Integra Group

Interim Condensed Consolidated Financial Statements (Unaudited) as of and for the Six Months Ended 30 June 2009

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Report on Review of Interim Financial Information

To the Shareholders and Board of Directors of Integra Group

Introduction
We have reviewed the accompanying interim condensed consolidated statement of financial position of Integra Group and its subsidiaries as of 30 June 2009 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

Emphasis of Matter
Without qualifying our conclusion, we draw attention to Note 1.2 in the interim condensed consolidated financial statements which indicates that if at 31 December 2009 the Group is in violation of financial covenants under its loan agreement, payment under the loan could be accelerated. This possible violation of covenants, along with other matters set forth in Note 1.2, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

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28 August 2009

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	Note	Six months ended 30 June: 2009	2008
Sales	4	404,649	785,484
Cost of sales	4,5	(348,659)	(629,611)
Gross profit		**55,990**	**155,873**
Selling, general and administrative expenses	6	(62,215)	(128,061)
Gain from disposal of property, plant and equipment		1,398	5,499
Operating (loss) profit		**(4,827)**	**33,311**
Interest income		1,566	3,816
Interest expense	16	(22,613)	(24,239)
Exchange gain		9,156	5,934
Share of results of associates		(450)	665
(Loss) Profit before taxation		**(17,168)**	**19,487**
Income tax expense	15	(5,101)	(23,982)
Loss for the period		**(22,269)**	**(4,495)**
(Loss) profit attributable to:			
Shareholders of Integra Group		**(21,919)**	**(11,927)**
Non-controlling interest		(350)	7,432
Loss per share, basic and diluted (in US dollars per share)	19	(3.42)	(1.92)
Weighted average shares outstanding, basic and diluted	19	6,414,411	6,214,617

		2009	2008
Loss for the period		(22,269)	(4,495)
Translation (loss) profit		(49,082)	43,797
Total comprehensive (loss) profit for the period		**(71,351)**	**39,302**
Total comprehensive (loss) profit attributable to:			
Shareholders of Integra Group		**(67,806)**	**19,423**
Non-controlling interest		(3,545)	19,879

Approved and authorized for issue 28 August 2009

F.V. Lubashevsky
Chief Executive Officer

D.V. Avdeev
Chief Financial Officer

	Note	30 June 2009	31 December 2008
Assets			
Cash and cash equivalents	7	81,002	62,393
Trade and other receivables	8	342,685	357,359
Inventories	9	115,278	146,501
Total current assets		**538,965**	**566,253**
Goodwill and intangible assets	10	150,611	166,968
Property, plant and equipment	11	433,457	510,066
Investments in associates	12	14,966	16,446
Deferred tax assets		2,657	1,920
Loans provided and other assets	13	8,266	14,149
Total non-current assets		**609,957**	**709,549**
Total assets		**1,148,922**	**1,275,802**
Liabilities and shareholders' equity			
Accounts payable and accrued liabilities	14	296,302	279,105
Income tax payable		18,898	19,443
Other taxes payable	15	39,155	48,770
Short-term borrowings	16	173,896	394,502
Total current liabilities		**528,251**	**741,820**
Long-term borrowings	16	194,637	3,053
Deferred tax liability		27,626	37,653
Other non-current liabilities		829	812
Total non-current liabilities		**223,092**	**41,518**
Total liabilities		**751,343**	**783,338**
Shareholders' equity			
Share capital	17	887,980	885,664
Cumulative translation reserve		(123,194)	(77,307)
Accumulated deficit		(392,825)	(357,003)
Total equity attributable to shareholders of Integra Group		**371,961**	**451,354**
Minority interest		25,618	41,110
Total equity		**397,579**	**492,464**
Total liabilities and equity		**1,148,922**	**1,275,802**

	Six months ended 30 June:	
	2009	**2008**
Cash flows from operating activities		
(Loss) profit before taxation	(17,168)	19,487
Adjustments for:		
Depreciation and amortization	57,646	85,845
Gain from disposal of property, plant and equipment	(1,398)	(5,499)
Interest income	(1,566)	(3,816)
Interest expense	22,613	24,239
Exchange gain	(9,156)	(5,934)
Share-based compensation	2,316	9,649
Share of results of associates	450	(665)
Inventories impairment and obsolete stock write-offs	205	783
Receivables impairment, bad debt and other write-offs	(8,048)	4,132
Other	1,365	52
Operating cash flows before working capital changes	**47,259**	**128,273**
Change in trade and other receivables	(6,630)	(91,059)
Change in inventories	20,854	(28,743)
Change in accounts payable and accrued liabilities	29,057	21,243
Change in other taxes payable	(5,775)	26,592
Operating cash flows before interest and income taxes	**84,765**	**56,306**
Income tax paid	(6,265)	(29,543)
Interest paid	(28,705)	(24,017)
Net cash generated from operating activities	**49,795**	**2,746**
Cash flows from investing activities:		
Purchase of property, plant and equipment	(19,591)	(113,975)
Proceeds from disposal of property, plant and equipment	840	11,690
Settlements for purchases of interests in companies, net of cash acquired	(11,683)	(34,103)
Loans provided	(1,060)	(367)
Proceeds from repayment of loans	150	11,489
Other	82	(544)
Net cash used in investing activities	**(31,262)**	**(125,810)**
Cash flows from financing activities:		
Proceeds from borrowings	263,822	198,027
Repayment of borrowings	(267,666)	(90,131)
Payments to the escrow account (note 7)	(45,313)	-
Reimbursement of IPO costs from a depository bank	-	6,238
Exercise of share options for cash	-	1,555
Net cash (used in) generated from financing activities	**(49,157)**	**115,689**
Net increase decrease in cash and cash equivalents	**(30,624)**	**(7,375)**
Cash and cash equivalents at the beginning of the period, net of cash paid to the escrow account	62,393	101,998
Effect of exchange differences on cash balances	1,295	4,142
Cash and cash equivalents at the end of the period, net of cash paid to the escrow account	**33,064**	**98,765**

The accompanying notes are an integral part of these interim condensed consolidated financial statements

	Note	Share capital	Cumulative translation reserve	Accumulated deficit	Equity attributable to Integra Group shareholders	Non-controlling interest	Total equity
Balance at 31 December 2007		**831,223**	**57,880**	**(75,521)**	**813,582**	**78,762**	**892,344**
Total comprehensive profit (loss) for the period		-	31,350	(11,927)	19,423	19,879	39,302
Total		**831,223**	**89,230**	**(87,448)**	**833,005**	**98,641**	**931,646**
Exercise of share options	17	1,555	-	-	1,555	-	1,555
Share-based compensation	6, 17	9,649	-	-	9,649	-	9,649
Issuance of shares on acquisition of NKRS & STS	3	27,000	-	-	27,000	-	27,000
Reimbursement of IPO costs from a depository bank		6,238	-	-	6,238	-	6,238
Purchase of non-controlling interest in subsidiaries		-	-	173	173	-	173
Balance at 30 June 2008		**875,665**	**89,230**	**(87,275)**	**877,620**	**98,641**	**976,261**
Balance at 31 December 2008		**885,664**	**(77,307)**	**(357,003)**	**451,354**	**41,110**	**492,464**
Total comprehensive loss for the period		-	(45,887)	(21,919)	(67,806)	(3,545)	(71,351)
Total		**885,664**	**(123,194)**	**(378,922)**	**383,548**	**37,565**	**421,113**
Share-based compensation	6	2,316	-	-	2,316	-	2,316
Purchase of non-controlling interest in subsidiaries	3	-	-	(13,903)	(13,903)	(11,947)	(25,850)
Balance at 30 June 2009		**887,980**	**(123,194)**	**(392,825)**	**371,961**	**25,618**	**397,579**

The loss of $0.4 million and profit of $7.4 million incurred during the six months ended 30 June 2009 and 2008, respectively, related to non-controlling interest attributable to holders of instruments classified as equity.

1 Summary of Significant Accounting Policies

1.1 Statement of compliance. The interim condensed consolidated financial statements of Integra Group ("Integra"), together with its consolidated subsidiaries (collectively the "Group"), have been prepared by the Group in accordance with the International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). Certain information and disclosures normally required to be included in the notes to the annual consolidated financial statements have been omitted or condensed. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes of Integra Group for the year ended 31 December 2008 issued on 30 April 2009 prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting principles applied are consistent with those as set out in the Group's annual financial statements for the year ended 31 December 2008.

