OPEN JOINT STOCK COMPANY

"SURGUTNEFTEGAS"

ENVIRONMENTAL REPORT

CONTENTS

For Russia the last year was marked by the very important and significant decision – with a view to ensuring the right of each person for a healthy environment – the year 2013 was announced an Environment Protection Year by the Edict of the President of the Russian Federation.

Such high-level decision emphasized the importance of nature protection problems and environmental purity influence on the life quality of the population. For us – one of the biggest oil and gas companies in Russia – it is connected first of all with ensuring environmental security and rational use of natural resources.

It should be mentioned that for OJSC "Surgutneftegas" that follows the principles of social responsibility from its early days not only the current year, but also all 35 bygone years devoted to hydrocarbons production, including the reporting 2012 year, bear the title "An Environment Protection Year".

The Company successively carries out social obligations in all sectors of its business operations. To this purpose Surgutneftegas invests billions in environment work aimed at preservation of the quality of such natural components as soil and water resources, ambient air. Developing production processes and providing a stable level of hydrocarbon production we also seek to optimize technologies by way of choosing and implementing the more environmentally friendly programs to find ways for further elimination of technological environmental impact and to achieve a harmonious combination of the economic growth and ecological well-being.

Environmental investments allow us to commission new environmental facilities in Western and Eastern Siberia, mitigate hazardous emissions and discharges, increase the proportion of recoverable wastes and the recyclability rate as well as remain the industry leader in terms of efficient utilization of associated petroleum gas and development of small-scale power generation.

The Company's efforts to make its business environmentally friendly through cutting-edge low impact, resource saving and low waste technologies and innovative solutions are highly valued by governmental agencies and environmental organizations.

By the results of 2012 OJSC "Surgutneftegas" became the winner in the competition "100 best companies of Russia. Ecology and ecological management", and Director General of Surgutneftegas – V.L.Bogdanov – was honored a decoration "Ecologist of the year – 2012". These awards are the illustration of the Company's recognized achievements in the environment protection sector and creation of the safety conditions for industrial production.

OJSC "Surgutneftegas" favors any initiatives and suggestions on the key matter of the environment protection through offering its transparent environmental reporting. To achieve sustainable progress of the territories of its operation the Company is ready to extend and improve its environmental program through the implementation of advanced developments and technological innovations which contribute to the efficient business without any damage to the environment.

Anatoly S. Nuryaev,
First Deputy Director General
of OJSC "Surgutneftegas"

THE GREEN LIGHT TO ECOLOGY

Establishing an Environmental Division in OJSC "Surgutneftegas"

SURGUTNEFTEGAS PAID CLOSE ATTENTION TO THE MATTERS OF ENVIRONMENT PROTECTION AND ANTHROPOGENIC IMPACTS ON NATURE SINCE ITS FOUNDATION IN 1977.

Studies of the effect of oil production on the environment in Western Siberia began in 1974. At that time the research laboratory of industrial hygiene of R&D center of Oil and Gas Production Division "Surgutneft", the first oil and gas production division of Production Association "Surgutneftegas", was responsible for monitoring the state of water, the quality of drinking water, the composition of industrial emissions of air pollutants as well as the effects of sewage treatment plants on the state of the Ob river.

At the same time Surgutneftegas started to inventory contaminated areas.
To research natural processes of land restoration the Company appointed test areas with different degrees of oil contamination.

Surgutneftegas paid special attention to water quality monitoring in water bodies. During the commissioning of the renowned Fedorovskoye field the laboratory for the first time defined a background content of dominating pollutants in rivers and lakes located in its area. At the same time there was established a regular monitoring of environmental pollution.

The laboratory also worked on the means against bloodsucking insects which are typical of the Ob area and were a big problem for the first workers in this area.

In 1978, the Central Research Laboratory of Production Association "Sugurneftegas" which included several laboratories of Surgutneft's R&D center was created. The newly formed service was named Environmental Protection and Industrial Hygiene Department.
M.Y. Kolmakova has become the first head of this department, and later the department was headed by A.V.Sitnikov.

In 1980, an Environmental Department of the Central Research Laboratory of Production Association "Surgutneftegas" was established. It was headed by L.A.Danilenko, a longtime expert in river ecosystems and ichthyology in the European North of the USSR and in Tyumenskaya Oblast.

Environmental Department was first among Glavtyumenneftegas's departments to organize recultivation of oil polluted land and to research the impact of drilling cuttings on the environment.

In 1991, the department of the Central Research Laboratory was reorganized into Environmental and Corrosion Protection Department of OJSC "Surgutneftegas". Environmental protection, at that time, has become one of the priorities in the Company's operations. The department worked under the direct supervision of the first deputy director general N.P.Zakharchenko and the Chief Engineer V.S.Deshura.

Ecoanalytical research of sources of negative impact and components of the environment were held by Ecoanalytical and Technological Studies Department of the Company's Engineering and Economic Implementation Center. In 1994, the Company's ecoanalytical complex was first to receive an accreditation certificate confirming its technical competence.

Along with the Company's development and commissioning of new objects and oil fields the volume of ecoanalytical work increased (by 40–45% yearly). Thus, in 1996, more than 2,600 tests were performed and 705 measures of meteorological factors taken, 11,384 researches of drinkable, natural and discharge water monitoring held, 5,547 chemical tests in industrial emission control made.

Since the beginning of 1990, the Company systematically monitored the corrosion of pipelines which included the usage of monitor equipment "Kormon", the newest equipment at that time, and corrosion inhibitors.

Since 1995, general management of this branch is made by First Deputy Director General A.S.Nuryaev. The Environmental and Corrosion Protection Department was led by L.A.Malyshkina (currently – the head of Environmental Management and Safety Division of OJSC "Surgutneftegas"). The quantity and tasks of the department were steadily increasing since the work of the environmental division for the Company has become more and more important.

