

**Daewoo Shipbuilding & Marine
Engineering Co., Ltd. and Subsidiaries**
Consolidated Interim Financial Statements
June 30, 2018 and 2017

Daewoo Shipbuilding & Marine Engineering Co., Ltd. and Subsidiaries
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June 30, 2018 and 2017

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Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of
Daewoo Shipbuilding & Marine Engineering Co., Ltd.

Reviewed Financial Statements

We have reviewed the accompanying consolidated interim financial statements of Daewoo Shipbuilding & Marine Engineering Co., Ltd. and its subsidiaries (collectively referred to as the "Group"). These financial statements consist of the consolidated interim statement of financial position of the Group as at June 30, 2018, and the related consolidated interim statements of profit or loss and comprehensive income for the three-month and six-month periods ended June 30, 2018 and 2017, and consolidated interim statements of changes in equity and cash flows for the six-month periods ended June 30, 2018 and 2017, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS) 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

We conducted our review in accordance with quarterly or semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe the accompanying consolidated interim financial statements are not presented fairly, in all material respects, in accordance with Korean IFRS 1034 *Interim Financial Reporting*.

Other Matters

We have audited the consolidated statement of financial position of the Group as at December 31, 2017, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated March 22, 2018. The consolidated statement of financial position as at December 31, 2017, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at December 31, 2017.

Review standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries.

Seoul, Korea
August 14, 2018

This report is effective as of August 14, 2018, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Daewoo Shipbuilding & Marine Engineering Co., Ltd. and Subsidiaries
Consolidated Interim Statements of Financial Position
June 30, 2018 and December 31, 2017

<i>(in millions of Korean won)</i>	Notes	June 30, 2018 (Unaudited)	December 31, 2017
Assets			
Current assets			
Cash and cash equivalents	5,6,7,36	₩ 338,267	₩ 205,795
Short-term financial instruments	5,7,36	53,965	82,504
Financial assets at fair value through profit or loss	4,5,8,26,36,44	7,810	31,377
Current portion of held-to-maturity financial assets	5,8,44	6	27
Trade and other receivables	5,8,36,37	386,847	442,749
Contract assets	5,9,37,44	3,832,334	-
Due from customers for contract work	5,9,37,44	-	4,089,030
Current firm commitment assets	26	10,629	5,593
Current portion of currency forward assets	4,5,26,36	9,459	70,139
Inventories	10,16	1,393,782	743,359
Current tax assets		5,182	1,487
Other current assets	11,44	543,137	936,155
Non-current assets held for sale	12,16	169,962	43,087
		<u>6,751,380</u>	<u>6,651,302</u>
Non-current assets			
Long-term financial instruments	5,7,44	391,502	414,024
Financial assets at fair value through profit or loss	4,5,8,36,44	16,592	-
Held-to-maturity financial assets	5,8,44	324	305
Available-for-sale financial assets	4,5,8,44	-	52,085
Financial assets at fair value through other comprehensive income	4,5,8,44	29,573	-
Investments in associates and joint ventures	14	16,363	15,956
Long-term trade and other receivables	5,8,36,37	101,893	183,238
Firm commitment assets	26	13,375	314
Currency forward assets	4,5,26	18,276	67,637
Property, plant and equipment	15,16	3,908,974	4,003,428
Investment properties	16,17	7,854	7,914
Intangible assets	18	40,459	37,314
Deferred tax assets		139	1,353
Other non-current assets	11,44	11,383	11,883
		<u>4,556,707</u>	<u>4,795,451</u>
Total assets		<u>₩ 11,308,087</u>	<u>₩ 11,446,753</u>

Daewoo Shipbuilding & Marine Engineering Co., Ltd. and Subsidiaries
Consolidated Interim Statements of Financial Position
June 30, 2018 and December 31, 2017

(in millions of Korean won)

	Notes	June 30, 2018 (Unaudited)	December 31, 2017
Liabilities			
Current liabilities			
Short-term borrowings	5,16,21,36,43,44 ₩	1,665,500 ₩	2,046,503
Financial liabilities at fair value through profit or loss	4,5,26,36,44	5,864	42,724
Trade and other payables	5,19,36,44	818,929	1,072,984
Current portion of long-term borrowings	5,16,21,36,43,44	213,077	460,882
Current firm commitment liabilities	26	5,969	28,020
Current portion of currency forward liabilities	4,5,26,36	35,070	10,023
Current provisions	24,44	397,174	-
Contract liabilities	9,26,37,44	1,893,219	-
Due to customers for contract work	9,26,37,44	-	2,354,607
Current tax liabilities		1,173	563
Other current liabilities	22,44	153,222	107,783
Non-current liabilities held for sale	12	117,724	18,953
		<u>5,306,921</u>	<u>6,143,042</u>
Non-current liabilities			
Debentures	5,20,36,43,44	550,932	530,661
Long-term borrowings	5,21,36,43,44	935,241	673,611
Long-term trade and other payables	5,19,36,44	90,281	136,145
Net defined benefit liabilities and other long-term employee benefits	23	166,844	160,540
Provisions	24,38	613,584	693,822
Financial guarantee liabilities	4,5,36	899	1,472
Finance lease obligations		32,045	-
Firm commitment liabilities	26	17,492	65,507
Currency forward liabilities	4,5,26,36	10,466	263
Deferred tax liabilities	25	64,564	51,004
Other non-current liabilities	22	-	24
		<u>2,482,348</u>	<u>2,313,049</u>
Total liabilities		<u>7,789,269</u>	<u>8,456,091</u>
Equity			
Share capital	27,36,43	541,029	538,281
Other contributed capital	29,36,43	17,386	368,803
Hybrid bonds	29,36,43	2,332,832	2,284,775
Components of other capital	29,44	294,217	293,725
Retained earnings (accumulated deficit)	28,44	768,296	(92,163)
Equity attributable to owners of the Parent Company		<u>3,953,760</u>	<u>3,393,421</u>
Non-controlling interest		<u>(434,942)</u>	<u>(402,759)</u>
Total equity		<u>3,518,818</u>	<u>2,990,662</u>
Total liabilities and equity		<u>₩ 11,308,087</u>	<u>₩ 11,446,753</u>

The above consolidated interim statements of financial position should be read in conjunction with the accompanying notes.

Daewoo Shipbuilding & Marine Engineering Co., Ltd. and Subsidiaries
Consolidated Interim Statements of Profit or Loss
Three-Month and Six-Month Periods Ended June 30, 2018 and 2017

(in millions of Korean won, except per share amounts)	Notes	Period Ended June 30			
		2018		2017	
		(Unaudited)		(Unaudited)	
		Three months	Six months	Three months	Six months
Sales	26,36,37,41,44	₩ 2,325,746	₩ 4,581,885	₩ 3,457,622	₩ 6,188,087
Cost of sales	35,36,44	2,044,075	4,041,831	2,397,591	4,823,321
Gross profit	41,44	281,671	540,054	1,060,031	1,364,766
Selling expenses	31,35,36	16,741	31,409	38,163	82,981
Administrative expenses	31,35,36	(8,655)	19,653	92,732	131,194
Research and development expenses	35	12,715	25,433	8,204	19,695
Impairment loss	5,35	31,431	(64,500)	256,195	242,870
Operating profit		229,439	528,059	664,737	888,026
Interest income	32	12,049	18,241	4,915	9,258
Finance income	5,32,36	7,138	12,146	1,371,201	1,383,372
Finance costs	5,32,36	43,349	82,619	13,594	35,260
Share of profit(loss) in associates and joint ventures	13,14	(2,328)	(1,119)	2,640	23,563
Foreign exchange gains	4,5,33	252,240	322,088	(34,450)	410,550
Foreign exchange losses	4,5,33	172,426	291,880	(57,942)	454,315
Other non-operating income	5,26,34	97,037	157,057	(84,966)	419,662
Other non-operating expenses	5,26,34	166,207	216,396	724,059	1,150,900
Other impairment loss (reversal of other impairment loss)	5	1,815	788	6,071	(3,095)
Profit before income tax expense		211,778	444,789	1,238,295	1,497,051
Income tax expense (benefit)	25	5,540	12,225	(16,355)	8,773
Profit for the period		₩ 206,238	₩ 432,564	₩ 1,254,650	₩ 1,488,278
Profit(loss) is attributable to:	30				
Owners of the Parent Company		₩ 234,766	₩ 456,761	₩ 1,232,667	₩ 1,461,187
Non-controlling interests		(28,528)	(24,197)	21,983	27,091
Earnings per share attributable to the equity holders of the Parent Company (in Korean won)					
Basic earnings per share	30	₩ 2,135	₩ 4,161	₩ 18,530	₩ 21,964
Diluted earnings per share	30	1,200	2,499	13,560	16,105

The above consolidated interim statements of income should be read in conjunction with the accompanying notes .

Daewoo Shipbuilding & Marine Engineering Co., Ltd. and Subsidiaries
Consolidated Interim Statements of Comprehensive Income
Three-Month and Six-Month Periods Ended June 30, 2018 and 2017

(in millions of Korean won)	Period Ended June 30			
	2018		2017	
	(Unaudited)		(Unaudited)	
	Three months	Six months	Three months	Six months
Profit for the period	₩ 206,238	₩ 432,564	₩ 1,254,650	₩ 1,488,278
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit(loss)</i>				
Remeasurements of net defined benefit liabilities	(525)	(1,597)	(3,331)	(9,427)
Loss on revaluation of property, plant and equipment	-	-	(66,251)	(67,477)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	626	(2,921)	-	-
<i>Items that may be reclassified subsequently to income (loss)</i>				
Gains(losses) on translation of foreign operations	(6,905)	7,271	(2,350)	5,691
Changes in the fair value of available-for-sale financial assets	-	-	(838)	1,009
Share of other comprehensive income of associates and joint ventures	-	-	596	(21)
	(6,804)	2,753	(72,174)	(70,225)
Total comprehensive income for the period	₩ 199,434	₩ 435,317	₩ 1,182,476	₩ 1,418,053
Total comprehensive income(loss) for the period attributable to:				
Owners of the Parent Company	₩ 226,451	₩ 467,498	₩ 1,195,345	₩ 1,399,245
Non-controlling interests	(27,017)	(32,181)	(12,869)	18,808

The above consolidated interim statements of comprehensive income should be read in conjunction with the accompanying notes.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Consolidated Interim Statements of Changes in Equity
Six Month Periods Ended June 30, 2018 and 2017

(in millions of Korean won)

(in millions of Korean won)

	Attributable to owners of the Parent Company										Retained earnings (accumulated deficit)	Subtotal	Non-controlling interests	Total
	Share capital	Other contributed capital		Hybrid bond	Components of other capital									
		Other capital	Treasury stock		Changes in fair value of available-for-sale financial asset	Gain (loss) on valuation of financial assets at FVTOCI	(Negative) Change in capital from equity method	Gain or Loss on overseas operations translation	Revaluation surplus of property, plant and equipment					
Balance at January 1, 2017	₩ 332,885	₩ 2,830,216	₩ -	₩ 1,000,000	₩ 11,717	₩ -	₩ 21	₩ (42,191)	₩ 441,030	₩ (3,546,768)	₩ 1,026,910	₩ (367,533)	₩ 659,377	
Acquisition of treasury stock	-	-	(726)	-	-	-	-	-	-	-	(726)	-	(726)	
Transfer of capital surplus to accumulated deficit	-	(2,825,626)	-	-	-	-	-	-	-	2,825,626	-	-	-	
Issuance of hybrid bonds	-	-	-	1,284,775	-	-	-	-	-	-	1,284,775	-	1,284,775	
Interest payment of hybrid bonds	-	-	-	-	-	-	-	-	-	(15,007)	(15,007)	-	(15,007)	
Debt to equity swap	98,235	418,859	-	-	-	-	-	-	-	-	517,094	-	517,094	
Other changes in equity	-	544	-	-	-	-	-	-	-	602	1,146	(60,952)	(59,806)	
Profit for the period	-	-	-	-	-	-	-	-	-	1,461,187	1,461,187	27,091	1,488,278	
Other comprehensive income	-	-	-	-	1,009	-	(21)	12,191	(67,154)	(7,966)	(61,941)	(8,284)	(70,225)	
Balance at June 30, 2017 (Unaudited)	₩ 431,120	₩ 423,993	₩ (726)	₩ 2,284,775	₩ 12,726	₩ -	₩ -	₩ (30,000)	₩ 373,876	₩ 717,674	₩ 4,213,438	₩ (409,678)	₩ 3,803,760	
Balance at January 1, 2018	₩ 538,281	₩ 369,529	₩ (726)	₩ 2,284,775	₩ 12,387	₩ -	₩ -	₩ (53,601)	₩ 334,939	₩ (92,163)	₩ 3,393,421	₩ (402,760)	₩ 2,990,661	
Effect of changes in accounting policies	-	-	-	-	(12,387)	544	-	-	-	63,923	52,080	-	52,080	
Adjusted balance at January 1, 2018	538,281	369,529	(726)	2,284,775	-	544	-	(53,601)	334,939	(28,240)	3,445,501	(402,760)	3,042,741	
Transfer of capital surplus to accumulated deficit	-	(341,349)	-	-	-	-	-	-	-	341,349	-	-	-	
Debt to equity swap (Note 43)	2,748	10,430	-	-	-	-	-	-	-	-	13,178	-	13,178	
Issuance of permanent convertible notes (Note 29)	-	(20,498)	-	48,057	-	-	-	-	-	-	27,559	-	27,559	
Other changes in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	
Gain on equity instrument at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	23	23	-	23	
Profit for the period	-	-	-	-	-	-	-	-	-	456,761	456,761	(24,197)	432,564	
Other comprehensive income	-	-	-	-	-	(2,921)	-	15,256	-	(1,597)	10,738	(7,985)	2,753	
Balance at June 30, 2018 (Unaudited)	₩ 541,029	₩ 18,112	₩ (726)	₩ 2,332,832	₩ -	₩ (2,377)	₩ -	₩ (38,345)	₩ 334,939	₩ 768,296	₩ 3,953,760	₩ (434,942)	₩ 3,518,818	

The above consolidated interim statements of changes in equity should be read in conjunction with the accompanying notes.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Consolidated Interim Statements of Cash Flows
Six-Month Periods Ended June 30, 2018 and 2017

		Six-Month Period Ended June 30	
(in millions of Korean won)	Notes	2018 (Unaudited)	2017 (Unaudited)
Cash flows from operating activities			
Cash generated from(used in) operating activities:	39	₩ 519,505	₩ (49,666)
Dividends received		8,615	944
Interests received		18,835	11,602
Interests paid		(59,174)	(92,914)
Income tax received(paid)		2,694	(2,781)
Net cash inflow(outflow) from operating activities		490,475	(132,815)
Cash flows from investing activities			
Cash inflows from investing activities:			
Acceptance of governments grants		-	3,433
Decrease in short-term financial instruments		54,160	15,431
Decrease in short-term loans receivable		24,636	12,471
Disposal of held-to-maturity financial assets		21	1
Disposal of available-for-sale financial assets		-	1,422
Decrease in long-term loans receivable		4,021	4,207
Disposal of property, plant and equipment/intangible assets		1,592	21,407
Disposal of non-current assets held for sale		38,295	122,134
Disposal of other investments		6,335	-
Disposal of investment properties		-	785
Disposal of investments in associates and joint venture		-	1,126
		129,060	182,417
Cash outflows from investing activities:			
Redemption of governments grants		-	653
Increase in short-term financial instruments		2,772	16,522
Increase in long-term financial instruments		328	1,126
Acquisition of held-to-maturity financial assets		19	3
Acquisition of available-for-sale financial assets		-	404
Increase in long-term loans receivable		1,445	3,582
Increase in short-term loans receivable		-	-
Acquisition of property, plant and equipment/intangible assets		55,397	55,382
Acquisition of other investments		53,221	71
		113,182	77,743
Net cash inflow from investing activities		15,878	104,674

The above consolidated interim statements of cash flows should be read in conjunction with the accompanying notes.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Consolidated Interim Statements of Cash Flows
Six-Month Periods Ended June 30, 2018 and 2017

		Six-Month Period Ended June 30	
		2018 (Unaudited)	2017 (Unaudited)
<i>(in millions of Korean won)</i>	Notes		
Cash flows from financing activities			
Cash inflows from financing activities:			
Proceeds from short-term borrowings		491,639	999,248
Proceeds from long-term borrowings		-	15,582
Reversal of payment of share issue cost		3	13
		<u>491,642</u>	<u>1,014,843</u>
Cash outflows from financing activities:			
Repayment of short-term borrowings		857,970	579,241
Repayment of current portion of debentures and long-term borrowings		228	39,632
Repayment of finance lease obligations		8,629	-
Interest payment of hybrid bonds		-	15,007
Payment of share issue cost		29	869
		<u>866,856</u>	<u>634,749</u>
Net cash inflow(outflow) from financing activities		<u>(375,214)</u>	<u>380,094</u>
Net increase in cash and cash equivalents		131,139	351,953
Cash and cash equivalents at the beginning of the period		205,795	224,268
Effects of exchange rate changes on the cash and cash equivalents		1,333	(1,909)
Cash and cash equivalents at the end of the period	6	<u>₩ 338,267</u>	<u>₩ 574,312</u>

The above consolidated interim statements of cash flows should be read in conjunction with the accompanying notes.

Daewoo Shipbuilding & Marine Engineering Co., Ltd. and Subsidiaries

Notes to the Consolidated Interim Financial Statements

June 30, 2018 and 2017(Unaudited), and December 31, 2017

1. General Information

Daewoo Shipbuilding & Marine Engineering Co., Ltd. (the "Parent Company" or the "Company"), the parent company in accordance with Korean IFRS 1110, *Consolidated Financial Statements*, was established on October 1, 2000, as one of entities spun-off from Daewoo Heavy Industry Co., Ltd. The spun-off registration date is October 23, 2000. On February 2 2001, the Company listed its shares on the Korea Exchange. Moreover, the Company changed its name from Daewoo Shipbuilding & Commerce Co., Ltd. to Daewoo Shipbuilding & Marine Engineering Co., Ltd. The Company's major businesses are building and selling various types of ship, including special-purpose ships and construction of offshore plants. As at June 30, 2018, the Company's major shareholders consist of Korea Development Bank ("KDB") (55.72%) and others.

1.1 Consolidated Subsidiaries

As at June 30, 2018, there are no significant changes in the scope of consolidation and percentage of ownership compared to December 31, 2017.

1.2 Changes in Scope of Consolidation

Subsidiaries excluded from the consolidation during the six-month period ended June 30, 2018:

Subsidiary	Reason
DeWind Co., Little Pringle1 LLC, Little Pringle2 LLC, DeWind Novus III LLC, DeWind Frisco LLC	Loss of control due to disposal

2. Basis of Preparation and Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated interim financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated interim financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated interim financial statements.

Daewoo Shipbuilding & Marine Engineering Co., Ltd. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
June 30, 2018 and 2017(Unaudited), and December 31, 2017

The Group's condensed consolidated interim financial statements for the six-month period ended June 30, 2018, have been prepared in accordance with Korean IFRS 1034, *Interim Financial Reporting*. These condensed consolidated interim financial statements have been prepared in accordance with Korean IFRS which is effective or early adopted as at June 30, 2018.

2.1.1 New and Amended Standards Adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2018.

- Amendments to Korean IFRS 1028 *Investments in Associates and Joint Ventures*

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with Korean IFRS 1109. The amendment does not have a significant impact on the financial statements because the Group is not a venture capital organization.

- Amendment to Korean IFRS 1040 *Transfers of Investment Property*

Paragraph 57 of Korean IFRS 1040 clarifies that a transfer to, or from, investment property, including property under construction, can only be made if there has been a change in use that is supported by evidence, and provides a list of circumstances as examples. The Group does not expect the amendment to have a significant impact on the financial statements.

- Amendments to Korean IFRS 1102 *Share-based Payment*

Amendments to Korean IFRS 1102 clarify accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Amendments also clarify that the measurement approach should treat the terms and conditions of a cash-settled award in the same way as for an equity-settled award. The amendment does not have a significant impact on the financial statements.

- Enactment of Interpretation 2122 *Foreign Currency Transaction and Advance Consideration*

According to the enactment, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The enactment does not have a significant impact on the financial statements.

Daewoo Shipbuilding & Marine Engineering Co., Ltd. and Subsidiaries
Notes to the Consolidated Interim Financial Statements
June 30, 2018 and 2017(Unaudited), and December 31, 2017

- Korean IFRS 1109 *Financial Instruments*

The Group has applied Korean IFRS 1109 *Financial Instruments* on January 1, 2018, the date of initial application. In accordance with the transitional provisions in Korean IFRS 1109, comparative figures have not been restated, and the differences between previous book amounts and book amounts at the date of initial application are recognized to retained earnings. See Note 44 for further details on the impact of the application of the standard.

