**FOR IMMEDIATE RELEASE** December 2, 2010

# SITRONICS ANNOUNCES UNAUDITED FINANCIAL RESULTS FOR THE THIRD QUARTER AND FIRST NINE MONTHS OF 2010

**MOSCOW, Russia** – December 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 third quarter and nine months ended September 30, 2010.

## THIRD QUARTER HIGHLIGHTS

- Consolidated revenues up 1% year on year to US$ 223.6 million
- Information Technologies revenues up 31% year on year to US$ 45.8 million; Microelectronics revenues up 28% year on year to US$ 73.5 million; and Telecommunication Solutions revenues down 24% year on year to US$ 95.2 million
- OIBDA* up 51% year on year to US$ 17.5 million, with an increased margin of 7.8% and OIBDA profits for all three business divisions
- Net loss attributable to SITRONICS of US$ 9.4 million
- Total assets of US$ 1,810.3 million
- US$ 200.4 million of contracts secured since second quarter financial results announcement on September 10, 2010

## NINE MONTH HIGHLIGHTS

- Consolidated revenues up 9% year on year to US$ 682.5 million
- Information Technologies revenues up 41% year on year to US$ 142.1 million; Microelectronics revenues up 25% year on year to US$ 179.4 million; and Telecommunication Solutions revenues down 10% year on year to US$ 335.5 million
- OIBDA nearly doubled year on year to US$ 50.8 million, with an increased margin of 7.4% and OIBDA profits for all three business divisions
- Net loss attributable to SITRONICS of US$ 64.8 million

Sergey Aslanian, President of SITRONICS, commented: "We continued to deliver sales growth and rising OIBDA profitability levels in both the third quarter and first nine months of the year, with more than 7% OIBDA margins for both periods. The growth was driven by the performance of our IT and Microelectronics segments, and we have secured more than US$ 200 million of contracts since the announcement of our second quarter results in September.

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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.

"We have also continued to make good progress with the implementation of our three year strategic development plan to establish, consolidate and extend our leading positions in the core vertical and geographical markets. We have further expanded our relationships with existing public and private sector clients, and have new contracts from new clients. The joint venture project to develop 90 nanometer manufacturing capability is proceeding according to plan and we will deliver the first prototype by the end of this year. The development of innovative and high quality technology solutions remains a strategic priority for both government and corporate organizations, which is why we are focusing on an increasing number of research and development projects that address high demand product and service areas."

## FINANCIAL SUMMARY

| *(US$ millions)* | **Q3 2010** | Q3 2009 | **9M 2010** | 9M 2009 |
|---|---|---|---|---|
| Revenues | **223.6** | 221.4 | **682.5** | 625.4 |
| OIBDA | **17.5** | 11.6 | **50.8** | 25.7 |
| OIBDA margin | **7.8%** | 5.2% | **7.4%** | 4.1% |
| Net loss from continuing operations | **(14.6)** | (14.8) | **(76.4)** | (57.1) |
| Net loss from discontinued operations | **-** | - | **-** | (26.2) |
| Net loss attributable to SITRONICS | **(9.4)** | (14.8) | **(64.8)** | (81.7) |
| Total assets | **1,810.3** | 1,736.9 | **1,810.3** | 1,736.9 |

## OPERATING REVIEW

### Group Overview

The Group generated 1% year on year consolidated revenue growth in the third quarter and 9% growth for the year to date, following significant year on year sales growth in the Information Technologies and Microelectronics divisions, as well as the strengthening of a number of the Group's operating currencies against its US dollar reporting currency.

The Group has now won US$ 200.4 million of new contracts since the announcement of its second quarter financial results on September 10, 2010.

Total Group operating expenses, excluding depreciation and amortization charges, were down 24% year on year in the third quarter and down 13% for the first nine months of the year. Selling, general and administrative expenses, net of stock option expenses and provisions, were up 2.1% year on year in the third quarter and up 2.4% for the year to date. This development also reflected the adverse effect of year on year currency exchange rate movements between a number of the Group's operating currencies and its US dollar reporting currency. Research and development expenses were down 15% year on year in the quarter and down 4% for the year to date.

