Integra Group

Interim Condensed Consolidated Financial Statements (Unaudited) as of and for the Six Months Ended 30 June 2012

Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders and Board of Directors of Integra Group:

Introduction

1 We have reviewed the accompanying interim condensed consolidated statement of financial position of Integra Group and its subsidiaries (the 'Group') as of 30 June 2012 and the related 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 these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

2 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 statements 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

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

ZAO PricewaterhouseCoopers Audit

30 August 2012
Moscow, Russian Federation

Contents

(expressed in thousands of US dollars)

	Note	Six months ended: 2012	2011*
Continuing operations			
Sales of services		277,308	276,048
Sales of goods		17,663	29,441
Total sales	5	**294,971**	**305,489**
Cost of sales	6	(283,664)	(247,259)
Gross profit		**11,307**	**58,230**
Selling, general and administrative expenses	7	(44,282)	(51,148)
Loss from disposal of property, plant and equipment and intangible assets		(1,457)	(1,846)
Operating (loss) profit		**(34,432)**	**5,236**
Finance income		337	518
Finance expense	17	(12,397)	(9,169)
Exchange gain		591	2,850
Share of results of associates		(1,112)	(573)
Loss before income tax		**(47,013)**	**(1,138)**
Income tax benefit	16	6,177	21,779
(Loss) profit for the period from continuing operations		**(40,836)**	**20,641**
Discontinued operations			
Loss from discontinued operations	4	-	(7,695)
(Loss) profit for the period		**(40,836)**	**12,946**
(Loss) profit from continuing operations attributable to:			
Shareholders of Integra Group		**(40,679)**	**20,780**
Non-controlling interest		(157)	(139)
Loss from discontinued operations attributable to:			
Shareholders of Integra Group		**-**	**(6,785)**
Non-controlling interest		-	(910)
(Loss) profit attributable to:			
Shareholders of Integra Group		**(40,679)**	**13,995**
Non-controlling interest		(157)	(1,049)
(Loss) earnings per share attributable to shareholders of Integra Group (in US dollars per share):			
(Loss) earnings from continuing operations per share, basic	20	(4.88)	2.43
(Loss) earnings from continuing operations per share, diluted	20	(4.88)	2.25
Loss from discontinued operations per share, basic and diluted	20	-	(0.79)
Weighted average shares outstanding, basic	20	8,342,044	8,543,722
Weighted average shares outstanding, diluted	20	8,342,044	9,248,803
(Loss) profit for the period		(40,836)	12,946
Other comprehensive (loss) income			
Exchange (loss) gain from translation to presentation currency		(1,518)	29,940
Total comprehensive (loss) gain for the period		**(42,354)**	**42,886**
Comprehensive (loss) gain attributable to:			
Shareholders of Integra Group of continuing operations		**(41,981)**	**51,895**
Shareholders of Integra Group of discontinued operations		**-**	**(12,340)**
Non-controlling interest of continuing operations		(373)	(139)
Non-controlling interest of discontinued operations		-	3,470

*Restated due to the impact of discontinued operations (note 4), as required by IFRS 5

Approved for issue and signed on behalf of the Board of Directors on 30 August 2012

F. Lyubashevsky
Chief Executive Officer

E. Kim
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 2012	31 December 2011*
Assets			
Cash and cash equivalents	9	15,641	13,791
Trade and other receivables	10	196,591	181,604
Inventories	11	77,077	70,127
Investment in IGSS held for distribution to owners		210,482	210,482
Total current assets		**499,791**	**476,004**
Property, plant and equipment	12	132,996	143,584
Goodwill and intangible assets	13	104,959	105,928
Investments in associates	14	12,690	13,991
Deferred income tax assets		27,509	23,262
Loans provided and other assets	4	-	5,759
Total non-current assets		**278,154**	**292,524**
Total assets		**777,945**	**768,528**
Liabilities and equity			
Accounts payable and accrued liabilities	15	170,731	129,590
Income tax payable		224	908
Other taxes payable	16	25,274	23,675
Borrowings	17	23,028	143
Total current liabilities		**219,257**	**154,316**
Borrowings	17	181,370	195,274
Deferred income tax liability		4,373	6,019
Other non-current liabilities		563	577
Total non-current liabilities		**186,306**	**201,870**
Total liabilities		**405,563**	**356,186**
Share capital and share premium	18	973,595	971,201
Cumulative translation reserve		(133,226)	(131,971)
Accumulated deficit		(479,576)	(438,850)
Total equity attributable to shareholders of Integra Group		**360,793**	**400,380**
Non-controlling interest		11,589	11,962
Total equity		**372,382**	**412,342**
Total liabilities and equity		**777,945**	**768,528**

*Restated upon accounting for certain adjustments to the purchase price allocation, as permitted by IFRS 3 (note 1.6).

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

(expressed in thousands of US dollars)

	Six months ended 30 June:	
	2012	**2011**
Cash flows from operating activities		
Loss before income tax from continuing operations	(47,013)	(1,138)
Profit (loss) before income tax from discontinued operation	-	(3,665)
Adjustments for:		
Gain from disposal of subsidiaries (note 6)	-	(586)
Impairment of property, plant and equipment and loss recognised on the re-measurement of assets of disposal group	-	300
Depreciation and amortization	31,952	45,699
Loss from disposal of property, plant and equipment and intangible assets	1,457	2,434
Finance expense, net	12,060	9,879
Share-based compensation	2,394	2,689
Share of results of associates	1,112	1,040
Receivables and inventories impairment and other write-offs	(37)	3,101
Exchange gain	(591)	(4,641)
Other	(542)	49
Operating cash flows before working capital changes	**792**	**55,161**
Change in trade and other receivables	(19,787)	(50,671)
Change in inventories	(9,384)	(13,037)
Change in accounts payable and accrued liabilities	40,909	37,219
Change in other taxes payable	4,787	(3,940)
Operating cash flows before interest and income taxes	**17,317**	**24,732**
Income tax paid	(631)	(6,540)
Finance expense paid	(11,515)	(10,814)
Net cash generated from operating activities	**5,171**	**7,378**
Cash flows from investing activities:		
Purchase of property, plant and equipment and intangible assets	(21,070)	(42,610)
Proceeds from the disposal of property, plant and equipment and intangible assets	1,650	2,998
Proceeds from disposal of Stromneftemash, net of pre-tax costs to sell and cash	-	14,401
Price adjustment received in relation to the purchase of Siam	2,656	-
Loans provided	-	2,967
Proceeds from repayment of loans	521	-
Interest received	165	401
Other	22	2
Net cash used in investing activities	**(16,056)**	**(21,841)**
Cash flows from financing activities:		
Proceeds from disposal of non-controlling interest	-	7,007
Exercise of options for cash	-	1,360
Global Depository Receipts buy-back	-	(19,092)
Proceeds from borrowings	86,515	37,378
Repayment of borrowings	(72,048)	(48,669)
Other	(300)	-
Net cash (used in) generated from financial activities	**14,167**	**(22,016)**
Net (decrease) increase in cash and cash equivalents	**3,282**	**(36,479)**
Cash and cash equivalents at the beginning of the period	13,791	54,841
Effect of exchange differences on cash balances	(1,432)	827
Cash and cash equivalents at the end of the period	**15,641**	**19,189**

