IG Seismic Services plc

MANAGEMENT'S REPORT ON SIX MONTHS 2015 RESULTS
For six months ended 30 June, 2015

Select financial and operating information

	6 months 2015	6 months 2014	Change	%
in thousand RUR, unless otherwise stated				
Revenue	10,035,360	10,398,232	(362,872)	-3.5%
EBITDA	1,824,602	2,154,498	(329,896)	-15.3%
EBITDA margin	18.2%	20.7%	254 bp	-
Net loss from continuing operations *	(555,539)	(334,825)	(220,714)	-
Operating cash flow	3,618,423	3,512,511	105,912	3.0%
Capital Expenditures	978,370	1,467,373	(489,003)	-33.3%
Net Debt	12,901,034	11,569,154	1,331,880	11.5%

** Net loss incurred for 6 months ended 30 June 2015 and 2014 was significantly affected by certain number of one-off and non-recurring items which are discussed below in the "Adjusted EBIT and adjusted EBITDA" section.*

Operational statistics

	6 months 2015	6 months 2014	Change	%
Kilometers				
2D (km)	8,992	9,509	(517)	-5%
3D (sq.km)	7,525	7,401	124	2%
HD (km)	-	621	(621)	-100%
HD (sq.km)	728	751	(23)	-3%
Shot Points performed by IGSS crews				
2D	172,789	190,162	(17,373)	-9%
3D	543,184	504,005	39,179	8%
HD	229,065	322,598	(93,533)	-29%
TOTAL performed by IGSS crews	**945,038**	**1,016,765**	**(71,727)**	**-7%**
including				
Russia	876,272	964,145	(87,873)	-9%
Kazakhstan	20,315	6,723	13,592	202%
Other	48,451	45,897	2,554	6%

Order Book

SEISMIC SERVICES

Order Book as of June 30, 2015 (including VAT)

	As of 30.06.2015 RUR mln	As of 30.06.2014 RUR mln	Change %
Western Siberia	6,993	6,984	0%
Eastern Siberia	10,453	10,909	-4%
Timano-Pechora	1,602	5,654	-72%
South of Russia	4,131	176	2247%
Kazakhstan	114	-	100%
International projects*	2,844	1,027	177%
TOTAL, including	**26,137**	**24,750**	**6%**
Contracts Signed**	17,524	18,028	-3%
Tenders won, contracts to be signed	8,613	6,722	28%

Order Book as of June 30, 2015 Breakdown by Years (including VAT)

	As of 30.06.2015 RUR mln
2015	8,401
2016	10,539
2017	4,751
2018	2,446
TOTAL	**26,137**

SEISMIC DATA PROCESSING AND INTERPRETATION

	As of 30.06.2015 RUR mln	**As of 30.06.2014** RUR mln	Change %
Contracts Signed**	268	324	-17%
Tenders won, contracts to be signed	-	131	-100%
TOTAL, including	**268**	**455**	**-41%**

** Includes India as of 30 June 2015 and 30 June 2014.*
*** 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 at all.*

As of June 30, 2015, the Company's seismic services order book amounted to RUR 26,137 million (inclusive of VAT), of which RUR 17,524 million (inclusive of VAT) were presented by signed contracts and RUR 8,613 million (inclusive of VAT) by tenders won. The seismic services order book as of June 30, 2015 increased by 6% compared to the order book as of June 30, 2014.

Order Book Update as of September 13, 2015

As of September 13, 2015, the Company's seismic services order book amounted to RUR **32,193** million (inclusive of VAT), of which approximately RUR **22,025** million (inclusive of VAT) were presented by signed contracts and RUR **10,168** million (inclusive of VAT) by tenders won. The seismic services order book as of September 13, 2015 increased **by 13%** compared to the order book as of September 13, 2014.

