

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations is for the six months ended June 30, 2011 (the "Report"). It should be read in conjunction with our interim condensed consolidated financial statements for the six months ended June 30, 2011 and related notes. Financial information as of and for the six months ended June 30, 2011 and 2010 has been derived from our Unaudited Interim Condensed Consolidated Financial Statements prepared in accordance with IFRS. This Report contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of numerous factors, including but not limited to the risks discussed in the section of this Report entitled "Qualitative and Quantitative Disclosures about Market Risk" and elsewhere in this Report. References to "Integra Group", "the Group", "we", "our" and "us" are references to Integra Group and its subsidiaries and equity affiliates.

Business Overview

We are a leading Russian independent provider of diversified oilfield services ("OFS") and integrated solutions, and also one of the leading manufacturers in the Russian Federation of certain specialized tools and equipment used in oil & gas development and production. We offer integrated project management; seismic data acquisition, processing and interpretation; well planning and design; exploration and development well drilling, workover services; well logging, cementing and perforation; coiled tubing services, directional drilling and drill bit services. We manufacture downhole motors and turbodrills, downhole tools, submersible screw pumps and multiphase pumps. Currently we have almost 14,000 employees, including more than 1,800 based outside Russia. Our clients include major Russian and international private and state-owned oil and gas companies operating in Russia and other CIS countries, and the Middle East, including TNK-BP, Rosneft, Novatek, GazpromNeft, Gazprom, Lukoil, Alliance Oil, Surgutneftegaz and Norilsk Nickel, as well as other state-owned and independent medium-sized companies, and joint ventures of international majors operating in these markets. We also sell and rent out specialized tools and equipment to large Russian oil and gas companies.

We manage our Russian and CIS operations from our central administrative office in Moscow, and maintain administrative offices at our regional operating bases in the Volga-Urals region, the Timan-Pechora region, Eastern and Western Siberia and Kazakhstan. We also have representative offices in all other major oil and gas producing CIS countries.

Reflecting the products and services we offer, our business is organized into three segments¹, each with its own management, corresponding to our reporting segments:

- *Drilling, Workover and Integrated Project Management ("IPM")*

Our drilling services include the drilling of vertical, deviated and horizontal exploration and development wells ranging from 700 meters to in excess of 6,500 meters in depth. In addition, we offer a specialized drilling service known as sidetracking, a form of directional and/or horizontal drilling used to re-enter wells to improve oil recovery.

Workovers involve major maintenance or remedial treatment on oil or natural gas wells to increase productivity, delay well production decline or reactivate idle wells. Our workover services include nearly all the services required to bring wells into operation such as perforation, cased-hole and production logging, well bore cleaning, well completion, pumping, preparation for fracturing treatment, fishing jobs, squeeze cementing and well restoration, as well as abandonment.

In the first half of 2011 we had on average 18 active drilling rigs and 76 workover crews in operation in Russia. We operate 2 maintenance drilling bases and 4 maintenance workover bases.

Our IPM services use a management model where a team of engineers acts as a general contractor or project advisor to the customer with direct responsibility for the contracting, technology and equipment selection, site supervision, performance analysis and reporting for an entire drilling or workover project. Depending on customer requirements, the service may also include supply chain management or early design, planning and engineering of a well project.

In the six months ended June 30, 2011, we drilled 125,978 meters compared to 117,028 in the six months ended June 30, 2010, (an increase of 7.6%), and conducted 1,739 workover operations compared to 1,585 in the six months

¹ In 2010, the Group disposed of its Equipment Manufacturing segment and its results are disclosed in the discontinued operations. Certain minor entities previously included in the Equipment Manufacturing segment were reclassified to the Technology Services segment, for both the six months ended June 30, 2011, and 2010.

ended June 30, 2010, (an increase of 9.7%). The increase in segment's operational results was triggered by higher demand for the respective services.

- *Technology Services*

Our technology services businesses offer various products supporting the development and production of oil and gas, including the manufacturing and rental of drilling tools, coil tubing, primary and remedial cementing, directional drilling, drill bit management, well logging and perforation, as well as coring and completion services.

We are one of the largest manufacturers of downhole motors and turbodrills in Russia. We operate our drilling tools business through VNIIBT BI LLC ("BI"). BI's core business is the production, sale and lease of downhole motors and turbodrills, and it holds patents for various oilfield equipment and processes, including downhole piston pumps, special thread connections and safety valves. We have a total of 3 drilling tool production facilities, 2 service business units and 10 drill-bit logistics bases.

We believe that directional drilling technologies, such as measurement-while-drilling and logging-while-drilling, will form an increasing share of the market for technology services in Russia and the CIS. Similarly, coil tubing technologies have broad application in the Russian and CIS markets and may be utilized, for example, in drilling, perforating, remedial activities, jetting and lifting operations.

In the six months ended June 30, 2011, we produced 205 downhole motors compared to 164 in the six months ended June 30, 2010, (an increase of 25.0%); we also produced 42 turbodrills compared to 28 (an increase of 50.0%).

In the six months ended June 30, 2011, we completed 222 wells with the directional drilling service compared to 120 in the first six months of 2010, (an increase of 85.0%), we performed 502 cementing operations compared to 495 in the first six months of 2010 (an increase of 1.4%); we also performed 147 coil tubing operations compared to 94 in the first six months of 2010 (an increase of 56.4%).

Formation Evaluation

Our formation evaluation businesses provide a number of onshore and transition zone seismic data acquisition, processing and interpretation services, ranging from quality assurance for seismic data acquisition, field and specialized seismic data processing, and seismic interpretation to oil field model development and block geology.

Our data acquisition businesses involved on average 32 seismic crews in 2011 located primarily in Eastern and Western Siberia, the Timan-Pechora region, the Volga-Urals region, Kazakhstan, Uzbekistan and Yemen. According to our estimates, we are one of the largest providers of seismic services in Russia and the leading provider in Kazakhstan in 2011.

Our data processing and interpretation businesses operate 4 processing centers in Moscow, Tyumen, Tomsk and Almaty. We perform onshore seismic data processing and interpretation for Eastern and Western Siberia, the Timan-Pechora region, the Volga-Urals region and Kazakhstan, as well as offshore seismic data processing and interpretation for the Caspian Sea, the north Norwegian shelf, and the Gulf of Mexico.

In October 2010, we entered into a joint venture with Schlumberger Oilfield Holdings Limited. The venture, under the Group's operational management, provides land and transition zone seismic acquisition as well as data processing and interpretation services in Russia, Kazakhstan, Uzbekistan, and Turkmenistan and their respective transition zones. The venture combines the land and transition zone seismic crews and data processing business and technologies of our partners in these countries.

In the first six months ended June 30, 2011, we conducted 577,473 seismic shot points compared to 532,505 in the first six months ended June 30, 2010. The 8.4% increase was due to higher demand and use of shot-point-intensive technology.

Group Structure

The Group currently has 10 principal operating subsidiaries directly involved in providing oilfield services and manufacturing drilling tools. We also have holding, management and finance subsidiaries that provide procurement, research and engineering, administrative and financing functions. In total, we hold interests in 40 subsidiaries, 25 of which we wholly own.

We also own minority interests in 3 companies that are treated as associates in our financial statements. The results of operations of these companies are reported in our financial statements using the equity method.

Major Events in the Six Months Ended June 30, 2011

Divestiture of equipment manufacturing assets

In April 2011, the Group completed the sale of Stromneftemash, a manufacturer of cementing units and other oilfield equipment, for US\$21.8 million. In August 2011, the group sold Tyumen Shipbuilding Plant (“TSP”), a non-producing manufacturing asset previously involved in the rig manufacturing process, for US\$26.8 million. See also “Results of Operations — Discontinued Operations and Assets Held for Sale”.

GDR buy-back program closure

In May 2011, the Group completed its global depository receipts (GDR) buy-back program under which it had repurchased 7,260,040 GDR for a total of US\$25.3 million including transaction costs of \$0.3 million. In July 2011, the Group converted the repurchased 7,260,040 GDRs into 363,002 Class A Integra common shares and simultaneously cancelled them.

