

IR Presentation

August 2019

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Quarterly revenue is on an increasing trend

■ Revenue : KRW 1.8t (22%↑ QoQ, 32%↑ YoY)

- Workload continues to increase, especially in the commercial vessel projects

■ Operating Loss : KRW -56b

- OP loss widened(QoQ) due to KRW -35b from delayed offshore change order, KRW -9b from LNGC repair cost, and low productivity of reactivated docks
* BP Maddog2
- KRW 25b write-back related to steel plate price eased losses
* KC-1 LNG cargo system related

(KRW b)

	2Q 2018 (YoY)	1Q 2019 (QoQ)	2Q 2019	YoY	QoQ
Revenue	1,347	1,458	1,770	31.5%	21.5%
Operating Profit (Margin)	-101 (-7.5%)	-33 (-2.3%)	-56 (-3.2%)	44.0%	-69.1%

Working capital needs temporarily increased as business turnarounds

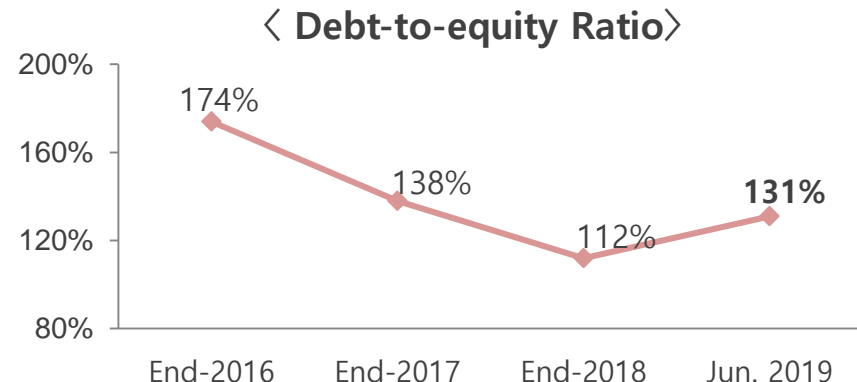
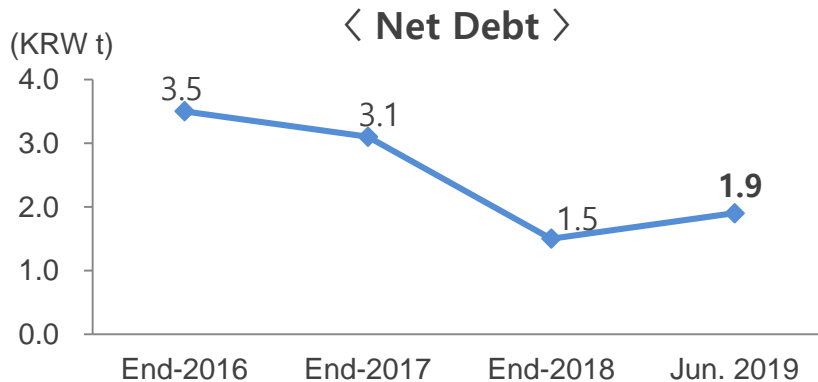
■ **Net debt : KRW 3.1t at end-2017 → 1.5t at end-2018 → 1.9t in June 2019**

* Total Borrowings 3.2, Cash 1.3

- Working capital needs increased due to increasing construction of heavy-tailed payment contracts
- These unbalanced cash flows will be solved in 2020 as ship deliveries increase

■ **Debt-to-equity ratio : 138% at end-2017 → 112% at end-2018 → 131% in June 2019**

- Total debt increased due to debt capital raised in 2Q, Ensco-related provisions, FX forward-related assets/liabilities increase as KRW was depreciated against USD



3. Drilling Rig Backlogs

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 PDC and Stena rigs**

* Resaled in 1Q 2018, Delivered in 1Q 2019

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

4 offshore projects in the backlog are well underway

■ PC projects : 2 FLNGs

* Procurement, Construction

- On the right track based on success in Prelude FLNG

* Contracted in 2011(USD 3.0b), Delivered in 2017

■ EPC projects : 1 FPU, 1 FPSO

* Engineering, Procurement, Construction

- Applying all Lessons Learned in Ichthys CPF and Egina FPSO

< Offshore Projects under Construction >

(USD b)

