



SISTEMA SHYAM TELESERVICES LTD.

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Certain statements in this presentation may contain assumptions or forecasts in respect to forthcoming events. The words “expect”, “estimate”, “intend”, “will”, “could” and similar expressions identify forward-looking statements. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not intend to update these statements to reflect events and circumstances occurring after the above-mentioned date or to reflect the occurrence of unanticipated events. Many factors could cause actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, deteriorating economic and credit conditions, our competitive environment, operating risks, rapid technological and market change in our industries, as well as many other risks.

Past...

- Successfully navigated challenging 12 months
- Managed costs, maintained team, improved financials

Present...

- Enhanced footprint: more carriers, large demographic and data potential coverage
- Clear data driven strategy with superior quality
- Rationalising regulatory landscape and lower competition

Look to the future...

- Establish operator of choice for data
- Create high in class LTE experience in India
- Monetise through consolidation
- Breakeven end 2014 / H1 2015

SSTL is well placed to turn the page on historic challenges and capture the Indian market opportunity

1 *Experience has shown the need to focus on data:*

- India is one of the best data growth stories globally
- Subscribers have no real preference for GSM or CDMA
- Coverage and quality of services are number one consumer factors

2 *Auctions resulted in an excellent platform for data-driven strategy:*

- 3 carrier slots substantially improve quality
- Sharper focus on circles with greatest data potential – plays to MTS brand positioning
- Tech neutrality allows LTE roll out

3 *Strategy geared towards creating the best LTE experience in India:*

- Optimise existing business
- Reach breakeven and improve sales and distribution
- Expand data services and strengthen brand
- Migrate and launch LTE

New strategy focused on strengthening the brand and creating the number one player in data services segment

Changes in auction terms (compared to November 2012)

- Reserve prices of spectrum in 800 MHz band reduced by 50% compared to November 2012 prices or 75% since first price recommendation in April 2012
- Government allowed the full offset of SSTL licence fees paid in 2008

SSTL strategy in Auction 2013

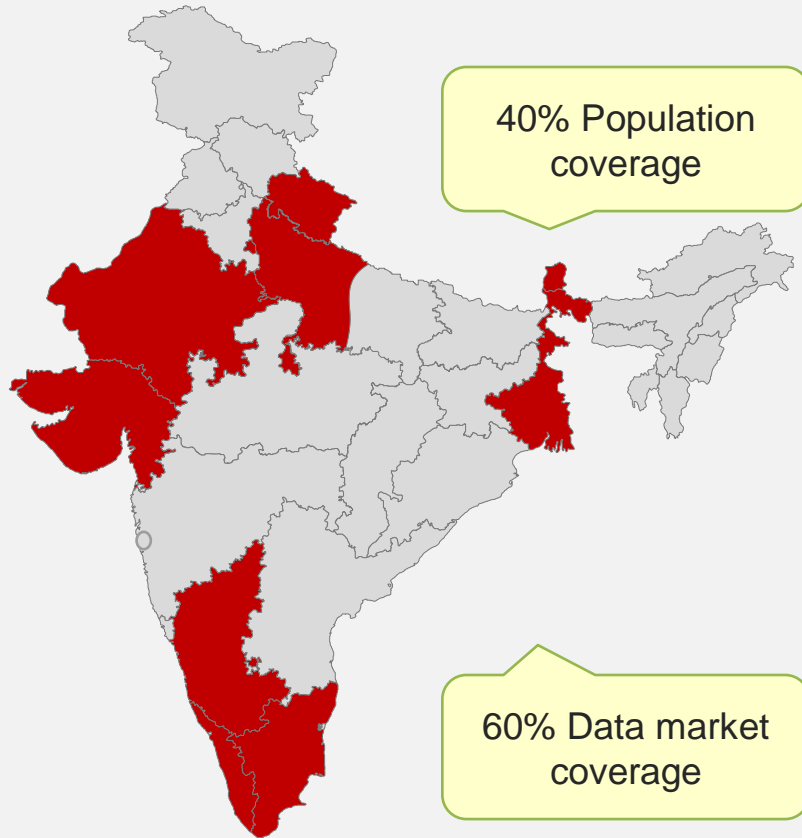
- Secure 8 most attractive circles (3 carriers in each)
- Circles with minimum period to OIBDA breakeven
- Minimise expenses in 2013 for spectrum acquisition using the offset for previous licence payments in 2008
- Focus on circles with greatest data potential and LTE opportunity

