

SITRONICS

SITRONICS
Investor Presentation

May 2010

Disclaimer

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.

We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not intend 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 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

2009 Results

Divisional Overview

Business Strategy

Key Clients and Partners

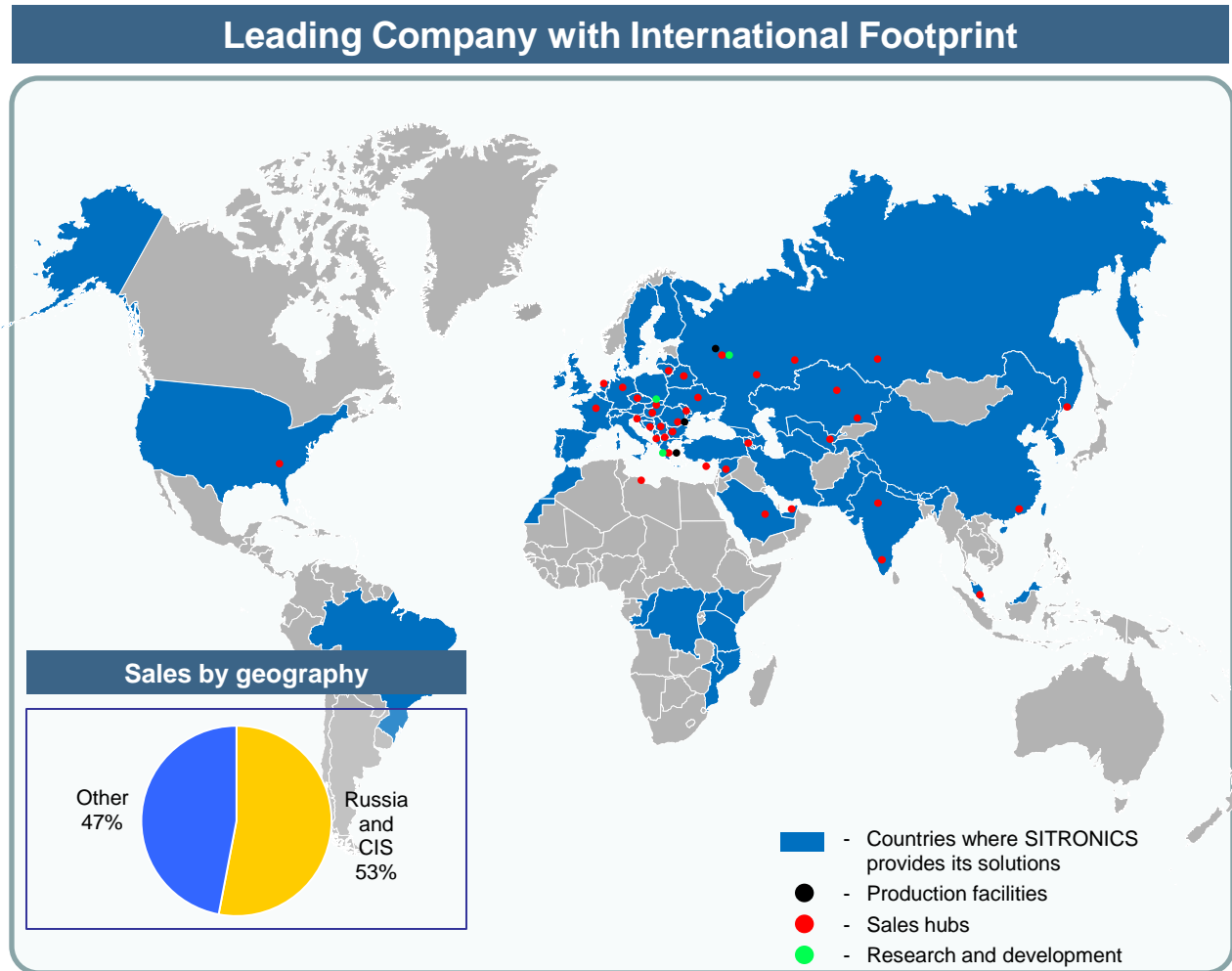
Financial overview

Summary



SITRONICS at a Glance

- ▶ SITRONICS is a **major partner of the Russian Government** to develop the high-tech industry, and on the list of Russia's strategically important companies
- ▶ Established in 2002 & today one of the largest multinational high-tech companies in Russia the CIS and Eastern Europe, with **8,700 employees in 30 countries**
- ▶ Serving more than **3,500 companies in 62 countries**, with over **\$1 billion** of revenues in 2009
- ▶ SITRONICS operates a vertically integrated business model with **3 primary segments**:
 - ▶ Telecom Solutions
 - ▶ Information Technologies
 - ▶ Microelectronics
- ▶ SITRONICS operates **R&D centres** in Russia, the Czech Republic and Greece, with manufacturing facilities in Russia, the Czech Republic and Romania



SITRONICS is a unique technology company in Russia and one of the leading players in fast-growing regions worldwide

Key Business Segments



Description	<ul style="list-style-type: none"> ▶ Leading Russian semiconductor manufacturer based in Zelenograd (Moscow) 	<ul style="list-style-type: none"> ▶ Provider of comprehensive solutions supporting operation and business activities of telecom companies 	<ul style="list-style-type: none"> ▶ One of the largest system integrator in Russia and CIS 																														
Key products	<ul style="list-style-type: none"> ▶ Microchips ▶ Smart cards ▶ RFID cards and tags ▶ R&D by order 	<ul style="list-style-type: none"> ▶ Wireless broadband access solutions ▶ OSS/BSS solutions ▶ IPTV ▶ Intelligent networks/ value-added services 	<ul style="list-style-type: none"> ▶ IT infrastructure and systems integration ▶ Telecom integration ▶ Business consulting and IT outsourcing 																														
Revenue	20% of total sales*		22% of total sales*																														
Segment financials 2009, \$ mln	<table border="1"> <tr><td>Revenue</td><td>208</td></tr> <tr><td>OIBDA</td><td>6</td></tr> <tr><td>adjusted OIBDA**</td><td>49</td></tr> <tr><td>OIBDA margin</td><td>3%</td></tr> <tr><td>adjusted OIBDA**margin</td><td>23%</td></tr> </table>	Revenue	208	OIBDA	6	adjusted OIBDA**	49	OIBDA margin	3%	adjusted OIBDA**margin	23%	<table border="1"> <tr><td>Revenue</td><td>579</td></tr> <tr><td>OIBDA</td><td>23</td></tr> <tr><td>adjusted OIBDA**</td><td>55</td></tr> <tr><td>OIBDA margin</td><td>4%</td></tr> <tr><td>adjusted OIBDA**margin</td><td>9%</td></tr> </table>	Revenue	579	OIBDA	23	adjusted OIBDA**	55	OIBDA margin	4%	adjusted OIBDA**margin	9%	<table border="1"> <tr><td>Revenue</td><td>222</td></tr> <tr><td>OIBDA/</td><td>22</td></tr> <tr><td>adjusted OIBDA**</td><td>25</td></tr> <tr><td>OIBDA margin</td><td>10%</td></tr> <tr><td>adjusted OIBDA**margin</td><td>11%</td></tr> </table>	Revenue	222	OIBDA/	22	adjusted OIBDA**	25	OIBDA margin	10%	adjusted OIBDA**margin	11%
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* 2009 data

