

IR Presentation

October 2020



HEAVY INDUSTRIES

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Revenue decreased QoQ, Drillship write-offs depressed OP

■ **Revenue : KRW 1.7t (7.4%↓ QoQ)**

- Operational delay in BP Argos project, due to COVID-19 quarantine

■ **Operating Loss : KRW -708b**

- OP loss widened due to KRW -454b from drillship-related write-offs and costs,

* Additional 20% cut of book value of 5 drillships in the inventory, Lay-up costs, Etc.

KRW -90b from troubles in offshore project due to COVID-19

* Revenue recognition delay of BP Argos project and Decreased workload in offshore facilities

KRW -68b from provisioning for guarantee for after-cost construction

(KRW b)

	2Q 2019 (YoY)	1Q 2020 (QoQ)	2Q 2020	YoY	QoQ
Revenue	1,770	1,827	1,692	-4.5%	-7.4%
Operating Profit (Margin)	-56 (-3.2%)	-48 (-2.6%)	-708 (-41.8%)	-1,157.0%	-1,380.5%

Focusing on maintaining stable cash-flow amid COVID-19

■ Net debt has increased since the end-2018 (Net debt as of Jun. 2020 : KRW 3.8t)

* 2018A 1.5t → 2019A 2.9t → 2Q20 3.8t

- Commercial vessel workloads ↑ → Working capital burden ↑ → Net debt ↑

* Mostly heavy-tail contracts

- Working capital burden will be gradually eased from 3Q as delivery of commercial vessels increases

* Delivery : 16 in 1H20 → 29 in 2H20

■ Cash-in-hand increased to KRW 1.2t

* KRW 0.9t end-2019 → 1.2t June 2020

- SHI secured stable cash-flow through debt financing responding to negative cash from operation

(KRW t)

	End-2019	June 2020	Difference	Remark
Cash from operation	-1.4	-0.9	-	· Cash-in decreased due to delayed new orders, etc.
Total Debt (A)	3.8	5.0	1.2	· Debt financing
Cash-in-hand (B)	0.9	1.2	0.3	
Net Debt (A-B)	2.9	3.8	0.9	

3. New Orders & Backlogs

■ **New orders : USD 1.0b**

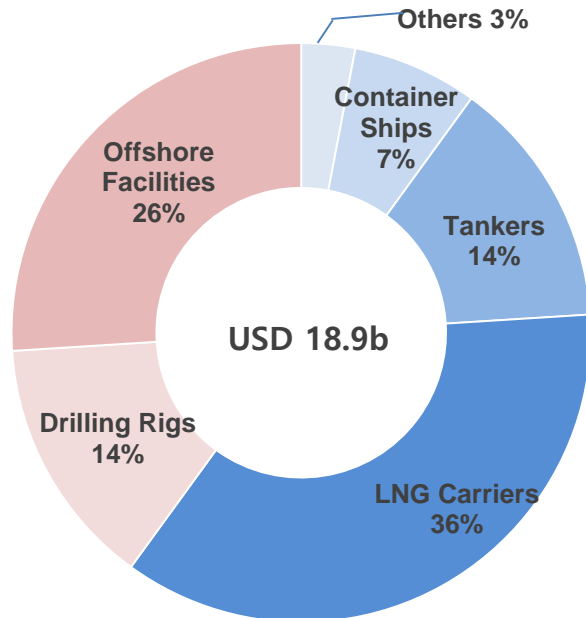
* Jan-Sep, 2020

- 3 Shuttle tankers(0.3b), 2 VLCCs(0.2b), 2 VLECs(0.2b), 4 COTs(0.3b)

■ **Order backlog : USD 18.9b**

* as of Sep 30, 2020

< Order Backlog as of Sep 30, 2020 >



(USD b)		
	No	Amount
LNGCs	33	6.8
Containerships	10	1.3
Tankers	34	2.5
Others	6	0.6
Commercial Vessels	83	11.2
Drilling Rigs	5	2.8
Offshore Facilities	3	4.9
Total	91	18.9

Delays in projects due to COVID-19 will be recovered in 2H

■ Impact of COVID-19 was different project by project

- Although impact on BP Argos was remarkable as BP employees and service engineers were evacuated from the site, impact on other projects was minimized as ENI employees worked from home and a FPSO project is in a design stage

■ Delays will be recovered in 2H

* Most of the Employees and Service Engineers have returned to the site (as of July)

