



FOR IMMEDIATE RELEASE

September 8, 2011

SITRONICS ANNOUNCES UNAUDITED FINANCIAL RESULTS FOR THE SECOND QUARTER AND FIRST SIX MONTHS OF 2011

MOSCOW, Russia – September 8, 2011 – 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 second quarter and six months ended June 30, 2011.

SECOND QUARTER HIGHLIGHTS

- Consolidated revenues up 24% year on year to US\$ 332.6 million
- Information Technologies revenues up 21% year on year to US\$ 78.9 million; Microelectronics revenues up 51% year on year to US\$ 92.3 million; and Telecommunication Solutions revenues up 15% year on year to US\$ 152.4 million
- OIBDA* of US\$ 11.1 million and margin of 3.3%
- Net loss attributable to SITRONICS down 28% year on year to US\$ 21.8 million
- Total assets up 12% year on year to US\$ 1,997.1 million
- US\$ 310 million of contracts secured since the announcement of the Group’s first quarter financial results on June 7, 2011

SIX MONTH HIGHLIGHTS

- Consolidated revenues up 33% year on year to US\$ 610.3 million
- Information Technologies revenues up 89% year on year to US\$ 186.8 million; Microelectronics revenues up 51% year on year to US\$ 160.2 million; and Telecommunication Solutions revenues up 4% year on year to US\$ 250.5 million
- OIBDA of US\$ 16.9 million and margin of 2.8%, with OIBDA profits for all three business segments
- Net loss attributable to SITRONICS down 38% year on year to US\$ 34.5 million

Sergey Aslanian, President of SITRONICS, commented: “Each of our three business segments delivered double digit year on year sales growth in the second quarter, as we made significant progress with key projects and continued to win new contracts from public and private sector organizations in our core vertical and geographical markets.”

“We are building on our position as a preferred and innovative supplier of high technology solutions, and are now well into the first phase of the implementation of an Intelligent Transport

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

System for the City of Moscow, which is a high profile and large scale project and the first of its kind in Russia. As the leading microchip manufacturer in Russia, we have also just acquired 7% of JSC UEC, which is developing the Russian Government's universal electronic identity card. This is a project with considerable potential as the cards will become compulsory for Russian citizens in 2014. We plan not only to be the chip maker but also the system integrator for this project."

"All three of our business segments were OIBDA profitable in the quarter and we are investing to further develop our market positions. We remain on track with our long term strategy and have a healthy forward pipeline of US\$ 650 million of secured revenues for the second half of the year. We therefore continue to expect to outperform industry growth levels and maintain our guidance for full year revenue growth of between 15% and 20%. When including the impact of the 90 nanometer technology project, we continue to expect to report a full year OIBDA margin of approximately 7%. We also continue to expect to generate positive net cash flow from operations for the full year."

FINANCIAL SUMMARY

| <i>(US\$ millions)</i> | Q2 2011 | Q2 2010 | 6M 2011 | 6M 2010 |
|------------------------------------|----------------|---------|----------------|---------|
| Revenues | 332.6 | 268.1 | 610.3 | 458.9 |
| Total OIBDA | 11.1 | 26.0 | 16.9 | 33.3 |
| OIBDA margin | 3.3% | 9.7% | 2.8% | 7.3% |
| Net loss attributable to SITRONICS | (21.8) | (30.4) | (34.5) | (55.4) |
| Total assets | 1,997.1 | 1,788.1 | 1,997.1 | 1,788.1 |

OPERATING REVIEW

Group Overview

The Group reported 24% year on year consolidated revenue growth in the second quarter and 33% growth for the first six months of the year, which was driven by significant year on year sales growth across all three business segments. The Telecommunication Solutions business reported a year on year increase in quarterly sales for the first time since the first quarter of 2010. The growth was also driven by the positive effect of the strengthening of the majority of the Group's operating currencies against its US dollar reporting currency.

The Group has now secured US\$ 310 million of new contracts since the announcement of its first quarter financial results on June 7, 2011.

