



3Q 2019 Earnings Release

**KOREA SHIPBUILDING &
OFFSHORE ENGINEERING**

KSOE

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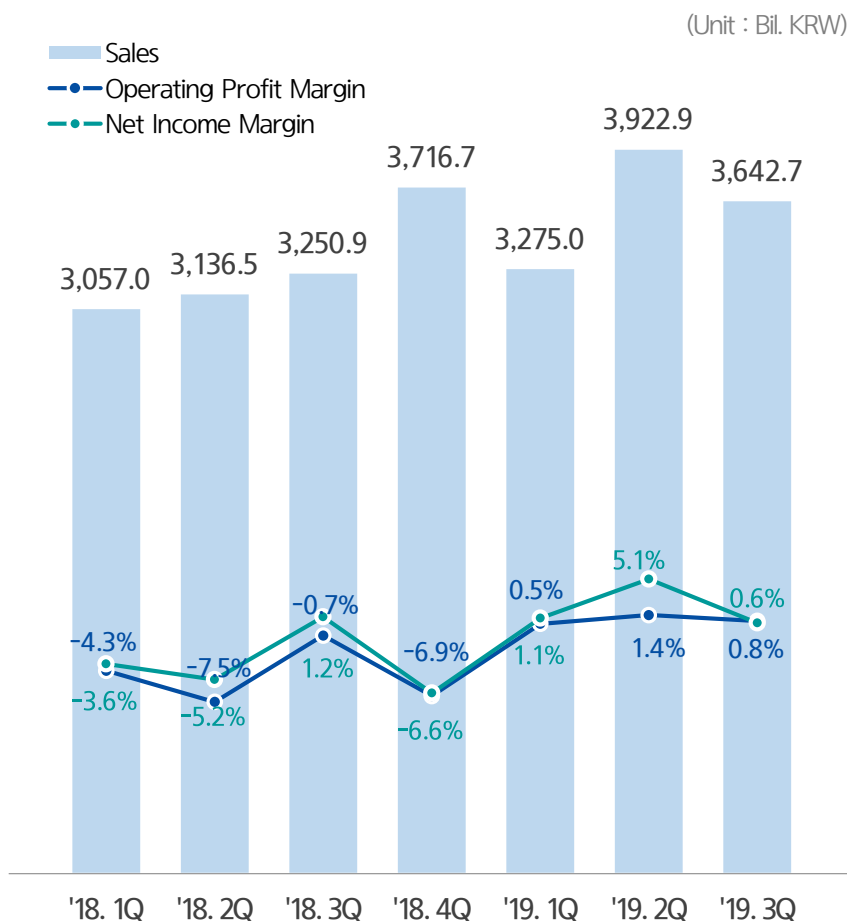
(Appendix)

Condensed Consolidated Financial Statements

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1. 3Q Consolidated Earnings

Quarterly Sales and Operating Profit



3Q Consolidated Highlights (QoQ)

- **Sales KRW 3,462.7 Bil.**
- QoQ -7.1% (YoY +12.1%)

Sales declined as work volume has decreased due to corporate-wide vacations.

- **Operating Profit KRW 30.3 Bil.**
- QoQ -45.3% (YoY -20.1%)

Operating profit declined due to higher unallocated operating expense; however, reported profit for the third consecutive quarter benefiting from won depreciation.

- **Net Income KRW 20.4 Bil.**
- QoQ -89.9% (YoY Turned to black)

Net income declined due to previous quarter's tax adjustment; however, reported profit due to positive operating profit.

Note 1 : Continuous operations basis

2. Consolidated Financial Results by Business Segments

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(Unit : Bil. KRW)

