



IG Seismic Services PLC

IG SEISMIC SERVICES CORPORATE GOVERNANCE STATEMENT FOR 2013

Since IG Seismic Services PLC (hereinafter – “IGSS”, “IG Seismic Services”, the “Company”) is incorporated in the Republic of Cyprus with global depository receipts representing shares listed on the London Stock Exchange, it is not subject to the U.K. Corporate Governance Code issued by the Financial Reporting Council. Also as our shares are not listed on the Cyprus Stock Exchange, we are not required to comply with the corporate governance regime relating to companies listed on the Cyprus Stock Exchange. Nevertheless we understand the increasing importance of principles of corporate governance and transparency in organization of Company’s business and comply with U.K. Corporate Governance Code wherever reasonably possible. In addition, in order to ensure that the Company’s corporate governance mechanisms and procedures are efficient and adhere to leading market practice, the Company implemented corporate governance code based on the U.K. Corporate Governance Code but adapted therefrom to ensure that the requirements and obligations imposed on the Company are appropriate given its status as a public limited company in Cyprus.

Board of Directors

The Board of Directors of the Company acknowledges that to continue to be successful in the long term the Group must be led by an effective board with the appropriate skills, experience, independence and knowledge of the Group’s activities. The Board adopted the Terms of Reference of the Board on September 21, 2012 with the technical amendments as of September 27, 2013 which clearly define its, among other things, roles and responsibilities, composition, rights and duties, activities and organization, and cover matters including performance review, evaluation and remuneration of the Members of the Board.

The Board remains committed to guiding strategic objectives and ensuring that management, financial and human resources are sufficient to meet these objectives. The Board has fundamental responsibilities for the stewardship, transparency and accountability; risk management and internal controls; corporate culture; board operations and nomination of candidates by the Board to the Shareholders; monitoring management and evaluating its activities; and corporate social responsibility.

The Board ensures that it contains an appropriate combination of Independent Directors, Executive Directors and Non-Executive Directors to ensure that power and information is not confined to a limited number of individuals and thus no individual or group of individuals can dominate the Board’s decision making processes. In 2013 year the Board of Directors was composed of nine members: the Independent Non-Executive Chairman (Sergey Generalov), two Executive Directors (Nikolay Levitskiy and Denis Cherednichenko), six Non-executive Directors (Boris Aleshin, Peter O’Brien, Dmitry Lipyavko, Maurice Dijols, Felix Lubashevsky and Kurt Suntay). Four out of nine directors were determined by the Board as independent directors (Sergey Generalov, Boris Aleshin, Peter O’Brien and Dmitry Lipyavko). In November 2013 Kurt Suntay voluntary resigned from the Board of Directors of IGSS.

The Board ensures that key financial areas, specialization, expertise and technical skills are represented by the Board. The Directors have a range of business and financial expertise that is important and relevant for the performance of their functions.

The Board of Directors in 2013 year

Name	Year of Birth	Position	Year of First Appointment
Sergey V. Generalov ^{(1) (5)}	1963	Independent non-executive director, Chairman of the Board of Directors	2012
Boris S. Aleshin ^{(3) (5)}	1955	Independent non-executive director, Chairman of the Technology Committee	2011
Peter Lloyd O'Brien ^{(1) (5)}	1969	Independent non-executive director, Chairman of the Audit Committee	2012
Dmitry Y. Lipyavko ⁽²⁾	1965	Independent non-executive director, Chairman of the Nominations and Remuneration Committee	2012
Denis V. Cherednichenko ⁽³⁾	1977	Executive (managing) director, Executive Vice President	2011
Maurice Greoire Rene Dijols ^{(2) (3)}	1951	Non-executive director	2011
Nikolay V. Levitskiy ⁽³⁾	1972	Executive (managing) director, Chief Executive Officer	2011
Felix V. Lubashevsky ⁽²⁾	1974	Non-executive director	2012
Kurt D. Suntay ^{(1) (4)}	1968	Non-executive director	2011

(1) Member of the Audit Committee.

(2) Member of the Nominations and Remuneration Committee.

(3) Member of the Technology Committee.

