

**Daewoo Shipbuilding & Marine
Engineering Co., Ltd.**
Separate Interim Financial Statements
June 30, 2022 and 2021

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
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June 30, 2022 and 2021

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Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

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

Reviewed Financial Statements

We have reviewed the accompanying separate interim financial statements of Daewoo Shipbuilding & Marine Engineering Co., Ltd. (the Company). These financial statements consist of the separate interim statement of financial position of the Company as at June 30, 2022, and the related separate interim statements of profit or loss and comprehensive income for the three-month and six-month periods ended June 30, 2022 and 2021, and separate interim statements of changes in equity and cash flows for the six-month periods ended June 30, 2022 and 2021, 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 of the Company. Note 3 to the separate interim financial statements describes the uncertainty relating to the impact of Coronavirus disease 2019 (COVID-19) on the Company's productivity and ability to satisfy customer's orders and uncertainty relating to increased credit risk and the timing of payments due to international sanctions against Russia. 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, 2021, 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 14, 2022. The separate statement of financial position as at December 31, 2021, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at December 31, 2021.

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 12, 2022

This report is effective as of August 12, 2022, 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, 2022 and December 31, 2021

<i>(in millions of Korean won)</i>	Notes	June 30, 2022 (Unaudited)	December 31, 2021
Assets			
Current assets			
Cash and cash equivalents	6,7,37	₩ 1,087,002	₩ 1,748,495
Short-term financial instruments	6,8,37	152,490	291,503
Short-term financial assets at amortized cost	6,9	16	-
Trade and other receivables	6,9,37	402,475	345,269
Contract assets	10,38	2,745,622	1,919,963
Current portion of firm commitment assets	28	150,789	34,412
Current portion of currency forward assets	4,5,6,28	765	910
Inventories	11	1,699,608	1,128,876
Current tax assets		3,796	-
Other current assets	12	1,128,772	787,643
Non-current assets held for sale	13,18	161,964	161,964
		<u>7,533,299</u>	<u>6,419,035</u>
Non-current assets			
Long-term financial instruments	6,8,37	6,419	155,392
Financial assets at fair value through profit or loss	4,5,6,9,18	53,950	50,907
Financial assets at amortized cost	6,9	9,505	20,141
Financial assets at fair value through other comprehensive income	5,6,9	8,150	6,724
Investments in subsidiaries	14,42	746	746
Investments in associates and joint arrangement	15	2,644	2,931
Long-term trade and other receivables	6,9,37,38	181,603	103,840
Firm commitment assets	28	594,584	230,251
Currency forward assets	4,5,6,28	1,498	1,522
Property, plant and equipment	16,18,42	3,362,699	3,375,716
Right-of-use assets	17,37,42	56,986	59,107
Intangible assets	20,42	1,284	671
Other non-current assets	12	17,102	13,814
		<u>4,297,170</u>	<u>4,021,762</u>
Total assets		<u>₩ 11,830,469</u>	<u>₩ 10,440,797</u>

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Separate Interim Statements of Financial Position
June 30, 2022 and December 31, 2021

<i>(in millions of Korean won)</i>	Notes	June 30, 2022 (Unaudited)	December 31, 2021
Liabilities			
Current liabilities			
Short-term borrowings	6,18,23,37,40,43	₩ 1,356,016	₩ 1,073,380
Financial liabilities at fair value through profit or loss	4,5,6,28	25,751	-
Trade and other payables	6,21,37	668,799	651,184
Current tax liabilities		-	983
Current portion of long-term debentures	6,22,40,43	238,518	238,443
Current portion of long-term borrowings	6,18,23,37,40,43	1,205,426	1,091,053
Current lease liabilities	17,37,40	19,740	16,874
Current portion of firm commitment liabilities	28	22	140
Current portion of currency forward liabilities	4,5,6,28	274,303	53,158
Contract liabilities	10,38	3,169,025	2,094,094
Current portion of provisions	26,39	1,638,583	1,755,561
Other current liabilities	24	598,792	400,574
		<u>9,194,975</u>	<u>7,375,444</u>
Non-current liabilities			
Debentures	6,22,40,43	-	111,743
Long-term borrowings	6,18,23,37,40,43	111,834	122,513
Long-term trade and other payables	6,21,37	4,888	6,993
Net defined benefit liabilities and other long-term employee benefits	25	51,191	31,910
Provisions	26,39	360,893	334,794
Lease liabilities	17,37,40	56,743	61,167
Firm commitment liabilities	28	284	1,063
Currency forward liabilities	4,5,6,28	521,992	207,082
Deferred tax liabilities		73,172	60,438
		<u>1,180,997</u>	<u>937,703</u>
Total liabilities		<u>10,375,972</u>	<u>8,313,147</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	317,736	316,311
Accumulated deficit	30	(1,736,810)	(1,062,233)
Total equity		<u>1,454,497</u>	<u>2,127,650</u>
Total liabilities and equity		<u>₩ 11,830,469</u>	<u>₩ 10,440,797</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, 2022 and 2021

<i>(in millions of Korean won, except per share amounts)</i>	Notes	Period Ended June 30			
		2022		2021	
		(Unaudited)		(Unaudited)	
		Three months	Six months	Three months	Six months
Sales	28,37,38,41	₩ 1,173,752	₩ 2,408,892	₩ 1,070,157	₩ 2,185,347
Cost of sales	36,38	1,219,866	2,867,192	2,029,070	3,318,609
Gross loss		(46,114)	(458,300)	(958,913)	(1,133,262)
Selling and administrative expenses	33,36	60,676	118,776	46,617	79,541
Operating loss		(106,790)	(577,076)	(1,005,530)	(1,212,803)
Finance income	6,34,37	176,651	261,433	15,899	142,173
Finance costs	6,34,37	750,344	908,838	46,721	290,004
Other non-operating income	6,28,35	512,190	584,045	17,824	120,405
Other non-operating expenses	6,28,35	13,871	32,154	3,695	12,215
Loss before income tax expense		(182,164)	(672,590)	(1,022,223)	(1,252,444)
Income tax benefits	27	-	-	(12,853)	(16,451)
Loss for the period		₩ (182,164)	₩ (672,590)	₩ (1,009,370)	₩ (1,235,993)
Losses per share	32				
Basic losses per share <i>(in Korean won)</i>		₩ (1,754)	₩ (6,383)	₩ (9,465)	₩ (11,634)
Diluted losses per share <i>(in Korean won)</i>		₩ (1,754)	₩ (6,383)	₩ (9,465)	₩ (11,634)

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, 2022 and 2021

<i>(in millions of Korean won)</i>	Notes	Period Ended June 30			
		2022		2021	
		(Unaudited)		(Unaudited)	
		Three months	Six months	Three months	Six months
Loss for the period		₩ (182,163)	₩ (672,591)	₩ (1,009,370)	₩ (1,235,993)
Other comprehensive income					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Remeasurements of net defined benefit liabilities	25	(766)	(1,987)	(291)	(1,002)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	6,31	1,439	1,426	288	(420)
		673	(561)	(3)	(1,422)
Total comprehensive loss for the period		₩ (181,490)	₩ (673,152)	₩ (1,009,373)	₩ (1,237,415)

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, 2022 and 2021

(in millions of Korean won)

	<u>Other contributed capital</u>				<u>Components of other capital</u>			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	Retained earnings (Accumulated deficit)	
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)	<u>₩ 541,454</u>	<u>₩ 12</u>	<u>₩ (726)</u>	<u>₩ 2,332,832</u>	<u>₩ (16,228)</u>	<u>₩ 319,455</u>	<u>₩ (647,436)</u>	<u>₩ 2,529,363</u>
Balance at January 1, 2022	₩ 541,454	₩ 12	₩ (726)	₩ 2,332,832	₩ (16,593)	₩ 332,904	₩ (1,062,232)	₩ 2,127,651
Loss for the period	-	-	-	-	-	-	(672,591)	(672,591)
Other comprehensive income	-	-	-	-	1,426	-	(1,987)	(561)
Balance at June 30, 2022 (Unaudited)	<u>₩ 541,454</u>	<u>₩ 12</u>	<u>₩ (726)</u>	<u>₩ 2,332,832</u>	<u>₩ (15,167)</u>	<u>₩ 332,904</u>	<u>₩ (1,736,810)</u>	<u>₩ 1,454,499</u>

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, 2022 and 2021

<i>(in millions of Korean won)</i>	Notes	Six-Month Period Ended June 30	
		2022 (Unaudited)	2021 (Unaudited)
Cash flows from operating activities			
Cash generated from (used in) operations	40	₩ (998,206)	₩ 429,526
Dividends received		586	817
Interests received		28,138	7,523
Interests paid		(28,920)	(28,430)
Income tax received		7,956	15,569
Net cash inflow (outflow) from operating activities		(990,447)	425,005
Cash flows from investing activities			
Cash inflows from investing activities:			
Decrease in short-term financial instruments		248,962	46,764
Decrease in financial assets at amortized cost		-	14
Disposal of long-term financial assets at amortized cost		563	-
Disposal of financial assets at fair value through profit or loss		-	421
Disposal of non-current assets held for sale		-	17,100
Disposal of property, plant and equipment/intangible assets		344	519
Decrease in leasehold deposits		3	4,340
		249,872	69,158
Cash outflows from investing activities:			
Increase in short-term financial instruments		2,790	330
Increase in long-term financial instruments		330	1,147
Increase in long-term loans		-	265
Acquisition of property, plant and equipment/intangible assets		38,915	38,802
Increase in leasehold deposits		38	80
		42,073	40,624
Net cash inflow from investing activities		207,799	28,534

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Separate Interim Statement of Cash Flows
Six-Month Periods Ended June 30, 2022 and 2021

<i>(in millions of Korean won)</i>	Notes	Six-Month Period Ended June 30	
		2022 (Unaudited)	2021 (Unaudited)
Cash flows from financing activities	40		
Cash inflows from financing activities:			
Proceeds from short-term borrowings		₩ 255,726	₩ 183
		<u>255,726</u>	<u>183</u>
Cash outflows from financing activities:			
Repayment of short-term borrowings		-	34,906
Repayment of current portion of long-term debentures		61,739	61,648
Repayment of current portion of long-term borrowings		4	4
Repayment of lease liabilities		10,611	8,012
Payment of redeemable deposits		62,244	62,769
		<u>134,598</u>	<u>167,339</u>
Net cash inflow (outflow) from financing activities		<u>121,128</u>	<u>(167,156)</u>
Net increase (decrease) in cash and cash equivalents		(661,520)	286,383
Cash and cash equivalents at the beginning of the period		1,748,495	1,330,484
equivalents		26	(47)
Cash and cash equivalents at the end of the period	7	<u>₩ 1,087,001</u>	<u>₩ 1,616,820</u>

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

Daewoo Shipbuilding & Marine Engineering Co., Ltd.

Notes to the Separate interim Financial Statements

June 30, 2022 and 2021(Unaudited), and December 31, 2021

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, 2022, 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, 2022, 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, 2022.

Daewoo Shipbuilding & Marine Engineering Co., Ltd.
Notes to the Separate interim Financial Statements
June 30, 2022 and 2021(Unaudited), and December 31, 2021

2.1.1 New and amended standards and interpretations adopted by the Company

The Company has applied the following standards and interpretations for the first time for their annual reporting period commencing January 1, 2022.

(a) Amendment to Korean IFRS 1116 Leases - Covid-19 - Related Rent Concessions beyond June 30, 2021

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before June 30, 2022. A lessee shall apply the practical expedient consistently to eligible contracts with similar characteristics and in similar circumstances. The amendment does not have a significant impact on the financial statements.

