



Corporate

# governance

report 2011

Selena Oil & Gas Holding AB  
company registration number 556643-6613

---

---

## TABLE OF CONTENTS

Introduction	3
Share Capital, Shares and Shareholders	3
General Meeting	3
Nomination Committee	3
Board of Directors	4
Management	4
Auditor	5
Activities of the Board of Directors in 2011	5
Board Committees	5
Internal Control over Financial Reporting	5
Authorities of the Board of Directors to Issue New Shares	6

## Introduction

Selena Oil & Gas Holding AB (publ) (the "Company" and together with its subsidiaries the "Group") is a public company established under the laws of Sweden. The Group consists of the Company and seven fully-owned subsidiaries: Selena Oil & Gas AB, registered in Sweden, OOO "Selena-Perm" and OOO "Georesurs", OOO "KRT-OilGas Trans", OOO "Borei", OOO "Praim" and OOO "Prefo", all registered in the Russian Federation.

The Group is engaged in the production and transportation of oil in Volga-Ural region of the Russian Federation, including Perm and Udmurtia.

The shares of the Company were listed on NASDAQ OMX Nordic First North in Stockholm in May 2011 and therefore the conduct of corporate governance of the Company is subject to the Swedish Corporate Governance Code, which is binding in respect of publicly traded companies on the basis of "comply or explain principle".

As a general rule, the Company complies with all principles set out in the Swedish Corporate Governance Code. This report outlines the principles of the Swedish Corporate Governance Code not fully observed by the Company and describes the reasons thereof.

This corporate governance report is unaudited.

## Share Capital, Shares and Shareholders

As of 31 December 2011 the share capital of the Company was 58,093,000 SEK. The share capital is divided into 42,947,500 ordinary shares with the quota value of 1,352642 SEK. The short name of the shares traded on NASDAQ OMX First North is SOGH and the ISIN code is SE0001175803.

In compliance with the Articles of Association, at a General Meeting, each and every person entitled to vote may vote for the full number of shares he/she represents with no limitation in the number of votes.

The shareholders holding over 5% of the shares of the Company as at 31 December 2011 were the following:

Shareholder	Number of Shares	Proportion
Nadezhda Popova	11,990,775	27.92%
Oleg Popov	11,990,526	27.92%
KRT Invest	7,855,029	18.29%
Bryum Estonia	2,922,612	6.81%
Altare Energy	2,509,137	5.84%
Yuri Gusev	1,295,948	3.02%
Elena Popova	921,274	2.15%
Others	3,462,199	8.06%
<b>Total</b>	<b>42,947,500</b>	<b>100,00%</b>

## General Meeting

According to the Articles of Association of the Company, the General Meeting of shareholders is the highest decision-making body of the Company. The Company complies with the principles applicable in respect of General Meetings, except for the requirements applicable in respect of the Nomination Committee, which the Company is currently in the process of forming and the circumstances related thereto have been described below in this Report.

In 2011, the Company held altogether three General Meetings – the annual General Meeting of shareholders was held on 30 June 2011 and in addition to the annual General Meeting, the Company held two extraordinary General Meetings on 6 June 2011 and 19 September 2011. All the General Meetings were duly convened and provided each shareholder with the opportunity to participate at the meetings and exercise their voting rights. The meetings were held in Swedish with simultaneous translation into English. The minutes of the General Meetings along with the resolutions adopted were made available to public on the web-page of the Company.

## Nomination Committee

In line with the Swedish Corporate Governance Code, the Company is in the process of forming a Nomination Committee.

The competence of the Nomination Committee includes proposing candidates for the post of Chairman and other members of the Board of Directors and auditor. The Nomination Committee is also competent to propose the terms and conditions of remunerating the members of the Board of Directors and auditor.

The principles of electing a Nomination Committee and the Instructions for the Nomination Committee were put in place with the relevant resolution of the extraordinary General Meeting held on 19 September 2011. According to the resolution, the Nomination Committee consists of the representatives of the three largest shareholders based on Euroclear Sweden AB's (owner grouped) list of registered shareholders.

### *Deviation from the Code*

The Company does not fully comply with Section 2.1 of the Swedish Corporate Governance Code as the Nomination Committee has not yet been formed; nevertheless, the General Meeting of the Company has put in place the procedure of forming the Nomination Committee and established instructions for the Nomination Committee. The Company is currently in the process of forming the Nomination Committee. The Company has not yet managed to form the Nomination Committee due recent changes in the shareholder structure of the Company. Namely, as a result of the transaction of acquiring 100% shareholding in OOO "KRT-OilGas Trans", KRT Invest and Yuri Gusev acquired significant shareholding in the Company. The transaction was finalised on 30 December 2011. Therefore the Company postponed the formation of the Nomination Committee in

order to enable the new shareholders participate in the formation of the Nomination Committee in accordance with the principles put in place by the General Meeting.

### Board of Directors

According to the Articles of Association of the Company, the Board of Directors consists of not less than three and not more than six members. The members are elected annually on the annual General Meeting for the time up until the next annual General Meeting.

