



# Presentation of 1H 2007 Financial and Operating Results

September 2007

# Forward looking statements



Certain statements in this presentation are not historical facts and are “forward-looking.” Examples of such forward-looking statements might include, but are not limited to:

- projections or expectations of revenues, income (or loss), earnings (or loss) per share, dividends, capital structure or
- other financial items or ratios;
- statements of our plans, objectives or goals, including those related to products or services;
- statements of future economic performance; and
- statements of assumptions underlying such statements.

Words such as “believes,” “anticipates,” “expects,” “estimates,” “intends” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved.

You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements, including our ability to execute our restructuring and cost reduction program. When relying on forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward looking statements speak only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. We do not make any representation, warranty or prediction that the results anticipated by such forward looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

# Delivering on Promises



## Promises at IPO

### Strategy and Organisational

- Organic development in all 3 segments
- Growth through acquisitions
- Strengthening of corporate governance and internal control systems

### Operations

- Integration of newly acquired assets
- Developing value added oilfield services
- Investing in equipment to support growth
- Extending breadth and depth of customer relations

### Financial

- Focus on efficiency improvements
- De-levering the company and targeting optimal capital structure
- Aligned shareholder incentives

## Accomplishments since IPO

### Strategy and Organisational

- Delivering strong organic growth results (62% organic EBITDA 1H y-o-y growth)
- Acquisition of Geotechsystem and Obnefteremont, on the lookout for more acquisitions
- New senior staff within financial / reporting/internal control functions
- J. Robert Maguire as new non-executive director

### Operations

- Implementation of centralized control, procurement and marketing operations
- Contracts with Gazprom and Rosneft for 11 and 4 rigs, respectively
- Development of value-added IPM and technology services business
- Drilling and Seismic reorganization underway with first results visible
- US\$70.4 MM of capex invested in 1H 07

### Financial

- Revenue growth at 176.6%, EBITDA growth at 204.9%
- Organic EBITDA growth at 62.5%
- Gross profit margin/ Adj. EBITDA margin at 17.9%/ 15.4%
- Debt reduced to US\$231.7MM
- Management fully focused on delivery

# Consolidated Financial Statements

## P&L



### Consolidated P&L, in US\$ mln

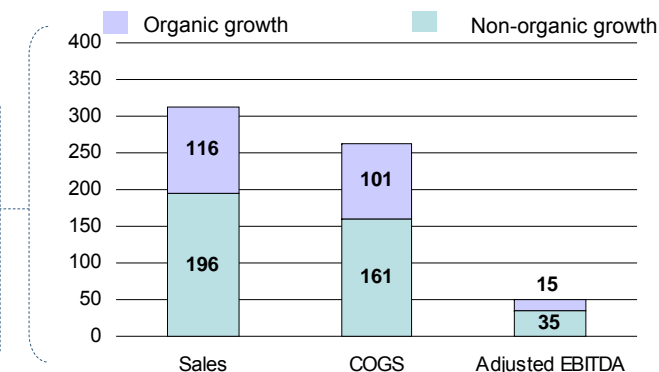
	1H2007	1H2006	9M2006	2006	Change, 1H07/1H06, US\$	Change, 1H07/1H06, %
<b>Revenue</b>	<b>488</b>	<b>176</b>	<b>325</b>	<b>547</b>	<b>312</b>	<b>+176.4%</b>
Cost of Sales	(401)	(139)	(254)	(426)	(262)	+188.5%
<b>Gross Profit</b>	<b>87</b>	<b>37</b>	<b>71</b>	<b>121</b>	<b>50</b>	<b>+135.1%</b>
Gross Margin	17.8%	21.0%	21.8%	22.1%	-3.2%	
SG&A	(95)	(32)	(63)	(106)	(63)	+196.9%
As a % of sales	19.5%	18.2%	19.4%	19.4%	-1.3%	
<b>Adj. EBITDA<sup>[1]</sup></b>	<b>75</b>	<b>25</b>	<b>55</b>	<b>96</b>	<b>50</b>	<b>+204.9%</b>
Adj. EBITDA margin	15.4%	14.0%	16.9%	17.6%	+1.4%	
DD&A	67	16	38	67	51	+318.8%
As a % of sales	13.7%	9.1%	11.7%	12.2%	+4.6%	
<b>Operating (Loss) Profit</b>	<b>(7)</b>	<b>6</b>	<b>9</b>	<b>12</b>	<b>(13)</b>	<b>n/a</b>
Operating Margin	neg.	3.4%	2.8%	2.2%	n/a	
<b>Net Loss</b>	<b>(50)</b>	<b>(5)</b>	<b>(16)</b>	<b>(40)</b>	<b>(45)</b>	<b>n/a</b>
Net Margin	neg.	neg.	neg.	neg.	n/a	

Source: Company

[1] Adjusted EBITDA represents profit (loss) before interest income (expenses), exchange gains (losses), income taxes, gain on acquisition of subsidiaries, loss on disposal of property, plant and equipment, depreciation and amortization, share-based compensation, share of results of associates and minority interest

