

**Daewoo Shipbuilding & Marine
Engineering Co., Ltd.**
Separate Interim Financial Statements
June 30, 2021 and 2020

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Index
June 30, 2021 and 2020

	Page(s)
Report on Review of Interim Financial Statements	1 ~ 2
Separate Financial Statements	
Separate Interim Statements of Financial Position.....	3 ~ 4
Separate Interim Statements of Profit or Loss	5
Separate Interim Statements of Comprehensive Income	6
Separate Interim Statements of Changes in Equity	7
Separate Interim Statements of Cash Flows	8 ~ 9
Notes to the Separate Interim Financial Statements	10 ~ 79



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, 2021, and the related separate interim statements of profit or loss and comprehensive income for the three-month and six-month periods ended June 30, 2021 and 2020, and separate interim statements of changes in equity and cash flows for the six-month periods ended June 30, 2021 and 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 conclusion, 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

We have audited the separate statement of financial position of the Company as at December 31, 2020, and the related separate statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated March 17, 2021. The separate statement of financial position as at December 31, 2020, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at December 31, 2020.

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, 2021

This report is effective as of August 13, 2021, 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, 2021 and December 31, 2020

<i>(in millions of Korean won)</i>	Notes	June 30, 2021 (Unaudited)	December 31, 2020
Assets			
Current assets			
Cash and cash equivalents	6,7,37	₩ 1,616,820	₩ 1,330,484
Short-term financial instruments	6,8,37	123,309	47,095
Short-term financial assets at amortized cost	6,9	-	14
Trade and other receivables	6,9,37	197,709	675,488
Contract assets	6,10,38	2,049,200	2,158,917
Current portion of firm commitment assets	28	3,592	651
Current portion of currency forward assets	4,5,6,28	42,308	110,495
Inventories	11	787,401	955,533
Current tax assets		921	3,637
Other current assets	12	621,452	595,199
Non-current assets held for sale	13	64,785	14,743
		5,507,497	5,892,256
Non-current assets			
Long-term financial instruments	6,8	274,273	395,649
Financial assets at fair value through profit or loss	5,6,9,18	50,603	31,913
Financial assets at amortized cost	6,9	20,031	19,575
Financial assets at fair value through other comprehensive income	5,6,9	7,117	7,381
Investments in subsidiaries	14,42	745	746
Investments in associates and joint venture	15	3,190	2,185
Long-term trade and other receivables	6,9,37,38	140,987	77,417
Firm commitment assets	28	37,374	895
Currency forward assets	4,5,6,28	6,672	56,149
Property, plant and equipment	16,18	3,515,834	3,590,483
Right-of-use assets	17,37	68,023	63,042
Investment properties	18,19	7,129	7,558
Intangible assets	20	1,233	808
Other non-current assets	12	7,370	7,073
		4,140,581	4,260,874
Total assets		₩ 9,648,078	₩ 10,153,130

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Separate Interim Statements of Financial Position
June 30, 2021 and December 31, 2020

<i>(in millions of Korean won)</i>	Notes	June 30, 2021 (Unaudited)	December 31, 2020
Liabilities			
Current liabilities			
Short-term borrowings	6,18,23,37,40,43 ₩	924,059 ₩	953,531 ₩
Trade and other payables	6,21,37	573,357	748,673
Current portion of long-term debentures	6,22,40,43	238,094	238,025
Current portion of long-term borrowings	6,18,23,37,40,43	1,024,059	985,996
Current lease liabilities	17,37,40	17,022	18,212
Current portion of firm commitment liabilities	28	7,876	47,195
Current portion of currency forward liabilities	4,5,6,28	6,345	3,453
Contract liabilities	10,38	1,542,913	1,245,692
Current portion of provisions	26,39	1,399,973	640,042
Other current liabilities	24	205,434	216,733
		<u>5,939,132</u>	<u>5,097,552</u>
Non-current liabilities			
Debentures	6,22,40,43	218,454	320,714
Long-term borrowings	6,18,23,37,40,43	140,459	135,572
Long-term trade and other payables	6,21,37	11,860	3,993
Net defined benefit liabilities and other long-term employee benefits	25	62,936	40,945
Provisions	26,39	566,219	595,584
Lease liabilities	17,37,40	68,335	62,646
Firm commitment liabilities	28	7,210	54,649
Currency forward liabilities	4,5,6,28	33,812	802
Deferred tax liabilities		70,298	73,896
		<u>1,179,583</u>	<u>1,288,801</u>
Total liabilities		<u>7,118,715</u>	<u>6,386,353</u>
Equity			
Share capital	29	541,454	541,454
Other contributed capital	31	(714)	(714)
Hybrid bonds	31	2,332,832	2,332,832
Components of other capital	31	303,226	306,701
Retained earnings (deficit)	30	(647,435)	586,504
Total equity		<u>2,529,363</u>	<u>3,766,777</u>
Total liabilities and equity		<u>₩ 9,648,078</u>	<u>₩ 10,153,130</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, 2021 and 2020

<i>(in millions of Korean won, except per share amounts)</i>	Notes	Period Ended June 30			
		2021 (Unaudited)		2020 (Unaudited)	
		Three months	Six months	Three months	Six months
Sales	28,37,38,41	₩ 1,070,157	₩ 2,185,347	₩ 1,955,167	₩ 3,902,248
Cost of sales	36,38	2,029,070	3,318,609	1,816,985	3,433,069
Gross profit (loss)		(958,913)	(1,133,262)	138,182	469,179
Selling and administrative expenses	33,36	46,617	79,541	71,685	120,947
Operating profit (loss)		(1,005,530)	(1,212,803)	66,497	348,232
Finance income	6,34,37	15,899	142,173	28,925	198,755
Finance costs	6,34,37	46,721	290,004	29,914	392,980
Other non-operating income	6,35	17,824	120,405	(7,289)	151,554
Other non-operating expenses	6,35	3,695	12,215	6,451	14,412
Profit (loss) before income tax expense		(1,022,223)	(1,252,444)	51,768	291,149
Income tax benefits	27	(12,853)	(16,451)	-	-
Profit (loss) for the period		₩ (1,009,370)	₩ (1,235,993)	₩ 51,768	₩ 291,149
Earnings (losses) per share	32				
Basic earnings (losses) per share <i>(in Korean won)</i>		₩ (9,465)	₩ (11,634)	₩ 427	₩ 2,605
Diluted earnings (losses) per share <i>(in Korean won)</i>		₩ (9,465)	₩ (11,634)	₩ 314	₩ 1,764

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, 2021 and 2020

<i>(in millions of Korean won)</i>	Notes	Period Ended June 30			
		2021		2020	
		(Unaudited)		(Unaudited)	
		Three months	Six months	Three months	Six months
Profit (loss) for the period		₩ (1,009,370)	₩ (1,235,993)	₩ 51,768	₩ 291,149
Other comprehensive income					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Remeasurements of net defined benefit liabilities	25	(291)	(1,002)	8	(54)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	6,31	288	(420)	(1,722)	(1,308)
		(3)	(1,422)	(1,714)	(1,362)
Total comprehensive income (loss) for the period		₩ (1,009,373)	₩ (1,237,415)	₩ 50,054	₩ 289,787

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, 2021 and 2020

(in millions of Korean won)

	Other contributed capital				Components of other capital		Retained earnings	Total
	Share capital	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, 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
Balance at January 1, 2021	₩ 541,454	₩ 12	₩ (726)	₩ 2,332,832	₩ (15,808)	₩ 322,509	₩ 586,504	₩ 3,766,777
Loss for the period	-	-	-	-	-	-	(1,235,992)	(1,235,992)
Other comprehensive income	-	-	-	-	(420)	-	(1,002)	(1,422)
Reclassification of other comprehensive income to retained earnings	-	-	-	-	-	(3,054)	3,054	-
Balance at June 30, 2021 (Unaudited)	₩ 541,454	₩ 12	₩ (726)	₩ 2,332,832	₩ (16,228)	₩ 319,455	₩ (647,436)	₩ 2,529,363

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, 2021 and 2020

<i>(in millions of Korean won)</i>	Notes	Six-Month Period Ended June 30	
		2021 (Unaudited)	2020 (Unaudited)
Cash flows from operating activities			
Cash generated from (used in) operations	40	₩ 429,526	₩ (260,185)
Dividends received		817	4,109
Interests received		7,523	14,787
Interests paid		(28,430)	(43,503)
Income tax received		15,569	843
Net cash inflow (outflow) from operating activities		425,005	(283,949)
Cash flows from investing activities			
Cash inflows from investing activities:	40		
Decrease in short-term financial instruments		46,764	737,141
Decrease in financial assets at amortized cost		14	-
Disposal of financial assets at fair value through profit or loss		421	679
Disposal of financial assets at fair value through other comprehensive income		-	10,487
Disposal of investments in associates and joint venture		-	1,727
Disposal of non-current assets held for sale		17,100	-
Disposal of property, plant and equipment/intangible assets		519	1,293
Decrease in leasehold deposits		4,340	-
		69,158	751,327
Cash outflows from investing activities:			
Increase in short-term financial instruments		330	729,019
Increase in long-term financial instruments		1,147	21
Increase in long-term loans		265	-
Acquisition of property, plant and equipment/intangible assets		38,802	71,061
Increase in leasehold deposits		80	-
Acquisition of other investments		-	34
		40,624	800,135
Net cash inflow (outflow) from investing activities		28,534	(48,808)

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Separate Interim Statement of Cash Flows
Six-Month Periods Ended June 30, 2021 and 2020

<i>(in millions of Korean won)</i>	Notes	Six-Month Period Ended June 30	
		2021 (Unaudited)	2020 (Unaudited)
Cash flows from financing activities	40		
Cash inflows from financing activities:			
Proceeds from short-term borrowings		₩ 183	₩ -
		183	-
Cash outflows from financing activities:			
Repayment of short-term borrowings		34,906	138,081
Repayment of current portion of long-term debentures		61,648	-
Repayment of current portion of long-term borrowings		4	4
Repayment of lease liabilities		8,012	18,009
Payment of redeemable deposits		62,769	63,129
		167,339	219,223
Net cash outflow from financing activities		(167,156)	(219,223)
Net increase (decrease) in cash and cash equivalents		286,383	(551,980)
Cash and cash equivalents at the beginning of the period		1,330,484	1,991,736
Effects of exchange rate changes on the cash and cash equivalents		(47)	(1,215)
Cash and cash equivalents at the end of the period	7	₩ 1,616,820	₩ 1,438,541

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, 2021 and 2020(Unaudited), and December 31, 2020

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, 2021, the Company's major shareholder is Korea Development Bank ("KDB") (55.68%).

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, 2021, 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, 2021.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

2.1.1 New and amended standards and interpretations adopted by the Company

There are no standards and interpretations applied by the Company for the first time for their annual reporting period commencing January 1, 2021.

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, 2021 reporting periods and have not been early adopted by the Company.

