

# IR Presentation

March 2021



HEAVY INDUSTRIES

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### Quarterly operating profit

#### ■ Revenue : KRW 1.7t (-0.7%↓ QoQ)

- Revenue has slightly decreased from the 3<sup>th</sup> quarter as the BP Argos project was delayed due to COVID-19 and SHI is adjusting its production schedule for LNGC \* Delivery(Sail-away) Aug. 2020 → Feb. 2021

#### ■ Operating Profit : KRW 3b

- While one-off gain and loss were mixed, the fixed costs' burden continued to occur
  - One-off gain : KRW 134b (Write-back from the PDC drillship litigation)
  - One-off loss : KRW -68b (LNGC repair cost provision, Order loss provision for tankers)

(KRW b)

	4Q 2019 (YoY)	3Q 2020 (YoY)	4Q 2020	YoY	QoQ
Revenue	2,157	1,677	<b>1,665</b>	-22.8%	-0.7%
Operating Profit (Margin)	-215 (-10.0%)	-13 (-0.8%)	<b>3</b> <b>(0.2%)</b>	Turned +ve	Turned +ve

### Focusing on maintaining stable cash-flow amid COVID-19

#### ■ Net debt as of Dec.2020 : KRW 3.3t

\* 2019A 2.9t → 2Q20 3.8t → 3Q20 3.6t → end-2020 3.3t

- By increasing the delivery of commercial vessels contracted under the heavy-tail payment,  
\* Delivery : 6 in 1Q20 → 7 in 2Q20 → 12 in 3Q20 → 13 in 4Q20  
working capital effectively turned into profit during the 3<sup>rd</sup> quarter and 4<sup>th</sup> quarter
- There will be no liquidity issues since advanced payments from the new LNGC contracts will increase from 1Q21

#### ■ Cash-in-hand increased to KRW 1.5t

\* KRW 0.9t end-2019 → 1.5t end-2020

- SHI secured stable cash-flow through the execution of debt financing in advance responding to negative cash flow (Increased by KRW 0.6t comparing to the end of 2019)

(KRW t)

	End-2019	2020					비 고
		1Q	2Q	3Q	4Q	Total	
Cash from operation	-1.4	-0.7	-0.2	<b>0.2</b>	<b>0.3</b>	-0.4	· Cash-in decreased due to delayed new orders
Total Debt (A)	3.8	4.7	5.0	5.0	4.8	4.8	· Debt financing
Cash-in-hand (B)	0.9	1.1	1.2	1.4	<b>1.5</b>	1.5	
Net Debt (A-B)	2.9	3.6	3.8	3.6	3.3	3.3	

# 3. New Orders & Backlogs

■ **New orders : USD 1.7b**

\* Jan-Feb, 2021

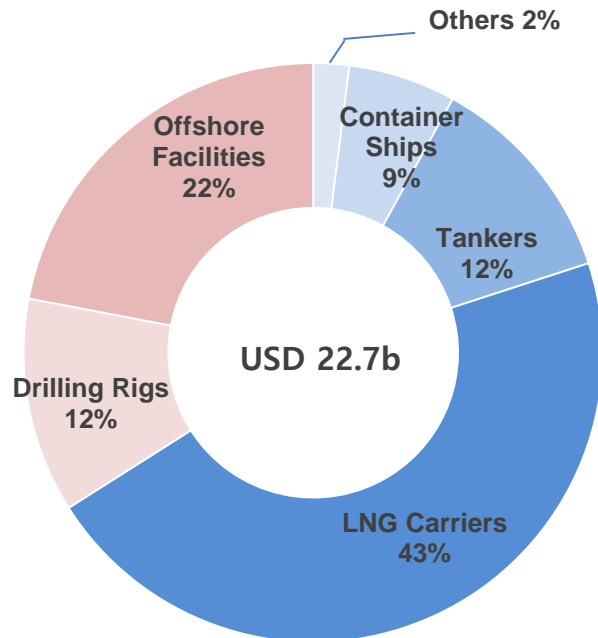
- Containerships (1.1b), Tankers (0.4b), LNGCs (0.2b)

\* VLCC

■ **Order backlog : USD 22.7b**

\* as of Feb 28, 2021

< Order Backlog as of Feb 28, 2021 >



(USD b)		
	No	Amount
LNGCs	46	9.8
Containerships	16	2.1
Tankers	35	2.7
Others	4	0.4
<b>Commercial Vessels</b>	<b>101</b>	<b>15.0</b>
Drilling Rigs	5	2.8
Offshore Facilities	3	4.9
<b>Total</b>	<b>109</b>	<b>22.7</b>

### Revenue is similar to 2020

- Revenue : KRW 7.1t (4%↑ YoY)

### New Order Target : USD 7.8b (42%↑ YoY)

- **Commercial vessels : USD 4.6b**

- Despite of uncertainty due to COVID-19, market continues to recover based on the growth of global LNG trade, demand of the replacement of old containerships, etc.

