

The NESTRO-TEC Project includes a set of technological initiatives aimed at developing mobile process solutions and equipment, as well as cutting the cost of existing components, which contributes to the end product recovery at the pilot field operation stage, with the possibility to influence the performance of technological operations.

The objectives of the comprehensive innovation NESTRO-TEC Project are:

- To develop fields with mobile preliminary water discharge units at the early stage of construction and development;
- To generate electric power using oil instead of diesel fuel;
- To cut capital and operating costs of APG processing associated with electrical power generation;
- To reduce the APG flared volumes;

- To cut specific energy costs associated with production of oil-containing liquid;
- To cut operating costs associated with energy-consuming equipment;
- To improve the quality of scheduled repair operations involving surface equipment;
- To ensure efficient operation of wells of a complex profile;
- To reduce capital costs associated with field facilities installation.

Within the framework of the NESTRO-TEC Project, it is planned to carry out complete testing and reproduction of technologies developed in 2016-2018, including:

- MWDU for small fields (NESTRO-KSI/Kickoff Surface Infrastructure) – Mobile Water Discharge Unit (MWDU) is deployed directly at the field for the period of pilot production and it can be quickly relocated using road and rail transport;

- A Russian-made oil-fueled power plant running on all types of oil – this is a diesel power plant equipped with fuel equipment developed by Zarubezhneft JSC, to be operated using class 3 oil;
- Energy Performance of Oil and Gas Enterprise Analytical Information System (EPOGE AIS);
- Oilfield Equipment Integrity Management Information System (OEIMIS) – an automated system for areal oil production, preparation and transportation facilities.

THE EXPANSION PROGRAM

In accordance with the Zarubezhneft JSC Corporate Strategy, the basis for the Company's long-term growth is entering new oil and gas projects. The Company is constantly working to expand its portfolio of assets and search for new assets abroad.

Zarubezhneft JSC adopts the following underlying principles intended to expand its global reach:

- Application of proprietary technologies and expertise;
- Establishing partnerships primarily with state-owned oil and gas companies.



In 2019, the Company continued searching for and assessing new projects within the Russian Federation in the traditional regions of presence in order to achieve maximum synergy. On July 19, 2019, a license was obtained for geological survey, exploration and production of mineral resources at the Zapadno-Yareyaginsky site (Zapadno-Yareyaginskoye field) for 25 years. The site is located in the Nenets Autonomous Area of the Russian Federation, the nearest fields being developed: the Severo-Khosedayuskoye oil field (15 km NW), the Syamayuskoye field adjacent to it in NE, and the Kolvinskoye field (12 km to the south).

One of the key regions of presence is traditionally Vietnam, where the Company successfully entered new projects in 2019.

- On May 22, 2019, an Agreement was signed in Moscow between PVEP and Zarubezhneft JSC to transfer 30% participating interest regarding the production sharing agreement (PSA) for Block 09-2/09 to Zarubezhneft JSC.
- In May 2019, Zarubezhneft JSC joined a consortium of participants in the Cana Project along with recognized leaders in their areas, international companies NovaTek PJSC, Total and Siemens. The purpose of the project is to meet the growing demand of the Vietnamese market for gas and electricity in an environmentally friendly, reliable and efficient way by creating the necessary infrastructure, including an LNG regasification terminal and a power plant.
- Zarubezhneft JSC considers business development in CIS countries as one of the key areas of its international activities.

In cooperation with Uzbekneftegaz JSC, Zarubezhneft JSC began to actively explore the possibility of joint operation in the Republic of Uzbekistan to pursue these plans. In the course of operation, three fields of the Ferghana Valley were identified with an out-of-balance development system at the licensed sites of Andijanefit JSC (a subsidiary of Uzbekneftegaz JSC) to carry out work to increase performance of existing oil fields: South Alamyshyk, Khartoum and East Khartoum.

In 2019, JV ANDIJANPETRO LLC (joint venture) was established between Zarubezhneft JSC and Uzbekneftegaz JSC, the state company of Uzbekistan. In December 2019, licenses and production claims for the right to use subsurface mineral resources at the fields of South Alamyshyk, Khartoum and East Khartoum were transferred to the joint venture. At the same time, the Shareholders Agreement, the Participants Agreement, the Oil Supply Contract and other documents necessary for the joint venture were signed.

In 2019, the Company focused on entering projects in Egypt with a view to developing business and establish presence in the Middle East and North Africa.

On December 24, 2019, a production sharing agreement for the South East Ras El Ush and East Gebel El Zeit blocks was signed in Cairo between Zarubezhneft JSC, the Ministry of Oil and Mineral Resources of Egypt, the Egyptian state oil holding company GANOPE and Pacific Oil Limited. The blocks are situated in the Gulf of Suez at a distance of 10 km from each other. Estimated geological resources at both blocks are over 200 MM barrels.

Development of the projects in Egypt is one of the key areas of Zarubezhneft JSC's international activities.

The beneficial cooperation between the companies and the Egyptian state authorities, which was established through negotiation, contributes not only to achieving high performance of the participants in the framework of production indicators, but also to strengthening Russian-Egyptian cooperation in general.

RENEWABLE ENERGY SOURCES (RES) IS A NEW AREA OF ACTIVITY FOR ZARUBEZHNEFT JSC

For the purpose of ensuring sustainable development of the national economy as well as solving escalating climate issues, advanced states are strengthening their energy efficiency policy in production and increasing the share of renewable energy sources in the total energy balance.

When diversifying their businesses, oil and gas companies rely on their unique experience in onshore and offshore drilling, oil and gas refining, transport and installation operations, and trading operations. Oil and gas companies expand the activity area of renewable energy sources through developing their own expertise, purchasing core assets, as well as through cooperating with leading suppliers of technological equipment and project developers.

Knowing the potential of renewable energy sources in the future and their increasing competitiveness versus fossil fuels, the Board of Directors of Zarubezhneft JSC addressed the issue of developing RES projects in March 2019. A few months later, in June 2019, the new Department for Development of Renewable Energy Sources was created as a structural unit of the Company in order to implement stage-by-stage development of its own expertise as a related business, which would be an additional factor in improving the sustainability of its own structures.