IG Seismic Services Plc

Interim condensed consolidated
financial statements

for 6 months ended 30 June 2013 (unaudited)

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Contents

Report on review of interim condensed consolidated financial statements 1

Interim consolidated statement of financial position (unaudited) 2
Interim consolidated statement of comprehensive income (unaudited) 3
Interim consolidated statement of cash flows (unaudited).. 4
Interim consolidated statement of changes in equity (unaudited)...................................... 5

Notes to the interim condensed consolidated financial statements 6

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Report on review of interim condensed consolidated financial statements

To the shareholders of IG Seismic Services Plc

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of IG Seismic Services Plc and its subsidiaries (the "Group") as of 30 June 2013 and the related interim condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young Cyprus Ltd

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
18 September 2013

IG Seismic Services Plc

Interim consolidated statement of financial position (unaudited)

(in thousands of US dollars)

	Note	At 30 June 2013	At 31 December 2012
Assets			
Non-current assets			
Property, plant and equipment	4	451,267	471,665
Goodwill		115,023	123,798
Intangible assets other than goodwill		10,139	12,129
Investments in associates		30,905	29,203
Deferred tax assets		11,243	12,580
Other non-current assets		481	1,251
Total non-current assets		**619,058**	**650,626**
Current assets			
Inventories		49,755	70,273
Accounts receivable and prepayments	5	199,923	230,590
Other financial assets		6,271	6,762
VAT receivable		10,404	18,450
Prepayments for income tax		967	1,979
Other current assets		565	1,026
Cash and cash equivalents	6	7,716	18,615
Total current assets		**275,601**	**347,695**
Total assets		**894,659**	**998,321**
Equity and liabilities			
Equity			
Share capital		208	208
Share premium		443,712	443,712
Reverse acquisition reserve		(192,849)	(192,849)
Other non-distributable reserves		94,979	94,979
Foreign currency translations reserve		(22,595)	(2,729)
Accumulated losses		(7,218)	(10,253)
Total shareholders' equity		**316,237**	**333,068**
Non-controlling interest		36,610	39,740
Total equity		**352,847**	**372,808**
Non-current liabilities			
Loans and borrowings	7	170,823	225,799
Finance lease liabilities	8	102	305
Promissory notes payable	9	24,848	9,719
Deferred tax liabilities		35,308	35,179
Total non-current liabilities		**231,081**	**271,002**
Current liabilities			
Loans and borrowings	7	109,478	162,053
Promissory notes payable	9	9,781	5,621
Accounts payable	9	121,924	128,206
Income tax payable		3,179	3,402
Other taxes payable	10	63,203	46,647
Provisions		1,761	2,946
Finance lease liabilities	8	1,405	5,636
Total current liabilities		**310,731**	**354,511**
Total liabilities		**541,812**	**625,513**
Total liabilities and equity		**894,659**	**998,321**

These interim condensed consolidated financial statements were approved and signed by management on 18 September 2013.

Nikolay Levitskiy
Director

Denis Cherednichenko
Director

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

IG Seismic Services Plc

Interim consolidated statement of comprehensive income (unaudited)

(in thousands of US dollars)

		For six months ended	
	Note	30 June 2013	30 June 2012
Revenue	12	345,536	391,487
Cost of sales	13	(273,067)	(329,908)
Gross profit		**72,469**	**61,579**
General and administrative expenses	14	(33,931)	(34,112)
Other operating income		2,446	1,796
Other operating expense	15	(8,230)	(10,426)
Operating profit		**32,754**	**18,837**
Finance income		1,563	297
Finance expense		(25,383)	(21,884)
Net foreign exchange loss	16	(6,067)	(3,188)
Share of profit of an associate		3,995	6,009
Profit before tax		**6,862**	**71**
Income tax expense		(4,308)	(1,423)
Profit/(loss) for the period		**2,554**	**(1,352)**
Other comprehensive income			
Translation difference		(22,515)	(3,120)
Total comprehensive expense		**(19,961)**	**(4,472)**
Profit/(loss) for the period attributable to:			
Shareholders of the parent company		3,035	(278)
Non-controlling interests		(481)	(1,074)
Total comprehensive expense attributable to:			
Shareholders of the parent company		(16,831)	(2,782)
Non-controlling interests		(3,130)	(1,690)
Profit/(loss) per share:			
Basic, profit/(loss) for the year attributable to ordinary equity holders of the parent	17	$ 0.15	$ (0.01)
Diluted, profit/(loss) for the year attributable to ordinary equity holders of the parent	17	$ 0.15	$ (0.01)

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

IG Seismic Services Plc

Interim consolidated statement of cash flows (unaudited)

(in thousands of US dollars)

