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## Integra Group Interim Management Statement

MOSCOW, May 27, 2008 – Integra Group (LSE: INTE), a leading Russian oilfield service provider announces its Interim Management Statement for 2008. The Group's performance to date has been in line with management expectations. We continue to see and experience good market fundamentals on an overall industry basis which was reflected in the Group's absolute revenue growth and increase in profitability relative to the same period last year. The business continues to be seasonal in nature, with the first three months having the lowest contribution to the annual result. Preliminary unaudited financial and operating highlights for 2008 are indicated below. The financial and operating data is based on the latest available interim management assessment only (three months ended March 31, 2008) and has not been reviewed by external auditors.

### 1st 3M 2008 Financial Highlights

- Sales increased by 70.8% to US\$ 375.5 million (vs. US\$ 219.8 million during 1st 3M 2007)
- Adjusted EBITDA<sup>1</sup> rose by 124.9% to US\$ 39.8 million (vs. US\$ 17.7 million during 1st 3M 2007)
  - Adjusted EBITDA margin was 10.6% (vs. 8.1% during 1st 3M 2007)
  - Adjusted EBITDA margin by segment was :
    - Drilling, Workover, IPM and Technology Services segment: 7.8% (vs. 8.2% during 1st 3M 2007)
    - Formation Evaluation segment: 21.9% (vs. 20.9% during 1st 3M 2007)
    - Equipment Manufacturing segment: 18.8% (vs. 7.1% during 1st 3M 2007)
- Capital expenditures for 1st 3M 2008 were US\$ 55.9 million (vs. US\$ 37.0 million in 1st 3M 2007)
- Net Debt as of March 31, 2008 amounted to US\$ 382.0 million.
- Gearing<sup>2</sup> was 34.2% at March 31, 2008 (vs. 31.7% at the end of 2007)

### 1st 3M 2008 Operating Highlights<sup>3</sup>

- 79.4 thousand meters drilled (vs. 88.2 thousand meters during 1st 3M 2007)
- 39 wells completed (vs. 38 wells during 1st 3M 2007)
- 623 workover operations conducted (vs. 494 workover operations during 1st 3M 2007)
- 11.2 thousand km of two-dimensional (2D) seismic surveys carried out (vs. 7.8 thousand km of 2D seismic surveys during 1st 3M 2007)
- 4.4 thousand sq. km of three-dimensional (3D) seismic surveys carried out (vs. 3.1 thousand sq. km of 3D seismic surveys during 1st 3M 2007)
- 3.6 thousand logging operations conducted (vs. 3.9 thousand during 1st 3M 2007)
- Number of heavy drilling rigs in production increased to 25 rigs (vs. 8 in production at the end of 1st 3M 2007). Three rigs were delivered to the customers in 1st 3M 2008 ( vs. nil in 1st 3M 2007)

<sup>1</sup> Adjusted EBITDA represents profit (loss) before interest income (expenses), exchange gains (losses), income taxes, gain (loss) on disposal of property, plant and equipment, depreciation and amortization, share-based compensation, share of results of associates and minority interest.

<sup>2</sup> Gearing defined as: (short-term debt + long-term debt) / (short-term debt + long-term debt + equity).

<sup>3</sup> Operating results for 1st 3M 2007 are presented on a pro-forma basis and include results of associates.



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## **Market update**

Market conditions remain favorable. We continue to observe a sustained increase in upstream capital expenditure budgets of our key customers. Demand for quality oilfield services remains solid, particularly in the higher value added product lines (i.e. technology services). Positive momentum in pricing is maintained and during the 2008 contracting period we have observed a good trend towards conclusion of longer term contracts (over 1 year).

Management sees potential for further improvement of market conditions following a potential reduction of upstream taxation which has been highlighted on several occasions by the Russian government. However, before such changes take effect there is a risk of certain services and manufacturing demand being deferred by our customers until their cashflows actually benefit from the tax change.

## **Discussion of Group's Financial Performance**

Consolidated sales during 1st 3M 2008 increased by 70.8% to US\$ 375.5 million compared to US\$ 219.8 million during 1st 3M 2007. Of the total increase in our sales of US\$ 155.7 million, the share of organic growth was US\$ 133.5 million, or 85.7%, while the non-organic contribution to growth in sales was US\$ 22.2 million, or 14.3%. Revenue growth was strong in all three segments of our operations and was primarily driven by favorable pricing trends, good pick-up in volumes in formations evaluation due to more cooperative weather and a much stronger order book in equipment manufacturing.

