

SERVICE AND OTHER ASSETS

■ SEGMENT STRUCTURE



Russia

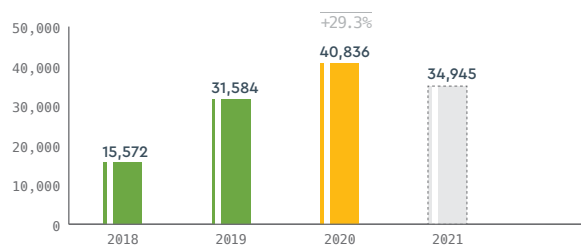
Service assets

- ▶ Arktikmorneftegazrazvedka JSC Provides of offshore drilling contract services
- ▶ Giprovostokneft JSC A design, survey, and engineering organization that performs complex research and the general design of facilities at all stages of field development
- ▶ VNIIneft JSC Branch institute for the development of oil and gas fields
- ▶ RMNTK Nefteotdacha JSC Performs oilfield services
- ▶ Zarubezhneftestroymontazh LLC Organizes construction, reconstruction, major repairs, construction supervision, and the preparation of design documentation
- ▶ Zarnestservice LLC Sells oil produced by the Group and supplies equipment and materials
- ▶ Explon LLC Operation and maintenance, provision of additional services, as well as sanitary maintenance of real estate facilities of Zarubezhneft and other facilities belonging to the Group's companies
- ▶ ZN Snabzhenie LLC Performs the 'internal supplier' function and centralization of the 'material resources supply' function to ensure the Group's continuous production and economic activities



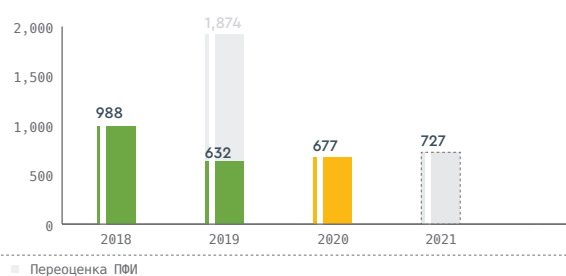
Segment indicators

REVENUE, RUB mln



The segment's revenue increased in 2020 mainly due to the development of petroleum product trading activities by Zarneftservice.

EBITDA, RUB mln



This indicator was affected during the reporting year by changes in the fair value of the derivative received in 2019. In comparable conditions, EBITDA was 7% higher in 2020.

Operational results
for the reporting period



Asset performance

Arktikmorneftegazrazvedka

Arktikmorneftegazrazvedka provides offshore drilling services in the oil and gas sector.

The company's priority is Southeast Asia, where the company is involved in projects to build wells for various purposes on the shelf of Vietnam.

Arktikmorneftegazrazvedka's main development focus is to expand the geography of its activities, increase the size of its own drilling fleet, and build up its own expertise in offshore drilling.

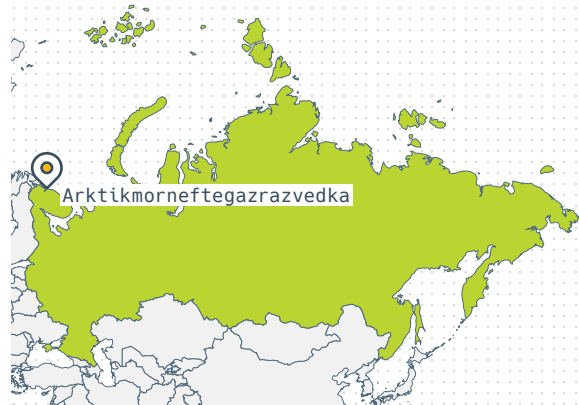
Operating results

In 2020, the Company carried out the following activities:

- ▶ Jack Up Rig Murmanskaya worked for 234 days to build exploration wells TN-4X (Block 12/11) and BH-54 (Block 09-1)
- ▶ The target for key performance indicators (EBITDA + RUB 74 million, FCF + RUB 115 million) was exceeded
- ▶ A bid was awarded in tender procedures for external customers, which made it possible to get a stable load for the additional floating drilling rig of Arktikmorneftegazrazvedka in 2022-2025

Production performance

The Jack Up Rig Murmanskaya operated at a daily rate of USD 40,000 per day in 2016-2020, which is consistent with the price level in the region for a similar jack up rig.