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

The amendments update a reference of definition of assets and liabilities to be recognized in a business combination 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 clarify that contingent assets should not be recognized at the acquisition date. The amendment does not have a significant impact on the financial statements.

(c) 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 amendment does not have a significant impact on the financial statements.

(d) 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 amendment does not have a significant impact on the financial statements.

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(e) 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 amendment does not 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 1041 *Agriculture* – Measuring fair value

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, 2022 reporting periods and have not been early adopted by the Company.

(a) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policies. 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.

(b) 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 includes 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.

(c) Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors - Definition of Accounting Estimates

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

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(d) Korean IFRS 1012 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

(e) New Standard: Korean IFRS 1117 Insurance Contract

Korean IFRS 1117 *Insurance Contracts* replaces Korean IFRS 1104 *Insurance Contracts*. This Standard estimates future cash flows of an insurance contract and measures insurance liabilities using discount rates applied with assumptions and risks at the measurement date. The entity recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual period. In addition, investment components (Refunds due to termination/maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and insurance financial income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses. This Standard should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted for entities that applied Korean IFRS 1109 *Financial Instruments*. The Company does not expect that these amendments have a significant impact on the financial statements.

2.2 Significant Accounting Policies

Significant accounting policies and method of computation used in the preparation of the condensed separate interim financial statements are consistent with those of the separate financial statements for the year ended December 31, 2021, except for the changes due to the application of amendment and enactments of standards described in Note 2.1.1 and the one described below.

2.2.1 Income Tax Expense

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

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

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

Significant accounting estimates and assumptions applied in the preparation of these condensed separate interim financial statements are the same as those applied to the separate financial statements for the year ended December 31, 2021, except for the estimates used to determine income tax expense.

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

The spread of Coronavirus disease 2019 (“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, financial performance, and liquidity cannot presently be determined.

3.2 Impact of Sanctions against Russia

The Russia - Ukraine conflict has been escalated in February 2022, Russia is imposed to the international sanctions accordingly. On March 1, 2022, the Korean government also joined the international sanctions. Accordingly, Russian companies may have reduced access to foreign currency to pay receivables denominated in currencies such as the Euro or USD. The lack of liquidity in the foreign exchange market as well as the significant decline in value of the Rouble may increase the credit losses experienced on such receivables. In addition, certain Russian bank’s access to the SWIFT system (Society for Worldwide Interbank Financial Telecommunication) has been limited. This could limit the ability of customers to settle receivables and hence affect the timing of

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receipt of payments. As at June 30, 2022, certain ship building contracts relate to Russian companies or banks, and assets and liabilities recognized in connection with the contract are ₩ 1,263,256 million and ₩ 431,685 million, respectively. Meanwhile, for contracts in which the shipowner's payment for construction is not made within the term, the contract termination was notified, and the amount recognized as inventories is ₩ 443,813 million. It is highly uncertain to expect range of the impact of these sanctions on the financial position and financial performance. Therefore, the Company's financial statements did not reflect the effect of these sanctions.

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 foreign currency risk management departments based on the risk management policies approved by the foreign currency risk management committee, and the foreign currency 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.

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The following details the forward foreign currency contracts outstanding as at June 30, 2022, and December 31, 2021.

		June 30, 2022			
<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	₩	1,149.56	USD 6,827,044	KRW 7,848,127	₩ (796,295)
Sell EUR		1,353.68	EUR 189,386	KRW 256,369	2,263
For trading					
Sell USD		1,149.37	USD 199,492	KRW 229,289	(25,751)
			<u>USD 7,026,536</u>		
Total			<u>EUR 189,386</u>	<u>KRW 8,333,785</u>	<u>₩ (819,783)</u>
		December 31, 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	₩	1,142.21	USD 6,010,041	KRW 6,864,727	₩ (258,855)
Sell EUR		1,353.68	EUR 189,386	KRW 256,369	1,056
			<u>USD 6,010,041</u>		
Total			<u>EUR 189,386</u>	<u>KRW 7,121,095</u>	<u>₩ (257,809)</u>

(b) Price risk

The Company's investment in marketable equity securities is made upon management's decision. For the six-month periods ended June 30, 2022, the Company has marketable equity securities that are classified as financial assets that are measured at fair value through profit or loss in the separate statement of financial position and are exposed to price risk. When the price of the marketable equity securities increases by 10%, profit or loss will be increased by ₩ 2,215 million. Conversely, if the price decreases, it will be decreased.

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(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, 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).

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Fair value hierarchy classifications of the financial instruments that are measured at fair value as at June 30, 2022 and December 31, 2021, are as follows:

(in millions of Korean won)

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Beneficiary certificates	₩ 56	₩ -	₩ -	₩ 56
Equity investments	-	31,747	-	31,747
Equity instrument	-	-	22,147	22,147
Currency forward assets				
Derivative instrument for hedging	-	2,263	-	2,263
Financial assets at fair value through other comprehensive income				
Non-listed securities	-	2,518	5,632	8,150
	<u>₩ 56</u>	<u>₩ 36,528</u>	<u>₩ 27,779</u>	<u>₩ 64,363</u>

Financial liabilities

Financial liability at fair value through profit or loss				
Derivative instruments for trading	₩ -	₩ 25,751	₩ -	₩ 25,751
Currency forward liabilities				
Derivative instrument for hedging	-	796,294	-	796,294
	<u>₩ -</u>	<u>₩ 822,045</u>	<u>₩ -</u>	<u>₩ 822,045</u>

(in millions of Korean won)

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Beneficiary certificates	₩ 56	₩ -	₩ -	₩ 56
Equity investments	-	31,883	-	31,883
Equity instruments	-	-	18,968	18,968
Currency forward assets				
Derivative instrument for hedging	-	2,432	-	2,432
Financial assets at fair value through other comprehensive income				
Non-listed securities	-	1,093	5,632	6,725
	<u>₩ 56</u>	<u>₩ 35,408</u>	<u>₩ 24,600</u>	<u>₩ 60,064</u>

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	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial liabilities				
Currency forward liabilities				
Derivative instrument for hedging	₩ -	₩ 260,241	₩ -	₩ 260,241
	₩ -	₩ 260,241	₩ -	₩ 260,241

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, 2022 and for the year ended December 31, 2021.

Changes in level 3 for recurring fair value measurements for the six-month period ended June 30, 2022 and for the year ended December 31, 2021, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2022				
	Beginning balance	Purchases	Transfer	Valuation	Ending balance
Financial assets at fair value through profit or loss					
Equity instruments	₩ 18,968	₩ -	₩ -	₩ 3,179	₩ 22,147
Financial assets at fair value through other comprehensive income					
Non-listed securities	₩ 5,632	₩ -	₩ -	₩ -	₩ 5,632

(in millions of Korean won)

	Year ended December 31, 2021				
	Beginning balance	Purchases (disposals) ¹	Transfer	Valuation	Ending balance
Financial assets at fair value through profit or loss					
Equity instruments	₩ -	₩ 17,906	₩ -	₩ 1,062	₩ 18,968
Financial assets at fair value through other comprehensive income					
Non-listed securities	₩ 5,632	₩ 128	₩ -	₩ (128)	₩ 5,632

¹ During the year ended December 31, 2021, Shinhan Heavy Industries Co., Ltd. obtained the approval for rehabilitation plan and accordingly, the Company retired all shares of Shinhan Heavy Industries Co., Ltd. held by the Company without consideration.

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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, 2022, are as follows:

(in millions of Korean won)	June 30, 2022				
	Level	Valuation techniques	Inputs	Range of inputs	Fair value
Currency forward	2	Discounted cash flow	Forward rate, credit risk adjusted discount rate	N/A	₩ (819,783)
Equity investments	2	Quoted price in inactive market	Quoted price in inactive market	N/A	31,747
Unlisted equity securities	2	Quoted price in inactive market	Quoted price in inactive market	N/A	2,518
Equity instruments	3	Discounted cash flow	Similar transaction price of the underlying asset	N/A	22,147
Unlisted equity securities	3	Net asset value approach method	N/A	N/A	5,632

6. Financial Instruments by Category

6.1 Financial assets

Categorizations of financial assets as at June 30, 2022 and December 31, 2021, are as follows:

(in millions of Korean won)	June 30, 2022					
	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	₩ -	₩ -	₩ 1,087,002	₩ -	₩ 1,087,002	₩ 1,087,002
Short- and long-term financial assets	-	-	158,910	-	158,910	158,910
Financial assets at fair value through profit or loss ¹	53,950	-	-	-	53,950	53,950
Financial assets at amortized cost	-	-	9,520	-	9,520	9,520
Financial assets at fair value through other comprehensive income	-	8,150	-	-	8,150	8,150
Trade and other receivables	-	-	584,078	-	584,078	584,078
Currency forward assets	-	-	-	2,263	2,263	2,263
	₩ 53,950	₩ 8,150	₩ 1,839,510	₩ 2,263	₩ 1,903,873	₩ 1,903,873

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

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Korean won)

	December 31, 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	₩ -	₩ -	₩ 1,748,495	₩ -	₩ 1,748,495	₩ 1,748,495
Short- and long-term financial assets	-	-	446,895	-	446,895	446,895
Financial assets at fair value through profit or loss ¹	50,907	-	-	-	50,907	50,907
Financial assets at amortized cost	-	-	20,141	-	20,141	20,141
Financial assets at fair value through other comprehensive income	-	6,725	-	-	6,725	6,725
Trade and other receivables	-	-	449,109	-	449,109	449,109
Currency forward assets	-	-	-	2,432	2,432	2,432
	₩ 50,907	₩ 6,725	₩ 2,664,640	₩ 2,432	₩ 2,724,704	₩ 2,724,704

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

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, 2022 and December 31, 2021, are as follows:

(in millions of Korean won)

	June 30, 2022				
	Financial liability at fair value through profit or loss	Financial liabilities at amortized cost	Derivative financial liabilities for hedging	Total (Carrying amount)	Fair Value
Borrowings	₩ -	₩ 2,673,276	₩ -	₩ 2,673,276	₩ 2,670,086
Debentures	-	238,518	-	238,518	237,284
Financial liability at fair value through profit or loss ¹	25,751	-	-	25,751	25,751
Trade and other payables	-	673,687	-	673,687	673,687
Currency forward liabilities	-	-	796,294	796,294	796,294
	₩ 25,751	₩ 3,585,481	₩ 796,294	₩ 4,407,526	₩ 4,403,102

¹ Currency forward liabilities held for trading

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(in millions of Korean won)

	December 31, 2021			
	Financial liabilities at amortized cost	Derivative financial liabilities for hedging	Total (Carrying amount)	Fair Value
Borrowings	₩ 2,286,945	₩ -	₩ 2,286,945	₩ 2,286,591
Debentures	350,186	-	350,186	349,981
Trade and other payables	658,177	-	658,177	658,177
Currency forward liabilities	-	260,241	260,241	260,241
	<u>₩ 3,295,308</u>	<u>₩ 260,241</u>	<u>₩ 3,555,549</u>	<u>₩ 3,554,990</u>

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

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, 2022 and 2021, are as follows:

1) Financial assets

(in millions of Korean won)

	2022				
	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	₩ 3,530	₩ -	₩ 14,985	₩ -	₩ 18,515
Dividend income	15	46	-	-	61
Reversal of impairment loss	-	-	795	-	795
Gains on foreign currency translation, net	-	-	7,991	-	7,991
Gains on foreign currency transaction, net	-	-	45,406	-	45,406
Gains on valuation of foreign exchange forward contracts, net	-	-	-	1,207	1,207
Losses on foreign exchange forward transaction, net	-	-	-	(382)	(382)
Gains on valuation of financial assets at fair value through other comprehensive income	-	1,426	-	-	1,426
Gains on valuation of financial assets at fair value through profit or loss	3,043	-	-	-	3,043
Impairment loss on financial assets at amortized cost	-	-	(10,527)	-	(10,527)
	<u>₩ 6,588</u>	<u>₩ 1,472</u>	<u>₩ 58,650</u>	<u>₩ 825</u>	<u>₩ 67,535</u>