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 and share premium	Treasury shares	Cumulative translation reserve	Accumulated deficit	Total equity attributable to shareholders of Integra Group	Non-controlling interest	Total equity
Balance as of 31 December 2010		**995,673**	**(6,190)**	**(109,616)**	**(489,471)**	**390,396**	**68,299**	**458,695**
Total comprehensive gain (loss) for the period		-	-	25,560	13,995	39,555	3,331	42,886
Total		**995,673**	**(6,190)**	**(84,056)**	**(475,476)**	**429,951**	**71,630**	**501,581**
GDR buy-back program		-	(19,092)	-	-	(19,092)	-	(19,092)
Class A common shares cancelled after disposal of Stromneftemash	18	(2,924)	-	-	-	(2,924)	-	(2,924)
Options received from disposal of Stromneftemash	18	(3,761)	-	-	-	(3,761)	-	(3,761)
Share-based compensation from stock options and RSU plans	18	2,689	-	-	-	2,689	-	2,689
Exercise of options for cash	18	1,360	-	-	-	1,360	-	1,360
Balance as of 30 June 2011		**993,037**	**(25,282)**	**(84,056)**	**(475,476)**	**408,223**	**71,630**	**479,853**
Balance as of 31 December 2011		**971,201**	**-**	**(131,971)**	**(438,850)**	**400,380**	**11,962**	**412,342**
Total comprehensive loss for the period		-	-	(1,255)	(40,726)	(41,981)	(373)	(42,354)
Total		**971,201**	**-**	**(133,226)**	**(479,576)**	**358,399**	**11,589**	**369,988**
Share-based compensation from stock options and RSU plans	18	2,394	-	-	-	2,394	-	2,394
Balance as of 30 June 2012		**973,595**	**-**	**(133,226)**	**(479,576)**	**360,793**	**11,589**	**372,382**

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 2011 issued on 18 April 2012 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 2011.

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 2011 issued on 18 April 2012. These interim condensed consolidated financial statements are presented in US dollars.

1.3 Accounting policies. The accounting policies applied in these interim condensed consolidated financial statements are consistent with those applied in the annual consolidated financial statements as of and for the year ended 31 December 2011. The Group has adopted all new standards and interpretations that were effective from 1 January 2012. The impact of the adoption of these new standards and interpretations has not been significant with respect to these interim condensed consolidated financial statements.

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 in January or February or by 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 from December to March. Besides, in certain Siberian regions of the Russian Federation there are limited seasons for supply of certain inventories to the production sites located in swamp areas due to rain in spring and autumn which requires such inventory build-up in March and August.

1.6 Critical estimates and judgements. The preparation of interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011, with the exception of changes in estimates that are required in determining the provision for income taxes.

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

2 Financial Risk Management

As of 30 June 2012 and 31 December 2011, the carrying values of the Group's financial assets and financial liabilities approximated their fair values and were as follows:

	Notes	30 June 2012	31 December 2011
Financial assets:			
Cash and cash equivalents	9	15,641	13,791
Financial receivables	10	166,830	140,583
Loans provided and other assets		-	5,759
Total financial assets		**182,471**	**160,133**
Financial liabilities:			
Financial payables and accrued liabilities	15	137,306	87,937
Current borrowings	17	23,028	143
Non-current borrowings	17	181,370	195,274
Total financial liabilities		**341,704**	**283,354**

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. 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 monitors and assesses regularly 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 and that its maximum exposure to credit risk is the carrying value of its financial assets recognized in the consolidated statement of financial position as of both 30 June 2012 and 31 December 2011.

As of 30 June 2012 and 31 December 2011, the ageing of the financial receivables (note 10) was as follows:

	As of 30 June 2012:				
				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	57,108	-	57,108	57,108	-
Within 90 days	103,406	(492)	102,914	85,654	17,260
91 to 360 days	5,256	(221)	5,035	926	4,109
Over 360 days	14,696	(12,923)	1,773	-	1,773
Total trade receivables	**180,466**	**(13,636)**	**166,830**	**143,688**	**23,142**

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

2 Financial Risk Management (continued)

	As of 31 December 2011:				
				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	63,028	-	63,028	63,028	-
Within 90 days	69,623	(56)	69,567	56,580	12,987
91 to 360 days	4,401	(986)	3,415	1,410	2,005
Over 360 days	18,368	(13,795)	4,573	-	4,573
Total trade receivables	**155,420**	**(14,837)**	**140,583**	**121,018**	**19,565**

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

	30 June 2012	**30 June 2011**
Balance at the beginning of the period	(14,837)	(12,508)
Provision for financial receivables	(992)	(4,943)
Unused amounts reversed	1,942	5,462
Transfer to discontinued operations	36	(479)
Exchange differences	215	(1,031)
Balance at the end of the period	**(13,636)**	**(13,499)**

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.

As of 30 June 2012 and 31 December 2011, 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 2012	**31 December 2011**
Total amount of credit facilities available for withdrawal	307,210	301,888
Amounts withdrawn	(205,895)	(197,134)
Amount available for withdrawal	**101,315**	**104,754**

As of 30 June 2012 and 31 December 2011, interest on the unused facilities, if drawn, would have been payable at an average interest rate of 6.3 percent and 6.6 percent per annum, respectively.