The number of days that the jack up rig was in operation in 2018 and 2019 decreased due to the repair of the installation to pass the class certification, while in 2020, the number of operating days declined as a result of forced downtime due to the inability to organize shifts in connection with COVID-19.

Economic performance

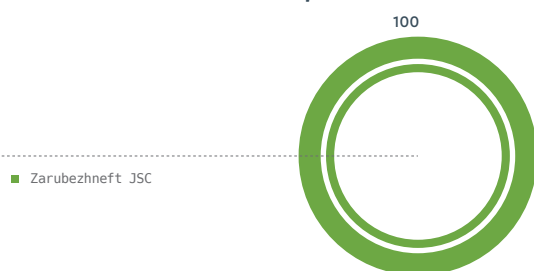
Revenue grew in 2020 compared with the previous year due to the increased duration of operation of the Jack Up Rig Murmanskaya (110 days in 2019 versus 234 days in 2020) as well as changes in the exchange rate.

The Company is constantly working to improve the efficiency of its production activities. This resulted in the stable trend of decreasing operating costs (operating costs grew in 2019 due to the planned repair of the Jack Up Rig Murmanskaya to pass the class certification).

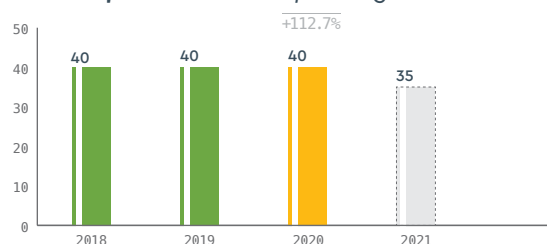
Development prospects

The Company's main goal in its further development is to stabilize the financial and economic situation, which in the long term is the foundation for maximizing production and economic efficiency and minimizing funding from Zarubezhneft.

OWNERSHIP STRUCTURE, %

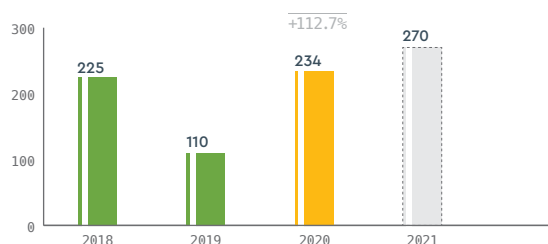


SLDR RATE, USD thousand per day



The Company is constantly working to improve the efficiency of its production activities. This resulted in the stable trend of decreasing operating costs (operating costs grew in 2019 due to the planned repair of the Jack Up Rig Murmanskaya to pass the class certification).

NUMBER OF DAYS OF SLDR WORK



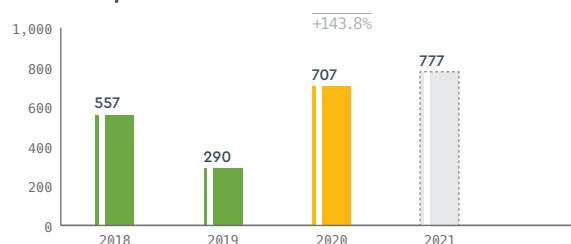


In order to achieve this goal, the key focus of the Company's activities in the medium term aims to:

- ▶ Ensure the utilization of the Jack Up Rig Murmanskaya at the facilities of JV Vietsovpetro, new projects of Zarubezhneft Group, and in joint activities with Indonesian and Malaysian companies, which allow for the long-term use of the jack up rig
- ▶ Expand the drilling fleet through the acquisition or long-term lease of additional jack up rigs for use at the facilities of external customers in 2022–2025 under the drilling contract awarded to AMNGR
- ▶ Improve the operational efficiency of the Valentin Shashin Drilling Vessel
- ▶ Provide educational services by the School of Industrial and Technical Education with the development of expertise and the scope of work in the distance education segment, including full-time distance learning using the WebEx platform for web conferences; regularly update and revise existing distance learning courses and develop new full-time and distance courses based on the needs of Zarubezhneft and subsidiary companies of the parent company
- ▶ Conduct training for specialists of JV Vietsovpetro in the following courses: 'Organization and repair of a well equipped with the installation of electric centrifugal pump by the underground and major well repairs team' and 'Start-up, commissioning, and operation of a well equipped with the installation of an electric centrifugal pump'; focus on the participation of the School of Industrial and Technical Education in tenders for training specialists of third-party organizations on electronic trading platforms (ETP); ensure specialists from the School of Industrial and Technical Education take part in tenders and conduct daily monitoring of the ETP
- ▶ Enhance the efficiency of the Company's production processes in order to optimize administrative and management costs

