

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Separate Interim Financial Statements

June 30, 2020 and 2019

(Unaudited)

(With Independent Auditors' Review Report Thereon)

Contents

	Page
Independent Auditors' Review Report	1
Separate Interim Financial Statements	
Separate Interim Statements of Financial Position	3
Separate Interim Statements of Loss	5
Separate Interim Statements of Comprehensive Loss	6
Separate Interim Statements of Changes in Equity	7
Separate Interim Statements of Cash Flows	8
Notes to the Separate Interim Financial Statements	10

Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
Doosan Heavy Industries & Construction Co., Ltd.:

Reviewed financial statements

We have reviewed the accompanying separate interim financial statements of Doosan Heavy Industries & Construction Co., Ltd. (the "Company"), which comprise the separate interim statement of financial position as of June 30, 2020, the separate interim statements of loss and comprehensive loss for the three-month and six-month periods ended June 30, 2020 and 2019, and the separate interim statements of changes in equity and cash flows for the six-month periods ended June 30, 2020 and 2019, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the separate interim financial statements

Management is responsible for the preparation and fair presentation of these separate interim financial statements in accordance with Korean International Financial Reporting Standard ("K-IFRS") No. 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 misstatements due to fraud or error.

Auditors' review responsibility

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

We conducted our reviews in accordance with the Review Standards for Quarterly and Semiannual Financial Statements 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 reviews, nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements referred to above are not prepared, in all material respects, in accordance with K-IFRS No. 1034 'Interim Financial Reporting'.

Material uncertainty on the ability to continue as a going concern

We draw attention to Note 28 of the separate interim financial statements. As discussed in Note 28 to the separate interim financial statements, the Company has incurred a net loss of ₩806,038 million for the six-month period ended June 30, 2020 and, as of that date, the Company's total current borrowings were ₩4,857,980 million and total current liabilities exceeded its total current assets by ₩4,063,645 million. These conditions, along with other matters as set forth in Note 28 to the separate interim financial statements indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other matters**

The procedures and practices utilized in the Republic of Korea to review such separate interim financial statements may differ from those generally accepted and applied in other countries.

The separate statement of financial position of the Company as of December 31, 2019 and the related separate statements of loss, comprehensive loss, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with the Korean Standards on Auditing, and our report thereon dated March 20, 2020, expressed an unqualified opinion. The accompanying separate statement of financial position of the Company as of December 31, 2019, presented for comparative purposes, is not different from that audited by us in all material respects.

KPMG Samjony Accounting Corp.

Seoul, Korea
August 13, 2020

This report is effective as of August 13, 2020, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Separate Interim Statements of Financial Position

As of June 30, 2020 and December 31, 2019

(Unaudited)

<i>(In won)</i>	Note	June 30, 2020	December 31, 2019
Assets			
Cash and cash equivalents	9	₩ 172,101,467,671	345,832,725,637
Short-term financial instruments	5,9	162,113,956,959	118,830,190,261
Trade receivables, net	6,9,17,26	569,709,329,327	493,472,486,657
Other receivables, net	6,9,26	132,690,203,538	321,073,226,447
Due from customers for contract work, net	17,26	1,209,205,780,525	1,196,231,749,548
Prepayments, net		264,911,622,711	221,329,028,302
Prepaid expenses, net		37,193,458,207	41,872,735,684
Short-term loans, net	6,9,26	227,920,307,988	54,295,166,284
Derivative financial assets	8,9	47,825,951,350	15,119,388,050
Firm commitment assets	8	25,197,833,435	25,711,141,861
Inventories, net	7	374,628,625,043	344,226,842,276
Other current assets, net	6,9	21,182,869,548	21,555,927,014
Total current assets		3,244,681,406,302	3,199,550,608,021
Long-term financial instruments	5,9	1,377,811,241	1,348,936,186
Long-term investments in securities	9,25	84,323,563,258	81,995,003,716
Investments in subsidiaries, associates and joint ventures	10,25,26	3,650,814,762,988	3,633,853,120,412
Long-term loans, net	6,9,26	45,490,393,876	112,333,221,860
Property, plant and equipment, net	11,13,25	3,100,329,402,997	3,135,025,725,605
Intangible assets, net	12	1,005,692,048,922	983,761,832,516
Derivative financial assets	8,9	14,553,667,488	16,988,814,649
Firm commitment assets	8	24,497,284,134	18,149,165,186
Guarantee deposits, net	9,17	74,329,554,983	67,973,632,479
Due from customers for contract work, net	17,26	102,739,503,644	102,739,503,644
Other non-current assets, net	6,9	5,293,371,164	7,158,040,827
Total non-current assets		8,109,441,364,695	8,161,326,997,080
Total assets		₩ 11,354,122,770,997	11,360,877,605,101

See accompanying notes to the separate interim financial statements.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Separate Interim Statements of Financial Position, Continued

As of June 30, 2020 and December 31, 2019

(Unaudited)

<i>(In won)</i>	Note	June 30, 2020	December 31, 2019
Liabilities			
Trade payables	9,26	₩ 782,569,694,999	891,457,006,638
Short-term borrowings	9,14,24,25,26,27	4,435,808,614,363	2,659,815,090,995
Other payables	9	404,534,983,024	216,894,219,907
Advance received	17	21,059,812,254	19,248,740,330
Due to customers for contract work	17	948,900,997,113	865,436,037,039
Withholdings		4,275,403,137	5,717,666,564
Accrued expenses	9	31,315,635,157	62,036,289,222
Current portion of long-term debt	9,14,24,25,26,27	422,171,166,438	1,529,162,243,545
Current lease liabilities	9,13,27	19,501,396,053	28,083,574,168
Derivative financial liabilities	8,9	143,697,850,339	69,822,414,457
Firm commitment liabilities	8	5,980,261,049	10,332,417,924
Provisions	17	86,257,911,530	121,897,745,819
Other current liabilities	9	2,252,628,695	220,994,448,788
Total current liabilities		7,308,326,354,151	6,700,897,895,396
Bonds	9,14,26,27	14,437,306,831	80,000,000,000
Long-term borrowings	9,14,25,27	474,295,050,000	484,078,455,716
Long-term asset-backed borrowings	9,14,26,27	73,328,672,149	132,513,583,033
Long-term other payables	9	14,261,234,906	13,111,187,382
Defined benefit liabilities, net	15	102,187,839,493	64,136,054,059
Deposits received	9	216,718,290,929	219,893,793,614
Non-current lease liabilities	9,13,27	10,326,590,563	15,602,097,248
Derivative financial liabilities	8,9	51,470,092,854	38,431,361,948
Firm commitment liabilities	8	5,789,763,691	13,228,719,317
Deferred tax liabilities		54,717,496,998	35,172,126,505
Provisions		102,087,240,740	99,508,571,448
Other non-current liabilities	9	36,275,430,730	23,596,375,369
Total non-current liabilities		1,155,895,009,884	1,219,272,325,639
Total liabilities		8,464,221,364,035	7,920,170,221,035
Equity			
Capital stock	16	1,330,224,940,000	1,075,255,425,000
Capital surplus		1,576,672,381,068	1,557,411,464,430
Other components of equity		689,884,000	1,463,939,543
Accumulated other comprehensive income	8	917,998,759,238	912,471,732,950
Accumulated deficit		(935,684,557,344)	(105,895,177,857)
Total equity		2,889,901,406,962	3,440,707,384,066
Total liabilities and equity		₩ 11,354,122,770,997	11,360,877,605,101