Certain Factors Affecting our Financial Position and Operating Results

Our financial position and the results of our operations are affected by certain economic and seasonal factors relating to our business and the markets in which we operate, the economic and legal environment in Russia and certain other CIS countries, and internal measures we undertake in response to and ahead of changes in the operating and market environment. The biggest factors affecting our operating results in 2011 were change in the volumes and mix of our products and services, improved efficiency in some services, cost inflation of some materials and third-party services used in our operations and manufacturing, limited price increases for our products and capital optimization measures.

OFS Market Conditions

Since the beginning of 2010 oilfield services market conditions have been gradually improving due to positive oil price dynamics and changes in upstream and corporate taxation introduced in 2009. However, despite the gradual industry recovery, the excess capacity and low prices established at the start of the global economic downturn have still not been reversed in 2011. The OFS industry cost base is gradually increasing due to higher employee (social) and fuel costs with only limited pricing power to compensate for this, resulting in a profit squeeze for most industry players.

Drilling and well construction activities were affected the most during the crisis, as lower hydrocarbon prices primarily resulted in lower demand for exploration and development. With further market stabilization in 2010, drilling services continue to experience the highest increase in demand, with associated well construction and technology services demonstrating a similar recovery in the volume of operations.

In general, the spending plans of our key OFS customers are higher in 2011 compared to 2010, as shown by the strong order books of key OFS providers. However, Russian OFS industry demand beyond contracted 2011 volumes is expected to be driven by commodity prices and renewed global economic uncertainty.

Macroeconomic Trends

Most of our revenues are generated, and most of our costs incurred, in Russia and are, therefore, Russian ruble-denominated, while our reporting currency is the US dollar. As a result, Russian macroeconomic trends, in particular the RR/US\$ exchange rate and inflation, significantly influence our financial position and results of operations. In addition, trends in the Urals oil price substantially influence the capital and operating expenditure programs of our customers in the oil sector. We believe macroeconomic factors have been a principal driver of the increase in our revenues during the periods under review.

The table below summarizes certain key macroeconomic indicators relating to the Russian economy for the periods indicated.

	The Year Ended December 31,				Six Months Ended June 30,	
	2007	2008	2009	2010	2010	2011
GDP Growth	8.1%	5.6%	(7.9%)	4.0%	4.2%	3.9%
Consumer price index	11.9%	13.3%	8.8%	8.8%	4.4%	5.0%
Industrial production index	6.3%	2.1%	(10.8)%	8.2%	10.2%	5.3%
Unemployment rate	6.1%	6.3%	8.4%	7.5%	7.4%	6.1%
Average Exchange Rate (RR/US\$)	25.58	24.85	31.72	30.37	30.07	28.62
Average Exchange Rate (RR/EUR)	35.02	36.43	44.14	40.30	39.91	40.13
Urals oil price Med (US\$/bbl)	69.68	95.22	61.80	78.20	75.88	108.12

Sources: Ministry of Economic Development of Russian Federation.

Changes in the exchange rate of the Russian ruble to the US dollar significantly influence our reported revenues and operating costs, as the Russian ruble is our main operating currency while our reporting currency is the US dollar. In the first half of 2011, we experienced a 12.7% increase in our revenues and a 15.7% increase in costs of sales, denominated in US dollars in our financial reports, compared to the first six months of 2010; strengthening of the Russian ruble against the US dollar accounted for a 5.4% and a 5.6% increase in our revenues and cost of sales, respectively.

Global Economic Conditions

The global economy grew in 2010, with most major economies showing positive growth due to manufacturing industry turnaround and a relative recovery in financial markets and banking sector, with the volume of lending having started to grow. However, growth in many major economies is still weak, considering the mild slowdown in the second quarter of 2011 due to elevated downside risks, such as debt sustainability, persistent fiscal and financial sector imbalances and political risks that have arisen. Growth in most emerging and developing economies continues and is forecasted to be strong.

Global oil markets are in a period of increased scarcity, as oil demand in emerging economies is rapidly catching up with demand in advanced economies and production constraints are beginning to bind in some major oil-exporting economies, where oil fields have reached maturity. Although improvements in financial system robustness have been insufficient, analysts predict strong recovery in the Russian drilling and oilfield service markets and forecast rapid growth of drilling, workover and seismic acquisition services by 2014. In addition to the ongoing drilling and maintenance activity within mature producing regions, the exploration and development of new prospective Russian frontier zones will continue.

Seasonality

Our sales from drilling and workover services tend to be lower in the first quarter of the year, reflecting the effect of extreme winter weather in the oil and gas producing regions of Russia and the operational and contracting cycle. We generally transport a substantial portion of our materials and spare parts, including moving rigs to new sites, during the winter when the ground is sufficiently frozen to create access roads over terrain that is impassable at other times of the year (e.g., the boggy landscape typical of Western Siberia). Extreme weather can also result in a reduction in drilling and workover activity during this period. We actively monitor and manage the supply and transportation of equipment, including rigs, materials and spare parts, to drilling and workover operation sites with the aim of ensuring maximum time in operation for each rig. The share of total work performed in the low season (the first quarter) was 44% of the total first six months of 2011 compared to 38% of the total first six months of 2010.

In the Technology Services segment, the peak volumes for drilling tool production and provision of services come during the second and third quarters, while revenue generation is lower in the fourth quarter. In the first quarter, our revenues also tend to be lower due to mobilization activities and preparation for the new season. The volume of work performed in the low season (the first quarter) was 43% of the total (for the first and second quarters) in the first six months of 2011, compared to 40% in the first six months of 2010.

In the Formation Evaluation segment, there is a limited season for providing formation evaluation services in Siberia as we cannot access many areas in certain periods due to flooding caused by winter thawing and the melting of bogs. As a result, we generate lower revenues from these services in the third quarter of the year. This seasonal pattern will change in 2011 due to the launch of summer off-season volumes. Occasionally, volumes in the second quarter can be affected by early spring thaw.

We believe that the impact of seasonality on our businesses will gradually become less pronounced, particularly in seismic services, where we continue to introduce initiatives to re-deploy seismic assets to other locations during off-peak seasons in Russia.

Changes in the Mix of Services and Products

Our operating results are affected by changes in the mix of services and equipment we provide to our customers. As a result of our acquisitions and the new businesses we have launched, our services and product offerings have expanded from drilling services alone in January 2005 to a wide range of onshore oilfield services for the exploration, development and production of oil and gas and drilling tools manufacturing. Consistent with our strategy, over 2008 and 2009 we have added and expanded a number of new value-adding services, such as coil tubing, directional drilling, cementing and seismic data interpretation and processing, to our portfolio of services and products, while in 2010 we divested our heavy drilling rig manufacturing business. Our mix of services and products over time is also influenced by the relatively fast growth of some of our businesses, such as formation evaluation and technology services, compared to others.

Significant shifts in demand for our services at the end of 2008 and during 2009 had a noticeable effect on the share of certain products within the mix of services we provide. In Drilling, Workover and IPM segment, there was a significant reduction of demand for drilling in 2009, which was partially compensated for by the relatively stable workover business and a moderate increase in IPM volumes. In 2011 demand for drilling and workover services has been rising but has been partially offset by lower IPM volumes.

In Technology Services, volumes were higher across the segment. There was a moderate decrease in drill bit services due to the termination of certain contracts. The share of drilling tools manufacturing revenue within the segment was lower than that of other services such as cementing and directional drilling. The overall change in the mix of technology products and services in the first half of 2011 compared to the full year of 2010 was negligible.

In the Formation Evaluation segment, in the first half of 2011, we increased volumes of vibro and transition zone work in Kazakhstan and Kazakhstan's overall share in the segment's seismic data acquisition activities. With the launch of the seismic joint venture, the share of data processing and interpretation work increased.

Contracting

Current contracting practices in the Russian and CIS OFS markets contribute to fluctuations in our operating results and our financing needs. Most of our business is obtained through open tenders conducted annually. This process generally begins with requests for proposals in September and ends with contractual commitments being signed between December of the same year and March of the following year. Contracting for seismic jobs to be carried out in the winter seismic season (November through April) is usually tendered and contracted from September through November of each year.

A significant portion of our revenues is recognized on a percentage-of-completion basis (especially in IPM, drilling and seismic contracts). IFRS require us to make estimates of expected project completion costs and profits or losses (if any) until the contract is completed.