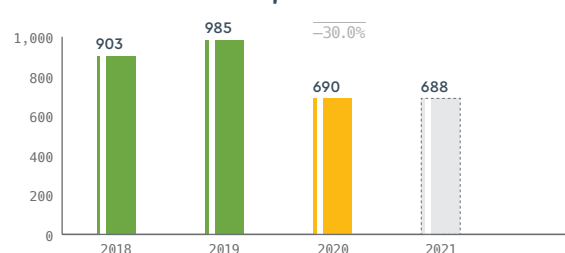
Assets of Arktikmorneftegazrazvedka	Brief description	
1. Jack Up Rig Murmanskaya		
The Jack Up Rig is capable of drilling wells up to 6,000 m deep with a maximum sea depth of 100 m	Year of manufacture/upgrade	1991/2013
	Overall dimensions	149 × 28 m
	Residential areas	84
2. DV Valentin Shashin		
The drilling vessel (DV) is capable of drilling wells up to 7,000 m deep with a maximum sea depth of 1,715 m	Year of manufacture/upgrade	1982/2014
	Overall dimensions	149 × 28 m
	Residential areas	116
3. The onshore infrastructure of Arktikmorneftegazrazvedka includes:		
<ul style="list-style-type: none">• Operational and Technical Section (OTS) – (2, Kildinskoe sh., Kola)• School of Industrial and Technical Education (GTGO)		

REVENUE, RUB mln



Revenue grew in 2020 compared with the previous year due to the increased duration of operation of the Jack Up Rig Murmanskaya (110 days in 2019 versus 234 days in 2020) as well as changes in the exchange rate.

OPERATING EXPENSES, RUB mln



Giprovostokneft

Giprovostokneft is an industrial-level design, survey, and engineering organization that carries out complex research and the general design of facilities at all stages of field development (geological exploration, development, and production) in order to ensure the most efficient extraction of hydrocarbon resources.

The Company's main activities are design and engineering surveys of oil production, treatment, and transportation facilities.

The Company has extensive experience in various areas — designing concepts for the development of assets of oil and gas companies (individual fields and groups of hydrocarbon deposits), conducting research on drilling and the development of well construction projects, and providing consultation services for the management of construction projects, and is also the scientific and technical center of competence of ZARUBEZHNEFT GROUP in such areas as drilling engineering, the integrated design and arrangement of technically complex facilities, the preparation of regulatory and methodological materials concerning oil and gas production, and pricing and rationing in design and construction.

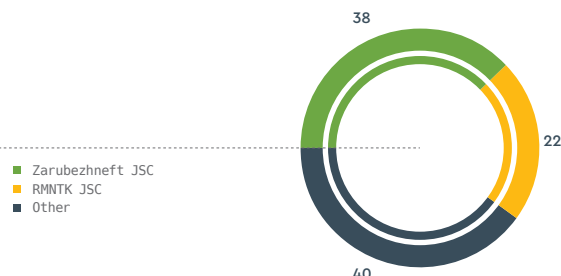


Operating results

The Company achieved impressive performance results in 2020:

- ▶ The Company's upgraded medium-term development strategy was approved
- ▶ The Company thoroughly upgraded its IT infrastructure (server and network infrastructure, data storage systems, UPS, telecommunications, and wireless technologies)
- ▶ The certification audit of the integrated management system was successful
- ▶ 46 positive conclusions of design documentation and engineering surveys were obtained
- ▶ A portfolio of orders for 2021 was compiled (contracts were signed for a total of RUB 948.5 million, which is 53% of the plan)
- ▶ New geophysical research skills were mastered, with the completed work valued at RUB 11.5 million
- ▶ Research was carried out to develop a technology for the trouble-free drilling of horizontal wells at the Achimov deposits of the Lutseyakhskoye field
- ▶ A new material was invented and a patent was obtained for 'Heat-Resistant Grouting Material for Well Casing to Ensure High Strength against Changing Temperatures and Exposure to H₂S and CO₂'

