

Speech of Rosneft Chief Executive Officer Igor Sechin on 08.09.2017

Dear Vladimir Vladimirovich,
Dear Participants of the Event,

Let me welcome you at Zvezda shipyard.

Dear Vladimir Vladimirovich, your arrival commemorates by commissioning of an open heavy outfitting dock.

I also welcome our partners: Damen, Daewoo Shipbuilding & Marine Engineering, Gaztransport & Technigaz (GTT), General Electric, Hyundai, Samsung, Lamor Corporation, COSCO, ChemChina, Nordmarine, Zvezda-Keppel, Sibintek-Zvezda, Diakont, FSUE Rosmorport, Sevmash, Central Design Bureau Rubin, Transmashholding, Far Eastern Federal University, Nevelskogo University, Primorsky Metropolia.

Dear Vladimir Vladimirovich, on your behalf a consortium of Rosneft, Rosneftegaz and Gazprombank took control of the shipyard construction in 2015.

Today you have put into operation the open heavy outfitting dock that was commissioned 3 months ahead of the approved schedule!

The dock is a complex hydrotechnical structure with an area of 12 hectares, 230 meters wide and 485 meters long, which has no analogues in Russia. It has three process trains for assembling ships and superstructures of drilling platforms.

The construction site is equipped with a powerful crane facility consisting of seven cranes with a carrying capacity from 100 to 1200 tons, including the unique Goliath crane, one of the largest in the world in its dimensions - 110 m beam height, with a 230 m transverse beam. The maximum load capacity of cranes at the existing Russian shipyards does not exceed 500 tons.

During the works on the construction of the unique Russian open outfitting dock:

- more than 6,700 bored piles concreted;
- more than 220,000 m³ of concrete used;
- 4,600 meters of crane tracks and 13,600 meters of ship-carrying tracks were assembled; 31,500 meters of cable lines of the power supply network and 25,000 meters of utility pipelines laid down.

The handling berth of the dock has the largest capacity in the country, it allows transshipment of vessels and other heavy cargoes

weighing up to 40 thousand tons from the slipway to the transport dock. This load is supported by 1500 piles drilled to a depth of 35 meters.

The construction of the Assembly Workshop continues according to the schedule. As of today:

- installation of 859 bored piles completed;
- 52,000 m³ of soil moved out (of the total excavation volume of 55,500 m³, 3,500 m³ remain);
- 408 m³ concreted in the bulkhead wall;
- works on reinforcement of the bearing structure grillage are underway.

The shop is to be commissioned in 2018.

The work is progressing at the construction site of the largest and most modern dry dock in Russia with dimensions of 485x114x14 meters:

- cofferdam is constructed in the water part - 900 running meters of backfilling, about 80,000 m³ in volume;
- more than 15,000 m³ of structures and foundations that fall into the construction footprint are dismantled;
- installation of the anti-filtration diaphragm and the sheet pile wall is performed.

Over 300,000 m³ of soil were removed from the dry dock pit.

This month it is planned to begin the installation of the water-lowering system in the pit, and its concreting is scheduled on Q4.

The dry dock commissioning time is 2019.

Installation of a modular boiler-house with a capacity of 30 Gcal/h are completed.

Gas was supplied to the burners, and commissioning works are in progress. We plan to launch the boiler house by the winter heating season of 2017-2018.

Complete replacement of all engineering communications is being carried out at the plant. Gas is supplied; a 70 MW powerful electric substation was built for power supply to the plant; replacement of the water supply and heating systems is underway at all facilities. For the first time at the plant, modern treatment facilities have appeared that allow to normalize the environment in the town and the bay of Bolshoy Kamen.

The construction of the handling dock for Zvezda shipyard is in progress.

Overall preparedness of the dock is 76 percent.

In September 2017, it is planned to complete the assembly of the dock building and launch it to accomplish the construction afloat. The commissioning of the dock is scheduled for March 25, 2018.

Dear Vladimir Vladimirovich, the company has no remarks as to the quality and timing of the handling dock construction.

Thus, dear Vladimir Vladimirovich we can say with certainty that the reconstruction of Zvezda shipyard spins up.

Please let me draw your attention that the construction of the new shipyard and the relocation of the military unit does not terminate the current production process and is held with timely execution of the government order.

The Zvezda product line will be focused on medium- and large-tonnage commercial vessels for cargo transportation, offshore drilling, exploration and production platforms and service fleet vessels, primarily those of ice class.

