

**Daewoo Shipbuilding & Marine
Engineering Co., Ltd.**
Separate Interim Financial Statements
June 30, 2020

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
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June 30, 2020 and 2019

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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, 2020, and the related separate interim statements of profit or loss and comprehensive income for the three-month and six-month periods ended June 30, 2020, and separate interim statements of changes in equity and cash flows for the six-month period ended June 30, 2020, 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 interim financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS) 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of separate interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Conclusion

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

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 to the separate interim financial statements, which describes management's plans and actions taken to deal with the uncertainty, relating to the impact of the spread of Coronavirus Disease-19 ("COVID-19") on the Company's productivity and ability to fulfill customer's orders, and such events or circumstances. This matter does not affect our conclusion.

Other Matters

The separate statements of profit or loss and comprehensive income for the three-month and six-month periods ended June 30, 2019, and separate interim statements of changes in equity and cash flows for the six-month period ended June 30, 2019, presented herein for comparative purposes, were reviewed by Nexia Samduk whose report dated August 12, 2019. Based on their review, nothing has come to their attention that causes them to believe the accompanying financial statements do not present fairly, in all material respects, in accordance with Korean IFRS 1034 *Interim Financial Reporting*.

The separate financial statements of the Company for the year ended December 31, 2019, were audited by Nexia Samduk who expressed an unqualified opinion on those statements, not presented herein, on March 13, 2020. The separate statement of financial position as at December 31, 2019, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at December 31, 2019.

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 13, 2020

This report is effective as of August 13, 2020, 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 separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Separate Interim Statements of Financial Position
June 30, 2020 and December 31, 2019

<i>(in millions of Korean won)</i>	Notes	June 30, 2020 (Unaudited)	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents	6,7,36	₩ 1,438,541	₩ 1,991,736
Short-term financial instruments	6,8,36	446,121	407,213
Financial assets at fair value through profit or loss	5,6,9,17,27	-	287
Short-term financial assets at amortized cost	6,9	21	7
Trade and other receivables	6,9,36	439,846	367,766
Contract assets	6,10,37	2,623,023	2,171,367
Current portion of firm commitment assets	27	65,544	40,109
Current portion of currency forward assets	4,5,6,27	2,252	361
Inventories	11	1,044,609	1,150,476
Current tax assets		3,060	3,903
Other current assets	12	623,819	680,613
		<u>6,686,836</u>	<u>6,813,838</u>
Non-current assets			
Long-term financial instruments	6,8	369,466	415,983
Financial assets at fair value through profit or loss	5,6,9,17	28,175	28,394
Financial assets at amortized cost	6,9	29,867	24,969
Financial assets at fair value through other comprehensive income	5,6,9	7,291	19,087
Investments in subsidiaries	13,42	746	746
Investments in associates and joint venture	14	3,799	9,190
Long-term trade and other receivables	6,9,36,37	97,768	91,610
Firm commitment assets	27	39,766	39,941
Currency forward assets	4,5,6,27	4,647	6,549
Property, plant and equipment	15,17	3,592,134	3,570,232
Right-of-use assets	16,36	75,442	28,595
Investment properties	17,18	7,617	7,676
Intangible assets	19	2,988	2,263
Other non-current assets	12	7,675	8,575
		<u>4,267,381</u>	<u>4,253,810</u>
Total assets		<u>₩ 10,954,217</u>	<u>₩ 11,067,648</u>

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Separate Interim Statements of Financial Position
June 30, 2020 and December 31, 2019

<i>(in millions of Korean won)</i>	Notes	June 30, 2020 (Unaudited)	December 31, 2019
Liabilities			
Current liabilities			
Short-term borrowings	6,17,22,36,40	₩ 931,660	₩ 1,065,022
Trade and other payables	6,20,36	746,375	911,999
Current portion of long-term debentures	6,21,40	237,703	116,270
Current portion of long-term borrowings	6,17,22,40	211,619	204,058
Current financial guarantee liabilities	6,17	-	33
Current lease liabilities	16,36,40	19,043	18,446
Current portion of firm commitment liabilities	27	2,104	67
Current portion of currency forward liabilities	4,5,6,27	182,911	86,280
Contract liabilities	10,37	1,493,128	1,802,296
Current portion of provisions	25,38	531,590	351,788
Other current liabilities	23	238,948	176,508
		<u>4,595,081</u>	<u>4,732,767</u>
Non-current liabilities			
Debentures	6,21,40	418,201	511,814
Long-term borrowings	6,17,22,36,40	1,009,347	973,475
Long-term trade and other payables	6,20	39,544	43,446
Net defined benefit liabilities and other long-term employee benefits	24	73,778	79,053
Provisions	25,38	729,247	964,351
Lease liabilities	16,36,40	53,589	15,590
Firm commitment liabilities	27	4,601	5,840
Currency forward liabilities	4,5,6,27	35,938	36,207
Deferred tax liabilities		73,596	73,596
		<u>2,437,841</u>	<u>2,703,372</u>
Total liabilities		<u>7,032,922</u>	<u>7,436,139</u>
Equity			
Share capital	28	541,029	541,029
Other contributed capital	30	(257)	(257)
Hybrid bonds	30	2,332,832	2,332,832
Components of other capital	30	306,610	316,221
Retained earnings	29	741,081	441,684
Total equity		<u>3,921,295</u>	<u>3,631,509</u>
Total liabilities and equity		<u>₩ 10,954,217</u>	<u>₩ 11,067,648</u>

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

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Separate Interim Statements of Profit or Loss
Three-Month and Six-Month Periods Ended June 30, 2020 and 2019

<i>(in millions of Korean won, except per share amounts)</i>	Notes	Period Ended June 30			
		2020 (Unaudited)		2019 (Unaudited)	
		Three months	Six months	Three months	Six months
Sales	27,36,37,41	₩ 1,955,167	₩ 3,902,248	₩ 2,156,688	₩ 4,197,628
Cost of sales	35,37	1,816,985	3,433,069	2,002,554	3,778,058
Gross profit	41	138,182	469,179	154,134	419,570
Selling and administrative expenses	32,35	71,685	120,947	(19,959)	41,318
Operating profit		66,497	348,232	174,093	378,252
Finance income	6,33,36	28,925	198,755	164,797	267,652
Finance costs	6,33,36	29,914	392,980	272,631	461,854
Other non-operating income	6,34	(7,289)	151,554	88,549	182,675
Other non-operating expenses	6,34	6,451	14,412	23,143	33,837
Profit before income tax expense		51,768	291,149	131,665	332,888
Income tax expense	26	-	-	-	160
Profit for the period		₩ 51,768	₩ 291,149	₩ 131,665	₩ 332,728
Earnings per share	31				
Basic earnings per share <i>(in Korean won)</i>		₩ 427	₩ 2,605	₩ 1,174	₩ 2,994
Diluted earnings per share <i>(in Korean won)</i>		₩ 314	₩ 1,764	₩ 798	₩ 2,016

The above separate interim statements of profit or loss should be read in conjunction with the accompanying notes

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Separate Interim Statements of Comprehensive Income
Three-Month and Six-Month Periods Ended June 30, 2020 and 2019

(in millions of Korean won)	Notes	Period Ended June 30			
		2020		2019	
		(Unaudited)		(Unaudited)	
		Three months	Six months	Three months	Six months
Profit for the period		₩ 51,768	₩ 291,149	₩ 131,665	₩ 332,728
Other comprehensive income					
<i>Items that will not be reclassified subsequently to profit or loss</i>	30				
Remeasurements of net defined benefit liabilities	24	8	(54)	(203)	(1,127)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	6,30	(1,722)	(1,308)	1,346	1,369
		<u>(1,714)</u>	<u>(1,362)</u>	<u>1,143</u>	<u>242</u>
Total comprehensive income for the period		<u>₩ 50,054</u>	<u>₩ 289,787</u>	<u>₩ 132,808</u>	<u>₩ 332,970</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 Statements of Changes in Equity
Six-Month Periods Ended June 30, 2020 and 2019

(in millions of Korean won)

	Share capital	Other contributed capital			Components of other capital		Retained earnings	Total
		Other capital	Treasury stock	Hybrid bond	Gain (loss) on valuation of financial assets at fair value through other comprehensive income	Revaluation surplus of property, plant and equipment		
Balance at January 1, 2019	₩ 541,029	₩ 469	₩ (726)	₩ 2,332,832	₩ (8,052)	₩ 324,700	₩ 541,514	₩ 3,731,766
Profit for the period	-	-	-	-	-	-	332,729	332,729
Other comprehensive income	-	-	-	-	1,369	-	(1,127)	242
Balance at June 30, 2019 (Unaudited)	₩ 541,029	₩ 469	₩ (726)	₩ 2,332,832	₩ (6,683)	₩ 324,700	₩ 873,116	₩ 4,064,737
Balance at January 1, 2020	₩ 541,029	₩ 469	₩ (726)	₩ 2,332,832	₩ (6,289)	₩ 322,509	₩ 441,684	₩ 3,631,508
Profit for the period	-	-	-	-	-	-	291,149	291,149
Other comprehensive income	-	-	-	-	(1,308)	-	(54)	(1,362)
Reclassification of other comprehensive income to retained earnings	-	-	-	-	(8,302)	-	8,302	-
Balance at June 30, 2020 (Unaudited)	₩ 541,029	₩ 469	₩ (726)	₩ 2,332,832	₩ (15,899)	₩ 322,509	₩ 741,081	₩ 3,921,295

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, 2020 and 2019

<i>(in millions of Korean won)</i>	Notes	Six-Month Period Ended June 30	
		2020 (Unaudited)	2019 (Unaudited)
Cash flows from operating activities			
Cash generated from (used in) operations	39	₩ (260,185)	₩ 1,409,706
Dividends received		4,109	243
Interests received		14,787	14,056
Interests paid		(43,503)	(47,903)
Income tax received (paid)		843	(944)
Net cash inflow (outflow) from operating activities		(283,949)	1,375,158
Cash flows from investing activities	40		
Cash inflows from investing activities:			
Decrease in short-term financial instruments		737,141	65,007
Decrease in long-term financial instruments		-	316,554
Disposal of financial assets at fair value through profit or loss		679	29
Disposal of financial assets at fair value through other comprehensive income		10,487	10
Disposal of investments in associates and joint venture		1,727	-
Disposal of non-current assets held for sale		-	10,331
Disposal of property, plant and equipment/intangible assets		1,293	1,846
Disposal of other investments		-	7,408
		751,327	401,185
Cash outflows from investing activities:			
Increase in short-term financial instruments		729,019	66,904
Increase in long-term financial instruments		21	316,678
Acquisition of financial assets at fair value through profit or loss		-	8,108
Acquisition of property, plant and equipment/intangible assets		71,061	44,020
Acquisition of other investments		34	33
		800,135	435,743
Net cash outflow from investing activities		(48,808)	(34,558)

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Separate Interim Statement of Cash Flows
Six-Month Periods Ended June 30, 2020 and 2019

<i>(in millions of Korean won)</i>	Notes	2020 (Unaudited)	2019 (Unaudited)
Cash flows from financing activities	40		
Cash inflows from financing activities:		-	-
Cash outflows from financing activities:			
Repayment of short-term borrowings		138,081	252,564
Repayment of current portion of long-term borrowings		4	4
Repayment of lease liabilities		18,009	25,120
Payment of redeemable deposits		63,129	-
		<u>219,223</u>	<u>277,688</u>
Net cash outflow from financing activities		<u>(219,223)</u>	<u>(277,688)</u>
Net increase (decrease) in cash and cash equivalents		(551,980)	1,062,911
Cash and cash equivalents at the beginning of the period		1,991,736	325,732
Effects of exchange rate changes on the cash and cash equivalents		(1,215)	(1,508)
Cash and cash equivalents at the end of the period	7	<u>₩ 1,438,541</u>	<u>₩ 1,387,135</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, 2020 and 2019(Unaudited), and December 31, 2019

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.

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, 2020, the Company's major shareholder is Korea Development Bank ("KDB") (55.72%).

2. 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 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, 2020, 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, 2020.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2020 and 2019(Unaudited), and December 31, 2019

2.1.1 New and amended standards and interpretations adopted by the Company

The Company has applied the following standards and interpretations for the first time for their annual reporting period commencing January 1, 2020.

- Amendments to Korean IFRS 1001 *Presentation of Financial Statements* and Korean IFRS 1008 *Accounting policies, changes in accounting estimates and errors – Definition of Material*

The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001 and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Company. The amendment does not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1103 *Business Combination – Definition of a Business*

To consider the integration of the required activities and assets as a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. The amendment does not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1109 *Financial Instruments*, Korean IFRS 1039 *Financial Instruments: Recognition and Measurement* and Korean IFRS 1107 *Financial Instruments: Disclosure – Interest Rate Benchmark Reform*

The amendments allow to apply the exceptions when forward-looking analysis is performed in relation the application of hedge accounting while uncertainties arising from interest rate benchmark reform exist. The exceptions require the Company assumes that the interest rate benchmark on which the hedged items and the hedging instruments are based on is not altered as a result of interest rate benchmark reform, when determining whether the expected cash flows are highly probable, whether an economic relationship between the hedged item and the hedging instrument exists, and when assessing the hedging relationship is highly effective. The amendments do not have a significant impact on the financial statements.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2020 and 2019(Unaudited), and December 31, 2019

2.1.2 New and amended standards and interpretations not yet adopted by the Company

The following new accounting standards and interpretations that have been published that are not mandatory for June 30, 2020 reporting periods and have not been early adopted by the Company.

- Amendments to Korean IFRS 1116 *Lease – Practical expedient for COVID-19-Related Rent Exemption, Concessions, Suspension*

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification. These amendments should be applied for annual periods beginning on or after June 1, 2020, and earlier application of permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

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, 2019, except for the changes due to the application of amendment and enactments of standards described in Note 2.1.1 and the one described below.