- **Offshore facilities : USD 3.2b**

- SHI will focus on projects such as Shell Bonga FPSO, HI Block P/F, etc.

## 3 offshore projects in the backlog are well underway

### ■ BP Argos has set sail successfully

- BP Argos was impacted in 1H20 due to COVID-19 as BP employees had been evacuated from the site  
\* Most of the employees and service-engineers have returned back to the site(as of July)
- After the consultation with the client about the adjustment for the delivery and the work schedule, BP Argos has set sail from the Geoje Yard in South Korea.

- ENI Coral and FPSO are well under construction and sufficiently managing the schedule base on the experience applied from the successful case of Prelude FLNG and aspects learned from Ichthys CPF and Egina FPSO

### < Offshore Projects >

(USD b)

	Type	Contract Price	Progress	Delivery	Production Capacity
BP Argos	FPU	1.3	Delivery	Feb. 2021	110,000 B/D
ENI Coral	FLNG	2.5	75%	Jun. 2022	3.3 Mtpa
-	FPSO	1.1	23%	Mar. 2022	3.4 Mtpa
<b>Total</b>		<b>4.9</b>			-

\* Progress : as of Sep 30, 2020

### Five drillships for Sale or Charter (Re-evaluation losses recognized in 2Q20)

\*  $\Delta$ 20%↓

#### ■ Inventories

(USD b)

	No. of Vessels	Contract Price	Cash Received	Book-value			Remark
				End-2019	End-2020	Chg.	
PDC	1	0.52	0.18(35%)	0.30	0.24	20.0%↓	· SHI won the arbitration
Seadrill	2	1.04	0.31(30%)	0.60	0.48	20.0%↓	
OCR	2	1.43	0.52(36%)	0.69	0.56	18.8%↓	
<b>Total</b>	<b>5</b>	<b>2.99</b>	<b>1.01(34%)</b>	<b>1.59</b>	<b>1.28</b>	<b>19.5%↓</b>	

#### ■ Arbitral proceedings

	Risks	Status	Provisions	Remark
Stena	Refund of cash received and interest	Underway	50% of risks exposed	



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The market was negatively affected due to COVID-19 pandemic in 2020, however overall global new orders following by the recovery of world seaborne trade are positively expected to increase in 2021

### ■ Global shipbuilding new orders were at historic low in 2020 due to COVID-19

- New orders : 29.1millionCGT in 2019 → 19.2 in 2020 ( $\Delta 34\% \downarrow$ ) \* Source : Clarksons  
\* from January to December \* from January to December

### ■ Global seaborne trading volume will recover in 2021

- Global seaborne trading volume  
: 11.9 billion Ton in 2019 → 11.5 in 2020 ( $\Delta 3.8\% \downarrow$ ) → 12.0 in 2021 (4.7% $\uparrow$ ) \* Source : Clarksons

### The qatar project and other delayed FID projects will be executed in 2021

< Major LNG Export Plans >

	Owner	Vessels Required	Remark
<b>Qatar</b>	<b>Qatar Petroleum</b>	<b>40</b>	· Slot reservation agreement was signed.
<b>US</b>	<b>ExxonMobil</b>	<b>20</b>	· Golden Pass LNG, start-up in 2024(schedule maintained)
<b>Mozambique</b>	<b>ExxonMobil</b>	<b>20</b>	· Area4, FID could be in 2021
<b>Canada</b>	<b>Shell</b>	<b>8</b>	· LNG Canada, start-up in 2024
<b>Papua New Guinea</b>	<b>ExxonMobil</b>	<b>8</b>	· FID could be in 2022~2023

\* Source : Clarksons, international press, etc.