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

2 Financial Risk Management (continued)

Scheduled maturities of current financial liabilities (notes 15 and 17) outstanding as of 30 June 2012 and 31 December 2011, excluding any interest payments, were as follows:

	30 June 2012		
	Financial payables and accrued liabilities	**Short-term borrowings**	**Total current financial liabilities**
Within 90 days	134,319	19,966	154,285
91 to 180 days	1,021	3,062	4,083
181 to 365 days	1,966	-	1,966
Total current financial liabilities	**137,306**	**23,028**	**160,334**

	31 December 2011		
	Financial payables and accrued liabilities	**Short-term borrowings**	**Total current financial liabilities**
Within 90 days	86,587	143	86,730
91 to 180 days	328	-	328
181 to 365 days	1,022	-	1,022
Total current financial liabilities	**87,937**	**143**	**88,080**

Scheduled maturities of long-term borrowings (note 17) outstanding as of 30 June 2012 and 31 December 2011 and payments of interest arising after the reporting date were as follows:

	30 June 2012
12 months ended 30 June:	
2013	21,169
2014	21,327
2015	18,122
2016	60,782
2017	69,732
2018	63,805
2019	18,623
Total long-term borrowings	**273,560**

	31 December 2011
12 months ended 31 December:	
2012	19,720
2013	19,619
2014	19,609
2015	47,216
2016	95,222
2017	62,485
2018	30,959
Total long-term borrowings	**294,830**

For purposes of this disclosure, the cash flows are presented in undiscounted nominal terms and the interest payable on floating rate borrowing to maturity was calculated using the rates in existence as of 30 June 2012 and 31 December 2011, respectively.

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

2 Financial Risk Management (continued)

2.1.3. Interest rate risk. The Group is exposed to cash flow interest rate risk from its variable interest rate borrowings, which was not hedged as of 30 June 2012. The Group assesses interest rate risk by reference to market information about change ranges in floating interest rates of both actual movements during the year prior the reporting period and reasonably possible changes in the year thereafter.

In each of the six months ended 30 June 2012 and 2011, the Group determined such interest rate sensitivity as one percentage point and determined that if the floating interest rates increased or decreased by one percentage point, with all other variables held constant, the Group's profit (loss) for the six months ended 30 June 2012 and 2011 and total equity as of 30 June 2012 and 2011 would have changed as follows:

	30 June:	
	2012	**2011**
Incremental pre-tax loss from increase in the floating interest rate by one percentage point	(100)	(319)
Incremental pre-tax profit from decrease in the floating interest rate by one percentage point	100	319

2.1.4. Currency risk. As of 30 June 2012, the Group was exposed to currency exchange risk mainly 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 reporting period and reasonably possible changes in the year thereafter.

In the six months ended 30 June 2012, the Group assessed the ranges of reasonably possible exchange rate sensitivity as two Russian roubles to one US dollar exchange rate and determined that if the exchange rates increased or decreased by two Russian roubles, with all other variables held constant, the Group's profit (loss) and total equity would have changed from the retranslation of the assets and liabilities denominated in US dollars existing as of 30 June 2012 and 30 June 2011 as follows:

	30 June:	
	2012	**2011**
Incremental pre-tax loss from increase of the RR / $ exchange rate by two and one Russian rouble for the six months ended 30 June 2012 and 2011, respectively	(1,143)	(656)
Incremental pre-tax profit from decrease of the RR / $ exchange rate by two and one Russian rouble for the six months ended 30 June 2012 and 2011, respectively	1,215	680

In August 2012, after repayment of the VTB loan (note 17) the Group ceased to be exposed to any material currency exchange risk.

2.2 Capital risk management. The Group's objective of its capital management is to safeguard the Group's ability to continue as a going concern and to maintain an optimal mix of debt and equity to reduce the cost of capital.

The Group considers capital to be a 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. As of 30 June 2012 and 31 December 2011, the Group's gearing ratio was 35.4 percent and 32.2 percent, respectively. The Group considers that the long-term optimal gearing ratio is in the range between 35.0 percent and 40.0 percent.

The current policy of the Group and its subsidiaries is not to pay dividends and its subsidiaries only pay dividends on their preferred shares. As of 30 June 2012 and 31 December 2011, neither the Group nor any of its subsidiaries were subject to externally imposed capital requirements.

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

3 Adjustments to purchase accounting of Siam

In the six months ended 30 June 2012, the Group made certain adjustments to the purchase accounting of Siam and revised the purchase price allocation as follows.

	30 September 2011:		
	Previously reported	Adjustments	Revised
Cash and cash equivalents	329	-	329
Trade and other receivables, net of bad debt provision of $0.5 million	11,190	(54)	11,136
Inventories, net of obsolete stock provision of $0.4 million	1,831	-	1,831
Property, plant and equipment	12,768	-	12,768
Other non-current assets	1,563	660	2,223
Accounts payable	(10,639)	(326)	(10,965)
Borrowings	(1,866)	-	(1,866)
Other payables including deferred tax liabilities	(860)	1	(859)
Share in net assets acquired	**14,316**	**281**	**14,597**
Purchase consideration	65,739	-	65,739
Goodwill	**51,423**	**(281)**	**51,142**

During the six months ended 30 June 2012, the Group made certain adjustments to the purchase accounting of Siam acquired in September 2011 which resulted in the change of the Group's opening balances as follows:

	31 December 2011 previously reported	Purchase accounting adjustments	31 December 2011 revised
Assets			
Cash and cash equivalents	13,791	-	13,791
Trade and other receivables	181,657	(53)	181,604
Inventories	70,127	-	70,127
Assets of disposal group classified as held for sale	210,482	-	210,482
Property, plant and equipment	143,584	-	143,584
Goodwill and other intangible assets	106,162	(234)	105,928
Investments in associates	13,369	622	13,991
Deferred tax assets	23,262	-	23,262
Loans provided and other assets	5,759	-	5,759
Total assets	**768,193**	**335**	**768,528**

	31 December 2011 previously reported	Purchase accounting adjustments	31 December 2011 revised
Liabilities and shareholders' equity			
Accounts payable and accrued liabilities	129,307	283	129,590
Income taxes payable	908	-	908
Other taxes payable	23,636	39	23,675
Short-term borrowings	143	-	143
Long-term borrowings	195,274	-	195,274
Deferred tax liability	6,006	13	6,019
Other non-current liabilities	577	-	577
Share capital	971,201	-	971,201
Cumulative translation reserve	(131,971)	-	(131,971)
Accumulated deficit	(438,850)	-	(438,850)
Non-controlling interest	11,962	-	11,962
Total liabilities and equity	**768,193**	**335**	**768,528**

The Group has not completed the purchase accounting of the acquisition of Siam as of 30 June 2012.