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(in millions of Korean won)

	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
Interest income	₩ 1,356	₩ -	₩ 10,156	₩ -	₩ 11,512
Dividend income	107	55	-	-	162
Reversal of impairment loss	-	-	12,907	-	12,907
Gains on foreign currency translation, net	-	-	1,988	-	1,988
Gains on foreign currency transaction, net	-	-	44,307	-	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)	₩ 69,358	₩ (60,950)	₩ 10,711

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2) Financial liabilities

(in millions of Korean won)

	2022			
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Derivative financial liabilities for hedging	Total
Interest expenses	₩ -	₩ (48,547)	₩ -	₩ (48,547)
Losses on foreign currency translation, net	-	(175,649)	-	(175,649)
Losses on foreign currency transaction, net	-	(8,478)	-	(8,478)
Losses on valuation of foreign exchange forward contracts, net	(17,367)	-	(557,074)	(574,441)
Losses on foreign exchange forward transaction, net	-	-	(8,605)	(8,605)
	₩ (17,367)	₩ (232,674)	₩ (565,679)	₩ (815,720)

(in millions of Korean won)

	2021			
	Financial liabilities at amortized cost	Derivative financial liabilities for hedging	Total	
Interest expenses	₩ (53,370)	₩ -	₩	(53,370)
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)
	₩ (106,200)	₩ (73,602)	₩	(179,802)

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, 2022 and December 31, 2021, are as follows:

(in millions of Korean won)

	June 30, 2022	December 31, 2021
Financial institution deposits	₩ 1,087,002	₩ 1,748,495

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8. Restricted or Pledged Financial Assets

The restricted or pledged financial assets as at June 30, 2022 and December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2022		December 31, 2021		Description
Short-term financial asset	₩	152,490	₩	43,008	Pledged as collateral for payment / performance guarantee and others
Long-term financial asset		6,419		155,392	Pledged as collateral for payment / performance guarantee and others
	₩	<u>158,909</u>	₩	<u>198,400</u>	

Other than the above financial assets, ₩ 62,244 million of current deposits are restricted for redemption of principal and interests of debentures, and ₩ 136,365 million is included in non-current deposits for the purpose of court deposits such as lawsuits for damages to shareholders (Note 9).

9. Financial Assets

9.1 Financial Assets at Fair Value through Profit or Loss

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

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

<i>(in millions of Korean won)</i>	June 30, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
Beneficiary certificates	₩ -	₩ 56	₩ -	₩ 56
Equity investment	-	31,747	-	31,883
Equity instrument	-	22,147	-	18,968
	₩ -	<u>₩ 53,950</u>	₩ -	<u>₩ 50,907</u>

Amounts recognized in profit or loss for the six-month periods ended June 30, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Gains on beneficiary certificates	₩	-	₩	94
Gains on equity investments		(121)		1,103
Gains on equity instruments		3,179		174
Gains on short-term financial instruments		3,530		1,297
	₩	<u>6,588</u>	₩	<u>2,668</u>

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9.2 Financial Assets at Fair Value through Other Comprehensive Income

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

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

<i>(in millions of Korean won)</i>	June 30, 2022		December 31, 2021	
Non-current				
Non-listed securities	₩	8,150	₩	6,725

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

9.3 Financial Assets at Amortized Cost

(a) Financial assets at amortized cost

Details of financial assets at amortized cost as at June 30, 2022 and December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2022				December 31, 2021			
	Current		Non-current		Current		Non-current	
Government and public bonds	₩	16	₩	9,505	₩	-	₩	20,141

(b) Movements in financial assets at amortized cost

Movements in financial assets at amortized cost for the six-month period ended June 30, 2022 and for the year ended December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2022				Year ended December 31, 2021			
	Current		Non-current		Current		Non-current	
Beginning balance	₩	-	₩	20,141	₩	14	₩	19,576
Acquisition		-		461		-		-
Disposals		-		-		(14)		-
Amortization		-		469		-		918
Impairment		-		(11,550)		-		(353)
Transfer		16		(16)		-		-
Ending balance	₩	16	₩	9,505	₩	-	₩	20,141

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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, 2022 and December 31, 2021, are as follows:

(in millions of Korean won)

	June 30, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
Receivables from construction contracts	₩ 343,402	₩ 691,682	₩ 274,646	₩ 692,026
Less: Provision for impairment	(17,247)	(682,263)	(17,251)	(682,537)
Receivables from construction contracts, net	₩ 326,155	₩ 9,419	₩ 257,395	₩ 9,489

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, 2022 and December 31, 2021, are as follows:

(in millions of Korean won)

	June 30, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
Loans	₩ 191,241	₩ 27,663	₩ 191,241	₩ 27,663
Less: Provision for impairment	(191,241)	(27,663)	(191,241)	(27,663)
Loans, net	-	-	-	-
Other receivable	21,675	102,869	22,256	103,757
Less: Provision for impairment	(8,877)	(75,316)	(8,872)	(75,839)
Other receivable, net	12,798	27,553	13,384	27,918
Accrued income	29,873	6	40,692	7
Less: Provision for impairment	(28,595)	(6)	(28,595)	(6)
Accrued income, net	1,278	-	12,097	1
Deposits ¹	62,244	159,914	62,393	81,715
Less: Provision for impairment	-	(15,283)	-	(15,284)
Deposits, net	62,244	144,631	62,393	66,431
	₩ 76,320	₩ 172,184	₩ 87,874	₩ 94,350

¹ The current redeemable deposit of ₩ 62,244 million is deposited for repaying the principal and interest of the debenture, and ₩ 136,365 million is included in non-current deposits for the purpose of court deposits such as lawsuits for damages to shareholders.

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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, 2022		December 31, 2021	
Due from customers for contract work	₩	2,745,644	₩	1,919,979
Impairment loss		(22)		(16)
Total contract assets	₩	<u>2,745,622</u>	₩	<u>1,919,963</u>
Due to customers for contract work ¹	₩	3,169,025	₩	2,050,923
Advance received		-		43,171
Total contract liabilities	₩	<u>3,169,025</u>	₩	<u>2,094,094</u>

¹ Revenue recognized that was included in the contract liability balance of ₩ 2,050,923 million at the beginning of the year amounts to ₩ 533,123 million for the six-month period ended June 30, 2022.

11. Inventories

Details of inventories as at June 30, 2022 and December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2022			December 31, 2021		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
Work in process	₩ 1,120,447	₩ (209,629)	₩ 910,818	₩ 1,147,051	₩ (557,853)	₩ 589,198
Raw materials	665,103	(17,673)	647,430	352,683	(13,193)	339,490
Supplies	20,324	-	20,324	18,491	-	18,491
Goods in transit	121,036	-	121,036	181,697	-	181,697
	<u>₩ 1,926,910</u>	<u>₩ (227,302)</u>	<u>₩ 1,699,608</u>	<u>₩ 1,699,922</u>	<u>₩ (571,046)</u>	<u>₩ 1,128,876</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 reversal of loss on valuation of inventories amounting to ₩ 7,396 million and loss on valuation amounting to ₩ 191,824 million during the six-month periods ended June 30, 2022 and 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 ₩ 1,599,068 million (2021: ₩ 1,431,980 million) for the six-month period ended June 30, 2022.

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12. Other Assets

12.1 Details of other assets as at June 30, 2022 and December 31, 2021, are as follows:

	June 30, 2022		December 31, 2019	
	Current	Non-current	Current	Non-current
Advance payments	₩ 1,026,340	₩ -	₩ 731,705	₩ -
Prepaid expenses	30,975	1,945	23,385	2,843
Incremental costs of obtaining a contract	30,742	-	12,172	-
Other investment assets	-	2,524	-	2,524
Others	40,715	12,633	20,381	8,447
	<u>₩ 1,128,772</u>	<u>₩ 17,102</u>	<u>₩ 787,643</u>	<u>₩ 13,814</u>

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, 2022	December 31, 2021
Assets recognized from incremental costs of obtaining a contract	₩ 30,742	₩ 12,172
Amortization and impairment loss recognized as cost during the period	288	36,275

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, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		
	Beginning balance	Reversal of impairment loss	Ending balance
Accumulated impairment loss	₩ 23,128	₩ (3,880)	₩ 19,248

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

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13. Non-current Assets Held for Sale

Among disposal plan of the Company's property, plant and equipment included in 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.

13.1 Details of assets of disposal group classified as held for sale as at June 30, 2022 and December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2022		December 31, 2021	
Land	₩	149,783	₩	149,783
Buildings and others		12,181		12,181
	₩	<u>161,964</u>	₩	<u>161,964</u>

Non-current assets classified as held for sale are measured at the lower of its book amount and fair value less costs to sell.

13.2 Details of accumulated other comprehensive relating to non-current assets held for sale as at June 30, 2022 and December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2022		December 31, 2021	
Revaluation surplus of land	₩	44,741	₩	44,741

14. Investments in Subsidiaries

14.1 Details of the investments in subsidiaries of the Company as at June 30, 2022, and December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	Location	Main business	June 30, 2022		December 31, 2021	
			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>

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14.2 Changes in the book amount of investment in subsidiaries for the six-month period ended June 30, 2022 and for the year ended December 31, 2021, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2022					
	Beginning balance		Acquisition (disposal)		Ending balance	
DSME Information and Consulting	₩	200	₩	-	₩	200
DSME Kazakhstan LLP		546		-		546
	₩	746	₩	-	₩	746

(in millions of Korean won)

	Year ended December 31, 2021					
	Beginning balance		Acquisition (disposal)		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, 2022 and December 31, 2021 are as follows:

(in millions of Korean won)

	Location	Main business	June 30, 2022		December 31, 2021	
			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	459	16.60	746
Joint venture						
SBM Shipyard Ltd.	Angola	Holding company (FPSO engineering and operation)	33.33	-	33.33	-
				₩ 2,644		₩ 2,931

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.

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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.

Meanwhile, the Company established SAME Netherlands B.V. based on a joint arrangement with SAIPEM S.p.A. to perform P-79 FPSO Project ordered by PETROLEO BRASILEIRO S.A. The Company classifies the arrangement as a joint operation and recognizes direct right to its assets, and obligations for its liabilities, revenues and expenses corresponding to its share under the arrangement.

15.2 Changes in the book amount of the investments in associates and joint venture for the six-month period ended June 30, 2022 and for the year ended December 31, 2021, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2022			
	Beginning balance	Acquisition	Others¹	Ending balance
TPI Megaline Co.,Ltd.	₩ 2,185	₩ -	₩ -	₩ 2,185
KC LNG Tech Co., Ltd.	746	-	(287)	459
	<u>₩ 2,931</u>	<u>₩ -</u>	<u>₩ (287)</u>	<u>₩ 2,644</u>

¹ 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, 2021			
	Beginning balance	Acquisition (disposal)	Others²	Ending balance
TPI Megaline Co., Ltd.	₩ 2,185	₩ -	₩ -	₩ 2,185
KC LNG Tech Co., Ltd. ¹	-	2,490	(1,744)	746
	<u>₩ 2,185</u>	<u>₩ 2,490</u>	<u>₩ (1,744)</u>	<u>₩ 2,931</u>

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.

