Integra Group Interim Management Statement and Financial Highlights for the 3M 2009

MOSCOW, June 8, 2009 – Integra Group (LSE: INTE), a leading Russian oilfield service provider and manufacturer of oilfield services equipment, released today its Interim Management Statement and unaudited financial highlights for the three month period ended 31 March 2009. The financial data is based on management's assessment only and has not been reviewed by external auditors.

The disruption in the FSU OFS markets at the end of 2008 continues to define the operating conditions and our core profitability. Although signs of demand stabilization are emerging, their influence on the first three months was still limited. Profitability in all segments recovered from the lows of Q4 2008, and 3M 2009 free cash flow generation was positive. Revenues were affected by seasonal earnings weakness in the Drilling and Workover subsegment, a sharp fall in seismic work, reduced Equipment Manufacturing orders and the Ruble devaluation, but the cost-cutting measures undertaken in Q4 2008 and Q1 2009 coupled with changes in the market environment allowed us to maintain our EBITDA margin at a level almost flat year-on-year.

3M 2009 Financial Highlights

- Sales decreased by 49.1 % to US$ 191.0 million (vs. US$ 375.5 million in 3M 2008)
- Adjusted EBITDA[1] declined by 50.5 % to US$ 19.7 million (vs. US$ 39.8 million in 3M 2008).
    - Adjusted EBITDA margin was 10.3 % (vs. 10.6% in 3M 2008)
- Free cash flow was US$3.3 million (vs. negative US$79.4 million in 3M 2008)
- Capital expenditures for 3M 2009 were US$ 6.9 million (vs. US $55.9 million in 3M 2008)
- Net debt as of June 8, 2009 amounted to US$ 314.8 million

3M 2009 Operating Highlights[2]

- 35,600 meters drilled (vs. 79,400 meters during 3M 2008)
- 775 workover operations conducted (vs. 623 workover operations during 3M 2008)
- 291,343 seismic shot points made (vs. 397,288 seismic shot points during 3M 2008)
- 98 downhole motors and 8 turbines produced (vs. 227 downhole motors and 9 turbines produced in 3M 2008)
- 11 heavy drilling rigs and 14 drilling rig assembly units in production at the end of 3M 2009 (vs. 17 and 8 in production at the end of 3M 2008)
    - 2 new rigs commissioned (vs. 3 in 3M 2008)

Felix Lubashevsky, Integra Group's Chief Executive Officer, commented,

"In the first quarter, we saw a reduction in the scale of our business. However, we managed to adjust our costs to this new operating environment and positioned the company for an OFS market recovery. The demand for our services has stabilised, and we see early indicators of a potential increase in customer spending in most of our product areas. "

[1] Adjusted EBITDA represents profit (loss) before interest income (expense), foreign exchange translation differences, income taxes, depreciation and amortization, goodwill impairment, share-based compensation, share of results in associates and minority interest.
[2] Operating results of acquired companies are reflected from the time of acquisition.

Conference Call Dial-In Details

Date:	Monday, 8 June, 2009
Time	17.00 Moscow / 14.00 London / 09.00 New York
Title:	Integra Group -1Q09 results
Call reference:	13440105

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There will also be a playback facility available until 14 June 2009. The details are:

UK international tel:	+44 (0) 1452 550 000
USA tel:	+1 866 247 4222
Access code:	13440105 #

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Discussion of the Market and Competitive Environment
Market conditions in 3M 2009 were volatile, being significantly affected by the weak upstream economics of our key customers in the preceding quarter and, consequently, reduced oil and gas industry spending.

The market environment began stabilizing in February 2009, as higher oil prices, changes in upstream and corporate taxation, and a significant devaluation of the Ruble have improved the economics of the Russian oil and gas industry. This has reduced pressure on the Ruble pricing for key oilfield services and provided room for a moderate pickup in demand from the trough of Q4 2008. We have seen some improvement in the competitiveness of our manufacturing business due to the weaker Ruble and the cost and product optimization that we began in 2008. Overall however, the level of demand for oilfield services, in both physical and monetary terms, is lower compared to the similar period of 2008.

The OFS industry in 2009 is expected to be driven by commodity pricing, the outlook for which remains uncertain. The result is limited visibility into a market outlook for OFS beyond the contracted volumes of business.

Discussion of Group's Financial Results
Consolidated sales during 3M 2009 decreased by 49.1% to US$ 191.0 million compared to US$ 375.5 million during 3M 2008. The decrease in revenue was caused by the devaluation of the Russian Ruble (the Group's functional currency), idling of a significant part of our drilling capacity, a decline in exploration demand from our key customers, moderate Ruble pricing declines for a majority of our services and a lower manufacturing order book due to the completion of a major manufacturing contract.