Adjusted EBITDA increased by 124.9 % to US\$ 39.8 million from US\$ 17.7 million. Of the total US\$ 22.1 million increase, US\$ 20.6 million, or 93.2% was attributed to organic growth and US\$ 1.5 million, or 6.8 % to non-organic growth. For the 1st 3M 2008, our year-on-year organic run rate in adjusted EBITDA was 116.4%. This organic growth was primarily attributable to higher capacity utilization and realization of operating leverage, particularly in the equipment manufacturing segment. Adjusted EBITDA margin substantially improved to 10.6% in 1st 3M 2008 from 8.1% in 1st 3M 2007.



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## Discussion of Segment Financial Performance

### **Sales by segment (in US \$ million):**

	<b>1st 3M 2008</b>	1st 3M 2007	% chg
Drilling, Workover, IPM and Technology Services	181.3	106.7	69.9%
Formation Evaluation	108.4	76.7	41.3%
Manufacturing	91.8	36.4	152.2%
Other eliminations	(6.0)	-	-
Total sales	375.5	219.8	70.8%

### **Adjusted EBITDA by segment (in US \$ million) :**

	<b>1st 3M 2008</b>	1st 3M 2007	% chg
Drilling, Workover, IPM and Technology Services	14.2	8.7	63.2%
Formation Evaluation	23.7	16.0	48.1%
Manufacturing	17.3	2.6	565.4%
Other (corporate)	(15.4)	(9.6)	-
Total adjusted EBITDA	39.8	17.7	124.9%

### **Adjusted EBITDA margin by segment (%):**

	<b>1st 3M 2008</b>	1st 3M 2007
Drilling, Workover, IPM and Technology Services	7.8%	8.2%
Formation Evaluation	21.9%	20.9%
Manufacturing	18.8%	7.1%
Group adjusted EBITDA margin	10.6%	8.1%



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### Drilling, Workover, IPM and Technology Services

- In the Drilling, Workover, IPM and Technology Services segment, the 1st 3M 2008 revenue and adjusted EBITDA demonstrated substantial absolute growth of 69.9% and 63.2%, respectively. This growth was primarily triggered by the launch of new technology services, the acquisition of new workover assets (ONR) and overall better capacity utilization of assets due to our restructuring. The first three months of the year are traditionally the weakest for this segment, which is reflected in softer margins relative to the full year 2007 results. On a year-on-year comparison, margins have declined slightly due to several contracts in our drilling tools sub-segment which had realized unsustainably high profitability in 1st 3M 2007. Management maintains a moderately positive outlook on the segment's margin potential going forward, which we expect will result from diversification towards higher value-added services within the segment.

### Formation Evaluation

- Our Formation Evaluation segment showed a good 1st 3M 2008 with both an absolute increase in cash earnings and in terms of margin expansion. We continue to benefit from favorable market conditions in Kazakhstan. Our operating entities within the segment also experienced significantly less weather-related disruptions in 1st 3M 2008 compared to the same period in 2007. Management feels further upside potential in this segment is possible from continued restructuring of our Russian seismic operations; however, execution remains the key risk in this segment.

### Equipment Manufacturing

- The manufacturing segment demonstrated the largest gain among our segments (+152.2%). This is primarily due to a substantial increase in rigs in production at the end of 1st 3M 2008. EBITDA margins in the segment have improved from 7.1% in 1st 3M 2007 to 18.8% in 1st 3M 2008, primarily due to improved operating leverage. Management does not anticipate further margin expansion for the full year 2008 since production in the segment continues to rely on material volumes of outsourcing to third parties. In the long term, the commitment to expand our in-house capacity and shift towards after-market servicing of the equipment and spare parts production, should provide upside opportunities in the segment.

### **Operational update**

Our Drilling, Workover, IPM and Technology Services segment drilled 79.4 th meters (vs. 88.2 th meters during 1st 3M 2007). A total of 39 wells (vs. 38 wells during 1st 3M 2007) were completed, and 623 workover operations conducted (vs. 494 workover operations during 1st 3M 2007). A reduction in meters drilled is explained by a continuous shift towards drilling more technologically complex and geographically remote meters. We continue to optimize our workover fleet and took measures to reorganize, or in some cases shut down, several inefficient crews, however overall workover volumes still increased due strong growth at recently acquired workover company ONR. .