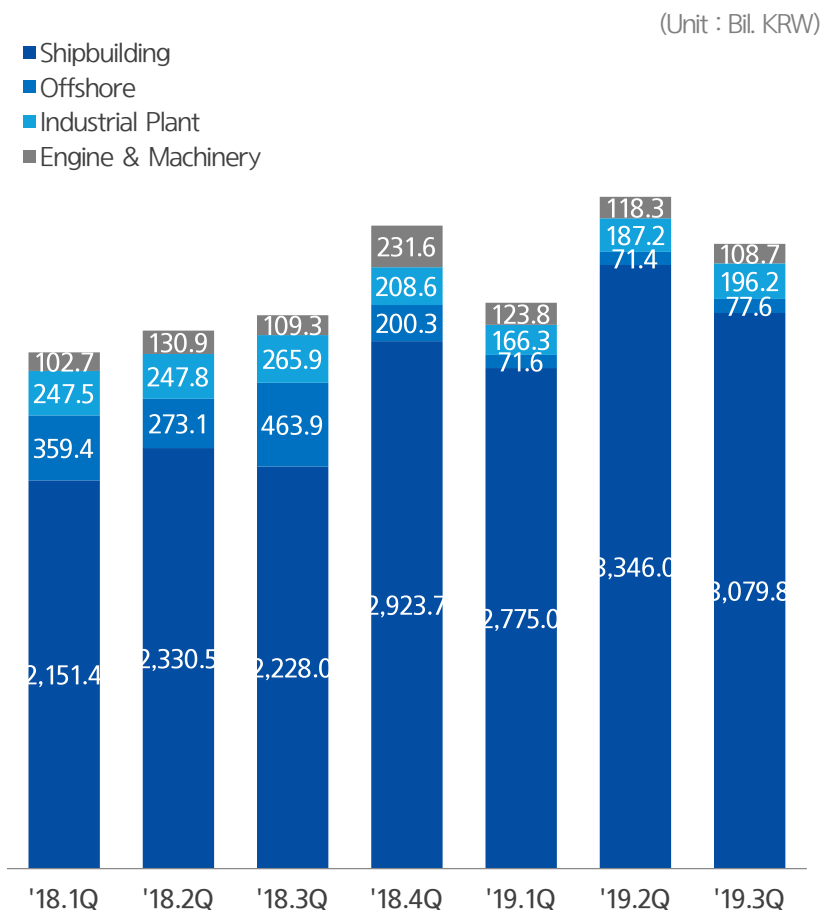
| Business Segments | 3Q 2019 | | | 2Q 2019 | | | 3Q 2018 | | |
|------------------------|----------------|------------------|-------------|----------------|------------------|-------------|----------------|------------------|-------------|
| | Sales | Operating Profit | OP Margin | Sales | Operating Profit | OP Margin | Sales | Operating Profit | OP Margin |
| Shipbuilding | 3,079.8 | 120.6 | 3.9% | 3,346.0 | 133.7 | 4.0% | 2,228.0 | -304.6 | -13.7% |
| Offshore & Engineering | 77.6 | -31.8 | -41.0% | 71.4 | -31.0 | -43.4% | 463.9 | 338.6 | 73.0% |
| Industrial Plant | 196.2 | -16.6 | -8.5% | 187.2 | -26.0 | -13.9% | 265.9 | 26.8 | 10.1% |
| Engine & Machinery | 108.7 | 18.4 | 16.9% | 118.3 | 16.3 | 13.8% | 109.3 | 9.4 | 8.6% |
| Green Energy | 126.4 | 6.8 | 5.4% | 122.2 | 8.3 | 6.8% | 109.5 | 4.1 | 9.7% |
| Others | 54.0 | -67.1 | - | 77.8 | -45.9 | - | 74.3 | -36.4 | - |
| Total | 3,642.7 | 30.3 | 0.8% | 3,922.9 | 55.4 | 1.4% | 3,250.9 | 37.9 | 1.2% |

Note 1 : Before distribution of common expense

Note 2 : Continuous operations basis

2-1. Analysis on Consolidated Sales by Business Segments

Consolidated Sales



Consolidated Sales Analysis (QoQ)

Shipbuilding
(-8.0%)

▼ Sales declined as work volume has decreased due to corporate-wide vacations.

Offshore
(+8.7%)

▲ Sales increased as construction of King's Quay FPU project has commenced.

Industrial Plant
(+4.8%)

▲ Sales increased as revenue recognition rate of ITER project has increased.

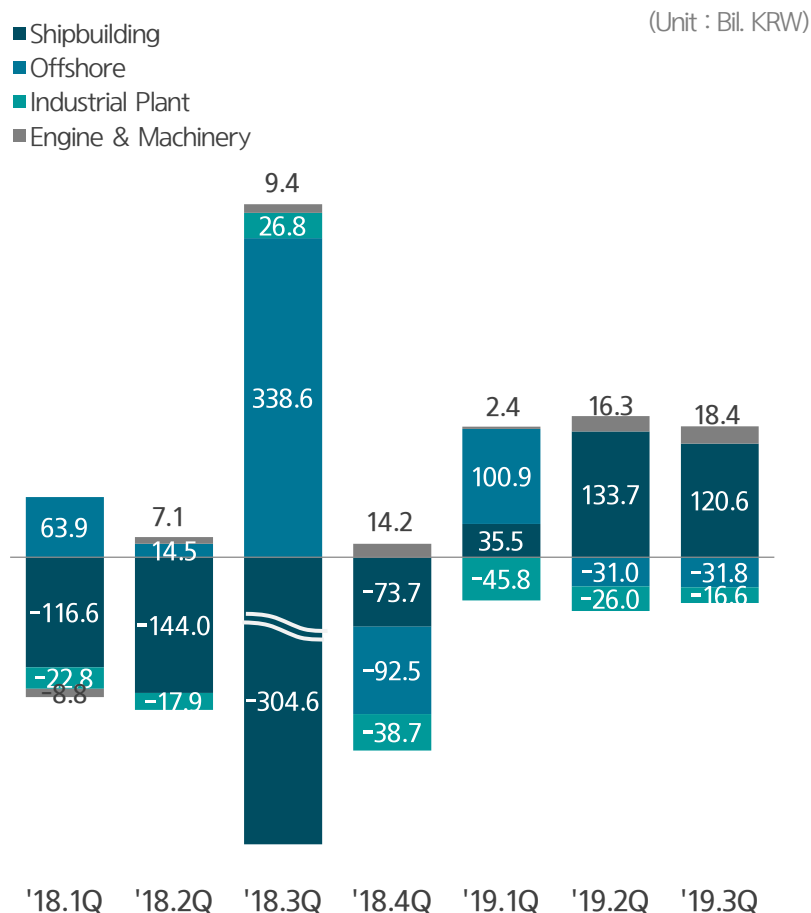
Engine & Machinery
(-8.1%)

