Integra Group

Interim Condensed Consolidated Financial Statements (Unaudited) as of and for the Six Months Ended 30 June 2010

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Report on Review of Interim Condensed Consolidated 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 2010 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*.

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
31 August 2010

Contents

(expressed in thousands of US dollars)

	Note	Six months ended 30 June: 2010	2009
Continuing operations			
Sales	4	421,325	362,984
Cost of sales	4,5	(344,811)	(317,185)
Gross profit		**76,514**	**45,799**
Selling, general and administrative expenses	6	(68,554)	(55,919)
Impairment of property, plant and equipment		(4,306)	-
Gain from disposal of property, plant and equipment		759	1,413
Operating profit (loss)		**4,413**	**(8,707)**
Interest income		373	1,451
Interest expense	16	(23,037)	(21,952)
Exchange gain		3,407	9,567
Share of results of associates		161	(450)
Loss before income tax		**(14,683)**	**(20,091)**
Income tax expense	15	(8,182)	(3,967)
Loss for the period from continuing operations		**(22,865)**	**(24,058)**
Discontinued operations			
(Loss) profit from discontinued operations	3	(7,574)	1,789
Loss for the period		**(30,439)**	**(22,269)**
(Loss) profit from continuing operations attributable to:			
Shareholders of Integra Group		**(23,219)**	**(23,708)**
Non-controlling interest		354	(350)
(Loss) profit from discontinued operations attributable to:			
Shareholders of Integra Group		**(7,574)**	**1,789**
Non-controlling interest		-	-
(Loss) profit attributable to:			
Shareholders of Integra Group		**(30,793)**	**(21,919)**
Non-controlling interest		354	(350)
(Loss) profit per share attributable to shareholders of Integra Group (in US dollars per share):			
Loss from continuing operations per share, basic and diluted	19	(2.76)	(3.70)
(Loss) profit from discontinued operations per share, basic	19	(0.90)	0.28
(Loss) profit from discontinued operations per share, diluted	19	(0.90)	0.25
Loss per share, basic and diluted	19	(3.66)	(3.42)
Loss for the period		(30,439)	(22,269)
Other comprehensive loss			
Effect from foreign exchange hedge		(1,834)	-
Exchange loss from translation to presentation currency		(11,087)	(49,082)
Total comprehensive loss for the period		**(43,360)**	**(71,351)**
Comprehensive loss attributable to:			
Shareholders of Integra Group		**(43,163)**	**(67,806)**
Non-controlling interest		(197)	(3,545)

Approved for issue and signed on behalf of the Board of Directors on 31 August 2010

A.J. Campo Mejia
Chief Executive Officer

Y. Baidoukov
Chief Financial Officer

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

(expressed in thousands of US dollars)

	Note	30 June 2010	31 December 2009
Assets			
Cash and cash equivalents	8	44,814	37,272
Trade and other receivables	9	236,799	260,405
Inventories	10	83,995	98,538
Assets of disposal group classified as held-for-sale	3	64,652	-
Total current assets		**430,260**	**396,215**
Property, plant and equipment	11	310,119	377,215
Goodwill and intangible assets	12	91,741	104,269
Investments in associates	13	14,840	15,116
Deferred income tax assets		4,500	6,225
Loans provided and other assets		5,186	6,897
Total non-current assets		**426,386**	**509,722**
Total assets		**856,646**	**905,937**
Liabilities and equity			
Accounts payable and accrued liabilities	14	188,759	224,195
Income tax payable		1,812	1,883
Other taxes payable	15	43,313	34,958
Borrowings	16	35,024	70,227
Liabilities of disposal group classified as held-for-sale	3	23,650	-
Total current liabilities		**292,558**	**331,263**
Borrowings	16	174,615	142,474
Deferred income tax liability		14,276	18,885
Other non-current liabilities		815	903
Total non-current liabilities		**189,706**	**162,262**
Total liabilities		**482,264**	**493,525**
Share capital	17	988,028	982,698
Cumulative translation reserve		(117,007)	(106,471)
Accumulated deficit		(514,095)	(481,468)
Total equity attributable to shareholders of Integra Group		**356,926**	**394,759**
Non-controlling interest		17,456	17,653
Total equity		**374,382**	**412,412**
Total liabilities and equity		**856,646**	**905,937**

(expressed in thousands of US dollars)

	Six months ended 30 June:	
	2010	**2009**
Cash flows from operating activities		
Loss before taxation from continuing operations	(14,683)	(20,091)
Profit (loss) before tax from discontinued operation	(7,594)	2,924
Adjustments for:		
Impairment of property, plant and equipment	4,306	-
Depreciation and amortization	49,792	57,646
Interest expense, net	24,206	21,047
Share-based compensation	5,330	2,316
Share of results of associates	(161)	450
Receivables and inventories impairment and other write-offs	4,743	(7,843)
Exchange loss (gain)	(3,647)	(9,156)
Other	(857)	(34)
Operating cash flows before working capital changes	**61,435**	**47,259**
Change in trade and other receivables	(12,202)	(6,602)
Change in inventories	(236)	20,854
Change in accounts payable and accrued liabilities	4,875	29,029
Change in other taxes payable	8,536	(5,775)
Operating cash flows before interest and income taxes	**62,408**	**84,765**
Income tax paid	(7,826)	(6,265)
Interest paid	(19,724)	(28,705)
Net cash provided by operating activities	**34,858**	**49,795**
Cash flows from investing activities:		
Purchase of property, plant and equipment	(25,709)	(19,591)
Proceeds from the disposal of property, plant and equipment	44	840
Cash paid for purchase of interest in subsidiaries, net of cash acquired	-	(11,683)
Loans provided	(283)	(1,060)
Proceeds from repayment of loans	145	150
Interest received	537	436
Other	(1,215)	(354)
Net cash used in investing activities	**(26,481)**	**(31,262)**
Cash flows from financing activities:		
Proceeds from borrowings	131,537	263,822
Repayment of borrowings	(130,955)	(267,666)
Payments to the escrow account	-	(45,313)
Net cash provided by financing activities	**582**	**(49,157)**
Net increase (decrease) in cash and cash equivalents	**8,959**	**(30,624)**
Cash and cash equivalents at the beginning of the period	37,272	62,393
Effect of exchange differences on cash balances	(1,417)	1,295
Cash and cash equivalents at the end of the period	**44,814**	**33,064**

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

(expressed in thousands of US dollars, except as indicated)

	Note	Share capital	Cumulative translation reserve	Accumulated deficit	Total equity attributable to shareholders of Integra Group	Non-controlling interest	Total equity
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		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**
Balance at 31 December 2009		**982,698**	**(106,471)**	**(481,468)**	**394,759**	**17,653**	**412,412**
Total comprehensive loss for the period		-	(10,536)	(32,627)	(43,163)	(197)	(43,360)
Total		**982,698**	**(117,007)**	**(514,095)**	**351,596**	**17,456**	**369,052**
Share-based compensation	18	5,330	-	-	5,330	-	5,330
Balance at 30 June 2010		**988,028**	**(117,007)**	**(514,095)**	**356,926**	**17,456**	**374,382**

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

1 General and 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 2009 issued on 29 April 2010 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 consolidated financial statements for the year ended 31 December 2009.