2011 Order Book

As of August 22, 2011, the Group had signed contracts in the amount of US\$796.8 million (RR 23.9 billion) in revenues for services and equipment to be delivered to customers during 2011. The total order book, which in addition to the signed contracts includes the value of business won in tenders but not yet contracted, is US\$856.1 million (RR 25.7 billion). The total order book is 13.5% higher in Russian ruble terms and 17.3% higher in US\$ terms (at an exchange rate of 30.0 RR/US\$) than the 2010 order book as at August 23, 2010 (at an exchange rate of 31.0 RR/US\$), which was adjusted for the order book of discontinued operations (URBO and Stromneftemash). Approximately, 91% of the total order book is denominated in Russian rubles.

The table below shows a breakdown of our 2011 order book by segment as of August 22, 2011, with Russian ruble values converted into US\$ terms at a rate of 30.0 RR/US\$:

	Contracts signed ¹		Tenders won, contracts not yet signed		Total order book	
	US\$ (m)	RR (bn)	US\$ (m)	RR (bn)	US\$ (m)	RR (bn)
Drilling, Workover and IPM	378.6	11.4	39.6	1.2	418.2	12.6
Technology Services	179.9	5.4	7.7	0.2	187.6	5.6
Formation Evaluation	238.3	7.1	12.0	0.4	250.3	7.5
Total	796.8	23.9	59.3	1.8	856.1	25.7

¹ Signed contracts may be subject to renegotiation of volumes and/or other terms or even cancellation, and both signed contracts and tenders won may not proceed as originally planned or at all.

While we see demand for our services increasing, the outlook beyond our contracted order book remains driven by the macroeconomic environment. See also “Certain Factors Affecting our Financial Position and Results of Operations”.

As of August 22, 2011, our 2011 order book shows the following dynamics in Russian ruble terms compared to the order book as at August 23, 2010:

- Drilling, Workover and IPM segment orders are up 8.6% due to a pick-up in demand for drilling services which has been partially offset by lower IPM demand.
- Technology Services segment orders are up 8.8% due to higher demand for cementing and directional drilling services, supported by slight reduction in demand for drilling tools and well logging services.
- Formation Evaluation segment orders are up 27.4% due to a pick-up in demand for seismic services in Russia, particularly during the summer season, a new service offered from 2011, and to additional volumes received as part of the seismic joint venture with Schlumberger.

Results of Operations

In the six months ended June 30, 2011, a continued improvement in demand resulted in an increase in our revenues, while industry-wide operating cost increases put pressure on the Group’s Adjusted EBITDA and margins. Due to lower non-operating costs, particularly interest expenses, and recognition of a deferred tax gain, the Group recorded a net profit. Cash generated from operations was less than in the six months ended June 30, 2010 due to lower earnings and higher outflow to working capital.

The Group has attributed the direct selling, general and administrative expenses of its business segments from corporate/holding company level to their respective business segments. The corresponding restatement for the six months ended June 30, 2010 and 2011 was made for comparison purposes. This reclassification does not affect the Group’s Adjusted EBITDA and affects segment reporting only.

The table below summarizes our unaudited consolidated operating results for the six months ended June 30, 2011 and 2010¹, respectively:

	Six Months Ended June 30, 2011 (unaudited)	Six Months Ended June 30, 2010 (unaudited)
(in thousands of US dollars)		
Continuing operations		
Sales	457,337	405,802
Cost of sales	(384,923)	(332,556)
Impairment of property, plant and equipment	(300)	(4,306)
Gross profit	72,114	68,940

¹ The continuing operations exclude the results of URBO and Stromneftemash and Tyumen Shipbuilding Plant which is included in Profit (loss) from discontinued operations. See “Results of Operations—Profit (loss) profit from discontinued operations” for further details.

Selling, general and administrative expenses	(67,104)	(62,479)
(Loss) profit from disposal of property, plant and equipment and intangible assets	(2,444)	488
Operating profit (loss)	2,566	6,949
<i>Operating profit (loss) margin, %</i>	<i>0.6%</i>	<i>1.7%</i>
Finance expense (net of finance income)	(9,881)	(22,680)
Exchange gain	4,641	3,405
Share of results of associates	(1,040)	161
Profit (loss) before income tax	(3,714)	(12,165)
Income tax benefit (expense)	21,526	(8,545)
Profit (loss) for the period from continuing operations	17,812	(20,710)
Discontinued operations		
Loss from discontinued operations	(4,866)	(9,729)
Profit (loss) for the period	12,946	(30,439)
Other comprehensive income (loss)		
Effect from foreign exchange hedge	-	(1,834)
Exchange gain (loss) from translation to presentation currency	29,940	(11,087)
Total comprehensive profit (loss) for the period	42,886	(43,360)
Comprehensive profit (loss) attributable to non-controlling interest	3,331	(197)
Comprehensive profit (loss) attributable to shareholders of Integra Group	39,555	(43,163)
Reconciliation of operating profit (loss) to the adjusted EBITDA		
Operating profit (loss)	2,566	6,949
Share of results in associates	(1,040)	161
Extraordinary loss from the contract in Yemen	2,657	-
EBIT	4,183	7,110
Depreciation of property, plant and equipment	44,402	43,717
Amortization of intangible assets	1,297	2,348
Impairment of property, plant and equipment	300	4,306
Loss from disposal of property, plant and equipment and intangible assets	2,444	(488)
Share-based compensation	2,689	5,330
Share of results in associates	1,040	(161)
Adjusted EBITDA¹	56,355	62,162
<i>Adjusted EBITDA margin, %</i>	<i>12.3%</i>	<i>15.3%</i>

¹ Adjusted EBITDA is calculated as profit (loss) from continuing operations before finance income (expense), exchange gains (losses), current and deferred income taxes, depreciation and amortization, impairment, write-off or disposal of property, plant and equipment or intangible assets, gains (losses) on acquisition and disposal of any interest in the Group's subsidiaries or associates, impairment of goodwill, share of results in associates, share-based compensation and profit (loss) attributable to non-controlling interest.

The Six Months Ended June 30, 2011, Compared to the Six Months Ended June 30, 2010

Sales

Our consolidated sales were US\$457.3 million for the six months ended June 30, 2011, up US\$51.5 million from US\$405.8 million for the six months ended June 30, 2010. Our revenues increased by 12.7%, of which an increase of 5.4% was due to the strengthening of the Russian ruble and 7.3% was due to business factors, such as an increase in the volume of operations across all of our business segments due to higher exploration and development spending by our key customers, a result of the continuing increase in oil prices and overall stabilization of global economic conditions. Overall, the pricing factor had a neutral effect on consolidated sales.

Cost of Sales and Other Operating Expenses

Cost of sales

The table below provides information on the major components of consolidated cost of sales for the six months ended June 30, 2011 and 2010:

	Six Months Ended June 30, 2011 (unaudited)		Six Months Ended June 30, 2010 (unaudited)	
	US\$000'	% of total	US\$000'	% of total
Services and other expenses	158,237	41%	125,692	38%
Employee costs (including mandatory social contributions)	133,901	35%	118,976	36%
Materials and supplies	46,066	12%	44,291	13%
Depreciation and amortization	44,062	11%	43,597	13%
Loss from a contract in Yemen	2,657	1%	-	-
Total cost of sales	384,923	100%	332,556	100%

Our cost of sales was US\$384.9 million for the six months ended June 30, 2011, up by US\$52.3 million, or 15.7%, from US\$332.6 million for the first six months ended June 30, 2010. Of this, an increase of 5.6% was due to the fluctuation in the value of the Russian ruble, and 10.2% due to business factors, such as an increase in the volume of operations, an increase in social tax payments, higher prices of services procured from third parties (particularly transportation), and an increase in operating costs for international projects.

Employee costs

Our employee costs increased by 12.5% in the six months ended June 30, 2011 compared to the same period of 2010, of which an increase of 5.4% was due to the strengthening of the Russian ruble, 6.7% was due to higher social costs and 0.4% was due to an increase in the volume of our operations resulting from more paid man-hours on the back of slightly lower total headcount, which decreased by 9% in the first half of 2011.