Our Formation Evaluation segment carried out 11.2 thousand km of two-dimensional (2-D) seismic surveys (vs. 7.8 thousand km of surveys during 1st 3M 2007) and 4.4 thousand sq. km of three-dimensional (3-D) seismic surveys (vs. 3.1 thousand sq. km of surveys during 1st 3M 2007). Both 2-D and 3-D seismic volumes have picked up strongly due to good weather conditions and higher capacity utilization of crews from our ongoing restructuring efforts.

During the three months of 2008, our Equipment Manufacturing segment significantly increased the number of heavy drilling rigs in production to 25 rigs (vs. 8 rigs in production at the end of 1st 3M 2007). We commenced delivery of rigs on our major manufacturing contracts signed in 2007, as 3



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rigs were delivered in the first three months of 2008. Management estimates peak deliveries to occur in the second and third quarter of 2008.

### **M&A Update**

There were no M&A transactions finalized to the date of this statement.

### **2008 Outlook**

As of May 27, 2008 Integra Group had signed contracts and won tenders for over US\$1,366 million in revenue for services and equipment to be delivered to customers during the 2008 calendar year. Part of this order book had been already executed and delivered to the customers as services and equipment. Beyond 2008 calendar year, we have contracted or won tenders for over US\$ 120 million of business.

### **2008 Order Book**

<b>In US\$ M</b>	<b>Contracts signed</b>	<b>Tenders won, contracts not signed</b>	<b>Total backlog</b>
Drilling, Workover, IPM, Tech. services	608	165	<b>773</b>
Formation Evaluation	267	38	<b>305</b>
Equipment Manufacturing	259	29	<b>288</b>
<b>Total</b>	<b>1,134</b>	<b>232</b>	<b>1,366</b>

Management expects positive trends in profitability to continue into the rest of the year. Full year 2008 adjusted EBITDA margin is expected to be stronger relative to that observed in 1st 3M 2008 driven primarily by seasonal trends. The outlook for 2008 is supported by Management's improved visibility and predictability of the business, reduction of corporate overheads as share of revenues and expected margin expansion, specifically in the formation evaluation segment. Key downward risks to our full year performance are non-effective execution of the integration process of our formation evaluation and drilling divisions and cost drivers which could exceed expectations (specifically wage and raw materials inflation).



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### Conference Call Dial-In Details

Date: Tuesday, 27 May 2008  
Time: 18.00 Moscow / 15.00 London / 10.00 New York

Title: Integra Group – 2007 results  
UK local rate tel: 0845 245 5299  
UK international tel: +44 (0) 1452 562 815  
US tel: 1866 629 0054

There will also be a playback facility available until 2 June 2008. The details are:

UK local rate tel: 0845 245 5205  
UK international tel: +44 (0) 1452 550 000  
US tel: 1866 629 0054  
Access code: 47786392#

### Contacts

#### Integra Group

Andrei Machanskis	Head of Investor Relations	Tel. +7 495 933 0621 amachanskis@integra.ru
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Alla Sapun	Press Secretary	Tel. +7 495 933 0621 asapun@integra.ru
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#### Financial Dynamics

Jonathon Brill, Edward Westropp	London	Tel. +44 20 7269 7170
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Galina Lyssenko	Moscow	Tel. +7 495 795 0623
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### Notes to editors:

#### *Integra Group:*

Integra Group is a leading Russian independent provider of onshore oilfield services and is also a leading manufacturer in the Russian Federation of drilling rigs with heavy lifting capacity, cementing equipment and certain specialized equipment used in the exploration, development and production of oil and gas.

Integra Group operates in the drilling, workover, seismic and geophysics sectors and manufactures oilfield services equipment. Integra has oilfield services operations in all major oil and gas producing regions in Russia and in many other CIS countries. The company's customer base includes major Russian and international oil and gas companies operating in Russia and CIS.

Established in March 2004, Integra Group has, through 16 strategic acquisitions, become one of the leading companies in the oilfield services and equipment manufacturing sectors of the Russian market and employs over 20 000 people.

Since February 27, 2007 Integra Group has been traded on the London Stock Exchange (symbol: INTE).



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**Forward looking statements:** *These materials contain statements about future events and expectations that are forward-looking in nature. Any statement in these materials that is not a statement of historical fact is a forward-looking statement that involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements expressed or implied by such forward-looking statements to differ. We assume no obligations to update the forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements.*