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 below and in the consolidated financial statements and the notes of Integra Group for the year ended 31 December 2009 issued on 29 April 2010. These interim condensed consolidated financial statements are presented in US dollars.

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 2009.

1.4 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.

1.5 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.

1.6 Discontinued operations. A discontinued operation is a component of the Group that either has been disposed of or that is classified as held-for-sale and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations, with comparative figures being represented.

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

2 Financial Risk Management

At 30 June 2010 and 31 December 2009, the Group financial instruments were as follows:

	Notes	30 June 2010	31 December 2009
Financial assets:			
Cash and cash equivalents	8	44,814	37,272
Financial receivables	9	185,869	215,895
Loans provided and other assets		5,186	6,897
Total financial assets		**235,869**	**260,064**
Financial liabilities:			
Financial payables and accrued liabilities	14	111,771	136,937
Current borrowings	16	35,024	70,227
Non-current borrowings	16	174,615	142,474
Total financial liabilities		**321,410**	**349,638**

At 30 June 2010 and 31 December 2009, the carrying values of the financial assets and financial liabilities, except for the bonds included in the non-current borrowings (note 16), approximated their fair values.

At 30 June 2010 and 31 December 2009, the carrying and fair values of the bonds were as follows:

	30 June 2010		31 December 2009	
	Carrying value	Fair value	Carrying value	Fair value
RR 2.6 billion bonds re-issued in December 2009	84,595	89,180	87,256	87,343

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.

2.1.1. 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 reputable banks and financial institutions and therefore believes that it does not have a material credit risk in relation to its cash or cash equivalents. The Group focuses on servicing large independent and Russian state-owned oil and gas exploration and production customer groups which management considers creditworthy. The Group carries out regular monitoring and assessing the likelihood of collection on a customer-by-customer basis in order to mitigate 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. The Group believes that its maximum exposure to credit risk is the carrying value of its financial assets recognized in the interim condensed consolidated statement of financial position at 30 June 2010 and 31 December 2009.

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

2 Financial Risk Management (continued)

2.1.1. Credit risk (continued). At 30 June 2010 and 31 December 2009, the ageing of the financial receivables (note 9) was as follows:

	30 June 2010				
				Including:	
	Total before impairment provision	Impaired	Total recognized	Neither past due nor impaired	Past due but not impaired
Unbilled amounts due for engineering and service contract work	35,278	-	35,278	35,278	-
Within 90 days	128,833	(361)	128,472	116,230	12,242
91 to 360 days	14,525	(612)	13,913	5,274	8,639
Over 360 days	22,253	(14,047)	8,206	2,073	6,133
Total trade receivables	**200,889**	**(15,020)**	**185,869**	**158,855**	**27,014**

	31 December 2009				
				Including:	
	Total before impairment provision	Impaired	Total recognized	Neither past due nor impaired	Past due but not impaired
Unbilled amounts due for engineering and service contract work	100,176	-	100,176	100,176	-
Within 90 days	85,331	(132)	85,199	80,466	4,733
91 to 360 days	26,602	(3,717)	22,885	4,570	18,315
Over 360 days	19,492	(11,857)	7,635	1,378	6,257
Total trade receivables	**231,601**	**(15,706)**	**215,895**	**186,590**	**29,305**

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

	30 June 2010	31 December 2009
Balance at the beginning of the year	(15,706)	(27,101)
Provision for financial receivables	(3,846)	(6,479)
Unused amounts reversed	4,037	16,224
Transfer to discontinued operations	33	-
Exchange differences	462	1,650
Balance at the end of the year	**(15,020)**	**(15,706)**

2.1.2. Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. 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 has been and continues to be able to raise funds in debt markets to meet its debt service requirements. In April 2010, the Group refinanced the EBRD syndicated loan using the proceeds of a loan facility with Sberbank (note 16).

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

2 Financial Risk Management (continued)

2.1.2. Liquidity risk (continued). At 30 June 2010 and 31 December 2009, 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 2010	**31 December 2009**
Total amount of credit facilities available for withdrawal	41,443	13,556
Amounts withdrawn	(30,000)	(10,246)
Amount available for withdrawal	**11,443**	**3,310**

Additionally, at 30 June 2010 and 31 December 2009, interest on the unused facilities, if drawn, would have been payable at an average interest rate of 8.1 percent and 18.3 percent per annum, respectively.

Scheduled maturities of current financial liabilities (notes 14 and 16) outstanding at 30 June 2010 and 31 December 2009 were as follows:

	30 June 2010		
	Financial payables and accrued liabilities	**Short-term borrowings**	**Total current financial liabilities**
Within 90 days	85,294	695	85,989
91 to 180 days	10,450	16,167	26,617
181 to 365 days	16,027	18,162	34,189
Total current financial liabilities	**111,771**	**35,024**	**146,795**

	31 December 2009		
	Financial payables and accrued liabilities	**Short-term borrowings**	**Total current financial liabilities**
Within 90 days	127,807	15,813	143,620
91 to 180 days	5,318	19,253	24,571
181 to 365 days	3,812	35,161	38,973
Total current financial liabilities	**136,937**	**70,227**	**207,164**

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

2 Financial Risk Management (continued)

2.1.2. Liquidity risk (continued).

Scheduled maturities of long-term borrowings (note 16) outstanding at 30 June 2010 and 31 December 2009, were as follows:

	30 June 2010
12 months ended 30 June:	
2012	112,604
2013	69,893
2014	7,288
Total long-term borrowings	**189,785**

	31 December 2009
12 months ended 31 December:	
2011	141,504
2012	10,556
2013	9,622
Total long-term borrowings	**161,682**

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 the rates in existence at 30 June 2010 and 31 December 2009, respectively.

