



SITRONICS

Roadshow Presentation

December 11-12, 2008

Some of the information in this presentation 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 similar expressions.

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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 and other CIS countries, rapid technological and market change in our industries, as well as many other risks specifically related to SITRONICS and its operations.

SITRONICS At a Glance



- ▶ **Multinational company with headquarters in Moscow**
- ▶ **Representative offices in 36 countries**
- ▶ **Export products to 60 countries in different regions:**
 - ▶ **Western and Eastern Europe**
 - ▶ **Middle East**
 - ▶ **North America**
 - ▶ **Central and South Asia**
 - ▶ **Northern Africa**
- ▶ **R&D centers in Russia, Ukraine, Czech Republic, Greece**
- ▶ **Manufacturing facilities in Russia, Greece, Czech Republic, Romania**
- ▶ **Ranked as a Top-3 Russian IT-company***
- ▶ **Ranked among Top-500 fastest growing IT companies worldwide****



* Source: Report of CNews Analytics (March, 2008)

** Source: Deloitte & Touche (December, 2008)

SITRONICS: Key Areas of Business



- ▶ The leading provider of IT services
- ▶ One of the largest system integrators and distributors in Russia and CIS
- ▶ Focus on fast growing industries: telecommunications, retail, insurance, power saving, public sector and banking



- ▶ Main products: next generation networks (NGN), OSS/BSS, IPTV, wireless broadband access and data transmission systems
- ▶ Modern infrastructure for R&D and flexible production base



- ▶ Ceased assembly of consumer products in Zelenograd



- ▶ Leading Russian semiconductor manufacturer based in Zelenograd with more than 40 years of experience
- ▶ Key products: microchips, chip modules, smart cards, RFID cards and tags, R&D, IC design

- ▶ **SITRONICS has leading market positions in key areas of business**



Strategic Positioning

SITRONICS in Russia / CIS

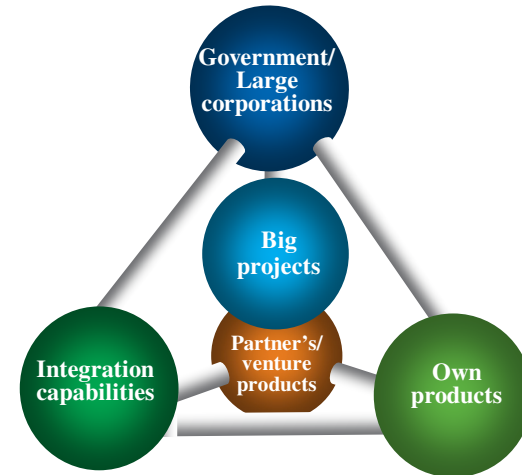
- ▶ Partner for the Russian Government and large corporations in infrastructural projects
- ▶ Provider of end-to-end solutions based on proprietary & partner's products
- ▶ Integrated company with a unique kit of strategic technologies

SITRONICS worldwide

- ▶ Provider of end-to-end solutions
- ▶ Provider of own products with Tier-1 and Tier-2 customer references
- ▶ Strategic partner of vendors with "best of breed" products

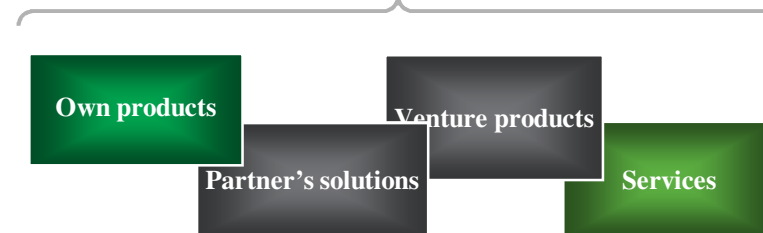
- ▶ **Local leader, unique participant of nationwide infrastructure projects**
- ▶ **Competitive player in target markets**