2.2.1 Income Tax Expense

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.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
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3. Critical Accounting Estimates and Assumptions

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

Significant accounting estimates and assumptions applied in the preparation of these condensed separate interim financial statements are the same as those applied to the separate financial statements for the year ended December 31, 2019, except for the estimates used to determine income tax expense and the impact of COVID-19 described below.

3.1 Impact of Coronavirus disease 2019 (“COVID-19”)

During 2020, the spread of Coronavirus disease 2019 (“COVID-19”) has a material impact on domestic and global economy, and accordingly, it may potentially have a negative impact on revenue and other financial performance of the Company in the future. It is highly uncertain to expect range of the impact of COVID-19 on the financial position and financial performance, and COVID-19 would affect to the Company’s customers, suppliers and overall global market by various factors. Therefore, the Company’s financial performance may not reflect the effect of COVID-19 completely.

The Company operates their business in significantly changed manner of restricting workplace and movements of employees, or cancelling activities for customers, and it is expected to cause decrease in productivity as well as decrease/delay in sales, loss on chance for future sales and others. In addition, it is expected to have a negative impact; such as, decrease in consumption of the customers, decrease in new sales due to delay in supply and collection of existed receivables, because operating environments including the market are exposed to the material uncertainty.

Significant accounting estimates and assumptions applied in the preparation of the separate interim financial statements can be adjusted depending on changes in the uncertainty from COVID-19. Also, the ultimate effect of COVID-19 to the Company’s business, financial position and financial performance, and liquidity cannot presently be determined.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
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4. Financial Instruments

4.1 Financial Risk Factors

The Company's activities are exposed 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. Risk management is carried out by the relevant departments based on the risk management policies approved by the foreign currency risk management committee, 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.

4.1.1 Market Risk

(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, 2020, and December 31, 2019.

		June 30, 2020			
<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	₩	1,135.08	USD 3,494,672	KRW 3,966,729	₩ (211,950)
Total			<u>USD 3,494,672</u>	<u>KRW 3,966,729</u>	<u>₩ (211,950)</u>
		December 31, 2019			
<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	₩	1,108.98	USD 3,338,975	KRW 3,702,868	₩ (115,577)
For trading					
Sell USD		1,170.75	USD 18,000	KRW 21,074	287
Total			<u>USD 3,356,975</u>	<u>KRW 3,723,942</u>	<u>₩ (115,290)</u>

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
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(b) Price risk

The Company's investment in marketable equity securities is made upon management's decision. As at June 30, 2020, the Company has marketable equity securities that are classified as financial assets that are measured at fair value through other comprehensive income.

(c) Interest risk

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

4.1.2 Credit Risk

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 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 financial assets that are measured at amortized cost (Note 9) and derivatives is represented by the carrying amount. For financial guarantee liabilities, whose contract period has been expired during the six-month period ended June 30, 2020, it is represented by the maximum amount to be paid at the debtor's request, which amounts to ₩ 21,854 million as at December 31, 2019 (Notes 17 and 38).

4.1.3 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.

4.2 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.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
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5. Fair Value

5.1 Fair Value Hierarchy

Financial instruments that are measured at fair value are categorized by the fair value hierarchy, and the defined levels are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date (Level 1).
- All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).
- Unobservable inputs for the asset or liability (Level 3).

Fair value hierarchy classifications of the financial instruments that are measured at fair value as at June 30, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Short-term financial instruments	₩ -	₩ 395,258	₩ -	₩ 395,258
Beneficiary certificates	2,800	-	-	2,800
Equity investments	-	25,375	-	25,375
Currency forward assets				
Derivative instrument for hedging	-	6,899	-	6,899
Financial assets at fair value through other comprehensive income				
Listed securities	1	-	-	1
Non-listed securities	-	1,659	5,632	7,291
	<u>₩ 2,801</u>	<u>₩ 429,191</u>	<u>₩ 5,632</u>	<u>₩ 437,624</u>
Financial liabilities				
Currency forward liabilities				
Derivative instrument for hedging	₩ -	₩ 218,849	₩ -	₩ 218,849
	<u>₩ -</u>	<u>₩ 218,849</u>	<u>₩ -</u>	<u>₩ 218,849</u>

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	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Derivative held for trading	₩ -	₩ 287	₩ -	₩ 287
Beneficiary certificates	3,392	-	-	3,392
Equity investments	-	25,002	-	25,002
Currency forward assets				
Derivative instrument for hedging	-	6,910	-	6,910
Financial assets at fair value through other comprehensive income				
Listed securities	1	-	-	1
Non-listed securities	-	13,455	5,632	19,087
	<u>₩ 3,393</u>	<u>₩ 45,654</u>	<u>₩ 5,632</u>	<u>₩ 54,679</u>

Financial liabilities

Currency forward liabilities				
Derivative instrument for hedging	₩ -	₩ 122,487	₩ -	₩ 122,487
	<u>₩ -</u>	<u>₩ 122,487</u>	<u>₩ -</u>	<u>₩ 122,487</u>

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

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

There were no transfers between levels 1 and 2 for recurring fair value measurements during the six-month period ended June 30, 2020 and for the year ended December 31, 2019.

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Changes in level 3 for recurring fair value measurements for the six-month periods ended June 30, 2020 and for the year ended December 31, 2019, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2020				
	Beginning balance	Purchases (disposals)	Transfer ¹	Valuation	Ending balance
Financial assets at fair value through other comprehensive income					
Non-listed securities	₩ 5,632	₩ -	₩ -	₩ -	₩ 5,632

¹ During the six-month period ended June 30, 2020, the Company transferred investments in associates to equity investments at fair value through other comprehensive income as the Company lost its significant influence over Daehan Shipbuilding Co., Ltd. and Shinhan Heavy Industries Co., Ltd., associates of the Company (Note 14).

(in millions of Korean won)

	Year ended December 31, 2019				
	Beginning balance	Purchases (disposals)	Transfer ¹	Valuation	Ending balance
Financial assets at fair value through other comprehensive income					
Non-listed securities	₩ 8,248	₩ (10)	₩ (2,754)	₩ 148	₩ 5,632

¹ During the year ended December 31, 2019, the Company transferred equity investments at fair value through other comprehensive income to investments in associates as the Company decided that it has significant influence over KC LNG Tech Co., Ltd.

5.3 Valuation Techniques and the Inputs

Valuation techniques and inputs used in the recurring and non-recurring fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy as at June 30, 2020, are as follows:

(in millions of Korean won)

	June 30, 2020				
	Level	Valuation techniques	Inputs	Range of inputs	Fair value
Currency forward	2	Discounted cash flow	Forward rate, credit risk adjusted discount rate	N/A	₩ (211,950)
Equity investments	2	Quoted price in inactive market	Quoted price in inactive market	N/A	25,375
Short-term financial instruments	2	Quoted price in inactive market	Quoted price in inactive market	N/A	395,258
Unlisted equity securities	2	Quoted price in inactive market	Quoted price in inactive market	N/A	1,659
Unlisted equity securities	3	Net asset value approach method	N/A	N/A	5,632

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6. Financial Instruments by Category

6.1 Financial assets

Categorizations of financial assets as at June 30, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)	June 30, 2020					
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Derivative financial assets for hedging	Total (Carrying amount)	Fair value
Cash and cash equivalents	₩ -	₩ -	₩ 1,438,541	₩ -	₩ 1,438,541	₩ 1,438,541
Short- and long-term financial assets	395,258	-	420,329	-	815,587	815,587
Financial assets at fair value through profit or loss ¹	28,175	-	-	-	28,175	28,175
Financial assets at amortized cost	-	-	29,888	-	29,888	29,888
Financial assets at fair value through other comprehensive income	-	7,291	-	-	7,291	7,291
Trade and other receivables	-	-	537,614	-	537,614	537,614
Contract assets	-	-	2,623,023	-	2,623,023	2,623,023
Currency forward assets	-	-	-	6,899	6,899	6,899
	<u>₩ 423,433</u>	<u>₩ 7,291</u>	<u>₩ 5,049,395</u>	<u>₩ 6,899</u>	<u>₩ 5,487,018</u>	<u>₩ 5,487,018</u>

¹ Financial assets at fair value through profit or loss consist of equity investments and beneficiary certificates.

(in millions of Korean won)	December 31, 2019					
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Derivative financial assets for hedging	Total (Carrying amount)	Fair value
Cash and cash equivalents	₩ -	₩ -	₩ 1,991,736	₩ -	₩ 1,991,736	₩ 1,991,736
Short- and long-term financial assets	-	-	823,196	-	823,196	823,196
Financial assets at fair value through profit or loss ¹	28,681	-	-	-	28,681	28,681
Financial assets at amortized cost	-	-	24,976	-	24,976	24,976
Financial assets at fair value through other comprehensive income	-	19,087	-	-	19,087	19,087
Trade and other receivables	-	-	459,376	-	459,376	459,376
Contract assets	-	-	2,171,367	-	2,171,367	2,171,367
Currency forward assets	-	-	-	6,910	6,910	6,910
	<u>₩ 28,681</u>	<u>₩ 19,087</u>	<u>₩ 5,470,651</u>	<u>₩ 6,910</u>	<u>₩ 5,525,329</u>	<u>₩ 5,525,329</u>

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

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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6.2 Financial liabilities

Categorizations of financial liabilities as at June 30, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)

	June 30, 2020			
	Financial liabilities at amortized cost	Derivative financial liabilities for hedging	Total (Carrying amount)	Fair value
Borrowings	₩ 2,152,626	₩ -	₩ 2,152,626	₩ 2,154,485
Debentures	655,904	-	655,904	661,739
Trade and other payables	785,919	-	785,919	785,919
Currency forward liabilities	-	218,849	218,849	218,849
	<u>₩ 3,594,449</u>	<u>₩ 218,849</u>	<u>₩ 3,813,298</u>	<u>₩ 3,820,992</u>

(in millions of Korean won)

	December 31, 2019			
	Financial liabilities at amortized cost	Derivative financial liabilities for hedging	Total (Carrying amount)	Fair value
Borrowings	₩ 2,242,555	₩ -	₩ 2,242,555	₩ 2,244,195
Debentures	628,085	-	628,085	634,004
Trade and other payables	955,445	-	955,445	955,445
Currency forward liabilities	-	122,487	122,487	122,487
Financial guarantee liabilities ¹	33	-	33	33
	<u>₩ 3,826,118</u>	<u>₩ 122,487</u>	<u>₩ 3,948,605</u>	<u>₩ 3,956,164</u>

¹As described in Note 17, the Company recognized expected payment guarantees amount, based on the agreement, as financial guarantee liabilities.

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

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6.3 Net Gains or Losses by Category of Financial Instruments

Net gains or net losses on each category of financial instruments for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020
Financial assets at fair value through profit or loss	
Interest income	W 6,422
Gains on valuation of financial assets at fair value through profit or loss	708
Gains on disposal of financial assets at fair value through profit or loss	10
Financial assets at fair value through other comprehensive income	
Dividend income	88
Losses on valuation of financial assets at fair value through other comprehensive income	(1,308)
Financial assets at amortized cost	
Interest income	32,212
Impairment loss	(19,250)
Gains on foreign currency translation, net	15,202
Gains on foreign currency transaction, net	74,013
Derivative financial assets for hedging	
Gains on valuation of foreign exchange forward contracts, net	6,899
Gains on foreign exchange forward transaction, net	2,861
Financial liabilities at fair value through profit or loss	
Losses on foreign exchange forward transaction, net	(583)
Financial liabilities at amortized cost	
Interest expenses	(73,427)
Losses on foreign currency translation, net	(49,008)
Losses on foreign currency transaction, net	(12,123)
Reversal of financial guarantee liabilities	33
Derivative financial liabilities for hedging	
Losses on valuation of foreign exchange forward contracts, net	(144,225)
Losses on foreign exchange forward transaction, net	(56,238)

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2019

Financial assets at fair value through profit or loss

Gains on foreign exchange forward transaction, net	W	137
Gains on valuation of financial assets at fair value through profit or loss		242
Gains on disposal of financial assets at fair value through profit or loss		1

Financial assets at fair value through other comprehensive income

Dividend income		134
Gains on valuation of financial assets at fair value through other comprehensive income		1,369

Financial assets at amortized cost

Interest income		43,014
Reversal of impairment loss		44,452
Gains on foreign currency translation, net		27,634
Gains on foreign currency transaction, net		91,446

Derivative financial assets for hedging

Gains on valuation of foreign exchange forward contracts, net		16,560
Gains on foreign exchange forward transaction, net		35

Financial liabilities at fair value through profit or loss

Losses on valuation of foreign exchange forward contracts, net		(2,531)
Losses on foreign exchange forward transaction, net		(31,385)

Financial liabilities at amortized cost

Interest expenses		(81,669)
Losses on foreign currency translation, net		(51,635)
Losses on foreign currency transaction, net		(8,159)
Reversal of financial guarantee liabilities		273

Derivative financial liabilities for hedging

Losses on valuation of foreign exchange forward contracts, net		(153,992)
Losses on foreign exchange forward transaction, net		(45,111)

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7. 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, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020		December 31, 2019	
Financial institution deposits	₩	1,438,541	₩	1,991,736

8. Restricted or Pledged Financial Assets

The restricted or pledged financial assets as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020		December 31, 2019		Description
Short-term financial asset	₩	50,863	₩	9,123	Pledged as collateral for performance guarantee and others
Long-term financial asset		369,445		415,983	Pledged as collateral for performance guarantee and others
	₩	<u>420,308</u>	₩	<u>425,106</u>	

Other than the above financial assets, ₩ 63,129 million of current deposits are restricted for redemption of principal and interests of debentures.