Employee costs include the social costs that we are required to pay to the Russian government in support of the state pension fund, state social insurance fund and state medical fund. This figure amounted to US\$28.2 million for the six months ended June 30, 2011 and US\$20.1 million for the six months ended June 30, 2010. Contributions are payable according to a regressive sliding scale up to a maximum of 34% depending on the level of the salaries, wages and benefits of our employees in the Russian Federation.

Employee costs made up 35% and 36% of our total cost of sales for the six months ended June 30, 2011 and 2010, respectively.

Services and other expenses

Our services and other expenses increased by 25.9% in the six months ended June 30, 2011 compared to the same period of 2010, of which an increase of 6.0% was due to the strengthening of the Russian ruble and 19.8% was due to an overall increase in the volume of our operations and resulting higher volumes of subcontracting and outsourcing or equipment rental as well as higher transportation costs due to rising fuel prices.

Services contracted from third parties and other expenses made up 41% and 38% of our total cost of sales for the six months ended June 30, 2011 and 2010, respectively.

Materials and supplies

Our materials and supplies costs increased by 4.0% in the six months ended June 30, 2011, compared to the same period of 2010. Of this, an increase of 5.0% was due to the strengthening of the Russian ruble, which was offset by a slight decrease in ruble costs of 0.9%.

Material and supplies costs remained relatively stable at 12% and 13% of our total cost of sales for the six months ended June 30, 2011 and 2010, respectively.

Depreciation and amortization

Our depreciation of property, plant and equipment (“depreciation”) and amortization of intangible assets (“amortization”) in cost of sales increased by 1.1%. Of this, an increase of 4.9% was due to the strengthening of the Russian ruble, which was offset by a decrease in ruble costs of 3.7%. The slight decline resulted from a decrease in the carrying value of assets resulting from the sale or impairment of property, the use of leased equipment to perform obligations under certain contracts, and lower capital expenditure in 2009-2010 than in 2008.

Depreciation and amortization remained relatively stable at 11% and 13% of our total cost of sales for the six months ended June 30, 2011 and 2010, respectively.

Loss from a contract in Yemen

In December 2009, the Group entered into a contract to perform seismic services in Yemen for a total contract price of \$9.0 million. Since February 2011, there has been political unrest in Yemen and the Group has had to suspend its operating activities and bear expenses related to maintaining its operating base in the country. Currently, the situation in Yemen appears to be stabilizing and the Group expects to restart the work in September 2011. Since the start of the upheaval the Group incurred total costs of \$6.9 million, and it expects to incur a total loss of \$2.7 million by completion which has been recognized in the interim condensed consolidated statement of comprehensive income.

Impairment of property, plant and equipment

Impairment of property, plant and equipment incurred totaled US\$0.3 million for the six months ended June 30, 2011, compared to US\$4.3 million in total impairment for the six months ended June 30, 2010.

Selling, general and administrative expenses

A significant portion of our total selling, general and administrative (“SG&A”) expenses is incurred by the corporate function, including executive management, finance and accounting staff, legal and corporate governance, budget and cost control personnel, corporate finance and treasury management compensation, and the costs of third-party advisors and consultants, as required.

For the six months ended June 30, 2011, our SG&A expenses were US\$67.1 million, up by 7.4% from US\$62.5 million for the six months ended June 30, 2010. Of this an increase of 5.2% was due to the strengthening of the Russian ruble. SG&A expenses equaled 14.7% of revenues in the six months ended June 30, 2011, compared to 15.4% in the six months ended June 30, 2010.

The table below provides a breakdown of SG&A expenses for the six months ended June 30, 2011, and 2010:

	Six Months Ended June 30, 2011		Six Months Ended June 30, 2010	
	(unaudited)		(unaudited)	
	US\$000'	% of total	US\$000'	% of total
Employee costs (including mandatory social contributions of US\$ 5.1 million and US\$3.8 million for the six months ended 30 June 2011 and 2010, respectively)	33,956	51%	27,622	44%
Services and other expenses	20,608	31%	18,186	29%
Taxes, other than income taxes	3,685	5%	2,743	4%
Receivables impairment, bad debt and other write-offs	3,074	5%	3,527	6%
Share-based compensation expense	2,689	4%	5,330	9%
Depreciation and amortization	1,637	2%	2,468	4%
Transportation expenses	1,468	2%	1,080	2%
Inventories impairment and obsolete stock write-offs	(13)	0%	1,523	2%
Total selling, general and administrative expenses	67,104	100%	62,479	100%

Total SG&A costs increased by 7.4%, due to (i) a 22.9% increase in employee costs primarily resulting from the social tax increase, strengthening of Russian ruble and a slight corporate headcount increase following consolidation of the seismic joint venture (ii) a 13.3% increase in services and other expenses resulting from the higher cost of consulting and transportation services and strengthening of Russian ruble, (iii) a 34.3% increase in taxes, other than income taxes resulting from higher property tax payments. These increases were partially offset by (iv) a 49.5% decrease in the share-based compensation program mainly due to a reduction in the number of unvested stock options and Restricted Stock Units (RSUs), (v) a more than 1 time decrease in inventory impairment and obsolete stock write-offs, (vi) a 33.7% decrease in depreciation and amortization relating to corporate headquarters and (vii) a 12.8% decrease in our receivables impairment, bad debt and other write-offs due to the unique and non-recurring nature of such provisions.

Loss from disposal of property, plant and equipment

The loss on asset disposals of US\$2.4 million for the six months ended June 30, 2011, compared to the gain of US\$0.5 million for the six months ended June 30, 2010, reflects the effects of unamortized amounts on the disposal exceeding the scrap value of the unused assets disposed.

Operating Profit and Operating Profit Margin

We reported an operating profit of US\$2.6 million for the six months ended June 30, 2011 compared to US\$6.9 million for the six months ended June 30, 2010. The decrease in operating profit was due to (i) higher depreciation and amortization, (ii) an increase in employee and social costs, and in the cost of services procured from third parties in Technology Services and Formation Evaluation, (iii) lower profitability of seismic contracts due to late contracting and early spring thaw resulting in a shift of volumes to the next seismic season, as well as a shift towards lower-margin explosive technology in Kazakhstan, and (iv) losses on work in Yemen and bad debt provisions; which was partially offset by (v) an increase in the volume of operations, (vi) improved profitability of contracts in the Drilling, Workover and IPM segment as a result of increased demand and efficiency measures undertaken.

For the six months ended June 30, 2011, our operating profit margin was a positive 0.6% compared to a positive 1.7% for the six months ended June 30, 2010.

Other Non-operating Expenses

Finance expense (net of finance income)

Finance expense includes interest on short-term and long-term borrowings, amortization of discounts or premiums relating to borrowings, amortization of ancillary costs incurred in connection with the arrangement of borrowings, and finance charges in respect of finance leases recognized.

Finance expense (net of finance income) decreased by US\$12.8 million, or 56.4%, to US\$9.9 million for the six months ended June 30, 2011, compared to US\$22.7 million for the six months ended June 30, 2010. This decrease was due to a reduction in total borrowings and overall average borrowing rates.

Exchange gain (loss)

We incur foreign exchange differences primarily on US dollar-denominated monetary items (including borrowings) in entities whose functional currency is the Russian ruble. Transactions denominated in US dollars and other foreign currencies are translated into rubles on incurrence and the carrying values of monetary items are re-translated based on the exchange rate at the reporting date, with the difference being shown in our profit and loss component of the interim condensed consolidated statement of comprehensive income. We do not incur exchange gains/losses on US dollar-denominated items at the Integra Group level as its functional currency is the US dollar.

We recorded a net foreign exchange gain of US\$4.6 million during the six months ended June 30, 2011, compared to a net foreign exchange gain of US\$3.4 million during the six months ended June 30, 2010, primarily as a result of the change in the exchange rates applied to borrowings net of cash (both denominated in US dollars) and other US dollar-denominated settlements outstanding in 2010.

Share of results of associates

We hold interests in OAO Nizhnevartovskgeophysika, OAO Stavropolneftegeophysika and ZAO Neftegeotechnology. Their operating results are reported in our financial statements using the equity method.

Our share of results in our associates, net of income tax, decreased to negative US\$1.0 million for the six months ended June 30, 2011, from positive US\$0.2 million for the six months ended June 30, 2010.

