



**FOR IMMEDIATE RELEASE**

April 19, 2012

**SITRONICS ANNOUNCES FOURTH QUARTER 2011 FINANCIAL RESULTS AND  
AUDITED FULL YEAR 2011 FINANCIAL RESULTS**

**MOSCOW, Russia** – April 19, 2012 – JSC SITRONICS (‘SITRONICS’ or ‘the Group’) (LSE: SITR), the leading provider of technology solutions in Russia and the CIS, today announced its consolidated US GAAP financial results for the fourth quarter and its audited results for the full year ended December 31, 2011.

**FOURTH QUARTER HIGHLIGHTS**

- Consolidated revenues up 13% year on year to US\$ 548.4 million
- Information Technologies revenues up 4% year on year to US\$ 213.5 million; Telecommunication Solutions revenues down 15% year on year to US\$ 161.4 million and Microelectronics revenues up 7% year on year to US\$ 81.2 million
- OIBDA\* of US\$ 55.9 million and OIBDA margin of 10.2%, up from OIBDA of US\$ 54.8 million in Q4 2010
- Net loss attributable to SITRONICS of US\$ 13.3 million
- Total assets down 5% year on year to US\$ 1,863.2 million

**FULL YEAR HIGHLIGHTS**

- Consolidated revenues up 26% year on year to US\$ 1,475.1 million
- Telecommunication Solutions revenues up 4% year on year to US\$ 545.5 million; Information Technologies revenues up 39% year on year to US\$ 492.6 million and Microelectronics revenues up 24% year on year to US\$ 316.4 million
- OIBDA of US\$ 97.1 million and OIBDA margin of 6.6%, with OIBDA profits reported by all three business segments
- Net loss attributable to SITRONICS of US\$ 86.7 million
- US\$ 1,817.9 million of contracts secured since the beginning of 2011 to date, of which US\$ 537.7 million secured since the announcement of Q3 2011 results on December 6, 2011

Sergey Aslanian, President of SITRONICS, commented: “In the fourth quarter of 2011, the Group delivered healthy year on year sales growth of 13%, and a 26% year on year increase in sales for the full year was above expectations and our guidance. All our business segments again reported OIBDA profits, and our full year OIBDA margin performance was in line with our forecast. Public sector work remains of key importance to us, and we continued to develop

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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.

our working relationships with a number of governmental organisations in Russia and abroad, thus diversifying and expanding our client base.

“We have now won US\$ 538 million worth of contracts since the beginning of December and are looking forward to an even more exciting year ahead. We have started production of 90 nanometer microchips, the result of our joint venture project with RUSNANO. The microelectronics industry is the basis for innovation within the Russian economy, and SITRONICS has the most advanced domestic manufacturing capability, which will enable the industry to reach new levels of automation and efficiency. We also completed the first stage of the Intelligent Transport System project, working closely with the City of Moscow.”

“Another particularly significant project, which we began in December last year and finished in February 2012, provided a notable start to the year and consolidated our relationship with the Russian government and state authorities. Within a very tight timescale we successfully delivered, tested and set up a video surveillance system to monitor voting and counting processes during the Presidential Elections in March 2012. I am pleased to say that our company once again demonstrated its ability to provide high quality services on time, even when faced with major technical, geographical and other challenges.”

## **FINANCIAL SUMMARY**

<i>(US\$ millions)</i>	<b>Q4 2011</b>	Q4 2010	<b>FY 2011</b>	FY 2010
Revenues	<b>548.4</b>	484.5	<b>1,475.1</b>	1,166.9
Total OIBDA	<b>55.9</b>	54.8	<b>97.1</b>	105.6
OIBDA margin	<b>10.2%</b>	11.3%	<b>6.6%</b>	9.1%
Net (loss)/ income attributable to SITRONICS	<b>(13.3)</b>	19.2	<b>(86.7)</b>	(45.6)
Total assets	<b>1,863.2</b>	1,971.5	<b>1,863.2</b>	1,971.5

## **OPERATING REVIEW**

### **Group Overview**

The Group reported a 13% year on year increase in consolidated revenue in the fourth quarter and 26% growth for the full year of 2011. The growth in the quarter reflected our developing business in all segments and new contracts won. The full year growth was driven also by an increase in

demand for hardware and R&D solutions, which respectively contributed to the development of the Group business in the Information Technologies and Microelectronics segments.