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9. Financial Assets

9.1 Financial Assets at Fair Value through Profit or Loss

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

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

<i>(in millions of Korean won)</i>	June 30, 2020		December 31, 2019	
Current				
Currency forward assets held for trading	₩	-	₩	287
Short-term financial instruments		395,258		-
Non-current				
Beneficiary certificates		2,800		3,392
Equity investments		25,375		25,002
	₩	423,433	₩	28,681

Amounts recognized in profit or loss for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
Gains on currency forward assets held for trading, net	₩	-	₩	138
Gains on equity investments		373		151
Gains on beneficiary certificates		87		91
Gains on short-term financial instruments		6,680		-
	₩	7,140	₩	380

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9.2 Financial Assets at Fair Value through Other Comprehensive Income

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

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

<i>(in millions of Korean won)</i>	June 30, 2020		December 31, 2019	
Non-current				
Listed securities	₩	1	₩	1
Non-listed securities		7,291		19,087
	₩	<u>7,292</u>	₩	<u>19,088</u>

Upon disposal of these equity investments, any balance within the accumulated other comprehensive income for these equity investments is reclassified to retained earnings.

9.3 Financial Assets at Amortized Cost

(a) Financial assets at amortized cost

Details of financial assets at amortized cost as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<u>June 30, 2020</u>		<u>December 31, 2019</u>	
	Current	Non-current	Current	Non-current
Government and public bonds	₩ 21	₩ 29,867	₩ 7	₩ 24,969

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(b) Movements in financial assets at amortized cost

Movements in financial assets at amortized cost for the six-month period ended June 30, 2020 and for the year ended December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended				Year ended			
	June 30, 2020				December 31, 2019			
	Current		Non-current		Current		Non-current	
Beginning balance	₩	7	₩	24,969	₩	1	₩	37
Purchases		-		-		-		-
Disposals		-		-		(1)		-
Amortization		-		439		-		-
Transfer ¹		14		4,459		7		24,932
Ending balance	₩	21	₩	29,867	₩	7	₩	24,969

¹ Includes amount transferred to financial assets at amortized cost from investments in associates due to loss of significant influence resulting from a decrease in its ownership interest in investees for the six-month period ended June 30, 2020.

9.4 Trade Receivables and Other Financial Assets at Amortized Cost

(a) Trade receivables and provision for impairment

Trade receivables and its provisions for impairment as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020				December 31, 2019			
	Current		Non-current		Current		Non-current	
Receivables from construction contracts	₩	357,449	₩	711,240	₩	361,369	₩	705,126
Less: Provision for impairment		(19,238)		(684,258)		(18,726)		(684,589)
Receivables from construction contracts, net	₩	338,211	₩	26,982	₩	342,643	₩	20,537

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days, and therefore, are all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognized at fair value.

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(b) Other financial assets at amortized cost

Other financial assets at amortized cost as at June 30, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)	June 30, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
Loans	₩ 173,111	₩ 140,018	₩ 173,111	₩ 140,018
Less: Provision for impairment	(173,111)	(114,787)	(173,111)	(114,787)
Loans, net	-	25,231	-	25,231
Other receivable	48,116	114,301	30,350	116,042
Less: Provision for impairment	(15,880)	(78,828)	(9,072)	(79,836)
Other receivable, net	32,236	35,473	21,278	36,206
Accrued income	34,864	7	32,440	7
Less: Provision for impairment	(28,595)	(6)	(28,595)	(6)
Accrued income, net	6,269	1	3,845	1
Deposits(*)	63,129	26,351	-	26,339
Less: Provision for impairment	-	(16,270)	-	(16,704)
Deposits, net	63,129	10,081	-	9,635
	₩ 101,634	₩ 70,786	₩ 25,123	₩ 71,073

(*) The liquidity redeemable deposit of ₩63,129 million is deposited for repaying the principal and interest of the debenture.

10. Contract Assets and Liabilities

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

(in millions of Korean won)	June 30, 2020	December 31, 2019
Due from customers for contract work	₩ 2,643,528	₩ 2,171,404
Impairment loss	(20,505)	(37)
Total contract assets	₩ 2,623,023	₩ 2,171,367
Due to customers for contract work ¹	₩ 1,291,918	₩ 1,601,085
Advance received	201,210	201,210
Total contract liabilities	₩ 1,493,128	₩ 1,802,295

¹ Revenue recognized that was included in the contract liability balance of ₩ 1,601,085 million at the beginning of the year amounts to ₩ 1,049,445 million for the six-month period ended June 30, 2020.

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11. Inventories

Details of inventories as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020			December 31, 2019		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
Work in process ¹	₩ 1,091,080	₩ (399,211)	₩ 691,869	₩ 1,079,600	₩ (311,664)	₩ 767,936
Raw materials	262,735	(22,907)	239,828	323,511	(29,851)	293,660
Supplies	18,274	-	18,274	16,526	-	16,526
Goods in transit	94,637	-	94,637	72,354	-	72,354
	<u>₩ 1,466,726</u>	<u>₩ (422,118)</u>	<u>₩ 1,044,608</u>	<u>₩ 1,491,991</u>	<u>₩ (341,515)</u>	<u>₩ 1,150,476</u>

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. Accordingly, the Company recognized loss on valuation of inventories amounting to ₩ 80,603 million (2019: reversal of ₩ 81,720 million) during the six-month periods ended June 30, 2020 and 2019. These were included in 'cost of sales' in the statement of profit or loss.

12. Other Assets

12.1 Details of other assets as at June 30, 2020 and December 31, 2019, are as follows:

	June 30, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
Advance payments	₩ 564,182	₩ -	₩ 566,185	₩ -
Prepaid construction costs	6,489	-	4,689	-
Prepaid expenses	14,685	5,152	18,167	6,051
Incremental costs of obtaining a contract	14,430	-	39,720	-
Other investment assets	-	2,524	-	2,524
Others	24,033	-	51,852	-
	<u>₩ 623,819</u>	<u>₩ 7,676</u>	<u>₩ 680,613</u>	<u>₩ 8,575</u>

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12.2 Assets recognized from incremental costs of obtaining a contract

The Company has recognized an asset in relation to broker commission that would not have incurred if the contract has not been obtained.

<i>(in millions of Korean won)</i>	June 30, 2020		December 31, 2019	
Assets recognized from incremental costs of obtaining a contract	₩	14,430	₩	39,720
Amortization and impairment loss recognized as cost during the period		(39,798)		(23,462)

Above assets recognized from incremental costs of obtaining a contract are expensed in the same manner as recognition of the associated revenue.

Changes in the book amount of accumulated impairment loss of incremental costs of obtaining a contract for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020					
	Beginning balance		Impairment loss		Ending balance	
Accumulated impairment loss	₩	30,074	₩	15,858	₩	45,932

<i>(in millions of Korean won)</i>	2019					
	Beginning balance		Impairment loss		Ending balance	
Accumulated impairment loss	₩	76,339	₩	(42,740)	₩	33,599

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13. Investments in Subsidiaries

13.1 Details of the investments in subsidiaries of the Company as at June 30, 2020, and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	Location	Main business	June 30, 2020		December 31, 2019	
			Ownership interest (%)	Book amount	Ownership interest (%)	Book amount
DSME Shandong Co., Ltd.	China	Manufacturing ship parts	100.00	₩ -	100.00	₩ -
DK Maritime S.A	Panama	Shipping	100.00	-	100.00	-
DSME Information and Consulting	Geoje	IT service	100.00	200	100.00	200
DSME Kazakhstan LLP	Kazakhstan	Repair of ships and technical support	100.00	546	100.00	546
				<u>₩ 746</u>		<u>₩ 746</u>

13.2 Changes in the book amount of investment in subsidiaries for the six-month ended June 30, 2020 and for the year ended December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2020			
	Beginning balance	Acquisition (disposal)	Others	Ending balance
DSME Information and Consulting	₩ 200	₩ -	₩ -	₩ 200
DSME Kazakhstan LLP	546	-	-	546
	<u>₩ 746</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 746</u>

<i>(in millions of Korean won)</i>	Year ended December 31, 2019			
	Beginning balance	Acquisition (disposal)	Others	Ending balance
DSME Far East LLC ¹	₩ 1	₩ (1)	₩ -	₩ -
DSME Information and Consulting	200	-	-	200
DSME Kazakhstan LLP	546	-	-	546
	<u>₩ 747</u>	<u>₩ (1)</u>	<u>₩ -</u>	<u>₩ 746</u>

¹ Completed liquidation during the year ended December 31, 2019.

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14. Investments in Associates and Joint Venture

14.1 Details of investments in associates and joint venture as at June 30, 2020 and December 31, 2019 are as follows:

(in millions of Korean won)		Location	Main business	June 30, 2020		December 31, 2019	
				Ownership interest (%)	Book amount	Ownership interest (%)	Book amount
Associates							
Wing Ship Technology Corp.	Daejeon	Research and development on other engineering	23.20	₩ -	23.20	₩ -	-
TPI Megaline Co., Ltd. ¹	Seoul	Shipping	19.00	2,185	19.00		2,185
Daehan Shipbuilding Co., Ltd. ²	Haenam	Ship building	12.76	-	23.35		5,132
Shinhan Heavy Industries Co., Ltd. ³	Ulsan	Manufacturing ship parts	89.22	₩ -	89.22	₩ -	-
Samwoo Heavy Industry Co., Ltd. ⁴	Gwangyang	Manufacturing ship parts	100.00	-	100.00		-
KC LNG Tech Co., Ltd. ^{1,5}	Busan	Patents management and licenses business	16.60	1,614	16.60		1,873
Joint venture							
SBM Shipyard Ltd.	Angola	Holding company (FPSO engineering and operation)	33.33	-	33.33		-
				₩	3,799	₩	9,190

¹ The Company has classified the investment as an associate as the Company has rights to participate in the decision-making body of the investee company.

² The Company has transferred the investment to equity investments at fair value through other comprehensive income as the Company lost its significant influence over the investee company due to a decrease in ownership interest of the investee during the six-month period ended June 30, 2020.

³ The Company has transferred the investment to equity investments at fair value through other comprehensive income as the Company lost its significant influence over the investee company due to the commencement of rehabilitation procedure for the investee company during the six-month period ended June 30, 2020.

⁴ The Company has reclassified the investment in subsidiaries as investment in associates because the Company lost its control over these subsidiaries, due to the commencement of major creditor bank management procedure for the investee company during the year of 2017.

⁵ The Company has transferred the investment from financial assets at FVOCI to investments in associates as the Company decided that it has significant influence over the investee company during the year of 2019.

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14.2 Changes in the book amount of the investments in associates and joint venture for the six-month period ended June 30, 2020 and for the year ended December 31, 2019, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2020			
	Beginning balance	Acquisition (disposal)	Others	Ending balance
TPI Megaline Co,Ltd.	₩ 2,185	₩ -	₩ -	₩ 2,185
Daehan Shipbuilding Co., Ltd.	5,132	(659)	(4,473)	-
KC LNG Tech Co., Ltd.	1,873	-	(259)	1,614
	<u>₩ 9,190</u>	<u>₩ (659)</u>	<u>₩ (4,732)</u>	<u>₩ 3,799</u>

(in millions of Korean won)

	Year ended December 31, 2019			
	Beginning balance	Acquisition (disposal)	Others	Ending balance
TPI Megaline Co,Ltd.	₩ 2,185	₩ -	₩ -	₩ 2,185
Welliv Private Investment Joint Company	9,750	(9,750)	-	-
Daehan Shipbuilding Co., Ltd.	-	-	5,132	5,132
KC LNG Tech Co., Ltd.	-	-	1,873	1,873
	<u>₩ 11,935</u>	<u>₩ (9,750)</u>	<u>₩ 7,005</u>	<u>₩ 9,190</u>

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15. Property, Plant and Equipment

15.1 Details of property, plant and equipment as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020					
	Acquisition cost	Revaluation surplus	Government grants	Accumulated depreciation	Accumulated impairment losses	Book amount
Land	₩ 1,559,620	₩ 405,729	₩ -	₩ -	₩ (56,754)	₩ 1,908,595
Buildings	1,059,861	-	(5,151)	(425,904)	(91,187)	537,619
Structures	1,308,543	-	-	(491,576)	(104,084)	712,883
Machinery	985,456	-	(76)	(580,051)	(191,180)	214,149
Vehicle	179,719	-	-	(126,184)	(41,720)	11,815
Ships and aircraft	185,328	-	-	(108,238)	(7,420)	69,670
Tools	336,151	-	-	(207,715)	(113,991)	14,445
Supplies	218,280	-	(33)	(140,971)	(64,217)	13,059
Construction-in-progress	121,403	-	-	-	(11,504)	109,899
	<u>₩ 5,954,361</u>	<u>₩ 405,729</u>	<u>₩ (5,260)</u>	<u>₩ (2,080,639)</u>	<u>₩ (682,057)</u>	<u>₩ 3,592,134</u>

<i>(in millions of Korean won)</i>	December 31, 2019					
	Acquisition cost	Revaluation surplus	Government grants	Accumulated depreciation	Accumulated impairment losses	Book amount
Land	₩ 1,559,620	₩ 405,729	₩ -	₩ -	₩ (56,754)	₩ 1,908,595
Buildings	1,056,647	-	(5,223)	(417,047)	(91,243)	543,134
Structures	1,305,236	-	-	(475,597)	(104,162)	725,477
Machinery	955,996	-	(82)	(576,098)	(191,724)	188,092
Vehicle	178,692	-	-	(126,864)	(41,724)	10,104
Ships and aircraft	188,530	-	-	(107,984)	(7,856)	72,690
Tools	329,009	-	-	(210,259)	(114,586)	4,164
Supplies	234,883	-	(41)	(154,501)	(67,244)	13,097
Construction-in-progress	116,383	-	-	-	(11,504)	104,879
	<u>₩ 5,924,996</u>	<u>₩ 405,729</u>	<u>₩ (5,346)</u>	<u>₩ (2,068,350)</u>	<u>₩ (686,797)</u>	<u>₩ 3,570,232</u>

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15.2 Changes in property, plant and equipment for the six-month period ended June 30, 2020 and for the year ended December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2020				
	Land	Buildings	Structures	Machinery	Vehicle
Beginning balance	₩ 1,908,595	₩ 543,134	₩ 725,476	₩ 188,092	₩ 10,104
Acquisition	-	164	50	35,733	3,999
Disposals	-	-	-	-	-
Depreciation	-	(8,912)	(16,052)	(11,909)	(2,367)
Others ¹	-	3,234	3,408	2,234	80
Ending balance	₩ 1,908,595	₩ 537,620	₩ 712,882	₩ 214,150	₩ 11,816

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2020				
	Ships and aircraft	Tools	Supplies	Construction -in-progress	Total
Beginning balance	₩ 72,690	₩ 4,164	₩ 13,097	₩ 104,879	₩ 3,570,231
Acquisition	-	10,667	1,178	14,562	66,353
Disposals	-	(7)	(6)	-	(13)
Depreciation	(3,114)	(779)	(1,223)	-	(44,356)
Others ¹	94	400	13	(9,543)	(80)
Ending balance	₩ 69,670	₩ 14,445	₩ 13,059	₩ 109,898	₩ 3,592,135

¹ Others mainly consist of transfer of construction-in-progress to property, plant and equipment, impairment loss and other account transfers.

