

Daewoo Shipbuilding & Marine Engineering Co., Ltd.

**Separate Interim Financial Statements
June 30, 2017 and 2016**

Daewoo Shipbuilding & Marine Engineering Co., Ltd.

Index

June 30, 2017 and 2016

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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 separate interim financial statements of Daewoo Shipbuilding & Marine Engineering Co., Ltd.(the Company). These financial statements consist of the separate interim statement of financial position of the Company as at June 30, 2017, and the related separate interim statements of profit of loss and comprehensive income for the three-month and six-month periods ended June 30, 2017, and separate interim statements of changes in equity and cash flows for the six-month period ended June 30, 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 separate financial statements in accordance with the 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 separate 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 separate financial statements based on our review.

We conducted our review in accordance with quarterly and 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 Standard 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 reviews, nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements are not prepared, in all material respects, in accordance with Korean IFRS 1034 *Interim Financial Reporting*.

Emphasis of Matters

We draw attention to the following matters. Our opinion is not qualified in respect of these matters.

(1) Trading suspension of issued shares

As explained in Note 38 to the separate financial statements, the Korea Exchange concluded that the Company is subject to the deliberation of the Corporate Review Committee for alleged violation of accounting standards and embezzlement or malpractice of the former management. The Corporate Review Committee of the Korean Exchange granted a one-year improvement period until September 28, 2017. During the period of improvement, the Company's shares are suspended from trading.

(2) Restatement of previously reported financial statements

The Company's separate interim statements of profit or loss and comprehensive income for the three-month and six-month periods ended June 30, 2016, and separate interim statements of changes in equity and cash flows for the six-month period ended June 30, 2016, presented herein for comparative purposes, were restated reflecting adjustments described in Note 44 to the separate financial statements.

(3) Auditor's emphasis on area of focus on construction contracts

Area of focus on construction contracts in accordance with the Practical Guidance of Auditing Standard 2016-1 are those matters that, in the auditor's professional judgment and communication with those charged with governance, were of most significance in the review of the interim separate financial statements of the current period. These matters were addressed in the context of the review of the financial statements as a whole, and the auditor does not provide a separate opinion on these matters.

As described in the "Auditor's responsibility", it is our responsibility to conduct our reviews in accordance with quarterly and semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea and to issue a report based on our reviews. A review of the area of focus on construction contract consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A. Revenue recognition based on the input method

As explained in Note 4(Critical Accounting Estimates and Assumptions) to the separate financial statements, the Company recognizes contract revenue and contract cost associated with the construction contract as revenue and expense respectively by reference to 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, excluding the contract cost that stage of completion do not apply, by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

The Company indicates for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceeds progress billings, as “Amounts due from customer under construction contracts”, and for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses) as “Amount due to customers under construction contracts”.

Moreover, as explained in Note 37(Construction Contracts) to the separate financial statements, the changes in estimated contract revenue and contract costs have increased amounting to ₩ 20,495 million and decreased amounting ₩ 572,173 million, respectively. According to the changes, the profit for the current period has increased by ₩ 948,493 million (and the profit for the succeeding period is estimated to decreased by ₩ 355,825 million). Based on above explained industry status, it is probable that the changes in estimated total contract revenue and costs may be uncertain, and the changes in estimated total contract revenue and costs may have negative impacts on the profit or loss for the current period (or for the succeeding period); therefore, we identified revenue recognition based on the input method as a significant risk.

As at June 30, 2017, we performed the following review procedures on the Company’s revenue recognition based on the input method.

- Inquiry about major construction contract
- Inquiry about whether the uncertainty of the total contract costs estimates was considered at each level when applying revenue recognition based on the input method
- Inquiry about whether the Company performed similar project in the past and variation possibilities for estimated costs
- Inquiry about the customer’s current financial status and current progress on projects

B. Uncertainty of estimated total contract costs

As explained in Note 4(Critical Accounting Estimates and Assumptions) to the separate financial statements, total contract costs is estimated based on future estimates of material cost, labor cost, construction period and others. As at June 30, 2017, when the estimation of remaining contract costs for construction in progress changes by 5%, the profit for the period before income tax and net asset before income tax decreases by ₩ 202,288 million.

Moreover, as explained in Note 4(Critical Accounting Estimates and Assumptions) to the separate financial statements, unexpected process delay in offshore plants have occurred, which was not expected before 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. In respect to the increase in uncertainty of estimated total contract costs caused from the process delay in offshore plants and occurrence of inefficiency and impact of change in estimates to the profit or loss for the current period (or for the succeeding year), we identified uncertainty of estimated total contract costs as a significant risk.

As at June 30, 2017, in respect of the impact of the Company’s uncertainty of estimated total contract costs on the financial statement, we performed the following review procedures.

- Identify the major cause of changes in component of estimated cost compared to the period ended December 31, 2016
- Inquiry about whether the Project and Risk Management department have identified the project risk factors and respective total contract costs are reflected on the financial statement.

C. Measurement of percentage of completion in construction

As explained in Note 4(Critical Accounting Estimates and Assumptions) to the separate financial statements, the Company measures percentage of completion of the contract activity by the proportion that contract costs incurred to date, excluding any contract cost that does not reflect the work performed, bear to the estimated total contract costs.

Moreover, as explained in Note 37(Construction Contracts) to the separate financial statements, in respect to contract in progress as at June 30, 2017, the changes in estimated total contract cost decreased by ₩ 572,173 million, and aggregated cost incurred amounts to ₩ 32,382,118 million. Due to increase in the costs incurred comparing to the estimated contract cost and increase in uncertainty of estimated total contract cost caused by the industry status, we identified measurement of percentage of completion as a significant risk.

As at June 30, 2017, in respect of the Company's estimated total contract costs and aggregated cost incurred that have impacts on the measurement of percentage of completion, we have performed the following review procedures.

- Inquiry about the accounting policy regarding to cost accumulation and classification
- Review the reasonableness on fluctuation of estimated costs and percentage of completion by project
- Inquiry about significant fluctuation of percentage of completion, and perform analytical review procedures on fluctuation of percentage of completion
- Inquiry about cost incurred accumulation and cut-off, and perform analytical review procedures on cost incurred accumulation and cut-off
- Inquiry to determine if there are any contract costs that do not reflect the work performed and excluded from measuring the percentage of completion, and accounting treatment for the excluded cost

D. Collectability of the amount due from customer under construction contracts

As explained in Note 4(Critical Accounting Estimates and Assumptions) to the separate financial statements, the Company assess at the end of each reporting period whether there is any objective evidence that an amount due from customer under construction contracts. The objective evidences that the amount due from the customer under construction contracts is impaired include adverse change in the customer's financial situation, increase in the probability of contract termination due to delay in contract in progress or decrease in vessel price, delay in construction completion date, and others. After the Company'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 Company recognize the amount as impairment loss.

As explained in Note 37(Construction Contracts) to the separate financial statements, the Company recognized the amount due from customer under construction contract amounts to ₩ 3,893,026 million and ₩ 4,462,694 million as at June 30, 2017 and December 31, 2016 respectively, which represents 32.8% and 33.1% of the Company's total assets. The uncertainty in collectability of the amount due from customer under construction contracts has been increased because of contract termination and delay in contract completion that are caused by customer's financial difficulties due to extended global oil price decline. Therefore, we identified the collectability of the amount due from customer under construction contracts as a significant risk.

As at June 30, 2017, in respect of the collectability of the amount due from customer under construction contracts, we have performed the following review procedures.

- Inquiry reason for occurrence in the significant amount due from customer
- Inquiry about the status of project that recognized the significant amount due from customer
- Inquiry about contract termination possibility and customer's financial status
- Review the reasonableness of collectability assessment of the amount due from customer

E. Accounting treatment regarding variations in contract work

As explained in Note 4(Critical Accounting Estimates and Assumptions) to the separate financial statements, the Company includes a variation in contract revenue when it is probable that the customer will approve the variation and the amount of revenue arising from the variation or the contract is sufficiently advanced that it is probable that the specified performance standards will be met or exceeded and the amount of revenue can be reliably measured.

Total contract revenue at the initial amount of revenue agreed in the contract; however, the measurement of contract revenue is affected by a variety of uncertainties that depend on the outcome of future events such as increase contract revenue due to variations in contract work, claims and incentive payment; or decrease contract revenue as a result of liquidated damage arising from delay caused by the Company in the completion of the contract.

It is probable that variations may occur, and there are uncertainties in the measurement of contract revenue; therefore, we identified accounting treatment regarding variations in contract work as a significant risk.

As at June 30, 2017, in respect of accounting treatment regarding variations in contract work, we have performed the following review procedures.

- Inquiry about reason of significant change in contract revenue
- Inquiry about major contract condition such as cost reimbursement items and others
- Inquiry about approval or settlement or probability of contract revenue included due to changes in specification of contract caused by the customer

F. Accounting treatment regarding liquidated damage arising from delays

As explained in Note 4(Critical Accounting Estimates and Assumptions), as at June 30, 2017, the maximum amount of liquidated damages that the Company may incur estimated to ₩ 483,337 million. The best estimate of the liquidated damages that is likely payable by the Company as at June 30, 2017, is to ₩ 250,783 million and the amount is deducted from the contract revenue amount.

The estimation of liquidated damages arising from delay is affected by a variety of uncertainties that depend on the outcome of future events; therefore, we identified the estimation of liquidated damages arising from delay as a significant risk.

As at June 30, 2017, in respect to accounting treatment regarding estimation of liquidated damage arising from delay, we have performed the following review procedures.

- Inquiry about condition of liquidated damage arising from delay and contract completion date, major milestone by project
- Inquiry about probable projects with liquidated damage arising from delay, and perform analytical review procedure between expected completion date and estimated milestone completion date within the contract
- Inquiry about basis of estimated liquidated damage arising from delay, and perform review on the evidence

Other Matters

We audited the separate financial statements of the Company for the year ended December 31, 2016 in accordance with Korean Standards on Auditing and expressed a qualified opinion on those financial statements, not presented herein, on March 29, 2017. We expressed a qualified opinion on the basis of scope limitation related to our testing of the Company's ability to continue as a going concern and our testing of appropriate cut-off of cost of sales. The separate statement of financial position as at December 31, 2016, presented herein for comparative purposes, is consistent, in all material respects, with the above audited separate statement of financial position as at December 31, 2016.

In addition, we reviewed the separate interim financial statements of the Company for the three-month and six-month periods ended June 30, 2016, which were restated reflecting adjustments described in Note 44 to the separate financial statements, and expressed a qualified opinion on August 16, 2016. We expressed a qualified opinion on the basis of scope limitation that we were unable to perform sufficient review procedure for the appropriateness of opening balance of certain significant accounts, including amounts due from customers under construction contracts, in accordance with quarterly and semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea.

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, 2017

<p>This report is effective as at August 14, 2017, 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 interim separate 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.</p>
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Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Separate Interim Statement of Financial Position
June 30, 2017 and December 31, 2016

(in millions of Korean won)

	Notes	June 30, 2017 (Unaudited)	December 31, 2016
Assets			
Current assets			
Cash and cash equivalents	5,6,7,36	₩ 529,684	₩ 144,293
Short-term financial instruments	5,7,36	81,752	16,927
Financial assets at fair value through profit or loss	3,5,26,36	7,923	5,913
Short-term held-to-maturity financial assets	5,9	27	7
Trade and other receivables	5,8,36,37	221,294	337,429
Due from customers for contract work	5,37	3,893,026	4,462,694
Current firm commitment assets	26	67,673	142,269
Current portion of currency forward assets	3,5,26,36	9,361	-
Inventories	10	785,840	922,725
Other current assets	11	1,054,123	1,071,935
Assets held-for-sale	12,16	60,752	155,920
		<u>6,711,455</u>	<u>7,260,112</u>
Non-current assets			
Long-term financial instruments	5,7	324,641	383,107
Non-current financial assets at fair value through profit or loss	3,5,26,36	5,599	1,228
Held-to-maturity financial assets	5,9	311	331
Available-for-sale financial assets	3,5,9,16	49,634	48,674
Investments in subsidiaries	16	89,218	112,012
Investments in associates and joint ventures	14	2,185	5,933
Non-current trade and other receivables	5,8,36,37	234,881	279,468
Firm commitment assets	26	74,734	315,893
Currency forward assets	3,5,26,36	8,252	-
Property, plant and equipment	15,16	3,717,537	4,396,108
Investment properties	16,17	7,962	9,386
Intangible assets	18	6,784	37,022
Deferred tax assets		519,250	503,199
Other non-current assets	11	109,260	131,265
		<u>5,150,248</u>	<u>6,223,626</u>
Total assets		<u>₩ 11,861,703</u>	<u>₩ 13,483,738</u>
Liabilities			
Current liabilities			
Short-term borrowings	5,16,21,36,43	₩ 1,383,427	₩ 2,501,217
Financial liabilities at fair value through profit or loss	3,5,26,36	6,341	6,461
Trade and other payables	5,19,36	1,100,890	1,574,620
Current portion of debentures	5,20,43	-	1,348,886
Current portion of long-term borrowings	5,16,21,36,43	804,839	1,171,734
Current financial guarantee liabilities	3,5	121,237	94,409
Current firm commitment liabilities	26	7,809	1,708
Current portion of currency forward liabilities	3,5,26,36	93,608	211,214
Due to customers for contract work	26,37	3,031,925	4,401,740
Other current liabilities	22	77,670	97,156
		<u>6,627,746</u>	<u>11,409,145</u>
Non-current liabilities			
Debentures	5,20,43	516,405	192,424
Long-term borrowings	5,16,21,36,43	312,220	652,737
Long-term financial liabilities at fair value through profit or loss	3,5,26	-	4,470
Non-current trade and other payables	5,19,36	103,867	136,808
Net defined benefit liabilities	23	186,304	172,044
Provisions	24,38	596,454	329,867
Financial guarantee liabilities	3,5	3,645	86,650
Firm commitment liabilities	26	8,177	-
Currency forward liabilities	3,5,26,36	62,326	260,676
		<u>1,789,398</u>	<u>1,835,676</u>
Total liabilities		<u>8,417,144</u>	<u>13,244,821</u>
Equity			
Share capital	27	431,120	332,885
Other contributed capital	29	401,071	2,808,828
Components of other capital	29	361,262	426,660
Hybrid bonds	29	2,284,775	1,000,000
Accumulated deficit	28	(33,669)	(4,329,456)
Total equity		<u>3,444,559</u>	<u>238,917</u>
Total liabilities and equity		<u>₩ 11,861,703</u>	<u>₩ 13,483,738</u>

The above separate interim statement of financial position should be read in conjunction with the accompanying notes

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Separate Interim Statement of Profit or Loss
Three-Month and Six-Month Periods Ended June 30, 2017 and 2016

<i>(in millions of Korean won, except per share amounts)</i>	Notes	Priod ended June 30, 2017 (Unaudited)		Priod ended June 30, 2016 (Unaudited)	
		Three months	Six months	Three months	Six months
Sales	26,36,37,41	₩ 3,241,071	₩ 5,774,146	₩ 3,113,730	₩ 6,338,640
Cost of sales	35,36	2,184,647	4,434,560	3,179,178	6,188,322
Gross profit(loss)		1,056,424	1,339,586	(65,448)	150,318
Selling expenses	31,35,36	36,896	80,257	27,290	60,334
Administrative expenses	31,35,36	349,406	362,953	178,149	208,729
Research and development expenses	35	8,194	19,684	15,037	28,161
Operating profit(loss)		661,928	876,692	(285,924)	(146,906)
Finance income	5,32,36	1,379,051	1,407,370	(9,036)	7,128
Finance costs	5,32,36	11,792	25,109	94,666	106,935
Shre of profit(loss) in associates and joint ventures		1,126	13,341	(11,313)	(11,313)
Foreign exchange gains	3,5,33	(38,566)	383,687	11,462	213,937
Foreign exchange losses	3,5,33	(67,275)	426,114	(2,159)	207,323
Other non-operating income	5,26,34	(98,636)	398,232	(16,085)	247,359
Other non-operating expenses	5,26,34	711,113	1,132,468	156,202	366,335
Profit(loss) before income tax expense		1,249,273	1,495,631	(559,605)	(370,388)
Income tax expense (benefit)	25	(17,320)	6,484	844,860	853,326
Profit(loss) for the period		₩ 1,266,593	₩ 1,489,147	₩ (1,404,465)	₩ (1,223,714)
Earnings per share attribute to the equity holders of the parent Company					
Basic earnings(losses) per share <i>(in Korean won)</i>	30	₩ 19,156	₩ 22,616	₩ (65,876)	₩ (57,398)
Diluted earnings(losses) per share <i>(in Korean won)</i>	30	₩ 14,016	₩ 16,579	₩ (65,876)	₩ (57,398)

