

IR Presentation

February 2019

Contents

I. Business Status

II. Market Outlook

III. Appendix

Earnings largely in line with existing forecasts

■ Revenue : KRW 1.4t

- Revenue slightly missed the forecast mainly due to rescheduled works in offshore projects, but the revenue deferred will be recognized in 2019

* KRW 1.6t

■ Operating Loss : KRW -134b

- Operating loss was in line with the forecast
- Reduced GP margin due to lower-than-expected revenue was offset by less restructuring expenses in 4Q

< Earnings trend in 2018 >

(KRW b)

	1Q 2018	2Q 2018	3Q 2018	4Q 2018	2018
Revenue	1,241	1,347	1,314	1,364	5,265
Operating Profit	-48	-101	-127	-134	-409
(Margin)	(-3.9%)	(-7.5%)	(-9.7%)	(-9.8%)	(-7.8%)

Revenue growth will be driven by commercial vessels in 2019

■ Revenue : KRW 7.1t (34%↑ YoY)

- Increased commercial vessel orders in 2017-18 will be reflected
 - Commercial vessel orders : USD 0.5b in 2016 → 3.1 in 2017 → 6.3 in 2018
- Revenue from offshore projects is similar to 2018

< Earnings trend(2015~2019) >

	Unit	2004-2013 (Avg.)	2015	2016	2017	2018	2019(E)
Revenue	KRW trillion	10.5	9.7	10.4	7.9	5.3	7.1
Operating Income (Ratio)	KRW billion (%)	690 (6.6)	-1,502 (-15.5)	-147 (-1.4)	-524 (-6.6)	-409 (-7.8)	-

3. Enhanced Financial Stability

Successful capital increase and positive cash flow from operation in 2018 enhanced company's financial stability significantly