<i>(in millions of Korean won)</i>	Year ended December 31, 2019				
	Land	Buildings	Structures	Machinery	Vehicle
Beginning balance ¹	₩ 1,837,254	₩ 551,951	₩ 755,580	₩ 203,096	₩ 14,641
Acquisition	2,925	1,539	225	53,341	8,856
Disposals	(6,618)	(1,033)	(1)	(407)	-
Depreciation	-	(20,855)	(33,389)	(22,044)	(2,299)
Others ²	75,034	11,532	3,061	(45,894)	(11,094)
Ending balance	₩ 1,908,595	₩ 543,134	₩ 725,476	₩ 188,092	₩ 10,104

<i>(in millions of Korean won)</i>	Year ended December 31, 2019				
	Ships and aircraft	Tools	Supplies	Construction -in-progress	Total
Beginning balance ¹	₩ 81,800	₩ 16,437	₩ 25,739	₩ 179,633	₩ 3,666,131
Acquisition	1,269	4,533	14,780	66,547	154,015
Disposals	-	(10)	(7)	-	(8,076)
Depreciation	(6,300)	(3,336)	(6,618)	-	(94,841)
Others ²	(4,079)	(13,460)	(20,797)	(141,301)	(146,998)
Ending balance	₩ 72,690	₩ 4,164	₩ 13,097	₩ 104,879	₩ 3,570,231

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¹ In accordance with adoption of Korean IFRS 1116 *Leases*, ₩ 23,819 million of finance lease ships and aircraft were reclassified as right-of-use assets.

² Others mainly consist of transfer of construction-in-progress to property, plant and equipment, impairment loss and other account transfers.

15.3 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. After impairment assessment, the Company recognized total ₩ 141,881 million of impairment loss on property, plant and equipment, and ₩ 14,051 million of impairment loss on intangible assets during the year of 2019. 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.

15.4 Line items including depreciation (including depreciation on investment properties) in the statements of profit or loss for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
Cost of sales	₩	43,018	₩	45,265
Selling and administrative expenses		369		723
Research and development expenses		1,028		1,005
	₩	44,415	₩	46,993

15.5 Contractual commitments for the acquisition of property, plant and equipment

According to the agreement entered with Seoul National University in 2015, the Company plans to complete the construction of tank facilities for testing purpose in Siheung Campus by 2020, and transfer its ownership after 25 years of the completion. Details of contractual commitments for the acquisition of property, plant and equipment as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020		December 31, 2019	
Property, plant and equipment	₩	19,479	₩	24,038

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16. Right-of-use Assets

16.1 Changes in right-of-use assets for the six-month period ended June 30, 2020, are as follows:

<i>(in millions of Korean won)</i>	Beginning balance	Acquisition	Depreciation¹	Others²	Ending balance
Lease- Buildings	₩ 13,353	₩ 40	₩ (4,771)	₩ 2,660	₩ 11,282
Lease- Machinery	4,535	-	2,987	(7,437)	85
Lease- Ships and aircraft	8,063	-	(6,045)	58,094	60,112
Lease- Vehicle	2,294	434	(1,015)	807	2,520
Lease- Land	350	-	(900)	1,992	1,442
	<u>₩ 28,595</u>	<u>₩ 474</u>	<u>₩ (9,744)</u>	<u>₩ 56,116</u>	<u>₩ 75,441</u>

¹ Depreciation of lease- vehicle amounting to ₩ 106 million was transferred to research and development expenses.

² Others consist of the disposal of right-of-use assets and the difference in connection with reassessment of right-of-use assets.

16.2 Details of lease liabilities as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Current liabilities	₩ 19,043	₩ 18,446
Non-current liabilities	<u>53,589</u>	<u>15,590</u>
	<u>₩ 72,632</u>	<u>₩ 34,036</u>

16.3 In connection with lease, cash outflows and total interest expenses are ₩ 19,373 million and ₩ 1,091 million, respectively, for the six-month period ended June 30, 2020.

16.4 The expenses relating to short-term leases and leases of low-value assets are ₩ 233 million and ₩ 39 million, respectively, for the six-month period ended June 30, 2020. These expenses are included in cost of sales and administrative expenses.

16.5 Residual maturity of lease liabilities in contracts is as follows:

<i>(in millions of Korean won)</i>	Less than 1 year	1 year ~ 5 years	Total
Lease liabilities	₩ 19,043	₩ 53,589	₩ 72,632

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17. Pledged Assets

17.1 As at June 30, 2020, the Company's assets except deposits (Note 8) that are pledged as collateral for performance guarantee and others are summarized as follows:

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

Assets	Book amount		Pledged amount		Guarantee for	Borrowings amount		Lender
Property, plant and equipment, and investment properties	KRW	3,367,268	KRW	3,735,200	Borrowings in Korean won Borrowings in Foreign currencies	KRW	625,559	KDB and KEXIM
			USD	880,000		USD	1,036,685	
Financial assets at fair value through profit or loss	KRW	24,157	KRW	25,858	Performance guarantee		-	KDIA and Machinery Financial Cooperative
			KRW	3,761,058		KRW	625,559	
			USD	880,000		USD	1,036,685	

17.2 Significant guarantees provided to others than the Company's related parties as at June 30, 2020, are as follows:

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

Provided for	Guarantee Amount¹		Lender
Korea Line Corp.	USD	-	KDB and others

¹ Fully redeemed during the six-month period ended June 30, 2020.

17.3 The Company is provided performance guarantees such as RG (Refund Guarantee) relating to the export of ships. Details of guarantees provided to the Company are as follows:

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

Provided by	Guarantee Limit		Actual warranty balance	
	Currency	Amount	Currency	Amount
KDB	USD	4,700,000	USD	1,180,408
			USD	2,389,770
KEXIM	USD	3,260,328	EUR	9,348
			GBP	10,000
			KRW	12,616
Other financial institutions	USD	95,000	USD	92,247

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In addition to the above, the Company is provided with performance guarantee of ₩ 2,213,941 million from KDIA and others. The entire amount of ₩ 32,600 million loaned to affiliates is also guaranteed. Meanwhile, the Company provides a mortgage of transfer on i) export object under construction, ii) raw materials for construction and iii) export payment, relating to performance guarantee provided, borrowing on shipbuilding financing and the new funding support limit provided by the Korea Development Bank and the Korea Export-Import Bank (Note 43).

18. Investment Properties

18.1 Investment properties as at June 30, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)

	June 30, 2020		
	Land	Buildings	Total
Acquisition cost	₩ 4,661	₩ 8,473	₩ 13,134
Accumulated depreciation	-	(4,164)	(4,164)
Accumulated impairment	-	(1,353)	(1,353)
Book amount	<u>₩ 4,661</u>	<u>₩ 2,956</u>	<u>₩ 7,617</u>

(in millions of Korean won)

	December 31, 2019		
	Land	Buildings	Total
Acquisition cost	₩ 4,661	₩ 8,473	₩ 13,134
Accumulated depreciation	-	(4,105)	(4,105)
Accumulated impairment	-	(1,353)	(1,353)
Book amount	<u>₩ 4,661</u>	<u>₩ 3,015</u>	<u>₩ 7,676</u>

18.2 Changes in the book amounts of investment properties for the six-month period ended June 30, 2020 and for the years ended December 31, 2019, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2020		
	Land	Buildings	Total
Beginning balance	₩ 4,661	₩ 3,015	₩ 7,676
Depreciation	-	(59)	(59)
Ending balance	<u>₩ 4,661</u>	<u>₩ 2,956</u>	<u>₩ 7,617</u>

(in millions of Korean won)

	Year ended December 31, 2019		
	Land	Buildings	Total
Beginning balance	₩ 4,661	₩ 3,134	₩ 7,795
Depreciation	-	(119)	(119)
Ending balance	<u>₩ 4,661</u>	<u>₩ 3,015</u>	<u>₩ 7,676</u>

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18.3 Income generated from the investment properties for the six-months periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
Rental revenue	₩	49	₩	81

18.4 Fair values of the investment properties as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020		December 31, 2019	
	Book amount	Fair value	Book amount	Fair value
Land	₩ 4,661	₩ 6,792	₩ 4,661	₩ 6,792
Buildings	2,956	3,300	3,015	3,300
	<u>₩ 7,617</u>	<u>₩ 10,092</u>	<u>₩ 7,676</u>	<u>₩ 10,092</u>

19. Intangible Assets

Intangible assets as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020		December 31, 2019	
Acquisition cost	₩	48,405	₩	47,384
Accumulated amortization and impairment loss		<u>(45,417)</u>		<u>(45,121)</u>
Book amount	<u>₩</u>	<u>2,988</u>	<u>₩</u>	<u>2,263</u>

Changes in book amounts of intangible assets for the six-month periods ended June 30, 2020 and for the years ended December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2020				
	Beginning balance	Acquisition (disposal)	Amortization	Transfer	Ending balance
Intellectual property rights	₩ 1,593	₩ 694	₩ (107)	₩ -	₩ 2,180
Development costs	-	-	-	-	-
Certified emission reduction	-	4,615	-	(4,477)	138
Others	670	-	-	-	670
	<u>₩ 2,263</u>	<u>₩ 5,309</u>	<u>₩ (107)</u>	<u>₩ (4,477)</u>	<u>₩ 2,988</u>

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(in millions of Korean won)

	Year ended December 31, 2019				
	Beginning balance	Acquisition (disposal)	Amortization	Transfer	Ending balance
Intellectual property rights	₩ 2,956	₩ 1,678	₩ (459)	₩ (2,582)	₩ 1,593
Development costs	13,417	23	(147)	(13,293)	-
Others	636	(2)	-	36	670
	<u>₩ 17,009</u>	<u>₩ 1,699</u>	<u>₩ (606)</u>	<u>₩ (15,839)</u>	<u>₩ 2,263</u>

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. After impairment assessment, the Company recognized total ₩ 141,881 million of impairment loss on property, plant and equipment, and ₩ 14,051 million of impairment loss on intangible assets during the year of 2019. 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.

20. Trade and Other Payables

Trade and other payables as at June 30, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)

	June 30, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
Trade payables ¹	₩ 460,377	₩ -	₩ 561,119	₩ -
Accounts payables	162,775	39,544	184,642	43,446
Accrued expenses	104,597	-	142,158	-
Deposits received	18,626	-	24,080	-
	<u>₩ 746,375</u>	<u>₩ 39,544</u>	<u>₩ 911,999</u>	<u>₩ 43,446</u>

¹ Trade payables are unsecured and are usually paid within 45~90 days of recognition. The carrying amounts of trade and accounts payables, and accrued expenses are considered to be the same as their fair values, due to their short-term nature.

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21. Debentures

Details of the book amount of debentures as at June 30, 2020 and December 31, 2019, are as follows:

Type	Maturity date	Annual interest rate (%) June 30, 2020		June 30, 2020	December 31, 2019
4-2 nd non-guarantee bonds	April 21, 2023	1.00	₩	149,102	₩ 149,102
5-2 nd non-guarantee bonds	April 21, 2023	1.00		98,635	98,635
6-1 st non-guarantee bonds	April 21, 2023	1.00		213,113	213,113
6-2 nd non-guarantee bonds	April 21, 2023	1.00		29,316	29,316
7 th non-guarantee bonds	April 21, 2023	1.00		148,768	148,768
Commercial papers	July 21, 2020 ~ April 21, 2023	1.00		101,894	101,894
				740,828	740,828
Less: discount on debentures				(76,023)	(105,754)
Less: Discount on current portion of debentures				(8,901)	(6,990)
Less: current portion of debentures				(237,703)	(116,270)
				₩ 418,201	₩ 511,814

As described in Note 43, the Company and bond holders agreed the plan of debt restructuring that included i) the debt-to-equity swap of 50% or more of existing corporate bonds and CP, ii) extending the maturity of remaining bonds and CP and iii) decreasing interest rate of remaining bonds through bondholders' meeting. In addition, the Company contracted amendment on terms and conditions of issuing CP during April 2017. In accordance with this debt restructuring plan debt-to-equity swap of corporate bonds and CP is executed on August 12, 2017, December 22, 2017 and March 15, 2018.