	Type	Contract Price	Progress	Delivery	Production Capacity
Petronas Rotan	FLNG	1.6	93%	Jul. 2020	1.5 Mtpa
ENI Coral	FLNG	2.5	21%	Jun. 2022	3.3 Mtpa
BP Maddog	FPU	1.3	54%	Sep. 2020	110,000 B/D
-	FPSO	1.1	1%	Mar. 2022	3.4 Mtpa
Total		6.5			-

* Progress : as of June 30, 2019

5. New Orders & Backlogs

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

■ **New orders : USD 3.4b** (44% of new order target for 2019)

* as of July 31, 2019

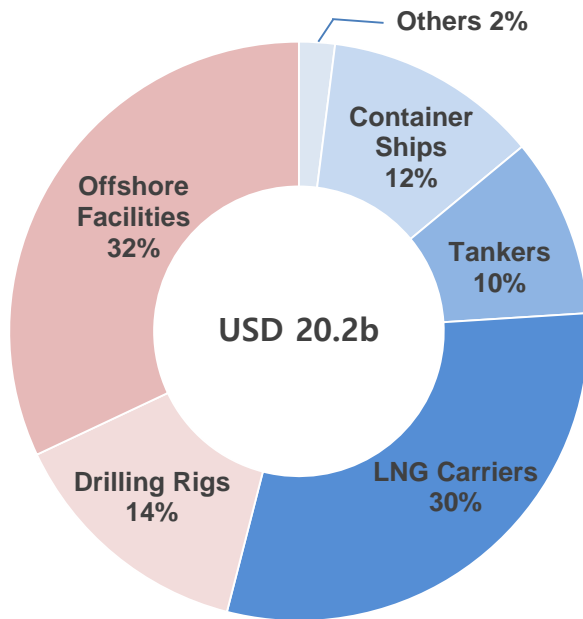
* USD 7.8b

- 10 LNGC(USD 1.9b), 1 FPSO(1.1b), 6 Tankers(0.3b), 1 Other(0.1b)

■ **Order backlog : USD 20.2b**

< Order Backlog as of July 31, 2019 >

(USD b)



	No	Amount
LNGCs	33	6.0
Containerships	17	2.1
Tankers	31	2.3
Others	4	0.5
Commercial Vessels	85	10.9
Drilling Rigs	5	2.8
Offshore Facilities	4	6.5
Total	94	20.2

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Slowdown in 1H, recovery of orders in 2H

- **The market was negatively affected by US-China trade conflict in 1H**

- New orders : 18 million CGT in 1H 2018 → 10 million CGT in 1H 2019 (42%↓)
- Meanwhile, LNGCs orders continued and offshore facilities were timely ordered
* Reliance FPSO, Marjan P/F, etc.

- **New orders of mega containerships and tankers will resume in 2H while demand of LNGCs and offshore facilities continues**

- Containerships : Shipping companies are set to order 20,000TEU+ vessels
- Tankers : IMO2020 will activate the demand of PCs and the replacement of old vessels
* Lower sulfur cap regulation * Product Carriers

〈 Forecasted Global New Order Trend 〉

	2011~2015 Average	2016	2017	2018	2019	2020~2023 Average(E)
Sum of LNGCs, Containerships and Tankers	100%	33%	67%	89%	78%	127%

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

A wave of mega LNG projects is set to begin

- Over 90 LNGCs to be ordered from Qatar, Mozambique, Russia, etc.

< Major LNG Export Plans >

	Owner	Vessels Required	Remark
Qatar	Qatar Petroleum	40	· Export Expansion Plan(77Mtpa in 2018 → 110 in 2023)
Mozambique	Anadarko	15~20	· Start-up in 2024(13Mtpa)
Russia	Novatek	15	· Ice-breaking LNGCs
US	ExxonMobil	20	· Start-up in 2024(Golden Pass LNG)

* Total : 90~95

- Up to 252 additional LNGCs would be required by 2024 considering increase of new LNG export plans

New orders of mega containerships will resume in 2H

- **Even if US-China trade dispute is continuing, new orders are expected in 2H because of demand of bigger vessels**
 - Demand of ultra large vessels for Asia/Europe and Asia/North American shipping routes continues
 - * Increased demand of bigger vessels for expanded Panama Canal
 - Some shipping companies have plan to order 20,000TEU+ vessels
 - Around 20 mega containerships to be ordered in 2H
- **Additional demand of vessels are expected due to slower shipping speed to comply with IMO 2020**
 - 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