The Group's total operating expenses, when excluding depreciation and amortization charges, increased by 19% year on year in the second quarter and by 11% for the first six months of the year, which partially reflected the adverse effect of year on year currency exchange rate movements between the majority of the Group's operating currencies and its US dollar reporting currency. Selling, general and administrative expenses were up 21% year on year in the second quarter and 13% for the first half of 2011 but impairment losses and reserves were down 3% year on year in the second quarter and 34% for the first six months. Research and development expenses were up 67% year on year in the quarter and up 15% for the first six months of 2011.

The Group therefore reported OIBDA profits of US\$ 11.1 million in the second quarter and US\$ 16.9 million for the first six months of the year, with OIBDA margins of 3.3% and 2.8% for the two respective periods.

The Group's depreciation and amortization charges declined by 22% year on year to US\$ 24.9 million in the second quarter and US\$ 43.7 million for the first six months of the year. This primarily reflected the end of the useful life of certain intangible assets recognized during the acquisition of INTRACOM TELECOM.

The Group's net interest expenses decreased year on year from US\$ 17.9 million to US\$ 16.3 million in the second quarter and from US\$ 35.9 million to US\$ 31.8 million for the first half of the year. The Group reported foreign exchange gains of US\$ 1.2 million in the second quarter and US\$ 11.2 million for the first six months of the year, compared to losses of US\$ 10.8 million and US\$ 0.1 million for the corresponding periods of 2010. The 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 therefore reported a 28% year on year reduction in the net loss attributable to SITRONICS to US\$ 21.8 million in the second quarter, and a 38% reduction to US\$ 34.5 million for the first six months of the year.

Segmental Review

SITRONICS Telecommunication Solutions

| <i>(US\$ millions)</i> | Q2 2011 | Q2 2010 | 6M 2011 | 6M 2010 |
|------------------------|----------------|---------|----------------|---------|
| Revenues | 152.4 | 132.7 | 250.5 | 240.2 |
| OIBDA | 12.2 | 18.0 | 14.6 | 24.5 |
| OIBDA margin | 8.0% | 13.5% | 5.8% | 10.2% |
| Net loss | (2.2) | (4.9) | (11.8) | (10.4) |
| Total assets | 806.3 | 751.9 | 806.3 | 751.9 |

Telecommunications Solutions segment revenues were up 15% year on year in the second quarter and up 4% for the first six months of the year, which primarily reflected the resurgence in the Russian market. The segment reported a year on year decline in OIBDA profitability due to the increasingly competitive environment and challenging market conditions.

Sales of wireless network systems accounted for 21.5% of segment revenues for the second quarter and 25.8% for the year to date, whilst sales of telecommunications software, including OSS/BSS solutions, accounted for 13.7% and 16.3% of revenues for the two respective periods. Outsourcing and other solutions accounted for 64.8% of revenues in the second quarter and 57.9% for the first half of the year.

SITRONICS successfully completed projects during the quarter with:

- MTS-Uzbekistan by completing the migration of 6.5 million pre-paid subscribers as part of the implementation of the FORIS OSS billing solution. The next stage is to migrate post-paid subscribers to the same billing solution, as well as to launch the FORIS InterPartner system for inter-operator settlements
- MTS Belarus by successfully completing the migration of 4.5 million MTS Belarus subscribers to the unified FORIS OSS billing solution already utilised by MTS Russia, MTS Ukraine and MTS Uzbekistan. As a result, MTS Belarus has the capacity to significantly expand its service offering and optimise its business processes

The Telecommunications Solutions segment has secured US\$ 170.8 million of new contracts since the announcement of the Group's first quarter results on June 7, 2011.

INTRACOM TELECOM signed a number of contracts in Greece, Eastern Europe and the CIS in the second quarter and after the reporting period, including with:

- K-Telecom in Armenia for the turn-key development of 15 greenfield sites for GSM base stations, which includes the supply of telecoms towers and supplementary materials, civil and installation works

- Mobile TeleSystems to supply OmniBAS platform and INTRALINK radio relay systems
- SSTL (MTS India) to supply INTRALINK radio relay systems
- Vodafone Hellas, Hellas Online and Wind Hellas in Greece to provide multivendor support and maintenance services
- Telekom Srbija to provide NT support services, and Telekom SRPSKE in Bosnia-Herzegovina to provide IPTV & HE support services
- MoldTelecom in Moldova to supply optical transmission systems and INTRALINK radio relay systems

SITRONICS also continued to implement its successful proprietary FORIS billing solutions during the quarter, which included the signing of several major contracts with MGTS to continue the development of a centralized FORIS Fix System. During 2011 and 2012, SITRONICS will migrate MGTS's corporate subscribers to the FORIS Fix system, implement an IP-based billing solution, integrate MGTS's payment system with MTS's united payment system (UPS), launch an Internet Assistant, as well as streamline the FORIS InterPartner Systems to support new inter-operator settlements.