SEISMIC SERVICES

Order Book as of September 13, 2015 (including VAT)

	As of 13.09.2015 RUR mln	As of 13.09.2014 RUR mln	Change %
Western Siberia	9,058	6,775	34%
Eastern Siberia	10,865	12,043	-10%
Timano-Pechora	5,875	5,330	10%
South of Russia	3,577	3,512	2%
Kazakhstan	114	17	571%
International projects*	2,704	911	197%
TOTAL, including	**32,193**	**28,588**	**13%**
Contracts Signed**	22,025	25,277	-13%
Tenders won, contracts to be signed	10,168	3,311	207%

Order Book as of September 13, 2015 Breakdown by Years (including VAT)

	As of 13.09.2015 RUR mln
2015	6,321
2016	13,976
2017	7,151
2018	4,745
TOTAL	**32,193**

SEISMIC DATA PROCESSING AND INTERPRETATION

Order Book as of 13 September 2015 (including VAT)

	As of 13.09.2015 RUR mln	**As of 13.09.2014** RUR mln	Change %
Contracts Signed**	231	322	-28%
Tenders won, contracts to be signed	87	88	-1%
TOTAL, including	**318**	**410**	**-22%**

** Includes India as of 13 September 2015 and 13 September2014.*
*** 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 at all.*

The Group is currently in the process of contracting for 2015-2016 and 2016-2017 seasons which implies that current order book does not provide an accurate indication of revenues in 2015 and current order book trends could change.

The following discussion and analysis of our financial condition and results of operations is for the six months ended 30 June 2015 (the "Report"). It should be read in conjunction with our Interim Condensed Consolidated Financial Statements for the 6 month period ended 30 June 2015 and related notes. Financial information as of and for the 6 month period ended 30 June 2015 has been derived from our 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 "IGSS", "the Group", "we", "our" and "us" are references to IG Seismic Services plc and its subsidiaries and equity affiliates.

Seismic Services Market Conditions

Our results of operations are affected by the conditions in the seismic services market, and more generally, the oil and gas field services market in Russia and the CIS. Oil production in Russia was steadily and dynamically growing throughout 2000s thanks to the intensification of production at existing fields and implementation of technologies to enhance oil recovery rate. Over the period of 2000-2010 production grew more than 1.5 times exceeding 500 mln tones a year. During the crisis of 2008-2009 there was a trend towards production decline, but timely tax cuts by the government helped to stabilize production and even to promote its growth. Since 2010, conditions in this market have been gradually improving due to positive oil price dynamics and changes in Russian upstream and corporate taxation.

The previous 2014 year saw significant economic changes in the country. Due to sanctions imposed by the OECD (Organization for Economic Co-operation and Development) and OFAC (Office of Foreign Assets Control) against Russia and slumping oil prices (down to 45 per barrel), oil and gas companies have encountered new issues.

During the reporting period of first half of 2015, the oil prices have been volatile at the beginning and end of the period, but mostly remaining around US $50 per barrel, due to market over supply. Also geopolitical uncertainties and risks remained. Low oil prices, geopolitical uncertainties and a weaker ruble have negatively affected our reported results of operations.

Russia's oil production continued to grow by approximately 1% during the first half of 2015 as compared to the corresponding period of 2014. The increase, as has been the case for the past several years, is driven by the contribution from greenfields coming on stream in Eastern Siberia, Timano-Pechora, the Caspian, and Sakhalin.

The fundamentals of the Russian OFS market remain unchanged; with the greater part of Russian oil production is based on discoveries that were made in the time of the Soviet Union. 90% of oil production is done at oilfields that were discovered before 1988, and only remaining 10% is extracted from the fields that were discovered in the 1990s and 2000s. Such a situation was caused by the fact that newly discovered fields are mainly located in faraway regions with difficult climates or lack of infrastructure. Their development requires considerable investment. Future production dynamics will depend on the companies' ability to speedily commission new fields and the rates of implementation of modern technologies necessary to maintain production at existing fields.

Volatility in demand for services is partially mitigated by the fact that state-related clients, such as state-controlled oil companies including Gazprom, Rosneft, Gazprom Neft and government authorities including Rosnedra, which accounted for approximately 13.7%, 11.8%, 10.8% and 4.9% of our revenues from seismic survey operations respectively for the six months ended 30 June 2015, tend to demonstrate a greater degree of commitment to early stage exploration projects even during the financial downturn, compared to private businesses. In addition, some hydrocarbon licenses in Russia include specific annual targets for seismic surveys, which requires the respective license holders to continue undertaking seismic services and prioritize them over most of the other capital expenditures, in order to retain the licenses.

