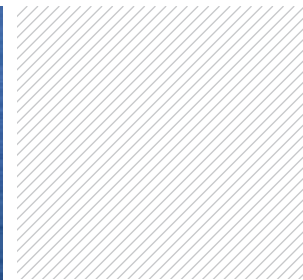
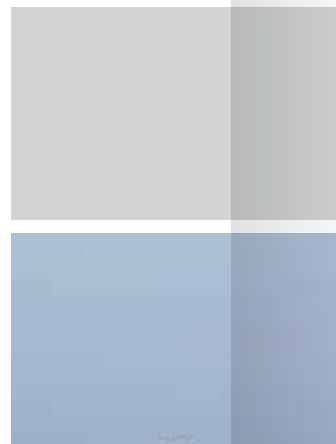
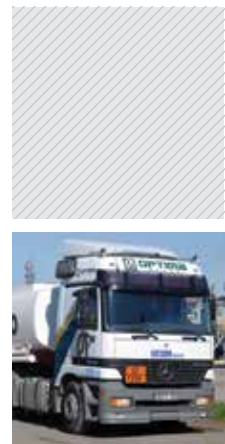




# ANNUAL REPORT FOR THE YEAR 2012

# ZARUBEZHNEFT JOINT STOCK COMPANY ANNUAL REPORT FOR THE YEAR 2012

2012 turned out to be yet another successful year for the Company. Achieved results show positive dynamics of the development of JSC Zarubezhneft



GROSS OIL PRODUCTION

4,560  
THOUSAND TONNES

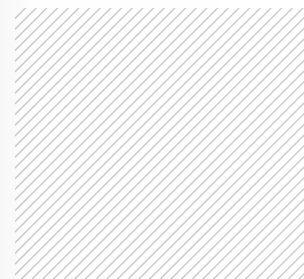
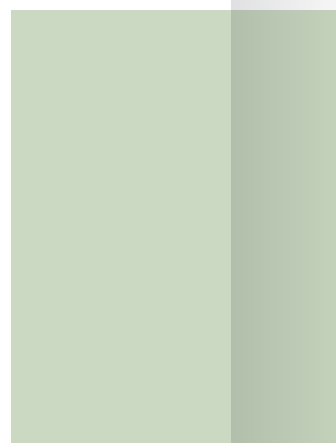


DYNAMICS OF THE CURRENT RECOVERABLE HYDROCARBON RESERVS ABC1



94,781  
THOUSAND TONNES OF

## RELIABLE PARTNER IN RUSSIA AND ABROAD



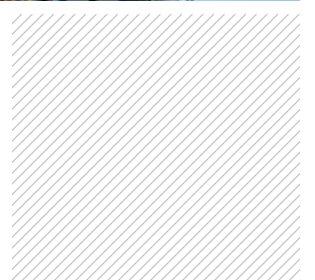
DEPTH OF OIL REFINING

80.7  
%



REFINING THROUGHPUT

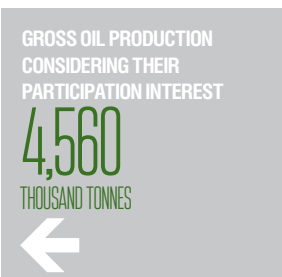
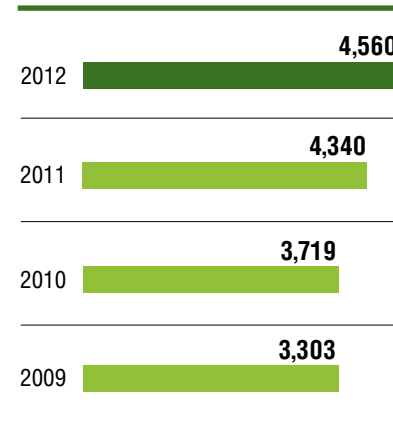
1,022.0  
THOUSAND TONNES



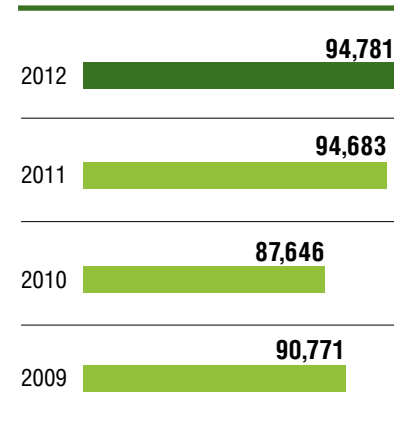
# BASIC INDICATORS OF THE COMPANY

## UPSTREAM

GROSS OIL PRODUCTION BY ZARUBEZHNEFT'S GROUP OF COMPANIES CONSIDERING THEIR PARTICIPATION INTEREST, THOUSAND TONNES

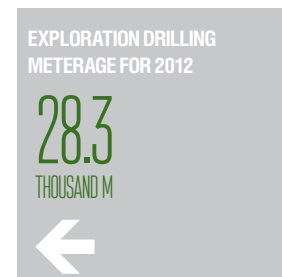
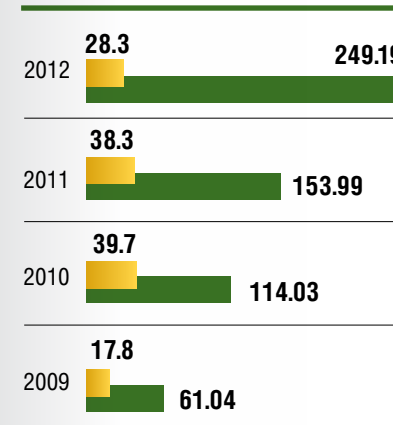


DYNAMICS OF THE CURRENT RECOVERABLE HYDROCARBON RESERVS OF ZARUBEZHNEFT'S GROUP OF COMPANIES CONSIDERING THEIR PARTICIPATION INTERESTS, THOUSAND TONNES OE



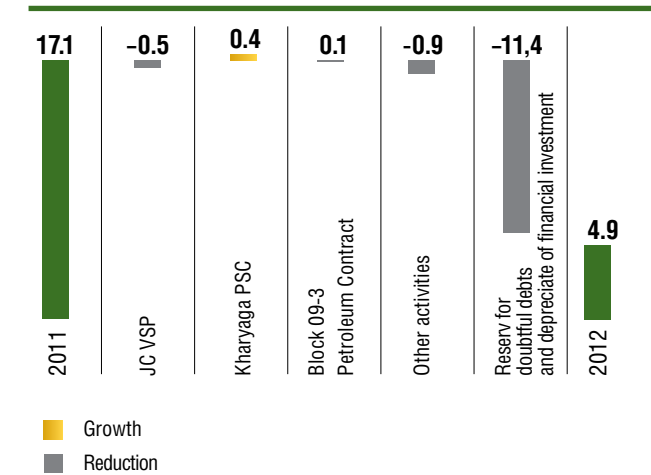
\* A+B+C1

EXPLORATION AND PRODUCTION DRILLING METERAGE BY ENTERPRISES AND PROJECTS, THOUSAND M



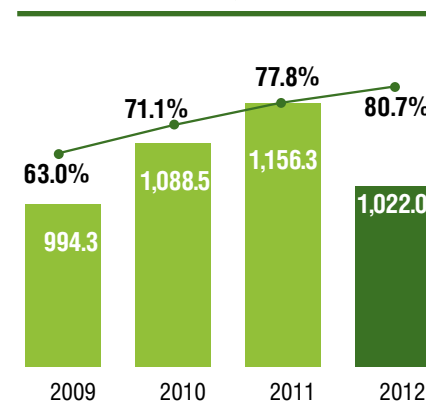
- Production drilling dynamics by projects and assets of Zarubezhneft's group of companies for 2009-2012, thousand m
- Exploration drilling meterage by enterprises and projects of the companies Group, thousand m

CHANGE OF NET PROFIT OF JSC ZARUBEZHNEFT IN 2012 VS. 2011, BILLION RUBLES



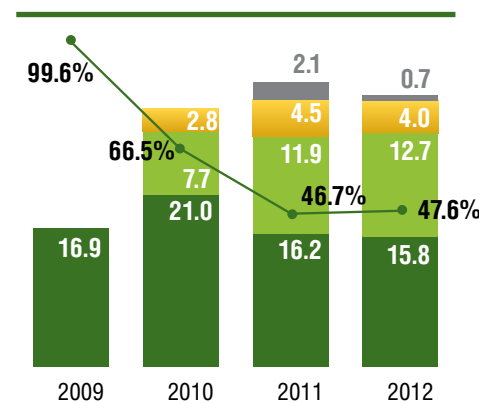
## DOWNSTREAM

REFINING THROUGHPUT, THOUSAND TONNES



◆ Refinery yield, %

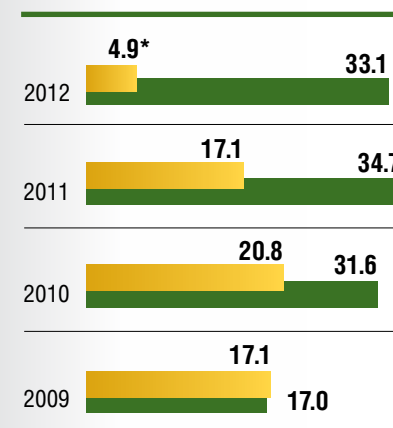
STRUCTURE OF PROCEEDS OF JSC ZARUBEZHNEFT 2009-2012, BILLION RUBLES



- ◆ Share of proceeds from JV Vietsovpetro in the total proceeds
- Other activities
- Block 09-3
- Kharyaga PSC
- JV

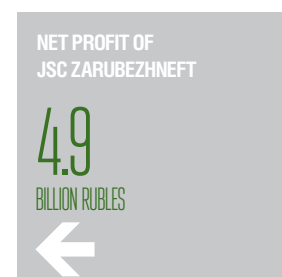


PROCEEDS OF JSC ZARUBEZHNEFT 2009-2012, BILLION RUBLES

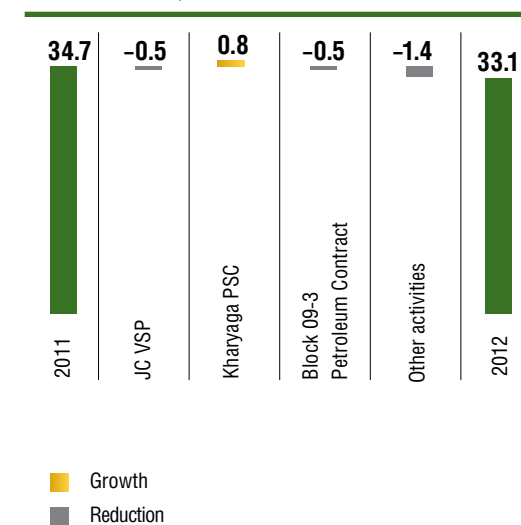


■ Net profit of JSC Zarubezhneft 2009-2012, billion rubles

\* After accruing reserves



CHANGE OF PROCEEDS VALUE OF JSC ZARUBEZHNEFT IN 2012 VS. 2011, BILLION RUBLES



- Growth
- Reduction

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# STATEMENT FROM THE GENERAL DIRECTOR



« In the financial year, we managed to support the balanced production project portfolio for the Group of companies and build up the resource base. Oil production volume for the Group of companies in the financial year reached 4.6 million tonnes, with crude reserves of 20 years »

## *Dear Colleagues and Partners,*

Let me introduce to you our annual report for the year 2012. The past year was a milestone for Zarubezhneft – our company turned 45. Based on our significant experience in the line of international cooperation in the oil & gas sphere, year after year Zarubezhneft has been increasing the efficiency of its activities and expanding its business geography.

The success we achieved in 2012 demonstrates the positive dynamics of Zarubezhneft's development.

Thus, in the financial year, we managed to support the balanced production project portfolio for the Group of companies and build up the resource base. Oil production volume for the Group of companies in the financial year reached 4.6 million tonnes, with crude reserves of 20 years.

In the Vietnamese direction, working jointly with Petrovietnam National Oil and Gas Group, we continued to work on providing a sustainable level of oil production within the framework of the Joint Venture Vietsovpetro conducting fields development offshore Vietnam.

Considering that the major fields - Bach Ho (White Tiger) and Rong (Dragon) – are in the late stage of development (Bach Ho

field has been in operation since 1986, and Rong field since 1994), at present, natural oil reservoir depletion and an increase in water-cut level is being observed. With resource base replacement and oil production volumes maintenance at the required level, JV Vietsovpetro is leading an active work program to search for new structures and to introduce new technologies for oil recovery enhancement in the productive formations of the 09-1 Block.

Thus, in August 2012, development of the new Gau Trang (White Bear) field commenced and cumulative oil production for the year 2012 was nearly 60 thousand tonnes.

At the new Tho Trang (White Hare) structure an exploration well ThT-1X was drilled. Based on the drilling results, oil reserves growth was achieved in the volume of 5.99 million tonnes (OOIP) and 1.5 million tonnes (recoverable reserves), and a decision to drill a second well was taken.

Realization of the joint project of JV Vietsovpetro and VRJ Petroleum Co has been successfully continued in the unit development area Nam Rong - Doi Moi (NR-DM). In 2012, the implementation of the trial production project at the unit area was completed. Currently, the Project of NR-DM field development is being prepared for defense in which the drilling

of the additional producing wells and the introduction of the formation pressure maintenance system are provided.

Guided by the expanding cooperation with our Vietnamese partners and setting a goal for ourselves to replace the resource base, in the financial year JSC Zarubezhneft won a tender for the development of the new Block 12/11 offshore Vietnam, and following this we signed with Petrovietnam National Oil and Gas Group a Production Sharing Agreement as well as an Operating Agreement with JV Vietsovpetro. It is further planned to continue the work on researching the block's potential and to participate in tenders for blocks in SRV and third countries.

Positive tendencies are being observed in the development of the oil production project of our company in the Nenets Autonomous Area. Participants of the RUSVIETPETRO joint project – JSC Zarubezhneft and Petrovietnam National Oil and Gas Group – possess all of the required advanced technologies and technical capabilities for working in the adverse climatic and natural conditions in the Arctic Circle. In July 2012, the third out of thirteen fields of the Central-Khoreyver Uplift (CKU) was commissioned – the Western-Khosedayu field. By December 2012, cumulative production reached the level of 3.5 million tonnes.

JC RUSVIETPETRO Ltd. takes all measures to achieve regular oil production growth. In 2011 the company produced 1.5 million tonnes, in 2012 this increased to 2.09 million tonnes and for the year 2013 a volume of 2.86 million tonnes is planned. In 2014 we are planning to produce over 3 million tonnes annually from CKU fields. Russian and Vietnamese participants in the project pay great attention to the introduction of new technologies and optimization of working processes in order to improve the quality of work of the operating facilities of the oilfield and to the timely commissioning of the new ones.

Kharyaga field has an essential resource potential, in development of which Zarubezhneft participates as the co-investor with a 20% share. In 2012, the Kharyaga field produced 1.5 million tonnes of oil. We are convinced that the current tasks, aimed at reducing the period and the cost of infrastructure field facilities construction, lowering operating and management costs, as well as more active use of Russian oilfield equipment and service contractors, will result in a positive economic effect generated by the project realization for the oil and gas industry of the state.

Commencement of the exploratory deep water well drilling on Block L offshore the Republic of Cuba has become an essential part of the Upstream business segment. In addition, activities in the area of oil recovery enhancement are being conducted with the application of Russian technologies in the Boca de Jaruco field.

In the past year, the program continued for the upgrading of the refining sector enterprises of Bosnia and Herzegovina (in the Republic of Srpska) – Brod Refinery, Modrica oil refinery and the Nestro-Petrol fuel stations network.

In 2012, 1 million tonnes of crude oil were refined at Brod Refinery, and 61.7 thousand tonnes of base oils and paraffin, and 18.5 thousand tonnes of motor oil were produced at Modrica oil refinery. An increase in production volume is planned for the year 2013.

Within the framework of implementing the stage-by-stage plan of re-energizing and upgrading these enterprises, the main tasks for us are to increase the quality of the oil products produced and to improve their environmental characteristics. At present the refinery is producing Euro-5 standard gasoline.

There is no doubt that the hard work of the specialists working for the enterprises of the Group's companies' is behind all these positive facts and figures. We highly appreciate our specialists' aspiration to continuously enhance their knowledge and increase their professional approach to the business. As a Group, we make every effort to provide the best work and life conditions for our employees, to support the retirees and veterans and to improve the social policy of the company.

Every company's success and its status are determined not only by production and financial indicators but also by the degree of its social responsibility to society generally. Support of the social and philanthropic projects and the programs in the key regions of our activities is an integral part of Zarubezhneft's development strategy. First of all, this relates to the northern regions of Russia – the Nenets Autonomous Area and Republic of Komi - where JSC Zarubezhneft takes a most active part in solving tasks in the social, economic and cultural spheres.

In 2013, our company will have to meet a number of serious and complicated challenges in relation to increasing the efficiency of activities at all of Zarubezhneft's divisions and its subsidiary and affiliated structures.

We will need to plan and fulfill a complex range of measures aimed at improving the management of business processes, increasing operational efficiency and reducing costs, in order to bring the company's activities to a sustainable development level. More attention will be paid to increasing the standards of corporate management and to transparency of the company's activities.

For the next few years in the production segment, Zarubezhneft's priorities remain:

- 1) resource base enhancement due to the discovery of new reservoirs;
- 2) extension of the company's geographic presence by entering into new projects in Russia and abroad;
- 3) improvement of efficiency of fields development;
- 4) quality improvements in the production of oil products and extension of the retail sales network in the Balkan region;
- 5) quality improvement of the services provided;
- 6) development of the innovative and technological potential of the company, including the scientific resources of associated scientific research and design institutes.

In general, all our work, as before, will be aimed at increasing the role of Zarubezhneft and the domestic oil & gas industry in its name in the global fuel and energy environment.

I'm thankful to all of the company employees for their fruitful work in support of the realization of the strategic plans of the Group of companies and wish them new successes and achievements in their work to the benefit of the main shareholder – the Russian Federation.

**SERGEY I. KUDRYASHOV**  
General Director of  
JSC Zarubezhneft

# TOP EVENTS OF THE YEAR 2012

## FEBRUARY 12

Joint Company RUSVIETPETRO in which JSC Zarubezhneft and Petrovietnam National Oil and Gas Group are the participants, produced the two millionth tonne of oil from the fields of the Central-Khoreyver Uplift in the Nenets Autonomous Area



## JULY 13

JSC Zarubezhneft won the tender for the new Block 12/11 development offshore Vietnam



## MAY 31

JSC Zarubezhneft became a majority shareholder of JSC Arktikmorneftegazrazvedka (JSC AMNGR) with participation share in the authorized capital of 100%-1 share

## JULY 17

Murmanskaya Jack-up Rig, JSC AMNGR, completed construction of the exploration well offshore Vietnam. As a result of well tests, commercial hydrocarbons inflow was obtained that allows us to talk about a new field discovery – Tho Trang (White Hare)

## JULY 29

JC RUSVIETPETRO commissioned the third of the thirteen CKU fields – Western-Khosedayu



## DECEMBER 19

JSC Zarubezhneft started drilling a deep water exploration well on Block L in the territorial waters of Cuba. The works are performed on the basis of Production Sharing Agreement with Cuban State oil company Cupet.

## AUGUST 8

JV Vietsovetpetro produced its 200 millionth tonne of oil since the commencement of fields development in Vietnam



## AUGUST 24

JV Vietsovetpetro started the new Gau Trang (White Bear) field development



## SEPTEMBER 30

JSC Zarubezhneft celebrated its 45<sup>th</sup> anniversary since the commencement of its business



## DECEMBER 19

A Production Sharing Contract for oil & gas Block 12/11 offshore South Vietnam was signed. JV Vietsovetpetro was appointed as the Operator of the project



**DECEMBER 19**

JSC Zarubezhneft  
an exploratory deep water well  
on Block L in the territorial  
waters of Cuba

**DECEMBER 27**

In accordance with  
the Regulation of the Federal  
Agency for State Property  
Management dated December  
27, 2012, № 2151-p Kudryashov  
Sergey Ivanovich was appointed  
to the position of General Director  
of JSC Zarubezhneft

МУРМАНСКОЕ  
MURMANSKAYA

# 1

ZARUBEZHNEFT

## COMPANY PROFILE



ZARUBEZHNEFT IS THE OLDEST EXTERNAL ECONOMIC ENTERPRISE OF THE RUSSIAN OIL INDUSTRY THAT IS HIGHLY COMPETENT IN OFFSHORE OIL PRODUCTION.

