

IR Presentation

November 2020

Contents

I. Business Status

II. Market Status & Outlook

III. Appendix

Quarterly operating loss continued

■ Revenue : KRW 1.7t (-0.9%↓ QoQ)

- Revenue has slightly decreased from the 2nd 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 → Jan. 2021

■ Operating Loss : KRW -13b (loss reduced by 98.1% QoQ)

- While one-off gain and loss were mixed, the fixed costs' burden continued to occur
 - One-off gain : KRW 65b (C/O from Offshore projects, A further reduction in steel price and etc.)
* Change Order
 - One-off loss : KRW -27b (Wage negotiations)

(KRW b)

	3Q 2019 (YoY)	2Q 2020 (QoQ)	3Q 2020	YoY	QoQ
Revenue	1,945	1,692	1,677	-14.6%	-0.9%
Operating Profit (Margin)	-312 (-15.9%)	-708 (-41.8%)	-13 (-0.8%)	95.7%	98.1%

Focusing on maintaining stable cash-flow amid COVID-19

■ **Net debt as of Sep.2020 : KRW 3.6t** * 2019A 2.9t → 2Q20 3.8t → 3Q20 3.6t

- By increasing the delivery of commercial vessels contracted under the heavy-tail payment,
* Delivery : 7 in 1Q20 → 9 in 2Q20 → 12 in 3Q20
working capital effectively turned into profit during the 3rd quarter
- There will be no liquidity issues since advanced payments from the new LNGC contracts will increase from 4Q20

■ **Cash-in-hand increased to KRW 1.4t**

* KRW 0.9t end-2019 → 1.2t Jun.2020 → 1.4t Sep.2020

- SHI secured stable cash-flow through the execution of debt financing in advance responding to negative cash flow (Increased by KRW 0.5t comparing to the end of 2019)

(KRW t)

	End-2019	2020				비 고
		1Q	2Q	3Q	Total	
Cash from operation	-1.4	-0.7	-0.2	0.2	-0.7	· Cash-in decreased due to delayed new orders, etc.
Total Debt (A)	3.8	4.7	5.0	5.0	5.0	· Debt financing
Cash-in-hand (B)	0.9	1.1	1.2	1.4	1.4	
Net Debt (A-B)	2.9	3.6	3.8	3.6	3.6	

3. New Orders & Backlogs

■ **New orders : USD 1.1b**

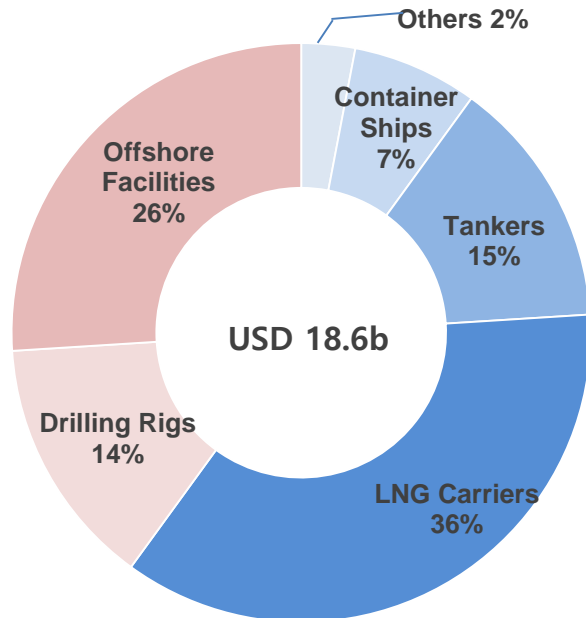
* Jan-Oct, 2020

- 3 Shuttle tankers(0.3b), 2 VLCCs(0.2b), 2 VLECs(0.2b), 6 COTs(0.4b)

■ **Order backlog : USD 18.6b**

* as of Oct 31, 2020

< Order Backlog as of Oct 31, 2020 >



(USD b)		
	No	Amount
LNGCs	32	6.6
Containerships	9	1.2
Tankers	35	2.6
Others	5	0.5
Commercial Vessels	81	10.9
Drilling Rigs	5	2.8
Offshore Facilities	3	4.9
Total	89	18.6

