



FOR IMMEDIATE RELEASE

December 9, 2008

## **JSC SITRONICS**

### **UNAUDITED FINANCIAL RESULTS FOR THE THIRD QUARTER AND FIRST NINE MONTHS OF 2008**

**MOSCOW, Russia** – December 9, 2008 – 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 third quarter and nine months ended September 30, 2008.

#### **THIRD QUARTER HIGHLIGHTS**

- Consolidated revenues up 23% year on year to US\$ 461.8 million
- Telecommunication Solutions revenues up 17% year on year to US\$ 154.2 million; SITRONICS Information Technologies revenues up 35% year on year to US\$ 236.9 million; Microelectronic Solutions revenues up 21% year on year to US\$ 61.2 million
- OIBDA\* profit of US\$ 24.7 million compared to an OIBDA loss of US\$ 68.9 million in 2007
- 76% year on year reduction in net loss from US\$ 108.0 million to US\$ 25.9 million (including US\$ 17.8 million of foreign exchange losses in 2008)
- Total assets up 24% year on year to US\$ 2.2 billion
- US\$ 271 million of new contracts secured since the announcement of the second quarter results on September 9, 2008

#### **NINE MONTH HIGHLIGHTS**

- Consolidated revenues up 37% year on year to US\$ 1,388.6 million
- Telecommunication Solutions revenues up 36% year on year to US\$ 503.5 million; SITRONICS Information Technologies revenues up 36% year on year to US\$ 625.2 million; Microelectronic Solutions revenues up 60% year on year to US\$ 222.1 million
- OIBDA profit of US\$ 70.6 million, compared to an OIBDA loss of US\$ 107.5 million in 2007

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

- 75% year on year reduction in net loss from US\$ 187.8 million to US\$ 46.1 million (including US\$ 14.2 million of foreign exchange losses in 2008)
- US\$ 660 million of new contracts secured since the beginning of 2008

Sergey Aslanian, President of SITRONICS, commented: “We have continued to demonstrate strong revenue growth and significantly improved profitability levels in the third quarter, whilst further enhancing our product portfolio and increasing operating efficiency levels in line with our strategic plan. We have won a further US\$ 271 million of new contracts since the announcement of our second quarter results on September 9, and have now won a total of US\$ 660 million of new contracts since the beginning of the year.

“We are operating in a turbulent market environment but will start 2009 with a larger and more diversified order book than we had at the beginning of 2008. We have entered new geographical and vertical markets in 2008, and have further strengthened our ties with the government so that we are better positioned than ever to deliver large-scale public sector infrastructure projects. We therefore expect to be able to continue to grow in local currencies and outperform the markets and segments in which we operate despite the adverse market conditions.”

Marina Zabolotneva, Chief Financial Officer and First Vice President for Finance and Investments of SITRONICS, added: “The Group’s performance in the quarter was achieved despite the adverse currency effects of the strengthening of the US dollar. In light of the market conditions, we are implementing a group-wide cost reduction programme, further tightening our cash management, and reducing capital expenditure levels by refocusing our investment plans and postponing less urgent projects. We are also refinancing our short-term borrowings with the US\$ 230 million credit facility provided by Vnesheconombank as part of the Russian government’s funding for assets of strategic value to the State. This support demonstrates SITRONICS’ position as a leading player in the Russian high technology industry, and our status as a proven and reliable partner.”

## **FINANCIAL SUMMARY**

<i>(US\$ millions)</i>	<b>Q3 2008</b>	Q3 2007	<i>Year on Year change</i>	<b>9M 2008</b>	9M 2007	<i>Year on Year change</i>
Revenues	<b>461.8</b>	376.2	22.7%	<b>1,388.6</b>	1,014.6	36.9%
OIBDA	<b>24.7</b>	(68.9)	-	<b>70.6</b>	(107.5)	-
Net Income (loss)	<b>(25.9)</b>	(108.0)	76.0%	<b>(46.1)</b>	(187.8)	75.4%
Total assets	<b>2,213.4</b>	1,782.0	24.2%	<b>2,213.4</b>	1,782.0	24.2%

## **OPERATING REVIEW**

### **Group Overview**

SITRONICS generated 23% year on year consolidated revenue growth in the third quarter, and 37% growth for the first nine months of the year. The Group has won a further US\$ 271 million of new contracts since the announcement of the Group's second quarter results on September 9, 2008, and a total of US\$ 660 million of new contracts since the beginning of 2008.

SITRONICS has continued to expand its existing product range across its business segments during the first nine months of the year, and to implement its strategy to target fast-growing and higher margin market segments.