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

4 Discontinued Operations

There were no discontinued operations in the six months ended 30 June 2012. Analysis of the result of the discontinued operations, and results of the recognized on re-measurement of assets for the six months and as of 30 June 2011 were as follows:

For the period until disposal and in the six months ended 30 June 2011:	Stromneftemash & TSP	IGSS	Total
Sales	5,863	151,848	157,711
Expenses	(7,538)	(154,006)	(161,544)
Loss before income tax	**(1,675)**	**(2,158)**	**(3,833)**
Income tax	(4,013)	(253)	(4,266)
Loss after income tax	**(5,688)**	**(2,411)**	**(8,099)**
Consideration received in cash	15,107	-	15,107
Consideration received in GDR and stock options (note 18)	6,685	-	6,685
Net assets on disposal	(21,084)	-	(21,084)
Pre-tax cost to sell	(122)	(418)	(540)
Income tax benefit	236	-	236
After-tax cost to sell	114	(418)	(304)
Loss from discontinued operations	**(4,866)**	**(2,829)**	**(7,695)**

The net cash flows of the discontinued operations in the six months ended 30 June 2011 were as follows:

For the period until disposal and in the six months ended 30 June 2011:	Stromneftemash & TSP	IGSS	Total
Net cash generated from operating activities	6,250	36,186	42,436
Net cash generated from (used in) investing activities	12,431	(31,391)	(18,960)
Net cash used in financing activities	(19,430)	(14,537)	(33,967)
Net decrease in cash and cash equivalents	**(749)**	**(9,742)**	**(10,491)**

The assets and liabilities of Stromneftemash, TSP and IGSS as of the date of disposal and cessation of control, respectively, were as follows:

	Stromneftemash	TSP	IGSS
Cash and cash equivalents	584	823	5,010
Trade and other receivables	10,393	22	98,904
Inventories	10,037	602	23,250
Property, plant and equipment	11,803	13,851	129,118
Intangible assets	107	15	7,877
Goodwill	-	-	34,546
Other non-current assets	3	189	2,162
Total assets	**32,927**	**15,502**	**300,867**
Accounts payable and accrued liabilities	8,910	13	38,473
Taxes payable	2,925	-	15,357
Borrowings	-	-	31,366
Deferred tax liability	8	-	1,995
Total liabilities	**11,843**	**13**	**87,191**
Net assets	**21,084**	**15,489**	**213,676**

During the six months ended 2012, IGSS repaid its liability to the Group in the amount equivalent to $5.2 million that was included in the loans provided and other assets in the interim condensed consolidated statement of financial position as of 31 December 2011.

5 Segment Information

Prior to 31 December 2011 the Group (a) ceased to exercise control over IGSS constituting the Formation Evaluation segment and (b) disposed of Stromneftemash and TSP constituting the remaining assets of the Equipment Manufacturing segment. In the six months ended 30 June 2011, the results from their operations were losses of $2.8 million and $4.9 million related to the Formation Evaluation and Equipment Manufacturing, respectively. The 36 percent interest in IGSS represents a remaining part of the Formation Evaluation segment and is classified as an asset held for distribution to Integra's shareholders in these interim condensed consolidated financial statements.

The Group identifies its reporting segments as follows:

- Drilling, Workover and IPM segment providing rig-up work, drilling, well construction, workover and maintenance services on individual and integrated management basis.
- Technology Services segment providing various services supporting the Drilling, Workover and IPM segment, including down-hole motors manufacturing and services, coiled tubing, cementing, directional drilling, drill bit services, well logging and perforation, testing of wells and well testing equipment.

Corporate and other assets, liabilities and incomes and expenses represent activities that are not directly attributable to the Group's segments and are managed on the Group basis and are not allocated to operating segments.

The Group uses earnings before interest, tax, depreciation and amortization ("EBITDA") adjusted to exclude the share-based compensation ("adjusted EBITDA") as a major measure of its performance. EBITDA is calculated as profit (loss) from continuing operations before any extraordinary items and the following:

EBITDA category	Items excluded from the operating profit (loss) in calculation of EBITDA
Finance income (expense)	Finance income (expense), exchange gains (losses) primarily related to foreign currency denominated borrowings and cash
Income tax	Current and deferred income taxes
Depreciation of property, plant and equipment	Depreciation of property, plant and equipment incurred from their continuous use, effects from change in their valuation and de-recognition, including their impairment, write-off and disposal
Amortization of intangible assets	Amortization of intangible assets incurred from their continuous use, effects from change in their valuation and de-recognition, including their impairment, write-off and disposal
Effects from business combinations and discontinued operations as unrelated to continuing operations	Such effects include gains (losses) on acquisition and disposal of any interest in the Group's subsidiaries or associates, impairment of goodwill, share of results in associates and profit (loss) attributable to non-controlling interest

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

5 Segment Information (continued)

Segment information related to the Group's financial performance from continuing operations for the six months ended 30 June 2012 and 2011 is set out as follows:

Six months ended 30 June 2012:	**Drilling, Workover & IPM**	**Technology Services**	**Corporate and other**	**Intersegment Eliminations**	**Total**
Continuing operations					
Sales external	199,877	94,961	133	-	294,971
Sales to other operating segments	54	2,023	3,106	(5,183)	-
Total sales	**199,931**	**96,984**	**3,239**	**(5,183)**	**294,971**
Cost of sales	(207,319)	(78,841)	(2,755)	5,251	(283,664)
Gross (loss) profit	**(7,388)**	**18,143**	**484**	**68**	**11,307**
Selling, general and administrative expenses	(14,036)	(9,244)	(21,532)	530	(44,282)
Loss (gain) from disposal of property, plant and equipment and Intangible assets	(1,166)	(273)	-	(18)	(1,457)
Operating (loss) profit	**(22,590)**	**8,626**	**(21,048)**	**580**	**(34,432)**
Reconciliation of operating (loss) profit to the adjusted EBITDA					
Operating (loss) profit	**(22,590)**	**8,626**	**(21,048)**	**580**	**(34,432)**
Corporate overheads directly attributed to segments	(2,290)	(2,800)	5,090	-	-
Depreciation of property, plant and equipment	19,851	10,979	534	-	31,364
Amortization of intangible assets	61	417	110	-	588
Loss from disposal of property, plant and equipment and intangible assets	1,166	273	-	18	1,457
Share-based compensation	-	-	2,394	-	2,394
Adjusted EBITDA from continuing operations	**(3,802)**	**17,495**	**(12,920)**	**598**	**1,371**