See accompanying notes to the separate interim financial statements.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.
Separate Interim Statements of Loss

For the three-month and six-month periods ended June 30, 2020 and 2019

(Unaudited)

(In won)

	Note	June 30, 2020		June 30, 2019	
		Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Sales	17,26	₩ 822,101,579,724	1,746,975,161,577	944,882,754,302	1,815,409,152,134
Cost of sales	7,17,18,26	779,611,451,601	1,548,819,819,925	804,890,520,962	1,556,208,110,526
Gross profit		42,490,128,123	198,155,341,652	139,992,233,340	259,201,041,608
Selling and administrative expenses	9,18,19,26	114,184,298,205	329,040,466,302	77,759,888,438	149,638,338,711
Operating profit (loss)		(71,694,170,082)	(130,885,124,650)	62,232,344,902	109,562,702,897
Finance income and expenses		42,841,914,483	(185,650,832,974)	(59,708,013,794)	(148,973,875,292)
Finance income	9,20	(19,252,173,378)	264,128,080,591	208,431,548,758	347,006,319,172
Finance expenses	9,20	(62,094,087,861)	449,778,913,565	268,139,562,552	495,980,194,464
Other non-operating income and expenses		(453,109,564,782)	(468,085,710,143)	(19,699,909,373)	(22,734,682,474)
Other non-operating income	9,21	3,103,191,558	6,209,746,034	7,075,967,336	11,645,863,357
Other non-operating expenses	9,21	456,212,756,340	474,295,456,177	26,775,876,709	34,380,545,831
Loss before income tax		(481,961,820,381)	(784,621,667,767)	(17,175,578,265)	(62,145,854,869)
Income tax expense (benefit)	22	22,880,123,834	21,416,287,388	7,251,992,133	(2,127,162,160)
Loss for the period	₩	(504,841,944,215)	(806,037,955,155)	(24,427,570,398)	(60,018,692,709)
Loss per share					
Basic loss per share	23	₩ (1,994)	(3,337)	(181)	(497)
Diluted loss per share	23	(1,994)	(3,337)	(181)	(497)

See accompanying notes to the separate interim financial statements.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Separate Interim Statements of Comprehensive Loss

For the three-month and six-month periods ended June 30, 2020 and 2019

(Unaudited)

(In won)

	Note	June 30, 2020		June 30, 2019	
		Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Loss for the period		₩ (504,841,944,215)	(806,037,955,155)	(24,427,570,398)	(60,018,692,709)
Other comprehensive income (loss)		(29,256,718,114)	(18,224,398,044)	8,435,435,985	15,241,864,716
Items that will not be reclassified subsequently to profit or loss		(23,802,056,094)	(23,533,753,162)	-	-
Remeasurement factor of net defined benefit liability		(23,802,056,094)	(23,802,056,094)	-	-
Loss on valuation of fair value through other comprehensive income ("FVOCI") financial assets	9	-	(3,397,942)	-	-
Profit on revaluation of assets		-	271,700,874	-	-
Items that are or may be reclassified subsequently to profit or loss		(5,454,662,020)	5,309,355,118	8,435,435,985	15,241,864,716
Effective portion of changes in fair value of cash flow hedges	8,9	(5,454,662,020)	5,309,355,118	8,435,435,985	15,241,864,716
Total comprehensive loss		₩ <u>(534,098,662,329)</u>	<u>(824,262,353,199)</u>	<u>(15,992,134,413)</u>	<u>(44,776,827,993)</u>

See accompanying notes to the separate interim financial statements.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Separate Interim Statements of Changes in Equity

For the six-month periods ended June 30, 2020 and 2019

(Unaudited)

(In won)

		Capital stock	Capital surplus	Other components of equity	Accumulated other comprehensive income	Retained earnings (Accumulated deficit)	Total equity
Balance at January 1, 2019	₩	650,255,065,000	1,518,056,715,325	3,454,767,878	924,551,891,038	844,338,586,740	3,940,657,025,981
Total comprehensive income (loss):							
Loss for the period		-	-	-	-	(60,018,692,709)	(60,018,692,709)
Effective portion of changes in fair value of cash flow hedges		-	-	-	15,241,864,716	-	15,241,864,716
Subtotal		-	-	-	15,241,864,716	(60,018,692,709)	(44,776,827,993)
Dividends		-	-	-	-	(17,498,108,760)	(17,498,108,760)
Issuance of common shares		425,000,000,000	37,362,955,728	-	-	-	462,362,955,728
Exercise of stock warrants		360,000	965,042	-	-	-	1,325,042
Stock option		-	1,847,132,376	(1,847,132,376)	-	-	-
Balance at June 30, 2019	₩	<u>1,075,255,425,000</u>	<u>1,557,267,768,471</u>	<u>1,607,635,502</u>	<u>939,793,755,754</u>	<u>766,821,785,271</u>	<u>4,340,746,369,998</u>
Balance at January 1, 2020	₩	1,075,255,425,000	1,557,411,464,430	1,463,939,543	912,471,732,950	(105,895,177,857)	3,440,707,384,066
Total comprehensive income (loss):							
Loss for the period		-	-	-	-	(806,037,955,155)	(806,037,955,155)
Effective portion of changes in fair value of cash flow hedges		-	-	-	5,309,355,118	-	5,309,355,118
Remeasurement factor of net defined benefit liability		-	-	-	-	(23,802,056,094)	(23,802,056,094)
Loss on valuation of FVOCI financial assets		-	-	-	(3,397,942)	-	(3,397,942)
Profit on revaluation of assets		-	-	-	221,069,112	50,631,762	271,700,874
Subtotal		-	-	-	5,527,026,288	(829,789,379,487)	(824,262,353,199)
Issuance of common shares		220,514,225,000	16,471,619,565	-	-	-	236,985,844,565
Stock exchange		34,455,290,000	2,031,650,780	(16,409,250)	-	-	36,470,531,530
Stock option		-	757,646,293	(757,646,293)	-	-	-
Balance at June 30, 2020	₩	<u>1,330,224,940,000</u>	<u>1,576,672,381,068</u>	<u>689,884,000</u>	<u>917,998,759,238</u>	<u>(935,684,557,344)</u>	<u>2,889,901,406,962</u>

See accompanying notes to the separate interim financial statements.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Separate Interim Statements of Cash Flows

For the six-month periods ended June 30, 2020 and 2019

(Unaudited)