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22. Borrowings

22.1 Short-term borrowings

Details of the book amount of short-term borrowings as at June 30, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)

			Annual interest rate (%)		June 30, 2020		December 31, 2019
	Creditor	Description	June 30, 2020				
Short-term borrowings in Korean won	Kookmin Bank	Overdraft	-	₩	4,646	₩	7,725
	KDB	General loan	3.00		432,659		432,659
	KEXIM	Export financing loan	3.00		192,900		192,900
					630,205		633,284
Short-term borrowings in foreign currencies	KDB and others	USANCE	6ML+0.3 and others		158,369		293,764
	KEXIM	Export financing loan	3ML+2.65		143,086		137,974
					301,455		431,738
				₩	931,660	₩	1,065,022

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21.2 Long-term borrowings

Details of the book amount of long-term borrowings as at June 30, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)

	Creditor	Description	Annual interest rate (%)	June 30, 2020	December 31, 2019
Long-term borrowings in Korean won	Korea Housing Guarantee	General loan	-	₩ 101	105
	Kookmin Bank	General loan	1.00	20,000	20,000
	Hana Bank	General loan	1.00	91,912	91,912
	Woori Bank	General loan	1.00	19,972	19,972
	Shinhan Bank	General loan	1.00	16,000	16,000
				147,985	147,989
Long-term borrowings in foreign currencies	KDB	Operating loan	3ML+2.55 and others	876,511	845,194
	Korea Energy Agency	Energy special loan	-	13,359	13,216
		Overseas investment loan	6ML+3.05	18,911	18,235
	KEXIM	Export financing loan	3ML+2.65	192,704	185,819
		Operating loan	1.00	13,535	13,051
	Woori Bank	Operating loan	1.00	5,801	5,593
				1,120,821	1,081,108
				1,268,806	1,229,097
Less: Current portion				(211,619)	(204,058)
Less: Discount on loans				(47,840)	(51,565)
				₩ 1,009,347	₩ 973,474

The Company's property, plant and equipment are pledged as collateral in relation to those borrowings (Note 17).

23. Other Liabilities

Other liabilities as at June 30, 2020 and December 31, 2019, are as follows:

(in millions of Korean won)

	June 30, 2020	December 31, 2019
Advance received	₩ 56	₩ 2
Withholdings	238,892	176,506
	₩ 238,948	₩ 176,508

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

24.1 Details of net defined benefit liabilities and other long-term employee benefit liabilities as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Present value of defined benefit obligation	₩ 411,133	451,818
Fair value of plan assets	<u>(364,005)</u>	<u>(399,250)</u>
Net defined benefit liabilities	<u>₩ 47,128</u>	<u>52,568</u>
Other long-term employee benefit liabilities	₩ 26,649	26,486

24.2 Movements in the net defined benefit liabilities and other long-term employee benefit liabilities for the six-month period ended June 30, 2020 and for the year ended December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2020			
	Present value of defined benefit obligations	Plan assets	Other long-term employee benefit obligation	Total
Beginning balance	₩ 451,818	₩ (399,250)	₩ 26,486	₩ 79,054
Current service cost	27,623	-	786	28,409
Interest expense (income)	4,559	(4,015)	269	813
	<u>484,000</u>	<u>(403,265)</u>	<u>27,541</u>	<u>108,276</u>
Remeasurements:				
Return on plan assets	-	54	-	54
	-	54	-	54
Benefit payments	<u>(72,867)</u>	<u>39,206</u>	<u>(892)</u>	<u>(34,553)</u>
Ending balance	<u>₩ 411,133</u>	<u>₩ (364,005)</u>	<u>₩ 26,649</u>	<u>₩ 73,777</u>

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<i>(in millions of Korean won)</i>	Year ended December 31, 2019			
	Present value of defined benefit obligations	Plan assets	Other long-term employee benefit obligation	Total
Beginning balance	₩ 418,410	₩ (277,618)	₩ 21,692	₩ 162,484
Current service cost	51,133	-	7,688	58,821
Interest expense (income)	9,809	(6,507)	512	3,814
	<u>479,352</u>	<u>(284,125)</u>	<u>29,892</u>	<u>225,119</u>
Remeasurements:				
Return on plan assets	-	1,126	-	1,126
Actuarial gains (losses) arising from change in demographic assumptions	3	-	21	24
Actuarial gains (losses) arising from change in financial assumptions	24,993	-	(113)	24,880
Actuarial gains (losses) arising from experience adjustments	19,008	-	445	19,453
	<u>44,004</u>	<u>1,126</u>	<u>353</u>	<u>45,483</u>
Contributions	-	(152,300)	-	(152,300)
Benefit payments	(71,538)	36,049	(3,759)	(39,248)
Ending balance	<u>₩ 451,818</u>	<u>₩ (399,250)</u>	<u>₩ 26,486</u>	<u>₩ 79,054</u>

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25. Provisions

Changes in provisions for construction losses, construction warranties and other provisions for the six-month period ended June 30, 2020 and for the year ended December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2020						
	Current			Non-current			Total
	Provision for construction losses	Provision for construction warranties	Other provisions	Provision for construction warranties	Other provisions		
Beginning balance	₩ 276,833	₩ -	₩ 74,954	₩ 273,854	₩ 690,497	₩ 1,316,138	
Additional (reversal) provisions	(12,349)	-	(183)	13,234	11,815	12,517	
Transfer	87,247	159,345	-	(159,345)	(91,445)	(4,198)	
Used during period	-	(20,769)	(33,490)	-	(9,363)	(63,622)	
Ending balance	₩ 351,731	₩ 138,576	₩ 41,281	₩ 127,743	₩ 601,504	₩ 1,260,835	

<i>(in millions of Korean won)</i>	Year ended December 31, 2019				
	Current		Non-current		Total
	Provision for construction losses	Other provisions	Provision for construction warranties	Other provisions	
Beginning balance	₩ 535,561	₩ 23,179	₩ 306,814	₩ 553,374	₩ 1,418,928
Additional (reversal) provisions	(258,728)	36,566	41,011	209,945	28,794
Used during period	-	15,209	(73,971)	(72,822)	(131,584)
Ending balance	₩ 276,833	₩ 74,954	₩ 273,854	₩ 690,497	₩ 1,316,138

26. Income Taxes Expense

Income tax expense is recognized based on management's best estimate of weighted average annual income tax rate expected for the full financial year.

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27. Derivative Instruments

Details of derivative instruments held for hedging and trading purposes as at June 30, 2020, and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020						
	Sales	Other non- operating income (expense)	Firm commitment assets ¹	Firm commitment liabilities ¹	Contract liabilities	Currency forward assets	Currency forward liabilities
For fair value hedging ¹	₩ (109,047)	₩ (56,743)	₩ 105,310	₩ 6,705	₩ -	₩ 6,899	₩ 218,849
For trading ²	-	(583)	-	-	-	-	-
	<u>₩ (109,047)</u>	<u>₩ (57,326)</u>	<u>₩ 105,310</u>	<u>₩ 6,705</u>	<u>₩ -</u>	<u>₩ 6,899</u>	<u>₩ 218,849</u>

<i>(in millions of Korean won)</i>	December 31, 2019						
	Sales	Other non- operating income (expense)	Firm commitment assets ¹	Firm commitment liabilities ¹	Contract liabilities	Currency forward assets	Currency forward liabilities
For fair value hedging ¹	₩ (135,746)	₩ (58,566)	₩ 80,050	₩ 5,906	₩ 450	₩ 6,910	₩ 122,487
For trading ²	-	(55,634)	-	-	-	287	-
	<u>₩ (135,746)</u>	<u>₩ (114,200)</u>	<u>₩ 80,050</u>	<u>₩ 5,906</u>	<u>₩ 450</u>	<u>₩ 7,197</u>	<u>₩ 122,487</u>

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

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

28. 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, 2020 and December 31, 2019.

The Company's total number of authorized shares, issued shares and par value per share are 800,000,000 shares, 107,205,752 shares and ₩ 5,000, respectively, as at June 30, 2020 and December 31, 2019.

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Changes in number of shares and share capital for the six-month period ended June 30, 2020 and for the year ended December 31, 2019, are as follows:

<i>(in millions of Korean won, and in number of shares)</i>	Details	Number of shares (unit: shares)		Share capital
January 1, 2019	Beginning balance	107,205,752	₩	541,028
December 31, 2019	Ending balance	107,205,752		541,028
January 1, 2020	Beginning balance	107,205,752		541,028
June 30, 2020	Ending balance	107,205,752		541,028

29. Retained Earnings

Retained earnings as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>		June 30, 2020		December 31, 2019
Legal reserves ¹	₩	81,080	₩	81,080
Reserve for facility expansion		3,450,000		3,450,000
Reserve for dividend equalization		70,000		70,000
Accumulated deficits before disposition		(2,859,999)		(3,159,396)
	₩	<u>741,081</u>	₩	<u>441,684</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.

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30. Other Contributed Capital and Components of Other Capital

30.1 Other contributed capital and components of other capital as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Other contributed capital		
Share premium	₩ 10,437	₩ 10,437
Others ¹	(10,694)	(10,694)
	<u>₩ (257)</u>	<u>₩ (257)</u>
Components of other capital		
Revaluation surplus of property, plant and equipment	₩ 322,509	₩ 322,509
Loss on valuation of financial assets at fair value through other comprehensive income	(15,899)	(6,289)
	<u>₩ 306,610</u>	<u>₩ 316,220</u>

¹ Others include ₩ 1,060 million of other contributed capital, which qualifies as equity even though actual debt-to-equity swap is not completed as the number and price of issuing shares are fixed as at June 30, 2020.

30.2 Hybrid capital instrument as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
8th Private unregistered non-guarantee convertible bond ¹	₩ 1,000,000	₩ 1,000,000
9th Private unregistered non-guarantee convertible bond ²	1,284,775	1,284,775
10th Private unregistered non-guarantee convertible bond ³	48,057	48,057
	<u>₩ 2,332,832</u>	<u>₩ 2,332,832</u>

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

These convertible bonds are classified as equity because 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 condition of bond issuance 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(*). The suspended interest is deferred to the next interest payment date, and an additional interest that applied guaranteed yield-to-maturity (same as bond interest rate) compounded quarterly on the interest for deferral is occurred. Overdue interest: If early redemption amount isn't paid after the notification of early redemption right or interest isn't paid despite the reason for not suspending interest payment(*), the overdue interest rate of 15% is applied. (*):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 December 31, 2021
Conversion condition	₩ 40,350 per share
Trigger clause	The liquidation of the issuing company

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

These convertible bonds are classified as equity because 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. Payment: Pay quarterly, Optional payment suspension only if there is no reason for not suspending interest payment(*). The suspended interest is deferred to the next interest payment date, and an additional interest that applied guaranteed yield-to-maturity (same as bond interest rate) compounded quarterly on the interest for deferral is occurred.
Interest paid	Overdue interest: If early redemption amount isn't paid after the notification of early redemption right or interest isn't paid despite the reason for not suspending interest payment(*), the overdue interest rate of 15% is applied. (*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 December 31, 2021
Conversion condition	₩ 40,350 per share
Trigger clause	The liquidation of the issuing company

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

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

	Details
Bonds	10th Private unregistered non-guarantee convertible bond
Value at issue	₩ 48,057 million
Maturity	March 14, 2048 (30 years), The maturity date can be extended under the same conditions as the discretion of the issuer. Amount: 1.0% until December 31, 2021, 0.25% added every year on standard yield of 5 year maturity public unsecured corporate bonds. Payment: Pay quarterly, Optional payment suspension only if there is no reason for not suspending interest payment(*).The suspended interest is deferred to the next interest payment date, and an additional interest that applied guaranteed yield-to-maturity (same as bond interest rate) compounded quarterly on the interest for deferral is occurred.
Interest paid	Overdue interest: If early redemption amount isn't paid after the notification of early redemption right or interest isn't paid despite the reason for not suspending interest payment(*), the overdue interest rate of 15% is applied. (*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 December 31, 2021
Conversion condition	₩ 40,350 per share
Trigger clause	The liquidation of the issuing company

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31. Earnings Per Share

31.1 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, 2020 and 2019, are as follows:

<i>(in Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Profit for the period	₩ 51,767,683,200	₩ 291,148,790,545	₩ 131,664,732,130	₩ 332,728,639,643
Paid interest of hybrid capital instruments ¹	(5,993,772,400)	(11,869,649,560)	(5,869,270,180)	(11,788,933,870)
Profit on ordinary shares	₩ 45,773,910,800	₩ 279,279,140,985	₩ 125,795,461,950	₩ 320,939,705,773
Weighted average number of ordinary shares outstanding <i>(in shares)</i>	107,189,545	107,189,545	107,189,545	107,189,545
Basic earnings per share	₩ 427	₩ 2,605	₩ 1,174	₩ 2,994

¹ Interest payable related to hybrid capital instrument ₩ 11,870 million (accumulated: ₩ 70,670 million) is included as at June 30, 2020.