Results of auction

- Secured spectrum in 800 MHz band in all 8 circles
- Purchased on reserve prices for about US\$ 678 mln
- Payments for spectrum to be made in the following order: 25% advance payment, 75% by deferred payments in 10 equal annual installments at 9.75% per annum (cumulative) starting from 2016
- No payments in 2013 because of offset of licence costs paid in 2008 (US\$ 296 mln) which account for 45% of reserve price
- Deferred payments from 2016 will amount up to US\$ 73 mln per year for 10 years

Successfully implemented auction strategy, securing the most attractive circles at a substantially reduced cost

*Geographic coverage



 Circles of Presence after auctions

Circle Selection Parameters

- 1 **Maximize data market coverage** through choice of data heavy circles
- 2 Focus on locations where **coverage benefits of 850 MHz can be leveraged as** a means of competitive advantage
- 3 Circles where path to **5MHz spectrum is available****
- 4 Circles where **spectrum is available at a viable / optimal price**
- 5 Circles with an **early breakeven profile**

**Delhi, Kolkata, Rajasthan, Gujarat, Karnataka, Tamil Nadu, Kerala, Uttar Pradesh (West) & West Bengal*

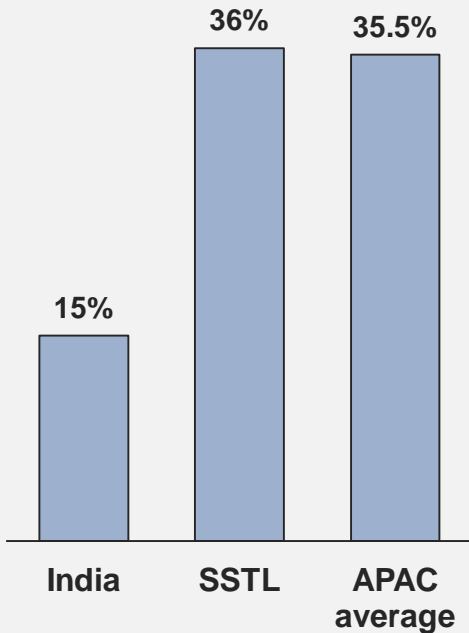
*** With the exception of strategic metro circles of Delhi and Kolkata*

- Excellent coverage of potential data market – 60% of the entire Indian market
- Safeguarded 75% of revenues despite closure of 13 circles

Circle	No. of players	% Revenue Contribution in Indian market	Data potential	# of >0.5 M population cities	HH Income > Rs 5 lpa Mn (% share)	Share in SSTL revenue
Gujarat	9	5.8%	6.2%	11	8.4%	1.7%
Karnataka	8	7.1%	11.0%	11	5.8%	16.5%
Tamil Nadu	8	8.8%	14.9%	12	7.9%	9.3%
Kerala	8	4.3%	4.7%	11	5.1%	3.7%
Rajasthan	7	5.0%	2.1%	6	3.9%	15.2%
Uttar Pradesh (W)	7	4.3%	3.9%	25	8.2%	2.7%
West Bengal	8	3.3%	1.6%	8	3.5%	11.6%
Delhi	7	8.3%	12.9%	1	6.2%	8.9%
Kolkata	8	2.5%	3.8%	1	3.8%	5.5%
TOTAL in 9 circles out of 22	n/a	49%	61%	86	53%	75%

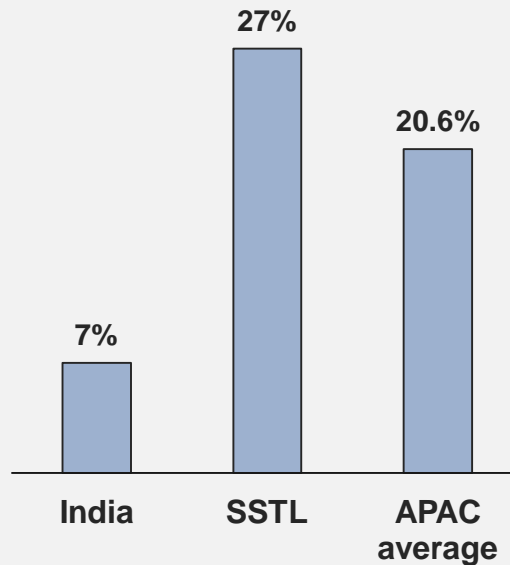
Strong fundamentals and excellent growth opportunity across all nine circles