(a) Amendments to Korean IFRS 1103 Business Combination – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

(b) Amendments to Korean IFRS 1016 Property, Plant and Equipment - Proceeds before intended use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

(c) Amendments to Korean IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts : Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

(d) Annual improvements to Korean IFRS 2018-2020

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

- Korean IFRS 1101 *First time Adoption of Korean International Financial Reporting Standards* – Subsidiaries that are first-time adopters
- Korean IFRS 1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1116 *Leases* – Lease incentives

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

- Korean IFRS 1041 *Agriculture* – Measuring fair value

(e) Amendments to Korean IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability include the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company is in review for the impact of these amendments 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, 2020, except for 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.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

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, 2020, except for the estimates used to determine income tax expense.

3.1 Impact of Coronavirus disease 2020 (“COVID-19”)

The spread of Coronavirus disease 2020 (“COVID19”) has a material impact on domestic and global economy, and accordingly, it may have potential 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, cancelling activities for customers or operating remotely, 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.

Also, the production volume may not reach to the normal volume due to the effect from COVID-19, and if the actual volume does not reach to the normal volume, the fixed indirect manufacturing cost is distributed based on the normal volume and the undistributed fixed indirect manufacturing cost (volume loss) is recognized as an expense for the period.

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.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

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), 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 Company treasury's risk management policy is to hedge an exceed of a certain percentage of the exposure to foreign currency risk of construction payment (firm commitment), of which the Company will receive according to payment conditions stated in the construction contract of ships and offshore plants.

The following details the forward foreign currency contracts outstanding as at June 30, 2021, and December 31, 2020.

		June 30, 2021						
<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	₩	1,129.65	USD	4,071,584	KRW	4,599,485	₩	7,668
Sell EUR		1,353.68	EUR	189,386	KRW	256,369		1,155
			USD	4,071,584				
Total			EUR	189,386	KRW	4,855,854	₩	8,823

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

<i>(in millions of Korean won, in thousands of foreign currency, except for exchange rate)</i>	December 31, 2020				Fair value assets (liabilities)
	Average contracted exchange rate	Sell Amounts	Buy Amounts		
For fair value hedging					
Sell USD	₩	1,137.42	USD 3,164,350	KRW 3,599,206	₩ 159,690
Sell EUR		1,353.68	EUR 189,386	KRW 256,369	2,699
			USD 3,164,350		
Total			EUR 189,386	KRW 3,855,575	₩ 162,389

(b) Price risk

The Company's investment in marketable equity securities is made upon management's decision. For the year ended December 31, 2020, the Company has disposed all 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 Company is exposed to interest rate risk since it has borrowings issued at floating rates. 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 are measured at the carrying amount.

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,

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

the Company's general strategy of capital risk management is consistently applied with that of previous year.

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, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Beneficiary certificates	₩ 930	₩ -	₩ -	₩ 930
Equity investments	-	31,593	-	31,593
Equity instrument	-	-	18,080	18,080
Currency forward assets				
Derivative instrument for hedging	-	48,980	-	48,980
Financial assets at fair value through other comprehensive income				
Non-listed securities	-	1,457	5,660	7,117
	<u>₩ 930</u>	<u>₩ 82,030</u>	<u>₩ 23,740</u>	<u>₩ 106,700</u>
Financial liabilities				
Currency forward liabilities				
Derivative instrument for hedging	₩ -	₩ 40,157	₩ -	₩ 40,157
	<u>₩ -</u>	<u>₩ 40,157</u>	<u>₩ -</u>	<u>₩ 40,157</u>

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

(in millions of Korean won)

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Beneficiary certificates	₩ 1,316	₩ -	₩ -	₩ 1,316
Equity investments	-	30,597	-	30,597
Currency forward assets				
Derivative instrument for hedging	-	166,644	-	166,644
Financial assets at fair value through other comprehensive income				
Non-listed securities	-	1,749	5,632	7,381
	₩ 1,316	₩ 198,990	₩ 5,632	₩ 205,938
00				
Financial liabilities				
Currency forward liabilities				
Derivative instrument for hedging	₩ -	₩ 4,255	₩ -	₩ 4,255
	₩ -	₩ 4,255	₩ -	₩ 4,255

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.

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

There were no transfers between levels 1 and 2 for recurring fair value measurements during the six-month period ended June 30, 2021 and for the year ended December 31, 2020. Changes in level 3 for recurring fair value measurements for the six-month period ended June 30, 2021 and for the year ended December 31, 2020, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2021				
	Beginning balance	Purchases	Transfer	Valuation	Ending balance
Financial assets at fair value through profit or loss					
Equity instruments	₩	₩ 17,906	₩ -	₩ 174	₩ 18,080
Financial assets at fair value through other comprehensive income					
Non-listed securities	₩ 5,632	₩ 156	₩ -	₩ (128)	₩ 5,660

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

(in millions of Korean won)

	Year ended December 31, 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 year ended December 31, 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 15).

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, 2021, are as follows:

(in millions of Korean won)

	June 30, 2021				
	Level	Valuation techniques	Inputs	Range of inputs	Fair value
Currency forward	2	Discounted cash flow	Forward rate, credit risk adjusted discount rate	N/A	₩ 8,823
Equity investments	2	Quoted price in inactive market	Quoted price in inactive market	N/A	31,593
Unlisted equity securities	2	Quoted price in inactive market	Quoted price in inactive market	N/A	1,457
Equity instruments	3	Discounted cash flow	Similar transaction price of the underlying asset	N/A	18,080
Unlisted equity securities	3	Net asset value approach method	N/A	N/A	5,660

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

6. Financial Instruments by Category

6.1 Financial assets

Categorizations of financial assets as at June 30, 2021 and December 31, 2020, are as follows:

(in millions of
Korean won)

	June 30, 2021					
	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	₩ -	₩ -	₩ 1,616,820	₩ -	₩ 1,616,820	₩ 1,616,820
Short- and long-term financial assets	-	-	397,582	-	397,582	397,582
Financial assets at fair value through profit or loss ¹	50,603	-	-	-	50,603	50,603
Financial assets at amortized cost	-	-	20,031	-	20,031	20,031
Financial assets at fair value through other comprehensive income	-	7,117	-	-	7,117	7,117
Trade and other receivables	-	-	338,696	-	338,696	338,696
Contract assets	-	-	2,049,200	-	2,049,200	2,049,200
Currency forward assets	-	-	-	48,980	48,980	48,980
	<u>₩ 50,603</u>	<u>₩ 7,117</u>	<u>₩ 4,422,329</u>	<u>₩ 48,980</u>	<u>₩ 4,529,029</u>	<u>₩ 4,529,029</u>

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

(in millions of
Korean won)

	December 31, 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	₩ -	₩ -	₩ 1,330,484	₩ -	₩ 1,330,484	₩ 1,330,484
Short- and long-term financial assets	-	-	442,744	-	442,744	442,744
Financial assets at fair value through profit or loss ¹	31,913	-	-	-	31,913	31,913
Financial assets at amortized cost	-	-	19,590	-	19,590	19,590
Financial assets at fair value through other comprehensive income	-	7,381	-	-	7,381	7,381
Trade and other receivables	-	-	752,905	-	752,905	752,905
Contract assets	-	-	2,158,917	-	2,158,917	2,158,917
Currency forward assets	-	-	-	166,644	166,644	166,644
	<u>₩ 31,913</u>	<u>₩ 7,381</u>	<u>₩ 4,704,640</u>	<u>₩ 166,644</u>	<u>₩ 4,910,578</u>	<u>₩ 4,910,578</u>

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

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

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

6.2 Financial liabilities

Categorizations of financial liabilities as at June 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)

	June 30, 2021			
	Financial liabilities at amortized cost	Derivative financial liabilities for hedging	Total (Carrying amount)	Fair value
Borrowings	₩ 2,088,577	₩ -	₩ 2,088,577	₩ 2,088,433
Debentures	456,548	-	456,548	455,740
Trade and other payables	585,217	-	585,217	585,217
Currency forward liabilities	-	40,157	40,157	40,157
	<u>₩ 3,130,342</u>	<u>₩ 40,157</u>	<u>₩ 3,170,499</u>	<u>₩ 3,169,547</u>

(in millions of Korean won)

	December 31, 2020			
	Financial liabilities at amortized cost	Derivative financial liabilities for hedging	Total (Carrying amount)	Fair Value
Borrowings	₩ 2,075,099	₩ -	₩ 2,075,099	₩ 2,077,818
Debentures	558,739	-	558,739	559,974
Trade and other payables	752,666	-	752,666	752,666
Currency forward liabilities	-	4,255	4,255	4,255
	<u>₩ 3,386,504</u>	<u>₩ 4,255</u>	<u>₩ 3,390,759</u>	<u>₩ 3,394,713</u>

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

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

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, 2021 and 2020, are as follows:

1) Financial assets

(in millions of Korean won)

	2021				Total
	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	
Interest income	₩ 1,356	₩ -	₩ 15,871	₩ -	₩ 17,227
Dividend income	107	55	21,525	-	162
Reversal of impairment loss	-	-	34,641	-	21,525
Gains on foreign currency translation, net	-	-	44,307	-	34,641
Gains on foreign currency transaction, net	-	-	-	-	44,307
Losses on valuation of foreign exchange forward contracts, net	-	-	-	(41,363)	(41,363)
Losses on foreign exchange forward transaction, net	-	-	-	(19,587)	(19,587)
Losses on valuation of financial assets at fair value through other comprehensive income	-	(420)	-	-	(420)
Gains on valuation of financial assets at fair value through profit or loss	1,854	-	-	-	1,854
Losses on disposal of financial assets at fair value through profit or loss	(649)	-	-	-	(649)
	₩ 2,668	₩ (365)	₩ 116,344	₩ (60,950)	₩ 57,697

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

(in millions of Korean won)

	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
Interest income	₩ 6,422	₩ -	₩ 32,212	₩ -	₩ 38,634
Dividend income	-	88	-	-	88
Reversal of impairment loss	-	-	(19,250)	-	(19,250)
Gains on foreign currency translation, net	-	-	15,202	-	15,202
Gains on foreign currency transaction, net	-	-	74,013	-	74,013
Gains on valuation of foreign exchange forward contracts, net	-	-	-	6,899	6,899
Gains on foreign exchange forward transaction, net	-	-	-	2,861	2,861
Losses on valuation of financial assets at fair value through other comprehensive income	-	(1,308)	-	-	(1,308)
Gains on valuation of financial assets at fair value through profit or loss	708	-	-	-	708
Gains on disposal of financial assets at fair value through profit or loss	10	-	-	-	10
	₩ 7,140	₩ (1,220)	₩ 102,177	₩ 9,760	₩ 117,857

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

2) Financial liabilities

(in millions of Korean won)

	2021					
	Financial liabilities at amortized cost		Derivative financial liabilities for hedging		Total	
Interest expenses	₩	(57,465)	₩	-	₩	(57,465)
Losses on foreign currency translation, net		(49,101)		-		(49,101)
Losses on foreign currency transaction, net		(3,729)		-		(3,729)
Losses on valuation of foreign exchange forward contracts, net		-		(57,015)		(57,015)
Losses on foreign exchange forward transaction, net		-		(16,587)		(16,587)
	₩	(110,295)	₩	(73,602)	₩	(183,897)

(in millions of Korean won)

	2020							
	Financial liabilities at fair value through profit or loss		Financial liabilities at amortized cost		Derivative financial liabilities for hedging		Total	
Interest expenses	₩	-	₩	(73,427)	₩	-	₩	(73,427)
Losses on foreign currency translation, net		-		(49,008)		-		(49,008)
Losses on foreign currency transaction, net		-		(12,123)		-		(12,123)
Losses on valuation of foreign exchange forward contracts, net		-		-		(144,225)		(144,225)
Losses on foreign exchange forward transaction, net		(583)		-		(56,238)		(56,821)
Reversal of financial guarantee liabilities		-		33		-		33
	₩	(583)	₩	(134,525)	₩	(200,463)	₩	(335,571)

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

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, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2021		December 31, 2020	
Financial institution deposits	₩	1,616,820	₩	1,330,484

8. Restricted or Pledged Financial Assets

The restricted or pledged financial assets as at June 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2021		December 31, 2020		Description
Short-term financial asset	₩	330	₩	47,095	Pledged as collateral for performance guarantee and others
Long-term financial asset		274,253		272,980	Pledged as collateral for performance guarantee and others
	₩	<u>274,583</u>	₩	<u>320,075</u>	

Other than the above financial assets, ₩ 62,769 million of current deposits are restricted for redemption of principal and interests of debentures, and ₩ 69,277 million is included in non-current deposits for the purpose of court deposits such as lawsuits for damages to shareholders (Note 9).