Total Group costs were stable year on year in the quarter and increased by 18% for the year to date, which reflected the scaling of the overall business, as well as the ongoing efficiency gains. Selling, general and administration expenses, net of the effect of the stock option programme and provisions for bad debt, were reduced from 14% to 11% of sales for the year to date. Research and development expenditure was reduced by US\$ 2.4 million year on year in the quarter and was stable for the year to date.

SITRONICS therefore reported a substantially improved OIBDA result of US\$ 24.7 million in the third quarter, compared to a loss of US\$ 68.9 million in the third quarter of 2007, and an OIBDA profit of US\$ 70.6 million for the first nine months of 2008, compared to a loss of US\$ 107.5 million for the corresponding period of 2007. The Group therefore delivered OIBDA margins of 5.3% in the third quarter and 5.1% for the year to date.

The Group incurred foreign exchange losses of US\$ 17.8 million in the quarter and US\$ 14.2 million for the year to date, which arose from the difference in value of the Group's dollar denominated borrowings between the balance sheet dates.

SITRONICS reported substantially reduced net losses of US\$ 25.9 million in the third quarter and US\$ 46.1 million for the year to date, compared to net losses of US\$ 108.0 million and US\$ 187.8 million for the corresponding periods of 2007.

The Group's total borrowings were stable quarter on quarter and amounted to US\$ 745.4 million at the end of the period, compared to US\$ 745.1 million at the end of the second quarter of 2008. Group net debt, excluding capital leases and derivatives, was also stable quarter on quarter and amounted to US\$ 640.0 million as at September 30, compared to US\$ 641.3 million as at June 30, 2008.

## SEGMENTAL REVIEW

### SITRONICS Telecommunication Solutions

<i>(US\$ millions)</i>	<b>Q3 2008</b>	Q3 2007	<i>Year on Year change</i>	<b>9M 2008</b>	9M 2007	<i>Year on Year change</i>
Revenues	<b>154.2</b>	132.2	<i>16.6%</i>	<b>503.5</b>	369.5	<i>36.3%</i>
OIBDA	<b>12.1</b>	(13.0)	-	<b>26.2</b>	(56.4)	-
Total Assets	<b>1,019.0</b>	1,003.5	<i>1.5%</i>	<b>1,019.0</b>	1,003.5	<i>1.5%</i>

Revenues were up 17% year on year in the third quarter and 36% for the year to date. A further US\$ 223 million of new contracts have been secured since the announcement of the Group's second quarter results on September 9, 2008.

Costs were stable year on year in the quarter and up 13% for the year to date. The Telecommunication Solutions business therefore reported an OIBDA profit of US\$ 12.1 million in the third quarter, compared to an OIBDA loss of US\$ 13.0 million for the same period of 2007, and an OIBDA profit of US\$ 26.2 million for the year to date, compared to an OIBDA loss of US\$ 56.4 million for the first nine months of 2007. The segment is expected to demonstrate a continued improvement in performance during the final quarter of the year.

In September 2008, INTRACOM TELECOM signed a € 122.5 million contract with Romania's Ministry of Education and Research to provide multimedia equipment, educational software applications, and training services for IT departments in over 8,000 secondary schools. The project is expected to be completed by the end of the second quarter of 2009.

In July 2008, INTRACOM TELECOM signed a US\$ 21.8 million contract to support the deployment of a new GSM network for Bulgarian Telecommunications, the largest telecommunications operator in Bulgaria. The project is expected to be completed by the end of 2010.

During the third quarter, SITRONICS Telecommunication Solutions expanded its cooperation with Warid Telecom Congo and Warid Telecom Uganda and signed new contracts with a combined value of US\$ 10 million. The projects are expected to be implemented by the end of 2010.

INTRACOM TELECOM also successfully completed the installation of INTRALINK Radio Relay equipment in Rajasthan for pan-Indian Operator Shyam Telelink, and has now been awarded a new US\$ 100 million project by Shyam Telelink to supply radio relay equipment to Shyam Telelink's operations in India.

SITRONICS Telecommunication Solutions continues to provide services in Syria and INTRACOM TELECOM signed a US\$ 5.8 million contract in the quarter with Syrian Telecommunications Establishment, the state-owned telecommunications company, to provide a Point-to-Multipoint Wireless Access System. The project is expected to be completed by the end of the third quarter of 2009.

During the third quarter, SITRONICS Telecommunication Solutions also signed preliminary agreements with Mobile TeleSystems with a combined value of US\$ 7 million. The projects include the deployment of a GPRS network monitoring system, which will be completed by the end of the second quarter of 2009.

During the third quarter, SITRONICS Telecommunication Solutions signed new contracts to deploy CISCO equipment to support the development of Comstar's super-core network. The project will be completed by the end of the first quarter of 2009.

