



## ENTRY INTO NEW PROJECTS

The Zarubezhneft JSC Corporate Development Strategy sets venturing into new oil projects as the basis for the Company's future growth. The company is constantly working on expanding its assets portfolio and searching for new assets abroad.

Zarubezhneft JSC is using the following main principles to expand the geography of its activities:

- applying privately-developed technologies and competencies;
- building partnerships, primarily with state-owned oil and gas companies.

The Company's is concentrating its focus on the search for new assets in its regions of strategic interests and the countries where Zarubezhneft JSC is traditionally present, primarily **Vietnam**. An agreement stipulating

the key terms and conditions for the transfer of a share in the Block 09-2/09 PSA was signed in August 2018 that resulted in the distribution of shares as follows: PVEP – 30%, Zarubezhneft JSC – 30%, JV "Vietsovetpetro" – 40%. The project operator is JV "Vietsovetpetro".

Another region where Zarubezhneft JSC can search for new projects is **South America**. The Company's strategic interest is focused on establishing contacts with oil and gas companies in Ecuador and Argentina. In the reporting year, direct negotiations on a number of projects as part of the contacts established between Zarubezhneft JSC and the Ministry of Hydrocarbons of Ecuador, as well as negotiations with representatives of the Federal Energy Department of Argentina and the regional Rio Negro Province Energy Department were held.

To promote business development in the **Middle East and North Africa**, in 2018, the Company focused its activities on the Egyptian and Iraqi markets.

Although Iraq has historically been the Company's country of strategic presence, this was suspended after the US invasion of Iraq in 2003. However, since 2012, Zarubezhneft JSC has gradually been restoring its position in this country.

African countries are becoming one of the priorities of business development. Successful project implementation will allow the Company to expand the geography of its presence and form a regional Company's production center in Africa.

In terms of new assets in the **Russian Federation** and the CIS, Zarubezhneft JSC has also been actively assessing new facilities. The Company is focused on the fields and license areas in the Timan-Pechora basin, the Khanty-Mansiysk and Yamalo-Nenets autonomous districts, the Volga-Ural region, as well as the Republic of Kazakhstan.

## COMPLETION OF COMPETENT PERSONNEL TRAINING PROGRAM, KEY PROCESS STANDARDIZATION

In preparing to enter new projects, the Company has created a personnel training and development system specifically for new projects that includes:

- oil engineering corporate school, where more than 700 man-training courses were conducted in 17 production courses;
- project management corporate school, where 18 specialists receive tuition;
- Corporate Leadership School, where more than 290 man-training courses were held in three main programs: "Modern Management Practices", "Management Potential Development", "Effective Leader";
- a rotation system, in which 62 internal rotations of Group of Companies' key staff were carried out;
- the Nestrolead Program, in which 756 employees of the Group of Companies expressed their willingness to develop and participate in new projects.

To ensure the efficient and comfortable work of its employees, Company has created a new space for creative work and knowledge sharing in the Zarubezhneft JSC office. Called

KNOWLEDGE TERRITORY, this platform provides residents with additional opportunities to learn, work for personal and team development, as well as share experience and best practices; all this using modern IT solutions in a comfortable and creative environment.

One of the key tasks of Stage II of the Company's Corporate Development Strategy in terms of organizational development for planned inorganic growth in the number of assets is transition to the STRATEGIC CONTROLLER management model. This is a model of management in which the Corporate Center is transformed into a strategic system and a methodological controller of subsidiaries, ensuring the creation of a unified methodological base and uniform rules of handling key processes in the corporate center and its subsidiaries.

To implement this task, the Company has introduced and is effectively running a system of business processes.

In 2018, the improvement project called "Implementation of the Organizational Framework and the Updated Regulatory System" was completed successfully. Under it:

- the principles and matrix of functionality distribution between the Corporate Center and its subsidiaries was developed;
- the standard for a new business process called "Corporate Subsidiary Management" was approved, including the Corporate Management Matrix and the Business Processes Decision-making Matrix;
- The Specific organizational framework for business processes was developed – a set of standard requirements for enterprises of the Group of Companies;
- a single database of existing internal regulatory documents (about 500 internal regulatory documents) was formed;
- an institute of expert methodologists was established, 51 expert methodologists were allocated to 66 business processes

## DEVELOPMENT OF THE "SERVICE AND OTHER ASSETS" SEGMENT – SYNERGY WITH UPSTREAM SEGMENT

Top-priority service-unit development areas include maximum synergy with the Company's key segment – Upstream.

Professional research and design support for the Company's production assets is ensured based on JSC VNIIneft and Giprovostokneft JSC corporate industry-specific institutes:

### Giprovostokneft JSC:

- Corporate requirements in general engineering (conceptual design and field facilities engineering) were 100% covered.
- Drilling engineering and conceptual completion competency centers were established.

### RMNTK Nefteotdacha JSC:

- A qualified in-house contractor providing a full range of oil services was established;
- New business areas were developed: supervising and drilling and oilfield service management.

### Zarubezhneftestroyontazh LLC:

- An in-house capital construction competences center was established.

The approach used for full-scale corporate service involvement in the Company's foreign projects allows minimizing expenditures and ensures compliance with the work-quality and performance-deadline requirements.