



FOR IMMEDIATE RELEASE

June 2, 2010

## **SITRONICS ANNOUNCES UNAUDITED FIRST QUARTER 2010 FINANCIAL RESULTS**

**MOSCOW, Russia** – June 2, 2010 – JSC SITRONICS ('SITRONICS' or 'the Group') (LSE: SITR), the leading provider of technology solutions in Russia and the CIS, today announced its unaudited consolidated US GAAP financial results for the three months ended March 31, 2010.

### **HIGHLIGHTS**

- Consolidated revenues up 22% year on year to US\$ 190.8 million
- Information Technologies revenues up 73% year on year to US\$ 33.5 million; Microelectronics revenues up 54% year on year to US\$ 44.6 million; and Telecommunication Solutions revenues up 2% year on year to US\$ 107.5 million - all three divisions reported OIBDA profits
- US\$ 14.3 million positive year on year swing in OIBDA\* profitability to profit of US\$ 7.4 million, with an OIBDA margin of 3.9%
- 38% year on year reduction in net loss attributable to SITRONICS to US\$ 25.0 million
- Total assets up 6% year on year to US\$ 1 855.1 million
- US\$ 126.0 million of contracts secured since the announcement of fourth quarter financial results on April 22, 2010 and US\$ 1.1 billion of contracts secured since the beginning of 2009, with approximately US\$ 636.0 million of the pipeline expected to be booked in 2010

Sergey Aslanian, President of SITRONICS, commented: "We continued to capitalize on our market leading positions and solid relationships with both public and private sector customers across a range of industries and geographies in the first quarter, generating healthy year on year sales growth and adding further to our substantial forward contract pipeline. Each of our three business divisions reported OIBDA profits and the Group delivered a 4% OIBDA margin in the seasonally weakest period of the year. Although the macroeconomic environment remains challenging our business is stable and we have continued to win further contracts helping us to drive sales growth.

We have approved an updated business strategy for the three year period, which will allow us to strengthen our presence in the key markets by participating in building of an efficient and innovative economy and the raising of living standards using modern technology."

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\* Here and below OIBDA is defined as operating income before depreciation and amortization. Please see Attachment A to this statement for further information.

## **FINANCIAL SUMMARY**

<i>(US\$ millions)</i>	<b>Q1 2010</b>	Q1 2009
Revenues	<b>190.8</b>	156.9
OIBDA profit/(loss)	<b>7.4</b>	(6.9)
OIBDA margin	<b>3.9%</b>	-
Net loss from continuing operations	<b>(28.3)</b>	(45.7)
Net income from discontinued operations	-	1.5
Net loss attributable to SITRONICS	<b>(25.0)</b>	(40.3)
Total assets	<b>1,855.1</b>	1,744.0

## **OPERATING REVIEW**

### **Group Overview**

The Group generated 22% year on year revenue growth in consolidated revenues in the first quarter of 2010, following healthy year on year sales growth in the Information Technologies and Microelectronics business segments. The revenues were positively impacted by the significant year on year strengthening of some of the Group's operating currencies against its US dollar reporting currency.

The Group has won US\$ 126 million of new contracts since the announcement of its fourth quarter financial results on April 22, 2010, and US\$ 1.1 billion of new contracts since the beginning of 2009. Approximately US\$ 636 million of this revenue pipeline is expected to be booked in 2010.

Total Group operating expenses, excluding depreciation and amortization, were reduced by 10% year on year. Selling, general and administrative expenses, net of stock option expenses and provisions, were up 8% year on year, and research and development expenses were up 15% year on year. This reflected the growth in the Group's revenues, as well as the adverse effect of year on year currency exchange rate movements between some of the Group's operating currencies and its US dollar reporting currency.

The Group therefore reported a US\$ 14.3 million positive year on year swing in OIBDA in the first quarter from a loss of US\$ 6.9 million to a profit of US\$ 7.4 million, and an OIBDA margin of 3.9%.

Group depreciation and amortization costs increased year on year from US\$ 12.7 million to US\$ 23.8 million in the first quarter, which reflected the now full quarterly depreciation of 180 nanometre equipment of SITRONICS Microelectronics business division; the increased amortization of the intangible assets recognized as a results of acquisition of the remaining 49% of SITRONICS IT in 2008; and the depreciation of newly acquired and developed software by the Telecommunication Solutions operations.