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16. Property, Plant and Equipment

16.1 Details of property, plant and equipment as at June 30, 2022 and December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2022						
	Acquisition cost	Revaluation	Government grants	Accumulated depreciation	Accumulated impairment losses	Book amount	
Land	₩ 1,349,476	₩ 395,625	₩ -	₩ -	₩ (30,265)	₩ 1,714,836	
Buildings	1,103,167	-	(4,865)	(443,828)	(99,634)	554,840	
Structures	1,339,723	-	-	(553,824)	(104,172)	681,727	
Machinery	1,068,543	-	(11)	(595,754)	(185,885)	286,893	
Vehicle	184,013	-	(111)	(128,929)	(32,378)	22,595	
Ships and aircraft	188,157	-	-	(120,908)	(5,230)	62,019	
Tools	301,595	-	-	(164,529)	(132,978)	4,088	
Supplies	226,796	-	-	(133,118)	(92,214)	1,464	
Construction-in-progress	45,741	-	-	-	(11,504)	34,237	
	₩ 5,807,211	₩ 395,625	₩ (4,987)	₩ (2,140,890)	₩ (694,260)	₩ 3,362,699	

<i>(in millions of Korean won)</i>	December 31, 2021						
	Acquisition cost	Revaluation	Government grants	Accumulated depreciation	Accumulated impairment losses	Book amount	
Land	₩ 1,349,312	₩ 395,625	₩ -	₩ -	₩ (30,265)	₩ 1,714,672	
Buildings	1,100,357	-	(4,939)	(433,690)	(99,631)	562,097	
Structures	1,335,258	-	-	(537,033)	(104,171)	694,054	
Machinery	1,058,995	-	(77)	(586,868)	(187,230)	284,820	
Vehicle	183,859	-	-	(126,808)	(32,399)	24,652	
Ships and aircraft	188,092	-	-	(117,727)	(5,230)	65,135	
Tools	299,078	-	(2)	(165,494)	(133,578)	4	
Supplies	227,602	-	(23)	(134,813)	(92,741)	25	
Construction-in-progress	41,762	-	-	-	(11,505)	30,257	
	₩ 5,784,315	₩ 395,625	₩ (5,041)	₩ (2,102,433)	₩ (696,750)	₩ 3,375,716	

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16.2 Changes in property, plant and equipment for the six-month period ended June 30, 2022 and for the year ended December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2022					
	Beginning balance	Acquisition	Disposals	Depreciation	Others¹	Ending balance
Land	₩ 1,714,672	₩ 164	₩ -	₩ -	₩ -	₩ 1,714,836
Buildings	562,096	83	-	(10,163)	2,823	554,839
Structures	694,054	339	-	(16,791)	4,125	681,727
Machinery	284,821	16,570	(353)	(15,288)	1,144	286,894
Vehicle	24,652	312	-	(2,369)	-	22,595
Ships and aircraft	65,135	65	-	(3,181)	-	62,019
Tools	4	4,228	-	(194)	50	4,088
Supplies	25	997	-	(78)	520	1,464
Construction-in-progress	30,257	15,505	-	-	(11,525)	34,237
	<u>₩ 3,375,716</u>	<u>₩ 38,263</u>	<u>₩ (353)</u>	<u>₩ (48,064)</u>	<u>₩ (2,863)</u>	<u>₩ 3,362,699</u>

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

<i>(in millions of Korean won)</i>	Year ended December 31, 2021					
	Beginning balance	Acquisition	Disposals	Depreciation	Others¹	Ending balance
Land	₩ 1,890,107	₩ -	₩ (2,770)	₩ -	₩ (172,665)	₩ 1,714,672
Buildings	584,506	365	-	(20,363)	(2,412)	562,096
Structures	712,360	436	-	(33,086)	14,344	694,054
Machinery	245,656	41,750	(146)	(29,161)	26,722	284,821
Vehicle	27,291	863	-	(4,652)	1,150	24,652
Ships and aircraft	70,787	692	-	(6,344)	-	65,135
Tools	6	7,846	-	(686)	(7,162)	4
Supplies	26	8,358	(4)	(661)	(7,694)	25
Construction-in-progress	59,743	32,931	-	-	(62,417)	30,257
	<u>₩ 3,590,482</u>	<u>₩ 93,241</u>	<u>₩ (2,920)</u>	<u>₩ (94,953)</u>	<u>₩ (210,134)</u>	<u>₩ 3,375,716</u>

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

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16.3 As described in Note 42, the Company measured the amount of impairment loss of the cash generating units that had indication of an impairment due to increase in raw material prices, global economic fluctuations and others. After the impairment assessment, the Company recognized total ₩ 17,437 million of impairment loss on property, plant and equipment during the year ended December 31, 2021. 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, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Cost of sales	₩	45,204	₩	44,159
Selling and administrative expenses		239		312
Research and development expenses		2,622		2,331
	₩	48,065	₩	46,802

17. Right-of-use Assets

17.1 Changes in right-of-use assets for the six-month period ended June 30, 2022 and for year ended December 31, 2021, are as follows:

	Six-month period ended June 30, 2022					
	Beginning balance	Acquisition	Depreciation¹	Others²	Ending balance	
Lease- Buildings	₩ 16,039	₩ 265	₩ (2,350)	₩ 359	₩ 14,313	
Lease- Machinery	7	14	(18)	72	75	
Lease- Ships and aircraft	41,617	5,865	(7,580)	1,511	41,413	
Lease- Vehicle	1,296	214	(747)	123	886	
Lease- Land	148	-	(476)	627	299	
	₩ 59,107	₩ 6,358	₩ (11,171)	₩ 2,692	₩ 56,986	

¹ Depreciation of lease- vehicle amounting to ₩ 591 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.

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	Year ended December 31, 2021				
	Beginning balance	Acquisition	Depreciation ¹	Others ²	Ending balance
Lease- Buildings	₩ 7,958	₩ 20,581	₩ (4,784)	₩ (7,716)	₩ 16,039
Lease- Machinery	50	-	(43)	-	7
Lease- Ships and aircraft	51,980	1,649	(12,012)	-	41,617
Lease- Vehicle	1,888	623	(1,446)	231	1,296
Lease- Land	1,165	-	(1,004)	(13)	148
	₩ 63,041	₩ 22,853	₩ (19,289)	₩ (7,498)	₩ 59,107

¹ Depreciation of lease- vehicle amounting to ₩ 1,300 million was transferred to research and development expenses.

² Others consist of impairment assessment amount and 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 increase in raw material prices, global economic fluctuations and others. After impairment assessment, the Company recognized ₩ 1,226 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.

17.2 Details of lease liabilities as at June 30, 2022 and December 31, 2021, are as follows:

(in millions of Korean won)

	2022	2021
Current liabilities	₩ 19,740	₩ 16,874
Non-current liabilities	56,743	61,167
	₩ 76,483	₩ 78,041

17.3 In connection with lease, cash outflows and total interest expenses are ₩ 14,175 million (2021: ₩ 10,716 million) and ₩ 1,034 million (2021: ₩ 1,181 million), respectively, for the six-month period ended June 30, 2022.

17.4 The expenses relating to short-term leases, leases of low-value assets and variable lease payment are ₩ 655 million (2021: ₩ 26 million), ₩ 14 million (2021: ₩ 91 million) and ₩ 1,862 million (2021: ₩ 1,406 million), respectively, for the six-month period ended June 30, 2022. 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, 2022 and for the year ended December 31, 2021, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2022			
	Less than 1 year	1 year ~ 5 years	Over 5 years	Total
Lease liabilities	₩ 19,740	₩ 36,263	₩ 20,480	₩ 76,483

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	<i>(in millions of Korean won)</i>			
	Year ended December 31, 2021			
	Less than 1 year	1 year ~ 5 years	Over 5 years	Total
Lease liabilities	₩ 16,874	₩ 40,906	₩ 20,261	₩ 78,041

18. Pledged Assets

18.1 As at June 30, 2022, 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 non-current assets held for sale	KRW 3,193,616	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 30,509	KRW 28,206	Performance guarantee	-	KDIA and Machinery Financial Cooperative
		KRW 3,763,406		KRW 625,559	
		USD 880,000		USD 1,036,685	

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	1,593,262
			USD	2,684,352
KEXIM	USD	6,172,595	EUR	312,177
			KRW	12,616
Other financial institutions	USD	95,000	USD	83,525

In addition to the above, the Company is provided with performance guarantee of ₩ 2,148,427 million from Korean Defense Industry Association and others. 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).

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19. Investment Properties

19.1 There are no changes in the book amounts of investment properties for the six-month period ended June 30, 2022, and changes in the book amounts of investment properties for the year ended December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	Year ended December 31, 2021		
	Land	Buildings	Total
Beginning balance	₩ 4,661	₩ 2,897	₩ 7,558
Depreciation	-	(84)	(84)
Impairment loss	-	(373)	(373)
Transfer ¹	(4,661)	(2,440)	(7,101)
Ending balance	₩ -	₩ -	₩ -

¹Transferred to non-current assets held for sale for the year ended December 31, 2021.

19.2 Income generated from the investment properties for the six-month periods ended June 30, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022	2021
Rental revenue	₩ -	₩ 49

20. Intangible Assets

Intangible assets as at June 30, 2022 and December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2022	December 31, 2021
Acquisition cost	₩ 22,178	₩ 21,543
Accumulated amortization and impairment loss	(20,894)	(20,873)
Book amount	₩ 1,284	₩ 670

Changes in book amounts of intangible assets for the six-month period ended June 30, 2022 and for the year ended December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2022			
	Intellectual property rights	Certified emission reduction	Others	Total
Beginning balance	₩ -	₩ 18	₩ 653	₩ 671
Acquisition (disposal)	651	(18)	-	633
Amortization	(20)	-	-	(20)
Ending balance	₩ 631	₩ -	₩ 653	₩ 1,284

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<i>(in millions of Korean won)</i>	Year ended December 31, 2021			
	Intellectual property rights	Certified emission reduction	Others	Total
Beginning balance	₩ -	₩ 138	₩ 670	₩ 808
Acquisition (disposal)	1,548	(120)	-	1,428
Amortization	(69)	-	-	(69)
Impairment loss ¹	(1,479)	-	(17)	(1,496)
Ending balance	₩ -	₩ 18	₩ 653	₩ 671

¹ 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 increase in raw material prices, global economic fluctuations and others. After impairment assessment, the Company recognized total ₩ 1,479 million of impairment loss on intangible assets during the year ended December 31, 2021. 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.

21. Trade and Other Payables

Trade and other payables as at June 30, 2022 and December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
Trade payables ¹	₩ 452,061	₩ -	₩ 464,445	₩ -
Accounts payables	154,135	4,888	146,446	6,993
Accrued expenses	54,486	-	34,419	-
Deposits received	8,116	-	5,874	-
	₩ 668,798	₩ 4,888	₩ 651,184	₩ 6,993

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

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22. Debentures

Details of the book amount of debentures as at June 30, 2022 and December 31, 2021, are as follows:

Type	Maturity date	Annual interest rate (%) June 30, 2022		June 30, 2022		December 31, 2021
4-2 nd non-guarantee bonds	April 21, 2023	1.00	₩	49,701	₩	74,551
5-2 nd non-guarantee bonds	April 21, 2023	1.00		32,878		49,318
6-1 st non-guarantee bonds	April 21, 2023	1.00		71,038		106,556
6-2 nd non-guarantee bonds	April 21, 2023	1.00		9,772		14,658
7 th non-guarantee bonds	April 21, 2023	1.00		49,589		74,384
Commercial papers	July 21, 2022 ~ April 21, 2023	1.00		34,305		51,329
				247,283		370,796
Less: discount on debentures				-		(11,942)
Less: Discount on current portion of debentures				(8,765)		(8,669)
Less: current portion of debentures				(238,518)		(238,443)
			₩	-	₩	111,742

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 amended the contract 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.