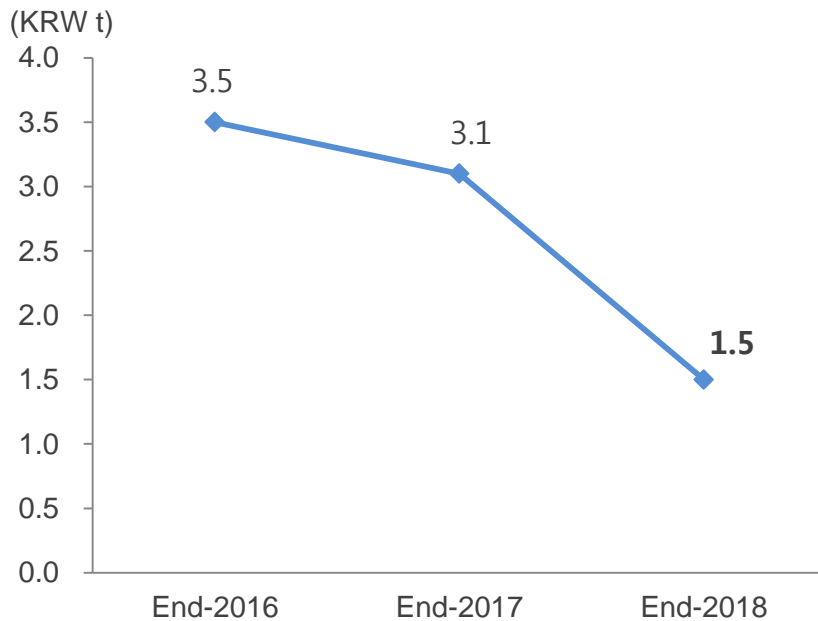
* KRW 1.4t

■ Net debt : KRW 3.1t at end-2017 → **KRW 1.5t at end-2018**

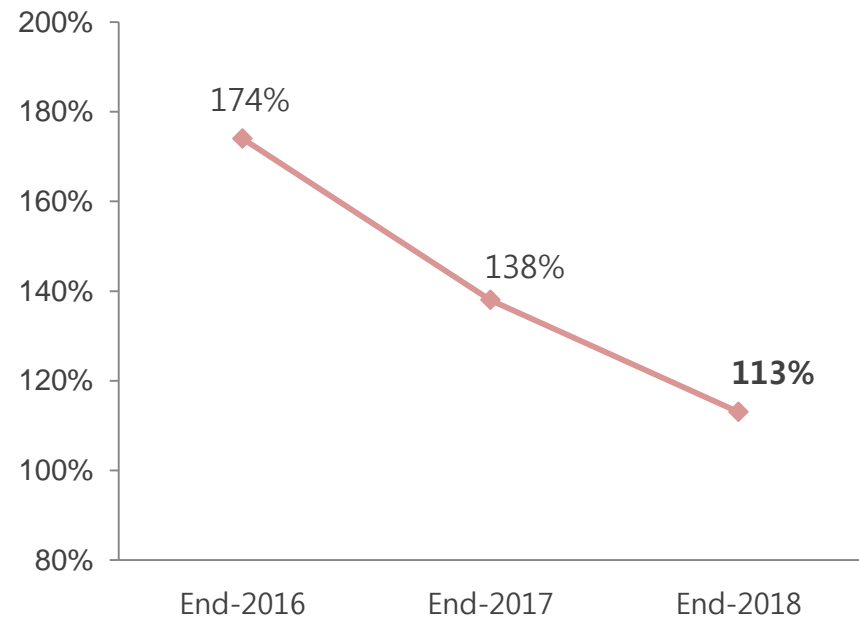
* Total Barrowings 2.9, Cash 1.4

■ Debt-to-equity ratio : 138% at end-2017 → **113% at end-2018**

< Net Debt >



< Debt-to-equity Ratio >



Drillships for resale in the market

- 3 drillships for resale, 2 drillships under construction

(USD b)

	Project	Contract Price	Cash Received(%)	Delivery	Remark
For Resale	PDC	0.52	0.18(35)	-	· Inventory (Fair value : 60% of the contract price)
	Seadrill #11	0.52	0.16(30)	-	
	Seadrill #12	0.52	0.16(30)	-	
Under Construction	OCR #9	0.72	0.34(48)	Sep. 2019	
	OCR #10	0.71	0.18(25)	Sep. 2020	
Total		2.99	1.02(34)		

- **Arbitral proceedings are underway regarding Stena and PDC rigs**

- Around 50% of cash received for each rig was recognized as provision

ENI Coral FLNG and BP Maddog FPU projects are well underway

- **FLNG(2 projects) : PC projects**

* Procurement, Construction

- **BP Maddog FPU : EPC project (Applying all Lessons Learned)**

* Engineering, Procurement, Construction

< Offshore Projects under Construction >

(USD b)

	Type	Contract Price	Progress	Delivery	Production Capacity
Petronas Rotan	FLNG	1.6	88%	Jul. 2020	1.5 Mtpa
ENI Coral	FLNG	2.5	6%	Jun. 2022	3.3 Mtpa
BP Maddog	FPU	1.3	31%	Sep. 2020	110,000 B/D
Total		5.4			

* Progress : As of end of 2018

6. New Orders & Backlogs

Focusing on core products such as LNGC, Offshore Facilities, etc.

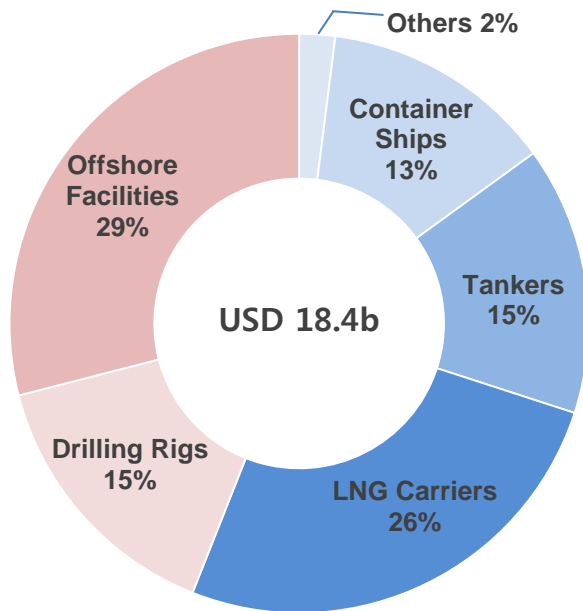
■ New order(by January 31, 2019) : USD 0.4b

- 2 LNGCs (USD 0.4b)

■ Order Backlog(as of January 31, 2019) : USD 18.4b

< Order Backlog as of January 31, 2019 >

(USD b)