2.1.3. Interest rate risk. The Group is exposed to cash flow interest rate risk from its variable interest rate borrowings. The Group has no hedges in place at 30 June 2010. In April 2010, the Group terminated the interest swap transaction entered into under the EBRD syndicated loan (note 16). The Group assesses interest rate risk by reference to market information about ranges of changes in floating interest rates of both actual movements during the year prior the reporting period and reasonably possible changes in the year thereafter. In the six months ended 30 June 2010 and 2009, the Group determined such interest rate sensitivity as one percent and determined that if the floating interest rates increased or decreased by one percent, with all other variables held constant, the Group's loss for the six months ended 30 June 2010 and 2009 and total equity at 30 June 2010 and 2009 would have changed as follows:

	30 June:	
	2010	**2009**
Incremental loss from increase in the floating interest rate by one percent	(68)	-
Incremental profit from decrease in the floating interest rate by one percent	68	-

2.1.4. Currency risk. The Group is exposed to currency exchange risk from borrowings denominated in US dollars whereas the functional currency of most Group companies is the Russian rouble. The Group assesses the currency risk by reference to market information about ranges of changes in exchange rates of the Russian roubles to the US dollar of both actual movements during the year prior the reporting period and reasonably possible changes in the year thereafter.

In the six months ended 30 June 2010 and 2009, the Group assessed the ranges of reasonably possible exchange rate sensitivity as one Russian rouble to one US dollar exchange rate and determined that if the exchange rates increased or decreased by one Russian rouble, with all other variables held constant, the Group's loss and total equity would have changed from the retranslation of the borrowings denominated in US dollars existing at 30 June 2010 and 2009, respectively, as follows:

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

2 Financial Risk Management (continued)

2.1.4. Currency risk (continued).

	30 June:	
	2010	**2009**
Incremental loss from increase of the RR / $ exchange rate by one Russian rouble	(837)	(7,457)
Incremental profit from decrease of the RR / $ exchange rate by one Russian rouble	864	7,699

In October 2009, the Group hedged against the variability in the US dollar-denominated repayments of the loan the EBRD syndicated loan (note 16). Following the full prepayment of the EBRD syndicated loan the Group fixed an exchange loss in the amount of $1.1 million for certain hedge contracts to purchase a total of $41.0 million for RR 1,266.5 million. The remaining forward contracts to purchase a total of $19.5 million for RR 633.9 million are designated as a derivative accounted for at fair value through profit or loss. On 30 June 2010, the fair value of the derivative was minus $0.2 million which was accrued as a payable in the condensed consolidated statements of financial position.

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 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 borrowings divided by capital. At 30 June 2010 and 31 December 2009, the Group's gearing ratio was 35.9 percent and 34.0 percent, respectively.

After entering into borrowings with Sberbank, VTB bank and the bonds modification in December 2009 (note 16), the Group's objective in managing the borrowings is to maintain certain financial ratios. On 15 June 2010, the Group obtained a waiver that released the Group from compliance with certain financial ratios through 31 December 2010.

The Group's current policy is not to pay dividends and its subsidiaries only pay dividends on their preferred shares. At 30 June 2010 and 31 December 2009, neither the Group nor any of its subsidiaries were subject to externally imposed capital requirements.

3 Discontinued Operations Held-for-sale and Transactions with Non-controlling Interest

3.1. Discontinued operations held-for-sale. The Group has recognized as held-for-sale the assets and liabilities of its subsidiaries ZAO URBO and Integra Research and Development (together the "discontinued operations") operating within the Group's Equipment Manufacturing segment. In August 2010, the Group completed the sale of its 100 percent interest in ZAO URBO and is preparing Integra Research and Development for liquidation. Analysis of the result of the discontinued operations, and the result recognized on the re-measurement of assets or disposal, and information on net cash flows is as follows:

	Six months ended 30 June:	
	2010	**2009**
Sales	26,415	41,665
Expenses	(28,658)	(38,741)
(Loss) profit before tax of disposal group	**(2,243)**	**2,924**
Income tax	(849)	(1,135)
(Loss) profit after tax of disposal group	**(3,092)**	**1,789**
Pre-tax costs to sell	(5,351)	-
Income tax	869	-
After-tax costs to sell	(4,482)	-
(Loss) profit for the period from disposal group	**(7,574)**	**1,789**

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

3 Disposal Group Held-for-sale and Transactions with Non-controlling Interest (continued)

3.1. Disposal group held-for-sale (continued). The net cash flows of the disposal group for the six months ended 30 June 2010 were as follows:

	Six months ended 30 June:	
	2010	**2009**
Net cash (used in) provided by operating activities	(17,965)	3,982
Net cash provided by investing activities	2,087	1,184
Net cash provided by (used in) financing activities	6,976	(7,134)
Net decrease in cash and cash equivalents	**(8,902)**	**(1,968)**

The assets and liabilities of the disposal group at 30 June 2010 are summarized as follows:

	30 June 2010
Cash and cash equivalents	485
Trade and other receivables	19,597
Inventories	10,963
Property, plant and equipment	25,762
Goodwill and intangible assets	7,822
Other non-current assets	23
Total assets	**64,652**
Accounts payable and accrued liabilities	19,714
Income tax payable	487
Other taxes payable	1,486
Borrowings	192
Deferred tax liability	1,650
Other non-current liabilities	121
Total liabilities	**23,650**

3.2. Transactions with non-controlling interest. In the six months ended 30 June 2010, the Group did not carry out any transactions with the non-controlling interest. In the six months ended 30 June 2009, the transactions with the non-controlling interest were as follows:

Acquisition of additional interest in Yamalgeophyzika. In April and June 2009, the Group purchased an additional 16.06 percent interest in Yamalgeophyzika for a total consideration of $26.1 million increasing the Group's effective ownership to 85.89 percent. In the first half of 2009, the Group settled the transactions by discharging the loans provided to certain third parties for acquisition of shares in Yamalgeophyzika in the total amount of $5.7 million and cash payment of $11.7 million. The purchase resulted in a $14.0 million excess of the total consideration over the carrying value of net assets acquired. This difference is recognized in the consolidated statement of changes in equity.

Acquisition of additional interest in Tyumenneftegeophyzika. In June 2009, the Group purchased an additional 12.18 percent interest in Tyumenneftegeophyzika 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. The purchase resulted in a $0.1 million excess of the carrying value of net assets acquired over the total consideration transferred. This difference is recognized in the consolidated statement of changes in equity.