	Note	For six months ended 30 June 2013	For six months ended 30 June 2012
Cash flows from operating activities			
Profit before tax		6,862	71
Adjustments for:			
Depreciation and amortization	13, 14	35,559	39,493
Provision for impairment		2,641	1,489
Loss on disposal of property, plant and equipment and other assets	15	3,253	7,633
Net interest expense		23,820	21,587
Net foreign exchange loss	16	6,067	3,188
Share of profit of an associate		(3,995)	(6,009)
Cash flow from operating activities before changes in working capital		**74,207**	**67,452**
Working capital adjustments			
Change in accounts receivable		11,036	18,400
Change in inventories		2,593	14,199
Change in prepayments and other current assets		4,456	8,058
Change in accounts payable		36,343	(263)
Change in taxes payable other than income tax		25,534	4,971
Change in provisions		(1,067)	236
Cash flow before income tax		**153,102**	**113,053**
Income tax paid		(445)	(438)
Net cash flows from operating activities		**152,657**	**112,615**
Investing activities			
Purchase of property, plant and equipment		(44,821)	(10,715)
Proceeds from the disposal of property, plant and equipment		88	2,723
Short-term loans issued		(95)	(1,881)
Repayment of loans issued		-	2,945
Interest received		3	-
Dividends received		-	97
Net cash used in investing activities		**(44,825)**	**(6,831)**
Financing activities			
Proceeds from loans and borrowings	7	158,667	59,759
Repayment of finance lease obligations		(5,093)	(10,262)
Repayment of loans and borrowings	7	(244,084)	(136,534)
Interest paid		(24,663)	(19,450)
Redemption of promissory notes		(2,596)	(2,860)
Net cash used in financing activities		**(117,769)**	**(109,347)**
Net decrease in cash and cash equivalents		(9,937)	(3,563)
Cash and cash equivalents at the beginning of the reporting period	6	18,615	13,187
Effect of exchange differences on cash and cash equivalents		(962)	(215)
Cash and cash equivalents at the end of the reporting period	**6**	**7,716**	**9,409**

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

IG Seismic Services Plc

Interim consolidated statement of changes in equity (unaudited)

(in thousands of US dollars)

	Attributable to shareholders of the Parent Company								
	Share capital	Share premium	Reverse acquisition reserve	Other non-distributable reserves	Foreign currency translation reserve	Accumulated (losses)/ retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2012	208	443,712	(192,849)	94,979	(9,334)	(21,566)	315,150	36,320	351,470
Net loss for the period	-	-	-	-	-	(278)	(278)	(1,074)	(1,352)
Translation difference	-	-	-	-	(2,504)	-	(2,504)	(616)	(3,120)
Total comprehensive expense	-	-	-	-	(2,504)	(278)	(2,782)	(1,690)	(4,472)
Balance as at 30 June 2012	208	443,712	(192,849)	94,979	(11,838)	(21,844)	312,368	34,630	346,998
Balance as at 1 January 2013	208	443,712	(192,849)	94,979	(2,729)	(10,253)	333,068	39,740	372,808
Net profit/(loss) for the period	-	-	-	-	-	3,035	3,035	(481)	2,554
Translation difference	-	-	-	-	(19,866)	-	(19,866)	(2,649)	(22,515)
Total comprehensive (expense)/ income	-	-	-	-	(19,866)	3,035	(16,831)	(3,130)	(19,961)
Balance as at 30 June 2013	208	443,712	(192,849)	94,979	(22,595)	(7,218)	316,237	36,610	352,847

1. Corporate information

Organizational structure and operations

These are the interim condensed consolidated financial statements of IG Seismic Services PLC (the "Company" or "IGSS") and its subsidiaries (together referred to as the "Group") which is engaged in provision of land and transition zone seismic data acquisition and data processing and interpretation to the petroleum industry in the Russian Federation, the Commonwealth of Independent States ("CIS") and other countries outside of the CIS.

The Company was incorporated in Cyprus as a private limited liability company in accordance with the provisions of the Companies Law, Cap. 113. Its registered office is located at 2-4 Arch. Makariou III Avenue, Capital Center, 9th floor, P.C. 1065, Nicosia, Cyprus. On 10 October 2012 the Company changed its legal form from private limited company into public limited company.

On 11 December 2012 the Company's GDRs were admitted to the Official List maintained by the UK Listing Authority and started trading on the London Stock Exchange's main market on 12 December 2012. Global Depositary Receipts (GDRs) of the Company representing two ordinary shares each are listed and traded on the Main Market of the London Stock Exchange under the ticker IGSS (Bloomberg: IGSS LI, Reuters: IGSS q.L). As of 30 June 2013, the free float of the Company amounted to approximately 30.2% of the issued share capital.
The JP Morgan Chase Bank is the depositary bank for the GDR programme of the Company.