The Group therefore reported a 51% year on year increase in OIBDA in the third quarter to US$ 17.5 million, and nearly doubled its OIBDA for the year to date to US$ 50.8 million. The Group OIBDA margin rose year on year to 7.8% in the quarter and 7.4% for the first nine months of the year.

Group depreciation and amortization charges increased year on year from US$ 14.7 million to US$ 15.0 million in the quarter, and from US$ 40.1 million to US$ 70.6 million for the year to date. The increase primarily reflected the depreciation of 180 nanometer equipment in the Microelectronics segment, the accelerated amortization of intangible assets recognized during the acquisition of the remaining 49% of SITRONICS IT, and the depreciation of newly acquired and developed software in the Telecommunication Solutions segment.

Group net interest expenses increased year on year from US$ 12.0 million to US$ 20.8 million in the quarter, and from US$ 36.2 million to US$ 56.7 million for the year to date. The increases were due to currency effects and the higher average Group borrowing levels when including the US$ 46 million debt to SITRONICS-Nano JV.

The Group reported foreign exchange losses of US$ 1.7 million in the quarter and US$ 1.8 million for the year to date, which compared to a foreign exchange gain of US$ 1.7 million and a loss of US$ 3.4 million for the corresponding periods of 2009. The losses in the current year primarily reflected the difference in the value of the Group's US dollar denominated borrowings between the balance sheet dates.

The Group therefore reported a 37% year on year reduction in the net loss attributable to SITRONICS in the third quarter, and a 21% reduction for the year to date. The Group's 2009 results included the impact of the discontinued businesses that were sold in April 2009. The Group reported net losses from discontinued businesses of US$ 26.2 million for the first nine months of 2009.

## Segmental Review

### *SITRONICS Telecommunication Solutions*

| *(US$ millions)* | **Q3 2010** | Q3 2009 | **9M 2010** | 9M 2009 |
|---|---|---|---|---|
| Revenues | **95.2** | 124.6 | **335.5** | 370.7 |
| OIBDA | **5.3** | 4.4 | **29.8** | 8.0 |
| OIBDA margin | **5.6%** | 3.5% | **8.9%** | 2.2% |
| Net loss | **(6.2)** | (10.9) | **(16.6)** | (32.7) |
| Total assets | **765.0** | 896.6 | **765.0** | 896.6 |

Segment revenues were down 24% year on year in the third quarter and 10% for the first nine months of the year. The year on year decline reflected the unfavorable market conditions in Greece, and the high level of revenues in the corresponding period of 2009 as a result of the high number of completed projects. The decline was however offset to an extent by higher revenues in Russia. Operating expenses were reduced year on year and the segment reported a 21% year on year increase in OIBDA in the third quarter, whilst OIBDA more than tripled for the first nine months of the year. The segment therefore reported increased OIBDA margins of 5.6% and 8.9% for the two respective periods.

The segment businesses have secured US$ 68.5 million of new contracts since the announcement of the Group's second quarter financial results on September 10, 2010.

Sales of wireless network systems accounted for 24% of segment revenues for both the third quarter and for the year to date, whilst sales of telecommunications software including OSS/BSS solutions accounted for 22% and 26% of revenues for the two respective periods. Outsourcing and other solutions accounted for 54% of revenues in the third quarter and 50% for the year to date.

SITRONICS Telecom Solutions signed a contract in August with utility company Uzbekenergo in Uzbekistan to deliver and support the UTILIS Metering Suite, which provides automated monitoring of energy consumption.

The Group also signed a number of three year contracts in October with telecommunications operator Sistema Shyam TeleServices Ltd (SSTL) for a total amount of approximately US$ 22 million, to expand the geographical implementation of the FORIS billing and CRM system, to implement the Signaling Transfer Point platform (STP) and the Mobile Number Portability (MNP) solution, as well as to provide technical support. The FORIS billing and CRM system will be implemented in all regions where Sistema Shyam TeleServices is present and where the company is developing its network. This will allow the company to service up to 26 million subscribers. The implementation will also enable SSTL to introduce new tariff plans, which will target both residential and corporate subscribers.

The Group signed a contract with CJSC Kornet-AM, a subsidiary of Comstar-UTS in Armenia, in October. Kornet-AM is one of the leading telecommunication operators in the country, and has begun the trial use of its WiMAX network based on OmniMAX technology in the city of Tsahkadzor. OmniMAX is developed and manufactured by SITRONICS subsidiary INTRACOM TELECOM.