** OIBDA adjusted to exclude Impairment losses and reserves

Presence in telecom, IT and microelectornics segments enable SITRONICS to offer clients full range of high-tech solutions

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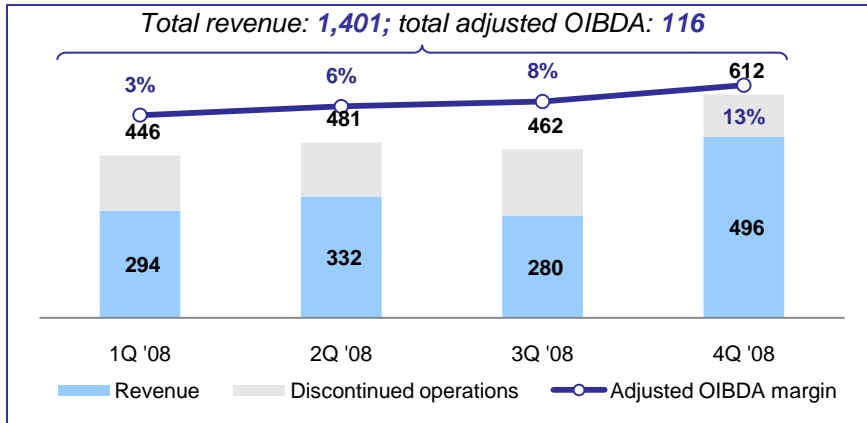
Financial overview

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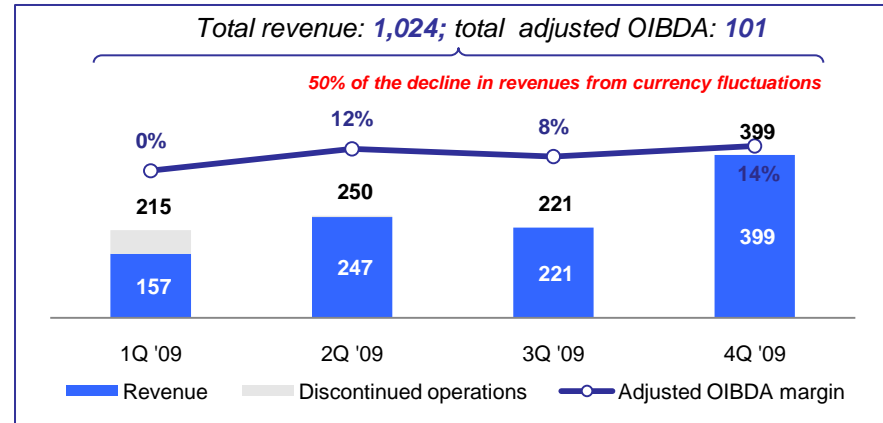


Recent Developments

2008 Key Financials, \$ mln



2009 Key Financials, \$ mln



Key 2009 Events

- ▶ **IT distribution business sold in April 2009** representing 30% of revenue in 2008, in line with strategy of exiting low-margin and capital-intensive operations
- ▶ Signed **investment agreement** with major government corporation **RUSNANO** to set up production for 90 nanometres technology
- ▶ Established **new offices in New Delhi** (India) and **Ufa** (Bashkortostan, Russia)
- ▶ Despite the crisis, the Group managed to retain leading positions in the markets where it is present and took timely cost-cutting actions to soften the impact of the crisis and which resulted in **24% reduction of SG&A**
- ▶ SITRONICS successfully repaid, refinanced or extended **\$780 mln of short-term debt** originally falling due in 2009 and anticipates that a debt for equity swap will be executed in 2010 with the majority shareholder Sistema (up to \$100 mln)
- ▶ **\$979 mln of new contracts** were secured since the beginning of 2009 and **\$550 mln committed for 2010**, providing a steady growth outlook for the Company
- ▶ **US\$ 94.4 million of one-off costs** recognized for FY 2009, in order to create a healthier balance structure

During 2009 the Group successfully implemented measures to enter new markets, optimize its business portfolio, manage its debt profile and decrease costs and spendings

Major Achievements in 2009



- ▶ We have extended our geographical footprint on fast-growing markets: SSTL (India), Etisalat (UAE), MAXIS (Malaysia), Warid Telecom (Uganda)
- ▶ Entering financial market – won tenders by Sberbank of Russia and VTB24 to supply banking cards, started implementing a CRM solution for Sberbank in Russia and built a data processing centre for Sberbank in Ukraine
- ▶ Strengthening our position in the public segment – implementation of an online document filing and processing system for the Bashkirian government
- ▶ Providing solutions for power industry – started implementing the Utilis billing solution for energy generation and distribution company Bashkirenergo's automated power distribution system
- ▶ Supplying SIM cards to MegaFon – SITRONICS share on SIM cards market is about 40%
- ▶ Completed the installation of the Oracle Retail information system in over 120 Detsky Mir regional retail stores and offices
- ▶ MTS' pre-paid subscribers in Ukraine and Telecom Srbija's post-paid subscribers were successfully migrated to the FORIS solution during 2009, and a new billing system was established for MTS India – over 100 million mobile telephony subscribers in Russia, the CIS, the Czech Republic, Serbia, India, Congo and Uganda

We have expanded our operations in vertical and geographical markets

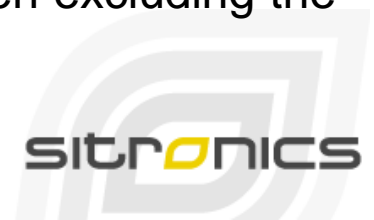
Financial Highlights

- ▶ SITRONICS full year 2009 financial highlights:
 - ▶ Consolidated revenues of **US\$ 1,024 million**
 - ▶ Adjusted OIBDA* margin **10%**
 - ▶ Net profitable continuing operations when excluding the impairment losses, reserves and discontinued IT distribution business