1.2 Going concern and basis of preparation. These interim condensed consolidated financial statements have been prepared on a "going concern" basis, which presumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. The interim condensed consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies as disclosed below and in the consolidated financial statements and the notes of Integra Group for the year ended 31 December 2008 issued on 30 April 2009. The interim condensed consolidated financial statements are presented in US dollars.

The Group's loss decreased significantly from $267.4 million incurred in the second half of 2008 to $22.3 million incurred in the first half of 2009 primarily due to the absence of significant write-downs of goodwill and intangible assets which occurred in 2008, lower provisions for accounts receivable and inventory, and cost optimization measures undertaken by the Group late in 2008. These measures included reduction in production and selling, general and administrative expenses such as employee costs, transport and rent expenses, consulting fees and realizing benefits from lower prices for materials and supplies as well as the reduction in the fixed portion of its executives' salaries by 30 to 50 percent.

The Group continues focusing on minimization of its capital expenditures and utilization on its existing production capacity and strengthening its working capital through tight control of outstanding accounts receivable and payment schedules agreed with its customers and optimization of inventory levels.

During the first half of 2009, the Group raised $263.8 million of borrowings, including 250.0 million of the long-term EBRD syndicated loan (note 16), and repaid $267.7 million of the borrowings due. At 30 June 2009 and 31 December 2008, the Group was not in compliance with certain financial covenant imposed under the EBRD syndicated loan. On 30 June 2009, EBRD waived the compliance requirements for these covenants until 31 December 2009. The Group expects to be in compliance with all restrictive covenants at 31 December 2009 and 30 June 2010 (note 2). As a result, the Group's borrowings are classified as long-term, except for the amount payable within one year (note 16).

A significant portion of the Group's short-term borrowings at 30 June 2009 consists of $94.6 million in Russian rouble-denominated bonds for which the bondholders have a put option effective in December 2009. The bondholders are expected to exercise this put option when effective. The EBRD syndicated loan requires the Group to place cash into an escrow account on a monthly basis in order to ensure adequate funds to repay these bonds in December 2009. As of 30 June 2009, the balance of this escrow account is $47.9 million and is included in cash in the interim condensed consolidated statement of financial position (note 7).

The management is confident that its cost optimization program and its emphasis on working capital management will ensure that the Group will continue as a going concern. However, if there are violations of covenants at 31 December 2009 (or beyond) or the Group fails to deposit sufficient cash to the escrow account for subsequent repayment of the bonds, payment under the EBRD syndicated loan could be accelerated. Should that occur, in light of current market conditions, the Group might not be able to take appropriate mitigating actions and may not be able to realize its assets and discharge its liabilities in the normal course of business.

1 Summary of Significant Accounting Policies (continued)

1.3 Accounting policies. Except as described below, the accounting policies applied in these interim condensed consolidated financial statements are consistent with those applied in the annual consolidated financial statement as of and for the year ended 31 December 2008.

(a) Presentation of financial statements. On 1 January 2009, the Group adopted IAS 1 (Revised), *Presentation of Financial Statements*. All non-owner changes in equity are shown separately from owner changes in equity in a performance statement. Additionally, on restatement or reclassification of comparative information, entities are required to present restated consolidated statements of financial position as at the beginning comparative period in addition to the statements of financial position at the end of the current period and comparative period.

(b) Segment information. On 1 January 2009, the Group adopted IFRS 8, Segment Reporting which replaced IAS 14, Segment Reporting. IFRS 8 requires entities to identify its operating segments on the basis of its internal reports that are regularly reviewed by its chief operating decision maker in order to allocate resources to the segment and assess its performance. As a result, from 1 January 2009, the Group identified the following reportable segments: (i) drilling, workover and integrated project management (IPM), (ii) technology services, (iii) formation evaluation, (iv) equipment manufacturing.

(c) Other new standards adopted on 1 January 2009. On 1 January 2009, the Group adopted the following new standards which did not have material impact on these interim condensed consolidated financial statements:

- **IFRS 7** (Amendment)**,** *Financial Instruments: Disclosures*
- **IFRS 2** (Amendment), *Share-based Payment*
- **IAS 19** (Amendment), *Employee Benefits*
- **IAS 23** (Amendment), *Borrowing Costs*
- **IAS 32** (Amendment), *Financial Instruments: Presentation*
- **IAS 39** (Amendment), *Financial Instruments: Recognition and measurement*

(e) Taxes on income. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

1.4 Seasonality. The Group's drilling service revenues can be negatively affected by severe winter weather conditions in certain regions, or by early winter thawing in other regions, since large volumes of drilling equipment and drilling rigs can only be transported when the ground is sufficiently frozen to create access roads. There is also a limited season for providing seismic services in certain Siberian regions of the Russian Federation which remain in flood-like, or swampy conditions, in warm weather. Such conditions generally restrict the provision of seismic services in Siberia to a period from December to April.

1 Summary of Significant Accounting Policies (continued)

1.5 Change in the Group's balances at 31 December 2008. During the six months ended 30 June 2009, the Group completed the purchase accounting for Nizhnevartovsk Kapitalny Remont Skvazhin ("NKRS") and Sibirtransservice ("STS") which resulted in the change of the Group's opening balances as follows:

	Integra Group 31 December 2008 As previously reported	Purchase accounting adjustments for NKRS & STS	Integra Group 31 December 2008 Revised
Assets			
Cash and cash equivalents	62,393	-	62,393
Trade and other receivables	357,359	-	357,359
Inventories	146,501	-	146,501
Goodwill and other intangible assets	166,153	815	166,968
Property, plant and equipment	511,099	(1,033)	510,066
Investments in associates	16,446	-	16,446
Deferred tax assets	1,920	-	1,920
Loans provided and other assets	14,149	-	14,149
Total assets	**1,276,020**	**(218)**	**1,275,802**
Liabilities and shareholders' equity			
Accounts payable and accrued liabilities	279,105	-	279,105
Income taxes payable	19,443	-	19,443
Other taxes payable	48,770	-	48,770
Short-term borrowings	394,502	-	394,502
Long-term borrowings	3,053	-	3,053
Deferred tax liability	37,871	(218)	37,653
Other non-current liabilities	812	-	812
Share capital	885,664	-	885,664
Cumulative translation reserve	(77,307)	-	(77,307)
Accumulated deficit	(357,003)	-	(357,003)
Minority interest	41,110	-	41,110
Total liabilities and equity	**1,276,020**	**(218)**	**1,275,802**

2 Financial Risk Management

At 30 June 2009 and 31 December 2008, the Group financial instruments were as follows:

	Notes	30 June 2009	31 December 2008
Financial assets:			
Cash and cash equivalents	7	81,002	62,393
Financial receivables	8	289,777	282,040
Loans provided and other assets	13	8,266	14,149
Total financial assets		**379,045**	**358,582**
Financial liabilities:			
Financial payables and accrued liabilities	14	(151,569)	(135,376)
Short-term borrowings	16	(173,896)	(394,502)
Long-term borrowings	16	(194,637)	(3,053)
Total financial liabilities		**(520,102)**	**(532,931)**

At 30 June 2009 and 31 December 2008, the carrying values of the financial instruments approximated their fair values.

2.1 Financial risk factors. The Group's activities expose it to a variety of financial risks including credit, liquidity and market risks which are discussed in details below.

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to pay amounts due or fail to perform causing financial loss to the Group. The Group's credit risk principally arises from cash and cash equivalents, and from credit exposures of its customers relating to outstanding receivables and loans provided to third parties. The Group has not used any financial risk management instruments, in this or prior periods, to hedge against this exposure.

The Group only maintains accounts with high quality banks and financial institutions and believes that it therefore does not have a material credit risk in relation to its cash or cash equivalent financial instruments.

The Group focuses on servicing large independent and Russian state-owned oil and gas exploration and production customer groups which are generally believed to be creditworthy. In the contracting process the Group negotiates advance payment terms and uses flexibility in price negotiations with the customers attainable from its certain cost optimization programs. The Group carries out regular monitoring and assessing the likelihood of collection on a customer-by-customer basis in order to mitigate the Group's exposure to potential material losses from uncollected accounts. The Group believes that its financial receivables which are neither past due nor impaired represent low exposure to credit risk.

