

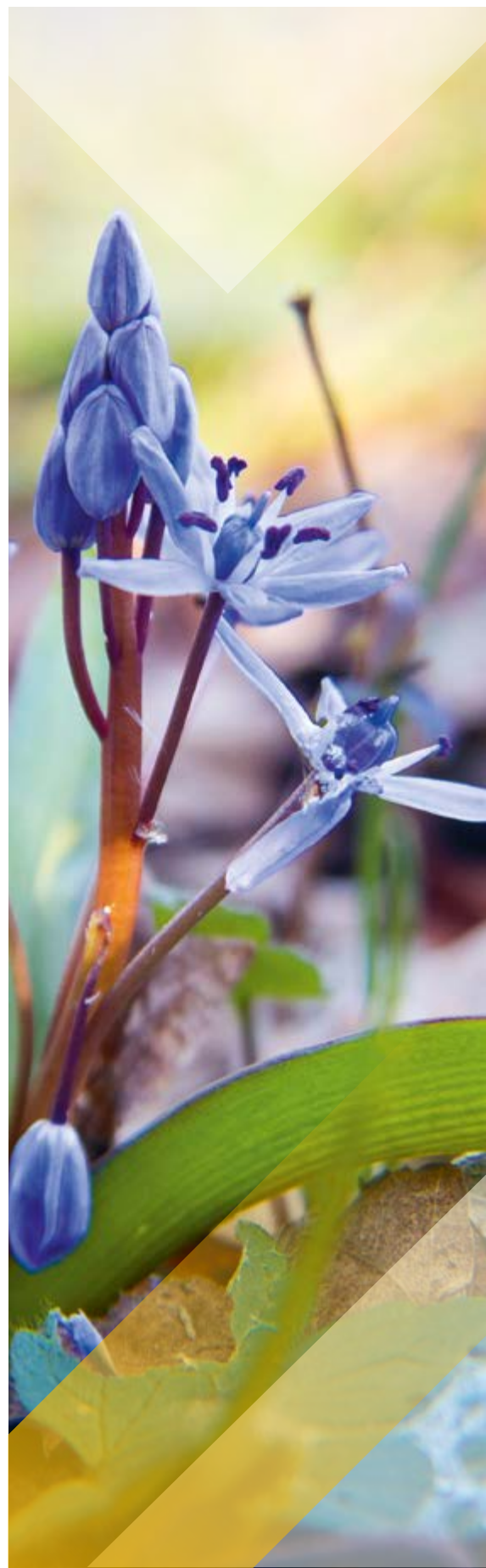
# Investment activities of Zarubezhneft JSC

Project financing projects is carried out as per the adopted investment decisions and aimed at providing Company development as per the approved Long-term Development Program.. In 2018, Zarubezhneft JSC's investment activity was associated with the continuation of the implementation of previously started investment projects – search and development of fields in the Socialist Republic of Vietnam, Cuba, modernization of assets in Russia. The 2018 Investment Program investment program was approved by the Zarubezhneft JSC Board of Directors (Minutes No. 148 dated December 22, 2017).

The actual financing of the Investment Program amounted to RUB 1.2 billion. (8% of the plan). Including the amount of funding for exploration projects of Zarubezhneft JSC amounted to RUB 0.9 billion. (24%), Corporate Center

investments (expansion of the area of activity and modernization of fixed assets of the CC) – RUB- 0.3 billion. (3%). The volume of intra-group borrowing is RUB 0.8 billion, which is 46% of the total volume of planned intra-group borrowings. Investment Program financing in the reporting year was made taking into account the optimization measures and the current needs of subsidiaries.

The reduction of intra-group borrowing was due to both the optimization of subsidiaries' budgets to release funds for investment projects without borrowing on the part of Zarubezhneft JSC, and increase in the possibility of reinvestment due to the favorable macroeconomic situation existing in 2018.





**Project 12/11** – in 2018, all operational obligations of Phase I on prospecting and exploration following the testing of prospecting and exploration well No. EF-1X with hydraulic fracturing at Block 12/11 were completed. As for the well, the industrial inflow of gas-condensate mixture was obtained and the reserves of the EF structure were confirmed.

**Boca de Jaruco project** – in the reporting year, as part of the project scientific support, the work was completed on selection of an aquathermolysis catalyst to intensify on-site oil treatment and an experimental catalyst batch was produced for conducting the Pilot Development Planning. To optimize the project, the financing of local services and material and technical resources was organized at the expense of the Special Account during the pilot development at reservoir M for 2 years.

**Brod Refinery A.D.** – investment decisions are financed to implement the Investment Program.. The main part of investments in 2018 aimed to the workover and replacement of equipment.

**KhPSA** – in the framework of direct participation in the PSA for the development of Kharyaga field, Zarubezhneft JSC fulfills its obligations financing the KhPSA Investment Program.. In 2018, the volume of financing the investment activities amounted to RUB 6,915 million, while the share of Zarubezhneft JSC (20%) was RUB 1,376 million.