

HYDROCARBONS EXPLORATION AND PRODUCTION (E&P)

THE EXPLORATION AND PRODUCTION SEGMENT IS ZARUBEZHNEFT GROUP'S KEY SEGMENT. THE COMPANY'S STRATEGIC DEVELOPMENT IS BASED ON IMPROVING ASSET PERFORMANCE AND DEVELOPING NEW PROMISING PROJECTS.

SUMMARY SEGMENT INDICATORS

Revenue in 2019 was 3 bln RUB, or 7%, lower than in the previous year. This is primarily due to the decline in the average 5% annualized decline of the Ruble price of oil (in 2018, it was 4,387 RUB/bbl; in 2019, it was 4,135 RUB/bbl). Another negative factor affecting revenue is the decrease in production volumes and oil sales compared to 2018: oil sales decreased by 519 thous. tons (-13%) for JV Vietsovpetro Block 09-1 and by 11 thous. tons (-12%) for Block 09-3. The decline in this indicator is partially offset by additional revenue of 2.4 bln RUB from supplies of third-party oil via Orenburgnefteotdacha JSC.

EBITDA for this segment in 2019 exceeded 30 bln RUB and dropped 16% compared to 2018. This indicator has also been negatively affected by lower oil prices, the sales volumes of the Vietnamese assets, and decreased effect of concession for export duty for JC RUSVIETPETRO LLC due to the reduced volume covered by the concession.

We also saw a significant reduction of investments compared to 2018 amounting to -2.7 bln RUB for JC RUSVIETPETRO LLC as a result of resulted from the completion of the active phase of exploration works and drilling of Block 4 fields.

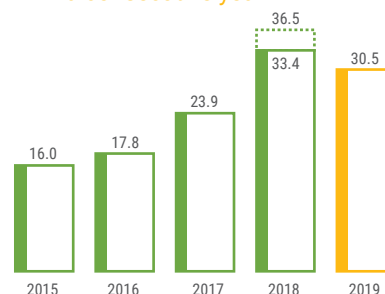
Investment volumes in 2019 increased by 1.8 or 5% compared to 2018. We saw growth for ZARUBEZHNEFT-Dobycha Kharyaga LLC's assets of +2.1 bln RUB (increased pace of construction of facilities and increased number of wells completed by drilling, +2 wells), +1.1 bln RUB for JV Vietsovpetro Block 09-1 due to commissioning of the new wellhead platform WHP-20, completion of the reconstruction project and expansion of compressor capacities.

CURRENT PORTFOLIO OF ASSETS/PROJECTS OF THE SEGMENT

In 2019, Zarubezhneft Group owned 17 licenses, 9 of which were for prospecting and exploration of hydrocarbons, 2 for prospecting

EBITDA, bln RUB

>30 bln RUB
2-nd consecutive year



and evaluating hydrocarbon reservoirs and 6 for geological survey, exploration and production of hydrocarbons.

A license auction took place on June 27, 2019, for the purpose of geological survey, exploration and production of hydrocarbons at the Zapadno-Yareyaginsky site. JC RUSVIETPETRO LLC was the successful bidder.