SITRONICS Information Technologies

| <i>(US\$ millions)</i> | Q2 2011 | Q2 2010 [†] | 6M 2011 | 6M 2010 [‡] |
|------------------------|----------------|----------------------|----------------|----------------------|
| Revenues | 78.9 | 65.1 | 186.8 | 98.7 |
| OIBDA | 0.5 | 4.3 | 2.4 | 5.2 |
| OIBDA margin | 0.6% | 6.6% | 1.3% | 5.2% |
| Net (loss)/income | 0.2 | 0.6 | (2.0) | (1.2) |
| Total assets | 355.5 | 270.6 | 355.5 | 270.6 |

Revenues for the Information Technologies segment were up 21% year on year in the second quarter and up 89% for the first half of 2011, following higher than anticipated sales of hardware equipment. However, the segment reported a year on year decline in OIBDA profitability due to

[†] 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.

increased investments in sales and marketing to strengthen the Company's market positions, to enter new market segments, and the higher proportion of lower margin hardware sales.

SITRONICS Information Technologies is one of the leading IT companies in Russia and the CIS. IT Infrastructure and System Integration sales accounted for 33.5% of segment revenues for the second quarter and 27.4% of half year revenues, while sales of Telecommunications Integration solutions contributed 36.5% and 39.3% of revenues for the respective periods. Sales of Business Consulting Services and IT Outsourcing represented 30.0% of revenues in the second quarter and 33.3% for the year to date.

SITRONICS successfully completed the implementation of a complex storage and back-up system solution for Comstar-Regions and a unified back-up system with a storage capacity of 3-7TB for 9 regional branches of Comstar-Regions in August. The systems are based on EMC Celerra unified storage platforms. The first stage involved the setting up of the EMC Avamar back-up system for the Moscow branch of Comstar-Regions, which was followed by the setting up of the same systems in Yekaterinburg, Saint Petersburg, Rostov-on-Don, Tyumen, Saratov, Ivanovo and Voronezh.

SITRONICS continues to participate in public sector projects and as part of the 'Virtual School' national educational project sponsored by Sberbank, the Group launched the Multi-service Information Educational Environment (MIEE) solution in school number 25 in Kiev, where SITRONICS installed a mobile computer complex to improve the quality of education and to integrate interactive technologies into learning. The system enables students to download study materials from the school server that has a pre-automated control system, as well as an integrated quality management system.

SITRONICS has deployed its IT expertise in the Oil and Gas sector and has completed the implementation of a centralised IT Service Management (ITSM) system for Bashneft. The system works across all of Bashneft's subsidiaries, including its exploration and production companies, refineries and marketing and logistics businesses. The system now has more than 12,000 users.

The segment has secured US\$ 42.9 million of new contracts since the announcement of the Group's first quarter financial results on June 7, 2011.

SITRONICS continues to consolidate its leading position in the rapidly developing outsourcing solutions market. The Group signed a contract during the quarter with MGTS to provide outsourced infrastructure solutions in Moscow and the Moscow region. The project encompasses the provision of support for applied servers, installations, commissioned specialised software for servers, user management functions and the debugging of communication processes, as well as providing MGTS with outsourcing services for its IT Service Desk, and providing equipment and software maintenance.

SITRONICS also won a tender after the end of the quarter to implement a customer relationship management (CRM) system for the Medsi Group, which is a pan-Russian network of private healthcare clinics and centres. This is the first implementation of an industrial CRM system for a medical organisation in Russia. The project encompasses the creation of a single customer

database and the integration of telephone networks and appointment management systems, which will enable patients to book appointments in any of the Medsi Group's 18 clinics, and automate sales, marketing and reporting systems.

