Integra Group

Interim Condensed Consolidated Financial Statements (Unaudited) as of and for the Six Months Ended 30 June 2008

PRICEWATERHOUSECOOPERS

ZAO PricewaterhouseCoopers Audit
Kosmodamianskaya Nab. 52, Bld. 5
115054 Moscow
Russia
Telephone +7 (495) 967 6000
Facsimile +7 (495) 967 6001
www.pwc.ru

Report on Review of Interim Financial Information

To the Shareholders and Board of Directors of Integra Group

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Integra Group as of 30 June 2008 and the related condensed consolidated statements of 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*.

ZAO PricewaterhouseCoopers Audit

27 August 2008

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Integra Group
Interim Condensed Consolidated Statements of Income (Unaudited)
(expressed in thousands of US dollars, except as indicated)

	Note	Six months ended 30 June: 2008	2007
Sales	4	785,484	487,892
Cost of sales	4,5	(629,611)	(400,699)
Gross profit		**155,873**	**87,193**
Selling, general and administrative expenses	6	(128,061)	(95,419)
Gain from disposal of property, plant and equipment		5,499	256
Other		-	597
Operating profit (loss)		**33,311**	**(7,373)**
Interest income		3,816	5,170
Interest expense	16	(24,239)	(40,189)
Exchange gain (loss)		5,934	(896)
Share of results of associates		665	1,352
Profit (loss) before taxation		**19,487**	**(41,936)**
Income tax expense	15	(23,982)	(9,606)
Loss for the period		**(4,495)**	**(51,542)**
Loss attributable to:			
Shareholders of Integra Group		**(11,927)**	**(50,296)**
Minority interest		7,432	(1,246)
Loss per share, basic and diluted (in US dollars per share)	19	(1.92)	(9.56)
Weighted average shares outstanding, basic and diluted	19	6,214,617	5,262,651

Approved and authorized for issue 27 August 2008

F.V. Lubashevsky
Chief Executive Officer

D.V. Avdeev
Chief Financial Officer

Integra Group
Interim Condensed Consolidated Balance Sheets (Unaudited)
(expressed in thousands of US dollars, except as indicated)

	Note	30 June 2008	31 December 2007
Assets			
Cash and cash equivalents		98,765	101,998
Trade and other receivables	8	530,966	405,221
Inventories	9	213,935	176,794
Restricted cash	7	93	7,962
Total current assets		**843,759**	**691,975**
Goodwill and intangible assets	10	420,907	379,818
Property, plant and equipment	11	633,021	561,649
Investments in associates	12	22,625	19,920
Deferred tax assets		6,076	2,916
Loans provided and other assets	13	50,683	56,906
Total non-current assets		**1,133,312**	**1,021,209**
Total assets		**1,977,071**	**1,713,184**
Liabilities and shareholders' equity			
Accounts payable and accrued liabilities	14	299,783	273,662
Income tax payable		20,776	20,434
Other taxes payable	15	60,061	29,871
Current financial liabilities	16	396,762	203,011
Total current liabilities		**777,382**	**526,978**
Non-current financial liabilities	16	138,545	210,215
Deferred tax liability		83,909	83,584
Other non-current liabilities		974	63
Total non-current liabilities		**223,428**	**293,862**
Total liabilities		**1,000,810**	**820,840**
Shareholders' equity			
Share capital	17	875,665	831,223
Cumulative translation reserve		110,350	66,553
Accumulated deficit		(87,275)	(75,521)
Total equity attributable to Integra Group shareholders		**898,740**	**822,255**
Minority interest		77,521	70,089
Total equity		**976,261**	**892,344**
Total liabilities and equity		**1,977,071**	**1,713,184**

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

(expressed in thousands of US dollars)

	Notes	Six months ended 30 June: 2008	2007
Cash flows from operating activities			
Profit (loss) before taxation		19,487	(41,936)
Adjustments for:			
Depreciation and amortization		85,845	67,461
Interest income		(3,816)	(5,170)
Interest expense		24,239	40,189
Share-based compensation		9,649	16,075
Share of results of associates		(665)	(1,352)
Other		(6,466)	313
Operating cash flows before working capital changes		**128,273**	**75,580**
Change in trade and other receivables		(91,059)	(91,031)
Change in inventories		(28,743)	(29,959)
Change in accounts payable and accrued liabilities		21,243	153,045
Change in other taxes payable		26,592	4,075
Operating cash flows before interest and income taxes		**56,306**	**111,710**
Income tax paid		(29,543)	(19,707)
Interest paid		(24,017)	(21,326)
Net cash generated from operating activities		**2,746**	**70,677**
Cash flows from investing activities:			
Purchase of property, plant and equipment		(113,975)	(70,409)
Proceeds from disposal of property, plant and equipment		11,690	2,801
Settlements for purchases of interests in companies, net of cash acquired		(34,103)	(58,367)
Loans provided		(367)	(1,972)
Proceeds from repayment of loans		11,489	3,213
Interest received		1,820	3,410
Other		(2,364)	(4)
Net cash used in investing activities		**(125,810)**	**(121,328)**
Cash flows from financing activities:			
Proceeds from issuance of shares, net of transaction costs		-	562,352
Proceeds from exercise of warrants connected with Senior Notes and Facility Agreement		-	17,167
Proceeds from borrowings		198,027	15,862
Repayment of borrowings		(90,131)	(408,093)
Reimbursement of IPO costs from a depository bank		6,238	-
Exercise of share options for cash		1,555	-
Net cash generated from financing activities		**115,689**	**187,288**
Net (decrease) increase in cash and cash equivalents		**(7,375)**	**136,637**
Cash and cash equivalents at the beginning of the period		101,998	87,821
Effect of exchange differences on cash balances		4,142	7,474
Cash and cash equivalents at the end of the period		**98,765**	**231,932**

Integra Group
Interim Condensed Consolidated Statements of Changes in Equity (Unaudited)
(expressed in thousands of US dollars, except as indicated)

	Note	Share capital	Cumulative translation reserve	Accumulated deficit	Equity attributable to Integra Group shareholders	Minority interest	Total equity
Balance at 31 December 2006		**215,872**	**12,434**	**(29,850)**	**198,456**	**78,358**	**276,814**
Initial public offering		559,261	-	-	559,261	-	559,261
Exercise of warrants connected with Senior Notes		1,417	-	-	1,417	-	1,417
Exercise of warrants connected with Facility Agreement		15,750	-	-	15,750	-	15,750
Share-based compensation		16,075	-	-	16,075	-	16,075
Purchase of minority interest in subsidiaries		-	-	-	-	(2,264)	(2,264)
Translation adjustment		-	15,106	-	15,106	-	15,106
Loss for the period		-	-	(50,296)	(50,296)	(1,246)	(51,542)
Balance at 30 June 2007		**808,375**	**27,540**	**(80,146)**	**755,769**	**74,848**	**830,617**
Balance at 31 December 2007		**831,223**	**66,553**	**(75,521)**	**822,255**	**70,089**	**892,344**
Exercise of share options	17	1,555	-	-	1,555	-	1,555
Share-based compensation		9,649	-	-	9,649	-	9,649
Issuance of shares on acquisition of NKRS & STS	3,17	27,000	-	-	27,000	-	27,000
Reimbursement of IPO costs from a depository bank	17	6,238	-	-	6,238	-	6,238
Purchase of minority interest in subsidiaries		-	-	173	173	-	173
Translation adjustment		-	43,797	-	43,797	-	43,797
Loss for the period		-	-	(11,927)	(11,927)	7,432	(4,495)
Balance at 30 June 2008		**875,665**	**110,350**	**(87,275)**	**898,740**	**77,521**	**976,261**