<i>(In won)</i>	Note	June 30, 2020	June 30, 2019
Cash flows from operating activities			
Cash generated from operations:	27 ₩	(154,766,604,280)	(547,291,377,959)
Loss for the period		(806,037,955,155)	(60,018,692,709)
Adjustments		804,823,702,430	249,081,483,173
Changes in operating assets and liabilities		(153,552,351,555)	(736,354,168,423)
Interest received		1,386,631,387	4,245,013,495
Interest paid		(74,877,764,591)	(53,914,867,127)
Dividends received		604,000,000	277,161,017
Income tax refund (paid)		6,311,638,062	(3,509,934,273)
Net cash used in operating activities		<u>(221,342,099,422)</u>	<u>(600,194,004,847)</u>
Cash flows from investing activities			
Cash inflows from investing activities:			
Decrease in short-term financial instruments		122,408,060,268	25,704,356,583
Collection of short-term loans		33,916,000,000	100,000,000
Decrease in long-term financial instruments		29,415,509,589	140,180,424
Proceeds from disposal of short-term investments in securities		-	17,647,000,000
Proceeds from disposal of long-term investments in securities		42,848,549	688,388,272
Collection of long-term loans		56,914,515,600	573,409,190
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		-	46,710,282,240
Proceeds from disposal of property, plant and equipment		494,767,983	40,433,298,103
Proceeds from disposal of intangible assets		533,636,370	263,319,425
Collection of lease receivables		959,277,757	2,173,801,119
Subtotal		<u>244,684,616,116</u>	<u>134,434,035,356</u>
Cash outflows for investing activities:			
Increase in short-term financial instruments		(165,691,826,966)	(35,432,204,766)
Increase in short-term loans		(240,912,324,262)	(6,996,583,315)
Increase in long-term financial instruments		(29,415,509,589)	-
Acquisition of long-term investments in securities		(2,187,869,268)	(816,620,160)
Increase in long-term loans		(23,710,362,000)	(404,913,190)
Acquisition of investments in subsidiaries, associates and joint ventures		(126,038,382,401)	(335,836,580,184)
Acquisition of property, plant and equipment		(10,100,961,917)	(10,904,279,502)
Acquisition of intangible assets		(63,986,279,765)	(95,347,433,946)
Acquisition of right-of-use assets		(679,443,849)	-
Subtotal		<u>(662,722,960,017)</u>	<u>(485,738,615,063)</u>
Net cash used in investing activities		<u>(418,038,343,901)</u>	<u>(351,304,579,707)</u>

See accompanying notes to the separate interim financial statements.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Separate Interim Statements of Cash Flows, Continued

For the six-month periods ended June 30, 2020 and 2019

(Unaudited)

<i>(In won)</i>	<u>Note</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Cash flows from financing activities			
Cash inflows from financing activities			
Increase in short-term borrowings, net	₩	1,768,475,931,635	802,491,522,059
Proceeds from long-term borrowings		300,000,000,000	468,000,000,000
Issuance of bonds		-	80,000,000,000
Issuance of common shares		-	471,750,000,000
Exercise of stock warrant		-	923,157
Subtotal		<u>2,068,475,931,635</u>	<u>1,822,242,445,216</u>
Cash outflows for financing activities			
Repayment of long-term borrowings		(275,000,000,000)	(283,462,425,054)
Repayment of current portion of long-term debt		(1,295,212,441,042)	(642,868,256,177)
Payment of lease liabilities		(17,322,098,307)	(8,360,633,668)
Acquisition of treasury stock		(16,409,250)	-
Repayment of asset-backed borrowings		(17,000,000,000)	(30,000,000,000)
Payment of dividends		-	(17,498,108,760)
Expense of stock issuance		(1,697,206,670)	(9,387,044,272)
Subtotal		<u>(1,606,248,155,269)</u>	<u>(991,576,467,931)</u>
Net cash provided by financing activities		<u>462,227,776,366</u>	<u>830,665,977,285</u>
Effect of exchange rate fluctuations on cash held		3,421,408,991	3,791,991,678
Net decrease in cash and cash equivalents		(173,731,257,966)	(117,040,615,591)
Cash and cash equivalents at January 1		345,832,725,637	525,737,852,074
Cash and cash equivalents at June 30	₩	<u>172,101,467,671</u>	<u>408,697,236,483</u>

See accompanying notes to the separate interim financial statements.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

1. Reporting entity

Doosan Heavy Industries & Construction Co., Ltd. (the "Company") was incorporated on September 20, 1962, with its headquarters in Changwon, Korea. Since its incorporation, the Company has grown to become one of the leading global manufacturers of advanced power generation equipment. The Company engages in manufacturing of a range of power generation equipment including boilers, turbines and generators. It also engages in engineering, procurement and construction of thermal power plants. And the Company engages in general construction, seawater desalination and etc.

The Company was listed on the Korea Exchange on October 25, 2000 and its major stockholder as of June 30, 2020 is Doosan Corp. (holding 44.86% equity ownership).

2. Significant accounting policies and basis of preparation

The Company's separate interim financial statements are prepared in accordance with K-IFRS No. 1034, 'Interim Financial Reporting', and K-IFRS No. 1027, 'Separate Financial Statements'. In order to understand these separate interim financial statements, users should read annual separate financial statements that are prepared in accordance with K-IFRS as of December 31, 2019.

The Company's accounting policies applied for the accompanying separate interim financial statements are consistent with the policies used to prepare the separate financial statements for the year ended December 31, 2019, except for the effects from the introduction of revised accounting standards as described below:

The Company has applied the amendments to the following standards with January 1, 2020 as the date of initial application.

- K-IFRS No. 1103 'Business Combinations' : Definition of a business
- K-IFRS No. 1001 'Presentation of Financial Statements' : Definition of a materiality
- K-IFRS No. 1109 'Financial Instruments' : Hedge accounting interest rate index reformation
- A review of the Conceptual Framework for Financial Reporting : The principles of the definition, recognition and derecognition of assets and liabilities

There are no significant effect of the above amendments to the standards on the Company's separate interim financial statements.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

3. Significant accounting estimates and assumptions

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

In preparing these separate interim financial statements, the key sources of estimation uncertainty and assumptions were the same as those that applied to the separate financial statements as of and for the year ended December 31, 2019, except for the adoption of new accounting standards.

4. Financial risk management

The Company is exposed to various financial risks, such as market (foreign currency risk, interest rate risk and price risk), credit and liquidity, relating to the operations of the Company. The purpose of risk management policy is to minimize potential risks, which could have adverse effect on financial performance.

Financial risk management activities are performed by the Treasury department in accordance with the risk management policies. In addition, the Company enters into derivative contracts to hedge against certain risks. The Company is trying to minimize the effect of financial risks by updating financial risk management policy and monitoring financial risks regularly.

(1) Market risk

1) Foreign currency risk

The Company's exposure to the risk of changes in foreign currency exchange rates relates primarily to the Company's operating activities and net investments in foreign subsidiaries. The Company's objective of foreign currency risk management is to minimize uncertainty and volatility arising from fluctuations in foreign currency exchange rates. Foreign currency risk is managed in accordance to the Company's policy on foreign currencies, and currency trading for speculative purposes is prohibited.

The Company's basis for foreign currency management is to reduce income/loss volatility. The Company reduces exposure to foreign currency risk by matching the inflow and the outflow of foreign currencies (natural hedge) and manages foreign currency risk by using currency derivatives, such as currency forwards, for the remaining exposure.

As of June 30, 2020, an increase in the exchange rate of a functional currency for each foreign currency may result in an increase in profit before income tax and a decrease may result in a decrease in profit before income tax as some of the monetary assets and liabilities denominated in foreign currencies other than functional currencies are exposed to foreign exchange risk.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

2) Interest rate risk

Interest rate risk is related to borrowings and bank deposits with floating interest rates, and related interest income and expense are exposed to interest rate risk. The Company is exposed to interest rate risk mainly due to its borrowing or deposit with floating interest rates. The purpose of interest rate risk management is to minimize uncertainty and financial expense arising from interest rate fluctuation.