In the middle of 1990s, the Company's environmental activity was supplemented by the constant prevention and reduction of the negative impact on the environment through the development and introduction of new environmental and resource-saving technologies. Soon, these issues have become a priority.

At the same time the Company purchases and puts into operation oil sludge decontamination equipment and introduces a complete waste-free production cycle with the recovery of oil and the use of products of neutralization in construction of well sites.

The Company seeks methods of achieving the environmental safety of production, prevention and reduction of damage to the environment caused by the accidents. At that time Surgutneftegas already purchased a new equipment complex designed to localize and liquidate oil spills both on rivers and marshes.

The Department's close collaboration with the leading Russian research institutes allowed to design and implement new technologies of forest reclamation of sludge pits in the Company's oil fields in Western Siberia and use of oil sludge as a ground for construction of well pads.

Laboratories of Engineering and Economic Implementation Center and R&D center of Oil and Gas Production Division of OJSC "Surgutneftegas" managed to establish a continuous monitoring of ambient air, stream waters, bed deposits and grounds according to the annually developed Ecology program.

In 1997, the Company received the first prize from the international organization "Global Quality Management" for effective environmental management.

In 2007, due to extension of the area of the Company's operations and increase in the volume of work, the Department was reformed into Environmental Management and Safety Division.

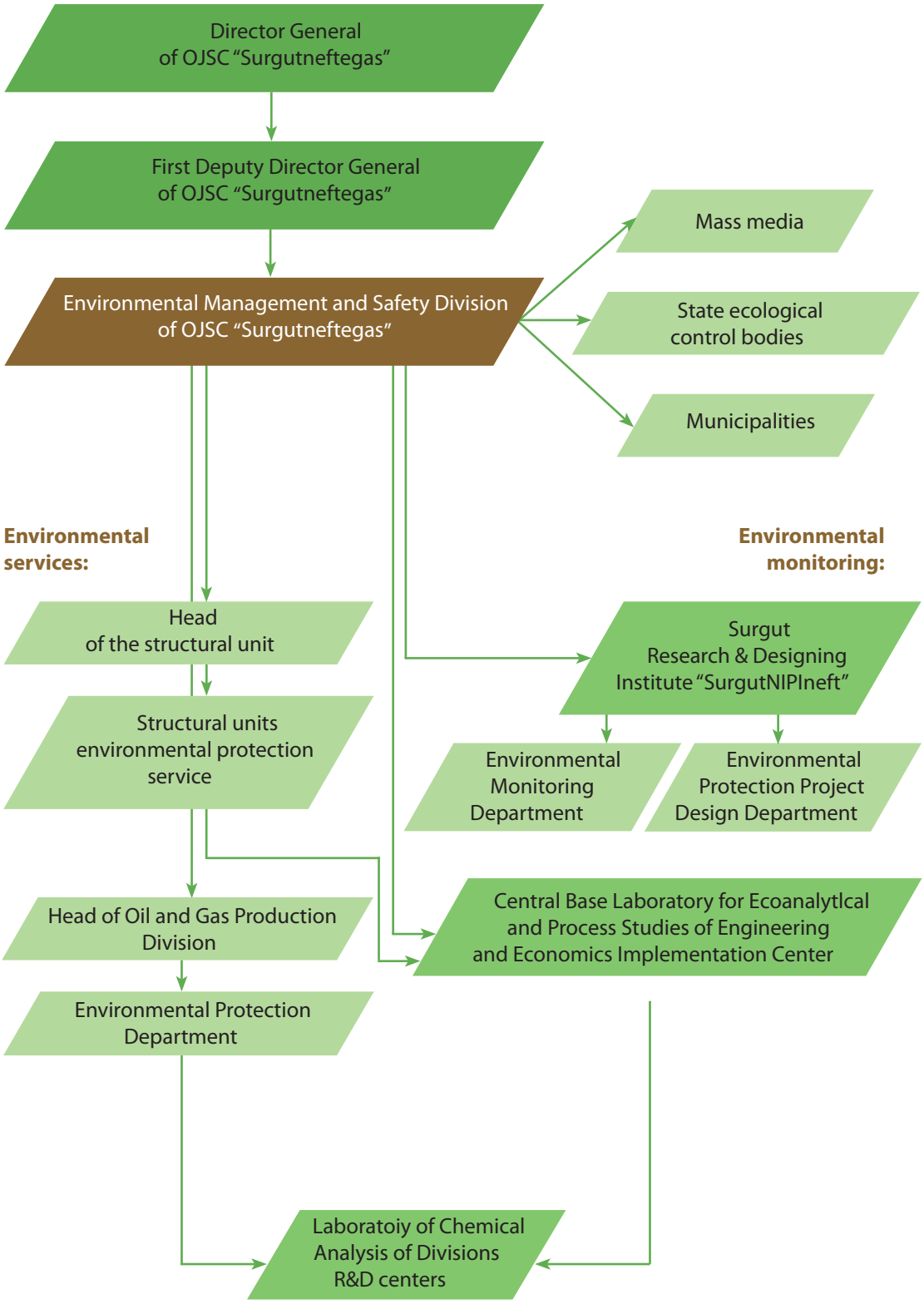
ECOLOGICAL MANAGEMENT

TODAY, THE ECOLOGICAL MANAGEMENT SYSTEM OF OJSC "SURGUTNEFTEGAS" COMPRISES THE WHOLE PRODUCTION CHAIN AND INVOLVES ALL THE STRUCTURAL UNITS OF THE COMPANY.