Supplemental information for minority interests:	**Six months ended 30 June:**	
	2008	**2007**
Share of profit attributable to holders of equity instruments with redemption rights classified as a liability	-	14
Share of profit (loss) attributable to holders of instruments classified as equity	7,432	(1,260)
Profit attributable to minority interest	**7,432**	**(1,246)**

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

1 Summary of Significant Accounting Policies

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 management 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 2007 issued on 26 May 2008 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 2007.

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 2007.

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

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant to the Group:

- IFRIC 11, *IFRS 2 – Group and Treasury Share Transactions.*
- IFRIC 12, *Service Concession Arrangements.*
- IFRIC 14, IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*

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 from December to April.

Change in the Group's balances at 31 December 2007. During the six months ended 30 June 2008, the Group recognized obligations of Obnefteremont ("ONR") under collective agreements outstanding at the date of acquisition by the Group. As a result, ONR's net assets decreased with an equivalent increase in goodwill by $48 thousand. In June 2008, the Group renegotiated the total consideration payable for the acquisition of Geotechsystem ("GTS"). As a result, the cost of acquisition decreased from $9.9 million to $8.4 million with an equivalent decrease in goodwill from $9.4 million to $7.9 million.

(expressed in US dollars (tabular amounts in thousands), except as indicated)

1 Summary of Significant Accounting Policies (continued)

Change in the Group's balances at 31 December 2007 (continued)

The opening balances were adjusted to reflect the effects of the changes in the purchase accounting of ONR and GTS as follows:

	Integra Group 31 December 2007 As previously reported	Fair value adjustments For ONR	Fair value adjustments For GTS	Integra Group 31 December 2007 Revised
Assets				
Cash and cash equivalents	101,998	-	-	101,998
Trade and other receivables	405,221	-	-	405,221
Inventories	176,794	-	-	176,794
Restricted cash	7,962	-	-	7,962
Goodwill and other intangible assets	381,245	48	(1,475)	379,818
Property, plant and equipment	561,649	-	-	561,649
Investments in associates	19,920	-	-	19,920
Deferred tax assets	2,916	-	-	2,916
Loans provided and other assets	56,906	-	-	56,906
Total assets	**1,714,611**	**48**	**(1,475)**	**1,713,184**
Liabilities and shareholders' equity				
Accounts payable and accrued liabilities	275,137	-	(1,475)	273,662
Income taxes payable	20,434	-	-	20,434
Other taxes payable	29,871	-	-	29,871
Current financial liabilities	203,011	-	-	203,011
Non-current financial liabilities	210,215	-	-	210,215
Deferred tax liability	83,599	(15)	-	83,584
Other non-current liabilities	-	63	-	63
Share capital	831,223	-	-	831,223
Cumulative translation reserve	66,553	-	-	66,553
Accumulated deficit	(75,521)	-	-	(75,521)
Minority interest	70,089	-	-	70,089
Total liabilities and equity	**1,714,611**	**48**	**(1,475)**	**1,713,184**

(expressed in US dollars (tabular amounts in thousands), except as indicated)

2 Financial Risk Management

At 30 June 2008 and 31 December 2007, the Group financial instruments were as follows:

	Notes	30 June 2008	31 December 2007
Financial assets:			
Cash and cash equivalents		98,765	101,998
Restricted cash	7	93	7,962
Financial receivables	8	393,238	266,925
Loans provided	13	50,683	56,906
Total financial assets		**542,779**	**433,791**
Financial liabilities:			
Financial payables and accrued liabilities	14	(179,155)	(147,090)
Current financial liabilities – borrowings	16	(396,762)	(203,011)
Non-current financial liabilities – borrowings	16	(138,545)	(210,215)
Total financial liabilities		**(714,462)**	**(560,316)**

At 30 June 2008 and 31 December 2007, the carrying values of the financial instruments approximated their fair values.

3.1 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 its obligations 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 only trades with recognized, creditworthy customers and third parties and has two distinct categories of trade customers: large Russian state-owned oil and gas exploration and production entities and small to medium-sized oil and gas producers. Despite increased tightening in the global credit markets (the "credit crunch"), and increased time to settle amounts due to the Group, substantially all customers in both categories are believed to have strong cash flows from continued high oil and gas commodity prices. The Group is confident that its process of regularly monitoring and assessing the likelihood of collection customer-by-customer will mitigate the Groups exposure to potential material losses from uncollected accounts.

The Group's depth and breadth of customers across its business segments and in key CIS geographical locations mitigates its exposure to significant concentrations of credit risk. In addition, it is the Group's policy to work closely with its trade customers, including negotiating advance payment terms where excessive concentration of credit risk would otherwise exist.

Overall, the Group believes that its financial assets represent moderate exposure to credit risk. The Group attributes this conclusion to its history of low volume of uncollectible amounts or impaired assets, its knowledge of local market conditions and the Group's ability to maintain strong relationships with its customers and other third party debtors. The Group believes that its maximum exposure to credit risk at 30 June 2008 and 31 December 2007 was the carrying value of its financial assets recognized on the balance sheet.

At 30 June 2008 and 31 December 2007, no trade or other receivables were pledged as collateral by third party customers.

(expressed in US dollars (tabular amounts in thousands), except as indicated)

2 Financial Risk Management (continued)

Credit risk (continued)

At 30 June 2008 and 31 December 2007, the ageing of the financial receivables was as follows:

	30 June 2008				
				Including:	
	Total before impairment provision	Impaired	Total recognized	Neither past due nor impaired	Past due but not impaired
Within 90 days	349,430	(350)	349,080	329,401	19,679
91 to 360 days	34,104	(1,713)	32,391	23,530	8,861
Over 360 days	12,140	(373)	11,767	2,964	8,803
Total trade receivables	**395,674**	**(2,436)**	**393,238**	**355,895**	**37,343**

	31 December 2007				
				Including:	
	Total before impairment provision	Impaired	Total recognized	Neither past due nor impaired	Past due but not impaired
Within 90 days	236,862	(6)	236,856	213,568	23,288
91 to 360 days	24,053	(283)	23,770	2,621	21,149
Over 360 days	7,146	(847)	6,299	635	5,664
Total trade receivables	**268,061**	**(1,136)**	**266,925**	**216,824**	**50,101**

Movements of the Group's provision for impairment of financial receivables was:

	Financial receivables	
	30 June 2008	31 December 2007
Balance at the beginning of the year	(1,136)	(2,325)
		-
Provision for financial receivables	(1,271)	-
Unused amounts reversed	-	638
Write-off of financial receivables	-	665
Exchange difference	(29)	(114)
Balance at the end of the year	**(2,436)**	**(1,136)**

(expressed in US dollars (tabular amounts in thousands), except as indicated)

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's objective is to maintain a balance between continuity of funding and flexibility and it manages this by continually updating its financing plan to monitor closely its forecast funding needs against its medium term funding plans.

