

Hanwha Ocean Co., Ltd.
Condensed Separate Interim Financial Statements
June 30, 2023 and 2022

Hanwha Ocean Co., Ltd.
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June 30, 2023 and 2022

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Report on Review of Condensed Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of
Hanwha Ocean Co., Ltd.

Reviewed Financial Statements

We have reviewed the accompanying condensed separate interim financial statements of Hanwha Ocean Co., Ltd. (the Company). These condensed separate interim financial statements consist of the condensed separate interim statement of financial position of the Company as at June 30, 2023, and the related condensed separate interim statements of profit or loss and comprehensive income for the three-month and six-month periods ended June 30, 2023 and 2022, and condensed separate interim statements of changes in equity and cash flows for the six-month periods ended June 30, 2023 and 2022, and material accounting policy information and other selected 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, in all material respects, in accordance with Korean IFRS 1034 *Interim Financial Reporting*.

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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 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, 2022, 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 13, 2023. The separate statement of financial position as at December 31, 2022, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at December 31, 2022.

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 11, 2023

This report is effective as of August 11, 2023, 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 condensed 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.

Hanwha Ocean Co., Ltd.
Separate Interim Statements of Financial Position
June 30, 2023 and December 31, 2022

<i>(in millions of Korean won)</i>	Notes	June 30, 2023 (Unaudited)	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents	6,7,36	₩ 1,534,482	₩ 633,464
Other financial assets	6,8,9,36	429,610	479,210
Trade and other receivables	6,9,36	191,267	403,486
Contract assets	10,37	2,536,190	2,515,400
Current portion of firm commitment assets	27	277,622	199,898
Current portion of currency forward assets	4,5,6,27	-	2,712
Inventories	11	2,767,692	2,190,744
Current tax assets		2,390	5,751
Other current assets	12	1,440,032	1,307,210
Non-current assets held for sale	13	-	283
		<u>9,179,285</u>	<u>7,738,158</u>
Non-current assets			
Long-term other financial assets	5,6,8,9,18,36	39,272	40,246
Investments in subsidiaries, associates and joint arrangement	14,42	2,931	2,931
Long-term trade and other receivables	6,9,36,37	202,868	201,864
Firm commitment assets	27	237,733	233,364
Currency forward assets	4,5,6,27	-	792
Property, plant and equipment	16,18	3,693,149	3,709,725
Right-of-use assets	17,36,41	60,261	49,182
Intangible assets	19,41	1,317	647
Other non-current assets	12	11,123	10,215
Defined benefit assets		-	59,706
		<u>4,248,654</u>	<u>4,308,672</u>
Total assets		<u>₩ 13,427,939</u>	<u>₩ 12,046,830</u>

Hanwha Ocean Co., Ltd.
Separate Interim Statements of Financial Position
June 30, 2023 and December 31, 2022

<i>(in millions of Korean won)</i>	Notes	June 30, 2023 (Unaudited)	December 31, 2022
Liabilities			
Current liabilities			
Borrowings and debentures	6,18,21,22,36,39,42 ₩	647,468 ₩	2,522,557
Financial liabilities at fair value through profit or loss	4,5,6,27	16,703	31,440
Trade and other payables	6,20,36	968,038	903,965
Current lease liabilities	17,36,39	25,086	20,405
Current portion of firm commitment liabilities	27	-	916
Current portion of currency forward liabilities	4,5,6,27	386,627	291,513
Contract liabilities	10,37	5,037,882	4,682,120
Current portion of provisions	25,38	1,131,374	1,569,847
Other current liabilities	23	580,588	563,366
		<u>8,793,766</u>	<u>10,586,129</u>
Non-current liabilities			
Long-term borrowings and debentures	6,18,21,22,36,39,42	1,626,789	99,715
Long-term trade and other payables	6,20,36	5,041	4,854
Net defined benefit liabilities and other long-term employee benefits	24	97,575	22,026
Provisions	25,38	288,476	328,991
Lease liabilities	17,36,39	55,852	48,605
Firm commitment liabilities	27	-	69
Currency forward liabilities	4,5,6,27	222,442	194,200
Deferred tax liabilities		127,454	118,381
		<u>2,423,629</u>	<u>816,841</u>
Total liabilities		<u>11,217,395</u>	<u>11,402,970</u>
Equity			
Share capital	28	1,089,368	541,453
Capital surplus	30	1,594,965	4,333
Capital adjustment	30	(5,047)	(5,047)
Hybrid bonds	30	2,332,832	2,332,832
Accumulated other comprehensive income	30	553,341	554,497
Accumulated deficit	29	(3,354,915)	(2,784,208)
Total equity		<u>2,210,544</u>	<u>643,860</u>
Total liabilities and equity		<u>₩ 13,427,939</u>	<u>₩ 12,046,830</u>

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

Hanwha Ocean Co., Ltd.
Separate Interim Statements of Profit or Loss
Three-Month and Six-Month Periods Ended June 30, 2023 and 2022

<i>(in millions of Korean won, except per share amounts)</i>	Notes	Period Ended June 30			
		2023 (Unaudited)		2022 (Unaudited)	
		Three months	Six months	Three months	Six months
Sales	27,36,37,40	₩ 1,820,371	₩ 3,259,756	₩ 1,173,752	₩ 2,408,892
Cost of sales	35,37	1,909,570	3,356,804	1,219,866	2,867,192
Gross loss		(89,199)	(97,048)	(46,114)	(458,300)
Selling and administrative expenses	32,35	81,671	139,862	60,676	118,776
Operating loss		(170,870)	(236,910)	(106,790)	(577,076)
Finance income	6,33,36	88,878	282,252	176,651	261,433
Finance costs	6,33,36	241,870	675,117	750,580	919,365
Other income	6,34	78,763	272,320	512,190	584,045
Other expenses	6,34	6,005	14,914	13,635	21,627
Loss before income tax expense		(251,104)	(372,369)	(182,164)	(672,590)
Income tax benefits	26	-	(16)	-	-
Loss for the period		₩ (251,104)	₩ (372,353)	₩ (182,164)	₩ (672,590)
Losses per share	31				
Basic losses per share <i>(in Korean won)</i>		₩ (1,686)	₩ (2,957)	₩ (1,754)	₩ (6,383)
Diluted losses per share <i>(in Korean won)</i>		₩ (1,686)	₩ (2,957)	₩ (1,754)	₩ (6,383)

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

Hanwha Ocean Co., Ltd.
Separate Interim Statements of Comprehensive Income
Three-Month and Six-Month Periods Ended June 30, 2023 and 2022

<i>(in millions of Korean won)</i>	Notes	Period Ended June 30			
		2023		2022	
		(Unaudited)		(Unaudited)	
		Three months	Six months	Three months	Six months
Loss for the period		₩ (251,103)	₩ (372,352)	₩ (182,163)	₩ (672,591)
Other comprehensive income					
<i>Items that will not be reclassified subsequently to profit or loss</i>	30				
Remeasurements of net defined benefit liabilities	24	(55,966)	(57,062)	(766)	(1,987)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	6,30	(764)	(1,156)	1,439	1,426
		(56,730)	(58,218)	673	(561)
Total comprehensive loss for the period		₩ (307,833)	₩ (430,570)	₩ (181,490)	₩ (673,152)

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

Hanwha Ocean Co., Ltd.

Separate Interim Statements of Changes in Equity

Six-Month Periods Ended June 30, 2023 and 2022

<i>(in millions of Korean won)</i>	Share capital	Capital surplus	Capital adjustment	Hybrid bond	Accumulated other comprehensive income	Retained earnings (Accumulated deficit)	Total
Balance at January 1, 2022	₩ 541,454	₩ 4,333	₩ (5,047)	₩ 2,332,832	₩ 316,311	₩ (1,062,232)	₩ 2,127,651
Total comprehensive income (loss)							
Loss for the period	-	-	-	-	-	(672,591)	(672,591)
Other comprehensive income	-	-	-	-	1,426	(1,987)	(561)
Balance at June 30, 2022 (Unaudited)	₩ 541,454	₩ 4,333	₩ (5,047)	₩ 2,332,832	₩ 317,737	₩ (1,736,810)	₩ 1,454,499
							-
Balance at January 1, 2023	₩ 541,453	₩ 4,333	₩ (5,047)	₩ 2,332,832	₩ 554,497	₩ (2,784,208)	₩ 643,860
Total comprehensive income (loss)							
Loss for the period	-	-	-	-	-	(372,352)	(372,352)
Other comprehensive income	-	-	-	-	(1,156)	(57,062)	(58,218)
Transactions with owners							
Capital increase	522,193	1,477,807	-	-	-	-	2,000,000
Debt to equity swaps	25,720	115,572	-	-	-	(141,293)	(1)
Share issue cost	-	(2,746)	-	-	-	-	(2,746)
Balance at June 30, 2023 (Unaudited)	₩ 1,089,366	₩ 1,594,966	₩ (5,047)	₩ 2,332,832	₩ 553,341	₩ (3,354,915)	₩ 2,210,543

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

Hanwha Ocean Co., Ltd.
Separate Interim Statement of Cash Flows
Six-Month Periods Ended June 30, 2023 and 2022

<i>(in millions of Korean won)</i>	Notes	Six-Month Period Ended June 30	
		2023 (Unaudited)	2022 (Unaudited)
Cash flows from operating activities			
Cash generated from (used in) operations	39	₩ (711,878)	₩ (998,206)
Dividends received		1,023	586
Interests received		13,545	28,138
Interests paid		(78,687)	(28,920)
Income tax received		12,451	7,956
Net cash outflow from operating activities		(763,546)	(990,447)
Cash flows from investing activities			
Cash inflows from investing activities:			
Decrease in short-term financial instruments		353,103	248,962
Decrease in financial assets at amortized cost		16	-
Disposal of long-term financial assets at amortized cost		-	563
Decrease in long-term financial instruments		330	-
Disposal of non-current assets held for sale		700	-
Disposal of property, plant and equipment/intangible assets		160	344
Decrease in leasehold deposits		74	3
		354,383	249,872
Cash outflows from investing activities:			
Increase in short-term financial instruments		305,263	2,790
Increase in long-term financial instruments		319	330
Acquisition of property, plant and equipment/intangible assets		22,720	38,915
Increase in leasehold deposits		58	38
		328,360	42,073
Net cash inflow from investing activities		26,023	207,799

Hanwha Ocean Co., Ltd.
Separate Interim Statement of Cash Flows
Six-Month Periods Ended June 30, 2023 and 2022

<i>(in millions of Korean won)</i>	Notes	Six-Month Period Ended June 30	
		2023 (Unaudited)	2022 (Unaudited)
Cash flows from financing activities	39		
Cash inflows from financing activities:			
Proceeds from short-term borrowings		₩ 920,000	₩ 255,726
Capital increase		2,000,000	-
		2,920,000	255,726
Cash outflows from financing activities:			
Repayment of short-term borrowings		1,186,818	-
Repayment of current portion of long-term debentures		61,836	61,739
Repayment of current portion of long-term borrowings		16,833	4
Repayment of lease liabilities		11,810	10,611
Payment of redeemable deposits		-	62,244
Payment of share issue cost		2,746	-
		1,280,043	134,598
Net cash inflow from financing activities		1,639,957	121,128
Net increase (decrease) in cash and cash equivalents		902,434	(661,520)
Cash and cash equivalents at the beginning of the period		633,464	1,748,495
Effects of exchange rate changes on the cash and cash		(1,416)	26
Cash and cash equivalents at the end of the period	7	₩ 1,534,482	₩ 1,087,001

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

Hanwha Ocean Co., Ltd.

Notes to the Condensed Separate Interim Financial Statements

June 30, 2023 and 2022(Unaudited), and December 31, 2022

1. General Information

Hanwha Ocean 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. on March 16, 2002 and changes its name to Hanwha Ocean Co., Ltd. on May 23, 2023. The Company's major businesses are building and selling various types of ships, including special-purpose ships and construction of offshore plants.

As at June 30, 2023, the Company's major shareholder is HANWHA AEROSPACE CO., LTD. and 4 others (48.16%) and Korea Development Bank ("KDB") (27.55%).

2. Material Accounting Policies

The principal accounting policies applied in the preparation of these condensed 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 condensed 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 condensed separate interim financial statements.

The Company's condensed separate interim financial statements for the six-month period ended June 30, 2023, 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, 2023. Therefore, these interim financial statements should be read in conjunction with the annual financial statements as at December 31, 2022.