31.2 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, 2020 and 2019, respectively, are as follows:

<i>(in shares)</i>	Three-month period ended June 30, 2020				
	Issued shares	Treasury shares	Outstanding shares	Number of days	Weighted average number of ordinary shares outstanding
Apr 1, 2020	107,205,752	(16,207)	107,189,545	91	107,189,545
				91	107,189,545

<i>(in shares)</i>	Six-month period ended June 30, 2020				
	Issued shares	Treasury shares	Outstanding shares	Number of days	Weighted average number of ordinary shares outstanding
Jan 1, 2020	107,205,752	(16,207)	107,189,545	182	107,189,545
				182	107,189,545

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<i>(in shares)</i>	Three-month period ended June 30, 2019				
	Issued shares	Treasury shares	Outstanding shares	Number of days	Weighted average number of ordinary shares outstanding
Apr 1, 2019	107,205,752	(16,207)	107,189,545	91	107,189,545
				91	107,189,545

<i>(in shares)</i>	Six-month period ended June 30, 2019				
	Issued shares	Treasury shares	Outstanding shares	Number of days	Weighted average number of ordinary shares outstanding
Jan 1, 2019	107,205,752	(16,207)	107,189,545	181	107,189,545
				181	107,189,545

31.3 Diluted earnings per share 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>(in Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Profit on ordinary shares	₩ 45,773,910,800	₩ 279,279,140,985	₩ 125,795,461,950	₩ 320,939,705,773
Interest of hybrid capital instrument	5,993,772,400	11,869,649,560	5,869,270,180	11,788,933,870
Profit used to determine diluted EPS	₩ 51,767,683,200	₩ 291,148,790,545	₩ 131,664,732,130	₩ 332,728,639,643
Weighted average number of ordinary shares outstanding <i>(in shares)</i>	107,189,545	107,189,545	107,189,545	107,189,545
Adjustment:				
Assumption of conversion of permanent bonds <i>(in shares)</i>	57,814,925	57,814,925	57,814,925	57,814,925
Weighted average number of ordinary shares outstanding <i>(in shares)</i>	165,004,470	165,004,470	165,004,470	165,004,470
Diluted earnings per share	₩ 314	₩ 1,764	₩ 798	₩ 2,016

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32. Selling and Administrative Expenses

Details of selling and administrative expenses for the three-month and six-month periods ended June 30, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020		2019	
	Three months	Six months	Three months	Six months
Employee benefits	₩ 13,544	₩ 27,294	₩ 15,097	₩ 30,529
Post-employment benefits	962	2,138	924	1,837
Commission	9,723	19,885	11,230	22,426
Depreciation	1,177	2,534	1,544	3,056
Impairment loss (reversal)	21,200	20,216	(38,642)	(38,074)
Administrative service costs	2,213	3,828	2,800	5,803
Research and development expenses	14,561	29,985	15,814	27,935
Others	8,307	15,067	(28,726)	(12,194)
	<u>₩ 71,687</u>	<u>₩ 120,947</u>	<u>₩ (19,959)</u>	<u>₩ 41,318</u>

33. Finance Income and Costs

Details of finance income and costs for the three-month and six-month periods ended June 30, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020		2019	
	Three months	Six months	Three months	Six months
Finance income				
Interest income	₩ 15,794	₩ 38,634	₩ 27,534	₩ 43,014
Gains on valuation of financial assets at fair value through profit or loss	213	710	42	247
Gains on disposal of financial assets at fair value through profit or loss	10	10	1	1
Dividend income	3,409	4,109	2,324	2,567
Gains on foreign currency translation	(66,023)	25,693	5,693	45,220
Gains on foreign currency transactions	67,935	119,806	107,968	154,415
Gains on valuation of currency forward	5,304	6,899	20,899	20,899
Gains on currency forward transactions	2,254	2,861	207	1,016
Reversal of financial guarantee liabilities	29	33	129	273
	<u>₩ 28,925</u>	<u>₩ 198,755</u>	<u>₩ 164,797</u>	<u>₩ 267,652</u>

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(in millions of Korean won)

	2020		2019	
	Three months	Six months	Three months	Six months
Finance costs				
Interest expenses	₩ 36,425	₩ 74,518	₩ 41,237	₩ 83,299
Losses on valuation of financial assets at fair value through profit or loss	(6)	1	(6)	5
Losses on disposal of financial assets at fair value through profit or loss	1	1	-	-
Losses on foreign currency translation	(35,577)	59,499	37,075	69,221
Losses on foreign currency transactions	33,021	57,915	57,545	71,128
Losses on valuation of currency forward	(47,335)	144,225	79,958	160,862
Losses on currency forward transactions	43,384	56,821	56,823	77,340
	₩ 29,913	₩ 392,980	₩ 272,632	₩ 461,855

34. Other Non-operating Income and Expenses

Details of other non-operating income and expenses for the three-month and six-month periods ended June 30, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020		2019	
	Three months	Six months	Three months	Six months
Other non-operating income				
Gains on valuation of firm commitment	₩ (10,661)	₩ 140,857	₩ 80,830	₩ 147,667
Gains on disposal of property, plant and equipment	260	1,293	1,413	1,746
Reversal of impairment loss on other investments	-	-	2,455	5,118
Reversal of provision for other impairment	829	965	-	16,065
Others	2,283	8,439	3,852	12,080
	₩ (7,289)	₩ 151,554	₩ 88,550	₩ 182,676

(in millions of Korean won)

	2020		2019	
	Three months	Six months	Three months	Six months
Other non-operating expenses				
Losses on valuation of firm commitment	₩ 5,339	₩ 6,898	₩ 10,259	₩ 10,298
Losses on disposal of property, plant and equipment	1	13	7	9
Contingency loss	822	5,942	13,373	13,715
Other impairment loss	-	-	(563)	9,687
Others	289	1,560	68	128
	₩ 6,451	₩ 14,413	₩ 23,144	₩ 33,837

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35. Expenses by Nature

Expenses classified by nature for the six-month periods ended June 30, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020		
	Selling and administrative expenses	Cost of sales	Total
Changes in inventories	₩ -	₩ 105,867	₩ 105,867
Purchase of raw materials	-	1,627,995	1,627,995
Employee benefits	36,523	364,188	400,711
Depreciation	1,398	43,018	44,416
Depreciation of right-in-use assets	2,271	7,473	9,744
Amortization	-	107	107
Commission	19,894	33,008	52,902
Travel	834	1,000	1,834
Administrative service fees	3,828	34,575	38,403
Rent	324	13,262	13,586
Amount paid to subcontractor	-	751,410	751,410
Others	55,875	451,166	507,041
	<u>₩ 120,947</u>	<u>₩ 3,433,069</u>	<u>₩ 3,554,016</u>

(in millions of Korean won)

	2019		
	Selling and administrative expenses	Cost of sales	Total
Changes in inventories	₩ -	₩ 25,090	₩ 25,090
Purchase of raw materials	-	1,878,362	1,878,362
Employee benefits	38,822	390,616	429,438
Depreciation	1,728	45,265	46,993
Depreciation of right-in-use assets	2,333	25,667	28,000
Amortization	5	284	289
Commission	22,433	31,117	53,550
Travel	1,606	1,857	3,463
Administrative service fees	1,301	32,014	33,315
Rent	872	11,819	12,691
Amount paid to subcontractor	-	1,009,780	1,009,780
Others	(27,782)	326,187	298,405
	<u>₩ 41,318</u>	<u>₩ 3,778,058</u>	<u>₩ 3,819,376</u>

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36. Related Parties

36.1 Related parties of the Company as at June 30, 2020, are as follows:

	Name of company
Parent Company	KDB
Subsidiaries	DSME Shandong Co., Ltd., DK Maritime S.A., DSME Information and Consulting, DSME Kazakhstan LLP
Associates ¹	Wing Ship Technology Corp., TPI Megaline Co., Ltd., Samwoo Heavy Industry Co., Ltd., KC LNG Tech Co., Ltd.
Joint venture	SBM Shipyard Ltd.
Other related parties	D&H Solutions AS, PT. DSME Indonesia, DSME Offshore Engineering Center, PAENAL YARD, KC Kazakh B.V., SEYOUNG Academy for middle school students and others, Related parties of KDB and government related parties (KEXIM and others) ² and others

¹ Daehan Shipbuilding Co.,Ltd., Shinhan Heavy Industries Co., Ltd. have been excluded from associates due to loss of significant influence over these entities during the six-month period ended June 30, 2020.

² In accordance with the exemption on disclosure of related party transactions regarding government related special entity as prescribed under Korean IFRS 1024, the Company has not disclosed all transactions, commitments and outstanding balances concerning the government related special entity.

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36.2 Significant transactions with the related parties for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>			2020	2019
Parent Company:				
KDB	Disposal of shares ¹	₩	1,727	₩ -
	Interest and other income		16,025	34,261
	Interest and other expenses		227,069	264,232
Subsidiaries:				
DSME Shandong Co., Ltd	Sales		1,299	1,627
	Purchases		94,161	67,767
Other subsidiaries	Sales		75	66
	Purchases		10,602	21,782
	Interest and other income		3,729	3
	Interest and other expense		12,940	3,238
Associates and Joint venture:				
Samwoo Heavy Industry Co., Ltd. and others	Sales		899	2,684
	Purchases		132,674	222,288
	Interest and other income		1,392	683
	Interest and other expense ²		767	20,958
Other related parties:				
KEXIM	Interest and other expense		17,937	19,393
Related parties of KDB and others ³	Sales		281,046	320,792
	Purchases		27,839	49,714
	Interest and other income		39	73
	Interest and other expense		1,128	136
Total	Disposal of shares ¹		1,727	-
	Sales		283,319	325,169
	Purchases		265,276	361,551
	Interest and other income		21,185	35,020
	Interest and other expense	₩	259,841	₩ 307,957

¹ Amount represents proceeds from disposal of 172,732 shares of Daehan Shipbuilding Co.,Ltd., which was classified as an associate in 2019, to KDB.

² Interests arising from the lease transaction with TPI Megaline Co., Ltd. during the six-month periods ended June 30, 2020 and 2019 amount to ₩ 767 million and ₩ 790 million, respectively.

³ There were no shipbuilding contracts entered with HMM CO., LTD. (formerly, Hyundai Merchant Marine Co., Ltd.) and its subsidiaries for the six-month periods ended June 30, 2020 and 2019. The Company recognized sales of ₩ 281,291 million (2019: ₩ 305,784 million) for the six-month periods ended June 30, 2020 and 2019. As at June 30, 2020 and December 31, 2019, the remaining contract balance amounted to ₩ 23,396 million and ₩ 315,678 million, respectively.

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36.3 Fund transactions with related parties for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>		Transaction	2020	2019
Parent Company:				
KDB		Proceeds from borrowings	₩ -	₩ 40,317
		Redemption of borrowings	35,809	100,000
Associates and Joint venture:				
TPI Megaline Co., Ltd. ¹		Lease payments	6,926	8,157
Other related parties:				
KEXIM		Redemption of borrowings	-	100,000
Total		Proceeds from borrowings	-	40,317
		Redemption of borrowings	35,809	200,000
		Lease payments	₩ 6,926	₩ 8,157

¹ Interest expenses recognized in relation to repayment of lease liabilities during the six-month period ended June 30, 2020, amount to ₩ 767 million (2019: ₩ 790 million).

36.4 Significant receivables from and payables to the related parties as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020					
	Financial instruments and others¹	Trade receivables and others¹	Other receivables¹	Loans and others¹	Borrowings	Other payables and others
Parent Company:						
KDB	₩ 1,753,668	₩ -	₩ -	₩ 6,973	₩ 1,358,422	₩ 219,130
Subsidiaries:						
DSME Shandong Co., Ltd.	-	142	-	8,534	-	105
DK Maritime S.A.	-	84,837	-	-	-	-
Other subsidiaries	-	10	35	-	-	3,002
Associates:						
Samwoo Heavy Industry Co., Ltd. and others	-	20	35	15,351	-	62,599
Joint venture:						
SBM Shipyards Ltd. and others	-	-	-	183,133	-	-
Other related parties:						
KC Kazakh B.V. and others	-	3,566	-	32,850	-	-
KEXIM ²	-	-	-	189	561,136	799
Related parties of KDB	2,745	315,342	2,240	-	-	16
	₩ 1,756,413	₩ 403,917	₩ 2,310	₩ 247,030	₩ 1,919,558	₩ 285,651

¹ Amount before deduction of provision for impairment loss.

² Hybrid capital instrument classified as equity were not included in the borrowings (Note 30).

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(in millions of Korean won)	December 31, 2019					
	Financial instruments and others ¹	Trade receivables and others ¹	Other receivables ¹	Loans and others ¹	Borrowings	Other payables and others
Parent Company:						
KDB	₩ 2,206,980	₩ -	₩ -	₩ 6,815	₩ 1,362,914	₩ 125,292
Subsidiaries:						
DSME Shandong Co., Ltd.	-	544	-	25,379	-	-
DK Maritime S.A.	-	84,837	-	-	-	-
Other subsidiaries	-	15	31	-	-	3,588
Associates:						
DAEHAN SHIPBUILDING CO., LTD. and others	-	252	2,283	125,563	-	16,371
Joint venture:						
SBM Shipyards Ltd. and others	-	-	-	183,133	-	-
Other related parties:						
KC Kazakh B.V. and others	-	3,566	-	32,850	-	-
KEXIM ²	-	-	-	1,199	547,979	1,006
Related parties of KDB	3,149	490,259	-	33,318	-	10,331
	<u>₩ 2,210,129</u>	<u>₩ 579,473</u>	<u>₩ 2,314</u>	<u>₩ 408,257</u>	<u>₩ 1,910,893</u>	<u>₩ 156,588</u>

¹ Amount before deduction of provision for impairment loss.

² Hybrid capital instrument classified as equity were not included in the borrowings (Note 30).

Meanwhile, movements of provision for impairment of trade and other receivables in relation to the above receivables with related parties for the six-month period ended June 30, 2020 and for the years ended December 31, 2019, are as follows:

(in millions of Korean won)	Six-month period ended June 30, 2020		
	Beginning balance	Others ¹	Ending balance
Trade receivables	₩ 88,520	₩ (118)	₩ 88,402
Other receivables	2,246	(12)	2,234
Loans and others	299,978	(75,826)	224,152
	<u>₩ 390,744</u>	<u>₩ (75,956)</u>	<u>₩ 314,788</u>

¹ As Shinhan Heavy Industries Co., Ltd. was excluded from related parties due to the commencement of the rehabilitation procedure, ₩ 75,826 million of provision for impairment excluded from disclosure is included in others.