Data revenue as a percentage of ARPU



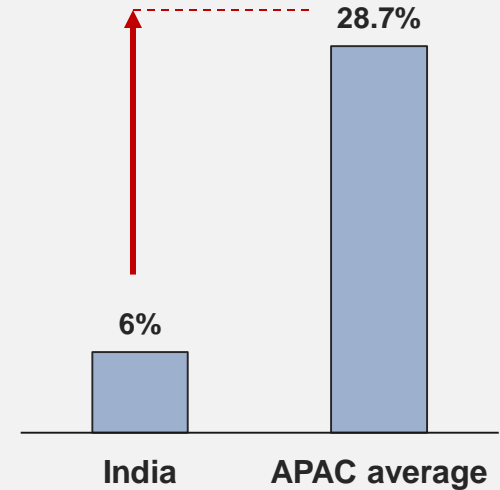
* UBS research, company's data

Ex-SMS data revenue as a percentage



* UBS research, company's data

Smartphone Penetration

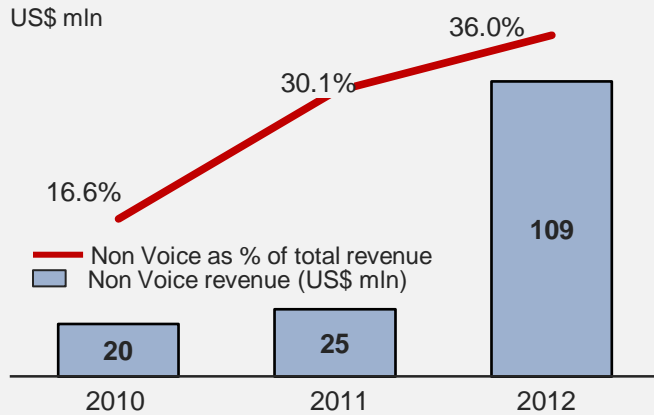


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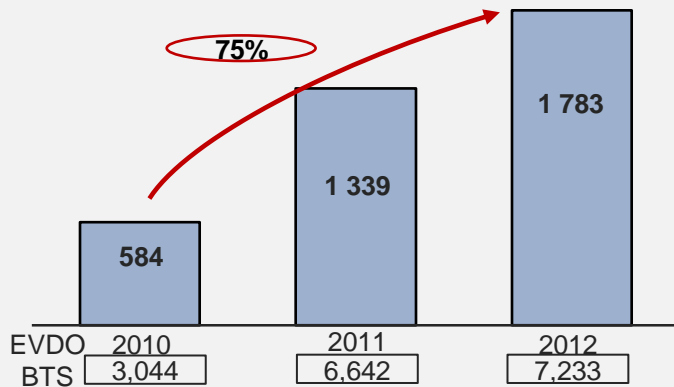
Amongst the APAC countries India has one of the highest potential for growth of data consumption over the course of the medium and long term

Demand for data services historically...

SSTL Non Voice Revenues

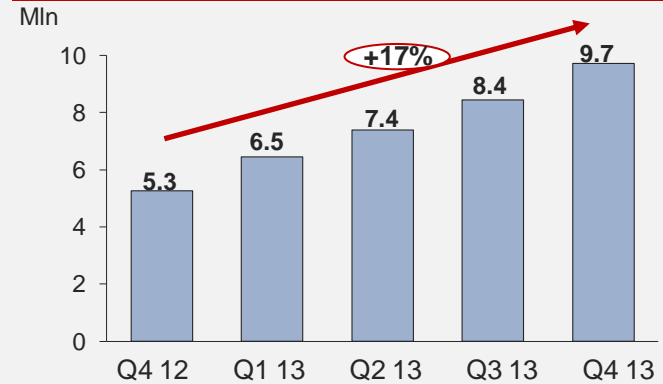


SSTL Data Card Subscribers ('000)