- Korean IFRS 1115 *Revenue from Contracts with Customers*

The Group has elected to apply Korean IFRS 1115 *Revenue from Contracts with Customers*. In accordance with the transition provisions in Korean IFRS 1115, comparative figures have not been restated. The Group elected the modified retrospective approach, and recognized the cumulative impact of initially applying the revenue standard as an adjustment to retained earnings as at January 1, 2018, the period of initial application. See Note 44 for further details on the impact of the application of the standard.

2.1.2 New Standards and Interpretations not yet Adopted by the Group

Certain new accounting standards and interpretations that have been published that are not mandatory for annual reporting period commencing January 1, 2018 and have not been early adopted by the Group are set out below.

- Enactment of Korean IFRS 1116 *Leases*

Korean IFRS 1116 *Leases* issued on May 22, 2017 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. This standard will replace Korean IFRS 1017 *Leases*. The Group will apply the standards for annual periods beginning on or after January 1, 2019.

Under the new standard, with implementation of a single lease model, lessee is required to recognize assets and liabilities for all lease which lease term is over 12 months and underlying assets are not low value assets. A lessee is required to recognize a right-of-use asset and a lease liability representing its obligation to make lease payments.

The Group did not perform an impact assessment to identify potential financial effects of applying Korean IFRS 1116; therefore, it is difficult to provide reasonable estimates of financial effects.

2.2 Significant Accounting Policies

Significant accounting policies and method of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those of the consolidated financial statements for the year ended December 31, 2017, except for the changes due to the application of amendment and enactments of standards described in Note 2.1.1 and the one described below.

2.2.1 Income Tax Expense

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Income tax expense for the interim period is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate is applied to the pre-tax income.

2.2.2 Financial Assets

(a) Classification

From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt investments only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of the investments in equity instruments that are not accounted for as other comprehensive income are recognized in profit or loss.

(b) Measurement

At initial recognition, the Group measures a financial asset, in the case of a financial asset not at fair value through profit or loss, at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset or the issuance of the financial liabilities. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Hybrid (combined) contracts with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into one of the following three measurement categories:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (and reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Foreign exchange gains and losses are presented in 'foreign exchange gains and losses' and impairment loss in 'other non-operating expenses'.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit or loss within 'other non-operating income or other non-operating expenses' in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as 'finance income' when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other non-operating income or other non-operating expenses' in the statement of profit or loss as applicable. Impairment loss (and reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

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(c) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost or fair value through other comprehensive income and contract assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and contract assets, the Group applies the simplified approach, which requires expected losses to be estimated considering past experience of credit losses.

(d) Derivative Instruments and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

The Group entered into forward exchange contracts to hedge the risk in changes of exchange rates related to foreign currency construction such as advance received and collection on delivery, and designates the contracts as hedging instruments.

The Group documents hedging relationship and risk management objective and strategy for undertaking hedge transactions at the inception of each hedge relationship.

The fair values of derivative financial instruments used for hedging purposes are disclosed in Note 4.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Derivatives held for trading are classified as a current asset or liability.

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2.2.3 Revenue Recognition

From January 1, 2018, the Group has applied Korean IFRS 1115 *Revenue from Contracts with Customers*.

(a) Identify performance obligation

The Group provides commercial ships, offshore plant, special ships and other business division to customers. During six-month period ended June 30, 2018, revenue from the commercial ships, offshore plant, special ships division amount to ₩ 3,426,277 million and ₩ 1,167,298, respectively, which represent 73.96% and 25.44% of the Group's total revenue, respectively.

With the implementation of Korean IFRS 1115, the Group identifies a construction of each vessels in contracts entered by commercial ships, offshore plants and special ships division as a performance obligation. Goods or services that are distinct such as purchase and procurement activity are identified as a separate performance obligation.

(b) A performance obligation is satisfied over time

The ships and offshore plant division, and special ships division of the Group build and sell ships ordered by customers, and it generally takes over one-year to build. The Group recognizes revenue over time based on costs incurred relative to total estimated costs to determine the extent of progress toward completion. However, if the Group may not be able to reasonably measure the progress towards completion, the Group recognizes revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

In accordance with Korean IFRS 1115, revenue is recognized over time, if one of the following three criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- The entity's performance creates or enhances an assets that the customer controls as the asset is created or enhanced; or
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

As a result of the contract terms and conditions analysis, the Group recognizes revenue over time on the basis that the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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(c) Input methods for measuring progress

Accounting to Korean IFRS 1115, a faithful depiction of the Group's performance might be to recognize revenue at an amount equal to the cost of a goods used to satisfy a performance obligation if the Group expects at contract inception that all of the following conditions would be met: i) the goods are not distinct; ii) the customer is expected to obtain control of the goods significantly before receiving services related to the goods; iii) the costs of the transferred goods are significant relative to the total expected costs to completely satisfy the performance obligation; and iv) the Group procures the goods from a third party and is not significantly involved in designing and manufacturing the goods. Therefore, the Group excludes the cost which meets the above conditions from measuring progress and recognizes revenue at an amount equal to the cost.

(d) Variable consideration

The Group may experience variable consideration due to liquidated damage (LD) and change order caused by the delays in delivery and overweight of vessels. With implementation of Korean IFRS 1115, the Group estimates an amount of variable consideration by using the expected value which the Group expects to better predict the amount of consideration. The Group recognizes revenue with transaction price including variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with variable consideration has resolved.

(e) The existence of a significant financing component in the contract

According to Korean IFRS 1115, in determining the transaction price, an entity adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer.

According to Korean IFRS 1115, the consideration is recognized as revenue when there is significant financing component in a contract. The Group adjusted the promised amount of consideration for the effects of a significant financing component (Note 44).

(f) Allocating the transaction price

The transaction price in an arrangement must be allocated to each separate performance obligation based on the relative standalone selling prices of the goods or services being provided to a customer. The Group determines the standalone selling price for each separate performance obligation by using 'adjust market assessment approach'. In limited circumstances, the Group plans to use 'expected cost plus a margin approach' to estimate expected cost plus a reasonable margin.

(g) Incremental costs of obtaining a contract

The Group pays broker commissions to its brokers based on supply contracts signed through the brokers. The commission is an incremental cost because it would not have incurred if the contract

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has not been obtained.

With implementation of Korean IFRS 1115, the Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs, and costs that are recognized as assets are amortized based on the progress towards complete satisfaction.

(h) Warranties

The Group provides customers for certain project with another warranty in addition to the standard warranty assuring that the product complies with agreed-upon specifications. Therefore, the promised service is a performance obligation in accordance with Korean IFRS 1115.

In accordance with Korean IFRS 1115, if the Group provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications, the Group accounts for the promised warranty as a performance obligation and allocate a portion of the transaction price to that performance obligation.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Significant accounting estimates and assumptions applied in the preparation of these condensed interim financial statements are the same as those applied to the financial statements for the year ended December 31, 2017, except for the estimates used to determine income tax expense, and accounting estimates and assumptions for implementation of Korean IFRS 1109 explained as below.

3.1 Impairment of financial assets

The provision for impairment for financial assets disclosed in Note 8 are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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3.2 Construction Contracts

3.2.1 Revenue Recognition based on the Input Method

The Group recognizes contract revenue and contract cost associated with the construction contract as revenue and expense respectively based on the percentage of completion of the contract activity at the end of the reporting period when the outcome of a construction contract can be estimated reliably. The percentage of completion of the contract activity is determined based on the proportion of costs incurred to date, excluding any contract cost that does not reflect the work performed, to the estimated total costs of the contract. The Group presents the gross amount due from customer for contract work as an asset for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings, and presents the gross amount due to customers for contract work as a liability for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

3.2.2 Uncertainty of Estimated Total Contract Costs

Contract revenue is affected by the stage of completion of a contract which is determined by reference to the contract costs incurred to date. Total contract costs is estimated based on future estimates of material cost, labor cost and construction period and others. During the prior period, unexpected process delay in offshore plants have occurred, which was not expected from the prior period, and caused the delivery date to be concentrated in a specific time period with increasing the inefficiency in respective process. As a result, the general construction costs to estimated costs have significantly increased. Such process delay in offshore plants and occurrence of inefficiency caused increase in the uncertainty of estimated total contract costs.

As at June 30, 2018, when the estimation of remaining contract costs for construction in progress changes by 5%, the effect to profit for the period before income tax and net asset before income tax effect decreases by ₩386,287 million.

3.2.3 Uncertainty of Estimates in Collectability of Contract Assets (Due from Customer under Construction Contracts)

The Group assesses at the end of each reporting period whether there is any objective evidence that contract assets (due from customer under construction contracts) is impaired. The objective evidences include adverse change in customer's financial situation, delay in construction process or increase in possibility of cancellation due to decrease in vessel price and delay in delivery schedule. After the Group's assessment on the objective evidence of impairment and if there is objective evidence of impairment as a result of one or more events that occurred and that loss event has an impact on the estimated future cash flows of construction contract that can be reliably estimated, the Group recognizes the amount as 'impairment loss'.

As at June 30, 2018, the uncertainty of estimates in collectability of contract assets (due from customer under construction contracts) has been increased because of contract termination and delay in contract completion that are caused by customers' financial difficulties due to extended global oil price decline.

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3.2.4 Uncertainty of Estimates in Total Contract Revenue regarding Variation in Contract Work

The total contract revenue is measured based on the original contract price from the initially agreed contract, however, the amount of contract revenue may increase or decrease due to a variation, claim, and incentive payment. A variation is included in contract revenue by the Group when it is probable that the customer will approve the variation and the amount of revenue arising from the variation and the amount of revenue can be reliably measured. Such measurement of contract revenue is affected by a variety of uncertainties that depend on the outcome of future event.

3.2.5 Uncertainty of Estimates in Liquidated Damage regarding Delay of Construction

The liquidated damage arising from delay caused by the Group in completion of contract may cause a decrease in total contract revenue; therefore, the Group estimates the liquidated damage for a project that may delay in completion schedule on a basis of historical experience. As at June 30, 2018, the maximum amount for liquidated damages arising from delays caused by the Group is estimated to be ₩415,016 million. The best estimate of liquidated damages, which arise from delay caused by the Group, that is likely payable by the Group is ₩156,451 million, and the amount is deducted from the contract revenue amount. These amounts would be consistently revalued until completion of construction.

The Group continuously prepares countermeasure acts; such as, claim for extension of construction completion date and gives evidence of the reason that construction completion delay is not caused by the Group to their customers in order to minimize the liquidated damages.

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4. Financial Instruments

4.1 Financial Risk Management

4.1.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, and interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The purpose of managing financial risk is to identify the potential risk factors that may affect the Group's financial performance and minimize it to the extent that is acceptable. Risk management is carried out by the relevant departments based on the risk management policies approved by the Board of Directors, and the risk management department identifies, assesses and hedges financial risks through close cooperation with other relevant departments. Overall, financial risk management policy of the Group is consistent with that of the prior period.

4.1.2 Risk Managing Activities

4.1.2-1 Market Risk Management

a) Foreign currency risk

The Group undertakes transaction denominated in foreign currencies; consequently, exposures to exchange rate fluctuation arise. Exchange rate exposure are managed within approved policy parameters utilizing forward exchange contracts. The following details the forward foreign currency contracts outstanding as at June 30, 2018 and December 31, 2017.

(in millions of Korean won, in thousands of foreign currency, except for exchange rate)	June 30, 2018			
	Average contracted exchange rate	Sell Amounts	Buy Amounts	Fair value assets (liabilities)
For fair value hedging				
Sell USD	₩ 1,088.85	USD 3,076,280	KRW 3,349,604 ₩	(17,802)
For trading				
Sell USD	1,119.73	USD 296,000	KRW 331,440	1,946
Total		USD 3,372,280	KRW 3,681,044	(15,856)

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(in millions of Korean won, In thousands of foreign currency, except for exchange rate)	December 31, 2017						
	Average contracted exchange rate		Sell amounts		Buy amounts		Fair value assets (liabilities)
For fair value hedging							
Sell USD	₩	1,098.39	USD	3,795,811	KRW	4,169,264	₩ 127,489
For trading							
Sell USD / Buy EUR		1.33	USD	2,255	EUR	1,700	(238)
Sell USD / Buy GBP		1.45	USD	182	GBP	125	(14)
Sell USD		1,159.63	USD	346,000	KRW	401,233	31,377
			KRW	-	KRW	4,570,497	
			USD	4,144,248	USD	-	₩ 158,614
			EUR	-	EUR	1,700	
			GBP	-	GBP	125	

b) Price risk

The Group's investment in marketable equity securities is made upon management's decision and it does not have specific investment policies for equity securities. As at June 30, 2018, the Group has marketable equity securities that are classified as financial assets that are measured at fair value through other comprehensive income in the consolidated financial position, and when the price of the marketable equity securities increase by 10%, the effect to other components of equity will be increased by ₩ 376 million (2017 : ₩ 367 million). Conversely, if the price decreases, it will be decreased.

c) Interest risk

The interest rate risk mainly arises through floating borrowings. The interest rate risk is managed through the interest *rate* swap contract if the interest rate risk hedging is required.

4.1.2-2 Credit Risk Management

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and derivative financial instruments, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, the credit quality of the customer is evaluated taking into account its financial position, past experience and other factors.

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The maximum exposure to credit risk of financial assets that are measured at amortized cost and derivatives is represented by the carrying amount, and for financial guarantee liabilities, it is represented by the maximum amount to be paid at the debtor's request, which amounts to ₩ 83,655 million (2017: ₩ 180,984 million) (Notes 16 and 36).

4.1.2-3 Liquidity Risk Management

The Group manages liquidity risk by maintaining sufficient cash and marketable securities, the availability of funding through an adequate level of committed credit facilities and the ability to close out market position. Due to the dynamic nature of the underlying business, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

4.2 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Meanwhile, the Group's general strategy of capital risk management is consistently applied with that of previous year.

4.3 Financial Instruments Measured at Fair Value

4.3.1 Fair value hierarchy classifications of the financial instruments that are measured at fair value in the consolidated statement of financial position as at June 30, 2018 and December 31, 2017, are as follows:

(in millions of Korean won)

	June 30, 2018			
	Level 1 ¹	Level 2 ¹	Level 3	Total
Financial assets				
Financial assets				
at fair value through profit or loss				
Derivative held for trading	₩ -	₩ 7,810	₩ -	₩ 7,810
Equity investments	-	16,592	-	16,592
Derivative financial assets				
Derivative instrument for hedging	-	27,734	-	27,734
Financial assets at fair value through other comprehensive income				
Listed securities	8	-	-	8
Beneficiary certificates	3,752	-	-	3,752
Non-listed securities	-	9,768	16,045	25,813
	₩ 3,760	₩ 61,904	₩ 16,045	₩ 81,709

Financial liabilities

Financial liabilities at

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at fair value through profit or loss							
Derivative held for trading	₩	-	₩	5,864	₩	-	₩ 5,864
Derivative financial liabilities							
Derivative instrument for hedging		-		45,535		-	45,535
	₩	-	₩	51,399	₩	-	₩ 51,399

(in millions of Korean won)

December 31, 2017							
	Level 1 ¹		Level 2 ¹		Level 3		Total
Financial assets							
Financial assets at fair value through profit or loss							
Derivative held for trading	₩	-	₩	31,377	₩	-	₩ 31,377
Derivative financial assets							
Derivative instrument for hedging		-		137,775		-	137,775
Available-for-sale financial assets							
Listed securities		8		-		-	8
Beneficiary certificates		3,663		-		-	3,663
Non-listed securities		-		6,296		20,872	27,168
	₩	3,671	₩	175,448	₩	20,872	₩ 199,991

Financial liabilities

Financial liabilities at fair value through profit or loss							
Derivative held for trading	₩	-	₩	252	₩	-	₩ 252
Financial liabilities designated at fair value through profit or loss		-		42,472		-	42,472
Derivative financial liabilities							
Derivative instrument for hedging		-		10,286		-	10,286
	₩	-	₩	53,010	₩	-	₩ 53,010

¹ Meanwhile, there were no significant transfers between Level 1 and Level 2 for the six-month period ended June 30, 2018 and for the year ended December 31, 2017.

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4.3.2 Transfers Between Fair Value Hierarchy Levels of Recurring Fair Value Measurements

The Group's policy is to recognize transfers between levels of the fair value at the date of the event or change in circumstances that caused the transfer.

Details of transfers between levels of each fair value hierarchy of financial instruments are as follows:

(i) There were no transfers between levels 1 and 2 for recurring fair value measurements during the period.

(ii) Changes in level 3 for recurring fair value measurements for the six-month periods ended June 30, 2018 and for the year ended December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>		Six-month period ended June 30, 2018	
Financial assets at fair value through other comprehensive income: Non-listed securities			
Beginning balance	₩		20,872
Purchases (Disposals)			(6,181)
Transfer			-
Valuation			1,354
Ending balance	₩		16,045
<i>(in millions of Korean won)</i>		Year ended December 31, 2017	
AFS financial assets: Non-listed securities			
Beginning balance	₩		32,647
Transfer ¹			6,149
Valuation			16
Other changes ²			(17,940)
Ending balance	₩		20,872

¹ As non-listed securities changed valuation methods from cost methods to fair value measurement, amount had been transferred to Level 3 during the prior year.

² Other changes include changes in the scope of consolidation and others.

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5. Financial Instruments by Category

5.1 Financial Assets

Categorizations of financial assets as at June 30, 2018 and December 31, 2017, are as follows:

(in millions of Korean won)	June 30, 2018					
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized costs	Derivative financial assets for hedging	Total (Carrying amount)	Fair value
Cash and cash equivalents	₩ -	₩ -	₩ 338,267	₩ -	₩ 338,267	₩ 338,267
Short- and long-term financial assets	-	-	445,467	-	445,467	445,467
Financial assets at fair value through profit or loss ¹	24,403	-	-	-	24,403	24,403
Held-to-maturity financial assets	-	-	330	-	330	330
Financial assets at fair value through other comprehensive income	-	29,573	-	-	29,573	29,573
Trade and other receivables	-	-	488,740	-	488,740	488,740
Contract assets	-	-	3,832,335	-	3,832,335	3,832,335
Currency forward assets	-	-	-	27,734	27,734	27,734
	<u>₩ 24,403</u>	<u>₩ 29,573</u>	<u>₩ 5,105,139</u>	<u>₩ 27,734</u>	<u>₩ 5,186,849</u>	<u>₩ 5,186,849</u>

¹ Financial assets at fair value through profit or loss consist of currency forward assets held for trading and equity investments.

(in millions of Korean won)	December 31, 2017													
	Loans and receivables		Financial assets at fair value through profit or loss		Held-to- maturity financial assets		Available-for-sa le financial assets		Derivative financial assets for hedging		Total (Carrying amount)		Fair value	
Cash and cash equivalents	₩	205,795	₩	-	₩	-	₩	-	₩	-	₩	205,795	₩	205,795
Short- and long-term financial assets		496,528		-		-		-		-		496,528		496,528
Financial assets at fair value through profit or loss ¹		-		31,377		-		-		-		31,377		31,377
Held-to-maturity financial assets		-		-		331		-		-		331		331
Available-for-sale financial assets		-		-		-		52,085		-		52,085		52,085
Trade and other receivables		625,987		-		-		-		-		625,987		625,987
Due from customers for contract work, net		4,089,030		-		-		-		-		4,089,030		4,089,030
Currency forward assets		-		-		-		-		137,775		137,775		137,775
	₩	5,417,340	₩	31,377	₩	331	₩	52,085	₩	137,775	₩	5,638,908	₩	5,638,908

¹ Financial assets at fair value through profit or loss consist of currency forward assets held for trading.

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Meanwhile, the amounts of financial assets by category in above tables are sum of current and non-current assets, net of provision for impairment.

5.2 Financial Liabilities by Category

Categorizations of financial liabilities as at June 30, 2018 and December 31, 2017, are as follows:

(in millions of Korean won)	June 30, 2018								
	Financial liabilities at fair value through profit or loss		Financial liabilities at amortized costs		Derivative financial liabilities for hedging		Total (Carrying amount)		Fair value
Borrowings	₩	-	₩	2,813,818	₩	-	₩	2,813,818	₩ 2,812,386
Debentures		-		550,932		-		550,932	544,797
Financial liabilities at fair value through profit or loss ¹		5,864		-		-		5,864	5,864
Trade and other payables		-		909,210		-		909,210	909,210
Currency forward liabilities ¹		-		-		45,535		45,535	45,535
Financial guarantee liabilities ²		-		899		-		899	899
	₩	5,864	₩	4,274,859	₩	45,535	₩	4,326,258	₩ 4,318,691

¹ Financial liabilities at fair value through profit or loss consist of currency forward liabilities held for trading. Meanwhile, currency forward liabilities that are effective as a hedging instrument are classified as a derivative financial liability.