The Group has now secured US\$ 1,817.9 million of new contracts since the beginning of 2011 and US\$ 537.7 million since the announcement of its third quarter financial results on December 6, 2011. SITRONICS and state corporation RUSNANO commenced the production of 90 nanometer microchips in February as was previously announced, and in March 2012 SITRONICS completed a project of unprecedented scale to set up a video surveillance system to monitor the voting and counting processes during the Russian Presidential elections. Further detail regarding these projects and a number of other new initiatives can be found in the Segmental Review section.

As was recently announced, SITRONICS intends to sell 3% of INTRACOM TELECOM in order to reduce debt levels, and to deconsolidate its financial results, which can only take place upon implementation of certain measures regarding control of INTRACOM TELECOM.

## **FINANCIAL REVIEW**

The Group's selling, general and administrative expenses remained flat year on year in the fourth quarter but increased by 10% year on year for the full year of 2011. Around 4% of the growth was driven by a strengthening of the majority of SITRONICS' operating currencies against its US dollar reporting currency. The increase was also due to higher spending on sales and marketing activities to support the Company's market position and fund its entrance into new market segments. Impairment losses and reserves, which were down 26% from US\$ 7.4 million to US\$ 5.5 million year on year in the fourth quarter, also decreased by 16% from US\$ 16.5 million to US\$ 13.8 million for the full year of 2011. Research and development expenses were up 121% in the quarter and up 44% for the twelve month period, as more R&D projects were initiated during the course of the year. Therefore, total operating expenses, when excluding depreciation and amortization charges, increased by 10% year on year in the fourth quarter and by 14% for the full year of 2011.

The Group reported OIBDA profits of US\$ 55.9 million in the fourth quarter and US\$ 97.1 million for the full year of 2011, with OIBDA margins of 10.2% and 6.6% for the two respective periods.

The Group's depreciation and amortization charges increased by 46% year on year to US\$ 29.5 million in the fourth quarter, and by 5% to US\$ 95.0 million for the full year of 2011, but remained flat at constant exchange rates. The year on year difference in depreciation and amortization charges primarily reflected changes in inventory and production levels, as well as adjustments made to the useful life of certain intangible assets.

The Group's net interest expenses increased year on year to US\$ 18.1 million from US\$ 14.8 million in the fourth quarter, but decreased from US\$ 71.4 million to US\$ 68.3 million during 2011. The increase in interest expenses in the fourth quarter reflected the trends in the domestic and international financial markets, in which the Group operates.

The Group reported a foreign exchange gain of US\$ 3.8 million in the fourth quarter, but reported a foreign exchange loss of US\$ 11.1 million for the full year of 2011, compared to a gain of US\$ 0.9 million and a loss of US\$ 0.9 million for the corresponding periods of 2010. These gains and losses primarily reflected the difference in the value of the Group's US dollar denominated borrowings between the balance sheet dates.

The Group reported a net loss attributable to SITRONICS of US\$ 13.3 million in the fourth quarter and US\$ 86.7 million for the full year of 2011.

Net cash provided by operating activities in 2011 amounted to US\$ 39.0 million, which includes a US\$ 13 million positive change in working capital.

Net cash used in investing activities was up 34% year on year to US\$ 106.6 million, compared to US\$ 79.6 million in 2010, and included a 16% increase in capital expenditure to US\$ 95.8 million from US\$ 82.4 million in the previous year. This was mainly due to a higher level of investment in 2011 than in 2010 in the Group's joint venture project with state corporation RUSNANO.

Net cash provided by financing activities amounted to US\$ 69.3 million for the full year, compared to US\$ 10.9 million in 2010. SITRONICS repaid, refinanced or extended US\$ 691 million of loans during 2011.

The Group's cash and cash equivalents amounted to US\$ 260.4 million at the end of the fourth quarter, compared to US\$ 261.7 million at the end of the fourth quarter of 2010 and US\$ 79.3 million at the end of the third quarter of 2011.