### Sources of Growth, in US\$ mln

Breakdown of growth of Sales, COS and Adjusted EBITDA by organic/non-organic

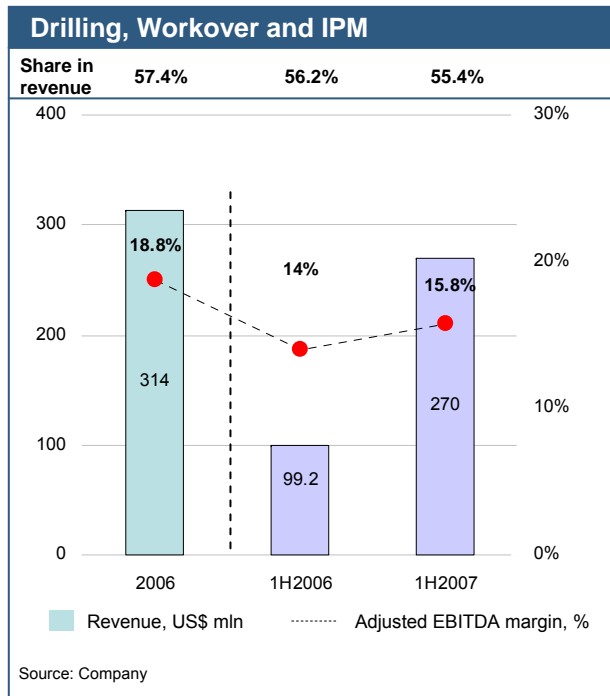


Source: Company data

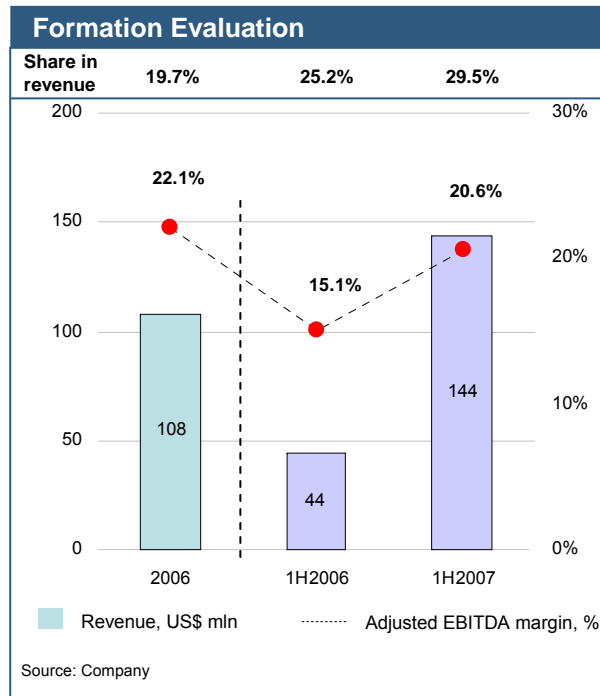
### Comments

- Organic growth was primarily attributed to:
  - favorable pricing conditions
  - higher capacity utilization resulting from implementation of Integra's investment program
  - synergies realized by our existing businesses from integration with newly acquired assets

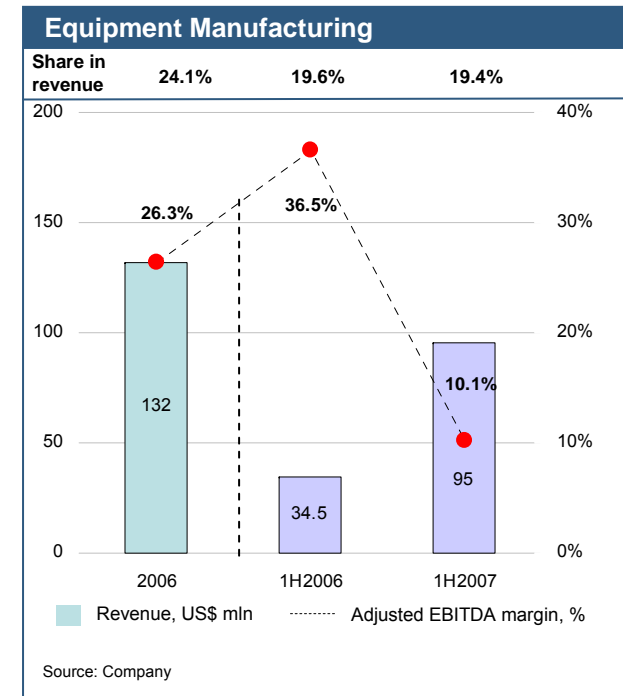
# Segmental analysis



- The change in sales composition was directly attributable to Integra making significant acquisitions in the segment, most notable of which is Smith Eurasia and PBN
- The increase in margin was reflection of
  - restructuring effort in the segment,
  - upgrade of our rig fleet
  - more favorable pricing and
  - significant expansion of higher valued services like IPM and technology



- Increase of sales was primarily a result of
  - Consolidation of acquired companies not owned in 1H 2006,
  - stronger and increased volumes of higher revenue 3D seismic surveys
- The division's margins particularly benefited from consolidation of seismic services company YGF, as well as expansion into higher margin markets in Kazakhstan.

