

VNIINEFT JSC

VNIIneft JSC is the leading industry institute in the area of oil and gas field development..

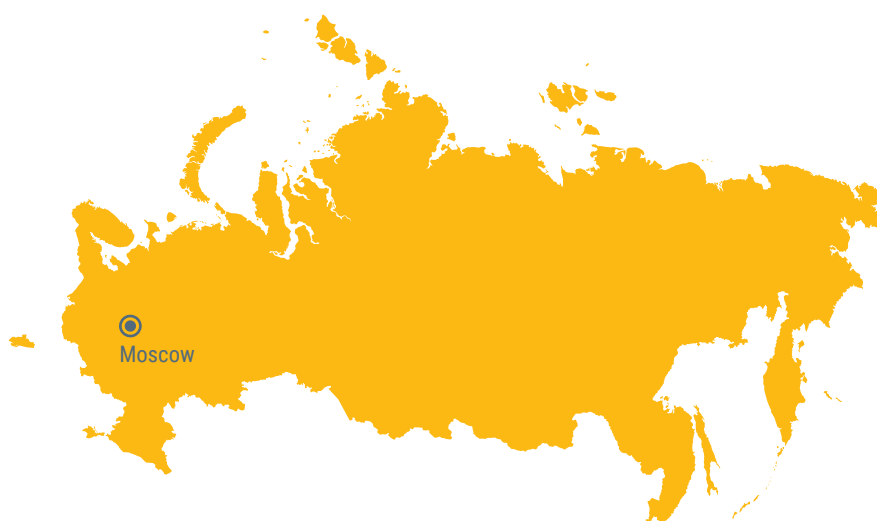
ACTIVITY AREAS

Primary activities of VNIIneft JSC are scientific support of Zarubezhneft JSC projects, R&D activities intended to overcome current technical and economic limits for displacement efficiency and sweep efficiency in hydrophobic carbonate reservoirs, development and upgrading of enhanced oil recovery methods, laboratory studies of core and formation fluids, removal of license risks of the Company, calculation of oil and gas reserves and designing oil and gas field development, along with training under the further vocational education program.

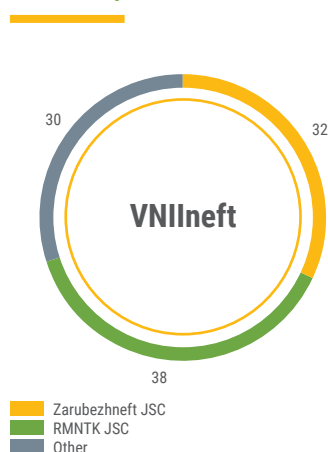
PERFORMANCE IN 2019

The following strategically important tasks and projects were completed in 2019:

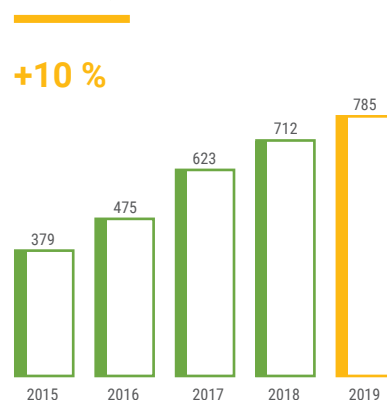
- R&D for studying the structure of pore volumes;
- testing of the compositions of surfactant-polymeric flooding (in cooperation with BASF, Solvay, RSU, and KFU);
- works on gas injection to assess the performance at JC RUSVIETPETRO LLC fields;
- laboratory-confirmed potential performance of smart water used in order to optimize injection in carbonate reservoirs;
- three-phase filtration testing, linear model configuration, as well as definition of configured, combustion parameters;
- a program was compiled for polymer injection at the Kharyaga field;
- high oil recovery factors were acquired when using steam in the core of the M formation at the Boca de Jaruco field;
- support of innovative activity and the innovative development program (IDP) of Zarubezhneft JSC;
- new focus area was arranged to study reagents for chemical treatment of fields of Zarubezhneft Group;
- work aimed to calculate geological reserves of oil, dissolved gas and associated components; and the development flow chart was Development Flow Chart prepared for the Vostochno-Yanemdeyskoye field;
- the operating calculation was provided for reserves of oil and dissolved gas of the Yuzhno-Syrkharatinskoye field of JC RUSVIETPETRO LLC;
- the Exploration Works Department of the research and development center provided the operating evaluation of reserves for exploration drilling, including an exploration works program for Block 09-1, taking into account the results of seismic inversion;
- project teams of JV Vietsovpetro, ZARUBEZHNEFT-Dobycha Kharyaga LLC, and JC RUSVIETPETRO LLC were sufficiently staffed (95%).



Ownership structure, %



Revenue, MM RUB



Their primary tasks were aimed at analyzing and optimizing the current development status, building operating geological flow simulation models, and forming the WI rating;

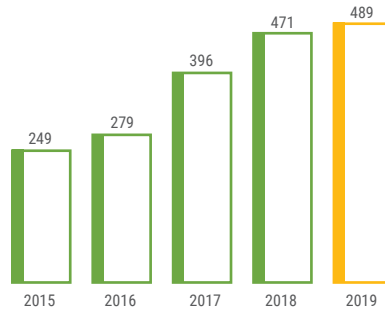
- evaluation and definition were performed for the Middle East projects, which ensured entrance to these assets;
- an institute development strategy was prepared and approved (including a series of measures within the 75th anniversary to form the image of VNIIneft JSC);
- more than 10 students completed internship with further employment.

In the structure of income from all types of activity, the highest share is traditionally taken by income from R&D deliverables (production).

Revenue increase in 2019 as compared to 2018 is caused by the growth of R&D activities by means of changing the structure and volume of the order portfolio, including that for Zarubezhneft Group.

OPEX, MM RUB

+4 %

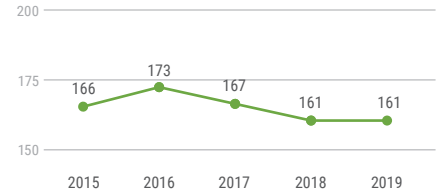


The growth of operating expenses in the fiscal year is related with the higher volume of subcontractor services.

DEVELOPMENT PROSPECTS

The primary focus of VNIIneft JSC is to ensure additional production of Zarubezhneft Group by entering new assets and implementing new technologies, including EOR, when developing current assets.

Average headcount, persons



In 2019, the average headcount was at the level of 2018, but the output per 1 person was up by 15% due to improved qualification of production personnel and respective growth of labor productivity.