▼ Sales declined as delivery was negatively affected by shipbuilders' construction schedule.

2-2. Analysis on Consolidated Operating Profit by Business Segments

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Consolidated Operating Profit



Consolidated Operating Profit Analysis

| | |
|--|---|
| Shipbuilding (-9.8%) | Reported operating profit benefiting from Won depreciation and reflecting shift to construction of LNG carriers despite higher unallocated operating expense. ▲ |
| Offshore (Loss continued) | Operating loss continued due to higher unallocated operating expense as major projects such as NASR2 are near to completion. ▼ |
| Industrial Plant (Loss continued) | Operating loss declined as costs related to CFP and ITER projects have decreased despite incurred costs of ZOR and Jazan projects. ▲ |
| Engine & Machinery (+12.9%) | Operating profit increased by double digit driven by Won depreciation. ▲ |

Note 1 : Before distribution of common expense

3. Separate Financial Results of Major Subsidiaries

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(Unit : Bil. KRW)

| | 2019 3Q | | | ³⁾ 2019 2Q | | | 2018 3Q | | |
|--------------------------------|---------|------------------|-----------|-----------------------|------------------|-----------|---------|------------------|-----------|
| | Sales | Operating Profit | OP Margin | Sales | Operating Profit | OP Margin | Sales | Operating Profit | OP Margin |
| KSOE | 26.8 | -16.0 | -59.7% | ¹⁾ 1,433.6 | 35.5 | 2.5% | 2,036.8 | 51.7 | 2.5% |
| Hyundai Heavy Industries | 2,042.5 | -21.1 | -1.0% | ²⁾ 738.4 | -57.1 | -7.7% | - | - | - |
| ³⁾ Total | 2,069.3 | -37.1 | -1.8% | 2,172.0 | -21.6 | -1.0% | 2,036.8 | 51.7 | 2.5% |
| Hyundai Samho Heavy Industries | 880.5 | 46.3 | 5.3% | 911.3 | 15.8 | 1.7% | 605.4 | -47.7 | -7.9% |
| Hyundai Mipo Dockyard | 732.6 | 18.7 | 2.5% | 838.9 | 27.0 | 3.2% | 584.4 | 16.1 | 2.8% |
| Hyundai Vinashin Shipyard | 143.9 | 4.2 | 2.9% | 132.7 | 5.1 | 3.8% | 119.1 | 5.9 | 5.0% |
| Hyundai Energy Solution | 128.3 | 6.7 | 5.2% | 122.2 | 8.3 | 6.8% | 109.6 | 4.2 | 3.8% |

Note 1 : Operating result consists of KSOE's 1 month result (June) and HHI's 2 month results (April and May). KSOE June result : Sales 9.8 Bil KRW, OP -3.8 Bil. KRW

Note 2 : Operating result of 1 month (June)

Note 3 : 2Q and 3Q of 2019 operating results are mere summation for QoQ and YoY comparisons.

3-1. Analysis on Separate Financials of Major Subsidiaries

KSOE

(Unit : Bil. KRW)

| Categories | 3Q 2019 Financial Results | | | | | | Comments (QoQ) |
|--------------------------------|---------------------------|---------|---------|------------------|--------|--------|--|
| | Sales | | | Operating Profit | | | |
| 1)KSOE & HHI | 2,036.8 | 2,172.0 | 2,069.3 | 51.7 | -21.6 | -37.1 | <p>Sales declined as work volume decreased due to corporate-wide vacations despite sales improvement in Offshore and Plant segments.</p> <p>Operating loss continued due to higher unallocated operating expense in Offshore and Plant segments despite operating profit in Shipbuilding segments.</p> |
| | '18.3Q | '19.2Q | '19.3Q | '18.3Q | '19.2Q | '19.3Q | |
| Hyundai Samho Heavy Industries | 605.4 | 911.3 | 880.5 | -47.7 | 15.8 | 46.3 | <p>Sales declined as work volume decreased due to corporate-wide vacations. However, decline was partially offset by Won depreciation and transitioning to LNG carriers.</p> <p>Operating profit increased due to reduction in unallocated operating expense and Won depreciation despite provisioning for new orders and warranty charges from delivered vessels.</p> |
| | '18.3Q | '19.2Q | '19.3Q | '18.3Q | '19.2Q | '19.3Q | |

Note 1 : 2Q and 3Q of 2019 operating results are mere summation for QoQ and YoY comparisons.

