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# SITRONICS ANNOUNCES FIRST QUARTER 2011 UNAUDITED FINANCIAL RESULTS

**MOSCOW, Russia** – June 7, 2011 – 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, 2011.

## FIRST QUARTER HIGHLIGHTS

- Consolidated revenues up 46% year on year to US$ 277.6 million
- Information Technologies revenues up 208% year on year to US$ 103.2 million; Microelectronics revenues up 52% year on year to US$ 67.9 million; Telecommunication Solutions revenues down 9% year on year to US$ 98.1 million
- OIBDA* of US$ 5.8 million and margin of 2.1%
- Net loss attributable to SITRONICS down 49% year on year to US$ 12.7 million
- Total assets up 8.5% year on year to US$ 2,013.3 million
- US$ 432.5 million of contracts secured since the announcement of the Group's fourth quarter financial results on April 21, 2011, and US$ 1.43 billion of contracts secured since the beginning of 2010, with approximately US$ 884.0 million of this pipeline expected to be booked in 2011

Sergey Aslanian, President of SITRONICS, commented: "Our high level of sales growth in the first quarter was driven by the performance of our Information Technologies and Microelectronics business segments, which completed a number of key projects and secured a number of new contracts. In addition, we booked a higher proportion of hardware equipment sales than usual for the period, as major customers shifted their anticipated purchasing to earlier in the year. All three of our business segments were OIBDA profitable in the quarter and we almost halved our Group net loss year on year. This continues the positive trend of the past year."

"We are on track with our strategy to consolidate and develop our market leading positions and customer relationships with public and private sector organizations in our core vertical and geographical markets. Our status as a preferred supplier of high technology solutions for public sector projects in Russia was reinforced by SITRONICS being entrusted with the important and large scale project to implement an Intelligent Transport System for the City

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

of Moscow. This is a key step in the modernization of Moscow, which will improve the daily lives of millions of commuters and thousands of transport workers."

"We have a healthy forward revenue pipeline following the securing of further contracts since the announcement of our fourth quarter results at the end of April. We continue to expect to outperform industry growth levels in 2011, and raise our full year revenue guidance level to between 15% and 20%. We also continue to expect to maintain our full year 2010 OIBDA margin level in 2011, when excluding the impact of the 90 nanometer technology project, and to generate positive net cash flow from operations, which will be used to invest in the further operational and financial development of the Group."

## FINANCIAL SUMMARY

| *(US$ millions)* | **Q1 2011** | Q1 2010 |
|---|---|---|
| Revenues | **277.6** | 190.8 |
| Total OIBDA | **5.8** | 7.4 |
| OIBDA margin (%) | **2.1%** | 3.9% |
| Net loss attributable to SITRONICS | **(12.7)** | (25.0) |
| Total assets | **2,013.3** | 1,855.1 |

## OPERATING REVIEW

### Group Overview

The Group reported 46% year on year consolidated revenue growth in the first quarter, which primarily reflected the performance of the Information Technologies and Microelectronics business segments.

The Group has now secured US$ 432.5 million of new contracts since the announcement of its fourth quarter financial results on April 21, 2011, and a total of US$ 1.43 billion of new contracts since the beginning of 2010.

Despite the year on year increase in the Group's cost of sales, total operating expenses, when excluding depreciation and amortization charges, only increased by 2% year on year in the first quarter. Selling, general and administrative expenses were up 6% year on year but impairment losses and reserves were more than halved year on year.

The Group therefore reported an OIBDA profit of US$ 5.8 million in the first quarter, compared to a profit of US$ 7.4 million for the corresponding period of 2010.

Group depreciation and amortization charges declined by 21% year on year to US$ 18.8 million, which primarily reflected the end of the useful life of certain intangible assets recognized during the acquisition of INTRACOM TELECOM.

Group net interest expenses declined year on year from US$ 17.9 million to US$ 15.6 million for the period, which reflected the reduction in the Group's weighted average cost of borrowing, as well as the capitalizing during the quarter of interest expenses on borrowings to finance SITRONICS Microelectronics' 90 nanometer project. The Group reported a foreign exchange gain of US$ 10.0 million in the first quarter, compared to a gain of US$ 10.7 million in the corresponding period of 2010, both of 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 49% year on year reduction in the net loss attributable to SITRONICS to US$ 12.7 million for the first quarter of 2011.

## Segmental Review

### *SITRONICS Telecommunication Solutions*

| *(US$ millions)* | **Q1 2011** | Q1 2010 |
|---|---|---|
| Revenues | **98.1** | 107.5 |
| OIBDA | **2.4** | 6.6 |
| OIBDA margin (%) | **2.4%** | 6.1% |
| Net loss | **(9.6)** | (5.5) |
| Total assets | **778.5** | 818.4 |

Segment revenues were down 9% year on year in the first quarter, which primarily reflected the continued challenging market conditions in Greece and a seasonal shift in the typical timing of contract acquisition. The segment therefore also reported a year on year decline in OIBDA and margin in the first quarter.