OWNERSHIP STRUCTURE, %



x2.6

growth in FCF
in 2020



Economic performance

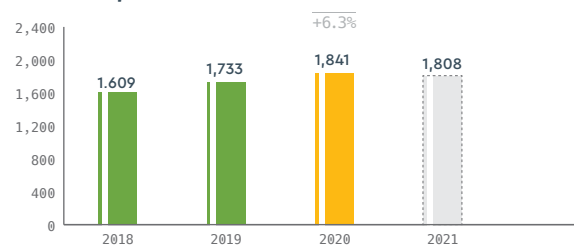
Revenue and cash flow increased in 2020 compared with the previous year due to the signing of new business orders with Gazprom Neft and the Caspian Pipeline Consortium (CPC), the conclusion of new contracts with other customers as well as the receipt of revenue within the Group due to the conclusion of new contracts for design work on the circulation of treasury control solutions for subsidiaries, the introduction of a materials and resources directory for all subsidiaries, and the sale of 1C licenses for Zarubezhneft.

Development prospects

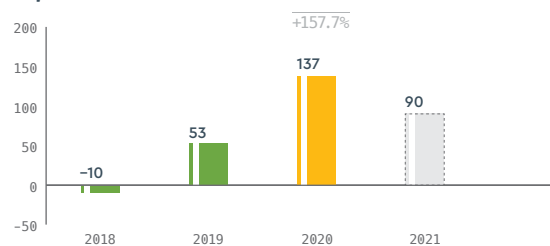
The Company's further development will focus on general designs for the facilities of Zarubezhneft, Gazprom Neft, Irkutsk Oil Company, the CPC, and other facilities in the traditional regions of the Russian Federation, as well as the development of evaluation and reengineering.

Operational results
for the reporting period

REVENUE, RUB mln



FCF¹, RUB mln



¹ Hereinafter, FCF is calculated as the sum of cash flows from operating and investment activities.

VNIIneft

VNIIneft is a leading industry institute for the development of oil and gas fields.

The Company mainly focuses on providing scientific and technical support for the projects of Zarubezhneft as well as engineering and scientific support of the development of ZARUBEZHNEFT GROUP's fields; implementing the R&D program to overcome the current technical and economic limits for displacement and sweep efficiency at hydrophobic carbonate reservoirs; creating and improving modern methods for increasing oil recovery and the laboratory studies of core and reservoir fluids; eliminating the Company's license risks; and carrying out work to calculate oil and gas reserves and design the development of oil and gas fields.

In order to fulfill ZARUBEZHNEFT GROUP's key strategic objective of joining new projects in Russia and abroad ('Expansion'), VNIIneft conducts work to search for and evaluate new assets.

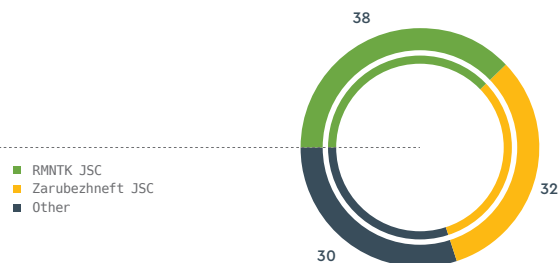


Operating results

The Company achieved the following results in 2020:

- ▶ Conducted an independent assessment of reserves per the SPE PRMS classification for the developed assets of ZARUBEZHNEFT GROUP, formed a project group, and prepared plans for the development of software to automate processes based on solutions for the monitoring of geology and development of assets already in operation at the Group
- ▶ Defended the operational estimation of reserves at two new deposits D3-IIIa and D3-IIIg of the Famennian deposits of the Kharyaga field at the State Commission on Reserves for the purpose of recording them in the State Balance Sheet and putting them into development
- ▶ Implemented a project to upgrade an installation at a laboratory complex to conduct filtration experiments 24/7 and increased productivity by 60%
- ▶ Achieved a 15.8% rate of decline in the carry-over assets of JV Vietsovpetro (compared with the planned 27.1%) in 2020, including due to the efforts of the VNIIneft Project Group, which aimed to generate increased reservoir pressure and implement other measures to optimize development, including the use of reservoir models
- ▶ Developed the prototype for an immiscible displacement simulator in the geometry of scanned core samples as part of the Digital Core project; the resulting solution will be actively used throughout the Company and promoted to the market immediately after the engineering application is developed

OWNERSHIP STRUCTURE, %





Economic performance

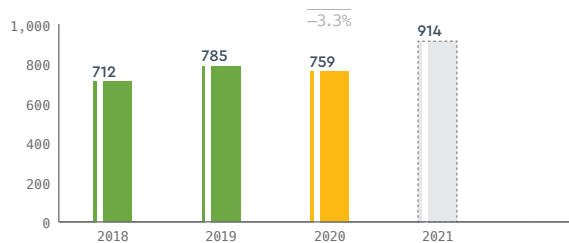
Revenue decreased in 2020 compared with the previous year due to a reduction in the scope of R&D work for JC RUSVIETPETRO as a result of changes in the customer's production program. In addition, the rental revenue decreased due to the impact of COVID-19.

Development prospects

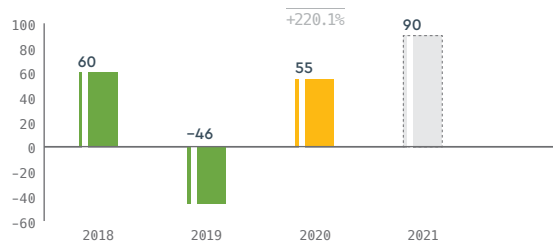
VNIIneft will primarily focus on supporting ZARUBEZHNEFT GROUP's additional production by joining new assets and introducing new technologies, including the method of increasing oil recovery, in the development of current assets.

It will continue work on the following technological development projects – 'Discovery', 'Tight Oil', 'Smartflooding', and 'Enthalpy'.

REVENUE, RUB mln



FCF, RUB mln



RMNTK Nefteotdacha

RMNTK Nefteotdacha is an enterprise that performs a wide range of oilfield services (major and routine well repairs, integrated service during drilling, geotechnical research, and hydrodynamic research, etc.), including technical and staff support for service work. In addition, the Company functions as an operator for pilot industrial work and implementing steam-thermal methods to increase oil recovery at the fields of ZARUBEZHNEFT GROUP and beyond.

Main activities of the Company:

- ▶ Performs oilfield services (integrated service for drilling wells, routine and major well repairs, geological and technological research, reservoir testing, etc.) in the Arkhangelsk Region (Nenets Autonomous Area) at the fields of JC RUSVIETPETRO and also on the territory of Kharyaga Production Sharing Agreement at the facilities of ZARUBEZHNEFT-Dobycha Kharyaga
- ▶ Supports demand to build production wells, provides engineering services as well as technical and technological supervision and control services during the construction of wells, and conducts a wide range of pilot work on the introduction of steam-thermal methods to increase oil recovery at the Boca de Jaruco field in Cuba
- ▶ Provides integrated service, supervision, and geological and technological support during the construction of wells at the facilities of ZARUBEZHNEFT-Dobycha Samara (Orenburg and Ulyanovsk Regions)
- ▶ Conducts technical and technological supervision and control during the routine and major repairs of wells and when performing work to provide field and geophysical research, hydrodynamic studies of wells, and downhole rope work at the facilities of JV ANDIJANPETRO in Republic of Uzbekistan

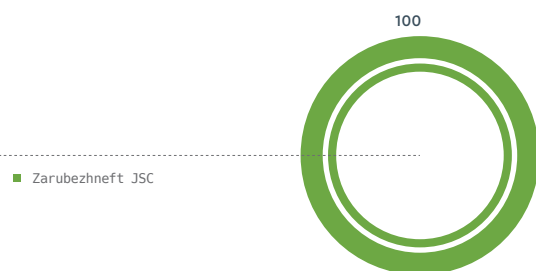


Operating results

Key results of the Company's activities in 2020:

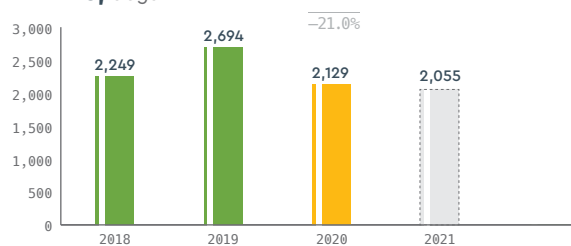
- ▶ Services for the routine and major repairs of wells at the fields of JC RUSVIETPETRO were provided by five in-house teams; two routine and major well repair crews were put on standby without any personnel due to changes in the Company's production program; services for the routine and major repairs of wells at the fields of ZARUBEZHNEFT-Dobycha Kharyaga were carried out by two crews.
- ▶ The decrease in the scope of integrated service and drilling of wells is associated with the refusal to work by JC RUSVIETPETRO due to the bankruptcy of the drilling contractor (Oilfield Service Company Burservis-Perm LLC).
- ▶ Additional well BJ-3007 was drilled as part of the Boca de Jaruco project.

OWNERSHIP STRUCTURE, %

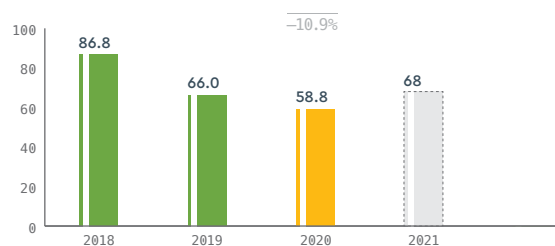


Production performance

DURATION OF ROUTINE AND MAJOR WELL REPAIRS, days



OILFIELD SERVICES, thousand m



Economic performance

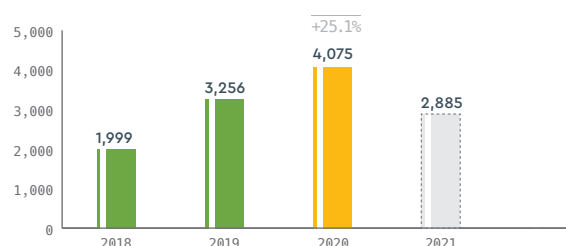
Revenue grew in 2020 compared with the previous period due to the increased drilling operations of JC RUSVIETPETRO (4,986 meters in 2019 and 34,564 meters in 2020), as well as the start of the provision of integrated drilling services for wells drilling at the Lutseyakhskoye field.

Operating expenses increased compared with the previous period due to the organization of work for the drilling and reconstruction of wells (subcontractor services) as well as work to provide integrated service at the Lutseyakhskoye license area.

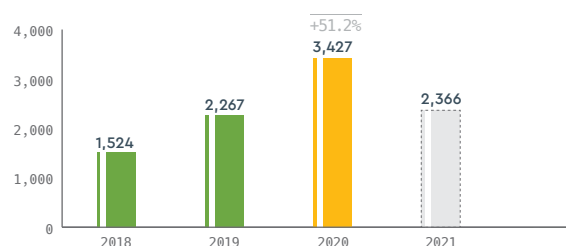
Development prospects

The key objectives for the Company's further development are the provision of integrated services for well drilling and major repairs at the fields of JC RUSVIETPETRO and ZARUBEZHNEFT-Dobrycha Kharyaga. The Company is primarily focusing on the utilization of its in-house production capacities, increasing the production rate by routine and major well repair crews, reducing unproductive time, monitoring operational efficiency, and entering the foreign market.

REVENUE, RUB mln



OPERATING EXPENSES, RUB mln



Operational results
for the reporting period

Zarubezhneftestroyontazh

Zarubezhneftestroyontazh organizes construction, reconstruction, and major overhauls, performs construction supervision, prepares design documentation, and is hired by a developer or customer based on a general contractor agreement.