(4) In November 2013 Kurt Suntay voluntary resigned from the Board of Directors of IGSS.

(5) Re-elected on the Annual General Meeting in 2013.

Information on Board Meeting Attendance

During 2013 the Company's Board of Directors held seven meetings in accordance with the schedule approved by the Board: three in absentia and four in person.

Board Performance Review and Evaluation

The Board of Directors undertakes a formal and rigorous annual evaluation of its own performance and that of its committees and Directors.

Among the issues considered by the Board in the reporting year:

- Reporting Committee Chairman on progress, plans and statements for 2013 year, work plans for 2014 year;
- LTM for the Group, cooperating with Schlumberger, tender campaign, JV with OAO 'Rosgeologia';
- Targeting organizational structure of the Group, appointment of personnel to the senior positions, approval of major corporate transactions (sale of stock, PJSC 'Geotech Seismic Services' bond offering);
- Budget of the Group, investment plan, optimization of financial and economic situation (WC, debt level, inventory level, and etc.);
- Reporting regarding operational and financial results in 2013 year;
- Approval of the consolidated financial statements and auditors (on the recommendation of the Audit Committee);
- Approval of the remuneration to top management by the end of 2012 year, approval of motivation KPIs for 2012-2013 and 2013-2014 seasons, preparation of long term motivation programs for top management (on the recommendation of the Nominations and Remuneration Committee);
- Calling on the AGM of Shareholders in 2013 year, investor relations practice (roadshow, Q&A and etc.);
- Approval of Internal Control Charter, Instructions on transactions with shares, the Regulation on insider information, Insider List;
- Changes in Corporate Governance Code, the Code of Business Conduct and Ethics, as well as in the BoD ToR;

- 2013 year Board of Directors results and plans for 2014 year.

Share Capital and Major Shareholders

The issued share capital of IGSS consists of 20,833,400 shares with a nominal value of US\$0.01 per share. Global Depositary Receipts (GDRs) of IG Seismic Services representing two ordinary shares each are listed and traded on the Main Market of the London Stock Exchange under the ticker IGSS. As of December 31, 2013 the free float of IGSS amounted to approximately 43% of the issued share capital. The JP Morgan Chase Bank is the depositary bank for the GDR programme of IGSS.

Shareholder structure as of 31 December 2013

Mr. Nikolay Levitskiy	29.79%
Industrial Investors Group	13.00%
Schlumberger	12.00%
Other institutional and private shareholders	45.21%

Changes in the shareholder structure during the year 2013

During the reporting year two significant events in respect of the major shareholding occurred: there was a change of the 13% stock owner and a possible offer regarding the shares of the Company was announced.

Nyala Investments Limited which represented interests of Volga Group (formerly known as Volga Resources) sold its 13% stock in IGSS on November 14, 2013 to the Company affiliated with the Industrial Investors Group, which is ultimately beneficially owned by Sergey Generalov, Chairman of IGSS Board of Directors.

On November 15, 2013 it was announced that U.C.E. Synttech Holdings Limited (ultimately owned by Nikolay Levitskiy, the major shareholder of IGSS) considered a possibility of announcing the offer in relation to IGSS shares and such offer was duly published on December 30, 2013.

The offer to acquire the IGSS shares at the price of \$15.00 in cash for each share which is equivalent to \$30.00 in cash for each GDR was open until February 26, 2014. As a result of the offer the Company U.C.E. Synttech Holdings Limited acquired 5,423,147 shares in IG Seismic Services PLC representing approximately 26.03% of the current issued capital of IGSS and Nikolay Levitskiy through its affiliated entities became the ultimate beneficial owner of 55.82% of the issued share capital of IGSS.

Company Codes and Policies

The Directors have adopted several codes and policies applicable to the Directors, officers and employees of the Company including:

Corporate Governance Code

The Company has adopted a Corporate Governance Code, a copy of which is available on the Company's web site. The Corporate Governance Code set out principles of corporate governance and transparency in the conduct of the Company's business, ensuring that the Company's corporate governance mechanisms and procedures are efficient and adhere to the expectations of Company's stakeholders in respect to leadership, Board effectiveness, accountability, remuneration and other areas.

