarter up by 33% Q-o-Q to INR 588 million, which contributes 25% of total revenue and the same has increased by 2 p.p for the quarter.
- Consolidated OIBDA loss for the quarter stands at INR 4,552 million.

Vsevolod Rozanov, President and Chief Executive Officer of Sistema Shyam Teleservices Ltd., commented, “We are pleased to report the continued success of our “Data centric - Voice enabled” strategy. For the first time, our revenue growth during the quarter was faster than our growth in wireless subscribers. This is a strong reflection of our continued efforts to target quality customers. Further blended mobile ARPU also remained consistent as against a declining trend in the market. The quarter also saw the launch of MTS Pulse, which in turn has set a new trend in marketing smart phones in the country. Additionally, in sync with the global appeal of MTS’ brand, now ranked 80th amongst the top 100 most valuable brands in the world as per the latest Millward Brown report, the quarter saw the unveiling of our new brand identity with the tagline, “A Step Ahead”. Looking ahead, our endeavor is to further drive the same momentum forward.”

Financial Summary

<i>INR million</i>	<i>Q1 '11</i>	<i>Q1'10</i>	<i>Y-o-Y</i>	<i>Q4'10</i>	<i>Q-o-Q</i>
Revenues	2,362	786	201%	1,937	22%
OIBDA	-4,552	-3,526	-29%	-3,647	-25%
<i>-margin</i>	-193%	-449%	256 p.p	-188%	-5 p.p.
Net Income	-6,664	-4,081	-63%	-6,051	-10%
<i>-margin</i>	-282%	-519%	237 p.p	-312%	30 p.p.

SSTL's mobile subscriber base increased by 19% quarter-on-quarter and reached 10.05 million customers as of March 31, 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 Q1 2011 stayed approximately at the same level Q-o-Q at 305 min.

The Wireless industry grew robustly in Q1 2011 and added 59M subscribers. Total subscriber base reached 812M and wireless tele-density was 68% at the end of Q1 2011. MTS India subscriber market share increased to 1.24% in Q1'11 (vs. 1.12% in Q4'10).

SSTL reported an OIBDA loss of INR 4,552 million for Q1 2011, reflecting an improvement in OIBDA margin by 256 p.p. Y-o-Y, as a result of **201% revenue growth during the same quarter of the previous year. The revenue growth was driven by 168% increase in subscriber base over Q1 '10. At the end of Q1 2011, SSTL expanded its mobile data services to 130 cities in India, including all five metros. The number of data subscribers increased by 36% over Q4 '10 to 580,000.**

The CAPEX investments made by SSTL in India to date stand at INR 58 billion; this includes the investment of INR 2,971 million made during Q1 2011. Consolidated debt from banks and financial institutions now stands at INR 55,841 million.

Looking beyond Q1 2011, SSTL in May 2011 awarded the world's first CDMA EV-DO Rev. B Phase 2 commercial contract. The company plans to commence roll out of EV-DO Rev. B in Rajasthan by Q3 2011.

Completion of Allotment Of Shares To The Russian Federation

On 25th March '11, SSTL completed all formalities relating to the allotment of shares to the Russian Federation. The Company issued 54,73,12,918 equity shares to the Federal Agency for State Property Management of the Russian Federation ("Rosimushchestvo") against the funds equivalent of INR 26,988 million (i.e. US\$ 600 million approx) received in December 2010. SSTL plans to utilize all the funds to finance the continued development of the Company, and in particular to strengthen its leading position in wireless broadband. The funds will also be used to expand the branded retail network across the various telecommunication circles and to further accelerate the proliferation of the Company's telecom services in a number of new circles.

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 11 million wireless subscribers and under the MBlaze brand provides mobile broadband services to more than 700,000 customers in over 150 cities across the country.

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