



FOR IMMEDIATE RELEASE

June 2, 2009

## JSC SITRONICS

### UNAUDITED FINANCIAL RESULTS FOR THE FIRST QUARTER 2009

**MOSCOW, Russia** – June 2, 2009 – JSC SITRONICS ('SITRONICS' or 'the Group') (LSE: SITR), a leading provider of telecommunications, information technology and microelectronic solutions in Russia and the CIS, with a growing presence in other EEMEA emerging markets, today announced its unaudited consolidated US GAAP financial results for the three months ended March 31, 2009.

#### HIGHLIGHTS

- Consolidated revenues of US\$ 214.9 million
- Telecommunication Solutions revenues of US\$ 105.6 million; Information Technologies revenues of US\$ 77.3 million; and Microelectronics revenues of US\$ 29.0 million
- OIBDA\* loss of US\$ 3.7 million
- Net loss attributable to SITRONICS of US\$ 19.5 million excluding US\$ 20.8 million of non-cash foreign currency transaction losses
- Total assets of US\$ 1.7 billion
- US\$ 362.4 million of new contracts secured since the beginning of 2009 in addition to US\$ 738.9 million of contracts secured in 2008

Sergey Aslanian, President of SITRONICS, commented: "The revenue decline in the first quarter reflected the tough market conditions, but was accentuated by the deferring of a number of major client projects until later in the year. There is no change to our overall market outlook and we do expect to be OIBDA profitable in both the second quarter and for the full year. Not only have we won over US\$ 362 million of new contracts since the beginning of the year, but we have also successfully refinanced or extended approximately US\$ 220 million of short term debt."

"We continue to focus on maintaining and extending our strong customer relationships with both public and private sector companies in Russia and internationally. We have also continued to implement our cost reduction programme, in order to improve operating efficiency levels, and to adhere to a lower capital expenditure budget for 2009."

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\* 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 2009</b>	Q1 2008	FY 2008
Revenues	<b>214.9</b>	445.8	2,000.9
OIBDA	<b>(3.7)</b>	20.6	133.1
FOREX Gain / (Loss)	<b>(20.8)</b>	1.0	(55.0)
Net loss attributable to SITRONICS	<b>(40.3)</b>	(8.2)	(53.9)
Total assets	<b>1,743.6</b>	2,130.8	2,016.7

## **OPERATING REVIEW**

### **Group Overview**

Consolidated revenues decreased by 42% year on year at constant exchange rates in the first quarter of 2009, due to deferred or reduced client spending, which resulted in the delay or scaling down of a number of projects. The Group has however won US\$ 362.4 million of new contracts since the beginning of 2009, in addition to the US\$ 738.9 million of contracts secured in 2008.

Operating expenses, when excluding depreciation and amortization costs, were down 14% year on year to US\$ 50.2 million in the first quarter, following the implementation of the previously announced cost reduction programme. Selling, general and administrative expenses, net of stock option expenses and bad debt provisions, decreased by 23% year on year. The total number of employees was reduced by 16% between the end of September 2008 and the end of March 2009.

SITRONICS consequently reported an OIBDA loss of US\$ 3.7 million in the first quarter, compared to a profit of US\$ 20.6 million for the same period of 2008.

Depreciation and amortization charges were lower year on year at US\$ 12.7 million in the first quarter, compared to US\$ 15.4 million for the same period of 2008, which primarily reflected the impact of currency exchange rate fluctuations.

The Group's interest expenses increased year on year to US\$ 12.2 million from US\$ 7.2 million in the first quarter of 2008, which was due to the changes in the Group's debt levels and currency exchange rate impacts.

The Group incurred foreign exchange losses of US\$ 20.8 million in the quarter due to the difference in value of the Group's US dollar denominated borrowings between the balance sheet dates.

The Group therefore reported a net loss, when excluding foreign currency transaction impacts, of US\$ 19.5 million in the first quarter of 2009, compared to US\$ 9.1 million for the same period of 2008.

## Segmental Review

### *SITRONICS Telecommunication Solutions*

<i>(US\$ millions)</i>	<b>Q1 2009</b>	Q1 2008	FY 2008
Revenues	<b>105.6</b>	155.3	787.1
OIBDA	<b>(1.2)</b>	6.0	55.1
Total Assets	<b>845.4</b>	1,061.4	977.1

Revenues were down 20% year on year at constant exchange rates and the segment accounted for 49% of Group revenues for the period.