Seasonality

Revenues from our field seismic works operations comprised over 95% of our total revenues derived for the period. There is a limited season for conducting such operations in Siberia as we cannot access many areas in certain periods due to flooding caused by spring thawing and the melting of bogs, following which, the working area is usually characterized by swampy conditions. These conditions restrict the provision of field seismic services in Siberia to a period from December to April. In the first half of the year, our order book is typically lower than in the subsequent quarters, as we usually enter into contracts for the next season in the second half of the year. During the third quarter of the year, we enter the preparation stage, which typically results in an increase in our debt and working capital levels. In addition, on certain occasions, volumes in the second quarter can be negatively affected by early spring thaw. We expect to continue our geographic diversification to reduce the impact of seasonality on our operations, in particular by re-deploying our crews to other locations, such as Southern Russia, Kazakhstan, Uzbekistan and certain countries outside the CIS, during off-peak seasons in Siberia. However, while such redeployment helps us to better utilize our capacity throughout the year, increasing revenues, profits and return on capital, it also negatively affects our margins as seismic surveys performed in warmer climates and less demanding conditions generally yield lower margins as compared to seismic surveys performed in regions with more harsh weather conditions.

Seismic Services Market Trends in First Half of 2015

In recent years the Russian oil industry has entered into a new stage of development. The vast majority of Russian production comes from increasingly mature fields discovered and in most cases developed during the Soviet period. The Russian government and oil companies are aware that, in order to replace falling production at these brownfields, it will be necessary to develop new fields and to apply new approaches to production at already producing fields, including through the exploration and development of new, yet-to-find, fields and tight oil reservoirs, and through the use of new technologies to develop more complex, discovered but undeveloped reservoirs and to optimize production from mature reservoirs at currently producing fields. An increasing proportion of Russian oil production has been already accounted for by reservoirs with more complex geologies than those traditionally developed, which requires more complicated geological evaluation and production technologies. Thus, we expect that growth of the seismic exploration market will be driven by increased seismic activity at existing brownfields, additional seismic exploration of tight oil reservoirs, new exploration in new regions and, potentially, by offshore projects.

Maintaining production is becoming a key priority for the Russian government, which is reflected in a series of already introduced as well as potential tax benefits.

Major Events of the First Half of 2015

Moody`s Affirmed IG Seismic Services Corporate Credit Rating ‘B2’; Outlook changed to ‘Negative’

In January Moody’s Investor Service affirmed its long-term corporate credit rating ‘B2’ and revised outlook to ‘Negative’) IG Seismic Services. A credit rating ‘B2’ with ‘Stable’ outlook was awarded to IGSS in October 2013.

IGSS Requested to Cancel the Listing and Trading of its GDRs

In April IGSS announced that it has sent a request to the London Stock Exchange and the Financial Conduct Authority to cancel the listing and trading of its Global Depositary Receipts effective as of 30 June 2015. However, later in April it has become apparent that the consent of certain of IGSS's financing banks is required for the Cancellation and Change pursuant to financing documentation IGSS has entered into with them. As a consequence, although IGSS still intends to proceed with the Cancellation and Change it delayed termination of its GDR program.

Financial Review

Key financial highlights for the six months of 2015:

- Revenue for the full year amounted to RUR 10,035 mln, which is 3.5% below the revenue for the same period of 2014 of RUR 10,398 mln.
- EBITDA decreased by 15.3% and amounted to RUR 1,825 mln.
- EBITDA margin decreased by 254 bp to 18.2% of revenue compared to 20.7% of revenue for the same period of 2014.
- Net loss for six months of 2015 amounted to RUR 556 mln compared to RUR 335 mln for the same period of 2014.
- Operating Cash Flow for six months of 2015 increased by 3.0% over the same period of 2014 to RUR 3,618 mln.

The following table sets forth selected financial statements for the six months ended June 30, 2015 and 2014 extracted from the Group's unaudited interim condensed consolidated financial statements prepared in accordance with IFRS.

