

Tax liabilities of subsidiaries of the Zarubezhneft JSC Group of companies

Taxation, along with such macroeconomic factors as fluctuations of the oil price and the Ruble exchange rate, significantly influences the performance of the Zarubezhneft JSC Group of Companies. The share of tax and other mandatory charges in the Production segment costs comprises 35% of the revenue.

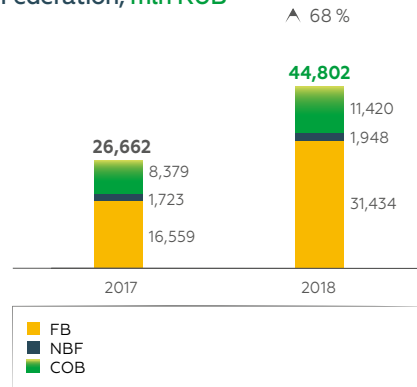
The calculation and payment of tax and other mandatory charges by the Zarubezhneft JSC Group of Companies is conducted in strict compliance with the current legislation of the Russian Federation, Bosnia and Herzegovina and the Socialist Republic of Vietnam.

03 The subsidiaries of Zarubezhneft JSC perform their obligations to pay taxes, charges, duties, and insurance contributions to the budgets of all levels and non-budget funds of the Russian Federation in full.

The significant increase in tax payments in 2018 is primarily due to the increase in mineral extraction tax expenses, which occurred mainly as a result of the increase of the Urals price in ruble equivalent.

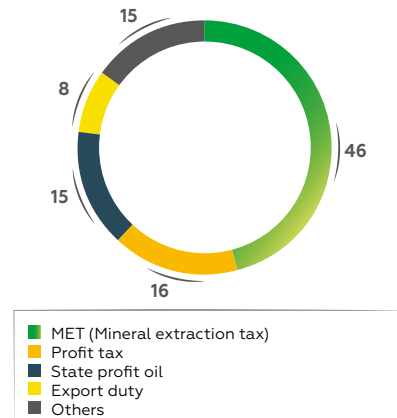
The structure of tax payments with regards to the Upstream and the Service and Other Assets segments differs significantly due to the presence of sectoral taxes in the Upstream segment (MET, export customs duties on oil, and royalties and state profit oil within Kharyaga PSA).

Tax and other obligatory payments into the budget system of the Russian Federation, mIn RUB



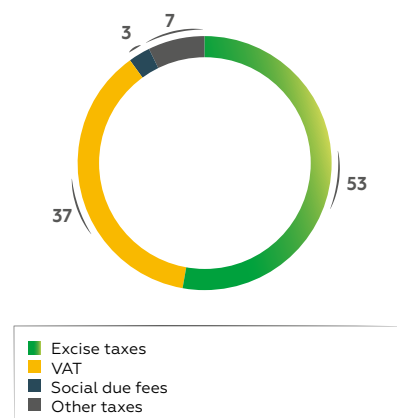
The total amount of tax and other obligatory payments within the Russian Federation in 2018 amounted to RUB 44,802 million, which is 68% more than the 2017 level, while 70% of all transfers account for the federal budget (FB) of the Russian Federation, 26% for consolidated budgets (COBs) of subjects and 4% for non-budgetary funds (NBFs).

Structure of tax and other obligatory payments of the Upstream segment, %



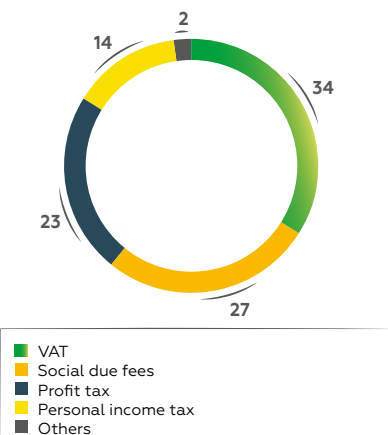
The largest share in the structure of compulsory payments of mining companies is accounted for by the mineral extraction tax, export duty, income tax and state profitable oil according to KhPSA.

Structure of tax and other obligatory payments of the Downstream segment, %



Bosnian region subsidiaries of the Zarubezhneft JSC Group of Companies are together the largest payers in the Bosnia and Herzegovina budget system. In 2018, the amount of payments to the budgets of all levels amounted to 252 million euros. The main burden of companies accounts for indirect taxes (excise taxes – 53%, VAT – 37%), social insurance contributions – 3% and other taxes make up 7%.

Structure of tax and other obligatory payments of the Service and Other Assets segment, %



The main burden of servicing segment enterprises accounts for VAT, social insurance contributions and corporate income tax.

68%

was the increase of the amount of tax and other mandatory payments in the Russian Federation increased compared to 2017

Vietnamese assets of Zarubezhneft JSC make payments to the budget system of the Socialist Republic of Vietnam. In 2018, the amount of payments amounted to USD 1,263 million.