² As described in Notes 16 and 36, the Group recognized expected payment guarantees amount, based on the agreement, provided to the related parties as financial guarantee liabilities.

(in millions of Korean won)	December 31, 2017									
	Financial liabilities at fair value through profit or loss		Other financial liabilities		Derivative financial liabilities for hedging		Total (Carrying amount)		Fair value	
Borrowings	₩	-	₩	3,180,996	₩	-	₩	3,180,996	₩	3,171,019
Debentures		-		530,661		-		530,661		520,664
Financial liabilities at fair value through profit or loss ¹		42,724		-		-		42,724		42,724
Trade and other payables		-		1,209,129		-		1,209,129		1,209,129
Currency forward liabilities ¹		-		-		10,286		10,286		10,286
Financial guarantee liabilities ²		-		1,472		-		1,472		1,472
	₩	42,724	₩	4,922,258	₩	10,286	₩	4,975,268	₩	4,955,294

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¹ Financial liabilities at fair value through profit or loss consist of currency forward liabilities held for trading and financial liabilities designated at fair value through profit or loss. Meanwhile, currency forward liabilities that are effective as a hedging instrument are classified as a derivative financial liability.

² As described in Notes 16 and 36, the Group recognized expected payment guarantees amount, based on the agreement, provided to the related parties as financial guarantee liabilities.

Meanwhile, the amounts above are sum of current and non-current liabilities.

5.3 Net Gains or Losses by Category of Financial Instruments

Net gains or net losses on each category of financial instruments for the six-month periods ended June 30, 2018 and 2017, are as follows:

(in millions of Korean won)

June 30, 2018

Financial assets at fair value through profit or loss

Losses on valuation of foreign exchange forward contracts, net	₩	(4,373)
Gains on foreign exchange forward transaction, net		1,281
Losses on valuation of financial assets at fair value through profit or loss		(2,111)

Financial assets at fair value through other comprehensive income

Dividend income		7,106
Losses on valuation of financial assets at fair value through other comprehensive income		(4,029)

Financial assets at amortized costs

Interest income		18,241
Impairment reversal		63,713
Gains on foreign currency translation, net		94,007
Gains on foreign currency transaction, net		17,353

Derivative financial assets for hedging

Losses on valuation of foreign exchange forward contracts, net		(31,938)
Losses on foreign exchange forward transaction, net		(1,222)

Financial liabilities at fair value through profit or loss

Losses on valuation of foreign exchange forward contracts, net		(5,864)
Losses on foreign exchange forward transaction, net		(5,575)
Gains on valuation of financial liabilities at fair value through profit or loss		776

Financial liabilities at amortized costs

Interest expenses		(82,619)
Losses on foreign currency translation, net		(111,908)

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Gains on foreign currency transaction, net	30,757
Reversal of financial guarantee liabilities	5,031
Gains on debt restructuring	10
Derivative financial liabilities for hedging	
Losses on valuation of foreign exchange forward contracts, net	(66,855)
Losses on foreign exchange forward transaction, net	(2,505)

(in millions of Korean won)

June 30, 2017

Loans and receivables

Interest income	₩ 9,253
Impairment loss	(248,007)
Losses on foreign currency translation, net	(186,121)
Losses on foreign currency transaction, net	(65,318)

Financial assets at fair value through profit or loss

Gains on valuation of foreign exchange forward contracts, net	11,840
Gains on foreign exchange forward transaction, net	10,143

Held-to-maturity financial assets

Interest income	4
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Available-for-sale financial assets

Interest income	1
Dividend income	944
Gains on valuation of available-for-sale financial assets (other comprehensive income)	1,323
Gains on disposal of available-for-sale financial assets	1,030

Derivative financial assets for hedging

Gains on valuation of foreign exchange forward contracts, net	40,511
Gains on foreign exchange forward transaction, net	26,525

Financial liabilities at fair value through profit or loss

Gains on valuation of foreign exchange forward contracts, net	1,034
Gains on foreign exchange forward transaction, net	1,056

Other financial liabilities

Interest expenses	(107,630)
Gains on foreign currency translation, net	50,797
Gains on foreign currencies transaction, net	154,133
Reversal of financial guarantee liabilities	11,679
Gains on debt restructuring	1,370,748
Capitalized financial expenses	(75,114)

Derivative financial liabilities for hedging

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Gains on valuation of foreign exchange forward contracts, net	166,903
Gains on foreign exchange forward transaction, net	57,997

6. Cash and Cash Equivalents

The Group's cash and cash equivalents in the consolidated statement of financial position are the same as that in the consolidated statement of cash flows. Details of cash and cash equivalents as at June 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2018		December 31, 2017	
Cash on hand	₩	20	₩	28
Financial institution deposits		338,248		205,767
	₩	338,268	₩	205,795

7. Restricted or Pledged Financial Assets

The restricted or pledged financial assets as at June 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2018		December 31, 2017		Description
Cash and cash equivalents	₩	3,882	₩	6,329	Guaranteed security and the others
Short-term financial assets ¹		51,965		82,504	Pledged as collaterals for performance guarantee and the others
Long-term financial assets		391,502		414,024	Pledged as collaterals for performance guarantee and the others
	₩	447,349	₩	502,857	

¹ The Group has unrestricted short-term financial assets amounting to ₩ 2,000 million for the six-month period ended June 30, 2018

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8. Financial Assets

As explained in Note 2, the Group has applied Korean IFRS 1109 Financial Instruments from January 1, 2018. See Note 44 for the impact of the changes in accounting policies on the classification of financial assets and financial statements.

8.1 Financial Assets at Fair Value through Profit or Loss

(a) Financial assets at fair value through profit or loss

Financial assets mandatorily measured at fair value through profit or loss include the following classes of financial assets:

<i>(in millions of Korean won)</i>	June 30, 2018	December 31, 2017
Current		
Currency forward assets held for trading ¹	7,810	-
Non-current		
Equity investments ²	16,592	-
	<u>₩ 24,402</u>	<u>₩ -</u>

¹ Classified as financial assets at fair value through profit or loss in prior year. (2017: ₩ 31,377 million)

² Classified as available-for-sale financial assets in prior year. (2017: ₩ 12,454 million)

(b) Amounts recognized in profit or loss

<i>(in millions of Korean won)</i>	Six-month period ended June 30,	
	2018	2017
Losses on currency forward assets held for trading, net	₩ (3,092)	₩ -
Losses on valuation of financial assets at fair value through profit or loss	(2,111)	-

¹ Gain on currency forward assets held for trading for the six-month period ended June 30, 2017 was ₩ 21,983 million.

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8.2 Financial Assets at Fair Value through Other Comprehensive Income

(a) Equity investments at fair value through other comprehensive income

Equity investments at fair value through other comprehensive income comprise the following individual investments:

<i>(in millions of Korean won)</i>	June 30, 2018		December 31, 2017	
Non-current				
Listed securities ¹	₩	8	₩	-
Beneficiary certificates ¹		3,752		-
Non-listed securities ¹		25,813		-
	₩	29,573	₩	-

¹ Amount classified as available-for-sale financial assets in prior year was ₩ 39,631 million.

Upon disposal of these equity investments, any balance within the accumulated other comprehensive income for these equity investments is reclassified to retained earnings and is not reclassified to profit or loss.

8.3 Held-to-maturity Financial Assets

(a) Held-to-maturity financial assets

Details of held-to-maturity financial assets as at June 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2018				December 31, 2017			
	Current		Non-current		Current		Non-current	
Government and public bonds	₩	6	₩	324	₩	27	₩	305

(b) Movements in held-to-maturity financial assets

Movements in held-to-maturity financial assets for the six-month period ended June 30, 2018 and for the year ended December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2018				Year ended December 31, 2017			
	Current		Non-current		Current		Non-current	
Beginning balance	₩	27	₩	305	₩	8	₩	339
Purchases		-		19		-		3

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Disposals	(21)	-	(7)	-
Transfer	-	-	29	(29)
Changes in the scope of consolidation	-	-	(3)	(8)
Ending balance	₩ 6	₩ 324	₩ 27	₩ 305

8.4 Trade Receivables and Other Financial Assets at Amortized Cost

(a) Trade receivables and provision for impairment

Trade receivables and its provisions for impairment as at June 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
Receivables from construction contracts and trade receivables	₩ 365,995	₩ 1,005,779	₩ 459,940	₩ 1,023,961
Less: Provision for impairment	(51,791)	(949,982)	(60,123)	(948,623)
Receivables from construction contracts, net	314,204	55,797	399,817	75,338

(b) Expected credit losses for trade receivables

To measure the expected credit losses, the Group applied the simplified approach based on past credit risk characteristics of trade receivables. The loss allowance provision as at June 30, 2018, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2018				
	Less than 30 days past due and within due	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	0.09%	0.00%	1.95%	92.15%	
Gross carrying amount	₩ 192,859	₩ 34,187	₩ 63,357	₩ 1,085,540	₩ 1,375,943
Loss allowance provision	₩ 164	₩ -	₩ 1,234	₩ 1,000,374	₩ 1,001,772

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(c) Other financial assets at amortized costs

Other financial assets at amortized costs as at June 30, 2018 and December 31, 2017, are as follows:

(in millions of Korean won)

	June 30, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
Loans	₩ 151,415	₩ 151,461	₩ 179,772	₩ 196,614
Less: Provision for impairment	(143,462)	(144,630)	(155,980)	(134,016)
Loans, net	7,953	6,831	23,792	62,598
Other receivable	72,980	28,782	29,106	34,261
Less: Provision for impairment	(8,544)	-	(11,271)	-
Other receivable, net	64,436	28,782	17,835	34,261
Accrued income	36,736	149	37,141	230
Less: Provision for impairment	(36,508)	(126)	(35,862)	(6)
Accrued income, net	228	23	1,279	224
Deposits	25	27,536	25	28,696
Less: Provision for impairment	-	(17,076)	-	(17,879)
Deposits, net	25	10,460	25	10,817
	<u>₩ 72,642</u>	<u>₩ 46,096</u>	<u>₩ 42,931</u>	<u>₩ 107,900</u>

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(d) Movements in the provision for impairment of trade and other receivables

Movements in the provision for impairment of trade and other receivables for the six-month period ended June 30, 2018 and for the year ended December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2018					
	Receivables from construction contracts¹	<u>Other financial assets at amortized costs²</u>				
	Loans	Other receivables	Accrued income	Deposits	Total	
Beginning balance - Korean IFRS 1039	₩ 1,008,745	₩ 289,997	₩ 11,270	₩ 35,868	₩ 17,879	₩ 1,363,759
Amounts restated through beginning balance of retained earnings	-	-	-	-	-	-
Loss allowance as at initial application date - calculated under Korean IFRS 1109	1,008,745	289,997	11,270	35,868	17,879	1,363,759
Impairment loss	2,087	(2,116)	(172)	(1,134)	(803)	(2,138)
Other	(9,060)	211	(2,554)	1,900	-	(9,503)
Ending balance	₩ 1,001,772	₩ 288,092	₩ 8,544	₩ 36,634	₩ 17,076	₩ 1,352,118

*(in millions of
Korean won)*

	Year ended December 31, 2017					
	Receivables from construction contracts	Loans	Other receivables	Accrued income	Deposits	Total
Beginning balance	₩ 1,099,738	₩ 223,282	₩ 25,222	₩ 40,971	₩ 3,072	₩ 1,392,285
Impairment loss	66,993	17,098	(3,506)	(265)	8	80,328
Other	(157,986)	49,617	(10,446)	(4,838)	14,799	(108,854)
Ending balance	₩ 1,008,745	₩ 289,997	₩ 11,270	₩ 35,868	₩ 17,879	₩ 1,363,759

¹ The impairment loss of trade receivables was assessed based on the expected credit losses model considering the past credit loss experiences according to changes in IFRS (in prior year: the incurred loss model). The estimated impairment losses on these receivables are presented separately in the provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

· Significant financial difficulties of the debtor

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- Probability that the debtor will enter bankruptcy or financial reorganization, and
- Default or delinquency in payments (more than 30 days overdue).

² If these financial assets are considered to have low credit risk, loss allowance provisions are recognized based on 12-month expected credit losses. If credit risk is significantly increasing or credit is considered to be impaired, loss allowance is recognized based on lifetime expected credit losses. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(e) Amounts recognized in profit or loss

The amounts recognized in profit or loss within 'impairment loss' in relation to impaired receivables for the six-month periods ended June 30, 2018 and for the year ended December 31, 2017, are as follows:

	Six-month period ended June 30, 2018					
	Receivables	Other financial assets at amortized costs				
	from construction contracts	Loans	Other receivables	Accrued income	Deposits	Total
<i>(in millions of Korean won)</i>						
Impairment loss						
- Movement in loss allowance	2,129	-	16	-	-	2,145
- Reversal of impairment loss recognized in prior periods	(42)	(2,116)	(188)	(1,134)	(803)	(4,283)
	<u>₩ 2,087</u>	<u>₩ (2,116)</u>	<u>₩ (172)</u>	<u>₩ (1,134)</u>	<u>₩ (803)</u>	<u>₩ (2,138)</u>
Year ended December 31, 2017						
	Receivables	Other financial assets at amortized costs				
	from construction contracts	Loans	Other receivables	Accrued income	Deposits	Total
<i>(in millions of Korean won)</i>						
Impairment loss						
- Movement in loss allowance	₩ 66,993	₩ 17,098	₩ -	₩ -	₩ 8	₩ 84,099
- Reversal of impairment loss recognized in prior periods	-	-	(3,506)	(265)	-	(3,771)
	<u>₩ 66,993</u>	<u>₩ 17,098</u>	<u>₩ (3,506)</u>	<u>₩ (265)</u>	<u>₩ 8</u>	<u>₩ 80,328</u>

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9. Contract Assets and Liabilities

As explained in Note 2, the Group has applied Korean IFRS 1115 *Revenue from Contracts with Customers* from January 1, 2018. See Note 44 for the impact of the changes in accounting policies on the financial statements.

(a) The Group has recognized the following revenue-related contract assets and liabilities:

<i>(in millions of Korean won)</i>	June 30, 2018	December 31, 2017
Due from customers for contract work ¹	₩ 3,763,873	₩ -
Incremental costs of obtaining a contract ²	68,461	-
Total contract assets	<u>₩ 3,832,334</u>	<u>₩ -</u>
Due to customers for contract work ¹	₩ 1,893,219	₩ -
Advance received ³	-	-
Total contract liabilities	<u>₩ 1,893,219</u>	<u>₩ -</u>

¹ The Group did not classify due from customers for contract work amounting to ₩ 4,089,030 million and due to customers for contract work amounting to ₩ 2,354,607 million as contract assets and contract liabilities in 2017.

² The Group separately classified incremental costs of obtaining a contract amounting to ₩ 87,855 million as prepaid expenses in 2017.

³ The Group separately classified advance received amounting to ₩ 2 million as advance received in 2017.

(b) Significant changes in contract assets and liabilities

According to changes in accounting policies, due from customers for contract work, advance payments, due to customers for contract work and advance received associated with revenue from contracts with customer were reclassified to contract assets and contract liabilities. During six-month period ended June 30, 2018, recognition of revenue on construction contracts resulted in changes in contract assets and liabilities (Note 37).

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(c) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to contract liability balance at the beginning of the period.

(in millions of Korean won)

June 30, 2018

Revenue recognized that was included in the contract liability balance at the beginning of the period

Revenue recognized based on progress towards complete satisfaction	₩	1,273,199
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(d) Assets recognized from incremental costs of obtaining a contract

The Group has recognized an asset in relation to broker commission that would not have incurred if the contract has not been obtained. This is presented within contract assets in the statements of financial position.

(in millions of Korean won)

June 30, 2018

Assets recognized from incremental costs of obtaining a contract as at June 30, 2018

₩	68,461
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Amortization and impairment loss recognized as cost during the period

64,208

The Group recognized an asset in relation to paid broker commission in order to obtain a contract. The asset is amortized over the progress towards completion of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue. Management does not expect the capitalized costs to be completely recovered during the period. An impairment loss of ₩ 32,797 million has, therefore, been recognized for the excess of the expected remaining consideration over any directly related costs not yet recognized as expense.

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10. Inventories

Details of inventories as at June 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2018			December 31, 2017		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
Work in process ¹	₩ 1,002,773	₩ (216,156)	₩ 786,617	₩ 488,680	₩ (215,515)	₩ 273,165
Raw materials	433,532	(49,961)	383,571	347,616	(56,398)	291,218
Supplies	22,532	-	22,532	20,295	(5,077)	15,218
Goods in transit	201,015	-	201,015	163,713	-	163,713
Land and others	47	-	47	45	-	45
	<u>₩ 1,659,899</u>	<u>₩ (266,117)</u>	<u>₩ 1,393,782</u>	<u>₩ 1,020,349</u>	<u>₩ (276,990)</u>	<u>₩ 743,359</u>

¹ During the period, contracts of two ships under construction were cancelled due to financial condition of customer. The Group has reclassified due from customers for contract work, which was related to the said contract, amounting to ₩ 495,745 million as work in process.

Inventories are stated in the consolidated statement of financial position at the lower of cost or net realizable value in case that the market value is lower than the acquisition cost.

In subsequent periods, if the market value of an impaired inventory recovers, the Group reverses the valuation loss up to the initially booked amount.

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11. Other Assets

Details of other assets as at June 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
Advance payments	₩ 491,440	₩ -	₩ 770,513	₩ -
Less: Provision for impairment	-	-	(68)	-
Advance payments, net	491,440	-	770,445	-
Prepaid construction costs	2,271	-	2,243	-
Prepaid expenses	26,929	5,373	128,893	5,888
VAT receivables	1,562	-	1,846	-
Others	20,935	6,010	32,728	5,996
	<u>₩ 543,137</u>	<u>₩ 11,383</u>	<u>₩ 936,155</u>	<u>₩ 11,884</u>

12. Non-current Assets Held-for-sale

As described in Note 42, the Group entered into an agreement with major creditor bank to stabilize the Group's financial position including disposal plan of the Group's property, plant and equipment including the Seoul office building as physical self-help plan. The Group classified the assets that are expected to meet the terms of sale within one year as a non-current assets held for sale. The Group sold its subsidiary, DMHI (DW Mangalia Heavy Industries S.A) for USD 21,100 thousand to DAMEN, Company in Netherland, on July 21, 2018.

Details of assets of disposal group classified as held for sale as at June 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2018	December 31, 2017
Land	₩ 2,862	₩ 1,339
Buildings	-	847
Construction-in-progress	1	38,295
Disposed assets Held-for-sale ¹	167,100	2,606
Total assets	<u>₩ 169,963</u>	<u>₩ 43,087</u>
Disposed liabilities Held-for-sale ¹	<u>₩ 117,724</u>	<u>₩ 18,953</u>

¹ As at June 30, 2018, the assets and liabilities of subsidiaries, whose sale is probable, are classified as held for sale assets and liabilities.

The Group measured non-current asset classified as held for sale at the lower of its book amount and fair value less costs to sell. The Group recognized related impairment loss ₩ 76,613 million during this period, equal to the amount that exceeds the fair value less cost to sell.

The Group recognized non-current assets held for sale assets and liabilities as net fair value in accordance with Korean IFRS 1105, based on estimated contract amounts.

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Details of a group of assets and liabilities held for sale (before impairment loss) as at June 30, 2018, is as follows:

(in millions of Korean won)

June 30, 2018

A group of assets held for sale

Cash and cash equivalents	₩	46,929
Trade and other receivables		71,152
Other assets		49,019
		<hr/> 167,100

A group of liabilities held for sale

Trade and other payables		1,204
Other provisions		17,463
Other liabilities		99,058
	₩	<hr/> 117,724

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13. Subsidiaries

Details of the consolidated subsidiaries of the Group as at June 30, 2018, and December 31, 2017, are as follows:

	Location	Closing month	Main business	Ownership of the Group (%)		Ownership of the non-controlling interests (%) ¹	
				June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
DW Mangalia Heavy Industries S.A. ^{2, 3}	Romania	December	Shipbuilding	-	51.00	-	49.00
DSME Shandong Co., Ltd	China	December	Manufacturing ship parts	100.00	100.00	-	-
DeWind Co. ⁴	USA	December	Developing wind power	-	100.00	-	-
DK Maritime S.A	Panama	December	Shipping	100.00	100.00	-	-
DSME Oman LLC	Oman	December	Development of real estate and related business activities	70.00	70.00	30.00	30.00
DSME Far East LLC	Russia	December	Shipbuilding	100.00	100.00	-	-
PT.DSME ENR CEPU ³	Indonesia	December	Investments in mining	-	85.00	-	15.00
DSME Information and Consulting	Georje	December	IT Service	100.00	100.00	-	-

¹ Ownership of the non-controlling interests, directly or indirectly not attributable to owners of the Group, may differ from ownership calculated by subtracting subsidiary (or subsidiaries) within the Group that holds the simple sum of the direct shares from 100% of the shares in each subsidiary.