To manage its interest rate risk, the Company minimizes external borrowings using internal funds and reduces borrowings with high interest rates and maintains an appropriate balance between borrowings with floating interest rate and fixed-interest rate and short-term and long-term borrowings. The Company manages its interest rate risk preemptively through regular monitoring and adjustments to the changing domestic and overseas markets conditions and nature of its interest rates.

As of June 30, 2020, some of the financial assets and liabilities are floating rate financial assets and liabilities which are exposed to interest rate fluctuations risk. If interest rates of floating rate financial assets and liabilities increase, profit before income tax may decrease. On the other hand, if interest rates of floating rate financial assets and liabilities decrease, profit or loss before income tax may increase.

3) Price risk

The Company is exposed to equity price risks arising from its listed equity investments among financial instruments. The Company periodically measures the risk as the fair value or future cash flows of equity investments may fluctuate due to the changes in market prices. Significant investments in the Company's portfolio are individually managed, and acquisition and disposal are approved by the Board of Directors.

(2) Credit risk

The Company is exposed to credit risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk arises from trade and other receivables, debt instruments, equity investments, beneficiary certificates, deposits in financial institutions, derivative financial instruments and financial guarantee contracts.

The Company enters into transactions with customers having met a certain level of credit quality and maintains policies and procedures on financial assets to manage such risks. The credit quality of a new customer is assessed based on publicly announced financial information and the information provided by credit rating agencies. Such assessment is used as a basis for determining a customer's credit limit. Furthermore, collaterals and credit guarantees are obtained as security, if necessary. In addition, the Company periodically reassesses the credit quality of customers by auditing credit limits and adjusts the amount covered by collaterals when deemed necessary. The Company also monitors whether the collection of financial assets have been impaired to take relevant actions.

As of June 30, 2020, the amounts of the Company's financial assets as measured at amortized cost, financial assets (debt instruments) as measured at fair value through profit or loss ("FVTPL"), financial assets (debt instruments) as measured at FVOCI, and derivative financial instruments that are exposed to credit risk are similar to the carrying amounts and the maximum amount to be paid for the principal debtor related to financial guarantee contract is described in Note 24.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

(3) Liquidity risk

The Company is exposed to liquidity risk, which is the risk that it will encounter difficulties in fulfilling the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company manages liquidity risk by matching the duration of financial assets and liabilities through estimating future cash flows from its operating, investing and financing activities, and securing moderate levels of liquidity in advance.

The maximum guarantee amounts based on financial guarantee contracts provided by the Company as of June 30, 2020 are described in Note 24.

(4) Capital risk

The objective of the Company's capital risk management is to secure its ability to provide earnings to its shareholders and interested parties and sustain optimal capital structure to reduce the cost of capital. In order to sustain optimal capital structure, the Company uses a debt-to-equity ratio similar to other entities in the industry. Debt-to-equity ratio is calculated by dividing total liabilities by total equity.

Debt-to-equity ratios as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of won)

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Total liabilities	₩ 8,464,221	7,920,170
Total equity	<u>2,889,901</u>	<u>3,440,707</u>
Debt-to-equity ratio	<u>292.89%</u>	<u>230.19%</u>

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

5. Restricted financial assets

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

<i>(In millions of won)</i>	June 30, 2020	December 31, 2019	Restrictions
Short-term financial instruments	₩ 2,541	6,861	Government R&D projects(*1) and others
	125,353	71,570	Price return swap ("PRS") deposit(*2)
	12,000	40,400	Shared growth fund
	22,219	-	Establishment of pledge related to working capital borrowing
Long-term financial instruments	4	4	Deposits for maintenance of checking accounts
Total	₩ <u>162,117</u>	<u>118,835</u>	

(*1) The amounts are restricted in use and may only be used for specific national R&D projects.

(*2) This is deposit amount for the PRS contract that had been signed coincidentally with disposal of Doosan Bobcat Inc. shares.

6. Trade and other receivables

Trade and other receivables as of June 30, 2020 and December 31, 2019 are as follows:

<i>(In millions of won)</i>	June 30, 2020			December 31, 2019		
	Gross	Allowance for doubtful accounts	Book value	Gross	Allowance for doubtful accounts	Book value
Current assets:						
Trade receivables	₩ 738,622	(168,913)	569,709	653,426	(159,954)	493,472
Other receivables	224,631	(91,941)	132,690	412,825	(91,752)	321,073
Accrued income	23,186	(12,588)	10,598	21,980	(12,588)	9,392
Short-term loans	295,120	(67,200)	227,920	86,495	(32,200)	54,295
Lease receivables	1,856	-	1,856	1,336	-	1,336
Subtotal	<u>1,283,415</u>	<u>(340,642)</u>	<u>942,773</u>	<u>1,176,062</u>	<u>(296,494)</u>	<u>879,568</u>
Non-current assets:						
Long-term loans	521,613	(476,123)	45,490	555,592	(443,259)	112,333
Lease receivables	5,293	-	5,293	7,158	-	7,158
Subtotal	<u>526,906</u>	<u>(476,123)</u>	<u>50,783</u>	<u>562,750</u>	<u>(443,259)</u>	<u>119,491</u>
Total	₩ <u>1,810,321</u>	<u>(816,765)</u>	<u>993,556</u>	<u>1,738,812</u>	<u>(739,753)</u>	<u>999,059</u>

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

7. Inventories

Inventories as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of won)

	June 30, 2020			December 31, 2019		
	Acquisition cost	Valuation allowance	Book value	Acquisition cost	Valuation allowance	Book value
Finished goods	₩ 29,809	(1,578)	28,231	25,544	(1,295)	24,249
Work-in-process	276,703	(8,731)	267,972	242,085	(9,047)	233,038
Raw materials	39,366	(2,535)	36,831	40,470	(2,344)	38,126
Supplies	17,999	(2,603)	15,396	16,933	(2,579)	14,354
Materials-in-transit	26,199	-	26,199	34,460	-	34,460
Total	₩ 390,076	(15,447)	374,629	359,492	(15,265)	344,227

Losses on inventory valuation recognized within the cost of sales amounted to ₩182 million and ₩188 million for the six-month periods ended June 30, 2020 and 2019, respectively.