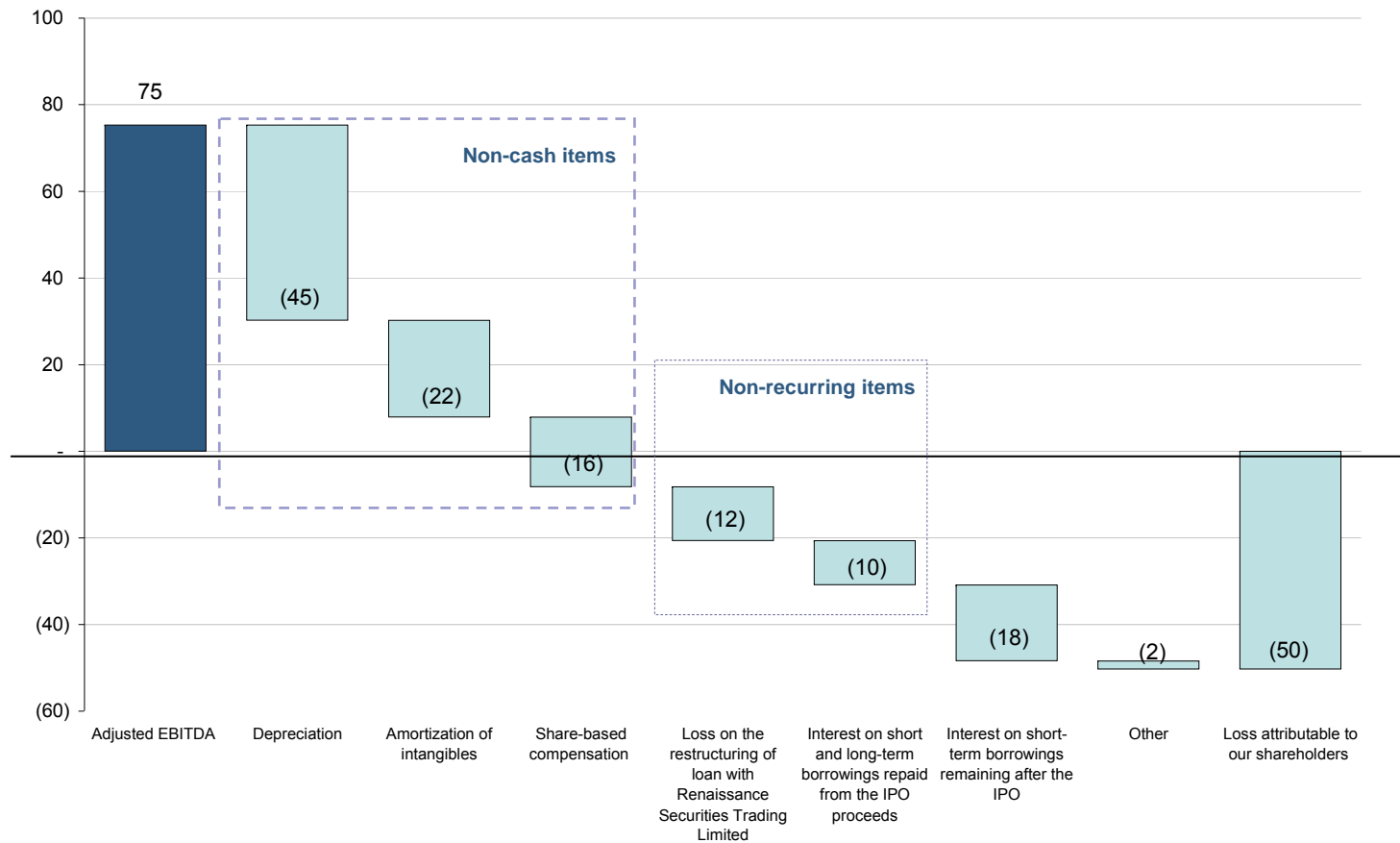


- Increase in manufacturing revenues was attributable to consolidation of STM and increased number of rigs in production
- The decline in segment EBITDA margin is explained by
  - Significant share of non-attributable fixed costs (SG&A) in 1H 2007,
  - marketing and procurement costs in 1H2007 resulting from a much larger order book and higher number of rigs in production