- ▶ **US\$ 979 million** of contracts secured since the beginning of 2009 to date, of which approximately **US\$ 546 million** is expected to be booked in 2010

- ▶ Forecast for 2010:
 - ▶ **Low double digit** revenue growth
 - ▶ Free cash flow remains **positive**
 - ▶ OIBDA margins **in line with the adjusted level** achieved in 2009
 - ▶ Organic CAPEX to reduce **by 30%** from the 2009 level, when excluding the RUSNANO joint venture project

* - OIBDA before impairment losses and reserves



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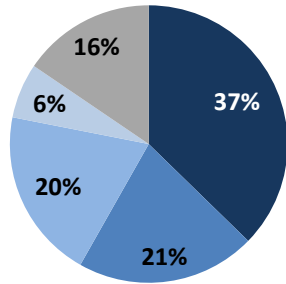
Key Clients and Partners

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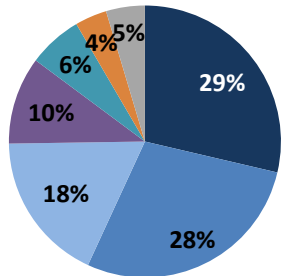


Key products



- Network deployment
- Operations and business process support (OSS/BSS)
- Outsourcing
- Telecommunication Software
- Other

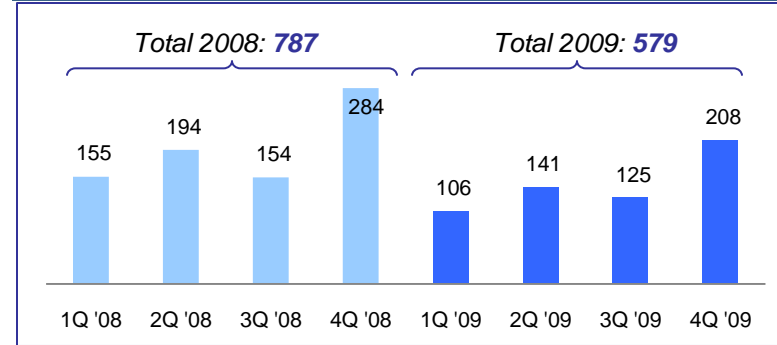
Geographies



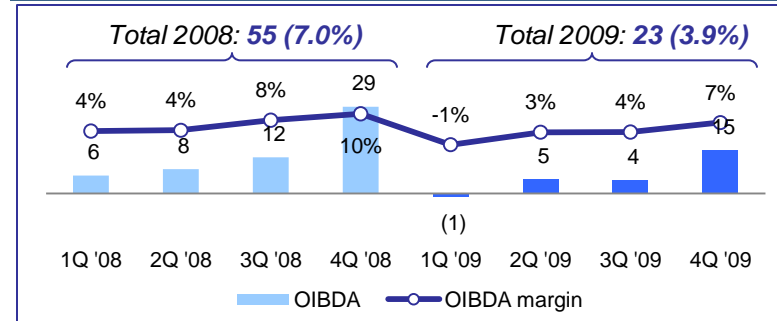
- Central and Eastern Europe (excl. Greece)
- Greece
- Russia and CIS (excl. Ukraine)
- Asia-Pacific region
- Middle East and Africa
- Ukraine
- other

- ▶ SITRONICS is one of ten largest global companies offering wireless data transfer solutions.
- ▶ FORIS billing solution is used by telecom operators to bill over 100 million mobile telephony subscribers in Russia, the CIS, Eastern Europe, Asia and Africa
- ▶ Contracts with MAXIS (Malaysia) and Etisalat (OAE)

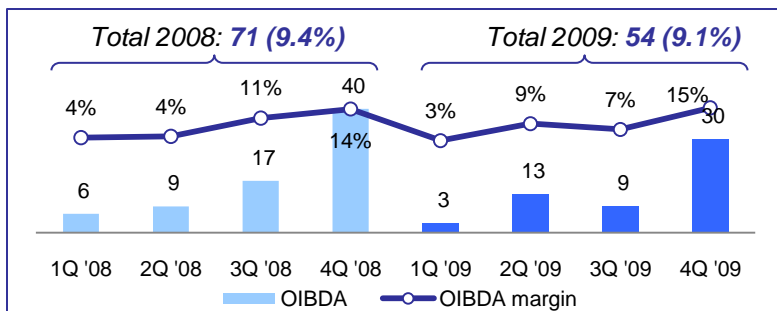
Revenue (\$ mln)



OIBDA (\$ mln)

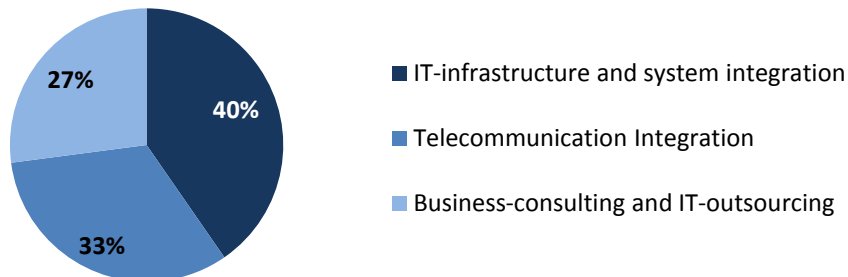


Adjusted OIBDA* (\$ mln)