At 30 June 2009 and 31 December 2008, the Group believes that its maximum exposure to credit risk was the carrying value of its financial assets recognized on the balance sheet.

2 Financial Risk Management (continued)

Credit risk (continued)

At 30 June 2009 and 31 December 2008, the ageing of the financial receivables (note 8) was as follows:

	30 June 2009				
				Including:	
	Total before impairment provision	Impaired	Total recognized	Neither past due nor impaired	Past due but not impaired
Within 90 days	250,102	(1,986)	248,116	226,470	21,646
91 to 360 days	43,644	(8,569)	35,075	5,802	29,273
Over 360 days	14,727	(8,140)	6,587	1,737	4,850
Total trade receivables	**308,473**	**(18,695)**	**289,778**	**234,009**	**55,769**

The financial receivables within 90 days include the amounts due from customers for engineering and service contract work.

At 30 June 2009, the Group reclassified a receivable from a certain customer in the total amount of RR 188.3 million ($6.0 million equivalent at 30 June 2009) net of the impairment allowance of RR 82.6 million ($2.6 million equivalent at 30 June 2009) from past due but not impaired to neither past due nor impaired after the parties had restructured the payment schedule. Additionally, the receivables from the same customer in the total amount of RR 72.0 million ($2.3 million) are covered by a collateral of certain customer's production property, plant and equipment.

	31 December 2008				
				Including:	
	Total before impairment provision	Impaired	Total recognized	Neither past due nor impaired	Past due but not impaired
Within 90 days	248,097	(1,777)	246,320	215,239	31,081
91 to 360 days	48,405	(14,416)	33,989	6,698	27,291
Over 360 days	12,639	(10,908)	1,731	406	1,325
Total trade receivables	**309,141**	**(27,101)**	**282,040**	**222,343**	**59,697**

Movements of the Group's provision for impairment of financial receivables were as follows:

	Financial receivables	
	30 June 2009	31 December 2008
Balance at the beginning of the year	(27,101)	(1,136)
Provision for financial receivables	(1,331)	(30,676)
Unused amounts reversed	7,226	-
Write-off of accounts receivable	161	-
Exchange differences	2,350	4,711
Balance at the end of the year	**(18,695)**	**(27,101)**

2 Financial Risk Management (continued)

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Group's business activities may not be available. The Group manages the liquidity risk by regularly updating its financing plan to closely monitor its funding needs against its medium term funding plans.

The Group maintains adequate relationships with both Russian and international financial institutions and is able to attract additional financing if necessary and has been successful in raising funds in debt markets to meet debt service requirements. During the first half of 2009, the Group raised $263.8 million of borrowings, including the proceeds under the EBRD syndicated loan of $250.0 million and repaid $267.7 million of borrowings, including $135.0 million to ING bank, $59.1 million to the bondholders, $30.0 million to Amsterdam Trade Bank and $17.2 million to Urals Siberian Bank (note 16).

At 30 June 2009 and 31 December 2008, the Group maintained committed lines of credit facilities in which the following amounts were available for drawdown to meet short and medium-term financing needs:

	30 June 2009	31 December 2008
Total amount of credit facilities available for withdrawal	13,103	29,779
Amounts withdrawn	(9,392)	(28,744)
Amount available for withdrawal	**3,711**	**1,035**

At 30 June 2009 and 31 December 2008, interest on the unused facilities, if drawn, would have been payable at a rate of 18.7 percent and 15.2 percent per annum, respectively.

Scheduled maturities of current financial liabilities (notes 14 and 16) outstanding at 30 June 2009 and 31 December 2008 were as follows:

	30 June 2009		
	Financial payables and accrued liabilities	Short-term borrowings	Total current financial liabilities
Within 90 days	129,608	3,567	133,175
91 to 180 days	6,509	115,119	121,628
181 to 365 days	15,452	55,210	70,662
Total current financial liabilities	**151,569**	**173,896**	**325,465**

	31 December 2008		
	Financial payables and accrued liabilities	Short-term borrowings	Total current financial liabilities
Within 90 days	132,040	265,485	397,525
91 to 180 days	1,915	7,110	9,025
181 to 365 days	1,421	121,907	123,328
Total current financial liabilities	**135,376**	**394,502**	**529,878**

2 Financial Risk Management (continued)

Liquidity risk (continued)

Scheduled maturities of long-term borrowings (note 16) outstanding at 30 June 2009 and 31 December 2008, were as follows:

	30 June 2009
Year ended 30 June:	
2011	114,410
2012	68,665
2013	27,713
2014	12,695
Total long-term borrowings	**223,483**

	31 December 2008
Year ended 31 December:	
2010	2,920
2011	445
Total long-term borrowings	**3,365**

For purposes of this disclosure, the cash flows are presented in undiscounted nominal terms and the interest payable on floating rate borrowing to maturity has been calculated using rates in existence at 30 June 2009 and 31 December 2008, respectively.

Interest rate risk

The Group is exposed to interest rate risk from its floating interest rate borrowing under the EBRD syndicate loan. In April 2009, the Group entered into an interest swap transaction under which the Group replaced the floating London Inter Bank Offer Rate (LIBOR) rate-based interest component with a fixed interest rate till December 2011 (note 16).

The Group assesses the hedge effectiveness by comparing the present values of the LIBOR rate-based interest component payable under the EBRD syndicated loan with the LIBOR rate-based interest component receivable from the hedge provider. At inception and at 30 June 2009, the Group determined the hedge to be highly effective.

At 30 June 2009, in the interim condensed consolidated statements of comprehensive income as an interest expense, under the interest swap transaction, the Group accrued for a financial liability of $0.2 million out of which $0.1 million was paid for the interest period to 15 June 2009.

If the floating interest rates increased or decreased by one percent, with all other variables held constant, the Group's net loss for the six months ended 30 June 2009 and 2008 and total equity at 30 June 2009 and 2008 would have changed as follows:

	30 June:	
	2009	**2008**
Incremental loss from increase in the floating annual interest rate by one percent	-	(582)
Incremental profit from decrease in the floating annual interest rate by one percent	-	582

2 Financial Risk Management (continued)

Currency risk

The Group is exposed to currency exchange risk from borrowings denominated in US dollars whereas the functional currency of most of the Group companies is the Russian rouble. If the exchange rates increased or decreased by five Russian roubles, with all other variables held constant, the Group may become in breach with certain financial covenants under the EBRD syndicated loan (note 16), and the Group's net loss and total equity would have changed from the retranslation of the borrowings denominated in US dollars existing at 30 June 2009 and 31 December 2008 as follows:

	30 June 2009	**31 December 2008**
Incremental loss from increase of the RR / $ exchange rate by five Russian roubles	(35,077)	(20,970)
Incremental profit from decrease of the RR / $ exchange rate by five Russian roubles	41,169	24,871

2.2 Capital risk management. The Group's objectives when managing its capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to reduce its cost. The optimal mix of debt and equity may vary depending upon changing market conditions and investment opportunities.

The Group considers capital to be the sum of the short-term and long-term borrowings and total equity. The Group currently monitors capital risk on the basis of a range of financial ratios relevant to the debt markets including, but not limited to, gearing ratio, referred to as the total debt divided by the capital. At 30 June 2009 and 31 December 2008, the Group's gearing ratio was 48.1 percent and 44.7 percent, respectively.

After entering into the EBRD syndicated loan (note 16), in order to comply with the loan agreement, the Group's objective in managing its debt is to maintain certain financial ratios. In June 2009, the Group obtained a waiver from the lenders which released the Group from compliance with certain financial ratios until 31 December 2009.

The Group's current policy is not to pay dividends and its subsidiaries only pay dividends on their preferred shares. At 30 June 2009 and 31 December 2008, neither the Group nor any of its subsidiaries were subject to externally imposed capital requirements.

3 Business Combinations

Acquisition of additional interest in YGF. In April and June 2009, the Group purchased additional 16.06 percent interest in OAO Yamalgeophyzika ("YGF") for a total consideration of $26.1 million increasing the Group's effective ownership to 85.89 percent. The Group settled the transactions by discharging the loans provided to certain third parties for acquisition of shares in YGF in the total amount of $5.7 million (note 13), $0.6 million and $11.7 million were paid in 2008 and in the first half of 2009, respectively, with $8.1 million remained payable at 30 June 2009. The purchase resulted in $14.0 million loss from excess of the total consideration over the carrying value of net assets acquired. This loss is recognized in its interim condensed consolidated statements of changes in equity.

