

DIVIDEND POLICY AND INFORMATION ON PROFIT ALLOCATION OF ZARUBEZHNEFT JSC

Zarubezhneft JSC Regulation on Dividend Policy was approved at the meeting of the Board of Directors on January 30, 2015 (Minutes No. 96). The revised edition of the Dividend Policy was approved by the Board of Directors on February 16, 2017 (Minutes No. 134).

The Dividend Policy of Zarubezhneft JSC is aimed at ensuring the greatest transparency, for the Company's shareholders, of the decision-making process with respect to dividend distribution, calculation of the amount of dividends, and the procedure for payment thereof, in line with the Russian Federation legislation. In order to ensure the Dividend Policy transparency, the Company posts the Policy and any amendments thereto on the Company official website at <https://www.nestro.ru/en/>.

Under the Dividend Policy, Zarubezhneft JSC strives to ensure annual growth of dividends payable to the Russian Federation, while providing an optimal

combination of the shareholders' interests with the demand for sufficient financing of the Company, along with respect to and strict observance of a shareholder rights stipulated by the applicable laws of the Russian Federation, as well as successful execution of investment projects of Zarubezhneft JSC, to be implemented in accordance with the Company Business Plan as approved by the Board of Directors. The Company's dividend growth rates are dependent on the Company's net profit growth rate, as well as on its financial standing and the investment projects being executed.

The fundamentals of the Dividend Policy adopted in Zarubezhneft JSC, are as follows:

- compliance with the applicable laws of the Russian Federation, the Company's Articles of Association and bylaws, including compliance of the Company's dividend accrual and payment practices with the laws of the Russian Federation;

- observance of the shareholders' rights and interests;
- commitment to high standards of corporate governance;
- ensuring the interest of the management and shareholders in increasing the Company's profitability;
- raising the investment potential of the Company;
- ensuring positive trend in terms of amounts of dividend payments, subject to the Company's net profit increase;
- endeavor to provide the shareholders with the most convenient way to receive dividends;
- endeavor to pay dividends as soon as practicable;
- ensuring maximum transparency of the mechanism for identifying the dividend amount.

For a number of years, Zarubezhneft JSC has remained among the leading Russian companies in terms of dividends paid to the budget of the Russian Federation.

Pursuant to Order No. 409-p “On Resolutions of the Annual General Meeting of Shareholders of Zarubezhneft Joint Stock Company” of the Federal Agency for State Property Management, dated June 30, 2019, the net profit generated by Zarubezhneft JSC in 2018, in the amount of 10,668,603 thous RUB, was distributed as follows:

- to pay dividends – 5,918,500 thous RUB, making up 55.476% of the net profit for the year (performed by means of Payment Order No. 3789 dated August 9, 2019);
- to form a reserve fund – 1,066,860 thous RUB, or 10% of the net profit;
- to make reimbursements to the members of the Board of Directors – 38,448 thous RUB, or 0.36% of the net profit;
- to make reimbursements to the members of the Revision Commission – 200 thous RUB, or 0.002% of the net profit;
- to finance Zarubezhneft JSC investment plan, approved by the resolution of the Board of Directors (Minutes No. 162 dated December 20, 2018) – 3,644,595 thous RUB, or 34.162% of the net profit.

Share to be paid out in dividends vs. net profit in 2015-2019, %



Net profit for the previous year vs. accrued dividends in 2015-2019, bln RUB