- Qatar government will start to place LNGC orders in 2021

### Environmental regulations will stimulate the replacement of old vessels

\* BWTS, Sox & CO2 emissions

#### ■ Potential demand is resilient considering the aging fleets

- Ratio of oil vessels(15 years~) : 25~29%

< Orderbook-to-fleet, Old vessels >

	VLCC	S-max	A-max	Total	
Fleet	834	611	1,054	2,499	* End- 2019
Orderbook	74	61	101	236	
Orderbook/Fleet	9%	10%	10%	9%	10%
Old vessels (15 years~)	205	160	307	672	
Old vessels/Fleet	25%	26%	29%	27%	28%

\* Source : Clarksons, as of end-2020

- The completion of the new contracts of ongoing projects is expected in 2021  
\* Dual Fuel VLCCs, Arctic Shuttle Tankers etc.
- New orders for replacements of old vessels with low fuel efficiency will increase

**Because of the recovery from the market slump in 2020, replacement demand could be ordered in 2021**

### ■ Demand of containerships will rebound in 2021

- SCFI : 2018(average) 836 → 2019(average) 808 → Dec.2020 2,783 → Jan.2021 2,862  
\* Shanghai Containerized Freight Index

### ■ It is expected that new orders for replacement demand for 10k containerships with eco-friendly technology

- The containerships orderbook is at a historical low and now stands at 8% of the total worldwide container fleets  
\* 288 vessels, 187million TEU (As of Oct.2020)

- With the successful track record of 13~15K TEU and strong competitiveness for eco-friendly containerships, SHI aggressively capture a greater share of the market

\* En-saver, SAVER Air etc.

### Bidding for target projects is underway

- SHI expects Nigeria Bonga FPSO and HI Block P/F to decide the preferred bidder within 2021

#### < Major Offshore Projects >

	Owner	Field Location	Status
Bonga SW FPSO	Shell	Nigeria	· A bidder could be selected in 2021
HI Block P/F	Shell	Nigeria	· A bidder could be selected in 2021
Talos Zama FSO	Talos	Mexico	
Jansz-IO	Chevron	Australia	

\* Source : International press, etc.

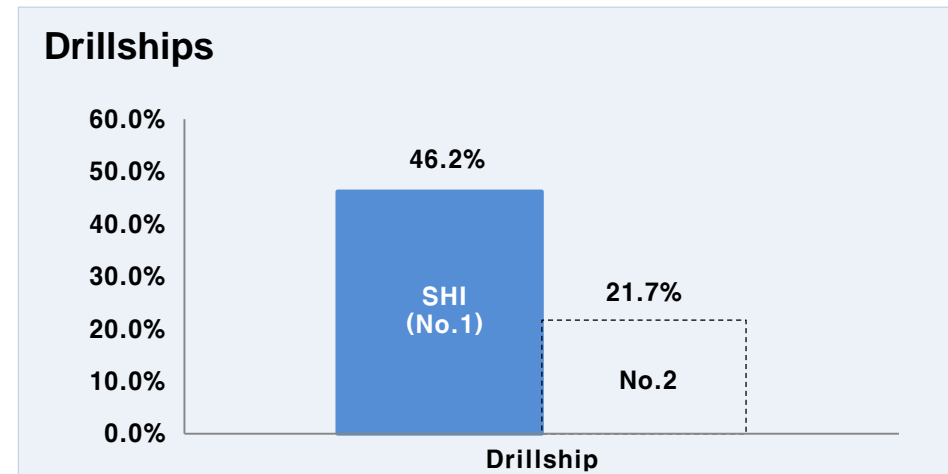
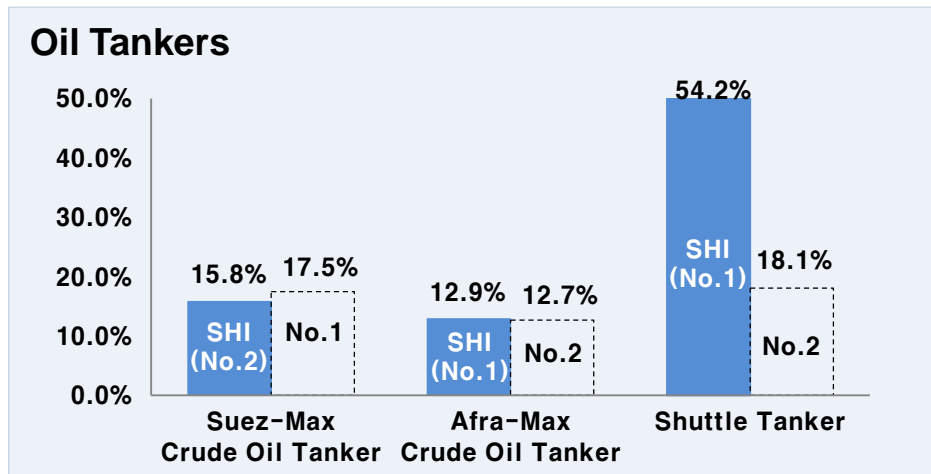
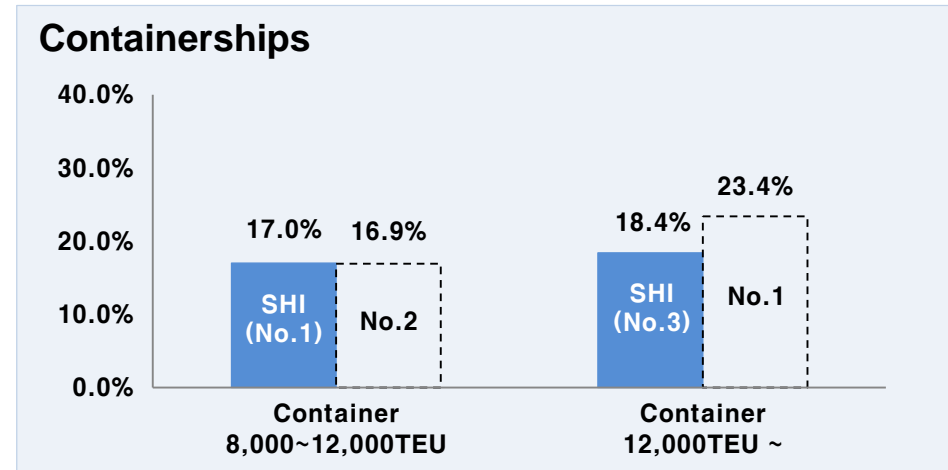
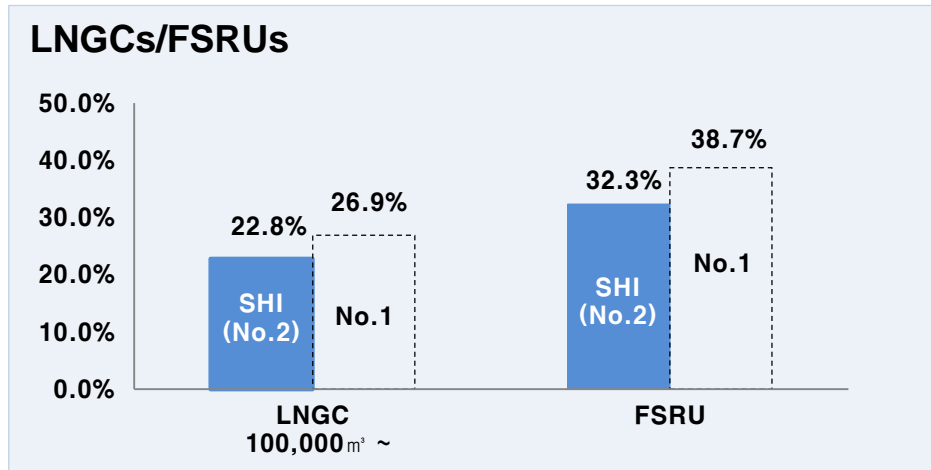
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### Global Top-tier Shipbuilder in Major Products