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(in millions of Korean won)

	Year ended December 31, 2019					
	Beginning balance		Others		Ending balance	
Trade receivables	₩	88,558	₩	(38)	₩	88,520
Other receivables		2,238		8		2,246
Loans and others		299,978		-		299,978
	₩	390,774	₩	(30)	₩	390,744

36.5 Key management compensation for the three-month and six-month periods ended June 30, 2020 and 2019, is as follows:

(in millions of Korean won)

	2020				2019			
	Three months		Six months		Three months		Six months	
Short-term employee benefits	₩	416	₩	704	₩	267	₩	1,912
Post-employment benefits		24		49		19		37
	₩	440	₩	753	₩	286	₩	1,949

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

36.6 Significant collateral and guarantees provided for the related parties as at June 30, 2020, are as follows:

(in thousands of foreign currency)

	Provided for	Guaranteed amount		Guarantor
Performance guarantee	DSME Kazakhstan ¹	USD	20,448	Tengizchevroil LLP (TCO) and others
Performance guarantee	KC Kazakh B.V. ²	USD	250	KazMunayGas

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

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

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36.7 Significant guarantees provided by related parties as at June 30, 2020, are as follows:

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

Guarantor	Type of obligations guaranteed	Guaranteed amount	Type of borrowings	Borrowing amount
Parent Company:				
KDB	USANCE	USD 314,400	Short-term borrowings	USD 41,019
	AP BOND and others	USD 4,700,000	-	USD 1,180,408
Other related parties:				
			-	USD 2,389,770
KEXIM	AP BOND and others	USD 3,260,328	-	EUR 9,348
			-	GBP 10,000
			-	KRW 12,616
HMM CO., LTD. (formerly, Hyundai Merchant Marine Co., Ltd.)	Performance guarantee	USD 1,087,940	Ship building	-
				USD 3,611,197
		USD 9,362,668		EUR 9,348
				GBP 10,000
				KRW 12,616

36.8 The Company entered into a non-cancellable long-term transportation contract with TPI Megaline Co., Ltd. of which the remaining term is approximately 5 years. The book amount of right-of-use assets and lease liabilities as at June 30, 2020 is ₩ 57,885 million and ₩ 55,448 million, respectively.

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37. Construction Contracts

37.1 Changes in the remaining balance of construction contracts for the six-month period ended June 30, 2020 and for the year ended December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2020				
	Beginning balance	New contracts	Others¹	Recognized construction revenue²	Ending balance
Commercial ships	₩ 6,083,772	₩ 2,210,357	₩ 230,686	₩ (2,835,461)	₩ 5,689,354
Offshore plant and special ships	4,054,960	-	173,129	(1,154,443)	3,073,646
Others	806	-	6	(132)	680
	<u>₩ 10,139,538</u>	<u>₩ 2,210,357</u>	<u>₩ 403,821</u>	<u>₩ (3,990,036)</u>	<u>₩ 8,763,680</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) according to hedge accounting.

<i>(in millions of Korean won)</i>	Year ended December 31, 2019				
	Beginning balance	New contracts	Others¹	Recognized construction revenue²	Ending balance
Commercial ships	₩ 8,151,916	₩ 3,358,315	₩ 341,113	₩ (5,767,572)	₩ 6,083,772
Offshore plant and special ships	3,807,667	1,606,396	1,272,459	(2,631,562)	4,054,960
Others	5,286	-	(3,541)	(939)	806
	<u>₩ 11,964,869</u>	<u>₩ 4,964,711</u>	<u>₩ 1,610,031</u>	<u>₩ (8,400,073)</u>	<u>₩ 10,139,538</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) according to hedge accounting.

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37.2 Details of in-progress construction contracts such as recognized construction profit or loss as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020			
	Accumulated construction revenue	Accumulated construction cost	Accumulated profit (loss)	Reserve¹
Commercial ships	₩ 4,335,173	₩ (4,389,072)	₩ (53,898)	₩ 711,240
Offshore plant and special ships	13,831,180	(13,513,652)	317,528	-
Others	1,495	(1,317)	178	-
	<u>₩ 18,167,848</u>	<u>₩ (17,904,041)</u>	<u>₩ 263,808</u>	<u>₩ 711,240</u>

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

<i>(in millions of Korean won)</i>	December 31, 2019			
	Accumulated construction revenue	Accumulated construction cost	Accumulated profit (loss)	Reserve¹
Commercial ships	₩ 3,679,468	₩ (3,844,399)	₩ (164,931)	₩ 705,126
Offshore plant and special ships	16,338,499	(16,519,595)	(181,096)	-
Others	1,369	(1,174)	195	-
	<u>₩ 20,019,336</u>	<u>₩ (20,365,168)</u>	<u>₩ (345,832)</u>	<u>₩ 705,126</u>

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

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37.3 Details of due to and from customers for contract work as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020		December 31, 2019	
	Contract assets ¹	Contract liabilities ¹	Contract assets ¹	Contract liabilities ¹
Commercial ships	₩ 2,016,596	₩ 501,317	₩ 1,674,325	₩ 633,039
Offshore plant and special ships	606,466	988,264	497,078	1,160,451
Others	-	3,547	1	8,805
	<u>₩ 2,623,062</u>	<u>₩ 1,493,128</u>	<u>₩ 2,171,404</u>	<u>₩ 1,802,295</u>

¹ Incremental costs of obtaining a contract and the loss recognized through the collective assessment are not included in the above contract assets.

² Advance received which is not a construction contract are not included in the above contract liabilities.

37.4 Contractual details that contract revenue for the six-month period ended June 30, 2020 is more than 5% of sales in previous year, are as follows:

(in millions of Korean won)

Customers	Contract date	Expected completion date ¹ / Completion date	Percentage of completion	June 30, 2020				December 31, 2019				
				Contract assets (Due from customers for contract work)		Trade receivables (receivables from construction contracts)		Contract assets (Due from customers for contract work)		Trade receivables (receivables from construction contracts)		
				Gross	Provision ²	Gross	Provision ²	Gross	Provision ²	Gross	Provision ²	
Drillship	Europe	2012.09.27	2021.09.30	98.44%	₩ 111,814	₩ -	₩ 4	₩ -	₩ 102,015	₩ -	₩ 24	₩ -
Drillship	Europe	2013.06.24	2022.06.30	98.37%	207,878	(20,466)	18	-	189,169	-	15	-
FPSO	Oceania	2012.03.08	2021.02.28	99.77%	112,004	-	513	-	103,708	-	-	-
Fixed Platform	Europe	2012.12.21	2020.01.15	100.00%	-	-	-	-	-	-	7,337	-
Fixed Platform	Asia	2013.05.26	2020.10.30	96.86%	-	-	68	-	-	-	1,933	-
Fixed Platform	Asia	2014.10.09	2020.10.19	99.15%	-	-	67,653	-	-	-	99,456	-
LNGB	Europe	2020.06.05	2022.09.23	0.29%	1,299	-	-	-	-	-	-	-
LNGB	Europe	2020.06.05	2022.12.01	0.00%	-	-	-	-	-	-	-	-

¹ Expected completion date is the date expected by the Company as at June 30, 2020, and it is affected by a variety of uncertainties that depend on the outcome of future events.

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

As at June 30, 2020, four construction contracts were not presented according to Amendment to Korean IFRS 1115, par 129.2(2) due to contractual reasons with customers. The aforementioned information has not been presented in the securities report, investment prospectus, nor quarterly

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report / semi-annual reports required in Capital Market Act. Additionally, the fact that they are not disclosed was reported to the audit committee on August 7, 2020.

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, 2020						
	Provisions for expected losses	Changes in estimation			Contract assets (Due from customers contract work)		
		Changes in estimated total contract revenue	Changes in estimated total contract cost	Changes in gain (loss) from construction	Gross amount	Accumulated impairment loss ¹	
Commercial ships	₩ 208,982	₩ 216,119	₩ 168,767	₩ 101,992	₩ 2,016,596	₩ -	
Offshore plant and special ships	142,750	173,448	(275,486)	489,959	626,932	(20,466)	
Others	-	-	-	-	-	-	
	<u>₩ 351,732</u>	<u>₩ 389,567</u>	<u>₩ (106,718)</u>	<u>₩ 591,951</u>	<u>₩ 2,643,528</u>	<u>₩ (20,466)</u>	

¹ Accumulated impairment loss excludes the loss recognized through the collective assessment.

	December 31, 2019						
	Provisions for expected losses	Changes in estimation			Contract assets (Due from customers contract work)		
		Changes in estimated total contract revenue	Changes in estimated total contract cost	Changes in gain (loss) from construction	Gross amount	Accumulated impairment loss ¹	
Commercial ships	₩ 184,284	₩ 200,887	₩ 96,221	₩ 186,341	₩ 1,674,325	₩ -	
Offshore plant and special ships	92,550	925,321	443,065	453,801	497,078	-	
Others	-	6	(435)	418	1	-	
	<u>₩ 276,834</u>	<u>₩ 1,126,214</u>	<u>₩ 538,851</u>	<u>₩ 640,560</u>	<u>₩ 2,171,404</u>	<u>₩ -</u>	

¹ Accumulated impairment loss excludes the loss recognized through the collective assessment.

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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, 2020 and for the year ended December 31, 2019, and the succeeding period, and the impact on due from customers for contract work are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2020			
	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
Commercial ships	₩ 216,119	₩ 168,767	₩ 101,992	₩ (54,641)
Offshore plant and special ships	173,448	(275,486)	489,959	(41,025)
Others	-	-	-	-
	<u>₩ 389,567</u>	<u>₩ (106,719)</u>	<u>₩ 591,951</u>	<u>₩ (95,666)</u>

<i>(in millions of Korean won)</i>	Year ended December 31, 2019			
	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
Commercial ships	₩ 200,887	₩ 96,221	₩ 186,341	₩ (81,674)
Offshore plant and special ships	925,321	443,065	453,801	28,455
Others	6	(435)	418	24
	<u>₩ 1,126,214</u>	<u>₩ 538,851</u>	<u>₩ 640,560</u>	<u>₩ (53,195)</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 commencement of the contract to the end of current period (prior period), and the estimated contract revenue as at June 30, 2020 (December 31, 2019). 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 Energy Agency as construction warranty and others at June 30, 2020.

38.2 The Company is involved in a lawsuit as a plaintiff pending in relation to repayment request of lot loans, and 19 other pending lawsuits with aggregated claim amount of ₩ 917,162 million as at June 30, 2020. The Company requested for arbitrations to the London Maritime Arbitrators Association in relation to 11 lawsuits of settlement of contract amount and additional contract cost incurred with some customers amounting to USD 139,986 thousand and ₩ 225,599 million.

38.3 Certain investors claimed that they acquired the ordinary shares, corporate bonds, and commercial papers and resulted in loss by relying on false audited report, annual report, registration of securities, and prospectus, etc due to fraudulent accounting. For one of the above cases, the first trial decision was made on February 20, 2020. Including the aforementioned litigation, the Company is involved in 82 other lawsuits as a defendant with aggregated claim amount of USD 173,880 thousand and ₩ 312,752 million, including a pending lawsuit in relation to construction payment.

The outcome of the above cases cannot be reasonably estimated, and outflows of resources and the timing are also uncertain as at June 30, 2020. The Company, however, recognized the best estimated loss amounting to ₩ 638,308 million from pending litigations and performance guarantees as provisions as at June 30, 2020.

38.4 The Company paid penalty surcharge in accordance with the order of Fair Trade Commission (the "Order") requiring to pay a penalty surcharge and comply with a corrective order, for the violation of Fair Transactions in Subcontracting Act, including the violation of Prohibition against Fixing Unreasonable Subcontract Consideration, etc. In this case, the Company filed for (1) an administrative proceeding with the high court challenging the Order and (2) a stay of the execution of the Order.

While the administrative proceeding for challenging the Order is still under the high court proceeding, the high court partially (as further explained below) granted a stay of the execution of the Order on May 2, 2019, which grant has been appealed by the opposing party on May 8, 2019 but the appeal was rejected by the Supreme Court on September 6, 2019. The partially granted order for stay provides for suspension of the Order, until the final judgment on the administrative proceeding, for: publication of the violation, imposing penalty points, suspension of business and limitation on bidding participation. In addition, apart from the above case, the Company has been investigated by the Fair Trade Commission in respect of the violation of the Fair Transactions in Subcontracting Act for all transactions that occurred from January 10, 2016 to January, 9, 2019, and accordingly it is expected that there will be an order to correct its fault and a penalty on the Company. When the final and conclusive judgment of said proceeding is delivered, there may be a negative impact on the Company's qualification to participate in the bidding process for doing business with public agencies/institutions for a certain period of time.

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38.5 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. However, the Company is considering business withdrawal. 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). However, the Company is considering business withdrawal. The consortium has invested in Jambyl mine near the Caspian Sea by forming a Korean consortium of 27% (1.35% of the Company's shares) with Kazmunay Gas, Kazakhstani national oil company.

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.

The Company formed consortiums, including Ersai Caspian Contractor LLC, to provide on-site management supervision and personnel training services for TCO projects in Kazakhstan.

38.6 As at June 30, 2020, the estimated loss amounting to ₩ 182,746 million out of the claim amount of ₩ 430,188 million related to the construction contract of the Company was included in the statement of financial position as provisions for construction warranties.

Meanwhile, the Company is obligated to warranty liabilities in connection with the construction contracts of the Company. As a result, the Company accrued the expected warranty cost as the provision for construction warranties (Note 25).