8. Derivatives

Details of valuation of derivatives as of June 30, 2020 and December 31, 2019 are as follows:

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

June 30, 2020							
Buy		Sell		Derivative financial assets (liabilities)	Gain (loss) on valuation of derivative financial instruments	Accumulated other comprehensive income (loss) (*1)	Firm commitment assets (liabilities) (*2)
Currency	Amounts	Currency	Amounts				
Foreign currency forwards:							
KRW	1,496,775	USD	1,322,277	₩ (81,940)	(52,319)	215	40,662
KRW	208,232	EUR	155,538	(2,417)	(2,140)	(2,635)	464
KRW	173,390	JPY	15,356,120	486	(3,575)	(387)	(142)
KRW	37,986	Others		(1,295)	(689)	(295)	491
USD	610,167	KRW	700,913	27,765	13,761	5,889	(3,683)
EUR	178,988	KRW	243,434	(1,040)	(988)	5,647	30
JPY	15,236,220	KRW	188,656	(16,282)	(1,562)	1,290	(74)
Others		KRW	18,104	(102)	(94)	129	10
Long-term and short-term borrowings denominated in foreign currencies(*3)							
KRW	-	USD	-	-	-	-	167
Interest rate swap ("IRS")				(1,356)	-	(1,356)	-
Stock warrant(*4)				32,793	30,943	-	-
PRS(*5)				(89,400)	(75,243)	-	-
Subtotal				(132,788)	(91,906)	8,497	37,925
Tax effect				-	-	(2,056)	-
Total				₩ (132,788)	(91,906)	6,441	37,925

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

- (*1) In consideration of the amounts adjusted in sales and cost of sales, the effective portion of changes in fair value of cash flow hedges of ₩6,441 million, net of tax, was recognized in accumulated other comprehensive income or loss.
- (*2) In consideration of the amounts adjusted in revenue, firm commitment assets of ₩49,695 million and firm commitment liabilities of ₩11,770 million were recognized in the separate interim statement of financial position by applying a fair value hedge accounting.
- (*3) The Company designated its short-term and long-term borrowings denominated in foreign currencies as hedging instruments to hedge the fair value change of firm commitments.
- (*4) It is stock warrants of detachable bonds with stock warrants issued by Doosan Infracore Co., Ltd.
- (*5) The Company has entered into PRS contract to exchange profits due to changes in stock prices at the same time as the disposal of Doosan Bobcat Inc. stocks.

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

December 31, 2019							
Buy		Sell		Derivative financial assets (liabilities)	Gain (loss) on valuation of derivative financial instruments	Accumulated other comprehensive income (loss) (*1)	Firm commitment assets (liabilities) (*2)
Currency	Amount	Currency	Amount				
Foreign currency forwards:							
KRW	1,978,942	USD	1,766,910	₩ (46,830)	(34,440)	628	25,605
KRW	260,424	EUR	195,276	4,346	1,524	617	(720)
KRW	199,713	JPY	18,082,201	3,449	(2,622)	(1,112)	(1,895)
KRW	70,902	Others		(862)	(978)	(64)	424
USD	1,450,610	KRW	1,674,689	11,410	38,493	3,178	(3,497)
EUR	269,516	KRW	364,052	(10,462)	(3,907)	(1,085)	129
JPY	15,746,081	KRW	196,213	(23,953)	(1,527)	25	73
	Others	KRW	21,007	284	(88)	527	-
Long-term and short-term borrowings denominated in foreign currencies(*3)							
KRW	-	USD	-	-	-	-	180
Currency rate swap							
				(17)	1,588	(17)	-
IRS							
				(1,204)	-	(1,204)	-
Stock warrant(*4)							
				1,850	(12,984)	-	-
PRS(*5)							
				(14,157)	(14,157)	-	-
			Subtotal	(76,146)	(29,098)	1,493	20,299
Tax effect							
				-	-	(361)	-
			Total	₩ (76,146)	(29,098)	1,132	20,299

- (*1) In consideration of the amounts adjusted in sales and cost of sales, the effective portion of changes in fair value of cash flow hedges amounting to ₩1,132 million, net of tax, was recognized in accumulated other comprehensive income or loss.
- (*2) In consideration of the amounts adjusted in revenue, firm commitment assets of ₩43,860 million and firm commitment liabilities of ₩23,561 million were recognized in the separate interim statement of financial position by applying a fair value hedge accounting.
- (*3) The Company designated its short-term and long-term borrowings denominated in foreign currencies as hedging instruments to hedge the fair value change of firm commitments.
- (*4) It is stock warrants of detachable bonds with stock warrants issued by Doosan Infracore Co., Ltd.
- (*5) The Company has entered into PRS contract to exchange profits due to changes in stock prices at the same time as the disposal of Doosan Bobcat Inc. stocks.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

9. Financial instruments

(1) Financial assets as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of won)

	June 30, 2020					
	Financial assets as measured at amortized cost	Financial assets as measured at FVOCI	Financial assets as measured at FVTPL	Other financial assets(*1)	Carrying amounts	Fair value
Cash and cash equivalents	₩ 172,101	-	-	-	172,101	172,101
Short and long-term financial instruments	163,492	-	-	-	163,492	163,492
Long-term investment in securities	1,600	3,885	78,839	-	84,324	84,324
Derivative financial assets	-	-	43,602	18,778	62,380	62,380
Trade and other receivables	993,556	-	-	-	993,556	993,556
Deposits	74,330	-	-	-	74,330	74,330
Total	₩ 1,405,079	3,885	122,441	18,778	1,550,183	1,550,183

(*1) Other financial assets include derivatives as hedged item.

(In millions of won)

	December 31, 2019					
	Financial assets as measured at amortized cost	Financial assets as measured at FVOCI	Financial assets as measured at FVTPL	Other financial assets(*1)	Carrying amounts	Fair value
Cash and cash equivalents	₩ 345,833	-	-	-	345,833	345,833
Short and long-term financial instruments	120,179	-	-	-	120,179	120,179
Long-term investment in securities	1,600	3,889	76,506	-	81,995	81,995
Derivative financial assets	-	-	11,397	20,711	32,108	32,108
Trade and other receivables	999,059	-	-	-	999,059	999,059
Deposits	67,974	-	-	-	67,974	67,974
Total	₩ 1,534,645	3,889	87,903	20,711	1,647,148	1,647,148

(*1) Other financial assets include derivatives as hedged item.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

(2) Financial liabilities as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of won)

	June 30, 2020				
	Financial liabilities as measured at amortized cost	Financial liabilities as measured at FVTPL	Other financial liabilities(*1)	Carrying amounts	Fair value
Trade and other payables	₩ 1,201,366	-	-	1,201,366	1,201,366
Borrowings and bonds	5,420,041	-	-	5,420,041	5,420,041
Derivative financial liabilities	-	106,109	89,059	195,168	195,168
Financial guarantee liabilities	-	-	1,053	1,053	1,053
Lease liabilities	29,828	-	-	29,828	29,828
Others	232,006	-	-	232,006	232,006
Total	₩ 6,883,241	106,109	90,112	7,079,462	7,079,462

(*1) Other financial liabilities include derivatives as hedged item and others.

(In millions of won)

	December 31, 2019				
	Financial liabilities as measured at amortized cost	Financial liabilities as measured at FVTPL	Other financial liabilities(*1)	Carrying amounts	Fair value
Trade and other payables	₩ 1,121,462	-	-	1,121,462	1,121,462
Borrowings and bonds	4,885,569	-	-	4,885,569	4,885,569
Derivative financial liabilities	-	45,863	62,391	108,254	108,254
Financial guarantee liabilities	-	-	994	994	994
Lease liabilities	43,686	-	-	43,686	43,686
Others(*2)	236,663	-	220,000	456,663	456,663
Total	₩ 6,287,380	45,863	283,385	6,616,628	6,616,628

(*1) Other financial liabilities include derivatives as hedged item and others.

(*2) Others include PF payment guarantees for Club Mow in the amount of ₩220,000 million.

(3) As of June 30, 2020, the Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3: Inputs that are not based on observable market data (unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the dates of the separate statements of financial position. These instruments are included in level 1. Instruments included in level 1 primarily comprise listed equity investments classified as trading securities.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

Specific valuation techniques used to value financial instruments include:

- Quoted or dealer price of similar instruments.
- The fair value of forward foreign exchange contracts determined by using forward exchange rates at the reporting date, with the resulting value discounted to present value.
- Other financial techniques such as discounted cash flow analysis.