### **SITRONICS Information Technologies**

<i>(US\$ millions)</i>	<b>Q3 2008</b>	Q3 2007	<i>Year on Year change</i>	<b>9M 2008</b>	9M 2007	<i>Year on Year change</i>
Revenues	<b>236.9</b>	175.5	35.0%	<b>625.2</b>	459.5	36.1%
OIBDA	<b>11.1</b>	3.3	241.7%	<b>23.0</b>	9.8	135.5%
Total Assets	<b>497.6</b>	230.6	115.8%	<b>497.6</b>	230.6	115.8%

Revenues were up 35% year on year in the quarter and 36% for the year to date. In addition, US\$ 47.4 million of new contracts have been won since the announcement of the Group's second quarter results on September 9, 2008.

Segment OIBDA more than tripled year on year in the third quarter and more than doubled for the nine month period.

SITRONICS Information Technologies signed a contract during the quarter with Comstar-UTS to provide and install equipment for the development of its WiMAX network in Moscow.

SITRONICS Information Technologies strengthened its relationship with the Russian State during the quarter, and continued to implement a number of large scale infrastructure projects at both Federal and regional levels. Key projects included the deployment of CISCO solutions for 106 of the Federal Tax Service's regional offices, the provision of a personnel management system for the Ministry for Economic Development, and the implementation of a Multimedia Education Platform in the Republic of Tatarstan.

After the end of the reporting period, in November 2008, SITRONICS Information Technologies completed the construction of a multi-service Next Generation Network for Comstar-UTS in Ukraine. The new network will enable Comstar to provide triple-play

services, virtual private network solutions, IP-telephony services and high speed internet access to residential and corporate subscribers in Kiev and Odessa.

After the end of the reporting period, SITRONICS Information Technologies was awarded a license by Russia's Federal Security Service to develop certified solutions for the protection of confidential information. The terms of the license enable SITRONICS to provide its solutions to a number of State bodies including the Presidential Administration, the Russian Parliament and Government departments, as well as the Supreme and Constitutional Courts.

### **SITRONICS Microelectronics Solutions**

<i>(US\$ millions)</i>	<b>Q3 2008</b>	Q3 2007	<i>Year on Year change</i>	<b>9M 2008</b>	9M 2007	<i>Year on Year change</i>
Revenues	<b>61.2</b>	50.4	<i>21.4%</i>	<b>222.1</b>	138.7	<i>60.2%</i>
OIBDA	<b>10.7</b>	8.9	<i>20.1%</i>	<b>44.3</b>	26.2	<i>69.4%</i>
Total Assets	<b>603.2</b>	388.6	<i>55.2%</i>	<b>603.2</b>	388.6	<i>55.2%</i>

The Segment continued its strong performance during both reporting periods, with revenues up 21% year on year in the quarter and 60% for the year to date. This reflected the successful RFID ticketing technology project for the Moscow Metro, which was extended in November with the signing of a new US\$ 100 million contract to supply up to 25 million RFID tickets per month to the Moscow Metro. Similar projects have also been also launched for overground transportation networks in Tyumen and Magnitogorsk. RFID ticketing technology projects generated approximately 30% of segment revenues for both the third quarter and year to date.

Segment OIBDA was up 20% year on year in the third quarter and 69% for the nine month period, with a stable OIBDA margin of 17.4% in the quarter and increased margin of 19.9% for the year to date.

In August 2008, the Russian government approved a RUR 27 billion investment into SITRONICS' 65-45 nanometer microchip production facility in Zelenograd. SITRONICS is now ready to launch a tender to select the technology partner for the project and expects to launch the tender during 2009.

In October, SITRONICS extended its cooperation with the China National Machinery Import & Export Corporation and signed a new US\$ 15 million contract to export electronic components in 2009.

## Consumer Services and Products

<i>(US\$ millions)</i>	<b>Q3 2008</b>	Q3 2007	<i>Year on Year change</i>	<b>9M 2008</b>	9M 2007	<i>Year on Year change</i>
Revenues	<b>9.5</b>	18.2	<i>(47.7%)</i>	<b>37.8</b>	47.0	<i>(19.5%)</i>
OIBDA	<b>(0.9)</b>	(43.4)	<i>97.8%</i>	<b>(0.07)</b>	(52.7)	<i>99.9%</i>
Total Assets	<b>74.8</b>	115.6	<i>(35.2%)</i>	<b>74.8</b>	115.6	<i>(35.2%)</i>

Revenues were lower year on year due to the ongoing restructuring of the business, but the business reported significantly improved profitability levels, with near breakeven results for both reporting periods.

SITRONICS has now ceased assembly of consumer products in Zelenograd, in line with the previously announced strategic decision to focus on higher margin products.