Adjusted EBITDA decreased by 50.5 % to US$ 19.7 million from US$ 39.8 million. The absolute decline in Adjusted EBITDA was affected by factors similar to those affecting our revenues, but was partially offset by the fixed cost optimization measures we implemented throughout Q4 2008 and Q1 2009. As a result, our Adjusted EBITDA margin stayed virtually flat at 10.3 % in 3M 2009 compared to 10.6% in 3M 2008. Historically, our first quarter is the weakest of the year in terms of margins due to the need for seasonal mobilizations in drilling and reduced activity in workovers due to weather conditions.

Operating cash expenses decreased by 46.1% to US$ 179.4 million from US$ 333.0 million of which 21.6% is estimated to be due to currency effect and 24.5 % due to decline in volume of activity and cost cutting measures.

- Employee costs have declined 38.4 % Y-o-Y
- Materials costs have declined 64.8 % Y-o-Y
- Third party services costs have declined 39.6 % Y-o-Y

Discussion of Segment Financial Result

On January 1, 2009, the Group adopted IFRS 8 Operating Segments which replaced IAS 14 Segment Reporting used by the Group in its earlier financial statements. The change in the standard resulted in the Group separating its Technology Services business from the Drilling, Workover and IPM and reporting certain of its service businesses under the Technology Services segment. The segment information for prior periods that is reported below has been restated to conform with the requirements of IFRS 8.

	Drilling, Workover & IPM	Tech. Services	Formation Evaluation	Equipment Manufacturing	Other overheads and eliminations	Total Group
Sales (in US$ million)						
3M 2008	147.6	37.1	105.0	91.8	(6.0)	375.5
3M 2009	**83.6**	**24.9**	**58.6**	**27.1**	**(3.2)**	**191.0**
chg %	(43.4%)	(32.9%)	(44.2%)	(70.5%)	(46.7%)	(49.1%)
Adj. EBITDA (in US$ million)						
3M 2008	(0.5)	13.9	24.5	17.3	(15.4)	39.8
3M 2009	**2.7**	**8.7**	**12.8**	**5.0**	**(9.5)**	**19.7**
chg %	n/m	(37.4%)	(47.8%)	(71.1%)	(38.3%)	(50.5%)
Adj. EBITDA Margin (%)						
3M 2008	(0.3)%	37.5%	23.3%	18.8%		10.6%
3M 2009	**3.2%**	**34.9%**	**21.8%**	**18.5%**		**10.3%**

Drilling, Workover & IPM

- In the Drilling, Workover & IPM segment, the 3M 2009 revenue declined by 43.4%. This decline was primarily triggered by the Ruble devaluation, a reduction in the number of drilling crews and a subsequent idling of drilling capacity and a Ruble pricing decline of 10% on average. IPM subsegment revenues were affected primarily by the Ruble devaluation, as Ruble-denominated revenues rose by 1%. The segment result also reflects a negative reassessment of expected margins for certain construction contracts. Adjusted EBITDA margin increased from negative 0.3% to 3.2% and improved significantly from the margin of negative 22.1% in Q4 2008. The segment's 3M 2009 earnings were also affected by low-margin seasonal mobilizations.

Technology Services

- In the Technology Services segment, the 3M 2009 revenue declined by 32.9%. The decline was primarily triggered by the Ruble devaluation and Ruble pricing declines in the range of 10-20%, as well as a contraction in drilling tools sales and service volumes. This was partially offset by higher volumes of cementing and coil tubing services provided compared to 3M 2008 following the expansion of our product offering in mid-2008. Adjusted EBITDA margin decreased slightly from 37.5% to 34.9%, driven primarily by lower Ruble pricing. However, margins have nearly doubled from the low of 18.4% generated in Q4 2008.

Formation Evaluation

- Our Formation Evaluation segment showed a revenue decline of 44.2% in 3M 2009. Apart from Ruble devaluation, segment revenues suffered from a freeze in exploration spending instituted by several customers and the resulting lower activity. Ruble pricing was relatively stable, and hence Adjusted EBITDA margin decreased insignificantly from 23.3% to 21.8%, an improvement from 15.2% in Q4 2008.

Equipment Manufacturing

- The Equipment Manufacturing segment revenue decreased by 70.5% due to a decreased volume of orders as a result of new, smaller-sized contracts compounded by the Ruble devaluation. Following our adjustment of the segment's cost structure to account for the lower production volumes, margins stayed virtually flat at 18.5% (18.8% in 3M 2008) and improved from 15.5% in Q4 2008.

Discussion of Group's Current Financial Position, Cash Flows and Liquidity

Net cash generated from operating activities grew to US$ 10.1 million in 3M 2009, from negative US$ 24.0 million in 3M 2008. The 3M 2009 operating cash flow was affected by significant upfront fees related to the US $250 million loan facility arranged by the EBRD and a consortium of commercial banks (the "EBRD Loan") as well as high interest rates on some of the loans that were repaid during 3M 2009. Free cash flow was positive at US$3.3 million in 3M 2009, compared to negative US$79.4 million in 3M 2008.