² As the Board of Directors of the Group resolved to sell DW Mangalia Heavy Industries S.A., its subsidiary on November 10, 2017, the Group entered into sales contract with DAMEN. 2 MAI MANGALIA SHIPYARD, an investment company of Romanian government, informed not to exercise its preemption right and, as a result, the Group completed the sale of stake with DAMEN on July 21, 2018 (Note 45).

³ The Group reclassified investments in DW Mangalia Heavy Industries S.A. and PT. DSME ENR CEPU as non-current assets held for sale as they are expected to complete sale within one year (Note 12).

⁴ Excluded from the scope of consolidation due to disposal during six-month periods ended June 30, 2018.

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Summarized financial information of subsidiaries as at and for the six-month period ended June 30, 2018 are as follows:

(in millions of Korean won)

	Total assets	Total liabilities	Total equity	Sales	Profit(loss) for the period	Total comprehensive income (loss)
DSME Shandong Co., Ltd	₩ 348,236	₩ 113,902	₩ 234,334	₩ 34,267	₩ (5,104)	₩ 3,024
DK Maritime S.A	4,440	132,189	(127,749)	-	17	(5,712)
DSME Oman LLC	2,579	60,721	(58,142)	-	(1,453)	(4,053)
DSME Far East LLC	1,544	573	971	-	(46)	(90)
DSME Information and Consulting	10,376	6,819	3,557	22,376	1,652	1,652

Meanwhile, above summarized financial information and financial performance are before inter-company elimination.

14. Investments In Associates and Joint Ventures

14.1 Details of investments in associates and joint ventures as at June 30, 2018 and December 31, 2017 are as follows:

(in millions of Korean won)

			June 30, 2018		December 31, 2017	
	Location	Main business	Ownership interest (%)	Book amount	Ownership interest (%)	Book amount
Associates						
Wing Ship Technology Corp.	Daejeon	Research and Development on other engineering	23.20	-	23.20	-
TPI Megaline Co.,Ltd.	Seoul	Shipping Development, sales and investment of natural resources	19.00	3,976	19.00	3,580
PT. PJUC ¹	Indonesia	investment of natural resources	-	-	45.00	-
Daehan Shipping Co., Ltd.	Haenam	Ship building	23.35	-	23.35	-
Welliv Private Investment Joint Company ²	Geoje	Holding Company	34.39	12,387	34.39	12,376
Shinhan Heavy Industries Co., Ltd.	Ulsan	Manufacturing ship parts	89.22	-	89.22	-
Samwoo Heavy Industry Co., Ltd.	Gwangyang	Manufacturing ship parts	100.00	-	100.00	-
Joint ventures						
SBM Shipyard Ltd.	Angola	Holding Company	33.33	-	33.33	-
				₩ 16,363	-	₩ 15,956

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¹ As PT.DSME ENR CEPU, the subsidiary, is classified as a non-current assets held for sale, PT.PJUC, the associate of PT.DSME ENR CEPU, is also classified as a non-current assets held for sale.

² The Group sold 1,200,000 of its ordinary shares (100%) to Welliv Holdings, and some of the proceeds were received as a 34.39 % stake in the Welliv Private Investment Joint Company, an investor of Welliv Holdings. As a senior partner of the invested company, the Group may receive a distribution equivalent to 2% of the contribution paid annually. Out of cumulative distribution of the limited partnership, the Group has a priority to receive the sum of the contribution paid and the amount equivalent to internal rate of return of 6% annum when the remaining assets are distributed.

14.2 Changes in the investments in associates and joint ventures for the six-month period ended June 30, 2018 and for the year ended December 31, 2017, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2018						
	Beginning balance	Acquisition (disposal)	Share of profit(loss) of associates and joint ventures	Impairment loss	Dividends	Other changes ¹	Ending balance
Associates							
TPI Megaline Co.,Ltd.	3,580	-	505	-	(109)	-	3,976
PT. PJUC	-	-	(3,684)	-	-	3,684	-
Welliv Private Investment Joint Company	12,376	-	11	-	-	-	12,387
	<u>₩ 15,956</u>	<u>₩ -</u>	<u>₩ (3,168)</u>	<u>₩ -</u>	<u>₩ (109)</u>	<u>₩ 3,684</u>	<u>₩ 16,363</u>

¹ Other changes consists of changes in exchange rate and others.

(in millions of Korean won)

	Year ended December 31, 2017						
	Beginning balance	Acquisition (disposal)	Share of profit(loss) of associates and joint ventures	Impairment loss	Dividends	Other changes ¹	Ending balance
Associates							
Korea Marine Finance Corp.	3,152	(3,152)	-	-	-	-	-
TPI Megaline Co.,Ltd.	6,178	-	(2,401)	-	(197)	-	3,580
PT. PJUC	9,030	-	3,677	(10,365)	(230)	(2,113)	-
Daehan Shipping Co., Ltd.	-	-	(1,406)	-	-	1,406	-
Welliv Private Investment Joint Company	-	9,750	2,626	-	-	-	12,376
	<u>₩ 18,359</u>	<u>₩ 6,598</u>	<u>₩ 2,496</u>	<u>₩ (10,365)</u>	<u>₩ (426)</u>	<u>₩ (707)</u>	<u>₩ 15,956</u>

¹ Other changes consists of changes in exchange rate and others.

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15. Property, Plant and Equipment

15.1 Details of property, plant and equipment as at June 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2018					
	Cost	Revaluation surplus	Government grants	Accumulated depreciation	Accumulated impairment losses	Book amount
Land	₩ 1,485,679	₩ 461,985	₩ -	₩ -	₩ (94,342)	₩ 1,853,322
Buildings	1,037,560	-	(5,436)	(367,745)	(81,421)	582,958
Structures	1,326,689	-	-	(438,831)	(80,180)	807,678
Machinery	1,124,400	-	(101)	(698,792)	(155,316)	270,191
Vehicle	179,329	-	-	(139,557)	(30,969)	8,803
Ships and aircraft	207,369	-	-	(108,361)	(14,012)	84,996
Finance lease ships and aircraft	39,698	-	-	(7,940)	-	31,758
Tools	361,312	-	(1)	(242,430)	(102,569)	16,312
Supplies	237,705	-	(75)	(166,958)	(47,068)	23,604
Construction-in- progress	244,992	-	-	-	(15,640)	229,352
	<u>₩ 6,244,733</u>	<u>₩ 461,985</u>	<u>₩ (5,613)</u>	<u>₩ (2,170,614)</u>	<u>₩ (621,517)</u>	<u>₩ 3,908,974</u>

<i>(in millions of Korean won)</i>	December 31, 2017					
	Cost	Revaluation surplus	Government grants	Accumulated depreciation	Accumulated impairment losses	Book amount
Land	₩ 1,492,696	₩ 461,985	₩ -	₩ -	₩ (95,078)	₩ 1,859,603
Buildings	1,282,356	-	(5,506)	(461,594)	(163,319)	651,937
Structures	1,322,389	-	-	(434,647)	(80,186)	807,556
Machinery	1,182,654	-	(107)	(725,683)	(160,322)	296,542
Vehicle	238,202	-	-	(161,464)	(38,361)	38,377
Ships and aircraft	247,802	-	-	(106,883)	(14,012)	126,907
Tools	356,472	-	(1)	(241,515)	(102,690)	12,266
Supplies	230,355	-	(89)	(166,362)	(47,152)	16,752
Construction-in- progress	209,910	-	-	-	(16,422)	193,488
	<u>₩ 6,562,836</u>	<u>₩ 461,985</u>	<u>₩ (5,703)</u>	<u>₩ (2,298,148)</u>	<u>₩ (717,542)</u>	<u>₩ 4,003,428</u>

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15.2 Changes in the book amount of property, plant and equipment for the six-month period ended June 30, 2018 and for the year ended December 31, 2017, are as follows:

(in millions of Korean won)	Six-month period ended June 30, 2018				
	Land	Buildings	Structure	Machinery	Vehicle
At January 1	₩ 1,859,603	₩ 651,937	₩ 807,556	₩ 296,542	₩ 38,377
Acquisition	-	97	104	7,414	2,921
Disposals	-	-	-	-	-
Depreciation	-	(15,268)	(18,405)	(18,426)	(2,521)
Others ¹	(6,281)	(53,808)	18,423	(15,339)	(29,974)
At June 30	<u>₩ 1,853,322</u>	<u>₩ 582,958</u>	<u>₩ 807,678</u>	<u>₩ 270,191</u>	<u>₩ 8,803</u>

(in millions of Korean won)	Six-month period ended June 30, 2018					
	Ships and aircraft	Finance lease ships and aircraft	Tool	Supplies	Construction -in-progress	Total
At January 1	₩ 126,907	₩ -	₩ 12,266	₩ 16,752	₩ 193,488	₩ 4,003,428
Acquisition	80	-	5,535	8,899	26,957	52,007
Disposals	-	-	(76)	(2)	-	(78)
Depreciation	(3,235)	(7,940)	(2,486)	(2,201)	-	(70,482)
Others ¹	(38,756)	39,698	1,073	156	8,907	(75,901)
At June 30	<u>₩ 84,996</u>	<u>₩ 31,758</u>	<u>₩ 16,312</u>	<u>₩ 23,604</u>	<u>₩ 229,352</u>	<u>₩ 3,908,974</u>

(in millions of Korean won)	Year ended December 31, 2017				
	Land	Buildings	Structure	Machinery	Vehicle
At January 1	₩ 2,216,532	₩ 845,863	₩ 901,441	₩ 502,916	₩ 71,059
Acquisition	15,491	20	1,181	10,602	210
Disposals	(3,769)	(177)	(87)	(736)	(135)
Depreciation	-	(31,595)	(38,874)	(42,763)	(7,495)
Others ¹	(368,651)	(162,174)	(56,105)	(173,477)	(25,262)
At December 31	<u>₩ 1,859,603</u>	<u>₩ 651,937</u>	<u>₩ 807,556</u>	<u>₩ 296,542</u>	<u>₩ 38,377</u>

(in millions of Korean won)	Year ended December 31, 2017				
	Ships and aircraft	Tool	Supplies	Construction -in-progress	Total
At January 1	₩ 104,558	₩ 112,687	₩ 54,238	₩ 388,584	₩ 5,197,878
Acquisition	4,366	14,313	17,221	45,427	108,831
Disposals	-	(964)	(73)	(17,734)	(23,675)
Depreciation	(6,761)	(9,625)	(11,862)	-	(148,975)
Others ¹	24,744	(104,145)	(42,772)	(222,789)	(1,130,631)
At December 31	<u>₩ 126,907</u>	<u>₩ 12,266</u>	<u>₩ 16,752</u>	<u>₩ 193,488</u>	<u>₩ 4,003,428</u>

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¹ Others mainly consist of transfer of construction-in-progress to property, plant and equipment, impairment losses, amortization of government grants, transfer to non-current assets held for sale, and changes in foreign currency exchange rates and others.

15.3 As described in Note 42, the Group measured the amount of impairment loss of the cash generating units that had indication of an impairment due to decrease in the sales volume and deterioration in market condition and the assets planned to be disposed through the business normalization plan. After impairment assessment, the Group recognized total ₩ 627,265 million of impairment loss on property, plant and equipment, intangible assets and investment properties(including decrease in revaluation surplus of ₩86,305 million) during the last period. The estimated recoverable amount from the impairment assessment is the net fair value of individual asset, which is the estimated value of the sale or potential appraisal with the potential buyer. The appraised value is classified as level 3 fair value measurement and is assessed using public announcement of officially assessed price and sales comparison approach.

16. Pledged Assets and Other

16.1 As at June 30, 2018, the Group's assets except deposits (Note 7) that are pledged as collaterals for performance guarantee and others are summarized as follows:

(in millions of Korean won, in thousands of foreign currency)

Assets	Book amount	Pledged amount	Guarantee for	Borrowings amount	Lender
Non-current assets held for sale ¹	KRW -	KRW 9,384	Loan guarantees	USD 32,511	KEXIM
Property, plant and equipment, and Investment properties,	KRW 3,430,982	KRW 3,735,200	Borrowings in local currency	KRW 607,659	KDB, KEXIM
	USD 899,440	USD 899,440	Borrowings in foreign currency	USD 1,056,125	
	CNY 1,159,960	CNY 267,240	Borrowings	CNY 222,700	1 st :KDB Shanghai branch 2 nd :KDB Tokyo branch, Singapore branch
Financial assets at fair value through profit or loss	KRW 9,147	KRW 629,983	Performance guarantee	KRW -	KDIA
	CNY 1,159,960	CNY 267,240		CNY 222,700	
	- USD	USD 899,440		USD 1,088,636	
	KRW 3,440,129	KRW 4,374,567		KRW 607,659	

¹ The Group provides investment in subsidiaries as collateral for borrowing of PT. DSME ENR CEPU that is a subsidiaries of the Group, for KEXIM.

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16.2 Significant guarantees provided to other than the Group's related parties as at June 30, 2018, are as follows:

(in thousands of US dollar)

Provided for	Guarantee Amount		Lender
Korea Line Corp.	USD	74,579	KDB and others

16.3 The Group received performance guarantees of advances received refund guarantee and others regarding exporting ships. Details of guarantees provided to the Group are as follows:

(in thousands of foreign currency)

Provided by	Guarantee Limit		Actual warranty balance	
	Currency	Amount	Currency	Amount
KDB	USD	4,700,000	USD	1,898,446
			USD	3,054,428
KEXIM	USD	4,086,582	EUR	9,348
			GBP	104,459
Other financial institutions	USD	935,807	USD	854,075

In addition to the above, the Group is provided with performance guarantee of ₩1,868,131 million from KDIA and others. Meanwhile, the Group provides a mortgage of transfer on i) export object under construction, ii) raw materials for construction and iii) export payment, relating to performance guarantee provided, borrowing on shipbuilding financing and the new funding support limit provided by the Korea Development Bank and the Korea Export-Import Bank(Note 42).

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17. Investment Properties

17.1 Investment properties as at June 30, 2018 and December 31, 2017, are as follows:

(in millions of Korean won)

	June 30, 2018		
	Land	Buildings	Total
Acquisition cost	₩ 4,661	₩ 8,473	₩ 13,134
Accumulated depreciation	-	(3,927)	(3,927)
Accumulated impairment	-	(1,353)	(1,353)
Book amount	<u>₩ 4,661</u>	<u>₩ 3,193</u>	<u>₩ 7,854</u>

(in millions of Korean won)

	December 31, 2017		
	Land	Buildings	Total
Acquisition cost	₩ 4,661	₩ 8,473	₩ 13,134
Accumulated depreciation	-	(3,867)	(3,867)
Accumulated impairment	-	(1,354)	(1,354)
Book amount	<u>₩ 4,661</u>	<u>₩ 3,252</u>	<u>₩ 7,913</u>

17.2 Changes in the book amounts of investment properties for the six-month period ended June 30, 2018 and for the year ended December 31, 2017, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2018		
	Land	Buildings	Total
Beginning balance	₩ 4,661	₩ 3,252	₩ 7,913
Depreciation	-	(59)	(59)
Ending balance	<u>₩ 4,661</u>	<u>₩ 3,193</u>	<u>₩ 7,854</u>

(in millions of Korean won)

	Year ended December 31, 2017		
	Land	Buildings	Total
Beginning balance	₩ 4,661	₩ 5,509	₩ 10,170
Depreciation	-	(119)	(119)
Impairment	-	(1,353)	(1,353)
Others	-	(785)	(785)
Ending balance	<u>₩ 4,661</u>	<u>₩ 3,252</u>	<u>₩ 7,913</u>

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18. Intangible Assets

18.1 Intangible assets as at June 30, 2018 and December 31, 2017, consist of:

(in millions of Korean won)	June 30, 2018			December 31, 2017		
	Cost	Accumulated amortization and impairment	Book amount	Cost	Accumulated amortization and impairment	Book amount
	₩ 69,653	₩ (29,194)	₩ 40,459	₩ 70,798	₩ (33,484)	₩ 37,314

18.2 Changes in book amounts of intangible assets for the six-month period ended June 30, 2018 and for the year ended December 31, 2017, are as follows:

(in millions of Korean
won)

Six-month period ended June 30, 2018							
	Intellectual property rights	Development costs	Computer software	Facility usage rights	Others	Total	
Beginning balance	₩ 1,178	₩ 11,389	₩ 448	₩ 23,268	₩ 1,031	₩	₩ 37,314
Additions(disposal)	1,553	1,816	5	-	18		3,392
Amortization	(201)	(112)	(184)	(316)	(48)		(861)
Other changes ¹	-	-	(128)	818	(76)		614
Ending balance	₩ 2,530	₩ 13,093	₩ 141	₩ 23,770	₩ 925	₩	₩ 40,459

¹ Other changes include impairment losses on intangible assets and the changes in scope of consolidation such as disposal of certain subsidiaries.

(in millions of
Korean won)

Year ended December 31, 2017							
	Goodwill	Intellectual property rights	Development costs	Computer software	Facility usage rights	Others	Total
Beginning balance	₩ 8,727	₩ 9,784	₩ 25,962	₩ 1,156	₩ 25,714	₩ 1,962	₩ 73,305
Additions(disposal)	-	2,230	5,171	67	-	(499)	6,969
Amortization	-	(591)	(1,281)	(594)	(677)	(172)	(3,315)
Other changes ¹	(8,727)	(10,244)	(18,464)	(181)	(1,770)	(259)	(39,645)
Ending balance	₩ -	₩ 1,179	₩ 11,388	₩ 448	₩ 23,267	₩ 1,032	₩ 37,314

¹ Other changes include impairment losses on intangible assets and the changes in scope of consolidation, such as disposal of certain subsidiaries.

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19. Trade and Other Payables

Trade and other payables as at June 30, 2018 and December 31, 2017, are as follows:

<i>(In millions of Korean won)</i>	June 30, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
Trade payables	₩ 609,092	₩ -	₩ 735,589	₩ -
Accounts payables	125,128	90,281	244,239	121,650
Accrued expenses	66,550	-	79,939	14,495
Deposits received	18,159	-	13,217	-
	<u>₩ 818,929</u>	<u>₩ 90,281</u>	<u>₩ 1,072,984</u>	<u>₩ 136,145</u>

20. Debentures

Details of debentures as at June 30, 2018 and December 31, 2017, are as follows:

<i>(In millions of Korean won)</i>				
Type	Maturity date	Annual interest rate (%)	June 30, 2018	December 31, 2017
6-1 st non-guarantee bonds	April 21, 2023	1.00	₩ 213,113	₩ 213,274
4-2 nd non-guarantee bonds	April 21, 2023	1.00	149,102	149,142
5-2 nd non-guarantee bonds	April 21, 2023	1.00	98,635	98,635
6-2 nd non-guarantee bonds	April 21, 2023	1.00	29,316	29,321
7 th non-guarantee bonds	April 21, 2023	1.00	148,768	148,768
Commercial papers	April 21, 2023	1.00	101,894	101,894
			<u>740,828</u>	<u>741,034</u>
	Less: discount on debentures		(189,896)	(210,373)
	Less: current portion		-	-
			<u>₩ 550,932</u>	<u>₩ 530,661</u>

As described in Note 43, in April 2017, the Group and the bond holders agreed on debt restructuring of issued corporate bonds and CPs which was concluded through bond holder's meeting and amendment of CP contracts, respectively. The debt restructuring of corporate bonds includes debt-to-equity swap of 50% or more of issued bonds, extension of maturity of remaining bonds, and decrease in interest rate of remaining bonds. Regarding the CPs, debt restructuring includes debt-to-equity swap of 50% of CP's held by individuals, extension of maturity of remaining CPs, and split issuance. In accordance with this debt restructuring plan debt-to-equity swap of corporate bonds and CP is planned to be executed on August 12, 2017, December 21, 2017 and March 14, 2018.