38.7 Details of guaranteed amount to major financial institutions as at June 30, 2020 are as follows:

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

			Amount
KDB and others	Issuance of L/C limit	USD	1,072,800
	Foreign-currency payment guarantee limit	USD	8,055,328
	Borrowing limit	USD ₩	1,041,516 3,845,543

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39. Cash Flows from Operating Activities

Cash flows from operating activities for the six-month periods ended June 30, 2020 and 2019, are as follow:

<i>(in millions of Korean won)</i>		2020		2019
1. Profit for the period	₩	291,149	₩	332,729
2. Adjustments for		322,822		(148,985)
(1) Addition of expenses		700,792		549,081
Post-employment benefits		28,167		27,244
Employee benefits		1,055		845
Depreciation		44,416		46,993
Depreciation of right-of-use assets		9,744		28,000
Amortization		107		289
Impairment loss and other impairment losses		20,216		(28,387)
Loss on valuation of inventories		87,547		-
Loss on valuation of firm commitment		6,898		10,298
Loss on valuation of currency forward contracts		144,225		160,862
Loss on currency forward transactions		56,821		77,340
Loss on disposal of property, plant and equipment		13		9
Loss on right-of-use assets and liabilities off-set		16		1
Loss on valuation of financial assets at fair value through profit or loss		1		5
Loss on disposal of investments in subsidiaries		-		1
Impairment loss on investments in associates and joint venture		258		-
Impairment loss on other investment assets		34		54
Interest expenses		42,742		54,392
Loss on foreign currency translation		59,499		69,221
Income tax expense		-		160
Transfer to provision for construction loss		131,397		309
Transfer to provision for construction warranties		15,554		17,505
Transfer to provision for contingent liabilities		13,460		51,702
Maintenance and repairs		82		179
Amortization of discount on bonds		22,691		25,295
Amortization of present value discount		9,084		3,612
Others		6,765		3,152
(2) Deduction of income		(377,970)		(698,066)
Reversal of impairment loss and other impairment losses		966		16,065
Reversal of valuation loss on inventories		6,944		81,720
Gain on valuation of firm commitment		140,857		147,667
Gain on valuation of currency forward contracts		6,899		21,915
Gain on currency forward transactions		2,861		-
Gain on disposal of property, plant and equipment		1,293		1,746
Gain on disposal of investments in associates and		1,068		-

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<i>(in millions of Korean won)</i>	2020	2019
joint venture		
Gain on valuation of financial liabilities at fair value through profit or loss	710	247
Gain on disposal of financial assets at fair value through profit or loss	11	-
Interest income	38,634	43,014
Dividend income	4,109	2,567
Gain on right-of-use assets and liabilities off-set	-	12
Reversal of impairment loss on other investment assets	-	5,118
Reversal of provision for construction loss	143,745	261,504
Reversal of provision for construction warranties	2,319	20,058
Reversal of provision for contingent liabilities	1,829	46,983
Reversal of financial guarantee liabilities	33	273
Gain on foreign currency translation	25,692	45,220
Other non-operating income	-	3,957
3. Changes in working capital	(874,156)	1,225,959
Trade and other receivables	(12,674)	(80,565)
Inventories	32,454	143,340
Contract assets	(443,174)	1,329,305
Other current assets	51,208	(201,018)
Non-current trade and other receivables	(2,322)	135,338
Firm commitment assets	115,597	50,325
Currency forward assets	9,771	12,200
Financial assets at fair value to profit or loss	(296)	-
Other non-current assets	-	(134)
Trade and other payables	(170,781)	(52,693)
Contract liabilities	(310,360)	230,056
Other current liabilities	60,239	1,930
Net defined benefit obligation and other long-term employee benefit liabilities	(34,551)	(134,875)
Provisions	(26,192)	(67,217)
Other provisions	(32,875)	(23,196)
Currency forward liabilities	(104,101)	(112,423)
Firm commitment liabilities	(6,099)	(4,414)
Cash generated from (used in) operations	<u>₩ (260,185)</u>	<u>₩ 1,409,704</u>

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40. Non-cash Transactions

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

<i>(in millions of Korean won)</i>	2020	2019
Application of new lease policy	₩ -	₩ 57,815
Transfer of amount recognized as other comprehensive income in accordance with disposal of investments	8,302	-
Reclassification of investments in associates to financial assets at amortized cost	4,473	-
Transfer of long-term borrowings and debentures to current portion of long-term borrowings and debentures	116,308	-
Transfer of construction in progress to property, plant and equipment	9,461	114,492
Accrued dividends	-	2,324

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

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40.2 Changes in liabilities arising from financing activities for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020					
	Beginning balance	Cash flows from financing activities	Changes in exchange rate	Amortization	Transfer and others	Ending balance
Current						
Short-term borrowings	₩ 1,065,022	₩ (138,081)	₩ 4,719	₩ -	₩ -	₩ 931,660
Current portion of long-term borrowings	204,058	(4)	7,561	-	4	211,619
Current portion of long-term debentures	116,270	-	-	5,128	116,304	237,702
Current lease liabilities	18,446	(18,009)	-	-	18,607	19,044
	<u>1,403,796</u>	<u>(156,094)</u>	<u>12,280</u>	<u>5,128</u>	<u>134,915</u>	<u>1,400,025</u>
Non-current						
Long-term borrowings	973,475	-	31,919	3,956	(4)	1,009,346
Debentures	511,815	-	-	22,691	(116,304)	418,202
Lease liabilities	15,590	-	-	-	37,999	53,589
	<u>1,500,880</u>	<u>-</u>	<u>31,919</u>	<u>26,647</u>	<u>(78,309)</u>	<u>1,481,137</u>
	<u>₩ 2,904,676</u>	<u>₩ (156,094)</u>	<u>₩ 44,199</u>	<u>₩ 31,775</u>	<u>₩ 56,606</u>	<u>₩ 2,881,162</u>

<i>(in millions of Korean won)</i>	2019					
	Beginning balance	Cash flows from financing activities	Changes in exchange rate	Amortization	Transfer and others	Ending balance
Current						
Short-term borrowings	₩ 1,414,638	₩ (252,564)	₩ 9,562	₩ -	₩ -	₩ 1,171,636
Current portion of long-term borrowings	197,061	(4)	6,821	-	4	203,882
Current lease liabilities	57,814	(25,121)	1,155	1,630	22,012	57,490
	<u>1,669,513</u>	<u>(277,689)</u>	<u>17,538</u>	<u>1,630</u>	<u>22,016</u>	<u>1,433,008</u>
Non-current						
Long-term borrowings	935,902	-	28,740	3,617	297	968,556
Debentures	575,561	-	-	25,295	-	600,856
Lease liabilities	24,145	-	-	-	(11,907)	12,238
	<u>1,535,608</u>	<u>-</u>	<u>28,740</u>	<u>28,912</u>	<u>(11,610)</u>	<u>1,581,650</u>
	<u>₩ 3,205,121</u>	<u>₩ (277,689)</u>	<u>₩ 46,278</u>	<u>₩ 30,542</u>	<u>₩ 10,406</u>	<u>₩ 3,014,658</u>

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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	Major customer	Ratio of sales (%)
Commercial ships	LNGC and others	Maran and others	69.6
Offshore plant and special ships	Marine steel structure and others	Tengizchevroil LLP (TCO) and others	29.6
Others	Energy, service	Various customers	0.8
			100.0

41.2 Financial information by segment is as follows:

<i>(in millions of Korean won)</i>	2020			
	Commercial Ships	Offshore plant and special ships	Others	Total
Sales	₩ 2,717,085	₩ 1,153,908	₩ 31,255	₩ 3,902,248
Gross profit	(21,262)	463,826	26,615	469,179
<i>(in millions of Korean won)</i>	2019			
	Commercial Ships	Offshore plant and special ships	Others	Total
Sales	₩ 2,764,411	₩ 1,403,889	₩ 29,328	₩ 4,197,628
Gross profit	104,787	333,208	(18,425)	419,570

41.3 The number of major customer who accounts more than 10% of the Company's revenue is two (2019: two) and their revenue amount to ₩ 1,231,139 million and ₩ 1,365,874 million for the six-month periods ended June 30, 2020 and 2019, respectively.

41.4 The Company does not separately disclose operating income and net income by region and segment and assets and liabilities by segment.

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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) Recognition of provisions for delays in deliveries

For certain projects, the Company recognized provisions for delay as the Company believes that it is probable that the actual project delivery date may exceed the contractual delivery date due to delay in progress.

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

Customers, who are facing financial difficulties due to prolonged decline of global oil prices, have been requesting for delivery delay of drill ship. The 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 property, plant and equipment and investments in subsidiaries

As described in Notes 15 and 19, the Company measured the amount of impairment loss of the cash generating units due to decrease in the sales volume and deterioration in market condition. After impairment assessment, the Company recognized total ₩ 141,881 million of impairment loss on property, plant and equipment, and ₩ 14,051 million of impairment loss on intangible assets.

During the year ended December 31, 2018, the Company recognized impairment losses on investments in subsidiaries of ₩ 22,806 million. Also, the Company have prompted restructure of its business to stabilize its financial position. The Company completed disposal of investment in DSEC Co., Ltd., DSME Construction Co., Ltd., Welliv Corp, Dewind Co., DW Mangalia Heavy Industries S.A., PT. DSME ENR CEPU and others. On June 28, 2017 and August 21, 2017, the major creditor bank's management procedure began for Shinhan Heavy Industries Co., Ltd. and Samwoo Heavy Industry Co., Ltd., the Company's subsidiaries, and the Company reclassified these subsidiaries as associates because the Company lost its control over them due to the agreement with its major creditor bank. Also, Shinhan Heavy Industries Co., Ltd. was excluded from associates as the Company lost its significant influence over the entity due to the rehabilitation procedure during the six-month period ended June 30, 2020.

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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 (disposal of un-core assets including Magok District, cost reduction and others) and enhancement of its competitiveness for mid/long-term period through capital injection plan and others.

The financial statements have been accounted for on the assumption that assets and liabilities can be recovered or repaid at book amounts through the normal business activities. There is a possibility that the financial condition and business performance will fluctuate greatly depending on the shipbuilding market condition. To improve financial structure, the Company and bond holders agreed to the debt restructuring that includes i) debt-to-equity swap of 50% or more of existing corporate bonds and CP, ii) extending the maturity and iii) decreasing interest rate for the rest of remaining bonds through bondholders' meeting and contract amendment on the terms and conditions of issuing CP during April 2017. Accordingly, the Company is in the process of debt restructuring and debt-to-equity swap. In addition, on June 28, 2017, the Creditor Financial Institutions (such as Korea Development Bank and other financial institutions) executed debt adjustments which includes debt-to-equity swap and maturity extension, and new capital support up to ₩ 2.9 trillion from KDB and KEXIM Bank is in progress (Note 43). Meanwhile, KDB and KEXIM Bank pledged to provide new capital support to DSME until the repayment date of the remaining bonds after the debt-to-equity swap and to use the reserved portion of the new funds for remaining bonds first.

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43. Debt Restructuring

Since the announcement of the “DSME Restructuring Promotion Plan” for prompt normalization of management of the Company during March 2017, 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	Others
Short-term borrowings ^{1,4,5}	₩ 1,695,039	₩ 1,529,533	₩ 165,058	₩ 448
Corporate bonds ²	1,350,000	711,066	638,934	-
Commercial papers	194,578	97,289	97,289	-
Long-term borrowings ^{3,4}	680,673	680,653	-	20
	<u>₩ 3,920,290</u>	<u>₩ 3,018,541</u>	<u>₩ 901,281</u>	<u>₩ 468</u>

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

² Debt-to-equity swap of bonds was executed at August 12, 2017, December 22, 2017, and March 15, 2018. In addition, 50.4% of bonds held by other creditors were restructured (17,474,086 shares) except for the Korean Development Bank's bonds (7th bond amounting to ₩ 50 billion) which is subject to 100% debt to equity swap.

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

⁴ In 2017, the KEXIM's unsecured debt of ₩ 1,284,775 million (short-term borrowings of ₩ 724,042 million and long-term borrowings of ₩ 560,733 million) was offset by issuing the same amount of convertible bonds. In 2018, the KEXIM's unsecured debt of ₩ 48,057 million was offset by issuing the same amount of convertible bonds (Note 30).

⁵ The amount has occurred due to differences in exchange rates among the date of initial recognition of the borrowings in foreign currency subject to debt restructuring, the date of debt-to-equity swap, and the period-end date of June 30, 2020.

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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-to-equity swap of creditor bank's unsecured bonds. In addition, further debt-to-equity swaps for ₩ 799,124 million of corporate bonds (1st) and CP in August 12, 2017, for ₩ 65,669 million of corporate bonds (2nd) and creditor bank in December 22, 2017, and for ₩ 13,177 million of corporate bonds (3rd) and creditor bank in March 15, 2018 were executed.

43.2 Debt-to-equity swaps and changes in terms

i) Debt to equity swaps

	Details
Number of shares	41,775,998 shares ¹
Types of share issued	Ordinary shares
Issue price	₩ 40,350
Sale restrictions	None

¹ 147,206 shares (assuming conversion rate of 50%) which was not converted to investment as at June 30, 2020, were recognized as other paid-in capital.

ii) Debt grace period

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

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

<i>(in millions of Korean won)</i>	Public offering bonds (including CP)	Unsecured borrowings
Target bond	₩ 736,223	₩ 165,059
Effective interest rate	1.00%	1.00%
Applicable period	6 years	10 years

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44. Capital Increase with Consideration by Allotment to the Third Party for the Change of Governance

The Company decided to issue 42,750,877 ordinary shares with the resolution of the Company's Board of Directors on January 31, 2019. This capital increase with consideration will be executed according to the basic agreements entered among Hyundai Heavy Industries Co., Ltd. (HHIC), Hyundai Heavy Industries Holdings Co., Ltd. and the Korean Development Bank (KDB) on January 31, 2019, as well as the new share subscription agreement entered between the Company and HHIC on the same date, in relation to the sale of the Company's shares held by KDB, the Company's largest shareholder.

The Company decided to enter into a modification agreement to change the party under the third party allocation from Hyundai Heavy Industries Co., Ltd. to Korea Shipbuilding & Offshore Engineering Co.,Ltd. and certain articles (date of termination) of the new share subscription agreement with the resolution of the Company's Board of Directors on January 22, 2020.

This capital increase is expected to be executed when certain conditions are satisfied such as the approval from the Fair Trade Commission (including overseas related agencies) and the approvals from KDB and HHIC on the business combination based on the in-kind contribution agreement. In addition, the agreement may be terminated at the commencement of the rehabilitation or bankruptcy procedure in accordance with the Act on the Debtor Rehabilitation and Bankruptcy.

45. Events After the Reporting Period

Shinhan Heavy Industries Co., Ltd. obtained the approval of commencement of rehabilitation procedure on June 30, 2020 and permission of DIP LOAN on July 16, 2020 from department 17 of Seoul Bankruptcy Court. In addition, the Company entered into a loan agreement amounting to ₩ 55.2 billion with Shinhan Heavy Industries Co., Ltd. on July 21, 2020.