The Group's total borrowings amounted to US\$ 724.8 million at the end of the year, when excluding the US\$ 55.0 million of debt associated with the SITRONICS-NANO joint venture. This compares to borrowings of US\$ 699.1 million at the end of 2010 and US\$ 772.4 million at the end of the third quarter of 2011. The Group's weighted average cost of borrowing was 8.6% as at December 31, 2011.

The proportion of long-term debt to total debt was 44% as at December 31, 2011, compared to 29% at the end of 2010. Long-term borrowings from SITRONICS' parent company RTI, amounted to US\$ 228 million, and short-term borrowings from RTI were US\$ 90 million. Approximately 63% of the Group's debt was Russian ruble-denominated at the end of the period, with 17% denominated in US dollars and 20% in Euros.

## SEGMENTAL REVIEW

### *SITRONICS Telecommunication Solutions*

<i>(US\$ millions)</i>	<b>Q4 2011</b>	Q4 2010	<b>FY 2011</b>	FY 2010
Revenues	<b>161.4</b>	190.5	<b>545.5</b>	525.9
OIBDA	<b>23.3</b>	19.7	<b>55.2</b>	49.6
OIBDA margin	<b>14.4%</b>	10.4%	<b>10.1%</b>	9.4%
Net income/ (loss)	<b>10.6</b>	7.7	<b>(1.9)</b>	(9.0)
Total assets	<b>658.9</b>	811.4	<b>658.9</b>	811.4

Revenues for the Telecommunications Solutions segment were down 15% year on year in the fourth quarter and up 4% for the full year of 2011. The year on year decrease in the fourth quarter was mainly due to a change in the seasonality effect. The increase in full year sales reflected the resurgence of the Russian telecom market, as well as an increase in the volume of INTRACOM TELECOM's contracts outside Greece. The segment reported a year on year increase of 18% in OIBDA profitability to US\$ 23.3 million in the fourth quarter, and an 11% increase to US\$ 55.2 million for the full year, with OIBDA margins of 14.4% and 10.1% for the respective periods. The increase in profitability was due to the completion of higher margin contracts during the quarter.

Sales of wireless network systems accounted for 23% of revenues for the full year, whilst sales of telecommunications software, including OSS/BSS solutions, accounted for 17% of revenues for the period. Outsourcing and other solutions accounted for 60% of revenues for 2011.

The segment businesses have secured US\$ 189.5 million of new contracts since the announcement of the Group's third quarter financial results on December 6, 2011 and US\$ 496.7 million of new contracts since the beginning of 2011.

During the quarter, SITRONICS continued with the successful implementation of its FORIS billing solutions, which are much in demand. The Group:

- Completed the implementation of the National Corporate Internet Assistant (NCIA) for MTS Russia, which provides MTS' corporate clients with a unique capability to manage their own services
- Implemented the Bonus Management System for MTS, which enabled MTS to launch its "100 Rubles Bonus to Add to your Account" promotion on February 1, 2012, as well as to plan a number of other marketing initiatives in the future
- Completed the first stage of the project to move the databases of MTS North-West's FORIS OSS billing system to a Linux x86 server. This is a large-scale project to move

the databases of all MTS's macro-regional subsidiaries in Russia to the same Linux servers, which will improve MTS's business efficiency by optimising hardware performance and reducing operating costs

- Finalised the first stage of the modernisation of MTS Ukraine's signalling network, which will enable MTS Ukraine to migrate towards the Next Generation Network and provide improved service reliability and high speed data transmission. SITRONICS also won a tender to develop and implement a unified payment and settlement system, a complex solution that will replace MTS Ukraine's current payment system. The new system's broad functionality complies with the client's requirements to provide a wide range of reliable services. The project will be completed by the end of 2012
- Commissioned the Mobile Number Portability service for MTS Belarus, based on FORIS OSS and MEDIO IN / SCP solutions. As a result, for the first time mobile subscribers in the CIS area are able to switch to different operators while retaining their current mobile numbers
- Completed the migration of Shyam TeleServices Limited subscribers in the Haryana and Delhi regions of India to the FORIS OSS billing solution, and successfully completed the migration of MGTS's special call centre unit subscribers to the FORIS Fix billing system
- Completed the first stage of the contract with NIS GLONASS to supply the FORIS OSS billing solution. As part of the second stage in 2012, SITRONICS will customise the solution in accordance with the client's requirements.