The Company employs more than 220 ecologists and 228 laboratory workers. The Company's subdivisions employ 97 specialists on prevention and liquidation of negative effects and accidents. Their activity is supervised by Environmental Management and Safety Division of OJSC "Surgutneftegas". Environmental management is performed by First Deputy Director General A.S.Nuryaev.

The Company clearly specifies its staff liabilities and responsibilities, primary ecological aspects which constitute the basis for environmental activity planning, ways to improve the efficiency and coverage of the Company's environmental management. Every year more than 200 specialists of OJSC "Surgutneftegas" take environmental safety training and skills upgrade.

OJSC "SURGUTNEFTEGAS" ENVIRONMENTAL MANAGEMENT



OJSC "SURGUTNEFTEGAS" IN COOPERATION WITH SCIENTIFIC INSTITUTIONS AND PUBLIC ORGANIZATIONS

TODAY, THE WORK OF THE COMPANY'S ENVIRONMENTAL SERVICES IS AIMED AT IMPROVING THE EFFECTIVENESS OF THE MEASURES IN THE FIELD OF ENVIRONMENTAL PROTECTION, ENVIRONMENTAL SAFETY SYSTEM OPTIMIZATION AND ITS FURTHER DEVELOPMENT THROUGH THE INTRODUCTION OF ADVANCED ENVIRONMENTAL AND RESOURCE SAVING TECHNOLOGIES.

Therefore, the Company collaborates with more than 20 scientific institutions and public organizations – partners of the Company in the field of industrial safety for the environment.

PARTNER ORGANIZATIONS	AREAS OF COOPERATION
R&D center of environmental safety of the Russian Academy of Sciences	Development of flow charts for restoration of disturbed and contaminated lands
State Research Institute of Lake and River Fisheries	Water bodies monitoring
Federal State Institution of Science of St. Petersburg Research Centre for Ecological Safety of the Russian Academy of Sciences, Russian Oil Research Exploration Institute, Research Experimental Institute of Military Medicine Agrophysical Research Institute, Federal State Institution of Science of Radiation Hygiene n.a. P.V.Ramzaev	Determination of toxicity of drilled cuttings
Moscow State University n.a. M.V.Lomonosov, Autonomous Non-Commercial Organization "Analytical center of environmental studies "Ecoterra"	Determination of the status of oil contaminated lands, development of standards of permissible residual oil content after recultivation
Forest Research Institute n.a. V.N.Sukachev the Russian Academy of Sciences, Siberian branch Soil Research Institute n.a. V.V.Dokuchaev the Russian Academy of Agricultural Sciences, Siberian Regional Hydrometeorological Research Institute, Russian Research and Information Center of Forest Resources	Development of effective technologies of sludge pits recultivation
Institute of Applied Ecology of the Northern Regions of the Academy of Sciences of the Republic of Sakha (Yakutia)	Ecosystem Assessment in the license areas
Russian Research Institute of Metrology n.a. D.I.Mendeleev	Accreditation of eco-analytical laboratories
Research Institute for the Development and Operation of Oil Pipe Grades, Central Research Institute of Iron Industry n.a. I.P.Bardin, Institute of Energy Resources Transportation Problems	Pipeline reliability enhancement
Institute of Physical Chemistry and Electrochemistry, the Russian Academy of Sciences Center for Chemical Mechanics of Oil Academy of Sciences of Bashkortostan, Siberian Research Institute of Petroleum Industry, Russian Scientific Research Institute of Corrosion	Determination of the impact of aggressive factors and the extent of their aggressiveness

PRESERVING NATURE FOR FUTURE GENERATIONS

AS ONE OF THE LARGEST VERTICALLY-INTEGRATED RUSSIAN OIL AND GAS COMPANIES, SURGUTNEFTEGAS PROVIDES SEARCH, EXPLORATION AND PRODUCTION OF HYDROCARBONS IN WESTERN AND EASTERN SIBERIA FOR THE LAST 35 YEARS.

Being fully aware of the social responsibilities of the enterprise, which plays an important role in the economic development of the country and ensures the welfare of the population and the territory of the regions in which the Company operates, OJSC "Surgutneftegas" carries out large-scale economic activities, strictly following the principles of respect for the natural environment.

The Company's environmental policy defines ecological well-being as the foundation of business prosperity. In the course of its everyday activity the Company applies its principles practically, including continuous enhancement of environmental activity, rational use of natural resources, mitigation of emissions of pollutants and their toxicity.

In order to solve these problems the Company implements the best technologies and innovations in its production and environmental activity.

The Company runs its business under strict adherence to the environment legislation and standards of efficient environmental management and resource saving.
The Company's continuous efforts to mitigate environmental impact of production facilities via advanced technologies and in-house developments significantly improved environmental safety.

One of the major priorities of Surgutneftegas environmental policy is to minimize adverse environmental consequences and to achieve environmental safety at all production stages. Therefore, the Company

carries out the annual ecological program covering the complex of activities in environmental protection, including:

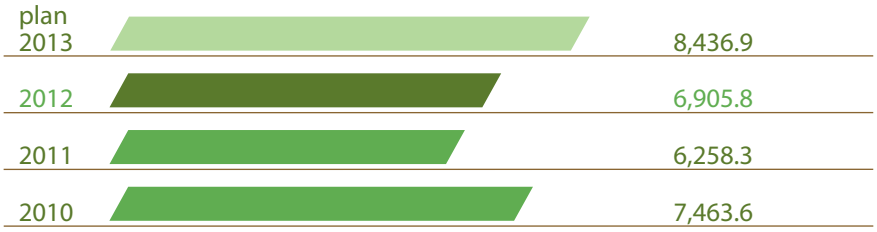
- construction, reconstruction and upgrading of the existing environmental facilities;
- protection of ambient air, water and land resources;
- monitoring of the environment and the impact of production facilities;
- pipeline accident prevention and cleanup operations;
- decontamination of production residuals;
- R&D activities and environmental training programs.

