

PJSC Rosneft Chief Executive Officer I. Sechin report highlights 11.09.2018

Dear Vladimir Vladimirovich!
Dear participants!

Let me welcome you at Zvezda Shipbuilding Complex and report on the work undertaken during the previous year and on the current state of Zvezda Shipbuilding Complex building project. I would also like to welcome our partners.

Damen
Daewoo Shipbuilding & Marine
Gaztransport & Technigaz (GTT)
General Electric
Hyundai
Samsung HI
COSCO
FSUE Rosmorport
PJSC Sovcomflot
JSC PO Sevmash
CDB ME Rubin

This year was very fruitful for the project and eventful.

Since September, 2017 we have signed 157 contracts for the shipyard totaling 46 billion rubles.

A significant volume of work has been accomplished during this year at the objects of the first and the second lines of construction:

- about a million m³ of soil and dismantling wastes has been removed and transported from the site;
- we have laid over 200,000 m³ of soil;
- we have poured over 25,000 m³ of concrete;
- we have installed 2,900 tonnes of tongue and 500 piles;
- over 25,000 m² of temporary sites have been set up;

75 objects with total construction amount of 500,000 m³ have been dismantled in order to clear the Zvezda Shipbuilding Complex construction site.

On the 24th of July, 2018 a unique floating transfer dock called Vympel with a lifting capacity of 40,000 tonnes has been delivered and moored to the berth of Zvezda Shipbuilding Complex. The floating transfer dock is one of the biggest in Russia and it will enable Zvezda to heave off large-sized marine vessels up to 300 m in length and over 50 m, as well as marine equipment.

The construction of the floating transfer dock is unique for Russia. The unsupported dock allows longitudinal vessel roll on from 3 different shipyard building berths and transversal roll on of offshore objects.

In order to maintain the production program of Zvezda we are currently finishing installation of 2 mobile shelters 28 at 28 at 26 metres at the heavy open outfitting slip.

The mobile shelters will allow to perform site joint of vessel blocks at the heavy slip throughout the whole year even under adverse weather conditions.

Dear Vladimir Vladimirovich! Your last year arrival marked the commissioning of the only Russian heavy open outfitting slip covering 12 hectares with its width of 230 metres and length of 485 metres.

Today this slip is siting ship framing from the blocks that were built at the production halls of the new shipyard. We have resolved the key issues from the shipbuilding technology point of view by providing for not only shipbuilding and site joint at the slip but also for heaving off vessels using the floating transfer dock for their future outfitting.

In November, 2017 Sapphire, a joint venture of Rosneft and General Electric, has started to build a rudder propeller plant at SC Zvezda site in order to localize production of ship's equipment (rudder propellers and electromotional systems).

Rudder propeller - the key element of a ship's electro-motional system that influences its performance and manoeuvrability - is the

first Russian product of this class. Design capacity of the factory allows to provide this equipment for vessels of different classes including gas carriers like Christophe de Margerie.

Taking into account time needed for processing and launching, we are planning to start production activities in the second quarter of 2019.

Benefits of the area of advancing socio-economic development make the site attractive for partners and allow to form a technological chain around the SC Zvezda. Today the Bolshoi Kamen area enlists 6 resident companies that are engaged in the project.

According to our forecasts the sum of tax paid only by such resident as SC Zvezda to the budgets of all levels for 20 years of operation activities will total in 300 billion rubles.

Compliance with the schedule plan is our unconditional priority. Today over 2,000 people and over 150 units of machinery are engaged in the Complex building.

At the moment we are conducting building activities simultaneously at the following objects: block assembly workshop, pipe-working workshop, saturation workshop, module assembly workshop, mechanical equipment installation shop.

We are building an outfitting and a cargo quays of the total length of 1,000 metres.

All these objects will be commissioned in 2019. Once the block assembly workshop is commissioned the metalworking capacity of the shipyard will increase up to 90,000 tonnes per year.