SITRONICS Telecom Solutions also signed a new contract in November with mobile operator Warid Telecom Uganda and has delivered 1.1 million additional FORIS licenses to support the growth of the telecoms operator. The new contract effectively doubles the number of FORIS licenses for the operator.

INTRACOM TELECOM signed a new contract with leading Middle Eastern telecom operator Pakistan Telecommunication Company Limited (PTCL) in November. INTRACOM TELECOM will supply its point-to-multipoint WiBAS system to cover Lahore, which is the second largest city in Pakistan. The signing of the new contract reflects Intracom Telecom’s growing cooperation with PTCL and follows a contract to supply the INTRALINK point to point microwave communications platform in May this year.

***SITRONICS Information Technologies***

| *(US$ millions)* | **Q3 2010** | Q3 2009 | **9M 2010** | 9M 2009 |
|---|---|---|---|---|
| Revenues | **45.8** | 35.0 | **142.1** | 100.6 |
| OIBDA | **1.1** | 1.5 | **6.5** | 10.5 |
| OIBDA margin | **2.3%** | 4.4% | **4.6%** | 10.4% |
| Net income/(loss) from continuing operations | **0.3** | (2.3) | **(0.6)** | 3.6 |
| Net loss from discontinued operations | **-** | - | **-** | (26.2) |
| Net income/(loss) | **0.3** | (2.3) | **(0.6)** | (22.6) |
| Total assets | **260.3** | 247.8 | **260.3** | 247.8 |

Segment revenues were up 31% year on year in the third quarter and up 41% for the year to date, which primarily reflected the impact of contracts signed earlier in the year and the ongoing development of the Group’s domestic operations. The segment was OIBDA profitable both for the quarter and for the year to date, with margins of 2.3% and 4.6% for the two respective periods.

The segment businesses have secured US$ 55.7 million of new contracts since the announcement of the Group's second quarter financial results on September 10, 2010.

SITRONICS Information Technologies is one of the leading IT companies in Russia and the CIS. IT Infrastructure and System Integration sales accounted for 61% of third quarter revenues and 41% of revenues for the first nine months of the year, while sales of Telecommunications Integration solutions contributed 21% and 45% of revenues for the two respective periods. Sales of Business Consulting and IT Outsourcing solutions represented 18% of revenues in the quarter and 14% for the year to date.

Following the announcement of the Group's second quarter results on September 10, 2010, SITRONICS completed a project with MTS Ukraine to optimize the telecom operator's CDMA network core. This has allowed the operator to launch its MTS Connect 3G service and to increase its Internet access speeds. The Group also launched an Identity Access Management system for MTS Ukraine's personnel. The Group completed a project in October to automate MTS' retail network using the Oracle Hyperion solution. The project was completed in less than four months and was one of the fastest ever Hyperion implementations in the Russian telecommunications sector.

SITRONICS continued to strengthen its relationship with Bashneft during the quarter and started a project in September to create a Unified Transport Network for the company and its subsidiaries. The project will be completed by the end of the year. SITRONICS will also install a Data Processing Center for Bashneft and upgrade the telemechanics systems of its oil production subsidiaries. The Group has signed a total of US$ 23 million of contracts with Bashneft since the beginning of 2010.

SITRONICS signed a contract in October with leading Russian insurance company ROSNO, to provide the NIKA solution for ROSNO' clients. NIKA is a corporate fleet monitoring system using satellite positioning, and enables real time tracking of vehicles, usage analysis and driver interaction.

The Group completed the implementation of the ORACLE Waveset platform for Comstar-UTS in November. The platform provides a centralised solution for information access management for Comstar's employees, which allows the telecom operator to increase its IT security and raise the level of protection for its confidential information. The solution also allows Comstar to fulfil the Russian regulatory requirements related to information security and data protection.

The Group also signed a number of contracts between September and the beginning of November 2010 with a range of Telecommunication operators and providers of banking and insurance services to supply software and hardware solutions, and to provide technical support and system modernisation and upgrades. The Group also signed a contract in November with the Russian State Corporation for Technology to implement an internal corporate portal.