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21. Borrowings

21.1 Short-term Borrowings

Details of short-term borrowings as at June 30, 2018 and December 31, 2017, are as follows:

(in millions of Korean won, in thousands of foreign currency)

Denominated currency	Creditor	Annual interest rate (%)	June 30, 2018		December 31, 2017	
			Foreign currency	Korean won equivalents	Foreign currency	Korean won equivalents
Short-term borrowings in Korean won	Kookmin Bank	-		1,815		4,302
	KDB	3.00		607,659		827,659
	KEXIM	3.00		367,900		587,900
				<u>977,374</u>		<u>1,419,861</u>
Short-term borrowings in foreign currencies	KDB	6ML+0.3, other	USD 454,996	510,369	USD 376,210 EUR 59	403,071 76
		PBOC*115%, other	CNY 131,600	22,294	CNY 131,600	21,536
		-	-	-	USD 19,440	20,788
	KEXIM	3ML+1.8	USD 119,169	133,671	USD 119,169	127,678
	Shinhan Bank	-	-	-	USD 50,000	53,493
	KDB Singapore/Tokyo	3ML+3.5	USD 19,440	21,791	-	-
			<u>USD 593,605</u>		<u>USD 564,819</u>	
			CNY 131,600	688,125	EUR 59 CNY 131,600	626,642
				<u>₩ 1,665,499</u>		<u>₩ 2,046,503</u>

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21.2 Long-term borrowings

Details of long-term borrowings as at June 30, 2018 and December 31, 2017, are as follows:

(in millions of Korean won, in thousands of foreign currency)

Denominated currency	Creditor	Annual interest rate (%)	June 30, 2018		December 31, 2017	
			Foreign currency	Korean equivalents	Foreign currency	Korean equivalents
Long-term borrowings in Korean won	Korea Housing Guarantee	-	- ₩	109	- ₩	112
	Kookmin Bank	1.00	-	20,000	-	20,000
	KEB Hana Bank	1.00	-	91,912	-	91,912
	Woori Bank	1.00	-	19,972	-	19,972
	Shinhan Bank	1.00	-	16,000	-	16,000
			₩	147,993	₩	147,996
Long-term borrowings in foreign currency	KDB	3M Libor+2.55, other	USD 730,000 ₩	818,841	USD 730,000 ₩	782,887
			CNY 91,100	15,381	CNY 91,100	14,909
	Korea National Oil Corp.	-	USD 11,712	12,967	USD 11,712	12,967
		6M Libor+3.05, other	USD 15,750	17,667	-	-
	KEXIM	3M Libor+2.65, other	USD 160,493	180,025	USD 216,879	232,365
		1.00, other	USD 11,273	12,644	-	-
	Woori Bank	1.00	USD 4,831	5,419	-	-
	GNG Holdings INC	Libor(1Y)+5	-	-	USD 1,021	1,094
			USD 934,059 ₩	1,047,567	USD 959,612 ₩	1,029,313
			CNY 91,100	15,377	CNY 91,100	14,909
			₩	1,210,937	₩	1,192,218
	Less: Current portion			(213,077)		(460,882)
	Less: discount on loans			(62,619)		(57,724)
			₩	935,241	₩	673,612

The Group's property, plant and equipment are pledged as collaterals in relation to above borrowings (Note 16).

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22. Other Liabilities

Other liabilities as at June 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2018		December 31, 2017	
	Current	Non-current	Current	Non-current
Advance received	₩ 380	₩ -	₩ 41,337	₩ -
Income in advance	279	-	279	-
Withholdings	152,410	-	66,150	-
Others	153	-	15	23
	<u>₩ 153,222</u>	<u>₩ -</u>	<u>₩ 107,781</u>	<u>₩ 23</u>

23. Net Defined Benefit Liabilities and Other Long-Term Employee Benefit Liabilities

23.1 As at June 30, 2018 and December 31, 2017, amounts recognized in the consolidated statement of financial position in relation to post-employment benefit obligation are as follows:

<i>(in millions of Korean won)</i>	June 30, 2018		December 31, 2017	
Present value of defined benefit obligation	₩	381,405	₩	389,625
Fair value of plan assets		<u>(236,739)</u>		<u>(253,030)</u>
Net defined benefit liabilities	₩	144,666	₩	136,595
Other long-term employee benefit liabilities	₩	<u>22,178</u>	₩	<u>23,946</u>

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23.2 Changes in the defined benefit liabilities and other long-term employee benefit liabilities for the six-month period ended June 30, 2018 and for the year ended December 31, 2017, are as follows:

(in millions of Korean won)	Six-month period ended June 30, 2018			
	Present value of defined benefit obligations	Plan assets	Other long-term employee benefit liabilities	Total
Beginning of the period	₩ 389,625	₩ (253,031)	₩ 23,947	₩ 160,541
Current service cost	24,280	-	610	24,890
Past service cost and gains or losses on settlements	-	-	-	-
Interest cost (interest income)	5,522	(3,584)	311	2,249
	<u>419,427</u>	<u>(256,615)</u>	<u>24,868</u>	<u>187,680</u>
Remeasurements:				
Return on plan assets	-	2,203	-	2,203
Actuarial gains arising from changes in demographic assumptions	-	-	-	-
Actuarial gains arising from changes in financial assumptions	-	-	-	-
Actuarial losses(gains) arising from experience adjustments and others	-	-	-	-
	<u>-</u>	<u>2,203</u>	<u>-</u>	<u>2,203</u>
Contributions	-	(400)	-	(400)
Benefits paid	(37,977)	18,073	(646)	(20,550)
Other	(45)	-	(2,044)	(2,089)
	<u>₩ 381,405</u>	<u>₩ (236,739)</u>	<u>₩ 22,178</u>	<u>₩ 166,844</u>

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(in millions of Korean won)	Year ended December 31, 2017						
	Present value of defined benefit obligations		Plan assets		Other long-term employee benefit liabilities		Total
Beginning of the year	₩	428,386	₩	(266,050)	₩	29,057	₩ 191,393
Current service cost		55,315		-		1,184	56,499
Past service cost and gains or losses on settlements		(586)		-		391	(195)
Interest cost (interest income)		10,843		(6,486)		(989)	3,368
		493,958		(272,536)		29,643	251,065
Remeasurements:							
Return on plan assets		-		3,776		-	3,776
Actuarial gains arising from changes in demographic assumptions		9		-		(1,340)	(1,331)
Actuarial gains arising from changes in financial assumptions		(10,141)		-		(507)	(10,648)
Actuarial gains arising from experience adjustments and others		4,326		-		(369)	3,957
		(5,806)		3,776		(2,216)	(4,246)
Contributions		-		(36,865)		-	(36,865)
Benefits paid		(72,004)		38,663		(2,697)	(36,038)
Others ¹		(26,523)		13,931		(783)	(13,375)
	₩	389,625	₩	(253,031)	₩	23,947	₩ 160,541

¹ Others include change due from changes in the scope of consolidation.

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24. Provisions

Changes in provisions for construction warranties and other provisions for the six-month period ended June 30, 2018 and for the year ended December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2018			
	Current		Non-current	
	Provision for Construction Losses	Provision for construction warranties	Other provisions	Total
Beginning balance	₩ -	₩ 156,769	₩ 537,054	₩ 693,823
Effect of changes in accounting policy	457,857	-	-	457,857
Adjusted amount	457,857	156,769	537,054	1,151,680
Additional provisions (Reversal provisions)	(60,493)	11,991	(68,910)	(117,412)
Used during period	-	(4,687)	105	(4,582)
Others ¹	(190)	(2,912)	(15,827)	(18,929)
Ending balance	₩ 397,174	₩ 161,161	₩ 452,422	₩ 1,010,757

<i>(in millions of Korean won)</i>	Year ended December 31, 2017		
	Provision for construction warranties	Other provisions	Total
Beginning balance	₩ 141,204	₩ 258,392	₩ 399,596
Additional provisions	46,991	390,643	437,634
Used	(16,509)	(72,109)	(88,618)
Others ¹	(14,917)	(39,873)	(54,790)
Ending balance	156,769	537,053	693,822
Less: current portion	-	-	-
Provisions, net	₩ 156,769	₩ 537,053	₩ 693,822

¹ Others include changes in provisions and changes in the scope of consolidation such as sales of certain subsidiaries.

25. Income Tax Expense

Income tax expense is recognized based on management's best estimate of weighted average annual income tax rate expected for the full financial year. As at June 30, 2018, the estimated average annual income tax rate used for the year ending December 31, 2018, is 2.44%. Meanwhile, the Group recognized income tax revenue amounting to ₩3,343 million according to the decision of Tax Tribunal during the period.

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26. Derivative Instruments

Details derivative instruments held for hedging and trading purposes as at June 30, 2018, and December 31, 2017, are as follows:

(in millions of Korean won)	June 30, 2018						
	Sales	Other non-operating income (expense)	Firm commitment assets ¹	Firm Commitment Liabilities ¹	Contract Liabilities	Currency forward assets	Currency forward liabilities
For fair value hedging ¹	₩ (9,502)	₩ (8,908)	₩ 24,003	₩ 23,461	₩ 1,668	₩ 27,734	₩ 45,535
For trading ²	-	(14,531)	-	-	-	7,810	5,864
	₩ (9,502)	₩ (23,439)	₩ 24,003	₩ 23,461	₩ 1,668	₩ 35,544	₩ 51,399

(in millions of Korean won)	December 31, 2017						
	Sales	Other non-operating income (expense)	Firm commitment assets ¹	Firm Commitment Liabilities ¹	Due to customer for contract work	Currency forward assets	Currency forward liabilities
For fair value hedging ¹	₩ 3,356	₩ (4,296)	₩ 5,907	₩ 93,527	₩ (2,385)	₩ 137,775	₩ 10,286
For trading ²	-	48,275	-	-	-	31,377	252
	₩ 3,356	₩ 43,979	₩ 5,907	₩ 93,527	₩ (2,385)	₩ 169,152	₩ 10,538

¹ The Group has entered into currency forward contracts (Korean won against USD) in order to hedge exchange rate fluctuation risk regarding foreign currency contract about ship and others. In addition, the Group applied fair value hedge accounting to the respective firm commitment as at June 30, 2018, and December 31, 2017.

² The Group recognized currency forward assets and liabilities held for trading purpose as financial assets (liabilities) at fair value through profit and loss.

27. Capital

On August 23, 2004, the Group retired 1,000,000 shares of treasury share acquired for ₩15,416 million upon the approval at the Board of Directors' meeting. Accordingly, the number of shares issued has been decreased. However, the amount of paid-up capital has not been reduced. As a result, the face value of the Group's issued shares and the ordinary share presented in the consolidated statement of financial position are not identical as at June 30, 2018 and December 31, 2017

The Group's total number of authorized shares, issued shares and par value per share are 800,000,000, 107,205,752 (2017: 106,656,288) and ₩5,000, respectively, as at June 30, 2018 and December 31, 2017

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Changes in number of shares and share capital for the six-month period ended June 30, 2018 and the year ended December 31, 2017, are as follows:

<i>(in millions of Korean won, and in number of shares)</i>	Details	Number of shares (shares)	Share capital
January 1, 2017	Beginning balance	65,576,960	332,885
June 29, 2017	Debt to equity swap	19,647,036	98,235
August 12, 2017	Debt to equity swap	19,804,813	99,024
December 21, 2017	Debt to equity swap	1,627,479	8,137
December 31, 2017	Ending balance	106,656,288	538,281
January 1, 2018	Beginning balance	106,656,288	538,281
March 14, 2018	Debt to equity swap	549,464	2,747
June 30, 2018	Ending balance	107,205,752	541,029

28. Retained Earnings (Accumulated Deficits)

Accumulated deficits as at June 30, 2018 and December 31, 2017, consist of:

<i>(in millions of Korean won)</i>	June 30, 2018	December 31, 2017
Legal reserves ¹	₩ 91,246	₩ 91,246
Reserve for research and human resource development	20,000	70,000
Reserve for facility expansion	3,450,000	3,450,000
Reserve for dividend equalization	70,000	70,000
Consolidated accumulated deficits before disposition	(2,862,950)	(3,773,409)
	<u>₩ 768,296</u>	<u>₩ (92,163)</u>

¹ The Commercial Code of the Republic of Korea requires the Group to appropriate as legal reserve an amount equal to at least 10% of cash dividends paid for each accounting period, until the reserve equals 50% of stated capital. The reserve is not available for cash dividends payment, but may be transferred to share capital or used to reduce accumulated deficit.

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29. Other Contributed Capital and Components of Other Capital

29.1 Other contributed capital as at June 30, 2018 and December 31, 2017, consists of:

<i>(in millions of Korean won)</i>	June 30, 2018	December 31, 2017
Other contributed capital		
Share premium	₩ 10,437	₩ 54,617
Others ¹	6,949	314,186
	<u>17,386</u>	<u>368,803</u>
Components of other capital		
Revaluation surplus of property, plant and equipment	334,939	334,939
Gain on valuation of AFS securities	-	12,387
Loss on valuation of financial assets at fair value through other comprehensive income	(2,377)	-
Loss on foreign currency translation of foreign operations	(38,345)	(53,601)
	<u>₩ 294,217</u>	<u>₩ 293,725</u>
	<u>311,603</u>	<u>662,528</u>

¹ Others include ₩ 726 million of other paid-in-capital, which qualifies as equity even though actual debt-to-equity swap is not completed as the number and price of issuing shares through debt-to-equity swap are fixed.

29.2 Hybrid Capital Instrument

Hybrid capital Instrument as at June 30, 2018 and December 31, 2017, consists of:

<i>(in millions of Korean won)</i>	June 30, 2018	December 31, 2017
8th Private unregistered non-guarantee convertible bond ¹	₩ 1,000,000	₩ 1,000,000
9th Private unregistered non-guarantee convertible bond ²	1,284,775	1,284,775
10th Private unregistered non-guarantee convertible bond ³	48,057	-
	<u>₩ 2,332,832</u>	<u>₩ 2,284,775</u>

¹ As at December 29, 2016, the Group issued convertible notes to KEXIM to secure its capital, by offsetting ₩1,000,000 million of the outstanding balance of export financing loan (expiry date : January 2, 2018) made from November 25, 2015 to December 12, 2016.

These convertible notes are classified as equity as there is no contractual cash payment obligation of the issuer. Conditions for issue of the convertible bonds have changed as of June 28, 2017 and details of changed conditions are as follows:

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	Details
Bonds	8th Private unregistered non-guarantee convertible bond
Value at issue	₩1,000,000 million
Maturity	December 29, 2046(30 years), The maturity date can be extended under the same conditions as the discretion of the issuer. Amount: 3% until June 28, 2017, 1% until Dec 31, 2021, 0.25% added every year on standard yield of 5 year maturity public unsecured corporate bonds.
Interest paid	Payment: Pay quarterly, Optional payment suspension only if there is no reason for not suspending interest payment(*) (*)Reason for not suspending interest payment: A dividend payment decision is made in the last 12 months, or the shares of the issuer are reduced by the group's retained earnings or purchased, repaid by the Group
Early redemption right	Optional redemption for all and part of the bonds every year, after Dec 31, 2021
Conversion condition	₩40,350 per share
Trigger clause	The liquidation of the issuing company

² As at June 28, 2017, the Group issued convertible bonds to KEXIM to secure its capital, by offsetting ₩ 1,284,775 million won of the outstanding balance of export financing loan (expiry date : December 31, 2017) made from October 17, 2014 to February 9, 2017.

These convertible bonds are classified as equity as there is no contractual cash payment obligation of the issuer. Details of convertible bonds issued by the group are as follows:

	Details
Bonds	9th Private unregistered non-guarantee convertible bond
Value at issue	₩ 1,284,775 million
Maturity	June 28, 2047 (30 years), The maturity date can be extended under the same conditions as the discretion of the issuer. Amount: 1.0% until December 31, 2021, 0.25% added every year on standard yield of 5 year maturity public unsecured corporate bonds.
Interest paid	Payment: Pay quarterly, Optional payment suspension only if there is no reason for not suspending interest payment(*) (*)Reason for not suspending interest payment: A dividend payment decision is made in the last 12 months, or the shares of the issuer are reduced by the group's retained earnings or purchased, repaid by the group
Early redemption right	Optional redemption for all and part of the bonds every year, after 3 years from the issuance date
Conversion condition	₩ 40,350 per share
Trigger clause	The liquidation of the issuing company

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³ As at March 14, 2018, the Group issued convertible bonds to KEXIM to secure its capital, by offsetting ₩ 48,057 million won of the outstanding balance of export financing loan (expiry date : March 27, 2018) made from January 31, 2018.

These convertible bonds are classified as equity as there is no contractual cash payment obligation of the issuer. Details of convertible bonds issued by the group are as follows:

	Details
Bonds	10th Private unregistered non-guarantee convertible bond
Value at issue	₩ 48,057 million
Maturity	March 14, 2048 (30 years), The maturity date can be extended under the same conditions as the discretion of the issuer. Amount: 1.0% until December 31, 2021, 0.25% added every year on standard yield of 5 year maturity public unsecured corporate bonds. Payment: Pay quarterly, Optional payment suspension only if there is no reason for not suspending interest payment(*) (*)Reason for not suspending interest payment: A dividend payment decision is made in the last 12 months, or the shares of the issuer are reduced by the Group's retained earnings or purchased, repaid by the Group
Interest paid	Overdue interest rate: If early redemption amount isn't paid after the notification of early redemption right or interest isn't paid despite no reason for not suspending interest payment, the overdue interest rate of 15% is applied. Optional redemption for all and part of the bonds, after adjustment date of interest rate (*). (*) Adjustment date of Interest rate: December 31, 2021.
Early redemption right	
Conversion condition	₩ 40,350 per share
Trigger clause	The liquidation of the issuing company

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30. Earnings Per Share

30.1 Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding during the period excluding ordinary shares purchased by the Group and held as treasury shares.

Basic earnings per share for the three-month and six-month periods ended June 30, 2018 and 2017, is as follows:

(Korean won)	2018			
	Three months		Six months	
Profit for the period	₩	234,765,911,474	₩	456,761,286,852
Interest paid on hybrid capital instrument ¹		(5,874,884,210)		(11,615,417,090)
Profit on ordinary shares		228,891,027,264		445,145,869,762
Weighted average number of ordinary shares outstanding		107,189,545		106,970,974
Basic earnings per share	₩	2,135	₩	4,161

¹ Interest payable related to hybrid capital instrument ₩11,615 million (accumulated: ₩ 23,054 million) is included as at June 30, 2018.

(Korean won)	2017			
	Three months		Six months	
Profit for the period	₩	1,232,666,902,913	₩	1,461,187,055,032
Interest paid on hybrid capital instrument		(7,506,849,310)		(15,006,849,310)
Profit on ordinary shares		1,225,160,053,603		1,446,180,205,722
Weighted average number of ordinary shares outstanding		66,118,285		65,844,107
Basic earnings per share	₩	18,530	₩	21,964

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30.2 Weighted-average number of ordinary shares outstanding used in the calculation of earnings per share, for the three-month and six-month periods ended June 30, 2018 and 2017, respectively, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2018 (3 months)				
	Issued Shares	Treasury Shares	Outstanding Shares	Number of days	Weighted average number of ordinary shares outstanding
Apr 1, 2018	107,205,752	(16,207)	107,189,545	91	107,189,545
				91	107,189,545
<i>(in millions of Korean won)</i>	June 30, 2018 (6 months)				
	Issued Shares	Treasury Shares	Outstanding Shares	Number of days	Weighted average number of ordinary shares outstanding
Jan 1, 2018	106,656,288	(16,207)	106,640,081	72	42,420,364
Mar 14, 2018	107,205,752	(16,207)	107,189,545	109	64,550,610
				181	106,970,974
<i>(in millions of Korean won)</i>	June 30, 2017 (3 months)				
	Issued Shares	Treasury Shares	Outstanding Shares	Number of days	Weighted average number of ordinary shares outstanding
Apr 1, 2017	65,576,960	(16,207)	65,560,753	89	63,700,308
Jun 29, 2017	85,223,996	(16,207)	85,207,789	2	2,417,977
				91	66,118,285
<i>(in millions of Korean won)</i>	June 30, 2017 (6 months)				
	Issued Shares	Treasury Shares	Outstanding Shares	Number of days	Weighted average number of ordinary shares outstanding
Jan 1, 2017	65,576,960	-	65,576,960	24	8,668,449
Jan 25, 2017	65,576,960	(16,207)	65,560,753	155	55,956,062
Jun 29, 2017	85,223,996	(16,207)	85,207,789	2	1,219,596
				181	65,844,107

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30.3 Diluted earnings is adjusted weighted average number of ordinary shares outstanding with assumption that every dilutive securities are converted to ordinary shares. The Group issued dilutive securities as convertible bonds (hybrid capital instrument). Convertible notes are assumed that converted to ordinary shares and interest cost of the convertible notes added to earnings of ordinary shares.