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

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Separate Interim Statement of Comprehensive Income
Three-Month and Six-Month Periods Ended June 30, 2017 and 2016

<i>(in millions of Korean won)</i>	Priod ended June 30, 2017 (Unaudited)		Priod ended June 30, 2016 (Unaudited)	
	Three months	Six months	Three months	Six months
Profit(loss) for the period	₩ 1,266,593	₩ 1,489,147	₩ (1,404,465)	₩ (1,223,714)
Other comprehensive income				
Items that will not be reclassified subsequently to profit(loss)				
Remeasurements of net defined benefit liabilities	(3,303)	(4,578)	(447)	(1,612)
Gains on revaluation of property, plant and equipment	(65,848)	(65,801)	288	288
Items that may be reclassified subsequently to income (loss)				
Changes in the fair value of available-for-sale financial assets	(843)	1,002	(4,156)	(7,436)
	<u>(69,994)</u>	<u>(69,377)</u>	<u>(4,315)</u>	<u>(8,760)</u>
Total comprehensive income(loss) for the period	<u>₩ 1,196,599</u>	<u>₩ 1,419,770</u>	<u>₩ (1,408,780)</u>	<u>₩ (1,232,474)</u>

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

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Separate Interim Statement of Changes in Equity
Six-Month Periods Ended June 30, 2017 and 2016

(in millions of Korean won)

	Share capital	Other contributed capital			Components of other capital			accumulated deficit	Total
		Other capital	Treasury stock	Hybrid bond	Changes in the fair value of Available-for-sale financial asset	Revaluation surplus of property, plant and equipment			
Balance at January 1, 2016	₩ 1,372,077	₩ (14,677)	₩ -	₩ -	₩ 14,967	₩ 424,385	₩ (1,381,510)	₩ 415,242	
Payment of share issue cost	-	(51)	-	-	-	-	-	(51)	
Loss for the period	-	-	-	-	-	-	(1,223,714)	(1,223,714)	
Other comprehensive income	-	-	-	-	(7,436)	(902)	(422)	(8,760)	
Balance at June 30, 2016 (Unaudited)	₩ 1,372,077	₩ (14,728)	₩ -	₩ -	₩ 7,531	₩ 423,483	₩ (2,605,646)	₩ (817,283)	
Balance at January 1, 2017	₩ 332,885	₩ 2,808,828	₩ -	₩ 1,000,000	₩ 9,769	₩ 416,891	₩ (4,329,456)	₩ 238,917	
Transfer of capital surplus to accumulated deficit	-	(2,825,626)	-	-	-	-	2,825,626	-	
Debt for equity swap	98,235	418,859	-	-	-	-	-	517,094	
Acquisition of treasury shares	-	-	(726)	-	-	-	-	(726)	
Issuance of convertible notes	-	(264)	-	1,284,775	-	-	-	1,284,511	
Interest payment of hybrid bonds	-	-	-	-	-	-	(15,007)	(15,007)	
Profit for the period	-	-	-	-	-	-	1,489,148	1,489,148	
Other comprehensive income	-	-	-	-	1,001	(66,399)	(3,980)	(69,378)	
Balance at June 30, 2017 (Unaudited)	₩ 431,120	₩ 401,797	₩ (726)	₩ 2,284,775	₩ 10,770	₩ 350,492	₩ (33,669)	₩ 3,444,559	

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

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Separate Interim Statement of Cash Flows
Six-Month Periods Ended June 30, 2017 and 2016

<i>(in millions of Korean won)</i>	Notes	Period ended June 30, 2017 (Unaudited)	Period ended June 30, 2016 (Unaudited)
Cash flows from operating activities			
Cash used in operating activities:	39	₩ (150,203)	₩ (256,061)
Dividends received		672	1,168
Interests received		8,861	7,947
Interests paid		(84,173)	(108,336)
Income tax paid		(194)	(710)
Net cash outflow from operating activities		<u>(225,037)</u>	<u>(355,992)</u>
Cash flows from investing activities			
Cash inflows from investing activities:			
Acceptance of governments grants		3,433	1,526
Decrease in short-term loans receivable		36,649	61,180
Decrease in long-term financial assets		-	2
Disposal of held-to-maturity financial assets		1	10
Disposal of available-for-sale financial assets		1,410	10,718
Decrease in long-term loans receivable		4,205	126
Disposal of property, plant and equipment/intangible assets		4,640	11,460
Disposal of non-current assets held for sale		181,141	-
Disposal of investments in associates and joint venture		1,126	-
		<u>232,605</u>	<u>85,022</u>
Cash outflows from investing activities:			
Redemption of governments grants		653	637
Increase in short-term financial instruments		6,360	-
Increase in short-term loans receivable		36,056	132,576
Acquisition of held-to-maturity financial assets		-	22
Acquisition of available-for-sale financial assets		10	996
Acquisition of investment in subsidiaries		200	-
Increase in long-term loans receivable		-	165,678
Acquisition of property, plant and equipment/intangible assets		19,317	54,895
Acquisition of other investments		72	-
		<u>62,668</u>	<u>354,804</u>
Net cash inflow(outflow) from investing activities		<u>169,937</u>	<u>(269,782)</u>
Cash flows from financing activities			
Cash inflows from financing activities:			
Proceeds from short-term borrowings		893,916	3,170,128
Reversal of payment of share issue cost		13	-
		<u>893,929</u>	<u>3,170,128</u>
Cash outflows from financing activities:			
Repayment of short-term borrowings		437,928	1,852,729
Repayment of current portion of debentures and current portion of long-term borrowings		146	539,544
Payment of fractional shares		726	-
Interest payment of hybrid bonds		15,007	-
Payment of share issue cost		143	51
		<u>453,950</u>	<u>2,392,324</u>
Net cash inflow from financing activities		<u>439,979</u>	<u>777,804</u>
Net increase in cash and cash equivalents		384,879	152,030
Cash and cash equivalents at the beginning of the period		144,293	1,072,187
Effects of exchange rate changes on the cash and cash equivalents		512	(5,316)
Cash and cash equivalents at the end of the period	6	₩ <u>529,684</u>	₩ <u>1,218,901</u>

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

Daewoo Shipbuilding & Marine Engineering Co., Ltd.

Notes to the Separate interim Financial Statements

June 30, 2017 and 2016(Unaudited), and December 31, 2016

1. General Information

Daewoo Shipbuilding & Marine Engineering Co., Ltd. (the Company), 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 stock on the Korea Exchange and also listed its foreign Depository Receipts on the Luxembourg Stock Exchange on June 10, 2003. Moreover, the Company changes 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, 2017, the Company's major shareholders consist of Korea Development Bank ("KDB") (68.64%) and others.

On August 24, 2016, the Company's foreign Depository Receipts was delisted in consideration of reduction in the transactions and the number of shareholders, as well as the maintenance cost against usefulness of listing relating to them.

2. Basis of Preparation and Significant Accounting Policies

The principal accounting policies applied in the preparation of these separate 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 Company 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 separate 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 Company's financial position, financial performance or cash flows, is not presented in the accompanying separate interim financial statements.

The Company's condensed separate interim financial statements for the six-month period ended June 30, 2017, have been prepared in accordance with Korean IFRS 1034, *Interim Financial Reporting*. These condensed separate interim financial statements have been prepared in accordance with Korean IFRS which is effective or early adopted as at June 30, 2017.

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(a) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2017. The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

- Amendments to Korean IFRS 1007 *Statement of Cash Flows*

Amendments to Korean IFRS 1007 *Statement of Cash flows* require to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

- Amendments to Korean IFRS 1012 *Income Tax*

Amendments to Korean IFRS 1012 clarify how to account for deferred tax assets related to debt instruments measured at fair value. Korean IFRS 1012 provides requirements on the recognition and measurement of current or deferred tax liabilities or assets. The amendments issued clarify the requirements on recognition of deferred tax assets for unrealized losses, to address diversity in practice.

- Amendments to Korean IFRS 1112 *Disclosures of Interests in Other Entities*

Amendments to Korean IFRS 1112 clarify when an entity's interest in a subsidiary, a joint venture or an associate is classified as held for sales in accordance with Korean IFRS 1105, the entity is required to disclose other information except for summarized financial information in accordance with Korean IFRS 1112.

- Amendments to Korean IFRS 1027 *Separate Financial Statements*

Amendments to Korean IFRS 1027 *Separate Financial Statements* require that the accounting for investments in subsidiaries, jointly controlled entities and associates be accounted for under one of the following methods by each category: at cost, in accordance with the Korean IFRS 1039, or the equity method in Korean IFRS 1028. As the Company has not changed its accounting policy in relation to the amendments, the amendments have no impact on the financial statements.

(b) New and amended standards and interpretations not yet adopted by the Company

Certain new accounting standards and interpretations that have been published that are not mandatory for annual reporting period commencing January 1, 2017 and have not been early adopted by the Company are set out below.

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- 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 it 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 amendments clarify that an entity shall make this election separately for each associate or joint venture, at initial recognition of the associate or joint venture. The Company will apply these amendments retrospectively for annual periods beginning on or after January 1, 2018, and early adoption is permitted. The Company does not expect the amendments to have a significant impact on the consolidated financial statements because the Company is not a venture capital organization.

- 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 amendments will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect the amendments to have a significant impact on the financial statements.

- Enactments to Interpretation 2122 *Foreign Currency Transaction and Advance Consideration*

According to these enactments, 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. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. These enactments will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect the enactments to have a significant impact on the financial statements.

- Korean IFRS 1109 *Financial Instruments*

The new standard for financial instruments issued on September 25, 2015 are effective for annual periods beginning on or after January 1, 2018 with early application permitted. This standard will replace Korean IFRS 1039 *Financial Instruments: Recognition and Measurement*. The Company will apply the standards for annual periods beginning on or after January 1, 2018.

The standard requires retrospective application with some exceptions. For example, an entity is not required to restate prior period in relation to classification and measurement (including impairment) of financial instruments. The standard requires prospective application of its hedge accounting requirements for all hedging relationships except the accounting for time value of options and other exceptions.

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Korean IFRS 1109 *Financial Instruments* requires all financial assets to be classified and measured on the basis of the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. A new impairment model, an expected credit loss model, is introduced and any subsequent changes in expected credit losses will be recognized in profit or loss. Also, hedge accounting rules amended to extend the hedging relationship, which consists only of eligible hedging instruments and hedged items, qualifies for hedge accounting.

An effective implementation of Korean IFRS 1109 requires preparation processes including financial impact assessment, accounting policy establishment, accounting system development and the system stabilization. The impact on the Company's financial statements due to the application of the standard is dependent on judgements made in applying the standard, financial instruments held by the Company and macroeconomic variables.

With the implementation of Korean IFRS 1109, the Company neither prepared for internal management process nor began to adjust accounting system for financial instruments reporting. Also, the Company did not analyze the financial effects of applying the standard.

(a) Classification and Measurement of Financial Assets

When implementing Korean IFRS 1109, the classification of financial assets will be driven by the Group's business model for managing the financial assets and contractual terms of cash flow. The following table shows the classification of financial assets measured subsequently at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. If a hybrid contract contains a host that is a financial asset, the classification of the hybrid contract shall be determined for the entire contract without separating the embedded derivative.

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<i>Business model for the contractual cash flows characteristics</i>	Solely represent payments of principal and interest	All other
<i>Hold the financial asset for the collection of the contractual cash flows</i>	Measured at amortized cost ¹	
<i>Hold the financial asset for the collection of the contractual cash flows and trading</i>	Recognized at fair value through other comprehensive income ¹	Recognized at fair value through profit or loss ²
<i>Hold for trading</i>	Recognized at fair value through profit or loss	

¹ A designation at fair value through profit or loss is allowed only if such designation mitigates an accounting mismatch (irrevocable).

² Equity investments not held for trading can be recorded in other comprehensive income (irrevocable).

With the implementation of Korean IFRS 1109, the criteria to classify the financial assets at amortized cost or at fair value through other comprehensive income are more strictly applied than the criteria applied with Korean IFRS 1039. Accordingly, the financial assets at fair value through profit or loss may increase by implementing Korean IFRS 1109 and may result an extended fluctuation in profit or loss.

As at June 30, 2017, the Company owns loans and receivables of ₩ 5,285,278 million, held-to-maturity financial assets of ₩ 338 million, available-for-sale financial assets of ₩ 49,634 million and financial assets at fair value through profit or loss of ₩ 13,522 million.

According to Korean IFRS 1109, a debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. As at June 30, 2017, the Company measured loans and receivables of ₩ 5,285,278 million and held-to-maturity financial assets of ₩ 338 million at amortized costs.

According to Korean IFRS 1109, a debt instrument is measured at fair value through other comprehensive income if the objective of the business model is achieved both by collecting contractual cash flows and selling financial assets; and the contractual cash flows represents solely payments of principal and interest on a specific date under contract terms. As at June 30, 2017, the Company holds no debt instrument classified as financial assets available-for-sale.

According to Korean IFRS 1109, equity instruments that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments as assets measured at fair value through other comprehensive income, which all subsequent changes in fair value being recognized in other comprehensive income and not recycled to profit or loss.

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As at June 30, 2017, the Company holds equity instruments of ₩ 49,634 million classified as available-for-sale financial assets and recycled unrealized gain or loss of ₩ 29 million arose from the equity instruments to profit or loss.

According to Korean IFRS 1109, debt instruments those contractual cash flows do not represent solely payments of principal and interest and held for trading, and equity instruments that are not designated as instruments measured at fair value through other comprehensive income are measured at fair value through profit or loss. As at June 30, 2017, the Company's financial assets and liabilities designated at fair value through profit or loss that are consisted of derivatives not qualified for hedge accounting.

(b) Impairment: Financial Assets and Contract Assets

Korean IFRS 1109 sets out a new forward looking 'expected loss' impairment model which replaces the incurred loss model under Korean IFRS 1039 that impaired assets if there is an objective evidence and applies to:

- Financial assets measured at amortized cost
- Debt investments measured at fair value through other comprehensive income, and
- Certain loan commitments and financial guaranteed contracts.

Under Korean IFRS 1109 'expected loss' model, a credit event (or impairment 'trigger') no longer has to occur before credit losses are recognized. The Company will always recognize (at a minimum) 12-month expected credit losses in profit or loss. Lifetime expected losses will be recognized on assets for which there is a significant increase in credit risk after initial recognition.

Stage ¹	Loss allowance
1 No significant increase in credit risk after initial recognition ²	12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date)
2 Significant increase in credit risk after initial recognition	Lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)
3 Credit-impaired	

¹ A loss allowance for lifetime expected credit losses is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. It is also required for contract assets or trade receivables that are not, according to Korean IFRS 1115 *Revenue from Contracts with Customers*, considered to contain a significant financing component. Additionally, the Company can elect an accounting policy of recognizing lifetime expected credit losses for all contract assets and/or all trade receivables, including those that contain a significant financing component.