Operator/Substoil user	Projects	Life cycle stage
Socailist republic of Vietnam		
JV Vietsovpetro	Block 09-1, oil fields: White Tiger, Dragon, White Hare, White Bear, White Cat	Exploration and production
	Block 04-3, Thien Ung gas condensate field	Production
	Block 09-3/12	Exploration and production
	Block 12/11	Exploration
	Block 16-1/15, field: Gold Tiger	Exploration
	Block 42	Exploration, project exit
	ND-DM field joint site	Production
PVEP (operator)	Block 09-2/09, prospective structures:KTN, KNT	Exploration
VRJ Petroleum Co.	Block 09-3	Production
Republic of Cuba		
Zarubezhneft JSC branch	Boca de Jaruco Oil field	Enhanced oil recovery
Arab republic of Egypt		
ZN BV LLC	South East Ras El Ush block	Exploration
	East Gebel El Zeit block	Exploration
Republic of Uzbekistan		
JV ANDIJANPETRO LLC	Fergana region, fields: Khartoum, East Khartoum and South Alamyshek	Production
Russian Federation		
JC RUSVIETPETRO LLC	Central Khoreyver Uplift block 1, the Severo-Khosedayuskoye oil field	Exploration
	Central Khoreyver Uplift block 2, oil fields: Visovoye, Verkhnekolvinskoye	Exploration and production
	Central Khoreyver Uplift block 3, oil fields: Zapadno-Khosedayuskoye, Sikhoreyskoye, Severo- Sikhoreyskoye	Exploration and production
	Central Khoreyver Uplift block 4, oil fields: Syurkharatinskoye, Zapadno-yareyaginskoye, Severo-Oshkotynskoye, Pyuseyskoye, Yuzno-Syurkharatinskoye, Uremyrdskoye, Vostochno-Yanemdeyskoye	Exploration and production
	Zapadno-Yareyaginskoye	Exploration
ZARUBEZHNEFT Dobycha-Kharyaga LLC	Kharyaga oil fields	Production
Orenburgnefteotdacha JSC	Pashkinskoe oil field, Kirsanovskoye oil field	Exploration and production
	Chernovskoe oil field	Production
Ulyanovskneftegaz LLC	Ruzhevskoye oil field, Slavkinskoye oil field, Kondakovskoye oil field, Sulakskoye oil field	Production
	Radishevsky site, Yuzhno-Pcheliny site	Exploration
Severo-Karasevskoye Petroleum Enterprise	LLC Ivseyakhskoye field	Exploration

CONDITION OF RESOURCES AND FEEDSTOCK

As of January 1, 2020, the total remaining geological reserves of A+B₁+C₁ and 2P* category hydrocarbons of Zarubezhneft Group in Russia and abroad are 1,072.7 MM t.o.e. with no regard to the Company's participating interest, and 548.3 MM t.o.e. with regard to the participating interest. The amount of total remaining recoverable reserves is 200.07 MM t.o.e. with no regard to the Company's participating interest and 103.815 MM t.o.e. with regard to the participating interest.

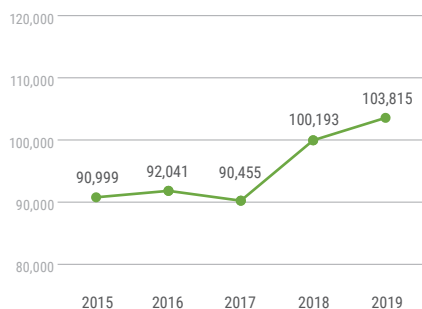
37% of A+B₁+C₁ reserves are JC RUSVIETPETRO LLC reserves. The primary share of the hydrocarbon reserves is concentrated at the blocks of Severo-Khosedayuskoye and Zapadno-Khosedayuskoye fields.

The share of JV Vietsovpetro reserves is 33%, primarily concentrated at the White Tiger and the Dragon fields.

As of January 1, 2020, the balance of Zarubezhneft JSC includes oil, gas and condensate reserves of 26 fields under development: White Tiger, Dragon, Southern Dragon – Sea Turtle, White Bear, White Rabbit, Beluga, Severo-Khosedayuskoye, Visovoye, Vostochno-Yanemdeyskoye, Zapadno-Khosedayuskoye, Severo-Oshkotynskoye, Severo-Sikhoreyskoye, Sikhoreyskoye, Urernyrskoye, Syurkharatinskoye, Pashkinskoye, Kirsanovskoye, Chernovskoye, Kondakovskoye, Ruzhnevskoye, Slavkinskoye, Sulakskoye, Kharyaga; fields of South Alamyshyk, East Khartoum and Khartoum (Republic of Uzbekistan), and 15 fields under exploration: White Cat, Thien Ung-Mang Cau, Thien-Nga,

Dynamics of current recoverable reserves (AB₁+C₁+2P) of Zarubezhneft Group taking into account the participating interest, thous. t.o.e.

