

IR Presentation

March 2019



HEAVY INDUSTRIES

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

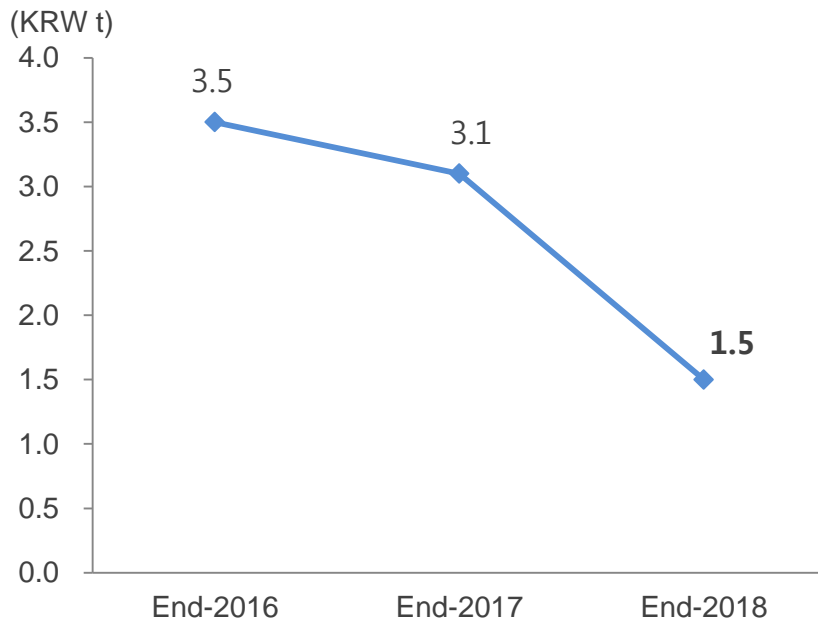
* KRW 1.4t

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

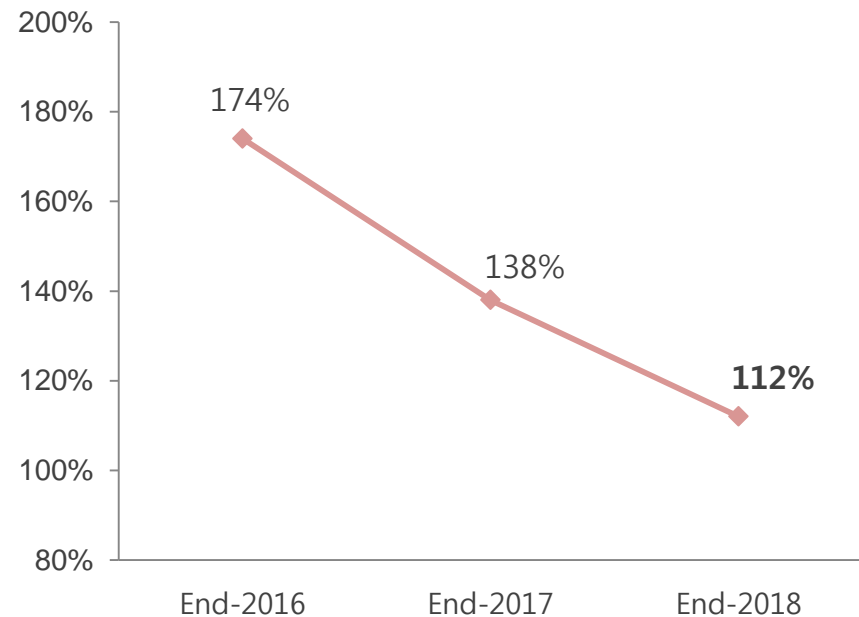
* Total Barrowings 2.9, Cash 1.4

■ Debt-to-equity ratio : 138% at end-2017 → 112% 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.

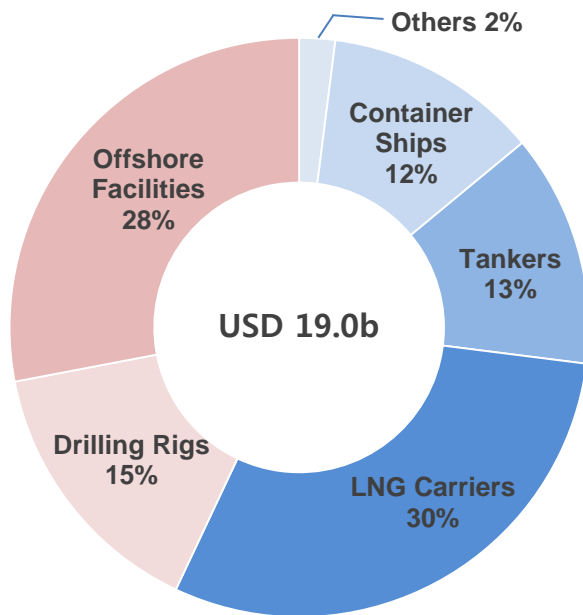
■ **New orders (by February 28, 2019) : USD 1.1b**