Hanwha Ocean Co., Ltd.

Notes to the Condensed Separate interim Financial Statements June 30, 2023 and 2022(Unaudited), and December 31, 2022

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, 2023.

(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 do not have a significant impact on the financial statements.

(b) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of gain or loss on valuation of financial liabilities subject to adjustment of exercise price

If the entire or a part of financial instrument, whose exercise price is subject to change due to the issuer's share price, is classified as a financial liability, the carrying amount of the financial liability and related gains and losses shall be disclosed. The amendments do not have a significant impact 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 do not have a significant impact on the financial statements.

(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 do not 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 does not have a significant impact on the financial statements.

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Notes to the Condensed Separate interim Financial Statements June 30, 2023 and 2022(Unaudited), and December 31, 2022

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, 2023 reporting periods and have not been early adopted by the Company.

(a) Amendments to Korean IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants

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. In addition, covenants that an entity is required to comply with after the end of the reporting period would not affect classification of a liability as current or non-current at the reporting date. When an entity classifies a liability that is subject to the covenants which an entity is required to comply with within twelve months of the reporting date as non-current at the end of the reporting period, the entity shall disclose information in the notes to understand the risk that non-current liabilities with covenants could become repayable within twelve months after the reporting period. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

2.2 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, 2022, 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.

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Notes to the Condensed Separate Interim Financial Statements
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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, 2022, except for the estimates used to determine income tax expense.

3.1 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 limited 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 receipt of payments.

As at June 30, 2023, certain ship contracts and arrangements are related to companies or banks in the relevant countries, and 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. 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 as at June 30, 2023.

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.

Hanwha Ocean Co., Ltd.

Notes to the Condensed Separate interim Financial Statements June 30, 2023 and 2022(Unaudited), and December 31, 2022

4.1.1 Market Risk

(a) Foreign currency risk

The Company undertakes transaction denominated in foreign currencies; consequently, exposures to exchange rate fluctuation arise. Exchange rate exposure are managed within approved policy parameters utilizing forward exchange contracts.

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

The following details the forward foreign currency contracts outstanding as at June 30, 2023, and December 31, 2022.

		June 30, 2023			
<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	₩	1,157.69	USD 4,994,069	KRW 5,781,600	₩ (602,164)
Sell EUR		1,356.40	EUR 94,693	KRW 128,441	(6,905)
For trading					
Sell USD		1,144.32	USD 99,746	KRW 114,141	(16,703)
			USD 5,093,815		
Total			EUR 94,693	KRW 6,024,182	₩ (625,772)
		December 31, 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	₩	1,152.05	USD 5,960,312	KRW 6,866,575	₩ (484,920)
Sell EUR		1,353.68	EUR 189,386	KRW 256,369	2,712
For trading					
Sell USD		1,147.68	USD 299,238	KRW 343,431	(31,440)
			USD 6,259,550		
Total			EUR 189,386	KRW 7,466,375	₩ (513,648)

Hanwha Ocean Co., Ltd.

Notes to the Condensed Separate Interim Financial Statements June 30, 2023 and 2022(Unaudited), and December 31, 2022

(b) Price risk

The Company's investment in marketable equity securities is made upon management's decision. The Company had held marketable equity securities that were classified as financial assets that were measured at fair value through profit or loss in the separate statement of financial position. But the Company disposed all marketable securities during the year ended December 31, 2022.

(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.

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5. Fair Value

5.1 Fair Value Hierarchy

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

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

Fair value hierarchy classifications of the financial instruments that are measured at fair value as at June 30, 2023 and December 31, 2022, are as follows:

(in millions of Korean won)

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Short-term financial instruments	₩ -	₩ 124,731	₩ -	₩ 124,731
Beneficiary certificates	56	-	-	56
Equity investments	-	31,947	-	31,947
Financial assets at fair value through other comprehensive income				
Non-listed securities	-	1,300	5,632	6,932
	<u>₩ 56</u>	<u>₩ 157,978</u>	<u>₩ 5,632</u>	<u>₩ 163,666</u>
Financial liabilities				
Financial liability at fair value through profit or loss				
Derivative instruments for trading	₩ -	₩ 16,703	₩ -	₩ 16,703
Currency forward liabilities				
Derivative instrument for hedging	-	609,070	-	609,070
	<u>₩ -</u>	<u>₩ 625,773</u>	<u>₩ -</u>	<u>₩ 625,773</u>

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(in millions of Korean won)

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Short-term financial instruments	₩ -	₩ 242,957	₩ -	₩ 242,957
Beneficiary certificates	56	-	-	56
Equity investments	-	31,754	-	31,754
Currency forward assets				
Derivative instrument for hedging	-	3,504	-	3,504
Financial assets at fair value through other comprehensive income				
Non-listed securities	-	2,455	5,632	8,087
	₩ 56	₩ 280,670	₩ 5,632	₩ 286,358

Financial liabilities

Financial liability at fair value through profit or loss				
Derivative instruments for trading	₩ -	₩ 31,440	₩ -	₩ 31,440
Currency forward liabilities				
Derivative instrument for hedging	-	485,712	-	485,712
	₩ -	₩ 517,152	₩ -	₩ 517,152

5.2 Transfers Between Fair Value Hierarchy Levels of Fair Value Measurements

Changes in financial instrument classified as level 3 for the six-month period ended June 30, 2023 and for the year ended December 31, 2022, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2023				
	Beginning balance	Purchases	Transfer	Valuation	Ending balance
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, 2022				
	Beginning balance	Purchases (disposals)	Transfer	Valuation	Ending balance
Financial assets at fair value through profit or loss					
Equity instruments	₩ 18,968	₩ (26,590)	₩ -	₩ 7,622	₩ -
Financial assets at fair value through other comprehensive income					
Non-listed securities	₩ 5,632	₩ -	₩ -	₩ -	₩ 5,632

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6. Financial Instruments by Category

6.1 Financial assets

Categorizations of financial assets as at June 30, 2023 and December 31, 2022, are as follows:

(in millions of
Korean won)

	June 30, 2023					
	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	₩ -	₩ -	₩ 1,534,482	₩ -	₩ 1,534,482	₩ 1,534,482
Short- and long-term financial instruments	124,731	-	305,217	-	429,948	429,948
Financial assets at fair value through profit or loss ¹	32,002	-	-	-	32,002	32,002
Financial assets at fair value through other comprehensive income	-	6,931	-	-	6,931	6,931
Trade and other receivables	-	-	394,135	-	394,135	394,135
	₩ 156,733	₩ 6,931	₩ 2,233,834	₩ -	₩ 2,397,498	₩ 2,397,498

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

(in millions of
Korean won)

	December 31, 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	₩ -	₩ -	₩ 633,464	₩ -	₩ 633,464	₩ 633,464
Short- and long-term financial instruments	242,957	-	236,587	-	479,544	479,544
Financial assets at fair value through profit or loss ¹	31,809	-	-	-	31,809	31,809
Financial assets at amortized cost	-	-	16	-	16	16
Financial assets at fair value through other comprehensive income	-	8,087	-	-	8,087	8,087
Trade and other receivables	-	-	605,350	-	605,350	605,350
Currency forward assets	-	-	-	3,504	3,504	3,504
	₩ 274,766	₩ 8,087	₩ 1,475,417	₩ 3,504	₩ 1,761,774	₩ 1,761,774

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

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

6.2 Financial liabilities

Categorizations of financial liabilities as at June 30, 2023 and December 31, 2022, are as follows:

(in millions of Korean won)

	June 30, 2023				
	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	₩ -	₩ 2,274,257	₩ -	₩ 2,274,257	₩ 2,259,295
Financial liability at fair value through profit or loss ¹	16,703	-	-	16,703	16,703
Trade and other payables	-	973,079	-	973,079	973,079
Currency forward liabilities	-	-	609,070	609,070	609,070
	<u>₩ 16,703</u>	<u>₩ 3,247,336</u>	<u>₩ 609,070</u>	<u>₩ 3,873,109</u>	<u>₩ 3,858,147</u>

¹ Currency forward liabilities held for trading

(in millions of Korean won)

	December 31, 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	₩ -	₩ 2,500,318	₩ -	₩ 2,500,318	₩ 2,496,457
Debentures	-	121,954	-	121,954	121,237
Financial liability at fair value through profit or loss ¹	31,440	-	-	31,440	31,440
Trade and other payables	-	908,819	-	908,819	908,819
Currency forward liabilities	-	-	485,712	485,712	485,712
	<u>₩ 31,440</u>	<u>₩ 3,531,091</u>	<u>₩ 485,712</u>	<u>₩ 4,048,243</u>	<u>₩ 4,043,665</u>

¹ Currency forward liabilities held for trading

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

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6.3 Net Gains or Losses by Category of Financial Instruments

Net gains or net losses on each category of financial instruments for the six-month periods ended June 30, 2023 and 2022, are as follows:

1) Financial assets

(in millions of Korean won)

	2023			
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Total
Interest income	₩ 2,700	₩ -	₩ 24,864	₩ 27,564
Dividend income	8	65	-	73
Reversal of impairment loss	-	-	(1,516)	(1,516)
Losses on foreign currency translation, net	-	-	(4,808)	(4,808)
Gains on foreign currency transaction, net	-	-	37,913	37,913
Losses on foreign exchange forward transaction, net	(9,371)	-	-	(9,371)
Losses on valuation of financial assets at fair value through other comprehensive income	-	(1,156)	-	(1,156)
Gains on valuation of financial assets at fair value through profit or loss	1,967	-	-	1,967
	₩ (4,696)	₩ (1,091)	₩ 56,453	₩ 50,666

(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

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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)
	₩ 6,588	₩ 1,472	₩ 58,650	₩ 825	₩ 67,535

2) Financial liabilities

(in millions of Korean won)

	2023			
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Derivative financial liabilities for hedging	Total
Interest expenses	₩ -	₩ (77,239)	₩ -	₩ (77,239)
Losses on foreign currency translation, net	-	(78,255)	-	(78,255)
Losses on foreign currency transaction, net	-	(15,318)	-	(15,318)
Losses on valuation of foreign exchange forward contracts, net	(6,598)	-	(254,722)	(261,320)
Losses on foreign exchange forward transaction, net	(12,428)	-	(39,614)	(52,042)
	₩ (19,026)	₩ (170,812)	₩ (294,336)	₩ (484,174)

(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)

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7. Cash and Cash Equivalents and Others

Details of cash and cash equivalents and others as at June 30, 2023 and December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2023		December 31, 2022	
Financial institution deposits	₩	1,534,482	₩	633,464
Other current financial assets (short-term financial instruments)		429,610		479,194
Other non-current financial assets (long-term financial instruments)		339		350
	₩	<u>1,964,431</u>	₩	<u>1,113,008</u>

8. Restricted or Pledged Financial Assets

The restricted or pledged financial assets as at June 30, 2023 and December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2023		December 31, 2022		Description
Cash and cash equivalents	₩	35,695	₩	-	Restricted in use due to specific purposes
Other current financial assets (short-term financial instruments)		167,276		-	
Other current financial assets (short-term financial instruments)		87,249		234,005	Pledged as collateral for payment / performance guarantee and others
Other non-current financial assets(long-term instruments)		339		350	
	₩	<u>290,559</u>	₩	<u>234,355</u>	

Other than the above financial assets, ₩ 178,492 million is included in non-current deposits for the purpose of court deposits such as lawsuits for damages to shareholders (Note 9).