3-1. Analysis on Separate Financials of Major Subsidiaries

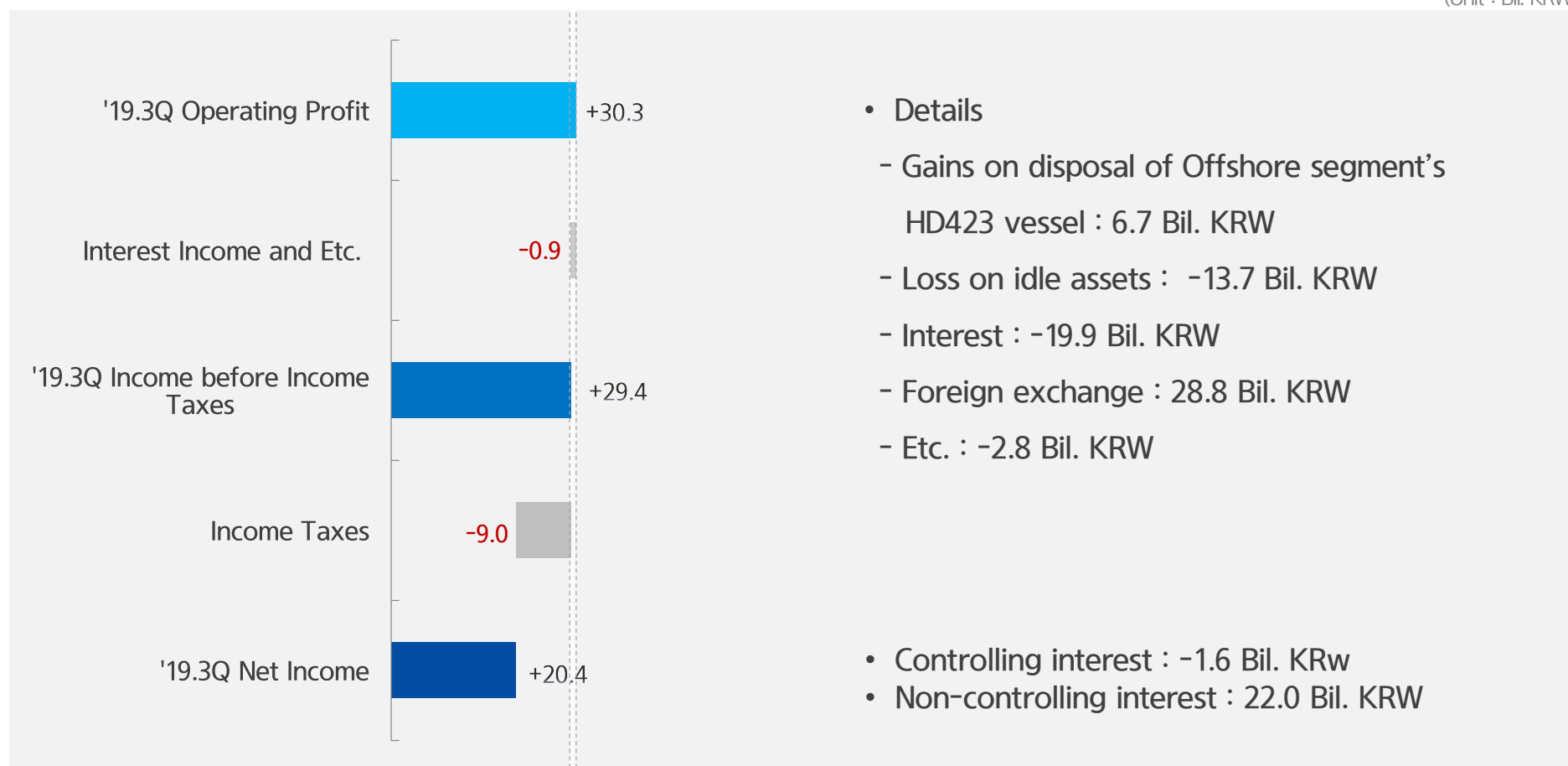
(Unit : Bil. KRW)

| | 3Q 2019 Financial Results | | | | | | Comments (QoQ) | |
|---------------------------|---------------------------|--------|--------|------------------|--------|--------|---------------------------|--|
| | Sales | | | Operating Profit | | | | |
| Hyundai Mipo Dockyard | 584.4 | 838.9 | 732.6 | 16.1 | 27.0 | 18.7 | Sales (-12.7%) | ▼ Sales declined as work volume has decreased due to corporate-wide vacations. |
| | '18.3Q | '19.2Q | '19.3Q | '18.3Q | '19.2Q | '19.3Q | Operating Profit (-30.7%) | ▼ Operating profit declined due to higher unallocated operating expense, provisioning for new orders and warranty charges from delivered vessels despite Won depreciation. |
| Hyundai Vinashin Shipyard | 119.1 | 132.7 | 143.9 | 5.9 | 5.1 | 4.2 | Sales (+8.4%) | ▲ Sales increased driven by increased work volume and Won depreciation. |
| | '18.3Q | '19.2Q | '19.3Q | '18.3Q | '19.2Q | '19.3Q | Operating Profit (-17.6%) | ▼ Operating profit declined due to reflection of bulk carriers secured at lower prices in 2017. |