- 6 LNGCs (USD 1.1b)

■ **Order Backlogs (as of February 28, 2019) : USD 19.0b**

< Order Backlog as of February 28, 2019 >

(USD b)



	No	Amount
LNGCs	31	5.6
Containerships	19	2.4
Tankers	31	2.5
Others	3	0.4
Commercial Vessels	84	10.9
Drilling Rigs	5	2.8
Offshore Facilities	3	5.3
Total	92	19.0

7. New Orders Outlook in 2019

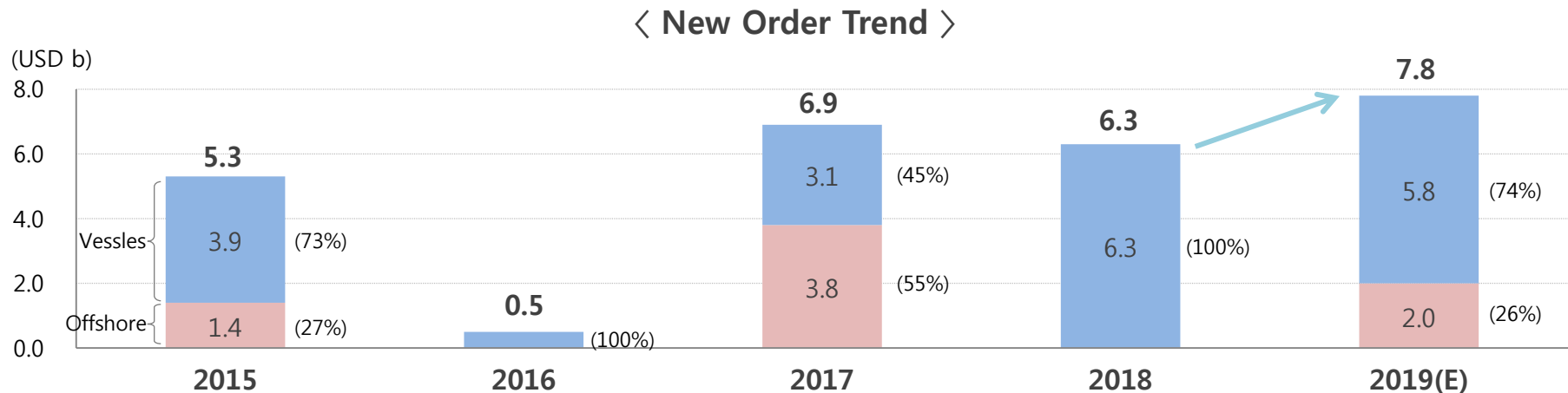
New Order Target : USD 7.8b (24%↑ YoY)

■ 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 36 LNGC orders are expected as LNG trade grows

	2018	2030
LNG trade(mtpa)	323	580
LNGC Fleet(No.)	522	986 (36 vessels/year)

* Annual 5% growth of global LNG trade(forecast)

- Considering ton miles increase, yearly 17 LNGC orders could be added
* 4,140miles/ton in 2018 → 4,609miles in 2021(11%↑)