	No	Amount
LNGCs	27	4.8
Containerships	19	2.4
Tankers	33	2.7
Others	3	0.4
Commercial Vessels	82	10.3
Drilling Rigs	5	2.8
Offshore Facilities	3	5.3
Total	90	18.4

7. New Orders Outlook in 2019

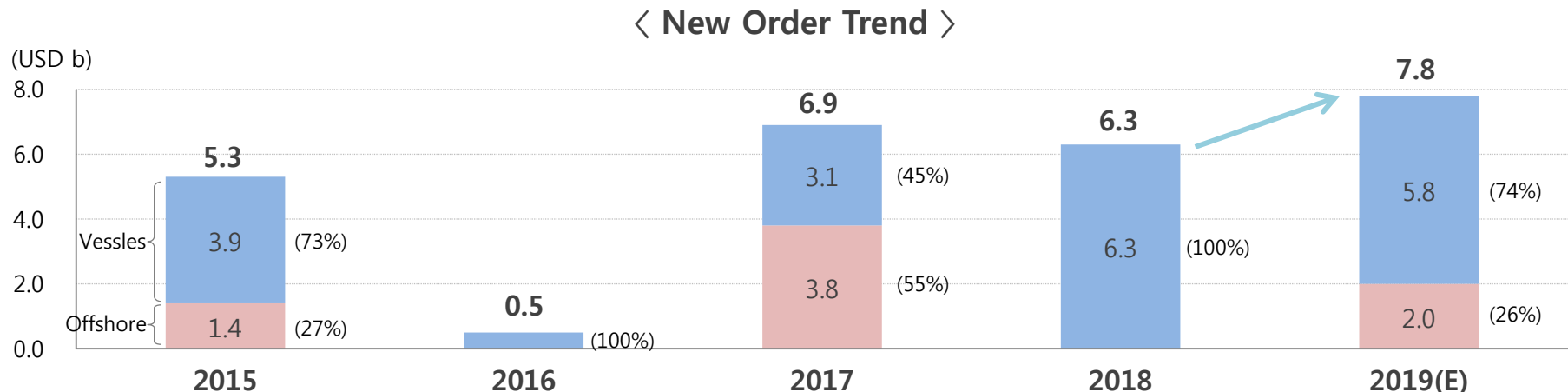
New Order Target : USD 7.8b (24%↑ YoY)

■ Commercial vessels : USD 5.8b

- Despite of uncertainty due to US-China trade dispute, market continues to recover based on the growth of global LNG trade, demand of bigger containerships, etc.

■ Offshore facilities : USD 2.0b

- SHI will focus on projects such as Reliance MJ FPSO, CoP. Barrosa FPSO, etc.



I. Business Status

II. Market Outlook

III. Appendix

Market recovery continues its momentum

- **Demand of SHI’s core products such as LNGCs, mega containerships and offshore facilities will continue in 2019**
 - LNGC : Demand is strong as global LNG export increases
 - Containerships : Demand of 10,000TEU+ vessels is sustainable because of “Economy of scale” and “Slow steaming” in the market
 - Offshore facilities : New investment increases due to lack of CAPEX in 2015-2017

< Forecasted Global New Order Trend >

	2011~2015 Average	2016	2017	2018	2019	2020~2023 Average	2024~2027 Average
Sum of LNGCs, Containerships and Tankers	100%	32%	64%	84%	93%	126%	122%

* Source : Clarksons Forecast Club (Sep. 2019), 2011~2015 yearly average new order in 100%

Strong demand for new LNGCs continues

- Long-term demand for LNGCs is solid and yearly 37+ LNGC orders are expected as LNG trade grows and ton miles increase

* 4,140miles/ton in 2018 → 4,609miles in 2021(11% ↑)

	2018	2025	2030
LNG trade(mtpa)	323	441	550~600
LNGC Fleet(No.)	522	750	935~1,020 (37~54 vessels/year)

* Forecasts by Gaslog, Annual 5~6% growth of global LNG trade

- Especially, short-term demand of new LNGC is expected to be strong considering global LNG export plans

- Increase of LNG export (2021-2024) : 220Mtpa
* 252 LNGCs

⇒ Considering long-term growth of global LNG trade and short-term LNG export plans, strong LNGC demand could be maintained in 2019