Income Tax

We have received a total income tax benefit of \$21.5 million after a one-off recognition of a deferred tax asset in Integra Drilling because offsetting the latter's accumulated tax loss against future profits generated by it became possible following the merger of our Integrated Project Management business into it.

Overall, our effective tax rate excluding the effect of the deferred tax asset recognition described above was significantly higher than the Russian corporate tax rate of 20% in the six months ended June 30, 2011, because Russian law does not allow the consolidation of losses and profits in different subsidiaries, and specifies that certain expenses and charges are not tax-deductible.

Profit (Loss) from Continuing Operations

As a result of the foregoing factors, our profit from continuing operations increased by US\$38.5 million, to US\$17.8 million for the six months ended June 30, 2011, from a loss of US\$20.7 million for the six months ended June 30, 2010.

Discontinued Operations and Assets Held for Sale

In the six months ended June 30, 2010, the Group recognized ZAO URBO, the sole manufacturer of drilling rigs within the Group, as discontinued operation and sold its 100% interest in it in August 2010. In April 2011, the Group disposed of Stromneftemash, a manufacturer of cementing units and other oilfield equipment. In December 2010 the Group decided to dispose of Tyumen Shipbuilding Plant ("TSP"): it completed this sale in August 2011. All the aforementioned entities were part of the discontinued Equipment Manufacturing segment.

The Group recognized Stromneftemash's and TSP's assets and liabilities as held-for-sale as of December 31, 2010. Stromneftemash represented a discontinued operation that was a separate business line and cash-generating unit. The Group sold Stromneftemash in April 2011 and TSP in August 2011, for \$21.8 million and \$26.8 million respectively.

An analysis of the results of the discontinued operations, and the results of the recognized on re-measurement of assets follows:

For the period until the disposal in the six months ended June 30, 2011:	Stromneftemash
Sales	5,863
Expenses	(7,538)
Loss before tax	(1,675)
Income tax	(4,013)
Loss after tax	(5,688)
Consideration received from the disposal of Stromneftemash in cash	15,107
Consideration received from the disposal of Stromneftemash in GDR and stock options	6,685
Net assets of Stromneftemash on disposal	(21,084)
Pre-tax cost to sell	(122)
Income tax benefit	236

After-tax cost to sell	114
Profit (loss) from discontinued operations	(4,866)

The net cash flows of the discontinued operations were as follows:

For the period until disposal in the six months ended June 30, 2011:	Stromneftemash
Net cash used in operating activities	13,493
Net cash generated from (used in) investing activities	-
Net cash generated from (used in) financing activities	(19,430)
Net decrease in cash and cash equivalents	(5,937)

The assets and liabilities of Stromneftemash at the date of disposal were as follows:

	At disposal date
Cash and cash equivalents	584
Trade and other receivables	10,393
Inventories	10,037
Property, plant and equipment	11,803
Intangible assets	107
Other non-current assets	3
Total assets	32,927
Accounts payable and accrued liabilities	8,910
Other taxes payable	2,925
Deferred tax liability	8
Total liabilities	11,843
Net assets	21,084

The assets and liabilities of TSP at June 30, 2011. were as follows:

	June 30, 2011
Cash and cash equivalents	734
Trade and other receivables	1,410
Inventories	610
Property, plant and equipment	14,472
Intangible assets	16
Other non-current assets	56
Total assets	17,298
Accounts payable and accrued liabilities	127
Other taxes payable	33
Total liabilities	160

Profit (Loss) for the period

As a result of the foregoing factors, our net profit (loss) for the six months ended June 30, 2011, was US\$12.9 million, up US\$43.3 million, from negative US\$30.4 million for the six months ended June 30, 2010.

Depreciation and Amortization

Our depreciation expenses from continuing operations (including those recorded under cost of sales and SG&A) for the six months ended June 30, 2011, were US\$44.4 million, up US\$0.7 million, or 1.6%, from US\$43.7 million for the six months ended June 30, 2010. Of this, an increase of 4.9% was due to the strengthening of the Russian ruble, which was offset by a decrease in ruble costs of 3.3%. The slight decline resulted from a decrease in the carrying value of assets resulting from the sale or impairment of property, the use of leased equipment to perform obligations under certain contracts, and lower capital expenditure in 2009-2010 than in 2008.

Our amortization for the six months ended June 30, 2011, was US\$1.3 million, down US\$1.0 million, or 43.5%, from US\$2.3 million for the six months ended June 30, 2010. This decrease was primarily due to completion of amortization of long-term customer / supplier relationships and certain other intangible assets in 2010.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA is calculated as profit (loss) from continuing operations before finance income (expense), exchange gains (losses), current and deferred income taxes, depreciation and amortization, impairment, write-off or disposal of property, plant and equipment or intangible assets, gains (losses) on acquisition and disposal of any interest in the Group's subsidiaries or associates, impairment of goodwill, share of results in associates, share-based compensation and profit (loss) attributable to non-controlling interest

Adjusted EBITDA for the six months ended June 30, 2011, was US\$56.4 million, down 9.3%, from US\$62.2 million for the six months ended June 30, 2010. This resulted from (i) an increase in employee and social costs, cost of services procured from third parties in Technology Services and Formation Evaluation, (ii) lower profitability of seismic contracts due to late contracting and early spring thaw resulting in a shift of volumes to the next seismic season, as well as shift towards lower-margin explosive technology in Kazakhstan, and (iii) recorded bad debt provisions; which was offset by (iv) an increase in the volume of operations, (v) improved profitability of contracts in Drilling, Workover and IPM segment as a result of increased demand and efficiency measures undertaken.

Our Adjusted EBITDA margin decreased to 12.3% for the six months ended June 30, 2011, from 15.3% for the six months ended June 30, 2010, reflecting a higher proportional increase in cost of sales than in sales primarily due to a lack of a significant pricing power.

Segment Results

The table below provides selected information about our results by segment for the six months ended June 30, 2011 and 2010.

	Six Months Ended June 30, 2011 (unaudited)	Six Months Ended June 30, 2010 (unaudited)
	(in thousands of US dollars)	
<i>Drilling, Workover and IPM</i>		
Continuing operations		
Sales	209,141	184,759
Cost of sales	(180,457)	(162,315)
Gross profit	28,684	22,444
Selling, general and administrative expenses	(17,896)	(19,232)
Loss from disposal of property, plant and equipment and Intangible assets	(939)	453
Operating profit	9,849	3,665
<i>Operating profit margin, %</i>	4.7%	2.0%
Corporate overheads directly allocated to segments	(2,086)	(1,562)
EBIT	7,763	2,103
Adjusted EBITDA	24,853	20,296

<i>Adjusted EBITDA margin, %</i>	11.9%	11.0%
Discontinued operations	-	-
<hr/>		
<i>Technology services</i>		
Continuing operations		
Sales	101,582	92,375
Cost of sales	(72,219)	(61,628)
Impairment of property, plant and equipment	-	(3,339)
Gross profit	29,363	27,408
Selling, general and administrative expenses	(8,431)	(7,395)
Loss from disposal of property, plant and equipment and Intangible assets	(883)	(41)
Operating profit	20,049	19,972
<i>Operating profit margin, %</i>	19.7%	21.6%
Corporate overheads directly allocated to segments	(1,613)	(1,427)
Share of results of associates	(1,040)	161
EBIT	17,396	18,706
Adjusted EBITDA	29,281	31,591
<i>Adjusted EBITDA margin, %</i>	28.8%	34.2%
Discontinued operations	-	(10)
<hr/>		
<i>Formation Evaluation</i>		
Continuing operations		
Sales	151,886	132,601
Cost of sales	(137,684)	(112,010)
Impairment of property, plant and equipment	(300)	(967)
Gross profit	13,902	19,624
Selling, general and administrative expenses	(15,488)	(11,959)
Loss from disposal of property, plant and equipment and Intangible assets	(598)	76
Operating profit (loss)	(2,184)	7,741
<i>Operating (loss) profit margin, %</i>	(1.4)%	5.8%
Corporate overheads directly allocated to segments	(167)	(991)
Loss from the contract in Yemen	2,657	-
EBIT	306	6,750
Adjusted EBITDA	20,081	24,502
<i>Adjusted EBITDA margin, %</i>	13.2%	18.5%
Discontinued operations	-	-
<hr/>		

