

MESSAGE FROM THE GENERAL DIRECTOR

102-14

*Dear Colleagues,
The year 2020 was full of unique events that catalyzed global changes in legislation, social policy, and the pattern of demand for energy resources. These changes directly affected the oil and gas industry as well. We saw the most rapid and intense market decline in history, the highest volatility of all time as well as negative oil prices. Average annual global oil prices plunged by 35% from USD 63.9 per barrel in 2019 to USD 41.7 per barrel in 2020.*

During this slump on world markets, and particularly in the oil and gas industry, ZARUBEZHNEFT GROUP held strong and had a robust financial performance, which shows the importance of our development strategy, the sustainability of our business, and the impressive professional expertise of our staff.



The Group had consolidated revenue of RUB 82.9 billion and consolidated EBITDA of RUB 21.5 billion. An EBITDA margin of 26% enabled ZARUBEZHNEFT GROUP to remain competitive both among Russian oil and gas companies as well as oil and gas industry leaders worldwide.

This high rate of economic efficiency helped ZARUBEZHNEFT GROUP to end the year 2020 with a net profit of RUB 9.2 billion. The Company continued to increase dividend payments to the Russian budget for the fourth year in a row and paid a record dividend of RUB 6.7 billion.

Combating the COVID-19 pandemic was a top priority in 2020. The Company introduced a set of measures to prevent cases of infection at its production sites and offices and ensured that all production processes continued uninterrupted.

In 2020, the Company continued to develop its oil and gas assets, while also searching for and testing advanced technological solutions to improve oil and gas production. Zarubezhneft established a joint venture with Gazprom Neft in the Khanty-Mansi Autonomous Area. The joint venture will seek to set up sites to develop and test production technologies for hard-to-recover oil.

In July 2020, the Vietnamese Ministry of Industry and Trade issued an adjusted investment license for Oil and Gas Block 09-2/09 on the country's continental shelf. This result was achieved due to focused efforts to increase the resource base in Vietnam through participation in new oil and gas projects.

The Company finished drilling four horizontal wells at the Boca de Jaruco oil field in Cuba and began testing cyclic steam and thermal gravitational drainage technologies. It also successfully completed testing on catalytic aquathermolysis technologies. This project is a key component of Zarubezhneft's strategy to maintain its technological leadership in the industry.

In this new environment, programs that aim to recruit the best employees and ensure staff training and development took on special importance. The lockdown demonstrated the capabilities and, most importantly, the effectiveness of digital technologies, primarily as it pertains to online training. In the future, the Company plans to thoroughly assimilate such training and also develop related skills and expertise.

Zarubezhneft supports sustainable development principles and is implementing a policy of long-term mutually beneficial partnership in all its Russian and international projects. Compliance with sustainable development requirements is part of the Company's business strategy as regards corporate and social responsibility. It is essential for us to make the greatest possible contribution to achieving the UN Sustainable Development Goals and, to this end, the Company actively works to implement the tasks within these goals. We plan to develop and improve our technological processes in an effort to achieve impressive results in sustainable

development and environmental safety. Zarubezhneft was recognized as a leader in the 'Transparency Rating of Environmental Information of Oil and Gas Companies 2020', which confirmed the effectiveness of our activities in this regard. We managed to achieve this result with the help of our partners, such as PetroVietnam, Total, and Equinor, which are all involved in Zarubezhneft's key projects. In 2021, the Company plans to become the first Russian company to introduce the methodology of the transparency rating of environmental information at its foreign assets. The first among them will be Andijanpetro, a joint venture that was established with the Uzbek state-owned company Uzbekneftegaz.

Zarubezhneft invested more than RUB 323 million in environmental protection in 2020. Future environmental protection projects include the decontamination of drilling waste and the elimination of sludge pits. The implementation of the Gas Program for the Sustainable Use of Associated Petroleum Gas in 2020-2024 is also a priority. The measures taken as part of the Gas Program in 2020 resulted in a 3% increase in the use of APG for internal needs to generate heat and electricity. Implementing the Gas Program has also enabled us to reduce the specific emissions of pollutants, which decreased from 5.13 tons to 3.86 tons per thousand tons of oil produced in the reporting year compared with 2019, as well as specific greenhouse gas emissions from 160 tons of CO₂ equivalent per thousand tons of oil produced to 150 thousand tons of CO₂ equivalent per thousand tons of oil produced.

In addition to launching environmental initiatives in 2021, despite the pandemic, we managed to preserve the technological and financial groundwork for the future and continue to develop the Company's core businesses, while also concentrating on our strategic focuses. I am certain that the skills the Company acquired during the pandemic will be useful in the future and that Zarubezhneft will demonstrate a high level of efficiency in 2021. We intend to continue moving towards the goals we set in the Strategy-2030, while undergoing fundamental transformation and focusing on best practices and market trends.

**SERGEY
KUDRYASHOV**

General Director of ZARUBEZHNEFT JSC