Demand of bigger containerships continues

- **Smaller vessels will continue to be replaced by bigger vessels (“Economy of Scale”)**
 - Vessels under 10,000TEU in Asia/Europe and Asia/North American routes are being replaced by 10,000TEU+ vessels * Increased demand of bigger vessels for expanded Panama Canal
- **Additional demand of vessels are expected due to slower shipping speed to comply with IMO 2020 (“Slow steaming”)** * Lower sulfur cap regulation
 - While major shipping companies are expected to use low sulfur fuel oil(LSFO), they need to slow down the shipping speed to save fuel costs
→ Additional vessels are necessary
- **Uncertainty of US-China trade dispute remains**

Environmental regulations trigger expansion of new building demands

* BWTS, SOx & CO₂ emissions

■ SOx & BWTS Regulations will stimulate replacement of old vessels

	Tankers	Bulkers	Containerships	Gas Carriers
Units (18yr~)	4,896	2,247	1,655	765
(%)	48%	20%	32%	41%

■ SOx & CO₂ Emission Regulations will require more LNG-fueled vessels and other LNG related solutions

- New orders applying LNG-fueled engines or Scrubbers to comply with regulations

■ Expansion of LNG Value-Chain such as LNG fueled, LNG bunkering, FSRU where SHI has competitive advantages will lead to enhanced profitability

New offshore investments are set to increase

■ IOC's radical Capex Cuts will return with enormous pressure for new investments

* USD 100b in 2014 → USD 48b in 2017(52% ↓)

- New offshore investments(forecasted) : USD 80b in 2018 → USD 170b in 2022
* Clarksons

■ Increase of new offshore orders are expected in 2019

- The number of market inquiries : 3(1H 2016) → 35 (Current)
* 1 FLNG, 2 FPU's * 18 FPSOs, 5 FLNGs, 6 FPU's, 6 Platforms

