

MARKET CONDITIONS

The average price of Urals grade oil as of January-December 2019 amounted to 63.9 USD/bbl. In addition to the extension of the OPEC+ deal on July 2, 2019, the price stabilization factors in 2019 included the deterioration of the political situation in a number

of oil-exporting countries and increased pressure from sanctions.

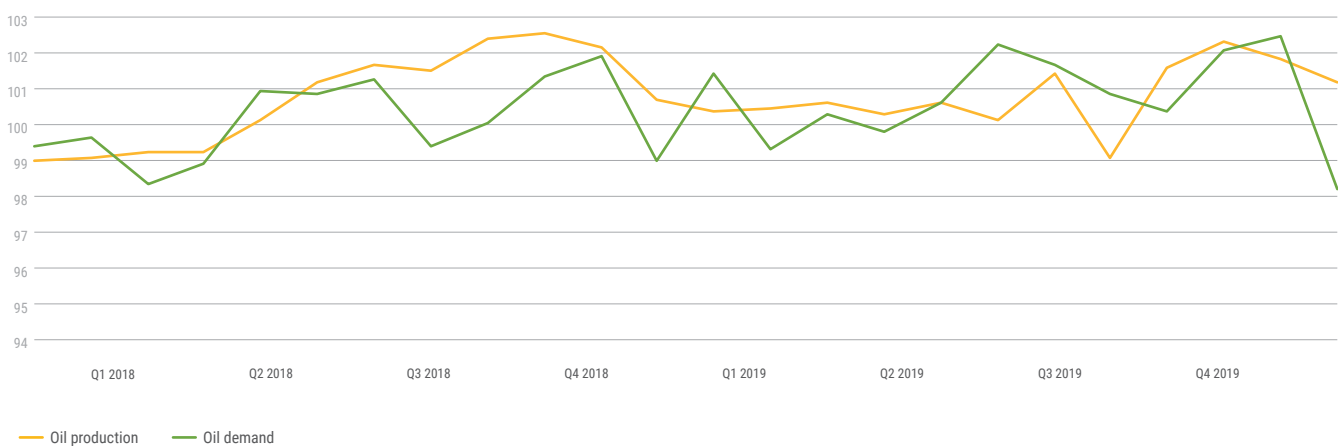
Amid the U.S. sanctions on Venezuelan oil and OPEC+ measures, the price of Brent crude oil for most of the year remained above 65 USD/bbl.

The peak in Urals grade oil prices was reached on April 25 at 75.05 USD/bbl. Oil quotations in 2019 ranged from 60 to 65 USD/bbl, and lows were recorded at 54.31 USD/bbl in January.

Oil price and US dollar to ruble exchange rate



Global oil production and demand, MM bbl per day



The OPEC+ agreement and the U.S. sanctions policy against Iran and Venezuela contained the oil supply in the market in 2019.

Oil prices were highly volatile in 2019. At the beginning of the year, the barrel of Brent went up from 55 USD/bbl in January to 75 USD/bbl in April owing to the OPEC+ agreement to cut oil

production by 1.2 million barrels per day since the beginning of the year. However, the market experienced a downward pressure on prices throughout the summer, and the price fell to below 60 USD/bbl by early autumn. In mid-September, Saudi oil infrastructure was attacked by drones, which resulted in a sharp price increase, which was completely offset during subsequent

weeks. In December, the oil price again exceeded 65 USD/bbl, when OPEC+ participants agreed to a further reduction in production.

The end of 2019 was marked by conservative forecasts based on expectations for the oversupply of liquid hydrocarbons.

Oil prices dynamics by year

Name	2017	2018					2019 Total	+/-	%
			Q1	Q2	Q3	Q4			
Brent (Dtd) (USD/bbl)	54.2	71.3	63.2	68.8	61.9	63.3	64.3	-7.0	-10
Urals (Rdam) (USD/bbl)	52.9	69.9	63.0	67.6	60.8	60.9	63.0	-6.8	-10
Urals (MED) (USD/bbl)	53.3	70.2	63.5	68.1	61.8	62.1	63.9	-6.4	-9
USD rate (RUB)	58.4	62.6	65.8	64.5	65.0	63.7	64.7	+2.0	+3
Urals (Rdam) price (RUB/bbl)	3,086	4,377	4,143	4,361	3,947	3,879	4,083	-294.3	-7
Urals (MED) price (RUB/bbl)	3,109	4,398	4,177	4,394	4,013	3,959	4,136	-262.1	-6

In 2019, the average price of Urals grade oil turned out to be 9% lower than the average value in 2018. During the decline in global prices by 9%, the price in ruble equivalent decreased by 6%.