Acquisition of additional interest in TNGF. In June 2009, the Group purchased additional 12.18 percent interest in OAO Tumenneftegeophyzika ("TNGF") for a total consideration of $2.3 million increasing the Group's effective ownership to 87.27 percent. The Group settled the transactions by discharging the loans provided to certain third parties (note 13). The purchase resulted in $0.1 million gain from excess of the carrying value of net assets acquired over the total consideration transferred. This gain is recognized in its interim condensed consolidated statements of changes in equity.

3 Business Combinations (continued)

NKRS & STS. During the six months ended 30 June 2009, the Group completed the purchase accounting for NKRS & STS and revised the opening balances (note 1) as follows:

	31 December 2008 As previously reported	Purchase accounting adjustments	31 December 2008 Revised
Cash and cash equivalents	676	-	676
Trade and other receivables	12,024	-	12,024
Inventories	423	-	423
Property, plant and equipment	21,705	(1,308)	20,397
Other non-current assets	107	(102)	5
Other current liabilities	(14,296)	202	(14,094)
Other non-current liabilities	(133)	-	(133)
Deferred tax liability	(1,480)	338	(1,142)
Share in net assets acquired	**19,026**	**(870)**	**18,156**
Purchase consideration	54,313	63	54,376
Goodwill	**35,287**	**933**	**36,220**

4 Segment Information

From 1 January 2009, the Group identified its reporting segments based on IFRS 8 as follows:

- Drilling, workover and IPM segment providing rig-up work, well construction, workover and maintenance services on individual and integrated management basis.
- Technology services segment providing various services supporting the drilling, workover and IPM, including down hole motors manufacturing and services, coiled tubing, cementing, directional drilling, drill bit management, well logging and perforation.
- Formation evaluation segment providing field geophysical services including 2-D and 3-D seismic data acquisition, processing and interpretation.
- Manufacturing segment producing a range of oilfield equipment including drilling rigs, cementing units and other equipment.

Corporate assets, liabilities and expenses represent activities that are managed on the Group basis and are not allocated to the operating segments.

The Group uses adjusted earnings before interest, tax, depreciation and amortization (the "adjusted EBITDA") as a major measure for its performance. The adjusted EBITDA is calculated as an operating profit (loss) before interest income (expense), exchange differences, incomes taxes, depreciation and amortization, goodwill impairment, share-based compensation, share of results in associates and minority interest.

Segment information related to the Group's financial performance for the periods ended 30 June 2009 and 2008:

Six months ended 30 June 2009:	**Drilling, workover, IPM**	**Technology services**	**Formation evaluation**	**Equipment manufacturing**	**Other**	**Overheads**	**Intersegment eliminations**	**Total**
Sales external	169,278	61,045	108,795	53,510	12,004	17	-	404,649
Sales to other operating segments	113	3,378	2	181	2,723	-	(6,397)	-
Total sales	**169,391**	**64,423**	**108,797**	**53,691**	**14,727**	**17**	**(6,397)**	**404,649**
Cost of sales	(171,103)	(43,361)	(86,398)	(43,536)	(10,699)	-	6,438	(348,659)
Gross (loss) profit	**(1,712)**	**21,062**	**22,399**	**10,155**	**4,028**	**17**	**41**	**55,990**
Selling, general and administrative expenses	(10,582)	(8,358)	(11,136)	(7,079)	(4,536)	(20,220)	(304)	(62,215)
Profit from disposal of property, plant and equipment	1,412	412	(300)	(23)	-	(103)	-	1,398
Operating (loss) profit	**(10,882)**	**13,116**	**10,963**	**3,053**	**(508)**	**(20,306)**	**(263)**	**(4,827)**
Interest income	1,138	1,583	6,022	1,358	659	8,149	(17,343)	1,566
Interest expense	(5,671)	(752)	(4,388)	(1,145)	(271)	(27,729)	17,343	(22,613)
Exchange gain (loss)	(1,809)	(571)	1,763	(427)	(996)	11,196	-	9,156
Share of results of associates	-	(450)	-	-	-	-	-	(450)
(Loss) profit before taxation	**(17,224)**	**12,926**	**14,360**	**2,839**	**(1,116)**	**(28,690)**	**(263)**	**(17,168)**
Income tax benefit (expense)	404	(1,458)	(1,660)	85	(80)	(2,494)	102	(5,101)
(Loss) profit for the period	**(16,820)**	**11,468**	**12,700**	**2,924**	**(1,196)**	**(31,184)**	**(161)**	**(22,269)**
Reconciliation of operating (loss) profit to the adjusted EBITDA								
Operating (loss) profit	**(10,882)**	**13,116**	**10,963**	**3,053**	**(508)**	**(20,306)**	**(263)**	**(4,827)**
Depreciation	20,150	10,260	16,732	3,341	146	951	-	51,580
Amortization	1,950	840	1,135	1,482	651	8	-	6,066
Share-based compensation	-	-	-	-	-	2,316	-	2,316
Adjusted EBITDA	**11,218**	**24,216**	**28,830**	**7,876**	**289**	**(17,031)**	**(263)**	**55,135**

4 Segment Information (continued)

Six months ended 30 June 2008:	**Drilling, workover & IPM**	**Technology services**	**Formation evaluation**	**Equipment manufacturing**	**Other**	**Overheads**	**Intersegment eliminations**	**Total**
Sales external	306,339	88,319	197,301	178,516	15,009	-	-	785,484
Sales to other operating segments	374	12,048	-	1,764	18,782	-	(32,968)	-
Total sales	**306,713**	**100,367**	**197,301**	**180,280**	**33,791**	**-**	**(32,968)**	**785,484**
Cost of sales	(285,592)	(58,987)	(149,196)	(143,578)	(26,200)	-	33,942	(629,611)
Gross profit	**21,121**	**41,380**	**48,105**	**36,702**	**7,591**	**-**	**974**	**155,873**
Selling, general and administrative expenses	(33,093)	(14,226)	(15,262)	(16,515)	(4,195)	(43,177)	(1,593)	(128,061)
Profit from disposal of property, plant and equipment	370	(1,386)	5,449	1,066	-	-	-	5,499
Operating (loss) profit	**(11,602)**	**25,768**	**38,292**	**21,253**	**3,396**	**(43,177)**	**(619)**	**33,311**
Interest income	884	1,493	2,010	555	280	22,366	(23,772)	3,816
Interest expense	(15,504)	(1,486)	(6,864)	(1,585)	(6)	(22,419)	23,625	(24,239)
Exchange gain (loss)	1,290	457	453	(45)	220	3,559	-	5,934
Share of results of associates	-	1,451	(786)	-	-	-	-	665
Profit (loss) before taxation	**(24,932)**	**27,683**	**33,105**	**20,178**	**3,890**	**(39,671)**	**(766)**	**19,487**
Income tax (expense) benefit	(2,350)	(3,828)	(8,503)	(4,894)	(2,282)	(2,322)	197	(23,982)
(Loss) profit for the period	**(27,282)**	**23,855**	**24,602**	**15,284**	**1,608**	**(41,993)**	**(569)**	**(4,495)**
Reconciliation of operating (loss) profit to the adjusted EBITDA								
Operating (loss) profit	**(11,602)**	**25,768**	**38,292**	**21,253**	**3,396**	**(43,177)**	**(619)**	**33,311**
Depreciation	31,383	9,196	20,010	4,350	128	659	-	65,726
Amortization	7,273	1,711	5,390	3,588	2,156	1	-	20,119
Share-based compensation	-	-	-	-	-	9,649	-	9,649
Adjusted EBITDA	**27,054**	**36,675**	**63,692**	**29,191**	**5,680**	**(32,868)**	**(619)**	**128,805**

4 Segment Information (continued)

Segment information related to the Group's financial position as at 30 June 2009 and 31 December 2008:

	Drilling, workover & IPM	Technology services	Formation evaluation	Equipment manufacturing	Other	Overheads	Intersegment eliminations	Total
At 30 June 2009:								
Total assets	396,716	256,633	399,952	193,307	71,367	215,875	(384,928)	1,148,922
Total liabilities	(304,523)	(68,066)	(114,655)	(69,742)	(34,245)	(542,544)	382,432	(751,343)
Six months ended 30 June 2009:								
Additions to non-current assets	2,594	3,015	12,244	441	229	81	-	18,604