Code of Business Conduct and Ethics

The Company has adopted a Code of Business Conduct and Ethics, a copy of which is available on the Company's web site. The Code of Business Conduct and Ethics promotes ethical behavior and compliance with a wide range of requirements, critical to the conduct of effective operations within the Company, including requirements in the areas of health & safety, conflict of interests and confidentiality.

Regulations with respect to insider information

The Company has developed a systematic approach to deal with inside information by establishing effective arrangements to restrict access to inside information and having persons with access to inside information identified and recorded appropriately.

The arrangement also covers dealing by persons discharging managerial responsibilities and their connected persons in the Company's securities.

Annual General Meeting

The Company held the Annual General Meeting of the Shareholders of the Company on June 14, 2013 in Cyprus. Details of the resolution proposed at the Annual General Meeting were given in the Notice of the Annual General Meeting, which was published and sent to the shareholders. Generally the shareholders voted in favor of all proposed resolutions and the Consolidated Financial Statements of the Company together with the Directors' and Auditors' Reports for the year ended 31 December 2012 were approved, the retiring auditors of the Company Ernst & Young LLC were re-appointed, three independent directors were re-elected.

Auditors

Ernst & Young LLC remained as the Company's independent auditor in 2013 and have expressed its willingness to continue in office. Accordingly, a resolution to reappoint Ernst & Young LLC as the Company's independent auditor will be proposed to the forthcoming Annual General Meeting.

Committees' Reports

Audit Committee

Summary of the role of the Audit Committee

The Audit Committee of IG Seismic Services PLC is formed as a committee of the Company's Board of directors. The Committee members are appointed by the Board from non-executive directors of the Group. The Audit Committee's Terms of Reference were established and approved in September 2012. In accordance with the Terms, the Committee shall comprise at least three members selected from the members of the Board, of which at least one shall be an independent non-executive director.

Composition of the Audit Committee

Most part of 2013 year Audit Committee included the following non-executive directors: Peter O'Brien –, Sergey Generalov and Kurt Suntay. After the Company had received a letter of resignation from Kurt Suntay on November 18, 2013, Maurice Dijols was elected to his place in Audit Committee, according to the decision of the Board dated 13 December 2013. The Chairman of the Audit Committee was Peter O'Brien. The Board believes that during the reporting year the composition of the Audit Committee had the required level of experience to be sufficient to meet the standards imposed by the UK Corporate Governance Code. In the event that any issues should arise which would be deemed outside the area of expertise of the members, independent professional advice would be sought.

The Audit Committee is primarily responsible for monitoring:

- the integrity of our financial statements;
- the effectiveness of our internal control and risk management systems;
- the terms of appointment and remuneration of the auditor;
- the Group's financial information submissions.

The Audit Committee also supervises and advises the Board of Directors on risk management, internal control systems and the implementation of corporate codes.

During 2013 year the Audit Committee held five meetings in person.

Among the issues considered by the Committee in reporting year:

Financial Reporting

- Discussion on preparation of consolidated financial statement (with participation of auditors);
- Approval of financial statement for year 2012, six month 2013 (with participation of auditors) and of quarterly operational and financial press releases.

Internal Control and Risk Management

- Regular discussion of issues of Internal control and risk management based on reports of Internal control department;
- Approval of documents, regulating the procedures of Internal control and risk management, approval of Internal Control Charter;
- Discussion on report about internal control improvement, prepared by external auditor, based on audit of 2012 financial statement;
- Discussion on possible creation of Compliance Committee;
- Approval of work plans of Internal audit department, company's risk map analysis, influence of different events on stated KPIs.

Corporate Governance

- Further documents approved and recommended to the Board: Instruction about company's share dealings; Regulation about insider information; Insiders list;
- Report about the work of the Committee in 2013 year and compliance with the ToR;
- Next year plan for the Committee.