### Geography of Activities

South-East and South Asia, Middle East, Northern Africa, Latin American, Europe (Baltic region), CIS countries, Russian Federation (northern regions).



### Major advantages:

- 45 years of unique experience in international oil & gas projects implementation in the national interest;
- knowledge of work specifics in various regions of the world – over 35 countries;
- public status – 100% shares are federally owned;
- included in the list of strategic enterprises of the Russian Federation;
- sustainable, longstanding connections with the leading oil companies of Russia and the world, scientific research and design organizations as well as institutes of the Fuel and Energy Complex of Russia;
- high competence in the area of the shelf oil production;
- constant expansion of the geography of activities.



### POSITIONING IN THE OIL & GAS MARKET

JSC Zarubezhneft is a stable and developing Russian oil & gas company of strategic importance, acting in the national interest and having unique, longstanding experience of external economic activity, significant scientific and technical potential, and a reputation as a reliable and responsible partner in the world market.

# HISTORY OF THE COMPANY'S CREATION

Zarubezhneft is the oldest foreign economic enterprise in the oil industry in Russia and is widely known in most of the oil producing regions of the world, notably the Middle East, Africa, Southeast Asia and Latin America.

The All-Union Foreign Economic Association Zarubezhneft was founded on September 30, 1967, under the Ministry of Oil Industry of the Soviet Union in accordance with the Order of the Council of Ministers of USSR, with the purpose of implementing a modern strategy of participation of the oil producing industry in the country's foreign economic activities by means of the large-scale entry into the world market and increasing the export of domestic technologies and refinery products.

Since its establishment, Zarubezhneft has been engaged in the development and realization of projects for integrated exploration and development of onshore and offshore oil and gas bearing fields abroad, construction of oil infrastructure facilities, and supplies of equipment and materials to oil facilities.

Since 1967, Zarubezhneft has been implementing its activity in Algeria, Angola, Afghanistan, Bulgaria, Egypt, India, Iraq, Iran, Kuwait, Libya, Nigeria, Syria and Vietnam by applying various global practices for international cooperation, such as technical assistance, general contractor contracts, and joint ventures.

The most efficient and best-known Zarubezhneft project in the world oil market is the joint Russian-Vietnamese enterprise Vietsovpetro, established in 1981 and based on the Intergovernmental Agreement between the USSR and Vietnam for the development of the hydrocarbon resources of the southern shelf of Vietnam. Over the years of its activity, the Joint Venture produced over 200 million tonnes of oil, with some 9 billion USD received by the Russian Party from the activity of the Joint Venture. In 2010, a new Intergovernmental Agreement was signed between the Russian Federation and Vietnam which extended the period of Vietsovpetro's activity by another 20 years up to the year 2030.

In 2004, by the Decree of the President of the Russian public enterprise Russian Foreign Economic Association, Zarubezhneft was transformed into a joint stock company with 100% shares retained in the federal property. It was included in the list of strategic enterprises of the Russian Federation.

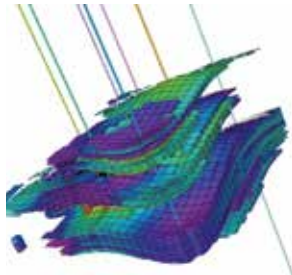
In the same year by the Decree of the President of the Russian Federation, the leading industrial scientific research and design institutes – VNIIneft named after Academician A.P. Krylov JSC and Giprovostokneft JSC - were affiliated to Zarubezhneft, enabling it to have its own innovative assets.



# MAJOR LINES OF ACTIVITY



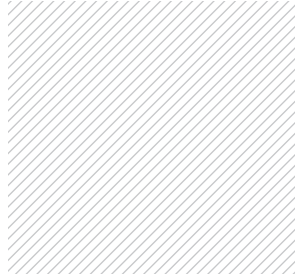
Exploration, development and operation of oil and gas fields abroad and in the Russian Federation



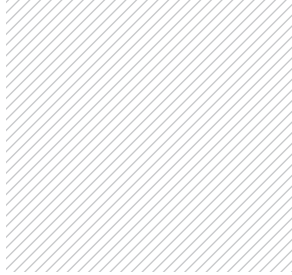
Design, construction and operation of refining facilities, tank farms and pipeline systems



Application of the leading domestic technologies for the development of oil and gas fields



Development of modern methods for oil recovery rate enhancement in order to expand exports of high-tech services



Export/import operations for technological equipment supplies

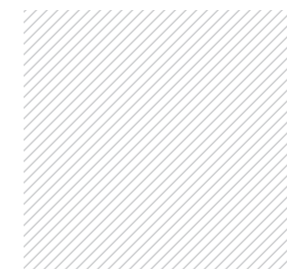
# MAP OF ACTIVITIES OF ZARUBEZHNEFT'S GROUP OF COMPANIES BY MAJOR PROJECTS

-  Upstream
-  Refining
-  Oil products sales
-  Services rendering
-  Scientific engineering centres

The corporate and project structure of the Group of companies is presented in the following scheme:

Upstream		Downstream	Services and scientific and technical centers
Production	Exploration		
JV Vietsovetpetro Block 09-1, 49% <small>(Exploration works on 04-1, 09-3/12, 16-2,42 Blocks);</small>	Block 04-3 <sup>(1)</sup> , 49%	JSC NeftegazInKor, 95%	Zarubezhneftstroyontazh Ltd. – 80% (JSC NeftegazInKor – 20%)
VRJ Petroleum Co, Block 09-3, 50%	Block 12/11 <sup>(1)</sup> , 100%	OPTIMA-Grupa Ltd., 100%	JSC Arktikmorneftegazrazvedka, 100%- 1 share
JC RUSVIETPETRO Ltd., 51%	Jadran-Naftagaz d.o.o., 34%	JSC Modrica oil refinery, 75.65%	Zarneftservis Ltd.- 80% (JSC NeftegazInKor – 20%)
Kharyaga PSC, 20%,	Boca de Jaruco <sup>(1)</sup> , 100%	Brod Refinery JSC, 79.69%	NESTRO-KASPIY Ltd. – 99.9% (NeftegazInKor – 0.1%)
Ulyanovskneftegaz Ltd. – 99.9% (RMNTK – 0.1%),	Block L <sup>(1)</sup> , 100%	Nestro Petrol JSC, 80%	JSC RMNTK Nefteotdacha, 100% -1 share
Orenburgnefteotdacha – 100% -1 share (RMNTK -1 share)			JSC VNIIneft – 32.27% (RMNTK – 38%)
			JSC Giprovostokneft - 22.09% 22.09 % (RMNTK – 38%)

<sup>(1)</sup> The projects are implemented on PSCs/Petroleum Contract basis without establishing a separate legal person



# 2

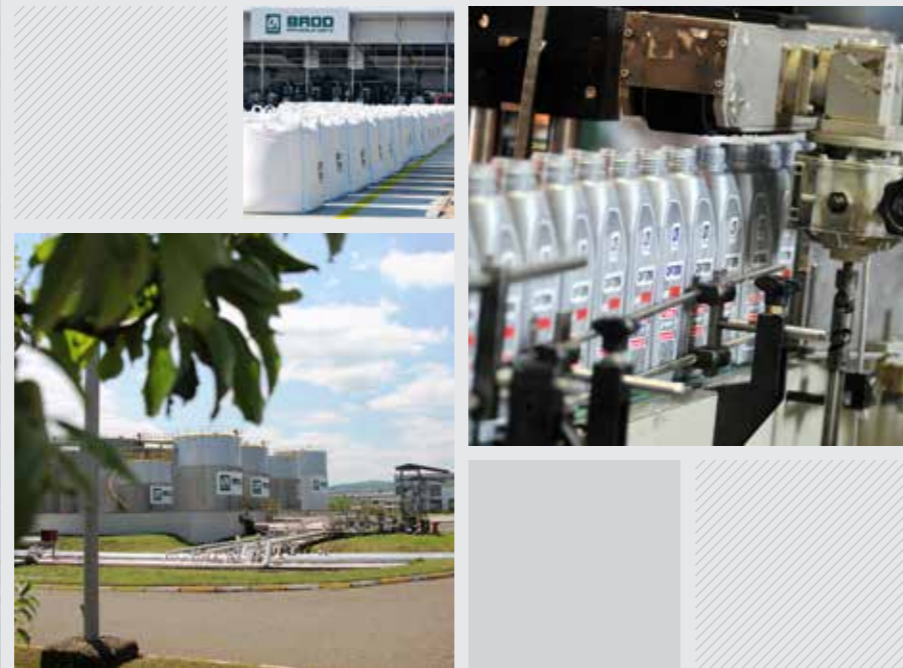


## DEVELOPMENT STRATEGY

### IN THE LONG RUN, ZARUBEZHNEFT – IS A PRODUCING COMPANY

- with an emphasis on offshore production;
- having assets in Russia, Vietnam and in other prospective markets;
- possessing the service expertise used both for internal requirements and in the open market

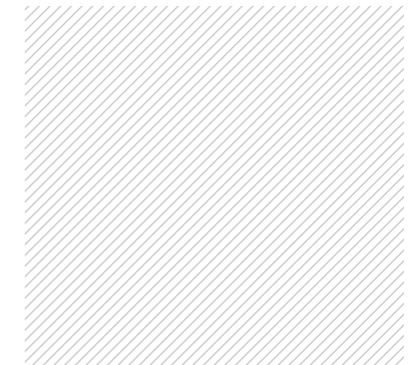
The company is focused on a technological partner model-Relying on its experience and competencies in project participation for complex fields development etc.



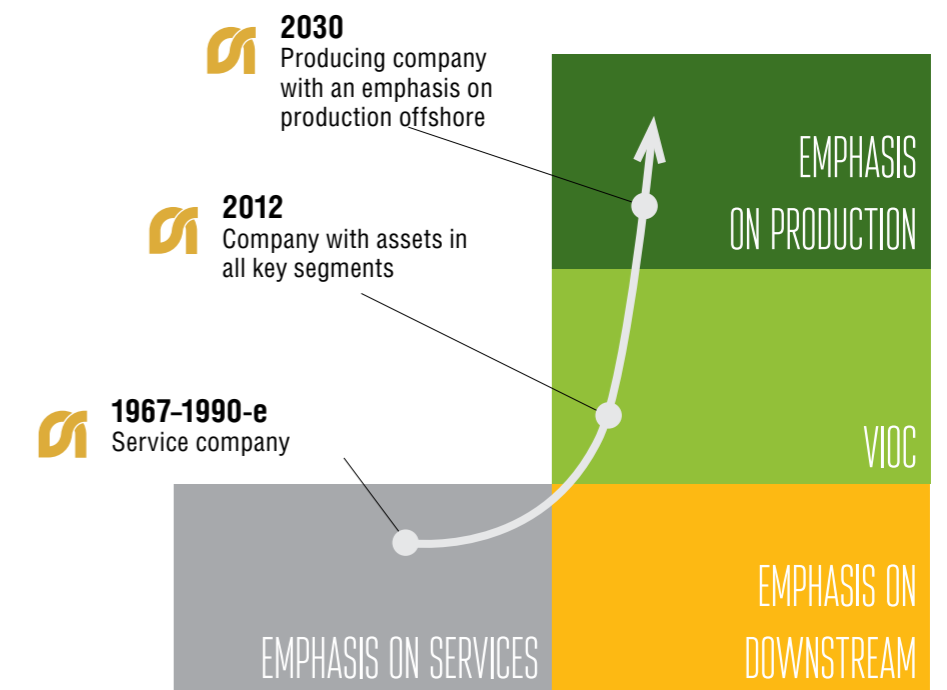
### Strategic direction of the Company development is oil production with the focus on offshore work in the different regions of the world.

The strategic direction of the company's development is oil production with an emphasis on working offshore in various regions of the world. The most successful example of this strategy application is the development of the Russian-Vietnamese assets stimulated by the transfer of the Russian participant's share in JV Vietsovpetro to the authorized capital of JSC Zarubezhneft.

Due to 30-years of experience of working in Russia (AMNGR) and in Vietnam JSC Zarubezhneft possesses a unique combination of competencies for the Russian continental shelf's development. Acknowledgement of Zarubezhneft's right to work offshore will allow it to realize the considerable potential for expanding the resource base of the company.



### Positioning of JSC Zarubezhneft



# 3



## THE RESULTS OF THE ACTIVITIES OF THE GROUP OF COMPANIES IN THE YEAR 2012



ZARUBEZHNEFT'S GROUP OF COMPANIES OWNS 16 LICENSES FOR HYDROCARBONS PROSPECTING, EXPLORATION AND PRODUCTION ON 22 FIELDS WITHIN 14 SUBSOIL BLOCKS IN THE TERRITORY OF THE RUSSIAN FEDERATION



2D SEISMIC EXPLORATION IN 2012 TOTALED TO  
**1,467** LINE KILOMETERS

EXPLORATION DRILLING DYNAMICS FOR THE PROJECTS AND ASSETS IN 2012 TOTALED TO  
**249.19** THOUSAND METERS

GROSS PRODUCTION TAKING INTO CONSIDERATION THE PARTICIPATION SHARES IN 2012 TOTALED TO  
**4,560** THOUSAND TONS



AVERAGE VOLUME OF SALE PER ONE FUEL STATION NESTRO PETROL IN 2012 TOTALED TO  
**3,780** LITERS PER DAY.



# UPSTREAM

**The Upstream is an important direction in the company's and Group's activities and generates the major share of the consolidated proceeds.**

**Current assets and projects portfolio of the Group of companies in the segment:**

## Socialist Republic of Vietnam

JV Vietsovpetro (Block 09-1)	Bach Ho, Rong, Gau Trang and Tho Trang oil and oil-condensate fields	Development and production
Block 09-3	NR-DM field	Development and production
Block 04-3	Thien Ung-Mang Cau gas-condensate fields	Exploration operations
Block 12/11	Gas block offshore SRV	Exploration operations

## Republic of Cuba

Block L	Deep waters	Exploration operations
Boca de Jaruco field	On land field	Additional development

## Russian Federation

JOINT COMPANY RUSVIETPETRO Ltd.	13 oilfields on 4 blocks of the CKU of the Nenets Autonomous Area (NAA) of the Russian Federation	Development and production
Kharyaga field PSC	Oil production from Kharyaga field in NAA	Development and production
Ulyanovskneftegaz Ltd.	4 oilfields in the Ulyanovsk region	Development and production
Orenburgnefteotdacha Ltd.	3 oilfields in the Orenburg region	Development and production
JSC Arktikmorneftegazrazvedka (AMNGR)	Peschanoozerskoye oil condensate field	Development and production

## Resource and raw materials base and licensing

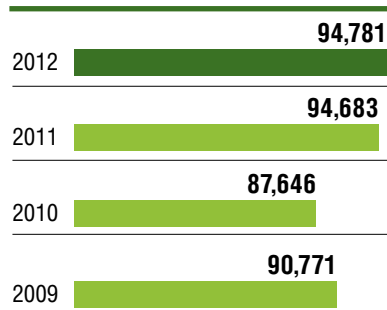
Zarubezhneft's Group of companies owns 16 licenses for hydrocarbons prospecting, exploration and production on 22 fields within 14 subsoil blocks in the territory of the Russian Federation (list of the licenses is given in the appendix hereto).

In addition, Zarubezhneft is conducting exploration, development and oil production operations abroad within the frames of intergovernmental agreements, PSCs, oil and gas contracts and concessions.

Current recoverable oil reserves of the Group of companies considering participation share under A+B+C1+C2 categories are 128 million tonnes of fuel equivalent.

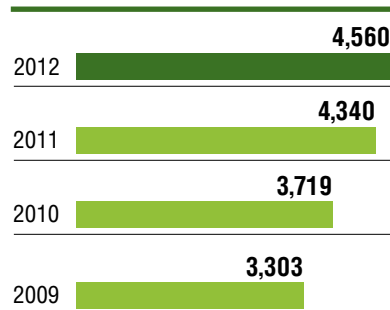
Zarubezhneft's Group of companies possess a balanced portfolio of the fields by degree of development that allows for consistent investment in exploration operations in new areas and development of new fields to retain the financial stability of the company.

DYNAMICS OF THE CURRENT RECOVERABLE HYDROCARBON RESERVES OF THE GROUP OF COMPANIES OF ZARUBEZHNEFT CONSIDERING PARTICIPATION SHARE, THOUSAND TONNES F. E.



\* A+B+C1

GROSS OIL PRODUCTION BY ZARUBEZHNEFT GROUP OF COMPANIES CONSIDERING THEIR PARTICIPATION SHARE, THOUSAND TONNES



\* A+B+C1



VOLUME DYNAMICS OF THE CURRENT EXTRACTIBLE RESERVES TAKING INTO CONSIDERATION THE PARTICIPATION SHARES IN 2012 TOTALLED TO

**94,781** THOUSAND TONS OF OIL EQUIVALENT

## Exploration operations

With the purpose of expanding the resource base in order to ensure further sustainable growth of production in the mid- and the long term, carrying out of exploration operations is the strategic goal of the company.

### REGIONS OF ACTIVITIES:

REPUBLIC OF CUBA,  
SOCIALIST REPUBLIC OF  
VIETNAM, REPUBLIC OF  
SRPSKA, BOSNIA AND  
HERZEGOVINA

### Republic of Cuba

Block L	Offshore	PSC between JSC Zarubezhneft (100% at exploration stage) and CUPET	Between 2009-2011 2D, 3D electrical and seismic exploration operations were carried out. In 2012 exploration well construction was started.
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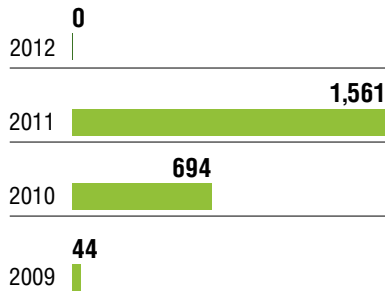
### Socialist Republic of Vietnam

Block 04-3	Offshore	Petroleum Contract between Petrovietnam National Oil and Gas Group (51%) and JSC Zarubezhneft (49%)	Commercial discovery was made (Thien Ung Mang Cau field, 2009) In 2012, exploration operations data interpretation was carried out
Block 12/11	Offshore	On 19.12.2012 PSC was signed between Petrovietnam National Oil and Gas Group and JSC Zarubezhneft and an Operating Agreement between JSC Zarubezhneft and JV Vietsovpetro	

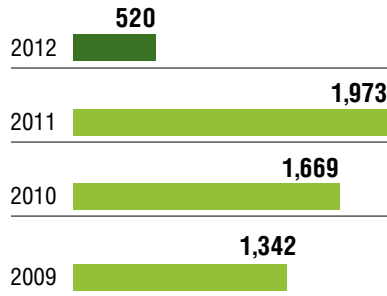
### Republic of Srpska, Bosnia and Herzegovina

Majovica Block, East Herzegovina Block, Motajca Block	Onshore	Concession of Jadran Naftagas d.o.o. (JSC NeftegazInKor 34%, NIS a.d. Novi Sad, 62%)	2D seismic operations were carried out. Exploration wells location points selected on 2 prospect structures.
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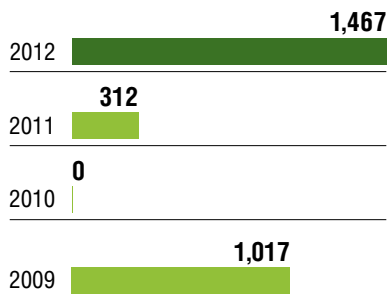
ELECTRIC EXPLORATION, LINE KM



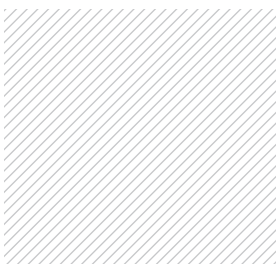
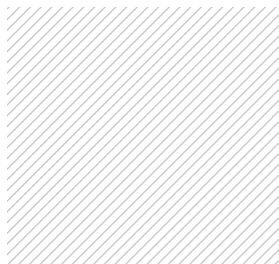
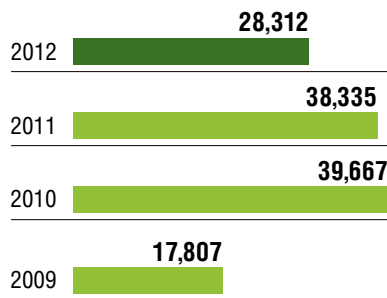
3D SEISMIC SURVEYS, KM<sup>2</sup>



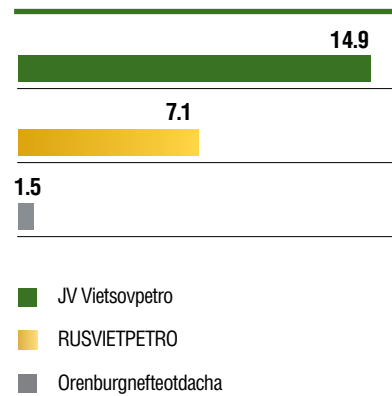
2D SEISMIC SURVEYS 2D, LINE KM



METERAGE OF EXPLORATION DRILLING FOR THE COMPANIES AND PROJECTS OF THE COMPANIES' GROUP, M



DISTRIBUTION OF THE PROCESSING AND EXPLORATION DRILLING, 2012, THOUSAND M



## Hydrocarbons production Socialist Republic of Vietnam

### Block 09-1

The major producing asset of the company is JV Vietsovpetro. The JV is operating on the Block 09-1 in accordance with the new Intergovernmental Agreement dated 27.12.2010, the validity of which was extended for 20 years from January 01, 2011 to December 31, 2030, inclusive.