INTRACOM TELECOM also signed a number of contracts in Greece, Eastern Europe and the CIS in the fourth quarter, including contracts with:

- WESTICA COMMUNICATIONS LTD to supply INTRALINK radio relay systems and OmniBAS platforms to the UK Police Force, UK Government and the Utilities sector. The contract will be completed during 2012
- Telekom Srbija and Telekom SRPSKE in December 2011 to supply IPTV equipment (Set Top Boxes) & IPTV hardware (head-end) expansion. These projects will be completed by the end of the second quarter 2012
- GRNET, the Greek Research and Technology Networking S.A., to build a public cloud infrastructure and an Infrastructure as a Service (IaaS) model for academic and research institutions in Greece
- MoldTelecom, the national provider of fixed and mobile telecommunication services in Moldova, to supply the After Sales Support for Moldtelecom's network in 2012. The project is expected to be completed by the end of 2012

- Globul, a subsidiary of Cosmote in Bulgaria, to provide post warranty support services for WiBAS and to supply its Point-to-Multipoint wireless equipment (WiBAS). The project will be completed by the end of 2012
- MTS Russia to supply its OmniBAS platforms and advanced point-to-point INTRALINK radio relay systems as part of an extended contract. The project will be implemented during 2012
- Polkomtel, a PlusGSM mobile telecommunications company in Poland, to extend and upgrade its signalling monitoring system. The project will be completed by the end of the second quarter 2012.

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

<i>(US\$ millions)</i>	<b>Q4 2011</b>	Q4 2010 <sup>†</sup>	<b>FY 2011</b>	FY 2010 <sup>†</sup>
Revenues	<b>213.5</b>	206.1	<b>492.6</b>	353.3
OIBDA	<b>16.2</b>	22.7	<b>21.7</b>	29.1
OIBDA margin	<b>7.6%</b>	11.0%	<b>4.4%</b>	8.24%
Net income	<b>5.1</b>	14.9	<b>4.9</b>	14.2
Total assets	<b>399.5</b>	392.3	<b>399.5</b>	392.3

Revenues for the Information Technologies segment were up 4% year on year in the fourth quarter and up 39% for the full year, following higher than anticipated sales of hardware equipment. The increase in spending on sales and marketing activity to strengthen the Company's market positions, along with a higher proportion of lower margin hardware sales across the business segment, resulted in a decrease in OIBDA margins.

SITRONICS Information Technologies is one of the leading IT companies in Russia and the CIS. IT Infrastructure and System Integration sales accounted for 24% of full year revenues, while sales of Telecommunications Integration solutions contributed 41% towards Group

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<sup>†</sup> The SITRONICS Information Technologies segment includes the financial results of the SITRONICS Bashkortostan subsidiary, which is a specialized systems integrator, with effect from the beginning of 2011. Historic data for prior periods has been restated to facilitate year on year comparisons. SITRONICS Bashkortostan's financial results were previously included in the 'Other' segment.

revenues for the respective period. Sales of Business Consulting Services and IT Outsourcing represented 35% for the full year.

The segment businesses have secured US\$ 237.4 million of new contracts since the announcement of the Group's third quarter financial results on December 6, 2011 and US\$ 563.6 million of new contracts since the beginning of 2011.

Both during the quarter and after the reporting period, SITRONICS successfully completed the implementation of a number of projects, which included:

- A project of unprecedented scale to set up a video surveillance system to monitor the voting and counting processes during the Russian Presidential elections in March 2012. As part of the project, SITRONICS tested and configured software and hardware systems, installed video transmission software, assembled systems and then delivered them to polling stations across Russia. Each set of equipment consisted of a laptop or a PC, two high-definition camcorders, UPS and all necessary peripheral and connectivity devices.
- The implementation of a data processing centre for Bashneft, which became one of the largest data centres in the Ural region. The data centre enables the consolidation of Bashneft's information resources and it acts as the core of the company's centralised IT infrastructure. As part of the project, 18 systems have been implemented, among which are a Local Area Network (LAN), a storage system, monitoring and equipment management systems.
- Participation in a complex project in January to build a VMware vSphere high availability cluster for BashNIPIneft, the scientific R&D and design institute of Bashneft, which was developed for HP- and EMC-based virtual environments. In executing this project, SITRONICS has developed an effective solution that helps reduce IT infrastructure support costs, local area connections and storage area networks are simplified, and disparate network connections are converged into a single network.
- The building of a statistical infrastructure to support data processing centres and the development of the video communications systems for the State Statistics Service of Ukraine (Gosstat). The infrastructure's IT platform connects Gosstat's central office with its other departments across Ukraine, resulting in a system that is efficient, reliable and fault-tolerant.
- The development of an innovative energy-efficient backup data processing centre for Sberbank. SITRONICS took part in all stages of its development, starting from identifying the business requirements through to its configuration and commissioning stages. The backup data centre is a separate building and can operate autonomously. The project was completed within a tight eight-month time frame.
- The modernisation of Winner Imports Ukraine's IT infrastructure in February. As part of the project, SITRONICS upgraded the existing hardware system's computing power,

data was moved to a new centralised storage system and a virtual infrastructure was built, which includes a centralised backup system.

- A unique project in March to implement an SAS Activity-Based Management platform for VTB Bank, which is used to provide accurate cost and profit calculations.
- The implementation of the Oracle-based Hyperion Planning and Hyperion Financial Management solutions to automate the Moscow School of Management SKOLKOVO's budget management processes and the collection and consolidation of its financial statements.

In terms of ongoing projects, SITRONICS began the implementation of the WINGS ViziCell-based digital television system for Enter Svyaznoy, a new Russian-wide non-food retail network with over 2,400 outlets in 670 cities in December. As part of the project, SITRONICS has started installing Digital Signage equipment to show promotional materials on televisions in Enter's stores. All Digital Signage devices will be merged into a network and managed by a central server cluster as part of the project.

SITRONICS continued to implement the Multi-service Information Education Environment (MIEE) in schools in Russia and abroad as part of the 'Virtual School' national educational project sponsored by Sberbank. The system has been installed in Irkutsk, while implementation work is ongoing in a Voronezh school. SITRONICS is currently in the process of signing a contract to begin a similar project in Erevan, Armenia, and preparation work for such a project in Vienna, Austria is also ongoing.

### ***SITRONICS Microelectronics***

<i>(US\$ millions)</i>	<b>Q4 2011</b>	Q4 2010	<b>FY 2011</b>	FY 2010
Revenues	<b>81.2</b>	76.1	<b>316.4</b>	255.4
OIBDA	<b>13.8</b>	12.7	<b>37.0</b>	41.8
OIBDA margin	<b>17.0%</b>	16.7%	<b>11.7%</b>	16.4%
Net loss	<b>(8.5)</b>	(2.4)	<b>(33.6)</b>	(26.2)
Total assets	<b>734.3</b>	739.4	<b>734.3</b>	739.4

The Microelectronics segment's revenues were up 7% year on year in the fourth quarter following the completion of a higher number of state R&D projects by Mikron, and up 24% for the full year of 2011 due to a high volume of contracts over the year. The segment reported a

year on year increase of 9% in OIBDA profitability for the fourth quarter but OIBDA declined by 12% on a full year basis. The fourth quarter increase was due to the contribution of the R&D contracts, while the full year decline reflected higher investments in the Group's joint venture project with state corporation RUSNANO.

SITRONICS Microelectronics is the leading microelectronics producer in Russia. 27% of its full year revenues were generated from the sale of integrated circuits, while 28% of revenues were generated from the sale of RFID products. Smart card sales contributed 32% of full year revenues, while commissioned R&D projects accounted for 13% of revenues.

The segment's businesses have secured US\$ 110.8 million since the announcement of the Group's third quarter financial results on December 6, 2011 and US\$ 568.3 million of new contracts since the beginning of 2011.

SITRONICS and state corporation RUSNANO also commenced the production of 90 nanometer microchips in February. The commissioning of a new production line for this purpose will enable Mikron's plant to double its production capacity to 36,000 X 200mm diameter wafers a year. 90 nanometer microchips will be used in computer systems, automation production systems, passports, smart cards and E-Government applications. A full scale domestic 90 nanometer microchip manufacturing capability will help Russian high tech companies to create unique devices, facilitating access to the world markets.