The business reported an OIBDA loss of US\$ 1.2 million in the first quarter of 2009, compared to an OIBDA profit of US\$ 6.0 million for the respective period of 2008.

US\$ 309.7 million of new contracts have been secured since the beginning of 2009.

In April 2009, SITRONICS Telecom Solutions signed two new contracts with a total value of over US\$ 64 million to deliver, deploy and support a CRM and Billing System for pan-Indian telecoms operator Sistema Shyam TeleServices.

INTRACOM TELECOM also signed a US\$ 85 million contract in April to supply radio relay equipment to Sistema Shyam TeleServices. The project is being implemented in cooperation with ZTE and is expected to be completed at the end of 2009.

INTRACOM TELECOM signed a US\$ 4.3 million additional agreement with K-TELECOM in Armenia to supply, install and integrate a 2.5G extension to its mobile network, which is expected to be completed in 2010.

INTRACOM TELECOM also signed a US\$ 2.7 million contract to provide WiBAS equipment to MOLDTELECOM in Moldova. The project is expected to be completed at the end of 2009.

INTRACOM TELECOM launched a Customer Care Management System upgrade for COSMOTE in Greece. The US\$ 1.6 million project is expected to be completed in 2009.

In addition, INTRACOM TELECOM has developed OmniMAX, an advanced WiMAX solution enabling broadband wireless connection for fixed-line and mobile subscribers.

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

<i>(US\$ millions)</i>	<b>Q1 2009</b>	Q1 2008	FY 2008
Revenues	<b>77.3</b>	200.1	873.2
OIBDA	<b>0.7</b>	5.5	52.9
Total Assets	<b>347.3</b>	344.4	435.5

Revenues were down 55% year on year at constant exchange rates and the segment accounted for 36% of Group revenues for the period.

The business segment continued to report a positive OIBDA result, but down year on year from US\$ 5.5 million to US\$ 0.7 million in the first quarter.

US\$ 41.5 million of new contracts have been secured since the beginning of 2009.

SITRONICS completed the modernization of the IT infrastructure of 39 regional outlets of the First Ukrainian International Bank.

SITRONICS completed the deployment of data processing centres for over 100 of Detsky Mir's regional retail stores and offices. SITRONICS also continued to implement the project to upgrade the data processing centres of UkrSotsbank.

In addition, SITRONICS participated in the project to automate the working environment for Ukraine's Ministry of Justice, and took part in the project to create the IT infrastructure for Ukraine's State Committee for Financial Monitoring.

### ***SITRONICS Microelectronics***

<i>(US\$ millions)</i>	<b>Q1 2009</b>	Q1 2008	FY 2008
Revenues	<b>29.0</b>	69.8	291.7
OIBDA	<b>3.9</b>	11.4	61.7
Total Assets	<b>485.6</b>	545.4	544.3

Revenues were down 42% year on year at constant exchange rates and the segment accounted for 14% of Group revenues for the period.

The business segment also continued to report a positive OIBDA result. OIBDA decreased year on year from US\$ 11.4 million to US\$ 3.9 million.

US\$ 11.3 million of new contracts have been secured since the beginning of 2009.

SITRONICS Smart Technologies successfully launched its banking card production in Russia. The Group is now able to produce 40 million banking cards per year and is in advanced discussions with a number of major Russian banks regarding the supply of such cards.

SITRONICS continues to supply RFID tickets for the Moscow Metro, Russian Railways, and a number of transportation companies in large Russian cities with populations exceeding 1 million people, including Kazan and Nizhny Novgorod.

SITRONICS also prolonged existing contracts to deliver microchips to a number of international companies in Germany, Hong Kong, Taiwan and China.

## **FINANCIAL POSITION**

The Group's cash and cash equivalents amounted to US\$ 86.6 million at the end of the period, compared to US\$ 125.7 million as at the end of 2008. The Group's total borrowings amounted to US\$ 700.3 million at as at March 31, 2009, compared to US\$ 733.2 million at December 31, 2008. SITRONICS' weighted average cost of borrowing was approximately 9% as at March 31, 2009.

Since the beginning of the year, SITRONICS has repaid the US\$ 75 million Dresdner Bank loan and the US\$ 7 million Melrose Holding Company loan. The Group has also extended the EUR 15 million facilities provided by a number of local Greek Banks, extended and partly repaid the US\$ 14.7 million revolving facilities provided by HSBC, and extended the US\$ 5 million revolving facility provided by Commerzbank. SITRONICS also redeemed 99% of the RUR 3 billion of outstanding bonds in March for US\$ 87.9 million.