	6 months 2015	**6 months 2014**
Revenue	10,035,360	10,398,232
Cost of sales	(8,424,604)	(8,404,831)
Gross profit	**1,610,756**	**1,993,401**
General and administrative expenses	(1,024,991)	(1,204,321)
Other operating income	71,691	69,315
Other operating expense	(546,697)	(307,548)
Operating profit	**110,759**	**550,847**
Finance income	35,041	43,646
Finance expense	(1,004,448)	(803,225)
Net foreign exchange gain / (loss)	259,215	(10,512)
Share of profit / (loss) of an associate	3,466	(35,759)
Loss before tax	**(595,967)**	**(255,003)**
Current income tax expense	(10,289)	(5,463)
Deferred income tax benefit / (expense)	50,717	(74,359)
Loss for the period	**(555,539)**	**(334,825)**

Revenue

During the first half of 2015, revenue decreased by RUR 362.9 million, or 3.5%, from RUR 10,398.2 million for the six months ended 30 June 2014 to RUR 10,035.4 million for the period ended 30 June 2015.

The following table sets forth a breakdown of our revenue by geography:

	6 months 2015	**6 months 2014**
Russia	9,429,691	9,874,406
Kazakhstan	605,669	523,826
Total revenue	**10,035,360**	**10,398,232**

During the six months ended 30 June 2015 and 2014, 94.0% and 95.0% of revenues, respectively, were generated by operations in Russia, with the remaining 6.0% and 5.0% of the revenues, respectively, attributable to operations in Kazakhstan and international projects.

Russia business segment revenue decrease was driven by decrease of 2D and HD volumes while 3D volumes demonstrated 8% increase in terms of shot points leading to growth of average price per shot point.

The following table sets forth a breakdown of our revenue by types of services rendered for the period indicated:

	6 months 2015	6 months 2014
Field seismic operations	9,757,009	10,109,912
Data processing and interpretation	191,097	145,768
Other revenue	87,254	142,552
Total	**10,035,360**	**10,398,232**

Being influenced by certain factors discussed above revenue from Field seismic operations decreased by RUR 352.9 million, or 3.5%, for the six months ended 30 June 2015 and amounted to RUR 9,757.0 million, as compared to RUR 10,109.9 million for the same period of 2014. Revenue from data processing and interpretation of geophysical information increased by RUR 45.3 million, from RUR 145,8 million for the six months ended 30 June 2014 to RUR 191.1 million or the six months ended 30 June 2015 due to certain shift in billing to 2015. Other revenue decreased by RUR 55.3 million, from RUR 142.6 million for the six months ended 30 June 2014 to RUR 87.3 million for the six months ended 30 June 2015. The main reason behind this is a decrease in revenue of internally built impulse sources with production base in Minusinsk.

During the six months ended 30 June 2015 and 2014, 97.2% and 97.2% of revenues, respectively, was generated by field seismic operations.

Cost of sales

Cost of sales increased by RUR 19.8 million, or 0.2%, during six months ended 30 June 2015 and amounted to RUR 8,424.6 million, as compared to RUR 8,404.8 million for the same period of 2014.

The following table summarizes the cost of sales by type of expense during the periods indicated:

	6 months 2015	6 months 2014
Labor and wages, including mandatory social contributions	3,522,229	3,329,230
Materials and supplies	1,932,136	2,012,217
Depreciation of property, plant and equipment and amortization of intangible assets	1,312,868	1,314,146
Oilfield services	552,646	686,243
Operating lease payments	420,651	288,581
Transportation services	306,150	382,084
Other third parties services	301,046	296,956
Other	76,878	95,374
Total	**8,424,604**	**8,404,831**

Labor and wages, including mandatory social contribution

Expenses related to labor and wages, including mandatory social contribution, increased by RUR 193.0 million, or 5.8%, to RUR 3,522.2 million for the six months ended 30 June 2015, as compared to RUR 3,329.2 million for the same period of 2014. Moderate growth of payroll related costs was caused by substantially higher volume of works executed without attraction of third parties which resulted in respective decrease of topographical surveying subcontracted. Another factor affected increase in labour costs is growth in 3D volumes which are more labour-intensive.

Materials and supplies

Materials and supplies expenses remained relatively stable due to benefits from the procurement optimization and lower material and supplies requirements that was partially offset by supplies prices growth.