The Group has been successful in raising funds in the capital and debt markets to support its growth and believes that it has a sufficient number and depth of relationships with both Russian and international financial institutions to ensure that its maturing debt will be refinanced with minimal disruption to its normal capital and operating expenditure programs, despite current market conditions. The Group therefore believes that it maintains adequate liquidity and at the date of these financial statements, it does not have significant exposure as a result of the recent volatility in the global credit and capital markets.

At 30 June 2008 and 31 December 2007, 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 2008	**31 December 2007**
Total amount of credit facilities available for withdrawal	45,932	50,705
Amounts withdrawn	(38,922)	(35,340)
Amount available for withdrawal	**7,010**	**15,365**

At 30 June 2008 and 31 December 2007, interest on these facilities, if drawn, would have been payable at a rate of 8.7 percent and 11.1 percent per annum, respectively. Additionally, the Group had $166.0 million and $78.0 million of committed credit lines established with certain banks which were not covered by signed agreements at 30 June 2008 and 31 December 2007 respectively.

Scheduled maturities of current financial liabilities (notes 14 and 16) outstanding at 30 June 2008 and 31 December 2007 were as follows:

	30 June 2008		
	Financial payables and accrued liabilities	**Current financial liabilities - borrowings**	**Total current financial liabilities**
Within 90 days	164,898	14,082	178,980
91 to 180 days	13,556	142,099	155,655
181 to 365 days	701	240,581	241,282
Total current financial liabilities	**179,155**	**396,762**	**575,917**

	31 December 2007		
	Financial payables	**Current financial liabilities - borrowings**	**Total current financial liabilities**
Within 90 days	123,972	94,548	218,520
91 to 180 days	12,918	80,715	93,633
181 to 365 days	10,200	27,748	37,948
Total current financial liabilities	**147,090**	**203,011**	**350,101**

(expressed in US dollars (tabular amounts in thousands), except as indicated)

2 Financial Risk Management (continued)

Liquidity risk (continued)

Scheduled maturities of long-term financial liabilities (note 16) outstanding at 30 June 2008 and 31 December 2007, were as follows:

	30 June 2008		
	Principal	**Interest and borrowing costs**	**Total**
Year ended 30 June:			
2010	8,117	15,635	23,752
2011	3,725	13,808	17,533
2012	126,703	6,956	133,659
Total long-term financial liabilities	**138,545**	**36,399**	**174,944**

	31 December 2007		
	Principal	**Interest and borrowing costs**	**Total**
Year ended 31 December:			
2009	87,827	18,567	106,394
2010	1,472	13,091	14,563
2011	120,916	7,419	128,335
Total long-term financial liabilities	**210,215**	**39,077**	**249,292**

For purposes of this disclosure, the interest payable on floating rate borrowing to maturity has been calculated using rates in existence at 30 June 2008 and 31 December 2007, respectively.

Interest rate risk

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The Group believes that its current exposure to possible changes in interest rates is limited to its floating interest rate borrowings which are all short term. Thus, the Group currently does not enter into additional transactions, such as interest rate swaps, to manage its interest rate exposure.

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 2008 and 2007 and total equity at 30 June 2008 and 2007 would have changed as follows:

	30 June:	
	2008	**2007**
Incremental loss from increase in the floating annual interest rate by 1%	(582)	-
Incremental profit from decrease in the floating annual interest rate by 1%	582	-

As the Group has no significant interest-bearing assets, the Group's income and operating cash inflows are substantially independent from changes in market interest rates.

(expressed in US dollars (tabular amounts in thousands), except as indicated)

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 percent, with all other variables held constant, 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 2008 and 31 December 2007 as follows:

	30 June 2008	**31 December 2007**
Incremental loss from increase of the RR / $ exchange rate by 5%	(10,778)	(6,817)
Incremental profit from decrease of the RR / $ exchange rate by 5%	11,331	7,167

3.2 Capital risk management. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group manages its capital risk by matching its strategic business and operational planning, with expected debt and equity market conditions. Thus, the optimal mix of debt and equity may vary depending upon changing market conditions and investment opportunities.

The Group currently monitors capital risk on the basis of a range of ratios relevant to the debt markets including total debt to tangible net worth and total debt to adjusted EBITDA. Tangible net worth refers to the carrying value of net assets less the carrying value of goodwill and intangible assets.

The Group's current policy is not to pay dividends. At 30 June 2008 and 31 December 2007, neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

3 Business Combinations

The acquisitions completed during the periods ended 30 June 2008 and 2007 are summarized below. As none of the acquired businesses produced financial statements prepared in accordance with IFRS prior to the acquisition, it is impracticable to disclose the carrying amounts of each class of the acquirees' assets, liabilities and contingent liabilities immediately before the combination. Only fair values of acquired assets and liabilities are available.

Acquisitions during the six months ended 30 June 2008. Due to complexities inherent in the determination of fair values, amounts for acquisitions made in 2008 are based upon management's preliminary estimates.

Acquisition of NKRS and STS ("NKRS & STS"). In May 2008, the Group purchased a 100 percent interest in both Nizhnevartovsk KRS ("NKRS") and Sibirtransservice ("STS"), companies that provide workover and transportation services to the petroleum industry in the Khanty Mansiysk Region of the Russian Federation, for $54.3 million, including transaction costs of $1.8 million. The total purchase cost included $27.3 million payable by cash and $27.0 million paid by issuance of 109,489 Class A common shares with fair value of $246.6 per share (note 17). NKRS & STS are included within the Group's drilling, workover, IPM and technology services segment. On acquisition of NKRS & STS, the Group recognized goodwill of $42.1 million based on the difference between the cost of acquisition and management's preliminary assessment of the fair value of NKRS & STS's identifiable assets, liabilities and contingent liabilities. Management attributes the goodwill to synergies expected to be realized following the acquisition of the company by the Group. For the six months period ended 30 June 2008, the Group recognized $0.1 million profit from the activities of NKRS & STS subsequent to the acquisition.

(expressed in US dollars (tabular amounts in thousands), except as indicated)

3 Business Combinations (continued)

Preliminary fair values of NKRS & STS acquired during the six months ended 30 June 2008. The preliminary purchase accounting allocation for the purchase of NKRS & STS made during the six months ended 30 June 2008 is summarized below. Amounts for the acquisitions are based upon management's preliminary estimates of the fair values.