Net interest expenses increased year on year from US\$ 10.8 million to US\$ 17.9 million in the quarter due to currency effects arising from the payment of ruble interest on ruble loans, and fluctuations in the Group's borrowing levels in the quarter.

The Group reported a foreign exchange gain of US\$ 10.7 million in the first quarter, compared to a foreign exchange loss of US\$ 19.4 million for the corresponding period of 2009, which reflected the difference in the value of the Group's US dollar denominated borrowings between the balance sheet dates. The Group therefore reported a 38% year on year reduction in the net loss attributable to SITRONICS in the first quarter.

## Segmental Review

### *SITRONICS Telecommunication Solutions*

<i>(US\$ millions)</i>	<b>Q1 2010</b>	Q1 2009
Revenues	<b>107.5</b>	105.6
OIBDA profit/(loss)	<b>6.6</b>	(1.2)
OIBDA margin	<b>6.1%</b>	-
Net loss	<b>(5.5)</b>	(15.5)
Total assets	<b>818.4</b>	845.4

Segment revenues were up 2% year on year in the first quarter and reflected the comparison with relatively high revenues in the first quarter of 2009, and the ongoing impact of the postponement of certain client projects.

The segment reported a US\$ 7.8 million positive year on year swing in OIBDA in the quarter, and an OIBDA margin of 6.1%.

The segment businesses have secured US\$ 60 million of new contracts since the announcement of the Group's fourth quarter financial results on April 22, 2010, and US\$

604 million of new contracts since the beginning of 2009. Approximately US\$ 362 million of this revenue pipeline is expected to be booked in 2010.

Sales of wireless network systems accounted for 23% of segment revenues in the first quarter, whilst sales of telecommunications software including OSS/BSS solutions accounted for 25% of revenues, and outsourcing and other solutions accounted for 52%.

SITRONICS continued to extend its geographical customer footprint and have strengthened its presence in the Middle East and Africa in particular. A new EUR 10 million contract was signed in January to deliver Point-to-Multipoint Wireless Access Systems to the Syrian Telecommunications Establishment, availing telephony and data services to all fixed line subscribers in Syria. SITRONICS has also signed new contracts in West Africa and Bahrain to supply telecommunication services and solutions, of cumulative value worth US\$2.7 million.

A number of new contracts were signed with one of key customers - MTS - to provide technical support for the Foris billing system and supply wireless telecommunications equipment.

SITRONICS has also successfully completed the research into 3G mobile communication standards for Nokia Siemens Networks.

### ***SITRONICS Information Technologies***

<i>(US\$ millions)</i>	<b>Q1 2010</b>	Q1 2009
Revenues	<b>33.5</b>	19.4
OIBDA profit/(loss)	<b>0.8</b>	(2.5)
OIBDA margin	<b>2.5%</b>	-
Net loss from continuing operations	<b>(1.8)</b>	(2.7)
Net income from discontinued operations	-	1.5
Net loss	<b>(1.8)</b>	(1.2)
Total assets	<b>248.3</b>	347.7

Segment revenues were up 73% year on year in the first quarter, which reflected the year on year improvement in the operating environment and further market share gains.

The segment reported a US\$ 3.3 million positive year on year swing in OIBDA, and a 2.5% OIBDA margin.

The segment businesses have secured US\$ 16 million of new contracts since the announcement of the Group's fourth quarter financial results on April 22, 2010, and US\$ 255 million of new contracts since the beginning of 2009. Approximately US\$ 84 million of this revenue pipeline is expected to be booked in 2010.

SITRONICS Information Technologies is one of the leading IT companies in Russia and the CIS. IT Infrastructure and System Integration sales comprised 45% of first quarter segment revenues, while sales of Telecommunications Integration solutions contributed 39% of revenues, and the sale of Business Consulting and IT Outsourcing solutions accounted for 16% of revenues.

The first phase of the e-government project in Bashkortostan has been completed these year and it is the first legally valid system for inter-ministry electronic document management based on a commercial platform to have been developed for one of Russia's regional governments. Certain government services were also automated as part of the project, within the framework of a regional state services portal. Following this successful implementation, SITRONICS intends to actively participate in the development of e-government solutions across the Russian regions.

SITRONICS initiated projects during the quarter to develop educational facilities for Sberbank's Corporate Training Centre in Moscow, and to supply equipment to educational institutions in Bashkortostan. SITRONICS' Multi-service Information Educational Environment solution has now been implemented in more than 700 educational institutions in nine regions of Russia and the CIS.