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9. Financial Assets

9.1 Financial Assets at Fair Value through Profit or Loss

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

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

(in millions of Korean won)

	June 30, 2023		December 31, 2022	
	Current	Non-current	Current	Non-current
Short-term financial instruments	₩ 124,731	₩ -	₩ 242,957	₩ -
Beneficiary certificates	-	56	-	56
Equity investment	-	31,947	-	31,754
	<u>₩ 124,731</u>	<u>₩ 32,003</u>	<u>₩ 242,957</u>	<u>₩ 31,810</u>

Amounts recognized in profit or loss for the six-month periods ended June 30, 2023 and 2022, are as follows:

(in millions of Korean won)

	2023	2022
Gains (losses) on equity investments	₩ 201	₩ (121)
Gains on equity instruments	-	3,179
Gains on short-term financial instruments	4,474	3,530
	<u>₩ 4,675</u>	<u>₩ 6,588</u>

9.2 Financial Assets at Fair Value through Other Comprehensive Income

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

(in millions of Korean won)

	June 30, 2023	December 31, 2022
Non-listed securities	₩ 6,932	₩ 8,087

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

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9.3 Financial Assets at Amortized Cost

(a) Financial assets at amortized cost

Details of financial assets at amortized cost as at June 30, 2023 and December 31, 2022, are as follows:

(in millions of Korean won)

	June 30, 2023		December 31, 2022	
	Current	Non-current	Current	Non-current
Government and public bonds	₩ -	₩ -	₩ 16	₩ -

(b) Movements in financial assets at amortized cost

Movements in financial assets at amortized cost for the six-month period ended June 30, 2023 and for the year ended December 31, 2022, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2023		Year ended December 31, 2022	
	Current	Non-current	Current	Non-current
Beginning balance	₩ 16	₩ -	₩ -	₩ 20,141
Acquisition	-	-	-	460
Disposals	(16)	-	-	(9,740)
Amortization	-	-	-	705
Impairment	-	-	-	(11,550)
Transfer	-	-	16	(16)
Ending balance	₩ -	₩ -	₩ 16	₩ -

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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, 2023 and December 31, 2022, are as follows:

(in millions of Korean won)

	June 30, 2023		December 31, 2022	
	Current	Non-current	Current	Non-current
Receivables from construction contracts	₩ 181,159	₩ 696,766	₩ 339,522	₩ 692,712
Less: Provision for impairment	(15,658)	(681,377)	(16,424)	(681,775)
Receivables from construction contracts, net	₩ 165,501	₩ 15,389	₩ 323,098	₩ 10,937

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, 2023 and December 31, 2022, are as follows:

(in millions of Korean won)

	June 30, 2023		December 31, 2022	
	Current	Non-current	Current	Non-current
Loans	₩ 179,654	₩ 27,663	₩ 179,654	₩ 27,663
Less: Provision for impairment	(179,654)	(27,663)	(179,654)	(27,663)
Loans, net	-	-	-	-
Other receivable	30,300	71,243	26,331	71,343
Less: Provision for impairment	(9,004)	(70,806)	(8,888)	(70,806)
Other receivable, net	21,296	437	17,443	537
Accrued income	32,297	6	28,726	6
Less: Provision for impairment	(27,828)	(6)	(27,828)	(6)
Accrued income, net	4,469	-	898	-
Deposits ¹	-	202,041	62,046	205,674
Less: Provision for impairment	-	(15,000)	-	(15,283)
Deposits, net	-	187,041	62,046	190,391
	₩ 25,765	₩ 187,478	₩ 80,387	₩ 190,928

¹ ₩ 178,492 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

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

<i>(in millions of Korean won)</i>	June 30, 2023		December 31, 2022	
Due from customers for contract work	₩	2,536,243	₩	2,515,406
Impairment loss		(53)		(6)
Total contract assets	₩	<u>2,536,190</u>	₩	<u>2,515,400</u>
Due to customers for contract work ¹	₩	4,955,367	₩	4,599,605
Advance received		82,515		82,515
Total contract liabilities	₩	<u>5,037,882</u>	₩	<u>4,682,120</u>

¹ Revenue recognized that was included in the contract liability balance of ₩ 4,599,605 million at the beginning of the year amounts to ₩ 1,076,794 million for the six-month period ended June 30, 2023.

11. Inventories

11. 1 Details of inventories as at June 30, 2023 and December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2023			December 31, 2022		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
Work in process	₩ 2,252,651	₩ (481,387)	₩ 1,771,264	₩ 1,776,349	₩ (459,210)	₩ 1,317,139
Raw materials	809,984	(31,332)	778,652	788,277	(24,791)	763,486
Supplies	23,033	-	23,033	20,955	-	20,955
Goods in transit	194,742	-	194,742	89,164	-	89,164
	<u>₩ 3,280,410</u>	<u>₩ (512,719)</u>	<u>₩ 2,767,691</u>	<u>₩ 2,674,745</u>	<u>₩ (484,001)</u>	<u>₩ 2,190,744</u>

Inventories are stated in the separate statement of financial position at the lower of cost or net realizable value in case that the market value is lower than the acquisition cost. In subsequent periods, if the market value of an impaired inventory recovers, the Company reverses the valuation loss up to the initially booked amount. Accordingly, the Company recognized loss on valuation of inventories amounting to ₩ 28,718 million and reversal of loss on valuation of inventories amounting to ₩ 7,396 million during the six-month periods ended June 30, 2023 and 2022 respectively. These were included in 'cost of sales' in the statement of profit or loss.

11.2 The cost of inventories recognized as 'cost of sales' amounted to ₩ 1,786,270 million (2022: ₩ 1,599,068 million) for the six-month period ended June 30, 2023.

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12. Other Assets

12.1 Details of other assets as at June 30, 2023 and December 31, 2022, are as follows:

	June 30, 2023		December 31, 2022	
	Current	Non-current	Current	Non-current
Advance payments	₩ 1,277,848	₩ -	₩ 1,196,299	₩ -
Prepaid expenses	72,313	2,540	48,672	2,094
Incremental costs of obtaining a contract	35,547	-	33,478	-
Other investment assets	-	2,524	-	2,524
Others	54,324	6,059	28,761	5,597
	₩ 1,440,032	₩ 11,123	₩ 1,307,210	₩ 10,215

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, 2023	December 31, 2022
Assets recognized from incremental costs of obtaining a contract	₩ 35,547	₩ 33,478
Amortization and impairment loss recognized as cost during the period	1,908	304

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, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	2023		
	Beginning balance	Reversal of impairment loss	Ending balance
Accumulated impairment loss	₩ 14,666	₩ (3,580)	₩ 11,086

<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

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13. Non-current Assets Held for Sale

As at December 31, 2022, 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, 2023 and December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2023	December 31, 2022¹
Land	₩ -	₩ 283

¹ 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 There are no accumulated other comprehensive relating to non-current assets held for sale as at June 30, 2023 and December 31, 2022.

14. Investments in Subsidiaries

14.1 Details of the investments in subsidiaries of the Company as at June 30, 2023, and December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	Location	Main business	June 30, 2023		December 31, 2022	
			Ownership interest (%)	Book amount	Ownership interest (%)	Book amount
Hanwha Ocean Shandong Co., Ltd (formely, DSME Shandong Co., Ltd).	China	Manufacturing ship parts	100.00	₩ -	100.00	₩ -
DK Maritime S.A	Panama	Shipping	100.00	-	100.00	-
Hanwha Ocean Digital Co.,Ltd (formely, 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>

14.2 There are no changes in the book amount of investment in subsidiaries for the six-month period ended June 30, 2023 and for the year ended December 31, 2022.

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15. Investments in Associates and Joint Venture

15.1 Details of investments in associates and joint venture as at June 30, 2023 and December 31, 2022 are as follows:

(in millions of Korean won)

	Location	Main business	June 30, 2023		December 31, 2022	
			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
Hanwha Ocean Ecotech Co.,Ltd. (formely, 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	-	16.60	-
Joint venture						
SBM Shipyard Ltd.	Angola	Holding company (FPSO engineering and operation)	33.33	-	33.33	-
				₩ 2,185	₩ 2,185	

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

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 There are no changes in the book amount of the investments in associates and joint venture for the six-month period ended June 30, 2023.

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Changes in the book amount of the investments in associates and joint venture for the year ended December 31, 2022, are as follows:

(in millions of Korean won)

	Year ended December 31, 2022			
	Beginning balance	Acquisition	Others ¹	Ending balance
TPI Megaline Co.,Ltd.	₩ 2,185	₩ -	₩ -	₩ 2,185
KC LNG Tech Co., Ltd.	746	-	(746)	-
	₩ 2,931	₩ -	₩ (746)	₩ 2,185

¹ Impairment was recognized in accordance with the Company's accounting policies as indication of impairment was identified on the investments in investee company.

16. Property, Plant and Equipment

16.1 Changes in property, plant and equipment for the six-month period ended June 30, 2023 and for the year ended December 31, 2022, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2023					
	Beginning balance	Acquisition	Disposals	Depreciation	Transfers	Ending balance
Land	₩ 2,082,542	₩ -	₩ -	₩ -	₩ -	₩ 2,082,542
Buildings and structures	1,197,896	225	(8)	(26,929)	17,080	1,188,264
Machinery	281,632	5,827	(94)	(16,268)	8,064	279,160
Construction-in-progress	37,363	7,816	-	-	(17,914)	27,265
Other assets	110,293	11,316	(6)	(7,820)	2,135	115,919
	₩ 3,709,725	₩ 25,184	₩ (108)	₩ (51,017)	₩ 9,365	₩ 3,693,149

(in millions of Korean won)

	Six-month period ended June 30, 2023		
	Acquisition cost ¹	Accumulated depreciation	Accumulated impairment losses
Land	₩ 2,082,542	₩ -	₩ -
Buildings and structures	2,471,952	(1,051,274)	(232,414)
Machinery	1,098,861	(617,189)	(202,511)
Construction-in-progress	27,265	-	-
Other assets	927,750	(547,950)	(263,881)
	₩ 6,608,369	₩ (2,216,413)	₩ (698,806)

¹ The acquisition cost of land is a sum of revaluation surplus. Had acquisition cost stated on the historical cost basis, the amount as at June 30, 2023 would be ₩ 1,318,837 million.

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(in millions of Korean won)	Year ended December 31, 2022					
	Beginning balance	Acquisition	Disposals	Depreciation	Transfers	Others ¹
Land	₩ 1,714,673	₩ 165	₩ -	₩ -	₩ (283)	₩ 367,987
Buildings and structures	1,256,151	1,154	-	(53,965)	24,316	(29,760)
Machinery	284,821	42,002	(499)	(31,478)	4,558	(17,772)
Construction-in- progress	30,257	40,577	-	-	(33,472)	-
Other assets	89,814	34,184	(2)	(12,633)	5,306	(6,376)
	<u>₩ 3,375,716</u>	<u>₩ 118,082</u>	<u>₩ (501)</u>	<u>₩ (98,076)</u>	<u>₩ 425</u>	<u>₩ 314,079</u>

(in millions of Korean won)	Year ended December 31, 2022			
	Ending balance	Acquisition cost ²	Accumulated depreciation	Accumulated impairment losses
Land	₩ 2,082,542	₩ 2,082,542	₩ -	₩ -
Buildings and structures	1,197,896	2,454,772	(1,024,462)	(232,414)
Machinery	281,632	1,092,498	(607,996)	(202,871)
Construction-in- progress	37,362	37,363	-	-
Other assets	110,293	927,782	(548,624)	(268,865)
	<u>₩ 3,709,725</u>	<u>₩ 6,594,957</u>	<u>₩ (2,181,082)</u>	<u>₩ (704,150)</u>

¹ Others mainly consist of fluctuation due to revaluation of land and impairment losses.

² The acquisition cost of land is a sum of revaluation surplus. Had acquisition cost stated on the historical cost basis, the amount as at June 30, 2023 would be ₩ 1,318,837 million

16.2 As described in Note 41, 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 ₩ 53,908 million of impairment loss on property, plant and equipment during the year ended December 31, 2022. The amount of impairment loss recognized on the individual asset was allocated with a limit of the net fair value (estimated value of the sale or potential appraisal with the potential buyer) of individual asset.

16.3 Line items including depreciation (including depreciation on investment properties) in the statements of profit or loss for the six-month periods ended June 30, 2023 and 2022, are as follows:

(in millions of Korean won)	2023	2022
Cost of sales	₩ 47,478	₩ 45,204
Selling and administrative expenses	667	239
Research and development expenses	2,871	2,622
	<u>₩ 51,016</u>	<u>₩ 48,065</u>

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17. Right-of-use Assets

Set out below is information for leases when the Company is a lessee.

17.1 Changes in right-of-use assets for the six-month period ended June 30, 2023 and for year ended December 31, 2022, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2023				
	Beginning balance	Acquisition	Depreciation ¹	Others ²	Ending balance
Lease- Buildings	₩ 12,369	₩ 19,792	₩ (2,914)	₩ 712	₩ 29,959
Lease- Machinery	50	11	(22)	-	39
Lease- Ships and aircraft	33,270	-	(7,522)	-	25,748
Lease- Vehicle	2,693	1,221	(1,016)	259	3,157
Lease- Land	800	721	(1,219)	1,056	1,358
	₩ 49,182	₩ 21,745	₩ (12,693)	₩ 2,027	₩ 60,261

¹ Depreciation of lease- vehicle amounting to ₩ 618 million was transferred to research and development expenses.