4. Consolidated Non-operating Profit and Net Income

3Q 2019 Non-operating Profit and Net Income

(Unit : Bil. KRW)

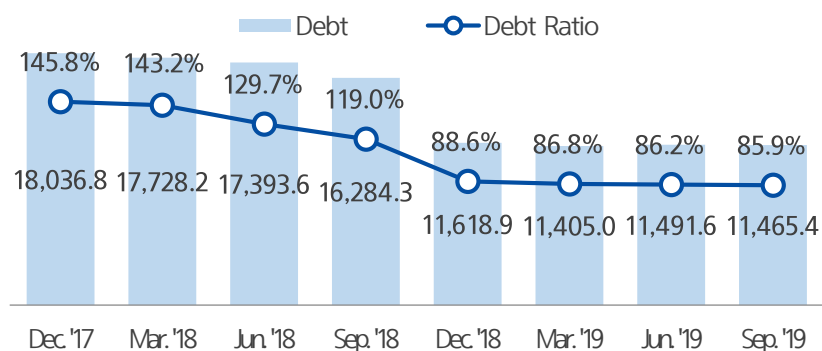


5. Financial Ratios

Consolidated Financial Ratios

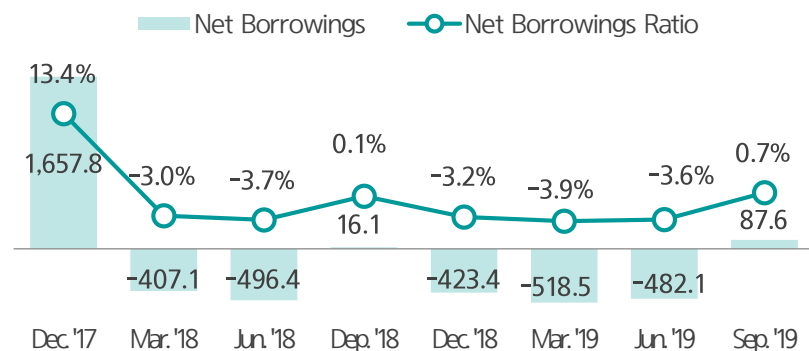
• Debt Ratio 85.9%

(Unit : Bil. KRW)



• Net Borrowings Ratio 0.7%

(Unit : Bil. KRW)



Separate Financial Ratios (as of Sep. 30, 2019)

(Unit : Bil. KRW)

| Categories | Debt (Debt Ratio) | Net Borrowings (Ratio) |
|---|-------------------|------------------------|
| Korea Shipbuilding & Offshore Engineering | 419.9 (3.9%) | -1,161.1(*) (-10.7%) |
| Hyundai Heavy Industries | 7,663.0 (126.8%) | 1,341.1 (22.2%) |
| Hyundai Samho Heavy Industries | 2,226.2 (112.2%) | 151.2 (7.6%) |
| Hyundai Mipo Dockyard | 1,153.6 (49.5%) | -425.8(*) (-18.3%) |

(*) Cash and cash equivalents including short-term investments exceed borrowings

Note 1 : Cash and cash equivalents include short-term investments

(Appendix)

Condensed Consolidated Financial Statements

1. Korea Shipbuilding & Offshore Engineering
2. Hyundai Mipo Dockyard
3. Newbuild Price Index
4. Iron Ore and Steel Plates Price Trend

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1. Korea Shipbuilding & Offshore Engineering

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Consolidated Income Statement

(Unit : Bil. KRW)

| | 2019.3Q | | | 2019.2Q | 2018.3Q |
|----------------------------|---------|----------------|-------------------|---------|---------|
| | | QoQ | YoY | | |
| Sales | 3,642.7 | -7.1% | 12.1% | 3,922.9 | 3,250.9 |
| Cost of Sales | 3,409.9 | -6.6% | 12.4% | 3,652.3 | 3,034.6 |
| Gross Profit | 232.8 | -14.0% | 7.6% | 270.6 | 216.3 |
| Operating Profit | 30.3 | -45.3% | -20.1% | 55.4 | 37.9 |
| Operating Margin | 0.8 | -0.6P | -0.4P | 1.4 | 1.2 |
| Non-operating Income | -0.9 | - | - | -16.7 | -58.1 |
| Income before Income Taxes | 29.4 | - | - | 38.7 | -20.2 |
| Income Taxes | 9.0 | - | - | -162.9 | 2.9 |
| Net Income | 20.4 | -89.9% | Profit turnaround | 201.6 | -23.1 |
| Controlling Interest | -1.6 | Turned to loss | Loss continued | 188.2 | -47.9 |