The Company's main activities include the development of the fields of JC RUSVIETPETRO and ZARUBEZHNEFT-Dobycha Kharyaga, the construction of facilities to develop the Lutseyakhskiye oil field of Severo-Karasevskoye Oil and Gas Company, and the provision of engineering services and delivery of materials to the Boca de Jaruco field as part of the development of the experimental and industrial work site.

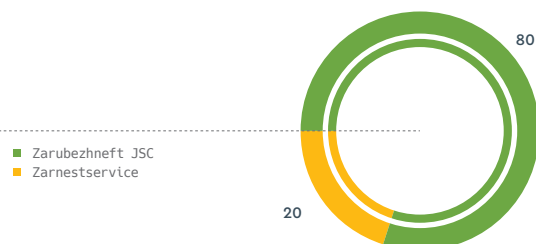


Operating results

Key performance results in 2020:

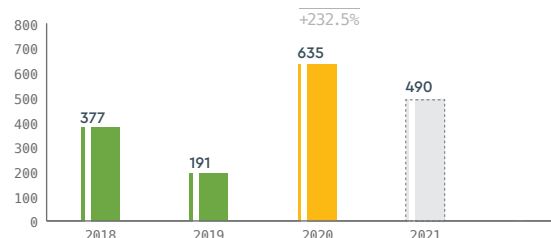
- ▶ Construction and installation work was carried out efficiently and on time by subcontractors and using the Company's own resources, and 77 planned facilities were built within the set timeframe
- ▶ Construction was completed on 9 km of pipelines, 10 km of high-voltage lines, an area of 635,000 m³ of pads and roads, and 42 km of winter roads
- ▶ The Company studied the construction services market of Kazakhstan extensively, created a pool of potential contractors, obtained consolidated prices for the cost of building various structures, reviewed the requirements of potential third-party customers, and addressed issues concerning taxation and the establishment of a branch in the Republic of Kazakhstan

OWNERSHIP STRUCTURE, %



Production performance

FILLING OF SITES AND ROADS, thousand m³

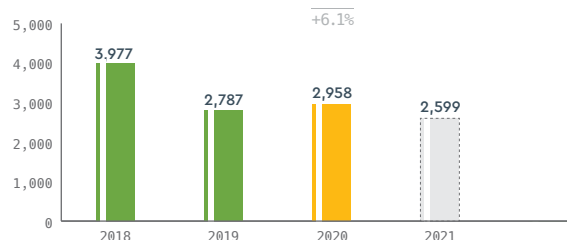


Filling operations increased in 2020 compared with the previous year due to work the Company carried out at the Lutseyakhskiye site – the construction of sites for the facilities of Cluster No. 1, a preliminary water discharge unit, oil filling point, rotational village, and helicopter pad.

Economic performance

In 2020, the main order portfolio of Zarubezhneftestroyontazh was geared towards customers within ZARUBEZHNEFT GROUP. Revenue increased due to additional work to fill sites and roads at the Lutseyakhskiye license area, repair and restoration work on the Andijan project, and work on the Cuba project.

REVENUE, RUB mln

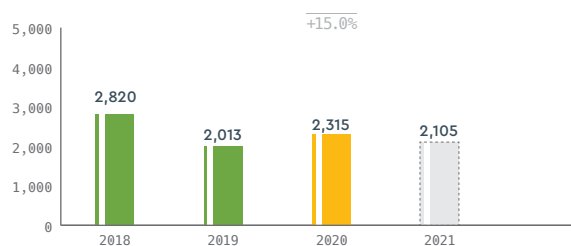




Operational results
for the reporting period

The growth in operating expenses is attributable to the additional work volume as well as measures to counter COVID-19 (expenses on observation, food and accommodation for shift workers, regular testing, and additional medical services to maintain medical rooms in the fields).

OPERATING EXPENSES, RUB mln



77
planned
facilities
built in 2020

Development prospects

In the medium term, the Company's main goal is to expand its expertise by performing field development work on its own as well as actively searching for customers outside ZARUBEZHNEFT GROUP.