The Company sustainably maintains one of the highest levels of environmental investments in the industry ensuring environmental safety: the amount of annual funding for environmental activities of OJSC "Surgutneftegas" since 2008 is more than RUB 20 billion.

In 2012, the amount of investments in the Ecology program exceeded RUB 20.9 billion.

The capital investments into creation and renovation of the Company's nature protection facilities amounted to 33% of the total expenditures.

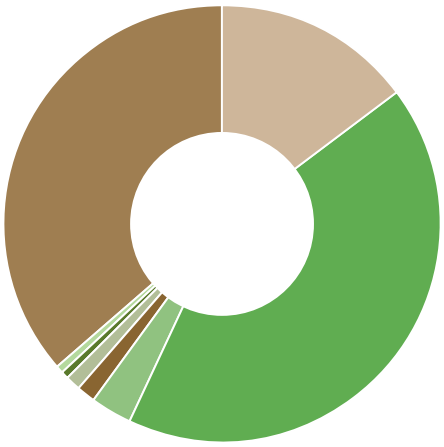
OJSC "Surgutneftegas" investment into construction, reconstruction and upgrading of the environmental facilities
RUB mn



Environmental investments in 2010–2012 and the 2013 investment plan
RUB mn

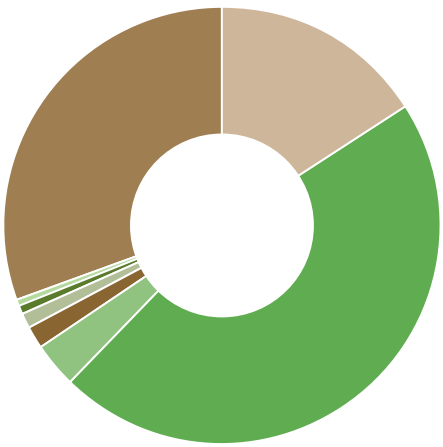
2010
20,067.8

- **37.19%** Construction of environmental facilities
- **15.75%** Prevention of pipeline accident
- **42.76%** Industrial waste and wastewater utilization
- **2.61%** Cleanup operations
- **0.81%** Sludge pits reclamation
- **0.65%** Monitoring
- **0.13%** Ambient air protection
- **0.11%** Contract work, environmental training, training and certification of specialists



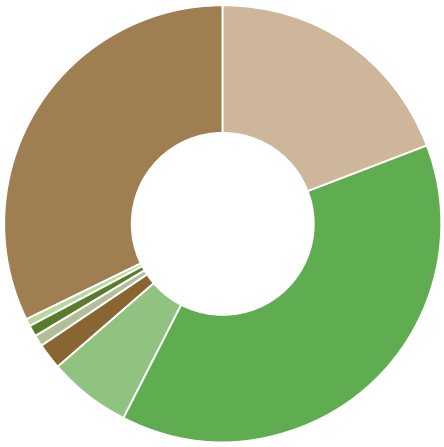
2011
20,386.4

- **30.70%** Construction of environmental facilities
- **16.97%** Prevention of pipeline accident
- **47.41%** Industrial waste and wastewater utilization
- **2.83%** Cleanup operations
- **1.26%** Sludge pits reclamation
- **0.60%** Monitoring
- **0.16%** Ambient air protection
- **0.07%** Contract work, environmental training, training and certification of specialists



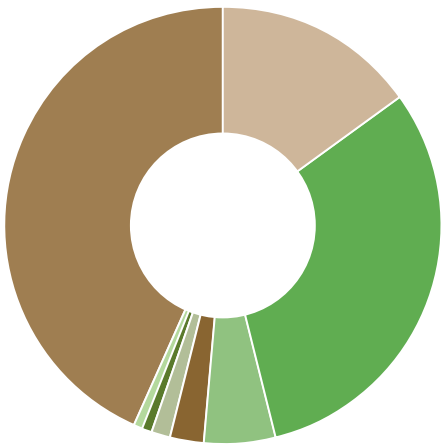
2012
20,918.6

- **33.01%** Construction of environmental facilities
- **20.32%** Prevention of pipeline accident
- **38.86%** Industrial waste and wastewater utilization
- **5.58%** Cleanup operations
- **1.33%** Sludge pits reclamation
- **0.56%** Monitoring
- **0.15%** Ambient air protection
- **0.19%** Contract work, environmental training, training and certification of specialists



plan 2013
18,894.2

- **44.65%** Construction of environmental facilities
- **15.07%** Prevention of pipeline accident
- **32.12%** Industrial waste and wastewater utilization
- **4.97%** Cleanup operations
- **1.92%** Sludge pits reclamation
- **0.80%** Monitoring
- **0.21%** Ambient air protection
- **0.26%** Contract work, environmental training, training and certification of specialists



ENVIRONMENTAL SAFETY OF OIL PRODUCTION

PIPELINE ACCIDENT PREVENTION

Environmental pollution of the oil producing areas is mainly caused by pipeline accidents: the majority of oil spills in the fields occurs due to pipeline internal corrosion.

Environmental industrial safety of the Company is aimed at improving the field pipeline reliability and mitigation of oil and tank water spills.

To ensure efficient accident response and post-accident clean-up operations in 2012 the Company conducted the following complex of administrative and technical measures:

- initial verification of pipes in the amount of 349.8 kilometers (19.6% of the total number of pipes delivered) and verification of all corrosion inhibitors;
- technical diagnostics of field equipment and facilities;
- in-line inspection and diagnostics of the pipelines;
- pipeline corrosion monitoring;
- pipeline inhibitor protection;
- use of corrosion protected pipelines;
- dehydration of oil by IWSU units based on three-phase separators in order to eliminate internal corrosion damage of pipelines;
- timely replacement of damaged pipeline sections;
- use of modern IT systems ("Extra" software, GIS "OKO") to control the parameters of the operations and keep databases of field pipelines.