Since December 31, 2008 the Group has repaid or refinanced a total of US $ 254.0 million of loans. As of June 8, 2009 the company had US$ 375.9 million of debt, including US$ 149.3 million of debt payable in the next 12 months and US$ 226.6 million of debt with repayment terms greater than 12 months (Ruble debt has been converted at RUB 30.7 /US$ exchange rate). The current cash balance of the Group is estimated at US$ 61.1 million. Of this amount, US$ 39.1 million is restricted cash in a special escrow account earmarked for the repayment of the RUB 3 billion (US$97.7 million) 2nd tranche Ruble-denominated bond, maturing in 2011 with a one-time put option in December, 2009. The Group makes monthly allocations of at least RUB 300 million (US$ 9.8 million) to this escrow account, as required under the terms of the EBRD Loan.

Order book update

The Group has signed contracts in the amount of US$ 751 million (RUB 26.3 billion) in revenue for services and equipment to be delivered to customers during 2009. This amount is 7.0 % lower in Ruble terms compared to the 2008 order book calculated at the same time one year ago and 33.8% lower in US$ terms. The total order book, which on top of the signed contracts includes the value of business won in tenders but not yet contracted, is US$ 803 million (RUB 28.1 billion) and is 17.8 % lower in Ruble terms (41.2 % lower in US$ terms) compared to the 2008 order book as of May 27, 2008. Approximately 93 % of the order book is denominated in Rubles. The composition of our order book has changed, as the share of customers unaffiliated with state or major Russian and international oil and gas producers has decreased to 9.5% from 23.2% in 2008. This implies higher reliability in our contracts and lower counterparty credit risk.

2009 Order book (as of June 2, 2009)

FX 35RUB/$	**Contracts signed***		**Tenders won, contracts not yet signed**		**Total order book**	
	USD (m)	**RUB (bn)**	**USD (m)**	**RUB (bn)**	**USD (m)**	**RUB (bn)**
Drilling, Workover, IPM	333	11.7	38	1.3	371	13.0
Technology Services	97	3.4	6	0.2	103	3.6
Formation Evaluation	179	6.2	2	0.1	181	6.3
Equipment Manufacturing	142	5.0	6	0.2	148	5.2
TOTAL	751	26.3	52	1.8	803	28.1

*Signed contracts may be subject to renegotiation of volumes or even cancellation

Markets continue to be turbulent and although we see some signs of market stabilization, demand for our services remains uncertain and driven by price outlook for commodities. For 2009, we are observing factors which may cause our revenues to contract in US$ terms compared to 2008. The level of such contraction depends on the dynamics of global and domestic energy prices, and, above all, the level of Ruble depreciation.

Our order book currently indicates the following dynamics in Ruble terms compared to the 2008 order book:

- In the Drilling, Workover, IPM, segment, orders are 13% lower. Within the segment there is a substantial reduction of land drilling capacity which is partially offset by a moderately higher volume of orders for workovers and certain IPM contracts;
- In the Technology Services segment, orders are 18% lower due to a contraction of demand for drilling tools , partially offset by a higher demand for cementing and coil tubing;
- In the Formation Evaluation segment, orders are 17% lower due to lower seismic demand in Russia, which is only partially offset by relatively stable demand in Kazakhstan;
- In the Equipment Manufacturing segment, orders are 28% lower due to a lower volume of new rig orders and a lower contribution from contract volumes carried from the previous year.

Risks and uncertainties for the next six months:

- Further expansion of our order book is subject to the uncertainty in the energy markets and the resulting spending levels of our key customers;
- Credit risk associated with some of our smaller customers in the event of an unforeseen deterioration of market liquidity could result in bad debt provisions, and longer-than-expected collection times from our larger counterparties could result in additional expenses related to managing our working capital;
- A breach of covenants under the EBRD Loan, including measures of trailing profitability at 30 June 2009 and a subsequent failure to obtain relevant waivers is possible. The Group had already notified EBRD of this potential breach and expects to receive a waiver for such covenant violations, should they occur;
- Weakening of the Russian Ruble could have a significant impact on our reported financial results. However, it would have an insignificant impact on the Ruble-denominated economics of the business, given that around 93% of revenue is in Rubles matched by a 94% share of costs in Rubles

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Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of Integra Group. You can identify forward-looking statements by terms such as "expect," "believe," "anticipate," "estimate," "intend," "will," "could," "may" or "might," or the negative of such terms or other similar expressions. These statements are only predictions and actual events or results may differ materially. Integra Group does not intend to or undertake any obligation to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in Integra Group's projections or forward-looking statements, including, among others, general economic and market conditions, Integra Group's competitive environment, risks associated with operating in Russia, rapid technological and market change, and other factors specifically related to Integra Group and its operations.

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