

Summary of the Zarubezhneft JSC financial results

Zarubezhneft JSC has wide experience in implementing international oil and gas projects. The Company has maintained long-term relationships with Russia's leading oil companies and global oil firms. The Company has created a structure of research and development organizations. Well-established competences in shelf development during the long-term work experience of Zarubezhneft JSC in foreign countries are the most important competitive advantage of the Company.

Zarubezhneft JSC is the Corporate Center – the head organization performing the effective management and interaction of more than 30 subsidiaries and 2 joint ventures in the interests of the state. Zarubezhneft JSC transfers the accumulated management experience to its subsidiaries by providing them with consulting services in all fields of activity.

In addition to managing subsidiary operations at all life stages, the Corporate Center also supervises several foreign projects (Block 09-1, 09-3, 04-3) and one Russian project (Kharyaga PSA) at the production stage. There are also three foreign projects at the geological exploration stage (Block 12/11, North-Karasevskoye Petroleum Enterprise LLC, and Boca de Jaruco).

The priority field of Corporate Center's activities is searching for new oil and gas assets, boosting the efficiency of existing projects, as well as increasing the existing

technological competencies by concentrating on small size fields with an unbalanced development system. Thus, Zarubezhneft JSC has actively implemented research projects to increase the efficiency of working with attenuated resource base, identifying ways to maximize the involvement of hydrocarbon reserves in the development, applying new technologies and innovative programs.

In 2018, Zarubezhneft JSC demonstrated high production and financial performance indicators. According to RAS, Zarubezhneft JSC's 2018 net profit amounted to RUB 10.7 billion, which exceeds the 2017 figure by 27%.

Joint ventures with the Petrovietnam Corporation show excellent results: LLC "JC "RUSVIETPETRO" in the Nenets Autonomous District and JV "Vietsovetpetro" on the Vietnam shelf; revenues from participation in these enterprises increased by 1.4 times compared to the last year.

Kharyaga PSA completed the reporting year worthily, the Company has controlled this field from the middle of 2016, revenues from the sale of fractional oil content from KhPSA also increased 1.4 times compared to 2017. The Company's gas project on the Vietnamese shelf has developed dynamically - Block 04-3.

In general, the net profit from participation in production sharing agreements and oil and gas contracts in Russia and Vietnam increased one and a half times compared to the figures of 2017.

The achieved financial result fully ensures dividend payments to the state budget in the amount established by a Company's shareholder - the Federal Property Management Agency.

In improving efficiency and implementing the cost optimization program, Zarubezhneft JSC continuously monitors the level of administrative and management costs. Cost estimations are made under comparable conditions, taking into account the consumer price index, and aimed at annual reduction of expenses relative to the previous year by at least 2%. The calculation is made as per the "Guidelines for the Generation of Operating Expenses and Definition of the Operating Expenses Reduction Index" (approved by a decision of the Zarubezhneft JSC Board of Directors, Minutes No. 127 dated September 14, 2016, and No. 163 dated January 28, 2019).

The costs in 2018 decreased compared to the previous year under comparable conditions by 3.4%.

The main areas of optimization of administrative and management expenses are:

- staff expenditures;
- consulting, auditing and legal services;
- maintenance and repair of buildings, vehicles, rental of premises, representation and other expenses.