4 Segment Information

The Group identifies its reporting segments 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.
- Equipment 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 ("adjusted EBITDA") as a major measure for its performance. The adjusted EBITDA is calculated as a profit (loss) from continuing operations before interest income (expense), exchange gains (losses), incomes taxes, depreciation of property, plant and equipment and amortization of intangible assets, goodwill impairment and impairment of the property, plant and equipment, gains (losses) on disposal of subsidiaries, share-based compensation, share of results in associates and non-controlling interest.

Segment information related to the Group's financial performance for the six months ended 30 June 2010 and 2009 is set out as follows:

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

4 Segment Information (continued)

Six months ended 30 June 2010:	Drilling, workover, IPM	Technology services	Formation evaluation	Equipment manufacturing	Other	Corporate	Intersegment eliminations	Total
Continuing operations								
Sales external	184,734	80,854	132,599	22,833	305	-	-	421,325
Sales to other operating segments	25	2,771	2	3,741	2,455	-	(8,994)	-
Total sales	**184,759**	**83,625**	**132,601**	**26,574**	**2,760**	**-**	**(8,994)**	**421,325**
Cost of sales	(162,315)	(55,771)	(112,010)	(19,716)	(2,771)	-	7,772	(344,811)
Gross profit (loss)	**22,444**	**27,854**	**20,591**	**6,858**	**(11)**		**(1,222)**	**76,514**
Selling, general and administrative expenses	(19,232)	(7,341)	(11,959)	(3,214)	(1,097)	(25,202)	(509)	(68,554)
Impairment of property, plant and equipment	-	(3,339)	(967)	-	-	-	-	(4,306)
Gain from disposal of property, plant and equipment	453	230	76	-	-	-	-	759
Operating profit (loss)	**3,665**	**17,404**	**7,741**	**3,644**	**(1,108)**	**(25,202)**	**(1,731)**	**4,413**
Interest income	2,050	3,823	630	2,106	-	856	(9,092)	373
Interest expense	(838)	(125)	(2,907)	(348)	-	(27,911)	9,092	(23,037)
Exchange (loss) gain	(92)	14	77	2	248	3,158	-	3,407
Share of results of associates	-	161	-	-	-	-	-	161
Profit (loss) before income tax	**4,785**	**21,277**	**5,541**	**5,404**	**(860)**	**(49,099)**	**(1,731)**	**(14,683)**
Income tax benefit (expense)	(1,357)	(4,303)	(538)	(336)	(16)	(1,859)	227	(8,182)
Profit (loss) for the period from continuing operations	**3,428**	**16,974**	**5,003**	**5,068**	**(876)**	**(50,958)**	**(1,504)**	**(22,865)**
Discontinued operation								
Loss from discontinued operation	-	(8)	-	(6,006)	-	(1,560)	-	(7,574)
Profit (loss) for the period	**3,428**	**16,966**	**5,003**	**(938)**	**(876)**	**(52,518)**	**(1,504)**	**(30,439)**
Operating profit (loss) from continuing operations	**3,665**	**17,404**	**7,741**	**3,644**	**(1,108)**	**(25,202)**	**(1,731)**	**4,413**
Depreciation of property, plant and equipment	16,972	9,338	16,515	1,880	5	799	-	45,509
Amortization of intangible assets	1,677	243	342	3	-	85	-	2,350
Share-based compensation	-	-	-	-	-	5,330	-	5,330
Impairment of property, plant and equipment	-	3,339	967	-	-	-	-	4,306
Adjusted EBITDA	**22,314**	**30,324**	**25,565**	**5,527**	**(1,103)**	**(18,988)**	**(1,731)**	**61,908**

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

4 Segment Information (continued)

Six months ended 30 June 2009:	**Drilling, workover, IPM**	**Technology services**	**Formation evaluation**	**Equipment manufacturing**	**Other**	**Corporate**	**Intersegment eliminations**	**Total**
Continuing operations								
Sales external	169,278	61,045	108,795	11,845	12,004	17	-	362,984
Sales to other operating segments	113	3,378	2	181	2,723	-	(6,397)	-
Total sales	**169,391**	**64,423**	**108,797**	**12,026**	**14,727**	**17**	**(6,397)**	**362,984**
Cost of sales	(171,103)	(43,361)	(86,398)	(12,062)	(10,699)	-	6,438	(317,185)
Gross (loss) profit	**(1,712)**	**21,062**	**22,399**	**(36)**	**4,028**	**17**	**41**	**45,799**
Selling, general and administrative expenses	(10,582)	(8,358)	(11,136)	(783)	(4,536)	(20,220)	(304)	(55,919)
(Loss) gain from disposal of property, plant and equipment	1,412	412	(300)	(8)	-	(103)	-	1,413
Operating (loss) profit	**(10,882)**	**13,116**	**10,963**	**(827)**	**(508)**	**(20,306)**	**(263)**	**(8,707)**
Interest income	1,138	1,583	6,022	1,243	659	8,149	(17,343)	1,451
Interest expense	(5,671)	(752)	(4,388)	(484)	(271)	(27,729)	17,343	(21,952)
Exchange (loss) gain	(1,809)	(571)	1,763	(16)	(996)	11,196	-	9,567
Share of results of associates	-	(450)	-	-	-	-	-	(450)
(Loss) profit before income tax	**(17,224)**	**12,926**	**14,360**	**(84)**	**(1,116)**	**(28,690)**	**(263)**	**(20,091)**
Income tax benefit (expense)	404	(1,458)	(1,660)	1,219	(80)	(2,494)	102	(3,967)
(Loss) profit for the period from continuing operations	**(16,820)**	**11,468**	**12,700**	**1,135**	**(1,196)**	**(31,184)**	**(161)**	**(24,058)**
Discontinued operation								
Profit from discontinued operation	-	-	-	1,789	-	-	-	1,789
(Loss) profit for the period	**(16,820)**	**11,468**	**12,700**	**2,924**	**(1,196)**	**(31,184)**	**(161)**	**(22,269)**
Operating (loss) profit from continuing operations	**(10,882)**	**13,116**	**10,963**	**(827)**	**(508)**	**(20,306)**	**(263)**	**(8,707)**
Depreciation of property, plant and equipment	20,150	10,260	16,732	1,606	146	951	-	49,845
Amortization of intangible assets	1,950	840	1,135	538	651	8	-	5,122
Share-based compensation	-	-	-	-	-	2,316	-	2,316
Adjusted EBITDA	**11,218**	**24,216**	**28,830**	**1,317**	**289**	**(17,031)**	**(263)**	**48,576**

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

4 Segment Information (continued)

Segment information related to the Group's financial position as at 30 June 2010 and 31 December 2009:

	Drilling, workover & IPM	Technology services	Formation evaluation	Equipment manufacturing	Other	Corporate	Intersegment eliminations	Total
At 30 June 2010:								
Total assets	317,140	262,838	345,032	152,818	11,976	1,095,603	(1,328,761)	856,646
Total liabilities	(161,516)	(61,128)	(64,581)	(57,016)	(13,182)	(441,585)	316,744	(482,264)
Six months ended 30 June 2010:								
Additions to non-current assets	5,860	8,106	9,180	309	-	171	-	23,626

	Drilling, workover & IPM	Technology services	Formation evaluation	Equipment manufacturing	Other	Corporate	Intersegment eliminations	Total
At 31 December 2009:								
Total assets	290,232	253,072	380,706	168,660	16,462	1,100,687	(1,303,882)	905,937
Total liabilities	134,021	56,474	92,358	79,860	16,684	407,081	(292,953)	493,525
Six months ended 30 June 2009:								
Additions to non-current assets	2,594	3,015	12,244	241	229	81	-	18,404

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

4 Segment Information (continued)

In the six months ended 30 June 2010 and 2009, the Group earned its external revenues by its geographical segments as follows:

	Six months ended 30 June:	
	2010	**2009**
Russia	398,598	332,914
Other countries	22,727	30,070
Total external sales	**421,325**	**362,984**

At 30 June 2010 and 31 December 2009, the Group had its goodwill and intangible assets, property, plant and equipment and investments in associates by their geographical segments as follows:

	30 June 2010	**31 December 2009**
Russia	369,080	442,145
Other countries	47,620	54,455
Total property, plant and equipment, goodwill and intangible assets, and investments in associates	**416,700**	**496,600**

In the six months ended 30 June 2010, the Group earned transaction revenues from continuing operations each exceeding 10 percent of the Group's consolidated revenues with three major customers in the amounts of: (i) $89.9 million and $85.5 million reported by the Group's drilling, workover and IPM, technology services, formation evaluation and equipment manufacturing, and (ii) $60.2 million reported by the Group's drilling, workover and IPM, technology services and formation evaluation segments.

In the six months ended 30 June 2009, the Group earned transaction revenues from continuing operations each exceeding 10 percent of the Group's consolidated revenues, with three major customers in the amounts of: (i) $87.6 million and $55.1 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.

5 Cost of Sales

	Six months ended 30 June:	
	2010	**2009**
Services	126,333	110,324
Employee costs (including mandatory social contributions of $20.0 million and $17.9 million for six months ended 30 June 2010 and 2009, respectively)	120,738	108,347
Materials and supplies	51,593	45,902
Depreciation of property, plant and equipment	43,262	47,340
Amortization of intangible assets	2,017	4,527
Taxes	616	480
Other	252	265
Total cost of sales	**344,811**	**317,185**

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

6 Selling, General and Administrative Expenses

	Six months ended 30 June:	
	2010	**2009**
Employee costs (including mandatory social contributions of $3.9 million and $4.2 million for 2010 and 2009, respectively)	31,319	33,595
Services	19,450	18,573
Share-based compensation expense	5,330	2,316
Taxes, other than income tax	3,158	4,167
Depreciation of property, plant and equipment	2,247	2,505
Receivables impairment, bad debt and other write-offs	3,581	(9,831)
Inventories impairment and obsolete stock write-offs	1,489	79
Transportation expenses	1,358	1,940
Amortization of intangible assets	333	595
Other	289	1,980
Total selling, general and administrative expenses	**68,554**	**55,919**

7 Engineering and Services Contracts

The Group sales include revenues from engineering and service contracts of $321.4 million and $219.4 million for the six months ended 30 June 2010 and 2009, respectively. The status of engineering and service contracts in progress at 30 June 2010 and 31 December 2009:

	30 June 2010	**31 December 2009**
Contract costs incurred from inception	352,131	547,050
Contract profits (less recognized losses) incurred from inception	35,522	94,910

8 Cash and Cash Equivalents

At 30 June 2010 and 31 December 2009, the cash and cash equivalents of $44.8 million and $37.3 million, respectively were readily convertible to the full amounts of cash and cash equivalents amounts without any restriction in their use.

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

9 Trade and Other Receivables

	30 June 2010	31 December 2009
Financial receivables:		
Trade receivables (net of allowances for doubtful accounts of \$3.5 million and \$3.1 million at 30 June 2010 and 31 December 2009, respectively)	62,290	45,138
Amounts due from customers for engineering and service contract work (net of allowances for doubtful accounts of \$11.5 million and \$12.6 million at 30 June 2010 and 31 December 2009, respectively)	123,579	170,757
Total financial receivables	**185,869**	**215,895**
Non-financial receivables:		
VAT recoverable	9,131	6,732
Advances to suppliers	14,901	10,584
Prepaid expenses and other receivables	26,898	27,194
Total non-financial receivables	**50,930**	**44,510**
Total trade and other receivables	**236,799**	**260,405**

10 Inventories

	30 June 2010	31 December 2009
Materials and supplies (net of allowances for obsolete materials \$4.7 million and \$5.3 million at 30 June 2010 and 31 December 2009, respectively)	65,787	77,960
Work in progress (net of allowances for obsolete materials of \$0.1 million and \$2.7 million at 30 June 2010 and 31 December 2009, respectively)	6,848	7,807
Finished goods (net of allowances for obsolete materials of \$2.3 million and \$2.8 million at 30 June 2010 and 31 December 2009, respectively)	11,360	12,771
Total inventories	**83,995**	**98,538**

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

11 Property, Plant and Equipment

	Rigs	Land and Buildings	Plant and equipment	Motor vehicles	Other	Total
Cost						
At 31 December 2009	**98,661**	**143,009**	**357,248**	**69,080**	**32,396**	**700,394**
Additions	1,143	240	18,605	2,189	379	22,556
Disposals	(77)	(113)	(9,078)	(939)	(273)	(10,480)
Transferred to discontinued operations classified as held-for-sale	-	(17,264)	(13,059)	(265)	(2,332)	(32,920)
Exchange differences	(2,959)	(3,870)	(9,690)	(1,951)	(649)	(19,119)
At 30 June 2010	**96,768**	**122,002**	**344,026**	**68,114**	**29,521**	**660,431**
Accumulated depreciation						
At 31 December 2009	**(52,948)**	**(39,795)**	**(180,833)**	**(33,987)**	**(15,616)**	**(323,179)**
Depreciation	(6,244)	(3,110)	(28,057)	(4,900)	(3,198)	(45,509)
Disposals	58	34	5,755	767	217	6,831
Transferred to discontinued operations classified as held-for-sale	-	1,684	3,429	125	315	5,553
Impairment	-	(4,221)	(85)	-	-	(4,306)
Exchange differences	1,777	1,251	5,791	1,073	406	10,298
At 30 June 2010	**(57,357)**	**(44,157)**	**(194,000)**	**(36,922)**	**(17,876)**	**(350,312)**
Net book value						
At 31 December 2009	**45,713**	**103,214**	**176,415**	**35,093**	**16,780**	**377,215**
At 30 June 2010	**39,411**	**77,845**	**150,026**	**31,192**	**11,645**	**310,119**

At 30 June 2010 and 31 December 2009, certain property, plant and equipment with a net book value of $7.1 million and $121.3 million, respectively, were pledged as collateral for the Group's accounts payable and borrowings (notes 14 and 16).