3 offshore projects in the backlog are well underway

- BP Argos is working on a new schedule** * Delivery(Sail-away) Aug.2020 → Jan.2021
 - 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 resultant work schedule, BP Argos is progressing normally according to the new schedule
- 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 under Construction 〉

(USD b)

	Type	Contract Price	Progress	Delivery	Production Capacity
BP Argos	FPU	1.3	90%	Jan. 2021	110,000 B/D
ENI Coral	FLNG	2.5	70%	Jun. 2022	3.3 Mtpa
-	FPSO	1.1	14%	Mar. 2022	3.4 Mtpa
Total		4.9			-

* Progress : as of Sep 30, 2020

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

* △20%↓

■ Inventories

(USD b)

	No. of Vessels	Contract Price	Cash Received	Book-value			Remark
				End-2019	3Q20	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%↓	
Total	5	2.99	1.01(34%)	1.59	1.28	19.5%↓	

■ Arbitral proceedings

	Risks	Status	Provisions	Remark
PDC	Refund of cash received and interest	SHI won the arbitration (Jan. 2020)	50% of risks exposed	· We will write-back after finalizing the lawsuits
Stena	"	Underway	"	

* PDC drillship : The arbitration tribunal awarded SHI USD318b and the drillship belongs to SHI.
The compensation for legal fees/interest cost will be determined in a separate arbitration.

I. Business Status

II. Market Status & Outlook

III. Appendix

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 : 20.0millionCGT in 2019 → 9.8 in 2020 ($\Delta 51\% \downarrow$) * Source : Clarksons
* from January to September * from January to September

■ Global seaborne trading volume will recover in 2021

- Global seaborne trading volume
: 11.9 billion Ton in 2019 → 11.3 in 2020 ($\Delta 4.4\% \downarrow$) → 11.9 in 2021 (5.0% \uparrow) * Source : Clarksons

- By focusing on independent negotiations

: Russia Arctic 2 LNGCs, Mozambique LNGCs, Nigeria Bonga FPSO, Dual fuel VLCCs and Shuttle tankers etc. * The contracts will be completed despite the market slump

SHI currently holds orders including Mozambique and Russia

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

< Major LNG Export Plans >

	Owner	Vessels Required	Remark
Qatar	Qatar Petroleum	40	· Slot reservation agreement was signed.
US	ExxonMobil	20	· Golden Pass LNG, start-up in 2024(schedule maintained)
Mozambique	Total	16	· Area1, start-up in 2024(schedule maintained)
	ExxonMobil	20	· Area4, FID could be in 2021
Russia	Novatek	16	· Icebreaking LNGC
Canada	Shell	8	· LNG Canada, start-up in 2024
Papua New Guinea	ExxonMobil	8	· PNG LNG, FID could be delayed

* Source : Clarksons, international press, etc.

- Expecting New orders from Mozambique and Russia in 2020, 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~) : 27~30%

< Orderbook-to-fleet, Old vessels >

	VLCC	S-max	A-max	Total	
Fleet	801	545	1,013	2,359	* End- 2018
Orderbook	64	43	81	188	
Orderbook/Fleet	8%	8%	8%	8%	12%
Old vessels (15 years~)	215	147	304	666	
Old vessels/Fleet	27%	27%	30%	28%	21%

* Source : Clarksons, as of end-2019

- The completion of the new contracts of ongoing projects is expected in 2020
* Dual Fuel VLCCs, Arctic Shuttle Tankers etc.
- New orders for replacements of old vessels with low fuel efficiency will increase

**Despite the market slump due to COVID-19,
mega containerships and replacement demand could be ordered in 2021**

■ Demand of containerships will rebound in 2021

- SCFI : 2018(average) 836 → 2019(average) 808 → Nov.2020 1,664
* Shanghai Containerized Freight Index
- OOCL has placed shipbuilding orders for 7 additional 23,000 TEU megaships in Oct.2020
* Five 23,000 TEU ships placed in Mar.2020

■ New order for mega containerships and replacement demand for 10k containership with Eco-friendly technology is expected

- The container orderbook is historical lows and now stand at 8% of the total worldwide container fleet
* 288 vessels, 187million TEU (As of Oct.2020)

- SHI has success track record of 20k TEU and eco-friendly containerships before,
so SHI has competitive advantages in 2021.
* En-saver, SAVER Air etc.