(Korean won)

	2018			
	Three months		Six months	
Profit on ordinary shares	₩	228,891,027,264	₩	445,145,869,762
Interest of convertible bonds (hybrid capital instrument)		5,874,884,210		11,615,417,090
Profit used to determine diluted EPS		234,765,911,474		456,761,286,852
Weighted average number of ordinary shares outstanding		107,189,545		106,970,974
Adjustment:				
Assumption of conversion of permanent bonds		88,464,683		75,798,742
Weighted average number of ordinary shares outstanding		195,654,228		182,769,716
Diluted earnings per share	₩	1,200	₩	2,499

(Korean won)

	2017			
	Three months		Six months	
Profit on ordinary shares	₩	1,225,160,053,603	₩	1,446,180,205,722
Interest of convertible bonds (hybrid capital instrument)		7,506,849,310		15,006,849,310
Profit used to determine diluted EPS		1,232,666,902,913		1,461,187,055,032
Weighted average number of ordinary shares outstanding		66,118,285		65,844,107
Adjustment:				
Assumption of conversion of permanent bonds		24,783,147		24,883,026
Weighted average number of ordinary shares outstanding		90,901,432		90,727,133
Diluted earnings per share	₩	13,560	₩	16,105

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31. Selling and Administrative Expenses

31.1 Details of selling expenses for the three-month and six-month periods ended June 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018		2017	
	Three months	Six months	Three months	Six months
Advertising	₩ 221	₩ 458	₩ 113	₩ 451
Freight and custody charges	33	83	24	355
Commission	16,451	30,812	36,896	80,976
Other	36	56	1,130	1,200
	<u>₩ 16,741</u>	<u>₩ 31,409</u>	<u>₩ 38,163</u>	<u>₩ 82,982</u>

31.2 Details of administrative expenses for the three-month and the six-month periods ended June 30, 2018, and 2017, are as follows:

<i>(In millions of Korean won)</i>	2018		2017	
	Three months	Six months	Three months	Six months
Salaries	₩ 12,053	₩ 24,607	₩ 12,910	₩ 28,579
Post-employment benefits	849	1,804	1,258	2,764
Employee benefits	3,254	6,460	(95)	670
Rental expenses	738	1,922	3,238	6,590
Depreciation	763	1,507	1,580	3,622
Amortization	105	232	401	814
Repairs and maintenance expense	2,819	2,823	19	6,318
Travel expense	942	1,610	611	1,192
Training expense	300	512	200	364
Administrative service costs	1,727	6,494	3,682	5,608
Other	(32,205)	(28,318)	68,929	74,673
	<u>₩ (8,655)</u>	<u>₩ 19,653</u>	<u>₩ 92,733</u>	<u>₩ 131,194</u>

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32. Finance Income and Costs

The Group classifies interest income and expenses as finance income and costs, and details of net finance income (costs) for the three-month and six-month periods ended June 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018		2017	
	Three months	Six months	Three months	Six months
Interest income:				
Deposits	₩ 792	₩ 4,006	₩ 1,905	₩ 2,027
Trade and other receivables	11,255	14,231	3,008	7,226
Held-to-maturity financial assets	2	4	-	-
Other interest income	-	-	2	5
	<u>12,049</u>	<u>18,241</u>	<u>4,915</u>	<u>9,258</u>
Dividend income				
Financial assets at fair value through other comprehensive income	6,958	7,105	2	944
	<u>6,958</u>	<u>7,105</u>	<u>2</u>	<u>944</u>
Reversal of financial guarantee liabilities	180	5,031	449	11,679
Gain on debt restructuring	-	10	1,370,748	1,370,748
	<u>7,138</u>	<u>12,146</u>	<u>1,371,199</u>	<u>1,383,371</u>
Interest expenses:				
Bank overdrafts and interests on loans	43,349	82,619	52,484	107,630
Less: Amount included in cost of qualifying assets	-	-	(38,889)	(72,370)
	<u>43,349</u>	<u>82,619</u>	<u>13,595</u>	<u>35,260</u>
Net finance income(cost)	₩ (24,162)	₩ (52,232)	₩ 1,362,521	₩ 1,357,370

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33. Foreign Exchange Gains and Losses

Details of foreign exchange gains and losses for the three-month and six-month periods ended June 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018		2017	
	Three months	Six months	Three months	Six months
Gains on foreign currency transactions	₩ 137,588	₩ 198,429	₩ 170,108	₩ 271,485
Gains on foreign exchange translations	114,652	123,659	(204,558)	139,065
	252,240	322,088	(34,450)	410,550
Losses on foreign currency transactions	65,587	150,319	54,341	182,670
Losses on foreign exchange translations	106,839	141,560	(112,283)	271,645
	172,426	291,879	(57,942)	454,315
Net foreign exchange gains and losses	₩ 79,814	₩ 30,209	₩ 23,492	₩ (43,765)

34. Other Non-Operating Income and Expenses

34.1 Details of other non-operating income for the three-month and six-month periods ended June 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018		2017	
	Three months	Six months	Three months	Six months
Gains on valuation of firm commitment	₩ 92,411	₩ 94,249	₩ 4,621	₩ 4,625
Gains(Losses) on valuation of currency forward contracts	(36,247)	212	(186,305)	228,851
Gains on currency forward transactions	2,764	5,273	58,205	95,938
Gains on disposal of AFS financial assets	-	-	1,028	1,038
Gains on disposal of property, plant and equipment	634	806	1,282	1,506
Others	37,475	56,517	36,203	87,704
	₩ 97,037	₩ 157,057	₩ (84,966)	₩ 419,662

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34.2 Details of other non-operating expenses for the three-month and six-month periods ended June 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018		2017	
	Three months	Six months	Three months	Six months
Loss on valuation of firm commitment	₩ (28,358)	₩ 637	₩ (119,844)	₩ 299,288
Loss on valuation of currency forward	109,242	109,242	8,559	8,563
Loss on currency forward transactions	9,845	13,294	184	217
Loss on disposal of property, plant and equipment	35	588	120	280
Impairment loss of property, plant and equipment	-	-	503,850	503,850
Impairment loss of intangible asset	-	-	29,403	29,403
Impairment loss of investment properties	-	43	72	72
Impairment loss of non-current assets held-for-sale	76,613	76,613	-	-
Others	(1,170)	15,979	301,714	309,227
	<u>₩ 166,207</u>	<u>₩ 216,396</u>	<u>₩ 724,058</u>	<u>₩ 1,150,900</u>

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35. Expenses by Nature

Expenses classified by nature for the six-month periods ended June 30, 2018 and 2017, are as follows:

(in millions of Korean won)

	2018		
	Selling and administrative and research and development expenses	Cost of sales	Total
Changes in inventories	₩ -	₩ (621,133)	₩ (621,133)
Purchase of raw materials	-	2,192,557	2,192,557
Employees benefits	37,950	407,390	445,340
Depreciation	1,808	68,734	70,542
Amortization	552	309	861
Commission	30,815	47,739	78,554
Travel	1,720	1,722	3,442
Administrative service fees	7,641	37,232	44,873
Rent	1,989	10,894	12,883
Amount paid to subcontractor	254	843,237	843,491
Others	(70,734)	1,053,150	982,416
	<u>₩ 11,995</u>	<u>₩ 4,041,831</u>	<u>₩ 4,053,826</u>

(in millions of Korean won)

	2017		
	Selling and administrative and research and development expenses	Cost of sales	Total
Changes in inventories	₩ -	₩ 275,706	₩ 275,706
Purchase of raw materials	-	1,824,602	1,824,602
Employees benefits	40,064	365,454	405,518
Depreciation	3,622	92,506	96,128
Amortization	814	3,024	3,838
Commission	86,444	73,421	159,865
Travel	1,204	4,321	5,525
Administrative service fees	6,629	57,748	64,377
Rent	9,233	223,774	233,007
Amount paid to subcontractor	-	1,019,942	1,019,942
Others	328,729	882,823	1,211,552
	<u>₩ 476,739</u>	<u>₩ 4,823,321</u>	<u>₩ 5,300,060</u>

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36. Related Parties

36.1 Related parties of the Group as at June 30, 2018, are as follows:

	Group
Controlling company	KDB
Associates	Wing Ship Technology Corp., Daehan Shipbuilding Co., Ltd., TPI Megaline Co., Ltd., Shinhan Heavy Industries Co., Ltd., Samwoo Heavy Industry Co., Ltd, Welliv Private Equity Limited Partnerships, PT.PJUC, Welliv
Joint ventures	SBM Shipyard Ltd.
Other related parties	D&H Solutions AS, PT. DSME Indonesia, DSME Offshore Engineering Center, DSME Kazakhstan LLP, PAENAL YARD, KC Kazakh B.V., SEYOUNG Academy for middle school students and others, Related parties of KDB and government related parties(KEXIM and others) ¹ .

¹ In accordance with the exemption on disclosure of related party transactions regarding government related special entity as prescribed under Korean IFRS 1024, the Group has not disclosed all transactions, commitments and outstanding balances concerning the government related special entity.

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36.2 Significant transactions with the related parties for the six-month periods ended June 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>		Transaction		2018	2017
Controlling group:					
KDB	Interest and other income	₩	8,102	₩	172,291
	Interest and other expenses		130,208		42,853
	Proceeds from borrowings		48,951		447,242
	Redemption of borrowings		220,000		570,148
	Debt-to-equity swap		-		268,932
Associates:					
DAEHAN Shipbuilding Co., Ltd. and others	Sales		1,625		655
	Purchases		182,977		8,701
	Interest and other income		3,069		3,181
	Interest and other expenses		20,893		-
	Increase in loans		-		3,582
	Decrease in loans		6,392		16,568
Other related parties:					
KEXIM	Interest and other expense		24,366		160,787
	Proceeds from borrowings		60,393		229,100
	Redemption of borrowings		220,000		131,404
	Debt-to-equity swap(permanent bonds conversion)		48,314		1,284,775
Related parties of KDB and others	Sales		12,464		6
	Purchases		30,977		45,057
	Interest and other income		5,491		69
	Interest and other expense		1,152		241
	Decrease in loans		-		384
	Debt Acquisition		86,275		-
Total	Sales	₩	14,089	₩	661
	Purchases		213,954		53,758
	Interest and other income		16,662		175,541
	Interest and other expenses		176,619		203,881
	Increase in loans		-		3,582
	Decrease in loans		6,392		16,952
	Proceeds from borrowings		109,344		676,342
	Redemption of borrowings		440,000		701,552
	Debt-to-equity swap		-		268,932
	Debt-to-equity swap(permanent bonds conversion)		48,314		1,284,775
	Debt Acquisition		86,275		-

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36.3 Significant receivables from and payables to the related parties as at June 30, 2018 and December 31, 2017, are as follows:

(in millions of Korean won)	June 30, 2018					
	Financial instruments and others ¹	Trade receivables ¹	Other receivables ¹	Loans and others ¹	Borrowings	Other payables
Controlling group:						
KDB	₩ 949,569	₩ -	₩ 24,274	₩ 34,308	₩ 1,596,913	₩ 46,046
Associates:						
Daehan Shipbuilding Co. Ltd. and others	-	629	2,850	91,441	-	61,572
Joint ventures:						
SBM Shipyards Ltd. and others	-	-	-	183,133	-	-
Other related parties:						
D&H Solutions AS and others	-	4,761	-	32,850	-	-
KEXIM ²	-	-	-	2,432	711,908	1,015
Related parties of KDB and others	3,295	1,589	-	-	-	29
	₩ 952,864	₩ 6,979	₩ 27,124	₩ 344,164	₩ 2,308,821	₩ 108,662

¹ Amount before deduction of provision for impairment loss.

² As described in Note 29, hybrid capital instrument classified as equity were not included in the borrowings.

(in millions of Korean won)	December 31, 2017					
	Financial instruments and others ¹	Trade receivables ¹	Other receivables ¹	Loans and others ¹	Borrowings	Other payables
Controlling group:						
KDB	₩ 859,914	₩ -	₩ 24,274	₩ 135,988	₩ 1,766,712	₩ 12,398
Associates:						
Daehan Shipbuilding Co. Ltd. and others	-	133	10,118	151,131	-	79,420
Joint ventures:						
SBM Shipyards Ltd. and others	-	-	-	183,133	-	-
Other related parties:						
KEXIM ²	-	-	-	1,954	904,404	1,571
Related parties of KDB and others	3,311	16,079	1,491	37,150	-	95
	₩ 863,225	₩ 16,212	₩ 35,883	₩ 509,356	₩ 2,671,116	₩ 93,484

¹ Amount before deduction of provision for impairment loss.

² As described in Note 29, hybrid capital instrument classified as equity were not included in the borrowings.

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Meanwhile, changes in provision for impairment of trade and other receivables in relation to the above receivables with related parties for the six-month period ended June 30, 2018 and for the year ended December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2018					
	Beginning balance		Impairment loss (reversal)		Others	Ending balance
Loans and others	₩	304,276	₩	2,235	₩ (5,919)	₩ 300,592

<i>(in millions of Korean won)</i>	Year ended December 31, 2017					
	Beginning balance		Impairment loss		Others	Ending balance
Loans and others	₩	216,975	₩	199	₩ 87,102	₩ 304,276

36.4 Key management compensation for the three-month and six-month periods ended June 30, 2018 and 2017, is as follows:

<i>(in millions of Korean won)</i>	2018				2017			
	Three months		Six months		Three months		Six months	
Short-term employee benefits	₩	225	₩	384	₩	338	₩	809
Post-employment benefits		18		44		72		237
Total	₩	243	₩	428	₩	410	₩	1,046

The Group's key management includes directors (including outside directors) who are registered executives and members of the Audit Committee.

36.5 Significant collaterals and guarantees provided for the related parties as at June 30, 2018, are as follows:

<i>(in thousands of foreign currency)</i>				
Provided for		Guaranteed amount		Guarantor
Other related parties ^{1,2}	USD	8,477		Tengizchevroil LLP ("TCO") and others

¹ The Group provided performance guarantees related to local construction of Kazakhstan for TCO FGP Module Fabrication.

² The Group provided performance guarantees to KazMunayGas regarding the share of mining area in Kazakhstan disposed by KC Kazakh B.V.

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Due to the inability of the original borrower to repay the loan, ₩ 71,717 million was acquired during the period. In relation to the liabilities acquired by the associates, Group executed debt restructuring during the current period, such as debt-to-equity swap and the conversion of permanent bonds. (Notes 29 and 43).

36.6 Significant guarantees provided by related parties as at June 30, 2018, are as follows:

(in thousands of foreign currency)

Guarantor	Type of obligations guaranteed	Guaranteed amount		Type of borrowings	Borrowing amount	
Parent group:						
KDB	Usance bills	USD	314,400	Short-term borrowings	USD	138,165
	Advance payment bonds and others	USD	4,700,000	-	USD	1,994,078
KEXIM	Advance payment bonds and others	USD	4,706,544	-	USD	3,334,103
				-	EUR	9,348
Total		USD	9,720,944		USD	5,466,346
					EUR	9,348

36.7 The Group entered into a non-cancellable long-term transportation contract with TPI Megaline Co., Ltd. of which the term is 10 years. The book amount of finance lease assets as at June 30, 2018 is ₩ 31,758 million.

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37. Construction Contracts

37.1 Changes in the remaining balance of construction contracts for the six-month period ended June 30, 2018, and for the year ended December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2018					
	Beginning balance	New contracts	Others ¹	Recognized construction revenue ²	Ending balance	
Commercial ships	₩ 8,170,796	₩ 3,226,613	₩ 432,044	₩ (3,417,043)	₩ 8,412,410	
Offshore plant and special ships	5,203,669	32,093	355,336	(1,126,743)	4,464,355	
Others	9,622	-	(565)	(209)	8,848	
	<u>₩ 13,384,087</u>	<u>₩ 3,258,706</u>	<u>₩ 786,815</u>	<u>₩ (4,543,995)</u>	<u>₩ 12,885,613</u>	

<i>(in millions of Korean won)</i>	Year ended December 31, 2017					
	Beginning balance	New contracts	Others ¹	Recognized construction revenue ²	Ending balance	
Commercial ships	₩ 13,210,280	₩ 2,918,714	₩ (1,016,136)	₩ (6,942,062)	₩ 8,170,796	
Offshore plant and special ships	7,982,303	294,124	556,376	(3,629,134)	5,203,669	
Construction	823,154	105,455	(745,994)	(182,615)	-	
Others	15,358	2,359	(3,273)	(4,822)	9,622	
	<u>₩ 22,031,095</u>	<u>₩ 3,320,652</u>	<u>₩ (1,209,027)</u>	<u>₩ (10,758,633)</u>	<u>₩ 13,384,087</u>	

¹ Others consist of increase or decrease due to fluctuations of foreign exchange rates and changes of contract amount.

² Addition or subtraction on sales related to firm commitment assets (liabilities) is excluded.

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37.2 Details of in-progress construction contracts such as recognized construction profit or loss as at June 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2018			
	Accumulated construction revenue	Accumulated construction cost	Accumulated profit (loss)	Reserve¹
Commercial ships	₩ 5,625,680	₩ (5,454,277)	₩ 171,403	₩ 968,587
Offshore plant and special ships	17,113,248	(18,655,922)	(1,542,675)	-
Other	132,481	(81,371)	51,110	-
	<u>₩ 22,871,409</u>	<u>₩ (24,191,570)</u>	<u>₩ (1,320,162)</u>	<u>₩ 968,587</u>

<i>(in millions of Korean won)</i>	December 31, 2017			
	Accumulated construction revenue	Accumulated construction cost	Accumulated profit (loss)	Reserve¹
Commercial ships	₩ 7,035,926	₩ (6,798,969)	₩ 236,957	₩ 978,285
Offshore plant and special ships	24,974,212	(26,808,903)	(1,834,691)	-
Other	132,273	(81,137)	51,136	-
	<u>₩ 32,142,411</u>	<u>₩ (33,689,009)</u>	<u>₩ (1,546,598)</u>	<u>₩ 978,285</u>

¹ Reserve, before the deduction of provision for impairment, refer to the receivable related to a transferred vessel for which payment term is postponed, and the principal and the accrued interest are being collected in accordance with the contract.

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37.3 Details of due to and from customers for contract work as at June 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2018		December 31, 2017	
	Contract assets¹	Contract liabilities¹	Due from customers contract work	Due to customers contract work
Commercial ships	₩ 2,454,487	₩ 780,613	₩ 2,407,043	₩ 1,275,168
Offshore plant and special ships	1,295,385	1,071,084	1,668,962	1,054,142
Others	14,002	41,522	13,025	25,297
	<u>₩ 3,763,874</u>	<u>₩ 1,893,219</u>	<u>₩ 4,089,030</u>	<u>₩ 2,354,607</u>

¹ Incremental costs of obtaining a contract and advance received which is not a construction contract are not included in the above contract assets and liabilities.

Provisions for construction loss are not included in the due from/to customers as at June 30, 2018. Provisions for construction loss included in the due from customers amount to ₩ 299,234 million and provisions for expected loss included in the due to customers amount to ₩ 307,181 million as at December 31, 2017.

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37.4 Contractual details where contract revenue for the six-month period ended June 30, 2018 is more than 5% of sales in previous year, are as follows:

(in millions of Korean Won)	Customers	Contract date	Expected completion date ¹	Percentage of Completion	June 30, 2018				December 31, 2017			
					Contract assets (Due from customers for contract work)		Trade receivables (receivables from construction contracts)		Due from customers for contract work		Trade receivables(receivables from construction contracts)	
					Gross	Provision	Gross	Provision ²	Gross	Provision	Gross	Provision ²
Drillship	America	2012-09-27	2019-09-30	99.0	103,688	-	-	-	91,970	-	-	-
Drillship	Africa	2013-10-15	2019-01-30	96.8	502,680	(216,182)	-	-	480,138	(206,488)	-	-
Drillship	Africa	2013-10-15	2018-12-30	96.5	506,844	(216,182)	-	-	484,116	(206,488)	-	-
Drillship	America	2013-06-24	2020-06-30	98.7	171,811	-	-	-	181,169	-	-	-
FPSO	Oceania	2012-03-08	2019-01-30	97.9	127,877	-	44,068	-	185,644	-	24,490	-
FP	Africa	2012-08-16	2019-02-28	98.7	-	-	1,650	-	-	-	(85)	-
FP	Europe	2012-12-21	2018-08-30	97.8	-	-	25,591	-	-	-	24,986	-
FP	Asia	2013-05-26	2018-12-30	95.6	12,425	-	625	-	14,806	-	1,343	-
FP	Asia	2014-10-09	2020-07-27	26.9	-	-	90,230	-	-	-	71,331	-

¹ Expected completion date is the date expected by the Group as at June 30, 2018, and it is affected by a variety of uncertainties that depend on the outcome of future events.