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

(in millions of Korean won)

	Year ended December 31, 2022				
	Beginning balance	Acquisition	Depreciation ¹	Others ²	Ending balance
Lease- Buildings	₩ 16,039	₩ 280	₩ (4,688)	₩ 738	₩ 12,369
Lease- Machinery	7	14	(40)	69	50
Lease- Ships and aircraft	41,617	5,866	(15,702)	1,489	33,270
Lease- Vehicle	1,296	2,844	(1,526)	79	2,693
Lease- Land	148	887	(1,150)	915	800
	₩ 59,107	₩ 9,891	₩ (23,105)	₩ 3,290	₩ 49,182

¹ Depreciation of lease- vehicle amounting to ₩ 1,169 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 41, 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 ₩ 359 million of impairment loss on right-of-use assets. The amount of impairment loss recognized on the individual asset was allocated with a limit of the net fair value (the value of a lease contract available for a lease or the recoverable amount related to lease contract at the termination) of individual asset.

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17.2 Details of lease liabilities as at June 30, 2023 and December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	2023		2022	
Current liabilities	₩	25,086	₩	20,405
Non-current liabilities		55,851		48,605
	₩	80,937	₩	69,010

17.3 In connection with lease, cash outflows and total interest expenses are ₩ 17,921 million (2022: ₩ 14,175 million) and ₩ 990 million (2022: ₩ 1,034 million), respectively, for the six-month period ended June 30, 2023.

17.4 The expenses relating to short-term leases, leases of low-value assets and variable lease payment are ₩ 1,117 million (2022: ₩ 655 million), ₩ 9 million (2022: ₩ 14 million) and ₩ 3,996 million (2022: ₩ 1,862 million), respectively, for the six-month period ended June 30, 2023. 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, 2023 and for the year ended December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2023						
	Less than 1 year		1 year ~ 5 years		Over 5 years		Total
Lease liabilities	₩	25,086	₩	34,928	₩	20,923	₩ 80,937

<i>(in millions of Korean won)</i>	Year ended December 31, 2022						
	Less than 1 year		1 year ~ 5 years		Over 5 years		Total
Lease liabilities	₩	20,405	₩	27,905	₩	20,700	₩ 69,010

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18. Pledged Assets

18.1 As at June 30, 2023, 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	KRW	3,318,596	KRW	3,735,200	Borrowings in Korean won	KRW	625,559	KDB and KEXIM		
			USD	880,000	Borrowings in foreign currencies	USD	1,034,430			
Financial assets at fair value through profit or loss	KRW	30,697	KRW	28,206	Performance guarantee		-	KDIA and Machinery Financial Cooperative		
						KRW	3,763,406		KRW	625,559
						USD	880,000		USD	1,034,430

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	5,000,000	USD	2,404,849
			USD	3,680,046
KEXIM	USD	6,577,882	EUR	9,348
			KRW	7,026
Other financial institutions	USD	42,000	USD	41,699

In addition to the above, the Company is provided with performance guarantee of ₩ 2,208,886 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 41).

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19. Intangible Assets

19.1 Intangible assets as at June 30, 2023 and December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2023		December 31, 2022	
Acquisition cost	₩	23,739	₩	23,023
Accumulated amortization and impairment loss		(22,422)		(22,375)
Book amount	₩	1,317	₩	648

19.2 Changes in book amounts of intangible assets for the six-month period ended June 30, 2023 and for the year ended December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2023					
	Intellectual property rights		Others		Total	
Beginning balance	₩	-	₩	647	₩	647
Acquisition		716		-		716
Amortization		(21)		-		(21)
Impairment loss ¹		-		(26)		(26)
Ending balance	₩	695	₩	621	₩	1,316

<i>(in millions of Korean won)</i>	Year ended December 31, 2022							
	Intellectual property rights		Certified emission reduction		Others Total			
Beginning balance	₩	-	₩	18	₩	653	₩	671
Acquisition (disposal)		1,496		(18)		-		1,478
Amortization		(75)		-		-		(75)
Impairment loss ¹		(1,421)		-		(6)		(1,427)
Ending balance	₩	-	₩	-	₩	647	₩	647

¹ As described in Note 41, 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 ₩ 1,422 million of impairment loss on intangible assets during the year ended December 31, 2022. 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.

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20. Trade and Other Payables

Trade and other payables as at June 30, 2023 and December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2023		December 31, 2022	
	Current	Non-current	Current	Non-current
Trade payables ¹	₩ 723,195	₩ -	₩ 612,534	₩ -
Accounts payables	157,154	5,041	181,913	4,854
Accrued expenses	79,074	-	101,667	-
Deposits received	8,615	-	7,851	-
	<u>₩ 968,038</u>	<u>₩ 5,041</u>	<u>₩ 903,965</u>	<u>₩ 4,854</u>

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

21. Debentures

Details of the book amount of debentures as at June 30, 2023 and December 31, 2022, are as follows:

Type	Maturity date	Annual interest rate (%)	June 30, 2023	December 31, 2022
4-2 nd non-guarantee bonds	April 21, 2023	-	₩ -	₩ 24,850
5-2 nd non-guarantee bonds	April 21, 2023	-	-	16,439
6-1 st non-guarantee bonds	April 21, 2023	-	-	35,519
6-2 nd non-guarantee bonds	April 21, 2023	-	-	4,886
7 th non-guarantee bonds	April 21, 2023	-	-	24,795
Commercial papers	April 21, 2023	-	-	17,196
			<u>-</u>	<u>123,685</u>
Less: discount on debentures			-	-
Less: Discount on current portion of debentures			-	(1,731)
Less: current portion of debentures			-	(121,954)
			<u>₩ -</u>	<u>₩ -</u>

As described in Note 42, 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.

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22. Borrowings

22.1 Short-term borrowings

Details of the book amount of short-term borrowings as at June 30, 2023 and December 31, 2022, are as follows:

(in millions of Korean won)

	Creditor	Description	Annual interest rate (%)	June 30, 2023	December 31, 2022
Short-term borrowings in Korean won	Kookmin Bank	Overdraft	-	₩ -	₩ 3,514
	KDB	General loan	3.00	432,659	432,659
	KEXIM	Export financing loan	-	-	192,900
				432,659	629,073
Short-term borrowings in foreign currencies	KDB and others	USANCE	2.94~6.03	181,000	438,363
	KEXIM	Export financing loan	-	-	151,023
				181,000	589,386
				₩ 613,659	₩ 1,218,459

22.2 Long-term borrowings

Details of the book amount of long-term borrowings as at June 30, 2023 and December 31, 2022, are as follows:

(in millions of Korean won)

	Creditor	Description	Annual interest rate (%)	June 30, 2023	December 31, 2022
Long-term borrowings in Korean won	Korea Housing Guarantee	General loan	-	₩ 89	₩ 93
	KEXIM	General loan	3.00	192,900	-
	Woori Bank	General loan	1.00	15,978	17,975
	Hana Bank	General loan	1.00	73,530	82,721
	Kookmin Bank	General loan	1.00	16,000	18,000
	Shinhan Bank	General loan	1.00	12,800	14,400
				311,297	133,189
Long-term borrowings in foreign currencies	KDB	Operating loan	3M SOFR + 1	958,344	925,129
	Korea Energy Agency	Energy special loan	-	6,902	6,750
	KEXIM	Overseas investment loan	6M SOFR + 1	20,677	19,960
				367,140	203,393

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	Operating loan	1.00	11,839	12,857
Woori Bank	Operating loan	1.00	5,074	5,510
			<u>1,369,976</u>	<u>1,173,599</u>
			1,681,273	1,306,788
Less: Current portion			(33,809)	(1,182,144)
Less: Discount on loans			(20,674)	(24,928)
			<u>₩ 1,626,790</u>	<u>₩ 99,716</u>

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

23. Other Liabilities

Other liabilities as at June 30, 2023 and December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2023		December 31, 2022	
Withholdings	₩	580,588	₩	563,366
	₩	<u>580,588</u>	₩	<u>563,366</u>

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

24.1 Details of net defined benefit liabilities and other long-term employee benefit liabilities as at June 30, 2023 and December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2023		December 31, 2022	
Present value of defined benefit obligation	₩	496,012	₩	411,917
Fair value of plan assets		(454,872)		(471,624)
Net defined benefit liabilities (assets)	₩	<u>41,140</u>	₩	<u>(59,707)</u>
Other long-term employee benefit liabilities	₩	56,434	₩	22,026

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24.2 Movements in the net defined benefit liabilities and other long-term employee benefit liabilities for the six-month period ended June 30, 2023 and for the year ended December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2023			
	Present value of defined benefit obligations	Plan assets	Other long-term employee benefit obligation	Total
Beginning balance	₩ 411,917	₩ (471,624)	₩ 22,026	₩ (37,681)
Current service cost	20,909	-	645	21,554
Past service cost	20,069	-	37,568	57,637
Interest expense (income)	9,839	(11,810)	523	(1,448)
	<u>462,734</u>	<u>(483,434)</u>	<u>60,762</u>	<u>40,062</u>
Remeasurements:				
Return on plan assets	-	1,011	-	1,011
Actuarial losses arising from change in financial assumptions	50,717	-	1,756	52,473
Actuarial losses (gains) arising from experience adjustments	5,334	-	(4,544)	790
	<u>56,051</u>	<u>1,011</u>	<u>(2,788)</u>	<u>54,274</u>
Benefit payments	(35,753)	27,526	(1,540)	(9,767)
Others ¹	12,980	25	-	13,005
Ending balance	<u>₩ 496,012</u>	<u>₩ (454,872)</u>	<u>₩ 56,434</u>	<u>₩ 97,574</u>

¹ Among defined benefit liabilities, it is the amount recovered for severance pay for transferees between affiliates and the national pension conversion amount among plan assets.

<i>(in millions of Korean won)</i>	Year ended December 31, 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	43,390	-	1,517	44,907
Interest expense (income)	10,039	(11,027)	619	(369)
	<u>469,063</u>	<u>(420,191)</u>	<u>27,575</u>	<u>76,447</u>
Remeasurements:				
Return on plan assets	-	3,298	-	3,298
Actuarial gains arising from change in financial assumptions	(60,074)	-	(4,137)	(64,211)
Actuarial losses arising from experience	49,456	-	1,755	51,211

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adjustments					
	(10,618)	3,298	(2,382)	(9,702)	
Contributions	-	(96,000)	-	(96,000)	
Benefit payments	(46,528)	41,269	(3,167)	(8,426)	
Ending balance	₩ 411,917	₩ (471,624)	₩ 22,026	₩ (37,681)	

25. Provisions

Changes in provisions for construction losses, construction warranties and other provisions for the six-month period ended June 30, 2023 and for the year ended December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	Six-month period ended June 30, 2023					
	Current			Non-current		
	Provision for construction losses	Provision for construction warranties	Other provisions	Provision for construction warranties	Other provisions	Total
Beginning balance	₩ 1,338,496	₩ 94,455	₩ 136,895	₩ 75,940	₩ 253,052	₩ 1,898,838
Additional (reversal) provisions	(500,865)	-	20,573	13,169	1,813	(465,310)
Transfer	-	25,135	26,064	(25,135)	(26,064)	-
Used during period	-	(8,922)	(459)	-	(4,298)	(13,679)
Ending balance	₩ 837,631	₩ 110,668	₩ 183,073	₩ 63,974	₩ 224,503	₩ 1,419,849

<i>(in millions of Korean won)</i>	Year ended December 31, 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	(169,498)	-	40,488	76,290	10,486	(42,234)
Transfer	-	75,355	-	(69,580)	-	5,775
Used during period	-	(109,318)	(22,741)	-	(22,999)	(155,058)
Ending balance	₩ 1,338,496	₩ 94,455	₩ 136,895	₩ 75,940	₩ 253,052	₩ 1,898,838

26. Income Taxes Expense

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

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27. Derivative Instruments

Details of derivative instruments held for hedging and trading purposes as at June 30, 2023, and December 31, 2022, are as follows:

(in millions of Korean won)	June 30, 2023				
	Sales	Other expense	Firm commitment assets (including current portion) ¹	Commitment liabilities	Currency forward liabilities (including current portion)
For fair value hedging ¹	₩ (169,552)	₩ (63,173)	₩ 515,355	₩ (11,845)	₩ 609,070
For trading ²	-	-	-	-	16,703
	<u>₩ (169,552)</u>	<u>₩ (63,173)</u>	<u>₩ 515,355</u>	<u>₩ (11,845)</u>	<u>₩ 625,773</u>

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 liabilities at fair value through profit or loss.