	Total
Cash and cash equivalents	676
Trade and other receivables	11,898
Inventories	388
Property, plant and equipment	11,711
Other current liabilities	(13,062)
Other non-current liabilities	(133)
Deferred tax asset	691
Share in net assets acquired	**12,169**
Purchase consideration	54,296
Goodwill	**42,127**

Summary combined financial information. The following table sets forth summary combined financial information for the six months ended 30 June 2008 and is presented to provide information to evaluate the financial effects of the acquisition of NKRS & STS, as if it had occurred on 1 January 2008.

	Total revenues	**Loss**
Group	785,484	(3,205)
Results of subsidiaries acquired during the six months ended 30 June 2008		
NKRS & STS	33,454	(2,744)
Adjustments and eliminations	(5,799)	(57)
Summary combined	**813,139**	**(6,006)**

The summary combined financial information should not be construed to represent consolidated financial information. Specifically, no adjustments have been made for financing transactions or any other arrangements associated with the acquisitions. The revenue adjustment of $5.8 million includes elimination of post-acquisition revenues that were included in both the Group and the totals of NKRS & STS. The profit adjustment of $0.1 million includes elimination of post-acquisition results and other adjustments, which were included in both the Group and the totals of NKRS & STS.

Purchase of minority interest in YPGF. In May 2008, the Group purchased from ZAO Neftegeotechnology ("NGT-G") an additional 8.6 percent interest in OOO Yuganskpromgeophyzika ("YPGF") for $0.9 million increasing the Group's effective ownership to 100 percent. The acquisition of the additional 8.6 percent interest in YPGF resulted in a gain of $0.2 million from excess of the carrying value of net assets acquired over the purchase price, which is recognized in the Group's consolidated statements of changes in equity for the six months ended 30 June 2008.

The Group did not make any acquisitions during the six months ended 30 June 2007.

(expressed in US dollars (tabular amounts in thousands), except as indicated)

3 Business Combinations (continued)

Revision of purchase accounting of the acquisitions made in 2007.

ONR. During the six months ended 30 June 2008, the Group revised the opening balances to account for the effects of changes in the Group's purchase accounting of ONR (note 1) as follows:

	31 December 2007 As previously reported	Fair value adjustments during 2008	31 December 2007 Revised
Cash and cash equivalents	250	-	250
Trade and other receivables	6,836	-	6,836
Inventories	2,348	-	2,348
Other current assets	166	-	166
Property, plant and equipment	19,190	-	19,190
Other non-current assets	-	15	15
Other current liabilities	(9,385)	-	(9,385)
Long-term borrowings	(2,508)	-	(2,508)
Other non-current liabilities	-	(63)	(63)
Deferred tax liability	(1,837)	-	(1,837)
Share in net assets acquired	**15,060**	**(48)**	**15,012**
Purchase consideration	81,990	-	81,990
Goodwill	**66,930**	**48**	**66,978**

GTS. During the six months ended 30 June 2008, the Group revised the opening balances to account for the effects of changes in the Group's purchase accounting of GTS (note 1) as follows:

	31 December 2007 As previously reported	Fair value adjustments during 2008	31 December 2007 Revised
Cash and cash equivalents	400	-	400
Trade and other receivables	492	-	492
Other current assets	30	-	30
Property, plant and equipment	49	-	49
Other current liabilities	(474)	-	(474)
Deferred tax liability	(44)	-	(44)
Share in net assets acquired	**453**	**-**	**453**
Purchase consideration	9,897	(1,475)	8,422
Goodwill	**9,444**	**(1,475)**	**7,969**

(expressed in US dollars (tabular amounts in thousands), except as indicated)

4 Segment Information

During the six months ended 30 June 2008 and 2007, the Group operated substantially within one geographical segment which is the CIS.

Segment information related to the Group's financial performance for the periods ended 30 June 2008 and 2007:

Six months ended 30 June 2008:	**Drilling, workover, IPM and technology services**	**Formation evaluation**	**Equipment manufacturing**	**Overheads**	**Intersegment eliminations**	**Total**
Sales	409,283	207,088	180,280	-	(11,167)	785,484
Cost of sales	(338,455)	(158,457)	(143,578)	-	10,879	(629,611)
Gross profit	**70,828**	**48,631**	**36,702**	**-**	**(288)**	**155,873**
Selling, general and administrative expenses	(50,315)	(17,208)	(16,515)	(43,177)	(846)	(128,061)
Other operating income (expense), net	(1,078)	5,511	1,066	-	-	5,499
Operating profit (loss)	**19,435**	**36,934**	**21,253**	**(43,177)**	**(1,134)**	**33,311**
Interest expense, net	(14,128)	(5,065)	(1,030)	(200)	-	(20,423)
Other income (expense), net	1,965	1,119	(45)	3,560	-	6,599
Profit (loss) before taxation	**7,272**	**32,988**	**20,178**	**(39,817)**	**(1,134)**	**19,487**
Tax expense, net	(8,974)	(8,112)	(4,894)	(2,322)	320	(23,982)
(Loss) profit for the period	**(1,702)**	**24,876**	**15,284**	**(42,139)**	**(814)**	**(4,495)**

(expressed in US dollars (tabular amounts in thousands), except as indicated)

4 Segment Information (continued)

Six months ended 30 June 2007:	Drilling, workover, IPM and technology services	Formation evaluation	Equipment manufacturing	Overheads	Intersegment eliminations	Total
Sales	255,436	143,145	94,055		(4,744)	487,892
Cost of sales	(212,806)	(119,319)	(73,163)		4,589	(400,699)
Gross profit	**42,630**	**23,826**	**20,892**	-	**(155)**	**87,193**
Selling, general and administrative expenses	(25,753)	(12,286)	(13,151)	(43,601)	(628)	(95,419)
Other operating income (expense), net	468	327	(2)	60		853
Operating profit (loss)	**17,345**	**11,867**	**7,739**	**(43,541)**	**(783)**	**(7,373)**
Interest expense, net	(10,873)	(4,715)	(914)	(18,517)		(35,019)
Other income, net	146	1,291	29	(1,010)		456
Profit (loss) before taxation	**6,618**	**8,443**	**6,854**	**(63,068)**	**(783)**	**(41,936)**
Tax expense, net	(5,951)	(511)	(1,451)	(1,693)		(9,606)
(Loss) profit for the period	**667**	**7,932**	**5,403**	**(64,761)**	**(783)**	**(51,542)**

Segment information related to the Group's financial position as at 30 June 2008 and 31 December 2007:

	Drilling, workover, IPM and technology services	Formation evaluation	Equipment manufacturing	Corporate	Intersegment eliminations	Total
At 30 June 2008:						
Total assets	1,118,391	598,272	321,806	502,476	(563,874)	1,977,071
Total liabilities	(640,184)	(158,553)	(167,139)	(596,344)	561,410	(1,000,810)
Six months ended 30 June 2008:						
Additions to non-current assets	45,523	17,019	45,844	324	-	108,710
Depreciation and amortization	(50,675)	(26,571)	(7,938)	(661)	-	(85,845)