23. Borrowings

23.1 Short-term borrowings

Details of the book amount of short-term borrowings as at June 30, 2022 and December 31, 2021, are as follows:

(in millions of Korean won)

	Creditor	Description	Annual interest rate (%) June 30, 2022		June 30, 2022		December 31, 2021
Short-term borrowings in Korean won	Kookmin Bank	Overdraft	-	₩	3,196	₩	2,960
	KDB	General loan	3.00		432,659		432,659
	KEXIM	Export financing loan	3.00		192,900		192,900
					628,755		628,519

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(in millions of Korean won)

	Creditor	Description	Annual interest rate (%) June 30, 2022	June 30, 2022	December 31, 2021
Short-term borrowings in foreign currencies	KDB and others	USANCE	6ML+0.5 and others	573,187	303,586
	KEXIM	Export financing loan	3ML+2.65	154,074	141,275
				727,261	444,861
				₩ 1,356,016	₩ 1,073,380

23.2 Long-term borrowings

Details of the book amount of long-term borrowings as at June 30, 2022 and December 31, 2021, are as follows:

(in millions of Korean won)

	Creditor	Description	Annual interest rate (%) June 30, 2022	June 30, 2022	December 31, 2021
Long-term borrowings in Korean won	Korea Housing Guarantee	General loan	-	₩ 93	₩ 97
	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
				147,977	147,981
Long-term borrowings in foreign currencies	KDB	Operating loan	3ML+2.08 and others	943,817	865,415
	Korea Energy Agency	Energy special loan	-	6,836	6,478
		Overseas investment loan	6ML+3.05 and others	20,363	18,672
	KEXIM	Export financing loan	3ML+2.65 and others	207,501	190,264
		Operating loan	1.00	14,574	13,364
	Woori Bank	Operating loan	1.00	6,246	5,727
				1,199,337	1,099,920
				1,347,314	1,247,901
Less: Current portion				(1,205,426)	(1,091,053)
Less: Discount on loans				(30,054)	(34,335)
				₩ 111,834	₩ 122,513

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

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24. Other Liabilities

Other liabilities as at June 30, 2022 and December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2022	December 31, 2021
Advance received	₩ -	₩ 4
Withholdings	598,789	400,571
Others	3	-
	<u>₩ 598,792</u>	<u>₩ 400,575</u>

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, 2022 and December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2022	December 31, 2021
Present value of defined benefit obligation	₩ 410,412	₩ 415,634
Fair value of plan assets	(384,553)	(409,164)
Net defined benefit liabilities	<u>₩ 25,859</u>	<u>₩ 6,470</u>
Other long-term employee benefit liabilities	₩ 25,331	₩ 25,439

25.2 Movements in the net defined benefit liabilities and other long-term employee benefit liabilities for the six-month period ended June 30, 2022 and for the year ended December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2022			
	Present value of defined benefit obligations	Plan assets	Other long-term employee benefit obligation	Total
Beginning balance	₩ 415,634	₩ (409,164)	₩ 25,439	₩ 31,909
Current service cost	22,040	-	752	22,792
Interest expense (income)	5,253	(5,513)	310	50
	<u>442,927</u>	<u>(414,677)</u>	<u>26,501</u>	<u>54,751</u>
Remeasurements:				
Return on plan assets	-	1,987	-	1,987
	-	1,987	-	1,987
Benefit payments	(32,514)	28,137	(1,170)	(5,547)
Ending balance	<u>₩ 410,413</u>	<u>₩ (384,553)</u>	<u>₩ 25,331</u>	<u>₩ 51,191</u>

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<i>(in millions of Korean won)</i>	Year ended December 31, 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	46,923	-	1,690	48,613
Interest expense (income)	7,976	(8,128)	568	416
	<u>471,986</u>	<u>(412,597)</u>	<u>30,588</u>	<u>89,977</u>
Remeasurements:				
Return on plan assets	-	2,191	-	2,191
Actuarial gains arising from change in demographic assumptions	(68)	-	(1,705)	(1,773)
Actuarial gains arising from change in financial assumptions	(2,326)	-	(1,108)	(3,434)
Actuarial gains (losses) arising from experience adjustments	(17,428)	-	979	(16,449)
	<u>(19,822)</u>	<u>2,191</u>	<u>(1,834)</u>	<u>(19,465)</u>
Contributions	-	(32,000)	-	(32,000)
Benefit payments	(36,530)	33,242	(3,315)	(6,603)
Ending balance	<u>₩ 415,634</u>	<u>₩ (409,164)</u>	<u>₩ 25,439</u>	<u>₩ 31,909</u>

26. Provisions

Changes in provisions for construction losses, construction warranties and other provisions for the six-month period ended June 30, 2022 and for the year ended December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2022					
	Current			Non-current		
	Provision for construction losses	Provision for construction warranties	Other provisions	Provision for construction warranties	Other provisions	Total
Beginning balance	₩ 1,507,994	₩ 128,418	₩ 119,148	₩ 69,230	₩ 265,565	₩ 2,090,355
Additional (reversal) provisions	(173,480)	-	87,383	10,785	41,672	(33,640)
Transfer	-	15,354	-	(9,579)	-	5,775
Used during period	-	(22,830)	(23,404)	-	(16,780)	(63,014)
Ending balance	<u>₩ 1,334,514</u>	<u>₩ 120,942</u>	<u>₩ 183,127</u>	<u>₩ 70,436</u>	<u>₩ 290,457</u>	<u>₩ 1,999,476</u>

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(in millions of Korean won)	Year ended December 31, 2021						
	Current			Non-current			Total
	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	1,051,770	-	118,615	(5,447)	(129,137)	1,035,801	
Transfer	57,144	65,145	(53,311)	(70,921)	(23,670)	(25,613)	
Used during period	-	(51,531)	(72,314)	-	(31,614)	(155,459)	
Ending balance	₩ 1,507,994	₩ 128,418	₩ 119,148	₩ 69,230	₩ 265,565	₩ 2,090,355	

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.

28. Derivative Instruments

Details of derivative instruments held for hedging and trading purposes as at June 30, 2022, and December 31, 2021, are as follows:

(in millions of Korean won)	June 30, 2022					
	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	₩ (92,982)	₩ (7,634)	₩ 745,372	₩ 306	₩ 2,263	₩ 796,294
For trading ²	-	-	-	-	-	25,751
	₩ (92,982)	₩ (7,634)	₩ 745,372	₩ 306	₩ 2,263	₩ 822,045

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 liabilities held for trading purpose as financial assets (liabilities) at fair value through profit or loss.

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(in millions of Korean won)	December 31, 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	₩ (23,842)	₩ (30,759)	₩ 264,663	₩ 1,203	₩ 2,432	₩ 260,241

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.

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, 2022 and December 31, 2021.

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, 2022 and December 31, 2021.

Changes in number of shares and share capital for the six-month period ended June 30, 2022 and for the year ended December 31, 2021, are as follows:

(in millions of Korean won, and in number of shares)	Details	Number of shares (unit: shares)	Share capital
January 1, 2021	Beginning balance	107,290,669	₩ 541,453
December 31, 2021	Ending balance	107,290,669	541,453
January 1, 2022	Beginning balance	107,290,669	541,453
June 30, 2022	Ending balance	107,290,669	541,453

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30. Retained Earnings

Retained earnings as at June 30, 2022 and December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2022	December 31, 2021
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	(5,337,890)	(4,663,312)
	<u>₩ (1,736,810)</u>	<u>₩ (1,062,232)</u>

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

31. Other Contributed Capital and Components of Other Capital

31.1 Other contributed capital and components of other capital as at June 30, 2022 and December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2022	December 31, 2021
Other contributed capital		
Share premium	₩ 10,527	₩ 10,527
Others ¹	(11,242)	(11,242)
	<u>₩ (715)</u>	<u>₩ (715)</u>
Components of other capital		
Revaluation surplus of property, plant and equipment	₩ 332,904	₩ 332,904
Loss on valuation of financial assets at fair value through other comprehensive income	(15,168)	(16,593)
	<u>₩ 317,736</u>	<u>₩ 316,311</u>

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, 2022.

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31.2 Hybrid capital instrument as at June 30, 2022 and December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2022		December 31, 2021	
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.

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 December 23, 2021, and the condition of bond issuance as at June 30, 2022, 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), maturity date can be extended under the same conditions based on the discretion of the issuer.
Interest paid	Amount: 3% until June 28, 2017, 1% until December 31, 2022 ⁽¹⁾ , 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 ⁽²⁾ . The suspended interest is deferred to the next interest payment date, and an additional interest that applied guaranteed yield-to-maturity (same as bond interest rate) compounded quarterly on the interest for deferral is occurred. Overdue interest: If early redemption amount is not paid after the notification of early redemption right or interest is not paid despite the reason for not suspending interest payment ² , the overdue interest rate of 15% is applied.
	⁽¹⁾ Condition of permanent convertible bond has been changed in 2021, of which the condition of interest payment is changed from 1% of interest payment until December 31, 2021 to 1% of interest payment until December 31, 2022.
	⁽²⁾ 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.

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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 December 23, 2021, and the condition of bond issuance as at June 30, 2022, 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), maturity date can be extended under the same conditions based on the discretion of the issuer.
Interest paid	Amount: 1.0% until December 31 ⁽¹⁾ , 2022, 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 ⁽²⁾ . The suspended interest is deferred to the next interest payment date, and an additional interest that applied guaranteed yield-to-maturity (same as bond interest rate) compounded quarterly on the interest for deferral is occurred. Overdue interest: If early redemption amount is not paid after the notification of early redemption right or interest is not paid despite the reason for suspending interest payment ² , the overdue interest rate of 15% is applied. ⁽¹⁾ Condition of permanent convertible bond has been changed in 2021, of which the condition of interest payment is changed from 1% of interest payment until December 31, 2021 to 1% of interest payment until December 31, 2022. ⁽²⁾ 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

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 changed as at June 28, 2017 and December 23, 2021, and the condition of bond issuance as at June 30, 2022, are as follows:

	Details
Bonds	10th Private unregistered non-guarantee convertible bond
Value at issue	₩ 48,057 million
Maturity	March 14, 2048 (30 years), maturity date can be extended under the same conditions based on the discretion of the issuer.
Interest paid	Amount: 1.0% until December 31 ⁽¹⁾ , 2022, 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 ⁽²⁾ . The suspended interest is deferred to the next interest payment date, and an additional interest that applied guaranteed yield-to-maturity (same as bond interest rate) compounded quarterly on the interest for deferral is occurred. Overdue interest: If early redemption amount is not paid after the notification of early redemption right or interest is not paid despite the reason for suspending interest payment ² , the overdue interest rate of 15% is applied. ⁽¹⁾ Condition of permanent convertible bond has been changed in 2021, of which the condition of interest payment is changed from 1% of interest

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	payment until December 31, 2021 to 1% of interest payment until December 31, 2022.
	⁽²⁾ 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

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, 2022 and 2021, are as follows:

<i>(in Korean won)</i>	2022		2021	
	Three months	Six months	Three months	Six months
Loss for the period	₩ (182,163,381,758)	₩ (672,591,298,113)	₩ (1,009,370,103,194)	₩ (1,235,992,573,513)
Paid interest of hybrid capital instruments ¹	(6,047,789,650)	(12,147,887,190)	(6,025,922,910)	(12,026,785,980)
Loss on ordinary shares	₩ (188,211,171,408)	₩ (684,739,185,303)	₩ (1,015,396,026,104)	₩ (1,248,019,359,493)
Weighted average number of ordinary shares outstanding <i>(in shares)</i>	107,274,462	107,274,462	107,274,462	107,274,462
Basic losses per share	₩ (1,754)	₩ (6,383)	₩ (9,465)	₩ (11,634)

¹ Interest payable related to hybrid capital instrument ₩ 12,148 million (accumulated: ₩ 119,202 million) is included as at June 30, 2022.