Note 1 : K-IFRS Consolidated Financial Statements Basis

Note 2 : Excluding discontinued operations

Consolidated Statement of Financial Positions

(Unit : Bil. KRW)

| | As of Sep. 30 2019 | As of Jun. 30 2019 | As of Dec. 31 2018 |
|--|--------------------|--------------------|--------------------|
| Current Assets | 12,147.1 | 12,311.9 | 12,316.7 |
| (Cash & Cash Equivalents) | 3,739.9 | 3,533.6 | 3,041.8 |
| (Disposal group held for distribution) | 209.2 | 207.6 | 376.5 |
| Non-current Assets | 12,659.7 | 12,507.7 | 12,413.2 |
| Total Assets | 24,806.8 | 24,819.6 | 24,729.9 |
| Current Liabilities | 8,238.0 | 8,554.5 | 9,410.2 |
| (Short-term borrowings) | 2,360.0 | 2,456.3 | 2,858.8 |
| (Liabilities associated with disposal group held for distribution) | 0 | 0 | 0 |
| Non-current Liabilities | 3,227.4 | 2,937.1 | 2,208.7 |
| (Long-term borrowings) | 2,024.4 | 1,878.3 | 1,041.6 |
| Total Liabilities | 11,465.4 | 11,491.6 | 11,618.9 |
| Common stock | 353.9 | 353.9 | 353.9 |
| Others | -4,945.6 | -4,941.7 | -4,515.3 |
| Retained Earnings | 16,226.7 | 16,228.0 | 16,043.7 |
| Non-controlling interests | 1,706.4 | 1,687.8 | 1,228.7 |
| Total Equity | 13,341.4 | 13,328.0 | 13,111.0 |

Note 1 : K-IFRS Consolidated Financial Statements Basis

Note 2 : Excluding discontinued operations

2. Hyundai Mipo Dockyard

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Consolidated Income Statement

(Unit : Bil. KRW)

| | 2019.3Q | | | 2019.2Q | 2018.3Q |
|----------------------------|---------|--------|--------|---------|---------|
| | | QoQ | YoY | | |
| Sales | 731.3 | -12.1% | 25.6% | 831.6 | 582.3 |
| Cost of Sales | 685.0 | -12.0% | 28.3% | 778.7 | 533.9 |
| Gross Profit | 46.3 | -12.5% | -4.3% | 52.9 | 48.4 |
| Operating Profit | 23.7 | -25.7% | 10.2% | 31.9 | 21.5 |
| Operating Margin | 3.2% | -0.6p | -0.5p | 3.8% | 3.7% |
| Non-operating Income | 9.5 | - | - | -7.9 | 33.2 |
| Income before Income Taxes | 33.2 | - | - | 24.0 | 54.7 |
| Income Taxes | 8.7 | - | - | 5.1 | 10.5 |
| Net Income | 24.5 | 29.6% | -44.6% | 18.9 | 44.2 |
| Controlling Interest | 23.5 | 34.3% | -42.8% | 17.5 | 41.1 |

Note 1 : K-IFRS Consolidated Financial Statements Basis
Note 2 : Excluding discontinued operations