+4 %



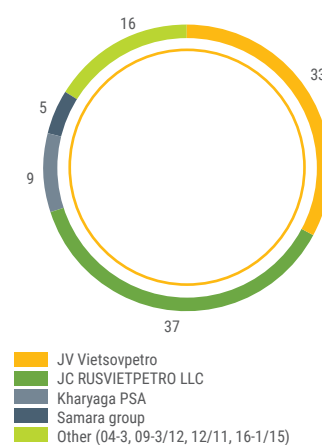
Gold Tiger structure (Block 16-1/15, Socialist Republic of Vietnam), KNT and KTN structures (Block 09-2/09, Socialist Republic of Vietnam), West Ashrafi, North Ras El Ush (Arab Republic of Egypt), Verkhnekolvinskoye, Vostochno-Sikhoreyskoye, Pyuseyskoye, Yuzhno-Syurkharatinskoye, Zapadno-Yareyaginskoye, Nizhnemazinskoye, Lutseyakhskoye.

Pilot commercial development was carried out at the Boca de Jaruco field in 2019 for implementing enhanced oil recovery methods.

As a result of prospecting drilling in 2019, the increment of Zarubezhneft JSC hydrocarbons reserves without regard to the share was:

- 6,841 thous. tons in JV Vietsovpetro;
- 321 thous. tons in JC RUSVIETPETRO LLC;
- 22 thous. tons in Orenburgnefteotdacha JSC.
- 1,082 thous. tons at the Kharyaga field.

Reserves structure as of January 1, 2020¹



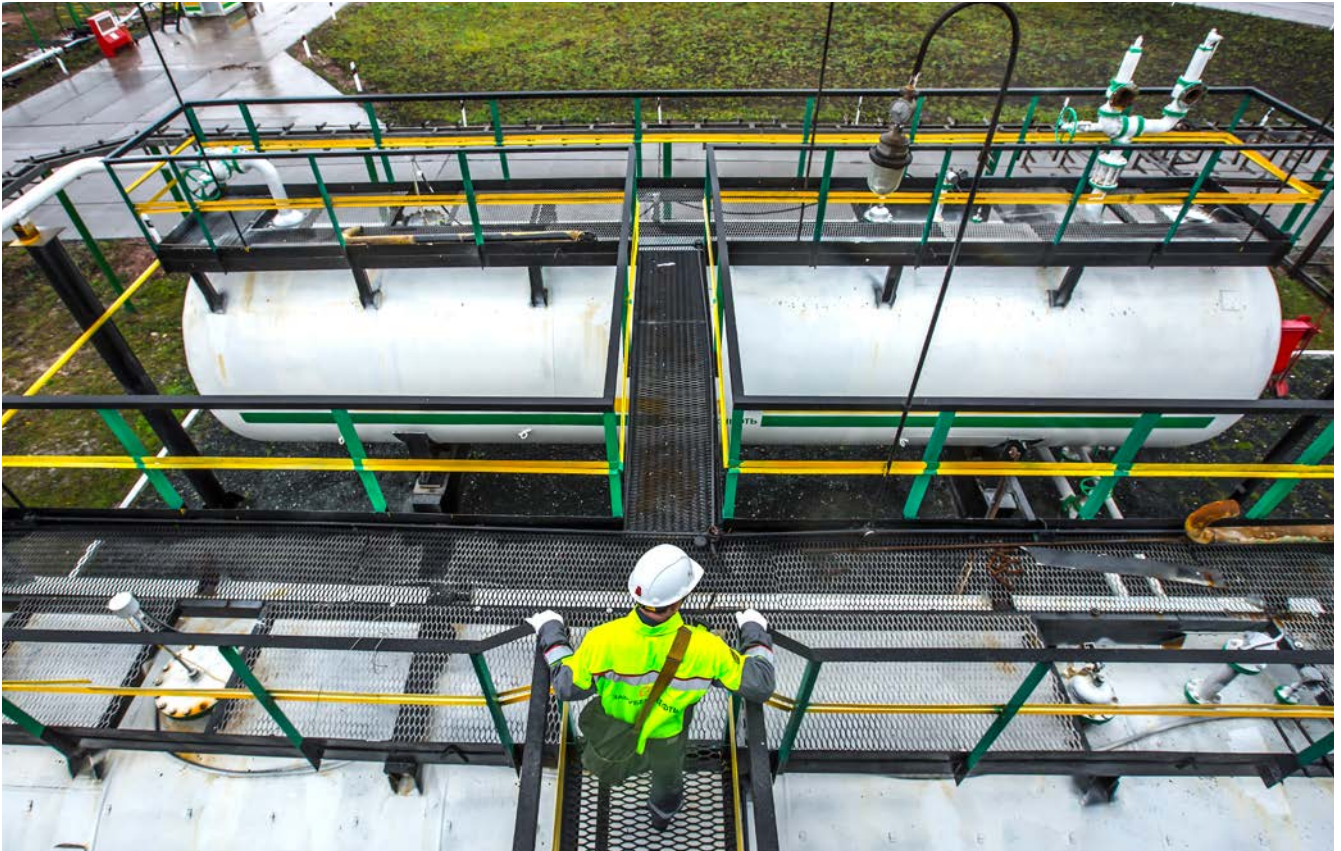
The balance of the hydrocarbon reserves for Zarubezhneft Group in 2019 also included the hydrocarbon reserves for new assets: Block 09-2/09 (structures KTN and KNT under exploration), West Ashrafi and North Ras El Ush fields (Arab Republic of Egypt), South Alamyshyk, West Khartoum and Khartoum fields (Republic of Uzbekistan).