	Drilling, workover & IPM	Technology services	Formation evaluation	Equipment manufacturing	Other	Overheads	Intersegment eliminations	Total
At 31 December 2008:								
Total assets	467,381	261,869	442,273	224,103	64,701	258,939	(443,464)	1,275,802
Total liabilities	(327,017)	(76,187)	(137,776)	(101,898)	(49,529)	(532,053)	441,122	(783,338)
Six months ended 30 June 2008:								
Additions to non-current assets	19,148	28,364	14,739	45,844	291	324	-	108,710

4 Segment Information (continued)

For the six months ended 30 June 2009 and 2008, the Group earned its external revenues by its geographical segments as follows:

	Six months ended 30 June:	
	2009	**2008**
Russia	374,138	741,219
Other countries	30,511	44,265
Total external sales	**404,649**	**785,484**

At 30 June 2009 and 31 December 2008, the Group had its non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts by their geographical segments as follows:

	30 June 2009	**31 December 2008**
Russia	541,979	645,922
Other countries	57,055	47,558
Total goodwill and intangible assets, property, plant and equipment and investments in associates	**599,034**	**693,480**

During the six months ended 30 June 2009, the Group earned transaction revenues each exceeding 10 percent of the Group's consolidated revenues, with four major customers in the amounts of: (i) $99.7 million, $55.1 million and $20.9 million reported by the Group's drilling, workover and IPM, technology services, formation evaluation and equipment manufacturing, and (ii) $51.2 million reported by the Group's drilling, workover and IPM, technology services and formation evaluation segments.

During the six months ended 30 June 2008, the Group earned transaction revenues each exceeding 10 percent of the Group's consolidated revenues, with four major customers in the amounts of: (i) $118.8 million, $103.0 million and $131.2 million reported by the Group's drilling, workover and IPM, technology services, formation evaluation and equipment manufacturing, and (ii) $59.9 million reported by the Group's drilling, workover and IPM, technology services and formation evaluation segments.

5 Cost of Sales

	Six months ended 30 June:	
	2009	**2008**
Employee costs (including mandatory social contributions of $19,6 million and $34.6 million for the six months ended 30 June 2009 and 2008, respectively)	117,299	200,197
Services	115,026	197,431
Materials and supplies	61,478	152,924
Depreciation and amortization	53,900	75,312
Other	956	3,747
Total cost of sales	**348,659**	**629,611**

For the six months ended 30 June 2009 and 2008, the employee costs included the one-off employee redundancy payments of $4.5 million and $1.3 million, respectively.

6 Selling, General and Administrative Expenses

	Six months ended 30 June:	
	2009	**2008**
Employee costs (including mandatory social contributions of $4,6 million and $7.3 million for the six months ended 30 June 2009 and 2008, respectively)	35,972	57,353
Services	20,110	34,110
Taxes, other than income tax	4,627	5,362
Depreciation and amortization	3,746	10,533
Transportation expenses	2,625	6,597
Share-based compensation expense	2,316	9,649
Inventories impairment and obsolete stock write-offs	205	783
Receivables impairment, bad debt and other write-offs	(8,048)	4,132
Other	662	(458)
Total selling, general and administrative expenses	**62,215**	**128,061**

For the six months ended 30 June 2009 and 2008, the employee costs included the one-off employee redundancy payments of $1.0 million and $0.3 million, respectively.

7 Cash and cash equivalents

At 30 June 2009, the cash of $81.0 million included the restricted cash accumulated on the escrow account under the EBRD syndicated loan of $47.9 million for the bonds repayment (note 16) and the cash committed for payments under contracts with the Group's counterparties in the amount of $0.2 million. From inception to 30 June 2009, the cash deposited on the escrow account earned interest of $0.7 million.

At 31 December 2008, the cash of $62.4 million included $0.1 million consisting of the cash committed for payments under contracts with the Group's counterparties.

8 Trade and Other Receivables

	30 June 2009	31 December 2008
Financial receivables:		
Trade receivables (net of allowances for doubtful accounts of $3.5 million and $3.7 million at 30 June 2009 and 31 December 2008, respectively)	66,779	60,075
Amounts due from customers for engineering and service contract work (net of allowances for doubtful accounts of $15.2 million and $23.4 million at 30 June 2009 and 31 December 2008, respectively)	222,998	221,965
Total financial receivables	**289,777**	**282,040**
Non-financial receivables:		
VAT recoverable	10,348	13,535
Advances to suppliers	12,786	16,265
Prepaid expenses and other receivables	29,774	45,519
Total non-financial receivables	**52,908**	**75,319**
Total trade and other receivables	**342,685**	**357,359**

9 Inventories

	30 June 2009	31 December 2008
Materials and supplies (net of allowances for obsolete materials of $6.4 million and $7.3 million at 30 June 2009 and 31 December 2008, respectively)	88,925	108,536
Work in progress (net of allowances for obsolete materials of $2.2 million and $2.4 million at 30 June 2009 and 31 December 2008, respectively)	9,785	8,871
Finished goods (net of allowances for obsolete materials of $1.3 million and $1.6 million at 30 June 2009 and 31 December 2008, respectively)	16,568	29,094
Total inventories	**115,278**	**146,501**

Engineering and service contracts. The Group sales include revenues from engineering and service contracts of $219.4 million and $589.8 million for the six month periods ended 30 June 2009 and 2008, respectively.

The status of engineering and service contracts in progress at 30 June 2009 and 31 December 2008 were as follows:

	30 June 2009	31 December 2008
Contract costs incurred from inception	560,405	822,382
Contract profits (less recognized losses) incurred from inception	80,248	148,926

10 Goodwill and Intangible Assets

	Goodwill	**Long-term customer / supplier relationships**	**Trademarks**	**Order backlog**	**Other**	**Total**
Cost						
At 31 December 2008	**116,946**	**161,787**	**13,713**	**17,206**	**15,759**	**325,411**
Additions	-	-	-	81	271	352
Disposals	-	(91,501)	(1,413)	(17,240)	(23)	(110,177)
Exchange differences	(7,249)	(4,221)	(751)	7	(1,652)	(13,866)
At 30 June 2009	**109,697**	**66,065**	**11,549**	**54**	**14,355**	**201,720**
Accumulated amortization						
At 31 December 2008		**(125,217)**	**(8,316)**	**(16,961)**	**(7,949)**	**(158,443)**
Amortisation	-	(3,735)	(1,224)	(252)	(855)	(6,066)
Disposals	-	91,587	1,337	17,240	2	110,166
Exchange differences	-	1,783	315	(32)	1,168	3,234
At 30 June 2009	**-**	**(35,582)**	**(7,888)**	**(5)**	**(7,634)**	**(51,109)**
Net carrying amount						
At 31 December 2008	**116,946**	**36,570**	**5,397**	**245**	**7,810**	**166,968**
At 30 June 2009	**109,697**	**30,483**	**3,661**	**49**	**6,721**	**150,611**

The amounts of disposals include writing-off the fully amortized balances of the long-term customer / supplier relationships and the order backlog intangible assets in the total amounts of $91.5 million and $17.2 million, respectively.

Goodwill. Goodwill is attributed to each cash-generating unit ("CGU") expected to benefit from the respective acquisition as required by IAS 36 *Impairment of Assets*. In assessing whether goodwill has been impaired, the Group compares the carrying amount of each CGU's net assets (including goodwill) with the corresponding recoverable amounts. The recoverable amount of each CGU is determined based on value-in-use calculations.

The Group assesses the value-in-use of each CGU based on the five-year business plans for each segment, which are annually approved by the Group's senior management. The cash flows beyond the five-year period are extrapolated using a growth rate linked to expected general inflation in the Russian Federation. At 31 December 2008, the Group determined that the carrying values of the net assets of the Group's workover, drilling and IPM CGUs exceeded their estimated value-in-use resulting in the goodwill impairment of $99.1 million and the estimated value-in-use of the other CGUs exceeded their assets' carrying amounts and no goodwill impairment for these CGU was incurred. The Group management confirms that the actual results achieved in the first half of 2009 are broadly in line with the five-year business plans and expects that all the Group's CGUs will generate value-in-use in excess of the related recoverable amounts. The Group will review the actual and expected performance again at the end of 2009.