The unique Bach Ho and Rong fields being developed by JV Vietsovpetro are 150 km from the shore on the shelf of the south of Vietnam. 13 fixed offshore platforms, 22 Well-Head Platforms (WHPs), 2 process platforms, 3 compressor stations and Reservoir Pressure Maintenance (RPM) platforms have been built in them.

A united LP gas gathering system provides successful performance of the entire process for gas gathering and transportation to the shore, gaslift gas treatment and its use for artificial oil lift method in the fields of JV Vietsovpetro, and also allows up to 97% of the gas produced to be utilized.

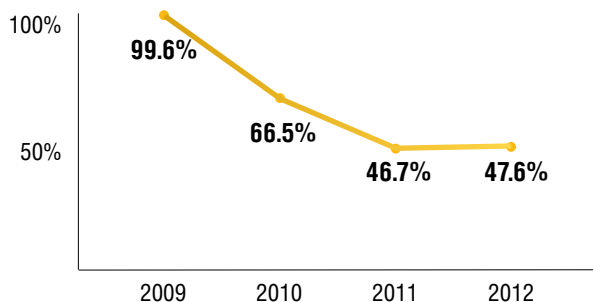
In the JV, one of the best shore bases in South-Eastern Asia has been created for construction and installation offshore of the process and satellite platforms for wells drilling and oil & gas production.

The JV has 4 jack-up rigs as its assets, a fleet of more than 20 units including derrick barges, fire-fighting, diving and supply vessels, four Floating Storage and Offloading Units (FSOs).

JV Vietsovpetro is an Operator of the realized projects with the direct participation of JSC Zarubezhneft and is carrying out numerous service operations.

Oil production for the year 2012 by JV Vietsovpetro amounted to 6,110.3 thousand tonnes of oil, including for Bach Ho field – 4,398 thousand tonnes, Rong field – 1,504 thousand tonnes, and Gau Trang field – 56.2 thousand tonnes.

### REVENUES SHARE FROM JV VIETSOVPETRO ACTIVITIES IN THE REVENUE OF ZARUBEZHNEFT, %



OIL PRODUCTION FOR  
THE YEAR 2012 BY  
JV VIETSOVPETRO

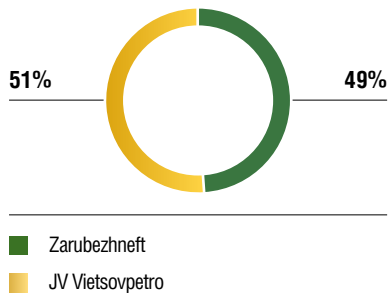
6,110  
THOUSAND TONNES



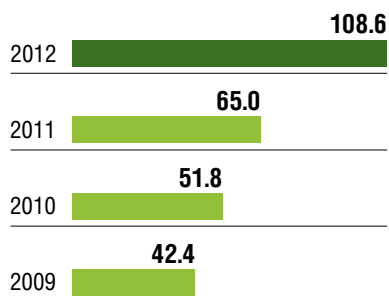
## Producing assets of Zarubezhneft's Group of companies in the Socialist Republic of Vietnam

### Block 09-1

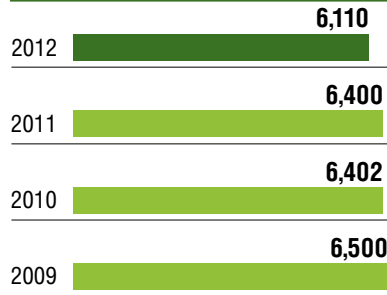
#### STRUCTURE OF PROPERTY



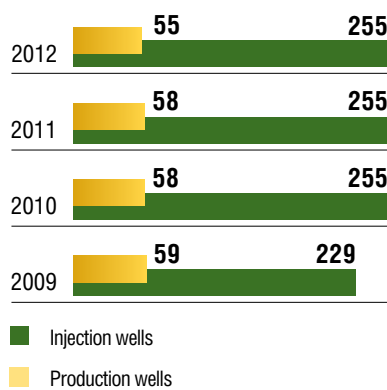
#### PRODUCTION DRILLING METERAGE, THOUSAND M



#### PRODUCTION VOLUME, THOUSAND TONNES

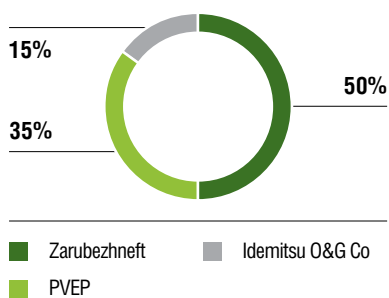


#### CURRENT WELL STOCK, WELLS

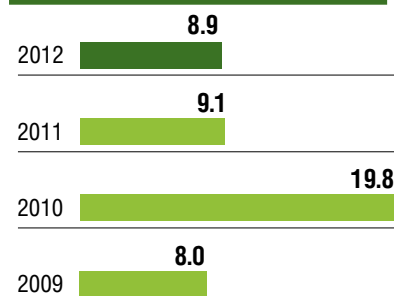


### Block 09-3

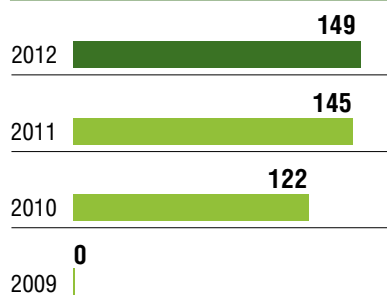
#### STRUCTURE OF PROPERTY



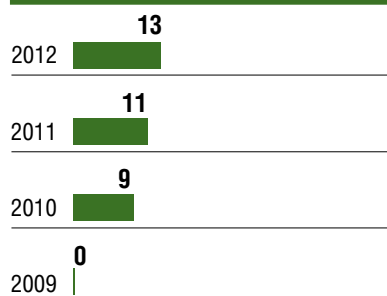
#### PRODUCTION DRILLING METERAGE, THOUSAND M



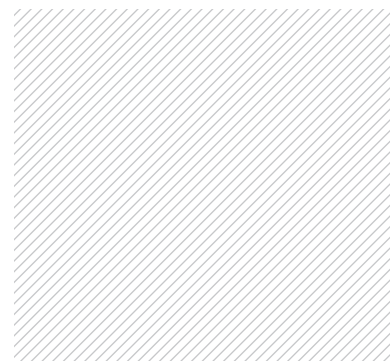
#### PRODUCTION VOLUME, THOUSAND TONNES



#### CURRENT WELL STOCK, WELLS



BLOCK 09-1 | BLOCK 09-3



### Block 09-3

Realization of the joint project of JV Veitsovetro and VRJ Petroleum Co for the Block 09-3 development is being continued. The works are carried out based on documents of title which include Petroleum Contract under Block 09-3 (Contractor parties are JSC Zarubezhneft 50%, PVEP 35% and

Idemitsu - 15%), Unitization Agreement and Joint Operating Agreement on the unit area of the joint development of NR-DM field. JV Vietsovetro is an Operator under this project. In 2012, the field produced 149.3 thousand tonnes, and since its operation commencement (January 2010) 416.8 thousand tonnes of oil have been

produced. Current well stock of the NR-DM field as of 31.12.2012 is 13 wells.

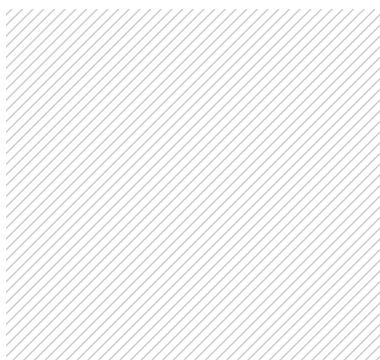
At present, the NR-DM field development project is being prepared for defence which provides for additional producer wells drilling and reservoir pressure maintenance system deployment.

OIL PRODUCTION FROM  
THE WHITE TIGER FIELD  
IN 2012 TOTALED TO

4,398 THOUSAND TONS

OIL PRODUCTION FROM  
THE DRAGON FIELD  
IN 2012 TOTALED TO

1,504 THOUSAND TONS



## Projects in the Russian Federation

The major Russian asset of the company in the field of hydrocarbons production is JC RUSVIETPETRO Ltd. (participants – JSC Zarubezhneft (51%) and Petrovietnam National Oil and Gas Group (49%)) which effects the works on development of the oilfields of the Central-Khoreyver Uplift (Blocks №1, 2, 3, 4) in the territory of Nenets Autonomous Area of the Russian Federation.

Within 4 CKU blocks, based on results of the seismic surveys and deep drilling, 13 oilfields have been discovered: North-Khosedayu, Visovoye, West-Khosedayu, Verkhnekolvinskoye, Eastern-Sikhoreyskoye, Northern-Sikhoreyskoye, Sikhoreyskoye, Eastern-Ynemdeyskoye, Puseyskoye, Northern-Oshkotynskoye, Surkharatinskoye, Ureynyndskoye, Southern-Surkharatinskoye.

Oil was produced from the North-Khosedayu and Visovoye fields. Additionally, on July 29, 2012, West-Khosedayu oilfield named after D. Sadetsky was commissioned. Oil production of the company for the year 2012 amounted to 2,091 thousand tonnes.

Since 2010, Zarubezhneft has been a participant in the Kharyaga oilfield development project within the frames of PSC. PSC partners are TOTAL E & P Russie (40%), Norsk Hydro Sverige Kharyaga A.B. (30%), JSC Zarubezhneft (20%) and Nenets Petroleum Company JSC (10%).

Commissioning of the large field surface facilities in 2012 was not scheduled. 4 operation wells were equipped for production. Kharyaga field produced 1,537 thousand tonnes in 2012.

Other Russian Assets of the company in the area of petroleum production are presented by small oil producing companies; Orenburgnefteotdacha Ltd., Ulyanovskneftegaz Ltd. and oil production area in Kolguev Island, Arkhangelsk region (license holder is AMNGR JSC).

Oil production in 2012 from Orenburgnefteotdacha Ltd., Ulyanovskneftegaz Ltd. and Kolguev Island amounted to 73 thousand tonnes and 23 thousand tonnes, respectively. Production in 2012 from the Peschanoozerkoye field of Kolguev Island amounted to 21 thousand tonnes of oil, 7.0 thousand tonnes of gas and 1.0 thousand tonnes of the gas condensate.

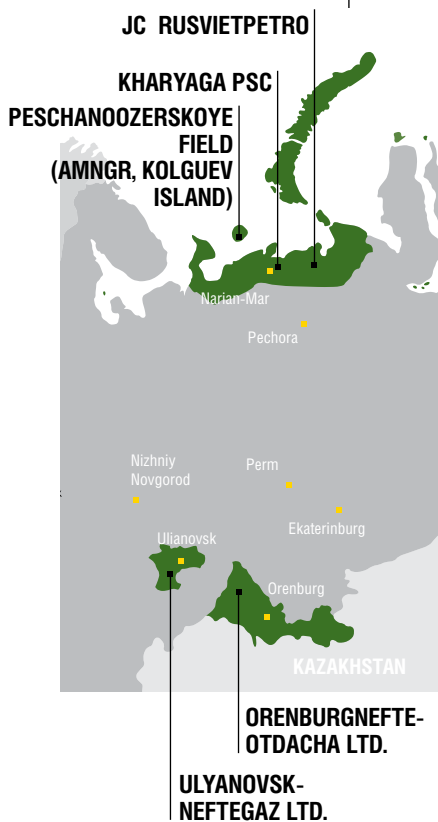


PRODUCTION VOLUME OF  
LLC JC RUSVIETPETRO IN  
2012 TOTALED TO

2,091 THOUSAND TONS

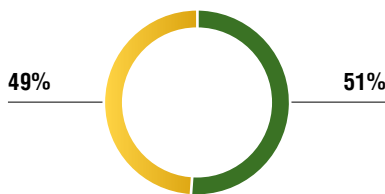


## Producing assets of Zarubezhneft's Group of companies in the Russian Federation



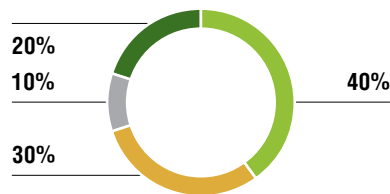
### JC RUSVIETPETRO

#### STRUCTURE OF PROPERTY



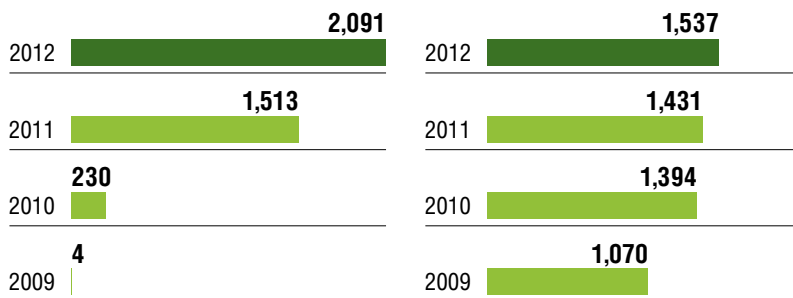
Zarubezhneft  
Petrovietnam National Oil and Gas Group

### Kharyaga PSC

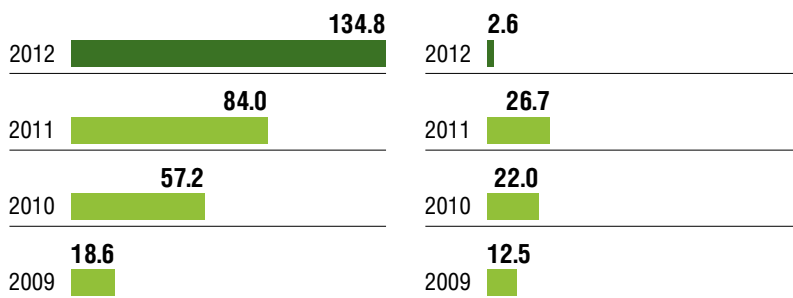


Total  
NNK  
Statoil  
JC RUSVIETPETRO

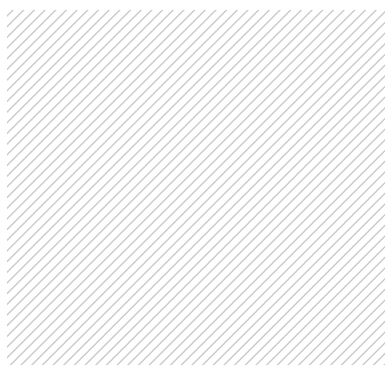
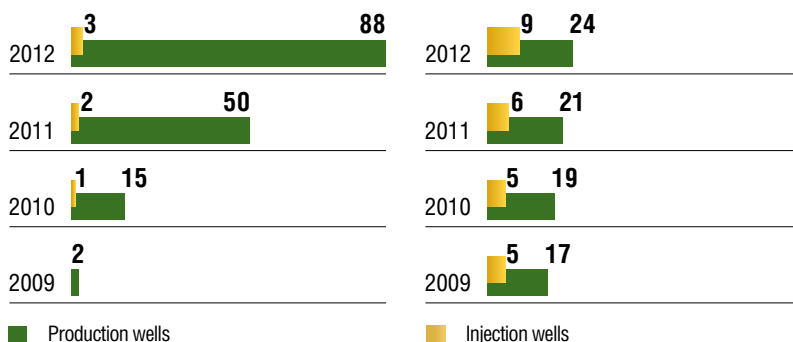
#### SCOPE OF PRODUCTION, MILLION TONNES



#### PRODUCTION DRILLING, THOUSAND M



#### CURRENT WELL STOCK, WELLS



## Orenburgnefteodacha Ltd.

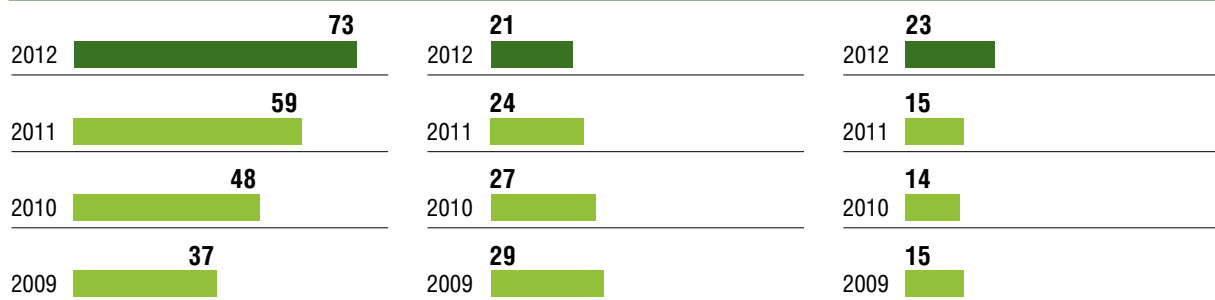
Peschanoozerskoye field  
(AMNGR, Kolguev Island)

## Ulyanovskneftegaz Ltd.

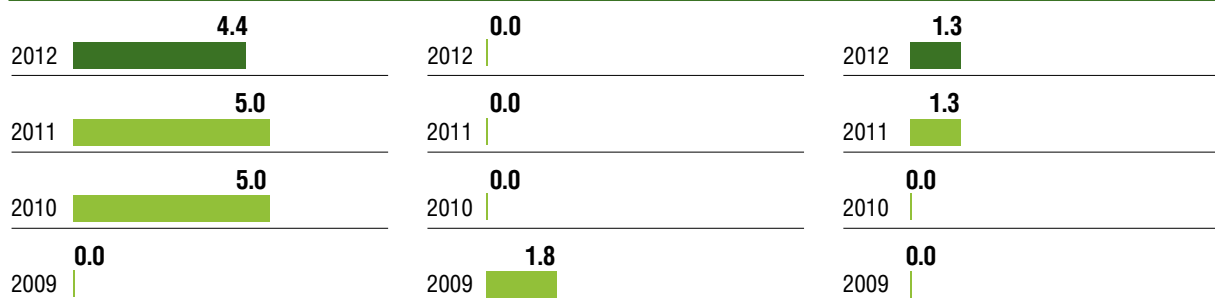
## STRUCTURE OF PROPERTY



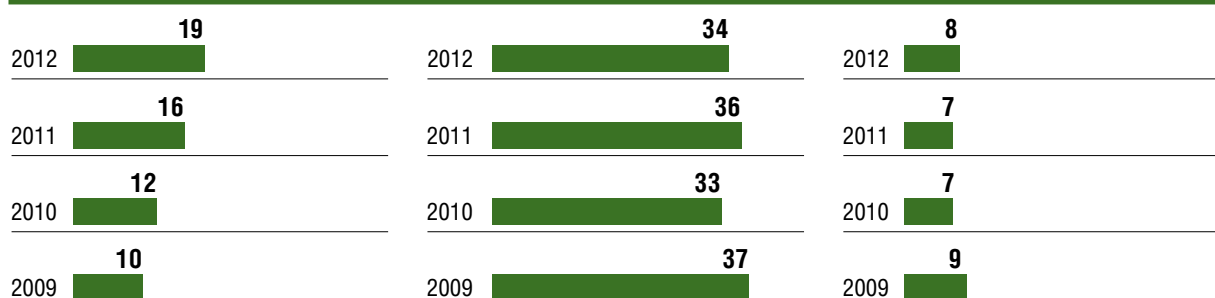
## SCOPE OF PRODUCTION, THOUSAND TONNES



## PRODUCTION DRILLING, THOUSAND M



## CURRENT WELL STOCK, WELLS



# DOWNSTREAM

The Group of the companies' began activity in the Downstream in 2007 after signing an Agreement with the Government of the Republic of Srpska (Autonomous Republic within Bosnia and Herzegovina (BiH) State) on production enterprises and sales network purchase.