JC RUSVIETPETRO LLC won the bid in 2019 in the license tender for the purpose of geological survey, exploration and production of hydrocarbons at the Zapadno-Yareyaginsky site in the Nenets Autonomous Area.

Recoverable reserves of JC RUSVIETPETRO LLC in 2019 increased by

899 thous. tons

¹ The reserves are taken into account by category 2P for the fields of the Socialist Republic of Vietnam (Vietnamese classification) and by category 1P for the fields of the Arab Republic of Egypt (SPE-PRMS international classification).



Structure of current recoverable reserves (AB₁+C₁+2P) of Zarubezhneft Group taking into account the participating interest, thous. t.o.e.

Enterprise	2019		Deviation plan/actual
	Plan	Actual	
JV Vietsovet	24,766	32,189	7,423
JV RUSVIETPETRO LLC	35,795	36,440	645
ZARUBEZHNEFT-Dobycha Kharyaga LLC	7,860	8,396	536
Block 09-3	1,810	976	-834
Orenburgnefteotdobycha JSC	2,166	2,212	46
Ulyanovskneftegaz LLC	1,717	1,613	-104
Block 04-3	3,367	3,364	-3
Severo-Karasevskoye Petroleum Enterprise LLC	1,056	1,037	-19
Block 09-3/12	2,058	1,811	-247
Block 12/11	6,003	9,182	3,179
Block 16-1/15	260	32	-228
Block 42	381	0	-381
New assets	11,833	6,563	-5,270
TOTAL	99,071	103,815	4,743

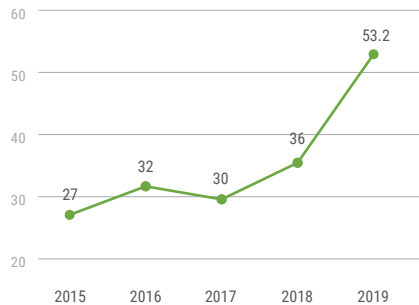
GEOLOGIC EXPLORATION

The Company's strategic goal is to ensure a stable growth of HCs production in the medium- and long-term perspective by exploring and expanding the hydrocarbons resource base.

In 2019, exploration works were carried out at the facilities of the Socialist Republic of Vietnam and in the Russian Federation.

Exploration drilling volume, thous. m

+49 %



The scope of exploratory drilling in 2019 was about 53.2 thous. m. The primary goal was to specify structures containing non-drilled reserves at the active fields and to recognize inferred reserves at new blocks.

In the fiscal year, the construction of seven exploration wells was completed offshore the Socialist Republic of Vietnam, as well as two wells in the Nenets Autonomous Area and one well in the Orenburg Region.