SITRONICS Microelectronics

| <i>(US\$ millions)</i> | Q2 2011 | Q2 2010 | 6M 2011 | 6M 2010 |
|------------------------|----------------|---------|----------------|---------|
| Revenues | 92.3 | 61.3 | 160.2 | 105.9 |
| OIBDA | 5.2 | 8.6 | 14.0 | 14.5 |
| OIBDA margin | 5.6% | 14.0% | 8.7% | 13.7% |
| Net loss | (12.5) | (9.5) | (17.6) | (21.5) |
| Total assets | 852.7 | 714.8 | 852.7 | 714.8 |

The Microelectronics segment's revenues were up 51% year on year in the second quarter and for the first half of 2011 following an increased volume of commissioned research and development projects and an increased seasonal weighting of sales to the first half of the year. The segment reported a year on year decline in OIBDA profitability due to the increased investment in the Group's joint venture project with state corporation RUSNANO to establish a domestic full scale 90 nanometer microchip manufacturing capability.

SITRONICS Microelectronics is the leading microelectronics company in Russia. 26.6% of the segment's second quarter and 26.7% of the half year revenue were generated from the sale of integrated circuits, while 24.5% and 26.1% of revenues were generated from the sale of RFID products for the two respective periods. Smart card sales contributed 36.7% of the segments revenues in the second quarter and 39.8% of revenues for the year to date, while commissioned R&D projects accounted for 12.2% and 7.4% of revenues for the two respective periods.

The segment's businesses have secured US\$ 96.4 million of new contracts since the announcement of the Group's first quarter financial results on June 7, 2011.

As part of SITRONICS' project to develop a microchip for its Universal Electronic Card (UEC), the operating system has recently been refined to facilitate the use of the UEC as an ID card, and as a means of E-Government interaction. As this project has considerable potential, SITRONICS has acquired a 7% minority stake in UEC, the federal organization authorized to issue universal electronic cards for Russian citizens. SITRONICS will be involved in establishing the technology protocols and specifications for universal electronic cards, which will be issued to every Russian citizen from January 1, 2014.

As part of the E-Government project, SITRONICS signed an agreement with Rostelecom in the quarter to produce and personalise banking cards, which will carry digital electronic signatures. Rostelecom will provide the technological platform for the project and be responsible for the exchange of information with issuing banks. Rostelecom will also secure the use of cards at the united portal of state services (www.gosuslugi.ru) as a means of providing identification and facilitating interaction with government agencies, as well as payment processing.

SITRONICS signed an investment agreement with RUSNANO and X5 Retail Group in the quarter to create a 'Store of the Future'. The key objective of the project is to develop technological solutions to implement and commission RFID technology in the Russian retail sector, as well as to establish a leading integrator to promote the use of RFID technology in the sector.

The Group's joint project with state corporation RUSNANO to establish a full scale domestic 90 nanometer microchip manufacturing capability is proceeding according to plan. SITRONICS is currently completing configuration and installation works before commencing mass production at the end of the year.

FINANCIAL POSITION

Net cash used in operating activities increased to US\$ 132.4 million for the first six months of the year, compared to US\$ 22.6 million during the same period of 2010. This primarily reflected a negative change in working capital following cash advances received in prior periods.

Net cash used in investing activities totalled US\$ 57.7 million for the half year period and included US\$ 49.4 million of cash capital expenditure. This compared to US\$ 36.5 million of total cash used in investing activities and US\$ 38.0 million of cash capital expenditure in the first half of 2010. The increased investments related to the 90 nanometer joint venture project, the development of in-house software products, and an increase in the restricted cash balances received from the Russian government.

Net cash provided by financing activities amounted to US\$ 41.3 million for the first half of the year, compared to US\$ 69.8 million in the corresponding period of 2010. SITRONICS repaid, refinanced or rescheduled US\$ 32.2 million of loans in the second quarter of 2011 and US\$83 million of loans since the beginning of the year.

The Group's cash and cash equivalents therefore amounted to US\$ 127.0 million at the end of the second quarter, compared to US\$ 152.2 million at the end of the second quarter of 2010 and US\$ 170.6 million at the end of the first quarter of 2011.