The following enterprises are included into the segment:

- OPTIMA Grupa Ltd.
- Brod Refinery
- Modrica oil refinery (lube plant) (hereinafter - Modrica oil refinery)
- Nestro Petrol retail fuel stations network

## OPTIMA Grupa



**Year of establishment** – 2008

**Year of entering the project** – 2008

**Location** – BiH, Banja Luka

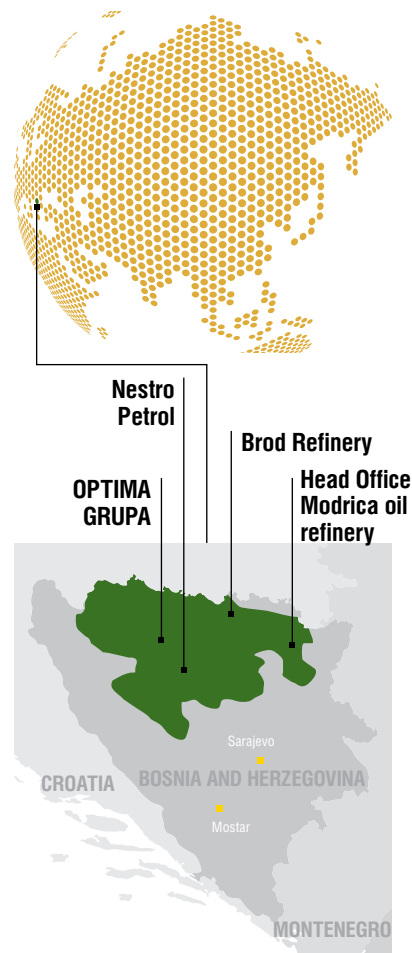
Major tasks of OPTIMA Grupa are the following:

- providing the enterprises with raw materials and reagents (acquisition of raw materials for processing at the Brod Refinery, for base oils production and paraffin at Modrica oil refinery);
- sales of the finished products produced by the enterprises;
- developing the trade network for the sale of finished products, both retail and wholesale products;
- establishing the transportation infrastructure, ensuring a least-cost products dispatch to the consumers;
- activities coordination and development of the Segment's companies.

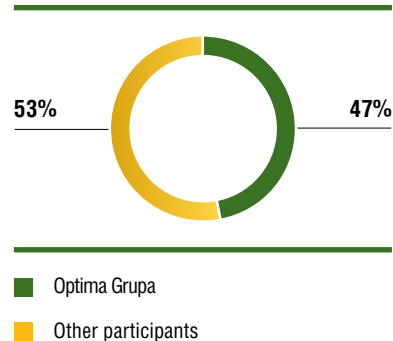


In 2012, a strategy of expanding the small-scale wholesale activities and diversification of the client base was started. It led to the increase in share occupied by the company in BiH's oil products market by 1% against the general reduction of BiH's market volume of 5%.

With a purpose of sales scope increase and expanding territorial oil products sales possibilities, OPTIMA Grupa is striving for an active development of its terminal network in the regions. Terminal network development should provide flexible logistic infrastructure enabling re-distribution and re-orientation of the export flows of oil products trade, expand the spheres of cooperation and strengthen economic influence in the Balkan countries.



SHARE OF OPTIMA GRUPA IN THE BIH'S MARKET, 2012



## Brod Refinery



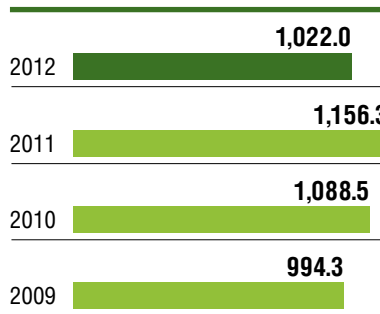
**Year of establishment – 1968**  
**Year of entering the project – 2007**

Brod Refinery is the main production asset of the Segment and the only refinery in Bosnia and Herzegovina.

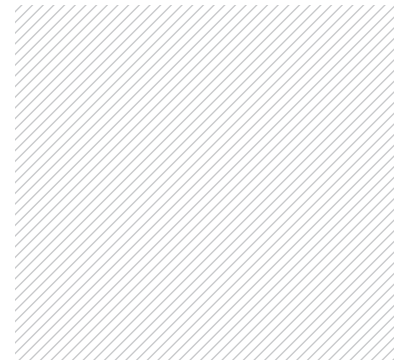
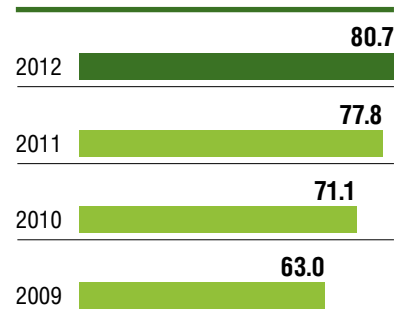
Currently the refinery is producing the following products:

- motor gasoline (EN 228 standard): RON 95 – Euro 5, RON 98 – Euro 3;
- diesel fuel (EN 590 standard): D.F. – Евро 5, D.F. –Euro 4;
- bitumen;
- fuel oil;
- liquid oil gas;
- heating oil;
- liquefied gas;
- raw materials for base oil and paraffin production.

**DYNAMICS OF REFINING THROUGHPUT BROD REFINERY, THOUSAND TONNES**



**REFINERY YEILD BROD REFINERY, %**



## Modrica oil refinery (lube plant)



**Year of establishment – 1954**

**Year of entering the project – 2007**

Modrica oil refinery is the only plant for oils and lubricants production in BiH's territory. It occupies the third place in Europe in terms of capacity among plants for 3rd oil group production. The plant produces a range of over 220 items.

At present, Modrica oil refinery is producing the following types of products:

- base oils;
- paraffin;
- motor oil, lubricants and liquids for equipment motor vehicles;
- oils, lubricants and liquids for full-scale plants;
- oils and liquids for metal working;
- lubricant greases.

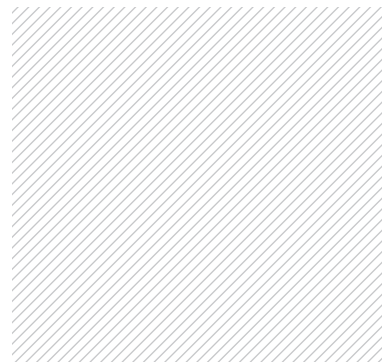
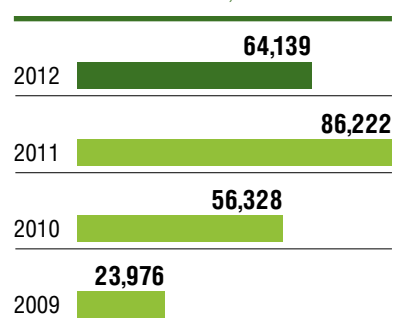
Modrica oil refinery is certified by the major motor vehicles and industrial machinery producers such as Audi, Volkswagen, BMW, Daimler-Chrysler, Opel, Scania, Volvo, MAN, Caterpillar, John Deere etc., and also by Hyundai and KIA Motors, South Korean companies actively working in the European market.

Implementation of the technical and organizational measures in 2009-2012 (optimization of the technological regimes, modernization of the heating system,

gathering and return of condensate, mounting of frequency shifters, setting of the furnace burners, new pumps, instrumentation devices installation and other) allowed the refinery to essentially reduce electric power, fresh water, and fuel oil consumption:

- fuel oil consumption decreased by more than 30%;
- electric power consumption reduced by 18%;
- fresh water consumption reduced by 47%;
- motor oils and lubricants production increased.

### REFINING OF THE BOARD OIL FRACTION MODRICA OIL REFINERY, TONS



## Nestro Petrol

**Year of establishment – 1945**  
**Year of entering the project – 2007**

Nestro Petrol is realizing oil products, goods and services through a retail network consisting of 82 operating fuel stations. By the number of fuel stations, Nestro Petrol occupies 26% of the Republic of Srpska's market, and nearly 35% in terms of sales volume.

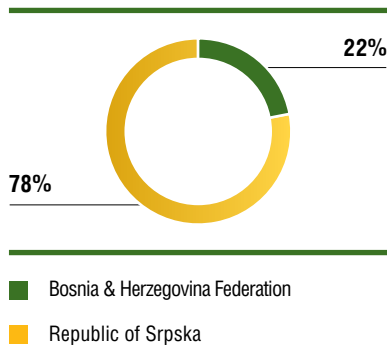
The company is consecutively implementing the fuel stations network rebranding program.

In 2012, 16 fuel stations were rebranded. At the beginning of 2013, out of 82 operating fuel stations, 74 fuel stations have been rebranded. The reconstruction

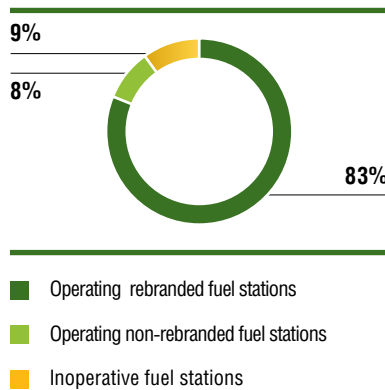
and rebranding of a further 8 fuel stations is scheduled to be completed in 2013.

The rebranding program allowed Nestro Petrol to ensure fuel sales volume growth per fuel station annually amounted to 10-30%. Sales of the additional range of goods at fuel stations increased in terms of sales by between 50 and 300%.

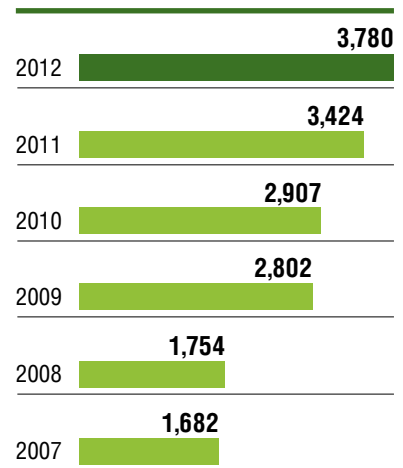
SALES STRUCTURE OF NESTRO PETROL BY REGION, 2012



IMPLEMENTATION OF FUEL STATIONS NETWORK REBRANDING PROGRAM, AS OF 31.12.2012



AVERAGE SALES VOLUME AT ONE FUEL STATION NESTRO PETROL, I/D



# SERVICES RENDERING SEGMENT

**The Services Rendering Segment of Zarubezhneft's Group of companies is represented by the enterprises conducting activities in the field of building the oil and gas facilities infrastructure, carrying out exploration, drilling operations and field surface facilities construction, oilfield equipment supply, scientific research and planning and surveying works performance, and provision of high-tech services.**

A large direction in the Services Rendering segment is connected with providing services for scientific research and planning and surveying works performance in terms of scientific support of prospecting, exploration and the development of fields, calculation of the reserves, works on field development design, as well as implementation of the scientific research projects.

## VNIIneft named after Academician A.P. Krylov JSC

Major lines of activities of the Institute:

- Reservoir engineering, reserves calculation, drilling support and monitoring of the country's raw materials base status;
- Core and formation fluids properties study;
- Oil and gas fields development design and analysis;
- EOR (Enhanced Oil Recovery) methods;
- Analysis of the oil and gas projects investment attractiveness.

## Giprovostokneft JSC

Major lines of activities of the Institute:

- Advanced engineering;
- Scientific research and FEEDs in the area of oil gathering, transportation and treatment;
- Preparation of the projects of the integrated field development and oil & gas producing facilities and installations construction and reconstruction projects;
- Carrying out of studies in the area of drilling and preparation of well construction projects.

TOTAL AMOUNT OF THE STOCK OF ORDERS OF THE SCIENCE AND TECHNOLOGICAL CENTERS IS

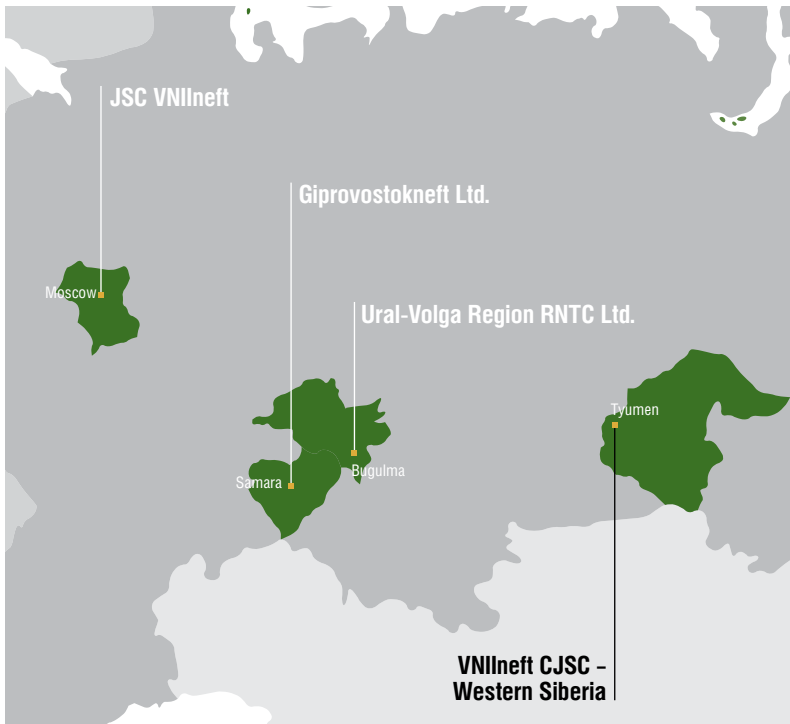
**1,567** MILLION OF RUBLES



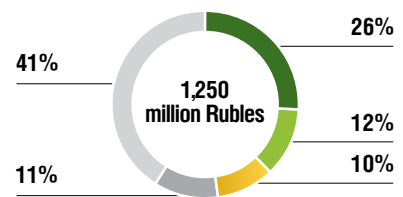
Using the technical and personnel potential available with Giprovostokneft and VNIIneft, named after Academician A.P. Krylov, our company plans to actively develop activities

in the area of scientific research and planning and surveying works having focused on high-tech services provision due to close interaction with innovative lines of business.

### Scientific and technological centers of the Zarubezhneft Group of companies

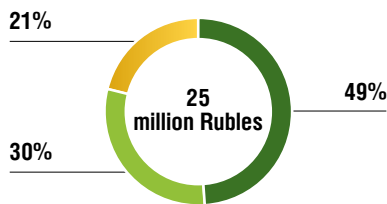


GIPROVOSTOKNEFT LTD., SAMARA. STRUCTURE OF PROJECTS PORTFOLIO IN 2012, % IN TERMS OF MONEY



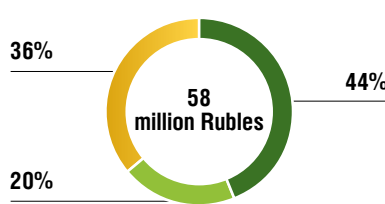
- KTK-R CJSC
- Suzun JSC
- Orenburgneft JSC
- JC RUSVIETPETRO Ltd.
- Other

URAL-VOLGA REGION RNTC LTD., BUGULMA. STRUCTURE OF PROJECTS PORTFOLIO IN 2012, % IN TERMS OF MONEY



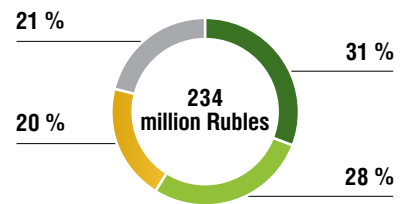
- GC Sheshmaoil JSC
- Yambuloil CJSC
- Other

VNIINEFT CJSC – WESTERN SIBERIA, TYUMEN. STRUCTURE OF PROJECTS PORTFOLIO



- GEOTRANSGAZ CJSC
- NOVATEK-TARKOSALENEFTEGAZ Ltd.
- Other

JSC VNIINEFT, MOSCOW. STRUCTURE OF PROJECTS PORTFOLIO IN 2012, % IN TERMS OF MONEY



- Slavneft-Megionneftegaz JSC
- Zarubezhneft's Group of companies
- TNK-BP
- Other

## Geography of materials and equipment supply by Zarubezhneft's Group of companies



■ The sum of the contracts for materials and equipment supply by Zarubezhneft's Group of companies implemented in 2012. Share of Russian suppliers in the total scope of the respective contracts is highlighted

## JSC Arktikmorneftegazrazvedka (JSC AMNGR)

On May 31, 2012 Zarubezhneft became a majority shareholder of JSC Arktikmorneftegazrazvedka (JSC AMNGR) with a participation share of 100% -1 share.

The company was established in 1979 for petroleum prospecting, exploration and development on the Arctic shelf of Russia. JSC AMNGR possesses over 30-years of experience in operating offshore Russia. The company discovered

15 oil, gas and gas-condensate fields, including the unique reserves of the Shtokman, Ledovoye (in Barents Sea), Rusanovskoye, Leningradskoye (in Kara Sea) fields.

JSC AMNGR owns the production facilities required for offshore works: Murmanskaya Jack-Up Drilling Rig, Deep Venture (former Valentin Shashin) Drilling Vessel, auxiliary fleet, and shore infrastructure.

Name of the vessel	Short description	Main characteristics	
Murmanskaya Jack-Up	Three-legged jack-up rig, capable of drilling wells to a depth of up to 6,000 meters with maximum sea depth of 100 meters	Production year	1991
		Dimensions	109 x 68 m
		Living space, persons	84
		Total weight	14,465 tonnes
Deep Venture (former Valentin Shashin) DV	Highly specialized vessel, capable of drilling wells to a depth of up to 6,500 meters with maximum sea depth of 1,740 meters	Production year	1982
		Dimensions	149 x 28 m
		Living space, persons	116



# INNOVATION ACTIVITY

**In September 2012, based on the instructions of the Governmental Commission for High Technologies and Innovations, a Program of Innovation Development of Zarubezhneft for the period 2012-2017 was developed and approved by the Board of Directors (with a perspective up to the year 2030).**

Zarubezhneft's goals in the area of innovation development:

- Production cost reduction due to new technologies use;
- Strengthening of competencies and ensuring of technological leadership of the company under key competencies: production of hard-to-recover and unconventional hydrocarbon reserves.