12 Goodwill and Intangible Assets

At 30 June 2010 and 31 December 2009, the Group's goodwill and intangible assets are analyzed as follows:

	30 June 2010	31 December 2009
Goodwill	84,736	94,566
Intangible assets (net carrying amount)	7,005	9,703
Total goodwill and intangible assets	**91,741**	**104,269**

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

12 Goodwill and Intangible Assets (continued)

Goodwill. At 30 June 2010 and 31 December 2009, the carrying value of goodwill was attributed to the Group's cash-generating units ("CGU") as follows:

Cash generating unit	**30 June 2010**	**31 December 2009**
Workover	24,148	24,907
Integra Geophysics	20,042	20,673
Smith Siberian Services	19,798	20,420
Drilling Tools	8,723	8,998
GeoPrime	7,156	7,381
URBO	-	7,165
Azimuth Energy Services	4,869	5,022
Total	**84,736**	**94,566**

Goodwill is attributed to each CGU expected to benefit from the respective acquisition as required by IAS 36, *Impairment of Assets*. In assessing whether goodwill has been impaired, the carrying amount of each CGU, including goodwill, is compared with the recoverable amount of the CGU. The recoverable amount of each CGU was determined based on value-in-use calculations using a discounted cash flow model. The Group assesses the value-in-use of each CGU based on the five-year business plans for each CGU, 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 30 June 2010, the Group classified ZAO URBO as a discontinued operation (note 3) and presented the whole amount of the goodwill of the subsidiary within the "assets of disposal group classified as held-for-sale" in the interim condensed consolidated statement of financial position accordingly. 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 2010 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 2010.

The other change in goodwill balances relates to the change in the foreign exchange rates from 30.24 to 31.20 at 31 December 2009 and 30 June 2010, respectively.

13 Investments in Associates

	30 June 2010	**31 December 2009**
Nizhnevartovskneftegeophyzika	10,317	10,604
Neftegeotechnology	2,402	2,437
Stavropolneftegeophyzika	2,121	2,075
Total investments in associates	**14,840**	**15,116**

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

14 Accounts Payable and Accrued Liabilities

	30 June 2010	31 December 2009
Financial payables and accrued liabilities:		
Trade payables	34,655	38,889
Payables under contracts with customers for engineering and service contract work	75,189	94,890
Interest payable	1,927	3,158
Total financial payables and accrued liabilities	**111,771**	**136,937**
Non-financial payables and accrued liabilities:		
Accrued liabilities and other creditors	33,000	63,863
Advances from customers	43,988	23,395
Total non-financial payables and accrued liabilities	**76,988**	**87,258**
Total accounts payable and accrued liabilities	**188,759**	**224,195**

At 30 June 2010 and 31 December 2009, the Group pledged certain property, plant and equipment against some of its accounts payable in the total amount of $4.9 million and $9.5 million (note 11).

15 Taxes

Reconciliation of income taxes. The table below reconciles actual income tax expense and theoretical income tax related to the continuing operations, determined by applying the Russian statutory income tax rate to income before income tax and non-controlling interest.

	Six months ended 30 June:	
	2010	2009
Loss before income tax	(14,683)	(20,091)
Theoretical tax benefit at Russian statutory income tax rate of 20 percent	2,937	4,018
Effect of income taxed at rates lower than 20 percent	(606)	8,876
Effect of (loss) taxed at rates higher than 20 percent	(43)	(207)
Tax losses not expected to be utilized against future profits from overseas activities	(5,085)	(9,544)
Tax losses not expected to be utilized against future profits from domestic activities	(969)	(2,715)
Share-based compensation	(1,066)	(463)
Non-tax deductible expenses and other	(3,350)	(3,932)
Total income tax expense	**(8,182)**	**(3,967)**

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

15 Taxes (continued)

Other taxes payable. Other taxes payable at 30 June 2010 and 31 December 2009 were as follows:

	30 June 2010	**31 December 2009**
Value-added tax	33,396	26,774
Unified social tax	5,140	3,563
Personal income tax	2,305	1,810
Property tax	1,644	1,698
Other taxes	828	1,113
Total other taxes payable	**43,313**	**34,958**

16 Borrowings

	30 June 2010			**31 December 2009**		
	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	-	84,595	84,595	-	87,256	87,256
Bank loans	34,935	89,872	124,807	69,787	55,067	124,854
Other	89	148	237	440	151	591
Total borrowings	**35,024**	**174,615**	**209,639**	**70,227**	**142,474**	**212,701**

The following tables summarize the Group's current and non-current borrowings by major currency and weighted average fixed and floating interest rates at 30 June 2010 and 31 December 2009.

	30 June 2010					
	Fixed rate		**Floating rate**		**Total**	
	Average interest rate	**Amount**	**Average interest rate**	**Amount**	**Average interest rate**	**Amount**
Russian rouble-denominated	14.3%	35,024	-	-	14.3%	35,024
`Total amounts due within one year	**14.3%**	**35,024**	**-**	**-**	**14.3%**	**35,024**
US dollar-denominated	-	-	7.3%	29,428	7.3%	29,428
Russian rouble-denominated	15.0%	145,187	-	-	15.0%	145,187
Total amounts due after more than one year	**15.0%**	**145,187**	**7.3%**	**29,428**	**13.7%**	**174,615**
Total borrowings	**14.8%**	**180,211**	**7.3%**	**29,428**	**13.8%**	**209,639**