<i>Corporate</i>		
Sales	-	-
Cost of sales	-	-
Gross profit	-	-
Selling, general and administrative expenses	(25,021)	(22,332)
Loss from disposal of property, plant and equipment and Intangible assets	(13)	-
Operating loss	(25,034)	(22,332)
Corporate overheads directly allocated to segments	3,866	3,980
EBIT	(21,168)	(18,352)
Adjusted EBITDA	(17,761)	(12,135)
Discontinued operations	537	(3,856)
<i>Other</i>		
Continuing operations		
Sales	3,239	2,769
Cost of sales	(2,565)	(2,771)
Gross profit (loss)	674	(2)
Selling, general and administrative expenses	(507)	(813)
Operating profit (loss)	167	(815)
<i>Operating profit (loss) margin, %</i>	5.2%	(29.4)%
EBIT	167	(815)
Adjusted EBITDA	171	(810)
<i>Adjusted EBITDA margin, %</i>	5.3%	(29.3)%
Discontinued operations	36	-
<i>Intersegment Eliminations</i>		
Sales	(8,511)	(6,702)
Cost of sales	8,002	6,168
Gross profit (loss)	(509)	(534)
Selling, general and administrative expenses	239	(748)
Loss from disposal of property, plant and equipment and Intangible assets	(11)	-
Operating loss	(281)	(1,282)

The Six Months Ended June 30, 2011 Compared to the Six Months Ended June 30, 2010

Drilling, Workover and IPM

Sales

Drilling, Workover and IPM sales made up 44.9% of our total sales (before inter-segment eliminations) for the six months ended June 30, 2011, compared to 44.8% for the six months ended June 30, 2010. Sales in this segment increased by US\$24.3 million, or 13.1%, to US\$209.1 million for the six months ended June 30, 2011 from US\$184.8 million for the six months ended June 30, 2010. Of this, an increase of 5.4% was due to the strengthening of the Russian ruble and 7.7% was primarily from an increase in the volume of drilling services provided due to higher demand, which was partially offset by slightly lower IPM and Workover revenues.

Cost of sales

Cost of sales for Drilling, Workover and IPM grew by US\$18.2 million, or 11.2%, to US\$180.5 million for the six months ended June 30, 2011, from US\$162.3 million for the six months ended June 30, 2010. Key cost components and their share in this segment's cost of sales for the six months ended June 30, 2011, were as follows: services procured from third parties: 54.6%; employee costs: 28.0%; depreciation and amortization: 8.9%; and materials: 8.5%. The increase in the segment's cost of sales was proportionate to the increase in segment's revenues. An increase of 5.3% in cost of sales was due to the strengthening of the Russian ruble.

Operating profit and operating profit margin

For the six months ended June 30, 2011, operating profit in Drilling, Workover and IPM increased by US\$6.1 million, or 1.65 times, to US\$9.8 million from US\$3.7 million for the six months ended June 30, 2010. The increase in operating profit was a result of the increase in sales and in the volume of operations due to higher demand coupled with cost optimization resulting from implemented efficiency measures, primarily further headcount optimization and lower amortization of intangibles.

The operating profit margin in this segment improved to 4.7% for the six months ended June 30, 2011 from 2.0% for the six months ended June 30, 2010.

Adjusted EBITDA and Adjusted EBITDA margin

For the six months ended June 30, 2011, Adjusted EBITDA in the Drilling, Workover and IPM segment increased by 22.7% to US\$24.9 million compared to US\$20.3 million for the six months ended June 30, 2010. The increase in Adjusted EBITDA was a result of the increase in the volume of operations due to higher demand for segment's services and cost optimization resulting from implemented efficiency measures.

For the six months ended June 30, 2011, our Adjusted EBITDA margin in Drilling, Workover and IPM increased to 11.9% from 11.0% for the six months ended June 30, 2010.

Technology Services

Sales

Technology Services sales made up 21.8% of our total sales (before inter-segment eliminations) for the six months ended June 30, 2011, compared to 22.4% for the six months ended June 30, 2010. Sales in this segment increased by US\$9.2 million, or 10.0%, to US\$101.6 million for the six months ended June 30, 2011, from US\$92.4 million for the six months ended June 30, 2010. Of this, an increase of 5.3% was due to the strengthening of the Russian ruble and 4.7% was primarily due to higher demand for cementing services, coiled tubing, directional drilling and equipment servicing which was partially offset by a decrease in well logging services and nearly flat revenue from drilling tool manufacturing and rental due to lower pricing.

Cost of sales

Cost of sales for the Technology Services segment increased by US\$10.6 million, or 17.2%, to US\$72.2 million for the six months ended June 30, 2011, from US\$61.6 million for the six months ended June 30, 2010. The key cost components and their share in this segment's cost of sales for the six months ended June 30, 2011 were as follows: employee costs: 37.1%; services procured from third parties: 25.8%; materials: 23.1%; and depreciation and amortization: 13.6%. Of this, an increase of 12.0% was primarily driven by (i) an increase in the share of services procured from third parties, (ii) an increase in labor costs proportionally to our sales, (iii) a significant increase in mandatory social contributions due to change in the law, and (iv) an increase in transportation costs due to higher fuel prices. An increase of 5.6% in cost of sales was due to the strengthening of the Russian ruble.

Operating profit and operating profit margin

Operating profit in the Technology Services segment was flat at US\$20.0 million for the six months ended June 30, 2011 and 2010 due to higher revenues being offset by increase in cost of sales and the non-recurrence of impairment of PP&E in the segment.

The operating profit margin in this segment decreased to 19.7% for the six months ended June 30, 2011, from 21.6% for the six months ended June 30, 2010.

Adjusted EBITDA and Adjusted EBITDA margin

For the six months ended June 30, 2011, Adjusted EBITDA in Technology Services fell by 7.3% to US\$29.3 million from US\$31.6 million for the six months ended June 30, 2010. The decrease in Adjusted EBITDA was due to higher revenue being offset by higher cost of sales, primarily energy, fuel and employee costs/social costs.

For the six months ended June 30, 2011, our Adjusted EBITDA margin in the Technology Services segment decreased to 28.8% from 34.2% for the six months ended June 30, 2010.

Formation Evaluation

Sales

Formation Evaluation sales made up 32.6% of our total sales (before inter-segment eliminations) for the six months ended June 30, 2011, compared to 32.1% for the six months ended June 30, 2010. Sales in this segment increased by US\$19.3 million, or 14.6%, to US\$151.9 million for the six months ended June 30, 2011, from US\$132.6 million for the six months ended June 30, 2010. Of this, an increase of 5.5% was due to the strengthening of the Russian ruble and 9.1% was due primarily to a higher volume of seismic surveys conducted in Russia and Kazakhstan. The pricing component had a neutral impact on sales due to a moderate price increase in Russia being offset by falling price-per-shot point in Kazakhstan. Our joint venture with Schlumberger provided additional data processing and interpretation revenues.

Cost of sales

Cost of sales for Formation Evaluation increased by US\$25.7 million, or 22.9%, to US\$137.7 million for the six months ended June 30, 2011, from US\$112.0 million for the six months ended June 30, 2010. Our key cost components and their share in this segment's cost of sales for the six months ended June 30, 2011, were as follows: employee costs: 41.8%; services procured from third parties: 31.5%; depreciation and amortization: 13.3%; materials: 10.8%. Approximately 81% of cash costs in the segment are variable and therefore depend on the volume of operations. The increase in the segment's cost of sales was primarily due to the increase in the volume of surveys conducted in Russia and Kazakhstan, costs incurred on several winter season contracts without corresponding revenue recognition in the same seismic season due to late contract signing and early spring thawing, higher utilization of rented equipment, as well as operational losses on the international project in Yemen. An increase of 5.8% in cost of sales was due to the strengthening of the Russian ruble.

Operating profit and operating profit margin

For the six months ended June 30, 2011, operating profit (loss) in Formation Evaluation decreased by US\$9.9 million to negative US\$2.2 million from positive US\$7.7 million for the six months ended June 30, 2010. The decrease in operating profit was due to (i) late contracting and early spring thawing in Russia and the resulting partial shift of the production program (and revenue recognition) to the winter season of 2011-2012, (ii) losses on the international project in Yemen due to political turmoil (See "Results of Operations — Loss from the contract in Yemen" for further details) and (iii) an increase in employee costs/social costs.