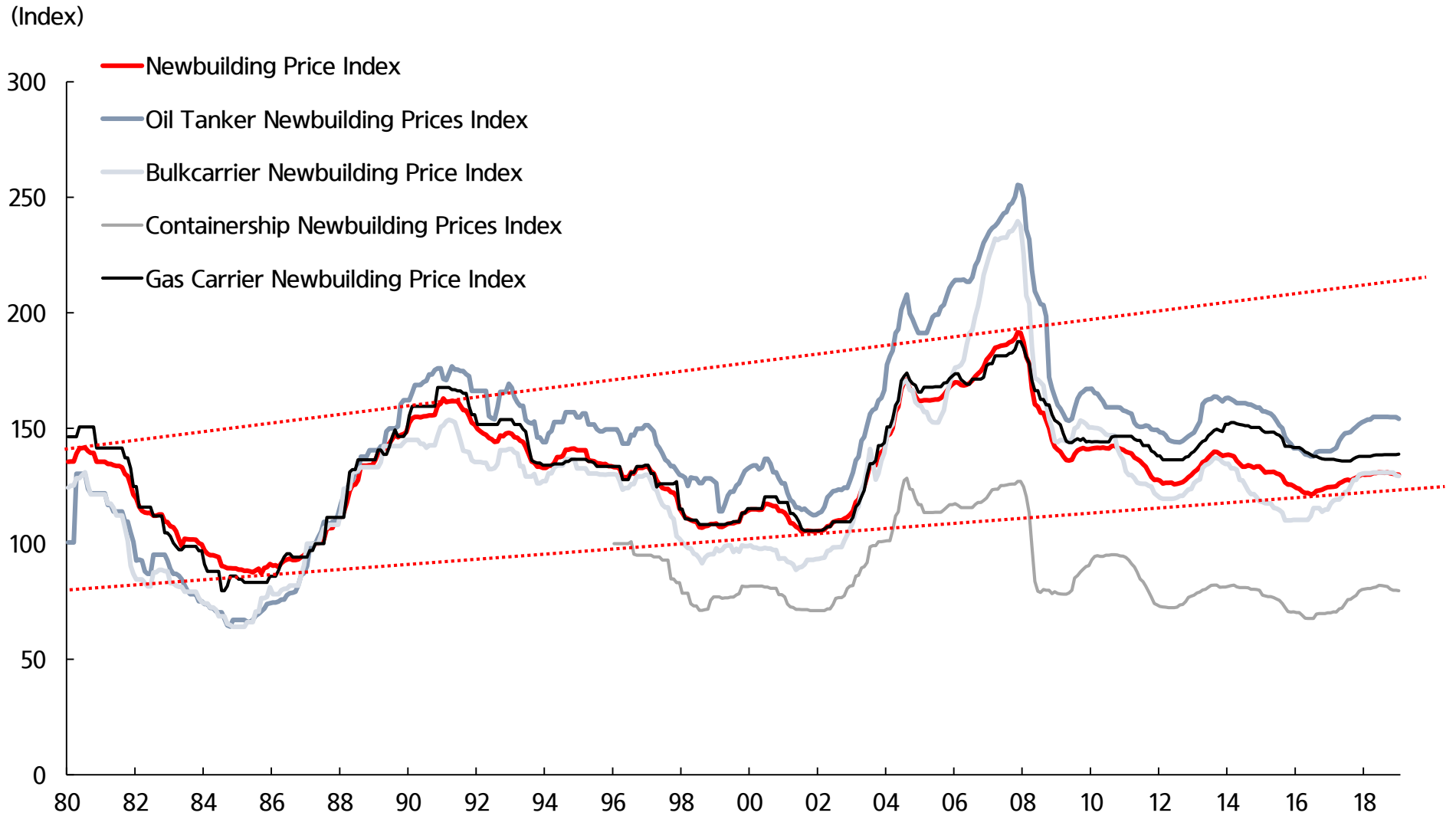
Consolidated Statement of Financial Positions

(Unit : Bil. KRW)

| | As of Sep. 30 2019 | As of Jun. 31 2019 | As of Dec. 31 2018 |
|--|-----------------------|-----------------------|-----------------------|
| Current Assets | 1,781.7 | 1,714.8 | 1,801.4 |
| (Cash & Cash Equivalents) | 589.3 | 469.4 | 638.6 |
| (Disposal group held for distribution) | 0 | 0 | 0 |
| Non-current Assets | 1,664.1 | 1,657.7 | 1,662.3 |
| Total Assets | 3,445.8 | 3,372.5 | 3,463.7 |
| Current Liabilities | 994.2 | 969.1 | 1,076.4 |
| (Short-term borrowings) | 214.9 | 191.5 | 283.0 |
| (Liabilities associated with disposal group held for distribution) | 0 | 0 | 0 |
| Non-current Liabilities | 88.2 | 67.4 | 70.1 |
| (Long-term borrowings) | 0 | 0 | 0 |
| Total Liabilities | 1,082.4 | 1,036.5 | 1,146.5 |
| Common stock | 199.7 | 199.7 | 199.7 |
| Others | 277.7 | 276.1 | 273.1 |
| Retained Earnings | 1,849.4 | 1,825.9 | 1,816.8 |
| Non-controlling interests | 36.6 | 34.3 | 27.6 |
| Total Equity | 2,363.4 | 2,336.0 | 2,317.2 |

Note 1 : K-IFRS Consolidated Financial Statements Basis
Note 2 : Excluding discontinued operations