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

5 Segment Information (continued)

Six months ended 30 June 2011:	**Drilling, Workover & IPM**	**Technology Services**	**Corporate and other**	**Intersegment Eliminations**	**Total**
Continuing operations					
Sales external	218,469	86,871	149	-	305,489
Sales to other operating segments	-	4,795	3,128	(7,923)	-
Total sales	**218,469**	**91,666**	**3,277**	**(7,923)**	**305,489**
Cost of sales	(188,529)	(63,559)	(2,586)	7,415	(247,259)
Impairment of property, plant and equipment	-	-	-	-	-
Gross profit	**29,940**	**28,107**	691	**(508)**	**58,230**
Selling, general and administrative expenses	(18,408)	(8,276)	(24,489)	25	(51,148)
Loss (gain) from disposal of property, plant and equipment and Intangible assets	(939)	(883)	(13)	(11)	(1,846)
Operating profit (loss)	**10,593**	**18,948**	**(23,811)**	**(494)**	**5,236**
Discontinued operations	-	-	-	-	(7,695)
Reconciliation of operating (loss) profit to the adjusted EBITDA					
Operating profit (loss)	**10,593**	**18,948**	**(23,811)**	**(494)**	**5,236**
Corporate overheads directly attributed to segments	(2,233)	(1,466)	3,699	-	-
Depreciation of property, plant and equipment	16,193	9,675	622	-	26,490
Amortization of intangible assets	38	207	87	-	332
Loss from disposal of property, plant and equipment and intangible assets	939	883	13	11	1,846
Share-based compensation	-	-	2,689	-	2,689
Adjusted EBITDA from continuing operations	**25,530**	**28,247**	**(16,701)**	**(483)**	**36,593**
Adjusted EBITDA from discontinued operations	**-**	**-**	**-**	**-**	**18,046**

The adjusted EBITDA of $18.0 million comprises of $20.0 million and minus $2.0 million was incurred by the Group’s Formation Evaluation and Equipment Manufacturing segments, respectively.

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

5 Segment Information (continued)

Segment information related to the Group's financial position as of 30 June 2012 and 31 December 2011:

	Drilling, Workover & IPM	Technology Services	Formation Evaluation	Corporate and other	Intersegment Eliminations	Total
As of 30 June 2012:						
Total assets	338,161	264,211	210,482	870,542	(905,451)	777,945
Total liabilities	(175,116)	(271,851)	-	(107,832)	149,236	(405,563)
Six months ended 30 June 2012:						
Additions to non-current assets	18,754	9,602	-	631	-	28,987

	Drilling, Workover & IPM	Technology Services	Formation Evaluation	Corporate and other	Intersegment Eliminations	Total
As of 31 December 2011:						
Total assets	309,456	254,537	210,482	869,276	(875,223)	768,528
Total liabilities	(120,347)	(258,544)	-	(87,967)	110,672	(356,186)
Six months ended 30 June 2011:						
Additions to non-current assets	21,820	10,108	-	352	-	32,280

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

5 Segment Information (continued)

In the six months ended 30 June 2012 and 2011, the Group earned its external revenues from continuing operations and had its goodwill and intangible assets, property, plant and equipment and investments in associates in the Russian Federation.

In the six months ended 30 June 2012, 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 $39.5 million, $38.6 million and $38.3 million reported by the Group's Drilling, Workover and IPM and Technology Services segments.

In the six months ended 30 June 2011, the Group earned revenues from continuing operations each exceeding 10 percent of the Group's consolidated revenues, with two major customers in the amounts of $48.6 million and $43.2 million reported by the Group's Drilling, Workover and IPM and Technology Services segments.

6 Cost of Sales

	Six months ended 30 June:	
	2012	**2011**
Services	133,543	113,927
Employee costs (including mandatory social contributions of $ 16.9 million and $16.3 million for the six months ended 30 June 2012 and 2011, respectively)	86,215	76,351
Materials and supplies	32,795	31,155
Depreciation of property, plant and equipment	30,363	25,585
Other	748	241
Total cost of sales	**283,664**	**247,259**

7 Selling, General and Administrative Expenses

	Six months ended 30 June:	
	2012	**2011**
Employee costs (including mandatory social contributions of $ 3.9 million and $3.5 million for the six months ended 30 June 2012 and 2011, respectively)	26,314	24,820
Services	11,497	13,728
Share-based compensation expense	2,394	2,689
Taxes, other than income tax	1,811	1,827
Receivables impairment, bad debt expense and other write-offs	(504)	3,181
Depreciation of property, plant and equipment	1,001	905
Transportation expenses	1,384	1,031
Other	385	2,967
Total selling, general and administrative expenses	**44,282**	**51,148**

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

8 Engineering and Services Contracts

The Group sales include revenues from engineering and service contracts of $172.7 million and $179.6 million for the six months ended 30 June 2012 and 2011, respectively. The status of engineering and service contracts in progress as of 30 June 2012 and 31 December 2011:

	30 June 2012	31 December 2011
Contract costs incurred from inception	418,291	553,133
Contract profits (less recognized losses) incurred from inception	57,416	112,397

The recognition of the revenue from engineering and service contracts uncompleted as of 30 June 2012 was primarily based on an assumption of profit margins expected to be earned from inception to completion of each contract. If such expected profit margins reduced by one percent, the revenue from such contracts would reduce by $1.3 million.

9 Cash and Cash Equivalents

As of 30 June 2012 and 31 December 2011, the cash and cash equivalents of $15.6 million and $13.8 million, respectively were readily convertible to the full amounts of cash and cash equivalents amounts without any restriction in their use.