INFRASTRUCTURE TRANSFORMATIONS



Focus on B2G

PROVIDER OF END-TO-END SOLUTIONS



Client-focused company

SITRONICS

2008: Strategic Roadmap

Market Trends	SITRONICS Competitive Advantages	Strategic Opportunities
<ul style="list-style-type: none"> ▶ Increased State involvement in economy ▶ Increase of Russian government investments in infrastructure ▶ Increasing role of Russian companies in large governmental projects ▶ Demand for transition towards complex solutions ▶ Transfer of manufacturing facilities and R&D centers to Eastern Europe and Asia-Pacific 	<ul style="list-style-type: none"> ▶ Unique portfolio of technologies and products for CIS (0,18-2μ IC, RFID, smart cards, B/OSS, networks, radio access & transmission, content delivery) ▶ Service/integration capabilities ▶ Unique public company of scale in Russia and CIS ▶ Portfolio of own niche products and references with large enterprises from different industries (MTS, Comstar, Moscow Metro, etc.). ▶ Strategic partnerships with global leaders ▶ Allocation of own manufacturing facilities and R&D centers in Eastern Europe, initiation of production in China 	<ol style="list-style-type: none"> 1. Become a technological partner in infrastructural projects in Russia and CIS 2. Become a provider of end-to-end solutions (proprietary + partner's products and technologies) 3. Enter new emerging markets with competitive products 4. Strengthening position in fast growing markets

▶ **Market trends and SITRONICS competitive advantages create unique opportunities for SITRONICS in hi-tech market in Russia, CIS and East Europe**



Core Strategy Tasks

1.	PROPRIETARY COMPETITIVE PRODUCTS	<ul style="list-style-type: none">▶ Capitalize on ecosystem of key clients▶ Utilize new competences and products in cooperation with key clients▶ Streamline the production management process
2.	PARTNER'S PRODUCTS (END-TO-END SOLUTIONS)	<ul style="list-style-type: none">▶ Capitalize on unique partnerships with world leaders▶ Focus on developing complex “end-to-end” solutions▶ Maintain technological leadership in the CIS
3.	FOCUS ON EFFECTIVENESS	<ul style="list-style-type: none">▶ Improve product competitiveness▶ Reduce costs and improve efficiency▶ Accelerate growth▶ Implement company integration and streamline management processes
4.	PARTNERSHIP WITH GOVERNMENT AND LARGE BUSINESSES	<ul style="list-style-type: none">▶ Capitalize on unique technologies/ products and strong position in Russia▶ Become an active participant in large infrastructural projects and private-public partnerships

- ▶ **Implementation of suggested actions will build an effective Company which is able to execute complex projects with Government and large businesses.**



Government Relations and Support



- ▶ **Participation in Federal Programme «National Technological Base» in 2007-2011**

Organization of microchip production based on EEPROM technology with topological size 0,18 micron

- ▶ **Participation in Federal Programme «Development of nano-industry infrastructure in Russian Federation» in 2008 – 2010**

Establishment of the first Russian production facility for 65-45 nm microchips by 2011



- ▶ **Participation in Federal Programme «Global Navigation System»**

Execution of project «Commercialization of products and services using the GLONASS data in public-private partnership»

- ▶ **Participation in Federal Programme «Mitigation of risks and consequences of emergency situations in Russia until 2010»**

Execution of OKSION project for Russian Ministry of Emergency Situations



- ▶ **Participation in National Project «Education»**

Equipping 500 schools in Russia with Multimedia Education Platform (MIOS)

▶ **SITRONICS is the largest partner in state-driven projects**



SITRONICS Highlights 2008

- ▶ Strong expansion in fast-growing markets, including India, China, Syria, Africa
- ▶ In 2008 SITRONICS' product portfolio was restructured and optimized to meet margin and revenue targets
- ▶ Transition to a unified brand to increase market recognition and optimize expenses
- ▶ Establishment of private Scientific and Research Institute in cooperation with Russian Academy of Sciences to commercialize new technologies and support the formation of "knowledge economy" in Russia
- ▶ In August 2008, SITRONICS received licenses from Visa International and MasterCard International and launched smart technology-based banking cards production for Russian banks
- ▶ A recent Deloitte&Touche study rated SITRONICS among the Top-500 fast growing hi-tech companies in the world
- ▶ SITRONICS established a joint-stock company with ZTE in China to design and produce telecommunications equipment for Russian and international clients
- ▶ Introduction of SITRONICS Daterium, an innovative solution for a mobile data-center

▶ **In 2008 SITRONICS successfully executed on its strategy**



SITRONICS Information Technologies

General Information

- ▶ One of the leading IT solutions providers and distributors of computer components and software in the CIS