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

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:

(in millions of Korean won)

	June 30, 2021		December 31, 2020	
	Current	Non-current	Current	Non-current
Beneficiary certificates	₩ -	₩ 930	₩ -	₩ 1,316
Equity investment	-	31,593	-	30,597
Equity instrument	-	18,080	-	-
	₩ -	₩ 50,603	₩ -	₩ 31,913

Amounts recognized in profit or loss for the six-month periods ended June 30, 2021 and 2020, are as follows:

(in millions of Korean won)

	2021	2020
Gains on beneficiary certificates	₩ 94	₩ 87
Gains on equity investments	1,103	373
Gains on equity instruments	174	-
Gains on short-term financial instruments	1,297	6,680
	₩ 2,668	₩ 7,140

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:

(in millions of Korean won)

	June 30, 2021	December 31, 2020
Non-current		
Non-listed securities	7,117	7,381
	₩ 7,117	₩ 7,381

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

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

9.3 Financial Assets at Amortized Cost

(a) Financial assets at amortized cost

Details of financial assets at amortized cost as at June 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)

	June 30, 2021		December 31, 2020	
	Current	Non-current	Current	Non-current
Government and public bonds	₩ -	₩ 20,031	₩ 14	₩ 19,576

(b) Movements in financial assets at amortized cost

Movements in financial assets at amortized cost for the six-month period ended June 30, 2021 and for the year ended December 31, 2020, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2021		Year ended December 31, 2020	
	Current	Non-current	Current	Non-current
Beginning balance	₩ 14	₩ 19,576	₩ 7	₩ 24,969
Disposals	(14)	-	(7)	-
Amortization	-	455	-	886
Impairment	-	-	-	(10,738)
Transfer ¹	-	-	14	4,459
Ending balance	₩ -	₩ 20,031	₩ 14	₩ 19,576

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 year ended December 31, 2020.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 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, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)

	June 30, 2021		December 31, 2020	
	Current	Non-current	Current	Non-current
Receivables from construction contracts	₩ 130,094	₩ 692,712	₩ 612,501	₩ 693,572
Less: Provision for impairment	(18,145)	(682,896)	(29,881)	(683,380)
Receivables from construction contracts, net	₩ 111,949	₩ 9,816	₩ 582,620	₩ 10,192

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.

(b) *Other financial assets at amortized cost*

Other financial assets at amortized cost as at June 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)

	June 30, 2021		December 31, 2020	
	Current	Non-current	Current	Non-current
Loans	₩ 205,441	₩ 157,972	₩ 205,441	₩ 157,707
Less: Provision for impairment	(205,441)	(132,741)	(205,441)	(132,476)
Loans, net	-	25,231	-	25,231
Other receivable	25,941	105,191	29,304	107,049
Less: Provision for impairment	(12,629)	(76,630)	(12,633)	(77,322)
Other receivable, net	13,312	28,561	16,671	29,727
Accrued income	38,274	7	37,510	7
Less: Provision for impairment	(28,595)	(6)	(28,595)	(6)
Accrued income, net	9,679	1	8,915	1
Deposits ¹	62,769	92,744	67,283	27,633
Less: Provision for impairment	-	(15,367)	-	(15,367)
Deposits, net	62,769	77,377	67,283	12,266
	₩ 85,760	₩ 131,170	₩ 92,869	₩ 67,225

¹ The current redeemable deposit of ₩62,769 million is deposited for repaying the principal and interest of the debenture, and ₩ 69,277 million is included in non-current deposits for the purpose of court deposits such as lawsuits for damages to shareholders.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

10. Contract Assets and Liabilities

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

<i>(in millions of Korean won)</i>	June 30, 2021		December 31, 2020	
Due from customers for contract work	₩	2,049,214	₩	2,167,550
Impairment loss		(14)		(8,633)
Total contract assets	₩	<u>2,049,200</u>	₩	<u>2,158,917</u>
Due to customers for contract work ¹	₩	1,341,703	₩	1,044,481
Advance received		201,210		201,210
Total contract liabilities	₩	<u>1,542,913</u>	₩	<u>1,245,691</u>

¹ Revenue recognized that was included in the contract liability balance of ₩ 1,044,481 million at the beginning of the year amounts to ₩ 452,434 million for the six-month period ended June 30, 2021.

11. Inventories

Details of inventories as at June 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2021			December 31, 2020		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
Work in process	₩ 1,126,388	₩ (625,046)	₩ 501,342	₩ 1,111,788	₩ (433,830)	₩ 677,958
Raw materials	239,122	(20,670)	218,452	244,749	(20,062)	224,687
Supplies	17,957	-	17,957	16,744	-	16,744
Goods in transit	49,650	-	49,650	36,145	-	36,145
	<u>₩ 1,433,117</u>	<u>₩ (645,716)</u>	<u>₩ 787,401</u>	<u>₩ 1,409,426</u>	<u>₩ (453,892)</u>	<u>₩ 955,534</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 ₩ 191,824 million (2020: ₩ 80,603 million) during the six-month period ended June 30, 2021. These were included in 'cost of sales' in the statement of profit or loss.

The cost of inventories recognized as 'cost of sales' amounted to ₩ 1,431,980 million (2020: ₩ 1,741,055 million) for the six-month period ended June 30, 2021.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

12. Other Assets

12.1 Details of other assets as at June 30, 2021 and December 31, 2020, are as follows:

	June 30, 2021		December 31, 2019	
	Current	Non-current	Current	Non-current
Advance payments	₩ 559,900	₩ -	₩ 518,851	₩ -
Prepaid construction costs	-	-	7	-
Prepaid expenses	18,288	4,846	16,743	4,550
Incremental costs of obtaining a contract	12,430	-	34,321	-
Other investment assets	-	2,524	-	2,524
Others	30,833	-	25,277	-
	₩ 621,451	₩ 7,370	₩ 595,199	₩ 7,074

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, 2021	December 31, 2020
Assets recognized from incremental costs of obtaining a contract	₩ 12,430	₩ 34,321
Amortization and impairment loss recognized as cost during the period	(32,782)	(31,715)

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, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021		
	Beginning balance	Impairment loss	Ending balance
Accumulated impairment loss	₩ 11,280	₩ 15,056	₩ 26,336

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

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

13. Non-current Assets Held for Sale

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

Details of assets of disposal group classified as held for sale as at June 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2021¹		December 31, 2019²	
Land	₩	54,338	₩	14,743
Buildings and structures		10,446		-
	₩	<u>64,784</u>	₩	<u>14,743</u>

¹ Non-current asset classified as held for sale are measured at the lower of its book amount and fair value less costs to sell and are to be disposed in 2021.

² The sale was completed during the six-month period ended June 30, 2021.

14. Investments in Subsidiaries

14.1 Details of the investments in subsidiaries of the Company as at June 30, 2021, and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	Location	Main business	June 30, 2021		December 31, 2020	
			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>

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

14.2 Changes in the book amount of investment in subsidiaries for the six-month period ended June 30, 2021 and for the year ended December 31, 2020, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2021			
	Beginning balance	Acquisition (disposal)	Others	Ending balance
DSME Information and Consulting	₩ 200	₩ -	₩ -	₩ 200
DSME Kazakhstan LLP	546	-	-	546
	₩ 746	₩ -	₩ -	₩ 746

(in millions of Korean won)

	Year ended December 31, 2020			
	Beginning balance	Acquisition (disposal)	Others	Ending balance
DSME Information and Consulting	₩ 200	₩ -	₩ -	₩ 200
DSME Kazakhstan LLP	546	-	-	546
	₩ 746	₩ -	₩ -	₩ 746

15. Investments in Associates and Joint Venture

15.1 Details of investments in associates and joint venture as at June 30, 2021 and December 31, 2020 are as follows:

(in millions of Korean won)

	Location	Main business	June 30, 2021		December 31, 2020	
			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
Samwoo Heavy Industry Co., Ltd. ²	Gwangyang	Manufacturing ship parts	100.00	-	100.00	-
KC LNG Tech Co., Ltd. ¹	Busan	Patents management and licenses business	16.60	1,005	16.60	-
Joint venture						
SBM Shipyard Ltd.	Angola	Holding company (FPSO engineering and operation)	33.33	-	33.33	-
				₩ 3,190		₩ 2,185

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

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

² 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.

15.2 Changes in the book amount of the investments in associates and joint venture for the six-month period ended June 30, 2021 and for the year ended December 31, 2020, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2021			
	Beginning balance	Acquisition (disposal) ¹	Others ²	Ending balance
TPI Megaline Co,Ltd.	₩ 2,185	₩ -	₩ -	₩ 2,185
KC LNG Tech Co., Ltd.	-	2,490	(1,485)	1,005
	₩ 2,185	₩ 2,490	₩ (1,485)	₩ 3,190

¹ The Company participated in capital increase with consideration through in-kind contribution of intangible assets in accordance with the resolution of the Board of Directors on January 22, 2021. The shareholders participated in the capital increase with consideration at the identical rate as the existing percentage of shares in accordance with the shareholders agreement entered on January 26, 2021, therefore, there are no changes in the shares due to in-kind contribution.

² Impairment was recognized in accordance with the Company's accounting policies as indication of impairment was identified on the investments in investee company.