Oilfield services

Oilfield services decreased by RUR 133.6 million, or 19.5%, to RUR 552.6 million for the six months ended 30 June 2015, as compared to RUR 686.2 million for the same period of 2014. Decrease in oilfield services was due to complete elimination of subcontracted pass-through contracts as well as due to decrease of topographical surveying subcontracted.

Operating lease payments

Operating lease payments increased by RUR 132.1 million, or 45.8%, to RUR 420.7 million for the six months ended 30 June 2015, as compared to RUR 288.6 million for the same period of 2014. This growth was due to factual increase of winter seismic season duration and was substantially affected by increase in rent rates for geophysical equipment which are denominated in US dollars.

Transportation services

Transportation services expenses decreased by RUR 75.9 million, or 19.9%, to 306.2 million for the six months ended 30 June 2015, as compared to RUR 382.1 million for the same period of 2014. Higher volume of transportation expenses incurred during 2013-2014 season and consequently for the first six months of 2014 as a result of greater portfolio of smaller projects executed by one particular seismic crew and additional related cost for mobilizations between these areas.

Gross Profit

As a result of the foregoing, gross profit decreased by RUR 382.6 million, or 19.2%, to RUR 1,610.8 million for the six months ended 30 June 2015, as compared to RUR 1,993.4 million for the same period of 2014.

General and Administrative Expenses

General and administrative expenses decreased by RUR 179.3 million, or 14.9%, from RUR 1,204.3 million for six months ended 30 June 2014 to RUR 1,025.0 million for six months ended 30 June 2015.

The following table summarizes general and administrative expenses by type of expense during the periods indicated:

	6 months 2015	**6 months 2014**
Labor and wages, including mandatory social contributions	682,034	773,328
Third party services	137,476	180,282
Taxes, other than income tax	61,481	52,785
Operating lease	47,878	46,021
Depreciation of property, plant and equipment and amortization of intangible assets	36,217	45,781
Bank charges	17,372	32,440
Other	42,533	73,684
Total	**1,024,991**	**1,204,321**

Labor and wages, including mandatory social contribution

Labor and wages expenses decreased by RUR 91.3 million, or 11.8%, to RUR 682.0 million for the six months ended 30 June 2015, as compared to RUR 773.3 million for the six months ended 30 June 2014. This decrease primarily relates to certain headcount reduction in Moscow office and several subsidiaries accomplished during 2014 following new Company's corporate structure and business unit's management structure implementation.

Third party services

Third party services decreased by RUR 42.8 million, or 23.7%, to RUR 137.5 million for the six months ended 30 June 2015, as compared to RUR 180.3 million for the six months ended 30 June 2014. This decrease primarily relates to significant decrease in marketing and advertizing expenses including participation in seismic exhibition abroad including events of The European Association of Geoscientists and Engineers. During first half of 2014 these expenses amounted to RUR 33.4 million, while marketing and advertizing expenses incurred for the first half of 2015 amounted to less than RUR 1.0 million. Contraction of aforementioned expenses results from overall unfavorable business environment in the Russian economy which continues to be negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian Rouble and uncertainty regarding further economic growth.

Certain cutdown has been also affected expenses for transportation, repair and maintenance, communication and insurance services in the aggregate amount of approximately RUR 11.8 million which was impacted by organizational restructuring mentioned above.

Bank charges

Bank charges experienced almost two-times decrease for six months ended 30 June 2015 as compared to the same period of 2014 and amounted to RUR 17.4 million. This decrease primarily relates to significant reduction in cash turnovers for financing activity implied by less refinancing transactions for first half of 2015 as compared to the same period of 2014.

Other operating expense

Other operating expenses increased by RUR 239.1 million, or 77.8%, to RUR 546.7 million for the six months ended 30 June 2015, as compared to RUR 307.5 million for the six months ended 30 June 2014. This increase primarily relates to Loss on disposals of property, plant and equipment and other assets which amounted to RUR 231.3 million for the six months ended 30 June 2015 as compared to RUR 99.2 million for six months ended 30 June 2014. This related to optimization of the business units management structure and certain restructuring of several operating subsidiaries of the Group resulting in the disposal and write off of certain fixed assets whose book value was recorded at a high market price derived from an independent valuation performed prior to the financial downturn of 2008.