Throughout the reporting period due to preventive measures the Company managed to perform accident-free operation of in-field and gathering pipelines and minimized the number of incidents and accidents occurred at oil gathering and pressure pipelines.

Environmental safety of the field pipelines via efficient corrosion protection is based on system data analysis of pipeline operating conditions. To this end, the Company performs corrosion monitoring at 729 points.
On the basis of monitoring data the Company estimates the corrosivity of pumped media, and further plans and implements corrosion protection measures.

The pipe condition data allow us to decommission damaged sections of the field pipelines in time and perform their repair and overhaul.

In 2012, the Company put into service 197.6 kilometers of corrosion resistant (with inner coating) pipelines and built 583.8 kilometers of pipelines.

Corrosion inhibitors are often the only appropriate remedy used to reduce the intensity of internal corrosion of oil gathering pipelines and low pressure water pipelines.

In 2012, the Company treated 2,891 kilometers of pipelines with corrosion inhibitors. In order to prevent corrosion processes the Company used 5,343 tonnes of corrosion inhibitors with the effect of 85–98% on 703 kilometers of pressure pipelines and 2,113 kilometers of gathering pipelines. In the reporting period the Company conducted field tests of three new types of inhibitors.

In order to prevent the supply of low-quality corrosion inhibitors Surgutneftegas developed a new receipt inspection method for corrosion inhibitors – spectral analysis. In 2012, the Company used spectral analysis to test all the received consignments of inhibitors.

Due to the presence of the water phase, pipeline corrosive wear is considerably reduced with deceased water content of pumped liquid. One hundred and three initial water separation units (IWSUs) enabled the Company to run over 3,000 kilometers of oil pipelines transporting oil dehydrated to 2–4%. Accident risks caused by rill corrosion of the Company's inter-field oil pipelines and the possibility of environmental pollution are reduced by several times.

The work of IWSUs also results in the reduction of pipeline energy and metal consumption which is extremely important in case of high water cut oil (89%).

In the reporting period on the oil fields of the Company there were 9 pollution-related accidents and failures (20 in 2011). This resulted in 28.8 tonnes of spilled oil which is 38% lower than in 2011. Of which, about 27.3 tonnes of oil gathered during the cleanup operations.

The number of spills in 2012 reduced by 52.6% compared to 2011. The area of newly emerged oil pollution has decreased by 67.5%. The number of remaining oil was reduced by 54.4%.

The accidents which occurred in the reporting year are not considered severe due to low environmental impact caused by efficient measures on oil spills localization and response.

EQUIPMENT OPERATED BY OIL SPILL RESPONSE TEAMS

Measures to prevent possible environmental damage caused by accidents and incidents are aimed at ensuring the adequacy and availability of forces and means for fast execution of works on the containment and liquidation of oil spill and land reclamation. To perform the tasks of any difficulty the Company has a variety of special facility and oil-gathering equipment.

Thus, for cleanup operations the structural units of the Company have 27 multipurpose floating Truxor machines which are equipped with the attached system for water bodies and inshore zone integrated treatment (excavator buckets, bottom sludge transfer pumps, mowers, cutters, etc.). In 2012, the Company purchased 6 sets of attachments of a new type designed for use in marshlands. In the reporting period with the help of this equipment more than 28 hectares of land, inaccessible for other vehicles, have been reclaimed. Moreover, last year the Company bought 2 Magnum-200G systems.

For the reporting period the Company purchased 147 mobile paving slabs "Mobistek" to minimize damage to soils which occurs at the construction of temporary driveways the work on the inspection and diagnostics of pipelines and land reclamation and peat extraction.

The elimination of accidents and their consequences is performed by specialized units of the Company. Seven rescue units of the Company (NASF), created on the basis of shops and sites of oil and gas administrations, are certified by the territorial certification committee. Personnel actions are processed during the annual exercise.

Surgutneftegas prevention and response system for spills of oil and petroleum products is always ready to the immediate response to potential local and regional emergencies.

LAND RECLAMATION

At the beginning of 2012, about 97,000 hectares of land were in the use of Surgutneftegas. The reduction of negative environmental impacts is contributed significantly by the restoration of disturbed and contaminated lands.

Our recultivation efforts help reclaim lands disturbed by the Company's activities and return them to their applicable use. Thus, the Company prevents adverse impacts of contaminated lands on adjacent terrains. In the reporting period, the reclamation of oil pollution was completed. Rosprirodnadzor Department for Khanty-Mansiysky Autonomous Okrug – Yugra inspected and excluded from the disturbed lands register 96 hectares of land.

The most important environmental task to minimize the negative impact of drilling waste is the reclamation of sludge pits intended for disposal of drilling.

For many years, in the territory of Khanty-Mansiysky Autonomous Okrug – Yugra, Surgutneftegas employs a non-landfill technology to reclaim its sludge pits. This technology is a part of the Company's resource saving policy as it allows us to avoid extraction and delivery of large quantities of organic soil for pit landfilling, and as a result to reduce lands allocated for disposal of water pits and sand piles, and preserve environment of wetlands and water protection zones.

In 2012, the Company reclaimed more than 200 sludge pits and drilling wastewater tanks. In the reporting period, the Company rehabilitated and returned to the State Forest Fund more than 8,300 hectares of disturbed land.

AIR PROTECTION

THE COMPANY MAKES SIGNIFICANT EFFORTS TO PRESERVE ATMOSPHERE FOR FUTURE GENERATIONS BY WAY OF EFFECTIVE SYSTEM-BASED UTILIZATION OF ASSOCIATED PETROLEUM GAS (APG) AND GRADUAL REDUCTION OF AIR EMISSIONS.