The operating profit margin in this segment decreased to negative 1.4% for the six months ended June 30, 2011, from positive 5.8% for the six months ended June 30, 2010.

Adjusted EBITDA and Adjusted EBITDA margin

For the six months ended June 30, 2011, Adjusted EBITDA in Formation Evaluation declined by 18.0% to US\$20.1 million from US\$24.5 million for the six months ended June 30, 2010. The decrease in Adjusted EBITDA resulted from (i) late contracting and early spring thawing in Russia and the resulting partial shift of the production program (and revenue recognition) to the winter season of 2011-2012, (ii) an increase in employee costs/social costs.

For the six months ended June 30, 2011, our Adjusted EBITDA margin in the Formation Evaluation segment decreased to 13.2% from 18.5% for the six months ended June 30, 2010.

Liquidity and Capital Resources

Cash Flows

The table below shows our net cash flows from operating, investing and financing activities for the six months ended June 30, 2011 and 2010:

	Six Months Ended June 30, 2011 (unaudited)	Six Months Ended June 30, 2010 (unaudited)
	(in thousands of US dollars)	
Operating cash flows before working capital changes, interest and income taxes	55,161	61,435
Net change in working capital	(30,429)	973
Income tax and finance expense paid	(17,354)	(27,550)
Net cash provided by operating activities	7,378	34,858
Net cash used in investing activities	(21,841)	(26,481)
Net cash provided by (used in) financing activities	(22,016)	582
Cash and cash equivalents at the beginning of the period	54,841	37,272
Effect of exchange differences on cash balances	827	(1,417)
Cash and cash equivalents at the end of the period	19,189	44,814

Operating activities

Net cash provided by operating activities declined by US\$27.5 million to US\$7.4 million in the six months ended June 30, 2011, from US\$34.9 million for the same period of 2010. Free cash flow (defined as net cash provided by operating activities, less purchases of property, plant and equipment and intangible assets) was negative US\$35.2 million in the six months ended June 30, 2011, compared to positive US\$7.8 million for the same period of 2010. The decline in free cash flow was triggered by cash outflow to working capital and higher capital expenditures.

We define working capital as current assets less current liabilities, excluding cash and cash equivalents and short-term debt and assets and liabilities of the disposal group classified as held-for-sale. As of June 30, 2011 we had positive working capital of US\$162.1 million, representing an increase of US\$37.5 million from our positive working capital position of US\$124.6 million as of December 31, 2010. The 30.0% increase in working capital resulted from (i) a 23.2% increase in trade and other receivables and a 23.1% increase in inventories due to increase in revenues and a higher share of contracts in drilling which are recognized on a percentage of completion basis, and (ii) a 8.6% decrease in taxes payable, due to a decrease in taxable earnings, which were partially offset by (iii) a 27.5% increase in accounts payable and accrued liabilities

Investing activities

Net cash used in investing activities was US\$21.8 million and US\$26.5 million for the six months ended June 30, 2011 and 2010, respectively.

Our capital expenditures, representing purchase of property, plant and equipment and intangible assets during the six months ended June 30, 2011 and 2010 amounted to the following:

	Six Months Ended June 30, 2011 (unaudited)	Six Months Ended June 30, 2010 (unaudited)
	(in millions of US dollars)	
Additions to non-current assets	47.9	23.3
Changes in accounts payable and advances paid balances for property, plant and equipment, intangible assets for the reporting period	(5.3)	3.8
Capital expenditure, total for the period	42.6	27.1

Our business is capital intensive and we have to regularly upgrade our manufacturing facilities and to maintain, replace and add to equipment portfolio.

Of the total US\$47.9 million of additions to non-current assets in the six months ended June 30, 2011:

- US\$21.8 million, or 45.5%, related to Drilling, Workover and IPM, of which 10.6% went on buying new drilling equipment and the rest was sustaining capital expenditure.
- US\$10.1 million, or 21.1%, related to Technology Services, of which 81.4% went on buying new equipment for our directional drilling, drilling tools, cementing and coil tubing services, and the rest was sustaining capital expenditure.
- US\$15.7 million, or 32.8%, related to Formation Evaluation, of which 95.1% went on renovating and adding to our stock of seismic equipment (vibrators and seismic channels) and the rest was sustaining capital expenditure.
- US\$0.3 million, or 0.6%, related to our corporate offices.

During the six months ended June 30, 2011 we received US\$14.4 million from the disposal of Stromneftemash and US\$3.0 million from the disposal of property, plant and equipment. Proceeds from loan repayments amounted to US\$3.0 million.

Financing activities

Net cash used in financing activities was US\$22.0 million compared to net cash of US\$0.6 million provided for the six months ended June 30, 2011 and 2010, respectively. In 2011, we raised US\$37.4 million in new bank borrowings and repaid outstanding borrowings of US\$48.7 million.

For the six months ended June 30, 2011, net cash proceeds from the disposal of a non-controlling interest amounted to US\$7.0 million.

In May 2011, the Group completed its global depository receipts (GDR) buy-back program. During the six month ended June 30, 2011 the Group had repurchased its GDR for the total amount of US\$19.1 million. In July 2011, the Group converted the repurchased 7,260,040 GDR into 363,002 Integra's Class A common shares and simultaneously cancelled them.

Borrowings

As of June 30, 2011, our total outstanding debt was US\$166.6 million. We had cash and cash equivalents of US\$18.5 million and our net debt was US\$148.1 million. The table below shows our total outstanding debt, cash and cash equivalents and net debt for the periods indicated:

	June 30, 2011 (unaudited)	December 31, 2010 (audited)
	(in millions of US dollars)	
Short-term debt	109.2	35.4
Long-term debt	57.4	131.1
<i>(Less: Cash and cash equivalents)</i>	<i>(18.5)</i>	<i>(54.8)</i>
Net debt	148.1	111.7

Recent Borrowings and Debt Repayments

Between December 31, 2010 and June 30, 2011, we entered into a number of financing agreements, each of which is summarized below. Through these agreements we raised the equivalent of US\$37.4 million. During the same period we repaid US\$48.7 million in loans.

In April 2010, the Group entered into a renewable US dollar-denominated loan facility with VTB Bank (Germany). In March 2011, US\$8.0 million was drawn and repaid in April 2011. In April 2011, the Group increased a maximum amount of the credit line from \$50.0 million to \$100.0 million and extended the facility maturity from November 2012 to April 2016.

In October 2010, the Group entered into an agreement with Sberbank for a three-year revolving line of credit in the amount of RR600.0 million (the equivalent of US\$21.4 million at June 30, 2011). RR 589.1 million (the equivalent of US\$21.0 million at June 30, 2011) was drawn in 2010 and the remaining amount was utilized in January 2011. In June 2011, there were several repayments in total amount of RR 470.0 million (the equivalent of US\$16.7 million at June 30, 2011).

In September 2010, the Group entered into one year revolving credit line with Unicreditbank for the total amount of RR450 million (the equivalent of US\$16.0 million at June 30, 2011). During the first half of 2011 there were several utilizations and repayments. The outstanding amount as of June 30, 2011 was RR160.0 million (the equivalent of US\$5.7 million at June 30, 2011).

Between December 31, 2010 and June 30, 2011, we repaid the equivalent of US\$0.86 million in other loans.

Overview of Borrowings

Our borrowings as of June 30, 2011 and December 31, 2010 are shown in the table below:

	June 30, 2011 (unaudited)	December 31, 2010 (audited)
	(in thousands of US dollars)	
Unicredit	5,699	-
Add: Current portion of long-term borrowings	103,493	35,393
Total short-term borrowings and current portion of long-term borrowings	109,192	35,393
VTB Bank	24,979	25,633
Alfa bank	78,733	72,530
Sberbank	51,782	63,343
Bonds	5,257	4,843
Other	164	151
Subtotal	160,915	166,500
(Less: current portion of long-term borrowings)	(103,493)	(35,393)
Total long-term borrowings	57,422	131,107

Short-term ruble-denominated borrowings

Unicreditbank. In September 2010, the Group entered into a renewable credit line facility with Unicreditbank limited to RR 450.0 million (\$16.0 million equivalent at June 30, 2011). At June 30, 2011 and December 31, 2010, the outstanding balance was \$5.7 million and nil, respectively. The loan bore a floating interest of MosPrime plus 3.6 percent margin payable monthly.