SITRONICS, in cooperation with Rostelecom, started the production of microchips which contain digital signatures of Russian citizens in December. The microchip that has been developed for this purpose has obtained a KC2 level security validation by the Federal Security Service (FSB) of the Russian Federation. The card can be used by people to access their "personal offices" on the unified government services portal [www.gosuslugi.ru](http://www.gosuslugi.ru).

SITRONICS signed a contract with Somoncom, one of the largest telecom operators in Tajikistan, to produce and deliver SIM cards.

## **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 7190 1596  
US: +1 480 629 9645

A replay facility will be made available for 7 days after the call. To access the replay, please dial:

UK/ International: +44 20 7154 2833  
US: +1 303 590 3030

The replay access pin code is 4529154#

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

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SITRONICS is a leading provider of telecommunication solutions, including software, equipment and systems integration, IT solutions and microelectronic solutions in Russia and the Commonwealth of Independent States with a strong presence in Central and Eastern Europe and a growing presence in the Middle East and Africa.

SITRONICS serves over 3,500 clients, maintains offices in 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\$ 1,475.1 million for the full year of 2011 and had US\$ 1,863.2 million of assets at the year end. SITRONICS is majority owned by OJSC RTI, which is the subsidiary of Sistema, 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.*

**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE FOURTH QUARTER 2011 AND FOURTH QUARTER 2010**  
*(Amounts in thousands of U.S. dollars)*

	<u>4Q 2011</u>	<u>4Q 2010</u>
Revenues	\$ 548,418	\$ 484,468
Cost of sales, exclusive of depreciation and amortization shown separately below	(440,703)	(382,556)
Research and development expenses	(9,531)	(4,320)
Selling, general and administrative expenses	(41,201)	(41,026)
Depreciation and amortization	(29,534)	(20,209)
Impairment losses and reserves	(5,504)	(7,440)
Other operating income, net	4,414	5,678
<b>OPERATING INCOME</b>	<u>26,359</u>	<u>34,595</u>
Interest income	1,434	1,943
Interest expense	(19,508)	(16,722)
Foreign currency transactions gains	3,771	885
Gain on sale of associates	-	7,885
Equity in net income of investees	137	1,443
Other non-operating (losses)/gains	(4,894)	9
Income before income tax	<u>7,299</u>	<u>30,038</u>
Income tax expense	(16,026)	(13,312)
<b>NET (LOSS)/INCOME</b>	<u>\$ (8,727)</u>	<u>\$ 16,726</u>
Less: net (gain)/loss attributable to non-controlling interest	(4,598)	2,475
<b>NET (LOSS)/GAIN ATTRIBUTABLE TO SITRONICS</b>	<u>\$ (13,325)</u>	<u>\$ 19,201</u>

**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**  
*(Amounts in thousands of U.S. dollars unless otherwise stated)*

	<u>2011</u>	<u>2010</u>
Revenues	\$ 1,475,106	\$ 1,166,928
Cost of sales, exclusive of depreciation and amortization shown separately below	(1,176,972)	(884,253)
Research and development expenses	(29,228)	(20,269)
Selling, general and administrative expenses	(165,002)	(150,284)
Depreciation and amortization	(95,008)	(90,845)
Impairment losses and reserves	(13,763)	(16,475)
Other operating income, net	6,948	9,974
<b>OPERATING INCOME</b>	<u>2,081</u>	<u>14,776</u>
Interest income	7,728	7,102
Interest expense	(76,067)	(78,544)
Foreign currency transactions losses	(11,142)	(890)
Gain on sale of associates	-	7,885
Equity in net (loss)/income of investees	(1,025)	1,389
Other non-operating (losses)/gains	(6,655)	18
Loss before income tax	<u>(85,080)</u>	<u>(48,264)</u>
Income tax expense	(10,337)	(11,406)
<b>NET LOSS</b>	<u>\$ (95,417)</u>	<u>\$ (59,670)</u>
Less: net loss attributable to non-controlling interest	8,689	14,051
<b>NET LOSS ATTRIBUTABLE TO SITRONICS</b>	<u>\$ (86,728)</u>	<u>\$ (45,619)</u>
Weighted average number of common shares outstanding, basic and diluted:	8,546,997,585	8,615,020,320
<b>LOSS PER SHARE – BASIC AND DILUTED, US cents</b>	<u>(1.01)</u>	<u>(0.53)</u>