The Group did not pursue any business acquisitions throughout the first six months of 2013 and to the date of the issuance of these interim condensed consolidated financial statements.

2. Basis of preparation

Statement of compliance

The interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in compliance with IAS 34 *Interim Financial Reporting*.

The Group entities registered in the territory of the Russian Federation ("RF") maintain accounting records and prepare financial reports in accordance with Federal Law No.402-FZ "Concerning Accounting", the Statute Concerning Accounting and Reporting in the RF and Accounting Statements as approved by relevant orders of the RF Ministry of Finance. The Group entities registered in the territory of the Kazakhstan ("KZ") maintain accounting records and prepare financial reports in accordance with Law of the Republic of Kazakhstan No. 234-III "Concerning Accounting".

These consolidated financial statements have been prepared based on the Russian and Kazakh statutory accounting data adjusted for the purposes of presentation in compliance with IFRS.

The Group has elected to present statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows in the same format as the annual financial statements.

The interim condensed consolidated financial statements do not include all the information and disclosures required to be included in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at and for the year ended 31 December 2012.

2. Basis of preparation (continued)

Basis of measurement

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for certain items that have been measured at fair value as disclosed in the accounting policies below. The condensed consolidated financial statements are presented in US dollars ("USD") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern

These interim condensed consolidated financial statements have been prepared on a going concern basis. The Group's interim results and financial position are affected by seasonal factors and are not necessarily indicative of the results that may be expected for the year ending 31 December 2013. Additionally, in August-September 2013, management improved Company's future financial leverage by refinancing some of its financial obligations with certain bank lenders (see Note 21). Management expects that the Group will be in compliance with its financial obligations and has adequate resources to continue in operational existence in the foreseeable future.

Seasonality

There is a limited season for providing seismic services in certain Siberian regions of the Russian Federation which remain in flood-like, or swampy conditions, in warm weather. Such conditions generally restrict the provision of seismic services in Siberia to a period from December to April.

New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

The following standards and amendments became effective as of 1 January 2013:

- IAS1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* – Amendments to IAS 1
- IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans* – Amendments to IFRS 1
- IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* – Amendments to IFRS 7
- IFRS 10 *Consolidated Financial Statements*, IAS 27 *Separate Financial Statements*
- IFRS 11 *Joint Arrangements*, IAS 28 *Investments in Associates and Joint Ventures*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IFRS 13 *Fair Value Measurement*
- IAS 19 *Employee Benefits* (Revised 2011)
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*.

2. Basis of preparation (continued)

New standards, interpretations and amendments thereof, adopted by the Group (continued)

Improvements to IFRSs 2009-2011 Cycle:

- IFRS 1 – *Repeat Application of IFRS 1*
- IFRS 1 – *Borrowing Costs*
- IAS 1 – *Clarification of the Requirement for Comparative Information*
- IAS 16 – *Classification of Servicing Equipment*
- IAS 32 – *Tax Effects of Distributions to Holders of Equity Instruments*
- IAS 34 – *Interim Financial Reporting and Segment Information for Total Assets and Liabilities*.

The adoption of these amendments resulted in changes to accounting policies, but did not have any impact on the financial position, performance or disclosures in the financial statements of the Group.

The Group has not yet adopted any other standard, interpretation or amendment that was issued but is not yet effective.

Reclassifications

Certain items in the consolidated statement of income and comprehensive income for the six months ended 30 June 2012 were reclassified to conform to the current period presentation.

3. Segment information

For management purposes, the Company is organized into business units based on their products and services, and has two reportable operating segments which are Seismic segment and Data processing and interpretation (DPI) segment. Seismic segment includes conducting seismic works for the purpose of search and exploration of oil and gas fields, comprising oilfield seismic works in two or three dimensions, field seismic works in a land-sea transit zone. DPI segment includes processing of seismic and geophysical data, structural interpretation of results of processing, dynamic processing and interpretation of results of processing.

Information on transactions of the holding and managerial companies which conduct managerial services and financial and investment activities was included into the Corporate block, that is not separate operating segment. Information on transactions of the small non-core companies (subsidiaries) was included into the Other block, that is not separate operating segment.

Transfer prices between Seismic segment, DPI segment and Corporate block are on an arm's length basis in a manner similar to transactions with third parties. Internal revenues and expenses primarily pertain to management services rendered by Corporate block to Seismic segment and DPI segment. In the periods presented below, the Group operated in the Russian Federation and Kazakhstan.

The following table's present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2013 and 2012, respectively. Intersegment revenues and intersegment costs are presented for reference only and are not taken into account in calculating gross profit.