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, 2022 and 2021, respectively, are as follows:

<i>(in shares)</i>	Three-month period ended June 30, 2022				
	Issued shares	Treasury shares	Outstanding shares	Number of days	Weighted average number of ordinary shares outstanding
Apr 1, 2022	107,290,669	(16,207)	107,274,462	91	107,274,462
				91	107,274,462

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<i>(in shares)</i>	Six-month period ended June 30, 2022				
	Issued shares	Treasury shares	Outstanding shares	Number of days	Weighted average number of ordinary shares outstanding
Jan 1, 2022	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, 2021				
	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, 2021				
	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

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>	2022		2021	
	Three months	Six months	Three months	Six months
Loss on ordinary shares	₩ (188,211,171,408)	₩ (684,739,185,303)	₩ (1,015,396,026,104)	₩ (1,248,019,359,493)
Interest of hybrid capital instrument	6,047,789,650	12,147,887,190	6,025,922,910	12,026,785,980
Loss used to determine diluted EPS	₩ (182,163,381,758)	₩ (672,591,298,113)	₩ (1,009,370,103,194)	₩ (1,235,992,573,513)
Weighted average number of ordinary shares outstanding <i>(in shares)</i>	107,274,462	107,274,462	107,274,462	107,274,462
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	165,089,387	165,089,387

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Diluted losses per share	₩	1	₩	1	₩	1	₩	1
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¹ Diluted and basic earnings per share for the six-month period ended June 30, 2022, are equal because there is no dilution effect in dilutive securities.

33. Selling and Administrative Expenses

Details of selling and administrative expenses for the three-month and six-month periods ended June 30, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022		2021	
	Three months	Six months	Three months	Six months
Employee benefits	₩ 13,005	₩ 28,508	₩ 14,693	₩ 28,343
Post-employment benefits	709	1,610	1,035	2,175
Commission	15,959	30,261	9,853	21,297
Depreciation	644	1,346	729	1,450
Reversal of impairment loss	(180)	(271)	(5,406)	(20,831)
Administrative service costs	(195)	6,274	2,561	5,055
Research and development expenses	16,571	31,710	14,626	28,315
Others	14,162	19,338	8,526	13,736
	₩ 60,675	₩ 118,776	₩ 46,617	₩ 79,540

34. Finance Income and Costs

Details of finance income and costs for the three-month and six-month periods ended June 30, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022		2021	
	Three months	Six months	Three months	Six months
Finance income				
Interest income	₩ 14,341	₩ 28,533	₩ 7,606	₩ 17,227
Gains on valuation of financial assets at fair value through profit or loss	(1,345)	3,246	171	1,861
Gains on disposal of financial assets at fair value through profit or loss	-	-	-	2
Dividend income	15	586	107	818
Gains on foreign currency translation	80,997	105,367	(26,224)	37,119
Gains on foreign currency transactions	82,176	122,494	36,458	83,251
Gains on valuation of currency forward	468	1,207	(2,220)	816
Gains on currency forward transactions	-	-	-	1,079
	₩ 176,652	₩ 261,433	₩ 15,898	₩ 142,173

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(in millions of Korean won)

	2022		2021	
	Three months	Six months	Three months	Six months
Finance costs				
Interest expenses	₩ 26,598	₩ 51,006	₩ 28,757	₩ 58,646
Losses on valuation of financial assets at fair value through profit or loss	(3)	203	(4)	6
Losses on disposal of financial assets at fair value through profit or loss	-	-	1	652
Losses on foreign currency translation	145,084	188,635	(6,470)	51,580
Losses on foreign currency transactions	69,390	85,566	22,531	42,674
Losses on valuation of currency forward	502,139	574,441	(21,325)	99,194
Losses on currency forward transactions	7,135	8,987	23,233	37,252
	₩ 750,343	₩ 908,838	₩ 46,723	₩ 290,004

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, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022		2021	
	Three months	Six months	Three months	Six months
Other non-operating income				
Gains on valuation of firm commitment	₩ 506,498	₩ 574,750	₩ 5,335	₩ 99,425
Gains on disposal of property, plant and equipment	115	326	195	463
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	204	517	504	696
Others	5,374	8,452	11,790	14,073
	₩ 512,191	₩ 584,045	₩ 17,824	₩ 120,404

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(in millions of Korean won)

	2022		2021	
	Three months	Six months	Three months	Six months
Other non-operating expenses				
Losses on valuation of firm commitment	₩ 85	₩ 163	₩ (2,221)	₩ 371
Losses on disposal of property, plant and equipment	187	343	64	140
Contingency loss	12,739	20,441	567	5,113
Provision for impairment of financial assets at amortized cost	236	10,527	-	-
Others	625	680	5,286	6,591
	₩ 13,872	₩ 32,154	₩ 3,696	₩ 12,215

36. Expenses by Nature

Expenses classified by nature for the six-month periods ended June 30, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022	2021
Changes in inventories	₩ (383,631)	₩ 170,523
Purchase of raw materials	1,982,700	1,261,457
Employee benefits	398,152	358,047
Depreciation	48,065	46,801
Depreciation of right-of-use assets	11,171	9,477
Amortization	20	17
Commission	50,332	40,774
Travel	2,402	1,190
Administrative service fees	39,187	38,173
Rent	15,969	16,310
Amount paid to subcontractor	608,227	475,286
Contribution to (reversal of) provisions for construction losses	(173,481)	828,510
Others	386,856	151,585
	₩ 2,985,969	₩ 3,398,150

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37. Related Parties

37.1 Related parties of the Company as at June 30, 2022, 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 ventures	SBM Shipyard Ltd., SAME Netherlands B.V.
Other related parties	D&H Solutions AS, PT. DSME Indonesia, DSME Offshore Engineering Center, PAENAL YARD, KC Kazakh B.V., Related parties of KDB and government related parties (KEXIM and others) ¹ and others

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.

37.2 Significant transactions with the related parties for the six-month periods ended June 30, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	Transaction	2022	2021
Parent Company:			
KDB	Interest and other income	₩ 2,918	₩ 6,618
	Interest and other expenses	602,139	152,139
Subsidiaries:			
DSME Shandong Co., Ltd	Sales	2,264	782
	Purchases	53,098	30,160
Other subsidiaries	Sales	78	75
	Purchases	4,380	10,053
	Interest and other income	-	1
	Interest and other expense	16,583	11,702
Associates and Joint ventures:			
Samwoo Heavy Industry Co., Ltd. and others	Sales	923	524
	Purchases	59,376	33,017
	Interest and other income	1,614	2,859
	Interest and other expense ¹	2,422	2,126

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Other related parties:

KEXIM	Interest and other expense	15,888	15,389
Related parties of KDB and others ²	Sales	2,468	-
	Purchases	24,061	24,471
	Interest and other income	1	-
	Interest and other expense	126	116
Total	Sales	5,733	1,381
	Purchases	140,915	97,701
	Interest and other income	4,533	9,478
	Interest and other expense	₩ 637,158	₩ 181,472

¹ Interest expense and variable lease payments arising from lease transaction with TPI Megaline Co., Ltd. for the six-month period ended June 30, 2022 amount to ₩ 560 million (2021: ₩ 718 million) and ₩ 1,862 million (2021: ₩ 1,406 million), respectively.

² The Company has entered into shipbuilding contracts with one of other related party, HMM CO., LTD. and its subsidiaries, during the six-month period ended June 30, 2022. The Company recognized sales of ₩ 2,468 million (2021: ₩ nil) for the six-month period ended June 30, 2022. As at June 30, 2022, the remaining contract balance is ₩ 983,690 million (2021: 927,414 million).

37.3 Fund transactions with related parties for the six-month periods ended June 30, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>		Transaction	2022	2021
Parent Company:				
KDB	Proceeds from borrowings		₩ 73,020	₩ 2,483
Associates and Joint venture:				
TPI Megaline Co., Ltd. ¹	Redemption of lease liabilities ¹		5,380	5,222
KC LNG Tech Co., Ltd.	Investment in kind		-	2,490
Total	Proceeds from borrowings		73,020	2,483
	Redemption of lease liabilities		5,380	5,222
	Investment in kind		₩ -	₩ 2,490

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

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37.4 Significant receivables from and payables to the related parties as at June 30, 2022 and December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2022					
	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	₩ 1,016,456	₩ -	₩ -	₩ 1,874	₩ 1,517,264	₩ 819,393
Subsidiaries:						
DSME Shandong Co., Ltd.	-	448	5	23,969	-	1,821
DK Maritime S.A.	-	84,837	-	-	-	-
Other subsidiaries	-	14	-	-	-	2,616
Associates:						
Samwoo Heavy Industry Co., Ltd. and others	-	197	173	15,000	-	40,892
Joint venture:						
SBM Shipyards Ltd. and others	-	-	-	183,133	-	-
Other related parties:						
KC Kazakh B.V. and others	-	3,603	-	32,850	-	-
KEXIM ²	-	-	-	2,429	589,413	1,066
Related parties of KDB	-	-	2,235	-	-	272,877
	<u>₩ 1,016,456</u>	<u>₩ 89,099</u>	<u>₩ 2,413</u>	<u>₩ 259,255</u>	<u>₩ 2,106,677</u>	<u>₩ 1,138,665</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).

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<i>(in millions of Korean won)</i>	December 31, 2021					
	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	₩ 1,490,274	₩ -	₩ -	₩ 2,222	₩ 1,365,842	₩ 258,376
Subsidiaries:						
DSME Shandong Co., Ltd.	-	229	4	16,562	-	1,014
DK Maritime S.A.	-	84,837	-	-	-	-
Other subsidiaries	-	14	36	-	-	2,668
Associates:						
Samwoo Heavy Industry Co., Ltd. and others	-	115	46	15,000	-	46,230
Joint venture:						
SBM Shipyards Ltd. and others	-	-	-	183,133	-	-
Other related parties:						
KC Kazakh B.V. and others	-	3,603	-	32,850	-	-
KEXIM ²	-	-	-	-	556,475	721
Related parties of KDB	-	-	2,235	-	-	275,390
	<u>₩ 1,490,274</u>	<u>₩ 88,798</u>	<u>₩ 2,321</u>	<u>₩ 249,767</u>	<u>₩ 1,922,317</u>	<u>₩ 584,399</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).

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, 2022 and for the years ended December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2022		
	Beginning balance	Others	Ending balance
Trade receivables	₩ 88,440	₩ -	₩ 88,440
Other receivables	2,234	-	2,234
Loans and others	230,983	-	230,983
	<u>₩ 321,657</u>	<u>₩ -</u>	<u>₩ 321,657</u>

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(in millions of Korean won)

	Year ended December 31, 2021			
	Beginning balance	Others ¹	Ending balance	
Trade receivables	₩ 88,440	₩ -	₩	88,440
Other receivables	2,234	-		2,234
Loans and others	224,152	6,831		230,983
	₩ 314,826	₩ 6,831	₩	321,657

¹ Due to debt exemption of KC Kazakh BV.

37.5 Key management compensation for the three-month and six-month periods ended June 30, 2022 and 2021, is as follows:

(in millions of Korean won)

	2022		2021	
	Three months	Six months	Three months	Six months
Short-term employee benefits	₩ 489	₩ 815	₩ 237	₩ 646
Post-employment benefits	122	164	24	47
	₩ 611	₩ 979	₩ 261	₩ 693

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, 2022, are as follows:

(in thousands of foreign currency)

	Provided for	Guaranteed amount	Guarantor
Payment/Performance guarantee	DSME Kazakhstan ¹	USD 20,448	Tengizchevroil LLP (TCO) and others
Performance guarantee	SAME Netherlands B.V. ²	USD 981,840	PETROLEO BRASILEIRO S.A.

