



COSCO Corporation (Singapore) Limited **AGM Presentation**

24 April 2015



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COSCO SHIPYARD GROUP

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PART ONE: COSCO Shipyard Group Overview



The COSCO Shipyard Group (CSG) is a group of enterprises specializing in offshore marine engineering, shipbuilding, ship repair and conversion. It was founded in 2001 as a subsidiary of COSCO. With rich resources, centralized management, continuous upgrading of products and increasing technical strength, we have achieved rapid development and become the preferred partner for many leading shipping companies and offshore operators.

SHIPYARD

PART ONE: COSCO Shipyard Group Overview

- ✚ We have six subsidiary shipyards, strategically located in Dalian, Nantong, Qidong, Zhoushan, Guangdong and Shanghai. We also have eight supporting enterprises.
- ✚ Dalian, Zhoushan and Guangdong Shipyards have established themselves as major shipbuilders in China. All our six yards have started offshore construction business, while COSCO Qidong and Dalian Shipyards will be built into our major offshore bases of CSG.
- ✚ With advanced technologies, COSCO Dalian shipyard has become the leader in FPSO conversions in China.



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PART ONE: COSCO Shipyard Group Overview

1. Successful Deliveries

To maintain a sustainable growth, we have continued to enhance our strength in our three core business areas, while trying to stand out from other players with customized products and services.



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PART ONE: COSCO Shipyard Group Overview

1. Successful Deliveries

Ship Repair Segment We started out doing traditional ship repair works. Over the years, we have achieved great improvement in technology and management. We quickly found our way into the higher-end repair and conversion market, servicing larger sized and other specialized vessels, and have established a wide customer network in the world.



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PART ONE: COSCO Shipyard Group Overview

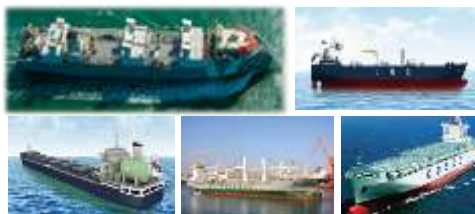
1. Successful Deliveries

Ship NewBuilding Segment We started the shipbuilding business in 2007 with a strong focus on special purpose vessels. We have established close partnership with clients from 12 countries and regions worldwide.

🚢 To date, we have delivered 149 newbuilds, including bulk carriers, multipurpose heavy lift vessels, livestock carriers, car carriers and product oil tankers.

🚢 In 2014, we delivered 8 bulk carriers of various tonnages and 2 livestock carriers.

Delivered Products	Number
BC-35K	5
BC-57K	90
BC-64K	6
BC-80K	13
BC-82K	8
BC-92.5K	14
MPP HLV-30K	6
Livestock carrier	4
PCTC-5K	2
Product tanker-22K	1
Total	149



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PART ONE: COSCO Shipyard Group Overview

1. Successful Deliveries

Offshore NewBuilding Segment Guided by the “Assimilate and Re-innovate” principle, we quickly marched towards the offshore marine sector. This has allowed us to gain a first-mover advantage within the Chinese market.

🚢 To date, we have delivered 33 offshore marine projects, covering mainstream products for use in oil exploration, production, storage and other engineering services, including cylindrical drilling rigs, semi-submersible drilling rigs, jack-up drilling rigs, tender barges, offshore support vessels, shuttle tankers, wind turbine installation vessels and pipelay vessels.

