

OVERVIEW OF ZARUBEZHNEFT' JSC FINANCIAL PERFORMANCE

Zarubezhneft JSC has a wide experience in the delivery of international oil and gas projects, stable long-term ties with leading oil companies in Russia and globally, and has founded a structure of R&D and project companies. The expertise in the area of shelf development tried and tested during long-term experience of Zarubezhneft JSC in foreign countries is the primary competitive advantage of the Company.

Zarubezhneft JSC is the Corporate Center, a head company that provides efficient management and interaction for more than 30 subsidiaries and 3 joint ventures in the interests of the state. Zarubezhneft JSC shares the accumulated management experience with its subsidiaries, providing them with consultation services in all areas of activity.

Apart from management of the subsidiaries at all stages, the Corporate Center manages a number of foreign projects (Blocks 09-1, 09-3, 04-3), as well as one project (Kharyaga PSA) in Russia at the stage of production and three projects at the stage

of geological survey (Block 12/11, Severo-Karasevskoye Petroleum Enterprise LLC, Boca de Jaruco).

In 2019, Zarubezhneft JSC demonstrated high production and financial performance. Zarubezhneft JSC RAS-based net profit for 2019 amounted to 12 bln RUB, which is 12% more than in 2018.

Great results are shown by the joint ventures with Petrovietnam Corporation: JC RUSVIETPETRO LLC in the Nenets Autonomous Area and JV Vietsovpetro at the Vietnamese shelf.

The fiscal year was successful for the Kharyaga PSA, that has been managed by the Company since mid-2016. The Company's gas sector is dynamically developing on the Vietnamese shelf – Block 04-3.

The achieved financial results fully compensate for the dividends payout to the state budget in the amount established by the Company's shareholder – the Federal Agency for State Property Management.

As a part of the performance improvement and cost optimization program, Zarubezhneft JSC constantly monitors the level of general and administrative (G&A) expenditures. Costs are evaluated in comparable conditions taking into account the consumer price index in order to annually reduce those relative to the previous year by at least 2%. The calculation is done as per the Guidelines for Formation of Operating Expenses and Determination of OPEX Reduction Indicator (approved by the decision of Zarubezhneft JSC Board of Directors, Minutes No. 127 dated September 14, 2016, and No. 163 dated January 28, 2019).

Costs in 2019 were reduced relative to the previous years in comparable conditions by 3.0% and amounted to 4,023 MM RUB.

Primary areas of the general and administrative expenditures optimization are as follows:

- consulting, audit and legal services;
- maintenance and repair of buildings, vehicles, rental of premises, representation, and other costs.