10 Trade and Other Receivables

	30 June 2012	31 December 2011
Financial receivables:		
Trade receivables (net of allowances for doubtful accounts of $1.3 million and $2.6 million as of 30 June 2012 and 31 December 2011, respectively)	55,587	46,376
Amounts due from customers for engineering and service contract work (net of allowances for doubtful accounts of $12.3 million and $12.2 million as of 30 June 2012 and 31 December 2011, respectively)	111,243	94,207
Total financial receivables	**166,830**	**140,583**
Non-financial receivables:		
VAT recoverable	6,153	7,575
Advances to suppliers	8,622	7,440
Prepaid expenses and other receivables	14,986	26,006
Total non-financial receivables	**29,761**	**41,021**
Total trade and other receivables	**196,591**	**181,604**

11 Inventories

	30 June 2012	31 December 2011
Materials and supplies (net of allowances for obsolete materials $5.4 million and $5.5 million as of 30 June 2012 and 31 December 2011, respectively)	60,550	53,614
Work in progress (net of allowances for obsolete work in progress $0.2 million and $0.1 million as of 30 June 2012 and 31 December 2011, respectively)	3,164	4,446
Finished goods (net of allowances for obsolete finished goods $1.0 million and $0.7 million as of 30 June 2012 and 31 December 2011, respectively)	13,363	12,067
Total inventories	**77,077**	**70,127**

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

12 Property, Plant and Equipment

	Rigs	Land and Buildings	Plant and equipment	Motor vehicles	Other	Total
Cost						
As of 31 December 2011	**91,646**	**36,056**	**219,305**	**29,794**	**15,078**	**391,879**
Additions	898	490	24,669	764	742	27,563
Disposals	(473)	(980)	(7,693)	(4,994)	(296)	(14,436)
Exchange differences	(1,762)	(650)	(5,257)	(312)	(322)	(8,303)
As of 30 June 2012	**90,309**	**34,916**	**231,024**	**25,252**	**15,202**	**396,703**
Accumulated depreciation						
As of 31 December 2011	**(63,690)**	**(11,227)**	**(143,620)**	**(18,885)**	**(10,873)**	**(248,295)**
Depreciation	(5,226)	(918)	(21,467)	(2,736)	(1,017)	(31,364)
Disposals	443	312	6,745	2,077	137	9,714
Exchange differences	1,522	340	3,701	407	268	6,238
As of 30 June 2012	**(66,951)**	**(11,493)**	**(154,641)**	**(19,137)**	**(11,485)**	**(263,707)**
Net book value						
As of 31 December 2011	**27,956**	**24,829**	**75,685**	**10,909**	**4,205**	**143,584**
As of 30 June 2012	**23,358**	**23,423**	**76,383**	**6,115**	**3,717**	**132,996**

As of 30 June 2012 and 31 December 2011, certain property, plant and equipment with a net book value of $11.6 million and $5.2 million, respectively, were pledged as collateral for the Group's accounts payable and borrowings (note 17).

13 Goodwill and Intangible Assets

	30 June 2012	31 December 2011
Workover	22,953	23,396
Smith Siberian Services	18,820	19,183
Drilling Tools	8,292	8,452
Siam	49,667	50,633
Goodwill	**99,732**	**101,664**
Software	3,151	2,307
Other	2,076	1,957
Intangible assets (net carrying amount)	**5,227**	**4,264**
Goodwill and intangible assets (carrying amount)	**104,959**	**105,928**

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.

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

14 Investments in Associates

	30 June 2012	31 December 2011
Nizhnevartovskneftegeophyzika	9,157	10,093
Neftegeotechnology	2,172	2,302
Gazinformplast	1,038	1,178
Siam Nefteservice	323	418
Total investments in associates	**12,690**	**13,991**

15 Accounts Payable and Accrued Liabilities

	30 June 2012	31 December 2011
Financial payables and accrued liabilities:		
Trade payables	42,507	34,704
Payables under contracts with customers for engineering and service contract work	93,964	52,387
Interest payable	835	846
Total financial payables and accrued liabilities	**137,306**	**87,937**
Non-financial payables and accrued liabilities:		
Accrued liabilities and other creditors	20,340	23,141
Advances from customers for engineering and service contract work	820	867
Advances from other customers	12,265	17,645
Total non-financial payables and accrued liabilities	**33,425**	**41,653**
Total accounts payable and accrued liabilities	**170,731**	**129,590**

16 Taxes

Reconciliation of income tax expense. 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 ended 30 June:	
	2012	**2011**
Loss before income tax	(47,013)	(1,138)
Theoretical tax benefit at Russian statutory income tax rate of 20 percent	9,403	228
Effect of income taxed at rates lower than 20 percent	(139)	158
Effect of loss taxed at rates higher than 20 percent	(193)	6
Recognition of deferred tax assets accumulated by OOO Integra Drilling	-	25,014
Tax losses not expected to be utilized against future profits from overseas activities	(1,140)	(3,617)
Share-based compensation	(479)	(538)
Non-tax deductible expenses and other	(1,275)	528
Total income tax benefit	**6,177**	**21,779**

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

16 Taxes (continued)

Recognition of deferred tax assets accumulated by OOO Integra Drilling. In the six months ended 30 June 2011, following the merger of OOO Smith Production Technology into OOO Integra Drilling, it became probable that the combined company would generate sufficient future taxable profits to utilize deferred tax assets in the total amount of $25.0 million from (a) tax losses in the total amount of $108.7 million that OOO Integra Drilling had accumulated prior to the merger, and (b) previously unrecognized temporary differences arising on accounts receivable allowances and other items in the total amount of $16.4 million.

Other taxes payable. Other taxes payable as of 30 June 2012 and 31 December 2011 were as follows:

	30 June 2012	31 December 2011
Value-added tax	18,073	18,625
Mandatory social contributions	4,672	2,724
Personal income tax	1,652	1,394
Property tax	732	768
Other taxes	145	164
Total other taxes payable	**25,274**	**23,675**

17 Borrowings

The following tables summarize the Group's current and non-current borrowings by major currency and weighted average fixed and floating interest rates as of 30 June 2012 and 31 December 2011.