The segment businesses have secured US$ 27.8 million of new contracts since the announcement of the Group's fourth quarter results on April 21, 2011, and US$ 388.0 million of new contracts since the beginning of 2010.

Sales of wireless network systems accounted for 32.3% of segment revenues for the period, whilst sales of telecommunications software, including OSS/BSS solutions, accounted for 20.4% of revenues. Outsourcing and other solutions accounted for 47.3% of revenues in the first quarter.

INTRACOM TELECOM has signed a number of contracts in Eastern Europe, including with:

- Romania’s National Authority for the Management and Regulation of Communications (ANCOM) in March to supply network equipment and maintenance services
- Telekom Srbija in March and May, respectively, to provide support services and to supply IPTV set-top-box equipment
- Telekom SRPSKE in Bosnia-Herzegovina in March to provide wireless equipment, an IPTV platform and support for an Intelligent Network platform
- Polkomtel (PlusGSM) in Poland in March to provide support services for a Signalling Monitoring System
- Globul, the Bulgarian subsidiary of mobile operator Cosmote, in April to provide INTRACOM TELECOM’s NG IN platform and applications
- Magyar Telecom in Hungary in May to supply the WiBAS next generation broadband wireless point-to-multipoint system

SITRONICS also continued to implement its successful proprietary FORIS billing solutions, which has included the signing of contracts with:

- Mobile TeleSystems in March to provide a range of services to advance the FORIS OSS billing solution; in March to provide technical support and ensure the operation of the Intelligent Network platform; in April to implement FORIS OSS for MTS Uzbekistan and complete the migration of 1.5 million MTS Uzbekistan pre-paid subscribers in the Andijansky region
- Telekom Srbija in March to implement the Mobile Number Portability (MNP) solution
- MGTS in March to provide technical support and launch FORIS InterConnect Systems for inter-operator settlements

### *SITRONICS Information Technologies*

| *(US$ millions)* | **Q1 2011** | **Q1 2010** |
|---|---|---|
| Revenues | **103.2** | 33.5 |
| OIBDA | **1.9** | 0.8 |
| OIBDA margin (%) | **1.9%** | 2.5% |
| Net loss | **(2.2)** | (1.8) |
| Total assets | **365.6** | 248.3 |

Segment revenues more than tripled year on year in the first quarter, due to the delivery of hardware to some of the Group's largest customers within existing service contracts. These contracts were initially scheduled for later in the year, and the shift in timing boosted sales in the first quarter. Segment OIBDA therefore more than doubled year on year, but the segment reported a year on year decline in OIBDA margin due to the lower profitability of the contracts mentioned above.

The segment businesses have secured US$ 58.1 million of new contracts since the announcement of the Group's fourth quarter financial results on April 21, 2011, and US$ 361.8 million of new contracts since the beginning of 2010.

SITRONICS Information Technologies is one of the leading IT companies in Russia and the CIS. IT Hardware Supply accounted for 66.5% of the segment revenues for the first quarter, while sales of System Integration and Support Services contributed 20.7% of revenues for the reporting period, and sales of Business Consulting Services represented 12.8% of revenues in the first quarter.

SITRONICS signed an agreement with MTS in February to create 'Indoor' mobile communications nodes in locations where MTS currently has poor mobile network coverage, during 2011 and 2012.

SITRONICS continued to work with regional governmental organizations and increased its E-government coverage by signing a collaboration agreement with the regional authorities of the Bryansk Region in May to launch an E-government project and develop other information systems.

SITRONICS enhanced its presence in the financial sector by successfully completing IT projects for Sberbank and MBRR in May. SITRONICS completed the third stage of the large-scale project to automate Sberbank's customer relationship management (CRM) system, which now has more than 21,000 users across Russia. The Group implemented an IT Service Management system for MBRR, which allows the bank to improve the performance of its IT department, reduce transaction costs, and enable the centralized management of its IT services. The work with MBRR was completed in less than 5 months and is the first project of its scale implemented in the Russian banking sector.

SITRONICS has continued to consolidate its position in the IT market by implementing projects based on SAP solutions. The Group has implemented an Enterprise Resource Planning (ERP) platform for Bashneft subsidiary Ufaneftechim and plans to implement the ERP platform for other Bashneft subsidiaries including Novoil, Ufa Refinery and Ufaorgsintez. The Group successfully completed the implementation of a complex Business Intelligence platform for MGTS in May, which has provided the operator with the technology to efficiently evaluate its departments and business processes.

### ***SITRONICS Microelectronics***

| ***(US$ millions)*** | **Q1 2011** | **Q1 2010** |
|---|---|---|
| Revenues | **67.9** | 44.6 |
| OIBDA | **8.8** | 5.9 |
| OIBDA margin (%) | **13.0%** | 13.3% |
| Net loss | **(5.2)** | (12.0) |
| Total assets | **819.5** | 756.4 |

Segment revenues were up 52% year on year in the first quarter of 2011, following the completion of a higher number of projects during the period. The segment reported a 49% year on year increase in OIBDA in the quarter and an OIBDA margin of 13%.