Delivered Products	Number
Drilling rig-Sevan cylindrical	3
Drilling rig-Semi	1
Drilling rig-tender	5
Drilling rig-Jack-up	1
Self Erecting Drilling Tender Rig	1
Barge-Jack-up	1
Accommodation unit	3
Pipelay Vessel	2
Shuttle tanker	4
Barge-Stinger	1
Barge-Transportation	1
Barge-Launch	1
PSV	4
ESV	1
Wind Turbine Installation Vessel	4
Total	33



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PART ONE: COSCO Shipyard Group Overview

2. Key Projects Under Construction

1 Unit of Semi-submersible Tender Drilling Rig



Dimension:	101m x 83.5m x 31m
Class:	ABS
Basic Design:	GustoMSC Ocean 400TD
Detail Design:	Cosco
Accommodation:	170men
Crane:	Favco PC400

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PART ONE: COSCO Shipyard Group Overview

2. Key Projects Under Construction

1 unit of Dana Western Isle Development Project (WIDP) FPSO



Dimension:	Dia.78 x 32 m
Oil Production Capacity:	40,000 bopd
Storage Capacity:	400,000 bbbls
Accommodation:	70 men
Class:	DNV
Basic Design:	Sevan Marine, Norway
Detail Design:	Cosco/DPS
Mooring Type:	Spread Mooring

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PART ONE: COSCO Shipyard Group Overview

2. Key Projects Under Construction

7 units of Ice Class Container Ships for Maersk Line



Maersk Line announced last year that 15 billion US dollars would be committed to vessel newbuildings, retrofits, containers and other equipment in its five-year investment program. COSCO shipyard's solid shipbuilding experience and track record of delivering high quality and fuel efficient vessels have made us a choice partner for the first order in their investment program.



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PART TWO:
Market Analysis and Outlook

GDP Growth & Forecasts*						
	China	Japan	USA	Germany	Euro Area	World
2012	7.7%	1.5%	2.2%	0.2%	-0.7%	3.4%
2013	7.8%	1.6%	2.2%	0.2%	-0.4%	3.5%
2014	7.4%	0.1%	2.4%	1.8%	0.6%	3.3%
2014	7.5%	-0.1%	2.6%	1.3%	0.8%	
3Q14	7.3%	-1.3%	2.7%	1.2%	0.8%	
4Q14	7.3%	-0.8%	2.4%	1.5%	0.9%	
2015 (f)	6.9%	0.6%	2.6%	1.3%	1.2%	3.5%
2016 (f)	6.3%	0.9%	2.9%	1.6%	1.4%	3.7%
Inflation & Prices						
Consumer Prices				Prices in \$/bbl or \$/t		
	Eur	USA	Japan	OECD	Crude Oil Brent	Grain Wheat US\$ Ship Plate Japan
avg						
2012	2.9%	2.1%	0.0%	2.3%	110.57	333 090
2013	1.9%	1.6%	0.4%	1.6%	106.24	302 621
2014	1.1%	1.8%	2.7%	1.7%	93.34	302 592
Jan	0.2%	-0.1%	2.4%	0.5%	93.69	249 570
Feb	0.4%			0.6%	90.67	243 620
Mar					90.47	250 320
Latest					90.32	252 520

In 2014, the United States has seen a steady economic growth, but the risk of slowdown in China and the European Union have heightened considerably. Overall, on the backdrop of sluggish global economic conditions and the impact of overcapacity, the iron ore, crude oil and other commodity prices have declined significantly.

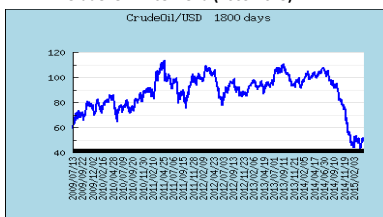
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PART TWO: Market Analysis and Outlook

1. Offshore & Marine Engineering Segment

- The global oil prices have fallen drastically since the second half of 2014. Many oil majors have reduced their CAPEX and cut down on their drilling and exploration activities. The offshore oil drilling market have taken a hit and as a result, the order flow in the offshore marine engineering segment slowed considerably.
- The global offshore marine engineering sector does not look optimistic going into 2015. The utilization and charter rates for both deep and shallow water drilling rigs are on the decline. However, we still see **demand for floating production units like FPSO, FLNG, FSRU** as well as **support vessels and accommodation units**

Crude Oil Price Trend (2009-2015)