* OIBDA before impairment losses and reserves

Key products

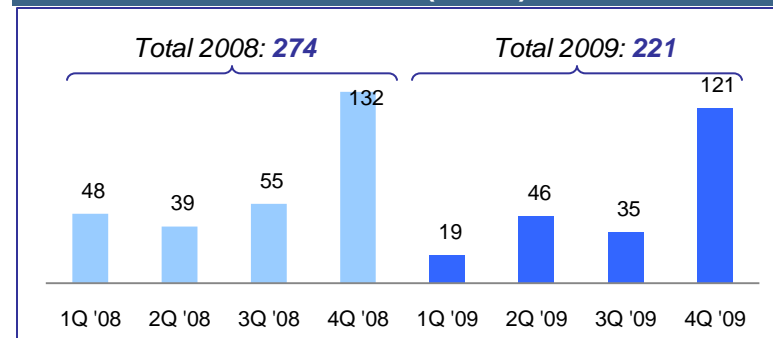


Geographies

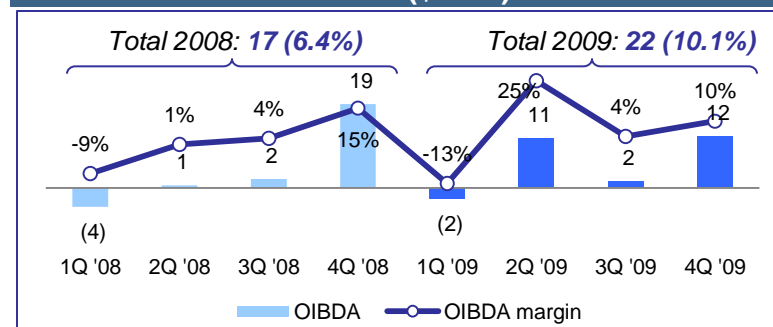


- ▶ SITRONICS Information Technologies is one of the leading IT companies in Russia
- ▶ Completed projects for the regional governments of Bashkortostan, Tatarstan and Kazakhstan
- ▶ Contracts in telecom sector (MTS, Svyazinvest), in financial sector (Sberbank of Russia, Ukrsofsbank), industrial sector (Detsky Mir), oil&gas sector (Bashneft)

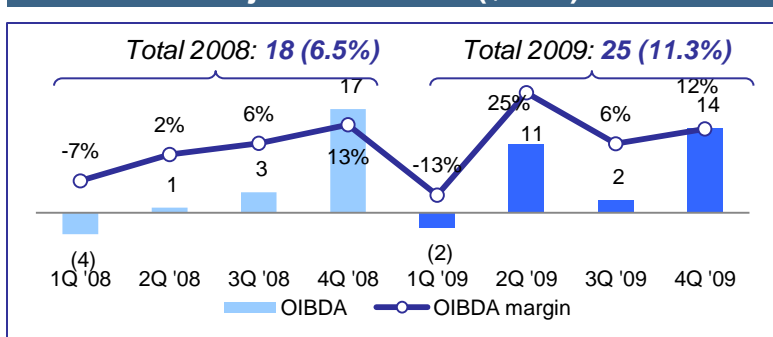
Revenue (\$ mln)



OIBDA (\$ mln)

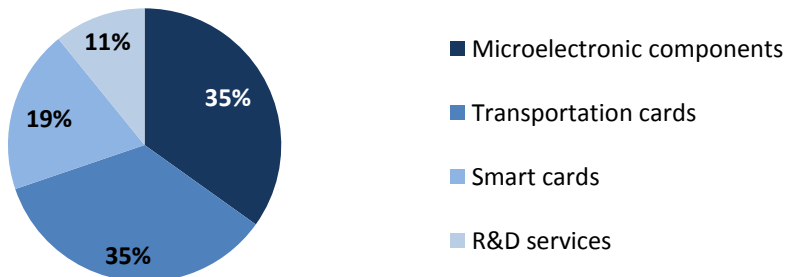


Adjusted OIBDA* (\$ mln)

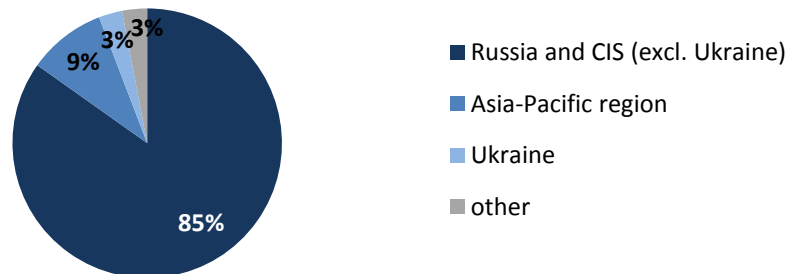


* OIBDA before impairment losses and reserves

Key products

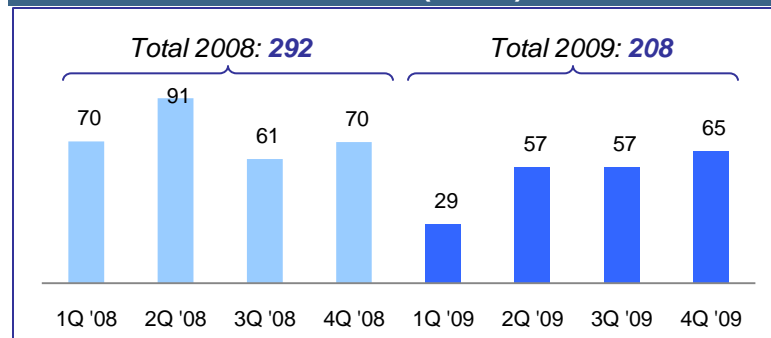


Geographies

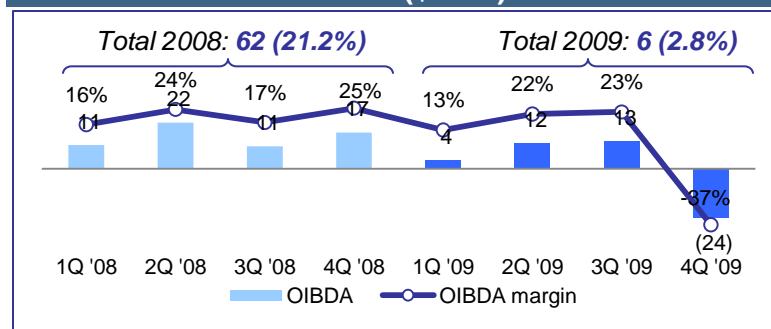


- ▶ SITRONICS Microelectronics is the #1 microelectronic component producer in Russia and the CIS
- ▶ Investment agreement with RUSNANO
- ▶ Supply of banking cards to Sberbank and VTB24
- ▶ 40% of SIM cards market in Russia and CIS (MTS + MegaFon)

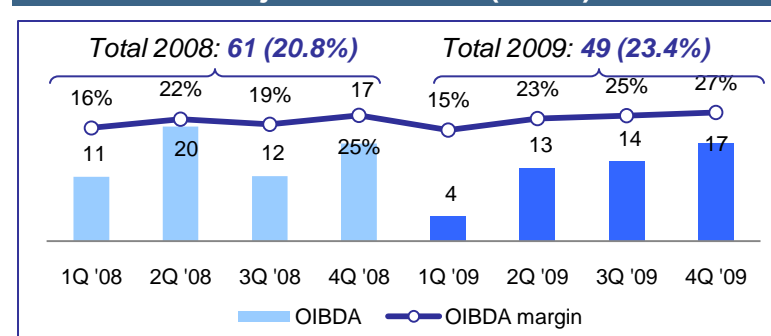
Revenue (\$ mln)



OIBDA (\$ mln)



Adjusted OIBDA* (\$ mln)