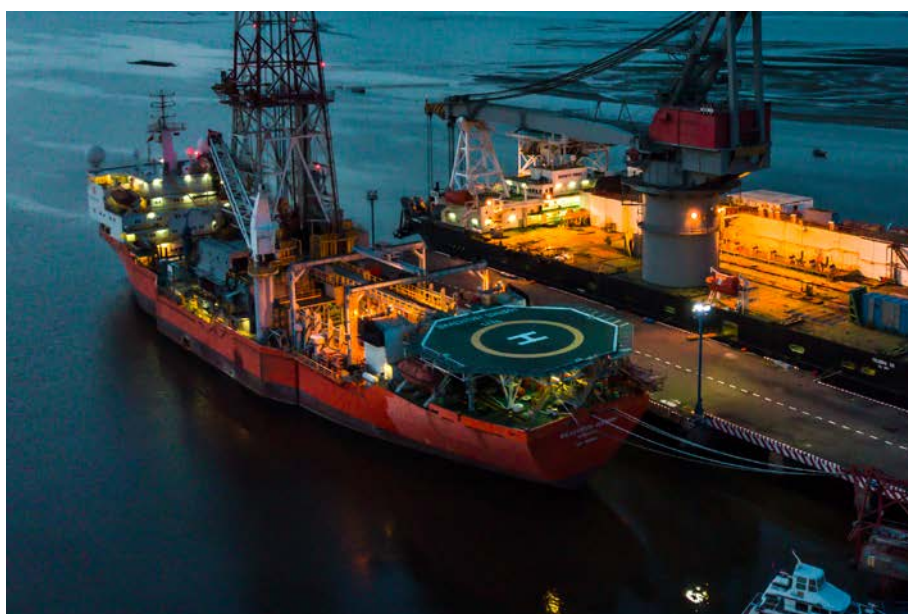
Oil prices dynamics by year in dependence to duties and taxes

Name	2017	2018					2019 Total	+/-	%
			Q1	Q2	Q3	Q4			
Urals (MED) (USD/bbl)	53.3	70.2	63.5	68.1	61.8	62.1	63.9	-6.4	-9
USD rate (RUB)	58.4	62.6	65.8	64.5	65.0	63.7	64.7	+2.0	+3
Export duty (USD/t)	86.7	128.5	87.0	104.1	95.0	88.7	93.7	-34.8	-27
Mineral extraction tax (RUB/t)	8,134	12,455	12,953	14,160	12,404	12,638	13,039	+584	+5
Price net of duties and taxes (RUB/t)	9,282	11,294	11,521	10,889	10,440	10,331	10,758	-536	5

The increase in the tax burden relative to 2018 is mainly related to the introduction of an additional multiplying factor

in calculating the mineral extraction tax (K_{MET}) – a factor characterizing premiums to motor gasoline and diesel fuel, which averaged to 252 RUB/t in 2019.

COMPARED TO FIGURES FROM 2018, NEGATIVE TREND IS OBSERVED IN THE MARKET OF PETROLEUM PRODUCTS IN THE REGION WHERE ZARUBEZHNEFT GROUP ENTERPRISES ARE PRESENT.



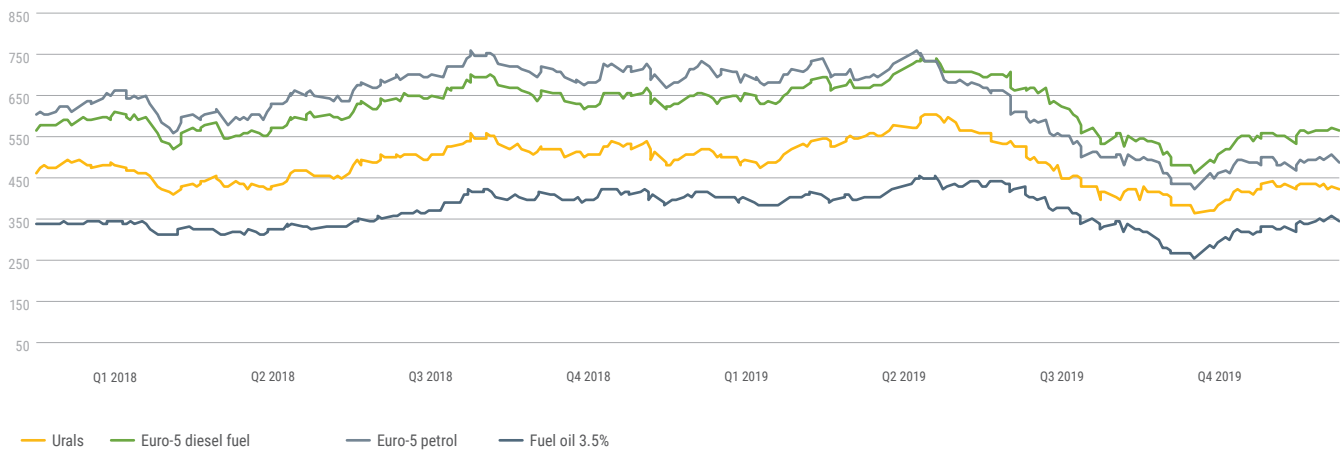
The decrease in furnace fuel oil spread in the 4th quarter of 2019 was predetermined by the introduction of the 0.5% limit on the sulfur content in fuel consumed by ships as of January 1, 2020 by the International Maritime Organization (IMO).

It is worth noting that the marginality of petroleum refiner in the region of Zarubezhneft JSC's presence remains at one of the lowest levels compared

to other areas. Meanwhile, the gap with the North American market, which was reduced in the first quarter of 2019, climbed again to the level of 2018 by the end of the year.

In general, the 2019 results demonstrate Zarubezhneft Group's efficient use of dynamically changing macroeconomic conditions with a view to maximize its financial performance.

Quotations for oil and petroleum products, USD/t



Marginality of petroleum refiner, USD/t