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

16 Borrowings (continued)

	31 December 2009					
	Fixed rate		**Floating rate**		**Total**	
	Average interest rate	**Amount**	**Average interest rate**	**Amount**	**Average interest rate**	**Amount**
US dollar-denominated	16.0%	4,500	-	-	16.0%	4,500
Russian rouble-denominated	12.8%	65,727	-	-	12.8%	65,727
Total amounts due within one year	**13.0%**	**70,227**	**-**	**-**	**13.0%**	**70,227**
US dollar-denominated	9.5%	18,197	9.5%	18,066	9.5%	36,263
Russian rouble-denominated	15.6%	106,211	-	-	15.6%	106,211
Total amounts due after more than one year	**14.7%**	**124,408**	**9.5%**	**18,066**	**14.0%**	**142,474**
Total borrowings	**14.1%**	**194,635**	**9.5%**	**18,066**	**13.5%**	**212,701**

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

	30 June 2010	**31 December 2009**
Sberbank	16,028	26,778
Other	89	6,731
Total short-term borrowings	**16,117**	**33,509**
Add: current portion of long-term borrowings	18,907	36,718
Total current borrowings	**35,024**	**70,227**

Sberbank. In 2008, the Group entered into a Russian rouble-denominated loan facility agreements with Sberbank for the amount of RR 600.0 million ($19.2 million at 30 June 2010). In 2009, the loan was partially repaid and the remaining balance of RR 500.0 million ($16.0 million at 30 June 2010) bore fixed annual interest rate of 16.0 percent payable monthly. The loan was fully repaid in July 2010.

In June 2009, the Group entered into a loan facility agreement with Sberbank for a total amount of RR 360.0 million ($11.5 million at 30 June 2010) out which RR 309.9 million ($9.9 million at 30 June 2010) had been withdrawn by 31 December 2009. The loan facility bore a fixed annual interest rate of 18.5 percent payable monthly and was fully repaid in April 2010.

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

16 Borrowings (continued)

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

	30 June 2010	31 December 2009
EBRD syndicated loan	-	89,392
Bonds	84,595	87,256
Sberbank	79,351	2,393
VTB Bank	29,428	-
Other	148	151
Total long-term borrowings	**193,522**	**179,192**
Less: current portion of long-term borrowings	(18,907)	(36,718)
Total non-current borrowings	**174,615**	**142,474**

Bonds. In December 2006, the Group issued Russian rouble-denominated bonds with a total nominal value of RR 3.0 billion ($96.2 million at 30 June 2010). In January 2009, the Group repurchased 20.0 thousand bonds maturing in November 2011 for RR 16.3 million ($0.5 million at 30 June 2010). In December 2009, the Group repurchased 361.0 thousand of the bonds for the total amount of RR 361.0 million ($11.6 million at 30 June 2010) and for the remaining bonds in the total amount of RR 2.6 billion ($84.6 million at 30 June 2010) it increased the fixed interest rate to 16.75 percent per annum payable semi-annually. The bonds mature in November 2011. In July 2010, the Group repurchased 2,491,381 bonds at 110.1 percent of the nominal value and paid the accumulated interest (note 22). The bonds in the amount of RR 147.6 million ($4.7 million at 30 June 2010) remained outstanding as of the date of issuance of these interim condensed consolidated financial statements.

Sberbank. In April 2010, the Group entered into a Russian rouble-denominated loan facility with Sberbank for a total amount of RR 2.46 billion ($78.9 million at 30 June 2010). The loan facility bears a fixed interest of 12.5 percent per annum payable monthly. The loan is repayable in certain instalments from March 2011 to April 2013. The Group used the proceeds of the loan facility with Sberbank to repay the remaining balance of the EBRD syndicated loan.

In December 2007, the Group entered into a Russian rouble-denominated loan facility with Sberbank in the total amount of RR 115.5 million ($3.7 million at 30 June 2010) which is being repaid in instalments till April 2011 and the outstanding balance at 30 June 2010 was RR 48.3 million ($1.5 million at 30 June 2010). The loan bears an annual interest rate of 16 percent payable monthly. At 30 June 2010 and 31 December 2009, the Group had certain of its property, plant and equipment with carrying value equivalent to $2.2 million and $2.4 million, respectively, pledged as collateral to the loan (note 11).

VTB Bank. In April 2010, the Group entered into a US dollar-denominated loan facility with VTB Bank (Germany) for a total amount of $40.0 million of which $30.0 million were actually drawn by 30 June 2010. The facility bears a floating interest consisting of fixed margin of 7 percent and variable LIBOR rate (a total of 7.3 percent at 30 June 2010) payable quarterly and matures in April 2012. At 30 June 2010, the loan balance of $29.4 million is presented net of the borrowing costs of $0.6 million.

EBRD syndicated loan. In December 2008, the Group entered into a loan agreement with the European Bank for Reconstruction and Development ("EBRD"), which acted as a lender of a record on behalf of a consortium of certain banks. In 2009, the Group received $250.0 million and prepaid the loan in the total amount of $156.7 million and the remaining loan balance of $93.3 million outstanding at 31 December 2009 was subsequently fully prepaid in April 2010 from the proceeds of the loan received from Sberbank.

In April 2009, the Group entered into an interest rate swap transaction agreement with BNP Paribas under which the Group effectively converted the floating interest rates under the EBRD loan into fixed rates. Immediately following the completion of the full loan prepayment in April 2010 the Group terminated the swap transaction.

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

16 Borrowings (continued)

Interest expense. Interest expense for the six months ended 30 June 2010 and 2009 comprised the following:

	Six months ended 30 June:	
	2010	**2009**
Short-term borrowings		
Sberbank	1,319	37
ABN AMRO & ING	-	2,128
Other	1,557	2,121
Total interest expense on short-term borrowings	**2,876**	**4,286**
Long-term borrowings		
EBRD	9,235	9,205
Bonds	7,331	6,639
Sberbank	3,029	1,486
VTB bank	544	-
Other	22	336
Total interest expense on long-term borrowings	**20,161**	**17,666**
Total interest expense	**23,037**	**21,952**

17 Share Capital

The following table summarizes the change in share capital for the six months ended 30 June 2010 as follows:

	Share Premium	Treasury shares	Total share capital
Balance at 31 December 2009	**984,296**	**(1,598)**	**982,698**
Share-based compensation from the stock option and RSU plan (note 18)	5,330	-	5,330
Balance at 30 June 2010	**989,626**	**(1,598)**	**988,028**

Class A common shares. At each of 30 June 2010 and 31 December 2009, the number of issued Class A common shares was 8,430,881. Each Class A common share has a nominal value of $0.0001 (one ten-thousandth of one US dollar). The holders of Class A common shares have a residual interest in the assets of the Group after deducting all of its liabilities and have voting rights equal to the number of shares held.