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**  
*(Amounts in thousands of U.S. dollars)*

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	<u>2011</u>	<u>2010</u>
<b>NET LOSS</b>	<b>\$ (95,417)</b>	<b>\$ (59,670)</b>
<b>Other comprehensive loss, net of tax:</b>		
Translation adjustment	(6,153)	(20,260)
Unrecognized actuarial loss, net of tax	(862)	(729)
<b>Total other comprehensive loss, net of tax</b>	<b><u>(7,015)</u></b>	<b><u>(20,989)</u></b>
<b>COMPREHENSIVE LOSS</b>	<b>(102,432)</b>	<b>(80,659)</b>
Comprehensive loss attributable to non-controlling interest	12,514	24,648
<b>COMPREHENSIVE LOSS ATTRIBUTABLE TO SITRONICS</b>	<b><u><u>\$ (89,918)</u></u></b>	<b><u><u>\$ (56,011)</u></u></b>

**CONSOLIDATED BALANCE SHEETS**  
**AS OF DECEMBER 31, 2011 AND 2010**  
*(Amounts in thousands of U.S. dollars)*

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 260,387	\$ 261,688
Short-term deposits and loans	2,707	1,229
Trade receivables, net	375,084	422,011
Other receivables and prepaid expenses, net	106,581	128,231
Inventories	157,560	152,418
Restricted cash	6,718	34
Deferred tax assets, current portion	10,839	28,020
Total current assets	<u>919,876</u>	<u>993,631</u>
<b>NON-CURRENT ASSETS:</b>		
Property, plant and equipment, net	446,504	439,076
Intangible assets, net	134,957	160,806
Goodwill	60,478	63,138
Inventories	13,816	13,716
Long-term investments	223,105	230,716
Long-term trade receivables	30,422	38,725
Deferred tax assets, non-current portion	31,657	28,149
Other long-term assets	2,390	3,500
Total non-current assets	<u>943,329</u>	<u>977,826</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,863,205</u></b>	<b><u>\$ 1,971,457</u></b>

**CONSOLIDATED BALANCE SHEETS**  
**AS OF DECEMBER 31, 2011 AND 2010 (CONTINUED)**  
*(Amounts in thousands of U.S. dollars, except share and per share amounts)*

	<u>2011</u>	<u>2010</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade accounts payable	\$ 360,581	\$ 306,413
Taxes payable	28,203	58,507
Accrued expenses and other current liabilities	211,350	245,703
Short-term loans and notes payable	174,815	131,779
Current portion of long-term debt	260,134	397,552
Deferred tax liabilities, current portion	7,863	16,388
Total current liabilities	<u>1,042,946</u>	<u>1,156,342</u>
<b>LONG-TERM LIABILITIES:</b>		
Capital lease obligations	128,134	168,307
Long-term debt	344,794	215,324
Other long-term liabilities	13,150	8,693
Deferred tax liabilities, non-current portion	9,291	16,414
Total long-term liabilities	<u>495,369</u>	<u>408,738</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,538,315</u></b>	<b><u>1,565,080</u></b>
<b>EQUITY:</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital (9,547,087,190 and 9,547,087,190 shares authorized and issued as of December 31, 2011 and 2010 respectively with par value of 1 Russian Ruble)	335,764	335,764
Treasury stock (1,000,089,605 and 1,000,089,605 shares as of December 31, 2011 and 2010 respectively with par value of 1 Russian Ruble)	(56,817)	(56,817)
Additional paid-in capital	437,850	431,507
Accumulated deficit	(474,689)	(387,961)
Accumulated other comprehensive loss	(43,780)	(40,195)
Foreign currency translation	(43,300)	(40,155)
Defined benefit postretirement plan	(480)	(40)
<b>TOTAL EQUITY ATTRIBUTABLE TO SITRONICS</b>	<u>198,328</u>	<u>282,298</u>
Equity attributable to non-controlling interest	126,562	124,079
<b>TOTAL EQUITY</b>	<u>324,890</u>	<u>406,377</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>\$ 1,863,205</u></b>	<b><u>\$ 1,971,457</u></b>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**  
*(Amounts in thousands of U.S. dollars)*