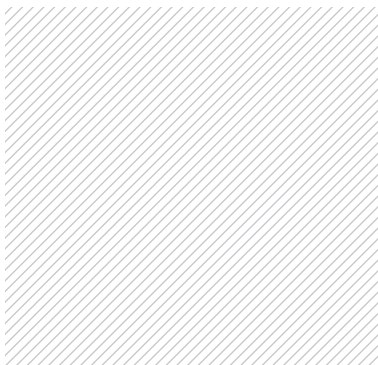
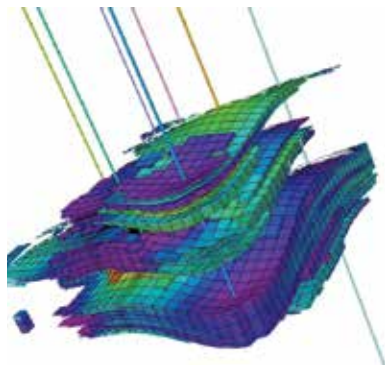
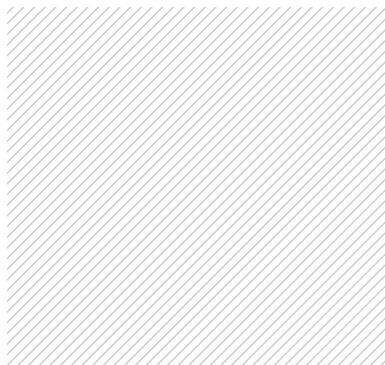
Projects of the Program of Innovation Development are aimed at solving the following key industrial tasks:

- reducing the current water-cut level and increasing the oil recovery factor on CKU fields;
- raising the effectiveness of exploration and production drilling, as well as engaging in development of the fields' residual reserves in the basement of SRV's south shelf;
- increasing the resource base of the Group of companies due to

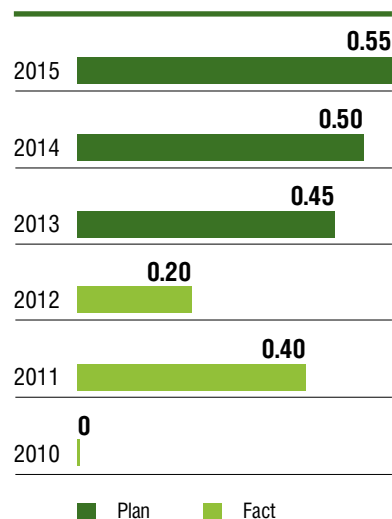
the creation of technology for reservoir prospecting and exploration in the basement in the territory of the Russian Federation and abroad;

- engaging in field development of petroleum reserves in the low-permeable carbonate reservoirs;

Design, scientific research and service organizations of Zarubezhneft's Group of companies are involved in the implementation of the Program of Innovation Development.



SHARE OF COSTS FOR R&D WORKS TO ZARUBEZHNEFT'S REVENUES, % (2010-2012 ACtual, 2013-2015 PLANNED)



## Management of Innovation Development

Since 2001, the Research and Development Board has coordinated and controlled the scientific and technical level of works aimed at increasing the efficiency of activity in oil and gas resources development. It also defines the main directions and scientific and technological priorities of the company's development. In 2012, an Expert Council for innovation projects was founded by the Research and Development Board.

In 2012, internal regulatory documents were created to enforce formal processes for searching for, selection, evaluation, planning and implementation of the company's innovation projects.

In order to develop and support the introduction of the new technologies in the fields of the company in 2012, VNIIneft corporate institute created a Center of Fractured Reservoir Monitoring and Development Design.

## Cooperation in innovation development sphere

Within the framework of the Innovation Development Program, JSC Zarubezhneft is actively developing mutually beneficial cooperation with Higher Education Institutes for joint implementation of the company's innovation projects and to forecast the scientific and technical development, training and retraining the personnel.

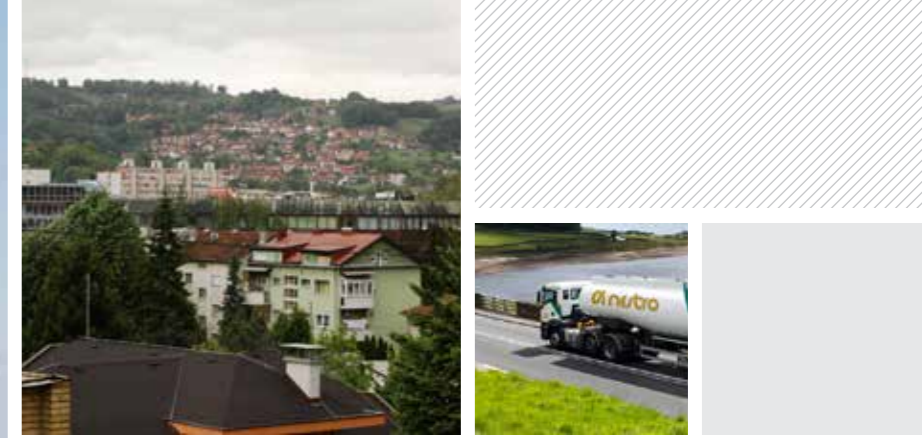
Currently our company's partners are Gubkin Russian State Oil & Gas University, Lomonosov Moscow State University and Ukhta State Technical University. JSC Zarubezhneft is planning to extend its list of strategic partners to include other educational institutions, scientific organizations and innovative business enterprises.

JSC Zarubezhneft is a participant of the Petroleum Production and Use Technologies Technological platform. Within the framework of cooperation

with the Platform and the National Oil & Gas Institute, our company is planning to search for potential partners for scientific research and planning and surveying works in the areas of geological and technical actions, drilling and field surface facilities construction, petroleum production, production stimulation, EOR methods, and offshore fields development technologies.

# 4

## HSE, HUMAN RESOURCES & SOCIAL RESPONSIBILITY



GENERAL BUSINESS PRINCIPLES INCLUDE THE COMMITMENT TO THE AIMS OF STEADY DEVELOPMENT IN ALL REGIONS OF PRESENCE

In its' work the Company conforms to the highest standards of environment protection and industrial safety. Deliberate admission of responsibility before the public for the rational use of natural resources and preservation of favorable ecological conditions is one of the main factors during the realization of projects.

WASTE NEUTRALIZED IN 2012

132.9 T

TOTAL HEADCOUNT FOR THE GROUP

13,841 PEOPLE

APG PRODUCTION IN 2012 TOTALED TO

106,848 MLN M<sup>3</sup>

THE AREA OF THE LANDS REHABILITATED BY JSC ZARUBEZHNEFT IS

11.68 HA



# ENVIRONMENT PROTECTION

**The activities of Zarubezhneft's Group of companies are aimed at improving ecological safety in oil production, treatment and transportation through taking a responsible attitude to natural resources, minimization of deleterious effect on the environment, increasing reliability of production equipment, and introduction of modern, advanced technologies.**

Provision of ecological safety was carried out in accordance with the requirements of Russian law, international treaties and national laws of the countries in which the company carries out its activities.

Our company provides public access to ecologic information, including by means of publications in the federal and local mass media and on its official website etc.

Technical and organizational measures aimed at the gradual decrease of environmentally negative impact are guided by the best world practices and realized in Zarubezhneft's Group of companies on the basis of a single ecological policy aimed at compliance with ecological safety requirements, efficient planning and advanced introduction of nature

conservation measures into the processes along the whole oil production, treatment and transportation technological chain.

Zarubezhneft's Group of companies carries out monitoring of the environment and subsoil, water and air condition levels on an annual basis. A geo-information system for environmental monitoring has been introduced at the facilities of JC RUSVIETPETRO using satellite data and constantly updated field data. In other subsidiaries and affiliated companies, programs of regular environment and water resources control and monitoring have been developed and approved.

**Our company provides public access to ecologic information, including by means of publications in the federal and local mass media and on its official website etc.**



THE MONITORING OF ENVIRONMENT AND SUBSOIL CONDITIONS, OF WATER AND AIR BASINS IS PERFORMED ANNUALLY IN ZARUBEZHNEFT'S GROUP OF COMPANIES.



## Land conservation

With the purpose of rational land resources use and land-saving for well construction, our company is widely applying a method of well construction in clusters. Two or more wells are located on one site, resulting in a significant reduction in the area of land occupied by the drilling rigs and communications thereto, and the length of oil and water pipelines is reduced.

One of the important directions of land conservation is constant control, diagnostics and increasing the reliability of pipeline transport and industrial equipment, enabling environmental risks to be minimized. Thus, reconstruction, major overhauls and preventive maintenance of oil field lines and their anti-corrosion protection are performed annually

in Orenburgnefteotdacha CJSC and Ulyanovskneftegaz Ltd. For the year 2012, there were no pipe leaks or emergency situations at the operated facilities of Zarubezhneft's Group of companies and no contaminated land areas as a result of emergencies.

A permanent place in the ecological programs of subsidiaries and affiliates of JSC Zarubezhneft is given to waste recycling and land cultivation measures. JC RUSVIETPETRO is performing

work on commissioning a Polygon for deactivation and placement of waste from the North-Khosedayu oilfield. With the help of the contractor organizations at the industrial facilities (drilling sites) of JC RUSVIETPETRO, drilling cuttings are being neutralized at the complex drill cuttings processing unit.

The results of the environmental measures for the year 2012 for Zarubezhneft's Group of companies are presented below in the table:

Area of the land re-cultivated, ha	11.68
Wastes neutralized, t	132.9
Oil sludge neutralized, t	77.94

## Water protection

Waste treatment stations have been commissioned with a capacity of 50 m<sup>3</sup>/day and 10 m<sup>3</sup>/day as the sewage treatment plants for the North-Khosedayu and West-Khosedayu oilfields. The stations are intended for waste treatment up to the requirements imposed on treated waste water discharge into the basins of commercial fishing importance. There was no polluted industrial water discharge onto terrain or the surface water basins by Zarubezhneft's Group of companies.

### PRODUCTION AND USE OF THE ASSOCIATED PETROLEUM GAS (APG) IN ZARUBEZHNEFT'S GROUP OF COMPANIES

Name of the enterprise of Zarubezhneft's Group of companies	APG production	Use of APG for in-house needs	APG use %
JC RUSVIETPETRO	68.823	14.466	21.02
Orenburgnefteotdacha CJSC	1.208	–	–
Ulyanovskneftegaz Ltd.	0.26	–	–
JSC AMNGR	36.557	0.77	2.1
<b>TOTAL:</b>	<b>106.848</b>	<b>15.236</b>	<b>14.26</b>

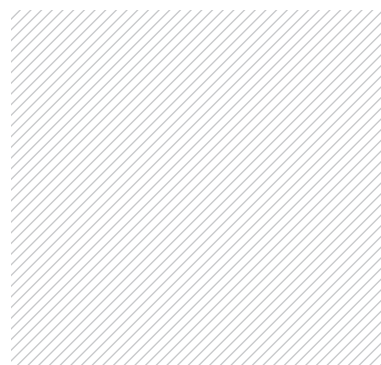
## Air protection

In 2012, Zarubezhneft continued implementation of the program on rational use of APG. Reduction in atmospheric air contamination by products of APG combustion resulted from the use of 15.236 million m3 of the associated gas.

During 2012, works on transferring the power supply package #1 at the central oil gathering station from diesel fuel to the double-fuel work mode with the use of associated petroleum gas, installation and launching of 6 gas reciprocating units resulted in an increase in associated petroleum gas utilization and a decrease in its flaring.

Planning and introduction in Zarubezhneft's subsidiaries and affiliated companies of the following measures for associated petroleum gas continued:

- Power Park #2 construction completion and putting into operation in JC RUSVIETPETRO on the basis of gas reciprocating units, the introduction of which will allow the use of associated petroleum gas to its maximum at the fields being developed.
- Orenburgnefteotdacha CJSC has planned the design works with subsequent setting and installation of 3 micro-turbine units.
- JSC Arktikorneftegazrazvedka has planned the design works on reconstruction of the existing electric power station with the replacement of a diesel electric installation for the units using associated petroleum gas.



## Environment protection in the Downstream Segment

Environment impact as a result of the Brod Refinery operation is defined by the following factors:

- waste waters polluted by oil products formed during production;
- acid gas release formed during hydrogen sulphide burning;
- atmospheric hydrocarbons emissions formed in production and loading the oil products;
- soil and underground water pollution in the refinery area;
- atmospheric emissions of the carbonic gas, sulfur and nitrogen oxides formed in fuel combustion in the process furnaces.

### Waste waters

In the Brod Refinery reconstruction, the biological and physical and chemical sewage purification stations has been completed. The stations have been put into operation that enable the refinery to obtain sewage quality in accordance with the norms and requirements of the health services of the Republic of Srpska. In addition, standards control is affected by the Nature Conservation Institute of Bijeljina, Republic of Srpska.

### Acid gas emissions

In 2009, units for hydrogen sulphide removal from fuel gas, liquefied gas purification, and hydrogen sulphide utilization with elemental sulfur recovery were put into operation. Launching of these sections allowed the utilization of all the hydrogen sulphide formed in refining process and the total exclusion of any atmospheric emissions of acid gases.

### Hydrocarbon emissions

In order to decrease blowouts as a result of process equipment, pumps leakage and to reduce irretrievable losses at the refinery, a series of measures involving equipping pumps with tandem face seals and modernization of the tank farm is being realized. Since 2010, all main pumps of the refinery's operating units have been converted and equipped with a tandem face seal.

### Soil and underground water pollution

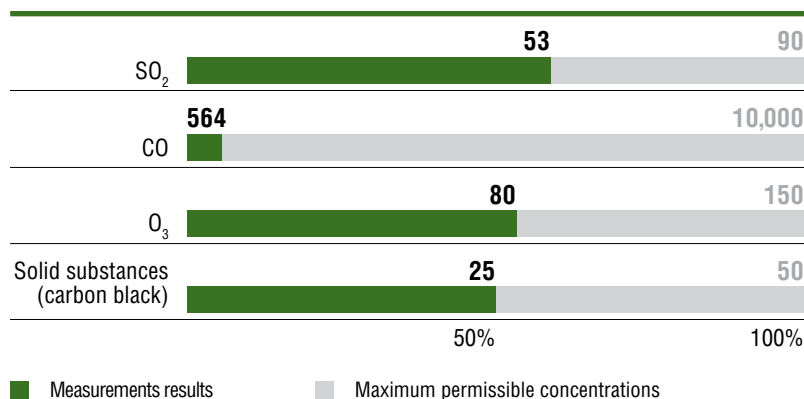
At present, work on pollution quality and quantity evaluation is completed at the refinery. Based on the evaluation results in 2013-2015, tar oil utilization and soil remediation works in tar oil storing places are planned to be carried out.

### Emissions of the carbonic gas, sulfur and nitrogen oxides

This type of negative impact on the environment is occurring mainly in combustion of fuel in the refinery process furnaces. Brod Refinery carries out a permanent monitoring of the atmospheric air with a specialized environment protection institute (from Banja Luka).

Based on results of the permanent monitoring of organized and non-organized emissions, currently at the territory of the refinery no levels are observed outside of the maximum permissible norms. Work to reduce fuel consumption in the process furnaces is being purposefully carried out. In 2013, an in-house fixed laboratory for air quality analysis and control will be brought into operation.

CONTENT OF HARMFUL SUBSTANCES IN THE ATMOSPHERE IN BROD IN WINTER SEASON OF 2011-2012 BY RESULTS OF THE MONITORING, MKG/M<sup>3</sup>



# ENERGY EFFICIENCY

**With the purpose of cost reduction and increased competitiveness, the Group of companies has started the Energy Saving and Energy Efficiency Increase Program.**

This Program represents one of the main instruments of Zarubezhneft's development and covers the segment directions of our company's activities. It is a policy document looking at integrating medium-term planning into the corporate management system and the company's strategic development.

The Program is drawn up on the basis of the Decree of the President of the Russian Federation dated June 04, 2008 №889 On certain measures to increase the energy and ecology efficiency of the Russian Economy, and a Federal Law dated November 23, 2009 № 261-ФЗ On energy

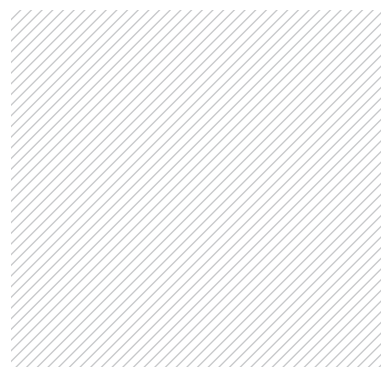
saving and increasing the energy efficiency and amending certain legislative acts of the Russian Federation.

The Program contains:

- main goals and reference points for reducing the energy costs of Zarubezhneft's Group of companies;
- basic principles for the management of energy cost reduction programs in subsidiary and affiliated companies included Zarubezhneft's Group of companies;
- increasing the energy efficiency of technological and auxiliary industrial processes based on implementation of

economically sound innovation solutions and energy saving measures, decreasing the energy intensity of production;

- reducing (stabilization) of specific energy resources consumption for in-house technological needs;
- energy consumption monitoring and working out the mechanisms to stimulate the efficient use of the fuel and energy resources;



THE ENERGY EFFICIENCY  
PROGRAM HAS BEEN APPROVED

ENERGY AUDIT HAS BEEN  
PERFORMED

The Program is adopted on December 14, 2012 at the meeting of the Board of Directors of JSC Zarubezhneft after making a compulsory energy survey.

Major directions of energy saving in the subsidiary and affiliated companies:

- reduction of electric energy consumed by pumps through energy saving equipment, including variable-frequency drives;
- application of the energy efficient ESP units;
- optimization of work modes of the submersible equipment and BPS pumps.

JC RUSVIETPETRO, in terms of technical measures for energy saving, carried out a reconstruction of energy complex #1 on CGP and put into operation the gas reciprocating units resulting in an increase in associated petroleum gas disposal and decrease in the generated electricity cost.

On the basis of the gas turbine power plants, Power Park #2 construction and commissioning works are being carried out that would enhance consumption of the associated petroleum gas to the maximum, oil production, treatment and transportation capacities, reinforce the degree of the fields' energy supply reliability and reduce the costs of energy resources consumed.

Summary of electricity consumption by the enterprises of the Group of companies in 2012 is given in the following table:

**With the purpose of cost reduction and increased competitiveness, the Group of companies has started the Energy Saving and Energy Efficiency Increase Program**

#### ELECTRICITY CONSUMPTION BY THE ENTERPRISES OF THE GROUP OF COMPANIES IN 2012

Enterprise of the Group of companies	Electric power consumption, MW	Specific power consumption per oil tonne, kW/t
JC RUSVIETPETRO JSC	98,214	47.15
Orenburgnefteodacha CJSC	2,001	27.56
Ulyanovskneftegaz Ltd.	752	32.73
JSC AMNGR	3,194	149.50



**DECREASE (STABILIZATION) OF SPECIFIC CONSUMPTION OF ENERGY RESOURCES FOR OWN TECHNOLOGICAL NEEDS**

IS THE MAIN AIM OF THE ENERGY EFFICIENCY PROGRAM

# INDUSTRIAL AND OCCUPATIONAL SAFETY

**One of the main priority tasks in the production activities of our company is compliance with requirements of industrial and occupational safety in conducting complicated processes of oil production, treatment, transportation and associated petroleum gas use.**

One of the elements of the industrial and occupational safety management system in Zarubezhneft's Group of companies at the operated facilities is an industrial control which represents a diversity of technical-organizational measures aimed at compliance with the requirements of industrial and occupational safety. In all the subsidiaries and affiliated companies, in hazardous industrial facilities a multi-level industrial control system is established which corresponds to the requirements of Russian and international regulatory standards.

The company applies the latest production technologies and modern methods to achieve constant improvement of safety levels and a gradual reduction of incident rates, creating a safe and healthy work environment for its employees and reducing to a minimum the number of industrial injuries and illnesses.

There were no accidents or incidents on industrial facilities in JC RUSVIETPETRO Ltd., Orenburgnefteotdacha CJSC, Ulyanovskneftegaz Ltd. or Arktikorneftegazrazvedka JSC in 2012. All subsidiaries and affiliated companies performed training and attestation of managers, specialists and employees pursuant to the approved schedules and plans with the specialized training centres. The corresponding internal regulatory documents in the area of industrial safety and labor protection have been worked out and introduced, in particular, for JC RUSVIETPETRO where new Plans for prevention and response to emergency oil and oil products spills for the two facilities have been enhanced.

With the purpose of ensuring the safe and free-from-accidents performance of the operations for oil production, treatment and transportation of the oil produced, carrying out construction, installation and repair jobs, improving industrial safety

**The company applies the latest production technologies and modern methods to achieve constant improvement of safety levels and a gradual reduction of incident rates, creating a safe and healthy work environment for its employees**



**THE COMPLIANCE WITH THE REQUIREMENTS OF THE INDUSTRIAL SAFETY AND LABOR PROTECTION IS THE MOST IMPORTANT PRIORITY OF THE COMPANY**

and labor protection conditions in all subsidiaries and affiliated companies, a plan of accident prevention measures for securing industrial safety was developed, approved and implemented in 2012.

In all subsidiaries and affiliated companies of Zarubezhneft's Group of companies, complex and special-purpose inspections have been carried out for compliance with labor protection, industrial and fire safety requirements with the purpose of detecting and eliminating the troubles in this area. Scheduled and unscheduled inspections of contractor (subcontractor) organizations operating at the industrial facilities of the company have been conducted.

In JC RUSVIETPETRO in 2012, a regular stage of work places attestation in relation to work conditions was carried out (181 workplaces).