11 Property, Plant and Equipment

	Rigs	Buildings	Plant and equipment	Motor vehicles	Other	Total
Cost						
At 31 December 2008	**109,983**	**148,911**	**349,504**	**77,627**	**46,570**	**732,595**
Additions	1,153	523	5,669	10,230	677	18,252
Disposals	(4,347)	(734)	(2,306)	(3,987)	(464)	(11,838)
Exchange differences	(6,182)	(11,051)	(27,240)	(6,420)	(3,342)	(54,235)
At 30 June 2009	**100,607**	**137,649**	**325,627**	**77,450**	**43,441**	**684,774**
Accumulated depreciation						
At 31 December 2008	**(48,970)**	**(16,502)**	**(119,309)**	**(28,024)**	**(9,724)**	**(222,529)**
Depreciation	(6,954)	(3,570)	(32,954)	(5,480)	(2,622)	(51,580)
Disposals	1,508	98	4,651	2,158	127	8,542
Exchange differences	2,405	1,118	7,828	2,054	845	14,250
At 30 June 2009	**(52,011)**	**(18,856)**	**(139,784)**	**(29,292)**	**(11,374)**	**(251,317)**
Net book value						
At 31 December 2008	**61,013**	**132,409**	**230,195**	**49,603**	**36,846**	**510,066**
At 30 June 2009	**48,596**	**118,793**	**185,843**	**48,158**	**32,067**	**433,457**

At 30 June 2009 and 31 December 2008, certain property, plant and equipment with a net book value of $159.4 million and $8.8 million, respectively, were pledged as collateral for the Group's borrowings (note 16) and advances received from customers (note 14).

12 Investments in Associates

	30 June 2009	31 December 2008
NNGF	10,007	11,534
NGT-G	2,373	2,527
SNGF	2,586	2,385
Total investments in associates	**14,966**	**16,446**

The Group did not have any transactions related to the investments in associates during the six months ended 30 June 2009.

In April 2008, the Group disposed of 32.5 percent interest in Yamal Fund in exchange for certain quoted equity instruments with fair value of $0.8 million at the date of exchange.

As a result of increasing the Group's interest in YPGF to 100 percent in May 2008 (note 5), the Group's effective ownership in NNGF and NGT-G increased to 35.7 percent and 65.2 percent, respectively.

13 Loans Provided and Other Assets

	30 June 2009	31 December 2008
Financial loans provided and other assets:		
Advances to purchase additional interest in the Group's subsidiaries	-	8,243
Loans receivable and other assets (net of allowance for doubtful accounts of nil at both 30 June 2009 and 31 December 2008)	8,266	5,906
Total loans provided and other assets	**8,266**	**14,149**

Advances to purchase additional interests in the Group's subsidiaries. During the six months ended 30 June 2009, the Group discharged its loans provided to purchase additional interest in the Group's subsidiaries in the amounts of $5.7 million and $2.3 million as payments for the additional shares in YGF and TNGF, respectively, (note 3).

14 Accounts Payable and Accrued Liabilities

	30 June 2009	31 December 2008
Financial payables and accrued liabilities:		
Trade payables	36,598	35,883
Amounts due to customers for engineering and service contract work	113,195	96,633
Interest payable	1,776	2,860
Total financial payables and accrued liabilities	**151,569**	**135,376**
Non-financial payables and accrued liabilities:		
Accrued liabilities and other creditors	76,181	73,222
Advances from customers	68,552	70,507
Total non-financial payables and accrued liabilities	**144,733**	**143,729**
Total accounts payable and accrued liabilities	**296,302**	**279,105**

At 30 June 2009 and 31 December 2008, with regard to the advances received from customers the Group had pledged some of its property, plant and equipment with the total carrying amount of $10.3 and nil, respectively.

15 Taxes

Reconciliation of income taxes. The table below reconciles actual income tax expense and theoretical income tax, determined by applying the Russian statutory income tax rate to income before income tax and minority interest.

	Six months ended 30 June:	
	2009	**2008**
Profit (loss) before taxation	(17,168)	19,487
Theoretical tax (expense) benefit at Russian statutory income tax rate	3,433	(4,677)
Effect of income taxed at rates lower than Russian statutory income tax rate	8,876	8,983
Effect of income taxed at rates higher than Russian statutory income tax rate	(282)	(954)
Tax losses not expected to be utilized against future profits from overseas activities	(9,544)	(8,317)
Tax losses not expected to be utilized against future profits from domestic activities	(2,715)	(8,347)
Share-based compensation	(463)	(2,316)
Non-tax deductible expenses and other	(4,406)	(8,354)
Total income tax expense	**(5,101)**	**(23,982)**

Effective 1 January 2009, the statutory income tax rate in Russian Federation reduced from 24 percent to 20 percent. The impact of this change was accounted for in the second half of 2008 when enacted.

Other taxes payable. Current taxes payable at 30 June 2009 and 31 December 2008 are as follows:

	30 June 2009	**31 December 2008**
Value-added tax	29,857	39,056
Unified social tax	4,158	3,584
Personal income tax	2,078	2,895
Property tax	1,616	2,024
Other taxes	1,446	1,211
Total other taxes payable	**39,155**	**48,770**

16 Borrowings

	30 June 2009			31 December 2008		
	Amounts due within one year	**Amounts due after more than one year**	**Total**	**Amounts due within one year**	**Amounts due after more than one year**	**Total**
Bonds	94,606	-	94,606	169,305	-	169,305
Bank loans	77,590	194,566	272,156	220,106	2,464	222,570
Other	1,700	71	1,771	5,091	589	5,680
Total borrowings	**173,896**	**194,637**	**368,533**	**394,502**	**3,053**	**397,555**

The following table shows, by major currency, the Group's borrowings at 30 June 2009 and 31 December 2008 and the weighted average interest rates at those dates:

	30 June 2009	
	Fixed rate	
	Average interest rate	**Amount**
US dollar-denominated	9.2%	46,380
Russian rouble-denominated	12.2%	127,516
Total amounts due within one year	**11.4%**	**173,896**
US dollar-denominated	9.3%	193,024
Russian rouble-denominated	15.9%	1,613
Total amounts due after more than one year	**9.4%**	**194,637**
Total borrowings	**10.3%**	**368,533**

The EBRD syndicated loan that is discussed below is included within the fixed rate borrowings because the Group entered into the interest swap transaction under which the Group effectively converted the floating interest rates payable under the EBRD loan into fixed rates.

	31 December 2008					
	Fixed rate		Floating rate		Total	
	Average interest rate	**Amount**	**Average interest rate**	**Amount**	**Average interest rate**	**Amount**
US dollar-denominated	18.2%	35,000	4.4%	135,000	7.2%	170,000
Russian rouble-denominated	11.6%	220,777	-	-	11.6%	220,777
Other	-	-	5.1%	3,725	5.1%	3,725
Total amounts due within one year	**12.5%**	**255,777**	**4.4%**	**138,725**	**9.7%**	**394,502**
Russian rouble-denominated due after more than one year	12.9%	3,053	-	-	12.9%	3,053
Total borrowings	**12.5%**	**258,830**	**4.4%**	**138,725**	**9.7%**	**397,555**

16 Borrowings (continued)

Short-term borrowings. The borrowings due within one year include amounts due to the following institutions:

	30 June 2009	**31 December 2008**
ABN AMRO & ING	-	135,000
Amsterdam Trade Bank	-	30,000
Sberbank	28,567	21,103
Uralsib	-	20,422
Alfa-Bank	-	3,404
Other	5,801	6,789
Current portion of long-term borrowings	139,528	177,784
Total short-term borrowings and current portion of long-term borrowings	**173,896**	**394,502**

ABN AMRO & ING. In January 2008, the Group entered into a syndicated loan facility, which bore interest rates of LIBOR plus 2.35 percent for the first six months and LIBOR plus 2.75 percent thereafter, payable quarterly. The Group fully repaid the loan in February 2009.