Dear Vladimir Vladimirovich, I would like to draw your attention to the fact that the construction of the new shipyard and the re-equipment of the existing plant are being performed in conjunction with the implementation of their respective production programs, which of course imposes additional responsibility on the enterprises.

Currently, the orders portfolio of Zvezda Shipbuilding Complex totals 26 medium and large vessels, including 24 commissioned by Rosneft.

Multifunctional supply vessels of strengthened ice class are undergoing the construction stage. A ceremony of laying the keel of

these vessels was held year ago with your participation, Vladimir Vladimirovich.

The hull of the head vessel is being formed on the open building berth. The first unit is assembled already; the sections of the hull are ready for the assembly of the following blocks.

For the first time in Russia, the formation of sections and blocks of the vessel is carried out according to the best world practices in shipbuilding, with ship systems installation amount aimed to maximize before the vessel's hull formation initiation.

In 2019, the construction phase of the first vessel on the slip will be completed and the vessel will be floated off for completion, testing and delivery to the Customer.

In December, 2017 steel cutting for Aframax class tankers was started. The delivery of materials and production of initial section for the head vessel of the series were completed. The section of the left side has already been delivered to the ship's position on the open completion heavy-duty slip.

Design work is underway within the framework of the contract for the construction of a small-scale icebreaker commissioned by FSUE Rosmorport.

Agreement with Samsung on the establishment of a joint venture in the field of construction of arctic shuttle tankers was signed according to the previously reached agreements.

To ensure the production activity of SC Zvezda active work is carried out to attract personnel to the new production.

At present, 1,500 people are employed at SC Zvezda, with 87% of workers being residents of Primorsky Krai. By 2024, the company will employ 7,500 highly qualified specialists.

Among the attainments of the stage II of the shipyard construction there is a training Center foundation. It is a modern training center with an annual load of more than 3,500 students in 34 specialties of the shipbuilding industry. Training program will be designed using the latest technologies, virtual practices and real equipment. The facility is expected to be commissioned in the third quarter of 2019.

Construction of new housing for workers of the shipbuilding yard keeps going. Now work is simultaneously in progress in five microdistricts.

The results of the previous year witness positive dynamics of attracting major construction companies to build housing for the employees of Zvezda Shipbuilding Complex. At the moment work on 31 houses is in progress. The houses expect 1,610 apartments with the total area of more than 82,000 m².

At the same time, according to your commission, Vladimir Vladimirovich, the issue of development of social, transport and utilities infrastructure in Bolshoi Kamen urban district is under active consideration.

Dear Vladimir Vladimirovich, we will make all the required efforts to accomplish the stated tasks on construction and production programme of the shipbuilding yard.

Today we are going to participate in a significant event – the beginning of concrete works at the largest and the most advanced Russian dry dock of Zvezda Shipbuilding Complex.

2017 saw the start of site-works on engineering support and the setting of a basin for the dry dock. The original schedule meant the completion of the works in 2023. The work is now well under way, and we are going to reduce the times significantly and hand the dry dock over in operation in 2020.

The dock is a complex hydrotechnical structure sized 485 at 114 at 14 metres. Its characteristics will allow to build all the existing and promising ships almost without limitations in tonnage and hull weight, including such ships, as the major arctic liquefied gas tanker, developed for the Northern Sea Route in the frameworks of Arctic LNG 2, ice-reinforced drillships, nuclear-power icebreakers Leader, marine facilities and other unique vessels.

The dry dock expects another Goliath crane with carrying capacity of 1,200 tonnes, as well as a floating-caisson gate and tower cranes. This equipment will be established at the site for assembling in June, 2019. The construction of fitting-out workshops of the dry dock is expected in 2019, which is again ahead of the schedule.

Our workers are ready to pour concrete into the base mat of the largest Russian dry dock. Dear Vladimir Vladimirovich, I ask your permission to start the pouring of the concrete.