■ SHI has competitive advantages in offshore biz

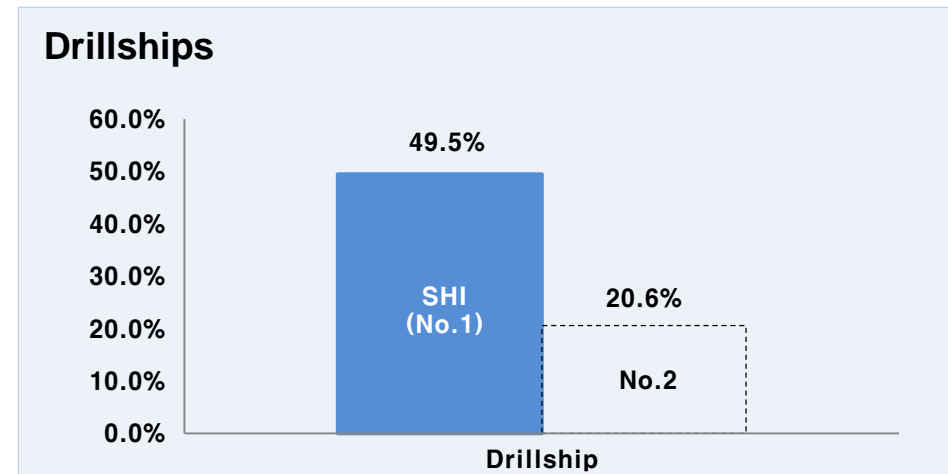
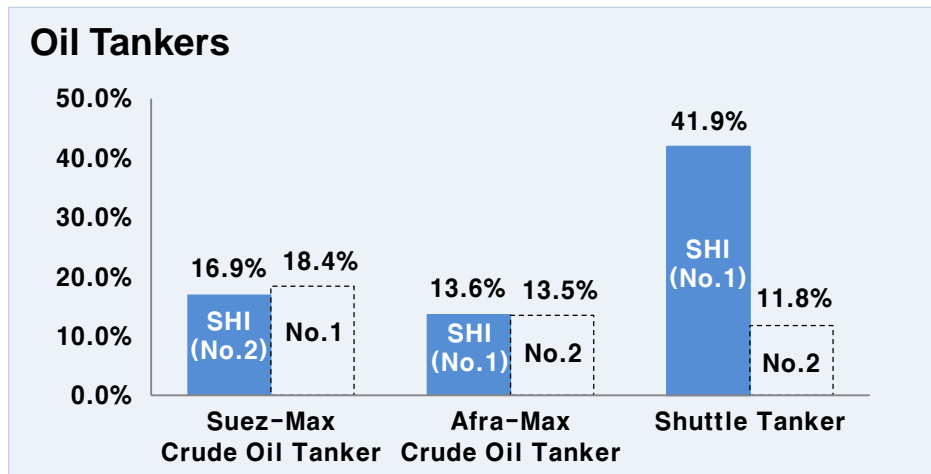
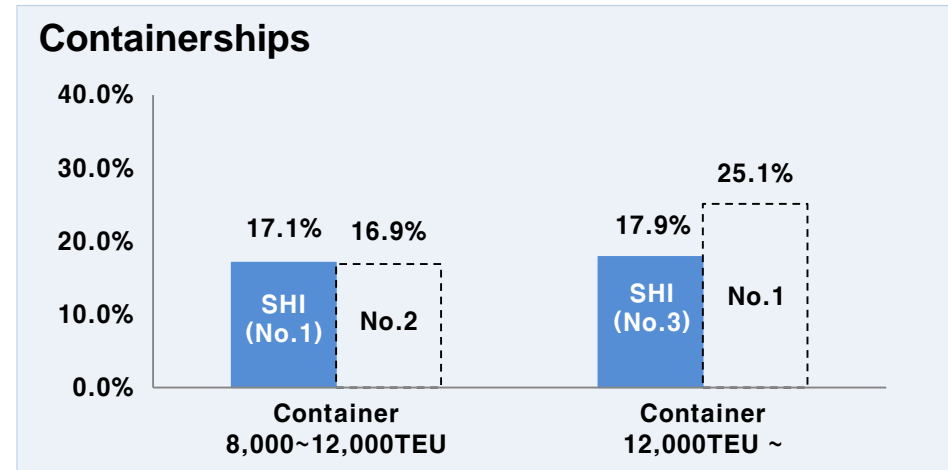
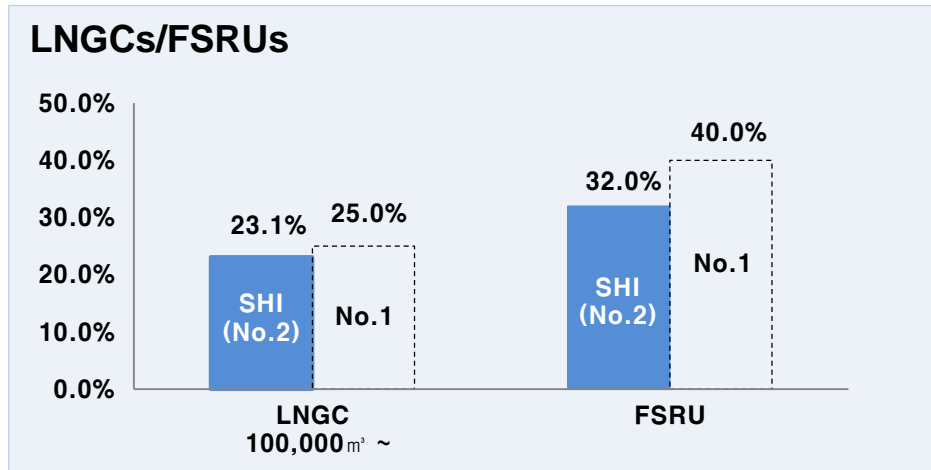
- SHI maintains core competence and know-hows through continuous execution of offshore projects

I. Business Status

II. Market Outlook

III. Appendix

Global Top-tier Shipbuilder in Major Products



* Source : Clarksons

2. Major Offshore Projects

Continuity in Offshore Biz over the last 7 years



Prelude FLNG
(2011~2017, delivered)



Ichthys CPF
(2012~2017, delivered)



Martin Linge
(2012~2018, delivered)



Egina FPSO
(2013~2018, delivered)



Petronas FLNG
(2014~2020)



Appomattox
(2015~2017, delivered)



Johan Sverdrup P/F(2 units)
(2015~2018, delivered)



Mad Dog II FPU
(2017~2020)



ENI FLNG
(2017~2023)

Under Construction

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