Key Indicators

- ▶ Ranked Top-3 IT-company in Russia and Ukraine

Competitive Advantages

- ▶ Strong track record of large scale IT projects for business and Government
- ▶ Strong relations with Russian, Ukrainian and other CIS governments
- ▶ Strong technological partnerships with global leaders in IT industry

Sustainable Relationships



- № 1 Mobile Operator in Russia
- 3G, wireline & software projects



Data-center (DC) services in partnership with IBM



- № 1 Wireline SP in Russia, network, hardware & software projects with SITRONICS

Market Trends

- ▶ Decrease of “hardware” segment growth, increased demand for services
- ▶ Vertical IT-solutions win vs. horizontal
- ▶ Consolidations and M&A drive demand for integration services
- ▶ “On-demand” paradigm, both for hardware and software, became the key trend during the crisis
- ▶ Economy slowdown highlights importance of efficiency and creates demand for business performance management solutions and BI

- ▶ **SITRONICS Information Technologies is an international system integrator and provider of IT services**



SITRONICS Telecom Solutions

General Information

- ▶ SITRONICS Telecom Solutions is the leading supplier of integrated solutions for OSS/BSS systems, next generation networks, broadband access networks and digital TV solutions to Russia, CIS, Central and Eastern Europe, Middle East and Africa

Key Indicators

- ▶ Complex approach to OSS/BSS (end-to-end solutions) systems
- ▶ Portfolio of products and services for wireline and wireless access

Competitive Advantages

- ▶ Strong technological partnerships with global leaders
- ▶ Offering of fully-convergent solutions
- ▶ Scalable solutions
- ▶ Broad geographical and industry reach

Committed Customer Relationships



- 80 mln subscribers serviced by OSS/BSS solution



- OSS/BSS solutions, wireless, wireline, 3.5 mln users



- Fastest growing mobile operator in India
- > 100 mln USD in contracts for 2009 projected

Business Strategy

- ▶ Grow through Partnerships
- ▶ Exit all non-profitable projects
- ▶ Produce proprietary high-margin products and services
- ▶ Up-Sell and Cross-Sell to Key Customers

Geographies

- ▶ Russia & CIS
- ▶ Eastern Europe
- ▶ EMEA + Asia

Focus Industries

- ▶ Telecommunications
 - fixed
 - mobile
 - triple-play etc.
- ▶ Manufacturing
- ▶ Non-Industry Specific Applications



Products & Services

- ▶ End-to-end OSS/BSS solutions
- ▶ Metering solutions
- ▶ Next Generation Networks (NGN)
- ▶ Wireless access & transmission

▶ **SITRONICS Telecom Solutions is an international provider of software and hardware solutions for the Telecom industry**



SITRONICS Microelectronic Solutions

General Information	<ul style="list-style-type: none"> ▶ Leading Russia semiconductor manufacturer with strong R&D and production capabilities 	
Key Facts:	<ul style="list-style-type: none"> ▶ ~400 customers in CIS including industrial contractors, automotive, urban transportation systems and telecom operators ▶ ~60 customers in South-East Asia, including resellers and OEM vendors 	
Competitive Advantages	<ul style="list-style-type: none"> ▶ Leading position in the Russian and CIS semiconductor market ▶ Advanced technology & design expertise ▶ Over 40 years' experience in R&D ▶ Complete production chain and vertically integrated value added chain ▶ Strategic alliances with global leaders, access to state of the art technologies 	<div style="text-align: center;"> Strategic Customers </div> <div style="display: flex; justify-content: space-around; align-items: flex-start;"> <div style="text-align: center;">  <p>МОСКОВСКИЙ МЕТРОПОЛИТЕН</p> </div> <div> <p>SITRONICS produces RFID transportation tickets for Moscow Metro and has already signed a new 100 mln USD contract for 2009. Similar projects have been launched in Tyumen and Magnitogorsk</p> </div> </div> <div style="display: flex; justify-content: space-around; align-items: flex-start; margin-top: 20px;"> <div style="text-align: center;">  <p>МТС</p> </div> <div> <p>MTS is № 1 telecom cellular operator in Russia. SITRONICS has a long-term agreement for production and customization of SIM-cards for MTS.</p> </div> </div>
0.18 project	<p>Production chain from design to final devices based on the 0.18-micron technology provides SITRONICS with:</p> <ul style="list-style-type: none"> ▶ Opportunity to develop products using own R&D staff and resources ▶ Guaranteed quality ▶ Effective cost ▶ Flexibility to adapt to changing customer requirements <p>0.18 micron is now the most advanced technology in Russia</p> <div style="display: flex; justify-content: space-around; align-items: center; margin-top: 10px;">    </div> <div style="display: flex; justify-content: space-around; align-items: center; margin-top: 10px;">   </div>	