Currently, the Board of Directors consists of five members. The directors represent competences and management experience from the oil and gas business perspective, investment banking and best practice organization development and corporate governance. Four directors are independent in relation to the Company and the management. The extraordinary General Meeting held on 19 September 2011 approved the following composition of the Board of directors:

#### **Indrek Rahumaa**, *Chairman of the Board of Directors*

Mr. Rahumaa (born in 1972) is an Estonian national. In 1995 Mr. Rahumaa graduated from the Stockholm School of Economics. Mr. Rahumaa was a founding member and a partner of Baltic Cresco Investment Group AS, a founding member of Tallinn Stock Exchange and served as the CFO for the Estonian national air carrier Estonian Air. Mr. Rahumaa is the managing partner and chairman of the board of the Alta Capital Partners, a Baltic and CEE investment group. For seven years, Mr. Rahumaa has served as a member of the Listing Committee of the OMX Tallinn Stock Exchange and has served on the boards of Mieszko and Silvano Fashion Group, companies listed on Tallinn and Warsaw stock exchanges.

#### **Vyacheslav Pershukov**, *member of the Board of Directors, member independent from the management and major shareholders*

Mr. Pershukov (born in 1958) is a Russian national. Mr. Pershukov holds a PhD degree in thermo-physics from the Krzhizhanovsky Institute and has received degrees from several Russian and international universities, including the Moscow State University. Mr. Pershukov joined Yukos as a Deputy Director of its Engineering and Technology Centre and by 2002 he had become the Executive CEO of Yukos E&P. After the merger with Alliance in 2008 he has been the CEO of CH Oil and Gas Group. Mr. Pershukov has been a Professor at the State Management University in Russia since 2000.

#### **Karl Bleschert**, *member of the Board of Directors, member independent from the management and major shareholders*

Mr. Bleschert was born in 1947 and is a German national. Dr. Bleschert received his PhD (Doctor Rerum Naturalium) in 1984 from the Mining Academy Freiberg. He also received his diploma in Petroleum Geology in 1971. Mr. Bleschert is the co-founder of Petcom. Petcom is engaged in advising mainly European exploration and production

companies, and holds one of the latest exploration and production licenses for a 20 bcm gas field near Berlin. Mr. Bleschert is also responsible for new ventures at the 3rd biggest German gas company Verbund Netz Gas AG.

#### **Staffan Torstensson**, *member of the Board of Directors, member independent from the management and major shareholders*

Mr. Torstensson was born in 1972 and he is a Swedish national. Mr. Torstensson graduated from the Jönköping Business School with a Master's degree in economy. Mr. Torstensson currently is the Partner of ECM Evli Bank plc. He has more than 13 years of experience in investment banking. Mr. Torstensson is a member of the Boards of Formpipe Software AB (publ).

#### **Paul Waern**, *member of the Board of Directors, member independent from the management and major shareholders*

Mr. Paul Waern (born 1950, MSC in Mining) is an experienced oil and gas engineer. Mr. Waern has served more than 30 years in the international oil and gas industry. The addition of Mr. Waern as an investor in Selena will add significant industry expertise to the Company. Mr. Waern will be working as a technical advisor to the Company, focusing on increasing the production and evaluating new acquisition prospects.

## Management

#### **Jürgen Lamp**, *CEO*

Mr. Lamp (born in 1971) is an Estonian national, and holds M.Sc. in Economics. His early work experience includes KPMG Estonia and McKinsey's Scandinavian office. In 1996 Mr. Lamp was invited to join the Management Team of the Union Bank of Estonia. Mr. Lamp started there as a Marketing Director moving on to become Head of Strategy and Organization in 1998 and Head of Asset Management, Life Insurance and Private Banking in 2000. He had a key role in modernizing the bank and developing it into the 2nd largest bank in the Baltics after Hansabank. In 2002 Union Bank of Estonia was sold to one of the largest Swedish banking groups SEB.

#### **Baiba Gegere**, *CFO*

Ms. Baiba Gegere (born 1981) joined the Group's management team as the Chief Financial Officer in April 2011. Ms. Gegere is a Latvian resident and holds a degree from Vidzeme University, and is ACCA certified. She started her career and spent 4 years with KPMG Baltics, then gained experience from Lattelecom and Alta Capital Partners to become the Chief Financial Officer of Silvano Fashion Group, a company with operations in Belarus and Russia, listed on OMX NASDAQ Tallinn and the Warsaw Stock Exchange.

#### **Petr Arbatov**, *Head of Business Development/Technical*

Mr. Arbatov (born 1977) is a Russian national. He has a degree in Geology and PhD in Economics from the Russian State University of Oil and Gas and more than 8 year of work experience. His job experience

includes a position of leading engineer in scientific production center JSV RITEK and a Senior Manager – M&A, Strategy and business development at JSC TNK-BP. Furthermore, Mr. Arbatov worked as a General Director of one of the TNK-BP subsidiaries and held a Head of Research position at Gazprom VNIIGAZ. Therefore, Mr. Arbatov has a unique combination of technical, analytical, strategic and operational skills gained from leading Russian oil and gas companies.