# EBITDA Reconciliation



EBITDA/Net income reconciliation, in US\$ mln

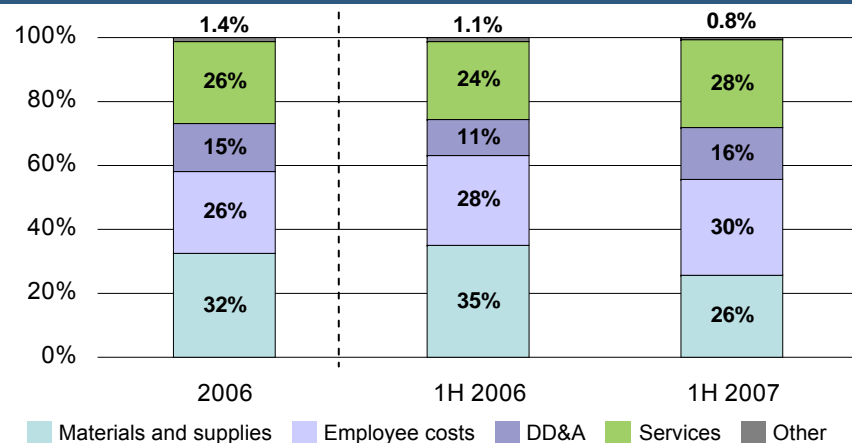


Source: Company

# Consolidated Financial Statements P&L (continued)

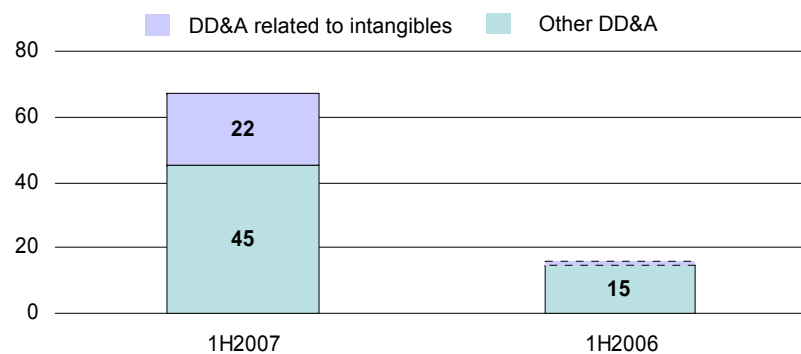


## Cost structure analysis, %



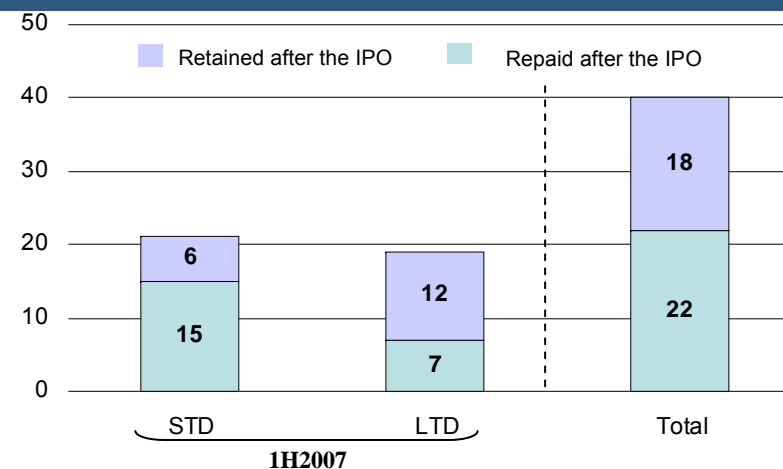
Source: Company

## DD&A, in US\$ mln



Source: Company

## Interest Expenses, in US\$ mln



Source: Company

## SG&A, in US\$ mln

	1H2007	1H2006
Employee costs	39	15
Services	28	8
Share options granted	16	3
Other	12	6
<b>Total</b>	<b>95</b>	<b>32</b>
As a % of sales	19%	18%

Source: Company

# Balance Sheet and Cash Flows



## Solid Balance Sheet, in US\$ mln

	1H2007	2006	Change, %
<b>Assets, including</b>	1,543	1,240	+24%
Cash	232	88	+164%
<b>Liabilities, including</b>	712	963	-26%
ST Debt	25	340	-93%
LT Debt	207	246	-16%
<b>Equity</b>	831	277	+200%

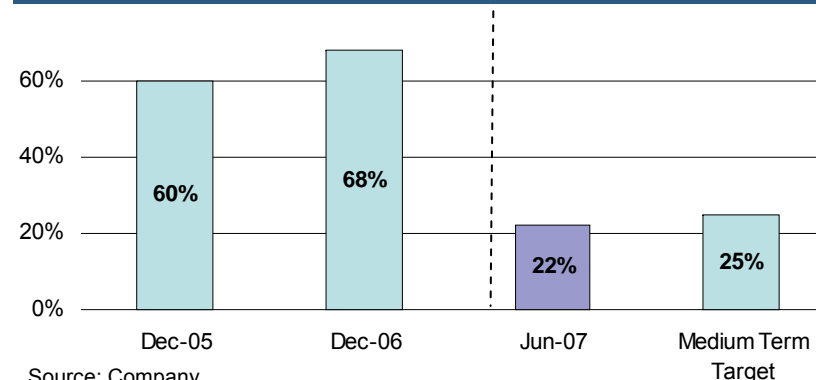
Source: Company

## 1H2007 – First Reporting Period with Positive OCF, in US\$ mln

	1H2007	1H2006	Change, %
<b>Operating cash flow</b>	71	(13)	n/a
<b>Investment cash flow</b>	(121)	(95)	27%
<b>Financing cash flow</b>	187	98	n/a