## **OUTLOOK**

The Group completed the sale of the IT distribution companies in its wholly-owned SITRONICS IT B.V. subsidiary (previously known as Kvazar-Micro Corporation B.V.) in April 2009 for a consideration of US\$ 50 million. The operations, which accounted for a third of Group revenues in 2008, have therefore been deconsolidated from the Group's results from April 2009.

The market conditions for the technology industry in Russia and the CIS remain challenging, but SITRONICS continues to expect to out-perform due to its strong competitive position and relationship with the Russian Government. The seasonality effect was accentuated in the first quarter by customers finalizing their budgets later than usual and deferring spending into the second half of the year.

The Group's operating efficiency levels have been enhanced and SITRONICS expects to deliver a positive OIBDA result in both the second quarter and for the full year 2009.

## **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 (0)20 8515 2302  
US: +1 480 629 9770

A replay facility will also be made available for 7 days after the call and may be accessed by dialing the following numbers and using the following pin code:

UK / International: +44 (0)20 7154 2833  
US: +1 303 590 3030  
PIN CODE: 4086639#

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**For further information, please visit [www.sitronics.com](http://www.sitronics.com) or contact:**

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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 32 countries and exports its products and services to more than 60 countries. SITRONICS has around 10,000 employees of whom approximately 4,500 are involved in research and development.

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\$ 214.9 million for the three months ended March 31, 2009 and had total assets of US\$ 1,743.6 million at the end of the period. SITRONICS is majority owned by Sistema, the largest public diversified corporation in Russia and the CIS, which manages fast growing companies operating in the consumer services sector.

SITRONICS has developed strategic alliances in its home markets with Cisco Systems, STMicroelectronics, Infineon and Giesecke & Devrient in relation to certain products and services. SITRONICS has vendor relationships with Siemens, Ericsson, Motorola, ORACLE, Intel, Sun Microsystems and Microsoft. Key customers include Sistema group companies, such as MTS, Comstar-UTS and MTT, and also OTE, Cosmote, Vodafone, Ericsson, Arcelor Mittal (formerly Mittal Steel) and TCL.

*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

### UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE 1 QUARTER 2009 AND 1 QUARTER 2008

*(Amounts in thousands of U.S. dollars unless otherwise stated)*

	<u>1Q 2009</u>	<u>1Q 2008</u>
Revenues	\$ 214,865	\$ 445,818
Cost of sales, exclusive of depreciation and amortization shown separately below	(168,314)	(366,527)
Research and development expenses	(5,616)	(11,665)
Selling, general and administrative expenses	(42,986)	(50,177)
Depreciation and amortization	(12,660)	(15,360)
Other operating (expenses) / income, net	(1,634)	3,189
<b>OPERATING (LOSS) / INCOME</b>	<u>(16,345)</u>	<u>5,278</u>
Interest income	1,357	1,159
Interest expense	(12,239)	(7,199)
Foreign currency transaction (losses) / gains	(20,752)	966
(Loss) / income before income tax	<u>(47,979)</u>	<u>204</u>
Income tax credit / (expense)	3,778	(6,308)
Net loss	<u>(44,201)</u>	<u>(6,104)</u>
Less: net loss / (income) attributable to the noncontrolling interest	3,919	(2,050)
<b>NET LOSS ATTRIBUTABLE TO SITRONICS*</b>	<u>\$ (40,282)</u>	<u>\$ (8,154)</u>

\*Net income / (loss) (Noncontrolling interests)

Until December 31, 2008, Sitronics reported net income / (loss) attributable to noncontrolling interest as a deduction in arriving at consolidated net income / (loss). With effect from January 1, 2009, Sitronics has adopted the new mandatory provisions of FASB Statement No. 160 (As Amended) "Noncontrolling Interests in Consolidated Financial Statements", which requires that consolidated net income / (loss) be reported to include the amounts attributable both to the parent and to the noncontrolling interest. Sitronics has therefore reported net income / (loss) before the amounts attributable to the noncontrolling shareholders of its subsidiaries, and the latter amounts (previously referred to as "minority interests") are separately disclosed. All comparative financial information has been restated in accordance with this new policy.

## 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 2009</b>	<b>Q1 2008</b>
Operating (Loss) / Income	<b>(16.345)</b>	<b>5.278</b>
Depreciation and amortization	<b>12.660</b>	<b>15.360</b>
<b>OIBDA</b>	<b>(3.685)</b>	<b>20.638</b>