Additionally, the short-term borrowings include the current portion of long-term borrowings, totaling amount of US\$103.5 million.

Long-term ruble-denominated borrowings

Alfa Bank. In July 2010, the Group entered into a Russian rouble-denominated loan facility with Alfa Bank under which the outstanding amount at June 30, 2011 and December 31, 2010 was RR 2.2 billion (equivalent to US\$78.7 million at June 30, 2011). At June 30, 2011, the loan bore fixed interest of 11.5% payable monthly.

Sberbank. In October 2010, the Group entered into a Russian rouble-denominated renewable loan facility with Sberbank for a maximum of RR 600.0 million (equivalent to US\$21.4 million at June 30, 2011), of which RR 130.0 million and RR 589.1 million (equivalent to US\$4.6 million and US\$21.0 million at June 30, 2011) was outstanding at June 30, 2011 and December 31, 2010, respectively. The loan bears a fixed annual interest at a rate of 9.5% payable monthly and matures in October 2013.

In April 2010, the Group entered into a Russian rouble-denominated loan facility with Sberbank under which at both June 30, 2011 and December 31, 2010 the remaining nominal repayable balance of the loan was RR 1.34 billion (\$47.7 million at June 30, 2011) and non-amortized borrowing costs were RR 16.2 million and RR 22.7 million (\$0.6 million and \$0.9 million at 30 June 2011, respectively). At June 30, 2011, the loan facility bore a fixed annual interest at a rate of 10.25 percent payable monthly. At June 30, 2011 and December 31, 2010, the Group had certain of its property, plant and equipment with carrying value equivalent to US\$4.1 million and US\$3.8 million, respectively, pledged as collateral to the loan.

Bonds. At both June 30, 2011 and December 31, 2010, the outstanding amount of the bonds was RR 147.6 million (US\$5.3 million June 30, 2011). The bonds bear an interest of 16.75% payable semi-annually and mature in November 2011.

Long-term US dollar-denominated borrowings

VTB Bank. In April 2010, the Group entered into a renewable US dollar-denominated loan facility with VTB Bank (Germany). In April 2011, the Group increased a maximum amount of the credit line from \$50.0 million to \$100.0 million and extended the facility maturity from November 2012 to April 2016. At June 30, 2011, the facility bore a floating interest payable quarterly at a rate consisting of 5.0 percent fixed margin and variable LIBOR rate. At June 30, 2011 and December 31, 2010, the loan balance was \$25.0 million and \$25.6 million, respectively, net of the borrowing costs of \$1.0 million and \$0.4 million, respectively.

Interest Rates

The average interest rates of our outstanding borrowings by currency at June 30, 2011, and at December 31, 2010, are outlined in the table below:

	June 30, 2011		December 31, 2010	
	(unaudited)		(audited)	
	Average interest rate	Amount (in thousands of US dollars)	Average interest rate	Amount (in thousands of US dollars)
Russian rouble-denominated borrowings due within one year	11.3%	109,192	12.4%	35,393
Russian rouble-denominated borrowings	10.2%	32,443	10.7%	105,474
US dollar-denominated borrowings	5.3%	24,979	7.3%	25,633
Total amounts due after more than one year	8.0%	57,422	10.1%	131,107
Total borrowings	10.2%	166,614	10.6%	166,500

Debt Maturity Schedule

Scheduled maturities of current short-term borrowings outstanding at June 30, 2011, were as follows:

	June 30, 2011 (in thousands of US dollars)
Within 90 days	5,581
91 to 180 days	21,526
181 to 365 days	82,085
Total short-term borrowings	109,192

Scheduled maturities of long-term borrowings outstanding at June 30, 2011 and December 31, 2010 and payments of interest arising after the reporting date, were as follows:

	June 30, 2011 (in thousands of US dollars)
<i>12 months ended 30 June:</i>	
2012	2,873
2013	32,138
2014	7,446
2015	2,518
2016	28,615
Total long-term borrowings	73,590
	December 31, 2010 (in thousands of US dollars)
<i>12 months ended 31 December:</i>	
2011	12,975
2012	112,474
2013	28,244
Total long-term borrowings	153,693

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 as at June 30, 2011 and 2010, respectively.

Qualitative and Quantitative Disclosures about Market Risk

The Group's activities expose it to a variety of market risks including credit, interest rate, currency and other risks arising from adverse movements in the price of oil, foreign currency exchange rates and changes in interest rates. Our overall risk management objective is to reduce the potential adverse effects of these risks on our financial performance.

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 obligations, causing financial loss to the Group. The Group's credit risk principally arises from cash and cash equivalents and from credit exposures of its customers relating to outstanding receivables and loans provided to third parties. The Group has not used any financial risk management instruments in this or prior periods to hedge against this exposure.

The Group only maintains accounts with 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 regularly monitors and assesses 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 that are neither overdue 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 consolidated statement of financial position at June 30, 2011 and 2010 respectively.

Customer concentration risk. We depend on a small number of key customers for a significant percentage of our revenues. The loss of one or more of our key customers could have a material adverse effect on our business, financial condition and results of operations.

Order book sustainability. It is generally difficult to predict whether the contracts with our customers or tender processes we have won will proceed as originally planned. Factors beyond our control such as market and weather conditions and governmental approvals required by our customers may result in the renegotiation, delay or cancellation of projects in our order book. If the contracts we enter into with our customers are delayed or canceled and we are unable to perform our work within the timeframe agreed or at all, our workflow may be interrupted and our financial position and results of operations may be adversely affected. Further expansion of our order book is subject to the uncertainty in the energy markets and the resulting spending levels of our key customers.

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 total borrowings divided by capital. At June 30, 2011 and December 31, 2010, the Group's gearing ratio was 25.8% and 26.6% respectively. The Group considers that the 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. Effective from the transaction of the sale of a 25.0% interest in IG Seismic Services Limited, the payment of dividends from the earnings of IG Seismic Services Limited to Schlumberger Oilfield Holdings Limited and Integra is subject to separate decisions made by IG Seismic Services Limited's board of directors in each financial year. At June 30, 2011 and December 31, 2010, neither the Group nor any of its subsidiaries were subject to externally imposed capital requirements.

Subsequent Events

Acquisition of ZAO Siam. In August 2011, the Group signed a share-purchase agreement for acquisition of ZAO Siam for a total consideration of RR 2.2 billion (equivalent to US\$78.4 million at June 30, 2011) subject to certain variations determinable upon completion of the transaction. ZAO Siam and its subsidiaries operate in the hydrodynamic testing of wells, including production of equipment and providing the testing.

New debt borrowings and repayments.

In August 2011, the Group entered into a seven year Russian ruble-denominated non-renewable loan facility with Sberbank for a maximum amount of RR 6.0 billion (equivalent to US\$213.7 million at June 30, 2011) with repayment starting from 5th year of the loan. The loan bears fixed annual interest at a rate of 9.95% payable quarterly and matures in August 2018. The loan proceeds were partially used to fully prepay the aforementioned loan balances of RR 2.2 billion and RR 1.34 billion received from Alfa bank and Sberbank.

In August 2011, we utilized additional RR289.2 million (the equivalent of US\$10.3 million at June 30, 2011) under three year revolving line with Sberbank.

In August 2011, the Group repaid in full and terminated an existing revolving credit line with Unicreditbank and entered into a new one for the total amount of RR 500.0 million (the equivalent of US\$17.8 million at June 30, 2011). RR 263.0 million (the equivalent of US\$9.4 million at June 30, 2011) was drawn in August 2011.

Directors' Responsibility Statement

The report and the attached Unaudited Consolidated Financial Statements, including the financial information contained herein, are the responsibility of, and have been approved by, the directors of Integra Group. The directors are responsible for ensuring that management prepares the Financial Report in accordance with the Listing Rules of the Financial Services Authority and IAS 34 which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.