Every year the Company broadens the package of its air protection measures through upgrading of production facilities, construction and commissioning of new units for utilization of APG.

For a few years now, OJSC "Surgutneftegas" has been the industry leader in terms of APG utilization; the Company continuously develops the ways of APG processing and utilization for energy generation.
The Company spends 85% of the total amount of money intended for environmental facilities on construction and technical upgrading of air protection sites, including facilities for APG utilization.

At present, Surgutneftegas operates 28 small-scale power generation sites, including 21 gas turbine and 7 gas piston power plants to generate electricity at remote oil fields using associated petroleum gas as power fuel.

In 2012, we constructed and commissioned GTPP plant at the booster pump station-2 at the Vachimskoye field and at the booster pump station-3 at the Vostochno-Surgutskoye field, and finished technical upgrading of GPPP of the Vostochno-Surgutskoye field.

OJSC "Surgutneftegas" processes associated petroleum gas at its own stations located in Khanty-Mansiysky Autonomous Okrug – Yugra and supplies its products to Surgut State District Power Stations No. 1 and No. 2 and other consumers.

The Company injects gas to maintain formation pressure and use gas as fuel for boiler plants, furnaces, initial water separation units, oil treatment plants, motor vehicle air-heating lines and other facilities.

To mitigate the emissions, Surgutneftegas performs scheduled operating setup of fuel-fired equipment employed in oil production.

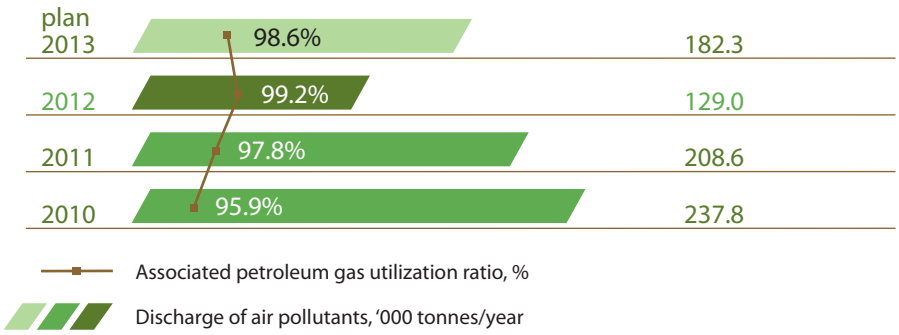
The Company exercises production control of air pollutants discharge at all stationary sources. We also carry out performance management and inspection of dust and gas catchers, their prompt routine maintenance and regular current and planned preventive repair. All the working vehicles undergo toxicity and exhaust smoking control.

In 2012, implementation of air protection activities compared to the previous year let the Company:

- increase the level of associated petroleum gas utilization from 97.8% up to 99.2% thus achieving the highest ratio of APG utilization;
- reduce the volumes of flared APG by three times;
- decrease the discharge of the air pollutants from stationary sources decreased by 38% (79,600 tonnes a year);
- lower air polluting emissions by more than 2,760,000 tonnes, including 225,000 tonnes of greenhouse gas methane a year (which amounted to 4,610,000 tonnes a year in CO_2 equivalent);
- reach a decline in specific discharge of air pollutants at the level of 2 kilograms per tonne of oil produced;
- provide considerate amount of air pollutants caught by dust and gas catchers (more than 5,000 tonnes a year).

Due to a resource-saving approach to APG utilization Surgutneftegas shows the best results with respect to associated petroleum gas utilization and gradually reduces the amount of air pollutants; moreover, the Company seeks to avoid excessive emissions payments and minimize corporate air pollution costs.

The level of air pollutant emissions and associated petroleum gas utilization in OJSC "Surgutneftegas" '000 tonnes/year



WATER RESOURCES PROTECTION

THE REGION OF THE MIDDLE OB, WHERE THE MAJORITY OF SURGUTNEFTEGAS LICENSE AREAS ARE LOCATED, IS NOTABLE FOR PLENTY OF RIVERS, LAKES AND SWAMPLANDS. WATER PROTECTION ZONES AND WATER BODIES COVER 40–90% OF SURGUTNEFTEGAS OIL FIELDS.

The Company made overall estimate of useful fresh groundwater resources for water intakes of Surgutneftegas and worked out the special business procedure in the area of its operations called to provide rational use of water resources.

The Company's actions to protect and restore water assets are primarily focused on prevention of water bodies' pollution with sewage, industrial wastewaters, and production and consumption wastes.

OJSC "Surgutneftegas" strictly complies with the standards and requirements of the regulatory documents concerning planning and fulfillment of operations within water protection zones. The Company reconstructs oil producing facilities built in 1970–1980 in accordance with the present-day environmental requirements.

As a part of this work, in 2012, the employees of Surgutneftegas structural units installed drain tanks at 34 well sites. There were approach ramps reconstructed and tollgates built at 266 well sites.

For the Company it is entirely unacceptable to discharge wastewaters into water bodies on the territory of Khanty-Mansiysky Autonomous Okrug – Yugra.
Upon mechanical and biological treatment all the wastewaters are discharged in the oil fields into reservoir pressure maintenance (RPM) system. The reuse of the treated household water in production process allowed the Company to significantly decrease freshwater intake from the surface and underground water bodies.

In 2012, about 526 million cubic meters of sewage, including treated household waters,

served as injectant for a reservoir pressure maintenance system that helped the Company to decrease freshwater intake by 1,347,000 cubic meters.