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² If the financial instrument has low credit risk at the end of the reporting period, the Company may assume that the credit risk has not increased significantly since initial recognition.

Under Korean IFRS 1109, the asset that is credit-impaired at initial recognition would recognize all changes in lifetime expected credit losses since the initial recognition as a loss allowance with any changes recognized in profit or loss.

As at June 30, 2017, the Company owns debt investment carried at amortized cost of ₩ 5,285,616 million (loans and receivables of ₩ 5,285,278 million, held-to-maturity financial asset of ₩ 338 million), no debt investments carried at fair value through other comprehensive income, which classified as available-for-sale financial assets. And, the Company recognized loss allowance of ₩ 3,002,250 million for these assets.

- Korean IFRS 1115 *Revenue from Contracts with Customers*

The Company will apply Korean IFRS 1115 *Revenue from Contracts with Customers* issued on November 6, 2015 for annual reporting periods beginning on or after January 1, 2018. Earlier adoption is permitted under Korean IFRS. This standard replaces Korean IFRS 1018 *Revenue*, Korean IFRS 1011 *Construction Contracts*, Interpretation 2031 *Revenue-Barter Transactions Involving Advertising Services*, Interpretation 2113 *Customer Loyalty Programs*, Interpretation 2115 *Agreements for the Construction of Real Estate* and Interpretation 2118 *Transfers of assets from customers*. The Company must apply Korean IFRS 1115 *Revenue from Contracts with Customers* within annual reporting periods beginning on or after January 1, 2018, and will apply the standard retrospectively to prior reporting period presented in accordance with Korean IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors* and apply simplified transition method with no restatement for completed contracts and other as at January 1, 2017.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue from contract with customer can be recognized:

- Identify contracts with customers
- Identify the separate performance obligation
- Determine the transaction price of the contract
- Allocate the transaction price to each of the separate performance obligations, and
- Recognize the revenue as each performance obligation is satisfied.

As at June 30, 2017, the Company neither prepared for internal management process nor began to adjust accounting system in relation to implementation of Korean IFRS 1115. Also, the Company did not analyze the financial effects of applying the standard.

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The Company plans to analyze the financial effects of applying the standard and disclose the result of the analysis in the notes on the financial statements as at September 30, 2017. The Company identified the following areas are likely to be affected in general.

(a) A performance obligation is satisfied over time

The Company's ships and offshore plant and special ships division produces and sells ships and offshore plants ordered by customers and it takes long production period. The Company recognizes revenue over time based on costs incurred relative to total estimated costs to determine the extent of progress toward completion. During the six-month period ended June 30, 2017, the Company recognized revenue from divisions of the ships and offshore plant and special ships based on the percentage of completion as ₩ 5,743,370 million which is approximately 99.47% of total revenue.

In accordance with Korean IFRS 1115, the revenue is recognized over time by measuring progress only if the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

2.2 Significant Accounting Policies

Significant accounting policies and method of computation used in the preparation of the condensed separate interim financial statements are consistent with those of the separate financial statements for the year ended December 31, 2016, except for the changes due to the application of amendment and enactments of standards described in Note 2.1 (a) and the one described below.

2.2.1 Income Tax Expense

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.

3. Financial Instruments

3.1 Financial Risk Management

3.1.1 Financial risk factors

The Company'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 Company's financial performance and minimize it to the extent that is acceptable.

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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 Company is consistent with that of the prior period.

3.1.2 Risk averse activities

3.1.2-1 Market risk management

a) Foreign currency risk

The Company 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, 2017, and December 31, 2016.

		June 30, 2017					
<i>(in millions of Korean won, in thousands of foreign currency, except for exchange rate)</i>		Average contracted exchange rate	Sell Amounts		Buy Amounts		Fair value assets (liabilities)
For fair value hedging							
Sell USD	₩	1,102.29	USD	4,861,000	KRW	5,358,243	₩ (138,320)
For trading							
Sell USD / Buy EUR		1.32	USD	6,938	EUR	5,240	(1,049)
Sell USD / Buy GBP		1.45	USD	182	GBP	125	(21)
Sell USD / Buy CAD		0.93	USD	624	CAD	672	(114)
Sell USD		1,157.61	USD	367,000	KRW	424,841	7,459
Sell GBP		1,785.47	GBP	3,000	KRW	5,356	906
				KRW	-	KRW 5,788,440	
				USD	5,235,744	USD	-
Total			GBP	3,000	GBP	125	(131,139)
			CAD	-	CAD	672	
			EUR	-	EUR	5,240	

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<i>(in millions of Korean won, in thousands of foreign currency, except for exchange rate)</i>	December 31, 2016			
	Average contracted exchange rate	Sell Amounts	Buy Amounts	Fair value assets (liabilities)
For fair value hedging				
Sell USD	₩ 1,104.19	USD 5,897,000	KRW 6,511,952	₩ (471,891)
For trading				
Sell USD / Buy EUR	1.31	USD 12,359	EUR 9,449	(2,787)
Sell USD / Buy GBP	1.45	USD 182	GBP 125	(31)
Sell USD / Buy CAD	0.93	USD 856	CAD 909	(200)
Sell USD	1,184.43	USD 394,000	KRW 466,665	(6,023)
Sell GBP	1,805.98	GBP 16,000	KRW 28,896	5,251
		KRW -	KRW 5,788,440	
		USD 6,304,897	USD -	
Total		EUR -	EUR 9,449	(475,681)
		GBP 16,000	GBP 125	
		CAD -	CAD 909	

b) Price risk

The Company'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, 2017, the Company has marketable equity securities that are classified as AFS financial assets in the separate financial position, and when the price of the marketable equity securities increase (decrease) by 10%, the effect to other comprehensive income will be increased (decreased) by ₩ 419 million before considering tax.

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.

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3.1.2-2 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. The maximum exposure to credit risk of loans and receivables 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 ₩ 437,884 million (Note 16 and 36).

3.1.2-3 Liquidity Risk Management

The Company 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 Company maintains flexibility in funding by maintaining availability under committed credit lines.

3.2 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company'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 Company's general strategy of capital risk management is consistently applied with that of previous year.

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3.3 Financial Instruments Measured at Fair Value

Fair value hierarchy classifications of the financial instruments that are measured at fair value in the separate statements of financial position as at June 30, 2017 and December 31, 2016, are as follows:

(in millions of Korean won)

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
Derivative held for trading	₩	-	₩ 13,522	₩ 13,522
Derivative financial assets				
Derivative instrument for hedging		-	17,613	17,613
AFS financial assets				
Listed securities		8	-	8
Beneficiary certificates		4,181	-	4,181
Non-listed securities		-	3,148	18,050
		4,189	3,148	22,239
	₩	4,189	₩ 34,283	₩ 53,374
Financial liabilities				
Financial liabilities at FVTPL				
Derivative held for trading	₩	-	₩ 6,341	₩ 6,341
Derivative financial liabilities				
Derivative instrument for hedging		-	155,933	155,933
	₩	-	₩ 162,274	₩ 162,274

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(in millions of Korean won)

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
Derivative held for trading	₩ -	₩ 7,140	₩ -	₩ 7,140
Derivative financial assets				
Derivative instrument for hedging	-	-	-	-
AFS financial assets				
Listed securities	17	-	-	17
Beneficiary certificates	4,641	-	-	4,641
Non-listed securities	-	1,799	14,707	16,506
Debt securities	-	124	-	124
	₩ 4,658	₩ 9,063	₩ 14,707	₩ 28,428
Financial liabilities				
Financial liabilities at FVTPL				
Derivative held for trading	₩ -	₩ 10,931	₩ -	₩ 10,931
Derivative financial liabilities				
Derivative instrument for hedging	-	471,891	-	471,891
	₩ -	₩ 482,822	₩ -	₩ 482,822

Meanwhile, there were no significant transfers between Level 1 and Level 2 for the six-month period ended June 30, 2017 and for the year ended December 31, 2016.

The management of the Company concluded that the book amount of financial instruments in the statement of financial position that are not subsequently measured at the fair value are a reasonable approximate of the fair value (Note 3).

There are no significant changes in valuation techniques used in fair value measurement categorized within Level 2 and Level 3 and significant unobservable inputs comparing to these of the previous year.

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Details of changes in Level 3 of the fair value hierarchy for the recurring fair value measurements in the statement of financial position for the six-month periods ended June 30, 2017 and for the year ended December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2017		Year ended December 31, 2016	
AFS financial assets: Non-listed securities				
Beginning balance	₩	14,707	₩	48,940
Purchases (Disposals)		-		-
Valuation		195		2,876
Transfer		-		(37,109)
Ending balance	₩	<u>14,902</u>	₩	<u>14,707</u>

Financial asset and liabilities that are subject to the subsequent measurement at fair value; however, measured at cost as their fair value cannot be measured reliably and excluded from the fair value disclosure as at June 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>		June 30, 2017		December 31, 2016	
AFS financial assets	Non-listed securities	₩	14,942	₩	14,932
	Other equity investment		12,454		12,454
		₩	<u>27,396</u>	₩	<u>27,386</u>

Meanwhile, the management of the Company concluded that the book amount of financial instrument in the separate statement of financial position that is not subsequently measured at the fair value is a reasonable approximation of the fair value.

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4. Critical Accounting Estimates and Assumptions

The Company makes estimates and assumptions concerning the future. Estimates and assumptions 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 current circumstances. Actual results may differ from these estimates.

Significant accounting estimates and assumptions applied in the preparation of these separate interim financial statements are the same as those that applied to the separate financial statements for the year ended December 31, 2016, except for the estimates used to determine income tax expense.

4.1 Construction Contracts

4.1.1 Revenue recognition based on the input method

The Company recognizes contract revenue and contract cost associated with the construction contract as revenue and expense respectively by 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 the proportion that costs incurred to date, excluding any contract cost that does not reflect the work performed, bear to the estimated total costs of the contract. The Company 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).

4.1.2 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. 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, 2017, 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 ₩202,288 million.

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4.1.3 Uncertainty of estimates in collectability of an amounts due from customer under construction contracts

The Company assess at the end of each reporting period whether there is any objective evidence that an amounts 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 Company'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 Company recognize the amount as 'impairment loss'.

As at June 30, 2017, The uncertainty of estimates in collectability of the amount 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.

4.1.4 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 Company 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.

4.1.5 Uncertainty of estimates in liquidated damage regarding delay of construction

The liquidated damage arising from delay caused by the Company in completion of contract may cause a decrease in total contract revenue; therefore, the Company estimates the liquidated damage for a project that may delay in completion schedule on a basis of historical experience. As at June 30, 2017, the maximum amount for liquidated damages arising from delays caused by the Company estimated ₩ 483,337 million. The best estimate of liquidated damages, which arise from delay caused by the Company, that is likely payable by the Company is ₩ 250,783 million, and the amount is deducted from the contract revenue amount. These amounts would be consistently revalued until completion of construction.

The Company continuously prepare 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 Company to their customers in order to minimize the liquidated damages.

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4.2 Deferred Tax Assets

The Company reviews the book amount of deferred tax assets at the end of each reporting period, and decrease the carrying value of deferred tax assets when it is not probable to generate sufficient taxable profit to recover all or part of deferred tax asset.

5. Financial Instruments by Category

5.1 Carrying Amounts of Financial Instruments by Category

Categorizations of financial assets as at June 30, 2017 and December 31, 2016, are as follows

(in millions of Korean won)	June 30, 2017									
	Loans and receivables	Financial assets at FVTPL	Held-to-maturity financial assets	Available-for-sale financial assets	Derivative financial assets for hedging	Total (Book amount)	Fair value			
Cash and cash equivalents	₩ 529,684	₩ -	₩ -	₩ -	₩ -	₩ 529,684	₩ 529,684			
Short- and long-term instrument financial assets	406,393	-	-	-	-	406,393	406,393			
Financial assets at FVTPL ¹	-	13,522	-	-	-	13,522	13,522			
Held-to-maturity financial assets	-	-	338	-	-	338	338			
Available-for-sale financial assets	-	-	-	49,634	-	49,634	49,634			
Trade and other receivables	456,175	-	-	-	-	456,175	456,175			
Due from customers for contract work, net	3,893,026	-	-	-	-	3,893,026	3,893,026			
Currency forward assets	-	-	-	-	17,613	17,613	17,613			
	₩ 5,285,278	₩ 13,522	₩ 338	₩ 49,634	₩ 17,613	₩ 5,366,385	₩ 5,366,385			

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	December 31, 2016													
	Loans and receivables		Financial assets at FVTPL		Held-to-maturity financial assets		Available-for-sale financial assets		Derivative financial assets for hedging		Total (Book amount)		Fair value	
Cash and cash equivalents	₩	144,293	₩	-	₩	-	₩	-	₩	-	₩	144,293	₩	144,293
Short- and long-term instrument financial assets		400,033		-		-		-		-		400,033		400,033
Financial assets at FVTPL ¹		-		7,140		-		-		-		7,140		7,140
Held-to-maturity financial assets		-		-		338		-		-		338		338
Available-for-sale financial assets		-		-		-		48,674		-		48,674		48,674
Trade and other receivables		616,896		-		-		-		-		616,896		616,896
Due from customers for contract work, net		4,462,694		-		-		-		-		4,462,694		4,462,694
	₩	5,623,916	₩	7,140	₩	338	₩	48,674	₩	-	₩	5,680,068	₩	5,680,068

¹ Financial assets at FVTPL consist of currency forward assets held for trading.

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

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Categorizations of financial liabilities as at June 30, 2017 and December 31, 2016, are as follows

<i>(in millions of Korean won)</i>	June 30, 2017				
	Financial liabilities at FVTPL	Other financial liabilities	Derivative financial liabilities for hedging	Total (Book amount)	Fair value
Financial liabilities at FVTPL ¹	₩ 6,341	₩ -	₩ -	₩ 6,341	₩ 6,341
Borrowings ²	-	2,500,485	-	2,500,485	2,097,614
Debentures ³	-	516,405	-	516,405	517,390
Trade and other payables	-	1,204,757	-	1,204,757	1,204,757
Currency forward liabilities	-	-	155,933	155,933	155,933
Financial guarantee liabilities	-	124,882	-	124,882	124,882
	<u>₩ 6,341</u>	<u>₩ 4,346,529</u>	<u>₩ 155,933</u>	<u>₩ 4,508,803</u>	<u>₩ 4,106,917</u>

<i>(in millions of Korean won)</i>	December 31, 2016				
	Financial liabilities at FVTPL	Other financial liabilities	Derivative financial liabilities for hedging	Total (Book amount)	Fair value
Financial liabilities at FVTPL ¹	₩ 10,931	₩ -	₩ -	₩ 10,931	₩ 10,931
Borrowings	-	4,325,687	-	4,325,687	4,325,591
Debentures	-	1,541,311	-	1,541,311	1,409,339
Trade and other payables	-	1,711,428	-	1,711,428	1,711,428
Currency forward liabilities	-	-	471,891	471,891	471,891
Financial guarantee liabilities	-	181,058	-	181,058	181,058
	<u>₩ 10,931</u>	<u>₩ 7,759,484</u>	<u>₩ 471,891</u>	<u>₩ 8,242,306</u>	<u>₩ 8,110,238</u>

¹ Financial liabilities at FVTPL consist of currency forward liabilities held for trading.

² In June 2017, the Company carried out debt-to-equity swap of certain borrowings from creditor banks and agreed to change the terms of the remaining liabilities, such as extending maturity and reducing interest rates (Note 43). The fair value of the borrowings has been recalculated in accordance with the changed terms.

³ In April 2017, the resolution of bondholders' meeting including debt-to-equity swap, extending maturity and reducing interest rates for the remaining liabilities was approved by the court, and the Company reached an agreement to amend the terms of CP contract (Note 43). The fair value of the debentures has been recalculated in accordance with the changed terms.