Demand of tankers will rebound in 2H

- **PCs are promising as the demand of LSFO increases**

* Low Sulfur Fuel Oil

- Demand of MGO/MDO : 0.9 mil. barrels/day in 2019 → 2.0 in 2020

* Marine Gas Oil/Marine Diesel Oil

- **Replacement of old mid-sized tankers will be stimulated**

< Proportion of old tankers >

	<u>VLCC</u>	<u>S-Max</u>	<u>A-Max</u>
Fleet	237.5	93.1	112.8
Old vessels(15yr~)	56.1	21.9	26.9
(%)	24%	24%	24%

(Mil. DWT)

* VLCC demand could be weak after the new orders of 95 vessels in 2017-2018

- **Demand of shuttle tankers continues**

- 6~10 vessels/year could be ordered until 2021 considering replacement demand from the North Sea and the new demand from Brazil

New offshore investments are set to increase

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

* USD 220b in 2011 → 100b in 2014 → 65b in 2018

- New offshore investments : USD 65b in 2018 → USD 170b in 2022

* Clarksons forecast(March 2019)

- **New offshore orders are expected to increase from 2019**

- Despite the volatility of oil prices, Reliance FPSO and Marjan P/F were ordered as scheduled, and more orders are expected in 2H

< Major Offshore Projects in 2H 2019 >

	Owner	Field Location	FID	Remark
CoP. Barossa FPSO	ConocoPhillips	Australia	2H 2019	· Bidding underway
Bonga SW FPSO	Shell	Nigeria	End-2019~1H 2020	· ITT issued in Feb. 2019
Anchor FPU	Chevron	US	2H 2019	

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1. 2Q Earnings & Financial Status