Increase in expenses for bad debt provision was triggered by continuing financial crisis which has resulted in capital markets instability, significant deterioration of liquidity in the banking and real sector, and influenced certain, primarily minor, counterparties of the Group.

Penalties and fines relate to additional charges for breach in contractual obligations with counterparties in a normal course of business and additional non-income tax charges. Increase in comparison with same period of 2014 was a consequence of on-site tax inspections held for previous years.

The following table summarizes other operating expenses by types during the periods indicated:

	6 months 2015	**6 months 2014**
Loss on disposals of property, plant and equipment and other assets	231,349	99,179
Bad receivables write-offs and provisions	104,473	22,174
Penalties and fines paid	89,485	50,538
Other	121,390	135,657
Total	**546,697**	**307,548**

Operating profit

As a result of the foregoing, operating profit decreased by RUR 440.1 million to RUR 110.8 million for the six months ended 30 June 2015, as compared to RUR 550.8 million for the six months ended 30 June 2014.

Finance Expense

Finance expense increased by RUR 201.2 million, or 25.1%, from RUR 803.2 million for the six months ended 30 June 2014 to RUR 1004.4 million for the six months ended 30 June 2015. This increase primarily relates to increase in credit portfolio of the Group as well as to certain increase in bank interest upon sanction imposed on Russian Federation in the middle of 2014 and further. The following table summarizes finance expenses by type of expense during the periods indicated:

	6 months 2015	6 months 2014
Interest expense on loans and borrowings	971,662	782,810
Bank charges on loans and loan accounts	31,524	14,127
Other finance expenses	1,302	6,288
Total finance expenses	**1,004,448**	**803,225**

Net Foreign Exchange loss

For the first half of 2015 the Group has earned RUR 259.2 million on net foreign exchange gain as compared to RUR 10.5 million loss reported for the first half of 2014. This net gain originated from certain strengthening of Russian rouble against US dollar and Euro since the beginning of the year when the exchange rates has reached the bottom.

Share in profit / (loss) of an associate

Share of profit of associates for the period ended 30 June 2015 comprised RUR 3.5 million as compared with share of loss of associates in the amount of RUR 35.8 reported for the same period of 2014. This shift was primarily due to a corresponding improvement of financial performance of associates of the Group.

Loss before tax

As a result of the foregoing, loss before tax for the six months ended 30 June 2015 comprised RUR 596.0 million as compared to RUR 225.0 million loss before tax for the same period of 2014.

Current and deferred Income tax expense

Income tax benefit for the six months ended 30 June 2015 comprised RUR 40.4 million as compared to RUR 79.8 income tax expense for the six months ended 30 June 2014. This was primarily due to movements in the deferred taxation while current tax expense comprised RUR 10.3 million for the first half of 2015 as compared to RUR 5.5 for the same period of 2014.

Loss for the period

As a result of the foregoing, loss for the for the six months ended 30 June 2015 comprised RUR 555.5 million as compared to RUR 334.8 million loss for the same period of 2014.

Adjusted EBIT and adjusted EBITDA

Group monitors the operating results for the purpose of making decisions about resource allocation and performance assessment on the basis of adjusted EBIT and adjusted EBITDA.

Adjusted EBIT is defined as operating profit from continuing operations including depreciation and amortization and excluding any non-recurring transactions included within operating profit from continuing operations.

Adjusted EBITDA is defined as operating profit from continuing operations before depreciation and amortization excluding any non-recurring transactions included within operating profit from continuing operations.

In addition to the financial metrics above and segment information disclosed in respective note to unaudited interim condensed consolidated financial statements the Group for the six months ended 30 June 2015 presents normalization of the financial results for the six months ended 30 June 2015 and 2014 to the effect of one-off and non-recurring items in addition to those affecting adjusted EBITDA and adjusted EBIT.