▶ **SITRONICS Microelectronic Solutions is strongly positioned to maintain its growth levels in the Russian market**



KEY PROJECTS TO BE DELIVERED IN 2009



- ▶ We completed a turn-key telecommunications project in Rajasthan (India) within 3 months and recently signed a new US\$ 100 million contract in India



- ▶ We continue to expand our RFID ticketing technology project. We signed a new US\$ 100 million contract for 2009 to supply up to 25 million RFID tickets per month to the Moscow Metro. Also we plan to extend our offering to other regions



- ▶ Execution of infrastructure projects for SOCHI-2014 Olympic Games
- ▶ Installation of SITRONICS positioning solutions (GLONASS/GPS) for transport monitoring and management as a part of state approved programme



- ▶ We signed a 122.5 million euro contract with the Romanian Ministry of Education and Research to deliver equipment for IT departments in over 8,000 secondary schools

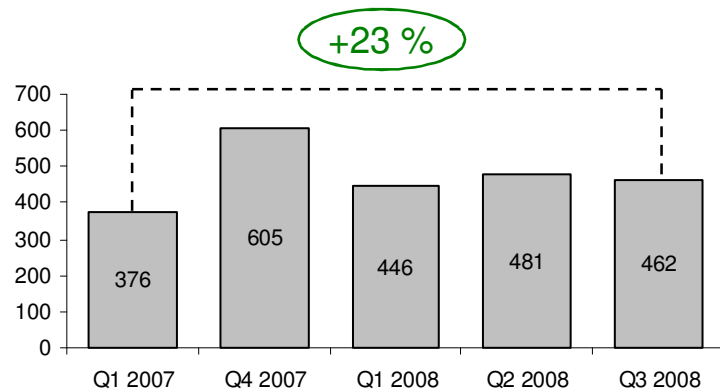


- ▶ SITRONICS plans to realize a series of large infrastructure and software projects for the largest Russian bank
- ▶ Provision of IT-outsourcing and data-center outsourcing services with SITRONICS Daterium MDC solutions and SITRONICS-IBM joint hosting site