\* Source : Clarksons



# 2. Major Offshore Projects

## Continuity in Offshore Biz over the last 9 years



**Prelude FLNG**  
(2011~2017, delivered)



**Ichthys CPF**  
(2012~2017, delivered)



**Martin Linge**  
(2012~2018, delivered)



**Egina FPSO**  
(2013~2018, delivered)



**Rotan FLNG**  
(2014~2020)



**Appomattox**  
(2015~2017, delivered)



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



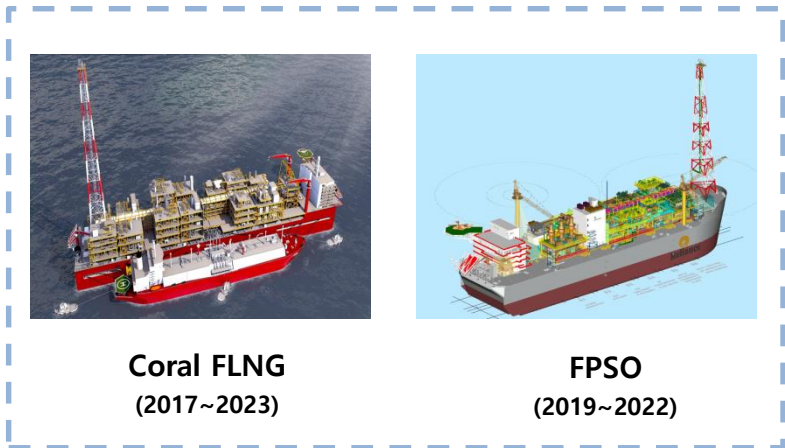
**Argos FPU**  
(2017~2021, delivered)



**Coral FLNG**  
(2017~2023)



**FPSO**  
(2019~2022)



**Under Construction**

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