During the year 2012, systematic and purposeful work has been effected for labor and environment protection, accident rate lowering, blowouts and fire prevention at the industrial facilities of JV Vietsovpetro.

In accordance with the integrated inspection program of Vietsovpetro's facilities, on 17.10.2012 on RP-2 FOP, a drill on open blowout response, fire extinguishing, people rescue and evacuation was carried out. The conducted drill revealed good operating skills and well coordinated actions of Vietsovpetro's emergency unit staff. In the course of the drill, modern equipment, techniques and safety outfits were used.

This drill was conducted for the first time with the participation of the emergency group of the South-Russian blowout response military unit. Conducting such drills at Vietsovpetro's facilities makes it possible to gain joint work experience to help eliminate accidents and allows, if required, emergency staff to successfully solve the tasks of open blowout response.



# HUMAN RESOURCES AND SOCIAL RESPONSIBILITY

Human resources are one of the most valuable assets of the Group and a keystone of the successful work of JSC Zarubezhneft. In its activities, JSC Zarubezhneft relies on the experience, knowledge and enthusiasm of its personnel in all the activity spheres, both in Russia and abroad.

**The personnel management system of Zarubezhneft is based on the corporate values of the company. Our company creates all conditions for supporting compliance with the corporate values on the part of the staff.**

## Values of JSC Zarubezhneft

- Professionalism – a profound knowledge of its specialty, responsible and fair attitude to its obligations, timely fulfillment of the tasks set and constant perfection of the professional level;
- Initiative – activity and self-dependence of the personnel in optimization of the industrial process and development of the company's competitiveness;
- Mutual respect – constructive mutual respect and support, team spirit in work, and benevolence in the process of solving the tasks set;
- Cooperation – open and sincere information exchange, readiness to mutually elaborate optimal decision;
- Succession – solicitous attitude to the company's traditions, respect for the labor and experience of the older generation, professional training and tutorship.



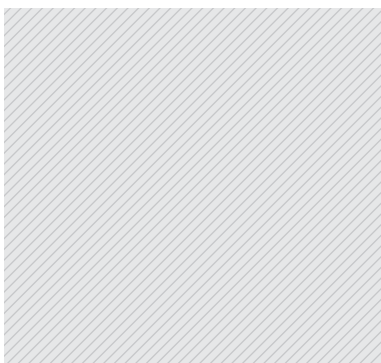
THE PERSONNEL OF  
THE JSC ZARUBEZHNEFT GROUP  
OF COMPANIES AMOUNTS TO

**MORE THAN 13 THOUSAND  
PERSONS**

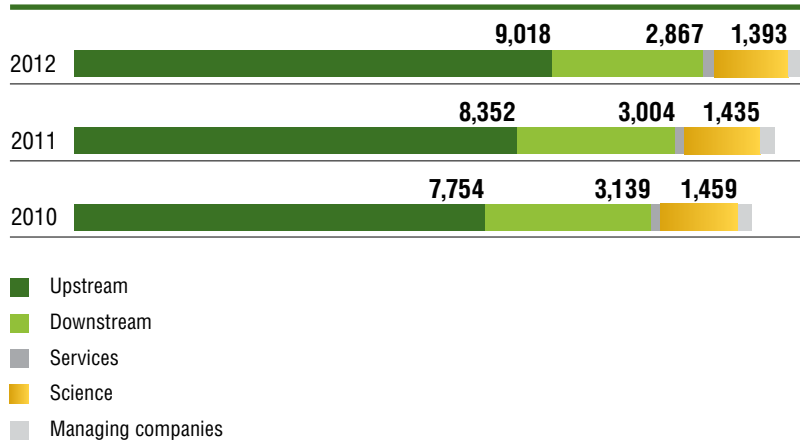
## Personnel number and structure

In 2012, the average number of Zarubezhneft employees was 316 persons. Total personnel number for the Group of companies was 13,841 persons.

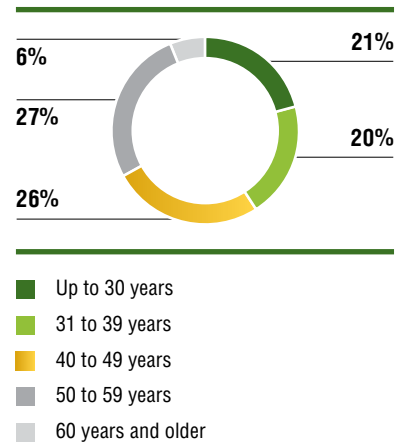
The average age of the personnel in 2012 came down to 41.3 years for the Group of companies due to succession, personnel reserve, and the realization of young specialist involvement programs. Age structure in the Group of companies is formed so that the main part of the personnel relates to the up-to-50-years age category to ensure the best proportion of work experience and professional development.



AVERAGE NUMBER OF ZARUBEZHNEFT'S GROUP OF COMPANIES STAFF BY SEGMENTS, PERSONS



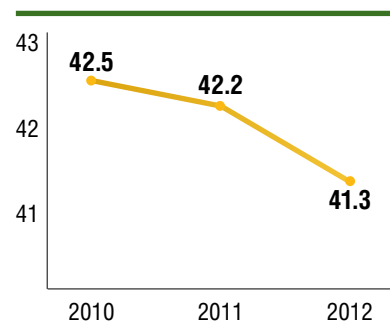
AGE STRUCTURE OF THE PERSONNEL OF ZARUBEZHNEFT'S GROUP OF COMPANIES AS OF 2012



**41.3 YEARS**  
AVERAGE AGE OF THE PERSONNEL



AVERAGE AGE OF THE PERSONNEL OF ZARUBEZHNEFT'S GROUP OF COMPANIES, YEARS



## Income structure

Salary and social package form the main personnel's income. Salary includes basic salary and a variable (bonus) part.

For the purpose of strengthening social protection and securing qualified staff, the company's employees are provided with allowances for industrial work record and academic degrees.

## Social programs

Efficient social protection programs help to attract highly qualified specialists to the company, reduces personnel fluctuation, strengthens the corporate spirit and is a basis for a successful industrial activity.

Therefore, in addition to the material and moral encouragements, our company is realizing a wide complex of implementation programs as part of the social package. These include:

- supporting health improvement, maintenance of the corporate sports and fitness complex;
- health protection, including voluntary

medical insurance for workers and their family members and non-working retirees;

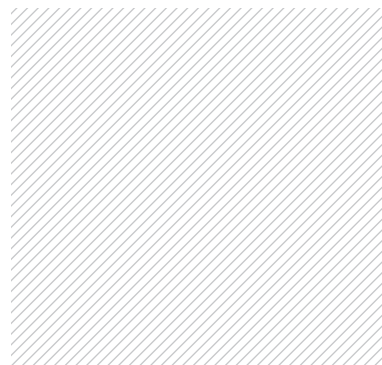
- material support of the veterans and non-working retirees;
- welfare of personnel;
- one-time premium in connection with the presentation of the governmental, branch awards and a premium in connection with the celebration of the Oil & Gas Workers Day;

## Awards

To encourage workers and work collectives to continue to make a significant contribution to the company's development, achieve high industrial, financial and economic indicators, and to improve the corporate structure in the company, the following awards and ranks have been established: Honorary worker of JSC Zarubezhneft, Veteran of JSC Zarubezhneft, Diploma of JSC Zarubezhneft, and Appreciation from JSC Zarubezhneft.

## Personnel Selection and Rotation

Personnel selection is of the highest primary importance from the company production process organization point of view. When hiring new personnel the company uses transparent selection criteria. A competitive selection system is based on the single principles of candidate evaluation by professional and managerial skills and general development potential.



## Personnel Training

In conditions of quick development of scientific and technical progress, the important factor for company success is high qualification of its personnel. Companies of the group conduct work to perfect systems for training, retraining and skills development aimed at comprehensive and consecutive personnel development to increase their professional level.

More efficient and less costly forms and methods of personnel training involve the engagement of highly-qualified company personnel as teachers for the training process.

The educational facilities selection order has been optimized by conducting tenders to lower the absolute indexes of costs and decrease the amount of counter-agents engaged in the training process.

Within the frames of the training program, agreements of cooperation with the leading higher educational institutes of Russia have been signed.

**In 2008, in order to support the most gifted students, our company established scholarships for the students of the Gubkin Oil & Gas Russian State University who had the best achievements in studies and training activity**

## Educational programs

The priority direction of the company's activity is training young qualified specialists for the Russian oil industry.

JSC Zarubezhneft renders assistance in training the students/children of the Russian specialists of JV Vietsovpetro in the higher education institutes of the Russian Federation. 31 persons were sent for training in 2012.

In 2012, within the frames of implementing the young Serbian specialists training program for Zarubezhneft's Group of companies situated in Bosnia and Herzegovina, 9 persons were sent for training to Gubkin Oil & Gas Russian State University.

## Fellowship Programs

In 2008, in order to support the most gifted students, our company established scholarships for the students of the Gubkin Oil & Gas Russian State University who had the best achievements in studies and training activity.

**PERSONNEL DEVELOPMENT**  
IS THE BASIS OF THE SUSTAINABLE  
DEVELOPMENT



## Personnel Reserve

Production capacities development dynamics and the need for effective recruiting of highly qualified personnel determined the necessity for maintaining at the proper level a reserve of candidates to fill vacant jobs and working professions.

Pursuant to Regulation of the Government of the Russian Federation dated March 4, 2011 №149 On federal state informational system Federal portal of managerial staff JSC Zarubezhneft is taking an active part in the work on staffing the single federal database.

## Personnel Motivation

Our company is consistently enhancing its personnel labor payment and motivation system.

The variable (bonus) part of the personnel salary levels depends on achieving the target indexes of KPI.

Transfer of the KPI system to the next levels of the management of Group of Companies is continuing.

## Charity

The social policy of JSC Zarubezhneft is an integral part of the corporate strategy of the company's development and includes two main directions – charity work and sponsorship, and is traditionally focused on the following tasks:

- conservation of cultural and historical heritage;
- social investments into educational programs and upgrading of professional skills programs development among local population;
- support of the poor and financially disadvantaged layers of society, including orphaned children and invalids;
- support of sport and healthy living;
- support of programs in the area of construction and repair of educational and medical facilities, sports complexes;
- Sponsor aid to support the organization of social and cultural events

**During the realization of foreign projects, the Company complies with the standards of social responsibility in accordance with the Russian Federation external policy priorities and takes an active part in social and public activities in the regions where it is present.**

## Charity activities of Zarubezhneft's Group of companies in 2012



### BOSNIA & HERZEGOVINA

- Assistance in organization of cultural activities in the territory of Bosnia & Herzegovina
- Financial support of the book issue History of Croatia
- Financial help to Zvornicko Tuzlanska Eparchy for the purchase of bells for the belfry of the Svete Petke convent



### SOCIALIST REPUBLIC OF VIETNAM

Financial aid:

- to Vietnamese-Russian friendship Society of Ba Ria-Vung Tau Province
- Friendly organizations Association, Ho Chi Minh
- to the financially disadvantaged children of Xuyen Moc district of Ba Ria-Vung Tau Province
- an international surfing contest held in Vung Tau



### REPUBLIC OF CUBA

- Support of the project for creation of the production infrastructure at the shore support Base in Matanzas port



### RUSSIAN FEDERATION

Financial help:

- Mercy Home (Saraktash village in Orenburg region)
- Orphan house at the sanctifier Phillip's church, metropolitan of Moscow
- Chernobyl clean-up veterans of the Ministry of Fuel and Energy of RBOO
- Moscow Peace Fund for conducting traditional meeting of GPW veterans devoted to Defender's Day
- all-Russian public organization Association of large families of Russia
- Federation of invalids of Volga Region for purchase of equipment for bed patient care;
- The ROKADA fund for military conflict veterans and disabled to organize the Victory Day celebration for GPW veterans in Gorky central park of culture and

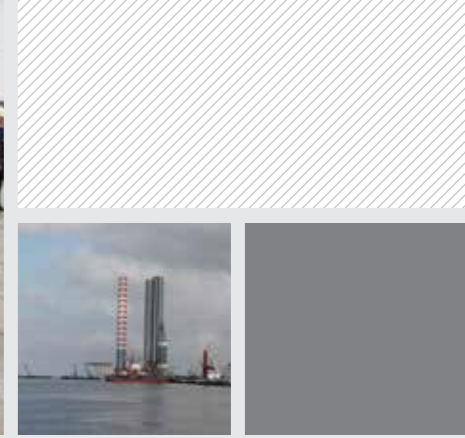
- recreation and organize the Commemoration Day Remember us, Russia
- all-Russian Buran-Day snowcat cross competitions in the city of Naryan-Mar
- chess championship Young Talents of Republic of Komi Chess Federation (for purchasing the prizes for the participants of the Republic of Komi's chess championship)
- Using Company employees' own resources a help was provided to the Krymsk flood victims.



# 5



## CORPORATE MANAGEMENT



ON THE 27-TH OF DECEMBER 2012  
MR. SERGEY I. KUDRYASHOV WAS ELECTED  
A GENERAL DIRECTOR OF JSC ZARUBEZHNEFT

12 meetings of the Board of Directors  
of the Company have been held

ECOLOGICAL PROGRAM OF THE JSC ZARU-  
BEZHNEFT GROUP OF COMPANIES HAS BEEN  
APPROVED



THE METHOD FOR THE CALCULATION OF THE  
PURCHASE OF GOODS (WORKS, SERVICES)  
COSTS PER PRODUCTION UNIT IMPROVEMENT  
FACTOR HAS BEEN APPROVED

PROGRAM FOR THE DISPOSAL OF THE MARGINAL  
ASSETS OF JSC ZARUBEZHNEFT HAS BEEN  
APPROVED

JSC ZARUBEZHNEFT INNOVATIONAL DEVELOP-  
MENT PROGRAM HAS BEEN APPROVED



ENERGY SAVING AND IMPROVEMENT OF ENERGY  
EFFICIENCY OF JSC ZARUBEZHNEFT GROUP OF  
COMPANIES HAS BEEN APPROVED

# BOARD OF DIRECTORS OF THE COMPANY, COMMITTEES UNDER THE BOARD OF DIRECTORS

The members of Zarubezhneft's Board of Directors were elected by the Order of the Federal Agency for State Property Management dated June 30, 2011 №1267-p On resolutions of the annual general meeting of shareholders of the Joint Stock Company Zarubezhneft.

**Prior to holding the annual general shareholders meeting, the following persons were the members of the Board of Directors of the company:**

Bazhenov Alexander	Director of the Center of Public-Private Partnership of Vnesheconombank Born 1964 Not a shareholder
Brunich Nikolay	General Director of JSC Zarubezhneft Born 1955 Not a shareholder
Kadochnikov Pavel	Pro-rector for Research, All-Russia Academy of Foreign Trade of the Ministry of Economic Development of Russia. Independent director Born 1978 Not a shareholder
Kalanda Larisa	Acting General Director of JSC ROSNEFTEGAZ Not a shareholder
Nekipelov Alexander	Vice President of the Russian Academy of Sciences. Independent director Born 1951 Not a shareholder
Glaserberg Ivan	President of Glencore company. Independent director Born 1957 Not a shareholder
Tokarev Nikolay	President of JSC Transneft Born 1950 Not a shareholder

The membership of the Board of Directors was amended by the Order of the Federal Agency for State Property Management dated June 29, 2012 №1018-p 'On resolutions of the annual general meeting of the shareholders of the Joint Stock Company Zarubezhneft'.

### The members of the Board of Directors are:

Bazhenov Alexander	Director of the Center of Public-Private Partnership of Vnesheconombank Born 1964 Not a shareholder
Brunich Nikolay	General Director of JSC Zarubezhneft Born 1955 Not a shareholder
Kadochnikov Pavel	Pro-rector for Research, All-Russia Academy of Foreign Trade of the Ministry of Economic Development of Russia. Independent director Born 1978 Not a shareholder
Nekipelov Alexander	Vice President of the Russian Academy of Sciences. Independent director Born 1951 Not a shareholder
Glaserberg Ivan	President of Glencore company. Independent director Born 1957 Not a shareholder
Stolyarenko Vladimir	Chairman of the Supervisory Board Open Joint-Stock Company EVROFINANCE MOSNARBANK Born 1961 Not a shareholder
Tokarev Nikolay	President of JSC Transneft Born 1950 Not a shareholder

In accordance with the resolution of the Board of Directors of Zarubezhneft dated July 23, 2012 (Minutes of the Meeting №63) Nikolay Tokarev was elected Chairman of the Board of Directors of JSC Zarubezhneft.

Regulations on the Board of Directors of JSC Zarubezhneft were approved by the resolution of the extraordinary general meeting of the shareholders of JSC Zarubezhneft (Decree of the Federal Property Management Agency dated October 12, 2005 №2253-p).

In 2012, the total amount of remuneration payments to 5 members of the Board of Directors of JSC Zarubezhneft upon the results of the work in 2011-2012 was 5,990 thousand Rubles.

## Specialized Committees under the Board of Directors

Three committees were established under the Board of Directors.

### COMMITTEE ON STRATEGIC PLANNING

Regulations on the Committee were approved by the resolution of the Board of Directors of JSC Zarubezhneft dated November 07, 2008 (Minutes of the Meeting №27). By resolution of the Board of Directors of JSC Zarubezhneft dated August 12, 2010 (Minutes of the Meeting №42) the Regulations of the Committee on strategic planning under the Board of Directors of JSC Zarubezhneft were amended and supplemented.

At the meeting of the Board of Directors of JSC Zarubezhneft on October 28, 2011 (Minutes of the Meeting №53) a new version of the Regulations on the Committee on strategic planning under the Board of Directors of JSC Zarubezhneft was approved.

The Committee members were Mr. Bazhenov A., Mr. Brunich N., Ms. Kalanda L., and Mr. Nekipelov A.

After the election of the new members of the Board of Directors, the following members of the Committee were elected: Mr. Bazhenov A., Mr. Brunich N., and Mr. Nekipelov A.

### AUDIT COMMITTEE

Regulations on the Committee were approved by resolution of the Board of Directors of JSC Zarubezhneft on November 07, 2008 (Minutes of the Meeting №27). At the meeting of the Board of Directors of JSC Zarubezhneft on October 28, 2011 (Minutes of the Meeting №53) a new version of Regulations on Audit Committee was approved.

The members of the Committee were Mr. Bazhenov A., Mr. Nekipelov A., Mr. Kadochnikov P. After election of the new members of the Board of Directors, the following members of the Committee were elected: Mr. Bazhenov A., Mr. Nekipelov A., and Mr. Kadochnikov P.

### STAFF AND REMUNERATION COMMITTEE

Regulations on the Committee were approved by resolution of the Board of Directors of JSC Zarubezhneft on November 07, 2008 (Minutes of the Meeting №27). At the meeting of the Board of Directors of JSC Zarubezhneft on October 28, 2011 (Minutes of the Meeting №53) a new version of the Regulations on Staff and Remuneration Committee was approved.

The members of the Committee were Mr. Kadochnikov P., Mr. Glasenberg I., and Ms. Kalanda L. After the election of the new members of the Board of Directors, the following members of the Committee were elected: Mr. Kadochnikov P., Mr. Glasenberg I., and Mr. Stolyarenko V.

# AUDIT COMMISSION OF THE COMPANY

By Decree of the Federal Property Management Agency dated June 30, 2011 №1267-p On resolutions of the annual general meeting of the shareholders of the Joint Stock Company Zarubezhneft, the Audit Commission of JSC Zarubezhneft was elected, comprised of the following members:

Arkhipova M.	Representative of the state's interest
Mozhaeva A.	Leading consultant of the division of the Department of the Ministry of Economic Development of Russia
Sergeeva-Sivenok A.	Deputy Head of the division of the Department of the Federal Property Management Agency
Ter-Stepanov D.	Deputy Director of the Department of the Ministry of Economic Development of Russia

By Decree of the Federal Property Management Agency dated June 29, 2012 №1018-p On resolutions of the annual general meeting of the shareholders of the Joint Stock Company Zarubezhneft, the Audit Commission of JSC Zarubezhneft was elected, comprised of the following members:

Kolyada A.	Head of the division of the Department of the Federal Property Management Agency
Ter-Stepanov D.	Deputy Director of Department of the Ministry of the Economic Development of Russia
Upatova G.	Deputy Director of Department – Chief Accountant of the Ministry of Energy of Russia

The Audit Commission has examined the annual accounting reports. Based on the results of the examination the conclusions were prepared about the reliability of the data contained in the accounting statements and the annual report of JSC Zarubezhneft for the year 2012.