The level of fair value measurements of financial instruments as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of won)

		June 30, 2020			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:					
Measured at FVOCI	₩	-	-	3,885	3,885
Measured at FVTPL		111	43,602	78,728	122,441
Others		-	18,778	-	18,778
Total	₩	<u>111</u>	<u>62,380</u>	<u>82,613</u>	<u>145,104</u>
Financial liabilities measured at fair value:					
Measured at FVTPL	₩	-	106,109	-	106,109
Others		-	89,059	-	89,059
Total	₩	<u>-</u>	<u>195,168</u>	<u>-</u>	<u>195,168</u>

(In millions of won)

		December 31, 2019			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:					
Measured at FVOCI	₩	-	-	3,889	3,889
Measured at FVTPL		223	11,397	76,283	87,903
Others		-	20,711	-	20,711
Total	₩	<u>223</u>	<u>32,108</u>	<u>80,172</u>	<u>112,503</u>
Financial liabilities measured at fair value:					
Measured at FVTPL	₩	-	45,863	-	45,863
Others		-	62,391	-	62,391
Total	₩	<u>-</u>	<u>108,254</u>	<u>-</u>	<u>108,254</u>

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

Changes in financial assets included in level 3 of the fair value hierarchy for the six-month periods ended June 30, 2020 and 2019 are summarized as follows and there is no transfer between levels of the fair value.

(In millions of won)

	June 30, 2020					
	January 1, 2020	Acquisition	Disposal	Gain or loss on valuation	Others	June 30, 2020
Financial assets as measured at FVOCI	₩ 3,889	-	-	-	(4)	3,885
Financial assets as measured at FVTPL	76,283	2,189	(44)	300	-	78,728
Total	₩ 80,172	2,189	(44)	300	(4)	82,613

(In millions of won)

	June 30, 2019					
	January 1, 2019	Acquisition	Disposal	Gain or loss on valuation	Others	June 30, 2019
Financial assets as measured at FVOCI	₩ 15,213	722	-	-	-	15,935
Financial assets as measured at FVTPL	66,217	95	(18,555)	276	-	48,033
Total	₩ 81,430	817	(18,555)	276	-	63,968

(4) Gain or loss by categories of financial instruments

1) Gain or loss by categories of financial instruments for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of won)

	June 30, 2020						
	Gain or loss						
	Interest income (expense)	Dividend income	Gain or loss on valuation (*1)	Impairment loss on financial instruments	Gain or loss on disposal	Gain or loss on financial guarantee	Other comprehensive income or loss
Financial assets:							
Measured at amortized cost	₩ 3,876	-	-	(76,712)	(5,965)	-	-
Measured at FVTPL	-	604	188	-	-	-	-
Measured at FVOCI	-	-	-	-	-	-	(4)
Total	₩ 3,876	604	188	(76,712)	(5,965)	-	(4)
Financial liabilities:							
Measured at amortized cost	₩ (85,320)	-	-	-	(31,385)	-	-
Others	-	-	-	-	-	(880)	-

(*1) The amounts of gains and losses of foreign exchange and derivatives are excluded.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

(In millions of won)

	June 30, 2019					
	Gain or loss					
	Interest income (expense)	Dividend income	Gain or loss on valuation(*1)	Impairment loss on financial instruments	Gain or loss on disposal	Gain or loss on financial guarantee
Financial assets:						
Measured at amortized cost	₩ 5,492	-	-	(648)	(742)	-
Measured at FVTPL	-	277	1,323	-	(51)	-
Total	₩ 5,492	277	1,323	(648)	(793)	-
Financial liabilities:						
Measured at amortized cost	₩ (93,654)	-	-	-	-	-
Others	-	-	-	-	-	(12)

(*1) The amounts in gain or loss on valuation exclude the gain or loss related with derivatives.

Gains or losses on translation or transaction of foreign currencies arising from foreign currency transactions except for derivative financial instruments have been mostly incurred from financial assets and liabilities measured at amortized cost.

2) Details of gains and losses on valuation and settlement of derivative financial instruments for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of won)

	June 30, 2020		
	Gain or loss on valuation	Gain or loss on settlement	Other comprehensive income (loss) (*1)
Derivatives measured at FVTPL	₩ (37,079)	53,184	-
Derivatives for fair value hedge	(53,008)	-	-
Derivatives for cash flow hedge	(1,819)	(59)	7,004
Total	₩ (91,906)	53,125	7,004

(*1) The amounts in other comprehensive income or loss exclude deferred tax effect.

(In millions of won)

	June 30, 2019		
	Gain or loss on valuation	Gain or loss on settlement	Other comprehensive income (loss) (*1)
Derivatives measured at FVTPL	₩ 13,622	2,135	-
Derivatives for fair value hedge	(85,622)	-	-
Derivatives for cash flow hedge	(4,218)	(6)	20,108
Total	₩ (76,218)	2,129	20,108

(*1) The amounts in other comprehensive income or loss exclude deferred tax effect.

Above gain or loss of financial instruments for the six-month periods ended June 30, 2020 and 2019 include selling and administrative expenses, finance income or expenses and other non-operating income or expenses and other comprehensive income or loss from each financial instrument.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

(5) Financial assets and financial liabilities subject to an enforceable master netting arrangement or similar agreement as of June 30, 2020 are as follows:

(In millions of won)

		Eligible for legal right to offset		
		Total assets (liabilities)	Offset amounts	Amounts after offset
Derivative financial assets	₩	46,944	(17,358)	29,586
Derivative financial liabilities		(121,769)	17,358	(104,411)

10. Investments in subsidiaries and associates and joint ventures

Details of share of investment in subsidiaries and associates as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of won)

	Location of incorporation	Percentage of ownership (%)	June 30, 2020	December 31, 2019
Subsidiaries:				
Doosan Engineering & Construction Co., Ltd. ("DEC")(*1,8)	Korea	100.00	₩ 1,068,556	1,158,402
Doosan Infracore Co., Ltd. ("DI")(*1,2)	Korea	36.27	1,483,471	1,483,471
Doosan Cuvex Co., Ltd.(*1,3)	Korea	21.11	40,139	40,139
Doosan Power Systems S.A. ("DPS S.A.")	Luxembourg	100.00	404,074	404,074
Doosan Enpure Ltd.	UK	100.00	4,951	4,951
S.C. Doosan IMGB S.A. ("IMGB")	Romania	99.92	40,772	40,772
Doosan Heavy Industries Vietnam Co., Ltd.	Vietnam	76.33	139,342	139,342
Doosan Heavy Industries Japan Corp.	Japan	100.00	1,993	1,993
Doosan Heavy Industries America Holdings Inc.	USA	100.00	101,437	101,437
Doosan HF Controls Corp.	USA	100.00	5,642	5,642
Doosan Power Systems India Private Ltd. ("DPSI")(*10)	India	99.86	-	131,392
Doosan Heavy Industries Muscat LLC	Oman	70.00	319	319
Doosan Power Systems Arabia Company Limited	Saudi Arabia	51.00	3,968	3,968
Doosan GridTech Inc.	USA	100.00	61,609	61,609
Azul Torre Construction Corporation(*4)	Philippines	40.00	9	9
Osung Power O&M Co., Ltd.	Korea	100.00	360	360
PT. Doosan Heavy Industries Indonesia	Indonesia	55.00	-	-
Doosan Heavy Industries Malaysia Sdn. Bhd	Malaysia	100.00	-	-
Doosan Mecatec Co., Ltd.(*1,9)	Korea	100.00	238,199	-
Subtotal			₩ 3,594,841	3,577,880
Associate:				
The HS-City Expressway(*5)	Korea	27.29	9,578	9,578
Samcheok Blue Power Co., Ltd.(*5,6)	Korea	9.00	43,568	43,568
Daejung Offshore Wind Power Co., Ltd.	Korea	25.00	2,827	2,827
Subtotal			₩ 55,973	55,973
Joint ventures:				
Haman Industrial Complex Company(*7)	Korea	-	-	-
Total			₩ 3,650,814	3,633,853