Amsterdam Trade Bank. In November 2007, the Group obtained a US dollar-denominated loan from Amsterdam Trade Bank, a subsidiary of Alfa-Bank, in the amount of $80.0 million. The loan bore a floating annual interest rate of LIBOR plus 4.8 percent plus a facility fee of 0.5 percent per annum till October 2008, a fixed effective interest rate of 18.0 percent from November to December 2008 and a fixed effective interest rate of 19.0 percent, thereafter, payable monthly. The loan was repaid in full in January 2009.

Sberbank. In May and October 2008, the Group entered into a Russian rouble-denominated loan facility agreements with Sberbank for the amounts of RR 20.0 million and RR 600.0 million ($0.7 million and $20.4 million at 31 December 2008, respectively). The loan for the amount of RR 20.0 million bore a fixed annual interest rate of 15.2 percent and was repaid in full in May 2009. The loan for the amount of RR 600.0 million (equivalent to $19.2 million at 30 June 2009) bear fixed annual interest rate of 15.5 percent payable monthly and matures in October 2009.

In June 2009, the Group entered into a loan facility agreement with Sberbank for a total amount of RR 360.0 million (equivalent to $11.5 million at 30 June 2009) out which RR 293.9 million (equivalent to $9.4 million at 30 June 2009) had been withdrawn by 30 June 2009. The loan facility bears a fixed annual interest rate of 18.7 percent payable monthly and matures in June 2010.

Uralsib. In September 2008, the Group entered into a Russian rouble-denominated loan facility agreement with Uralsib Bank (Uralsib) for a total amount of RR 600.0 million ($20.4 million at 31 December 2008) bearing a fixed annual interest rate of 13.5 percent payable monthly. The Group fully repaid the loan in March 2009.

Alfa-Bank. In April 2008, the Group obtained a Russian rouble-denominated loan from Alfa-Bank in the amount of RR 100.0 million ($3.4 million at 31 December 2008). The loan bore a fixed annual interest rate of 13.5 percent per annum to November 2008 and 17.1 percent per annum thereafter, payable monthly. At 31 December 2008, the Group had certain of its property, plant and equipment with a carrying value equivalent to $6.0 million pledged as collateral for the loan. The Group repaid the loan in March 2009.

16 Borrowings (continued)

Long-term borrowings. The borrowings due after more than one year include the following:

	30 June 2009	31 December 2008
EBRD syndicated loan	236,404	-
Bonds	94,606	169,305
Sberbank	3,084	3,916
Comerzbank Eurasia	-	3,726
Other	71	3,890
Subtotal	334,165	180,837
Less: current portion of long-term borrowings	(139,528)	(177,784)
Total long-term borrowings	**194,637**	**3,053**

EBRD syndicated loan. In December 2008, the Group entered into a loan agreement with the European Bank for Reconstruction and Development (EBRD) which acts as a lender of a record on behalf of a consortium of certain banks for a total amount of $250.0 million. The loan is split into several tranches received from February 2009 to May 2009 and repayable in certain installments from March 2010 to December 2013. During the year ended 30 June 2010, the Group is to repay a total of $50.0 million and recognized the amount within the current portion of long-term borrowings accordingly.

The loan tranches bear floating interest rates of LIBOR plus 7.0 percent per annum margin for three year tranche and between LIBOR plus 8.0 percent per annum margin and LIBOR plus 12.0 percent margin for five year tranches, respectively, payable quarterly. In April 2009, the Group entered into an interest rate swap transaction agreement with BNP Paribas maturing in December 2011 under which the Group effectively converted the floating interest rates under the EBRD loan into fixed rates (note 2) as follows:

Description	Tranche amount	Interest margin	From April 2009 to December 2009	From December 2009 to December 2010	From December 2010 to December 2011
Tranche 1 A Loan	50,000	8.00%	9.50%	9.75%	10.01%
Tranche 2 A Loan	25,000	12.00%	13.50%	13.75%	14.01%
B Loan	175,000	7.00%	8.50%	8.75%	9.01%
Total	**250,000**	**7.70%**	**9.20%**	**9.45%**	**9.71%**

The Group incurred $14.1 million of professional fees and other borrowing costs paid in connection with obtaining the loan. From the inception to 30 June 2009, the Group amortized $2.1 million of the borrowing costs as additional interest expense and the unamortized balance borrowing costs is netted-off against the outstanding loan principal in the Group's interim condensed consolidated statements of financial position at 30 June 2009.

The Group deposits monthly at least RR 300.0 million ($9.6 million at 30 June 2009) into an escrow bank account to accumulate funds sufficient for repayment of the bonds under the the one-time put option in December 2009 in the amount of RR 3.0 billion ($95.9 million equivalent at 30 June 2009) maturing in November 2011. After the put option expires, the unused amounts on the escrow account are required to be used to make a partial prepayment of the loan. Additionally, the Group is required to prepay to the banks the loan in the amount of any other financing raised by any member of the Group other than short-term loans for working capital purposes. The Group is to incur a prepayment fee of 2.0 percent of any amount of the loan prepaid.

The loan is secured by a pledge of 99.97 percent of IGHL's shares along with the shares of certain Group's subsidiaries and certain property, plant and equipment for a total amount of $146.6 million at 30 June 2009 and an assignment of monetary claims under certain services contracts. At 30 June 2009 and 31 December 2008, the Group was not in compliance with certain financial covenant imposed under the EBRD syndicated loan. That had no impact on the classification of the borrowings at 30 June 2009 in the Group's statement of financial position, as on the reporting date the Group obtained a waiver from the lenders releasing it from certain financial covenants till December 2009. The Group expects to be in compliance with all restrictive covenants at 31 December 2009 and 30 June 2010.

16 Borrowings (continued)

Bonds. In March 2006, the Group issued Russian rouble-denominated bonds with a total nominal value of RR 2.0 billion ($68.1 million at 31 December 2008). The bonds bore fixed interest of 10.5 percent per annum, payable semi-annually and were repaid in full in March 2009.

In December 2006, the Group issued Russian rouble-denominated bonds with a total nominal value of RR 3.0 billion (equivalent to $95.9 million at 30 June 2009). The bonds bear fixed interest of 10.7 percent per annum, payable semi-annually, and mature in November 2011. The bonds were classified as short-term due to the put option held by the bondholders which is expected to be exercised in December 2009. In January 2009, the Group repurchased 20,000 bonds maturing in November 2011 for RR 16.3 million ($0.5 million).

At 30 June 2009 and 31 December 2008, the outstanding bonds balances of $94.6 million and $169.3 million were recognized net of the unamortized amounts of the borrowing costs of $0.6 million and $0.9 million, respectively.

Sberbank. In December 2007, the Group entered into a Russian rouble-denominated loan facility with Sberbank in the total amount of RR 115.0 million ($3.9 million equivalent at 31 December 2008). Initially the loan bore a fixed interest rate of 11.0 percent per annum payable monthly, and in September 2008 the Group agreed with the bank to increase the fixed interest rate to 13.0 percent per annum to December 2008 and 16.0 percent per annum thereafter. The loan matures in April 2011. At 30 June 2009 and 31 December 2008, the Group had certain of its property, plant and equipment with carrying value equivalent to $2.5 million and $2.8 million, respectively, pledged as collateral to the loan.

Commerzbank Eurasia. In March 2008, the Group entered into a euro-denominated loan facility with Commerzbank Eurasia which was outstanding in the amount of 2.6 million euros (equivalent to $3.7 million) at 31 December 2008. The loan facility bore floating interest rate of EURIBOR plus 2.2 percent per annum (5.1 percent per annum at 31 December 2008) payable monthly. The Group repaid the loan in March 2009.

Interest expense. Interest expense for the six months ended 30 June 2009 and 2008 comprised the following:

	Six months ended 30 June:	
	2009	**2008**
Short-term borrowings		
ABN AMRO & ING	2,128	2,348
Alfa-Bank	89	1,955
Sberbank	37	1,307
Uralsib	503	-
Other	2,032	2,576
Total interest expense on short-term borrowings	**4,789**	**8,186**
Long-term borrowings		
EBRD	9,205	-
Bonds	6,639	11,057
Sberbank	1,486	-
ATB	254	3,411
Other	240	1,585
Total interest expense on long-term borrowings	**17,824**	**16,053**
Total interest expense	**22,613**	**24,239**

17 Share Capital

The following table summarizes the change in the share capital during the six months ended 30 June 2009:

	Number of common shares:		Share	Treasury	Total
	Class A	Class B	Premium	shares	share capital
Balance at 31 December 2008	**6,416,125**	**740,000**	**887,262**	**(1,598)**	**885,664**
Cancellation of shares	(3,000)	-	-	-	-
Share-based compensation	-	-	2,316	-	2,316
Balance at 30 June 2009	**6,413,125**	**740,000**	**889,578**	**(1,598)**	**887,980**

During the six months ended 30 June 2009, the Group cancelled 3,000 Class A common shares issued in 2008.