Reimbursement to the members of the Audit Commission is not paid out.

# MANAGEMENT OF THE COMPANY

In accordance with the Decree of the Federal Property Management Agency dated December 04, 2007 № 3682-p On resolutions of the extraordinary general meeting of the shareholders of JSC Zarubezhneft General Director of the company within the period 01.01.2012 to 27.12.2012 – Nikolay Brunich.

In accordance with the Decree of the Federal Property Management Agency dated December 27, 2012 № 2151-p On resolutions of the extraordinary general meeting of the shareholders of JSC Zarubezhneft Sergey Kudryashov was elected General Director of JSC Zarubezhneft for the period of five years.



**SERGEY I. KUDRYASHOV**

**General Director of  
JSC Zarubezhneft**

Sergey Ivanovich Kudryashov has extensive experience in top management positions in companies in the Fuel and Energy industry.

Educational background: In 1991 he graduated from Kuybyshev Polytechnic Institute and in 2006, he took an Executive MBA degree at the Stockholm School of Economics.

He started his career in 1991 in Nizhnevartovskneft as a Production Operator;

From 2002 to 2003: Deputy Manager of Tomskneft VNK – Head of Strezhevoyneft Oil and Gas Production Directorate;

From 2003 to 2005: Manager of Yuganskneftegaz JSC – Vice-President of YUKOS-EP CJSC;

Since 2005: First Vice President of OC Rosneft JSC, in charge of the industrial sector of the company;

From 2008 to July 11, 2012: Deputy Minister of Energy of the Russian Federation. He was in charge of issues connected with Russian oil & gas complex activity.

Since July 12, 2012: First Deputy General Director of JSC Zarubezhneft;

Since December 28, 2012: General Director of JSC Zarubezhneft.

Sergey Kudryashov is also a Head of the Working Group of the Commission under the President of the Russian Federation for the issues of the Fuel and Energy Complex (FEC) and ecological safety development strategy.

Not a shareholder.



**SERGEY I.  
YERKE**

**First Deputy General Director**

In 1985 he graduated from the Tyumen Industrial Institute with a specialization of mining engineer - hydrogeologist, and in 2002, he graduated from the Moscow State University of Economics, Statistics and Informatics. In 2006, he gained an MBA degree from the Stockholm School of Economics in Russia.

He began his career in Nizhnevartovsk hydrogeological party in Megion.

Over 10 years he held senior positions in oil & gas enterprises of the Tyumen Region.

From 2007 to 2009, Yerke Sergey Ivanovich worked as Deputy Director for development of production of Yuganskneftegaz LLC.

In 2009, he was appointed Director of Department of oil & gas production and transportation in the Ministry of Energy of the Russian Federation.

In January 2011, he became Head of Department of advanced development and capital construction of Gazprom Neft JSC.

On January 16, 2013, Sergey I. Yerke took up the post of First Deputy General Director of Zarubezhneft JSC.

He has the title Honorary oil industry worker of the Ministry of Energy of the Russian Federation

Not a shareholder.



**VALERY A.  
KLINCHEV**

**Deputy General Director For  
Production**

In 1989, he graduated from Gubkin Moscow Institute of petrochemical and gas industry, and in 1998 he graduated from the Academy of the National Economy under the Government of the Russian Federation with a qualification of top category manager.

In the period between 1989 and 1998, Valery Andreyevich Klinchev worked in JSC Kominetf where he rose from a position of geologist to Director for production. In 1998-2000, he headed JSC Tebukneft.

In 2000, Valery Klinchev was invited to work in the Federal State Unitary Enterprise Ukhtaneftegazgeologiya as the first Deputy General Director.

In 2003, he worked in Zarubezhneft occupying top positions in the Projects development and implementation Division.

From 2004 to 2008, he was First Vice President, and later General Director of JSC RMNTK Nefteotdacha.

In 2008, he was elected General Director of Joint Company RUSVIETPETRO LLC.

In February 2010, he was appointed Deputy General Director of Zarubezhneft.

He was awarded a Diploma of the Ministry of Industry and Energy of Russia and the titles of Honorary Oilman of Russia and Honorary worker of the Fuel and Energy Complex. He is also honored with a governmental award of the Socialist Republic of Vietnam.

Not a shareholder.



**VLADIMIR M.  
NOZHIN**

**Deputy General Director For Field  
Development**

In 1974, he graduated from the Azerbaijan Institute of Oil and Chemistry with a specialization in Geology and Oil & Gas Fields Exploration. In 1996, he graduated from the Academy of the National Economy under the Government of the Russian Federation with a specialization in Management under market conditions.

After graduation he worked as a driller's assistant and drilling fluids engineer in Oil Rocks Marine Drilling Department of Kaspornefteft Association.

In 1975, he was sent to Western Siberia, to Glavtumeneftegaz where he worked in the production association Yuganskneftegaz in various positions from geologist to the Head of Pravdinskneft Field Office, and Chief Engineer of the Yuganskneftegaz Production Association.

In 2000, he was appointed Head of Department of oil production monitoring in YUKOS-EP CJSC (Moscow), later holding the position of Vice President responsible for science, field engineering and monitoring.

In 2007, Vladimir Matveyevich Nozhin was appointed General Director of Samaranefttegaz JSC in Samara.

In April 2013, he took up the post of Deputy General Director of JSC Zarubezhneft.

He is the Honorary worker of the Ministry of Fuel and Energy, YUKOS JSC, OC ROSNEFT JSC.

Not a shareholder.



**SERGEY V.  
KRAVCHENKO**

**Deputy General Director For  
Economics And Finance**

In 1992, he graduated from the Siberian Automobile and Road Institute with a specialization of engineer-economist, and in 1999 he graduated from MIRBIS Moscow International Higher Business School.

In 1992, he began his career in the structures of Yuganskneftegaz JSC, and from 1995 to 1997 he worked as Deputy Director in charge of economics of the petroleum services enterprise of the company (Central service base).

Sergey Victorovich Kravchenko held senior positions in the Strezhevoyneft Oil and Gas Production Directorate, Tomskneft JSC and Nefteyugansk CCR.

In 2003, Sergey Kravchenko began working in TNK-Nyagan JSC as Deputy General Director in charge of economics and finance, and in 2008 he was appointed General Director of TNK-Nyagan JSC.

From August 2012 to 2013, he held the office of the Commercial Director of Yamal-Gaz Division, TNK-BP Management JSC.

In February 2013, he took over the post of Deputy General Director of Zarubezhneft JSC.

PhD in Technical Sciences.

Not a shareholder.



**IGOR P.  
ZAIKIN**

**Deputy General Director For  
Development Of The Projects And  
Well Operations**

He was born on July 21, 1967 in Kuibyshev.

In 1991 he graduated from the Kuybyshev Polytechnic Institute with a specialization of mining engineer.

He began his career as an assistant driller in the state company VAN-EGAN in Nizhnevartovsk.

From 1996 he worked in Lukoil-burienie LLC and LUKOIL Overseas.

In 2003 he took up a position as the head of the section of drilling technology in LUKOIL JSC (Moscow).

In 2005-2012 he worked in Rosneft JSC as director of the Department of drilling, well technology and supervizing.

From February 2012 he worked as director of Department of drilling in Bashneft JSC.

In July 2013 Igor Zaikin took up a position as the Deputy General Director of Zarubezhneft JSC.

He completed an MBA and also has the management degree in PMI PMBOK.

Not a shareholder.



**ALEXANDER Y.  
VORONIN**

**Deputy General Director For  
External Affairs**

In 1983, he graduated from the faculty of computing mathematics and cybernetics of Kazan State University (KSU), named after V.I. Ulyanov-Lenin, with a specialization of an economist-mathematician. In 1987, he finished postgraduate courses at the same university.

He is a PhD in Economic Sciences (1988), Grand PhD (2005), Associate Professor (1992), and Professor of the Economics Department of Kazan State Technical University (2010).

He had practical training at the University of Gottingen, Germany (1991) and the Academy of the State Service of the President of the Russian Federation (2005).

He has been working in the oil and gas sector since 2000. In 2000-2002, he headed the Department of foreign economic activities of the Slavneft Oil and Gas Company.

From 2002 to 2004, Alexander Yurievich Voronin was Deputy Minister of Energy of the Russian Federation, responsible for foreign economic activity.

By the Decree of the President of the Russian Federation, in 2003 he was given the rank of Full State Advisor 2nd Class of the Russian Federation.

In April 2004, he was appointed Deputy General Director of Zarubezhneft.

He was awarded the title of Honorary power engineer of the Russian Federation.

Not a shareholder.



**ALEXANDER P.  
KOVALENKO**

**Deputy General Director For  
General and Human Resources  
Management Issues**

He graduated from the Military Academy and the Military Institute of the Ministry of Defense of the Russian Federation. He occupied various posts in the Ministry of Defense of the Russian Federation.

From 1992 to 2000, he worked as First Deputy General Director in Pronto-Moskva International Holding.

Since 2002, Alexander Pavlovich Kovalenko has been Deputy General Director of Zarubezhneft.

He is honored with state awards of the Russian Federation.

Not a shareholder.



**ALEXANDER V.  
DASHEVSKIY**

**Deputy General Director,  
First Deputy General Director  
of JV Vietsovpetro**

In 1990 he graduated from the Grozny Petroleum Institute with a specialization of mining engineer, in 2003 he graduated from the Gubkin Russian State University of Oil and Gas with a specialization of «Engineer-economist».

For about 10 years he worked in oil companies in Gubkinskiy (Yamal-Nenets Autonomous District), where he rose from a position of oil and gas production operator to the head of department.

From 2000 he worked in «Tomskeft» JSC, in 2005 he started working in «Rosneft» JSC as director of department of forward planning and investment projects and then as director of oil and gas production department.

He moved to «Vietsovpetro» JV from «Bashneft» JSC, where he worked as senior vice-president responsible for oil and gas production.

Not a shareholder.

Remuneration to the General Director of JSC Zarubezhneft upon the annual results is payable in accordance with the Regulations on remuneration to senior management of JSC Zarubezhneft (approved at the Meeting of the Board of Directors of JSC Zarubezhneft on December 27, 2011, Minutes of the Meeting №56) based on achieving the target values of the key indicators of the company's efficiency as approved by the Board of Directors.

By the Articles of Incorporation of JSC Zarubezhneft establishment of the collegial executive body is not provided for.

# DIVIDEND POLICY

**The Dividend policy of JSC Zarubezhneft was approved in 2011 at the meeting of the Board of Directors on the 28<sup>th</sup> of October 2011 (Minutes of the Meeting №53).**

In accordance with the Dividend policy, JSC Zarubezhneft will tend to increase the annual growth of the dividends paid in favor of the Russian Federation provided that the net profit of the Company increases and all investment projects of JSC Zarubezhneft, carried out in accordance with the Company's Business plan approved by the Board of Directors, are successfully realized simultaneously.

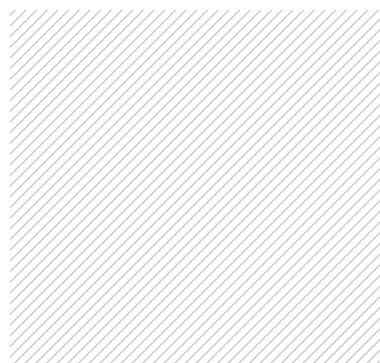
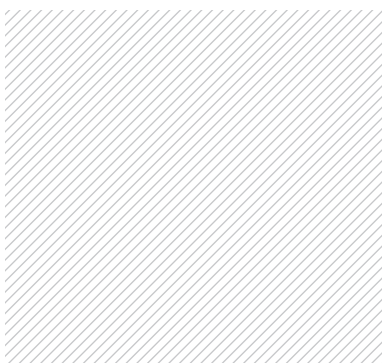
The basic principles of JSC Zarubezhneft dividend policy are:

- optimum configuration of interests of the company and its shareholders;
- annual allocation of the certain part of the company's profit for the payment of dividends and use of the profit remaining at the company's disposal mostly to form the reserve funds and founding the investment activities of the company;
- securing the stable growth of dividends paid in favor of the Russian Federation, provided that the net profit

of the company increases and all investment projects of JSC Zarubezhneft are successfully realized simultaneously; respect to, and strict observance of, rights of the shareholders presumed under Russian Federation law.



THE OPTIMUM BALANCE BETWEEN THE INTERESTS OF THE COMPANY AND ITS' SHAREHOLDERS IF ONE OF THE PRINCIPLES OF THE JSC ZARUBEZHNEFT DIVIDENDS POLICY



# COMPANY MAIN RISK FACTORS

**Company activities are connected with risks stipulated by oil industry peculiarities and economical and political situations in countries where JSC Zarubezhneft conducts its activities.**

Strategic risks are connected with achieving the long-term objectives as well as with the influence of the competitive strengths of the industry companies. Risks of non-compliance with the law requirements are determined by statutory regulation in the countries where JSC Zarubezhneft implements its projects. Financial risks may arise as a result of the capital markets instability, and operational risks are caused by features of the whole value creation cycle of the company.

Within the frames of restructuring of the processes in the company, a division for risk management was formed. Primary objectives, set before that division, are the development of the conceptual approach for organization of the company-wide risk management system, development of the internal regulatory documents, and responsibilities allocation between the process participants. In order to conform to the best practices in the area of risk management, the company is planning to form a Working Committee for risk management (hereinafter – WCRM). WCRM will be the main body for composing and managing the company's and Group's risk portfolio, assigning risk owners, approving the strategies of risk response and also monitoring the fulfillment of the risk management plans. The process of risk management formalization will be conducted progressively along with the process development and smooth integration into company's business processes. The corresponding internal regulatory documents are being worked out.

**Strategic risks are connected with achieving the long-term objectives as well as with the influence of the competitive strengths of the industry companies**



## FOR THE PURPOSE OF COMPLYING

WITH THE BEST PRACTICES OF RISK MANAGEMENT IT IS PLANNED TO ESTABLISH A WORKING COMMITTEE FOR RISK MANAGEMENT (WCRM) WITHIN THE COMPANY.

## 6

## APPENDICES

## Official Information for the Company

Full company name	Joint-Stock Company Zarubezhneft
Number and date of state registration certificate issue	Certification series 77 № 003280973 dated 22nd of October 2004, PSRN 1047708046870
Russian Federation subject	Moscow city
Location	101990, Moscow, Armyansky pereulok, 9/1/1, building 1
Telephone (fax)	+7 (495) 748-65-00
E-mail	nestro@nestro.ru
Information on the inclusion in the strategic joint-stock companies list	Yes
Full name and address of the registrar	JSC Zarubezhneft, 101990, Moscow, Armyansky pereulok, 9/1/1, building 1
Registered Charter Capital as on 31.12.12, Rubles	41,139,067,000
Total issued shares	50,729,067
Ordinary shares	50,729,067
Stocks at par, Rubles	1,000
State registration number of ordinary (preferred) share and state registration date	1-01-65072-D dated 09th of December 2004
State registration number of additional issue of ordinary (preferred) shares and state registration date (in case by the date of preliminary approval of annual company report by Board of directors (supervisory authority)) the registration authority hadn't performed the abolition of company ordinary (preferred) shares additional issue individual number (code);	1-01-65072-D dated 19 <sup>th</sup> of April 2005 1-01-65072-D dated 10 <sup>th</sup> of July 2007 1-01-65072-D dated 25 <sup>th</sup> of September 2007 1-01-65072-D-004D dated 24 <sup>th</sup> of April 2012
Preferred shares	No
Preferred shares at par, Rubles	No
Shares in possession of Russian Federation	50,729,067
Russian Federation interest in the charter capital	100%
Company shareholders whose interest in the charter capital is more than 2 per cent	Russian Federation represented by Federal State Assets Managements Agency
Availability of special right for Russian Federation to take part in joint-stock company management (golden share)	No
Company auditor full name and address	LLC Rosexpertiza, 127055, Moscow. Tikhvinsky pereulok, 7, building 3

## List of the company's subsidiaries and affiliates:

As at the 1<sup>st</sup> of January, 2013, JSC Zarubezhneft Group of Companies comprises of the following subsidiaries and affiliates:

Company name	Single Executive Body as of 1st of January, 2013	JSC Zarubezhneft share in charter capitals of the companies
JSC Scientific and Technological Company Russian Inter-industrial Scientific and Technical Complex Nefteotdacha	General Director – Belov Y.N.	100% - 1 share
CJSC Orenburgneftotdacha	General Director – Lyapin M.V.	100% - 1 share
JSC Arktikmorneftegazrazvedka	General Director – Shevchuk V.V.	100% - 1 share
LLC NESTRO-Kaspiy	General Director – Kurbanov A.M.	99.9%
LLC Ulyanovskneftegaz	General Director – Karyakin S.N.	99.9%
JSC Oil and Gas Innovation Corporation	President – Smirnov Y.L.	95%
LLC Zarnestservis	General Director – Babayevskiy A.A.	80%
LLC Zarubezhneftestroyontazh	General Director – Roitman V.S.	80%
LLC EXPLON	General Director – Ponomarev V.A.	80%
LLC JC RUSVIETPETRO	General Director – Abmayev V.S.	51%
CJSC ZarIT	General Director – Gorbachev S.V.	26%
JSC Academician A.P. Krylov All-Russian Oil and Gas Scientific Research Institute	General Director – Kryanev D.Y.	32.27%
JSC Institute for engineering and research works in oil industry Giprovostokneft	General Director – Agrafenin S.I.	22.09%
JV Vietsovetpetro (SRV)	General Director – Nguyen Huu Tuyen	49%
VRJ Petroleum Co (SRV)	General Director – Nguyen Kuang Vinh	50%
LLP JV Nestro Nuraly (Republic of Kazakhstan)	General Director	55%
East West Oil Limited (Great Britain)	Collegial Executive Body	100%
Zarubezhneft Holdings & Services (Switzerland)	Collegial Executive Body	100% - 2 shares

## List of the licenses of Zarubezhneft's Group of companies in Russian Federation

Name of the field (area, site)	Year of production inception	Legal entity – license holder	Share of ZN's Group of companies, %	License category*	Year of license expiry		
Kirsanovskoye	2001	CJSC Orenburgneftodacha	100	OO	2013		
Pashkinskoye	2002		100	OO	2013		
Chernovskoye	2003		100	OO	2013		
Kondakovskoye	2005	LLC Ulyanovskneftegaz	100	OO	2018		
Ruzhevskoye	2006		100	OO	2026		
Slavkinskoye	2005		100	OO	2018		
Sulakskoye (Starokulatinsky area)	2005		100	OO	2026		
Radischevskiyi	-		100	OE	2030		
North-Khosedayu	CKU Block №1		2010	LLC JC RUSVIETPETRO	51	OE	2033
Visovoye	CKU Block №2		2011		51	OE	2033
Upper Kolva	-	-	51		OE	2033	
North-Khosedayu	CKU Block №3	2012	51		OE	2033	
East-Sikhoreyskoye	-	-	51		OE	2033	
North-Sikhoreyskoye	-	-	51		OE	2033	
Sikhoreyskoye	-	-	51		OE	2033	
East-Yamdeyskoye	CKU Block №4	-	51		OE	2033	
Puseyskoye	-	-	51		OE	2033	
North-Oshkotynskoye	-	-	51		OE	2033	
Surkharatinskoye	-	-	51		OE	2033	
Urernyrdsokoye	-	-	51		OE	2033	
South-Surkharatinskoye	-	-	51		OE	2033	
Peschanoozerskoye	1986	JSC AMNGR	100 - 1 share		OO	2067	

\*License category (Russian classification)

OO – licenses for petroleum exploration and production

OE – licenses for petroleum prospecting, exploration and production

## INFORMATION ON HOLDING OF THE GENERAL MEETING OF THE SHAREHOLDERS

In accordance with the paragraph 3 of the Article 47 of the Federal law dated December 26, 1995 №208-FZ On Joint Stock Companies in the company, all voting shares of which belong to one shareholder, the resolutions on issues related to the competence of the general meeting of the shareholders, are to be taken by this shareholder individually and to be drawn up in a written form.

In 2012, two regulations were issued of the Federal Property Management Agency regarding drawing up the shareholder's resolutions.