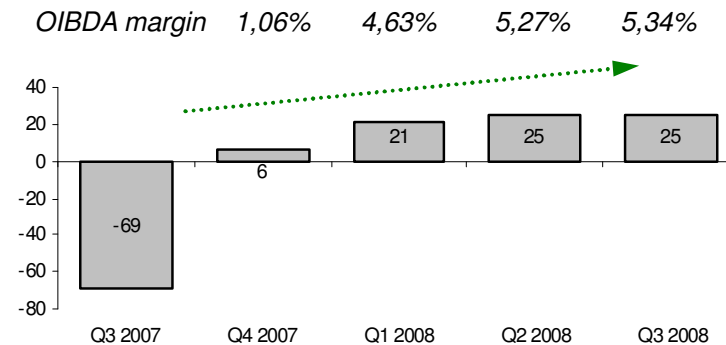


Financial Highlights Q1-Q3 2008

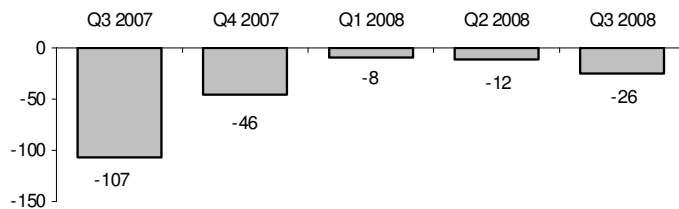
Revenues



OIBDA



Net income



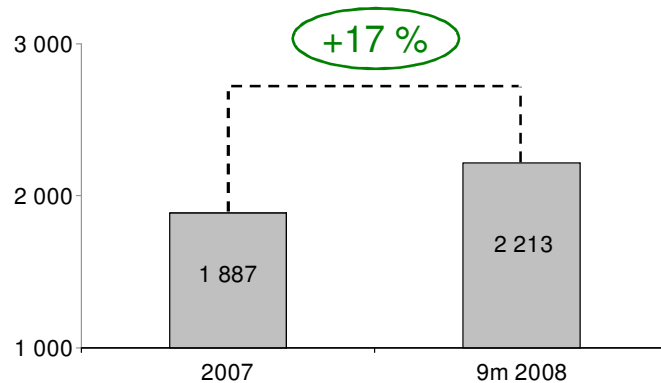
- ▶ FOR 9M 2008, SITRONICS demonstrated strong positive trends both in Revenue (which for Q3 2008 is 22.9 percent higher than in Q3 2007) and a positive OIBDA result, which has shown sustainable growth during four consecutive quarters, with the OIBDA margin kept above level of 5%
- ▶ There are still net losses incurred, but this is mainly driven by very high exchange rate effect, which amounted to USD 17.8 mln in Q3 2008, and USD 14.2 mln for 9M 2008

- ▶ **Strong Revenue and OIBDA growth for the year to date, substantially reduced net loss caused mainly by FOREX. OIBDA margin is constantly growing.**

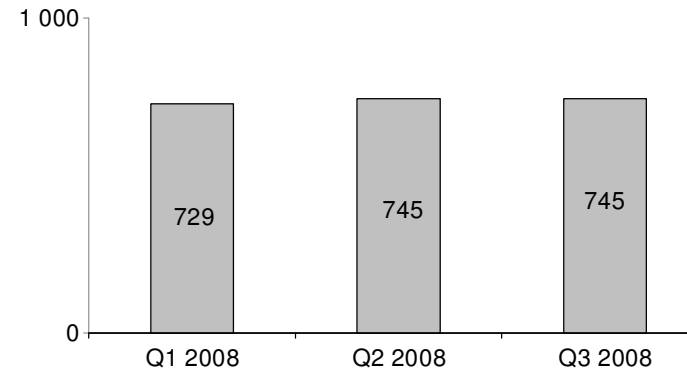


Financial highlights 9 months 2008

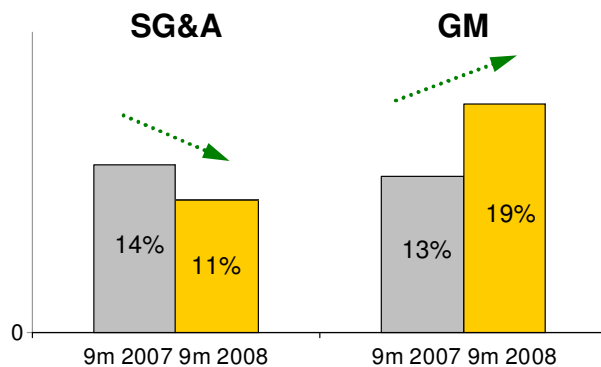
Total Assets



Debt



SG&A and Gross margin, % to Revenue

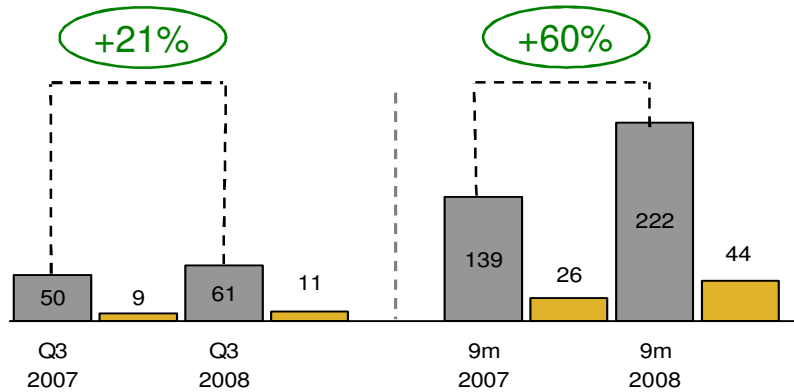


- ▶ During 9 months of 2008 SITRONICS increased its assets by 17%
- ▶ Debt stable for 9M 2008
- ▶ We have managed to reduce the proportion of Sales, general and administrative expenses in value chain from 14% in 9m 2007 to 11% in 9m 2008, with improvements in production efficiency resulting in Gross margin growth from 13% to 19% for 9M period
- ▶ We are implementing a group-wide cost savings programme in light of current market conditions. We are also reducing capital expenditure levels by postponing less urgent projects to 2010 and 2011. We intend to reduce our cash CAPEX by at least a further 50% in 2009.