## *SITRONICS Microelectronics*

| *(US$ millions)* | **Q3 2010** | Q3 2009 | **9M 2010** | 9M 2009 |
|---|---|---|---|---|
| Revenues | **73.5** | 57.3 | **179.4** | 143.3 |
| OIBDA | **14.7** | 13.2 | **29.1** | 29.6 |
| OIBDA margin | **20.0%** | 23.0% | **16.2%** | 20.6% |
| Net income/(loss) | **(2.3)** | 4.2 | **(23.8)** | (1.6) |
| Total assets | **748.1** | 565.1 | **748.1** | 565.1 |

Revenues were up 28% year on year in the third quarter and up 25% for the first nine months of 2010, which reflected increased domestic and international microchip sales, the recovery of the global microelectronics markets, the broadening of the scope and extension of existing contracts, and the signing of new contracts. The segment was OIBDA profitable for both the quarter and the year to date, with margins of 20.0% and 16.2% for the two respective periods.

The segment businesses have secured US$ 76.2 million of new contracts since the announcement of the Group’s second quarter financial results on September 10, 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. 33% of third quarter segment revenues and 33% of revenues for the year to date were generated from the sale of integrated circuits, while 36% and 33% of sales were generated from the sale of RFID products in the respective periods. Smart card sales contributed 30% of third quarter revenues and 28% of revenues for the year to date, and commissioned R&D projects accounted for the remaining revenues for the two respective periods.

SITRONICS signed a one year contract with telecom provider VimpelCom in August to deliver 1 million 64 kb capacity SIM cards. The capacity of the SIM cards delivered may change during the lifetime of the contract, and may be increased to 128 kb or 256 kb. 64 kb SIM cards are currently used by the majority of mobile operators, whilst SIM cards with an increased memory capacity are used for tariff plans offering a wider range of services.

The Group also signed a new contract with telecommunications operator MegaFon in September to supply 14 million SIM cards, as well as a contract to deliver Multi IMSI SIM cards, which enables MegaFon to service two numbers on a single SIM.

SITRONICS now provides SIM cards for all of the Big 3 mobile operators in Russia (MTS, VimpelCom and MegaFon), and has a market share of approximately 60%.

The Group also signed contracts with HomeCredit and Svyaznoi Bank in Russia to deliver personalized magnetic strip banking cards, and won a tender in November to deliver microchip banking cards for VTB24.

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 expects to produce the first prototype by the end of this year.

## FINANCIAL POSITION

The Group's cash and cash equivalents amounted to US$ 115.2 million at the end of the third quarter, compared to US$ 42.0 million at the end of September 2009 and US$ 152.2 million at the end of the second quarter of 2010.

The Group's total borrowings amounted to US$ 745.1 million at the end of the third quarter, when excluding US$ 45.7 million of debt borrowed from the SITRONICS-Nano joint venture company for the 90 nanometre project. This compared with total borrowings of US$ 753.8 million at the end of the third quarter of 2009, and US$ 745.4 million at the end of the second quarter of 2010 when excluding US$ 30.6 million dollars of debt borrowed from SITRONICS-Nano. The group's total borrowings were reduced quarter on quarter at constant exchange rates following the repayment, refinancing or rescheduling of US$ 139.3 million of loans in the third quarter.

The proportion of long-term debt to total debt was 43% at the end of period, compared to 26% at the end of the third quarter of 2009, and has increased further since the end of the quarter after the RUR 2.9 billion credit facility provided by Bank of Moscow in October 2010 was replaced with the Group's successful RUB 3 billion bond issue. The credit facility was used in September 2010 to redeem the Group's previously outstanding bonds. Approximately 42% of the Group's debt was denominated in rubles at the end of the period, with 32% denominated in US dollars and 26% in euros.