(in millions of Korean won)	December 31, 2022						
	Sales	Other non- operating expense	Firm commitment assets (including current portion) ¹	Firm commitment liabilities (including current portion) ¹	Commitment liabilities	Currency forward assets (including current portion)	Currency forward liabilities (including current portion)
For fair value hedging ¹	₩ (223,267)	₩ (81,782)	₩ 433,262	₩ 985	₩ (4,917)	₩ 3,504	₩ 485,712
For trading ²	-	-	-	-	-	-	31,440
	<u>₩ (223,267)</u>	<u>₩ (81,782)</u>	<u>₩ 433,262</u>	<u>₩ 985</u>	<u>₩ (4,917)</u>	<u>₩ 3,504</u>	<u>₩ 517,152</u>

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 liabilities at fair value through profit or loss.

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28. Capital

On August 23, 2004, the Company retired 1,000,000 shares of treasury share acquired for ₩ 15,416 million upon the approval at the Board of Directors' meeting. Accordingly, the number of shares issued has been decreased. However, the amount of paid-up capital has not been reduced. As a result, the face value of the Company's issued shares and the ordinary share presented in the separate statement of financial position are not identical as at June 30, 2023 and December 31, 2022.

The Company's total number of authorized shares, issued shares and par value per share are 1,000,000,000 shares (2022: 800,000,000 shares) , 216,873,339 shares (2022: 107,290,669 shares) and ₩ 5,000, respectively, as at June 30, 2023 and December 31, 2022.

Changes in number of shares and share capital for the six-month period ended June 30, 2023 and for the year ended December 31, 2022, are as follows:

<i>(in millions of Korean won, and in number of shares)</i>	Details	Number of shares (unit: shares)	Share capital	
January 1, 2022	Beginning balance	107,290,669	₩	541,453
December 31, 2022	Ending balance	107,290,669		541,453
January 1, 2023	Beginning balance	107,290,669		541,453
May 24, 2023	Capital increase	104,438,643		522,193
June 2, 2023	Debt to equity swaps	5,144,087		25,721
June 30, 2023	Ending balance	216,873,399	₩	1,089,367

29. Retained Earnings (Deficit)

Retained earnings (deficit) as at June 30, 2023 and December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2023		December 31, 2022	
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		(6,955,995)		(6,385,288)
	₩	(3,354,915)	₩	(2,784,208)

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

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30. Other Contributed Capital and Components of Other Capital

30.1 Capital surplus, capital adjustment and accumulated other comprehensive income as at June 30, 2023 and December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2023		December 31, 2022	
Capital surplus				
Share premium	₩	1,601,160	₩	10,527
Others		(6,194)		(6,194)
		<u>₩ 1,594,966</u>		<u>₩ 4,333</u>
Capital adjustment				
Treasury shares	₩	(726)	₩	(726)
Loss on disposal of treasury shares		(10,867)		(10,867)
Others ¹		6,546		6,546
		<u>₩ (5,047)</u>		<u>₩ (5,047)</u>
Accumulated other comprehensive income				
Revaluation surplus of property, plant and equipment	₩	563,011	₩	563,011
Loss on valuation of financial assets at fair value through other comprehensive income		(9,669)		(8,514)
		<u>₩ 553,342</u>		<u>₩ 554,497</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, 2023.

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30.2 Hybrid capital instrument as at June 30, 2023 and December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2023		December 31, 2022	
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, December 23, 2021, December 23, 2022, May 23, 2023 and June 1, 2023 and the condition of bond issuance as at June 30, 2023, 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, 1.0% from May 23, 2023 (referred to as transaction closing date) until the day before the 5th year, 1.5% until the day before the 11th year maturity, 2.0% until the day before the 17th year maturity, 2.93% until the day before the maturity added every year. Payment: Pay quarterly, optional payment suspension only if there is no reason for not suspending interest payment ⁽¹⁾ . 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⁾ 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 An amount equivalent to 0.5% of the total par value of these bonds starting from the day after 5th year from the transaction closing date until the day after 6th year since the transaction, 1.5% of the total par value of these bonds starting from the following day until the day after 6th year, 2.5% of the total par value of these bonds starting from the following day until the maturity date can be repaid in installments every six months (newly established).
Conversion condition	₩ 40,350 per share
Trigger clause	The liquidation of the issuing company
Debt to equity swaps of unpaid interest (newly established)	The acquiring company may decide to convert the accumulated unpaid interest that has accrued or will accrue on these bonds into equity swaps of the issuing company's registered ordinary share. In this case, the conversion price of debt-to-equity swaps is the amount

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calculated in accordance with Article 5-18, Paragraph 2 of the Regulations on the Issuance and Public Announcement of Securities, etc., on May 23, 2023, the date of resolution by the board of directors of the issuing company, using that date as the base date (however, no discount rate is applied).

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

These convertible bonds are classified as equity because there is no contractual cash payment obligation of the issuer. Details of convertible bonds issued by the Company are changed as at December 23, 2021, December 23, 2022, May 23, 2023 and June 1, 2023 and the condition of bond issuance as at June 30, 2023, 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: 3% until June 28, 2017, 1.0% from May 23, 2023 (referred to as transaction closing date) until the day before the 5th year, 1.5% until the day before the 11th year maturity, 2.0% until the day before the 17th year maturity, 2.93% until the day before the maturity added every year. Payment: Pay quarterly, optional payment suspension only if there is no reason for not suspending interest payment ⁽¹⁾ . 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⁾ 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 An amount equivalent to 0.5% of the total par value of these bonds starting from the day after 5th year from the transaction closing date until the day after 6th year since the transaction, 1.5% of the total par value of these bonds starting from the following day until the day after 6th year, 2.5% of the total par value of these bonds starting from the following day until the maturity date can be repaid in installments every six months (newly established).
Conversion condition	₩ 40,350 per share
Trigger clause	The liquidation of the issuing company
Debt to equity swaps of unpaid interest (newly established)	The acquiring company may decide to convert the accumulated unpaid interest that has accrued or will accrue on these bonds into equity swaps of the issuing company's registered ordinary share. In this case, the conversion price of debt-to-equity swaps is the amount calculated in accordance with Article 5-18, Paragraph 2 of the Regulations on the Issuance and Public Announcement of Securities, etc., on May 23, 2023, the date of resolution by the board of directors of the issuing company, using that date as the base date (however, no discount rate is applied).

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.

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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 December 23, 2021, December 23, 2022, May 23, 2023 and June 1, 2023 and the condition of bond issuance as at June 30, 2023, 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: 3% until June 28, 2017, 1.0% from May 23, 2023 (referred to as transaction closing date) until the day before the 5th year, 1.5% until the day before the 11th year maturity, 2.0% until the day before the 17th year maturity, 2.93% until the day before the maturity added every year. Payment: Pay quarterly, optional payment suspension only if there is no reason for not suspending interest payment ⁽¹⁾ . 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⁾ 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 An amount equivalent to 0.5% of the total par value of these bonds starting from the day after 5th year from the transaction closing date until the day after 6th year since the transaction, 1.5% of the total par value of these bonds starting from the following day until the day after 6th year, 2.5% of the total par value of these bonds starting from the following day until the maturity date can be repaid in installments every six months (newly established).
Conversion condition	₩ 40,350 per share
Trigger clause	The liquidation of the issuing company
Debt to equity swaps of unpaid interest (newly established)	The acquiring company may decide to convert the accumulated unpaid interest that has accrued or will accrue on these bonds into equity swaps of the issuing company's registered ordinary share. In this case, the conversion price of debt-to-equity swaps is the amount calculated in accordance with Article 5-18, Paragraph 2 of the Regulations on the Issuance and Public Announcement of Securities, etc., on May 23, 2023, the date of resolution by the board of directors of the issuing company, using that date as the base date (however, no discount rate is applied).

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31. Losses Per Share

31.1 Basic losses per share is calculated by dividing the 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 losses per share for the three-month and six-month periods ended June 30, 2023 and 2022, are as follows:

<i>(in Korean won)</i>	2023		2022	
	Three months	Six months	Three months	Six months
Loss for the period	₩ (251,103,432,056)	₩ (372,351,814,649)	₩ (182,163,381,758)	₩ (672,591,298,113)
Paid interest of hybrid capital instruments ¹	(6,015,777,550)	(12,176,719,780)	(6,047,789,650)	(12,147,887,190)
Loss on ordinary shares	₩ (257,119,209,606)	₩ (384,528,534,429)	₩ (188,211,171,408)	₩ (684,739,185,303)
Weighted average number of ordinary shares outstanding <i>(in shares)</i>	152,525,527	130,024,998	107,274,462	107,274,462
Basic losses per share	₩ (1,686)	₩ (2,957)	₩ (1,754)	₩ (6,383)

¹ Interest payable related to hybrid capital instrument ₩ 2,429 million (accumulated: ₩ 2,429 million) is included as at June 30, 2023.

31.2 Weighted-average number of ordinary shares outstanding used in the calculation of earnings per share, for the three-month and six-month periods ended June 30, 2023 and 2022, respectively, are as follows:

<i>(in shares)</i>	Three-month period ended June 30, 2023				
	Issued shares	Treasury shares	Outstanding shares	Number of days	Weighted average number of ordinary shares outstanding
Apr 1, 2023	107,290,669	(16,207)	107,274,462	91	107,274,462
May 24, 2023	104,438,643	-	104,438,643	38	43,611,741
June 2, 2023	5,144,087	-	5,144,087	29	1,639,324
				91	152,525,527

<i>(in shares)</i>	Six-month period ended June 30, 2023				
	Issued shares	Treasury shares	Outstanding shares	Number of days	Weighted average number of ordinary shares outstanding
Jan 1, 2023	107,290,669	(16,207)	107,274,462	181	107,274,462
May 24, 2023	104,438,643	-	104,438,643	38	21,926,345
June 2, 2023	5,144,087	-	5,144,087	29	824,191
				181	130,024,998

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<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

<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

31.3 Diluted losses 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>	2023		2022	
	Three months	Six months	Three months	Six months
Loss on ordinary shares	₩ (257,119,209,606)	₩ (384,528,534,429)	₩ (188,211,171,408)	₩ (684,739,185,303)
Interest of hybrid capital instrument	6,015,777,550	12,176,719,780	6,047,789,650	12,147,887,190
Loss used to determine diluted EPS	₩ (251,103,432,056)	₩ (372,351,814,649)	₩ (182,163,381,758)	₩ (672,591,298,113)
Weighted average number of ordinary shares outstanding <i>(in shares)</i>	152,525,527	130,024,998	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>	210,340,452	187,839,923	165,089,387	165,089,387
Diluted losses per share	₩ 1	₩ 1	₩ 1	₩ 1

¹ Diluted and basic losses per share for the six-month period ended June 30, 2023, are equal because there is no dilution effect in dilutive securities.