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The amounts of financial liabilities by category in above tables are sum of current and non-current liabilities.

5.2 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, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
Loans and receivables		
Interest income	₩ 8,803	₩ 5,626
Impairment loss	(235,210)	(239,574)
Losses on foreign currency translation, net	(186,200)	(12,801)
Gains (losses) on foreign currency transaction, net	(65,362)	44,985
Financial assets at FVTPL		
Gains on valuation of foreign exchange forward contracts, net	11,840	45,674
Gains on foreign exchange forward transaction, net	10,143	11,522
Held-to-maturity financial assets		
Interest income	4	4
Available-for-sale financial assets		
Interest income	-	329
Dividend income	476	1,169
Gains (losses) on valuation of AFS financial assets (other comprehensive income)	1,322	(9,810)
Gains on disposal of AFS financial assets	1,038	7,580
Derivative financial assets for hedging		
Gains on valuation of foreign exchange forward contracts, net	40,511	14,863
Gains on foreign exchange forward transaction, net	26,525	6,442
Financial liabilities at FVTPL		
Gains on valuation of foreign exchange forward contracts, net	1,034	5,854
Gains (losses) on foreign exchange forward transaction, net	1,056	(5,765)
Other financial liabilities		
Interest expenses	(91,147)	(120,668)
Gains on foreign currency translation, net	99,241	34,947
Gains (losses) on foreign currencies transaction, net	107,151	(3,196)
Reversal of (transfer to) financial guarantee liabilities	27,142	(76,318)
Gains on debt restructuring	1,370,748	-
Capitalized financial expenses	(81,452)	(109,056)
Derivative financial liabilities for hedging		
Gains on valuation of foreign exchange forward contracts, net	166,903	104,999
Gains (losses) on foreign exchange forward transaction, net	57,997	(10,994)

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6. Cash and Cash Equivalents

The cash and cash equivalents in the separate statement of cash flows are the same as the cash and cash equivalents in the separate statement of financial position. Details of cash and cash equivalents as at June 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2017		December 31, 2016	
Financial institution deposits	₩	529,684	₩	144,293

7. Restricted or Pledged Financial Assets

The restricted or pledged financial assets as at June 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2017		December 31, 2016		Description
Cash and cash equivalents	₩	128,866	₩	20,316	Pledged as collaterals for performance guarantee
Short-term financial asset		81,752		16,927	Pledged as collaterals for performance guarantee and others
Long-term financial asset		324,641		383,107	Pledged as collaterals for performance guarantee and others
	₩	<u>535,259</u>	₩	<u>420,350</u>	

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8. Trade and Other Receivables

8.1 Details of trade and other receivables as at June 30, 2017 and December 31, 2016, are as follows:

(in millions of Korean won)

	June 30, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
Receivables from construction contracts	₩ 297,984	₩ 995,959	₩ 383,042	₩ 1,136,496
Less: Provision for impairment	(113,480)	(885,579)	(113,936)	(1,004,763)
Receivables from construction contracts, net	184,504	110,380	269,106	131,732
Loans	553,922	325,782	423,874	462,667
Less: Provision for impairment	(523,909)	(293,559)	(381,840)	(412,049)
Loans, net	30,013	32,223	42,035	50,618
Other receivable	390,809	161,940	411,162	173,980
Less: Provision for impairment	(384,160)	(88,083)	(385,111)	(94,810)
Other receivable, net	6,649	73,857	26,052	79,170
Accrued income	79,016	33,165	81,456	33,111
Less: Provision for impairment	(78,888)	(28,109)	(81,221)	(28,374)
Accrued income, net	128	5,056	236	4,736
Deposits	-	31,025	-	31,082
Less: Provision for impairment	-	(17,660)	-	(17,871)
Deposits, net	-	13,365	-	13,211
	₩ 221,294	₩ 234,881	₩ 337,429	₩ 279,467

The impact from discount of trade and other receivables is immaterial; therefore, the difference between the book amount and fair value of the account is also immaterial.

8.2 Movements in the provision for impairment of trade and other receivables for the six-month period ended June 30, 2017 and for the year ended December 31, 2016, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2017					
	Receivables from construction contracts	Loans	Other receivables	Accrued income	Deposits	Total
Beginning balance	₩ 1,118,699	₩ 793,888	₩ 479,921	₩ 109,595	₩ 17,871	₩ 2,519,974
Impairment loss	(2,948)	(5,454)	(2,174)	(265)	(211)	(11,052)
Other	(116,692)	29,034	(5,504)	(2,333)	-	(95,495)
	₩ 999,059	₩ 817,468	₩ 472,243	₩ 106,997	₩ 17,660	₩ 2,413,427

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	Year ended December 31, 2016					
	Receivables from construction contracts	Loans	Other receivables	Accrued income	Deposits	Total
Beginning balance	₩ 999,504	₩ 438,280	₩ 210,103	₩ 112,358	₩ -	₩ 1,760,245
Impairment loss (reversal)	93,800	60,355	117,222	(2,763)	17,871	286,485
Other	25,396	295,253	152,596	-	-	473,245
	₩ 1,118,700	₩ 793,888	₩ 479,921	₩ 109,595	₩ 17,871	₩ 2,519,975

9. Held-to-maturity Financial Assets and Available-for-sale Financial Assets

9.1 Held-to-maturity Financial Assets

Details of HTM financial assets as at June 30, 2017 and December 31, 2016, are as follows:

(in millions of Korean won)	June 30, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
Government and public bonds	₩ 27	₩ 311	₩ 7	₩ 331

9.2 Available-for-Sale Financial Assets

Details of AFS financial assets as at June 30, 2017 and December 31, 2016, are as follows:

(in millions of Korean won)	June 30, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
Equity securities				
Listed securities	₩ -	₩ 8	₩ -	₩ 17
Beneficiary certificates	-	4,181	-	4,641
Non-listed securities	-	32,992	-	31,439
Equity investments	-	12,453	-	12,454
	-	49,634	-	48,550
Debt securities				
Government and public bonds and others	-	-	-	124
	₩ -	₩ 49,634	₩ -	₩ 48,674

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10. Inventories

Details of inventories as at June 30, 2017 and December 31, 2016, are as follows:

(in millions of Korean won)

	June 30, 2017			December 31, 2016		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
Work in process ¹	₩ 452,813	₩ (124,018)	₩ 328,795	₩ 454,841	₩ (68,444)	₩ 386,397
Raw materials	351,701	(83,335)	268,366	488,319	(91,758)	396,561
Supplies	10,436	-	10,436	10,094	-	10,094
Goods in transit	178,243	-	178,243	129,673	-	129,673
	₩ 993,193	₩ (207,353)	₩ 785,840	₩ 1,082,927	₩ (160,202)	₩ 922,725

¹ The Company's recognized construction in progress of which contract is terminated due to the customer's fault as work in process.

Inventories are stated in the separate 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 Company reverses the valuation loss up to the initially booked amount.

11. Other Assets

Details of other assets as at June 30, 2017 and December 31, 2016, are as follows:

(in millions of Korean won)

	June 30, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
Advance payments	₩ 909,181	₩ -	₩ 909,483	₩ -
Prepaid construction costs	1,985	-	1,825	-
Prepaid expenses	120,245	103,465	128,114	125,471
Others	22,713	5,794	32,513	5,795
	₩ 1,054,124	₩ 109,259	₩ 1,071,935	₩ 131,266

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12. Non-current Assets Held-for-sale

As described in Note 42, the Company entered into an agreement with major creditor bank to stabilize the Company's financial position including disposal plan of the Company's property, plant and equipment including the Seoul office building as physical self-help plan. The Company classified the assets that are expected to meet the terms of sale within one year as a non-current assets held for sale.

Details of assets of disposal group classified as held for sale as at June 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2017		December 31, 2016	
Land	₩	1,446	₩	33,843
Buildings		-		13,810
Construction-in-progress		36,312		50,846
Investments in subsidiaries		22,994		57,421
	₩	60,752	₩	155,920

The Company measured a non-current asset classified as held for sale at the lower of its book amount and fair value less costs to sell. There is no related profit and loss recognized as at June 30, 2017, as the book value exceeds the fair value less cost to sell.

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13. Investments in Subsidiaries

13.1 Details of the investments in subsidiaries of the Company as at June 30, 2017, and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	Location	Main business	Ownership interest (%)		Book value	
			June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
DW Mangalia Heavy Industries S.A.	Romania	Shipbuilding	51.00	51.00	-	-
DSEC Co., Ltd. ¹	Busan	Service and wholesale	70.07	70.07	-	-
Welliv Corp.	Geoje	Service	100.00	100.00	-	20,744
DSME Construction Co., Ltd	Incheon	Construction	99.18	99.18	-	2,250
DSME Shandong Co., Ltd	China	Manufacturing ship parts	100.00	100.00	89,017	89,017
Shinhan Heavy Industries Co., Ltd.	Ulsan	Manufacturing ship parts	89.22	89.22	-	-
DeWind Co.	USA	Developing wind power	100.00	100.00	-	-
Samwoo Heavy Industry Co., Ltd	Gwangyang	Manufacturing ship parts	100.00	100.00	-	-
DK Maritime S.A	Panama	Shipping	100.00	100.00	-	-
DSME Oman LLC	Oman	Development of real estate and related business activities	70.00	70.00	-	-
DSME Far East LLC	Russia	Ship building	100.00	100.00	1	1
PT.DSME ENR CEPU	Indonesia	Investments in mining	85.00	85.00	-	-
DSME Information and Consulting	Geoje	IT service	100.00	-	200	-
					₩ 89,218	₩ 112,012

¹ The Company classified investment in DSME Co., Ltd. as non-current assets held for sale during the prior period and disposed it during six-month period ended June 30, 2017.

13.2 Changes in the book value of investment in subsidiaries for the six-month ended June 30, 2017 and for the year ended December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2017			
	Beginning balance	Acquisition	Others ¹	Ending balance
Subsidiaries				
Welliv Corp.	20,744	-	(20,744)	-
DSME Construction Co., Ltd	2,250	-	(2,250)	-
DSME Shandong Co., Ltd	89,017	-	-	89,017
DSME Far East LLC	1	-	-	1
DSME Information and Consulting	-	200	-	200
	₩ 112,012	₩ 200	₩ (22,994)	₩ 89,218

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¹ The Company classified investments in Welliv Corp. and DSME Construction Co., Ltd. as non-current assets held for sale as they are planned to be disposed sale within one year.

(in millions of Korean won)

Subsidiaries	Year ended December 31, 2016			
	Beginning balance	Acquisition	Others ¹	Ending balance
DSEC Co., Ltd.	₩ 57,421	₩ -	₩ (57,421)	₩ -
Welliv Corp.	20,744	-	-	20,744
DSME Construction Co., Ltd	2,244	6	-	2,250
DSME Shandong Co., Ltd	89,017	-	-	89,017
Shinhan Heavy Industries Co., Ltd. ¹	66,493	-	(66,493)	-
Samwoo Heavy Industry Co., Ltd. ¹	54,567	243	(54,810)	-
DSME Far East LLC	1	-	-	1
	₩ <u>290,487</u>	₩ <u>249</u>	₩ <u>(178,724)</u>	₩ <u>112,012</u>

¹ As described in Note 42, the Company measured the amount of impairment loss of investments in subsidiaries due to evidence of impairment, regarding operating activities of subsidiaries related with the Company which faces decrease of sales volume, bad conditions of business environment and financial difficulties. After impairment test, the Company recognized impairment loss of ₩ 121,303 million on certain investments in subsidiaries during the prior period.

14. Investments in Associates and Joint Ventures

14.1 Details of investments in associates and joint ventures as at June 30, 2017 and December 31, 2016 are as follows:

(in millions of Korean won)

	Location	Main business	June 30, 2017		December 31, 2016		
			Ownership interest (%)	Book value	Ownership interest (%)	Book value	
Associates							
NIDAS Marine Ltd. ¹	Nigeria	Holding Company	-	₩ -	49.00	₩ -	
NIDAS Shipping Services Ltd. ¹	Cyprus	Shipping	-	-	13.00	-	
Korea Marine Finance Corp. ¹	Seoul	Service	-	-	35.29	3,748	
Wing Ship Technology Corp.	Daejeon	Production and sale WIG-craft	23.20	-	23.20	-	
TPI Megaline Co.,Ltd. ²	Seoul	Shipping	19.00	2,185	19.00	2,185	
Daehan Shipping Co., Ltd.	Haenam	Shipbuilding	23.35	-	23.35	-	
Joint ventures							
SBM Shipyard Ltd.	Angola	Holding Company	33.33	-	33.33	-	
				₩ <u>2,185</u>		₩ <u>5,933</u>	

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¹ During the six-month period ended June 30, 2017, the Company sold all of its interest in NIDAS Marine Ltd., NIDAS Shipping Services Ltd. and Korea Marine Finance Corp.

² Reclassified from available-for-sale financial assets as investments in associates during the prior period.

14.2 Changes in the book amount of the investments in associates and joint ventures for the six-month period ended June 30, 2017 and for the year ended December 31, 2016, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2017			
	Beginning balance	Acquisition	Disposal	Ending balance
Associates				
Korea Marine Finance Corp.	₩ 3,748	₩ -	₩ (3,748)	₩ -
TPI Megaline Co.,Ltd.	2,185	-	-	2,185
	<u>₩ 5,933</u>	<u>₩ -</u>	<u>₩ (3,748)</u>	<u>₩ 2,185</u>

(in millions of Korean won)

	Year ended December 31, 2016			
	Beginning balance	Acquisition	Other changes¹	Ending balance
Associates				
Korea Marine Finance Corp.	₩ 3,748	₩ -	₩ -	₩ 3,748
Dominus, Neostar private equity fund ¹	31,742	-	(31,742)	-
TPI Megaline Co.,Ltd.	-	2,185	-	2,185
Daehan Shipping Co., Ltd. ²	-	11,313	(11,313)	-
	<u>₩ 35,490</u>	<u>₩ 13,498</u>	<u>₩ (43,055)</u>	<u>₩ 5,933</u>

¹ During the prior period, the Company transferred its right to receive dividend distribution and the voting right as subordinated investor of the fund, to investors of convertible notes of Shinhan heavy industries Co., Ltd., one of the Group's subsidiaries, for redemption of the convertible notes. Accordingly, the Company ceased the significant influence over the fund and reclassified it as available-for-sale financial assets.