SITRONICS significantly enhanced its presence in the financial sector in the first quarter by signing agreements with Sberbank in Russia to implement a CRM system, and with leading Russian insurance companies Rosgosstrakh and Rosno to supply vendor software solutions.

### ***SITRONICS Microelectronics***

<i>(US\$ millions)</i>	<b>Q1 2010</b>	<b>Q1 2009</b>
Revenues	<b>44.6</b>	29.0
OIBDA profit	<b>5.9</b>	3.9
OIBDA margin	<b>13.3%</b>	13.5%
Net loss	<b>(12.0)</b>	(5.7)
Total assets	<b>756.4</b>	485.6

Revenues were up 54% year on year in the first quarter, which reflected the year on year improvement in the operating environment and further market share gains.

Segment OIBDA increased by 51% year on year, and the segment delivered an OIBDA margin of 13.3%.

The segment businesses have secured US\$ 50 million of new contracts since the announcement of the Group's fourth quarter financial results on April 22, 2010, and US\$ 246 million of new contracts since the beginning of 2009. Approximately US\$ 190 million of this revenue pipeline is expected to be booked in 2010.

SITRONICS Microelectronics is the market leader in Russia in each of its market sectors, including the production of smart cards and RFID products, and is the number one semiconductor manufacturer in Russia and the CIS. 39% of segment revenues were generated from the sale of integrated circuits, while 28% of sales were generated from RFID products. Smart card sales contributed 32% of segment revenues, and commissioned R&D projects accounted for the remaining 1% of revenues.

An agreement was signed with STMicroelectronics in March 2010 to transfer 90 nanometre integrated circuit production technology to the SITRONICS-Nano joint venture. This technology transfer is a key phase in the joint project to launch mass production of 90 nanometre integrated circuits.

SITRONICS acquired the remaining 35% of SITRONICS Smart Technologies in April 2010 from Giesecke&Devrient. SST is the leading manufacturer of smart cards in Russia and the CIS and serves such clients as MTS, MegaFon, Sberbank of Russia and VTB24.

SITRONICS signed an annual contract in May 2010, to deliver SIM cards one of Russia's largest multi-region mobile operators, SMARTS, which has a subscriber base of over 3.5 million.

SITRONICS conducts R&D projects for the Russian Federal Ministry of Trade and Industry, with which it signed a number of new contracts worth approximately US\$ 30 million in the quarter.

## **FINANCIAL POSITION**

The Group's cash and cash equivalents amounted to US\$ 119.7 million at the end of the period, compared to US\$ 77.1 million at the end of the first quarter of 2009 and US\$ 161.9 million at the end of 2009.

The Group's total borrowings amounted to US\$ 756.5 million at the end of the first quarter, when excluding US\$ 18.8 million of debt borrowed from the SITRONICS and RUSNANO joint venture company, named SITRONICS-Nano, within the framework of the 90 nanometre project. This compared with total borrowings of US\$ 700.3 million at the end of the first quarter of 2009 and US\$ 739.9 million at the end of 2009, when excluding

US\$ 6.0 million dollars of debt borrowed from the SITRONICS-Nano joint venture company. The quarter on quarter increase in borrowings primarily followed the securing of a RUB 400 million loan from Bank of Moscow to support the SITRONICS Microelectronics operations, which will be almost fully repaid by the end of 2010. The Group has continued to renegotiate and extend its short-term borrowing facilities, and the proportion of long-term debt to total debt was 54% at the end of the quarter, compared to 27% at the end of the first quarter of 2009 and 56% at the end of 2009. Approximately 33% of the Group's debt was USD-denominated at the end of the period, with 29% - Euro-denominated, 37% - RUB-denominated and 1% - in other currencies.

The Group's weighted average cost of borrowing was 8.8% as at March 31, 2010, compared to 8.4% at the end of the first quarter of 2009 and 8.6% at the end of 2009.

The Group repaid, refinanced or rescheduled US\$ 17 million of loans in the first quarter 2010 and signed a RUB 4 billion credit agreement with Bank of Moscow in March 2010, and announced in April 2010 that it intends to issue and place RUB 5 billion of three year non-convertible interest-bearing ruble-denominated bonds in two tranches in the coming months. The objective of both initiatives is to refinance the Group's short-term liabilities.