(in millions of Korean won)

	Year ended December 31, 2020			
	Beginning balance	Acquisition (disposal)	Others	Ending balance
TPI Megaline Co,Ltd.	₩ 2,185	₩ -	₩ -	₩ 2,185
Daehan Shipbuilding Co., Ltd. ¹	5,132	(660)	(4,472)	-
KC LNG Tech Co., Ltd.	1,873	-	(1,873)	-
	₩ 9,190	₩ (660)	₩ (6,345)	₩ 2,185

¹ The Company has transferred the investment to equity investments at fair value through other comprehensive income and financial assets at amortized cost as the Company lost its significant influence over the investee company due to a decrease in ownership interest of the investee company for the year ended December 31, 2020.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

16. Property, Plant and Equipment

16.1 Details of property, plant and equipment as at June 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2021				
	Acquisition cost ¹	Government grants	Accumulated depreciation	Accumulated impairment losses	Book amount
Land	₩ 1,877,364	₩ -	₩ -	₩ (41,595)	₩ 1,835,769
Buildings	1,112,522	(5,010)	(434,964)	(100,264)	572,284
Structures	1,328,652	-	(522,998)	(105,622)	700,032
Machinery	1,029,995	(79)	(586,653)	(187,650)	255,613
Vehicle	183,712	-	(125,038)	(32,401)	26,273
Ships and aircraft	187,573	-	(114,551)	(5,230)	67,792
Tools	297,251	-	(167,525)	(124,192)	5,534
Supplies	223,423	(17)	(135,628)	(85,028)	2,750
Construction-in-progress	61,291	-	-	(11,504)	49,787
	<u>₩ 6,301,783</u>	<u>₩ (5,106)</u>	<u>₩ (2,087,357)</u>	<u>₩ (693,486)</u>	<u>₩ 3,515,834</u>

¹ The amount is a sum of revaluation surplus.

<i>(in millions of Korean won)</i>	December 31, 2020				
	Acquisition cost ¹	Government grants	Accumulated depreciation	Accumulated impairment losses	Book amount
Land	₩ 1,948,835	₩ -	₩ -	₩ (58,728)	₩ 1,890,107
Buildings	1,127,910	(5,081)	(436,429)	(101,894)	584,506
Structures	1,326,403	-	(508,065)	(105,978)	712,360
Machinery	1,015,922	(81)	(580,544)	(189,641)	245,656
Vehicle	183,412	-	(123,694)	(32,427)	27,291
Ships and aircraft	187,400	-	(111,383)	(5,230)	70,787
Tools	294,541	-	(170,005)	(124,530)	6
Supplies	226,231	(25)	(139,760)	(86,420)	26
Construction-in-progress	71,247	-	-	(11,504)	59,743
	<u>₩ 6,381,901</u>	<u>₩ (5,187)</u>	<u>₩ (2,069,880)</u>	<u>₩ (716,352)</u>	<u>₩ 3,590,482</u>

¹ The amount is a sum of revaluation surplus.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

16.2 Changes in property, plant and equipment for the six-month period ended June 30, 2021 and for the year ended December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2021					
	Beginning balance	Acquisition	Disposals	Depreciation	Others¹	Ending balance
Land	₩ 1,890,107	₩ -	₩ -	₩ -	₩ (54,338)	₩ 1,835,769
Buildings	584,506	186	-	(10,291)	(2,117)	572,284
Structures	712,360	415	-	(16,500)	3,757	700,032
Machinery	245,656	11,400	(145)	(14,111)	12,815	255,615
Vehicle	27,291	142	-	(2,310)	1,150	26,273
Ships and aircraft	70,787	173	-	(3,168)	-	67,792
Tools	6	5,520	-	(184)	192	5,534
Supplies	26	2,889	(4)	(180)	18	2,749
Construction-in-progress	59,743	16,148	-	-	(26,104)	49,787
	<u>₩ 3,590,482</u>	<u>₩ 36,873</u>	<u>₩ (149)</u>	<u>₩ (46,744)</u>	<u>₩ (64,627)</u>	<u>₩ 3,515,835</u>

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, 2020					
	Beginning balance	Acquisition	Disposals	Depreciation	Others¹	Ending balance
Land	₩ 1,908,595	₩ -	₩ -	₩ -	₩ (18,488)	₩ 1,890,107
Buildings	543,134	1,143	-	(19,601)	59,830	584,506
Structures	725,476	50	-	(32,543)	19,377	712,360
Machinery	188,092	53,517	(267)	(24,849)	29,163	245,656
Vehicle	10,104	11,376	-	(3,900)	9,711	27,291
Ships and aircraft	72,690	2,130	-	(6,273)	2,240	70,787
Tools	4,164	20,238	(12)	(2,394)	(21,990)	6
Supplies	13,097	11,292	(9)	(3,100)	(21,254)	26
Construction-in-progress	104,879	83,256	-	-	(128,392)	59,743
	<u>₩ 3,570,231</u>	<u>₩ 183,002</u>	<u>₩ (288)</u>	<u>₩ (92,660)</u>	<u>₩ (69,803)</u>	<u>₩ 3,590,482</u>

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

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

16.3 As described in Note 42, the Company measured the amount of impairment loss of the cash generating units that had an impairment indication due to decrease in the sales volume and deterioration in market condition. After the impairment assessment, the Company recognized total ₩ 54,642 million of impairment loss on property, plant and equipment for the year ended December 31, 2020. The estimated recoverable amount from the impairment assessment is the net fair value of individual asset, which is the estimated value of the sale or potential appraisal with the potential buyer.

16.4 Line items including depreciation (including depreciation on investment properties) in the statements of profit or loss for the six-month periods ended June 30, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021		2020	
Cost of sales	₩	44,159	₩	43,018
Selling and administrative expenses		312		369
Research and development expenses		2,331		1,028
	₩	46,802	₩	44,415

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

According to the agreement entered with Seoul National University in 2015, the Company completed the construction of tank facilities for testing purpose in Siheung Campus on September 14, 2020, and registered a right of leasehold on October 24, 2020. The Company will transfer its ownership after 25 years of the completion. The acquisition cost of property, plant and equipment as at June 30, 2021, is ₩ 60,200 million.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

17. Right-of-use Assets

17.1 Changes in right-of-use assets for the six-month period ended June 30, 2021 and for year ended December 31, 2020, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2021				
	Beginning balance	Acquisition	Depreciation ¹	Others ²	Ending balance
Lease- Buildings	₩ 7,958	₩ 20,554	₩ (2,323)	₩ (6,510)	₩ 19,679
Lease- Machinery	50	-	(21)	-	29
Lease- Ships and aircraft	51,980	-	(5,947)	-	46,033
Lease- Vehicle	1,888	156	(683)	258	1,619
Lease- Land	1,165	-	(502)	-	663
	₩ 63,041	₩ 20,710	₩ (9,476)	₩ (6,252)	₩ 68,023

¹ Depreciation of lease- vehicle amounting to ₩ 631 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.

(in millions of Korean won)

	Year ended December 31, 2020				
	Beginning balance	Acquisition	Depreciation ¹	Others ²	Ending balance
Lease- Buildings	₩ 13,353	₩ 45	₩ (8,135)	₩ 2,695	₩ 7,958
Lease- Machinery	4,535	72	2,880	(7,437)	50
Lease- Ships and aircraft	8,063	-	(14,009)	57,926	51,980
Lease- Vehicle	2,294	728	(1,821)	687	1,888
Lease- Land	350	17,960	(1,590)	(15,555)	1,165
	₩ 28,595	₩ 18,805	₩ (22,675)	₩ 38,316	₩ 63,041

¹ Depreciation of lease- vehicle amounting to ₩ 756 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. 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 ₩ 17,760 million of impairment loss on right-of-use assets. The estimated recoverable amount from the impairment assessment is the net fair value of individual asset, which is the value of a lease contract available for a lease or the recoverable amount related to a lease contract at the termination.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

17.2 Details of lease liabilities as at June 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	2021		2020	
Current liabilities	₩	17,022	₩	18,212
Non-current liabilities		68,335		62,646
	₩	85,357	₩	80,858

17.3 In connection with lease, cash outflows and total interest expenses are ₩ 10,716 million (2020: ₩ 19,373 million) and ₩ 1,181 million (2020: ₩ 1,091 million), respectively, for the six-month period ended June 30, 2021.

17.4 The expenses relating to short-term leases, leases of low-value assets and variable lease payment are ₩ 26 million (2020: ₩ 233 million), ₩ 91 million (2020: ₩ 39 million) and ₩ 1,406 million (2020: ₩ 2,765 million), respectively, for the six-month period ended June 30, 2021. These expenses are included in cost of sales and selling and administrative expenses.

17.5 Residual maturity of lease liabilities in contracts for the six-month period ended June 30, 2021 and for the year ended December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2021			
	Less than 1 year	1 year ~ 5 years	Over 5 years	Total
Lease liabilities	₩ 17,022	₩ 48,290	₩ 20,046	₩ 85,358

<i>(in millions of Korean won)</i>	Year ended December 31, 2020			
	Less than 1 year	1 year ~ 5 years	Over 5 years	Total
Lease liabilities	₩ 18,212	₩ 42,814	₩ 19,832	₩ 80,858

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

18. Pledged Assets

18.1 As at June 30, 2021, 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 3,249,008	KRW 3,735,200	Borrowings in Korean won	KRW 625,559	KDB and KEXIM
		USD 880,000	Borrowings in Foreign currencies	USD 1,036,685	
Financial assets at fair value through profit or loss	KRW 30,365	KRW 30,122	Performance guarantee	-	KDIA and Machinery Financial Cooperative
	<u>KRW 3,279,373</u>	<u>KRW 3,765,322</u>		<u>KRW 625,559</u>	
		<u>USD 880,000</u>		<u>USD 1,036,685</u>	

18.2 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	1,119,679
			USD	2,163,700
KEXIM	USD	4,081,669	EUR	143,994
			KRW	12,616
Other financial institutions	USD	95,000	USD	89,816

In addition to the above, the Company is provided with performance guarantee of ₩ 2,183,096 million from Korean Defense Industry Association and others. The entire amount of ₩ 32,600 million loaned to investees 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 42).

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

19. Investment Properties

19.1 Investment properties as at June 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)

	June 30, 2021		
	Land	Buildings	Total
Acquisition cost	₩ 4,661	₩ 8,473	₩ 13,134
Accumulated depreciation	-	(4,280)	(4,280)
Accumulated impairment	-	(1,725)	(1,725)
Book amount	<u>₩ 4,661</u>	<u>₩ 2,468</u>	<u>₩ 7,129</u>

(in millions of Korean won)

	December 31, 2020		
	Land	Buildings	Total
Acquisition cost	₩ 4,661	₩ 8,473	₩ 13,134
Accumulated depreciation	-	(4,223)	(4,223)
Accumulated impairment	-	(1,353)	(1,353)
Book amount	<u>₩ 4,661</u>	<u>₩ 2,897</u>	<u>₩ 7,558</u>

19.2 Changes in the book amounts of investment properties for the six-month period ended June 30, 2021 and for the year ended December 31, 2020, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2020		
	Land	Buildings	Total
Beginning balance	₩ 4,661	₩ 2,897	₩ 7,558
Depreciation	-	(56)	(56)
Impairment loss	-	(373)	(373)
Ending balance	<u>₩ 4,661</u>	<u>₩ 2,468</u>	<u>₩ 7,129</u>

(in millions of Korean won)

	Year ended December 31, 2020		
	Land	Buildings	Total
Beginning balance	₩ 4,661	₩ 3,015	₩ 7,676
Depreciation	-	(118)	(118)
Ending balance	<u>₩ 4,661</u>	<u>₩ 2,897</u>	<u>₩ 7,558</u>

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

19.3 Income generated from the investment properties for the six-month periods ended June 30, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021		2020	
Rental revenue	₩	49	₩	49