² Other changes consist of the impairment loss recognized relating to investment securities with impairment indicators

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15. Property, Plant and Equipment

Details of property, plant and equipment as at June 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2017				
	Cost	Government grants	Accumulated depreciation	Accumulated impairment losses	Book amount
Land	₩ 1,951,745	₩ -	₩ -	₩ (94,284)	₩ 1,857,461
Buildings	1,028,419	(5,577)	(369,435)	(81,874)	571,533
Structures	1,271,177	-	(395,122)	(80,186)	795,869
Machinery	900,214	(112)	(576,577)	(154,109)	169,416
Vehicle	170,467	-	(131,910)	(31,009)	7,548
Ships and aircraft	204,680	-	(103,791)	(14,012)	86,877
Others	534,274	(105)	(382,680)	(144,656)	6,833
Construction-in- progress	241,536	-	-	(19,536)	222,000
	<u>₩ 6,302,512</u>	<u>₩ (5,794)</u>	<u>₩ (1,959,515)</u>	<u>₩ (619,666)</u>	<u>₩ 3,717,537</u>

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<i>(in millions of Korean won)</i>	December 31, 2016					
	Cost	Revaluation surplus	Government grants	Accumulated depreciation	Accumulated impairment losses	Book amount
Land	₩ 1,402,956	₩ 549,911	₩ -	₩ -	₩ (101)	₩ 1,952,766
Buildings	1,027,763	-	(5,648)	(358,789)	(5,220)	658,106
Structures	1,270,360	-	-	(377,055)	-	893,305
Machinery	897,398	-	(139)	(559,529)	(6,422)	331,308
Vehicle	171,616	-	-	(128,501)	-	43,115
Ships and aircraft	204,680	-	-	(100,122)	-	104,558
Others	528,534	-	(120)	(363,162)	(7,448)	157,804
Construction-in-progress	327,859	-	-	-	(72,712)	255,147
	<u>₩ 5,831,166</u>	<u>₩ 549,911</u>	<u>₩ (5,907)</u>	<u>₩ (1,887,158)</u>	<u>₩ (91,903)</u>	<u>₩ 4,396,109</u>

Changes in the book amount of property, plant and equipment for the six-month period ended June 30, 2017 and the year ended December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2017					
	Land	Buildings and structure	Machinery	Others	Construction-in-progress	Total
At January 1	₩ 1,952,765	₩ 1,551,411	₩ 331,308	₩ 305,477	₩ 255,147	₩ 4,396,108
Acquisition	-	16	2,860	6,916	7,909	17,701
Disposals	(1,121)	(9)	(1)	(168)	(2,019)	(3,318)
Depreciation	-	(28,645)	(18,018)	(29,001)	-	(75,664)
Transfer and others ¹	(94,183)	(155,371)	(146,734)	(181,966)	(39,036)	(617,290)
At June 30	<u>₩ 1,857,461</u>	<u>₩ 1,367,402</u>	<u>₩ 169,415</u>	<u>₩ 101,258</u>	<u>₩ 222,001</u>	<u>₩ 3,717,537</u>

<i>(in millions of Korean won)</i>	Year ended December 31, 2016					
	Land	Buildings and structure	Machinery	Others	Construction-in-progress	Total
At January 1	₩ 2,142,613	₩ 1,629,346	₩ 344,681	₩ 317,073	₩ 365,576	₩ 4,799,289
Acquisition	16	408	19,454	51,311	27,154	98,343
Disposals	(124,761)	(82,116)	(3,014)	(814)	-	(210,705)
Depreciation	-	(59,250)	(38,071)	(59,341)	-	(156,662)
Transfer and others ¹	(65,103)	63,023	8,258	(2,752)	(137,583)	(134,157)
At December 31	<u>₩ 1,952,765</u>	<u>₩ 1,551,411</u>	<u>₩ 331,308</u>	<u>₩ 305,477</u>	<u>₩ 255,147</u>	<u>₩ 4,396,108</u>

¹ Others mainly consist of capitalized borrowing costs, transfer of construction-in-progress to property, plant and equipment, impairment loss on property, plant and equipment and others.

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As described in Note 42, the Company 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 Company recognized total ₩ 611,696 million of impairment loss on property, plant and equipment, intangible assets and investment properties(including decrease in revaluation surplus of ₩ 86,999 million). 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.

16. Pledged Assets

16.1 As at June 30, 2017, the Company's assets except deposits (Note 7) that are pledged as collaterals for borrowings 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
Investments in subsidiaries ¹	KRW	-	KRW	9,384	Loan guarantee	USD	49,141	KEXIM
Available-for-sale financial assets	KRW	11,500	KRW	889,382	Performance guarantee	KRW	-	KDIA
Property, plant and equipment, non-current assets held for sale and investment properties	KRW	3,503,230	KRW	3,735,200	Borrowings in Local currency	KRW	825,559	KDB, KEXIM
			USD	880,000	Borrowings in Foreign currencies	USD	1,025,412	
	KRW	3,514,730	KRW	4,633,966		KRW	825,559	
			USD	880,000		USD	1,074,553	

¹ The Company provides investment in subsidiaries as collateral for borrowing of PT. DSME ENR CEPU, a subsidiary of the Company.

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16.2 Significant guarantees provided to those other than the Company's related parties as at June 30, 2017, are as follows:

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

Provided for	Guarantee Amount		Lender
POSCO Daewoo Corporation	EUR	607	AKA
Korea Line Corp.	USD	120,675	KDB and others

16.3 As at June 30, 2017, the Export-Import Bank of Korea ("KEXIM") and others provide performance guarantees amounting to ₩2,130,616 million, USD 8,680 million, EUR 9 million, and GBP 200 million(KRW equivalent of ₩12,330,270 million) of advanced received refund guarantee to the Company to export ships and others. In return, the Company provides receivables of shipbuilding materials, ships under construction and others as collaterals.

17. Investment Properties

17.1 Investment properties as at June 30, 2017 and December 31, 2016, are as follows:

(in millions of Korean won)

	June 30, 2017		
	Land	Buildings	Total
Acquisition cost	₩ 4,661	₩ 8,473	₩ 13,134
Accumulated depreciation	-	(3,819)	(3,819)
Accumulated impairment	-	(1,353)	(1,353)
Book amount	₩ 4,661	₩ 3,301	₩ 7,962

(in millions of Korean won)

	December 31, 2016		
	Land	Buildings	Total
Acquisition cost	₩ 4,661	₩ 8,473	₩ 13,134
Accumulated depreciation	-	(3,749)	(3,749)
Book amount	₩ 4,661	₩ 4,724	₩ 9,385

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17.2 Changes in the book amounts of investment properties during the six-month period ended June 30, 2017 and the year ended December 31, 2016, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2017		
	Land	Buildings	Total
Beginning balance	₩ 4,661	₩ 4,724	₩ 9,385
Depreciation	-	(70)	(70)
Impairment	-	(1,353)	(1,353)
Ending balance	₩ 4,661	₩ 3,301	₩ 7,962

(in millions of Korean won)

	Year ended December 31, 2016		
	Land	Buildings	Total
Beginning balance	₩ 5,267	₩ 7,218	₩ 12,485
Disposal	-	(142)	(142)
Transferred to property, plant and equipment	(606)	(2,352)	(2,958)
Ending balance	₩ 4,661	₩ 4,724	₩ 9,385

18. Intangible Assets

Intangible assets as at June 30, 2017 and December 31, 2016, consist of:

(in millions of Korean won)	June 30, 2017			December 31, 2016		
	Cost	Accumulated amortization ¹	Book amount	Cost	Accumulated amortization ¹	Book amount
	₩ 55,460	₩ (48,676)	₩ 6,784	₩ 54,630	₩ (17,609)	₩ 37,021

¹ Accumulated impairment losses are included.

Changes in book amounts of intangible assets for the six-month period ended June 30, 2017 and the year ended December 31, 2016, are as follows:

(in millions of Korean won)	Six-month period ended June 30, 2017				
	Intellectual property rights	Development costs	Facility usage rights	Others	Total
Beginning balance	₩ 9,755	₩ 26,214	₩ 431	₩ 622	₩ 37,022
Additions (disposals)	1,314	302	-	-	1,616
Amortization	(839)	(1,796)	(50)	-	(2,685)
Impairment loss	(10,230)	(18,720)	(380)	161	(29,169)
Ending balance	₩ -	₩ 6,000	₩ 1	₩ 583	₩ 6,784

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<i>(in millions of Korean won)</i>	Year ended December 31, 2016				
	Intellectual property rights	Development costs	Facility usage rights	Others	Total
Beginning balance	₩ 8,760	₩ 28,826	₩ 531	₩ 1,913	₩ 40,030
Additions (disposals)	2,500	3,531	-	(706)	5,325
Amortization	(1,505)	(2,702)	(100)	-	(4,307)
Impairment loss	-	(3,442)	-	(585)	(4,027)
Ending balance	₩ 9,755	₩ 26,213	₩ 431	₩ 622	₩ 37,021

19. Trade and Other Payables

Trade and other payables as at June 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
Trade payables	₩ 785,960	₩ -	₩ 1,029,288	₩ -
Other payable	215,392	103,867	438,815	136,808
Accrued expenses	84,477	-	89,510	-
Deposits received	15,061	-	17,007	-
	₩ 1,100,890	₩ 103,867	₩ 1,574,620	₩ 136,808

20. Debentures

Details of the book amount of debentures as at June 30, 2017 and December 31, 2016, are as follows:

Type	Maturity date	Annual interest rate (%) June 30, 2017	June 30, 2017	December 31, 2016
6-1 st non-guarantee bonds	April 21, 2023	1.00	₩ 220,000	₩ 440,000
4-2 nd non-guarantee bonds	April 21, 2023	1.00	150,000	300,000
5-2 nd non-guarantee bonds	April 21, 2023	1.00	100,000	200,000
7 th non-guarantee bonds	April 21, 2023	1.00	150,000	350,000
6-2 nd non-guarantee bonds	April 21, 2023	1.00	30,000	60,000
Commercial papers ¹	April 21, 2023	1.00	101,894	200,000
			751,894	1,550,000
	Less: discount on debentures		(235,489)	(8,689)
	Less: current portion		-	(1,348,886)
			₩ 516,405	₩ 192,425

¹ Commercial papers issued by the Company are classified as debentures.

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As described in Note 43, the Company and bond holders agreed to debt restructuring which includes the debt-to-equity swap of 50% or more of existing corporate bonds and CP, extending the maturity of remaining bonds and CP and decreasing interest rate of remaining bonds through bondholders' meeting and amendment of CP contract related to terms and conditions of issuing, respectively, during April, 2017. In accordance with this debt restructuring plan debt-to-equity swap of corporate bonds and CP is planned to be executed on August 11, 2017 (See Note 43, 45)

21. Borrowings

21.1 Short-term borrowings

Details of the book amount of short-term borrowings as at June 30, 2017 and December 31, 2016, are as follows:

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

Denominated currency	Creditor	Annual interest rate (%)	In June 30, 2017		In December 31, 2016	
			Foreign currency	Korean Equivalents	Foreign currency	Korean equivalents
Short-term borrowings in Korean won	Kookmin Bank	-	- ₩	1,077	- ₩	96,645
	KDB	3.00	-	532,659	-	441,891
	KEXIM	3.00	-	292,900	-	254,000
	KEB Hana Bank	-	-	-	-	200,000
	Woori Bank	-	-	-	-	100,000
				<u>826,636</u>		<u>1,092,536</u>
Short-term borrowings in foreign currency	KDB and others	12ML+0.45, other	USD 369,415	420,985	USD 542,659	655,803
	KEXIM	3ML +2.65, other	USD 119,169	135,805	USD 397,985	480,965
	KEB Hana Bank	-	USD -	-	USD 225,000	271,913
			<u>USD 488,584</u>	<u>556,790</u>	<u>USD 1,165,644</u>	<u>1,408,681</u>
				<u>₩ 1,383,426</u>		<u>₩ 2,501,217</u>

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21.2 Long-term borrowings

Details of the book amount of long-term borrowings as at June 30, 2017 and December 31, 2016, are as follows:

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

Denominated currency	Creditor	Annual interest rate (%) June 30, 2017	June 30, 2017		December 31, 2016	
			Foreign currency	Korean equivalents	Foreign currency	Korean equivalents
	KDB	-	- W	-	- W	119,900
Long-term borrowings in Korean won	Woori Bank	-	-	-	-	60
	Korea Housing Guarantee	-	-	113	-	117
	Kookmin Bank	1.00	-	20,000	-	-
	KEB Hana Bank	1.00	-	91,912	-	-
	Woori Bank	1.00	-	19,972	-	-
				<u>131,997</u>		<u>120,077</u>
Long-term borrowings in foreign currency	KDB	3M Libor+2.55, other	USD 730,000	831,908	USD 730,000	882,205
	Korea National Oil Corp.	2.50	USD 11,712	12,967	USD 11,802	13,069
	KEXIM	6M Libor+3.05	USD 15,750	17,949	USD 15,750	19,034
		3M Libor+2.40, other	USD 160,493	182,897	USD 653,774	790,086
			USD 917,955	<u>1,045,721</u>	USD 1,411,326	<u>1,704,394</u>
				1,177,718		1,824,471
	Less: Current portion			(804,839)		(1,171,734)
	Less: discount on loans			(60,660)		-
			<u>₩ 312,219</u>		<u>₩ 652,737</u>	

Above long-term borrowings will be repaid in installment basis. The Company's property, plant and equipment are pledged as collaterals in relation to those borrowings (Note 16).

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22. Other Liabilities

Other liabilities as at June 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2017		December 31, 2016	
Advance received	₩	13,130	₩	17,272
Income in advance		-		53
Withholdings		64,541		79,832
	₩	<u>77,671</u>	₩	<u>97,157</u>

23. Net Defined Benefit Liabilities

23.1 As at June 30, 2017 and December 31, 2016, amounts recognized in the separate statement of financial position are as follows:

<i>(in millions of Korean won)</i>	June 30, 2017		December 31, 2016	
Present value of defined benefit obligation	₩	384,619	₩	397,046
Fair value of plan assets		(222,398)		(249,649)
Other long-term employee benefit liabilities		162,221		147,397
Net defined benefit liabilities	₩	<u>24,084</u>	₩	<u>24,646</u>

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23.2 Changes in net defined benefit liability for the six-month period ended June 30, 2017 and for the year ended December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2017			
	Present value of defined benefit obligations	Plan assets	Other long-term employee benefit liabilities	Total
Beginning of the period	₩ 397,046	₩ (249,648)	₩ 24,646	₩ 172,044
Current service cost	26,629	-	751	27,380
Interest cost (Interest income)	5,517	(3,239)	298	2,216
	<u>428,832</u>	<u>(252,887)</u>	<u>25,695</u>	<u>201,640</u>
Remeasurements:				
Return on plan assets	-	2,409	-	2,409
Actuarial gains arising from changes in financial assumptions	(3,932)	-	(149)	(4,081)
Actuarial losses(gains) arising from experience adjustments and others	7,563	-	(1,159)	6,404
	<u>3,631</u>	<u>2,409</u>	<u>(1,308)</u>	<u>4,732</u>
Contributions	-	(13)	-	(13)
Benefits paid	(47,845)	28,093	(303)	(20,055)
	<u>₩ 364,618</u>	<u>₩ (222,398)</u>	<u>₩ 24,084</u>	<u>₩ 186,304</u>

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<i>(in millions of Korean won)</i>	Year ended December 31, 2016			
	Present value of defined benefit obligations	Plan assets	Other long-term employee benefit liabilities	Total
Beginning of the year	₩ 481,403	₩ (312,740)	₩ 36,597	₩ 205,260
Current service cost	70,271	-	(6,323)	63,948
Past service cost	(5,619)	-	-	(5,619)
Interest cost (Interest income)	11,792	(7,853)	668	4,607
	<u>557,847</u>	<u>(320,593)</u>	<u>30,942</u>	<u>268,196</u>
Remeasurements:				
Return on plan assets	-	3,522	-	3,522
Actuarial gains arising from changes in financial assumptions	(36,196)	-	(660)	(36,856)
Actuarial gains arising from experience adjustments and others	(12,748)	-	(3,893)	(16,641)
	<u>(48,944)</u>	<u>3,522</u>	<u>(4,553)</u>	<u>(49,975)</u>
Contributions	-	(3,000)	-	(3,000)
Benefits paid	(111,857)	70,422	(1,742)	(43,177)
	<u>₩ 397,046</u>	<u>₩ (249,649)</u>	<u>₩ 24,647</u>	<u>₩ 172,044</u>

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24. Provisions

Changes in provisions for construction warranties and other provisions for the six-month period ended June 30, 2017 and for the year ended December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2017			
		Provision for construction warranties	Other provisions	Total
Beginning balance	₩	128,436	₩ 201,431	₩ 329,867
Additional provisions		24,817	284,256	309,073
Used during period		(6,526)	(35,959)	(42,485)
Ending balance	₩	<u>146,727</u>	₩ <u>449,728</u>	₩ <u>596,455</u>

<i>(in millions of Korean won)</i>	Year ended December 31, 2016			
		Provision for construction warranties	Other provisions	Total
Beginning balance	₩	77,845	₩ 50,184	₩ 128,029
Additional provisions		85,109	178,468	263,577
Used during year		(34,518)	(27,221)	(61,739)
Ending balance	₩	<u>128,436</u>	₩ <u>201,431</u>	₩ <u>329,867</u>