	6 months 2015	6 months 2014
Loss for the year as reported	**(555,539)**	**(334,825)**
Net foreign exchange (gain) / loss	(259,215)	10,512
Share of (profit) / loss of an associate	(3,466)	35,759
Restructuring and redundancy costs	143,883	144,545
Prior year taxes and related provisions	68,530	-
Deferred tax assets on tax loss not recognized	91,588	43,252
Adjustments in respect to current income tax of previous years	21,037	(2,996)
Normalized financial results for the period	**(493,182)**	**(103,753)**
Financial income and expense, net	969,407	759,579
Deferred income tax (benefit) / expense for the period w/o one-offs	(163,342)	34,103
Current income tax expense	10,289	5,463
Adjusted EBIT for the period	**323,172**	**695,392**
Depreciation of property, plant and equipment	1,290,826	1,328,319
Amortization of intangible assets	58,259	31,608
Loss on disposals of property, plant and equipment and other assets	152,345	99,179
Adjusted EBITDA for the period	**1,824,602**	**2,154,498**

Liquidity and Capital Resources

The Group's principal sources of liquidity are cash flows from operating activities and partially bank loans. The Group expects to continue financing a certain portion of capital expenditures using cash from operations and partially bank financing. The Group believes that cash flows generated from operations during six months ended 30 June 2015 and further will be sufficient to finance working capital needs and to repay existing obligations as they become due and that bank financing will be available on commercially acceptable terms.

Cash Flows

The following table sets out Group's summary cash flow information for the six months ended 30 June 2015 and 2014:

	6 months 2015	6 months 2014
Net cash from operating activities	3,618,423	3,512,511
Net cash used in investing activities	(381,354)	(1,487,080)
Net cash used in financing activities	(3,531,190)	(2,558,575)

Net Cash from Operating Activities

During the six months ended 30 June 2015, cash flows from operating activities remained relatively stable and increased by RUR 105.9 million, or 3.0%, to RUR 3,618.4 million for the six months ended 30 June 2015, as compared to RUR 3,512.5 million for the same period of 2014.

Net Cash used in Investing Activities

During the six months ended 30 June 2015, net cash used in investing activities decreased by RUR 1,105.7 million to RUR 381.4 million, as compared to RUR 1,487.1 million for the same period of 2014. The decrease mostly related to moderate and less intensive CAPEX programme for season 2014-2015 due to deterioration of Russian rouble and respective increase prices for seismic equipment which are primarily denominated in Euro and US dollar. Cash payments for purchases of property, plant and equipment comprised RUR 551.3 million and RUR 1,226.9 million for the six months ended 30 June 2015 and 2014, respectively.

Apart from the above, net cash outflows for investing activities were also affected by the cash received as a discount for purchases of seismic equipment received in the beginning of 2015 in the amount of RUR 151.5 million as opposite to RUR 239.9 million spent on purchases of bank promissory notes during first half of 2014 which had been redeemed later during the second half of 2014.

Net cash used in financing activities

During the six months ended 30 June 2015, net cash used in financing activities increased by RUR 972.6 million to RUR 3,531.2 million, as compared to RUR 2,558.6 million for the same period of 2014. This increase essentially relates to increase in net repayment of bank loans and payments for redemption of promissory notes which comprised RUR 2,493.3 million and RUR 1,539.8 million for the six months ended 30 June 2015 and 2014, respectively, demonstrating RUR 953.5 increase period to period. Given the certain increase in interest rates discussed above amount of interest paid increased by 5.0% and amounted to RUR 770.0 million for six months ended 30 June 2015 as compared to RUR 733.3 for the same period of 2014.

Capital Expenditures

The combined capital expenditures were RUR 978.4 million and RUR 1,467.4 million for the six months ended 30 June 2015 and 2014, respectively. Capital expenditures consist primarily of purchases of equipment and software used in the operations, repayment of liabilities under finance lease agreements and redemption of promissory notes issued to suppliers of seismic equipment.

	6 months 2015	6 months 2014
Investing activities: Purchases of property, plant and equipment	551,274	1,226,867
Financing activities: Redemption of CAPEX promissory notes	424,931	238,279
Financing activities: Repayment of finance lease obligations	2,165	2,227
Total cash CAPEX	**978,370**	**1,467,373**

Capital expenditures are presented on the basis of cash outflows for the respective period. As of 30 June 2015, the Group had no firm commitments in respect of future capital expenditures.