### **Dmitri Yermakov, COO**

Mr. Dmitri Yermakov (born 1978) is a Russian national and has education from oil and gas department in Udmurtian State University. Dmitri joined the Company in 2001 as a Head of Laboratory and while learning every aspect of the business and company, has risen during these 10 years to run the production and logistics activities in the Company.

### **Auditor**

PricewaterhouseCooperSweden is the Company's auditor. The auditor in charge is the authorized public accountant **Martin Johansson**.

### **Activities of the Board of Directors in 2011**

The Board of Directors in its current composition was elected by the relevant resolution of the annual General Meeting held on 30 June 2011 and amended by the extraordinary General Meeting of the Company held on 19 September 2011.

The Rules of Procedure of the Board of Directors were approved by the meeting of the Board of Directors held on 24 August 2011. In addition to the Rules of Procedure of the Board of Directors, the Board of Directors approved also the Work Instructions for the Managing Director (CEO), the Group Approval Policy, the Instructions for the Nomination Committee, the Instructions for the Remuneration Committee and the Instructions for the Audit Committee. The referred instructions were put in place in order to apply the corporate governance rules and best practices in the maximum possible extent and the Board of Directors is of the opinion that the Company has put in place an adequate framework for the internal control procedure (including risk management and financial reporting).

According to the Rules of Procedure of the Board of Directors, the Board of Directors must hold at least four meetings during each financial year. The meetings must be attended by all the members of the Board of Directors either personally or via telephone. In 2011, the Board of Directors held altogether 4 meetings.

In 2011, the Board of Directors has complied with the tasks set forth by the Swedish Corporate Governance Code and while performing its duties followed the principles set forth in the Swedish Corporate Governance Code.

### **Board Committees**

As referred to above, the Board of Directors has put in place the Instructions for the Remuneration Committee and the Instructions for the Audit Committee. At the same meeting of the Board of Directors held on 24 August 2011, Indrek Rahumaa and Staffan Torstensson were elected to be the members of the Remuneration Committee and Indrek Rahumaa, Staffan Torstensson and Karl Bleschert were elected to be the members of Audit Committee.

According to the Instructions for the Remuneration Committee, the Remuneration Committee comprises of not fewer than two members of the Board of Directors as appointed by the Board of Directors. The main task of the Remuneration Committee is to prepare matters of remuneration and other employment terms for the top management of the Company and monitor and evaluate the activities of the top management of the Company.

According to the Instructions for the Audit Committee, the Audit Committee comprises of not fewer than three members of the Board of Directors as appointed by the Board of Directors. The main task of the Audit Committee is to monitor the financial reporting process, the efficiency of the Company's internal controls, internal audits and risk management and to supervise the auditing procedure.

### **Internal Control over Financial Reporting**

The Company complies with all the requirements arising from law and the Swedish Corporate Governance Code in respect of establishing internal control over financial reporting. On the Group level, the Company applies the International Financial Reporting Standards as adopted by the European Union (IFRS).

The requirements of the laws and accounting and reporting regulations in Russia where the Group's subsidiaries are incorporated, have strict processes and control activities. Statutory reporting is performed on a quarterly basis and is the basis for the Group's management and IFRS reporting. The Group's financing reporting department receives the financial information from the subsidiaries and manages the reporting process to ensure the completeness and correctness of the financial reporting and its compliance with the requirements of IFRS.

The risk of material misstatement in financial reporting relates to the recognition and measurement of assets, liabilities, revenue and cost, or insufficient disclosure. Other risks include fraud or loss or embezzlement of assets. The fraud risk is assessed by the auditors and is required to be reported to the Audit Committee; none were reported in 2011.

In order to ensure effective internal control over the financial reporting there are specific procedures of the Company (and the Group) designed. The Group's policies and review procedures regarding accounting and financial reporting cover material areas to support correct, complete and timely accounting reporting and disclosure.

Identified risks are generally mitigated through monitoring and review procedures and segregation of duties. The Board of Directors has appointed the Audit Committee to supervise the process; furthermore, external audit process is completed twice a year.

Public reporting is conducted in accordance with the NASDAQ OMX Rulebook applicable in respect of the Company.

### **Authorities of the Board of Directors to Issue New Shares**

The annual General Meeting of the Company, held on 30 June 2011, authorised the Board of Directors to, on one or more occasions prior to the next annual General Meeting, whether with or without deviation from the shareholders' preferential right, resolve on a new issue of not more than 50,000,000 shares, with regard to the upper limit of the number of shares and the upper limit of the share capital according to the Articles of Association of the Company.

### **For further information, please contact:**

#### **Indrek Rahumaa, Chairman of the Board**

Selena Oil & Gas Holding AB (publ)

Tel +372 509 2080

E-mail: [indrek.rahumaa@selenaoil.com](mailto:indrek.rahumaa@selenaoil.com)