25. Income Taxes Expense

Income tax expense for the six-month periods ended June 30, 2017 and 2016, consists of:

<i>(in millions of Korean won)</i>	2017		2016	
Income tax payable	₩	194	₩	507
Changes in deferred income tax from temporary differences		(16,050)		849,643
Total amount of income tax effect		(15,856)		850,150
Income tax directly reflected to shareholders' equity		22,340		3,176
Income tax expense	₩	<u>6,484</u>	₩	<u>853,326</u>

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The tax on the Company's profits (losses) before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profits (losses) of the Company as follows:

<i>(in millions of Korean won)</i>	2017		2016	
Profit (loss) before tax	₩	1,495,631	₩	(370,388)
Tax calculated at applicable tax rates		361,942		(89,634)
Adjustments:				
Tax effect of permanent differences		194		507
Unrecognized deferred tax assets		(355,652)		942,453
Income tax expense	₩	6,484	₩	853,326

26. Derivative Instruments

Details of derivative instruments held for hedging and trading purposes as at June 30, 2017, and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2017						
	Sales	Other non-operating income (expense)	Firm commitment assets ¹	Firm Commitment Liabilities ¹	Due to customer under construction contract	Currency forward assets	Currency forward liabilities
For fair value hedging ¹	₩ (40,019)	₩ (2,728)	₩ 142,407	₩ 15,986	₩ (4,940)	₩ 17,613	₩ 155,933
For trading ²	-	24,073	-	-	-	13,522	6,341
	₩ (40,019)	₩ 21,345	₩ 142,407	₩ 15,986	₩ (4,940)	₩ 31,135	₩ 162,274

<i>(in millions of Korean won)</i>	December 31, 2016						
	Sales	Other non-operating income (expense)	Firm commitment assets ¹	Firm Commitment Liabilities ¹	Due to customer under construction contract	Currency forward assets	Currency forward liabilities
For fair value hedging ¹	₩ (211,252)	₩ 11,565	₩ 458,162	₩ 1,708	₩ (9,589)	₩ -	₩ 471,891
For trading ²	-	44,225	-	-	-	7,140	10,931
	₩ (211,252)	₩ 55,790	₩ 458,162	₩ 1,708	₩ (9,589)	₩ 7,140	₩ 482,822

¹ The Company has entered into currency forward contracts (Korean won against USD) in order to hedge exchange rate fluctuation risk and applied fair value hedge accounting to the respective firm commitment as at June 30, 2017.

² The Company recognized currency forward assets and liabilities held for trading purpose as financial assets (liabilities) at FVTPL.

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27. Capital

On August 23, 2004, the Company 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 Company's issued shares and the ordinary share presented in the separate statement of financial position are not identical as at June 30, 2017 and December 31, 2016.

The Company's total number of authorized shares, issued shares and par value per share are 800,000,000, 85,223,996 and ₩5,000, respectively, as at June 30, 2017 and December 31, 2016.

Changes in number of shares and share capital for the six-month period ended June 30, 2017 and the year ended December 31, 2016, are as follows:

<i>(in millions of Korean won, and in number of shares)</i>	Details	Number of shares (shares)	Share capital
January 1, 2016	Beginning balance	273,415,368	1,372,077
December 26, 2016	Capital reduction without consideration	(60,217,183)	(301,086)
December 26, 2016	Share consolidation	(191,878,367)	(959,392)
December 29, 2016	Capital increase	44,257,142	221,286
December 31, 2016	Ending balance	65,576,960	332,885
January 1, 2017	Beginning balance	65,576,960	332,885
June 29, 2017	Debt to equity swap (Note 43)	19,647,036	98,235
June 30, 2017	Ending balance	85,223,996	431,120

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28. Accumulated Deficits

Accumulates deficits as at June 30, 2017 and December 31, 2016, consist of:

<i>(in millions of Korean won)</i>	June 30, 2017		December 31, 2016	
Legal reserves ¹	₩	81,080	₩	81,080
Reserve for research and human resource development		70,000		138,333
Reserve for facility expansion		3,450,000		3,450,000
Reserve for dividend equalization		70,000		70,000
Retained earnings before appropriation (Accumulated deficit before disposition)		(3,704,749)		(8,068,869)
	₩	<u>(33,669)</u>	₩	<u>(4,329,456)</u>

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued share capital. The reserve is not available for cash dividends payment, but may be transferred to share capital or used to reduce accumulated deficit.

29. Other Contributed Capital and Components of Other Capital

29.1 Other contributed capital as at June 30, 2017 and December 31, 2016, consists of:

<i>(in millions of Korean won)</i>	June 30, 2017		December 31, 2016	
Other contributed capital				
Gain on capital reduction	₩	-	₩	1,260,478
Share premium		252,367		1,565,148
Others ¹		148,704		(16,798)
		401,071		2,808,828
Components of other capital				
Revaluation surplus of property, plant and equipment		350,492		416,891
Gain on valuation of AFS securities		10,770		9,768
	₩	<u>361,262</u>	₩	<u>426,660</u>

¹ Others include ₩ 166,492 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.

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29.2 Hybrid Capital Instrument

Hybrid capital instrument as at June 30, 2017 and December 31, 2016, consists of:

<i>(in millions of Korean won)</i>	June 30, 2017	December 31, 2016
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	-
	<u>₩ 2,284,775</u>	<u>₩ 1,000,000</u>

¹ As at December 29, 2016, the Company issued convertible to KEXIM to secure its capital, by offsetting 1 trillion won (1,000,000 million won) of the outstanding balance of export financing loan made from November 25, 2015 to December 12, 2016.

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 Company are changed as at June 28, 2017, and the current are as follows:

	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 Company's retained earnings or purchased, repaid by the Company
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 Company issued convertible bonds to KEXIM to secure its capital, by offsetting 1,284,775 million won of the outstanding balance of export financing loan made from October 17, 2014 to February 9, 2017.

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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 Company 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 Company's retained earnings or purchased, repaid by the Company
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

30. Earnings Per Share

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

Basic earnings per share for the three-month and six-month periods ended June 30, 2017 and 2016, are as follows:

<i>(Korean won)</i>	2017	
	Three months	Six months
Profit for the period	₩ 1,266,592,952,959	₩ 1,489,146,540,760
Paid interest of hybrid capital instrument	(7,506,849,310)	(15,006,849,310)
Profit on ordinary shares	1,259,086,103,649	1,474,139,691,450
Weighted average number of ordinary shares outstanding	66,118,285	65,844,107
Basic earnings per share	₩ 19,156	₩ 22,616

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<i>(Korean won)</i>	2016			
	Three months		Six months	
Loss for the period	₩	(1,404,464,656,565)	₩	(1,223,714,284,728)
Loss on ordinary shares		(1,404,464,656,565)		(1,223,714,284,728)
Weighted average number of ordinary shares outstanding		21,319,818		21,319,818
Basic losses per share	₩	(65,876)	₩	(57,398)

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, 2017 and for the six-month period ended June 30, 2016, is as follows:

<i>(in millions of Korean won)</i>	June 30, 2017 (3 months)				
	Issued Shares ¹	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 ¹	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

<i>(in millions of Korean won)</i>	June 30, 2016 (6 months)				
	Issued Shares ¹	Treasury Shares	Outstanding Shares	Number of days	Weighted average number of ordinary shares outstanding
Jan 1, 2016	21,319,818	-	21,319,818	182	21,319,818
				182	21,319,818

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¹ The Company retired 60,217,183 shares owned by the largest shareholder on December 26, 2016. And, the Company decided to merge the remaining shares at the ratio of 10:1 (Note 27). The weighted average number of ordinary shares outstanding has been adjusted to reflect the effect of capital reduction without consideration on the beginning of the earliest period comparatively presented.

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 company issued dilutive securities as convertible bonds (hybrid capital instrument). Convertible bonds are assumed that converted to ordinary shares and interest cost of the convertible bonds added to earnings of ordinary shares.

<i>(Korean won)</i>	2017			
	Three months		Six months	
Profit for the period	₩	1,266,592,952,959	₩	1,489,146,540,760
Interest of convertible bonds (hybrid capital instrument)		7,506,849,310		15,006,849,310
Profit used to determine diluted EPS		1,274,099,802,269		1,504,153,390,070
Weighted average number of ordinary shares outstanding		66,118,285		65,844,107
Adjustment:				
Assumption of conversion of permanent bonds ¹		24,783,147		24,883,026
Weighted average number of ordinary shares outstanding		90,901,432		90,727,133
Diluted earnings per share ¹	₩	14,016	₩	16,579

<i>(Korean won)</i>	2016			
	Three months		Six months	
Profit for the period	₩	(1,404,464,656,565)	₩	(1,223,714,284,728)
Interest of convertible bonds (hybrid capital instrument)		-		-
Profit used to determine diluted EPS		(1,404,464,656,565)		(1,223,714,284,728)
Weighted average number of ordinary shares outstanding		21,319,818		21,319,818
Adjustment:				
Assumption of conversion of permanent bonds ¹		-		-
Weighted average number of ordinary shares outstanding		21,319,818		21,319,818
Diluted loss per share ¹	₩	(65,876)	₩	(57,398)

¹ Diluted earnings per share for the three-month and six-month periods ended June 30, 2016, are the same as the basic earnings per share since there are no dilutive potential common shares and dilutive effect.

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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, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Six months	Three months	Six months
Advertising	₩ 113	₩ 438	₩ 322	₩ 656
Commission	36,782	79,819	26,968	59,678
	<u>₩ 36,895</u>	<u>₩ 80,257</u>	<u>₩ 27,290</u>	<u>₩ 60,334</u>

31.2 Details of administrative expenses for the three-month and six-month periods ended June 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Six months	Three months	Six months
Salaries	₩ 9,053	₩ 20,382	₩ 14,923	₩ 30,308
Post-employment benefits	902	2,074	1,282	2,654
Employee benefits	2,210	5,364	4,522	7,774
Rental expenses	4,204	8,117	802	1,942
Depreciation	1,234	2,768	1,903	3,777
Impairment loss	256,455	235,083	144,203	143,246
Repairs and maintenance expense	5,813	14,312	1,268	1,652
Travel expense	513	1,011	868	1,537
Training expense	166	318	758	1,596
Administrative service costs	2,360	4,303	2,029	3,965
Other	66,496	69,221	5,590	10,277
	<u>₩ 349,406</u>	<u>₩ 362,953</u>	<u>₩ 178,148</u>	<u>₩ 208,728</u>

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32. Finance Income and Costs

The Company 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, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Six months	Three months	Six months
Interest income:				
Deposits	₩ 964	₩ 1,799	₩ 701	₩ 1,636
Loans and receivables	3,729	7,005	2,195	3,989
Other interest income	2	4	107	333
	<u>4,695</u>	<u>8,808</u>	<u>3,003</u>	<u>5,958</u>
Dividend income:				
AFS financial assets	-	476	-	1,169
Investments in associates	-	196	-	-
	<u>-</u>	<u>672</u>	<u>-</u>	<u>1,169</u>
Reversal of financial guarantee liabilities:				
Subsidiaries and others	3,608	27,141	(12,040)	-
Changes in liabilities	1,370,748	1,370,748	-	-
	<u>1,379,051</u>	<u>1,407,369</u>	<u>(9,037)</u>	<u>7,127</u>
Interest expenses:				
Bank overdrafts and interests on loans	47,490	91,147	63,470	120,668
Less: Amount included in cost of qualifying assets	(35,698)	(66,038)	(45,122)	(90,051)
	<u>11,792</u>	<u>25,109</u>	<u>18,348</u>	<u>30,617</u>
Transfer to financial guarantee liabilities:				
Subsidiaries and others	-	-	76,318	76,318
	<u>11,792</u>	<u>25,109</u>	<u>94,666</u>	<u>106,935</u>
Net finance income(cost)	₩ 1,367,259	₩ 1,382,260	₩ (103,703)	₩ (99,808)

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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, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Six months	Three months	Six months
Gain on foreign currency transactions	₩ 129,220	₩ 213,206	₩ 49,173	₩ 143,724
Gain on foreign exchange translations	(167,786)	170,481	(37,710)	70,214
	(38,566)	383,687	11,463	213,938
Loss on foreign currency transactions	51,279	171,417	41,443	178,260
Less: Amount included in cost of qualifying assets	-	-	(2,750)	(15,418)
Loss on foreign currency transactions, net	51,279	171,417	38,693	162,842
Loss on foreign exchange translations	(115,811)	257,441	(37,841)	48,067
Less: Amount included in cost of qualifying assets	(2,744)	(2,744)	(3,012)	(3,587)
Loss on foreign exchange translations, net	(118,555)	254,697	(40,853)	44,480
	(67,276)	426,114	(2,160)	207,322
Net foreign exchange gains and losses	₩ 28,710	₩ (42,427)	₩ 13,623	₩ 6,616

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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, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Six months	Three months	Six months
Gain on valuation of firm commitment	₩ 4,621	₩ 4,625	₩ 2,235	₩ 7,324
Gain on valuation of currency forward	(186,305)	228,851	(66,614)	172,948
Gain on currency forward transactions	58,206	95,938	22,667	36,218
Gain on disposal of available-for-sales securities	1,028	1,038	8,479	10,411
Gain on disposal of property, plant and equipment	1,231	1,438	2,242	2,346
Others	22,582	66,342	14,906	18,111
	<u>₩ (98,637)</u>	<u>₩ 398,232</u>	<u>₩ (16,085)</u>	<u>₩ 247,358</u>

34.2 Details of other non-operating expenses for the three-month and six-month periods ended June 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Six months	Three months	Six months
Loss on valuation of firm commitment	₩ (119,844)	₩ 299,288	₩ (36,950)	₩ 144,040
Loss on valuation of currency forward	8,560	8,563	1,463	1,558
Loss on currency forward transactions	183	217	5,933	35,013
Loss on disposal of property, plant and equipment	-	116	12,604	12,695
Other provision for impairment	2,032	127	96,493	96,328
Impairment loss of property, plant and equipment	493,940	493,940	10,496	10,496
Impairment loss of intangible assets	29,403	29,403	-	-
Impairment loss of investment properties	1,353	1,353	-	-
Others	295,486	299,461	66,163	66,204
	<u>₩ 711,113</u>	<u>₩ 1,132,468</u>	<u>₩ 156,202</u>	<u>₩ 366,334</u>

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35. Expenses by Nature

Expenses classified by nature for the six-month periods ended June 30, 2017 and 2016, are as follows:

(in millions of Korean won)

	2017		
	Selling and administrative and research and development expenses	Cost of sales	Total
Changes in inventories	₩ -	₩ 76,737	₩ 76,737
Purchase of raw materials	-	2,045,194	2,045,194
Employee benefits	31,254	311,983	343,237
Depreciation	3,374	72,361	75,735
Amortization	38	2,647	2,685
Commission	85,024	64,540	149,564
Travel	1,011	4,187	5,198
Administrative service fees	4,507	33,878	38,385
Rent	8,180	9,891	18,071
Others	329,507	1,813,142	2,142,649
	<u>₩ 462,895</u>	<u>₩ 4,434,560</u>	<u>₩ 4,897,455</u>

(in millions of Korean won)

	2016		
	Selling and administrative and research and development expenses	Cost of sales	Total
Changes in inventories	₩ -	₩ 16,535	₩ 16,535
Purchase of raw materials	-	2,801,249	2,801,249
Employee benefits	50,880	545,086	595,966
Depreciation	4,365	73,014	77,379
Amortization	-	2,083	2,083
Commission	59,678	37,163	96,841
Travel	1,690	6,095	7,785
Administrative service fees	3,968	34,393	38,361
Rent	1,999	22,028	24,027
Others	174,644	2,650,676	2,825,320
	<u>₩ 297,224</u>	<u>₩ 6,188,322</u>	<u>₩ 6,485,546</u>

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36. Related Parties

36.1 Related parties of the Company as at June 30, 2017, are as follows:

	Company
Parent Company	KDB
Subsidiaries	DW Mangalia Heavy Industries S.A., DSEC Co., Ltd., Welliv Corp., DSME Construction Co., Ltd., DSME Shandong Co., Ltd., DSME Information and Consulting, Shinhan Heavy Industry Co.,Ltd., DeWind Co., Samwoo Heavy Industry Co., Ltd., DeWind NOVUS III LLC, DeWind FRISCO LLC, DK Maritime S.A., DSME Oman LLC, DSME Far East LLC, Little Pringle I, Little Pringle II, PT. DSME ENR CEPU
Associates	Wing Ship Technology Corp., DAEHAN SHIPBUILDING CO.,LTD and TPI Megaline Co.,Ltd.
Joint ventures	SBM Shipyard Ltd., KODE NOVUS I LLC and KODE NOVUS II LLC
Other related parties	PAENAL YARD, D&H Solutions AS, PT. Petrogas Jatim Utama Cendana, PT. DSME Indonesia(DECI), DSME Kazakhstan LLP, DSME Offshore Engineering Center, Daegu Boramae Inc., DSME Construction LLC, KC Kazakh B.V., Pangea LNG B.V., SEYOUNG Academy for middle school students and others and related parties of KDB and others ¹ .