3. Newbuild Price Index

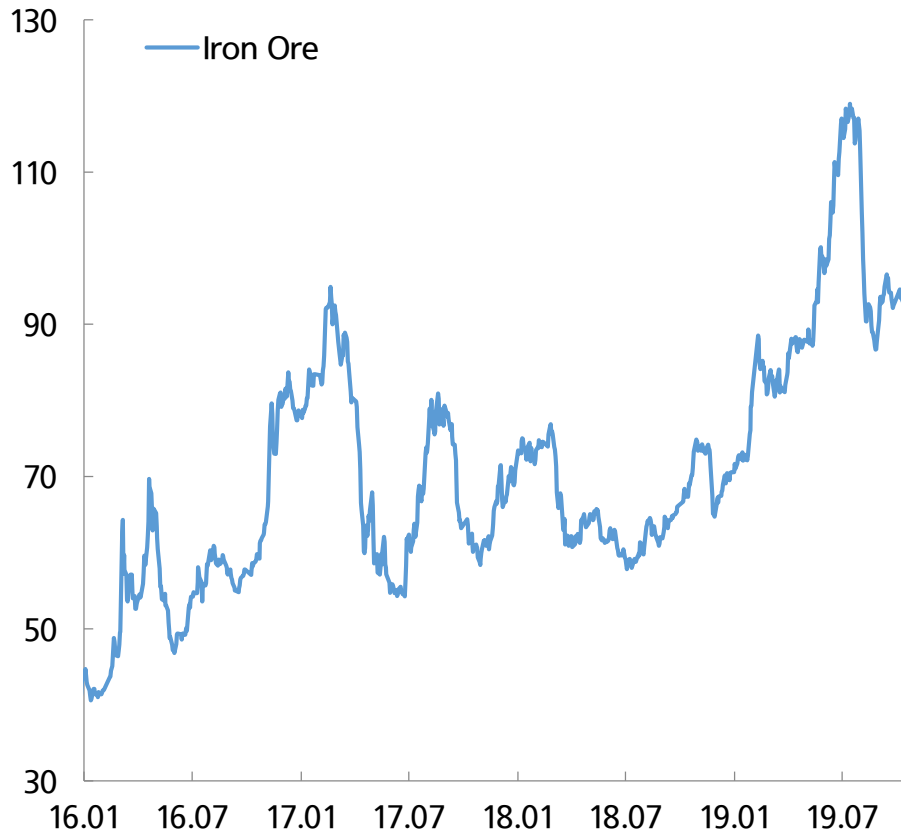


Source : Clarkson

4. Iron Ore and Steel Plates Price Trend

Iron Ore

(U\$/ton)

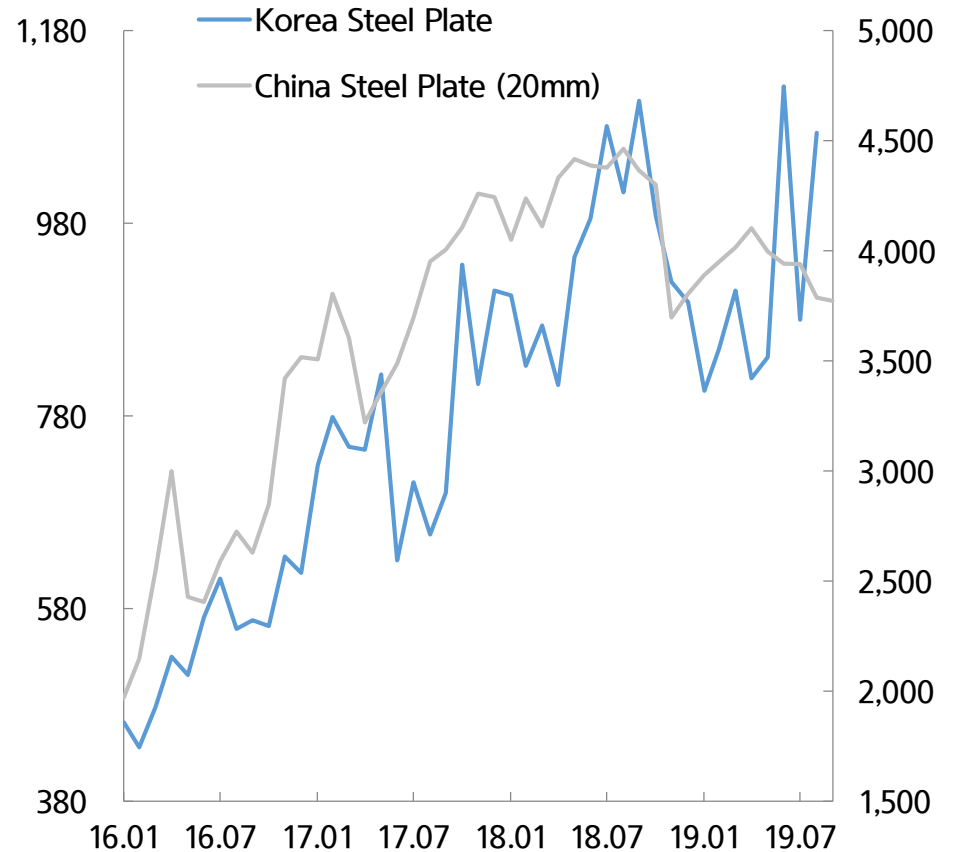


Note : Iron ore spot price index (62% import fine ore cfr)
Source : Bloomberg

Steel Plates

(U\$/ton)

(CNY/ton)



Note : Domestic price for Chinese steel plates, Import price for Korean steel plates
Source : Bloomberg

The background features a complex geometric pattern of thin, light gray lines that form a series of overlapping, concentric, and slightly offset circular shapes, creating a 3D effect of a tunnel or a sphere. In the center of this pattern is a sphere composed of a grid of small, light gray dots. The text 'KSOE' is centered on this sphere.

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