	30 June 2012					
	Fixed rate		Floating rate		Total	
	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount
US dollar-denominated	-	-	5.5%	19,966	5.5%	19,966
Russian rouble-denominated	-	-	10.9%	3,062	10.9%	3,062
Total amounts due within one year.	**-**	**-**	**6.2%**	**23,028**	**6.2%**	**23,028**
US dollar-denominated	-	-	-	-	-	-
Russian rouble-denominated	9.95%	181,370	-	-	9.95%	181,370
Total amounts due after more than one year	**9.95%**	**181,370**	**-**	**-**	**9.95%**	**181,370**
Total borrowings	**9.95%**	**181,370**	**6.2%**	**23,028**	**9.5%**	**204,398**

	31 December 2011					
	Fixed rate		Floating rate		Total	
	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount
Amounts due within one year. Russian rouble-denominated	**-**	**-**	**9.0%**	**143**	**9.0%**	**143**
US dollar-denominated	-	-	5.4%	25,774	5.4%	25,774
Russian rouble-denominated	9.95%	169,500	-	-	9.95%	169,500
Total amounts due after more than one year	**9.95%**	**169,500**	**5.4%**	**25,774**	**9.3%**	**195,274**
Total borrowings	**9.95%**	**169,500**	**5.4%**	**25,917**	**9.3%**	**195,417**

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

17 Borrowings (continued)

Short-term borrowings. In August 2011, the Group entered into a renewable credit line facility with Unicreditbank, which was limited to RR 500.0 million as of 31 December 2011 ($15.5 million equivalent at 31 December 2011). As of 30 June 2012 and 31 December 2011, the loan balances were nil and $0.1 million. As of 31 December 2011, the loan bore a monthly payable floating interest equivalent to 9.0 percent. The credit facility was terminated in July 2012 and the Group entered into a similar credit facility limited to RR 750.0 million (equivalent to $22.9 million at the exchange rates as of 30 June 2012). In February 2012, the Group entered into a credit line facility with Unicreditbank limited to RR 300.0 million (a $9.1 million equivalent) and the outstanding balance was equivalent to $3.1 million as of 30 June 2012 with the floating weighted average interest rate of 10.9 percent.

The short-term borrowings include the current portion of long-term borrowings with total amounts of $20.0 million and nil as of 30 June 2012 and 31 December 2011, respectively.

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

	30 June 2012	31 December 2011
Sberbank	181,370	169,500
VTB Bank	19,966	25,774
Other	-	-
Total long-term borrowings	**201,336**	**195,274**
Less: current portion of long-term borrowings	(19,966)	-
Total non-current borrowings	**181,370**	**195,274**

Sberbank. In August 2011, the Group entered into a Russian rouble-denominated non-renewable loan facility with Sberbank for a maximum amount of RR 6.0 billion (a $182.8 million equivalent as of 30 June 2012). As of 30 June 2012 and 31 December 2011, the loan balances were equivalent to $181.4 million and $169.5 million, net of borrowing costs of $1.4 million and $1.5 million and the loan bore a fixed annual interest at a rate of 9.95 percent payable quarterly.

Prior to 30 June 2012, the Group and the bank reached an agreement to ensure the Group is compliant with certain terms of the loan as of 30 June 2012, and in August 2012, the parties signed an addendum whereby from September 2012 to April 2014 the interest rate varies between 9.95 percent and 11.95 percent depending on the net debt / adjusted EBITDA ratio. The principal of the loan becomes repayable in quarterly installments from September 2015 to August 2018. As of 30 June 2012 and 31 December 2011, the Group had certain of its property, plant and equipment with carrying value equivalent to $11.6 million and $5.2 million, respectively, pledged as collateral to the loan (note 12).

VTB Bank. As of 30 June 2012 and 31 December 2011, the loan bore a floating interest rate consisting of 5.0 percent fixed margin and variable LIBOR rate and the total rate was 5.5 percent as of 30 June 2012. As of 30 June 2012 and 31 December 2011, the loan balances were $20.0 million and $25.8 million, respectively, net of the borrowing costs of nil million and $0.2 million, respectively. Prior to 30 June 2012, the Group and the bank had commenced negotiations regarding compliance with certain financial covenants for the period ended 30 June 2012. The loan was classified as current in the interim condensed consolidated statement of financial position as of 30 June 2012. The Group voluntarily repaid the loan in full in August 2012 prior to there have been an assessment in regards to compliance with the financial covenants.

Finance expense. Finance expense for the six months ended 30 June 2012 and 31 December 2011 comprised the following:

	Six months ended 30 June:	
	2012	2011
Total finance expense on short-term borrowings	**826**	**475**
Sberbank	9,416	2,608
VTB bank	2,149	1,206
Alfabank	-	4,411
Other	6	469
Total finance expense on long-term borrowings	**11,571**	**8,694**
Finance expense	**12,397**	**9,169**

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

18 Share Capital

The following table summarizes the change in share capital for the six months ended 30 June 2012 and 2011 as follows:

		Number of common shares:		Share capital and share premium
	Note	**Class A**	**Class B**	
As of 31 December 2010		**8,560,470**	**740,000**	**995,673**
Class A common shares received from disposal of Stromneftemash	4	(42,500)	-	(2,924)
Options received from disposal of Stromneftemash	4	-	-	(3,761)
Exercise of options for cash	19	40,000	-	1,360
Exercise of options, cashless	19	9,454	-	-
Vested restricted share units	19	500	-	-
Share-based compensation from stock option and RSU plan	19	-	-	2,689
As of 30 June 2011		**8,567,924**	**740,000**	**993,037**
As of 31 December 2011		**8,317,330**	**740,000**	**971,201**
Vested restricted share units	19	41,250	-	-
Share-based compensation from stock option and RSU plan	19	-	-	2,394
As of 30 June 2012		**8,358,580**	**740,000**	**973,595**

Shares and options related to the disposal of Stromneftemash. In April 2011, as part of the sales consideration sold Stromneftemash (note 4) the Group received 850,000 GDR and 107,500 options with fair value of $2.9 million and $3.8 million, respectively. The 850,000 GDR were converted into 42,500 Integra's Class A common shares, and both 42,500 Class A common shares and 107,500 options were immediately cancelled.

19 Share-based Compensation

19.1. The 2009 Restricted Share Units Plan. The table below summarizes the change in the RSUs in the six months ended 2012 and 2011.

	Number of RSUs
31 December 2010	**193,328**
Granted	89,500
Vested	(500)
Unvested forfeited	(19,664)
30 June 2011	**262,664**
31 December 2011	**130,250**
Granted	77,000
Vested	(41,250)
Unvested forfeited	(27,500)
30 June 2012	**138,500**

The total fair value of the RSUs granted in the six months ended 30 June 2012 and 2011 were $3.2 million and $5.6 million, respectively, and the share-based compensation expense related to the RSU grant in each period is to be accrued within four years. In the six months ended 30 June 2012 and 2011, the Group recognized the RSU expense of $2.3 million and $2.5 million, respectively, as share-based compensation expense within the selling, general and administrative expenses.