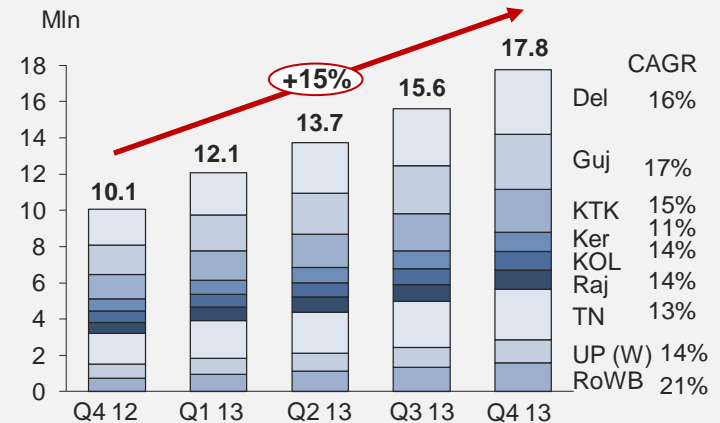


Excellent outlook for nine circle ...

9 Circles: Data active subscribers

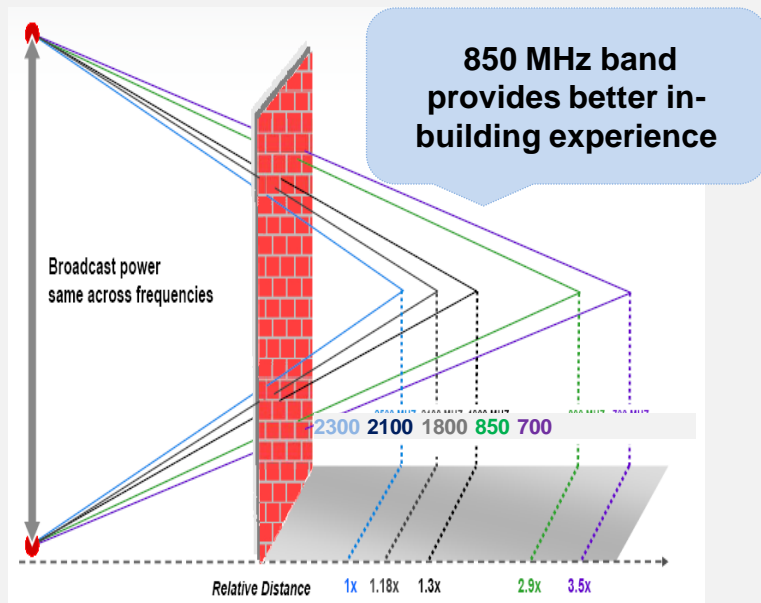


9 Circles: Smartphone active subscribers



Source: Company Data, market research

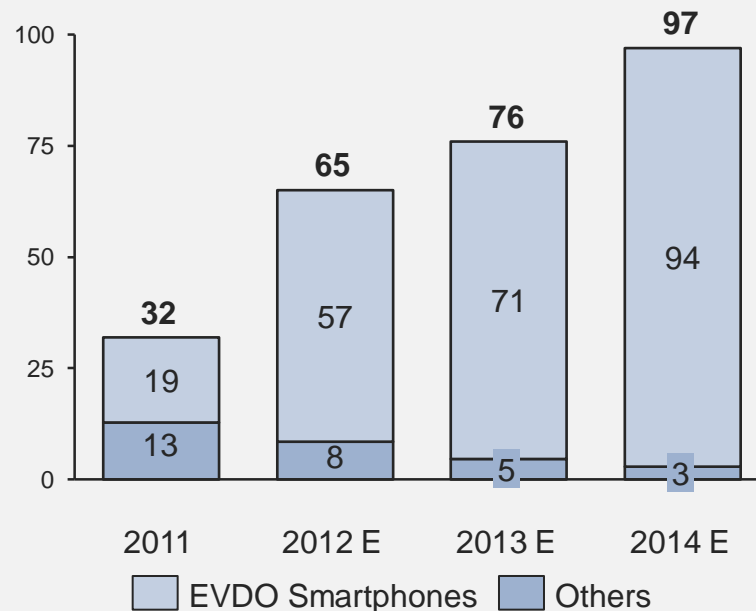
...CDMA experience in 850MHz superior to 3G...