The Group's total borrowings increased to US\$ 768.1 million at the end of the second quarter, when excluding the US\$ 63.1 million of debt associated with the SITRONICS-RUSNANO joint venture. This compared to US\$ 745.4 million at the end of the second quarter of 2010 and US\$ 740.9 million at the end of the first quarter of 2011. The increase partly reflected the

strengthening of the majority of the Group's local borrowing currencies against its US dollar reporting currency.

Approximately 44% of the Group debt was Russian ruble-denominated at the end of the period, with 30% denominated in US dollars and 26% in Euros. The Group's weighted average cost of borrowing was 7.7% as at June 30, 2011.

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 9771

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 4466106#

For further information, please visit 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\$ 610.3 million in the first six months of 2011 and had US\$ 1,997.1 million of assets at the end of the first half of the year. 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.

JSC SITRONICS AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2011 (UNAUDITED) AND DECEMBER 31, 2010 (Amounts in thousands of U.S. dollars unless otherwise stated)

| ASSETS | June 30, 2011 | December 31, 2010 |
|---|----------------------------|----------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 127,003 | \$ 261,688 |
| Short-term deposits and loans | 1,773 | 1,229 |
| Trade receivables, net | 443,168 | 422,011 |
| Other receivables and prepaid expenses, net | 124,971 | 128,231 |
| Inventories, net | 173,859 | 152,418 |
| Restricted cash | 8,213 | 34 |
| Deferred tax assets, current portion | 11,246 | 28,020 |
| Total current assets | <u>890,233</u> | <u>993,631</u> |
| NON-CURRENT ASSETS: | | |
| Property, plant and equipment, net | 488,119 | 439,076 |
| Intangible assets, net | 175,991 | 175,698 |
| Goodwill | 86,858 | 86,858 |
| Inventories, net | 13,470 | 13,716 |
| Long-term investments | 251,066 | 230,716 |
| Long-term trade receivables | 57,370 | 38,725 |
| Deferred tax assets, non-current portion | 31,996 | 28,149 |
| Other long-term assets | 1,995 | 3,500 |
| Total non-current assets | <u>1,106,865</u> | <u>1,016,438</u> |
| TOTAL ASSETS | \$ <u>1,997,098</u> | \$ <u>2,010,069</u> |

JSC SITRONICS AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF JUNE 30, 2011 (UNAUDITED) AND DECEMBER 31, 2010

(Amounts in thousands of U.S. dollars, except share amounts or if otherwise stated)

| LIABILITIES AND SHAREHOLDERS' EQUITY | June 30, 2011 | December 31, 2010 |
|---|---------------------|---------------------|
| CURRENT LIABILITIES: | | |
| Trade accounts payable | \$ 304,956 | \$ 306,413 |
| Taxes payable | 25,317 | 58,507 |
| Accrued expenses and other current liabilities | 198,302 | 245,703 |
| Short-term loans and notes payable | 172,016 | 131,779 |
| Current portion of long-term debt | 460,198 | 397,552 |
| Deferred tax liabilities, current portion | 1,097 | 16,388 |
| Total current liabilities | 1,161,886 | 1,156,342 |
| LONG-TERM LIABILITIES: | | |
| Capital lease obligations | 176,281 | 168,307 |
| Long-term debt | 198,990 | 215,324 |
| Other long-term liabilities | 10,157 | 8,693 |
| Deferred tax liabilities, non-current portion | 12,183 | 19,212 |
| Total long-term liabilities | 397,611 | 411,536 |
| TOTAL LIABILITIES | 1,559,497 | 1,567,878 |
| EQUITY: | | |
| SHAREHOLDERS' EQUITY: | | |
| Share capital (9,547,087,190 and 9,547,087,190 shares authorized and issued as of June 30, 2011 and December 31, 2010, respectively, with par value of 1 Russian Ruble) | 335,764 | 335,764 |
| Treasury stock (1,000,089,605 and 688,052,044 shares as of June 30, 2011 and December 31, 2010, respectively, with par value of 1 Russian Ruble) | (56,817) | (56,817) |
| Additional paid-in capital | 431,507 | 431,507 |
| Accumulated deficit | (422,475) | (387,961) |
| Accumulated other comprehensive (loss)/income | 11,394 | (4,381) |
| Foreign currency translation | 11,434 | (4,341) |
| Defined benefit postretirement plan | (40) | (40) |
| TOTAL EQUITY ATTRIBUTABLE TO SITRONICS SHAREHOLDERS | 299,373 | 318,112 |
| Equity attributable to non-controlling interest | 138,228 | 124,079 |
| TOTAL EQUITY | 437,601 | 442,191 |
| TOTAL LIABILITIES AND EQUITY | \$ 1,997,098 | \$ 2,010,069 |