¹ The Company provided performance guarantees regarding the construction performance of TCO FGP Module Fabrication in Kazakhstan. The performance guarantee amount is USD 1,383,811 thousand, and the guarantee amount corresponding to the liability ratio under the consortium contract is USD 20,448 thousand.

² The Company provides guarantee regarding the SAME Netherlands B.V. jointly established with SAIPEM S.p.A. 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.

The Company provided performance guarantees to KazMunayGas regarding the share of mining area in Kazakhstan disposed by KC Kazakh B.V., but the guarantee period has expired during the year ended December 31, 2021.

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37.7 Significant guarantees provided by related parties as at June 30, 2022, are as follows:

(in millions of Koean 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 61,687
	AP BOND and others	USD 4,700,000	-	EUR 45,207
				USD 1,593,262
Other related parties:				
KEXIM	AP BOND and others	USD 6,172,595	-	USD 2,684,352
			-	EUR 312,177
			-	KRW 12,616
HMM CO.,LTD and its subsidiaries	Performance guarantee	USD 786,000	Ship building	-
				USD 4,339,301
		USD 11,972,995		EUR 357,384
				KRW 12,616

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 2.9 years. The book amount of right-of-use assets and lease liabilities as at June 30, 2022, is ₩ 34,386 million and ₩ 34,289 million, respectively.

38. Construction Contracts

38.1 Changes in the remaining balance of construction contracts for the six-month period ended June 30, 2022 and for the year ended December 31, 2021, are as follows:

(in millions of Korean won)	Six-month period ended June 30, 2022				
	Beginning balance	New contracts	Others ¹	Recognized construction revenue ²	Ending balance
Commercial ships	₩ 13,280,005	₩ 6,403,301	₩ 691,139	₩ (2,163,426)	₩ 18,211,019
Offshore plant and special ships	5,713,760	1,068,730	267,601	(303,718)	6,746,373
Others	3,200	-	(601)	(137)	2,462
	₩ 18,996,965	₩ 7,472,031	₩ 958,139	₩ (2,467,281)	₩ 24,959,854

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

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

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<i>(in millions of Korean won)</i>	Year ended December 31, 2021				
	Beginning balance	New contracts	Others ¹	Recognized construction revenue ²	Ending balance
Commercial ships	₩ 5,969,662	₩ 10,568,330	₩ 468,066	₩ (3,726,053)	₩ 13,280,005
Offshore plant and special ships	2,665,394	3,691,871	86,317	(729,822)	5,713,760
Others	2,899	-	612	(311)	3,200
	<u>₩ 8,637,955</u>	<u>₩ 14,260,201</u>	<u>₩ 554,995</u>	<u>₩ (4,456,186)</u>	<u>₩ 18,996,965</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.

38.2 Details of in-progress construction contracts such as recognized construction profit or loss as at June 30, 2022 and December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2022			
	Accumulated construction revenue	Accumulated construction cost	Accumulated profit (loss)	Reserve ¹
Commercial ships	₩ 3,722,669	₩ (5,420,847)	₩ (1,698,178)	₩ 691,682
Offshore plant and special ships	8,069,911	(8,656,897)	(586,986)	-
Others	1,639	(2,265)	(626)	-
	<u>₩ 11,794,219</u>	<u>₩ (14,080,009)</u>	<u>₩ (2,285,790)</u>	<u>₩ 691,682</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, 2021			
	Accumulated construction revenue	Accumulated construction cost	Accumulated profit (loss)	Reserve ¹
Commercial ships	₩ 2,770,327	₩ (4,333,810)	₩ (1,563,483)	₩ 692,027
Offshore plant and special ships	9,423,747	(9,990,693)	(566,947)	-
Others	2,084	(2,211)	(127)	-
	<u>₩ 12,196,158</u>	<u>₩ (14,326,714)</u>	<u>₩ (2,130,557)</u>	<u>₩ 692,027</u>

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

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38.3 Details of due to and from customers for contract work as at June 30, 2022 and December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2022				December 31, 2021			
	Contract assets ¹		Contract liabilities ²		Contract assets ¹		Contract liabilities ²	
Commercial ships	₩	2,075,023	₩	2,175,732	₩	1,359,997	₩	1,342,499
Offshore plant and special ships		670,621		990,527		559,805		749,666
Others		-		2,766		177		1,930
	₩	<u>2,745,644</u>	₩	<u>3,169,025</u>	₩	<u>1,919,979</u>	₩	<u>2,094,095</u>

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

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

38.4 Contractual details that contract revenue for the six-month period ended June 30, 2022 is more than 5% of sales in previous year, are as follows:

(in millions of Korean won)

Customers	Contract date	Expected completion date ¹ / Completion date	Percentage of completion	June 30, 2022				December 31, 2021				
				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	2022.10.28	89.22	₩ 228,439	₩ -	₩ -	₩ -	₩ 164,862	₩ -	₩ -	₩ -
LNGB	Asia	2020.06.05	2023.03.22	82.86	185,600	-	-	-	128,897	-	-	-
LNGC	Europe	2020.10.09	2023.07.31	32.06	45,393	-	-	-	-	-	-	-
LNGC	Asia	2020.10.09	2023.10.06	14.02	-	-	-	-	-	-	-	-
LNGC	Asia	2020.10.09	2023.10.31	4.59	-	-	37,579	-	-	-	-	-
LNGC	Asia	2020.10.09	2024.01.15	0.55	-	-	-	-	-	-	-	-
LNGC	Asia	2020.05.20	2023.11.13	1.67	-	-	-	-	-	-	-	-
LNGC	Asia	2021.05.28	2024.01.11	1.72	-	-	-	-	-	-	-	-
LNGC	Asia	2021.07.30	2024.04.25	0.00	-	-	-	-	-	-	-	-
LNGC	Asia	2021.09.13	2024.03.29	0.55	-	-	-	-	-	-	-	-
LNGC	Asia	2021.09.13	2024.05.17	0.00	-	-	-	-	-	-	-	-
LNGC	Asia	2021.09.13	2024.07.09	0.00	-	-	-	-	-	-	-	-
LNGC	Asia	2021.09.13	2024.09.11	0.00	-	-	-	-	-	-	-	-
LNGC	Asia	2021.10.20	2024.09.20	0.04	-	-	-	-	2	-	-	-
LNGC	Europe	2021.11.10	2024.06.27	0.13	-	-	-	-	9	-	-	-
LNGC	Europe	2021.11.10	2024.09.10	0.00	-	-	-	-	-	-	-	-
LNGC	America	2021.11.30	2025.01.31	0.01	-	-	-	-	-	-	-	-
LNGC	America	2021.11.30	2025.03.13	0.00	-	-	-	-	-	-	-	-

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LNGC	America	2021.11.30	2024.05.31	0.29	-	-	-	-	17	-	-	-
LNGC	America	2021.11.30	2024.09.03	0.00	-	-	-	-	-	-	-	-
LNGC	America	2021.11.30	2025.08.06	0.01	-	-	-	-	-	-	-	-
LNGC	America	2021.11.30	2025.09.23	0.01	-	-	-	-	-	-	-	-
LNGC	Asia	2022.01.14	2024.09.25	0.03	-	-	-	-	-	-	-	-
LNGC	Europe	2022.01.05	2025.06.15	0.00	-	-	25,819	-	-	-	-	-
LNGC	Europe	2022.01.05	2025.07.28	0.00	-	-	25,819	-	-	-	-	-
LNGC	Europe	2022.01.28	2025.09.15	0.00	-	-	-	-	-	-	-	-
LNGC	Europe	2022.01.28	2025.12.09	0.00	-	-	-	-	-	-	-	-
LNGC	America	2022.03.23	2025.06.04	0.00	-	-	30,468	-	-	-	-	-
LNGC	America	2022.03.23	2025.08.27	0.00	-	-	30,468	-	-	-	-	-
LNGC	America	2022.03.23	2025.11.20	0.00	-	-	30,468	-	-	-	-	-
LNGC	America	2022.03.17	2025.11.07	0.00	-	-	26,763	-	-	-	-	-
LNGC	America	2022.03.17	2025.12.19	0.00	-	-	26,763	-	-	-	-	-
LNGC	Asia	2022.06.05	2024.10.30	0.01	17	-	-	-	-	-	-	-
LNGC	Asia	2022.06.05	2024.11.08	0.00	-	-	-	-	-	-	-	-
LNGC	Asia	2022.06.05	2024.12.11	0.00	-	-	-	-	-	-	-	-
LNGC	Asia	2022.06.05	2024.12.18	0.00	-	-	-	-	-	-	-	-
LNGC	Asia	2022.04.14	2025.05.29	0.00	-	-	-	-	-	-	-	-
LNGC	Asia	2022.04.14	2026.08.12	0.00	-	-	-	-	-	-	-	-
LNGC	Europe	2022.06.08	2026.03.26	0.00	-	-	-	-	-	-	-	-
LNGC	Europe	2022.06.08	2026.04.27	0.00	-	-	-	-	-	-	-	-
OSV	America	2021.05.11	2024.08.31	2.48	-	-	-	-	-	-	-	-
OSV	America	2021.12.02	2025.05.31	0.12	-	-	-	-	-	-	-	-
DRSP	Europe	2012.09.27	2023.12.31	99.09	134,952	-	-	-	119,383	-	-	-
DRSP	Europe	2013.06.24	2023.12.31	98.69	199,705	-	9,623	-	183,115	-	8,824	-
CONT	Europe	2022.01.29	2025.01.21	0.01	-	-	-	-	-	-	-	-
CONT	Europe	2022.01.29	2025.04.07	0.00	-	-	-	-	-	-	-	-
CONT	Europe	2022.01.29	2025.06.16	0.00	-	-	-	-	-	-	-	-
CONT	Europe	2022.01.29	2025.07.01	0.00	-	-	-	-	-	-	-	-
CONT	Europe	2022.01.29	2025.09.10	0.00	-	-	-	-	-	-	-	-
CONT	Europe	2022.01.29	2025.09.24	0.00	-	-	-	-	-	-	-	-
FPSO	Oceania	2012.03.08	2022.09.30	99.97	10,973	-	-	-	9,689	-	-	-
FP	Asia	2013.05.26	2021.11.01	100.00	-	-	2,541	-	-	-	-	-
FPU	America	2019.11.21	2022.10.19	90.37	-	-	7,540	-	-	-	1,121	-
FP	Asia	2021.06.01	2024.07.15	7.35	-	-	7,680	-	-	-	33,098	-
FPU	Oceania	2022.01.10	2025.06.27	0.03	-	-	-	-	-	-	-	-

¹ Expected completion date is the date expected by the Company as at June 30, 2022, 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.

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As at June 30, 2022, seven 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 12, 2022.