Source: Company

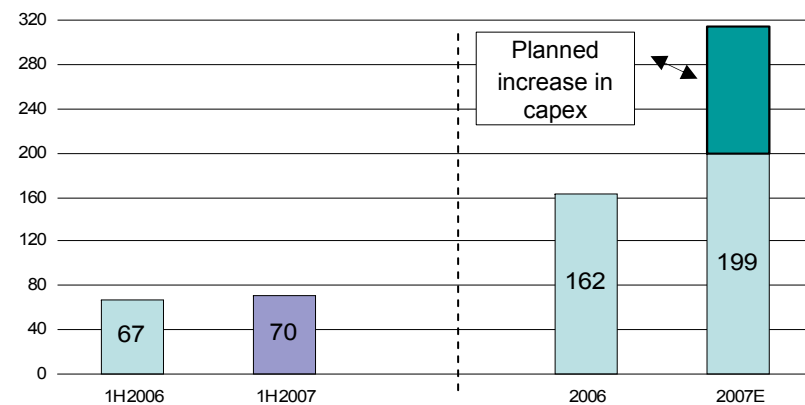
## ... with the gearing<sup>[1]</sup> becoming close to target



Source: Company

[1] Gearing defined as (short term debt + long term debt)/(short term debt + long term debt + BV of equity)

## Capital Expenditures – strong investments in organic growth, in US\$ mln



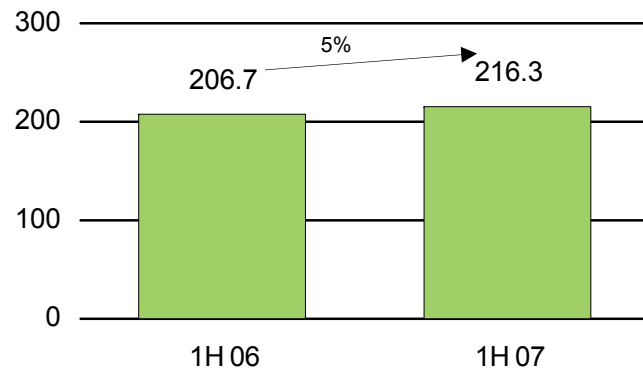
Source: Company



# Operating Highlights: Drilling

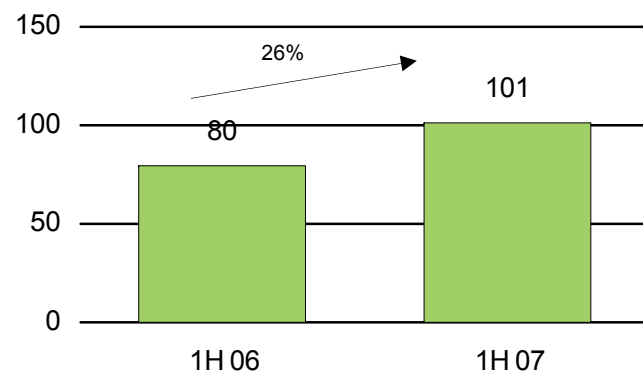


## Total Drilling Volume, '000 metres



Source: Company

## Number of Wells Drilled



Source: Company

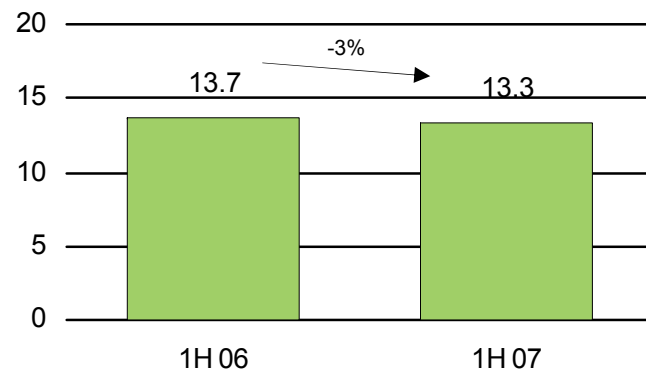
## Comments

- The Increase in volumes was mainly attributed to:
  - Higher capacity utilization of drilling assets
  - Upgrade of existing drilling fleet
- In 1H 2007 volumes of meters drilled were affected by :
  - Larger number and longer mobilization of our drilling rigs in 1Q and 2Q resulting in volumes being skewed towards second half of the year
  - Changes in the structure of contract, where we move away from low-margin vertical “meters” in favour of horizontal and deviated drilling