Capital resources

The following table sets forth loans and borrowings as of 30 June 2015 and 2014:

	30 June 2015	30 June 2014
Long-term bank loans	3,152,274	4,528,956
Bonds	2,975,116	2,967,579
Total non-current loans and borrowings	**6,127,390**	**7,496,535**
Short-term bank loans	3,365,651	1,312,317
Current portion of long-term bank loans	3,772,362	2,347,259
Short-term borrowings	-	2,000
Total current loans and borrowings	**7,138,013**	**3,661,576**
Total loans and borrowings	**13,265,403**	**11,158,111**

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 (RUR 599.5 million) and matures in December 2017. The liability over this credit line in the amount of RUR 274.8 million and RUR 274.8 million is reported within Long-term bank loans and Current portion of long-term bank loans, respectively as of 30 June 2015.

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

A number of loan agreements and revolving credit line agreements were secured by property, plant and equipment, and rights to claim cash.

We typically incur a significant portion of our expenses during the preparation and mobilization stages, which normally occur in the period of August to October, and effect drawdowns under our credit facilities.

The following table sets forth promissory notes issued as of 30 June 2015 and 2014:

	30 June 2015	30 June 2014
Long-term promissory notes payable:		
Notes issued to third parties for equipment (Sercel)	-	84,111
Notes issued to third parties for equipment (UniQ)	-	256,967
Short-term promissory notes payable:		
Notes issued to third parties for equipment (Sercel)	144,043	172,518
Notes issued to third parties for equipment (UniQ)	436,846	307,676
Notes issued to third parties for services and supplies	114,231	-
Total	**695,120**	**821,272**

To assess the debt levels the Group uses Gross Debt measure which is a sum of Loans and borrowings, promissory notes issued and finance lease obligations as at reporting date and Net Debt which is calculated by deduction of cash and cash equivalents and other financial instruments easily convertible to cash from Gross Debt.

	30 June 2015	30 June 2014
Loans and borrowings payable	13,265,403	11,158,111
Notes issued for CAPEX	580,889	821,272
Finance lease obligations	5,439	3,762
Gross debt	**13,851,731**	**11,983,145**
Less: cash and cash equivalents	(950,697)	(172,991)
Less: bank promissory notes	-	(241,000)
Net debt	**12,901,034**	**11,569,154**

Off-Balance Sheet Arrangements

As of 30 June 2015, the Group did not have any material off-balance sheet arrangements.

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. The Group's overall risk management objective is to reduce the potential adverse effects of these risks on financial performance.

Credit risk

Credit risk is the risk that counterparty 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 such as Sberbank, Alfa Bank and Bank Otkritie and therefore believes that it does not have a material credit risk in relation to its cash or cash equivalents.

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.

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%. Increase in EURIBOR rate by 10 bp entails additional interest expense of RUR 0.6 million for the six months ended 30 June 2015.

In August 2014 the Group entered into supply agreement with Sercel for acquisition of new seismic equipment in the amount of 11,465,720 euro (RUR 634.8 million as of 30 June 2015). The purchase was made on deferred payments terms through ten equal installments by September 2019 at EURIBOR 6m + 2.8% p.a. Increase in EURIBOR rate by 10 bp entails additional interest expense of RUR 0.6 million for the six months ended 30 June 2015.

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 2015 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.

Foreign currency risk

The Group is not engaged in any significant hedging activity to mitigate its foreign currency risk. The Group limits foreign currency risk by monitoring changes in exchange rates in the currencies in which its loans and borrowings are denominated.

Subsequent Events

In August 2015 PJSC Bank «Otkritie Financial Corporation» provided a new credit line facility to Public Joint Stock Company «GEOTECH Seismic Services» in the amount of 6.5 billion rubles maturing 29 July 2022 at 15% p.a. Following the receipt of funds from Bank «Otkritie Financial Corporation» the Group’s total debt amount will remain unchanged as credit line will be used to refinance existing obligations.

Management’s Responsibility Statement

The report and the attached unaudited interim condensed consolidated financial statements, including the financial information contained herein, are the responsibility of, and have been approved by the management of the Group. The management is responsible for preparation of the Financial Report in accordance with the IAS 34 Interim Financial Reporting.