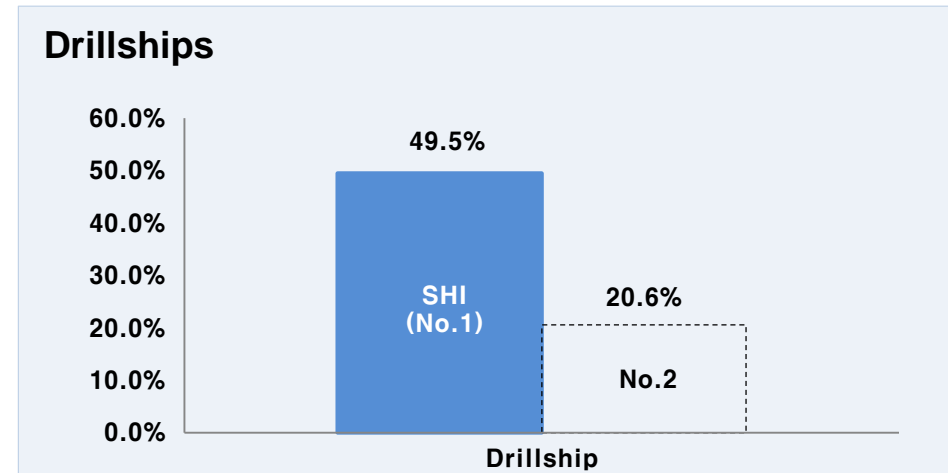
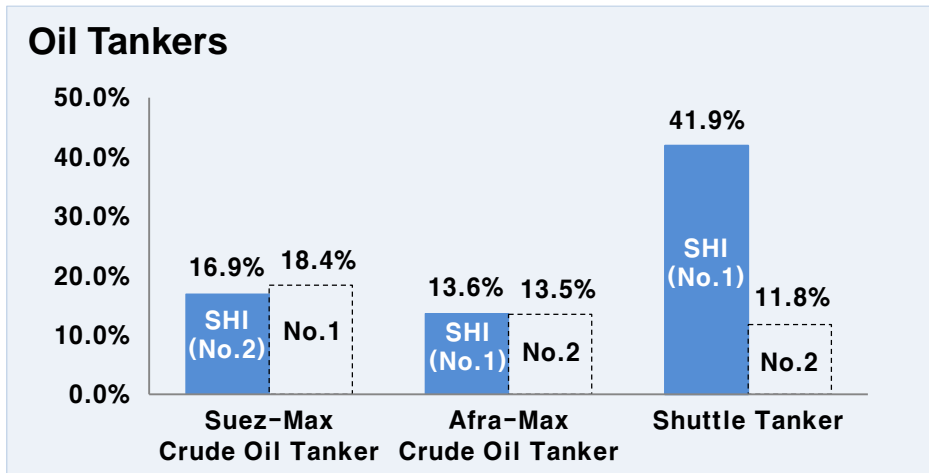
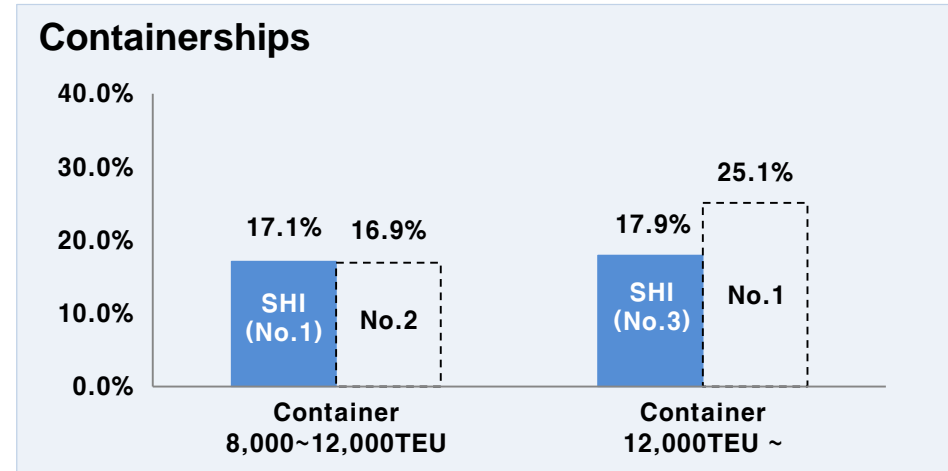
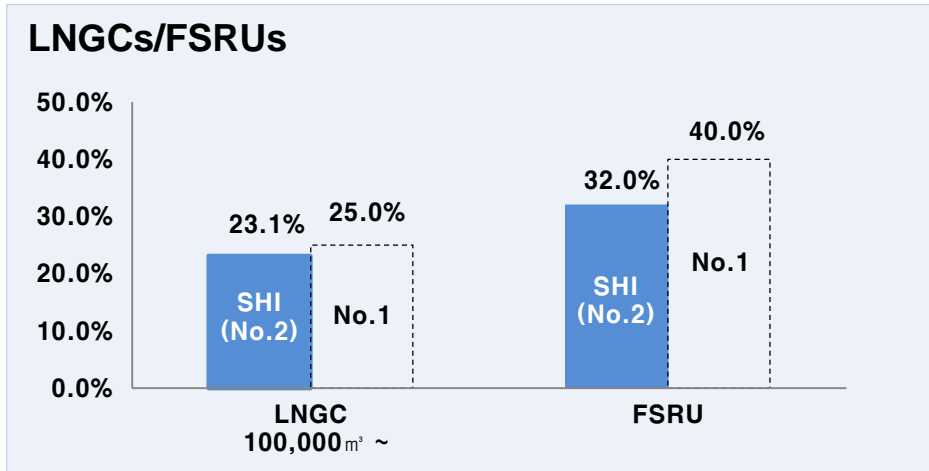
<Earnings>

		(KRWb)				
		2Q 2019	1Q 2019	QoQ (%)	2Q 2018	YoY (%)
Revenue	Qr.	1,770	1,458	21.5	1,347	31.5
	Acc.	3,228	-	-	2,587	24.8
Operating Profit	Qr.	-56	-33	-69.1	-101	44.0
	Acc.	-90	-	-	-148	39.6
Pretax Income	Qr.	-322	-69	-368.6	-173	-85.6
	Acc.	-391	-	-	-264	-47.9
Net Income	Qr.	-309	-103	-201.6	-143	-116.8
	Acc.	-412	-	-	-202	-103.8

<Financial Status>

		(KRWb)		
		End of June 2019	End of 2018	Difference
Total Assets		14,647	14,283	364
Cash & Cash Equiv.		1,269	1,365	-96
Total Liabilities		8,294	7,537	757
Borrowings		3,218	2,915	303
Advance Payment		1,814	2,207	-393
Total Equity		6,353	6,746	-393
Capital Stock		3,151	3,151	-
Retained Earnings		2,391	2,800	-409

Global Top-tier Shipbuilder in Major Products



* Source : Clarksons

3. Major Offshore Projects

Continuity in Offshore Biz over the last 8 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)



FPSO
(2019~2022)

Under Construction

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