By the Regulation of the Federal Property Management Agency dated June 29, 2012 №1018-p On resolutions of the annual general meeting of the shareholders of the Joint Stock Company Zarubezhneft the following resolutions were adopted:

1. An annual report of Zarubezhneft for 2011 was approved.
2. Zarubezhneft's annual accounting reports including profits and loss statement were approved (profits and loss account) for 2011.
3. Profits distribution of Zarubezhneft for 2011 in the amount

of 17,099,952.0 thousand Rubles taking into consideration the recommendations of the Board of Directors of JSC Zarubezhneft regarding the payment of dividends in the amount of 8,330,132.5 thousand Rubles was approved.

4. Zarubezhneft's Board of Directors was elected.
5. Zarubezhneft's Audit Commission was elected.
6. Rosexpertiza Ltd. was approved to be an auditor of JSC Zarubezhneft for the year 2012.

By the Regulation of the Federal Property Management Agency dated December 27, 2012 №2151-p On resolutions of the extraordinary general meeting of the shareholders of the Joint Stock Company Zarubezhneft a resolution was adopted to elect Kudryashov Sergey Ivanovich as General Director of JSC Zarubezhneft for the period of 5 years.

## INFORMATION ON HOLDING THE MEETINGS OF THE BOARD OF DIRECTORS AND THE COMMITTEES TO THE BOARD OF DIRECTORS

In the year 2012, 12 meetings of the company's Board of Directors were held.

Meeting of the Board of Directors	Discussed issues
January 12, 2012 and March 12, 2012, Minutes of the Meetings №57, 58	1. On approval of Resolution on additional issue of Zarubezhneft's shares.
April 20, 2012, Minutes of the Meeting №59	1. On approval of the Ecological program of Zarubezhneft's Group of companies. 2. Report on results of Zarubezhneft's Investment Program realization for 2011. 3. Report on results of procurement activity of Zarubezhneft in 2011. 4. Report of results of lowering the costs for goods (works, services) purchase in 2011. 5. On approval of the KPI target values. 6. On application of the direct long-term contracts for metal products supply. 7. On amending the labor contract with the General Director of JSC Zarubezhneft.
May 29, 2012, Minutes of the Meeting №60	1. Consideration of conclusion of the Audit Commission based on results of the revision of the financial and economic activities of JSC Zarubezhneft in 2011 2. Preliminary approval of the Annual Report of JSC Zarubezhneft for the year 2011. 3. Consideration of the annual accounting reports of JSC Zarubezhneft for the year 2011, including profits and loss statement. 4. On recommendations of the Board of Directors of JSC Zarubezhneft regarding profits distribution. 5. On determination of the amount of the service fee for the winner of the open tender to select an auditor for effecting the mandatory annual audit of JSC Zarubezhneft.
June 07, 2012, Minutes of the Meeting №61	1. On development of proposals on procedure of applying the voluntary mechanisms of the ecological responsibility. 2. Report on results of procurement activity of Zarubezhneft in the 1 <sup>st</sup> Quarter, 2012. 3. On approval of the Methods to calculate the factor of cutting the costs for goods (works, services) purchase per unit in a new version. 4. Report on results of cutting the costs for goods (works, services) purchase in the 1 <sup>st</sup> Quarter, 2012.
June 25, 2012, Minutes of the Meeting №62	1. On a draft of Zarubezhneft's profit distribution received by results of 2011.
July 23, 2013, Minutes of the Meeting №63	1. On election of the Chairman of the Board of Directors of JSC Zarubezhneft
August 07, 2012, Minutes of the Meeting №64	1. On approval of proposals on procedure of applying the voluntary mechanisms of the ecological responsibility of Zarubezhneft's Group of companies. 2. On election of the members of the Committee on strategic planning under the Board of Directors of JSC Zarubezhneft. 3. On election of the Chairman of the Committee on strategic planning under the Board of Directors of JSC Zarubezhneft 4. On election of the members of the Audit Committee under the Board of Directors of JSC Zarubezhneft 5. On election of the Chairman of the Audit Committee under the Board of Directors of JSC Zarubezhneft 6. On election of the members of the Staff and Remuneration Committee under the Board of Directors of JSC Zarubezhneft 7. On election of the Chairman of the Staff and Remuneration Committee under the Board of Directors of JSC Zarubezhneft 8. On approval of non-core assets sales program of Zarubezhneft for 2012-2013
August 24, 2012 Minutes of the Meeting №65	1. Report on results of the procurement activity of JSC Zarubezhneft in the 2 <sup>nd</sup> Quarter, 2012. 2. Report of results of lowering the costs for goods (works, services) purchase in the 2 <sup>nd</sup> Quarter, 2012.
September 27, 2012 Minutes of the Meeting №66	1. On approval of the Program of Innovation Development of JSC Zarubezhneft. 2. Report on results of Zarubezhneft's Investment Program realization for the 1 <sup>st</sup> Half Year, 2012. 3. On expediency of alienation of the core assets of JSC Zarubezhneft
November 16, 2012, Minutes of the Meeting №67	1. Report on results of the procurement activity of JSC Zarubezhneft in the 3 <sup>rd</sup> Quarter, 2012. 2. Report of results of lowering the costs for goods (works, services) purchase in the 3 <sup>rd</sup> Quarter, 2012 3. On approval of the corrected Investments plan of the company for 2012. 4. On approval of the initial (maximum) price of auditor's services for holding a tender to select an auditor for effecting the mandatory audit of the accounting (financial) reports of JSC Zarubezhneft for 2013.
December 12, 2012, Minutes of the Meeting №68	1. On approval of the business plan of JSC Zarubezhneft for 2013. 2. Report on results of the conducted energy audit of Zarubezhneft's Group of companies. 3. On approval of the program of energy saving and increasing the energy efficiency of Zarubezhneft Group of companies. 4. On amending the Regulations on purchases in JSC Zarubezhneft

In 2012, 2 joint meetings of the Committee for strategic planning and Audit Committee under the Board of Directors of JSC Zarubezhneft were held.

Meeting	Discussed Issues
April 17, 2012, May 11, 2012	<ol style="list-style-type: none"> <li>1. On approval of the Ecological program of Zarubezhneft's Group of companies.</li> <li>2. Report on results of Zarubezhneft's Investment program realization for 2011</li> <li>3. Report on results of the procurement activity of JSC Zarubezhneft in 2011.</li> <li>4. Report of results of lowering the costs for goods (works, services) purchase in 2011</li> <li>5. On approval of the target KPI values.</li> <li>6. Consideration of the Auditor's conclusion on accounting reports of JSC Zarubezhneft for 2011</li> <li>7. Consideration of the Annual Report of JSC Zarubezhneft for 2011.</li> <li>8. Consideration of the proposals on the issue of profits distribution of Zarubezhneft upon results of 2011.</li> <li>9. Consideration of the results of the tender to select an auditor for effecting the mandatory audit of JSC Zarubezhneft for 2012.</li> </ol>

In 2012, 2 Meetings of the Staff and Remuneration Committee under the Board of Directors of JSC Zarubezhneft were held.

Meeting	Discussed issues
April 11, 2012 and September 14, 2012	<ol style="list-style-type: none"> <li>1. Consideration of the proposals regarding amount of remunerations to the members of the Board of Directors of JSC Zarubezhneft upon the results of the year 2011.</li> <li>2. On responsibility insurance of the members of the Board of Directors of JSC Zarubezhneft.</li> </ol>

### Information about claim related work of the company

A case on a claim of Kompomash-TEK CJSC against the company on recovering 19,000,000 Rubles from it under the agreement №34-194/11 dated 12.05.2011 for R&D work execution on: Creation of technology, equipment and production of laying a hardened thermal barrier coating on outer surfaces of oilfield tubing and casings and sputtering of thermal protective coating on casing inner surfaces.

According to the decision of Moscow Arbitration Tribunal dated August 14, 2012, the claim of Kompomash-TEK CJSC on recovering from JSC Zarubezhneft of indebtedness for the work payment under agreement №34-194/11 dtd. 12.05.2011 in the amount of 19,000,000 Rubles remained without satisfaction. According to the determination of the Ninth Arbitration Court of Appeal dated 25.10.2012 the said decision was left without any change, and the appeal of the plaintiff – without satisfaction.

Other unfinished court proceedings, where the company would sue or be sued under the action of indebtedness recovery as of the end of the accounting period, are absent.

### Information on transactions with interested parties

The company did not conduct any interested party transactions in 2012.

## REPORT ON EXECUTION OF THE INSTRUCTIONS OF THE PRESIDENT AND THE GOVERNMENT OF THE RUSSIAN FEDERATION

Instructions of the President of the RF and Directives of the Government of RF	Information about execution by the company of respective Instructions and Directives
<p>Establishment of the specialized committees under the board of directors (supervisory board) of the company, approval of the KPI system, development and adoption of the regulations on remuneration to the management (based on KPI system) and the members of the Board of Directors (supervisory board) of the company (a directive of the Government of the Russian Federation dated July 23, 2009 №B3-П13-6284, the letter of the Federal Property Management Agency dated August 18, 2009 №ГН-13/20732)</p>	<p>At the meeting of the Board of Directors of JSC Zarubezhneft dated 07.08.2012 (Minutes of the Meeting №64) the Committee for strategic planning, Audit Committee, Staff and Remuneration Committee under the Board of Directors of JSC Zarubezhneft.</p> <p>See section Board of Directors of the company, Committees under the Board of Directors.</p> <p>At the meeting of the Board of Directors of JSC Zarubezhneft dated 27.12.2011 (Minutes of the Meeting №56) regulations on remuneration of the top executives of JSC Zarubezhneft were approved which regulate the procedure of assessing the amount of the annual awarding bonuses of the top executives of the company, and also determine the criteria (including a set of individual KPIs) used in calculation of the amount of the awarding bonuses for the company's top executives.</p> <p>Also Regulations for the system of the key parameters of Zarubezhneft's activity efficiency were approved.</p> <p>At the meeting of Zarubezhneft's Board of Directors dated April 20, 2012 (Minutes of the Meeting №59) the target KPI values were approved for 2013.</p>
<p>On payments (remunerations) to the top executives (individual executive body/ chairman of the collective executive body, deputies of the individual executive body/members of the collective executive body, the heads of the structural subdivisions, members of the Board of directors (advisory board), entitled to receive the remuneration) (the directive of the Government of the Russian Federation dated April 08, 2010 №ИШ-П13-2232, the letter of the Federal Property Management Agency dated April 27, 2010 №ИОМ-13/10638, fax messages of the Federal Property Management Agency dated July 05, 2010 №81, as well as of August 04, 2010 №93).</p>	<p>See section Board of Directors of the company, the committees under the Board of Directors</p> <p>At the meeting of the Board of Directors of JSC Zarubezhneft dated December 27, 2011 (Minutes of the Meeting №56) regulations on remuneration of the top executives of JSC Zarubezhneft were approved which regulate the procedure of assessing the amount of the annual awarding bonuses of the top executives of the company, and also determine the criteria (including a set of individual KPIs) used in calculation of the amount of the awarding bonuses for the company's top executives.</p> <p>Also Regulations for the system of the key parameters of Zarubezhneft's activity efficiency were approved.</p> <p>At the meeting of Zarubezhneft's Board of Directors dated April 20, 2012 (Minutes of the Meeting №59) the target KPI values were approved for 2013.</p>
<p>On implementation of the investment programs (an instruction of the First Deputy of the Chairman of the Government of the RF dated September 18, 2009 №ИШ-П13-5361, fax message of the Federal Property Management Agency dated April 01, 2011 №ГН-15/8808).</p>	<p>At the meeting of the Board of Directors held on April 20, 2012 (Minutes of the Meeting №59) report on results of Zarubezhneft's Investment Program for 2011 realization was taken into consideration, at the meeting of the Board of Directors dated September 27, 2012 report on results of Zarubezhneft's Investment Program for the 1<sup>st</sup> half of 2012 was taken into consideration.</p>
<p>On implementation of the strategy of the joint stock company in the area of energy saving and energy efficiency (paragraph 8 of the directive of the Government of the RF dated June 18, 2008 №ИШ-П9-3772 on implementation of the Decree of the President of the Russian Federation dated June 04, 2008 №889 On certain measures to increase the energy and ecology efficiency of the Russian Economy, the letter of the Federal Property Management Agency dated November 27, 2008 №ГН-13/28934).</p>	<p>At the meeting of the Board of Directors held on April 20, 2012 (Minutes of the Meeting №59) report on results of Zarubezhneft's Investment Program for 2011 realization was taken into consideration, at the meeting of the Board of Directors dated September 27, 2012 report on results of Zarubezhneft's Investment Program for the 1<sup>st</sup> half of 2012 was taken into consideration.</p>
<p>On purchase of the products produced in Russia (the letter of the Federal Property Management Agency dated April 03, 2009 №ГН-13/7796).</p>	<p>Procurement under the Russian and international projects of JSC Zarubezhneft (Cuba, India, Bosnia and Herzegovina, Vietnam) is effected with a maximum attraction of the enterprises of the Russian industry.</p>
<p>On working out the medium-term strategy of the development of the entity and the Program of the innovation development (Minutes of the Meeting with the Chairman of the Government of the Russian Federation dated 03 August, 2010 №4)</p>	<p>At the meeting of the Board of Directors of the company held on September 27, 2012 (Minutes of the Meeting №66) the program of the innovation development of JSC Zarubezhneft was approved.</p>
<p>On measures aimed at restructuring of the assets owned by joint stock companies with state share participation provided for by the paragraph 8 of the Minutes of the Meeting with the Chairman of the Government of the Russian Federation dated October 20, 2010 №БП-Ш3-56np (the letter of the Federal Property Management Agency dated January 24, 2011 №ГН-13/1359) including consideration at the meetings of the boards of directors (supervisory boards) of the public companies of the issues on alienation of the non-core assets of both of the head organizations and of its subsidiaries and affiliated companies, and on approval of the programs of these assets disposal.</p>	<p>At the meeting of the Board of Directors of JSC Zarubezhneft on August 07, 2012 (Minutes of the Meeting №64) the program of non-core assets disposal for 2012-2013 was approved.</p>
<p>On implementation of measures aimed at provision of the informational openness of the procurement operations and the transfer to e-procurements, including the provisions regulating procurement procedures for goods, works and services. It is required to specify the results of holding the meeting of the board of directors (supervisory board) in the joint stock company, at which the said issues were considered (directive of the Government of the Russian Federation dated December 17, 2010 №ИШ-П13-8685, the letter of the Federal Property Management Agency dated January 25, 2011 №ГН-13/1416).</p>	<p>At the meeting of the Board of Directors on November 22, 2011 (Minutes of the Meeting №55) Regulations for Procurement in JSC Zarubezhneft and Regulations for procedure of the electronic procurement operations preliminarily agreed with the Ministry of Energy of Russia were approved.</p> <p>At the meetings of the Board of Directors dated April 20, 2012 (Minutes of the Meeting №59), June 07, 2012 (Minutes of the Meeting № 61), August 24, 2012 (Minutes of the Meeting № 65), November 16, 2012 (Minutes of the Meeting № 67) the reports on procurement activity results for 2011 and for the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> Quarter, 2012 were taken into consideration.</p>

Instructions of the President of the RF and Directives of the Government of RF	Information about execution by the company of respective Instructions and Directives
Information about resolutions aimed at improvement of labor remuneration of JSC's employees (directive of the Government of the Russian Federation dated December 4, 2010 №КА-П13-8297, the letter of the Federal Property Management Agency dated February 15, 2011 №ГН-13/3802).	At the meeting of the Board of Directors of JSC Zarubezhneft held on December 27, 2011 (Minutes of the Meeting №56) regulation on remuneration of the top executives of JSC Zarubezhneft was approved which regulates the procedure for determination of the amount of the annual bonus payment for the top executives of the company, and also defines the criteria (including a set of individual KPIs) used in calculation of the sum of the bonus payment for the company's top executives. At the meeting of the board of directors of JSC Zarubezhneft dated April 20, 2012 (Minutes of the Meeting №59) the target KPI values for 2013 were approved.
Information in relation to measures aimed at the development of the programs of innovation development in joint stock companies included into the list of organizations developing innovation development programs, approved by the resolution of the Governmental commission for high-technologies and innovations dated August 03, 2010, Minutes of the Meeting №4 (letters of the Federal Property Management Agency dated October 29, 2010 №ГН-13/32160, dated October 29, 2010 №ГН-13/32156).	At the meeting of the Board of Directors of JSC Zarubezhneft held on September 27, 2012 (Minutes of the Meeting №66) the program of innovation development of JSC Zarubezhneft was approved. As per resolution of the annual general meeting of the shareholders of JSC Zarubezhneft on the results of 2011 the funds transfer to Skolkovo Fund has been effected.
Subparagraph e, paragraph 1 of the List of instructions of the President of the Russian Federation on implementation of the top priority measures aimed at improvement of the investment climate conditions in the Russian Federation dated April 02, 2011 №Пп-846, in accordance with which it is required to provide in the companies controlled by the State (joint stock companies with RF's share of participation in the chartered capitals of over 50% (hereinafter – JSCs) taking of decisions on reducing the costs for purchase of the goods (works, services) counting on per unit of product by not less than 10% annually during three years in real terms (letters of the Federal Property Management Agency dated September 14, 2011 №ГН-15/27795, dated September 16, 2011 №ГН-15/28326 and dated September 14, 2011 №ГН-15/27797, dated September 16, 2011 №ГН-15/28327, dated July 14, 2011 ДП-15/20610).	At the meeting of the Board of Directors held on June 07, 2012 (Minutes of the Meeting №61) the amended method of calculation of the costs decrease factor for goods (works, services) purchase per unit of product was approved.
On liability insurance of the independent directors – the representatives of the state's interests with JSCs management bodies (instruction of the President dated August 03, 2011 №Пп-2206, letter of the Federal Property Management Agency dated November 29, 2011 №ГН-15/36784).	At the meeting of the Staff and Remuneration Committee under the Board of Directors of JSC Zarubezhneft dated September 14, 2012 an issue of Liability insurance of members of JSC Zarubezhneft's Board of Directors was considered.
On proposals and recommendations aimed at stimulation of developing the mechanisms of environmental responsibility based on international standards, including such as non-financial reports and systems of voluntary certification and marking, subject to independent examination and attestation (subparagraph л paragraph 1 of the List of instructions of the President of the Russian Federation dated June 06, 2010 №Пп-1640, letter of the Federal Property Management Agency dated December 05, 2011 №ГН-13/37524).	At the meeting of the Board of Directors on April 20, 2012 (Minutes of the Meeting №59) the Ecological program of Zarubezhneft's Group of companies was approved.
Decree of the Government of the Russian Federation dated December 31, 2010 № 1214 On improvement of management of JSCs, the shares of which are in federal ownership, and federal public unitary enterprises	At the meeting of the Board of Directors held on September 29, 2011 (Minutes of the Meeting №52) regulation of JSC Zarubezhneft on organization of the informational interaction through the Interagency Portal for public property management in internet was approved, and in accordance with the said regulation the company in 2012 has regularly placed the corresponding information in the personal profile at the Interagency Portal.
On expediency of alienation of the core assets in the economy sectors with a sufficient competitiveness level in accordance with subparagraph в, paragraph 1 of the List of instructions of the President of the Russian Federation dated 27.04.2012 № Пп-1092 (letter of the Federal Property Management Agency dated July 12, 2012 № ДП-15/26414).	At the meeting of the Board of Directors held on September 27, 2012 an issue of expediency of alienation of the core assets of JSC Zarubezhneft was considered. Considering the formed companies' assets portfolio a resolution was taken to acknowledge it inexpedient to work out the program of core assets sales.
On introduction into practice of the co-investing principles in the Russian and international venture funds, in accordance with the instruction of the President of the Russian Federation dated 03.11.2011 № Пп-3291 (letter of the Federal Property Management Agency dated 12.07.2012 № ДП-15/26414).	The program of the Innovation Development of JSC Zarubezhneft provides for development of the technological solutions being of strategic importance and critical for ensuring the competitiveness of the Group of companies. Funding of the projects included in the program is effected solely for the company's own and subsidiaries' account. Engaging the third-party investors in innovation projects will result in a loss of the exclusive rights for the created results of the intellectual activity and in disclosure of the company's know-how. Therefore, co-investing in venture funds at present is acknowledged to be inexpedient.

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