* OIBDA before impairment losses and reserves

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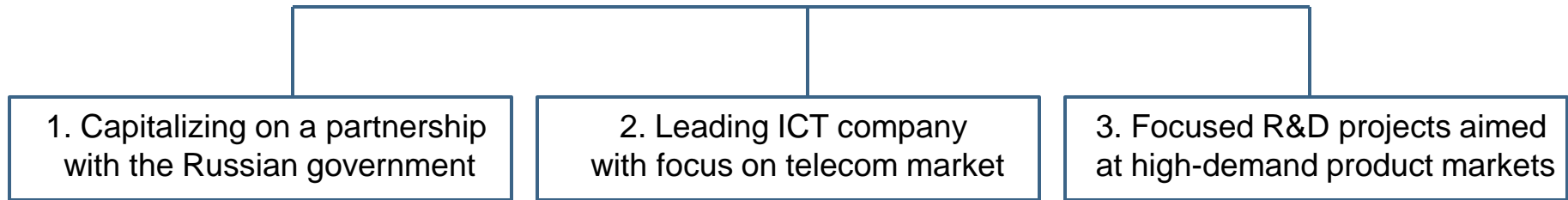
Key Clients and Partners

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Summary



Three major vectors for development



To become a top tier technology company

1. Capitalizing on a Partnership with the Russian Government

- ▶ Partnership with Russian government is a **strategic priority** for SITRONICS
- ▶ SITRONICS is included in the list of **Russia's strategically important companies**
- ▶ **20%** of SITRONICS total 2009 revenues were generated from the public sector*
- ▶ SITRONICS is a partner of government corporations and regional administrations of Russia:



RUSNANO State Corporation: Investment agreement to set up microchip co-production on the basis of the 90 nanometer technology. RUSNANO has invested RUB 6.5 bln.



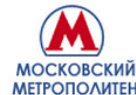
Government of Tatarstan: Delivery of "Multiservice Information Educational System" (MIOS) & solutions to service passenger and freight transports



Government of Bashkortostan: Implementation of E-government system



Sberbank of Russia: Production and supply of banking cards & implementation of CRM system and data processing centre in Ukraine



Moscow Metro: Delivery of up to 20 million RFID cards per month (approximately \$ 100 mln per year)

Five primary fields of modernization in Russian high-tech according to President of Russia Dmitry Medvedev:

1. Space technology ("primarily related to telecommunications including GLONASS")
2. Medical technology ("primarily diagnostic equipment")
3. Strategic information technology
4. Energy efficiency and conservation
5. Nuclear technology

SITRONICS already has solutions, or intends to implement new ones during 2010 and 2011 in four out of five fields

* - in Russia and worldwide

2. Leading ICT Company with Focus on Telecom Market

	Geographies	Clients	Products
OSS / BSS (billing)	<ul style="list-style-type: none"> ▶ Russia and CIS ▶ India ▶ Africa ▶ Middle East 	<ul style="list-style-type: none"> ▶ Telecom operators ▶ Utilities ▶ Oil & gas 	<ul style="list-style-type: none"> ▶ FORIS billing solution ▶ UTILIS billing solution ▶ Intelligent networks ▶ Value-added services
Wireless network system solutions	<ul style="list-style-type: none"> ▶ Russia and CIS ▶ India ▶ Africa 	<ul style="list-style-type: none"> ▶ Telecom operators 	<ul style="list-style-type: none"> ▶ Wireless platforms: WiBAS, OmniBAS, OmniMax ▶ PDH/SDH microwave link platform: Intralink
IT infrastructure and systems integration	<ul style="list-style-type: none"> ▶ Russia and CIS 	<ul style="list-style-type: none"> ▶ Public sector ▶ Financial organizations ▶ Telecom operators ▶ Diversified industrials 	<ul style="list-style-type: none"> ▶ Modular data centres ▶ Cloud computing (SaaS) ▶ ERP ▶ CRM

To become a leading ICT company in Russia, CIS and fast growing global markets



3. Focused R&D Projects Aimed at High-demand Product Markets

Market	Geography	Market volume*, 2012, \$bln	CAGR, 2009-2012, %	Key trend**	SITRONICS R&D
Microelectronics	Russia and CIS	1,99	21%	Retail process automation	RFID and smart cards; RFID with physically unclonable functions
OSS / BSS	Russia, CIS and Eastern Europe	2,12	8%	Expansion of consumer network access and range of services; "smart" utility service networks (smart grid)	Billing and intelligent networks (FORIS, VAS); Energy production and housing and utility service solutions (UTILIS)
Wireless transmission	Global market	6,89	6%	Increase of data usage and network traffic capacity	Wireless access and communication (WiBAS, OmniBAS, OmniMAX); 3G-indoor solutions
IT services and software	Russia and Ukraine	6,92	15%	Virtualization and development of cloud computing; development of user location-based services (GLONASS/GPS)	Modular data centres, SaaS (Software as a Service), telematic services

SITRONICS prioritizes the development of an innovative product portfolio combining current high demand solutions with future high potential products and solutions



* - Source: Microelectronics – ID Elektronika, RUSNANO, SITRONICS; OSS/BSS – Gartner, Wireless transmission – Heavy Reading, EJL Research Data, IT market – IDC

** - According to SITRONICS Technology Forecast

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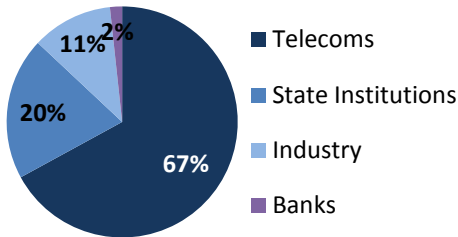
Summary



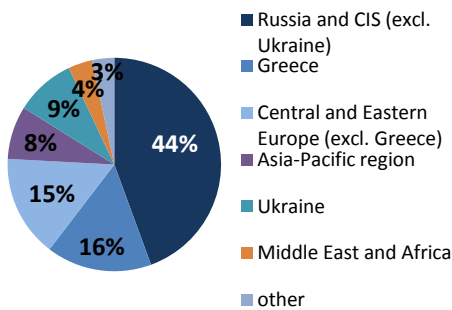
Diversified Customer Base

SITRONICS intends to help clients achieve success in their development, and to increase their efficiency and competitiveness through innovative solutions

2009 Sales by Segment



2009 Sales by Geography



More than 3,500 clients in 62 countries

Telecom sector:



Public sector:



Financial sector:



Industrial sector:



Focus on fast growing vertical market segments on geographically diversified markets

Cooperation with International Technology Partners

▶ Partnerships in Information Technologies sector (>50 vendors)