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

19 Share-based Compensation (continued)

19.2. The 2005 Stock Option Plan and Class B common shares. In the six months ended 30 June 2012 and 2011, the Group's Board of Directors did not authorize any issuance of stock options to purchase the Group's Class A common shares. As of 30 June 2012 and 31 December 2011, a total of 756,167 and 752,967 stock options, respectively, remained available to grant.

The table below summarizes the stock options changes, including 740,000 of the Class B common shares convertible into Integra's Class A common shares upon exercise, which are not part of the 2005 Stock Option Plan.

	Weighted average exercise price in US dollars per share	Number of stock options
As of 31 December 2010	**48.50**	**1,192,516**
Exercised	29.14	(51,345)
Vested expired unexercised	70.00	(130,500)
As of 30 June 2011	**46.70**	**1,010,671**
As of 31 December 2011	**45.36**	**1,009,671**
Vested expired unexercised	276.25	(3,200)
As of 30 June 2012	**44.63**	**1,006,471**

In the six months ended 30 June 2011, the exercised stock options include 11,345 stock options exercised for 9,454 Class A common shares (note 18) on a cashless basis under which 1,891 options were cancelled in lieu of payment for the shares. The remaining 40,000 options were exercised for cash proceeds totaling $1.4 million (note 18).

	Stock options outstanding			Stock options exercisable	
Range of exercise prices (in US dollars per share)	**Number of stock options outstanding**	**Weighted-average remaining contractual life (years)**	**Weighted average exercise price ($)**	**Stock options exercisable as of period end**	**Weighted average exercise price ($)**
$4.00 - $34.00	194,171	2.8	19.38	194,171	$19.38
$34.39 (Class B common shares)	740,000	3.5	34.39	740,000	34.39
$40.00 - $382.00	72,300	5.8	217.25	61,634	245.13
	1,006,471		**44.63**	**995,805**	**$44.51**

The Black-Scholes option valuation model is used for estimating the fair value of traded stock options that have no vesting restrictions and are fully transferable. There were no options granted in each of the six months ended 30 June 2012 and 2011.

In the six months ended 30 June 2012 and 2011, the Group recognized the stock option expense of $0.1 million and $0.2 million, respectively, as share-based compensation expense within the selling, general and administrative expenses.

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

20 (Loss) Earnings per Share

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

Six months ended 30 June 2012:	**Continuing operations**	**Discontinued operations**	**Total**
Numerator:			
Loss attributable to shareholders of Integra Group for basic and diluted loss per share	(40,679)	-	(40,679)
Denominator:			
Weighted average number of common shares outstanding during the period, basic and diluted	8,342,044	-	8,342,044
Basic and diluted loss per share (in US dollars per share)	(4.88)	-	(4.88)

Six months ended 30 June 2011:	**Continuing operations**	**Discontinued operations**	**Total**
Numerator:			
Profit (loss) attributable to shareholders of Integra Group for basic and diluted loss per share	20,780	(6,785)	13,995
Denominator:			
Weighted average number of common shares outstanding during the period, basic	8,543,722	8,543,722	8,543,722
Weighted average number of common shares outstanding during the period, diluted	9,248,803	8,543,722	-
Basic earnings (loss) per share (in US dollars per share)	2.43	(0.79)	1.64
Diluted earnings (loss) per share (in US dollars per share)	2.25	(0.79)	1.46

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 earnings (loss) per share.

21 Related Party Transactions

The related parties with whom the Group had transactions during the six months ended 30 June 2012 and 2011, or had balances outstanding as of 30 June 2012 and 31 December 2011, include the Group's associates, including IGSS, and certain third parties related through certain affiliates of the Chairman of the Group's Board of Directors and the Group's Chief Executive Officer (the "CEO").

	Six months ended 30 June:	
	2012	**2011**
Sales of production services by the Group to its associates, excluding IGSS	8	-
Sublease services to Starway Project Management, related to the CEO	32	-
Purchase of administrative services by the Group	(150)	(150)
Purchase of services by the Group from its associates, excluding IGSS	(275)	-
Income receivable from IGSS	226	-
Expense payable to IGSS	(45)	-
Other income (expense) from settlements with its associates, excluding IGSS	11	(17)

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

21 Related Party Transactions (continued)

	30 June 2012	31 December 2011
Trade receivables from IGSS	2	8
Trade payables to IGSS	58	9
Loans provided to IGSS	-	4,993
Receivable from IGSS for the interest in Stavropolneftegeophyzika	-	1,514
Other receivable from IGSS	2,286	4,380
Trade receivables from the Group's associates and other related parties, net	65	815
Trade payables to other related parties, current	4	2
Other current assets	136	-

Management compensation. In the six months ended 30 June 2012 and 2011, the Group's senior management team comprised eight and nine members of the management board, respectively, and five and six non-executive directors, respectively, whose compensation totalled \$5.6 million and \$8.9 million, respectively, including salary, bonuses and other benefits of \$3.3 million and \$6.9 million, respectively, and share-based compensation of \$2.3 million and \$2.0 million, respectively.

Administrative services contract. In each of the six months ended 30 June 2012 and 2011, the Group incurred expenses of \$0.15 million under an administrative services contract with an affiliate of the Chairman of the Board of Directors.

22 Contingencies, Commitments and Operating Risks

Operating environment of the Group. The Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation.

The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Russian financial and corporate sectors. Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period. Provisions for trade receivables are determined using the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

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. As of 30 June 2012 and 31 December 2011, the Group had unpaid contractual commitments of \$13.5 million and \$17.2 million, respectively.

Employee benefits. A number of the Group operating entities have existing contractual commitments under collective agreements requiring them to provide certain social and other benefits to their employees. The terms and conditions of each collective agreement are specific to each particular operating entity and actual annual outlays can vary from entity to entity. As of both 30 June 2012 and 31 December 2011, the Group recorded in these consolidated financial statements a liability in the amount of \$0.6 million, respectively, of its obligation for one-time retirement grants provided for in the collective agreements in these consolidated financial statements.

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

22 Contingencies, Commitments and Operating Risks (continued)

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. As of 30 June 2012 and 31 December 2011, the Group was involved in a number of court proceedings, both as a plaintiff and a defendant, arising in the ordinary course of business. The Group management believes that there are no current legal proceedings or other claims outstanding which could have a material adverse effect on the results of operations or financial position of the Group and which have not otherwise been accrued or disclosed in these consolidated financial statements.

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