JSC SITRONICS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED) FOR THE SECOND QUARTER 2011 AND SECOND QUARTER 2010 (Amounts in thousands of U.S. dollars unless otherwise stated)

| | 2Q 2011 | 2Q 2010 |
|---|--------------------|--------------------|
| Revenues | \$ 332,648 | \$ 268,092 |
| Cost of sales exclusive of depreciation and amortization shown separately below | (265,188) | (194,954) |
| Research and development expenses | (8,885) | (5,319) |
| Selling, general and administrative expenses | (46,504) | (38,296) |
| Depreciation and amortization | (24,856) | (31,876) |
| Impairment losses and reserves | (2,967) | (3,049) |
| Other operating income\ (loss), net | 2,009 | (518) |
| OPERATING LOSS | (13,743) | (5,920) |
| Interest income | 2,176 | 2,694 |
| Interest expense | (18,471) | (20,624) |
| Foreign currency transactions gains/(losses) | 1,195 | (10,845) |
| Equity in net income of investees | 718 | 116 |
| Loss from continuing operations before income tax | (28,125) | (34,579) |
| Income tax benefit | 1,347 | 1,048 |
| NET LOSS | \$ (26,778) | \$ (33,531) |
| Less: net loss attributable to the noncontrolling interests | 4,958 | 3,087 |
| NET LOSS ATTRIBUTABLE TO SITRONICS | \$ (21,820) | \$ (30,444) |

JSC SITRONICS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010 *(Amounts in thousands of U.S. dollars unless otherwise stated)*

| | Six months ended June 30, | |
|---|---------------------------|--------------------|
| | 2011 | 2010 |
| Revenues | \$ 610,287 | \$ 458,865 |
| Cost of sales exclusive of depreciation and amortization shown separately below | (489,742) | (331,781) |
| Research and development expenses | (13,902) | (12,065) |
| Selling, general and administrative expenses | (86,762) | (76,549) |
| Depreciation and amortization | (43,663) | (55,642) |
| Impairment losses and reserves | (5,578) | (8,411) |
| Other operating income, net | 2,566 | 3,281 |
| OPERATING LOSS | (26,794) | (22,302) |
| Interest income | 4,420 | 4,636 |
| Interest expense | (36,266) | (40,500) |
| Foreign currency transactions gains/(losses) | 11,165 | (108) |
| Equity in net (loss)/income of investees | (359) | 259 |
| Other non-operating gains | 8 | - |
| Loss from continuing operations before income tax | (47,826) | (58,015) |
| Income tax benefit/(expense) | 2,109 | (3,816) |
| NET LOSS | (45,717) | (61,831) |
| Less: net loss attributable to the noncontrolling interests | 11,202 | 6,402 |
| NET LOSS ATTRIBUTABLE TO SITRONICS | \$ (34,515) | \$ (55,429) |
| EARNINGS PER SHARE – BASIC AND DILUTED, US cent: | | |
| Net loss | (0.005) | (0.007) |
| Weighted average number of common shares outstanding, basic and diluted: | 8,546,997,585 | 8,683,251,686 |