- 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

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

1. 4Q Earnings & Financial Status

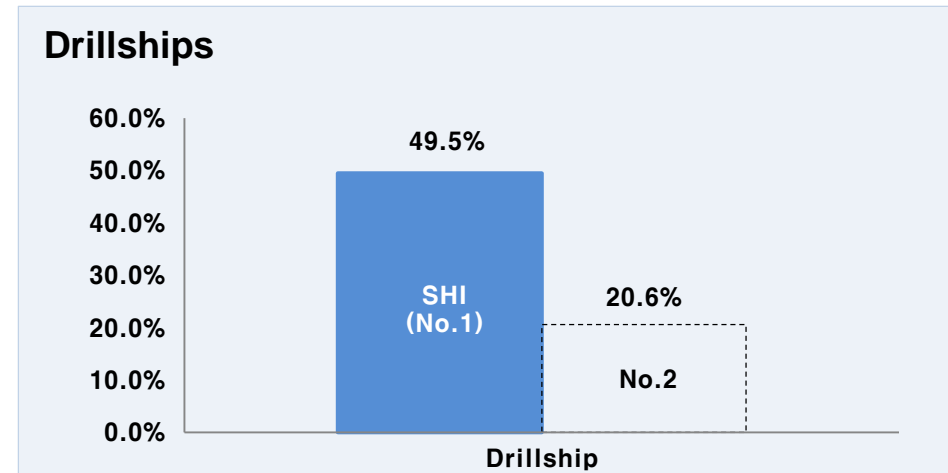
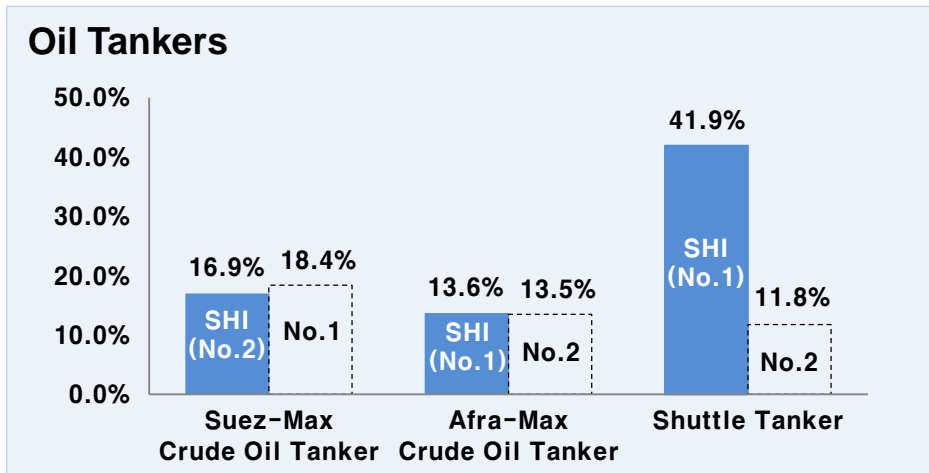
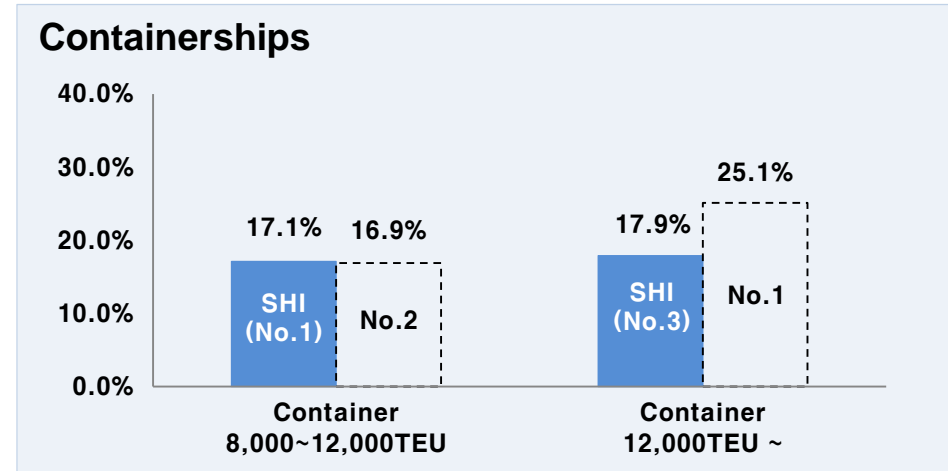
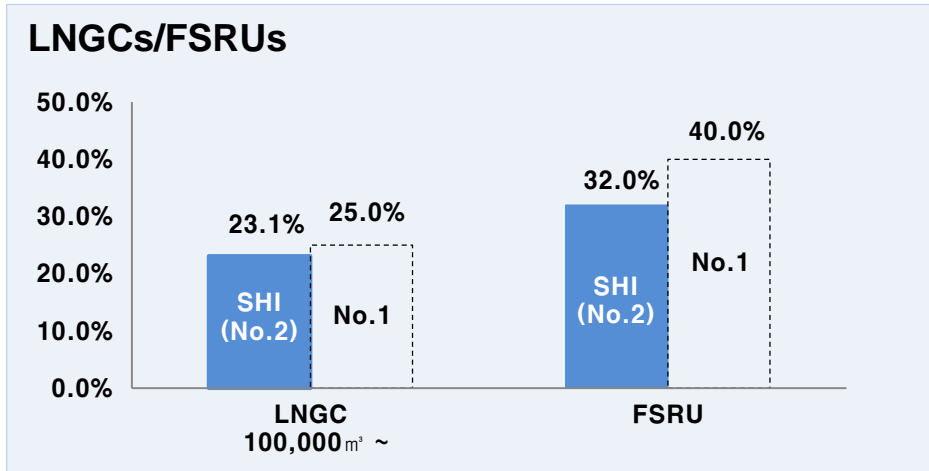
<Earnings>

		(KRWb)				
		4Q 2018	3Q 2018	QoQ (%)	4Q 2017	YoY (%)
Revenue	Qr.	1,364	1,314	3.8	1,413	-3.4
	Acc.	5,265	-	-	7,901	-33.4
Operating Profit	Qr.	-134	-127	-5.0	-596	77.6
	Acc.	-409	-	-	-524	21.9
Pretax Income	Qr.	-117	-116	-1.1	-565	79.2
	Acc.	-498	-	-	-464	-7.3
Net Income	Qr.	-106	-80	-31.6	-446	76.3
	Acc.	-388	-	-	-341	-13.9

<Financial Status>

		(KRWb)		
		End of 2018	End of 2017	Difference
Total Assets		14,282	13,818	464
Cash & Cash Equiv.		1,365	1,123	242
Total Liabilities		7,537	8,021	-484
Borrowings		2,915	4,246	-1,331
Advance Payment		2,207	1,514	693
Total Equity		6,746	5,798	948
Capital Stock		3,151	1,951	1,200
Retained Earnings		2,800	3,198	-398

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)

Under Construction

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