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:

	June 30, 2022						
	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	₩ 1,255,185	₩ 992,164	₩ 843,667	₩ 122,370	₩ 2,075,023	₩ -	
Offshore plant and special ships	78,953	176,135	24,258	14,506	670,621	-	
Others	376	-	2	19	-	-	
	<u>₩ 1,334,514</u>	<u>₩ 1,168,299</u>	<u>₩ 867,927</u>	<u>₩ 136,895</u>	<u>₩ 2,745,644</u>	<u>₩ -</u>	

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

	December 31, 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	₩ 1,455,280	₩ 407,076	₩ 495,107	₩ (65,633)	₩ 1,359,997	₩ -	
Offshore plant and special ships	52,183	52,242	96,497	(54,453)	559,805	-	
Others	532	-	1	46	177	-	
	<u>₩ 1,507,995</u>	<u>₩ 459,318</u>	<u>₩ 591,605</u>	<u>₩ (120,040)</u>	<u>₩ 1,919,979</u>	<u>₩ -</u>	

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

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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, 2022 and for the year ended December 31, 2021, 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, 2022			
	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	₩ 992,164	₩ 843,667	₩ 122,370	₩ 26,127
Offshore plant and special ships	176,135	24,258	14,506	137,371
Others	-	2	19	(21)
	<u>₩ 1,168,299</u>	<u>₩ 867,927</u>	<u>₩ 136,895</u>	<u>₩ 163,477</u>

<i>(in millions of Korean won)</i>	Year ended December 31, 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	₩ 407,076	₩ 495,107	₩ (65,633)	₩ (22,398)
Offshore plant and special ships	52,242	96,497	(54,453)	10,198
Others	-	1	46	(47)
	<u>₩ 459,318</u>	<u>₩ 591,605</u>	<u>₩ (120,040)</u>	<u>₩ (12,247)</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, 2022 (December 31, 2021). Contract costs and contract revenue may change in the future.

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39. Commitments and Contingencies

39.1 The Company provided 11 blank notes to Korea Energy Agency as construction warranty and others as at June 30, 2022.

39.2 The Company is involved in a lawsuit as a plaintiff pending in relation to repayment request of lot loans, and 36 other pending lawsuits with aggregated claim amount of ₩ 889,915 million and three international patent litigations, as at June 30, 2022. The Company requested for arbitrations to the London Maritime Arbitrators Association in relation to 5 lawsuits of settlement of contract amount and additional contract cost incurred with some customers amounting to USD 17,297 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 76 other lawsuits as a defendant with aggregated claim amount of ₩ 366,237 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, 2022. The Company, however, recognized the best estimated loss amounting to ₩ 471,157 million from pending litigations and performance guarantees as provisions as at June 30, 2022.

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. 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 will file an application for suspension of execution and proceed with the complaint against FTC's administrative measure (penalty/corrective order).

39.5 The Company entered into a quantity commitment agreement with Shinhan Heavy Industries Co., Ltd. to ship Deck House and Engine Casing for more than 70% of the Company's orders of commercial ships and more than 6,000 tons for general blocks per year from January 1, 2022 to December 31, 2026. The Company evaluates the quality and delivery date for the delivered products every year, and the Company may make a downward adjustment for the quantity commitment standard or cancel the quantity commitment in case certain conditions are not met.

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.

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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 20,448 thousand (whole USD 1,383,811 thousand).

The Company jointly established SAME Netherlands B.V. with Saipem S.p.A to perform P-79 FPSO Project ordered by PETROLEO BRASILEIRO S.A. 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, 2022, the estimated loss amounting to ₩ 155,619 million out of the claim amount of ₩ 1,687,837 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 ₩ 204,632 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 delay caused by the Company in completion of contract or satisfaction of contract performance may cause a decrease in total contract amount; therefore, the Company estimates deductions from the total contract amount. As at June 30, 2022, the maximum amount for liquidated damages is estimated to be ₩ 269,301 million and the amount is deducted from the contract revenue amount. These amounts would be consistently revalued until completion of construction.

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

39.8 Details of guaranteed amount to major financial institutions as at June 30, 2022 are as follows:

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

		Amount	Remarks
KDB and others	Issuance of L/C limit	USD 1,072,800	
	Foreign-currency payment guarantee limit	USD 10,967,595	
	Borrowing limit	USD 1,041,516	
		₩ 4,038,443	
	Derivative instruments transaction limit	USD 100,000	
	₩ 750,000	Risk amount	

39.9 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.

39.10 In May 2020, the Company entered a Deed of Agreement which is mainly about Construction Capacity Reservation, and according to the agreement, QatarEnergy (formerly Qatar

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Petroleum), a counterparty, was given an option to place an order for an LNG carrier. As at June 30, 2022, certain options have expired, and other certain options have been exercised and are under discussion regarding the agreement.

40. Cash Flows from Operating Activities

40.1 Cash flows from operating activities for the six-month periods ended June 30, 2022 and 2021, are as follow:

<i>(in millions of Korean won)</i>	2022	2021
1. Loss for the period	₩ (672,591)	₩ (1,235,993)
2. Adjustments for:		
Income tax benefits	-	(16,451)
Post-employment benefits	21,779	24,477
Employee benefits	1,061	1,126
Depreciation	48,065	46,801
Depreciation of right-of-use assets	11,171	9,477
Amortization	20	17
Reversal of impairment loss	(272)	(20,830)
Reversal of other impairment loss	(517)	(696)
Impairment loss on financial assets at amortized cost	10,527	-
Loss (reversal) on valuation of inventories	(7,396)	191,824
Gain on disposal of property, plant and equipment	(326)	(463)
Loss on disposal of property, plant and equipment	343	140
Gain on disposal of intangible assets	-	(2,490)
Loss on disposal of intangible assets	8	-
Gain on disposal of non-current assets held for sale	-	(3,257)
Dividend income	(586)	(818)
Interest income	(28,534)	(17,227)
Finance income	(3,246)	(1,863)
Interest expense	51,006	58,646
Finance costs	203	658
Loss on foreign currency translation	83,269	14,461
Gain on valuation of firm commitment	(574,588)	(99,055)
Loss on valuation of currency forward contracts	582,221	134,551
Provision (reversal) for provisions	(33,656)	809,730
Miscellaneous income	(354)	(614)
Miscellaneous expenses	645	1,777
3. Changes in working capital		
Decrease (increase) in trade receivables	(135,176)	484,280
Increase in other receivables	(74,055)	(58,688)

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<i>(in millions of Korean won)</i>	2022	2021
Decrease (increase) in contract assets	(923,697)	138,798
Increase in inventories	(167,472)	(21,302)
Decrease (increase) in firm commitments	92,982	(27,125)
Decrease (increase) in currency forward contracts	(28,631)	19,015
Increase in other assets	(341,553)	(37,254)
Decrease in trade payables	(14,106)	(122,874)
Decrease (increase) in other payables	25,480	(58,507)
Increase in contract liabilities	1,116,692	293,126
Decrease in provisions	(63,015)	(56,782)
Increase (decrease) in other liabilities	30,471	(14,082)
Payment for severance benefits	(32,515)	(33,173)
Decrease in plan assets	28,137	30,166
Cash generated from (used in) operations	W (998,206)	W 429,526

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>	2022	2021
Acquisition of investments in associates through investment in kind	W -	W 2,490
Transfer of long-term borrowings and debentures to current portion of long-term borrowings and debentures	133,600	116,509
Transfer of construction in progress to property, plant and equipment	8,660	25,887
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	61,718	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.

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40.3 Changes in liabilities arising from financing activities for the six-month periods ended June 30, 2022 and 2021, are as follows:

<i>(in millions of</i>		2022										
<i>Korean won)</i>		Beginning balance	Cash flows from financing activities	Changes in exchange rate	Amortization	Transfer and others	Ending balance					
Current												
Short-term borrowings	₩	1,073,380	₩	255,726	₩	26,910	₩	-	₩	-	₩	1,356,016
Current portion of long-term borrowings		1,091,052		(4)		97,503		-		16,875		1,205,426
Current portion of long-term debentures		238,443		(61,739)		-		6,863		54,951		238,518
Current lease liabilities		16,874		(10,611)		-		-		13,477		19,740
		<u>2,419,749</u>		<u>183,372</u>		<u>124,413</u>		<u>6,863</u>		<u>85,303</u>		<u>2,819,700</u>
Non-current												
Long-term borrowings		122,513		-		1,501		4,694		(16,874)		111,834
Debentures		111,743		-		-		4,982		(116,725)		-
Lease liabilities		61,167		-		-		-		(4,424)		56,743
		<u>295,423</u>		<u>-</u>		<u>1,501</u>		<u>9,676</u>		<u>(138,023)</u>		<u>168,577</u>
	₩	<u>2,715,172</u>	₩	<u>183,372</u>	₩	<u>125,914</u>	₩	<u>16,539</u>	₩	<u>(52,720)</u>	₩	<u>2,988,277</u>
<i>(in millions of</i>		2021										
<i>Korean won)</i>		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>

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41. Segment Information

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

Division	Goods or services	Major customer	Ratio of sales (%)
Commercial ships	LNGC, VLCC and others	Zodiac Maritime Ltd and others	85.7
Offshore plant and special ships	Marine steel structure and others	Chevron North America, Defense Acquisition Program Administration and others	12.8
Others	Energy, service	Various customers	1.5
			100.0

41.2 Financial information by segment is as follows:

<i>(in millions of Korean won)</i>	2022			
	Commercial Ships	Offshore plant and special ships	Others	Total
Sales	₩ 2,063,234	₩ 308,620	₩ 37,038	₩ 2,408,892
Gross profit	(483,230)	(8,782)	33,712	(458,300)
<i>(in millions of Korean won)</i>	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)

41.3 The number of major customer who accounts more than 10% of the Company's revenue is two (2021: two) and their revenue amount to ₩ 763,029 million and ₩ 878,627 million for the six-month periods ended June 30, 2022 and 2021, respectively.

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

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42. 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.

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 increase in raw material prices, global economic fluctuations and others. After impairment assessment, the Company recognized total ₩ 17,437 million of impairment loss on property, plant and equipment, ₩ 1,479 million of impairment loss on intangible assets, and ₩ 1,226 million of impairment loss on right-of-use assets during the year ended December 31, 2021.

During the year ended December 31, 2018, the Company recognized impairment losses on investments in subsidiaries of ₩ 22,806 million. Also, the Company has 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 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, in relation to Shinhan Heavy Industries Co., Ltd, which is under rehabilitation procedure, the rehabilitation plan was approved by the court on August 27, 2021, on the condition that the Company retires entire share of Shinhan Heavy Industries Co., Ltd. without consideration and collects a portion of receivables such as long-term loans.

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

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restructuring and debt-to-equity swap. In addition, on June 28, 2017, the Creditor Financial Institutions (such as Korea Development Bank and other financial institutions) executed debt adjustments which includes debt-to-equity swap and maturity extension, and new capital support up to ₩ 2.9 trillion from KDB and KEXIM Bank is in progress (Note 43). Meanwhile, KDB and KEXIM Bank pledged to provide new capital support to DSME until the repayment date of the remaining bonds after the debt-to-equity swap and to use the reserved portion of the new funds for remaining bonds first.

Also, the limit for loans has been extended to December 31, 2022 and the condition of permanent convertible bond has been changed during the year ended December 31, 2021 (Note 31).

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-to-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	₩ 168,704	₩ (3,198)
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>₩ 909,532</u>	<u>₩ (3,178)</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).

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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, 2022.

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, 2022, 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	₩ 168,704
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	₩ 493,545	₩ -

¹ Includes pending payments regarding undeclared bonds amounting to ₩ 225 million as at June 30, 2022. The amount is transferred to long-term other payables.

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June 30, 2022 and 2021(Unaudited), and December 31, 2021

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	₩ 168,704
Effective interest rate	1.00%	1.00%
Applicable period	6 years	10 years

44. Capital Increase with Consideration by Allotment to the Third Party for the Change in Ownership Structure of the Group

The Company has decided to issue 42,750,877 ordinary shares with the resolution of the Company's Board of Directors on January 31, 2019 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.

This capital increase was scheduled for the execution when all necessary government approvals, such as the approvals on the business combination based on the new share subscription transaction and the in-kind contribution agreement from the Fair Trade Commission (including overseas related agencies such as the EC), were obtained and prerequisites, such as payment according to the above contract and others, were satisfied. However, the prerequisites have not been satisfied as the European Commission (European Commission) decided to disapprove of the business combination on January 13, 2022. Accordingly, on March 8, 2022, the new share subscription agreement and the investment in-kind agreement were cancelled.