Customer experience on 800 MHz far superior than 2100 MHz 3G experience

...EVDO SP devices might get a boost due to China Telecom's focus on SPs

CT's shipments in mln



Over 97% of China Telecom's procurements in 2014 expected be in EVDO SPs

LTE ecosystem on 850 MHz already exists

850 MHz is a standard LTE band (band 5)

A study by RFMD forecasts that almost all 4G device chipsets will support band 5

- Out of forecasted ~600+ Mn shipments in '14 only <~10 Mn may not support band 5

Can be rolled out on scarce spectrum

Narrow band LTE standards support roll-out even on single 1.4 MHz carrier

Superior customer experience

Speeds and capacity available on broadband LTE (>5MHz) are superior to any technology

Even on Narrow band (1.4MHz) LTE deployment, LTE user experience is far superior to CDMA Rev A

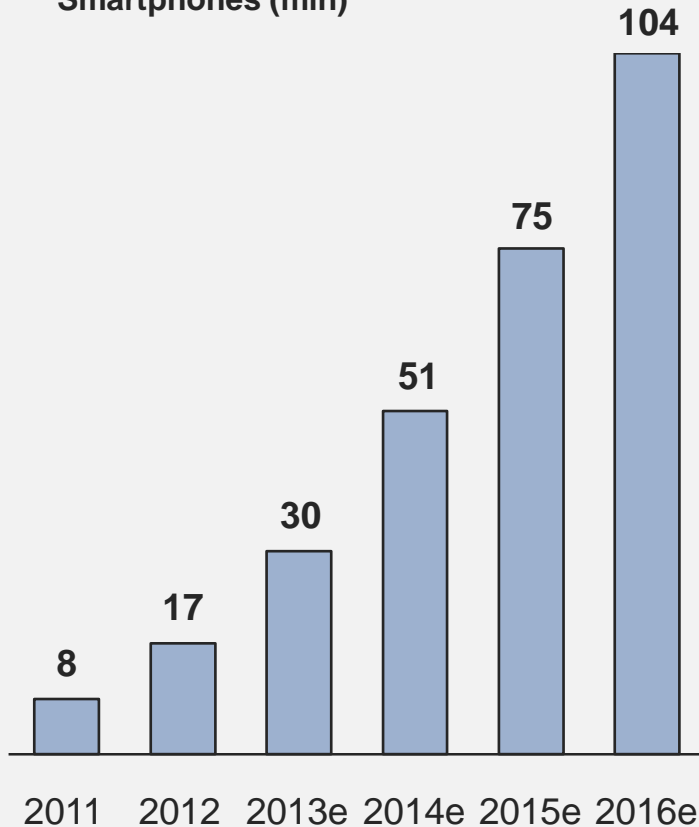
Examples of roll-out

Currently LTE on band 5 is being rolled out in some geographies, like South Korea (LG Uplus, SK Telecom)

850MHz spectrum provides an opportunity for SSTL to migrate to LTE and provide users with a better experience than 3G.

LTE roll out expenditures estimated at US\$ 200 mln with potential synergies of US\$ 100 mln

Smartphones (mln)



Source: IDC Forecasts: Smartphones in India

Differentiated focus on Tier 2/3 cities

- Focus on smartphone business in Tier 2/3 cities
- Several reasons make it easier for MTS to compete in these locations:
 - Lower variety and choice of handsets
 - Low cost voice is still the dominant product used on smartphones
 - Existing distribution infrastructure is tuned toward sales in tier 2/ 3 cities

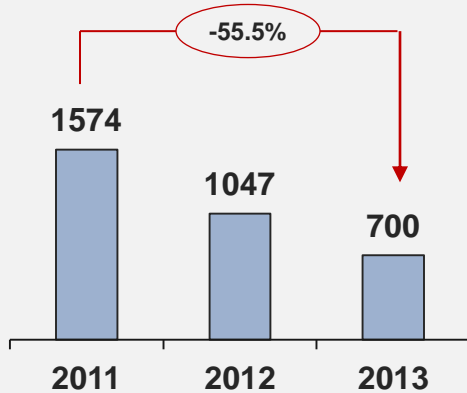
Attractive Voice and Data bundle offers

- MTS in India to offer value low cost voice along with data
- Pricing Data and Voice bundles competitively against the incumbents.