	Drilling, workover, IPM and technology services	Formation evaluation	Equipment manufacturing	Corporate	Intersegment eliminations	Total
At 31 December 2007:						
Total assets	919,039	494,536	247,130	502,878	(450,399)	1,713,184
Total liabilities	(485,160)	(232,894)	(139,458)	(412,397)	449,069	(820,840)
Six months ended 30 June 2007:						
Additions to non-current assets	34,589	17,330	4,952	-	-	56,871
Depreciation and amortization	(37,071)	(25,701)	(4,392)	(297)	-	(67,461)

(expressed in US dollars (tabular amounts in thousands), except as indicated)

5 Cost of Sales

	Six months ended 30 June: 2008	2007
Employee costs (including mandatory social contributions of $34.6 million and $17.1 million for the six months ended 30 June 2008 and 2007, respectively)	200,197	120,617
Services	197,431	110,112
Materials and supplies	152,924	102,906
Depreciation and amortization	75,312	63,784
Other	3,747	3,280
Total cost of sales	**629,611**	**400,699**

6 Selling, General and Administrative Expenses

	Six months ended 30 June: 2008	2007
Employee costs (including mandatory social contributions of $7.3 million and $5.5 million for the six months ended 30 June 2008 and 2007, respectively)	57,353	38,677
Services	34,110	26,129
Share-based compensation expense	9,649	16,075
Taxes, other than income tax	5,362	4,147
Transportation expenses	6,597	2,501
Depreciation and amortization	10,533	3,677
Other	4,457	4,213
Total selling, general and administrative expenses	**128,061**	**95,419**

7 Restricted Cash

At 30 June 2008 and 2007, the restricted cash of $0.1 million and $8.0 million, respectively, included the cash committed for payments under contracts with the Group's counterparties.

8 Trade and Other Receivables

	30 June 2008	31 December 2007
Financial receivables:		
Trade receivables (net of allowances for doubtful accounts of nil and $0.5 million at 30 June 2008 and 31 December 2007, respectively)	76,341	91,574
Amounts due from customers for engineering and service contract work (net of allowances for doubtful accounts of $2.4 million and $0.6 million at 30 June 2008 and 31 December 2007, respectively)	316,897	175,351
Total financial receivables	**393,238**	**266,925**
Non-financial receivables:		
VAT recoverable	22,402	37,771
Advances to suppliers	46,668	47,923
Prepaid expenses and other receivables	68,658	52,602
Total non-financial receivables	**137,728**	**138,296**
Total trade and other receivables	**530,966**	**405,221**

(expressed in US dollars (tabular amounts in thousands), except as indicated)

9 Inventories

	30 June 2008	31 December 2007
Materials and supplies (net of allowances for obsolete materials of $0.6 million and $3.5 million at 30 June 2008 and 31 December 2007, respectively)	172,110	133,047
Work in progress	15,657	16,526
Finished goods	26,168	27,221
Total inventories	**213,935**	**176,794**

At 30 June 2008 and 31 December 2007, inventories with carrying values of nil and $11.3 million, respectively, were pledged as collateral for the Group's borrowings (note 16).

Engineering and service contracts. The Group sales (note 4) include revenues from engineering and service contracts of $589.8 million and $341.6 million for the six month periods ended 30 June 2008 and 2007, respectively.

The status of engineering and service contracts in progress at 30 June 2008 and 31 December 2007 were as follows:

	30 June 2008	31 December 2007
Contract costs incurred from inception	683,810	631,952
Contract profits (less recognized losses) incurred from inception	164,461	136,290

10 Goodwill and Intangible Assets

	Goodwill	Long-term customer / supplier relationships	Trademarks	Order backlog	Other	Total
Cost						
At 31 December 2007	**222,963**	**193,740**	**16,413**	**20,496**	**15,941**	**469,553**
Additions	-	-	-	-	1,322	1,322
Acquisitions of subsidiaries	42,127	-	-	-	-	42,127
Disposals	-	-	-	-	(122)	(122)
Exchange differences	10,918	8,093	762	951	741	21,465
At 30 June 2008	**276,008**	**201,833**	**17,175**	**21,447**	**17,882**	**534,345**
Accumulated amortization						
At 31 December 2007	-	**(61,988)**	**(5,937)**	**(15,472)**	**(6,338)**	**(89,735)**
Amortisation	-	(13,722)	(1,415)	(3,239)	(1,743)	(20,119)
Disposals	-	-	-	-	70	70
Exchange differences	-	(2,264)	(305)	(786)	(299)	(3,654)
At 30 June 2008	-	**(77,974)**	**(7,657)**	**(19,497)**	**(8,310)**	**(113,438)**
Net carrying amount						
At 31 December 2007	222,963	131,752	10,476	5,024	9,603	379,818
At 30 June 2008	276,008	123,859	9,518	1,950	9,572	420,907

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, Group management compares the carrying amount of each cash-generating unit (including goodwill) to the recoverable amount of the cash-generating unit. The recoverable amount of each cash-generating unit is determined based on value-in-use calculations.

(expressed in US dollars (tabular amounts in thousands), except as indicated)

10 Goodwill and Intangible Assets (continued)

The five year business plans for each segment (note 4), which are annually approved by the Group's senior management, are the source of information for determination of the various values in use. The Group management determined that, as at 31 December 2007, based on the approved 2008-2012 business plans, the estimated value-in-use or recoverable amounts of the CGU's associated with entities acquired up to and during 2007, exceeded the assets' carrying amounts. Accordingly, no provision for impairment of the goodwill was recorded as at 31 December 2007. Management confirms that the actual results achieved in the first half of 2008 are broadly in line with these plans except for the Drilling segment which was behind the plan in the first part of 2008, but had shown improvement during the second quarter. Management believes that if this improvement is sustained in Drilling, the new business plans for 2009-2013 are expected to generate value-in-us calculations for all CGU's in excess of the related recoverable amounts.