Source: <http://www.oilprice.com/>

European major company capex 2014-2015

Company	2014 capex \$ Billions	2015 capex \$ Billions (estimated)
Shell	25.2	Same to slightly lower
BP	23.8	20
Total	26.4	23 to 24
Statoil	20.0	18
Eni	13.0	11.6
BG Group	9.4	6 to 7

Source: Company reports



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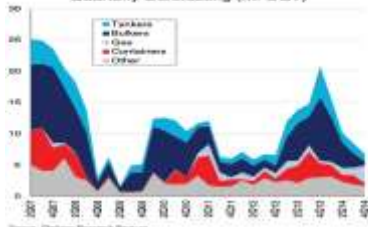
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PART TWO: Market Analysis and Outlook

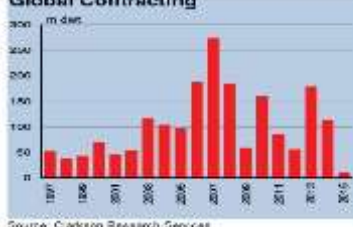
2. Shipbuilding Segment

- In 2014, due to the sluggish global economy, global shipbuilding orders declined 34.7% year-on-year to 39.69 million CGT.
- We expect the short term performance of the dry bulk shipping market and bulk carrier building market to remain sluggish. However, we can see some demand for eco-ships, semi-sub carriers as well as LNG and LPG carriers.

Quarterly Contracting (m. CGT)



Global Contracting



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PART TWO: Market Analysis and Outlook

3. Ship Repair and Conversion Market

- As falling oil prices have helped shipping companies to reduce the bunker cost, ship owners' demand to own and repair vessels has increased. Upon the pending implementation deadlines for international regulations on ballast water treatment and exhaust gas emission reductions, **the ship conversion market has expanded in 2014, and will further grow in 2015.**
- Meanwhile, although the global oil prices are on the decline, we can still see some demand for FPSO conversions. In addition, low oil prices have increased oil and gas consumptions. With the growth of clean energy such as LNG, the conversion market for FLNG and FSRU will continue to expand, especially in the Asia Pacific region.



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PART THREE:

Responding to the Challenges in the Newbuilding Business



- Facing the overcapacity at the low-end ship and offshore repair and newbuilding sectors in Chinese shipyards, we have continued to differentiate ourselves in our core businesses and moved towards the higher end of the market.

PART THREE: Responding to the Challenges in the Newbuilding Business

1. Overcapacity and decline in new orders

Repair and conversion sector: we will strengthen our presence in the offshore repair and conversion market, so as to surpass low-end competition and stay ahead of our competitors.



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PART THREE: Responding to the Challenges in the Newbuilding Business

1. Overcapacity and decline in new orders

Shipbuilding sector: we will direct our resources to specialized products such as the 3000+teu containerships, LR1/LR2/SUEZ shuttle tankers, small to mid-sized product oil tankers, module carriers and livestock carriers.



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PART THREE: Responding to the Challenges in the Newbuilding Business

1. Overcapacity and decline in new orders

Offshore and marine engineering sector: while maintaining our position in the drilling rig market, we will move into the construction of FPSOs and high-end offshore support vessels such as OCV and SSV. We will also actively develop technologies for FSRU and FLNG and try to achieve breakthroughs in the conversion market of the above-mentioned projects.

- The massive decline in oil prices has had significant repercussions on offshore exploration activities and consequently on the marine engineering business.
- Many yards are facing the increasing risks of buyers delaying project deliveries and even cancellations.



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PART THREE: Responding to the Challenges in the Newbuilding Business

2. Pressures on Deliveries and New Orders in 2015

- 2015 is a year of many deliveries for COSCO shipyard, so our top priority for this year is to ensure on-time deliveries. For this purpose, our shipyards will provide sufficient technological and workforce support, and continue to enhance supervision on project management, supplier management and construction management processes.