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32. Selling and Administrative Expenses

Details of selling and administrative expenses for the three-month and six-month periods ended June 30, 2023 and 2022, are as follows:

(in millions of Korean won)

	2023		2022	
	Three months	Six months	Three months	Six months
Employee benefits	₩ 17,288	₩ 31,610	₩ 13,005	₩ 28,508
Post-employment benefits	4,779	5,507	709	1,610
Commission	17,995	35,144	15,959	30,261
Depreciation	1,406	2,214	644	1,346
Reversal of impairment loss	1,832	1,731	(180)	(271)
Administrative service costs	3,076	5,866	(195)	6,274
Research and development expenses	20,877	36,905	16,571	31,710
Others	14,417	20,884	14,162	19,338
	₩ 81,670	₩ 139,861	₩ 60,675	₩ 118,776

33. Finance Income and Costs

Details of finance income and costs for the three-month and six-month periods ended June 30, 2023 and 2022, are as follows:

(in millions of Korean won)

	2023		2022	
	Three months	Six months	Three months	Six months
Finance income				
Interest income	₩ 17,940	₩ 41,755	₩ 14,341	₩ 28,533
Gains on valuation of financial assets at fair value through profit or loss	1,778	1,967	(1,345)	3,246
Dividend income	8	1,023	15	586
Gains on foreign currency translation	(26,998)	34,075	80,997	105,367
Gains on foreign currency transactions	89,547	186,383	82,176	122,494
Gains on valuation of currency forward	-	-	468	1,207
Gains on currency forward transactions	6,603	17,049	-	-
	₩ 88,878	₩ 282,252	₩ 176,652	₩ 261,433

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(in millions of Korean won)

	2023		2022	
	Three months	Six months	Three months	Six months
Finance costs				
Interest expenses	₩ 40,563	₩ 81,066	₩ 26,598	₩ 51,006
Losses on valuation of financial assets at fair value through profit or loss	(5)	-	(3)	203
Impairment loss on financial assets at amortized cost	-	-	236	10,527
Losses on foreign currency translation	12,166	90,482	145,084	188,635
Losses on foreign currency transactions	76,369	163,788	69,390	85,566
Losses on valuation of currency forward	57,257	261,320	502,139	574,441
Losses on currency forward transactions	55,520	78,461	7,135	8,987
	₩ 241,870	₩ 675,117	₩ 750,579	₩ 919,365

34. Other Income and Expenses

Details of other income and expenses for the three-month and six-month periods ended June 30, 2023 and 2022, are as follows:

(in millions of Korean won)

	2023		2022	
	Three months	Six months	Three months	Six months
Other income				
Gains on valuation of firm commitment	₩ 74,224	₩ 262,802	₩ 506,498	₩ 574,750
Gains on disposal of property, plant and equipment	97	167	115	326
Gains on disposal of non-current assets held-for-sale	-	417	-	-
Reversal of provision for other impairment	167	167	204	517
Others	4,275	8,767	5,373	8,452
	₩ 78,763	₩ 272,320	₩ 512,190	₩ 584,045

(in millions of Korean won)

	2023		2022	
	Three months	Six months	Three months	Six months
Other expenses				
Losses on valuation of firm commitment	₩ 1,231	₩ 3,242	₩ 85	₩ 163
Losses on disposal of property, plant and equipment	6	104	187	343
Contingency loss	4,818	11,480	12,739	20,441
Other impairment loss	(100)	-	-	-
Others	50	88	624	680
	₩ 6,005	₩ 14,914	₩ 13,635	₩ 21,627

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35. Expenses by Nature

Expenses classified by nature for the six-month periods ended June 30, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	2023		2022	
Changes in inventories	₩	(461,898)	₩	(383,631)
Purchase of raw materials		2,248,168		1,982,700
Employee benefits		424,558		398,152
Depreciation		51,017		48,065
Depreciation of right-of-use assets		12,693		11,171
Amortization		21		20
Commission		58,977		50,332
Travel		4,344		2,402
Administrative service fees		44,969		39,187
Rent		26,369		15,969
Amount paid to subcontractor		1,015,371		608,227
Reversal of provisions for construction losses		(500,865)		(173,481)
Others		572,940		386,856
	₩	3,496,664	₩	2,985,969

36. Related Parties

36.1 Related parties of the Company as at June 30, 2023 and 2022, are as follows:

		2023
		Name of company
Entity with significant influence over the Company		HANWHA AEROSPACE CO., LTD., KDB
Subsidiaries		Hanwha Ocean Shandong Co., Ltd (formely, DSME Shandong Co., Ltd)., DK Maritime S.A., Hanwha Ocean Digital Co.,Ltd (formely, DSME Information and Consulting, DSME Kazakhstan LLP
Associates		Wing Ship Technology Corp., TPI Megaline Co., Ltd., Hanwha Ocean Ecotech Co.,Ltd. (formely, Samwoo Heavy Industry Co., Ltd.), KC LNG Tech Co., Ltd.
Joint ventures		SBM Shipyard Ltd., SAME Netherlands B.V.
Other related parties		Subsidiaries of HANWHA AEROSPACE CO., LTD. and HANWHA CORPORATION the parent company of HANWHA AEROSPACE CO.,

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LTD., and its subsidiaries, PT. DSME Indonesia, 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.

2022

Name of company

Parent Company	HANWHA AEROSPACE CO., LTD., KDB
Subsidiaries	Hanwha Ocean Shandong Co., Ltd (formely, DSME Shandong Co., Ltd)., DK Maritime S.A., Hanwha Ocean Digital Co.,Ltd (formely, DSME Information and Consulting, DSME Kazakhstan LLP
Associates	Wing Ship Technology Corp., TPI Megaline Co., Ltd., Hanwha Ocean Ecotech Co.,Ltd. (formely, 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.

36.2 Significant transactions with the related parties for the six-month periods ended June 30, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>		Transaction	2023	2022
Entity with significant influence over the Company:				
KDB	Interest and other income		₩ 20,796	₩ 2,918
	Interest and other expenses		404,460	602,139
Subsidiaries:				
Hanwha Ocean Shandong Co., Ltd (formely, DSME Sales Shandong Co., Ltd).,			3,042	2,264
	Purchases		103,827	53,098
	Interest and other expense		1,500	-

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Other subsidiaries	Sales	106	78
	Purchases	11,222	4,380
	Interest and other expense	16,351	16,583
Associates and Joint ventures:			
Hanwha Ocean Ecotech Co.,Ltd. (formerly, Samwoo Heavy Industry Co., Ltd.)and others ²	Sales	989	923
	Purchases	69,872	59,376
	Interest and other income	1,739	1,614
	Interest and other expense ¹	3,126	2,422
Other related parties:			
HANWHA CORP and subsidiaries	Sales	2	-
	Purchases	3,023	-
	Interest and other expense	1,089	-
KEXIM	Interest and other expense	31,343	15,888
Related parties of KDB and others ²	Sales	124,233	2,468
	Purchases	34,948	24,061
	Interest and other income	-	1
	Interest and other expense	117	126
Total	Sales	128,372	5,733
	Purchases	222,892	140,915
	Interest and other income	22,535	4,533
	Interest and other expense	₩ 457,986	₩ 637,158

¹ Interest expense and variable lease payments arising from lease transaction with TPI Megaline Co., Ltd. for the six-month period ended June 30, 2023 amount to ₩ 397 million (2022: ₩ 560 million) and ₩ 2,730 million (2022: ₩ 1,862 million), respectively.

² The Company has entered into shipbuilding contracts with one of other related parties, HMM CO., LTD. and its subsidiaries, during the six-month period ended June 30, 2023. The Company recognized sales of ₩ 123,164 million (2022: ₩ 2,468 million) for the six-month period ended June 30, 2023. As at June 30, 2023, the remaining contract balance is ₩ 865,667 million (2022: 983,690 million).

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36.3 Fund transactions with related parties for the six-month periods ended June 30, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>		Transaction	2023	2022
Entity with significant influence over the Company:				
HANWHA AEROSPACE CO., LTD.	Capital increase		₩ 1,000,000	₩ -
KDB	Proceeds from borrowings		460,000	73,020
	Redemption of borrowings		546,585	-
Associates and Joint venture:				
TPI Megaline Co., Ltd. ¹	Redemption of lease liabilities ¹		5,543	5,380
Other related parties:				
HANWHA SYSTEMS Co., Ltd., and others	Capital increase		1,000,000	2,490
KEXIM	Proceeds from borrowings		460,000	-
	Redemption of borrowings		461,429	-
Total	Capital increase		2,000,000	-
	Proceeds from borrowings		920,000	73,020
	Redemption of borrowings		1,008,014	-
	Redemption of lease liabilities		₩ 5,543	₩ 5,380

¹ Repayment of lease liabilities does not include interest expenses presented in Note 36.2.

36.4 Significant receivables from and payables to the related parties as at June 30, 2023 and December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2023					
	Financial instruments and others¹	Trade receivables and others¹	Other receivables¹	Loans and others¹	Borrowings	Other payables and others
Entity with significant influence over the Company:						
HANWHA AEROSPACE CO., LTD.	₩ -	₩ -	₩ -	₩ 82,818	₩ -	₩ -
KDB	1,143,146	-	-	1,822	1,430,502	635,486
Subsidiaries:						
Hanwha Ocean Shandong Co., Ltd (formely, DSME Shandong Co., Ltd),	-	795	5	7,407	-	-
DK Maritime S.A.	-	84,837	-	-	-	-
Other subsidiaries	-	1	1	-	-	4,727
Associates:						
Hanwha Ocean Ecotech Co.,Ltd. and others	-	179	794	15,000	-	30,306
Joint venture:						
SBM Shipyards Ltd. and others	-	-	-	175,966	-	-
Other related parties:						

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KC Kazakh B.V. and others	-	755	-	27,663	-	-
HANWHA CORP and subsidiaries	-	-	-	46,674	-	1,787
Related parties of industrial bank:						
KEXIM ²	-	-	-	2,791	592,556	1,370
Related parties of KDB	-	-	-	-	-	248,168
	<u>₩</u>	<u>1,143,146</u>	<u>₩</u>	<u>86,567</u>	<u>₩</u>	<u>800</u>
	<u>₩</u>	<u>360,141</u>	<u>₩</u>	<u>2,023,058</u>	<u>₩</u>	<u>921,844</u>

¹ Amount before deduction of provision for impairment loss.

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

(in millions of

December 31, 2022

Korean won)

	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	₩ 755,112	₩ -	₩ -	₩ 3,271	₩ 1,483,872	₩ 524,392
Subsidiaries:						
Hanwha Ocean Shandong Co., Ltd (formely, DSME Shandong Co., Ltd),	-	299	5	19,804	-	-
DK Maritime S.A.	-	84,837	-	-	-	-
Other subsidiaries	-	10	2	-	-	7,552
Associates:						
Hanwha Ocean Ecotech Co.,Ltd. and others	-	208	277	15,000	-	34,364
Joint venture:						
SBM Shipyards Ltd. and others	-	-	-	175,966	-	-
Other related parties:						
KC Kazakh B.V. and others	-	3,603	-	27,663	-	-
KEXIM ²	-	-	-	2,977	580,133	1,574
Related parties of KDB	-	-	-	-	-	286,041
	<u>₩</u>	<u>755,112</u>	<u>₩</u>	<u>88,957</u>	<u>₩</u>	<u>284</u>
	<u>₩</u>	<u>244,681</u>	<u>₩</u>	<u>2,064,005</u>	<u>₩</u>	<u>853,923</u>

¹ Amount before deduction of provision for impairment loss.

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

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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, 2023 and for the years ended December 31, 2022, are as follows:

(in millions of Korean won)

	Six-month period ended June 30, 2023					
	Beginning balance		Others		Ending balance	
Trade receivables	₩	88,440	₩	(2,848)	₩	85,592
Loans and others		218,629		-		218,629
	₩	307,069	₩	(2,848)	₩	304,221

(in millions of Korean won)

	Year ended December 31, 2022					
	Beginning balance		Reversal of impairment loss		Ending balance	
Trade receivables	₩	88,440	₩	-	₩	88,440
Loans and others		225,796		(7,167)		218,629
	₩	314,236	₩	(7,167)	₩	307,069

36.5 Key management compensation for the three-month and six-month periods ended June 30, 2023 and 2022, is as follows:

(in millions of Korean won)

	2023				2022			
	Three months		Six months		Three months		Six months	
Short-term employee benefits	₩	1,622	₩	1,859	₩	489	₩	815
Post-employment benefits		3,115		3,138		122		164
	₩	4,737	₩	4,997	₩	611	₩	979

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

36.6 Significant collateral and guarantees provided for the related parties as at June 30, 2023, are as follows:

(in thousands of foreign currency)

	Provided for	Guaranteed amount	Guarantor
Performance guarantee	SAME Netherlands B.V. ²	USD 998,271	PETROLEO BRASILEIRO S.A.

¹ The Company provides guarantee regarding the SAME Netherlands B.V. jointly established with SAIPEM S.p.A. The performance guarantee amount is USD 2,376,836 thousand, and the guarantee amount corresponding to the liability ratio under the consortium contract is USD 998,271 thousand. The Company provided performance guarantees regarding the construction performance of TCO FGP Module Fabrication in Kazakhstan, but the guarantee period has expired during the year ended December 31, 2022.

