

ADDRESS OF THE GENERAL DIRECTOR

GRI: 102-14, 103-2

DEAR COLLEAGUES!

TODAY, IN A RAPIDLY CHANGING WORLD, NEW OPPORTUNITIES ARE EMERGING FOR ZARUBEZHNEFT JSC. WE ARE READY TO ACCEPT THE CHALLENGES WE FACE WITH DIGNITY TO MAXIMIZE THE POTENTIAL FOR BUSINESS GROWTH.

ZARUBEZHNEFT JSC'S STRATEGY IS VERY CONSISTENT WITH THE UN GLOBAL INITIATIVE TO ACHIEVE SUSTAINABLE DEVELOPMENT GOALS, AND THE COMPANY'S SOCIAL MISSION LARGELY CONTEMPLATES POSITIVE PARTNERSHIP WITH INSTITUTIONS AND DEPARTMENTS OF THOSE STATES WHERE WE ARE ALREADY WORKING OR PLANNING TO ENTER INTO PROJECTS.



In general, we can say that the year 2019 was successful - the main tasks have been completed. Until recently, Zarubezhneft JSC was represented, apart from Russia, in such countries as Vietnam, Bosnia and Herzegovina, and the Republic of Cuba. Last year, the Company entered the new markets of Uzbekistan and Egypt.

In March 2019, JV ANDIJANPETRO LLC was established in Uzbekistan together with the enterprise Uzbekneftegaz. The enterprise operates in the territory of the Republic and carries out production at three operating oil fields: South Alamyshyk, Khartoum, and East Khartoum.

Project development in Egypt has become one of the key areas of Zarubezhneft JSC's international activity. In 2019, a production sharing agreement for South East Ras El Ush and East Gebel El Zeit blocks was signed in Cairo between Zarubezhneft JSC, the Ministry of Oil and Mineral Resources of Egypt, the Egyptian state oil holding company Ganope, and Pacific Oil Limited. The blocks are located in the Gulf of Suez

10 km from each other. Estimated in-place resources at both blocks are over 200 MM barrels.

Zarubezhneft's technological advantage lies also in the fact that the Company often takes on projects which other market players have refused to participate in, considering them unprofitable. These projects achieve economic performance owing to the application of advanced solutions and innovative approaches. Therefore, in 2019, the Company kept focusing on small, hard to develop fields and fields with a high degree of depletion.

At the end of 2019, Zarubezhneft JSC's consolidated revenue amounted to 97.5 billion rubles. The Company has undertaken to pay dividends to the state in the amount of 50% of net profit in 2020.

Responding to environmental challenges, in the spring of 2019, the Company Board of Directors decided to proceed with developing a new direction - Renewable Energy Sources. As with the main business, a gradual expansion is planned in this area, starting with the most familiar regions.

Digitalization is a key innovation area of Zarubezhneft JSC. In terms of data transmission, digital technologies ensure transparency and reliability of the information provided. In 2019, the Company was the first in Russia to receive a comprehensive environmental permit (CEP)¹ as part of the federal project "Implementation of the Best Available Technologies" of the national project Ecology. The project includes online transmission of indicators showing the negative impact of production on the environment to the Federal Service for Supervision of Natural Resource Usage.

In terms of transparency in the area of environmental responsibility, Zarubezhneft JSC is the second best among Russian oil and gas companies. This rating was initiated by the Creon Fuel and Energy Consulting and Analytical Group and the World Wildlife Fund (WWF) in partnership with the National Rating Agency and the United Nations Environment Programme, and with the support of the Ministry of Natural Resources of Russia, the Ministry of Energy of Russia, and the Government of the Russian Federation.

¹ A single permit document approving all environmental standards.

**SERGEY KUDRYASHOV**GENERAL DIRECTOR
OF ZARUBEZHNEFT JSC

**ZARUBEZHNEFT JSC
WAS RANKED SECOND
IN THE RATING OF ENVIRONMENTAL
RESPONSIBILITY OF OIL
AND GAS COMPANIES IN RUSSIA.**

In addition, Zarubezhneft JSC was the first Russian company to join the international Vision Zero, or Zero Injury Concept. It is an absolutely new approach to the organization of injury prevention, developed by the International Social Security Association (ISSA), combining the three areas of safety, occupational health, and the well-being of workers at all levels of production.

Integrating the Vision Zero Concept into the corporate culture and the core values of Zarubezhneft Group will make it possible to achieve a zero-injury level at production facilities in the near future.

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SERVICE FOR SUPERVISION OF NATURAL
RESOURCES USAGE (ROSPRIRODNADZOR).**

It is also important to note that this Report was prepared during the pandemic associated with the spread of coronavirus (SARS-CoV-2). Faced with this difficult epidemiological situation in the country, Zarubezhneft JSC took all necessary measures to ensure uninterrupted production process and the safety of its employees.

In order to prevent the infection of workers, the duration of shifts was prolonged. Daily medical check-ups were introduced at the fields. We provided Company employees with protective masks and antiseptic liquids. In March,

the vast majority of office workers were promptly transferred to remote mode. Gradually, with the weakening of the self-isolation regime, they will return to their offices.

The pandemic, of course, has influenced our work, but it does not cancel our tasks and objectives. In 2020, Zarubezhneft JSC intends not only to maintain a leading position among Russian state-owned companies, but also to reach a fundamentally different level of development, including in the area of corporate responsibility, information, and business transparency.