3. Segment information (continued)

Calculation of the adjusted EBIT and adjusted EBITDA from operating profit/(loss)

For six months ended 30 June 2013:	Seismic segment	DPI segment	Others subs	Corporate block	Adjustments and eliminations	Total
Revenue	336,347	8,883	213	93	-	**345,536**
Revenue to other segments	*755*	*7,975*	*1,210*	*16,198*	*(26,138)*	-
Cost of sales	(264,092)	(7,561)	(1,414)	-	-	**(273,067)**
Intersegment expenses	*(21,957)*	*(3,386)*	*(305)*	*(490)*	*26,138*	-
Gross profit/(loss)	**72,255**	**1,322**	**(1,201)**	**93**	**-**	**72,469**
Selling, general and administrative expenses	(20,698)	(2,195)	(562)	(10,476)	-	**(33,931)**
Other operating income	1,925	44	457	20	-	**2,446**
Other operating expense	(6,906)	(832)	(375)	(117)	-	**(8,230)**
Operating profit/(loss)	**46,576**	**(1,661)**	**(1,681)**	**(10,480)**	**-**	**32,754**

Calculation of the adjusted EBITDA from operating profit/(loss)

For six months ended 30 June 2013:	Seismic segment	DPI segment	Others subs	Corporate block	Adjustments and eliminations	Total
Profit/(loss) from operating activities	**46,576**	**(1,661)**	**(1 681)**	**(10 480)**	**-**	**32,754**
Restructuring and redundancy costs	3,519	477	132	-	-	**4,128**
Loss on Yemen	249	-	-	-	-	**249**
Distribution of corporate overheads	(10,188)	(269)	-	10 457	-	-
Adjusted EBIT	**40,156**	**(1,453)**	**(1 549)**	**(23)**	**-**	**37,131**
Depreciation of property, plant and equipment	32,641	561	790	-	-	**33,992**
Amortization of intangible assets	473	1,075	-	19	-	**1,567**
Loss/(gain) on disposal of non-current assets	1,417	189	-	16	-	**1,622**
Adjusted EBITDA	**74,687**	**372**	**(759)**	**12**	**-**	**74,312**

For six months ended 30 June 2012:	Seismic segment	DPI segment	Others subs	Corporate block	Adjustments and eliminations	Total
Revenue	385,909	3,840	1,002	736	-	**391,487**
Revenue to other segments	*95*	*458*	*1,382*	*15,194*	*(17,129)*	-
Cost of sales	(321,714)	(5,272)	(2,575)	(347)	-	**(329,908)**
Intersegment expenses	*(16,725)*	*(184)*	*(220)*	-	*17,129*	-
Gross profit/(loss)	**64,195**	**(1,432)**	**(1,573)**	**389**	**-**	**61,579**
Selling, general and administrative expenses	(24,669)	(1,439)	(594)	(7,410)	-	**(34,112)**
Other operating income	651	2	905	238	-	**1,796**
Other operating expense	(9,124)	(97)	(645)	(560)	-	**(10,426)**
Operating profit/(loss)	**31,053**	**(2,966)**	**(1,907)**	**(7,343)**	**-**	**18,837**

3. Segment information (continued)

Calculation of the adjusted EBITDA from operating profit/(loss) (continued)

For six months ended 30 June 2012:	Seismic segment	DPI segment	Others subs	Corporate block	Adjustments and eliminations	Total
Profit/(loss) from operating activities	**31,053**	**(2,966)**	**(1,907)**	**(7,343)**	**-**	**18,837**
Transaction related expenses	-	-	-	515	-	**515**
Restructuring and redundancy costs	6,179	-	448	83	-	**6,710**
Distribution of Corporate overheads	(6,748)	(67)	-	6,815	-	**-**
Adjusted EBIT	**30,484**	**(3,033)**	**(1,459)**	**70**	**-**	**26,062**
Depreciation of property, plant and equipment	36,696	111	675	412	-	**37,894**
Amortization of intangible assets	489	1,091	4	15	-	**1,599**
Loss/(gain) on disposal of non-current assets	698	(39)	273	(9)	-	**923**
Adjusted EBITDA	**68,367**	**(1,870)**	**(507)**	**488**	**-**	**66,478**

During 6 months ended 30 June 2013 and 30 June 2012, the Group earned its external sale by its geographical areas as follows:

	For six months ended 30 June 2013	For six months ended 30 June 2012
Russia	334,095	381,584
Kazakhstan	11,441	9,903
Total external sales	**345,536**	**391,487**

As of 30 June 2013 and 31 December 2012, the Group had its goodwill and intangible assets, property, plant and equipment and investments in associates by their geographical areas as follows:

	As at 30 June 2013	As at 31 December 2012
Russia	579,884	606,834
Kazakhstan	27,450	29,961
Total goodwill and intangible assets, property, plant and equipment and investments in associates	**607,334**	**636,795**

4. Property, plant and equipment

Property, plant and equipment as at 30 June 2013 comprised of the following:

	Buildings and structures	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Gross book value						
Balance as at 31 December 2012	126,742	387,063	99,263	9,015	4,526	626,609
Additions	3,388	31,597	6,818	552	(4,040)	**38,315**
Transfers	42	-	-	170	(212)	**-**
Disposals	(740)	(6,796)	(2,314)	(120)	-	**(9,970)**
Translation difference	(8,626)	(12,669)	(7,871)	(621)	(100)	**(29,887)**
Balance as at 30 June 2013	120,806	399,195	95,896	8,996	174	625,067
Accumulated depreciation and impairment						
Balance as at 31 December 2012	(21,881)	(92,797)	(36,655)	(3,611)	-	(154,944)
Depreciation	(4,103)	(24,234)	(5,835)	(648)	-	**(34,820)**
Disposals	69	2,329	1,437	51	-	**3,886**
Translation difference	1,693	7,070	3,037	278	-	**12,078**
Balance as at 30 June 2013	(24,222)	(107,632)	(38,016)	(3,930)	-	(173,800)
Net book value						
Balance as at 31 December 2012	104,861	294,266	62,608	5,404	4,526	471,665
Balance as at 30 June 2013	96,584	291,563	57,880	5,066	174	451,267

Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. According to IAS 17, assets held under finance lease agreements are recognized as items of property, plant and equipment.

The following is the analysis of the property, plant and equipment under finance leases recognized in Property, plant and equipment:

	As at 30 June 2013	As at 31 December 2012
Buildings and structures	742	1,491
Machinery and equipment	5,473	9,100
Vehicles	7,870	12,737
Other	1,500	1,615
Total cost	**15,585**	**24,943**
Less: accumulated depreciation	(4,755)	(6,626)
Total net book value of leased property	**10,830**	**18,317**

5. Accounts receivable and prepayments

Trade and other receivables comprised the following:

	As at 30 June 2013	As at 31 December 2012
Financial receivables:		
Trade receivables (net of bad debt provision)	87,836	65,005
Other receivables	7,642	8,738
Non-financial receivables:		
Amounts due from customers for construction works	95,200	143,348
Advances issued	9,245	13,499
Total	**199,923**	**230,590**

Trade receivables are non-interest bearing and are normally settled within 12 months from the origination date.

Receivables and advances issued are presented net of provision for impairment of 7,990 and 5,081 as at 30 June 2013 and 31 December 2012, respectively.

6. Cash and cash equivalents

Cash and cash equivalents comprised the following:

	As at 30 June 2013	As at 31 December 2012
Cash in hand	83	115
Cash denominated in RUR	6,782	14,014
Cash denominated in USD	440	124
Cash denominated in EUR	32	26
Cash denominated in other currencies	287	1,735
Short-term deposits in RUR	92	2,601
Total	**7,716**	**18,615**

Cash represents current bank accounts that carry no interest and demand deposits maturing in less than 3 months.

7. Loans and borrowings

Long-term and short-term borrowings comprised the following:

	Security	Effective interest rate	As at 30 June 2013	As at 31 December 2012
Current liabilities				
Short-term bank loans	secured	9.5%-12.5%	69,693	125,851
Current portion of long-term bank loans			39,621	35,929
Short-term interest payable			164	273
Total short-term loans and borrowings			**109,478**	**162,053**
Non-current liabilities				
Long-term bank loans	secured	9.5%-12.5%	170,823	225,799
Total long-term loans and borrowing			**170,823**	**225,799**
Total loans and borrowings			**280,301**	**387,852**

At the beginning of 2013 the Group entered into non-revolving credit line agreement with Sberbank denominated in euro at interest rate calculated as EURIBOR plus 2.15%. Amount of raised financing amounts to 14,900,000 euro (19,485,000 US dollars) and matures in December 2017. The liability over this credit line in the amount of 13,611 and 3,892 is reported within Long-term bank loans and Current portion of long-term bank loans, respectively as of 30 June 2013.

The Group also has liability under credit agreement with Raiffeisenbank denominated in Russian rubles at interest rate calculated as one month MOSPRIME plus 6%. The liability over this credit line in the amount of 6,677 and 17,977 is reported within Long-term bank loans and Current portion of long-term bank loans, respectively as of 30 June 2013.

All other loans and borrowings presented in the table above are at fixed rates and are denominated in Russian rubles.

Terms and debt repayment schedule

Long-term loans and borrowings are payable in the following periods:

	As at 30 June 2013	As at 31 December 2012
1 to 2 years	132,969	120,947
3 to 5 years	37,854	104,852
Total	**170,823**	**225,799**

Pledged property, plant and equipment

As at 30 June 2013, the Group entered into a number of loan agreements and revolving credit line agreements, which were secured by the Group's property, plant and equipment. The carrying value of the property, plant and equipment pledged at the reporting date amounts to 70,581 (31 December 2012: 52,684).