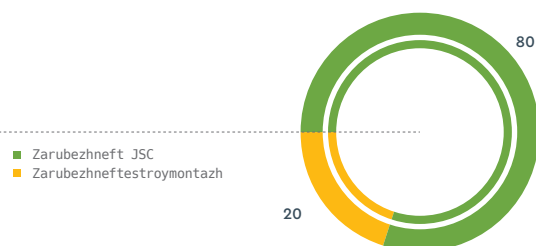
Zarnestservice

Zarnestservice sells oil produced by ZARUBEZHNEFT GROUP on the domestic and foreign markets, supplies equipment, materials, and petroleum products, and provides services for the needs of JV Vietsovpetro and other companies within ZARUBEZHNEFT GROUP as well as third-party contractors.

The Company's main activities include the supply of goods and equipment, oil sales, freight commission activities, and commodity risk management.



OWNERSHIP STRUCTURE, %



Operating results

Key performance results in 2020:

- ▶ The Company continued to increase the volume of naphtha supplies for export: 8.5 million barrels of naphtha (valued at RUB 21.7 billion) were delivered to Emirates National Oil Company
- ▶ The Company arranged the delivery of 94,000 tons of diesel fuel (valued at RUB 2.5 billion) for the needs of OPTIMA Grupa
- ▶ The Company signed contracts for the sale of oil to Yangpur Oil Company JSC and INTEK-Western Siberia LLC
- ▶ Compensation of RUB 179.3 million was received for the sale of oil in 2020
- ▶ A transport and towing vessel was leased for JV Vietsovpetro for 66 boat days
- ▶ The Company concluded seven calendar risk hedging transactions for a total of RUB 2.6 million

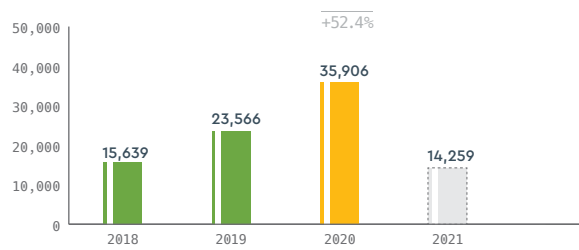
+52.4 %

growth in pipe product sales in 2020 due to the increasing volume of supplies to third-party customers

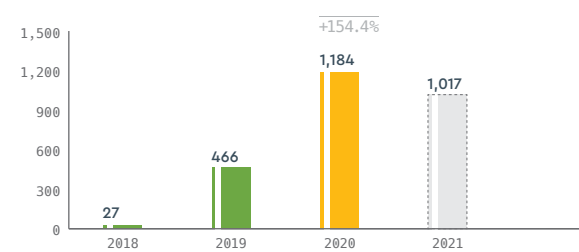


Production indicators

DELIVERY OF PIPE PRODUCTS



TRADING OF PETROLEUM PRODUCTS, thousand tons



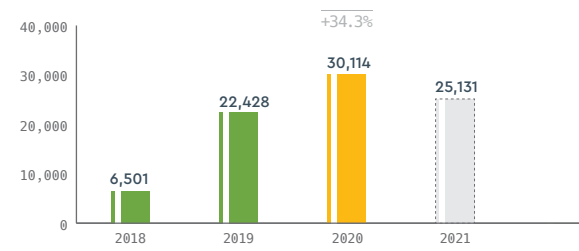
Sales of pipe products increased primarily because of a more than four-fold increase in deliveries to third-party customers (4,800 tons in 2019 and 19,400 tons in 2020).

Development prospects

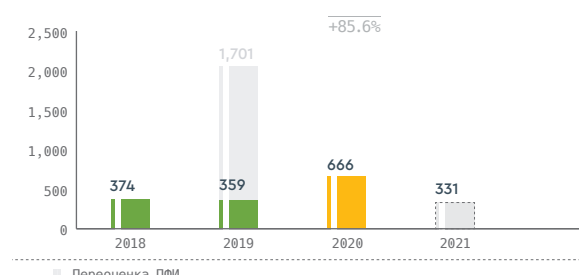
The Company's main goals in the medium term are to expand the range of products supplied to traditional customers within the Group, actively search for customers

Economic indicators

REVENUE, RUB mln



EBITDA, RUB mln



The changes in revenue in 2020 reflect the growth in pipe product supplies.

Operational results
for the reporting period