11 Property, Plant and Equipment

	Rigs	Buildings	Plant and equipment	Motor vehicles	Other	Total
Cost						
At 31 December 2007	**115,055**	**125,398**	**350,651**	**77,525**	**32,880**	**701,509**
Additions	7,324	38,588	52,645	2,582	6,249	107,388
Acquisitions of subsidiaries	-	-	8,833	2,878	-	11,711
Disposals	(583)	(4,590)	(5,716)	(1,100)	(293)	(12,282)
Exchange differences	5,219	6,005	16,728	3,458	1,680	33,090
At 30 June 2008	**127,015**	**165,401**	**423,141**	**85,343**	**40,516**	**841,416**
Accumulated depreciation						
At 31 December 2007	**(29,923)**	**(11,268)**	**(77,244)**	**(17,165)**	**(4,260)**	**(139,860)**
Depreciation	(15,073)	(4,791)	(34,666)	(8,095)	(3,101)	(65,726)
Disposals	372	1,015	3,046	372	134	4,939
Exchange differences	(1,460)	(614)	(4,422)	(923)	(329)	(7,748)
At 30 June 2008	**(46,084)**	**(15,658)**	**(113,286)**	**(25,811)**	**(7,556)**	**(208,395)**
Net book value						
At 31 December 2007	85,132	114,130	273,407	60,360	28,620	561,649
At 30 June 2008	80,931	149,743	309,855	59,532	32,960	633,021

At 30 June 2008 and 31 December 2007, certain property, plant and equipment with a net book value of $63.1 million and $52.7 million, respectively, were pledged as collateral for the Group's borrowings (note 16).

12 Investments in Associates

	30 June 2008	31 December 2007
NNGF	14,682	13,468
NGT-G	3,691	2,460
SNGF	4,252	3,211
Yamal Fund	-	781
Total investments in associates	**22,625**	**19,920**

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.

In May 2008, as a result of the purchase of an additional 8.6 percent in Yuganskpromgeophyzika ("YPGF") (note 3), the Group increased its effective ownership in NGT and NNGF from 62.4 percent and 34.6 percent, respectively, to 64.7 percent and 34.8 percent, respectively.

(expressed in US dollars (tabular amounts in thousands), except as indicated)

13 Loans Provided and Other Assets

	30 June 2008	31 December 2007
Financial loans provided and other assets:		
Advances to purchase additional interest in the Group's subsidiaries	45,297	41,644
Loans receivable and other assets (net of allowance for doubtful accounts of nil at both 30 June 2008 and 31 December 2007)	5,386	15,262
Total loans provided and other assets	**50,683**	**56,906**

Advances to purchase additional interests in the Group's subsidiaries. The Group provided advances to third parties as follows:

	30 June 2008	31 December 2007
YGF	36,316	33,018
Other	8,981	8,626
Total advances to third parties	**45,297**	**41,644**

Advances to purchase minority interest in Yamalgeophyzika ("YGF"). During the six months ended 30 June 2008, the Group further accrued interest on the short-term loans and exchange difference on the outstanding balances in the amounts of $1.7 million and $1.6 million, respectively. The outstanding advances include accumulated interest of $6.7 million and $5.0 million as at 30 June 2008 and 31 December 2007, respectively. These advances will be settled in shares received from the third parties and cash received for amounts paid that are less than the agreed value of the shares.

14 Accounts Payable and Accrued Liabilities

	30 June 2008	31 December 2007
Financial payables and accrued liabilities:		
Trade payables	61,497	44,600
Amounts due to customers for engineering and service contract work	113,944	98,616
Interest payable	3,714	3,874
Total financial payables and accrued liabilities	**179,155**	**147,090**
Non-financial payables and accrued liabilities:		
Accrued liabilities and other creditors	62,346	60,407
Advances from customers	58,282	66,165
Total non-financial payables and accrued liabilities	**120,628**	**126,572**
Total accounts payable and accrued liabilities	**299,783**	**273,662**

(expressed in US dollars (tabular amounts in thousands), except as indicated)

14 Accounts Payable and Accrued Liabilities (continued)

At 30 June 2008 and 31 December 2007, the Group had pledged some of its inventories and property, plant and equipment as follows:

	30 June 2008	31 December 2007
Inventories	-	11,324
Property, plant and equipment	-	12,059
Total	-	**23,383**

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:	
	2008	**2007**
Profit (loss) before taxation	19,487	(41,936)
Theoretical tax (expense) benefit at Russian statutory income tax rate of 24 percent	(4,677)	10,065
Effect of income taxed at rates lower than 24 percent	1,059	2,646
Effect of (loss) taxed at rates higher than 24 percent	(954)	(786)
Tax losses not expected to be utilized against future profits from overseas activities	(394)	(5,936)
Tax losses not expected to be utilized against future profits from domestic activities	(8,347)	(6,310)
Share-based compensation	(2,316)	(3,858)
Non-tax deductible expenses and other	(8,353)	(5,427)
Total income tax expense	**(23,982)**	**(9,606)**

Other taxes payable. Current taxes payable at 30 June 2008 and 31 December 2007 are as follows:

	30 June 2008	31 December 2007
Unified social tax	7,162	4,047
Personal income tax	4,203	2,327
Value-added tax	44,823	19,678
Property tax	1,895	1,997
Other taxes	1,978	1,822
Total other taxes payable	**60,061**	**29,871**

(expressed in US dollars (tabular amounts in thousands), except as indicated)

16 Financial Liabilities

	30 June 2008			31 December 2007		
	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	85,085	126,704	211,789	-	202,114	202,114
Bank loans	305,189	8,687	313,876	196,527	3,775	200,302
Other	6,488	3,154	9,642	6,484	4,326	10,810
Total financial liabilities	**396,762**	**138,545**	**535,307**	**203,011**	**210,215**	**413,226**

The following table shows, by major currency, the Group's finance debt at 30 June 2008 and 31 December 2007 and the weighted average interest rates achieved at those dates:

	30 June 2008					
	Fixed rate		Floating rate		Total	
	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount
US dollar-denominated	12.3%	2,606	6.1%	230,098	6,1%	232,704
Euro-denominated	-	-	6.7%	3,782	6.7%	3,782
Russian rouble-denominated	11.0%	298,442	-	-	11.0%	298,442
Other	0.0%	379	-	-	0.0%	379
Total financial liabilities	**11.0%**	**301,427**	**6.1%**	**233,880**	**8.8%**	**535,307**

	31 December 2007					
	Fixed rate		Floating rate		Total	
	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount
US dollar-denominated	-	-	8.5%	155,000	8.5%	155,000
Russian rouble-denominated	10.9%	255,418	-	-	10.9%	255,418
Other	12.3%	2,808	-	-	12.3%	2,808
Total financial liabilities	**10.9%**	**258,226**	**8.5%**	**155,000**	**10.0%**	**413,226**

(expressed in US dollars (tabular amounts in thousands), except as indicated)

16 Financial Liabilities (continued)

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

	30 June 2008	31 December 2007
ABN AMRO & ING	150,098	75,000
Amsterdam Trade Bank	80,000	80,000
Alfa-Bank	48,377	9,204
Sberbank	26,431	16,773
Other	3,645	1,089
Current portion of long-term borrowings	88,211	20,945
Total short-term borrowings and current portion of long-term borrowings	**396,762**	**203,011**

ABN AMRO & ING. In January 2008, the Group repaid in full the loan from ABN AMRO of $75.0 million and paid interest of $0.8 million.