## **OTHER INFORMATION**

### **Conference call**

SITRONICS management will host a conference call today at 4.00 PM Moscow local time, 1.00 PM London local time and 8.00 AM New York local time to present and discuss these results. Participants may dial the following numbers in order to access the call:

UK/ International: + 44 20 7190 1595  
US: + 1 480 629 9770

A replay facility will be made available for 7 days after the call. To access the replay, please dial:

UK/ International: +44 207 154 2833  
US: +1 303 590 3030

The replay access pin code is 4309448#

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SITRONICS is a leading provider of telecommunication solutions, including software, equipment and systems integration, IT solutions and microelectronic solutions in Russia and the Commonwealth of Independent States with a strong presence in Central and Eastern Europe and a growing presence in the Middle East and Africa.

SITRONICS serves over 3,500 clients, maintains offices in 30 countries and exports its products and services to more than 60 countries.

SITRONICS' key Telecommunication Solutions operations are based in Prague (Czech Republic) and Athens (Greece), while the company's IT Solutions and Microelectronics divisions are based in Kiev (Ukraine) and Zelenograd (Russia), respectively.

SITRONICS generated revenues of US\$ 1,024.2 million in 2009 and had total assets of US\$ 1,926.8 million at the end of the year. SITRONICS is majority owned by Sistema, which is the largest public diversified corporation in Russia and the CIS.

*Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of SITRONICS. You can identify forward-looking statements by terms such as "expect," "believe," "anticipate," "estimate," "intend," "will," "could," "may" or "might" the negative of such terms or other expressions. These statements are only predictions and actual events or results may differ materially. We do not intend to or undertake any obligation to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, general economic conditions, our competitive environment, risks associated with operating in Russia, rapid technological and market change in our industries, and other factors specifically related to SITRONICS and its operations.*



## JSC SITRONICS AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED) THE FIRST QUARTER 2010 AND FIRST QUARTER 2009 *(Amounts in thousands of U.S. dollars unless otherwise stated)*

	Q1 2010	Q1 2009*
Revenues	190,773	156,930
Cost of sales, exclusive of depreciation and amortization shown separately below	(138,679)	(114,064)
Research and development expenses	(6,466)	(5,615)
Selling, general and administrative expenses	(42,043)	(42,339)
Depreciation and amortization	(23,766)	(12,660)
Other operating income/(expenses), net	3,799	(1,798)
<b>OPERATING LOSS</b>	<u>(16,382)</u>	<u>(19,546)</u>
Interest income	1,942	1,339
Interest expense	(19,876)	(12,140)
Foreign currency transactions gains/(losses)	10,737	(19,413)
Other non-operating income	143	-
Loss from continuing operations before income tax	<u>(23,436)</u>	<u>(49,760)</u>
Income tax (expense)/credit	(4,864)	4,087
<b>LOSS FROM CONTINUING OPERATIONS</b>	<u>(28,300)</u>	<u>(45,673)</u>
Income from discontinued operations	-	1,473
<b>NET LOSS</b>	<u>(28,300)</u>	<u>(44,200)</u>
Less: net loss attributable to non-controlling interests	3,315	3,919
<b>NET LOSS ATTRIBUTABLE TO SITRONICS</b>	<u>(24,985)</u>	<u>(40,281)</u>

\* The statement of operations has been amended to reflect the disposal of discontinued operations.

Attachment A

*Non-GAAP financial measures.* This press release includes financial information prepared in accordance with accounting principles generally accepted in the United States of America, or US GAAP, as well as other financial measures referred to as non-GAAP. The non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with US GAAP.

*Operating Income Before Depreciation and Amortization (OIBDA) and OIBDA margin.* OIBDA represents operating income before depreciation and amortization. OIBDA margin is defined as OIBDA as a percentage of our net revenues. Our OIBDA may not be similar to OIBDA measures of other companies; is not a measurement under accounting principles generally accepted in the United States and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of operations. While depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. OIBDA can be reconciled to our consolidated statements of operations as follows:

<i>(US\$ 000's)</i>	<b>Q1 2010</b>	Q1 2009
Operating loss	<b>(16,382)</b>	(19,546)
Depreciation and Amortization	<b>(23,766)</b>	(12,660)
<b>OIBDA</b>	<b>7,384</b>	(6,886)
Impairment losses and reserves	<b>(5,362)</b>	(6,989)
Adjusted OIBDA	<b>12,746</b>	103