¹ Disclosure of the Company do not consist of all transactions, commitments and outstanding balances in accordance with Korean IFRS 1024, para 25.

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36.2 Significant transactions with the related parties for the six-month periods ended June 30, 2017, and 2016, are as follows:

<i>(in millions of Korean won)</i>			2017	2016
Parent Company:				
KDB	Interest and other income	₩	172,290	₩ 103,965
	Interest and other expenses		34,234	58,726
	Proceeds from borrowings		363,800	1,302,000
	Redemption of borrowings		407,848	325,632
	Debt-to-equity swap		268,932	-
Subsidiaries:				
Shinhan Heavy Industry Co., Ltd.	Sales		731	451
	Purchases		109,575	118,313
	Interest and other income		1,168	432
DSME Shandong Co., Ltd.	Purchases		88,023	47,943
D.M.H.I	Sales		4,206	-
	Interest and other income		1,362	1,220
	Increase in loans		14,675	298,188
	Decrease in loans		28,559	61,180
Other subsidiaries	Sales		2,907	2,270
	Purchases		116,559	197,039
	Interest and other income		1,403	2,183
	Interest and other expense		23,894	161,403
	Increase in loans		21,380	-
	Decrease in loans		6,841	126
Associates and Joint ventures:				
DAEHAN SHIPBUILDING CO.,LTD and others	Sales		626	50
	Purchases		8,701	-
	Interest and other income		1,063	708
	Decrease in loans		5,347	-
Other related parties:				
Related parties of KDB and others	Sales		6	5
	Purchases		42,248	60,858
	Interest and other income		69	235
	Interest and other expense		241	-
	Decrease in loans		384	-
Total	Sales	₩	8,476	₩ 2,776
	Purchases		365,106	424,153
	Interest and other income		177,355	108,743
	Interest and other expense		58,369	220,129
	Increase in loans		36,056	298,188
	Decrease in loans		41,131	61,306
	Proceeds from borrowings		363,800	1,302,000
	Redemption of borrowings		407,848	325,632
	Debt-to-equity Swap		268,932	-

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36.3 Significant receivables from and payables to the related parties as at June 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2017					
	Financial instruments and others	Trade receivables	Other receivables	Loans and others	Borrowings	Other payables
Parent Company:						
KDB	₩ 1,068,734	₩ -	₩ 24,274	₩ 30,525	₩ 1,482,803	₩ 99,555
Subsidiaries:						
Shinhan Heavy Industry Co., Ltd.	-	74	225	60,006	-	697
DSME Shandong Co., Ltd.	-	-	1	1,995	-	5,363
D.M.H.I	-	55,076	375,060	452,019	-	6,645
Dewind Co.	-	-	-	115,551	-	12
DK Maritime S.A.	-	84,837	-	-	-	-
Other subsidiaries	-	141	9	124,669	-	17,577
Associates:						
DAEHAN Shipbuilding Co. Ltd. and others	-	91	2,234	-	-	1,440
Joint ventures:						
SBM Shipyards Ltd. and others	-	-	-	183,133	-	-
Other related parties:						
Pangea LNG B.V and others	-	4,139	2	32,846	-	-
Related parties of KDB:						
Related parties of KDB and others	4,182	1	-	18,303	-	2,275
	<u>₩ 1,072,916</u>	<u>₩ 144,359</u>	<u>₩ 401,805</u>	<u>₩ 1,019,047</u>	<u>₩ 1,482,803</u>	<u>₩ 133,564</u>

Amount before deduction of provision for impairment loss.

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<i>(in millions of Korean won)</i>	December 31, 2016					
	Financial instruments and others	Trade receivables	Other receivables	Loans and others	Borrowings	Other payables
Parent Company:						
KDB	₩ 683,922	₩ -	₩ 25,796	₩ 3,228	₩ 1,889,841	₩ 230,420
Subsidiaries:						
Shinhan Heavy Industry Co., Ltd.	-	142	155	60,006	-	6,980
DSME Shandong Co., Ltd.	-	-	1	794	-	1,439
D.M.H.I	-	55,076	375,109	466,235	-	13,649
Dewind Co.	-	-	-	94,340	-	13
DK Maritime S.A.	-	84,837	-	-	-	-
Other subsidiaries	-	252	5,121	132,723	-	66,531
Associates:						
DAEHAN SHIPBUILDING CO., LTD. and others	-	229	3,352	5,616	-	22,511
Joint ventures:						
SBM Shipyards Ltd. and others	-	-	-	183,133	-	-
Other related parties:						
Pangea LNG B.V and others	-	1,590	2	32,957	-	1,902
Related parties of KDB:						
Related parties of KDB and others	-	-	-	10,719	-	11,768
	<u>₩ 683,922</u>	<u>₩ 142,126</u>	<u>₩ 409,536</u>	<u>₩ 989,751</u>	<u>₩ 1,889,841</u>	<u>₩ 355,213</u>

Amount before deduction of provision for impairment loss.

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Meanwhile, changes in provision for impairment of trade and other receivables in relation to the above for the six-month period ended June 30, 2017 and year ended December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2017			
	Beginning balance	Impairment loss	Others¹	Ending balance
Trade receivables	₩ 139,913	₩ -	₩ -	₩ 139,913
Other receivables	375,060	-	-	375,060
Loans and others	911,319	(5,720)	29,035	934,634
	<u>₩ 1,426,292</u>	<u>₩ (5,720)</u>	<u>₩ 29,035</u>	<u>₩ 1,449,607</u>

<i>(in millions of Korean won)</i>	Year ended December 31, 2016			
	Beginning balance	Impairment loss (reversal)	Others^{1,2}	Ending balance
Trade receivables	₩ 151,592	₩ (3,584)	₩ (8,095)	₩ 139,913
Other receivables	201,248	30,344	143,468	375,060
Loans and others	522,649	72,527	316,143	911,319
	<u>₩ 875,489</u>	<u>₩ 99,287</u>	<u>₩ 451,516</u>	<u>₩ 1,426,292</u>

¹ Also, the Company recognized financial guarantee liabilities for the amount of performance guarantee provided regarding payment guarantee for repayment of loans of subsidiaries, D.M.H.I and Dewind Co. When loan due from subsidiaries is recognized while executing of payment guarantee, the Company reclassified financial guarantee liabilities to provision for impairment. Financial guarantee liability reclassified to provision for impairment amounted to ₩ 29,035 million (2016: ₩ 295,253 million)

² DSEC transferred receivables due from D.M.H.I, ₩143,760 million, which is less likely to be collected, to the Company without consideration for effective disposal progress of DSEC. And the Company recognized other receivables and provision for impairment, respectively.

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36.4 Key management compensation for the three-month and six-month periods ended June 30, 2017 and 2016, is as follows:

(in millions of Korean won)

	2017				2016			
	Three months		Six months		Three months		Six months	
Salaries	₩	158	₩	409	₩	280	₩	563
Severance and retirement benefits		55		110		-		-
	₩	213	₩	519	₩	280	₩	563

The Company'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, 2017, are as follows:

(in thousands of foreign currency)

Provided for	Guaranteed amount		Guarantor
Subsidiaries ¹⁻⁵	USD	185,727	KDB and others
	CAD	3,200	WEIcan
Joint ventures ⁵	USD	78,774	KEXIM and others
Other related parties ^{6,7}	USD	8,477	Tenjizchevroil LLP ("TCO") and others

¹ Payment guarantees for borrowings of USD 119 million are provided to financial institutions, and joint surety is provided in relation to issuance of refund guarantee for a new shipping from D.M.H.I, a subsidiary.

² The Company provided performance guarantee to WEIcan (windmill generator buyer) for DeWind Co.

³ Guarantees are provided for PT. DEC joint ventures in Indonesia to finance for development in CEPU oil field.

⁴ The Company provides performance guarantees for HHIC-Phil (Hanjin Heavy Industries and Construction Co., Ltd) and the others for the construction contracts offered by DSSC.

⁵ The Company provided guarantees for KODE NOVUS I LLC and Dewind FRISCO LLC to finance for development wind farm, which is propelled by Dewind Co.

⁶ The Company provided performance guarantees related to local construction of Kazakhstan for TCO FGP Module Fabrication.

⁷ The Company provided performance guarantees to KazMunayGas regarding the share of mining area in Kazakhstan disposed by KC Kazakh B.V

The Company recognized financial guarantee liabilities of ₩ 122,595 million for the amount of guarantee provided to related parties.

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36.6 Significant guarantees provided by related parties as at June 30, 2017, are as follows:

(in thousands of foreign currency)

Guarantor	Type of obligations guaranteed	Guaranteed amount	Type of borrowings	Borrowing amount
Parent Company:				
KDB	Usance bills	USD 314,400	Short-term borrowings	USD 103,752
	Advance payment bonds and others	USD 2,060,371	-	-
		<u>USD 2,374,771</u>		<u>USD 103,752</u>

37. Construction Contracts

37.1 Changes in the remaining balance of construction contracts for the six-month period ended June 30, 2017, and for the year ended December 31, 2016, are as follows:

(in millions of Korean won)	Six-month period ended June 30, 2017				
	Beginning balance	New contracts	Others ¹	Recognized construction revenue ²	Ending balance
Shipbuilding	₩ 12,955,970	₩ 876,166	₩ (608,365)	₩ (3,412,939)	₩ 9,810,832
Offshore plant and special ships	7,982,303	45,258	536,484	(2,370,450)	6,193,595
Others	14,340	-	(793)	(1,020)	12,527
	<u>₩ 20,952,613</u>	<u>₩ 921,424</u>	<u>₩ (72,674)</u>	<u>₩ (5,784,409)</u>	<u>₩ 16,016,954</u>

(in millions of Korean won)	Year ended December 31, 2016				
	Beginning balance	New contracts	Others ¹	Recognized construction revenue ²	Ending balance
Shipbuilding	₩ 17,883,174	₩ 1,319,604	₩ 54,122	₩ (6,300,930)	₩ 12,955,970
Offshore plant and special ships	14,429,829	486,191	(1,694,250)	(5,239,467)	7,982,303
Others	37,176	-	(10,601)	(12,235)	14,340
	<u>₩ 32,350,179</u>	<u>₩ 1,805,795</u>	<u>₩ (1,650,729)</u>	<u>₩ (11,552,632)</u>	<u>₩ 20,952,613</u>

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

² Recognized construction revenue excludes increase or decrease of sales related to firm commitment assets (liabilities).

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37.2 Details of in-progress construction contracts such as recognized construction profit or loss as at June 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2017			
	Accumulated construction revenue	Accumulated construction cost	Accumulated profit (loss)	Reserve ¹
Shipbuilding	₩ 5,604,275	₩ (5,086,650)	₩ 517,625	₩ 995,959
Offshore plant and special ships	25,629,656	(27,200,394)	(1,570,738)	-
Other	146,591	(95,074)	51,517	-
	<u>₩ 31,380,522</u>	<u>₩ (32,382,118)</u>	<u>₩ (1,001,596)</u>	<u>₩ 995,959</u>

<i>(in millions of Korean won)</i>	December 31, 2016			
	Accumulated construction revenue	Accumulated construction cost	Accumulated profit (loss)	Reserve ¹
Shipbuilding	₩ 5,495,133	₩ (5,105,551)	₩ 389,582	₩ 1,136,496
Offshore plant and special ships	23,874,457	(26,472,397)	(2,597,940)	-
Other	145,612	(92,429)	53,183	-
	<u>₩ 29,515,202</u>	<u>₩ (31,670,377)</u>	<u>₩ (2,155,175)</u>	<u>₩ 1,136,496</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.

37.3 Details of due to and from customers for contract work as at June 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2017		December 31, 2016	
	Due from customers contract work	Due to customers contract work	Due from customers contract work	Due to customers contract work
Shipbuilding	₩ 2,011,317	₩ 1,542,186	₩ 2,049,325	₩ 2,143,254
Offshore plant and special ships	1,867,849	1,465,728	2,412,235	2,209,630
Others	13,860	24,011	1,134	48,856
	<u>₩ 3,893,026</u>	<u>₩ 3,031,925</u>	<u>₩ 4,462,694</u>	<u>₩ 4,401,740</u>

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Provision for construction loss included in the due from customers are amounting to ₩170,100 million (December 31, 2016: ₩109,258 million) and provision for expected loss included in the amounts due to customers are amounting to ₩45,523 million (December 31, 2016: ₩331,350 million), respectively, as at June 30, 2017.

37.4 Contractual details that contract revenue for the six-month period ended June 30, 2017 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 ²	June 30, 2017				December 31, 2016						
				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	Gross	Provision	Gross	Provision			
Drillship	America	2012-09-28	2017-07-10	93.8	₩ -	₩ -	₩ 26,983	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
Drillship	America	2012-09-28	2017-10-30	86.9	-	-	-	-	-	-	-	-	-	-
Drillship	America	2012-09-27	2019-09-30	98.2	102,389	-	-	-	99,287	-	-	-	-	-
Drillship	Africa	2013-10-15	2017-12-31	94	510,701	(219,632)	-	-	541,578	(105,744)	-	-	-	-
Drillship	Africa	2013-10-15	2018-12-30	94	514,932	(219,632)	-	-	546,065	(105,744)	-	-	-	-
Drillship	America	2013-06-24	2020-06-30	97	188,177	-	-	-	164,477	-	-	-	-	-
Drillship	America	2013-07-12	2018-04-01	95.1	463,093	(66,779)	-	-	491,729	(61,430)	-	-	-	-
Drillship	America	2013-07-12	2019-01-31	87.2	426,062	(82,780)	-	-	448,185	(77,876)	-	-	-	-
FPSO	Europe	2010-08-23	2017-09-30	99.9	-	-	2,900	-	-	-	-	3,075	-	-
FP	Oceania	2011-10-14	2017-09-30	99.9	42,154	-	2,205	-	-	-	-	2,338	-	-
FPSO	Oceania	2012-03-08	2019-01-30	95.2	221,385	-	-	-	-	-	-	18,583	-	-
FP	Africa	2012-08-16	2017-12-31	96.7	-	-	674	-	-	-	-	16,222	-	-
FP	Europe	2012-12-21	2017-10-15	90.9	-	-	32,316	-	-	-	-	43,145	-	-
FP	Europe	2013-02-20	2017-09-15	95.3	-	-	19,157	-	-	-	-	28,274	-	-
FP	Asia	2013-05-26	2018-06-30	93.5	15,499	-	-	-	-	-	-	3,293	-	-
FP	Asia	2014-10-09	2020-07-27	5.6	-	-	-	-	-	-	-	-	-	-
FLNG	Asia	2012-03-16	2017-09-30	99.1	3,079	-	-	-	-	-	-	1	-	-

¹ Expected completion date is the date expected by the Company as at June 30, 2017, and it is affected by a variety of uncertainties that depend on the outcome of future events.