JSC SITRONICS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (UNAUDITED) AND 2010 (UNAUDITED) (Amounts in thousands of U.S. dollars)

| | Six months ended June 30, | |
|--|---------------------------|--------------------|
| | 2011 | 2010 |
| OPERATING ACTIVITIES: | | |
| Net loss | \$ (45,717) | \$ (61,831) |
| Adjustments to reconcile net loss to net cash provided by/ (used in) operations: | | |
| Depreciation and amortization | 43,663 | 55,642 |
| Loss/(Gain) from disposal of property, plant and equipment | 698 | (244) |
| Equity in net loss/(income) of associates | 359 | (259) |
| Deferred income tax | (6,658) | (5,691) |
| Bad debt expense | 1,439 | 4,759 |
| Inventory obsolescence provision | 4,024 | 3,208 |
| Stock based compensation | 3,168 | 806 |
| Change in liability for uncertain tax positions | (59) | 32 |
| Impairment losses and reserves | 115 | 444 |
| Unrealized foreign currency transactions (gains)/losses | (20,738) | 8,118 |
| Changes in operating assets and liabilities: | | |
| Trade receivables | 27,905 | (14,975) |
| Other receivables and prepaid expenses | 18,356 | (11,533) |
| Inventories | 1,282 | (2,114) |
| Accounts payable | (33,672) | 9,479 |
| Taxes payable | (39,205) | (309) |
| Accrued expenses and other current liabilities | (87,392) | (8,106) |
| Net cash used in operating activities | <u>(132,432)</u> | <u>\$ (22,574)</u> |
| INVESTING ACTIVITIES: | | |
| Purchases of property, plant and equipment | \$ (31,796) | \$ (28,865) |
| Proceeds from disposals of property, plant and equipment | 461 | 728 |
| Purchases of intangible assets | (17,601) | (9,124) |
| Change in restricted cash | (8,179) | 1,027 |
| Purchases of short-term deposits and loans | (731) | (740) |
| Proceeds from sales of short-term deposits and loans | 156 | 424 |
| Proceeds from sale of long-term investments | - | 34 |
| Net cash used in investing activities | <u>(57,690)</u> | <u>\$ (36,516)</u> |

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED JUNE 30, 2011 (UNAUDITED) AND 2010 (UNAUDITED)
(Amounts in thousands of U.S. dollars)

| | Six months ended June 30, | |
|---|---------------------------|-------------------|
| | 2011 | 2010 |
| | \$ | \$ |
| FINANCING ACTIVITIES: | | |
| Proceeds from short-term borrowings | 32,240 | 85,647 |
| Principal payments on short-term borrowings and current portion of long-term borrowings | \$ (3,425) | \$ (91,284) |
| Proceeds from long-term borrowings | 14,178 | 80,802 |
| Principal payments on capital lease obligations | (1,658) | (1,895) |
| Acquisition of non-controlling interests in existing subsidiary | | (3,510) |
| | <hr/> | <hr/> |
| Net cash (used in)/provided by financing activities | 41,335 | \$ 69,760 |
| | <hr/> | <hr/> |
| Effects of exchange rate changes on cash and cash equivalents | 14,102 | (20,378) |
| | <hr/> | <hr/> |
| DECREASE IN CASH AND CASH EQUIVALENTS | \$ (134,685) | \$ (9,708) |
| | <hr/> | <hr/> |
| TOTAL CASH AND CASH EQUIVALENTS, beginning of the period | 261,688 | 161,864 |
| | <hr/> | <hr/> |
| TOTAL CASH AND CASH EQUIVALENTS, end of the period | \$ 127,003 | \$ 152,156 |
| | <hr/> | <hr/> |
| CASH PAID DURING THE PERIOD FOR: | | |
| Interest, net of amounts capitalized | (10,461) | (31,414) |
| Income taxes | \$ (11,583) | \$ (4,062) |
| | <hr/> | <hr/> |
| NON-CASH ITEMS: | | |
| Equipment acquired under capital lease | \$ (975) | \$ - |
| Amounts due for purchase of long-lived assets | 4,440 | 21,091 |
| Advances for purchase of long-lived assets | (33,546) | (15,472) |

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> | Q2 2011 | Q2 2010 | 6M 2011 | 6M 2010 |
|--------------------------------|-----------------|----------|-----------------|----------|
| Operating Loss | (13,743) | (5,920) | (26,794) | (22,302) |
| Depreciation and Amortization | (24,856) | (31,876) | (43,663) | (55,642) |
| OIBDA | 11,113 | 25,956 | 16,869 | 33,340 |
| Impairment losses and reserves | (2,967) | (3,049) | (5,578) | (8,411) |
| Adjusted OIBDA | 14,080 | 29,005 | 22,447 | 41,751 |