# Operating Highlights: Formation Valuation

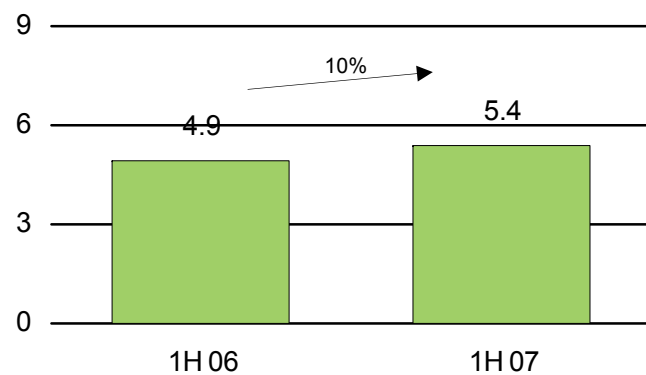


## 2D Seismic, '000 km



Source: Company

## 3D seismic, '000 sq. km



Source: Company

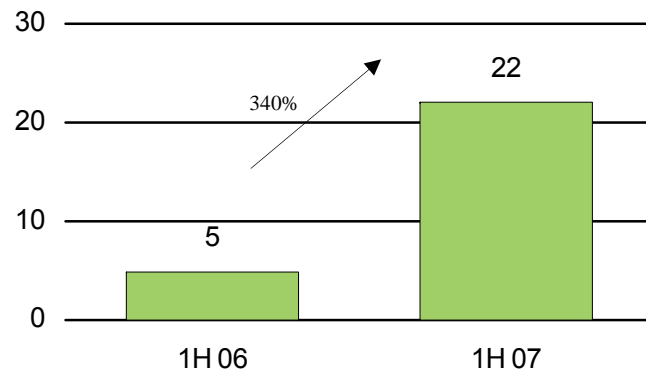
## Comments

- Activities of Formation Valuation business unit were affected by unprecedented warm winter and early spring
- 2D volumes were virtually maintained at 1H06 levels
- Increase in 3D operations illustrates a trend towards shifting volumes to more technologically advanced 3D seismic surveys
- Testing of “summer technology” allowing full year operations was conducted this summer

# Operating Highlights: Manufacturing

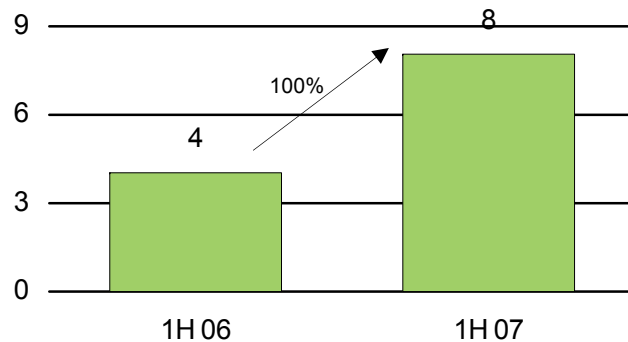


## Rigs in Production



Source: Company

## Rigs Modernized



Source: Company

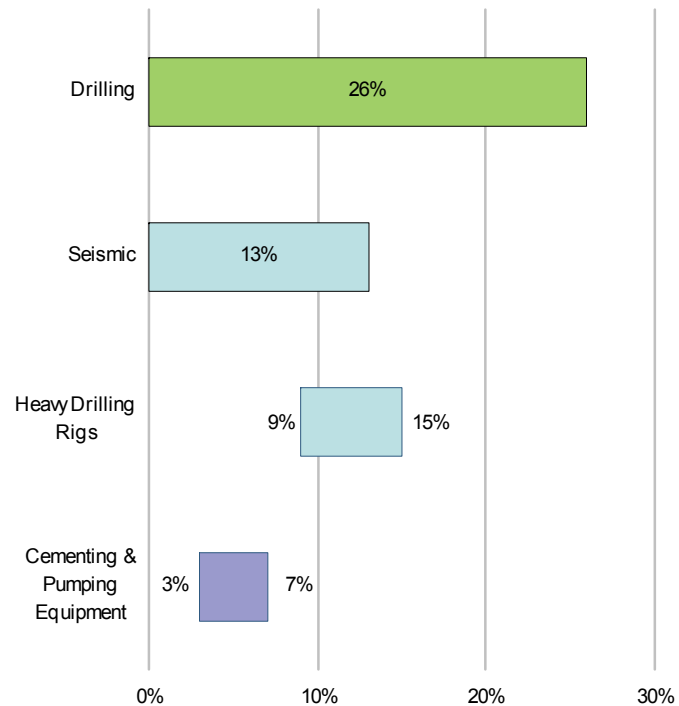
## Comments

- During the first 6 months Manufacturing division had 22 new rigs in production – substantial increase is attributable to new contracts signed at the end 2006.
- Substantial growth in number of modernized rigs was mainly driven by expansion of production capacity via acquisition of two new workshops nearby existing Uralmash facilities
- Landmark contracts with Rosneft and Gazprom starting from 2H 2007
- Strong order backlog for 2007 and 2008 should bring stability to the revenue stream

# Pricing considerations



## Pricing Dynamics in 1H 2007 vs. 2006



Source: Company

## Comments

- Pricing continues to be influenced by strong demand for drilling and seismic capacity in Russia and the CIS and better recognition of the Integra brand
  - In drilling the largest price increases is realized in development drilling, followed by exploration drilling
  - In seismic, prices for 2D are increasing slightly faster than 3D, although this growth is from a lower base
  - In manufacturing, prices are somewhat contained by our strategy to capture larger market share through favorable pricing for our Customers