² Accumulated impairment loss excludes the loss recognized through the collective assessment.

As at June 30, 2018, two construction contracts were omitted in the disclosure according to Amendment to Korean IFRS 1011, article 45.2(2) due to contractual reasons with customers. The Group has never disclosed such above-mentioned omitted disclosures in the securities report, investment prospectus, nor quarterly report / semi-annual reports required in Capital Market Act. The Group reported to the Audit Committee on August 10, 2018 that this item will not be disclosed in the financial statements.

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37.5 Details of contracts for using rate of accumulated contract costs incurred per operating segments divided by estimated total contract costs to measure percentage of completion, are as follows:

June 30, 2018																		
(in millions of Korean won)																		
		Provisions - for expected - loss	Changes in total contract revenue			Changes in total estimated contract costs			Changes in gain (loss) from construction			Contract assets (Due from customers under construction contracts)						
			Changes in estimation	Correction of error		Changes in estimation	Correction of error		Changes in estimation	Correction of error		Gross amount	Accumulated impairment loss					
Commercial ships	₩	349,549	₩	231,013	₩	-	₩	59,264	₩	-	₩	291,750	₩	-	₩	2,460,582	₩	(6,094)
Offshore plant and special ships		47,625		299,666		-		177,833		-		99,413		-		1,727,749		(432,365)
Other		-		-		-		-		-		-		-		14,002		-
	₩	397,174	₩	530,679	₩	-	₩	237,097	₩	-	₩	391,163	₩	-	₩	4,202,333	₩	(438,459)

December 31, 2017																		
(in millions of Korean won)																		
		Provisions - for expected - loss	Changes in total contract revenue			Changes in total estimated contract costs			Changes in gain (loss) from construction			Due from customers under construction contracts						
			Changes in estimation	Correction of error		Changes in estimation	Correction of error		Changes in estimation	Correction of error		Gross amount	Accumulated impairment loss					
Commercial ships	₩	352,920	₩	(757,146)	₩	-	₩	(703,931)	₩	-	₩	397,286	₩	-	₩	2,407,043	₩	-
Offshore plant and special ships		253,660		850,142		-		(86,334)		-		1,100,572		-		2,320,536		(651,574)
Other		-		2,041		-		224		-		(1)		-		13,025		-
	₩	606,580	₩	95,037	₩	-	₩	(790,041)	₩	-	₩	1,497,857	₩	-	₩	4,740,604	₩	(651,574)

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37.6 Changes in the estimation of total contract revenues and costs

The impact of changes in estimated total contract revenue and costs on profit or loss for the six-month period ended June 30, 2018, for the year ended December 31, 2017, and for the succeeding period are as follows:

June 30, 2018					
<i>(in millions of Korean won)</i>	Changes in estimated total contract revenue		Changes in estimated total contract cost		Impact on profit (loss) for the succeeding period
				Impact on profit (loss) for the period	
Commercial ships	₩	231,013	₩	59,264	₩ (120,001)
Offshore plant and special ships		299,666		99,413	22,419
	₩	530,679	₩	391,163	₩ (97,582)
December 31, 2017					
<i>(in millions of Korean won)</i>	Changes in estimated total contract revenue		Changes in estimated total contract cost		Impact on profit (loss) for the succeeding period
				Impact on profit (loss) for the period	
Commercial ships	₩	(757,146)	₩	397,286	₩ (450,501)
Offshore plant and special ships		850,142		1,100,572	(164,096)
Other		2,041		(1)	1,818
	₩	95,037	₩	1,497,857	₩ (612,779)

The impact on profit (loss) for the period(prior period) and the succeeding period is determined based on total contract costs, which are estimated based on the circumstances present from the commencement of the contract to the end of current period(prior period), and the estimated contract revenue as at June 30, 2018(December 31, 2017). Contract costs and contract revenue may change in the future.

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38. Commitments and Contingencies

38.1 The Group provided 14 blank notes to Korea National Oil Corporation as construction warranty and others at June 30, 2018.

38.2 The Group is involved in a lawsuit as a plaintiff pending in relation to repayment request of lot loans, and 28 other pending lawsuits with aggregated claim amount of ₩ 71,518 million, CNY 15,485 thousand and RON 1,497 thousand as at June 30, 2018. The Group requested for arbitrations to the London Maritime Arbitrators Association in relation to settlement of contract amount and additional contract cost incurred with some customers.

38.3 As a result of the completion of the delivery of the ship in this period, DSA / MSA performance guarantee obligation for NASSCO shipping of DESEC Co., Ltd. at USD 5 thousand was terminated. In addition, the sale of Dewind Co. has been completed during the period, but the Group still provides a performance guarantee for turbine maintenance contracts concluded between Dewind Co. and WEIcan wind turbine contractors. The performance guarantee for this is CAD 3,200 thousand.

38.4 Certain investors who bought the Group's share, corporate bonds and commercial papers sued the Group, accounting firm and others for damage claims asserting that they were misled by false audit report, business report, registration of securities, prospectus, etc. Including the foresaid litigation, the Group is involved in 84 other lawsuits as a defendant with aggregated claim amount of USD 104,340 thousand, RON 561 thousand and ₩ 245,815 million, including a pending lawsuit at Seoul High Court in relation to overtime payment request.

The outcome of the above cases cannot be reasonably estimated, and any outflows of resources and the timing are also uncertain as at June 30, 2018. The Group recognized the best estimated loss amounting to ₩ 452,422 million from pending litigations and performance guarantees as provisions as at June 30, 2018.

38.5 The Group's major joint ventures are as follows.

The Group has invested in Nigeria oil fields development project by forming a Korean consortium (9.75% of the Group's shares) including Korea National Oil Corp. The Group recognized the investment in Nigeria oil fields as other investment assets.

The Group has invested in Kazakhstan oil fields development project by forming a Korean consortium (5.00% of the Group's shares). The consortium has invested in Jambyl mine near the Caspian Sea by forming a Korean consortium of 27% (1.35% of the Group's shares) with Kazmunay Gas, Kazakhstani national oil company.

The Group has participated in a Korean consortium (85% of the Group's shares) with GNG Holdings Inc. for the Cepu oil field in Indonesia.

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The Group has invested in "Southwest Pacific Seafloor Hydrothermal Deposit Project" with the Ministry of Land, Transport and Maritime Affairs in order to secure exclusive development rights of the project.

38.6 Corporate Judging Committee of KRX decided to evaluate the Group for suspicion of violating accounting standards and suspicion of former employee embezzlement and malpractice. The Committee granted a period of improvement for one year until September 28, 2017. Accordingly, trading of the shares issued by the Group was suspended during the period of improvement. On October 26, 2017, the Committee decided to release the trading suspension on October 30, 2017.

38.7 As at June 30, 2018, the estimated loss amounting to ₩ 61,895 million out of the claim amount of ₩ 88,199 million related to the construction contract of the Group was included in the statement of financial position as provisions for construction warranties. Meanwhile, the Group is obligated to warranty liabilities in connection with the construction contracts of the Group. As a result, the Group assumes the expected warranty cost as the provision for construction warranties (Note 24).

38.8 Details of guaranteed amount to major financial institutions as at June 30, 2018 are as follows:

(in thousands of US dollar and millions of Korean won)

			Amount
KDB and others	Issuance of L/C limit	USD	1,061,800
	Foreign-currency payment guarantee limit	USD	10,345,601
		CNY	2,100
	Borrowing limit	USD	1,110,956
		CNY	222,700
		₩	3,863,543

38.9 The Group has been using a certain portion of a building through a lease agreement. Accordingly, rental expenses recognized from the lease agreement for the six-month periods ended June 30, 2018 and 2017 are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Rental expenses	2,190	66

The lease agreement can be renewed at the market price at the end of the lease term. Also, contract termination is not permitted during the contract period of 33 months commencing at October 28, 2017. To terminate the agreement, the Group must notify it three months in advance only after the period is elapsed. There is no purchase option when the agreement is terminated.

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The total future minimum lease payments are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Less than 1 year	4,501	192
Between 1 year and 5 years	16,147	549
	₩ <u>20,648</u>	₩ <u>741</u>

39. Cash Flows from Operating Activities

Cash flows from operating activities for the six-month periods ended June 30, 2018 and 2017, are as follow:

<i>(in millions of Korean won)</i>	2018	2017
1. Profit for the period	₩ 432,564	₩ 1,488,278
2. Adjustments for	92,890	(158,112)
(1) Addition of expenses	498,778	2,210,896
Post-employment benefits	26,216	31,616
Employee benefits	599	-
Depreciation	70,542	96,128
Amortization	861	3,838
Impairment loss and other impairment losses	(61,162)	248,007
Loss on valuation of firm commitment	637	299,288
Loss on valuation of currency forward contracts	109,242	8,563
Loss on valuation of inventories	1,075	6,375
Loss on valuation of financial assets at fair value through profit or loss	8,398	-
Interest expenses	82,619	35,260
Capitalized financial expense	-	75,114
Loss on foreign currency translation	141,560	271,645
Impairment loss on property, plant and equipment	-	493,940
Impairment loss on intangible assets	-	29,403
Transfer to provision for construction loss	4,813	237,362
Transfer to provision for construction warranties	12,383	29,189
Transfer to other provision	-	280,758
Share of loss of associates and joint ventures	5,788	304
Income tax expense	12,225	8,773
Other expenses	82,982	55,333
(2) Deduction of income	(405,890)	(2,369,008)
Reversal of valuation loss on inventories	-	593
Reversal of provision for construction loss	32,975	461,745
Reversal of provision for construction warranties	252	4,263
Reversal of provision for contingent liabilities	71,198	15,596
Reversal of impairment loss on property, plant and Equipment	28,241	-

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Reversal of impairment loss and other impairment losses	2,551	8,504
Gain on valuation of firm commitment	94,249	4,625
Gain on valuation of currency forward contracts	212	228,851
Gain on valuation of Financial assets at fair value through profit or loss	7,055	-
Gain on valuation of financial assets at fair value through profit or loss	9	-
Interest income	18,241	9,258
Dividend income	7,105	944
Reversal of financial guarantee liabilities	5,031	11,679
Gain on foreign currency translation	123,659	139,065
Share of profit of associates and joint ventures	2,619	259
Gain on debt restructuring	10	1,370,748
Other incomes	12,483	112,878
3. Changes in working capital	(5,951)	(1,379,832)
Trade and other receivables	173,255	115,946
Contract assets	108,027	-
Due from customers for contract work	-	165,212
Inventories	(164,157)	223,744
Other current assets	278,027	51,400
Non-current trade and other receivables	11,385	27,085
Firm commitment assets	75,516	35,369
Currency forward assets	24,578	(124,254)
Other non-current assets	5,485	416
Financial liabilities at fair value through profit or loss	(598)	-
Trade and other payables	(100,363)	(659,557)
Current tax liabilities	-	(1,322)
Due to customers for contract work	(18,664)	(1,110,332)
Contract liabilities	(148,136)	-
Provisions	(4,583)	(49,902)
Other current liabilities	(169,898)	(41,467)
Non-current trade and other payables	(15,786)	13,122
Net defined benefit obligation	(20,951)	(26,021)
Firm commitment liabilities	(70,066)	-
Currency forward liabilities	40,861	-
Other non-current liabilities	(9,883)	729
Cash generated from(used in) operations	₩ 519,504	₩ (49,666)

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40. Non-Cash Transactions

40.1 The principle significant non-cash transactions from investment and financing activities that are not included in the consolidated statements of cash flows are as follows:

<i>(in millions of Korean won)</i>		2018		2017
Transfer of borrowings to capital(debt-to-equity swaps)	₩	13,170	₩	1,590,047
Transfer of borrowings to hybrid capital instruments		48,057		1,284,775
Transfer of long-term borrowings to current portion of long-term borrowings		(232,501)		480,042
Transfer of construction in progress to property, plant and equipment		3,197		41,321
Transfer of property, plant and equipment to non-current assets held-for-sale		66,399		309,576
Taking over liabilities of other related parties		71,717		-

Meanwhile, cash inflows and outflows arising from short-term financial instruments, short-term loans and short-term borrowings with large frequent transactions and short-term maturities have been presented in net amounts.

40.2 The adjustment of liabilities arising from financing activities for the six-month periods ended June 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2018 (6 months)					
	Liabilities from financing activities					
	Current					Total
	Short-term borrowings	Current portion of long-term borrowings	Long-term borrowings	Debentures	Finance lease obligations	
Beginning balance	₩ 2,046,503	₩ 460,882	₩ 673,611	₩ 530,661	₩ -	₩ 3,711,657
Cash flows from financing activities	(357,589)	(8,742)	(228)	-	(8,629)	(375,188)
Exchange differences	(23,414)	(6,562)	16,996	-	-	(12,980)
Amortization	-	-	2,887	20,477	976	24,340
Debt restructuring ¹	(86,275)	-	17,255	(206)	-	(69,226)
Transfer and others	86,275	(232,501)	224,720	-	39,698	118,192
Ending balance	₩ 1,665,500	₩ 213,077	₩ 935,241	₩ 550,932	₩ 32,045	₩ 3,396,795

¹ Included the difference between the fair value of the liability that would change as a result of the debt restructuring and the book amount of the derecognized liability (Note 43).

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(in millions of Korean won)	June 30, 2017 (6 months)								
	Liabilities from financing activities								
	Short-term borrowings	Current portion of long-term borrowings	Current portion of long-term debentures	Long-term borrowings	Debentures	Total			
Beginning balance	₩ 2,860,994	₩ 1,486,203	₩ 1,348,886	₩ 742,041	₩ 192,424	₩ 6,630,548			
Cash flows from financing activities	420,006	(15,405)	-	(8,645)	-	395,956			
Exchange differences	(78,812)	(68,771)	-	(7,979)	-	(155,562)			
Amortization	-	-	1,114	32	8,503	9,649			
Debt restructuring	(36,325)	(35,566)	(229,853)	(60,692)	(7,381)	(369,817)			
Transfer and others	(1,528,668)	(299,260)	(1,120,147)	(249,340)	322,860	(2,874,555)			
Ending balance	₩ 1,637,195	₩ 1,067,201	₩ -	₩ 415,417	₩ 516,406	₩ 3,636,219			

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41. Segment Information

41.1 The Group classifies its segments by the type of goods and details of the goods and services that generate income, and major customers for each segment are as follows:

Division	Goods or services	Major customer	Ratio of sales (%)
Commercial ships	LNGC and others	BP SHIPPING LIMITED and others	73.9
Offshore plants and special ships	Marine steel structure and others	TENGIZCHEVROIL LLP and others	25.5
Others	Energy, service	Various customers	0.6
			<u>100.0</u>

Financial information by segment is as follows:

<i>(in millions of Korean won)</i>	June 30, 2018				
	Commercial Ships	Offshore plants and special ships	Others¹	Consolidation adjustment	Total after adjustment
Sales	₩ 3,426,277	₩ 1,167,298	₩ 49,536	₩ (61,226)	₩ 4,581,885
Gross profit (loss)	347,186	119,279	80,776	(7,188)	540,053
Operating profit(loss) ²	532,493	-	1,414	(5,848)	528,059
Depreciation ²	70,525	-	17	-	70,542
Amortization ²	861	-	-	-	861
Profit (loss) for the period ²	509,703	-	81,426	(158,565)	432,564
Tangible and intangible Assets ²	4,194,590	-	12	(245,169)	3,949,433
Total assets ²	11,525,168	-	102,355	(319,435)	11,308,088
Total liabilities ²	8,744,910	-	271,813	(1,227,454)	7,789,269

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(in millions of Korean won)	June 30, 2017					
	Commercial Ships	Offshore plants and special ships	Construction	Others	Consolidation adjustment	Total after adjustment
Sales	₩ 3,837,789	₩ 2,372,153	₩ 197,732	₩ 130,922	₩ (350,510)	₩ 6,188,086
Gross profit (loss)	550,556	810,402	11,978	10,734	(18,904)	1,364,766
Operating profit(loss) ²	891,145	-	5,106	(2,010)	(6,214)	888,027
Depreciation ²	94,819	-	43	1,265	1	96,128
Amortization ²	3,412	-	-	20	406	3,838
Profit (loss) for the period ²	1,556,217	-	3,797	(3,892)	(67,843)	1,488,279
Tangible and intangible Assets ²	4,730,967	-	354	38,565	(260,070)	4,509,816
Total assets ²	13,172,193	-	214,250	220,294	(369,347)	13,237,390
Total liabilities ²	10,212,411	-	193,043	478,796	(1,450,620)	9,433,630

¹ The Group believes that it is probable that the Group wins the lawsuit regarding work holiday allowance, based on the Supreme Court *en banc decision* regarding similar lawsuit. Therefore, the Group recognized reversal of provision amounting to ₩ 65,762 million, which is included in gross profit or loss of other division.

² The information is included within the segment of Commercial Ships because the Group cannot distinguish segment information between Commercial Ships and Offshore Plant & Special Ships.

Financial information by region is as follows:

(in millions of Korean won)	June 30, 2018					
	Domestic	Romania	China	Indonesia and Others	Consolidation adjustment	Total after adjustment
Sales	₩ 4,591,509	₩ 16,779	₩ 34,267	₩ 556	₩ (61,226)	₩ 4,581,885
Gross profit (loss)	566,303	(18,973)	(96)	9	(7,188)	540,055
Operating profit(loss)	561,422	(22,348)	(4,729)	(438)	(5,848)	528,059
Depreciation	52,524	7,896	10,106	15	-	70,541
Amortization	314	158	390	-	-	862
Profit (loss) for the period	563,468	(47,009)	(5,104)	79,774	(158,565)	432,564
Tangible and intangible assets	3,752,820	133,803	307,974	4	(245,169)	3,949,433
Total assets	11,010,726	176,581	348,237	91,978	(319,436)	11,308,086
Total liabilities	7,613,014	1,024,812	113,902	264,994	(1,227,454)	7,789,268

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<i>(in millions of Korean won)</i>	June 30, 2017					
	Domestic	Romania	China	USA and Others	Consolidation adjustment	Total after adjustment
Sales	₩ 6,252,412	₩ 204,500	₩ 81,065	₩ 619	₩ (350,510)	₩ 6,188,086
Gross profit (loss)	1,368,476	(2,311)	18,493	(987)	(18,904)	1,364,767
Operating profit(loss)	892,313	(7,805)	13,473	(3,741)	(6,214)	888,026
Depreciation	80,999	4,708	10,226	194	1	96,128
Amortization	2,758	233	423	17	406	3,837
Profit (loss) for the period	1,498,034	56,037	8,599	(6,548)	(67,843)	1,488,279
Tangible and intangible assets	4,288,591	154,635	324,817	1,843	(260,070)	4,509,816
Total assets	12,792,536	323,088	374,826	116,286	(369,347)	13,237,389
Total liabilities	9,167,746	1,135,358	131,740	449,406	(1,450,620)	9,433,630

41.2 The number of major customer who accounts more than 10% of the Group's revenue is three (June 30, 2017: two) and their revenue amount to ₩1,734,363 million and ₩1,500,998 million for the six-month periods ended June 30, 2018 and 2017, respectively.

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42. Self-Help Plan to Stabilize Financial Position of the Group

The Group entered into an agreement with the creditor bank on November 9, 2015 in order to handle the deterioration of financial situation from cumulative operating loss incurred for the following reasons.

1) Increase in total contract costs due to delays in offshore projects and recognition of provisions for delays in deliveries. Due to consistent delays in the progress of the offshore projects compared to the plan, this has been reflected in the total contract costs and as a consequence additional loss has been recognized. In addition, the Group recognized provisions for delay as the Group believes that it is probable that the actual project delivery date may exceed the contractual delivery date due to delay in progress.

2) Recognition of provisions for impairment by assessing the collectability of the amounts due from customers as credit ratings of customers declined.

Customers, who are facing financial difficulties due to prolonged decline of global oil prices, have been requesting for delivery delay of drill ship. The Group considered this fact in assessing collectability of the amounts due from customer and estimated the provision for impairment.

3) Impairment loss on assets including investments in subsidiaries in consideration of decrease in the sales volume of the Group and deterioration in market condition.

As at December 31, 2017, the Group recognized impairment losses on property, plant and equipment, intangible assets, investment properties of ₩ 627,265 million (including decrease of revaluation surplus of ₩ 86,305 million) due to the Group's decrease in sales volume and deterioration of market conditions(Note 15). Also, the Group have prompted restructure of its business (reduce, liquidate and sell business unrelated to shipbuilding and marine business) to stabilize its financial position. During the year ended December 31, 2017, the Company completed disposal of investment in DSEC Co., Ltd., and finalized disposal plan of investments in DSME Construction Co., Ltd. and Welliv Corp and others.