18 Share-based Compensation

2005 Stock Option Plan. During the six months ended 30 June 2009, the Group's Board of Directors did not authorize any additional options for issuance. At 30 June 2009 and 31 December 2008, a total of 269,165 and 157,833 options, respectively, remained available for grant under the plan.

Options granted vest over periods of up to four years and are exercisable for ten years from the grant date. Vesting provisions differ by award.

Options outstanding. Stock options activity, including Class B common shares convertible into Class A common shares upon exercise which are not part of the 2005 Stock Option Plan, is summarised as follows:

	Weighted average exercise price in $ per share	Number of options
Options outstanding at 31 December 2008	**$104.25**	**1,656,150**
Unvested options forfeited	$268.34	(56,661)
Vested options expired unexercised	$224.91	(54,671)
Options outstanding at 30 June 2009	**$93.97**	**1,544,818**

The Group neither granted nor exercised any options during the six months ended 30 June 2009. The total grant date fair value of stock options granted during the six months ended 30 June 2008 was $18.6 million.

	Options outstanding			Options exercisable	
Range of exercise prices (in US dollars per share)	Number of options outstanding	Weighted-average remaining contractual life (years)	Weighted average exercise price ($)	Options exercisable at period end	Weighted average exercise price ($)
$4.00 - $34.39	1,093,016	6.7	$30.67	353,016	$25.25
$91.00 - $250.00	234,034	8.1	$184.87	101,037	$202.47
$275.00 - $382.00	217,768	8.1	$310.11	129,909	$314.57
	1,544,818		**$93.97**	**583,962**	**$189.26**

The Black-Scholes option valuation model is used for estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Based on the assumptions below, the weighted average fair value of employee stock options granted during the six months ended 2008 was $108.74 per option. The significant inputs into the option valuation model were as follows.

18 Share-based Compensation (Continued)

	Awards granted during the six months ended 30 June 2008
Share price	$221.0 – 278.0
Dividend yield	-
Expected volatility	35.0%
Risk-free interest rate	2.4 – 4.0%
Expected life	5 – 7 years

19 Loss per Share

The following table sets forth the computation of basic and diluted loss per share:

	Six months ended 30 June:	
	2009	**2008**
Numerator		
Loss attributable to shareholders of Integra Group for basic and diluted loss per share	(21,919)	(11,927)
Denominator		
Weighted average number of common shares outstanding during the period – basic and diluted	6,414,411	6,214,617
Basic and diluted loss per share (in US dollars per share)	(3.42)	(1.92)

At 30 June 2009 and 2008, the conversion of exercisable stock options are anti-dilutive because they result in a reduction in diluted loss per share from $3.42 to $3.11 and from $1.92 to $1.61, respectively, and are ignored for purposes of calculating diluted loss per share.

20 Related Party Transactions

The related parties with whom the Group had significant transactions with during the six months ended 30 June 2009 and 2008, or had significant balances outstanding at 30 June 2009 and 31 December 2008 are an affiliate of the Chairman of the Board of Directors, the Group's associates (note 12) and certain third parties related through common directorship.

Details of transactions between the Group and related parties are disclosed as follows:

	Six months ended 30 June:	
	2009	**2008**
Sales of production services to related parties	2,704	1,836
Purchase of management services by Integra Group from related parties	(150)	(150)
Purchase of materials by Integra Group	(153)	(6,720)
Other income (expense)	(123)	(313)

	At 30 June 2009	**At 31 December 2008**
Trade receivables, net	524	565
Advances received	-	(576)
Trade payables, short-term	(285)	(3,026)
Loans issued to employees	456	337

20 Related Party Transactions (continued)

Third parties related through common directorship. During the six months ending 30 June 2009 and 2008, the Group had the following transactions with certain third parties: (a) to sell oilfield services to certain third parties for a total amount of $2.7 million and $1.6 million, respectively, and (b) to purchase materials and property, plant and equipment and services used by the Group in its operating activities for a total amount of $0.2 million and $7.3 million, respectively.

Management compensation. During the six months ending 30 June 2009 and 2008, the Group's senior management team comprised ten and eight individuals whose compensation totalled $4.8 million and $7.7 million, respectively, including salary, bonuses and other benefits of $2.9 million and $3.5 million, respectively, and share-based compensation of $1.9 million and $4.3 million, respectively.

Administrative services contract During each of the six months ending 30 June 2009 and 2008, the Group incurred expenses of $0.15 million under an administrative services contract with an affiliate of the Chairman of the Board of Directors.

21 Contingencies, Commitments and Operating Risks

Operating environment of the Group. The Group, through its operations, has a significant exposure to the economy and financial markets of the Russian Federation.

Russian Federation. The effects of the global financial crisis continue to impact the Russian economy in 2009. Lower commodity prices have resulted in lower income from exports and thus lower domestic demand. Russia's economy contracted by 7.0 percent year-on-year in the first quarter of 2009 and, according to the Russian Economic Development Ministry, Russia's gross domestic product is expected to decrease by 8.5 percent in 2009. The rise in Russian and emerging market risk premium resulted in a steep increase in financing costs. The depreciation of the Russian rouble against hard currencies increased the burden of foreign currency corporate debt, which has risen considerably in recent years. As part of preventive steps to ease the effects of the situation in financial markets on the economy, the Russian Government is likely to run a large fiscal deficit in 2009. While commodity prices have rebounded since 31 December 2008, significant volatility remains present in the market. The Group management is unable to predict all developments which could have an impact on oil and gas sector and the wider economy and consequently what effect, if any, they could have on the future financial position of the Group.

Contractual commitments and guarantees. In the normal course of business, the Group entered into contracts for the purchase of property, plant and equipment and other assets. At 30 June 2009 and 2008, the Group had unpaid contractual commitments of $9.5 million and $34.2 million, respectively.

Employee benefits. A number of the Group operating entities have existing contractual commitments under collective agreements requiring them to provide certain social and other benefits to their employees. The terms and conditions of each collective agreement are specific to each particular operating entity and actual annual outlays can vary from entity to entity. The Group recorded a liability in the amount of $0.8 million of its obligation for one-time retirement grants provided for in the collective agreements in these consolidated financial statements.

Environmental matters. The enforcement of environmental regulation in Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognized immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

21 Contingencies, Commitments and Operating Risks (continued)

Taxation. Tax, currency and customs legislation of various jurisdictions in which the Group has its operations is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.
The expansion of the Group's overseas operations results in increased tax risks in additional jurisdictions outside of the Russian Federation.

As of 30 June 2008, management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these financial statements.

Insurance policies. The Group holds certain insurance policies in relation to its operations and assets including, but not limited to, life insurance of employees, in respect of public liability and other insurable risks. The Group has Directors and Officers insurance policies in respect of its public liability. The Group management believes it has sufficient insurance coverage to correspond with the risks associated with its operations.

Legal proceedings. At 30 June 2009, the Group was involved in a number of court proceedings, both as a plaintiff and a defendant, arising in the ordinary course of business. The Group management believes that there are no current legal proceedings or other claims outstanding which could have a material adverse effect on the results of operations or financial position of the Group and which have not otherwise been accrued or disclosed in these consolidated financial statements.

22 Subsequent Events

Consolidation of TNGF, YGF and TGT into Integra Geophysics. In July 2009, the Group initiated the merger of OAO Tumenneftegeophyzika, OAO Yamalgeophyzika and ZAO Tomsky Geophyzichesky Trest (the "merged companies") by transferring the assets and liabilities of the merged companies to OAO Integra Geophysics and issuing additional shares in OAO Integra Geophysics to the shareholders of the merged companies in exchange for their stakes in these companies.

Disposal of companies. From 30 June 2009 to the date of issuance of these interim condensed consolidated financial statements, in the restructuring process the Group disposed of OAO Russian Geophysical Company, ZAO Integra Management, OAO Concern Stromneftemash and OAO Strommashina.

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