# Progress Since IPO



**21-Feb-07**  
Integra priced \$768 MM IPO on LSE

**7-May-07**  
Launch of next generation mobile drilling rig

**19-Jul-07**  
Allen R. Wazny appointed as VP for Financial Reporting  
**27-July-07**  
Analyst field trip to OFS and Manufacturing facilities of Integra  
**31-Jul-07**  
Rosneft contracted Integra for production of 4 heavy drilling rigs

**7-Sep-07**  
Execution of SPA to acquire a well workover company Obnesteremont. The deal is subject to antimonopoly approval



**13-Apr-07**  
Announcement of 2006 operating results and revenue backlog for 2007:  
-175 wells drilled (+31% to '05)  
-5 new rigs produced (+150% to '05)  
-2D seismic: 12.9K km (+17% to '05)  
-3D seismic: 5.5K sqkm (+27% to '05)  
-Total backlog: \$990 MM

**5-Jun-07**  
J. Robert Maguire appointed as Non-executive director  
**18-Jun-07**  
FY 2006 results and revenue backlog announced  
-Total backlog: \$1,174 MM (+19% to April announcement)

**16-Aug-07**  
Operating performance and revenue backlog for 1H 07 announced:  
-101 wells drilled (+26% to 1H '06)  
-2D seismic: 13.3K km (-3% to 1H '06)  
-3D seismic: 5.4K sqkm (+10% to 1H '06)  
-Total backlog: \$1,272 MM (+8% to June announcement)  
**30-Aug-07**  
Acquisition of Geotechsystem for \$11 MM

**17-30 Sep-07**  
Management Roadshow

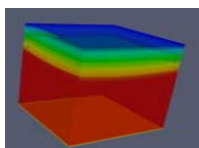
# Restructuring Update - Roadmap of creation of integrated OFS market leader



## Drilling, workover and IPM



## Formation Evaluation



## Equipment manufacturing



### Where we are

- Drilling Business consisting of several drilling companies (legal entities) of various ownership forms, separately holding fixed assets and conducting business

- Solid business platform, however great number of geographically distributed locations
- Seasonal operations

- Substantial, already well modernized production facilities implementing both production and assembling of equipment, as well as modernization and other services

### Key steps

- Creation of rig management company
- Segregation of rig management and technology services
- Optimization of support infrastructure
- Optimization of marketing

- Integration and enlargement of existing seismic assets
- Restructuring of the single seismic asset on the basis of core and support services function.
- Testing of all-season technology

- Foundation of service regional centers
- Foundation of “Uralmash – Service”
- Restructuring into:
  - Engineering
  - Procurement
  - In-house production

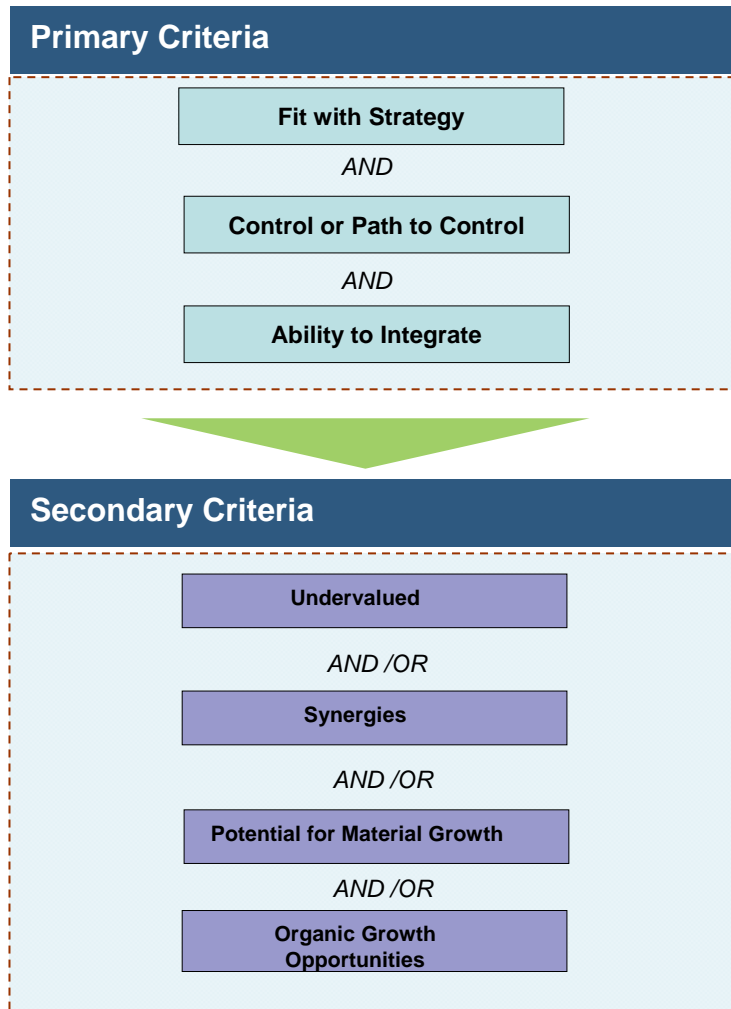
### Key strategic goals

- Creation of a powerful rig management company. Development and expansion of technology services and IPM business