On June 28, 2017 and August 21, 2017, the major creditor bank's management procedure began for Shinhan Heavy Industries Co., Ltd. and Samwoo Heavy Industry Co., Ltd., the Group's subsidiaries, and the Group reclassified these subsidiaries as associates as it lost its control over them due to the agreement with its major creditor bank.

Meanwhile, the Group is consistently enhancing self-supporting efforts in accordance with the agreement with the creditor bank to perform business stabilization plan. This agreement includes new capital supports, financial structure improvement (disposal of un-core assets including Magok District, cost reduction and others) and enhancement of its competitiveness for mid/long-term period through capital injection plan and others.

The financial statements have been accounted for on the assumption that assets and liabilities can be recovered or repaid at book amounts through the normal business activities. There is a possibility that the financial condition and business performance will fluctuate greatly depending on the shipbuilding market condition. To improve financial structure, the Group and bond holders agreed

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to the debt restructuring that includes debt-to-equity swap of 50% or more of existing corporate bonds and CP, and extending the maturity and decreasing interest rate for the rest of remaining bonds through bondholders' meeting and amendment of CP contract for terms and conditions of issuing, respectively, during April, 2017. Accordingly, the Group is in the process of debt restructuring and debt-to-equity swap. In addition on June 28, 2017, the Creditor Financial Institutions (such as Korea Development Bank and other financial institutions) executed debt adjustments which includes debt-to-equity swap and maturity extension, and new capital support up to ₩ 2.9 trillion from KDB and KEXIM Bank is in progress (see Note 43). Meanwhile, KDB and KEXIM Bank pledged to provide new capital support to DSME until the repayment date of the remaining bonds after the debt-to-equity swap and to use the reserved portion of the new funds for remaining bonds first.

43. Debt Restructuring

Since the announcement of the "DSME Restructuring Promotion Plan" for prompt normalization of management of the Group during March, 2017, the Group agreed to the debt restructuring that includes the debt-for-equity swap, maturity extension and interest rate changes for unsecured bonds held by financial institutions, unsecured and bearer bonds (4-2, 5-2, 6-1, 6-2 and 7th) and commercial paper (CP). This debt restructuring agreement was made based on mutual consent of creditor financial institutions, resolution of the bondholders' meeting and amended CP contract.

43.1 Details of debt restructuring are as follows:

<i>(in millions of Korean won)</i>	Amount subject to debt restructuring		Debt to equity swaps		Change in terms		Others
Short-term borrowings ^{1,4,5}	₩	1,695,039	₩	1,529,533	₩	165,058	₩ 448
Corporate bonds ²		1,350,000		711,066		638,934	-
Commercial papers		194,578		97,289		97,289	-
Long-term borrowings ^{3,4}		680,673		680,653		-	20
	₩	3,920,290	₩	3,018,541	₩	901,281	₩ 468

¹ Short-term borrowings in foreign currencies that are subject to debt restructuring and change in terms are debt amounts as at June 29. Short-term borrowings include ₩80 billion of borrowings recognized on July 3, 2017, of which ₩64 billion was restructured during the fourth quarter of 2017. In addition, short-term borrowings include ₩86,275 million of borrowings which were taken over as the original debtor failed to repay loan regarding guarantee liabilities for subsidiaries and associates on January 31, 2018, of which debt-to-equity swap, conversion to perpetual bond, and change in terms were executed during the first quarter of 2018.

² Debt-to-equity swap of bonds was executed at August 12, 2017, December 22, 2017, and March 15, 2018. In addition, 50.4% of bonds held by other creditors were restructured (17,474,086

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shares) except for the Korean Development Bank's bonds (7th bond amounting to ₩50 billion) which is subject to 100% debt to equity swap.

³ There is a difference of ₩20 million between long-term borrowings subject to debt restructuring and debt-to-equity swap. The difference is cash repayments.

⁴ In 2017, the KEXIM's unsecured debt of ₩1,284,775 million (short-term borrowings of ₩724,042 million and long-term borrowings of ₩560,733 million) was offset by issuing the same amount of convertible bonds. In 2018, the KEXIM's unsecured debt of ₩48,057 million was offset by issuing the same amount of convertible bonds. (Note 29)

⁵ The amount has occurred due to differences in exchange rates among the date of initial recognition of the borrowings in foreign currency subject to debt restructuring, the date of debt-to-equity swap, and the period-end date of June 30, 2018.

As a result of the above-mentioned debt restructuring agreement, the Group issued new shares through a third-party allotment on June 29, 2017 (as at the date of payment) by debt-to-equity swap of creditor bank's unsecured bonds. In addition, further debt-to-equity swaps for ₩ 799,124 million of corporate bonds(1st) and CP in August 12, 2017, for ₩ 65,669 million of corporate bonds(2nd) and creditor bank in December 22, 2017, and for ₩ 13,170 million of corporate bonds(3rd) and creditor bank in March 15, 2018 were executed.

43.2 Debt-to-equity swaps and changes in terms

i) Debt to equity swaps

	Details
Number of shares	41,775,998 shares ¹
Types of share issued	Ordinary shares
Issue price	₩ 40,350
Sale restrictions	None
¹ 147,206 shares (assuming conversion rate of 50%) which was not converted to investment during the period ended June 30, 2018, were recognized as other paid-in capital.	

ii) Debt grace period

<i>(in millions of Korean won)</i>	Public offering bonds (including CP)	Unsecured borrowings
Debt in the grace period	₩ 736,223	₩ 165,059
Grace period	6 years	10 years
Payment method	3-year grace, 3-year grace repayment	5-year grace, 5-year grace repayment

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iii) Reduction of interest rate and treatment of delinquent interest payment

<i>(in millions of Korean won)</i>	Public offering bonds (including CP)	Unsecured borrowings
Target bond	₩ 736,223	₩ 165,059
Effective interest rate	1%	1%
Applicable period	6 years	10 years

43.3 The effects of debt to equity swaps and debt restructuring

For the six-month period ended June 30, 2018, the Group recognized ₩10 million of gain on debt restructuring as finance income in relation to the above-mentioned debt-to-equity swaps and debt restructuring.

44. Changes in Accounting Policies

44.1 Adoption of Korean IFRS 1109 Financial Instruments

As explained in Note 2, the Group has applied Korean IFRS 1109 *Financial Instruments* on January 1, 2018, the date of initial application. In accordance with the transitional provisions in Korean IFRS 1109, comparative figures have not been restated. The application of Korean IFRS 1109 has following impacts on the financial statements.

(a) Classification and Measurement of Financial Instruments

The total impact on the Group's retained earnings due to classification and measurement of financial instruments as at January 1, 2018, is as follows:

<i>(in millions of Korean won)</i>	Notes	January 1, 2018
Reclassification of available-for-sale securities to financial assets at fair value through other comprehensive income	(ii)	11,843
Adjustments to retained earnings from adoption of Korean IFRS 1109		11,843

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On the date of initial application of Korean IFRS 1109, January 1, 2018, the Group has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate Korean IFRS 1109 categories. The main effects resulting from this reclassification are as follows:

		Fair value		Fair value		Amortized cost		
		through profit or loss		through other comprehensive income		(Held-to-maturity financial assets, loans and receivables in		
		(Financial assets at FVTPL in 2017)		(Available-for-sale financial assets in 2017)		2017)		Total
(in millions of Korean won)	Notes							
Financial assets – January 1, 2018								
Beginning balance – Korean IFRS 1039 ¹		₩	31,377	₩	52,085	₩	5,417,671	₩ 5,501,133
Reclassification from available-for-sale financial assets to financial assets at fair value through profit or loss	(i)		12,454		(12,454)		-	-
Beginning balance - Korean IFRS 1109 ¹		₩	43,831	₩	39,631	₩	5,417,671	₩ 5,501,133

¹ The beginning balance as at January 1, 2018, presented financial assets at fair Value through profit or loss, available-for-sale financial assets at fair value through other comprehensive income, and held-to-maturity investments and loans and receivables at amortized cost, respectively.

The impact on these changes on the Group's equity is as follows:

		Effect on accumulated other comprehensive income		Effects on fair value through other comprehensive income reserve		Effect on retained earnings	
(in millions of Korean won)	Notes						
Beginning balance – Korean IFRS 1039		₩	12,387	₩	-	₩	-
Reclassification of equity investments that are not held for trading from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(ii)		(12,387)		(11,843)		11,843
			(12,387)		12,387		-
			(12,387)		544		11,843
Beginning balance - Korean IFRS 1109		₩	-	₩	544	₩	11,843

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(i) Reclassification from available-for-sale to fair value through profit or loss

As at January 1, 2018, equity investments amounting to ₩ 12,454 million were reclassified from available-for-sale to financial assets at fair value through profit or loss. They do not meet the criteria to be classified as financial assets at amortized cost in accordance with Korean IFRS 1109, because their cash flows do not represent solely payments of principal and interest. Related accumulated other comprehensive income were not transferred from the available-for-sale financial assets to retained earnings on January 1, 2018.

(ii) Reclassification of equity investments from available-for-sale to fair value through other comprehensive income

The Group elected to present changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are not held for trading, in other comprehensive income. As a result, assets with a fair value of ₩ 39,631 million were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income. As at January 1, 2018, related accumulated other comprehensive income of ₩ 544 million will not be reclassified to profit or loss even if these assets are disposed of.

(iii) Reclassifications of financial instruments on adoption of Korean IFRS 1109

On the date of initial application, January 1, 2018, the financial instruments of the Group with any reclassifications noted, were as follows:

(in millions of Korean won)			Measurement category		Carrying amount		
			Korean IFRS 1039	Korean IFRS 1109	Korean IFRS 1039	Korean IFRS 1109	Difference
Current financial assets							
Cash and cash equivalents	Loans and receivables	Amortized costs	₩	205,795	₩	205,795	₩ -
Short-term financial instruments	Loans and receivables	Amortized costs		82,504		82,504	-
Currency forward assets held for trading	Financial assets at fair value through profit or loss	Fair value through profit or loss		31,377		31,377	-
Short-term held-to-maturity financial assets	Held-to-maturity financial assets	Amortized cost		27		27	-
Trade and other receivables	Loans and receivables	Amortized costs		442,749		442,749	-
Due from customers for contract work	Loans and receivables	Amortized costs		4,089,030		4,089,030	-
Non-current financial assets							
Long-term financial instruments	Loans and receivables	Amortized costs	₩	414,024	₩	414,024	₩ -
Currency forward assets held for trading	Financial assets at fair value through profit or loss	Fair value through profit or loss		-		-	-
Trade and other receivables	Loans and receivables	Amortized costs		183,238		183,238	-
Government bonds	Held-to-maturity	Amortized costs		305		305	-

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held-to-maturity	financial assets							
Listed and non-listed securities, beneficiary securities	Available-for-sale financial assets	Fair value through other comprehensive income		52,085		39,631		-
Equity investments		Fair value through profit or loss				12,454		
Current financial liabilities								
Short-term borrowings	Other financial liabilities	Amortized costs	₩	2,046,503	₩	2,046,503	₩	-
Currency forward liabilities held for trading	Financial liabilities at fair value through profit or loss	Fair value through profit or loss		42,724		42,724		-
Financial liabilities designated at fair value through profit or loss								
Trade and other payables	Other financial liabilities	Amortized costs		1,072,984		1,072,984		-
Due to customers for contract work	Other financial liabilities	Amortized costs		2,354,607		2,354,607		-
Current portion of long-term borrowings	Other financial liabilities	Amortized costs		460,882		460,882		-
Non-current financial liabilities								
Trade and other payables	Other financial liabilities	Amortized costs	₩	136,145	₩	136,145	₩	-
Currency forward liabilities held for trading	Financial liabilities at fair value through profit or loss	Fair value through profit or loss		263		263		-
Financial guarantee liabilities	Other financial liabilities	Amortized costs		1,472		1,472		-
Debentures	Other financial liabilities	Amortized costs		530,661		530,661		-
Long-term borrowings	Other financial liabilities	Amortized costs		673,611		673,611		-

(b) Impairment of Financial Assets

The Group has three types of financial assets subject to Korean IFRS 1109's new expected credit loss model:

- trade receivables for sales of inventory
- debt investments carried at amortized cost, and

Upon adoption of Korean IFRS 1109, accounting policies for recognition of impairment have changed. There is no impact of the change in impairment methodology on the Group's beginning balance of retained earnings.

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(i) Trade receivables

The Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables.

(ii) Debt instruments

Debt investments at amortized cost and those at fair value through other comprehensive income are considered to be low risk, and thus the provision for impairment is determined as 12 months expected credit losses. But, if the credit risk increases significantly or the credit is impaired after initial recognition, the provision for impairment is recognized at an amount equal to lifetime expected credit losses.

(c) *Hedge Accounting*

Consistent with prior periods, the Group has made forward exchange contracts to avoid the risk resulted from an exchange fluctuation of construction payment in foreign currencies (advanced received and delivery payment), and has designated forward exchange contracts as hedging instruments. In prior periods, the change in fair value related to exchange fluctuation was recognized in the statement of profit or loss and the effects upon adoption of Korean IFRS 1109 are same. Therefore, there is no impact of the hedge accounting on the Group's beginning balance of retained earnings at the date of initial application.

The foreign exchange forward contract as at June 30, 2018 qualified as fair value hedges under Korean IFRS 1109. The Group's risk management strategies and hedge documentation are aligned with the requirements of Korean IFRS 1109 and are thus continuously accounting for using hedging accounting.

44.2 Adoption of Korean IFRS 1115 Revenue from Contracts with Customers

As explained in Note 2, the Group has applied Korean IFRS 1115 *Revenue from Contracts with Customers* from January 1, 2018. In accordance with the transitional provisions in Korean IFRS 1115, comparative figures have not been restated. The application of Korean IFRS 1115 has impact on the financial statements as follows.

(a) In summary, the following adjustments were made to the amounts recognized in the statements of financial position at the date of initial application (January 1, 2018):

(in millions of Korean won)	December 31, 2017		January 1, 2018	
	(before adjustments)	Adjustments	(after adjustments)	
Trade and other receivables	₩ 625,987	₩ -	₩ 625,987	
Contract assets ^{1, 2}	-	4,389,434	4,389,434	
Due from customers for contract work ^{1, 2}	4,089,030	(4,089,030)	-	
Inventories	743,359	-	743,359	
Financial assets	923,892	-	923,892	

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Other ¹	5,064,485	(97,738)	4,966,747
Total assets	11,446,753	202,667	11,649,420
Trade and other payables	1,209,129	-	1,209,129
Contract liabilities ¹	-	2,047,338	2,047,338
Due to customers for contract work ^{1, 2}	2,354,607	(2,354,607)	-
Provisions ²	693,822	457,857	1,151,679
Financial liabilities	3,766,140	-	3,766,140
Other ¹	432,393	(2)	432,391
Total liabilities	8,456,091	150,586	8,606,677
Retained earnings ²	(92,163)	63,923	(28,240)
Other	3,485,585	(11,843)	3,473,742
Total equity	₩ 3,393,421	₩ 52,080	₩ 3,445,501

¹ Presentation of contract assets and contract liabilities

As at January 1, 2018, the Group has also voluntarily changed the presentation of accounts in the statements of financial position to reflect the terminology of Korean IFRS 1115:

- As at January 1, 2018, due from customers for contract work amounting to ₩4,388,264 million were reclassified to contract assets.
- As at January 1, 2018, prepaid expenses amounting to ₩97,738 million in relation to broker commission were reclassified to contract assets.
- As at January 1, 2018, due to customers for contract work amounting to ₩2,047,426 million were reclassified to contract liabilities.
- As at January 1, 2018, advance received amounting to ₩2 million were reclassified to contract liabilities.

² Significant financing component and provision for construction loss

Under previous standard of revenue, financing costs were included in the measurement of provision for construction loss since financing costs satisfy the definition of contract costs. But under Korean IFRS 1115, the Group adjusts significant financing component at contract earnings, and measures provision for construction loss by excluding the financing costs from the contract costs. Accordingly, provision for construction loss decreased by ₩ 148,724 million and the contract assets decreased by ₩ 96,644 million. The retained earnings increased by ₩ 52,080 million as a consequence. Meanwhile, provision for construction loss, which was adjusted at due from customers for contract work or due to customers for contract work under previous standard of revenue, was reclassified to provision.

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(b) Financial statement line items affected by the adoption of the new rules in the current period are as follows:

(i) Statement of financial position

<i>(in millions of Korean won)</i>	Reported amount		Adjustments	Amount before application of Korean IFRS 1115
Trade and other receivables	₩	488,740	₩ -	₩ 488,740
Contract assets		3,832,335	(3,832,335)	-
Due from customers for contract work		-	3,764,082	3,764,082
Inventories		1,393,782	-	1,393,782
Financial assets		865,774	-	865,774
Other		4,727,457	68,610	4,796,067
Total assets		11,308,088	357	11,308,445
Trade and other payables		909,210	-	909,210
Contract liabilities		1,893,219	(1,893,219)	-
Due to customers for contract work		-	2,371,541	2,371,541
Provisions		1,010,757	(397,173)	613,584
Financial liabilities		3,417,049	-	3,417,049
Other		559,033	60	559,093
Total liabilities		7,789,268	81,209	7,870,477
Retained earnings		768,297	(80,851)	687,446
Other		2,750,523	-	2,750,523
Total equity	₩	3,518,820	₩ (80,851)	₩ 3,437,969

(ii) Statement of profit or loss and total comprehensive income

<i>(in millions of Korean won)</i>	Reported amount		Adjustments	Amount before application of Korean IFRS 1115
Sales	₩	4,581,884	₩ -	₩ 4,581,884
Cost of sales ¹		4,041,830	106,052	4,147,882
Gross profit		540,054	(106,052)	434,002
Selling, administrative, and research and development expenses		11,995	-	11,995
Operating profit		528,059	(106,052)	422,007
Finance profit and loss ¹		(52,233)	65,026	12,793
Profit and loss from investment in associates and joint ventures		(1,119)	-	(1,119)
Foreign exchange gain and loss ¹		30,208	12,255	42,463

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Other non-operating profit and loss	(60,126)	-	(60,126)
Profit before income tax expense	444,789	(28,771)	416,018
Income tax expense	12,225	-	12,225
Profit for the period	₩ 432,564	₩ (28,771)	₩ 403,793

¹ Presentation of financing costs

Under previous standard of revenue, the Group classified financing costs as cost of sale since financing costs satisfy the definition of contract costs. But under Korean IFRS 1115, the Group judged that financing costs shall not be included in contract costs and ship under construction does not satisfy the definition of a qualifying asset under Korean IFRS 1023. Therefore, the Group classified financing costs as finance loss. Due to this effect, if the Group does not apply Korean IFRS 1115, cost of sales will increase and finance cost will decrease.

(iii) Statement of cash flows

<i>(in millions of Korean won)</i>	Reported amount		Adjustments	Amount before application of Korean IFRS 1115
Profit for the period	₩	432,564	₩ (28,771)	₩ 403,793
Adjustments		92,890	(77,281)	15,609
Changes in operating assets and liabilities		(5,950)	106,052	100,102
Cash generated from operations	₩	519,504	₩ -	₩ 519,504

Upon application of Korean IFRS 1115, cash flows have changed compared to cash flows prepared under previous standard as a result of an increase in profit for the period of ₩ 28,771 million. However, due to increase in adjustments without cash flows of ₩ 77,281 million and a decrease in operating assets and liabilities of ₩ 106,052 million, net cash generated from operations is identical to that of the previous standard.

45 Events After the Reporting Period

The Group sold its subsidiary, DMHI (DW Mangalia Heavy Industries S.A) for USD 21,100 thousand to DAMEN Company in Netherland on July 21, 2018. Due to the transaction, in the separate financial statements, profits amounting to ₩50.2 billion incurred from sales proceed and reversal of guarantee liability. However, in the consolidated financial statements, loss amounting to ₩76.2 billion incurred due to the impairment of DMHI's assets. In addition, in the separate financial statements, full impairment loss was recognized on the assets (receivables and investment) related to DMHI during the prior period, and in the consolidated financial statements, the related loss was recognized by controlling interests and non-controlling interests. During the third-quarter of 2018, it is expected that there will be no financial effect on the separate financial statement from removal of DMHI from the subsidiary group. Whereas in the consolidated financial statements, loss on disposal amounting to ₩460 billion due to reversal of negative non-controlling interests to controlling interest is expected to be reflected. However, this will not have any effect on consolidated total equity.