19.4 Fair values of the investment properties as at June 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2021		December 31, 2020	
	Book amount	Fair value	Book amount	Fair value
Land	₩ 4,661	₩ 6,792	₩ 4,661	₩ 6,792
Buildings	2,468	3,300	2,896	3,300
	<u>₩ 7,129</u>	<u>₩ 10,092</u>	<u>₩ 7,557</u>	<u>₩ 10,092</u>

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

20. Intangible Assets

Intangible assets as at June 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2021		December 31, 2020	
Acquisition cost	₩	18,577	₩	20,115
Accumulated amortization and impairment loss		(17,344)		(19,307)
Book amount	₩	<u>1,233</u>	₩	<u>808</u>

Changes in book amounts of intangible assets for the six-month period ended June 30, 2021 and for the year ended December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2021			
	Intellectual property rights	Certified emission reduction	Others	Total
Beginning balance	₩ -	₩ 138	₩ 670	₩ 808
Acquisition (disposal)	562	(120)	-	442
Amortization	(17)	-	-	(17)
Ending balance	<u>₩ 545</u>	<u>₩ 18</u>	<u>₩ 670</u>	<u>₩ 1,233</u>

<i>(in millions of Korean won)</i>	Year ended December 31, 2020			
	Intellectual property rights	Certified emission reduction	Others	Total
Beginning balance	₩ 1,593	₩ -	₩ 670	₩ 2,263
Acquisition (disposal)	1,598	4,615	-	6,213
Amortization	(250)	-	-	(250)
Impairment loss ¹	(2,941)	-	-	(2,941)
Transfer and others	-	(4,477)	-	(4,477)
Ending balance	<u>₩ -</u>	<u>₩ 138</u>	<u>₩ 670</u>	<u>₩ 808</u>

¹ As described in Note 42, the Company measured the amount of impairment loss of the cash generating units that had an impairment indication due to decrease in the sales volume and deterioration in market condition. After impairment assessment, the Company recognized total ₩ 2,941 million of impairment loss on intangible assets during the year of 2020. 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.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

21. Trade and Other Payables

Trade and other payables as at June 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2021		December 31, 2020	
	Current	Non-current	Current	Non-current
Trade payables ¹	₩ 340,924	₩ -	₩ 463,462	₩ -
Accounts payables	166,874	11,860	170,869	3,993
Accrued expenses	59,347	-	104,569	-
Deposits received	6,212	-	9,773	-
	<u>₩ 573,357</u>	<u>₩ 11,860</u>	<u>₩ 748,673</u>	<u>₩ 3,993</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.

22. Debentures

Details of the book amount of debentures as at June 30, 2021 and December 31, 2020, are as follows:

Type	Maturity date	Annual interest rate (%) June 30, 2021	June 30, 2021	December 31, 2020
4-2 nd non-guarantee bonds	April 21, 2023	1.00	₩ 99,401	₩ 124,252
5-2 nd non-guarantee bonds	April 21, 2023	1.00	65,757	82,196
6-1 st non-guarantee bonds	April 21, 2023	1.00	142,075	177,594
6-2 nd non-guarantee bonds	April 21, 2023	1.00	19,544	24,430
7 th non-guarantee bonds	April 21, 2023	1.00	99,179	123,974
Commercial papers	July 21, 2021 ~ April 21, 2023	1.00	68,268	85,123
			<u>494,224</u>	<u>617,569</u>
Less: discount on debentures			(28,829)	(50,082)
Less: Discount on current portion of debentures			(8,848)	(8,747)
Less: current portion of debentures			(238,093)	(238,025)
			<u>₩ 218,454</u>	<u>₩ 320,715</u>

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, March 15, 2018 and October 20, 2020.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

23. Borrowings

23.1 Short-term borrowings

Details of the book amount of short-term borrowings as at June 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)

	Creditor	Description	Annual interest rate (%) June 30, 2021		June 30, 2021		December 31, 2020
Short-term borrowings in Korean won	Kookmin Bank	Overdraft	-	₩	1,748	₩	1,565
	KDB	General loan	3.00		432,659		432,659
	KEXIM	Export financing loan	3.00		192,900		192,900
					627,307		627,124
Short-term borrowings in foreign currencies	KDB and others	USANCE	6ML+0.3 and others		162,091		196,751
	KEXIM	Export financing loan	3ML+2.65		134,661		129,656
					296,752		326,407
				₩	924,059	₩	953,531

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

23.2 Long-term borrowings

Details of the book amount of long-term borrowings as at June 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)

	Creditor	Description	Annual interest rate (%) June 30, 2021	June 30, 2021	December 31, 2020
Long-term borrowings in Korean won	Korea Housing Guarantee	General loan	-	₩ 97	₩ 101
	Woori Bank	General loan	1.00	19,972	19,972
	Hana Bank	General loan	1.00	91,912	91,912
	Kookmin Bank	General loan	1.00	20,000	20,000
	Shinhan Bank	General loan	1.00	16,000	16,000
				147,981	147,985
Long-term borrowings in foreign currencies	KDB	Operating loan	3ML+2.08 and others	824,900	794,240
	Korea Energy Agency	Energy special loan	-	13,124	12,984
		Overseas investment loan	6ML+3.05 and others	17,798	17,136
	KEXIM	Export financing loan	3ML+2.65 and others	181,357	174,616
		Operating loan	1.00	12,738	12,265
	Woori Bank	Operating loan	1.00	5,459	5,256
				1,055,376	1,016,497
				1,203,357	1,164,482
Less: Current portion				(1,024,059)	(985,996)
Less: Discount on loans				(38,838)	(42,913)
				₩ 140,460	₩ 135,573

The Company's property, plant and equipment are pledged as collateral in relation to those borrowings (Note 18).

24. Other Liabilities

Other liabilities as at June 30, 2021 and December 31, 2020, are as follows:

(in millions of Korean won)

	June 30, 2021	December 31, 2020
Advance received	₩ 58	₩ 9
Withholdings	205,376	216,724
	₩ 205,434	₩ 216,733

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

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

25.1 Details of net defined benefit liabilities and other long-term employee benefit liabilities as at June 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2021		December 31, 2020	
Present value of defined benefit obligation	₩	412,454	₩	417,087
Fair value of plan assets		(377,366)		(404,470)
Net defined benefit liabilities	₩	35,088	₩	12,617
Other long-term employee benefit liabilities	₩	27,848	₩	28,328

25.2 Movements in the net defined benefit liabilities and other long-term employee benefit liabilities for the six-month period ended June 30, 2021 and for the year ended December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2021			
	Present value of defined benefit obligations	Plan assets	Other long-term employee benefit obligation	Total
Beginning balance	₩ 417,087	₩ (404,469)	₩ 28,330	₩ 40,948
Current service cost	24,460	-	841	25,301
Interest expense (income)	4,080	(4,064)	284	302
	<u>445,627</u>	<u>(408,533)</u>	<u>29,455</u>	<u>66,551</u>
Remeasurements:				
Return on plan assets	-	1,002	-	1,002
	-	1,002	-	1,002
Benefit payments	(33,173)	30,166	(1,608)	(4,615)
Ending balance	<u>₩ 412,454</u>	<u>₩ (377,365)</u>	<u>₩ 27,847</u>	<u>₩ 62,936</u>

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

<i>(in millions of Korean won)</i>	Year ended December 31, 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	54,963	-	1,572	56,535
Past service cost	(102)	-	2,804	2,702
Interest expense (income)	9,068	(8,029)	538	1,577
	<u>515,747</u>	<u>(407,279)</u>	<u>31,400</u>	<u>139,868</u>
Remeasurements:				
Return on plan assets	-	897	-	897
Actuarial losses arising from change in financial assumptions	(1,362)	-	(17)	(1,379)
Actuarial gains (losses) arising from experience adjustments	(21,517)	-	307	(21,210)
	<u>(22,879)</u>	<u>897</u>	<u>290</u>	<u>(21,692)</u>
Contributions	-	(40,000)	-	(40,000)
Benefit payments	(75,781)	41,913	(3,360)	(37,231)
Ending balance	<u>₩ 417,087</u>	<u>₩ (404,469)</u>	<u>₩ 28,330</u>	<u>₩ 40,945</u>

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

26. Provisions

Changes in provisions for construction losses, construction warranties and other provisions for the six-month period ended June 30, 2021 and for the year ended December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2021						Total
	Current			Non-current			
	Provision for construction losses	Provision for construction warranties	Other provisions	Provision for construction warranties	Other provisions		
Beginning balance	₩ 399,080	₩ 114,804	₩ 126,158	₩ 145,598	₩ 449,986	₩ 1,235,626	
Additional (reversal) provisions	771,366	-	6,548	34,339	(2,519)	809,734	
Transfer	57,144	62,514	(80,860)	(62,515)	1,331	(22,386)	
Used during period	-	(12,017)	(44,765)	-	-	(56,782)	
Ending balance	₩ 1,227,590	₩ 165,301	₩ 7,081	₩ 117,422	₩ 448,798	₩ 1,966,192	

<i>(in millions of Korean won)</i>	Year ended December 31, 2020						Total
	Current			Non-current			
	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	35,000	-	89,182	30,486	(139,703)	14,965	
Transfer	87,247	154,186	(4,477)	(158,742)	(91,445)	(13,231)	
Used during period	-	(39,382)	(33,501)	-	(9,363)	(82,246)	
Ending balance	₩ 399,080	₩ 114,804	₩ 126,158	₩ 145,598	₩ 449,986	₩ 1,235,626	

27. 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.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

28. Derivative Instruments

Details of derivative instruments held for hedging and trading purposes as at June 30, 2021, and December 31, 2020, are as follows:

	June 30, 2021											
	Sales		Other non-operating expense		Firm commitment assets (including current portion) ¹	Firm commitment liabilities (including current portion) ¹	Currency forward assets (including current portion)	Currency forward liabilities (including current portion)				
For fair value hedging ¹	₩	27,125	₩	(35,497)	₩	40,966	₩	15,086	₩	48,980	₩	40,157
	₩	27,125	₩	(35,497)	₩	40,966	₩	15,086	₩	48,980	₩	40,157

¹ The Company has entered into currency forward contracts (Korean won against USD or EUR) 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.

	December 31, 2020											
	Sales		Other non-operating expense		Firm commitment assets (including current portion) ¹	Firm commitment liabilities (including current portion) ¹	Currency forward assets (including current portion)	Currency forward liabilities (including current portion)				
For fair value hedging ¹	₩	5,244	₩	(55,999)	₩	1,546	₩	101,844	₩	166,644	₩	4,255
For trading ²		-		(196)		-		-		-		-
	₩	5,244	₩	(56,195)	₩	1,546	₩	101,844	₩	166,644	₩	4,255

¹ The Company has entered into currency forward contracts (Korean won against USD or EUR) 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.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

29. 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, 2021 and December 31, 2020.

The Company's total number of authorized shares, issued shares and par value per share are 800,000,000 shares, 107,290,669 shares and ₩ 5,000, respectively, as at June 30, 2021 and December 31, 2020.