- Integration of seismic business into one company “Integra Seismic” which will dominate Russian formation evaluation market

- Moving from drilling rig producer to provider of full range of products and services for equipment produced

## We continue to follow our basic M&A strategy



## Update on M&A Activity

### ***Acquisition of Geotechsistem, LLC***

Geotechsistem is a leading enterprise engaged in the processing and interpretation of geophysical tests. Being a leader with most up-to-date technologies, Geotechsistem is expected to make a significant contribution to the existing geophysical business of Integra and will allow Integra to build a leading processing center on the basis of it

#### Key highlights:

- Estimated 07 EBITDA USD 2 mln
- Consideration paid amounted to USD 11mln

### ***Acquisition of Obnefteremont, LLC (in process)***

- Obnefteremont is a fast growing company specializing in well workovers
- We believe that this acquisition will be complimentary to the current Integra's operations in the workover segment and will allow it to virtually double its capacity

#### Key highlights:

- Revenue of US\$ 31.4 mln for the 6 month ended 30.06.2007 (US\$ 48 mln for the year ended 31.12.2006)
- EBITDA amounted to US\$ 7.64 mln for the year ended 31.12.2006
- Integra expects to announce another acquisition shortly

# Outlook for 2007

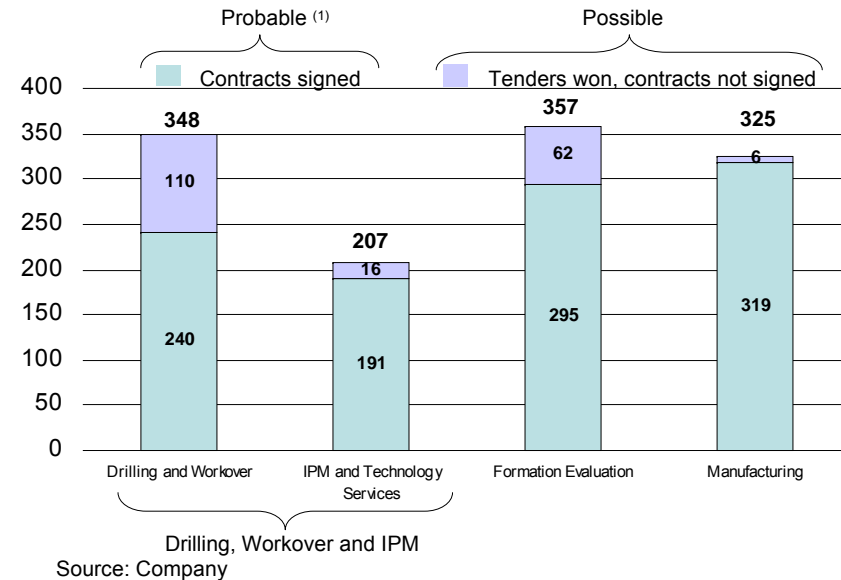


## Comments

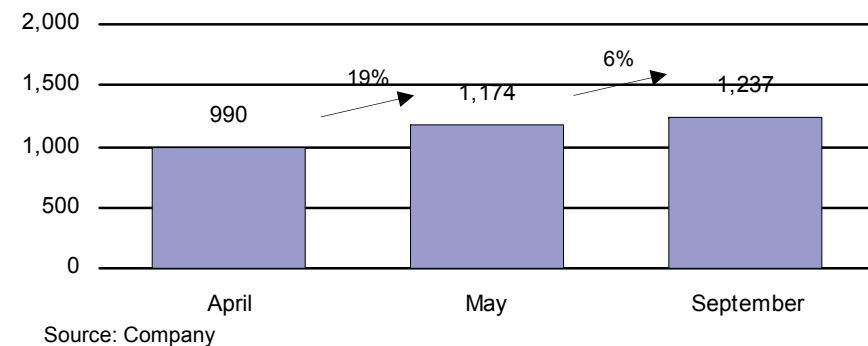
- The outlook for the remainder of 2007 remains strong.
- Majority of Integra Group's revenues and profit are historically generated during the second half of the year due to the seasonal nature of the oilfield services business in the primary markets
- As of September 10, 2007, Integra Group had signed contracts for over USD 1,043 million in revenue for services and equipment to be delivered to customers.
- Total backlog of 1,237 million. Slight adjustment from 1,272 million reported in August as completion of roughly \$35 million worth of contract/tendered contracts is now expected early in 2008, instead of 2007.
- The reorganization program remains on track, and the Company expects the initial results of these efforts to be more visible in our financial indicators for 2H 2007

[1] Contracts can modified or cancelled

## Backlog for 2007, US\$ mln



## Total Revenue Backlog Dynamics, \$MM





# Questions and Answers



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Thank you for your interest in Integra  
For more information please visit [www.integra.ru](http://www.integra.ru) or contact  
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