Primary results of the exploratory drilling in 2019

Project, operator	Site	Legal form and participation interest	Project results in 2019
Social republic of Vietnam			
Block 09-1 JV Vietsovpetro	Shelf	Intergovernmental agreement between Petrovietnam Oil and Gas Corporation (51%) and Zarubezhneft JSC (49%)	7 wells were drilled, including 1 multilateral well (2 wellbores from one wellhead). Exploration work was carried out at the White Tiger and Dragon fields. Completed with the construction of 6 wells. As of December 31, 2019, 2P reserves growth in the amount of 2,582 thsd TOE was achieved.
Block 09-3/12 JV Vietsovpetro	Shelf	Oil and gas contract between JV Vietsovpetro (55%), PVEP (30%), Bitexco (15%)	Tests on well CT-6X – structure Ca-Tam were completed.
Block 42 JV Vietsovpetro	Shelf	Oil and gas contract between JV Vietsovpetro (49%) and PVEP (51%)	Drilling of the 1st exploratory well was completed, negative results were obtained and the decision to exit the project was taken.
Block 12-11 JV Vietsovpetro	Shelf	Zarubezhneft JSC oil and gas contract (100%)	Construction of 1 dual lateral well was completed. Oil reserves increased by 4,131 TOE
Russian Federation			
Pashinskoye Orenburgnefteotdacha JSC	Onshore	Zarubezhneft JSC license (100%)	The construction of 1 exploration well resulted in a growth of oil reserves amounting to 22 thsd TOE
Kharyaga Zarubezhneft-Dobycha Kharyaga LLS	Onshore	Production sharing agreement, consortium structure: Zarubezhneft JSC (20%), Zarubezhneft-Dobycha Kharyaga LLC (20%), Statoil Sverige Kharyaga AB (30%), Total Exploration and Production Russie (20%), Nenets Oil Company JSC (10%)	3 production wells with exploratory liad were drilled, total growth of oil reserves amounted to 1082 thsd TOE.

Project, operator	Site	Legal form and participation interest	Project results in 2019
Vostochno-Sikhoreyskoye JS RUSVIETPETRO LLC	Onshore	Intergovernmental agreement between Petrovietnam Oil and Gas Corporation (49%) and Zarubezhneft JSC (51%)	Drilling and testing of 1 exploration well resulted in a growth of oil reserved amounting to 321 thsd TOE
Zapadno-Khosedayuskoye JC RUSVIETPETRO LLC	Onshore	Intergovernmental agreement between Petrovietnam Oil and Gas Corporation (49%) and Zarubezhneft JSC (51%)	An appraisal well was drilled
Pyuseyskoye JC RUSVIETPETRO LLC	Onshore	Intergovernmental agreement between Petrovietnam Oil and Gas Corporation (49%) and Zarubezhneft JSC (51%)	An appraisal well was drilled

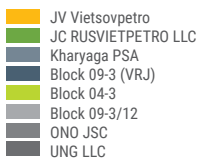
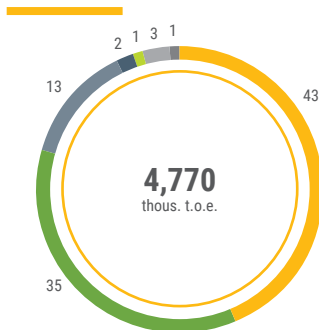
HYDROCARBONS PRODUCTION

In 2019, the Company focused on the production stabilization by taking a number of geological, organizational and technical measures as per the production program.

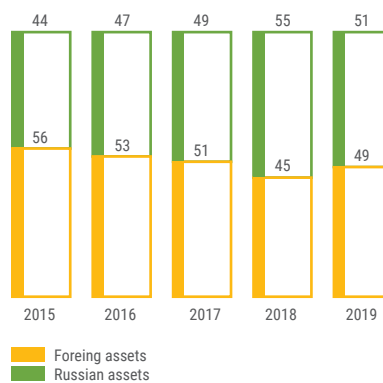
34 new wells have been commissioned at the Russian segment fields, a number of successful well interventions have been completed (side-tracking, hydraulic fracture, re-completion), as well as 117 other WIs.

The primary production assets in 2019 still were JC RUSVIETPETRO LLC, JV Vietsovetro, ZARUBEZHNEFT-Dobycha Kharyaga LLC.

Production structure in 2019



Dynamics of production share as per Zarubezhneft JSC activity geography



Taking into account the share of Zarubezhneft JSC, the HC production in 2019 was 4,770 K t.o.e., which is less than in previous year by 7.4%. The target indicator (4,515 K t.o.e.) was exceeded by 5.6%. The decline in production was caused by large fields of JV Vietsovetro, the White Tiger and the Dragon, entering the complex final stage of development.