Changes in number of shares and share capital for the six-month period ended June 30, 2021 and for the year ended December 31, 2020, 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, 2020	Beginning balance	107,205,752	₩	541,028
October 20, 2020	Debt to equity swaps	84,917		425
December 31, 2020	Ending balance	107,290,669		541,453
January 1, 2021	Beginning balance	107,290,669		541,453
June 30, 2021	Ending balance	107,290,669		541,453

30. Retained Earnings (Deficit)

Retained earnings as at June 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2021		December 31, 2020	
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		(4,248,515)		(3,014,575)
	₩	(647,435)	₩	586,505

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.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

31. Other Contributed Capital and Components of Other Capital

31.1 Other contributed capital and components of other capital as at June 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2021		December 31, 2020	
Other contributed capital				
Share premium	₩	10,527	₩	10,527
Others ¹		(11,242)		(11,242)
	₩	(715)	₩	(715)
Components of other capital				
Revaluation surplus of property, plant and equipment	₩	319,455	₩	322,509
Loss on valuation of financial assets at fair value through other comprehensive income		(16,229)		(15,809)
	₩	303,226	₩	306,700

¹ Others include ₩ 513 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, 2021.

31.2 Hybrid capital instrument as at June 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2021		December 31, 2020	
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
	₩	2,332,832	₩	2,332,832

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.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

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. 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

² As 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

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

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

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

32. Earnings (Losses) Per Share

32.1 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 (losses) per share for the three-month and six-month periods ended June 30, 2021 and 2020, are as follows:

<i>(in Korean won)</i>	2021		2020	
	Three months	Six months	Three months	Six months
Profit (loss) for the period	₩ (1,009,370,103,194)	₩ (1,235,992,573,513)	₩ 51,767,683,200	₩ 291,148,790,545
Paid interest of hybrid capital instruments ¹	(6,025,922,910)	(12,026,785,980)	(5,993,772,400)	(11,869,649,560)
Profit (loss) on ordinary shares	₩ (1,015,396,026,104)	₩ (1,248,019,359,493)	₩ 45,773,910,800	₩ 279,279,140,985
Weighted average number of ordinary shares outstanding <i>(in shares)</i>	107,274,462	107,274,462	107,189,545	107,189,545
Basic earnings (losses) per share	₩ (9,465)	₩ (11,634)	₩ 427	₩ 2,605

¹ Interest payable related to hybrid capital instrument ₩ 12,027 million (accumulated: ₩ 94,834 million) is included as at June 30, 2021.

32.2 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, 2021 and 2020, 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, 2021	107,290,669	(16,207)	107,274,462	91	107,274,462
				91	107,274,462
<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, 2021	107,290,669	(16,207)	107,274,462	181	107,274,462
				181	107,274,462
<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

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

<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

32.3 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>	2021		2020	
	Three months	Six months	Three months	Six months
Profit (loss) on ordinary shares	₩ (1,015,396,026,104)	₩ (1,248,019,359,493)	₩ 45,773,910,800	₩ 279,279,140,985
Interest of hybrid capital instrument	6,025,922,910	12,026,785,980	5,993,772,400	11,869,649,560
Profit (loss) used to determine diluted EPS	₩ (1,009,370,103,194)	₩ (1,235,992,573,513)	₩ 51,767,683,200	₩ 291,148,790,545
Weighted average number of ordinary shares outstanding <i>(in shares)</i>	107,274,462	107,274,462	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>	165,089,387	165,089,387	165,004,470	165,004,470
Diluted earnings (losses) per share	₩ 1	₩ 1	₩ 314	₩ 1,764

¹ Diluted and basic earnings per share for the six-month period ended June 30, 2021 are equal because there is no dilution effect in dilutive securities.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

33. Selling and Administrative Expenses

Details of selling and administrative expenses for the three-month and six-month periods ended June 30, 2021 and 2020, are as follows:

(in millions of Korean won)

	2021		2020	
	Three months	Six months	Three months	Six months
Employee benefits	₩ 14,693	₩ 28,343	₩ 13,544	₩ 27,294
Post-employment benefits	1,035	2,175	962	2,138
Commission	9,853	21,297	9,723	19,885
Depreciation	729	1,450	1,177	2,534
Impairment loss (reversal)	(5,406)	(20,831)	21,200	20,216
Administrative service costs	2,561	5,055	2,213	3,828
Research and development expenses	14,626	28,315	14,561	29,985
Others	8,526	13,736	8,307	15,067
	₩ 46,617	₩ 79,540	₩ 71,687	₩ 120,947

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

34. Finance Income and Costs

Details of finance income and costs for the three-month and six-month periods ended June 30, 2021 and 2020, are as follows:

(in millions of Korean won)

	2021		2020	
	Three months	Six months	Three months	Six months
Finance income				
Interest income	₩ 7,606	₩ 17,227	₩ 15,794	₩ 38,634
Gains on valuation of financial assets at fair value through profit or loss	171	1,861	213	710
Gains on disposal of financial assets at fair value through profit or loss	-	2	10	10
Dividend income	107	818	3,409	4,109
Gains on foreign currency translation	(26,224)	37,119	(66,023)	25,693
Gains on foreign currency transactions	36,458	83,251	67,935	119,806
Gains on valuation of currency forward	(2,220)	816	5,304	6,899
Gains on currency forward transactions	-	1,079	2,254	2,861
Reversal of financial guarantee liabilities	-	-	29	33
	₩ 15,898	₩ 142,173	₩ 28,925	₩ 198,755

(in millions of Korean won)

	2021		2020	
	Three months	Six months	Three months	Six months
Finance costs				
Interest expenses	₩ 28,757	₩ 58,646	₩ 36,425	₩ 74,518
Losses on valuation of financial assets at fair value through profit or loss	(4)	6	(6)	1
Losses on disposal of financial assets at fair value through profit or loss	1	652	1	1
Losses on foreign currency translation	(6,470)	51,580	(35,577)	59,499
Losses on foreign currency transactions	22,531	42,674	33,021	57,915
Losses on valuation of currency forward	(21,325)	99,194	(47,335)	144,225
Losses on currency forward transactions	23,233	37,252	43,384	56,821
	₩ 46,723	₩ 290,004	₩ 29,913	₩ 392,980

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

35. 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, 2021 and 2020, are as follows:

(in millions of Korean won)

	2021		2020	
	Three months	Six months	Three months	Six months
Other non-operating income				
Gains on valuation of firm commitment	₩ 5,335	₩ 99,425	₩ (10,661)	₩ 140,857
Gains on disposal of property, plant and equipment	195	463	260	1,293
Gains on disposal of intangible assets	-	2,490	-	-
Gains on disposal of non-current assets held-for-sale	-	3,257	-	-
Reversal of provision for other impairment	504	696	829	965
Others	11,790	14,073	2,283	8,439
	₩ 17,824	₩ 120,404	₩ (7,289)	₩ 151,554

(in millions of Korean won)

	2021		2020	
	Three months	Six months	Three months	Six months
Other non-operating expenses				
Losses on valuation of firm commitment	₩ (2,221)	₩ 371	₩ 5,339	₩ 6,898
Losses on disposal of property, plant and equipment	64	140	1	13
Contingency loss	567	5,113	822	5,942
Others	5,286	6,591	289	1,560
	₩ 3,696	₩ 12,215	₩ 6,451	₩ 14,413

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

36. Expenses by Nature

Expenses classified by nature for the six-month periods ended June 30, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Changes in inventories	₩ 170,523	₩ 113,060
Purchase of raw materials	1,261,457	1,627,995
Employee benefits	358,047	400,710
Depreciation	46,801	44,416
Depreciation of right-of-use assets	9,477	9,744
Amortization	17	107
Commission	40,774	52,903
Travel	1,190	1,834
Administrative service fees	38,173	38,403
Rent	16,310	13,586
Amount paid to subcontractor	475,286	751,410
Others	980,095	499,848
	<u>₩ 3,398,150</u>	<u>₩ 3,554,016</u>

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

37. Related Parties

37.1 Related parties of the Company as at June 30, 2021, 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	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, SAME Netherlands B.V., CREATECH, Inc., 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) ¹ and other

¹ 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.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

37.2 Significant transactions with the related parties for the six-month periods ended June 30, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	Transaction	2021	2020
Parent Company:			
KDB	Disposal of shares ¹	₩ -	₩ 1,727
	Interest and other income	6,618	16,025
	Interest and other expenses	152,139	227,069
Subsidiaries:			
DSME Shandong Co., Ltd	Sales	782	1,299
	Purchases	30,160	94,161
Other subsidiaries	Sales	75	75
	Purchases	10,053	10,602
	Interest and other income	1	3,729
	Interest and other expense	11,702	12,940
Associates and Joint venture:			
Samwoo Heavy Industry Co., Ltd. and others	Sales	524	899
	Purchases	33,017	132,674
	Interest and other income	2,859	1,392
	Interest and other expense ²	2,126	767
Other related parties:			
KEXIM	Interest and other expense	15,389	17,937
Related parties of KDB and others ³	Sales	-	281,046
	Purchases	24,471	27,839
	Interest and other income	-	39
	Interest and other expense	116	1,128
Total	Disposal of shares	-	1,727
	Sales	1,381	283,319
	Purchases	97,701	265,276
	Interest and other income	9,478	21,185
	Interest and other expense	₩ 181,472	₩ 259,841

¹ Amount represents proceeds from disposal of 172,732 shares of Daehan Shipbuilding Co.,Ltd. to KDB.

² Interest expense and variable lease payments arising from lease transaction with TPI Megaline Co., Ltd. for the six-month period ended June 30, 2021 amount to ₩ 718 million (2020: ₩ 767 million) and ₩ 1,406 million (2020: ₩ 2,765 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, 2021 and 2020. There are no sales recognized by the Company (2020: ₩ 281,291 million) for the six-month period ended June 30, 2021. As at June 30, 2021 and December 31, 2020, there are no remaining contract balance.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

37.3 Fund transactions with related parties for the six-month periods ended June 30, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	Transaction	2021		2020	
Parent Company:					
KDB	Proceeds from borrowings	₩	2,483	₩	-
	Redemption of borrowings		-		35,809
Associates and Joint venture:					
TPI Megaline Co., Ltd. ¹	Redemption of lease liabilities ¹		5,222		6,926
KC LNG Tech Co., Ltd.	Investment in kind		2,490		-
Total	Proceeds from borrowings		<u>2,483</u>		<u>-</u>
	Redemption of borrowings		-		35,809
	Redemption of lease liabilities		5,222		6,926
	Investment in kind	₩	<u>2,490</u>	₩	<u>-</u>

¹ Repayment of lease liabilities does not include interest expenses presented in Note 37.2.

37.4 Significant receivables from and payables to the related parties as at June 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2021					
	Financial instruments and others¹	Trade receivables and others¹	Other receivables¹	Loans and others¹	Borrowings	Other payables and others
Parent Company:						
KDB	₩ 1,962,697	-	-	46,050	1,297,113	41,796
Subsidiaries:						
DSME Shandong Co., Ltd.	-	177	5	-	-	-
DK Maritime S.A.	-	84,837	-	-	-	-
Other subsidiaries	-	14	34	-	-	2,281
Associates:						
Samwoo Heavy Industry Co., Ltd. and others	-	84	58	15,276	-	53,942
Joint venture:						
SBM Shipyards Ltd. and others	-	-	-	183,133	-	-
Other related parties:						
KC Kazakh B.V. and others	-	3,603	-	32,850	-	28
KEXIM ²	-	-	-	-	539,454	730
Related parties of KDB	874	114	2,234	-	-	15
	<u>₩ 1,963,571</u>	<u>88,829</u>	<u>2,331</u>	<u>277,309</u>	<u>1,836,567</u>	<u>98,792</u>

¹ Amount before deduction of provision for impairment loss.

