

Dividend policy and information on the profit distribution of Zarubezhneft JSC

The Regulation on Zarubezhneft JSC's Dividend Policy was approved by the Board of Directors at the meeting on January 30, 2015 (Minutes of meeting No. 96). A new revision of the Dividend policy was approved by the Board of Directors at the meeting on February 16, 2017 (Minutes of meeting No 134).

The dividend policy of Zarubezhneft JSC is aimed at ensuring the greatest transparency of the decision-making process for the Company's shareholder on dividend payment, determining the amount of dividends and the procedure for their payment as per the requirements of the Russian Federation legislation. To ensure the transparency of the dividend policy, the Company places the Policy and any amendments to it on the Company's official website at: www.nestro.ru.

As per the Dividend Policy, Zarubezhneft JSC strives for ensuring the annual growth of dividends paid in favor of the Russian Federation, with an optimal combination of shareholder's interests with the need for sufficient funding of the Company, respect and strict observance of shareholder's rights stipulated by the current legislation of the Russian Federation, and successful implementation of Zarubezhneft JSC investment projects, carried out as per the Company's Business Plan approved by the Board of Directors. The growth rate of dividends of the Company is determined by the growth rate of the Company's net profit, its financial condition and implemented investment projects.

The basic dividend policy principles of Zarubezhneft JSC are as follows:

- observance of the applicable legislation of the Russian Federation, Company's charter and internal documents, including compliance of the Company's

dividend distribution and payment practice with the laws of the Russian Federation;

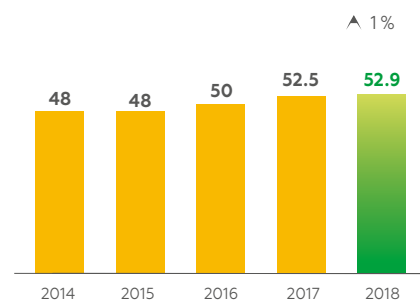
- observance of shareholders rights and interests;
- commitment to the highest corporate management standards;
- commitment of the management and shareholders to increase the Company's profitability;
- improvement of the Company's investment attractiveness;
- positive dividend payout trend subject to the Company's net profit growth;
- commitment to the most shareholder-friendly dividend receipt method;
- commitment to dividend payment in within the shortest possible time;
- maximum transparency of dividend rate determination mechanism.

During several years, Zarubezhneft JSC has been one of the leading Russian companies by the total amount of dividends paid in the budget of the Russian Federation.

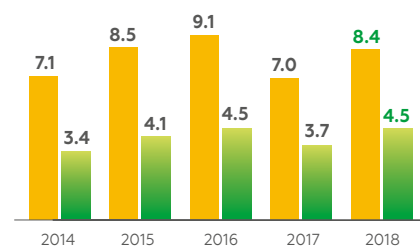
Net profit generated by the Zarubezhneft JSC results for 2017 for RUB 8,442,807 thousand as per the order of the Federal Agency for State Property Management dated June 30, 2018 No. 499-r – Concerning the Decisions of the Annual General Shareholders' Meeting of Zarubezhneft Joint Stock Company was sent:

- to pay dividends – RUB 4,469,329 thousand, or 53% of the annual net profit (executed by payment order No. 4277 dated August 10, 2018);
- for the formation of a reserve fund – RUB 844,281 thousand, or 10% of net profit;
- to pay remuneration to members of the Board of Directors – RUB 38,600 thousand, or 0.457% of the net profit;

Share to be paid out in dividends vs. net profit in 2014-2018, %



Net profit for the previous year vs. Accrued dividends in 2014-2018, bln RUB



Legend:
■ Net profit (of the previous year)
■ Dividends (paid)

- for payment of remuneration to members of the Inspection Committee – RUB 280 thousand, or 0.003% of the net profit;
- to finance Zarubezhneft JSC investment plan, approved by the decision of the Board of Directors (Minutes No. 148 of December 22, 2017) – RUB 3,090,317 thousand, or 36.6% of the net profit.