The Group's weighted average cost of borrowing was 7.8% as at September 30, 2010, compared to 8.6% at the end of the third quarter of 2009 and 8.6% at the end of the second quarter 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 8515 2302
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 4388056#

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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$ 682.5 million for the nine months ended September 30, 2010 and had total assets of US$ 1.8 billion at the end of the period. 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)
### FOR THE THIRD QUARTER 2010 AND THIRD QUARTER 2009
***(Amounts in thousands of U.S. dollars unless otherwise stated)***

| | | Q3 2010 | | Q3 2009 |
|---|---|---|---|---|
| Revenues | $ | 223 595 | $ | 221 367 |
| Cost of sales, exclusive of depreciation and amortization shown separately below | | (172 909) | | (166 341) |
| Research and development expenses | | (3 485) | | (4 087) |
| Selling, general and administrative expenses | | (30 739) | | (39 081) |
| Depreciation and amortization | | (14 994) | | (14 690) |
| Other operating income / (expenses), net | | 1 015 | | (245) |
| OPERATING INCOME / (LOSS) | | 2 483 | | (3 077) |
| Interest income | | 523 | | 2 934 |
| Interest expense | | (21 322) | | (14 909) |
| Foreign currency transactions (losses)/gains, net | | (1 667) | | 1 677 |
| Other non-operating losses, net | | (304) | | (30) |
| Loss from continuing operations before income tax | | (20 287) | | (13 405) |
| Income tax credit/(expense) | | 5 722 | | (1 372) |
| **NET LOSS** | **$** | **(14 565)** | **$** | **(14 777)** |
| Less: net loss/(income) attributable to the non-controlling interests | | 5 174 | | (59) |
| **NET LOSS ATTRIBUTABLE TO SITRONICS** | **$** | **(9 391)** | **$** | **(14 836)** |

## JSC SITRONICS AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
### FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009
***(Amounts in thousands of U.S. dollars unless otherwise stated***

| | | Nine months ended September 30, 2010 | | 2009 |
|---|---|---|---|---|
| Revenues | $ | 682 460 | $ | 625 410 |
| Cost of sales exclusive of depreciation and amortization shown separately below | | (507 898) | | (457 994) |
| Research and development expenses | | (14 753) | | (15 330) |
| Selling, general and administrative expenses | | (113 288) | | (127 111) |
| Depreciation and amortization | | (70 636) | | (40 091) |
| Other operating income, net | | 4 296 | | 755 |
| OPERATING LOSS | | (19 819) | | (14 361) |
| Interest income | | 5 159 | | 8 435 |
| Interest expense | | (61 822) | | (44 677) |
| Foreign currency transaction losses, net | | (1 775) | | (3 378) |
| Other non-operating gains/(losses), net | | (45) | | (725) |
| Loss from continuing operations before income tax | | (78 302) | | (54 706) |
| Income tax credit / (expense) | | 1 906 | | (2 406) |
| LOSS FROM CONTINUING OPERATIONS | | (76 396) | | (57 112) |
| Loss from discontinued operations, net of income tax expense of $0 and $317, respectively | | - | | (404) |
| Loss from disposal of discontinued operations, net of income tax expense of $0 and $0, respectively | | - | | (25 750) |
| Loss from discontinued operations | | - | | (26 154) |
| **NET LOSS** | **$** | **(76 396)** | **$** | **(83 266)** |
| Less: net loss attributable to the noncontrolling interest | | 11 576 | | 1 520 |
| **NET LOSS ATTRIBUTABLE TO SITRONICS** | **$** | **(64 820)** | **$** | **(81 746)** |
| EARNINGS PER SHARE – BASIC AND DILUTED, US cent: | | | | |
| Loss from continuing operations: | | (0,008) | | (0,006) |
| Loss from discontinued operations: | | - | | (0,003) |
| Net loss | | (0,008) | | (0,009) |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED: | | 8 637 943 733 | | 8 818 836 734 |
| **AMOUNTS ATTRIBUTABLE TO SITRONICS:** | | | | |
| Loss from continuing operations, net of tax | | (64 820) | | (55 592) |
| Loss from discontinued operations, net of tax | | - | | (26 154) |
| **NET LOSS** | **$** | **(64 820)** | **$** | **(81 746)** |

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)* | **Q3 2010** | Q3 2009 | **9M 2010** | 9M 2009 |
|---|---|---|---|---|
| Operating Income / (Loss) | **2,483** | (3,077) | **(19,819)** | (14,361) |
| Depreciation and Amortization | **(14,994)** | (14,690) | **(70,636)** | (40,091) |
| OIBDA | **17,477** | 11,613 | **50,817** | 25,730 |