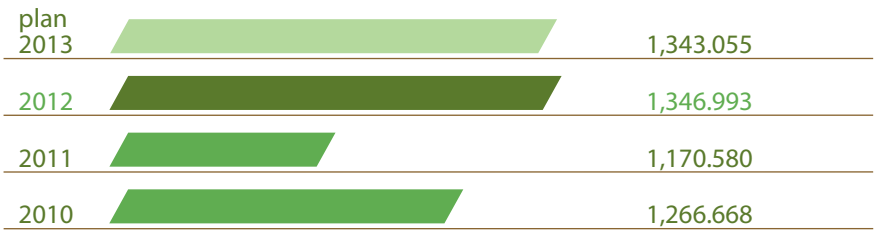
As for the village of Vitim in the Republic of Sakha (Yakutia), the use of effluents in RPM system is complicated because of a considerable remoteness of the settlement from the operating fields of the Company, so treated household sewage form the industrial zone of the village is discharged into the stream Romanovsky Klyuch upon its processing at sewage biological treatment plants.

To determine how construction of wells and oil production influence the quality of environment components and to take timely measures for the reduction of negative environmental impacts ecologists monitor the condition of soil resources, surface and ground waters within zones where well pads are located.

The Company's sound water assets management ensured annual reduction of the average fresh water withdrawal by 2%.

Specific water withdrawal of Surgutneftegas reduced to about two cubic meters of water per tonne of oil produced.

Amount of treated household sewage injected in the area of Surgutneftegas operations
'000 cub m



WASTE MANAGEMENT

IN MATTERS OF WASTE MANAGEMENT THE COMPANY FOLLOWS THE COMPREHENSIVE ENGINEERING AND ENVIRONMENTAL APPROACH AND IMPLEMENTS ADVANCED INNOVATION TECHNOLOGY FOR WASTE PROCESSING.

Last year, due to the package program aimed to reduce, neutralize, and draw waste into economic circulation OJSC "Surgutneftegas" recycled 80% of waste into secondary material resources and significantly reduced its waste transportation and disposal costs.

The amount of specific waste generation per tonne of oil produced by the Company equals only 0.013 tonnes.

In the reporting year, Surgutneftegas neutralized and recycled more than 572,000 tonnes of waste out of 716,000 tonnes produced in the result of the Company's operations. Among them 470,000 tonnes were used in the Company's own production.

Surgutneftegas's constantly low level of specific wastes being backfilled in the specialized facilities does not exceed 0.003 tonnes per tonne of oil produced.

Last year, the Company landfilled 13,600 tonnes of wastes in two sites intended for solid household and industrial waste. The Company began construction of a new landfill in the Fedorovskoye field that complies with the current requirements of the environmental legislation.

In 2012, the increase in amount of wastes (by 7.4% compared with the previous year) was connected with the growth of exploratory drilling in the Far Eastern and Siberian Federal Districts. Stimulation of the exploratory activities in the remote areas led to the increase in number of drilling sludge that is to be backfilled in sludge pits. Besides, the Company disposed only 10.3% (about 52,000 tonnes) of the total amount

of drilling sludge (507,000 tonnes) produced and received in 2012.

OJSC "Surgutneftegas" utilized more than 87.5% (443,600 tonnes) as soil for construction of multi-well pad embankments and exploratory well pads. This technology does not require the development of new sand pits and delivery of large quantities of soil, so preserving undisturbed landscapes from destruction. To treat drilling sludge for its further utilization in production process the Company uses 61 sets of four-stage drilling fluid and sludge treatment equipment and biodegradable polymers for clay mud preparation.

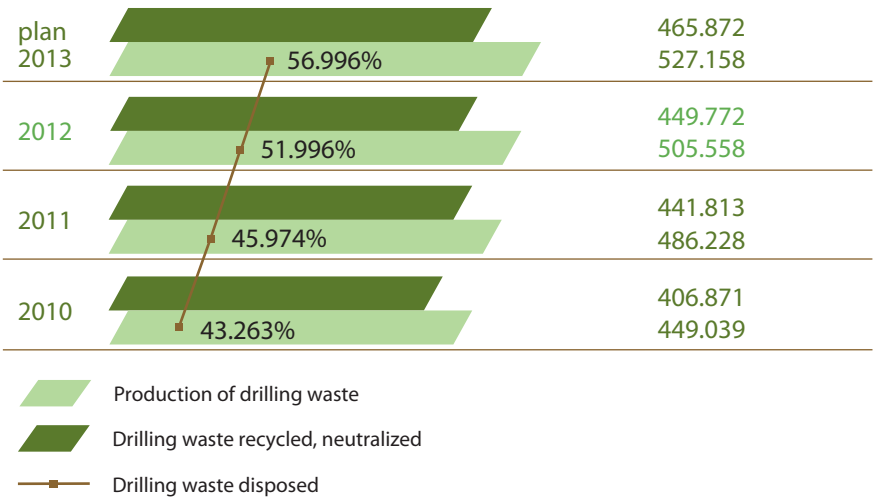
In 2012, about 2.2% of drilling sludge classified as Environmental Hazard Class III obtained on the basis of saline biopolymer solution were neutralized.

Efficient neutralization is the top-priority objective of the Company in managing oil sludge classified as Environmental Hazard Class III. In the reporting year, Surgutneftegas neutralized 27,000 tonnes of oily wastes.

In Khanty-Mansiysky Autonomous Okrug – Yugra and the Republic of Sakha (Yakutia) the Company operates Centers for oil sludge and oily soil decontamination (hereafter – Center), units for oily fluid recovery, facilities for thermal oil sludge decontamination and for thermal solid oily waste decontamination to clean and decontaminate oil sludge and minimize its environmental threat.
The Company employs special equipment and technologies to fully decontaminate oil sludge, solid oily wastes and soils.