In January 2008, the Group entered into a syndicated US dollar-denominated $150.0 million loan facility with ABN AMRO and ING Bank N.V. ("ABN AMRO & ING") which bears a floating interest rate of LIBOR plus 2.35 percent for the first six months (5.16 percent at 30 June 2008) and LIBOR plus 2.75 percent thereafter (5.56 percent at 30 June 2008) payable quarterly. To obtain the loan the Group paid arrangement fees of $2.2 million and $1.8 million in January and July 2008. During the six months ended 30 June 2008, the Group accrued interest expense using an effective interest rate of 7.9 percent. The loan facility matures in January 2009. The Group pledged as collateral 26 percent of shares in its wholly owned subsidiary IG Holdings Limited. The facility is also secured by the assignment of monetary claims under certain sales contracts of the Group.

Amsterdam Trade Bank. In October 2007, the Group entered into a US dollar-denominated loan facility with Amsterdam Trading Bank ("ATB"), a subsidiary of Alfa-bank, for a total amount of $80.0 million. Initially the loan was to mature in October 2008 and the Group is negotiating with ATB to prolong the maturity. The loan bears a floating annual interest rate of LIBOR plus 4.8 percent (7.28 percent at 30 June 2008) payable monthly. The loan is secured by certain of the Group's sales contracts.

Alfa-Bank. In February 2008, the Group repaid in full the loan in the amount of RR225.9 million ($9.2 million equivalent) outstanding at 31 December 2007. During the six months ended 30 June 2008, the Group entered into a number of Russian rouble-denominated loan agreements with Alfa-bank maturing through April 2009, bearing fixed interest rates varying between 11.81 percent and 13.51 percent payable monthly. At 30 June 2008, the total amount of the loans was RR 1,134.8 million ($48.4 million equivalent). At 30 June 2008 and 31 December 2007, the loans were secured by certain of the Group's property, plant and equipment with a total amount of $58.4 million and $3.6 million, respectively.

Sberbank. In May 2008 and November 2007, the Group entered into a Russian rouble-denominated loan facilities with Sberbank for amounts of RR20.0 million and RR600.0 million, respectively, ($0.9 million and $25.6 million equivalents, respectively, at 30 June 2008). The loan facilities bear fixed annual interest rates of 12.8 percent and 10.3 percent, respectively payable monthly and mature in May 2009 and November 2008, respectively.

Other. At 30 June 2008 and 31 December 2007, other short-term borrowings of $3.6 million and $1.1 million, respectively, were secured by certain of the Group's property, plant and equipment with carrying value equivalent to $1.0 million and $2.4 million, respectively.

(expressed in US dollars (tabular amounts in thousands), except as indicated)

16 Financial Liabilities (continued)

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

	30 June 2008	31 December 2007
Bonds	211,787	202,114
Alfa-Bank	-	14,939
Sberbank	4,904	3,775
Comerzbank Eurasia	3,782	-
Other	6,283	10,332
Subtotal	226,756	231,160
Less: current portion of long-term borrowings	(88,211)	(20,945)
Total long-term financial liabilities	**138,545**	**210,215**

Bonds. In March 2006, the Group issued Russian rouble-denominated bonds with a total nominal value of RR2.0 billion ($85.0 million at 30 June 2008). The bonds bear fixed interest of 10.5 percent per annum, payable semi-annually, and mature in March 2009.

In December 2006, the Group issued additional Russian rouble-denominated bonds with a total nominal value of RR3.0 billion ($126.8 million at 30 June 2008). The bonds bear a fixed interest of 10.7 percent per annum, payable semi-annually, and mature in November 2011 with a one-time put option in December 2009.

At 30 June 2008 and 31 December 2007, the outstanding balances of $211.8 million and $202.1 million were recognized net of the unamortized amounts of the borrowing costs of $1.4 million and $1.6 million, respectively. At 30 June 2008 and 31 December 2007, the fair value of the bonds did not significantly differ from their carrying value.

Sberbank. In December 2007, the Group entered into a loan facility with Sberbank and obtained a loan of RR92.7 million ($3.8 million at 31 December 2007). During the six months ended 30 June 2008, the Group increased its borrowing to RR 115.0 million ($4.9 million at 30 June 2008). The loan bears a fixed interest rate of 11.0 percent payable monthly and matures in February 2011. At 30 June 2008 and 31 December 2007, the loan balance was secured by certain of the Group's property, plant and equipment with carrying values of $3.7 million and $nil, respectively.

Commerzbank Eurasia. In March 2008, the Group entered into a euro-denominated loan facility with Commerzbank Eurasia maturing in March 2010 of which 2.4 million euros ($3.8 million) were outstanding at 30 June 2008. The loan facility bears floating interest rate of EURIBOR plus 2.2 percent per annum (6.67 percent at 30 June 2008) payable monthly.

(expressed in US dollars (tabular amounts in thousands), except as indicated)

16 Financial Liabilities (continued)

Interest expense. Interest expense for the six months ended 30 June 2008 and 2007 comprised the following:

	Six months ended 30 June:	
	2008	**2007**
Short-term borrowings		
Renaissance	-	14,424
ABN AMRO & ING	1,934	-
Alfa-Bank	1,955	1,839
Sberbank	1,307	483
ABN Amro	414	-
Other	2,576	4,116
Total interest expense on short-term borrowings	**8,186**	**20,862**
Long-term borrowings		
Bonds	11,057	10,261
ATB	3,411	-
Senior Notes and Restructured Senior Notes	-	2,064
Facility Agreement	-	4,746
Other	1,585	2,256
Total interest expense on long-term borrowings	**16,053**	**19,327**
Total interest expense	**24,239**	**40,189**

The interest expense incurred during the six months ended 30 June 2008 and 2007 is segregated between the interest incurred on borrowings repaid from the IPO proceeds and interest on borrowings remaining, or new borrowings secured, after the IPO, as follows:

	Six months ended 30 June:	
	2008	**2007**
Interest on short-term borrowings repaid from the IPO proceeds	-	15,096
Interest on short-term borrowings remaining after the IPO	8,186	5,766
Total interest expense on short-term borrowings	**8,186**	**20,862**
Interest on long-term borrowings repaid from the IPO proceeds	-	7,519
Interest on long-term borrowings remaining after the IPO	16,053	11,808
Total interest expense on long-term borrowings	**16,053**	**19,327**
Total interest expense	**24,239**	**40,189**

(expressed in US dollars (tabular amounts in thousands), except as indicated)

17 Share Capital

The following table summarizes the change in the share capital during the six months ended 30 June 2008:

	Number of common shares: Class A	Class B	Share Premium	Treasury shares	Total share capital
Balance at 31 December 2007	**6,144,707**	**740,000**	**832,821**	**(1,598)**	**831,223**
Issuance of shares on acquisition of NKRS & STS	109,489	-	27,000	-	27,000
Reimbursement of IPO-related costs			6,238		6,238
Exercise of stock options	136,929	-	1,555	-	1,555
Share-based compensation (note 18)	-	-	9,649	-	9,649
Balance at 30 June 2008	**6,391,125**	**740,000**	**877,263**	**(1,598)**	**875,665**

Issuance of shares on acquisition of NKRS & STS. In May 2008, the Group issued 109,489 Class A common shares at $246.6 per share for a total value of $27.0 million as a part of a total consideration paid for the acquisition of NKRS & STS (note 3).