Partnership status	Golden	Platinum	Silver	Premier Partner	Partner
Company					
					...and others 

▶ Partnerships in Telecommunication Solutions sector



▶ Partnerships in Microelectronics sector



Partnerships with leading global vendors provide SITRONICS with optimal levels of competence and supplement in-house solutions



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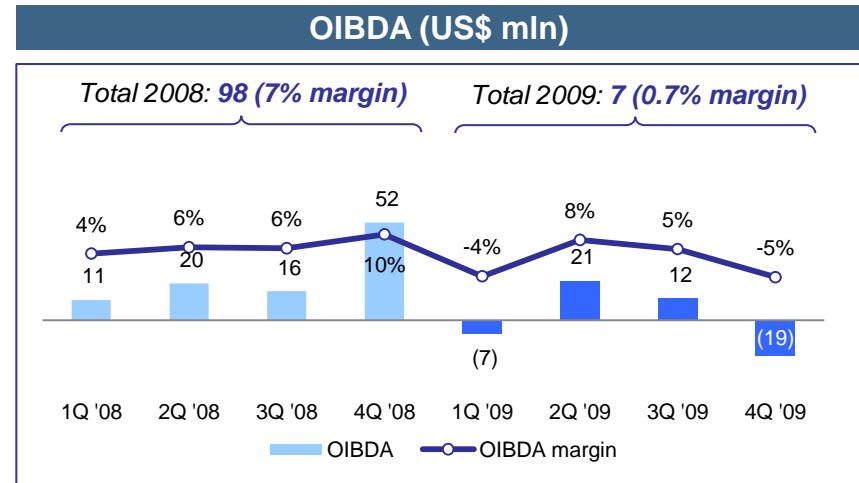
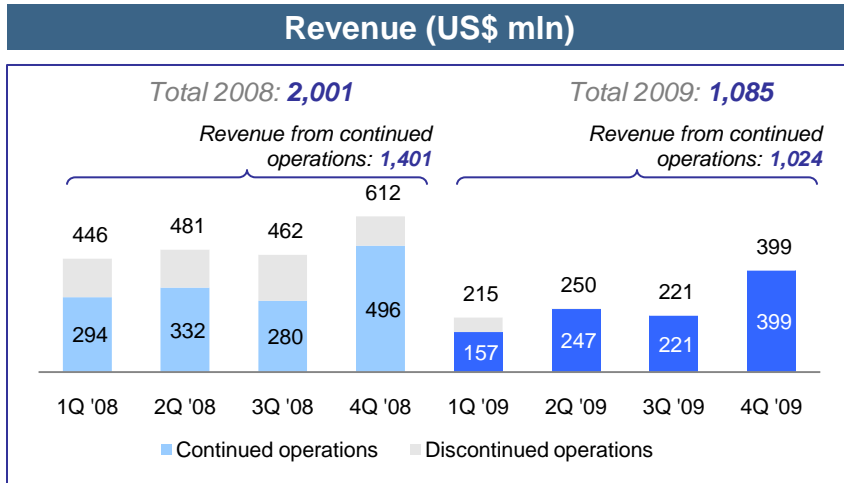
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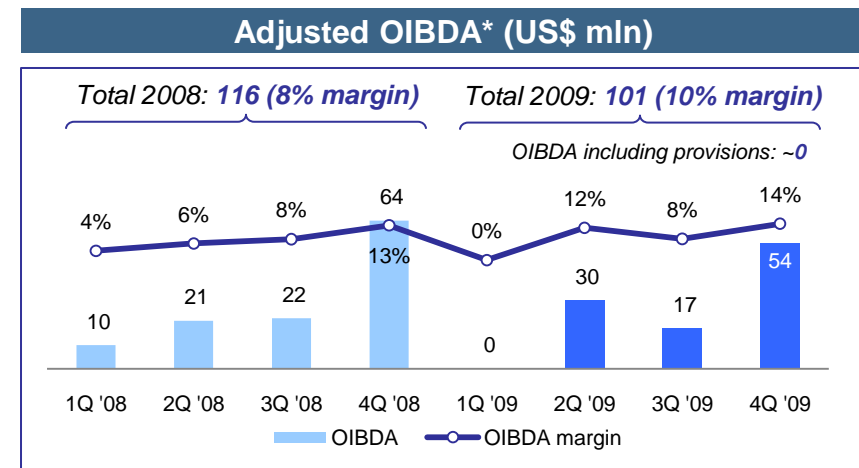
Summary



Revenue & OIBDA Performance



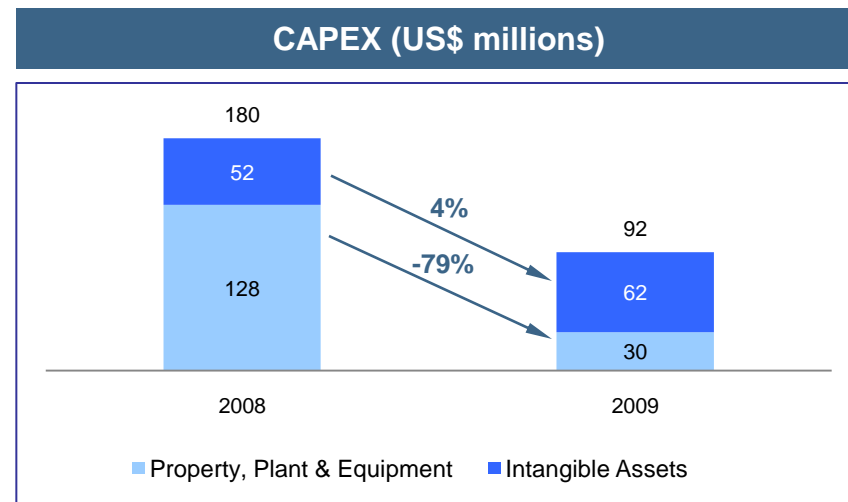
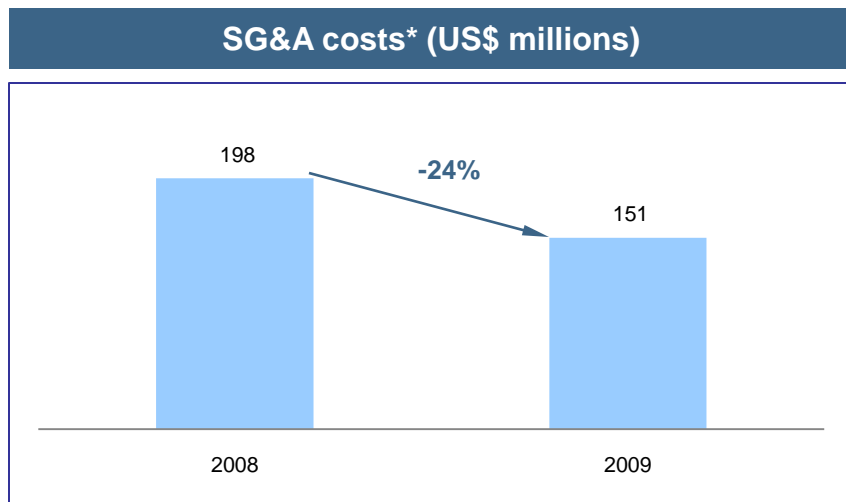
- ▶ Consolidated revenues down 13.4% year on year at constant exchange rates in Q4, and 13.9% for FY 2009.
- ▶ Adjusted OIBDA* down 15.4% in Q4 and 13.2% for 2009, with increased adjusted OIBDA margins of 13.5% and 9.9% for the two respective periods
- ▶ \$94.4 million of one-off costs arising from provisions for accounts receivable \$54.6 million, impairment of inventories \$19 million, fixed assets \$6.8 million and investments \$14 million