Bidding for target projects is underway despite the low oil price

- SHI expects Nigeria Bonga FPSO to decide the preferred bidder within 2020, Jansz-IO FPU and HI Block P/F are underway

< Major Offshore Projects >

	Owner	Field Location	Status
Bonga SW FPSO	Shell	Nigeria	· Bidding is underway, a final bidder could be selected in 2020
Jansz-IO FPU	Chevron	Australia	· Bidding is underway
HI Block P/F	Shell	Nigeria	· FEED is underway, FID is expected in 2021
Browse FPSO	Woodside	Australia	· FID is delayed to 2023
North Platte FPU	Total	US	· Bidding is suspended
Bay du Nord FPSO	Equinor	Canada	· Bidding is suspended

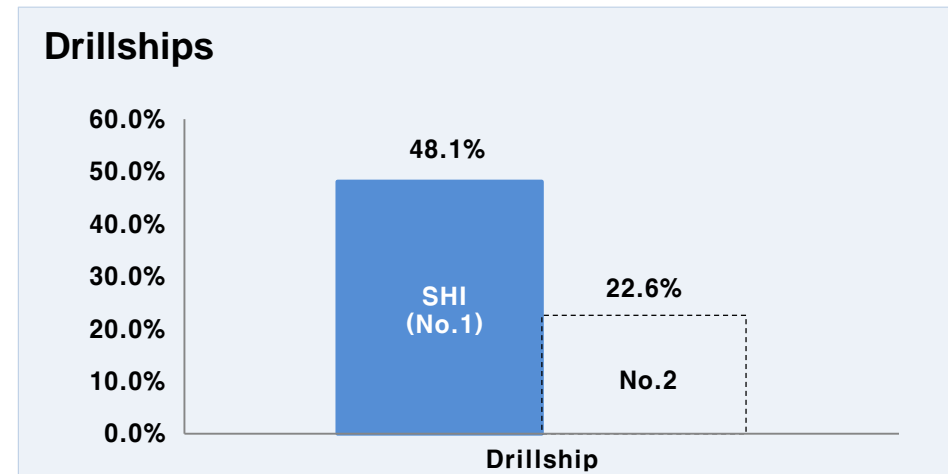
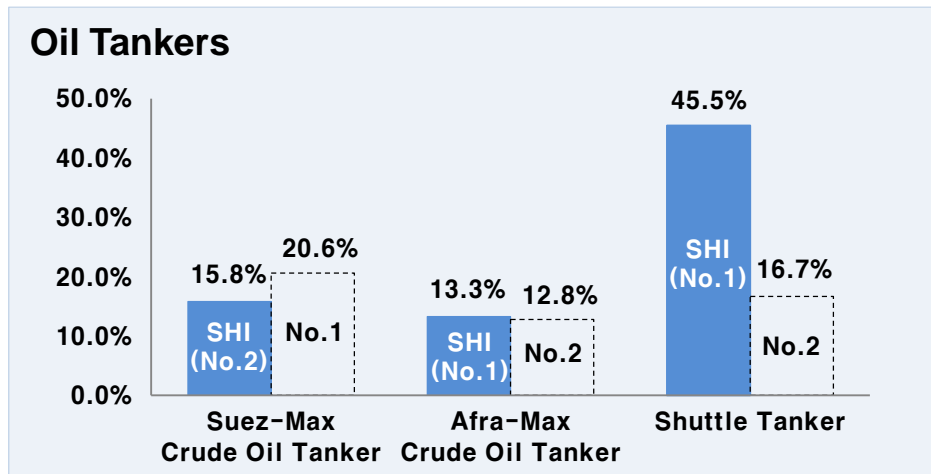
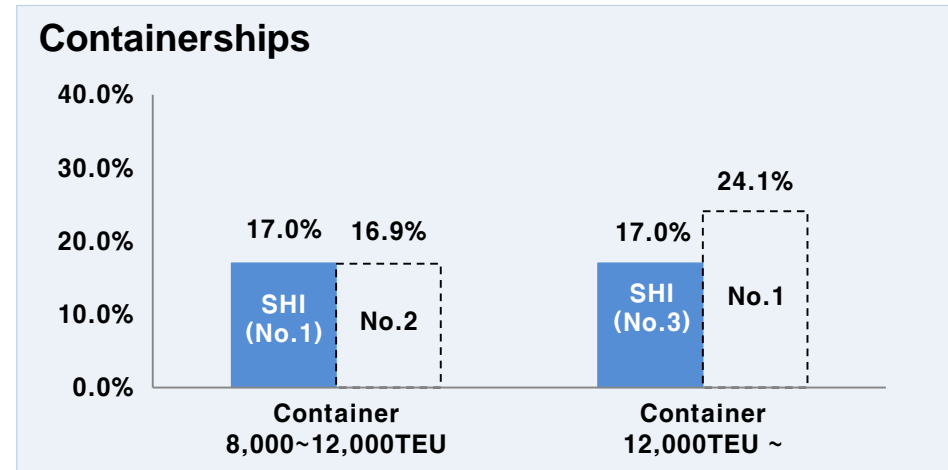
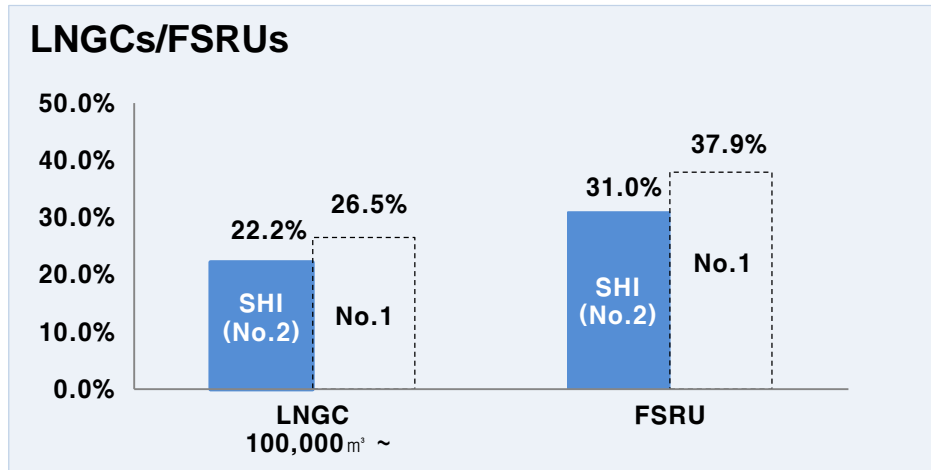
* Source : International press, etc.

I. Business Status

II. Market Status & Outlook

III. Appendix

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)



Coral FLNG
(2017~2023)



FPSO
(2019~2022)

Under Construction

Disclaimer

- This presentation has been prepared by Samsung Heavy Industries Co., Ltd. and contains forward-looking statements that are subject to risks, uncertainties, and assumptions.
- The presentation is solely for your information, subject to change without notice, and makes no representation or warranty, expressed or implied and no reliability should be placed on the accuracy, fairness, or completeness of the information presented herein.
- The Company, its affiliates, or representatives accept no liability for any losses arising from any information contained in the presentation.
- The contents of this presentation may not be reproduced, redistributed or circulated, directly or indirectly, to any other person or organization, or published, in whole or in part, for any purpose.