7. Loans and borrowings (continued)

Pledged rights to claim cash

As at 30 June 2013, the Group entered into a number of loan agreements and revolving credit line agreements, which were secured by the pledge of property rights representing rights to claim cash under the customer agreements for conducting seismic works. The pledged rights to claim cash at the reporting date amounted to 158,053 (31 December 2012: 280,654).

Pledged shares

For the purpose of presentation in these financial statements, the value of pledged shares is based on the carrying value of net assets (hereinafter, NAV).

The list and value of shares of subsidiaries, which are pledged under the loan agreements, are presented below:

- 85.24% shares of OJSC Narian-Marseismorazvedka (as at 30 June 2013, NAV of the shares amounted to 25,151; 31 December 2012: 26,506).
- 68.9% shares of OJSC Khantymansiyskgeofizika (as at 30 June 2013, NAV of the shares amounted to 10,352; 31 December 2012: 22,580).

8. Finance leases

The Group leases property, plant and equipment under finance lease agreements.

The amount of future minimum payments under the financial lease agreements and the discounted value of the minimum lease payments were as follows as at 30 June 2013,:

	Future minimum lease payments	Future interest	Present value of minimum lease payments
Within one year	1,541	136	1,405
In the second to fifth years inclusive	119	17	102
Total	**1,660**	**153**	**1,507**

The amount of future minimum payments under the financial lease agreements and the discounted value of the minimum lease payments were as follows as at 31 December 2012:

	Future minimum lease payments	Future interest	Present value of minimum lease payments
Within one year	6,136	500	5,636
In the second to fifth years inclusive	333	28	305
Total	**6,469**	**528**	**5,941**

The weighted average rate implicit in lease agreements as at 30 June 2013 was 19% (31 December 2012: 19%).

9. Accounts payable and promissory notes payable

Accounts payable comprised the following:

	As at 30 June 2013	As at 31 December 2012
Trade payables	84,675	91,293
Amounts due to customers under construction contracts	4,886	2,759
Advances received	13,663	8,943
Payables to employees	16,608	21,584
Other payables	2,092	3,627
Total	**121,924**	**128,206**

Trade and other payables are non-interest-bearing and are normally settled on 60-days terms. Other payables are non-interest bearing and have an average term of six months.

Short-term and long-term promissory notes issued comprised the following:

	Interest rate	As at 30 June 2013	As at 31 December 2012
Long-term promissory notes payable:			
Notes issued to third parties for equipment (Sercel)	7%	7,497	9,719
Notes issued to third parties for equipment (UniQ)	4%	17,351	-
Short-term promissory notes payable:			
Notes issued to third parties for equipment (Sercel)	7%	5,313	5,621
Notes issued to third parties for equipment (UniQ)	4%	4,468	-
Total notes		**34,629**	**15,340**

In early 2013 the Group has financed CAPEX for UniQ equipment through promissory notes. Effective interest rate for these promissory notes was 7% while contractual interest rate comprised 4%. At the initial recognition the effect of discounting of underlying liability to fair value in the amount of 1,226 was recognised within finance income.

10. Other taxes payable

Other taxes and charges payable comprised the following:

	As at 30 June 2013	As at 31 December 2012
Value-added tax payable	42,569	32,380
Property tax payable	1,150	1,267
Personal income tax payable	7,147	7,373
Social taxes payable	11,515	4,541
Other taxes and charges	822	1,086
Total	**63,203**	**46,647**

11. Construction type contracts

	For the six months ended	
	30 June 2013	30 June 2012
Costs under contracts in progress at the reporting date	211,086	178,453
Recognized profits less recognized losses under contracts in progress at the reporting date	48,578	23,794
Balance of advances received	5,446	3,673

12. Revenue

Revenue comprised the following:

	For the six months ended	
	30 June 2013	30 June 2012
Field seismic operations	329,644	380,630
Processing and interpretation of geophysical information	9,181	6,000
Other revenue	6,711	4,857
Total	**345,536**	**391,487**

13. Cost of sales

Cost of sales comprised the following:

	For the six months ended	
	30 June 2013	30 June 2012
Labour and wages, including mandatory social contribution	107,540	123,201
Materials and supplies	64,866	72,106
Oilfield services	34,344	59,820
Depreciation of property, plant and equipment and amortization of intangible assets	34,537	37,925
Transportation services	14,151	10,870
Operating lease	7,020	13,731
Other third parties services	8,999	9,303
Loss from the contract in Yemen	249	-
Other	1,361	2,952
Total	**273,067**	**329,908**

14. General and administrative expenses

General and administrative expenses comprised the following:

	For the six months ended	
	30 June 2013	30 June 2012
Labor and wages, including mandatory social contribution	19,894	19,932
Third party services	4,131	5,331
Bad receivables write-offs and provisions	2,700	1,584
Taxes, other than income tax	2,488	2,462
Depreciation of property, plant and equipment and amortization of intangible assets	1,022	1,568
Operating lease	1,406	1,181
Bank charges	572	720
Other	1,718	1,334
Total	**33,931**	**34,112**

15. Other operating expenses

Other operating expenses comprised the following:

	For the six months ended	
	30 June 2013	30 June 2012
Loss on disposals of property, plant and equipment and other non-current assets	3,253	7,633
Penalties and fines	1,385	810
Other expenses	3,592	1,983
Total	**8,230**	**10,426**

16. Foreign exchange

Transactions in foreign currencies are translated to the respective functional currency, which is Russian Ruble for the subsidiary companies located in the Russian Federation and Kazakh Tenge for subsidiary companies located in the Kazakhstan at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date.

Foreign currency differences arising in translation are recognized in the statement of comprehensive income. Net foreign exchange loss for 6 months ended 30 June 2013 recognized in profit or loss comprised 6,067 (6 months ended 30 June 2012 comprised 3,188).

17. Earnings per share

The information on the earnings and number of shares used for determining basic and dilutive earnings per share is presented below:

	For the six months ended	
	30 June 2013	30 June 2012
Net profit/(loss) attributable to ordinary equity holders of the parent from continuing operations	3,035	(278)
Effect of dilution	–	–
Net profit/(loss) attributable to ordinary equity holders of the parent adjusted to the effect of dilution	**3,035**	**(278)**

	For the six months ended	
	30 June 2013	30 June 2012
Weighted average number of ordinary shares for basic earnings per share	20,833,400	20,833,400
Effect of dilution	–	–
Weighted average number of ordinary shares adjusted to the effect of dilution	**20,833,400**	**20,833,400**

18. Financial instruments

The Group's financial instruments comprise accounts receivable and payable, loans receivable, loans payable, and cash, which arise directly from its operations. During the reporting period, the Group did not undertake trading in financial instruments.

Credit risk

Financial assets, which potentially subject Group entities to credit risk, consist principally of trade receivables (Note 5).

The Group has policies in place to ensure that sales of services are made to customers with an appropriate credit history. The carrying amount of accounts receivable, net of provision for impairment of receivables, represents the maximum amount exposed to credit risk. The Group has no significant concentrations of credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the allowance already recorded.

The aging of accounts receivable at the reporting date was:

	30 June 2013		31 December 2012	
	Gross	Impairment	Gross	Impairment
Current	95,478	-	73,743	-
Past due and impaired	5,784	5,784	2,702	2,702

18. Financial instruments (continued)

Interest rate risk

At the beginning of 2013 the Group entered into non-revocable credit line agreement with Sberbank denominated in euro at interest rate calculated as EURIBOR plus 2.15%. The following demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in EURIBOR rate, with all other variables held constant.

Change of EURIBOR rate, %	Effect on income/(loss) before tax
'+0.1%	(6)
'-0.1%	6

The Group also has liability under credit agreement with Raiffeisenbank denominated in Russian rubles at interest rate calculated as one month MOSPRIME plus 6%. The following demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in MOSPRIME rate, with all other variables held constant.

Change of MOSPRIME rate, %	Effect on income/(loss) before tax
'+0.1%	(15)
'-0.1%	15

The interest rates on other long-term loans of the Group are fixed and therefore do not result in susceptibility of upward interest rate risk through market value fluctuations of interest-bearing loans payable. As at 30 June 2013 the Group did not hedge its interest rate risk.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Group manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise (Note 2).

18. Financial instruments (continued)

Liquidity risk (continued)

The following table shows the undiscounted contractual maturities of liabilities as at 30 June 2013:

	0-6 months	7-12 months	2 to 5 years	Over 5 years	Total
Bank loans	77,098	32,216	170,823	–	**280,137**
Interest payable	16,018	15,295	49,715	–	**81,028**
Notes payable	2,735	7,444	25,467	–	**35,646**
Lease liabilities	1,292	113	102	–	**1,507**
Trade accounts payable	84,675	–	–	–	**84,675**
Other payables	2,092	–	–	–	**2,092**
Total	**183,910**	**55,068**	**246,107**	**-**	**485,085**

The following table shows the undiscounted contractual maturities of liabilities as at 31 December 2012:

	0-6 months	7-12 months	2 to 5 years	Over 5 years	Total
Bank loans	113,884	47,896	225,799	–	**387,579**
Interest payable	20,082	12,722	9,353	–	**42,157**
Notes payable	2,902	2,719	9,719	–	**15,340**
Lease liabilities	3,382	2,254	305	–	**5,941**
Trade accounts payable	91,293	-	-	–	**91,293**
Other payables	3,627	-	-	–	**3,627**
Total	**235,170**	**65,591**	**245,176**	**-**	**545,937**

Fair value of financial instruments

The management believes that the fair value of the Group's financial assets and liabilities approximates their carrying amounts.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to maintain an optimal capital structure to reduce cost of capital and to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group's current policy is not to pay any dividends.