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36.7 Significant guarantees provided by related parties as at June 30, 2023, are as follows:

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

Guarantor	Type of obligations guaranteed	Guaranteed amount	Type of borrowings	Borrowing amount
Entity with significant influence over the Company:				
KDB	USANCE	USD 314,400	Short-term borrowings	USD 11,877
				EUR 16,222
				GBP 463
	AP BOND and others	USD 5,000,000	-	USD 2,404,849
Other related parties:				
KEXIM	AP BOND and others	USD 6,577,882	-	USD 3,680,046
				EUR 9,348
				KRW 7,026
HMM CO.,LTD and its subsidiaries	Performance guarantee	USD 786,000	Ship building	-
				USD 6,096,772
				EUR 25,570
				GBP 463
				KRW 7,026
		USD 12,678,282		

36.8 The Company entered into a non-cancellable long-term transportation contract with TPI Megaline Co., Ltd. of which the remaining term is approximately 1.9 years. The book amount of right-of-use assets and lease liabilities as at June 30, 2023, is ₩ 23,234 million and ₩ 23,284 million, respectively.

37. Construction Contracts

37.1 Changes in the remaining balance of construction contracts for the six-month period ended June 30, 2023 and for the year ended December 31, 2022, are as follows:

(in millions of Korean won)	Six-month period ended June 30, 2023				
	Beginning balance	New contracts	Others ¹	Recognized construction revenue ²	Ending balance
Commercial ships	₩ 21,417,339	₩ 1,334,358	₩ 651,733	₩ (2,587,078)	₩ 20,816,352
Offshore plant and special ships	6,421,341	255,676	395,752	(817,587)	6,255,182
Others	2,221	-	6,591	(4,670)	4,142
	₩ 27,840,901	₩ 1,590,034	₩ 1,054,076	₩ (3,409,335)	₩ 27,075,676

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

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

<i>(in millions of Korean won)</i>	Year ended December 31, 2022				
	Beginning balance	New contracts	Others ¹	Recognized construction revenue ²	Ending balance
Commercial ships	₩ 13,280,005	₩ 11,968,028	₩ 450,317	₩ (4,281,011)	₩ 21,417,339
Offshore plant and special ships	5,713,760	1,152,056	252,466	(696,941)	6,421,341
Others	3,200	81	(627)	(433)	2,221
	<u>₩ 18,996,965</u>	<u>₩ 13,120,165</u>	<u>₩ 702,156</u>	<u>₩ (4,978,385)</u>	<u>₩ 27,840,901</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.

37.2 Details of in-progress construction contracts such as recognized construction profit or loss as at June 30, 2023 and December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2023			
	Accumulated construction revenue	Accumulated construction cost	Accumulated profit (loss)	Reserve ¹
Commercial ships	₩ 3,912,465	₩ (5,257,159)	₩ (1,344,694)	₩ 688,926
Offshore plant and special ships	3,256,711	(3,269,663)	(12,952)	-
Others	18,033	(6,096)	11,936	-
	<u>₩ 7,187,209</u>	<u>₩ (8,532,918)</u>	<u>₩ (1,345,710)</u>	<u>₩ 688,926</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, 2022			
	Accumulated construction revenue	Accumulated construction cost	Accumulated profit (loss)	Reserve ¹
Commercial ships	₩ 3,933,197	₩ (5,651,147)	₩ (1,717,951)	₩ 690,062
Offshore plant and special ships	4,955,897	(4,662,606)	293,291	-
Others	1,893	(2,480)	(587)	-
	<u>₩ 8,890,987</u>	<u>₩ (10,316,233)</u>	<u>₩ (1,425,247)</u>	<u>₩ 690,062</u>

¹ Reserve, before the deduction of provision for impairment, refers to the receivable related to a

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transferred vessel for which payment term is postponed. The principal and the accrued interest are being collected in accordance with the contract.

37.3 Contractual details that contract revenue for the six-month period ended June 30, 2023 is more than 5% of sales in previous year, are as follows:

(in millions of Korean won)

(in millions of Korean won)

Customers	Contract date	Expected completion date ¹ / Completion date	Percentage of completion	June 30, 2023				December 31, 2022								
				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	2023.02.21	100.00%	₩	-	₩	-	₩	-	₩	267,923	₩	-	₩	-
LNGB	Asia	2020.06.05	2023.06.30	100.00%		19,660	-	-	-		244,916	-	-	-	-	-
LNGC	Asia	2020.10.09	2024.01.05	88.64%		174,259	-	-	-		91,264	-	36,834	-	-	-
LNGC	Asia	2020.10.09	2024.03.07	80.69%		140,991	-	-	-		21,763	-	-	-	-	-
LNGC	Asia	2020.10.09	2025.07.18	1.70%		-	-	-	-		-	-	-	-	-	-
LNGC	Asia	2021.07.30	2024.06.05	31.72%		41,026	-	-	-		-	-	-	-	-	-
LNGC	Asia	2021.09.13	2024.04.17	47.55%		19,239	-	27,728	-		-	-	-	-	-	-
LNGC	Asia	2021.09.13	2024.05.30	30.48%		1,502	-	-	-		-	-	26,767	-	-	-
LNGC	Asia	2021.09.13	2024.07.16	18.01%		-	-	-	-		-	-	-	-	-	-
LNGC	Asia	2021.09.13	2024.10.11	1.67%		-	-	-	-		-	-	-	-	-	-
LNGC	Asia	2021.10.20	2024.12.31	0.79%		-	-	-	-		-	-	-	-	-	-
LNGC	Europe	2021.11.10	2024.08.28	9.76%		-	-	-	-		-	-	-	-	-	-
LNGC	Europe	2021.11.10	2024.10.11	1.83%		-	-	-	-		-	-	-	-	-	-
LNGC	America	2021.11.30	2025.03.31	0.97%		-	-	-	-		-	-	-	-	-	-
LNGC	America	2021.11.30	2025.05.19	0.02%		-	-	-	-		-	-	-	-	-	-
LNGC	America	2021.11.30	2024.07.18	21.53%		-	-	-	-		-	-	-	-	-	-
LNGC	America	2021.11.30	2024.08.28	7.46%		-	-	-	-		-	-	-	-	-	-
LNGC	America	2021.11.30	2025.06.30	0.05%		-	-	-	-		-	-	-	-	-	-
LNGC	America	2021.11.30	2025.09.30	0.02%		-	-	-	-		-	-	-	-	-	-
LNGC	Asia	2022.01.14	2024.09.18	5.66%		-	-	-	-		-	-	-	-	-	-
LNGC	Europe	2022.01.05	2025.06.30	0.14%		-	-	-	-		-	-	-	-	-	-
LNGC	Europe	2022.01.05	2025.10.24	0.01%		-	-	-	-		-	-	-	-	-	-
LNGC	Europe	2022.01.28	2025.12.24	0.01%		-	-	-	-		-	-	-	-	-	-
LNGC	Europe	2022.01.28	2026.01.15	0.01%		-	-	-	-		-	-	-	-	-	-
LNGC	America	2022.03.23	2025.07.24	0.45%		-	-	-	-		-	-	-	-	-	-
LNGC	America	2022.03.23	2025.09.03	0.00%		-	-	-	-		-	-	-	-	-	-
LNGC	America	2022.03.23	2025.12.04	0.00%		-	-	-	-		-	-	-	-	-	-
LNGC	America	2022.03.17	2025.12.24	0.00%		-	-	-	-		-	-	-	-	-	-
LNGC	America	2022.03.17	2026.01.29	0.00%		-	-	-	-		-	-	-	-	-	-
LNGC	Asia	2022.06.05	2024.11.22	2.25%		-	-	-	-		-	-	-	-	-	-
LNGC	Asia	2022.06.05	2024.11.22	0.12%		-	-	-	-		-	-	-	-	-	-
LNGC	Asia	2022.06.05	2025.01.03	0.04%		-	-	-	-		-	-	-	-	-	-
LNGC	Asia	2022.06.05	2025.02.14	0.02%		-	-	-	-		-	-	-	-	-	-

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LNGC	Asia	2022.04.14	2025.08.14	0.17%	-	-	-	-	-	-	-	-
LNGC	Asia	2022.04.14	2026.03.31	0.00%	-	-	-	-	-	-	-	-
LNGC	Europe	2022.06.08	2026.04.21	0.01%	-	-	-	-	-	-	-	-
LNGC	Europe	2022.06.08	2026.05.13	0.01%	-	-	-	-	-	-	-	-
LNGC	Asia	2022.08.12	2026.08.13	0.00%	-	-	-	-	-	-	-	-
LNGC	Asia	2022.09.05	2025.02.13	0.08%	-	-	-	-	-	-	-	-
LNGC	Asia	2022.09.05	2025.03.31	0.00%	-	-	-	-	-	-	-	-
LNGC	Asia	2022.09.05	2025.05.19	0.00%	-	-	-	-	-	-	-	-
LNGC	Asia	2022.09.05	2025.06.11	0.00%	-	-	-	-	-	-	-	-
LNGC	Asia	2022.09.05	2025.11.13	0.00%	-	-	-	-	-	-	-	-
LNGC	Asia	2022.09.05	2025.11.12	0.00%	-	-	-	-	-	-	-	-
LNGC	Asia	2022.09.05	2026.02.25	0.00%	-	-	-	-	-	-	-	-
LNGC	Europe	2022.09.30	2025.08.14	0.23%	-	-	-	-	-	-	-	-
LNGC	Europe	2022.09.30	2025.09.30	0.00%	-	-	-	-	-	-	-	-
LNGC	Europe	2022.09.30	2026.06.30	0.00%	-	-	-	-	-	-	-	-
LNGC	Europe	2022.09.30	2026.09.02	0.00%	-	-	-	-	-	-	-	-
LNGC	Asia	2022.09.30	2026.02.06	0.00%	-	-	-	-	-	-	-	-
LNGC	Asia	2022.09.30	2026.05.13	0.00%	-	-	-	-	-	-	-	-
LNGC	Europe	2022.09.21	2026.03.31	0.00%	-	-	-	-	-	-	-	-
LNGC	Europe	2022.09.21	2026.06.30	0.00%	-	-	-	-	-	-	-	-
LNGC	America	2022.10.20	2026.07.23	0.00%	-	-	-	-	-	-	-	-
LNGC	America	2022.10.20	2026.10.23	0.00%	-	-	-	-	-	-	-	-
LNGC	Asia	2022.11.04	2026.09.23	0.00%	-	-	-	-	-	-	-	-
LNGC	Europe	2022.11.08	2026.11.13	0.00%	-	-	-	-	-	-	-	-
LNGC	Asia	2023.02.10	2027.02.05	0.00%	-	-	-	-	-	-	-	-
LNGC	Europe	2023.03.13	2027.02.24	0.00%	-	-	-	-	-	-	-	-
LNGC	Europe	2023.03.13	2027.04.21	0.00%	-	-	-	-	-	-	-	-
LNGC	Asia	2023.04.07	2027.06.08	0.00%	-	-	-	-	-	-	-	-
OSV	Oceania	2021.05.11	2024.08.31	46.26%	116,575	-	-	-	-	-	-	-
OSV	Oceania	2021.12.02	2025.05.31	5.62%	-	-	-	-	-	-	-	-
DRSP	Europe	2012.09.27	2023.12.31	99.38%	147,444	-	-	-	137,943	-	-	-
DRSP	Europe	2013.06.24	2023.12.31	99.16%	202,778	-	9,771	-	195,750	-	8,821	-
FPU	America	2019.11.21	2023.03.29	100.00%	-	-	-	-	8,608	-	3,295	-
FP	Middle East	2021.06.01	2025.04.06	37.92%	-	-	71,522	-	-	-	16,813	-
FPU	Oceania	2022.01.10	2026.01.04	6.61%	-	-	4,423	-	-	-	3,910	-

¹ Expected completion date is the date expected by the Company as at June 30, 2023, 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, 2023, five construction contracts were not presented according to Amendment to Korean IFRS 1115, par 129.2(2) due to contractual reasons with customers. The aforementioned information has not been presented in the securities report, investment prospectus, nor quarterly report / semi-annual reports required in Capital Market Act. Additionally, the fact that they are not disclosed was reported to the audit committee on August 9, 2023.