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PART THREE: Responding to the Challenges in the Newbuilding Business

2. Pressures on Deliveries and New Orders in 2015

Ship repair and conversion: on the basis of planning and coordination of existing resources, we will continue to focus on higher value projects and attach more importance to diversification and key projects.

For specific measures:

- ✚ **First**, we will continue to take on conventional repair projects per year, while moving into projects with higher value and specifications.
- ✚ **Second**, we will strengthen our technical expertise for handling FPSO conversions, offshore support vessels repair and upgrade, as well as LNG-to-FSRU conversion projects, keeping our fingers on the pulse of the market demands.



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PART THREE: Responding to the Challenges in the Newbuilding Business

2. Pressures on Deliveries and New Orders in 2015

Shipbuilding business : we will focus on building eco ships, container feeder ships, LR1/LR2 product oil tankers and at the same time move towards higher value products such as dual-fuel vessels and livestock carriers.

For specific measures:

- ✚ **First**, on the backdrop of sluggish dry bulk building market, we will actively develop our track record of container feeder ships and oil tankers.
- ✚ **Second**, we will actively develop our track record of special purpose vessels such as small LNG carriers, livestock carriers and module carriers.



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PART THREE: Responding to the Challenges in the Newbuilding Business

2. Pressures on Deliveries and New Orders in 2015

Offshore marine engineering business : our top issues are to undertake new orders for our shipyards to maintain operation, and to achieve technological breakthroughs with our existing projects.

For specific measures:

- ✦ **First**, on oil production and support products, we will strive to execute the DANA FPSO project which will lay the foundation for our presence in the FPSO new building market. We will also stay up to date with technological developments and cutting edge techniques with LNG storage, transmission and liquefaction/regasification which will give us the advantage in penetrating the FSRU conversion market.
- ✦ **Second**, on offshore drilling and related auxiliary products, we will pay close attention to customer's demands and provide customized solutions based on their existing blue prints.
- ✦ **Third**, on offshore support products, we will optimize and streamline our production of PSVs and AHTSs, grasp any market opportunities for accommodation units and at the same time, keep a keen eye on associated market segments, such as the Subsea Supply Vessels, Pipelay Heavy Lift Vessels, Liftboats, Wind Turbine Installation Vessels and Dredger Vessels.



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Part Four: Our Next Step

1. Technical Capability

Ship repair and conversion Business: We aim to align our repair and conversion capability with the industry trends and move towards larger vessels, cruise ships, LNG, LPG, FLNG and FSRU; we will also strive to meet the market demand for tankers-to-semi-sub-vessel conversions, as well as FPSO, FSO, and LNG-to-FSRU conversions.



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PART FOUR: Our Next Step

1. Technical Capability

Shipbuilding Business: We will continue to improve our abilities in building eco ship bulk carriers, oil tankers and shuttle tankers, as well as middle and small size LNG carriers, livestock carriers, pipelay heavy lift vessels, module carriers and other special purpose vessels. We endeavor to optimize our product mix and develop a series of core competitive products.



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PART FOUR: Our Next Step

1. Technical Capability

Offshore Marine Engineering business: We will continue to upgrade our technical abilities in constructing high-end jack-up rigs of larger specifications, semi-submersible units, drillships, FPSO/FSRU and other production units, module and other offshore support vessels. At the same time, we will continue to keep a keen eye on new technological developments and trends in the alternative energy market.



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PART FOUR: Our Next Step

2. Our Future Development Goal

Under our current structure spanning the three core business segments, we will endeavor to maintain our leadership in the ship repair and conversion market in China. For our shipbuilding segment, we will focus our efforts on building Zhoushan shipyard into a building base for regular merchant ships, Dalian and Guangdong into the building bases for special purpose vessels and regular merchant ships. On the offshore marine engineering front, we are committed to establishing our Nantong (Qidong) and Dalian yards as leading yards in China as well as in the global offshore marine engineering space.



Excellence, Built by COSCO



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Dear shareholders, I hope this presentation has given you a full picture of the COSCO Shipyard Group and our business development.

Thank you!