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

- (*1) As of June 30, 2020, investments in the investee have been pledged as collateral for Company's liabilities and hybrid bonds issued by DPS S.A. (See Notes 25 and 28).
- (*2) Although the Company's ownership interest in the investee is less than a majority, the Company assessed that it exercises control over the investee based on its holdings relative to the size and dispersion of ownership interests held by other equity holders and the voting patterns in previous shareholders' meetings.
- (*3) Although the Company's ownership does not exceed 50%, it is classified as a consolidated subsidiary since the Company is considered to have the voting rights in the equity's board of directors, and others.
- (*4) Although the Company's equity interest in the investee is less than 50%, the investee is controlled by the Company considering the exercise of voting rights in the board of directors and others.
- (*5) Investments in the investee have been pledged as collateral for the Company's project financing and contract of completion guarantee (See Note 25).
- (*6) Although the Company's equity interest in the investee is less than 20%, the investee is classified as an associate considering the exercise of voting rights in the board of directors. The company name was changed from POSPOWER Co., Ltd. to Samcheok Blue Power Co., Ltd. in 2020.
- (*7) Haman Industrial Complex Company was liquidated in 2020.
- (*8) The Company acquired an additional ₩51,009 million and recognized an impairment loss (other non-operating expenses) of ₩140,855 million as the carrying amount exceeded its recoverable amount in 2020. Meanwhile, recoverable amount was determined by the value in use discounted by future cash flows expected from the continued use of the asset, and the key assumption used in calculating value in use is the same as the end of the December 31, 2019.
- (*9) Newly acquired in 2020.
- (*10) As of June 30, 2020, as the Company's capital is fully impaired, the net fair value, fair value less costs of disposal is expected to be (-), an impairment loss (other non-operating expenses) has been recognized for the entire carrying amount before impairment of ₩243,392 million, including an additional ₩112,000 million contributed in 2020.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

11. Property, plant and equipment

Changes in property, plant and equipment for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of won)

	June 30, 2020						
	Buildings and				Construction in progress	Right-of-use assets	Total
	Land	structures	Machinery	Others			
As of January 1, 2020	₩ 2,432,461	259,689	263,165	27,854	115,849	36,008	3,135,026
Acquisition/ capital expenditure	-	-	177	477	10,456	4,716	15,826
Transfer	-	1,745	18,596	725	(13,264)	-	7,802
Others	-	-	-	-	(100)	1,875	1,775
Disposals(*2)	-	(90)	-	(67)	-	(1,210)	(1,367)
Depreciation	-	(14,559)	(21,889)	(4,465)	-	(17,820)	(58,733)
As of June 30, 2020	₩ 2,432,461	246,785	260,049	24,524	112,941	23,569	3,100,329
- Acquisition cost	₩ 1,218,623	739,681	1,191,173	213,556	112,941	56,463	3,532,437
- Accumulated depreciation and impairment(*1)	-	(492,896)	(931,124)	(189,032)	-	(32,894)	(1,645,946)
- Revaluation surplus	1,213,838	-	-	-	-	-	1,213,838

(*1) Includes the accumulated impairment losses.

(*2) The amount due to the contract cancelation of the right of use assets is included (See Note 13).

(In millions of won)

	June 30, 2019						
	Buildings and				Construction in progress	Right-of-use assets	Total
	Land	structures	Machinery	Others			
As of January 1, 2019	₩ 2,573,606	281,273	284,679	35,697	135,046	-	3,310,301
Transition(*1)	-	-	-	-	-	29,505	29,505
Acquisition/ capital expenditure	-	-	152	979	11,287	3,710	16,128
Transfer(*2)	(107,955)	7,684	4,299	337	(40,204)	-	(135,839)
Disposals	(30,412)	(9,598)	-	(465)	-	-	(40,475)
Depreciation	-	(14,488)	(23,134)	(6,148)	-	(6,232)	(50,002)
As of June 30, 2019	₩ 2,435,239	264,871	265,996	30,400	106,129	26,983	3,129,618
- Acquisition cost	₩ 1,219,358	729,125	1,160,753	219,230	106,129	33,215	3,467,810
- Accumulated depreciation and impairment(*3)	-	(464,254)	(894,757)	(188,830)	-	(6,232)	(1,554,073)
- Revaluation surplus	1,215,881	-	-	-	-	-	1,215,881

(*1) Under K-IFRS No. 1116, right-of-use assets are recognized as property, plant and equipment.

(*2) Portion of land and construction in progress are reclassified to disposal group held for sale in 2019.

(*3) Includes the accumulated impairment losses.

As of June 30, 2020, certain property, plant and equipment have been pledged as collateral for borrowings (See Note 25).

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

The Company accounts for land using revaluation model; and if the land were accounted for using cost model, the carrying amount of land would have been ₩1,218,623 million and ₩1,218,829 million as of June 30, 2020 and December 31, 2019, respectively. As of June 30, 2020, there is no significant difference compared to the fair value of land measured as of December 31, 2019.

12. Intangible assets

(1) Changes in intangible assets for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of won)

	June 30, 2020				
	Goodwill	Industrial property rights	Development costs	Other intangible assets	Total
As of January 1, 2020	₩ 3,014	67	902,749	77,932	983,762
Acquisition/ capital expenditure	-	-	76,298	25	76,323
Disposal	-	-	-	(645)	(645)
Transfer	-	-	(16,372)	5,486	(10,886)
Amortization	-	(14)	(33,042)	(9,384)	(42,440)
Others	-	-	(422)	-	(422)
As of June 30, 2020	₩ 3,014	53	929,211	73,414	1,005,692

(In millions of won)

	June 30, 2019				
	Goodwill	Industrial property rights	Development costs	Other intangible assets	Total
As of January 1, 2019	₩ 3,014	99	789,363	94,957	887,433
Acquisition/ capital expenditure	-	-	105,166	96	105,262
Transfer	-	-	(1,957)	1,584	(373)
Disposal	-	-	-	(263)	(263)
Amortization	-	(16)	(35,621)	(9,478)	(45,115)
Impairment loss	-	-	(263)	-	(263)
As of June 30, 2019	₩ 3,014	83	856,688	86,896	946,681

The carrying amounts of intangible assets with indefinite useful lives including membership and others as of June 30, 2020 and December 31, 2019 amounted to ₩37,768 million and ₩38,413 million, respectively.