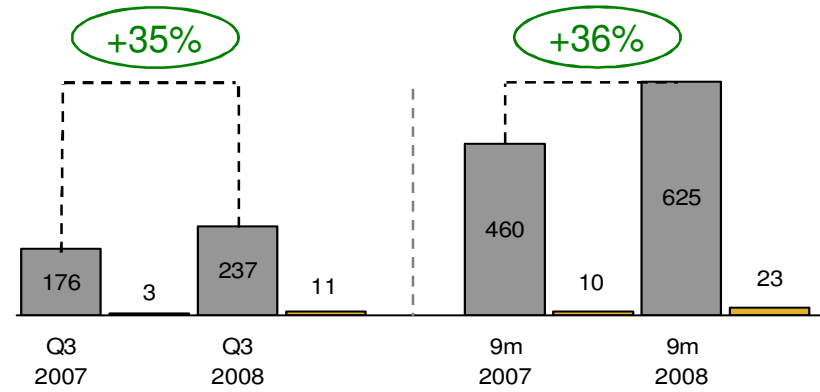
SITRONICS

BU breakdown: Q3 and 9 months 2008

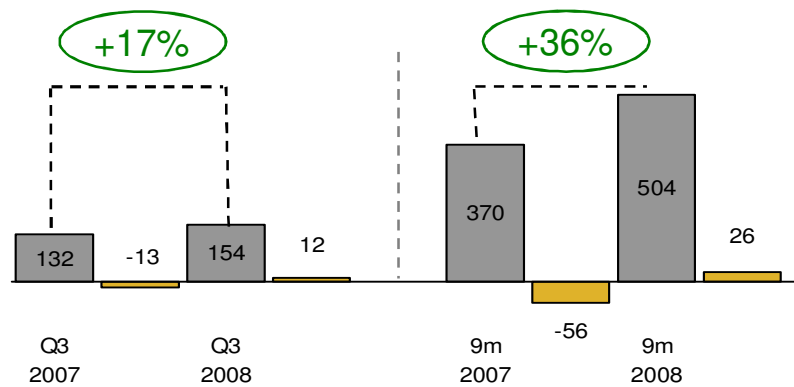
Microelectronic Solutions



Information Technologies Solutions



Telecommunication Solutions



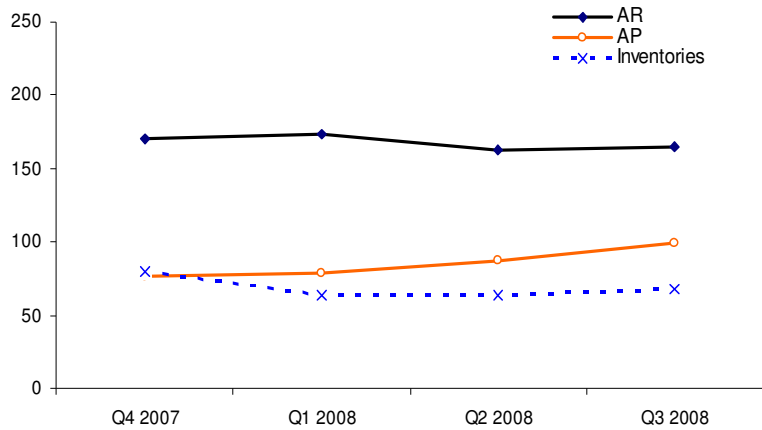
- ▶ All our core business units demonstrate sustainable growth in revenues and OIBDA, both in the third quarter and for the 9M period
- ▶ Microelectronic Solutions reported 20% OIBDA margin – the highest levels in the Group
- ▶ Telecommunication Solutions achieved positive OIBDA for both Q3 and 9M periods, from OIBDA losses for both periods in 2007