* OIBDA before impairment losses and reserves

In 2009, SITRONICS outperformed the Russian IT market, which declined by 40%

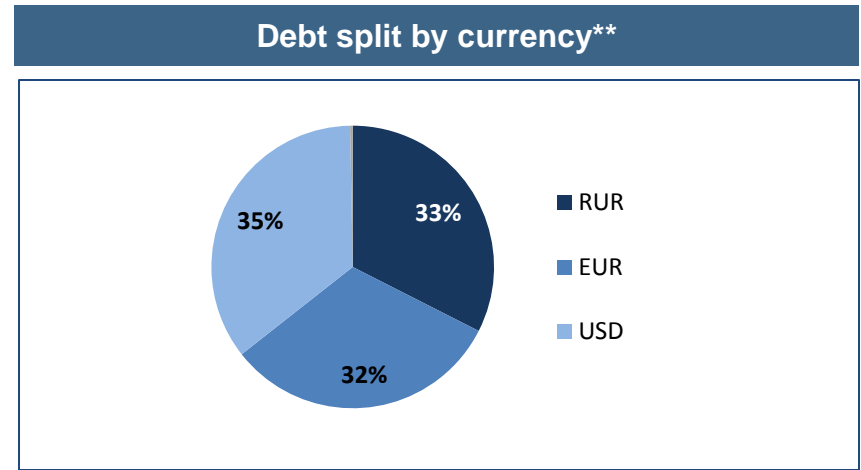
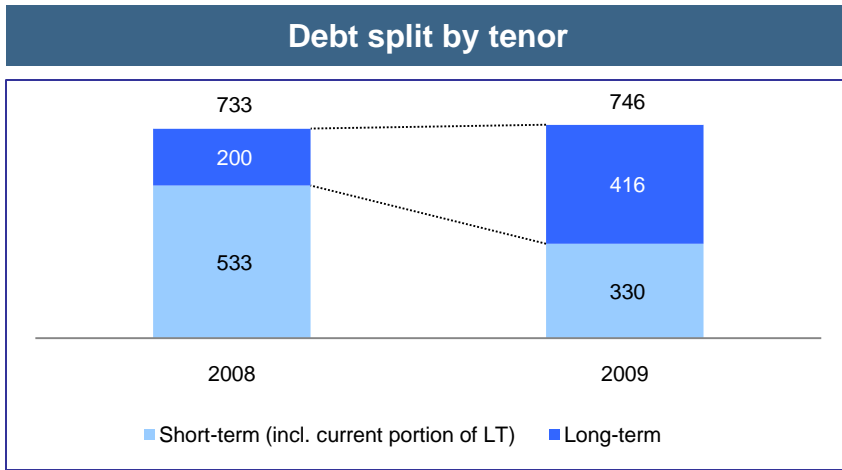
Successful Cost Optimization Program



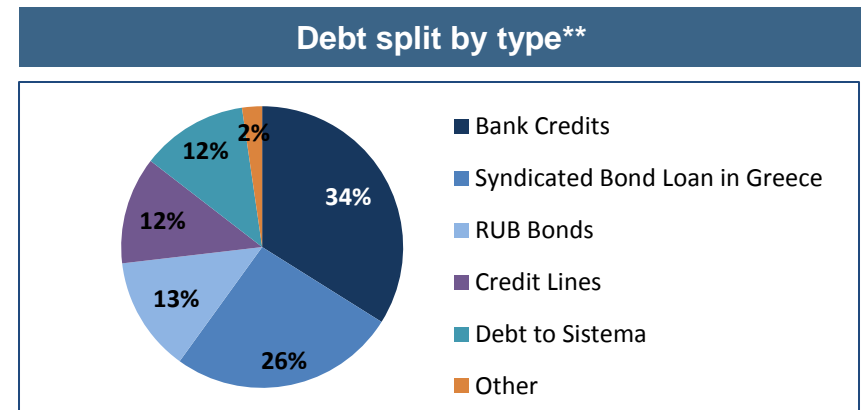
* Excluding Impairment losses and reserves

- ▶ Cash operating expenses, primarily Selling, General and Administrative expenses (SG&A) were reduced considerably during the year following the implementation of cost reduction programme
- ▶ 17% reduction in headcount from 10.500 employees in 2008 to 8.700 employees at the end of 2009
- ▶ Capital expenditures were substantially decreased by postponing less urgent projects to further periods of time

The reduction in costs and sale of low margin IT distribution businesses enabled SITRONICS to deliver increased adjusted OIBDA* margin of 14% Q4 & 10% for 2009



- ▶ Operating cash flow increased to \$147 million at the end of 2009 from \$22 million at the end of 2008
- ▶ Free cash flow* increased to \$56 million at the end of 2009
- ▶ SITRONICS successfully repaid, refinanced or extended over \$780 million of debt in 2009
- ▶ Long-term debt account for 56% of total debt liabilities, compared to 27% at the beginning of 2009
- ▶ Stable average borrowing cost of 8.6%
- ▶ Net debt net decreased from \$609.5 million at the end of 2008 to \$584.0 million at the end of 2009, down 4% in 2009