18. Financial instruments (continued)

Capital management (continued)

The Group monitors capital using a range of ratios, including gearing ratio, which is net debt divided by total capital plus net debt. The Group includes the following within net debt: loans payable, finance lease obligations, less cash and cash equivalents.

	30 June 2013	31 December 2012
Loans and borrowings payable	280,301	387,852
Notes issued	34,629	15,340
Finance lease obligations	1,507	5,941
Less: cash and cash equivalents	(7,716)	(18,615)
Net debt	**308,721**	**390,518**
Equity	352,847	372,808
Capital and net debt	**661,568**	**763,326**
Gearing ratio	0.47	0.51

19. Risks, commitments and contingencies

Operating environment of the Group

Whilst there have been improvements in the Russian economic situation, such as an increase in gross domestic product and a reduced rate of inflation, Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Liquidity

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia. While the Russian Government has introduced a range of stabilization measures aimed at providing liquidity and supporting debt refinancing for Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

19. Risks, commitments and contingencies (continued)

Taxation

Legislation and regulations regarding taxation in Russia continue to evolve. The various legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local, regional and national tax authorities. Instances of inconsistent opinions are not unusual.

The current regime of penalties and interest related to reported and discovered violations of Russia's laws, decrees and related regulations is severe. Interest and penalties are levied when an understatement of a tax liability is discovered. As a result, the amounts of penalties and interest can be significant in relation to the amounts of unreported taxes.

In Russia tax returns remain open and subject to inspection for a period of up to three years. The fact that a year has been reviewed does not close that year, or any tax return applicable to that year, from further review during the three-year period.

Overall, management believes that the Group has paid or accrued all taxes that are applicable. For taxes where uncertainty exists, the Company has accrued tax liabilities based on management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities.

Possible liabilities which were identified by management at the reporting date as those that can be subject to different interpretations of the tax laws and regulations and are not accrued in the consolidated financial statements as of the reporting date could be up to 36,869 (35,847 as of 31 December 2012).

Compliance with covenants

The Group is subject to certain covenants related to its loans. Non-compliance with such covenants may result in negative consequences for the Group including claims for early repayment. The Group is in compliance with covenants as of 30 June 2013 and 31 December 2012.

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

Litigation

Group companies remain as a defendant in legal actions filed through 2010-2013 against them by a number of third parties.

Management believes that there are no current claims outstanding, which could have a material effect on the consolidated results of operations or consolidated financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements.

20. Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties during the six month periods ending 30 June 2013 and 30 June 2012, as well as balances with related parties as of 30 June 2013 and 31 December 2012:

Revenue

	Companies under control of the controlling shareholder for the six months ended 30 June 2013	30 June 2012
Field seismic operations	–	–
Operating lease services	–	198
Interest income on loans	–	198

Expenses

	Associated company for the six months ended 30 June 2013	30 June 2012
Services received	120	9,265

Outstanding balances

	Associated company As at 30 June 2013	As at 31 December 2012
Accounts receivable	47	336
Advances issued	18	20
Accounts payable	(188)	(100)
Advances received	(49)	(52)

All outstanding balances with related parties are to be settled in cash or through services rendered in case of advances within six months after the reporting date. None of the balances is secured.

Pricing policy

Related party transactions are based on market prices and are effected on an arm's length basis in a manner similar to transactions with third parties.

Key management personnel

The Company enters into transactions with its directors and other key management personnel in the normal course of business. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly and includes Chief Executive Officer, Executive Director, members of the Board of Directors, Chief Financial Officer and Vice-Presidents of the Company.

For the six months of 2013, remuneration paid to key management personnel amounted to 1,790 (six months ended 30 June 2012: 1,744).

21. Events subsequent to the reporting date

Financing

During the period subsequent to the reporting date the Group has entered into a number of revocable credit line agreements with Alfa-Bank with aggregated credit limit of 123,685. All financing is RUR denominated, maturing in 5 years and bear interest rate from 12.0% to 13.5% per annum. In addition to long-term financing the Group has attracted a 3-months loan from Nomos Bank at 10.6% per annum in the amount of 1,850.

In September 2013 the Group and Nomos Bank have concluded additional agreements for the removal of pledge over shares of OJSC Narian-Marseismorazvedka and OJSC Khantymansiyskgeofizika, which as of 30 June 2013 were pledged under several loan agreements (see Note 7).