Smartphone opportunity in India will require further strengthening of sales and distribution capabilities across all geographies with particular focus on tier 2 / 3 cities

US\$ mln

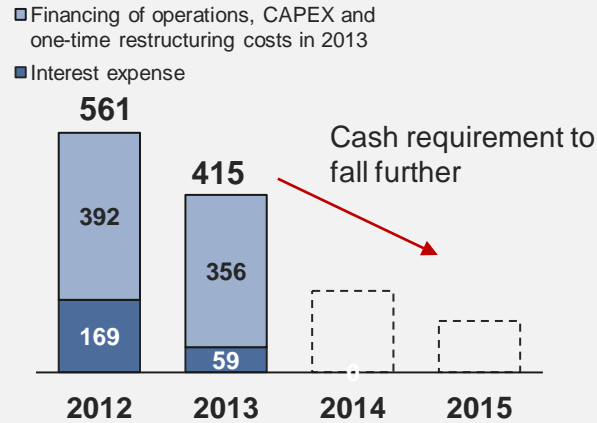
Decreasing debt



- SSTL's debt was substantially reduced in 2012 by Sistema
- Further reduction of debt continued in Q1, with total debt anticipated to fall by end of 2013 subject to applicable instruments
- Majority of remaining debt in dollars and at lower cost

US\$ mln

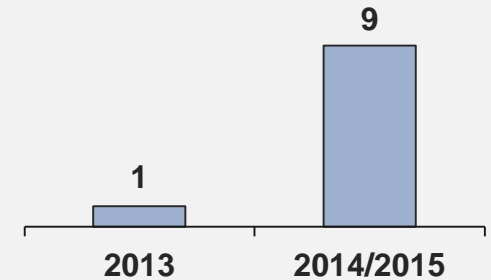
Cash requirement from Hold Co



- Total cash requirement significantly falling the course of the next 3 years
- Cash requirements in 2014 and 2015 are expected to fall to < US\$ 250 mln per year
- One-off restructuring costs spread over 2013 and 2014 and may be reduced further

OIBDA breakeven

Number of profitable circles out of 9



- West Bengal reached OIBDA breakeven in Q4 2012
- Breakeven across all 9 circles expected end of 2014 / H1 2015
- OIBDA losses to dramatically reduce in 2013 and 2014

**Optimised
Operations**

- Fewer circles but still a vast data and demographic potential
- Lower funding requirements and easier road to breakeven
- Existing strong data franchise

**Focused
Strategy**

- Positioned to tap into a unique data growth story
- Greater opportunity and improved quality with 3 carriers
- Clear roadmap to LTE migration and monetisation

**Solid financial
performance**

- Generating value for shareholders through focus on profitability
- Target OIBDA breakeven by end 2014 / H1 2015
- Consider future consolidation opportunities to deliver return

Appendix

Overall Business

- Data focused network operator in India; 23% market share in EVDO data cards
- Created '*Datacard Prepaid Category*'

Spectrum

- High quality, technology neutral spectrum of 3.75 MHz in 8 circles in 850 MHz band

HSD Coverage

- HSD data services in 350+ towns.
- 10 out of top 15 and 30 out of top 50 cities under coverage

Robust Distribution Channel

- Over 2,500+ distributors and 23,000+ unique activating retailers
- 600+ high quality branded retail outlets

MTS Brand

- Amongst top-4 players in data cards category
- Recognized by TRAI for one of the highest customer satisfaction

Operational KPIs (9 Circles)

Parameters	Feb'13
Subscribers	10.58 mln
Data Subs.	1.18 mln

Low data revenues and smartphone penetration than APAC offers opportunity

Countries	Data revenue as a percentage of ARPU	Ex-SMS data revenue as a percentage	Smartphone penetration (%)
Japan	56.40%	56.40%	17.20%
Hong Kong	54.50%	NA	57.50%
Australia	42.80%	25.10%	50.00%
Indonesia	37.90%	14.30%	10.00%
Singapore	36.90%	19.70%	67.00%
New Zealand	36.80%	9.20%	20.00%
China	35.70%	25.80%	12.00%
Malaysia	35.40%	20.30%	22.50%
Korea	33.50%	20.00%	46.50%
Thailand	20.10%	12.60%	13.00%
Taiwan	22.20%	15.80%	22.30%
India	15.00%	7.00%	6.00%
APAC Average	35.50%	20.60%	28.70%