Auditor

- The choice of potential candidates for the position of external auditor for IGSS, and main companies of the group in Russia and Kazakhstan;
- To recommend the company Ernst & Young LLC as external auditor for IGSS, the company «FinExpertiza» as external auditor for companies of the Group in Russia and «CentrAudit Kazakhstan» for companies of the Group in Kazakhstan;
- The forming principles and volume of remuneration for audit services;
- Discussion on plan of works on audit of 2013 financial statement, report of external auditor, control of volumes of non-audit services provided to the Group by the auditor.

Business issues

- Implementation of ERP-system in the Company;
- Mid- and long-term business-plan of the Group,
- Changes in financial block of the Company, training programs for employees of financial departments within the companies of the Group.

Technology Committee

The Technology Committee of IG Seismic Services PLC is formed as a committee of the Company's Board of directors. The Technology Committee's Terms of Reference were established and approved on September 21, 2012. In accordance with the Terms, the Committee shall comprise at least three members selected from the members of the Board and the Chairman shall be an independent non-executive director.

Composition of the Technology Committee

In the year 2013 the Technology Committee was composed of four members: Boris Aleshin, Denis Cherednichenko, Nikolay Levitskiy and Maurice Dijols. The Chairman of the Technology Committee was Boris Aleshin.

During the year the Technology Committee held one meeting in person.

The Technology Committee is primarily responsible for monitoring the Group's:

- research and development portfolio;
- distribution of research and development resources;
- interaction with academic institutions;
- information technologies and systems;
- manufacturing technologies;
- acquisition of new technologies.

Among the issues considered by the Committee in reporting year:

- Discussion on perspectives of use of new technologies to increase effectiveness of Russian geology, including modern approach in seismic: adaptive high-density seismic, compressional-dilatational and s-waves and three component seismic, and micro-seismic.
- UniQ Technology – super multi-channel technology of data acquisition and processing. The first project in Russia using UniQ – Vakunay lot (project with «Gazprom Neft»).
- Cooperation with Schlumberger in three directions: UniQ equipment; UniQ data processing and interpretation; offshore seismic.
- Project of improvement of impulse sources, as a way of solving specific geological tasks in Eastern Siberia (more than 20 years JSC «Eniseygeophysica», part of the Group, develops, tests and produces impulse sources of different types).

Nominations and Remuneration Committee

The Nominations and Remuneration Committee is formed as a committee of the Company's Board of directors. The Committee comprises at least 3 members selected from the members of the Board. The Chairman shall be an independent non-executive director. The Committee is responsible for the following nomination activities:

- making recommendation to the Board for approval of the list of directors to be presented to the shareholders;
- review on a regular basis the structure, size and composition of the Board of Directors;
- making recommendations regarding the membership of the other committees of the Board of Directors;
- review the results of the Board performance evaluation process that relates to the composition of the Board of Directors.

The Committee took part in the process of determining and reviewing the Group's remuneration policies.

During 2013 year, the Nominations and Remuneration Committee held three meetings – two in person, and one in absentia.

Composition of the Nominations and Remuneration Committee

The Nominations and Remuneration Committee was composed of three members: Dmitry Lipyavko, Felix Lubashevsky and Maurice Dijols. The Chairman of the Nominations and Remuneration Committee was Dmitry Lipyavko.

Among the issues considered by the Committee in reporting year:

- Approval of ToR of the Committee.

- The choice and recommendation to the Board of the candidates to be elected to the Board at the Shareholders General Meeting, recommendations on changes in Company`s Management.
- The review of performance by Company`s management of stated KPIs based on results of 2012, recommendations to the Board concerning remuneration.
- Approval of programs of short-term motivation of Company`s management – seasons 2012-2013 and 2013-2014. Discussion of long-term motivation for the management.
- Results of Committee work in 2013 year and plan of work for 2014 year.

This document may contain “forward-looking statements” which include all statements other than statements of historical fact. Such forward-looking statements can often be identified by words such as “plans”, “expects”, “intends”, “estimates”, “will”, “may”, “continue”, “should” and similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the IG Seismic Services PLC 'S (the “Company”) control that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. These forward-looking statements speak only as at the date as of which they are made, and neither the Company, nor any of its respective agents, employees or advisors intends or has any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. The information and opinions contained in this document are provided as at the date of this document or as otherwise specified herein and are subject to change without notice.