The key elements of the production program will be special tankers and gas carriers for the transportation of hydrocarbons. The construction of such vessels will require unique technical solutions most of which are brand new for the Russian shipbuilders.

The main engineering advantages of the shipyard are the following: high automation of production using a large number of automated lines and equipment with digital program control.

In order to develop and create state-of-the-art marine equipment and offshore drilling platforms, as well as to ensure their technological support, the Consortium established an engineering center at Lazurit Central Design Bureau.

To acquire expertise and then localize the production facilities in the Russian Federation, joint ventures with foreign technology partners having world-class competence were registered.

We have designed ice class vessels with Damen, drilling platforms with Keppel and ship equipment with General Electric.

Today, with your participation, dear Vladimir Vladimirovich, base sections of 4 ice-class supply vessels have been laid down, which are being built together with our technology partner, Damen.

Agreements were signed with a joint venture of Zvezda and Hyundai Heavy Industries to perform the design work for Aframax-class tankers on gas engine fuel, and a Head of Terms with Samsung Heavy Industries for the establishment of a joint venture to manage the construction of Arctic shuttle tankers.

In accordance with your assignment, Bolshoy Kamen Priority Development Area was created in 2016; Zvezda shipyard became its

first resident. A customs zone and border control were organized at the new shipyard construction site.

An industrial cluster of plants for the production of ship components is being formed around the new shipyard.

Together with General Electric, we are building a plant for the production of Arctic-class steerable thrusters, electrical equipment for ship electric propulsion systems, as well as dynamic positioning systems at Bolshoy Kamen.

As part of the polymer coating plant project in the town of Bolshoy Kamen, work was done to establish a joint venture with ChemChina. As a result of the project implementation, a major plant manufacturing special polymer coatings for various marine class vessels, including Arctic class, will be established.

Vladimir Vladimirovich, during your previous visit you instructed to consider providing Zvezda shipyard with rolled metal products.

In pursuance of this instruction, a joint venture with the Ural Mining and Metallurgical Company was established at the end of 2016 to build a new metallurgical plant in Primorsky Territory.

Preliminary feasibility study of the project was prepared with the leading engineering and industry specialists from Hatch and McKinsey.

Target configuration of the plant has been determined that meets the strictest ecological requirements and allows preserving the biosystem of the region. Please support this enterprise with a resource mining base.

In order to accomplish the tasks by 2024, over 7,500 highly-qualified jobs are created at the shipyard. The average salary at the enterprise is 60,000 rubles, while the average salary in Primorsky Krai is less than 36,000 rubles (Federal Service for State Statistics).

Particular attention is paid to the training and professional development of the personnel at the new shipyard, as well as to the adaptation of employees in the new place of residence.

Work was organized with the employment agencies and special educational institutions, including the Far Eastern Federal University, the Far Eastern Shipbuilding College and special educational institutions of St. Petersburg. It is planned to set up a training center.

The successful implementation of the Zvezda project requires timely provision of housing and social infrastructure for the shipyard employees. Upon the commissioning of the first extended phase facilities alone, the population of Bolshoy Kamen will increase by more than 7,000 people (shipyard employees and members of their families) (for reference: the population of Bolshoy Kamen is 40,000 people).

Despite the high financial burden, Rosneft allocated funds for the construction of six residential buildings with 444 apartments, two of

which have already been built. The remaining four houses are planned to be delivered in stages by the end of 2018.

The program of departmental housing construction is being implemented: 16 houses with 672 apartments have already been laid down. Commissioning of the first houses is planned this December.

Dear Vladimir Vladimirovich, cooperation with Rosmorport continues: today an agreement has been made for the construction of shallow-draft icebreakers and ice-class auxiliary fleet vessels (4 vessels). Thus, the stock of orders comprise 14 vessels.

In order for the shipyard to be economically effective, the required quantity of orders for ships and marine equipment must reach 178 by 2035 – average large-capacity vessels and marine equipment.

Unfortunately, in reality the following happens.

According to Rosregister, China alone has an order portfolio of more than 50 vessels; the orders in South Korea exceed \$5 billion and tend to increase. Urgent measures are required to amend the legislation protecting domestic shipbuilders and maritime transport companies.

Dear Vladimir Vladimirovich, my report is over.

Let me report you personally on the issues that require your decision.