² Hybrid capital instrument classified as equity were not included in the borrowings (Note 31).

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

(in millions of
Korean won)

	December 31, 2020					
	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	₩ 1,767,371	₩ -	₩ -	₩ 159,949	₩ 1,263,970	₩ 6,277
Subsidiaries:						
DSME Shandong Co., Ltd.	-	500	-	4,265	-	-
DK Maritime S.A.	-	84,837	-	-	-	-
Other subsidiaries	-	-	288	-	-	4,229
Associates:						
Samwoo Heavy Industry Co., Ltd. and others	-	141	11	15,276	-	54,793
Joint venture:						
SBM Shipyards Ltd. and others	-	-	-	183,133	-	-
Other related parties:						
KC Kazakh B.V. and others	-	3,603	-	32,850	-	50
KEXIM ²	-	-	-	-	526,573	806
Related parties of KDB	1,260	114	2,234	-	-	16
	₩ 1,768,631	₩ 89,195	₩ 2,533	₩ 395,473	₩ 1,790,543	₩ 66,171

¹ Amount before deduction of provision for impairment loss.

² Hybrid capital instrument classified as equity were not included in the borrowings (Note 31).

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, 2021 and for the years ended December 31, 2020, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2021		
	Beginning balance	Others	Ending balance
Trade receivables	₩ 88,440	₩ -	₩ 88,440
Other receivables	2,234	-	2,234
Loans and others	224,152	-	224,152
	₩ 314,826	₩ -	₩ 314,826

(in millions of Korean won)

	Year ended December 31, 2020		
	Beginning balance	Others ¹	Ending balance
Trade receivables	₩ 88,440	₩ -	₩ 88,440
Other receivables	2,234	-	2,234
Loans and others	299,978	(75,826)	224,152
	₩ 390,652	₩ (75,826)	₩ 314,826

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

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.

37.5 Key management compensation for the three-month and six-month periods ended June 30, 2021 and 2020, is as follows:

(in millions of Korean won)

	2021		2020	
	Three months	Six months	Three months	Six months
Short-term employee benefits	₩ 237	₩ 646	₩ 416	₩ 704
Post-employment benefits	24	47	24	49
	₩ 261	₩ 693	₩ 440	₩ 753

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

37.6 Significant collateral and guarantees provided for the related parties as at June 30, 2021, are as follows:

(in thousands of foreign currency)

	Provided for	Guaranteed amount	Guarantor
Payment /Performance guarantee	DSME Kazakhstan ¹	USD 21,448	Tengizchevroil LLP (TCO) and others
Performance guarantee	KC Kazakh B.V. ²	USD 250	KazMunayGas
Performance guarantee	SAME Netherlands B.V. ³	USD 981,840	Petrobras

¹ The Company provided performance guarantees regarding the construction performance of TCO FGP Module Fabrication in Kazakhstan. The performance guarantee amount is USD 1,384,811 thousand, and the guarantee amount corresponding to the liability ratio under the consortium contract is USD 21,448 thousand.

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

³ The Company provides guarantee regarding the SAME Netherlands B.V. jointly established with Saipem. The performance guarantee amount is USD 2,348,300 thousand, and the guarantee amount corresponding to the liability ratio under the consortium contract is USD 981,840 thousand.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

37.7 Significant guarantees provided by related parties as at June 30, 2021, are as follows:

(in millions of Korean 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 10,541
				EUR 18,795
				JPY 171,500
				GBP 397
	AP BOND and others	USD 4,700,000	-	USD 1,119,679
Other related parties:				
KEXIM	AP BOND and others	USD 4,081,669	-	USD 2,163,700
				EUR 143,994
				KR 12,616
				W
				USD 3,293,920
				EUR 162,789
		USD 9,096,069		JPY 171,500
				GBP 397
				KR 12,616
				W

37.8 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, 2021 is ₩ 45,538 million and ₩ 44,970 million, respectively.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

38. Construction Contracts

38.1 Changes in the remaining balance of construction contracts for the six-month period ended June 30, 2021 and for the year ended December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2021				
	Beginning balance	New contracts¹	Others²	Recognized construction revenue³	Ending balance
Commercial ships	₩ 5,969,662	₩ 6,301,598	₩ 231,213	₩ (1,780,468)	₩ 10,722,005
Offshore plant and special ships	2,665,394	2,197,543	(137,976)	(348,885)	4,376,076
Others	2,899	-	583	(191)	3,291
	<u>₩ 8,637,955</u>	<u>₩ 8,499,141</u>	<u>₩ 93,820</u>	<u>₩ (2,129,544)</u>	<u>₩ 15,101,372</u>

¹ Includes contract amount of ₩ 714,882 million which was finalized on July 13, 2021.

² Others consist of increase or decrease due to fluctuations of foreign exchange rates and changes of contract amount.

³ 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, 2020				
	Beginning balance	New contracts	Others¹	Recognized construction revenue²	Ending balance
Commercial ships	₩ 6,083,772	₩ 5,102,360	₩ (94,588)	₩ (5,121,882)	₩ 5,969,662
Offshore plant and special ships	4,054,960	202,190	282,922	(1,874,678)	2,665,394
Others	806	-	2,503	(410)	2,899
	<u>₩ 10,139,538</u>	<u>₩ 5,304,550</u>	<u>₩ 190,837</u>	<u>₩ (6,996,970)</u>	<u>₩ 8,637,955</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.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

38.2 Details of in-progress construction contracts such as recognized construction profit or loss as at June 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2021			
	Accumulated construction revenue	Accumulated construction cost	Accumulated profit (loss)	Reserve¹
Commercial ships	₩ 3,095,225	₩ (4,214,444)	₩ (1,119,219)	₩ 692,712
Offshore plant and special ships	10,177,096	(11,398,818)	(1,221,722)	-
Others	1,964	(2,091)	(127)	-
	<u>₩ 13,274,285</u>	<u>₩ (15,615,353)</u>	<u>₩ (2,341,068)</u>	<u>₩ 692,712</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, 2020			
	Accumulated construction revenue	Accumulated construction cost	Accumulated profit (loss)	Reserve¹
Commercial ships	₩ 4,489,415	₩ (4,809,252)	₩ (319,837)	₩ 693,572
Offshore plant and special ships	10,356,139	(11,308,846)	(952,707)	-
Others	1,773	(1,898)	(125)	-
	<u>₩ 14,847,327</u>	<u>₩ (16,119,996)</u>	<u>₩ (1,272,669)</u>	<u>₩ 693,572</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.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

38.3 Details of due to and from customers for contract work as at June 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2021				December 31, 2020			
	Contract assets ¹		Contract liabilities ²		Contract assets ¹		Contract liabilities ²	
Commercial ships	₩	1,546,653	₩	730,455	₩	1,690,630	₩	453,268
Offshore plant and special ships		502,562		810,422		468,319		788,870
Others		-		2,035		-		3,554
	₩	2,049,215	₩	1,542,912	₩	2,158,949	₩	1,245,692

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.

38.4 Contractual details that contract revenue for the six-month period ended June 30, 2021 is more than 5% of sales in previous year, are as follows:

Customers	Contract date	Expected completion date ¹ / Completion date	Percentage of completion	June 30, 2021				December 31, 2020					
				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		
LNGB	Asia	2020.06.05	2022.09.23	39.79	₩ 45,134	₩ -	₩ 43,882	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
LNGB	Asia	2020.06.05	2022.12.31	26.37	29,374	-	-	-	-	-	-	-	-
OSV	Oceania	2021.05.11	2024.08.31	0.15	-	-	-	-	-	-	-	-	-
Drillship	Europe	2012.09.27	2023.12.31	99.03	110,670	-	-	-	108,914	-	-	-	-
Drillship	Europe	2013.06.24	2023.12.31	98.79	174,546	-	8,411	-	176,763	(8,601)	8,098	(8,098)	-
FPSO	Oceania	2012.03.08	2022.09.30	99.92	8,505	-	-	-	100,082	-	-	-	-
Fixed Platform	Asia	2013.05.26	2021.09.30	98.81	-	-	5,221	-	-	-	6,247	-	-
Fixed Platform	Middle East	2021.06.01	2024.07.15	0.00	-	-	-	-	-	-	-	-	-
FPSO	Europe	2021.06.11	2025.12.05	0.02	255	-	-	-	-	-	-	-	-

¹ Expected completion date is the date expected by the Company as at June 30, 2021, 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.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

As at June 30, 2021, five 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 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 13, 2021.

38.5 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:

(in millions of
Korean won)

	June 30, 2021					
	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	₩ 1,178,297	₩ 225,984	₩ 309,975	₩ (93,371)	₩ 1,546,653	₩ -
Offshore plant and special ships	48,500	(136,382)	13,873	(131,387)	502,562	-
Others	794	-	2	27	-	-
	₩ 1,227,591	₩ 89,602	₩ 323,850	₩ (224,731)	₩ 2,049,215	₩ -

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

(in millions of
Korean won)

	December 31, 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	₩ 331,741	₩ (158,727)	₩ (69,339)	₩ 5,822	₩ 1,690,630	₩ -
Offshore plant and special ships	66,221	47,089	79,019	(2,953)	476,920	(8,601)
Others	1,119	2,508	2,922	(562)	-	-
	₩ 399,081	₩ (109,130)	₩ 12,602	₩ 2,307	₩ 2,167,550	₩ (8,601)

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

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

38.6 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, 2021 and for the year ended December 31, 2020, 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, 2021			
	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	₩ 225,984	₩ 309,975	₩ (93,371)	₩ 9,380
Offshore plant and special ships	(136,382)	13,873	(131,387)	(18,868)
Others	-	2	27	(29)
	<u>₩ 89,602</u>	<u>₩ 323,850</u>	<u>₩ (224,731)</u>	<u>₩ (9,517)</u>

<i>(in millions of Korean won)</i>	Year ended December 31, 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	₩ (158,727)	₩ (69,339)	₩ 5,821	₩ (95,209)
Offshore plant and special ships	47,089	79,019	(2,953)	(28,977)
Others	2,508	2,922	(562)	148
	<u>₩ (109,130)</u>	<u>₩ 12,602</u>	<u>₩ 2,306</u>	<u>₩ (124,038)</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, 2021 (December 31, 2020). Contract costs and contract revenue may change in the future.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

39. Commitments and Contingencies

39.1 The Company provided 14 blank notes to Korea Energy Agency as construction warranty and others as at June 30, 2021.

39.2 The Company is involved in a lawsuit as a plaintiff pending in relation to repayment request of lot loans, and 25 other pending lawsuits with aggregated claim amount of ₩ 709,204 million as at June 30, 2021. The Company requested for arbitrations to the London Maritime Arbitrators Association in relation to 4 lawsuits of settlement of contract amount and additional contract cost incurred with some customers amounting to USD 13,093 thousand.