## Outlook

SITRONICS is reiterating its outlook for full year 2008 revenues of US\$ 2 billion', which would be equivalent to over 23% year on year growth and well in excess of industry growth levels. The Group is also reiterating its outlook for a full year 2008 OIBDA margin of at least 5%. The SITRONICS Information Technologies and Microelectronic Solutions segments are expected to continue to perform strongly during the final quarter of the year, with the Telecommunication Solutions businesses expected to show continued operating performance improvements moving forward.

Group capital expenditure is being reduced by 10% from the previously indicated level of US\$ 200 million for the full year 2008, and is expected to be reduced by at least a further 50% in 2009. The reduction is being achieved by the postponing of investment projects into 2010 and 2011 in light of current market conditions and demand level. SITRONICS is also implementing a group-wide cost reduction initiative.

## **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 8609 0582  
US: +1 866 928 1925

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 8609 0289  
US: +1 866 676 5865  
PIN CODE: 244960#

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

Irina Lanina  
Vice President, Corporate Communications  
Tel: +7 495 225 0030  
[lanina@sitronics.com](mailto:lanina@sitronics.com)

Shared Value Limited  
Tel: +44 (0) 20 7321 5010  
[sitronics@sharedvalue.net](mailto:sitronics@sharedvalue.net)

## **ABOUT SITRONICS**

**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 over 11,000 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 Microelectronic Solutions divisions are based in Kiev, Ukraine and Zelenograd, Russia respectively.

SITRONICS generated revenues of US\$ 1,388.6 million for the nine months ended September 30, 2008 and had total assets of US\$ 2,213.4 billion 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

### CONSOLIDATED STATEMENTS OF OPERATIONS FOR THIRD QUARTER 2008 (UNAUDITED) AND 2007 (UNAUDITED) *(Amounts in thousands of U.S. dollars or if otherwise stated)*

	Third quarter,	
	2008	2007
Revenues	\$ 461,810	\$ 376,243
Cost of sales, exclusive of depreciation and amortization shown separately below	(371,365)	(332,377)
Research and development expenses	(8,157)	(10,542)
Selling, general and administrative expenses	(57,211)	(100,555)
Depreciation and amortization	(15,964)	(13,366)
Other operating expenses, net	(427)	(1,711)
<b>OPERATING INCOME/ (LOSS)</b>	<b>8,686</b>	<b>(82,308)</b>
Interest income	804	2,244
Interest expense, net of amounts capitalized	(13,640)	(3,039)
Foreign currency transactions loss	(17,848)	(9,920)
Income/ (Loss) before income tax and minority interests	(21,998)	(93,023)
Income tax expense	(3,546)	(10,677)
Loss before minority interests	(25,544)	(103,700)
Minority interests	(403)	(2,908)
<b>NET LOSS</b>	<b>\$ (25,947)</b>	<b>\$ (106,608)</b>

## JSC SITRONICS AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 (UNAUDITED) AND 2007 (UNAUDITED)

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

	Nine month ended September 30,	
	2008	2007
Revenues	\$ 1,388,637	\$ 1,014,562
Cost of sales, exclusive of depreciation and amortization shown separately below	(1,124,838)	(883,244)
Research and development expenses	(29,301)	(29,769)
Selling, general and administrative expenses	(169,013)	(207,042)
Depreciation and amortization	(49,735)	(40,514)
Other operating expenses, net	5,159	(2,021)
<b>OPERATING INCOME/ (LOSS)</b>	<u>20,909</u>	<u>(148,028)</u>
Interest income	3,057	13,029
Interest expense, net of amounts capitalized	(30,407)	(31,565)
Foreign currency transactions loss	(14,176)	(289)
Other non-operating losses	-	(1,370)
Income/ (Loss) before income tax and minority interests	<u>(20,617)</u>	<u>(168,223)</u>
Income tax expense	(18,627)	(12,747)
Loss before minority interests	<u>(39,244)</u>	<u>(180,970)</u>
Minority interests	(6,876)	(6,848)
<b>NET LOSS</b>	<u>\$ (46,120)</u>	<u>\$ (187,818)</u>
Translation adjustment, net of minority interests of \$(3,022) and 11,825, respectively, and income tax effect of nil	(4,342)	30,303
Comprehensive income/(loss)	<u>\$ (50,462)</u>	<u>\$ (157,515)</u>
Weighted average number of common shares outstanding	8,619,347,116	8,440,212,975
Loss per share, basic and diluted, USD:	(0.006)	(0.019)

## **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. We believe that OIBDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions of mobile operators and other investments and our ability to incur and service debt. 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>3Q 2008</b>	3Q 2007	<b>9m 2008</b>	9m 2007
Operating Income / (Loss)	<b>8,686</b>	(82,308)	<b>20,909</b>	(148,028)
Depreciation and Amortization	<b>15,964</b>	13,366	<b>49,735</b>	40,514
<b>OIBDA</b>	<b>24,650</b>	(68,942)	<b>70,644</b>	(107,514)