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

(in millions of
Korean won)

		June 30, 2023					
		Changes in estimation				Contract assets (Due from customers contract work)	
Provisions for expected losses		Changes in estimated total contract revenue ¹	Changes in estimated total contract cost	Changes in gain (loss) from construction	Gross amount	Accumulated impairment loss ²	
Commercial ships	₩ 654,028	₩ 608,038	₩ 370,316	₩ 270,118	₩ 1,908,375	₩	-
Offshore plant and special ships	183,277	306,258	151,679	151,872	627,868		-
Others	327	-	20	11	-		-
	₩ 837,632	₩ 914,296	₩ 522,015	₩ 422,001	₩ 2,536,243	₩	-

¹ Increase or decrease of contract amount related to firm commitment assets (liabilities) according to hedge accounting is excluded.

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

(in millions of
Korean won)

		December 31, 2022					
		Changes in estimation				Contract assets (Due from customers contract work)	
Provisions for expected losses		Changes in estimated total contract revenue ¹	Changes in estimated total contract cost	Changes in gain (loss) from construction	Gross amount	Accumulated impairment loss ²	
Commercial ships	₩ 1,044,165	₩ 794,032	₩ 1,195,826	₩ (2,632)	₩ 1,843,813	₩	-
Offshore plant and special ships	293,983	337,451	355,656	(80,097)	671,593		-
Others	348	-	2	47	-		-
	₩ 1,338,496	₩ 1,131,483	₩ 1,551,484	₩ (82,682)	₩ 2,515,406	₩	-

¹ Increase or decrease of contract amount related to firm commitment assets (liabilities) according to hedge accounting is excluded.

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

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38. Commitments and Contingencies

38.1 The Company provided 11 blank notes to Korea Energy Agency as construction warranty and others as at June 30, 2023.

38.2 The Company is involved in a lawsuit as a plaintiff pending in relation to damage compensation claim, and 28 other pending lawsuits with aggregated claim amount of ₩ 531,460 million and three international patent litigations, as at June 30, 2023. The Company requested for arbitrations to the London Maritime Arbitrators Association in relation to 12 lawsuits of settlement of contract amount and additional contract cost incurred with some customers amounting to USD 432,784 thousand, GBP 5 thousand, ₩17,774 million.

38.3 Certain investors claimed that they acquired the ordinary shares, corporate bonds, and commercial papers and resulted in loss by relying on audit report, annual report, registration of securities and prospectus on false financial statements due to fraudulent financial reporting. Including the aforementioned litigation, the Company is involved in 79 other lawsuits as a defendant with aggregated claim amount of ₩ 354,654 million, including a pending lawsuit in relation to construction payment. In addition, the customer requested for arbitration in relation to the construction order for which the Company terminated the contract. The outcome of the above cases cannot be reasonably estimated, and outflows of resources and the timing are also uncertain as at June 30, 2023. The Company, however, recognized the best estimated loss amounting to ₩ 406,180 million from pending litigations and performance guarantees as provisions as at June 30, 2023.

38.4 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.

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

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

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

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

The Company 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 998,271 thousand (whole: USD 2,376,836 thousand).

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38.6 Details of guaranteed amount to major financial institutions as at June 30, 2023 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	11,619,882	
	Borrowing limit	USD	1,038,295	
		₩	4,008,866	
	Derivative instruments transaction limit	USD	100,000	
		₩	1,450,000	Risk amount

38.7 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.

38.8 As at December 16, 2022, the Company entered into an agreement to change the borrowing interest rate conditions with KDB and KEXIM (Note 22). Additionally, the contract maturity date has been extended from December 31, 2023 to May 23, 2028 (five years after the transaction close date).

39. Cash Flows from Operating Activities

39.1 Cash flows from operating activities for the six-month periods ended June 30, 2023 and 2022, are as follow:

(in millions of Korean won)

	2023		2022	
1. Loss before tax	₩	(372,368)	₩	(672,591)
2. Adjustments for:				
Post-employment benefits		39,006		21,779
Employee benefits		35,948		1,061
Depreciation		51,017		48,065
Depreciation of right-of-use assets		12,693		11,171
Amortization		21		20
Provision (reversal) for impairment loss		1,731		(272)
Reversal of other impairment loss		(167)		(517)
Impairment loss on financial assets at amortized cost		-		10,527
Loss (reversal) on valuation of inventories		28,718		(7,396)
Gain on disposal of property, plant and equipment		(167)		(326)
Loss on disposal of property, plant and equipment		104		343
Loss on disposal of intangible assets		-		8
Impairment loss on intangible assets		26		-

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<i>(in millions of Korean won)</i>	2023	2022
Gain on disposal of non-current assets held for sale	(417)	-
Dividend income	(1,023)	(586)
Interest income	(41,755)	(28,534)
Finance income	(1,967)	(3,246)
Interest expense	81,066	51,006
Finance costs	-	203
Loss on foreign currency translation	56,406	83,269
Gain on valuation of firm commitment	(259,560)	(574,588)
Loss on valuation of currency forward contracts	322,733	582,221
Reversal of provisions	(465,326)	(33,656)
Miscellaneous income	(41)	(354)
Miscellaneous expenses	2	645
3. Changes in working capital		
Decrease (increase) in trade receivables	152,543	(135,176)
Increase in other receivables	(222)	(74,055)
Decrease (increase) in contract assets	20,014	(923,697)
Increase in inventories	(596,637)	(167,472)
Decrease in firm commitments	176,481	92,982
Increase in currency forward contracts	(158,676)	(28,631)
Increase in other assets	(152,024)	(341,553)
Increase (decrease) in trade payables	106,503	(14,106)
Increase (decrease) in other payables	(45,293)	25,480
Increase in contract liabilities	352,941	1,116,692
Decrease in provisions	(13,678)	(63,015)
Increase (decrease) in other liabilities	(45,288)	30,471
Payment for severance benefits	(22,773)	(32,515)
Decrease in plan assets	27,551	28,137
Cash used in operations	W (711,878)	W (998,206)

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39.2 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>	2023		2022	
Debt-to-equity swap	₩	141,293	₩	-
Transfer of long-term borrowings and debentures to current portion of long-term borrowings and debentures		16,907		133,600
Transfer of construction in progress to property, plant and equipment		27,279		8,660
Maturity extension of borrowings		1,492,405		-
Offsetting current deposits and debentures		61,808		61,718
Acquisition of property, plant and equipment recognized in other payables		3,180		-

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.

39.3 Changes in liabilities arising from financing activities for the six-month periods ended June 30, 2023 and 2022, are as follows:

<i>(in millions of Korean won)</i>	2023						
	Beginning balance	Cash flows	Gain on foreign currency translation	Amortization of discount on debentures¹	Transfer to current	Others	Ending balance
Short-term borrowings	₩ 1,218,459	₩ (266,818)	₩ 5,941	₩ -	₩ (343,923)	₩ -	₩ 613,659
Current portion of long-term borrowings	1,182,144	(16,833)	73	-	(1,131,575)	-	33,809
Long-term borrowings	99,715	-	47,181	4,395	1,475,498	-	1,626,789
Current portion of long-term debentures	121,954	(61,836)	-	1,731	-	(61,849)	-
Current lease liabilities	20,406	(11,810)	3	-	(7,246)	23,733	25,086
Lease liabilities	48,605	-	-	-	7,246	-	55,851
	<u>₩ 2,691,283</u>	<u>₩ (357,297)</u>	<u>₩ 53,198</u>	<u>₩ 6,126</u>	<u>₩ -</u>	<u>₩ (38,116)</u>	<u>₩ 2,355,194</u>

¹ Amortization of discount on debenture includes present value discount.

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(in millions of
Korean won)

	2022						
	Beginning balance	Cash flows	Gain on foreign currency translation	Amortization of discount on debentures ¹	Transfer to current	Others	Ending balance
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
Long-term borrowings	122,513	-	1,501	4,694	(16,875)	-	111,833
Current portion of long-term debentures	238,443	(61,739)	-	6,863	116,725	(61,774)	238,518
Debentures	111,743	-	-	4,982	(116,725)	-	-
Current lease liabilities	16,874	(10,611)	-	-	4,424	9,053	19,740
Lease liabilities	61,167	-	-	-	(4,424)	-	56,743
	₩ 2,715,172	₩ 183,372	₩ 125,914	₩ 16,539	₩ -	₩ (52,721)	₩ 2,988,276

¹ Amortization of discount on debenture includes present value discount.

40. Segment Information

40.1 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	Mitsui O.S.K Lines.Ltd. and others	74.1
Offshore plant and special ships	Marine steel structure and others	NORTH OIL COMPANY, Defense Acquisition Program Administration and others	24.8
Others	Energy, service	Various customers	1.1
			100.0

40.2 Financial information by segment is as follows:

(in millions of Korean won)	2023			
	Commercial Ships	Offshore plant and special ships	Others	Total
Sales	₩ 2,415,916	₩ 807,945	₩ 35,896	₩ 3,259,757
Gross profit	(183,142)	63,598	22,496	(97,048)

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(in millions of Korean won)	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)

40.3 The number of major customer who accounts more than 10% of the Company's revenue is two (2022: two) and their revenue amount to ₩ 1,040,333 million and ₩ 763,029 million for the six-month periods ended June 30, 2023 and 2022, respectively.

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

41. 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 19, 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 ₩ 53,908 million of impairment loss on property, plant and equipment, ₩ 1,422 million of impairment loss on intangible assets, and ₩ 359 million of impairment loss on right-of-use assets during the year ended December 31, 2022.

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 Hanwha Ocean Ecotech 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

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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 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 42). Meanwhile, KDB and KEXIM Bank pledged to provide new capital support to Hanwha Ocean Co., Ltd. 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 May 23, 2023 and the condition of permanent convertible bond has been changed during the six-month period ended June 30, 2023 (Note 30).

As the shareholders' meeting was resolved on May 23, 2023 and the capital increase through third-party allotment was completed, the agreement (the date of signing: November 9, 2015) and the additional agreement (date of signing: May 17, 2017) between the Company and KDB was terminated as at May 23, 2023.

42. Debt Restructuring

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

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42.1 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	₩	168,747	₩	(3,240)
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
	₩	3,924,875	₩	3,018,521	₩	909,575	₩	(3,220)

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 30).

⁵ The amount has occurred due to differences in exchange rates among the date of initial recognition of the borrowings in foreign currency subject to debt restructuring, the date of debt-to-equity swap, and the period-end date of June 30, 2023.

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.

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42.2 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, 2023, 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	₩ 168,747
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	₩ 740,828	₩ 33,527

¹ Includes pending payments regarding undeclared bonds amounting to ₩ 306 million as at June 30, 2023. The amount is transferred to long-term other payables.

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

<i>(in millions of Korean won)</i>	Public offering bonds (including CP)	Unsecured borrowings
Target bond	₩ 740,828	₩ 168,747
Effective interest rate	1.00%	1.00%
Applicable period	6 years	10 years

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

The Company designated HANWHA AEROSPACE CO., LTD., HANWHA SYSTEMS Co., Ltd., Hanwha Impact Partners Inc., Hanwha Convergence Co.,Ltd., Hanwha Energy Corporation Singapore Pte. Ltd. and Hanwha Energy Corporation Japan (hereinafter referred to as the "the acquirers") as conditional prospective investor through its the Board of Directors' meeting on September 26, 2022, and the Company entered into an investment agreement with the acquirers to select the final investors through a talking-horse bidding. As a result of receiving the investment letter of intent, there was no one who submitted the investment letter of intent, so the acquirers conducted due diligence alone in detail. Under the investment agreement, the acquirers were confirmed as final investors on December 6, 2022.

On December 16, 2022, the Company entered into the new share subscription agreement (capital increase with consideration by allotment to the third parity) with the acquirers with major prerequisites which consist of i) acquisition of necessary government approvals, including approvals from the Fair Trade Commission (including overseas related agencies such as competition authority) and approvals on sales of defense companies, and ii) non-occurrence and non-existence of significant negative effects and others. On January 12, 2023, the Company amended the contract on terms and conditions of the new share subscription agreement. The contract was changed to exclude 'Hanwha Energy Corporation Japan' from the party to the new share subscription agreement and the shares that were scheduled to be acquired by 'Hanwha Energy Corporation Japan' to be acquired by 'Hanwha Energy Corporation Singapore Pte. Ltd.' Total amount of capital increase was ₩ 2 trillion (total of ₩ 2,000,000,013,450) and, a total number of 104,438,643 shares were issued with issue price of ₩ 19,150 per share.