In 2012–2013, to enhance the efficiency of the neutralization of oil waste and expand

Information on production, recycling, neutralization and disposal of drilling waste of OJSC "Surgutneftegas"
'000 tonnes



the performance capabilities of every oil and gas production division of the Centers the Company decided to purchase 7 phase separation plants for oil sludge, and 1 sludge thermal processing unit. New facilities will help to provide more effective separation plants for oil sludge and additional involvement of oil in production process.

In the reporting year, OJSC "Surgutneftegas" purchased a prototype equipment set for tank cleaning. It contains a three-phase separator and a steam generator which help to perform a more effective phase separation of oil sludge providing high level of its utilization and involvement of recycled oil in production.

In 2012, as part of measures for decontamination and the use of recycled wastes in crude production processes 2,700 tonnes of waste oils, 105 tonnes of electrolyte and sulfuric accumulator acid were used as recovered materials. Under agreements 75,440 tonnes of wastes were delivered for recycling and neutralization. In its own production the Company decontaminated 27,160 tonnes of wastes.

Worn-out tires and inner tubes of Surgutneftegas automobile fleet are recycled in full amount (in 2012 – more than 3,900 tonnes) at the Company's own plant into rubber crumbs. About 1,700 tonnes of rubber crumbs obtained in the result of recycling were used for bitumen modification at the Company's asphalt concrete plants.

IN-HOUSE ENVIRONMENTAL MONITORING

THE COMPANY'S ENVIRONMENTAL QUALITY AND CHANGE ASSESSMENT MONITORING SYSTEM MAKES IT POSSIBLE TO DETECT POSSIBLE ADVERSE ENVIRONMENTAL CHANGES ARISING FROM ANTHROPOGENIC FACTORS IN THE AREA OF THE COMPANY'S OPERATIONS AND ALSO TO CONTROL THESE PROCESSES.

Environmental monitoring is performed by the specialists of Surgutneftegas in all license areas of the Company.

In 2012, the Company's industrial monitoring included 77 license areas in Khanty-Mansiysky Autonomous Okrug – Yugra and 30 areas located in the Republic of Sakha (Yakutia), Yamalo-Nenetsky and Nenetsky Autonomous Okrugs, Tyumenskaya, Irkutskaya, Novosibirskaya Oblasts and Krasnoyarsky Krai.

The condition of environment components was inspected at 1,788 control points altogether.

The ecologists of OJSC "Surgutneftegas" performed sampling of surface and ground waters, bottom sediments, soils, snow cover and ambient air at 1,408 points in KhMAO-Yugra, at 80 points in the territory of the Company's operations in the Republic of Sakha (Yakutia), and also at 300 points in license areas in other constituent territories of the Russian Federation.

Sample testing is carried out in 11 accredited laboratories of the Company with the most-up-to-date analytical equipment.

The greater part of analytical work is performed by the Central Base Laboratory for Ecoanalytical and Technological Studies of the Engineering and Economic Implementation Center of OJSC "Surgutneftergas" the accreditation scope of which comprises 707 parameters with 365 environmental parameters among them.
Physical and chemical analysis laboratories of the R&D shops in the Company's six oil and gas production divisions that operate

in Khanty-Mansiysky Autonomous Okrug – Yugra are accredited for more than 30 parameters.

In Eastern Siberia the obtained samples are analyzed in the production and research laboratory of the R&D and production works site in Oil and Gas Production Division "Talakanneft". This laboratory obtained accreditation for 283 positions, including 24 radiological ones.

To perform timely monitoring of environmental changes OJSC "Surgutneftegas" organizes and carries out aerial surveillance of the long-operated fields, remote sensing based on spectrozonal aerophotography and also space high definition imagery.

The data obtained in the result of remote sensing are taken into account in local environmental monitoring actions, preparation of sampling schemes, landscape mapping and in ongoing environmental assessments.

Environmental monitoring in the regions of the Company's presence is carried out under the aegis and in cooperation with OJSC "Scientific Production Center "Monitoring", Ecology Department of KhMAO-Yurga and the subsidiary of the Federal State-Financed Institution "Center of Laboratory Analyses and Technical Metrology in the Urals Federal District" of KhMAO-Yurga.

The results of environmental monitoring prove that the general environmental situation in the area where OJSC "Surgutneftegas" operates is satisfactory.

The impact of the Company's production facilities is described as acceptable, and it properly maintains the quality of the environment.

OJSC "SURGUTNEFTEGAS" IS OPEN TO DIALOG AND COLLABORATION WITH AUTHORITIES, PUBLIC AND ENVIRONMENTAL ORGANIZATIONS PROVIDING INFORMATION FOR A WIDE RANGE OF ECOLOGICALLY CONCERNED PEOPLE.

Over the years, the Company works out and implements methods for gaining environmental policy objectives, performs in-house monitoring of environmental quality, exercises production environmental control and develops ecological management system.

Investments in nature protection, development and introduction of low impact and resource saving technologies prove to be very effective, both environmentally and economically.

The environmental program for 2013 includes nature protection measures in all sectors of the Company's activity intended to mitigate the environmental impact of production facilities, prevent accidents, reduce and recycle industrial waste, and monitor the state of the environment.

We will proceed with a program of environmental actions and facilities construction in Western and Eastern Siberia, including all fields under development and producing fields.

Total costs for the Ecology program in the production sector are expected to reach RUB 18.9 billion this year.

On the basis of the ecological management system Surgutneftegas intends to provide further improvement of its ecological results by gradual mitigation of environmental impact of production facilities.

OJSC "Surgutneftegas", "Company", "Surgutneftegas", "we", "our", "us" and "joint stock company" used in the text of the Environmental Report are interchangeable terms that relate to the oil and gas production sector of OJSC "Surgutneftegas".