Revenue
 OIBDA

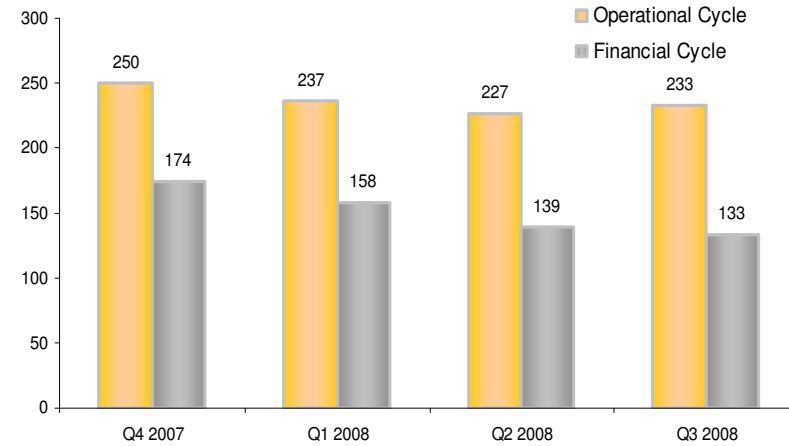


Working Capital

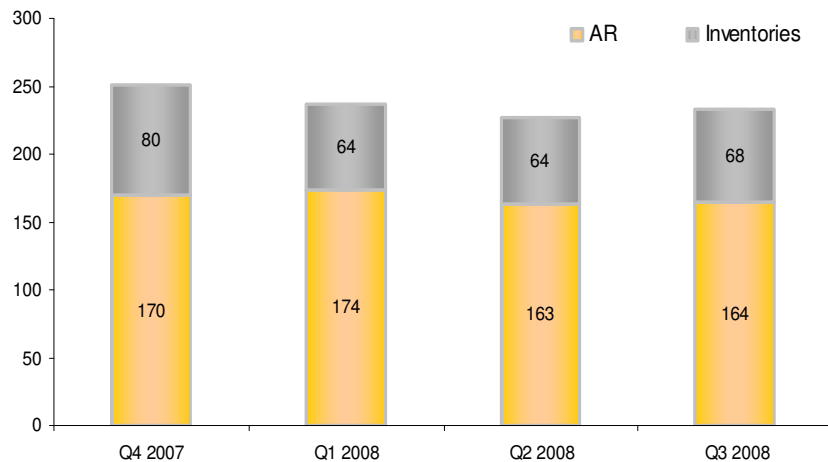
Turnover periods, days



Operational and Financial cycles, days



Operational cycle, days



- ▶ As a result of measures aimed at Working Capital flow, SITRONICS experiences a decrease in the total amount of financial capital employed
- ▶ In Q4 and 2009 we will continue our work with customers to improve accounts receivables turnover, tighten control over inventory and implement other measures aimed at improving working capital management



Adjustment to Changed Market Conditions

- ▶ Fundamentally more defensive profile as provider of long term state-sponsored infrastructural development projects
- ▶ Close working relationship with Russian government & involvement in key strategic investment projects - Sochi 2014, Rosatom, Municipal utilities, GLONASS, Federal and National Programs
- ▶ Strategic importance of SITRONICS in Russian Economy provide access to state recourses (e.g. recent financing from Vnesheconombank)
- ▶ Increasing focus & exposure to fast growing, higher margin market segments - US\$ Billion verticals with >20% annual growth – security provision for public sector / corporations, IT infrastructure for the Financial Sector, Data Centers / IT outsourcing, Smart-cards
- ▶ Increasing diversification into new geographical markets to deliver large scale projects for market-leading customers – (e.g. Shyam Telelink)
- ▶ Forging of strategic partnerships with global peers
- ▶ Increasing operating efficiency by optimizing product portfolio, closing down low margin non-core businesses, and moving production facilities to low cost & high efficiency new locations (ZTE in China)
- ▶ Reduction of 2009 CAPEX through deferral of less urgent projects to 2010/11

We expect to continue to be able to deliver local currency sales growth in 2009 with increased profitability levels



Conclusion and Outlook

- ▶ We are delivering on our commitments to our stakeholders, and our position in the industry remains strong
- ▶ SITRONICS demonstrates constant revenue and OIBDA growth for the year to date, following the adoption of “Crystal” strategy
- ▶ Outlook for 2008 sales is USD 2 bln, with at least 5% OIBDA margin
- ▶ We expect to continue to grow in local currency terms in our markets, and deliver increased profitability levels in 2009





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