39.3 Certain investors claimed that they acquired the ordinary shares, corporate bonds, and commercial papers and resulted in loss by relying on fake audit report, annual report, registration of securities, and prospectus, etc due to fraudulent financial reporting. Including the aforementioned litigation, the Company is involved in 78 other lawsuits as a defendant with aggregated claim amount of USD 37,433 thousand and ₩ 497,670 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, 2021. The Company, however, recognized the best estimated loss amounting to ₩ 454,545 million from pending litigations and performance guarantees as provisions as at June 30, 2021.

39.4 The Company paid penalty amounting to ₩ 15.3 billion and received a notice of complaint against corporation from Fair Trade Commission for not issuing contract documents, improperly determining the subcontract payments, and improperly terminating or modifying the consignment as the Company made a consignment on manufacturing parts of ships and offshore plants to subcontractors, and the prosecution regarding the complaint was dismissed as there were no charges on June 21, 2021. In addition, 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. The Company has filed an application for suspension of execution and proceed with the complaint against FTC's administrative measure.

39.5 Shinhan Heavy Industries Co., Ltd. obtained the approval of commencement of rehabilitation procedure on June 30, 2020 from department 17 of Seoul Bankruptcy Court. The Company entered into a loan agreement amounting to ₩ 55.2 billion with Shinhan Heavy Industries Co., Ltd. on July 21, 2020. ₩ 50.3 billion were executed and the remaining ₩ 4.9 billion billing were recognized as provisions.

39.6 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.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

The Company formed a consortium with Petrofac Emirates LLC to provide design, purchase materials and manufacture modules for ZADCO project in the United Arab Emirates.

DSME Kazakhstan LLP, a subsidiary of the Company, formed consortiums, including Ersai Caspian Contractor LLC, to provide on-site management supervision and personnel training services for TCO projects in Kazakhstan. The Company provides payment and performance guarantees in relation to construction in Kazakhstan, and the amount corresponding to the liability ratio is estimated to be USD 21,448 thousand (whole USD 1,384,811 thousand).

The Company jointly established SAME Netherlands B.V. with Saipem to perform P-79 FPSO Project ordered by Petrobras. The Company provides performance guarantee in relation to the construction of SAME Netherlands B.V., and the amount corresponding to the liability ratio is estimated to be USD 981,840 thousand (whole: USD 2,348,300 thousand).

39.7 As at June 30, 2021, the estimated loss amounting to ₩ 208,391 million out of the claim amount of ₩ 1,443,429 million related to the construction contract of the Company was included in the statement of financial position as provisions for construction warranties. The amount expected to offset the contract amount is deducted by ₩ 205,614 million. 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 26).

The contract revenue can be decreased by the claims of liquidated damages when the completion of contract is delayed due to the Company's fault. Therefore, the damage claims for the delay are estimated based on historical experience in case the completion date is expected to be delayed. As at June 30, 2021, the maximum amount of damage claims from the delay as the Company was not able to meet the contracted completion date is expected to be ₩ 233,844 million. The ₩ 213,444 million of this amount is the best estimate of the damage claim the Company is likely to bear due to its fault and has been deducted from the contract revenue for the six-month period ended June 30, 2021. The amount will be periodically revalued until the completion date.

The Company is constantly putting an effort to minimize damage claims by requesting an extension of the completion date from the customer and to undertake measures in order to comply with the completion date.

39.8 Details of guaranteed amount to major financial institutions as at June 30, 2021 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	8,876,669
	Borrowing limit	USD ₩	1,041,516 3,845,543

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

40. Cash Flows from Operating Activities

40.1 Cash flows from operating activities for the six-month periods ended June 30, 2021 and 2020, are as follow:

<i>(in millions of Korean won)</i>	2021		2020	
1. Profit (loss) for the period	₩	(1,235,993)	₩	291,149
2. Adjustments for:				
Income tax benefits		(16,451)		-
Post-employment benefits		24,477		28,167
Employee benefits		1,126		1,055
Depreciation		46,801		44,416
Depreciation of right-of-use assets		9,477		9,744
Amortization		17		107
Impairment loss (reversal)		(20,830)		20,216
Reversal of other impairment loss		(696)		(965)
Loss on valuation of inventories		191,824		80,603
Gain on disposal of property, plant and equipment		(463)		(1,293)
Loss on disposal of property, plant and equipment		140		13
Gain on disposal of intangible assets		(2,490)		-
Gain on disposal of non-current assets held for sale		(3,257)		-
Gain on disposal of investments in associates		-		(1,068)
Dividend income		(818)		(4,109)
Interest income		(17,227)		(38,634)
Finance income		(1,863)		(752)
Interest expense		58,646		74,518
Finance costs		658		1
Loss on foreign currency translation		14,461		33,806
Gain on valuation of firm commitment		(99,055)		(133,959)
Loss on valuation of currency forward contracts		134,551		191,286
Provision for provisions		809,730		12,517
Miscellaneous income		(614)		(1)
Miscellaneous expenses		1,777		7,154
3. Changes in working capital				
Decrease (increase) in trade receivables		484,280		(7,270)
Increase in other receivables		(58,688)		(7,724)
Decrease (increase) in contract assets		138,798		(443,174)
Decrease (increase) in inventories		(21,302)		32,454
Decrease (increase) in firm commitments		(27,125)		109,497
Decrease (increase) in currency forward contracts		19,015		(94,330)
Decrease (increase) in other assets		(37,254)		50,912
Decrease in trade payables		(122,874)		(100,489)
Decrease in other payables		(58,507)		(70,292)
Increase (decrease) in contract liabilities		293,126		(310,360)
Decrease in provisions		(56,782)		(59,066)

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

Increase (decrease) in other liabilities	(14,082)	59,346
Payment for severance benefits	(33,173)	(72,867)
Decrease in plan assets	30,166	39,207
Cash generated from (used in) operations	₩ 429,526	(260,185)

40.2 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>	2021	2020
Acquisition of investments in associates through investment in kind	₩ 2,490	₩ -
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	116,509	116,308
Transfer of construction in progress to property, plant and equipment	25,887	9,461
Transfer of property, plant and equipment to current assets held for sale	64,785	-
Setting up provision for restoration of Seoul office	1,331	-
Offsetting current deposits and debentures	62,958	-

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.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

40.3 Changes in liabilities arising from financing activities for the six-month periods ended June 30, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021					
	Beginning balance	Cash flows from financing activities	Changes in exchange rate	Amortization	Transfer and others	Ending balance
Current						
Short-term borrowings	₩ 953,531	₩ (34,723)	₩ 5,250	₩ -	₩ -	₩ 924,058
Current portion of long-term borrowings	985,996	(4)	38,062	-	4	1,024,058
Current portion of long-term debentures	238,025	(61,648)	-	6,908	54,809	238,094
Current lease liabilities	18,212	(8,012)	-	-	6,823	17,023
	<u>2,195,764</u>	<u>(104,387)</u>	<u>43,312</u>	<u>6,908</u>	<u>61,636</u>	<u>2,203,233</u>
Non-current						
Long-term borrowings	135,572	-	622	4,269	(4)	140,459
Debentures	320,715	-	-	14,245	(116,505)	218,455
Lease liabilities	62,646	-	-	-	5,689	68,335
	<u>518,933</u>	<u>-</u>	<u>622</u>	<u>18,514</u>	<u>(110,820)</u>	<u>427,249</u>
	<u>₩ 2,714,697</u>	<u>₩ (104,387)</u>	<u>₩ 43,934</u>	<u>₩ 25,422</u>	<u>₩ (49,184)</u>	<u>₩ 2,630,482</u>
<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>

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

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, VLCC and others	Maran Gas Maritime Inc. and others	82.6
Offshore plant and special ships	Marine steel structure and others	Chevron North America Exploration a, Defense Acquisition Program Administration and others	16.2
Others	Energy, service	Various customers	1.2
			100.0

41.2 Financial information by segment is as follows:

(in millions of Korean won)

	2021			
	Commercial Ships	Offshore plant and special ships	Others	Total
Sales	₩ 1,806,177	₩ 354,752	₩ 24,419	₩ 2,185,348
Gross profit	(837,100)	(317,825)	21,663	(1,133,262)

(in millions of Korean won)

	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

41.3 The number of major customer who accounts more than 10% of the Company's revenue is two (2020: two) and their revenue amount to ₩ 878,627 million and ₩ 1,231,139 million for the six-month periods ended June 30, 2021 and 2020, respectively.

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

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

42. 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 16, 17 and 20, 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 ₩ 54,642 million of impairment loss on property, plant and equipment, ₩ 2,941 million of impairment loss on intangible assets, and ₩ 17,760 million of impairment loss on right-of-use assets for the year ended December 31, 2020.

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 in June 2020.

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

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

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.

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	₩ 166,081	₩ (575)
Corporate bonds ²	1,350,000	711,066	638,934	-
Commercial papers	199,183	97,289	101,894	-
Long-term borrowings ^{3,4}	680,653	680,633	-	20
	<u>₩ 3,924,875</u>	<u>₩ 3,018,521</u>	<u>₩ 906,909</u>	<u>₩ (555)</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, March 15, 2018, and October 20, 2020 (total of 17,559,003 shares). In addition, 50.85% of bonds held by other creditors were restructured 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 31).

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, 2021.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

As a result of the above-mentioned debt restructuring agreement, the Company issued new shares through a third-party allotment amounting to ₩ 792,758 million 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 on August 12, 2017, for ₩ 65,669 million of corporate bonds (2nd) and creditor bank on December 22, 2017, for ₩ 22,171 million of corporate bonds (3rd) and creditor bank on March 15, 2018, and for ₩ 3,426 million of corporate bonds (4th) and creditor bank on October 20, 2020 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 62,289 shares (assuming conversion rate of 50%) which was not converted to investment as at June 30, 2021, 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	₩ 740,828	₩ 165,405
Grace period	6 years	10 years
Payment method	3-year grace period, Installment over 3 years	5-year grace period, Installment over 5 years
Commencing period of payment	July 21, 2020	September 28, 2022
Completed amount of payment ¹	₩ 246,604	₩ -

¹ Includes pending payments regarding undeclared bonds amounting to ₩ 136 million as at June 30, 2021. The amount is transferred to long-term other payables.

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	₩ 740,828	₩ 165,405
Effective interest rate	1.00%	1.00%
Applicable period	6 years	10 years

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2021 and 2020(Unaudited), and December 31, 2020

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. In addition, the Company decided to enter into a modification agreement for the second time to extend the termination date of the new share subscription agreement on January 22, 2021 to December 31, 2021.

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

The Company decided to retire 6,334,112 ordinary shares, which are swapped for equity, without consideration based on rehabilitation plan of Shinhan Heavy Industries Co., Ltd. approved by the court on July 21, 2021.

The ordinary shares (6,334,112 shares) were swapped for equity for the remaining receivables of ₩ 31,671 million after the resolution of the Board of Directors on July 14, 2020, excluding the amount to be reimbursed by cash from the principal and interest borrowed (₩ 51,784 million).

The transaction date and amount may change depending on the resolution of Shinhan Heavy Industries Co., Ltd.'s rehabilitation plan of the relevant assembly and the decision of the court's approval.