< Offshore Projects under Construction >

(USD b)

	Type	Contract Price	Progress	Delivery	Production Capacity
BP Argos	FPU	1.3	87%	Sep. 2020	110,000 B/D
ENI Coral	FLNG	2.5	65%	Jun. 2022	3.3 Mtpa
-	FPSO	1.1	7%	Mar. 2022	3.4 Mtpa
Total		4.9			-

* Progress : as of June 30, 2020

Re-evaluation losses for the undelivered drillship inventory (20%↓)

■ Inventories

(USD b)

	No. of Vessels	Contract Price	Cash Received	Book-value			Remark
				1Q20	2Q20	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 (USD 0.18b) and interest	SHI won the arbitration (Jan. 2020)	50% of risks exposed	PDC appealed to UK High Court
Stena	" (USD 0.22b)	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.

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Focusing on major projects despite the market slump

■ Global shipbuilding New Orders at historic Low in 1H due to COVID-19

- New orders : 13.8millionCGT in 1H19 → 5.8 in 1H20 (58%↓)

< Global New Order Trend >

(million CGT)

	2011~2015 (Avg.)	2016	2017	2018	2019	2020	YoY
1H	2.2	7.7	12.1	18.2	13.8	5.8	58%↓
Annual	4.2	13.8	29.6	35.0	28.0	-	-

* Source : Clarksons

■ SHI will focus on projects with high probability in 2H

- LNGC : New orders from Mozambique, Russia and etc. are expected
- Tankers : Additional orders of DF VLCCs and shuttle tankers are expected
* Dual Fuel
- Offshore: A final bidder for Bonga FPSO could be selected

Expecting new orders from Mozambique, Russia and Qatar

- **Mozambique** : LNGCs are to be ordered in 2020 considering LNG sales contracts
- **Russia** : Additional LNGCs are to be ordered from Arctic2 project
- **Qatar** : Slot reservation was signed, LNGCs will be ordered for several years

< 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 was delayed to 2021
Russia	Novatek	22	· Schedule maintained, a part could be awarded in 2020
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.

Additional orders of VLCCs and shuttle tankers are expected

- **New orders related to existing projects are expected**

- Additional DF VLCC orders are expected after winning 2 vessels in April
* Dual Fuel
- Arctic shuttle tankers could be ordered through the cooperation with Russian shipyard

- **Potential demand is resilient considering aging fleet**

- 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
Orderbook	64	43	81	188
Orderbook/Fleet	8%	8%	8%	8%
Old vessels (15 years~)	215	147	304	666
Old vessels/Fleet	27%	27%	30%	28%

* Source : Clarksons, as of end-2019

Bidding for target projects is underway despite low oil prices

- Bidding for Browse, North Platte and Bay du Nord was suspended, while there is no change of schedule for Bonga and Jansz-IO