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

As at June 30, 2017, 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 Company 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.

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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, 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				
Shipbuilding	₩	30,794	₩ (576,175)	₩	-	₩ (474,582)	₩	-	₩ 118,806	₩	-	₩ 2,011,317	₩	-
Offshore plant and special ships		184,830	594,872	-	(97,767)	-	829,688	-	2,456,673	(588,824)				
Other		-	1,798	-	176	-	(1)	-	13,860	-				
		<u>215,624</u>	<u>20,495</u>	<u>-</u>	<u>(572,173)</u>	<u>-</u>	<u>948,493</u>	<u>-</u>	<u>4,481,850</u>	<u>(588,824)</u>				

December 31, 2016

(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		
Shipbuilding	₩	127,694	₩ 109,012	₩	-	₩ 698,651	₩ (40)	₩ (58,176)	₩ 16	₩ 2,049,325	₩	-
Offshore plant and special ships		312,915	383,557	(130,038)	1,307,256	(93,116)	(698,934)	(99,230)	2,763,028	(350,793)		
Other		-	-	-	(457)	-	2,346	-	1,134	-		
		<u>440,609</u>	<u>492,569</u>	<u>(130,038)</u>	<u>2,005,450</u>	<u>(93,156)</u>	<u>(754,764)</u>	<u>(99,214)</u>	<u>4,813,487</u>	<u>(350,793)</u>		

Due to errors in estimated total contract revenue and costs, the Company restated the prior year financial statements. The changes in construction profit or loss from the restatement is included in the effects of the correction of the above mentioned error in the statements of financial position as at December 31, 2016.

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37.6 Changes in the estimation of total contract revenues and costs

As the estimated total revenue and costs for contracts in progress have changed, details of changes in estimated total contract revenue and costs, profits or loss for the six-month period ended June 30, 2017 and for the year ended December 31, 2016, and the succeeding period, and the impact on due from customers for contract work are as follows:

June 30, 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 period	Impact on profit (loss) for the succeeding period	
Shipbuilding	₩ (576,175)	₩ (474,582)	₩ 118,806	₩ (220,399)	
Offshore plant and special ships	594,872	(97,767)	829,688	(137,049)	
Other	1,798	176	(1)	1,623	
	<u>₩ 20,495</u>	<u>₩ (572,173)</u>	<u>₩ 948,493</u>	<u>₩ (355,825)</u>	
December 31, 2016					
<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 period	Impact on profit (loss) for the succeeding period	
Shipbuilding	₩ 109,012	₩ 698,651	₩ (58,176)	₩ (531,463)	
Offshore plant and special ships	383,557	1,307,256	(698,934)	(224,765)	
Other	-	(457)	2,346	(1,889)	
	<u>₩ 492,569</u>	<u>₩ 2,005,450</u>	<u>₩ (754,764)</u>	<u>₩ (758,117)</u>	

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 start of the contract to the end of current period(prior period), and the estimated contract revenue as at June 30, 2017(December 31, 2016). Contract costs and contract revenue may change in the future.

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38. Commitments and Contingencies

38.1 The Company provided 14 blank notes to Korea National Oil Corporation as construction warranty and others at June 30, 2017. In addition, the Company provided DSA/MSA obligation performance guarantee for NASSCO shipping of DESEC Co., Ltd. at USD 5 million.

38.2 The Company is involved in a lawsuit as a plaintiff pending in relation to repayment request of lot loans, and nine other pending lawsuits with aggregated claim amount of ₩ 194,682 million as at June 30, 2016. The Company 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 During the six-month period ended June 30, 2017, some investors who bought the Company's share, corporate bonds and commercial papers (₩ 1,550 billion) sued the Company certain 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 Company is involved 69 other lawsuits as a defendant with aggregated claim amount of USD 110,140 thousand and ₩ 219,138 million, including a pending lawsuit at Seoul High Court in relation to overtime payment request as at June 30, 2017.

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, 2017, the Company recognized estimated loss amounting to ₩ 445,178 million from pending litigations as other current liabilities.

38.4 The Company's major joint ventures are as follows.

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

The Company has invested in Kazakhstan oil fields development project by forming a Korean consortium (5.00% of the Company's shares).

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

The Company 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.

38.5 The Korea Exchange concluded that the Company is subject to the deliberation of the Corporate Review Committee for alleged violation of accounting standards and embezzlement or malpractice of the former management. The Corporate Review Committee of the Korea Exchange granted a one-year improvement period until September 28, 2017. During the period of improvement, the Company's shares are suspended from trading.

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38.6 As at June 30, 2017, the claim amount of ₩ 578,063 million related to the construction contract of the Company was included in the statements of profit or loss as the repair cost (cost of goods sold) of ₩ 67,523 million.

Meanwhile, the Company is obligated to warranty liabilities in connection with the construction contracts of the Company. As a result, the Company assumes the expected warranty cost as the provision for construction warranties (Note 24).

39. Cash Flows from Operating Activities

Cash flows from operating activities for the six-month periods ended June 30, 2017 and 2016, are as follow:

<i>(in millions of Korean won)</i>	2017	2016
1. Profit(loss) for the period	₩ 1,489,147	₩ (1,223,714)
2. Adjustments for	(280,951)	1,237,362
(1) Addition of expenses	1,852,013	1,748,620
Post-employment benefits	28,548	37,886
Depreciation	75,735	77,380
Amortization	2,685	2,083
Loss on valuation of firm commitment	299,288	144,040
Loss on valuation of currency forward contracts	8,563	1,558
Transfer to provision for construction warranties	24,817	11,633
Transfer to other provision	284,256	81,841
Interest expenses	25,109	30,617
Capitalized financial expense	81,452	109,056
Loss on foreign currency translation	254,697	44,480
Impairment loss on intangible assets	29,404	-
Impairment loss on property, plant and equipment	493,940	-
Impairment loss or provision for impaired during the period	235,083	143,246
Income tax expense	6,484	853,327
Other expenses	1,952	211,473
(2) Deduction of income	(2,132,964)	(511,258)
Reversal of provision for construction losses	224,985	240,886
Gain on valuation of firm commitment	4,625	7,324
Gain on valuation of currency forward contracts	228,851	172,948
Gain on disposal of available-for-sale financial assets	1,038	10,411
Gain on disposal of property, plant and equipment	1,438	2,347
Interest income	8,808	5,959
Dividend income	672	1,169
Reversal of financial guarantee liabilities	27,142	-
Gain on debt restructuring	1,370,748	-
Gain on Foreign currency transaction debt-to-equity swaps	71,891	-

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Gain on foreign currency translation	170,481	70,214
Other incomes	22,285	-
3. Changes in working capital	(1,358,397)	(269,711)
Trade and other receivables	109,668	180,649
Inventories	136,885	125,932
Due from customers for contract work	100,108	(641,313)
Other current assets	39,818	204,824
Non-current trade and other receivables	17,601	49,321
Firm commitment assets	35,369	105,441
Currency forward assets	(124,254)	(176,803)
Trade and other payables	(494,276)	(104,858)
Due to customers for contract work	(1,083,988)	(22,372)
Other current liabilities	(32,774)	18,154
Net defined benefit obligation	(20,068)	(5,639)
Provisions	(42,486)	(2,540)
Deferred tax assets	-	(507)
Cash used in operations	<u>₩ (150,201)</u>	<u>₩ (256,063)</u>

40. Non-Cash Transactions

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

<i>(in millions of Korean won)</i>	2017	2016
Transfer of held-to-maturity financial assets to the respective current assets	₩ 20	₩ 9
Transfer of construction in progress to property, plant and equipment	2,686	40,247
Transfer of borrowings to hybrid capital instruments	1,284,775	-
Transfer of borrowings to capital(debt-to-equity swaps)	1,590,047	-
Transfer of long-term loans to the respective current assets	16,356	215,109
Transfer of long-term borrowings to current portion of long-term borrowings	95	238,516
Transfer of financial guarantee liabilities to provision for impairment	29,035	165,306
Transfer to assets held for sale	63,054	224,440

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41. Segment Information

41.1 The Company 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	Off shore plants customers	Ratio of sales (%)
Ships	LNGC and others	Maersk Line A/S and others	58.41
Offshore plants and special ship	Marine steel structure and others	Statoil and others	41.08
Others	Energy, service	Various customers	0.51
			100.00

Financial information by segment is as follows:

(in millions of Korean won)

	June 30, 2017			
	Ships	Off shore plants and special ship	Others	Total
Sales	₩ 3,372,921	₩ 2,372,153	₩ 29,072	₩ 5,774,146
Gross profit	521,228	810,402	7,957	1,339,587

(in millions of Korean won)

	June 30, 2016			
	Ships	Off shore plants and special ship	Others	Total
Sales	₩ 2,862,865	₩ 3,453,086	₩ 22,689	₩ 6,338,640
Gross profit (loss)	180,633	(44,027)	13,712	150,318

41.2 The major customer who accounts more than 10% of the Company's revenue is two (June 30, 2016 : one) and their revenue amounting to ₩1,500,998 million and ₩ 660,220 million for the six-month periods ended June 30, 2017 and 2016, respectively.

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

The Company 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 occurred for the following reasons.

1) Increase in total contract costs due to delays in offshore projects and recognized provisions for delays in deliveries

Mainly due to the delays in the progress of the offshore projects compared to the plan, additional loss were incurred to reflect the total contract costs. In addition, the Company recognized provisions for delay as the Company believes that it is probable that the actual project delivery date may exceeds the contractual delivery date due to delay in progress.

2) Establishing provisions for impairment by assessing the collectability of the amounts due from customers as credit ratings of customers have been 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 Company 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 Company and deterioration in market condition.

As at June 30, 2017, the Company recognized impairment losses on property, plant and equipment, intangible assets, investment properties for ₩611,696 million (including decrease of revaluation surplus of ₩ 86,999 million), and investments in subsidiaries and due to the Company's decrease in sales volume and deterioration of market conditions. Also, the Company have prompted restructure its business (reduce, liquidate and sell business unrelated to shipbuilding and marine business) to stabilize its financial position. During the six-month period ended June 30, 2017, The Company completed disposal of investment in DSEC Co., Ltd., and finalised disposal plan of investments in DSME Construction Co., Ltd. and Welliv Corp and others.

Meanwhile, the Company 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 (dispose un-core assets including the office building, 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 Company and bond holders agreed 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

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remaining bonds through bondholders' meeting and amendment of CP contract for terms and conditions of issuing, respectively, during April, 2017. In addition, there was a dismissal of re-appeal related to the approval of resolution of bondholders' meeting by the Supreme Court. Accordingly, the Company is in the process of debt restructuring and debt-to-equity swap. June 28, 2017, the Creditor Financial Institutions (such as Korea Development Bank and other financial institutions) executed debt adjustments of 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 in order of priority.

43. Debt Restructuring

Since the announcement of the "DSME Restructuring Promotion Plan" for prompt normalization of management of the Company, the Company 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
Short-term borrowings ¹	₩ 1,608,764	₩ 1,460,880	₩ 147,884
Corporate bonds ²	1,350,000	700,000	650,000
Commercial papers	194,578	97,289	97,289
Long-term borrowings ^{3,4}	680,673	680,673	-
	₩ 3,834,015	₩ 2,938,842	₩ 895,173

¹ Short-term borrowings in foreign currencies that are subject to debt restructuring and change in terms are debt amounts as at June 28. Short-term borrowings include ₩80 billion of borrowings recognized on July 3, 2017, and which of ₩64 billion is subject to debt-to-equity swap during the fourth quarter of 2017.

² Bonds were restructured as at April 21, 2017, and debt-to-equity swap ratio of bonds held by Korean Development Bank (7th bond amounting to ₩50 billion) and other creditors were 100% and 50%, respectively.

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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 The 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.

As a result of the above-mentioned debt restructuring agreement, the Company issued new shares through a third-party allotment on June 29, 2017 (as at the date of payment) by debt-for-equity swap of creditor bank's unsecured bonds. In addition, further debt-to-equity swaps for ₩ 799,124 million of corporate bonds and CP will be executed in August 2017.

43.2 Debt-to-equity swaps and changes in terms

i) Debt to equity swaps

	Details
Number of shares	39,406,358 shares
Types of share issued	Ordinary shares
Issue price	₩ 40,350
Sale restrictions	None

The allocation of shares was calculated based on swap ratio of 50% that is the minimum swap ratio except for ₩ 50 million of corporate bond held by Korean Development Bank whose swap ratio is 100%.

ii) Debt grace period

<i>(in millions of Korean won)</i>	Public offering bonds	Unsecured borrowings
Debt in the grace period	₩ 747,289	₩ 147,884
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	Unsecured borrowings
Target bond	₩ 747,289	₩ 147,884
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, 2017, the Company recognized ₩1,370,748 million of gain on debt restructuring in relation to the above-mentioned debt-to-equity swaps and debt restructuring as finance income.

44. Restatement of previously reported financial statements

44.1 The Company has restated their financial statements as at June 30, 2016 and January 1, 2016 in relation to errors in estimation.

44.2 The nature of adjustments and their impact on the profit for the three-month and six-month periods ended June 30, 2016, and net asset as at June 30, 2016, are as follows:

<i>(in millions of Korean won)</i>	Profit for the period		Net Asset
	Three months	Six months	
Changes of estimated total contract costs and initial contract amount	₩ 74,709	₩ 228,732	₩ 127,772
Deferred tax assets	-	-	283,354
	<u>₩ 74,709</u>	<u>₩ 228,732</u>	<u>₩ 411,126</u>

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44.3 Impact on the separate financial statement of profit or loss for the six-month period ended June 30, 2016, presented herein for comparative purpose, due to the restatement of the financial statement is as follows:

<i>(in millions of Korean won)</i>	Prior period					
	Before restatement		After restatement		Difference	
	Three months	Six months	Three months	Six months	Three months	Six months
Sales	₩ 3,051,871	₩ 6,144,380	₩ 3,113,730	₩ 6,338,640	₩ 61,859	₩ 194,260
Cost of sales	3,188,312	6,245,508	3,179,177	6,188,322	(9,135)	(57,186)
Gross profit (loss)	(136,441)	(101,128)	(65,448)	150,318	70,993	251,446
Operating loss	(356,916)	(398,351)	(285,924)	(146,906)	70,992	251,445
Loss before income tax expense	(634,314)	(599,120)	(559,606)	(370,388)	74,708	228,732
Income tax expense	844,859	853,327	844,859	853,327	-	-
Loss for the period	(1,479,173)	(1,452,446)	(1,404,464)	(1,223,714)	74,709	228,732
Total comprehensive Income for the period	(1,483,488)	(1,461,206)	(1,408,780)	(1,232,474)	74,708	228,732
Earnings per share	₩ (68,535)	₩ (68,127)	₩ (65,876)	₩ (57,398)	₩ 2,659	₩ 10,729

45. Events After the Reporting Period

45.1 Capital increase

On July 7, 2017, to improve the financial structure of the Company, the Board of Directors resolved capital increase through third party allotment of debt-to-equity swap for unsecured bonds and CP issued.

As at August 11, 2017, the Company completed debt-to-equity swap of corporate bonds and CP. The new stocks will be listed on August 31, 2017 (the number shares to be issued: 19,804,813 shares, issuing price: ₩40,350).

45.2 Sale of subsidiary

The Company disposed the whole of holding shares which is 16,866,326 shares (99.21%) of its subsidiary, DSME Construction Co., Ltd., on July 21, 2017.