	<u>2011</u>	<u>2010</u>
<b>OPERATING ACTIVITIES:</b>		
Net loss	\$ (95,417)	\$ (59,670)
Adjustments to reconcile net loss to net cash provided by operations:		
Depreciation and amortization	95,008	90,845
Gain from disposal of property, plant and equipment	(408)	(1,560)
Gain on disposal of subsidiaries and associates	-	(7,885)
Equity in net income of investees	1,025	(1,389)
Deferred income tax	(3,282)	(4,196)
Bad debt expense	2,778	9,447
Inventory obsolescence provision	10,642	5,956
Stock based compensation	4,047	2,596
Change in liability for uncertain tax positions	165	(1,300)
Impairment losses and reserves	343	1,072
Unrealized foreign currency transactions	10,821	76
Changes in operating assets and liabilities:		
Trade receivables	48,853	(24,596)
Other receivables and prepaid expenses	21,000	(33,180)
Inventories	(22,118)	(1,881)
Trade accounts payable	63,457	64,127
Taxes payable	(29,975)	26,324
Accrued expenses and other current liabilities	(67,974)	112,715
Net cash provided by operating activities	\$ <u>38,965</u>	\$ <u>177,501</u>
<b>INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(63,682)	(42,331)
Proceeds from disposals of property, plant and equipment	2,318	1,938
Purchases of intangible assets	(32,071)	(40,036)
Change in restricted cash	(7,557)	1,011
Purchases of short-term deposits and loans	(1,839)	(693)
Proceeds from short-term deposits and loans	284	441
Purchases of long-term investments	(4,127)	(7,969)
Proceeds from sale of long-term investments	44	8,002
Net cash used in investing activities	\$ <u>(106,630)</u>	\$ <u>(79,637)</u>

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**  
*(Amounts in thousands of U.S. dollars)*

	<u>2011</u>	<u>2010</u>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from short-term borrowings	\$ 162,956	\$ 221,574
Principal payments on short-term borrowings and current portion of long-term borrowings	(408,788)	(405,543)
Proceeds from long-term borrowings	310,810	210,844
Principal payments on long-term borrowings	-	(7,216)
Principal payments on capital lease obligations	(5,110)	(3,882)
Debt issuance costs	(3,094)	(1,067)
Proceeds from capital transactions of subsidiaries	12,483	-
Acquisition of non-controlling interest in subsidiary	-	(3,510)
Repurchase of common stock	-	(307)
Net cash provided by financing activities	<u>\$ 69,257</u>	<u>\$ 10,893</u>
Effects of exchange rate changes on cash and cash equivalents	<u>(2,893)</u>	<u>(8,933)</u>
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ (1,301)</b>	<b>\$ 99,824</b>
<b>TOTAL CASH AND CASH EQUIVALENTS, beginning of the year</b>	<b>\$ 261,688</b>	<b>\$ 161,864</b>
<b>TOTAL CASH AND CASH EQUIVALENTS, end of the year</b>	<b>\$ 260,387</b>	<b>\$ 261,688</b>
<b>CASH PAID DURING THE YEAR FOR:</b>		
Interest, net of amounts capitalized	\$ (76,459)	\$ (61,731)
Income taxes	(13,952)	(6,866)
<b>NON-CASH ITEMS:</b>		
Equipment acquired under capital lease	\$ 2,708	\$ 2,567
Amounts due for purchase of long-lived assets	6,836	10,869
Advances for purchase of long-lived assets	27,111	22,222

## 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:

<i>(US\$ 000 's)</i>	<b>Q4 2011</b>	Q4 2010	<b>FY 2011</b>	FY 2010
Operating Income	<b>26,359</b>	34,595	<b>2,081</b>	14,776
Depreciation and Amortization	<b>(29,534)</b>	(20,209)	<b>(95,008)</b>	(90,845)
OIBDA	<b>55,893</b>	54,804	<b>97,089</b>	105,621