< Major Offshore Projects >

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

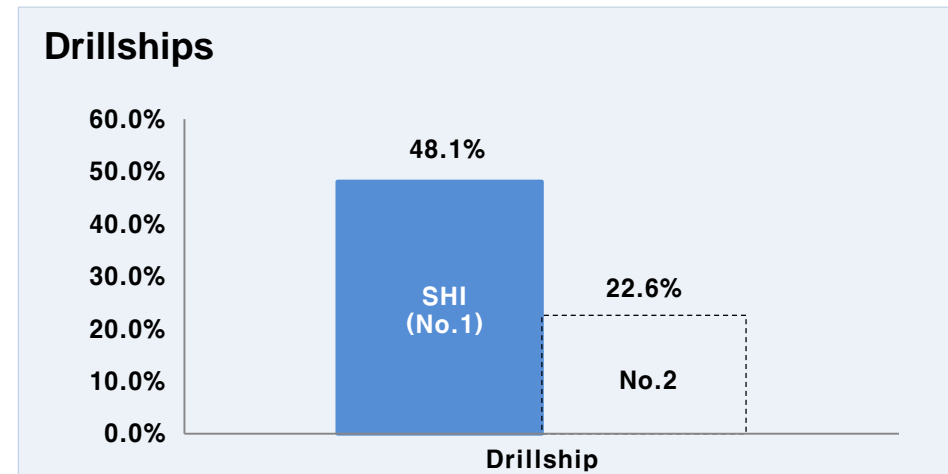
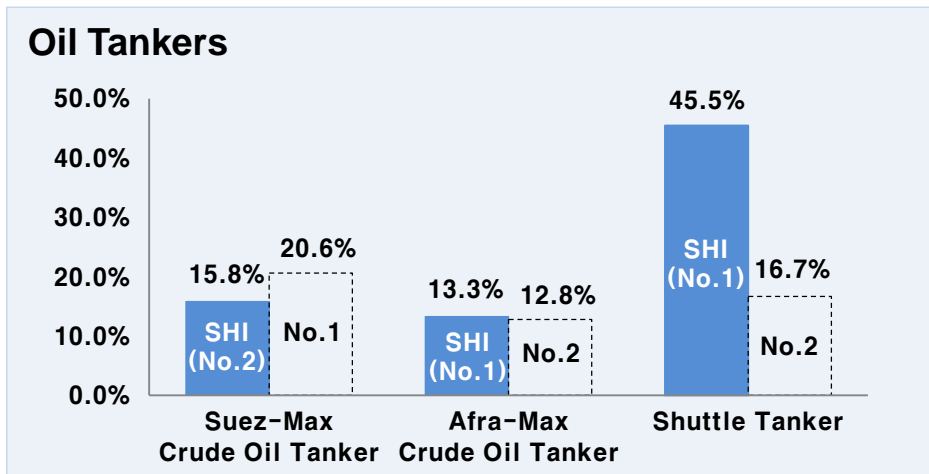
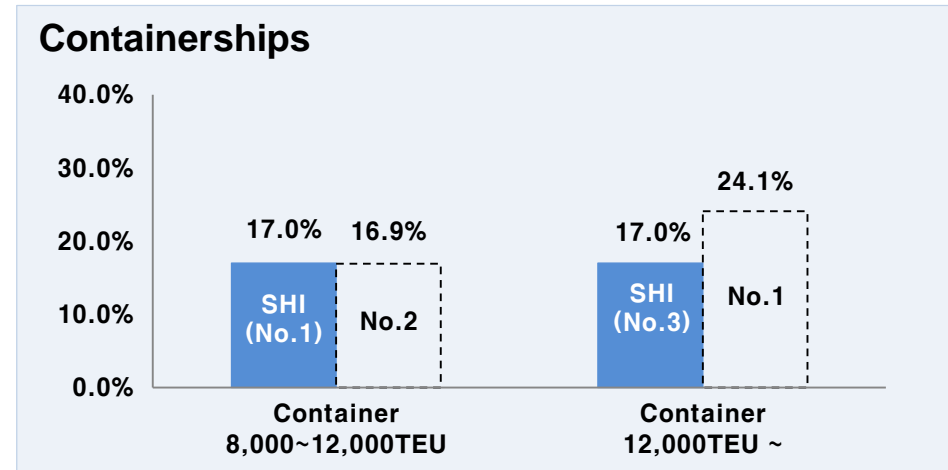
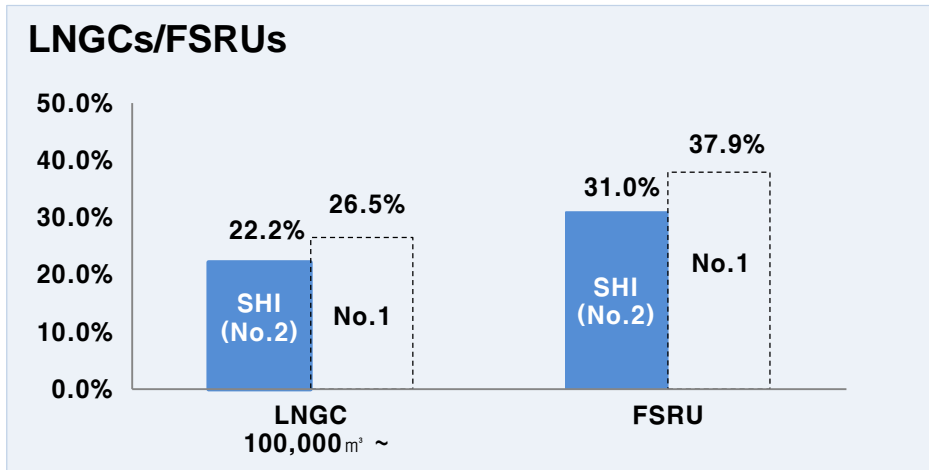
* Source : International press, etc.

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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
(2017~2020)



Coral FLNG
(2017~2023)



FPSO
(2019~2022)

Under Construction

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