The segment businesses have secured US$ 157.3 million of new contracts since the announcement of the Group's fourth quarter financial results on April 21, 2011, and US$ 491.6 million of new contracts since the beginning of 2010.

SITRONICS Microelectronics is the market leading microelectronics company in Russia. 27% of segment first quarter revenues were generated from the sale of integrated circuits, while 28% of revenues were generated from the sale of RFID products. Smart card sales contributed 44% of revenues, and commissioned R&D projects accounted for 1% of revenues for the period.

The Group's increasing work within the banking sector included a new contract to produce and deliver an additional 1 million magnetic strip banking cards to VTB24. SITRONICS has also signed a contract with Svyaznoy Bank to personalize and package magnetic strip banking cards.

The Group's joint project with state corporation RUSNANO to establish a domestic full scale 90 nanometer microchip manufacturing capability is proceeding according to plan. SITRONICS has built new production facilities for the project and conducted training for 150 employees in partner factories outside Russia. The Group is now completing the required equipment installation and configuration. Mass production of 90 nanometer microchips will be initiated by the end of the year and will result in a doubling of Mikron's current production output.

## FINANCIAL POSITION

The Group's total borrowings amounted to US$ 740.9 million at the end of the first quarter, when excluding US$ 55.0 million of debt to the SITRONICS-Nano joint venture. This compared to US$ 756.4 million at the end of the first quarter of 2010 and US$ 699.1 million at the end of 2010. The Group's weighted average cost of borrowing was 7.6% as at March 31, 2011, with approximately 32% of the Group's debt denominated in US dollars, 27% in euros and 41% in rubles.

SITRONICS repaid, refinanced or rescheduled US$ 50.9 million of loans in the first quarter of 2011. The Group also increased its credit line with Bank of Moscow from RUB 300 million to RUB 500 million in February, and signed a new RUB 700 million credit agreement with Bank of Moscow in January. The additional credit facilities were undrawn at the end of the period.

SITRONICS-Nano, which is an affiliate of the Group, signed a RUB 1.8 billion credit agreement with RUSNANO in April 2011. SITRONICS-Nano also signed an agreement in March 2011 with Bank of Moscow to issue a EUR 27 million three year, interest bearing, unsecured and irrevocable letter of credit, which will be used for license and technology transfer projects.

The Group had US$ 170.6 million of cash and cash equivalents at the end of the period, which compared to US$ 119.7 million at the end of the first quarter of 2010 and US$ 261.7 million at the end of 2010.

## 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 1596
US: +1 480 629 9645

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 4442863#

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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 Moscow (Russia), 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$ 1,166.9 million in 2010 and had US$ 2,013.3 million of assets 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.*

**CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**
**THE FIRST QUARTER 2011 AND FIRST QUARTER 2010**
***(Amounts in thousands of U.S. dollars unless otherwise stated)***

| | 1Q 2011 | 1Q 2010 |
|---|---|---|
| Revenues | $ 277,639 | $ 190,773 |
| Cost of sales exclusive of depreciation and amortization shown separately below | (224,554) | (136,827) |
| Research and development expenses | (4,270) | (6,466) |
| Selling general and administrative expenses | (41,005) | (38,533) |
| Depreciation and amortization | (18,807) | (23,766) |
| Impairment losses and reserves | (2,611) | (5,362) |
| Other operating income, net | 557 | 3,799 |
| OPERATING LOSS | (13,051) | (16,382) |
| Interest income | 2,244 | 1,942 |
| Interest expense | (17,795) | (19,876) |
| Foreign currency transactions gains | 9,970 | 10,737 |
| Equity in net income of investees | (1,077) | 143 |
| Other non-operating gains | 7 | - |
| Loss from continuing operations before income tax | (19,702) | (23,436) |
| Income tax benefit/(expense) | 762 | (4,864) |
| **NET LOSS** | **$ (18,940)** | **$ (28,300)** |
| Less: net loss attributable to the non-controlling interests | 6,244 | 3,315 |
| **NET LOSS ATTRIBUTABLE TO SITRONICS** | **$ (12,696)** | **(24,985)** |

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. Adjusted OIBDA is defined as operating income before depreciation and amortization net of impairment losses and reserves. OIBDA can be reconciled to our consolidated statements of operations as follows:

| *(US$ 000's)* | **Q1 2011** | Q1 2010 |
|---|---|---|
| Operating loss | **(13,051)** | (16,382) |
| Depreciation and Amortization | **(18,807)** | (23,766) |
| OIBDA | **5,756** | 7,384 |
| Impairment losses and reserves | **(2,611)** | (5,362) |
| Adjusted OIBDA | **8,367** | 12,746 |