Reimbursement of IPO-related costs. During the six months ended 30 June 2008, the Group received $6.2 million upon fulfillment of certain contractual conditions with its depository bank associated with the Group's initial public offering in February 2007.

Exercise of stock options. During the six months ended 30 June 2008, the Group exercised 71,333 stock options into 71,333 Class A common shares for total cash proceeds of $1.6 million and 71,981 stock options were exercised into 65,596 Class A common shares through cash-less transaction under which 6,385 common shares were cancelled in lieu of payment of the exercise price of the options.

18 Share-based Compensation

2005 Stock Option Plan. In June 2008, the Group's Board of Directors authorized an additional 128,750 options for issuance, bringing the total of options authorized for grant to 1,371,534. At 30 June 2008 and 31 December 2007, a total of nil and 41,150 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	Options
Options outstanding at 31 December 2007	**$89.40**	**1,818,546**
Granted	270.36	170,750
Exercised	27.47	(143,314)
Unvested forfeited	256.38	(31,333)
Vested forfeited	259.37	(10,667)
Options outstanding at 30 June 2008	**$107.55**	**1,803,982**

(expressed in US dollars (tabular amounts in thousands), except as indicated)

18 Share-based Compensation (Continued)

The total grant date fair value of stock options granted during the six months ended 30 June 2008 and 2007 were $18.6 million and $18.1 million, respectively.

	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 - $30.00	919,182	7.0	$12.81	840,452	$12.14
$34.00 - $130.00	255,500	7.5	$49.03	133,834	$43.56
$221.00 - $250.00	314,200	8.6	$232.21	91,451	$228.13
$275.00 - $382.00	315,100	9.2	$307.05	57,702	$324.29
	1,803,982		**$107.55**	**1,123,439**	**$49.50**

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 30 June 2008 and 2007 were $108.74 and $160.49 per option, respectively. The significant inputs into the option valuation model were as follows.

	Awards granted during the six months ended 30 June:	
	2008	**2007**
Share price	$221.0 – 278.0	$335.0 – 382.0
Dividend yield	-	-
Expected volatility	35.0%	40.0%
Risk-free interest rate	2.4 – 4.0%	4.7 – 4.9%
Expected life	5 – 7 years	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:	
	2008	**2007**
Numerator		
Loss attributable to shareholders of Integra Group for basic and diluted loss per share	(11,927)	(50,296)
Denominator		
Weighted average number of common shares outstanding during the period – basic and diluted	6,214,617	5,262,651
Basic and diluted loss per share (in US dollars per share)	(1.92)	(9.56)

At 30 June 2008 and 2007, the conversion of exercisable stock options are anti-dilutive because they result in a reduction in diluted loss per share from $1.92 to $1.61 and from $9.56 to $7.32, respectively, and are ignored for purposes of calculating diluted loss per share.

(expressed in US dollars (tabular amounts in thousands), except as indicated)

20 Related Party Transactions

The related parties with whom the Group had significant transactions with during the six months ended 30 June 2008 and 2007, or had significant balances outstanding at 30 June 2008 and 31 December 2007 include Brookline Partners LLC, a shareholder of Integra, 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:	
	2008	**2007**
Sales of production services to related parties	1,836	4,683
Sales of management services by Integra Group to related parties	-	331
Purchase of management services by Integra Group from related parties	(150)	(150)
Purchase of materials by Integra Group	(6,720)	(24)
Purchase of formation evaluation services by Integra Group	(4)	(2,403)
Purchase of property, plant and equipment by Integra Group	(534)	-
Other income	225	840

	At 30 June 2008	At 31 December 2007
Trade receivables	1,624	4,791
Advances received	(1,921)	-
Trade payables	(2,937)	(5,703)
Loans issued to employees	529	1,432

Third parties related through common directorship. During the six months ended 30 June 2008 and 2007, the Group entered into some contracts with certain third parties: (a) to sell the oilfield services to certain third parties for a total amount of $1.6 million and $2.1 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 $7.3 million and $0.3 million, respectively.

Management compensation. During the six month periods ended 30 June 2008 and 2007, the Group's senior management team comprised nine and six individuals whose compensation totalled $7.7 million and $9.5 million, respectively, including salary, bonuses and other benefits of $3.5 million and $2.8 million, respectively, and share-based compensation of $4.3 million and $6.6 million, respectively.

Administrative services contract. During each of the six months ended 30 June 2008 and 2007, the Group incurred expenses of $0.15 million under an administrative services contract with an affiliate of the Chairman of the Board of Directors.

Loans provided to employees. Prior to 2008, the Group issued a number of Russian rouble-denominated loans to certain of its employees in the amount equivalent to $1.4 million. The loans bear interest rates ranging from nil to 10.0 percent per annum, payable upon repayment of the loans at their maturity, 31 December 2008. During the period ended 30 June 2008 the loans were partly repaid in the amount equivalent to $0.9 million. At 30 June 2008 and 31 December 2007, the fair value of the outstanding loans was $0.5 million and $1.4 million, respectively, and accrued interest was $0.1 million and $0.2 million, respectively.

21 Contingencies, Commitments and Operating Risks

Contractual commitments and guarantees. In the normal course of business, the Group entered into contracts for the purchase of property, plant and equipment. At 30 June 2008 and 31 December 2007, the Group had unpaid contractual commitments of $34.2 million and $42.4 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 its 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 $1.0 million in these interim condensed consolidated financial statements upon receiving an independent actuarial assessment of its obligation for one-time retirement grants provided for in the collective agreements.

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.

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 interim condensed consolidated 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 policy 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 2008, the Group was involved in a number of court proceedings, both as a plaintiff and as 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 interim condensed consolidated financial statements.

Operating environment of the Group. The Russian Federation continues to display some characteristics of an emerging market economy. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently. Whilst there have been improvements in economic trends, the future economic direction of the Russian Federation is largely dependant on the effectiveness of economic, financial and monetary measures undertaken by the government, together with tax, legal, regulatory and political developments.

22 Subsequent Events

Acquisition of additional interest in YGF. In August 2008, the Group signed two agreements to purchase a 3.44 percent interest in YGF for a total amount of $5.4 million. The Group paid $0.5 million and received the title for the 0.35 percent interest under the first agreement. Under the second agreement the Group is to pay $4.9 million during the period to July 2009 and to receive the title for the remaining 3.09 percent interest in YGF after making the final payment. The Group issued to the seller a guarantee to pay 12 percent per annum from the unpaid amount in case the transaction is terminated before completion.

The Group's registered office in the Russian Federation is:

Integra Group
Prospect Vernadskogo St., bld. 6
119311 Moscow
Russian Federation

Telephone: +7 495 933 06 21
Email: reception@intragroup.ru