Successful management of debt portfolio & goal to reduce total debt over time

* Difference between Operating cash flow and CAPEX

** FY 2009 data

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- ▶ SITRONICS is uniquely positioned on the Russian high-tech market and one of the Company's strategic goals is to participate in the innovation and modernisation of the Russian economy
- ▶ Despite a year of global recession SITRONICS reported a strong set of operational results
- ▶ Both management and the main shareholder Sistema believe in SITRONICS strategy and business model
- ▶ The Company's management has a clear development strategy which is supported by the main shareholder. Sistema also recognises the SITRONICS need to decrease its debt levels through a debt for equity swap.
- ▶ To summarise the above – both management and the main shareholder will focus their efforts on increasing the shareholder value of SITRONICS

thank
you

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Appendix





- ▶ October 2009 - Investment agreement with RUSNANO to launch 90 nanometre technology microchip production at SITRONICS' existing facility in Zelenograd (Moscow, Russia)
- ▶ The most advanced technology in Russia
- ▶ The first major Russian project on the establishment of a modern microelectronic production with the government being a co-investor on parity terms
- ▶ The total project funding amount is 16.5 billion rubles. RUSNANO investment into the established joint venture is 6.5 billion rubles. SITRONICS has invested an equal share in the form of high-tech equipment (180 nm microchip production line)
- ▶ Key products to be produced at the facility will target a number of developing industrial sectors including:
 - Digital TV
 - GLONASS/ GPS navigation systems
 - industrial automation systems
 - versatile high-security smart-cards (biometric passports and other personal documents, bank and social security cards, SIM-cards)
 - RFID-products
- ▶ The start-up of the serial production based on the new technology is scheduled for 2012
- ▶ SITRONICS to become the centre of Russian industrial ecosystem in microelectronics sector

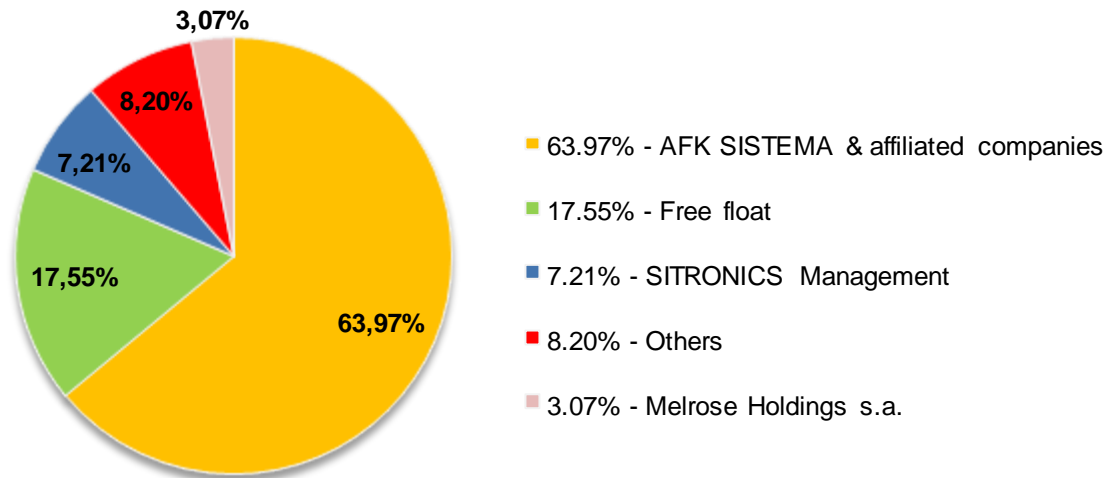


“The launch of the 90 nanometre microchip production project is of considerable strategic importance for Russia. Nanoelectronic production in Russia plays an invaluable role in the development of the Russian high-tech sector and the country’s overall technological security.”

Anatoly Chubais, Chief Executive Officer of
RUSNANO



Shareholder Structure



▶ **Share capital: 9 547 087 190 rubles (9 547 087 190 of ordinary shares with par value of RUR 1.00)**

▶ **GDRs are listed on London Stock Exchange (IPO – Feb 2007), 1 GDR = 50 ordinary shares**

▶ **Ordinary shares are listed on Russian Trading System (RTS) and Moscow Stock Exchange (MSE)**



P&L Statement

Group consolidated statement of operations, FY 2009, '000 USD

	31 Dec, 2009	31 Dec, 2008
Revenues	1,024,219	1,401,257
COGS	(746,501)	(1,032,159)
Operating expenses		
-R&D	(21,162)	(39,094)
-SG&A	(159,706)	(214,197)
-Depreciation and amortization	(58,012)	(73,742)
-Impairment losses & reserves	(94,387)	(18,729)
-Other operating income, net	4,240	690
Operating (loss) / income	(51,309)	24,026
Net financial items	(63,786)	(88,400)
Loss from continuing operations before income tax	(115,095)	(64,374)
Income tax credit / (expense)	14,288	(11,897)
Net loss from continuing operations	(100,807)	(76,271)
(Loss) / income from discontinued operations	(26,154)	27,143
NET LOSS	(126,961)	(49,128)
Less: net loss/ (profit) attributable to the non-controlling interests	7,886	(4,764)
NET LOSS ATTRIBUTABLE TO SITRONICS	(119,075)	(53,892)

Balance Sheet

Group balance sheet, '000 USD

	31 Dec, 2009	31 Dec, 2008
Assets		
-Current assets	857,610	1,161,458
-Non-current assets	1,069,217	873,524
Total assets	1,926,827	2,034,982
Liabilities & Shareholders Equity		
-Current liabilities	786,045	1,129,311
-Long-term liabilities	614,179	250,794
Total liabilities	1,400,224	1,380,105
-Total equity attributable to SITRONICS shareholders'	374,366	495,201
-Equity attributable to non-controlling interest	152,237	159,676
Total equity	526,603	654,877
Total liabilities & equity	1,926,827	2,034,982

Cash Flow Statement

Group consolidated statement of cash flows 2009, '000 USD

	30 Dec, 2009	30 Dec, 2008
Net cash provided by operating activities	147,159	22,106
Net cash used in investing activities	(107,913)	(281,647)
Net cash (used in) / provided by financing activities	(2,941)	(213,548)
Effects of exchange rate changes on cash and cash equivalents	(136)	(13,798)
Increase / (decrease) in cash and cash equivalents	36,169	(59,791)
Cash and cash equivalents from continued operations at the beginning of the year	116,720	178,964
Cash and cash equivalents from discontinued operations at the beginning of the year	8,975	6,522
Cash and cash equivalents at the beginning of the year	125,695	185,486
Cash and cash equivalents from continued operations at the end of the year	161,864	116,720
Cash and cash equivalents from discontinued operations at the end of the year	-	8,975
Total cash and cash equivalents at the end of the year	161,864	125,695



SITRONICS

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