Class B common shares. At each of 30 June 2010 and 31 December 2009, the number of issued Class B common shares was 740,000. The holder of these Class B common shares, the beneficiary of whom is a director of the Group, is entitled to cast a vote on each share equal to that of one Class A common share on all matters submitted to a vote of Class A common shareholders. Class B common shares are convertible into Class A common shares upon exercise (note 18).

18 Share-based Compensation

2009 Restricted Share Units Plan. The table below summarizes the restricted share units (RSU) changes during the six months ended 30 June 2010.

	Number of RSU
RSU outstanding at 31 December 2009	**251,744**
Unvested forfeited	(28,333)
RSU outstanding at 30 June 2010	**223,411**

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

18 Share-based Compensation (continued)

In the six months ended 30 June 2010, the Group accrued for RSU expense of $3.5 million which is included in the share-based compensation expense recognized in the selling, general and administrative expenses.

2005 Stock Option Plan and Class B common shares. In the six months ended 30 June 2010, no options were authorized for grant or granted. At both 30 June 2010 and 31 December 2009, options remaining available to grant totaled 598,167 and options outstanding were 1,215,816 at a weighted average exercise price in US dollar per share of $51.35. In the six months ended 30 June 2010, the Group accrued for option expense of $1.8 million in the share-based compensation expense recognized in the selling, general and administrative expenses. The number of outstanding options includes 740,000 of Class B common shares exercisable into Class A common shares as a price of $34.39 per share.

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

19 Loss per Share

The following tables set forth the computation of basic and diluted loss per share:

Six months ended 30 June 2010:	**Continuing operations**	**Discontinued operations**	**Total**
Numerator:			
Loss attributable to shareholders of Integra Group for basic and diluted loss per share	(23,219)	(7,574)	(30,793)
Denominator:			
Weighted average number of common shares outstanding during the period, basic and diluted	8,414,773	8,414,773	8,414,773
Basic and diluted loss per share (in US dollars per share)	(2.76)	(0.90)	(3.66)

Six months ended 30 June 2009:	**Continuing operations**	**Discontinued operations**	**Total**
Numerator:			
(Loss) profit attributable to shareholders of Integra Group for basic and diluted loss per share	(23,708)	1,789	(21,919)
Denominator:			
Weighted average number of common shares outstanding during the period, basic	6,414,411	6,414,411	6,414,411
Weighted average number of common shares outstanding during the period, diluted	6,414,411	7,053,838	6,414,411
Basic (loss) earnings per share (in US dollars per share)	(3.70)	0.28	(3.42)
Diluted (loss) earnings per share (in US dollars per share)	(3.70)	0.25	(3.42)

In those periods in which the conversion of exercisable stock options would be accretive because they result in reduction in the basic loss per share, these options are ignored for the purpose of the calculation of 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 during the six months ended 30 June 2010 and 2009, or had significant balances outstanding at 30 June 2010 and 31 December 2009 include, the Group's associates, certain third parties related through a common directorship and an affiliate of the Chairman of the Group's Board of Directors.

	Six months ended 30 June:	
	2010	**2009**
Sales of production services by the Group to related parties	20	2,704
Purchase of administrative services by the Group from related parties	(150)	(150)
Purchase of materials by the Group	-	(153)
Other expense	-	(123)

	30 June 2010	**31 December 2009**
Trade receivables, net	140	176
Trade payables, current	-	-

Third parties related through common directorship. In the six months ended 30 June 2010 and 2009, the Group had the following transactions with certain third parties: (a) the sale of oilfield services for a total amount of nil and $2.7 million, respectively, and (b) the purchase of materials and property, plant and equipment and services used by the Group in its operating activities for a total amount of nil and $0.2 million, respectively.

Management compensation. In each of the six months ended 30 June 2010 and 2009, the Group's senior management team comprised ten individuals, whose compensation totalled $8.5 million and $4.8 million, respectively, including salary, bonuses and other benefits of $5.0 million and $2.9 million, respectively, and share-based compensation of $3.5 million and $1.9 million, respectively.

Administrative services contract. In each of the six months ended 30 June 2010 and 2009, 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 Russian Federation continues to display certain characteristics of an emerging market, including relatively high inflation and high interest rates. Management is unable to predict all developments in the economic environment which could have an impact on the Group's operations and consequently what effect, if any, they could have on the future financial position of the Group.

Legal claims against the Group connected with ZAO URBO. Following the disposal of ZAO URBO (notes 3 and 22) in August 2010, the Group is not aware of any legal claims against members of the Group connected with the disposed company.

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 2010 and 31 December 2009, the Group had unpaid contractual commitments of $8.6 million and $14.8 million, respectively.

21 Contingencies, Commitments and Operating Risks (continued)

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 $1.0 million of its obligation for one-time retirement grants provided for in the collective agreements in these interim condensed 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 related to environmental matters.

Taxation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

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 2010, 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 interim condensed consolidated financial statements.

22 Subsequent Events

Seismic business combination. In July 2010, the Group entered into an agreement with Schlumberger Oilfield Holdings Limited (SOHL) under which the Group will acquire from SOHL's subsidiaries certain business units and other production assets which will be consolidated under IG Seismic Services Limited holding company (together the "seismic business"). The Board expects business combination to be completed in late 2010. Upon completion of the transaction the Group will additionally receive cash and dispose of a 25 percent interest in IG Seismic Services Limited to SOHL and the Group will retain control over the seismic business.

Loan from Alfa bank and subsequent repurchase of the bonds. In July 2010, the Group entered into a Russian rouble-denominated loan facility with Alfa bank for a total amount of RR 2.9 billion ($94.9 million at the transaction date). The loan bears a fixed annual interest of 11.8 percent payable monthly. The loan is repayable in certain instalments with first instalment payable in September 2010 and other instalments payable from November 2011 to March 2012. The Group used the loan proceeds to repurchase 2,491,381 bonds with the total nominal value of RR 2.49 billion ($82.4 million) at 10.1 percent premium amounting RR 251.6 million ($8.3 million) and paid the accrued amount of coupon interest to the date of the bonds repurchase.

URBO disposal. In August 2010, the Group sold 100 percent interest in its subsidiary ZAO URBO for $40.0 million subject to certain adjustments to be determined on the transaction completion. Additionally, in connection with the disposal the Group is preparing Integra Research and Development for liquidation. At 30 June 2010, the assets and liabilities of ZAO URBO and Integra Research and Development are classified as held-for-sale (note 3) and the results classified as discontinued operations in these interim condensed consolidated financial statements.

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