(2) Research and development costs expensed as incurred for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of won)

	June 30, 2020	June 30, 2019
Research and development costs	₩ 4,292	7,743

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

13. Lease

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

(In millions of won)

	Building	Other tangible assets	Total
As of January 1, 2020	₩ 22,867	13,141	36,008
Acquisition	2,348	2,368	4,716
Depreciation	(8,860)	(8,960)	(17,820)
Contract cancellation	(27)	(1,183)	(1,210)
Others	1,876	(1)	1,875
As of June 30, 2020	₩ 18,204	5,365	23,569
- Acquisition cost	₩ 43,381	13,082	56,463
- Accumulated depreciation	(25,177)	(7,717)	(32,894)

(2) Changes in the lease liabilities for the six-month period ended June 30, 2020 are as follows:

(In millions of won)

	Lease liabilities
As of January 1, 2020	₩ 43,686
Payment of lease	(18,298)
Acquisition of leased assets	4,716
Interest expense	976
Contract cancellation	(1,252)
As of June 30, 2020	₩ 29,828

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

14. Bonds and borrowings

(1) Borrowings

1) Short-term borrowings as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of won)

Type of Borrowings	Lender	Annual interest rate (%) as of June 30, 2020	June 30, 2020	December 31, 2019
Denominated in KRW	Korean Development Bank ("KDB") and others(*1)	1.14~4.94	₩ 4,131,505	2,239,206
	Kookmin Bank	7.80	43,080	-
Denominated in foreign currencies	HSBC and others	1.17~4.30	261,224	420,609
	Total		₩ 4,435,809	2,659,815

(*1) As of June 30, 2020, property, plant and equipment and others have been pledged as collateral for some of the above borrowings (See Notes 25 and 28).

2) Long-term borrowings as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of won)

Type of Borrowings	Lender	Maturity	Annual interest rate (%) as of June 30, 2020	June 30, 2020	December 31, 2019
Denominated in KRW	Korea EXIM Bank and others(*1)	2020.08.21~2023.03.15	2.34~4.81	₩ 514,622	538,097
Denominated in foreign currencies	Mashreq Bank and others	2020.07.26~2022.07.26	0.94~4.30	175,379	244,446
	Subtotal			690,001	782,543
	Less: Current portion			(215,706)	(298,465)
	Total			₩ 474,295	484,078

(*1) As of June 30, 2020, property, plant and equipment and others have been pledged as collateral for some of the above borrowings (See Note 25).

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

(2) Bonds

1) Details of bonds as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of won)

Type	Series	Maturity	Annual interest rate (%) as of June 30, 2020	June 30, 2020	December 31, 2019
Public subscription bonds	-	-	-	₩ -	578,900
	56	2020.09.18	4.89	50,000	50,000
Private subscription bond	-	-	-	-	43,080
	54-2	-	-	-	10,000
	55-1	-	-	-	25,000
	55-2	-	-	-	15,000
	57	2021.05.15	4.69	80,000	80,000
Bonds with stock warrants	48	2022.05.04	1.00	14,838	499,795
	Subtotal			144,838	1,301,775
	Add: Redemption premium			778	26,213
	Less: Exchange rights adjustment			(1,079)	(45,682)
	Less: Current portion of long-term bonds			(129,983)	(1,197,570)
	Less: Discount on bonds			(117)	(4,736)
	Total			₩ 14,437	80,000

2) Changes in the carrying amount of bonds with stock warrants for the six-month period ended June 30, 2020 are as follows:

(In millions of won)

	January 1, 2020	Redemption	Exercise / Amortization	June 30, 2020
Bond with stock warrants	₩ 499,795	(484,957)	-	14,838
Redemption premium	26,213	(25,435)	-	778
Discount on bond	(4,220)	3,540	580	(100)
Exchange rights adjustment	(45,682)	38,324	6,279	(1,079)
Book value(*1)	₩ 476,106	(468,528)	6,859	14,437
Consideration for stock warrants rights (other capital surplus)	₩ 49,467	-	-	49,467

(*1) It was completely replaced by non-current in 2020.

As of June 30, 2020, stock warrants were exercised in the amount pertaining to 0.05% of the principal amount of 48th bond with stock warrants and 0.04% of the principal amount was substituted. The number of shares issued as a result of the exercise of the stock warrants were 11,394 shares up to June 30, 2020.

(3) The Company transferred revenue from construction contracts to a special purpose vehicle, and the special purpose vehicle issued asset-backed securities backed by transferred assets. Asset-backed borrowings as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of won)

Type	Maturity	Discount rate (%)	June 30, 2020	December 31, 2019
KDPP 5 th Co., Ltd.	2020.07.29~2022.10.29	6.00	₩ 152,000	169,000
	Subtotal		152,000	169,000
	Less: Current portion		(76,483)	(33,128)
	Less: Discounts		(2,188)	(3,358)
	Total		₩ 73,329	132,514

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

15. Defined benefit liabilities

The Company operates defined benefit plans, and the cost of providing benefit under the defined benefit plans is determined using the projected unit credit method on actuarial valuation of the present value of its defined benefit obligations.

(1) Details of defined benefit liabilities as of June 30, 2020 and December 31, 2019 are as follows:

<i>(In millions of won)</i>	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	₩ 355,464	419,018
Fair value of plan assets(*1)	(253,276)	(354,882)
Defined benefit liabilities	₩ <u>102,188</u>	<u>64,136</u>

(*1) Include employer contributions of ₩605 million and ₩966 million to the National Pension Service as of June 30, 2020 and December 31, 2019, respectively.

(2) Expenses recognized in separate interim statements of loss for the six-month periods ended June 30, 2020 and 2019 are as follows:

<i>(In millions of won)</i>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Current service cost	₩ 17,065	16,440
Net interest cost	667	115
Past service cost(*1)	6,241	-
Total	₩ <u>23,973</u>	<u>16,555</u>

(*1) Changes in retirement benefit obligations due to voluntary retirement were recognized as past service costs in 2020.

16. Capital stock

The Company is authorized to issue 2,000,000,000 shares, with a par value of ₩5,000 per share and the number of common stock issued as of June 30, 2020 and December 31, 2019 is 253,140,778 shares and 202,146,875 shares, respectively. The number of shares with limited voting rights under Korean Commercial Code as of June 30, 2020 and December 31, 2019 is 14,329 treasury shares and 8,479 treasury shares, respectively. The Company issued 44,102,845 new shares in exchange for Doosan Mecatec Co., Ltd.'s common stock acquired through in-kind investment from Doosan Corp., and the Company issued 6,891,058 new shares in exchange for acquisition of DEC's common stock and treasury stock in 2020.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

17. Revenue

(1) Revenue for the three-month and six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of won)

		June 30, 2020	
		Three-month period ended	Six-month period ended
Revenue from contracts with customers			
Sales of goods		₩ 64,146	122,594
Construction contracts		761,494	1,690,626
	Subtotal	<u>825,640</u>	<u>1,813,220</u>
Others			
Hedging gains		(3,799)	(66,736)
Others		261	491
	Subtotal	<u>(3,538)</u>	<u>(66,245)</u>
	Total	<u>₩ 822,102</u>	<u>1,746,975</u>

(In millions of won)

		June 30, 2019	
		Three-month period ended	Six-month period ended
Revenue from contracts with customers			
Sales of goods		₩ 79,423	137,371
Construction contracts		897,608	1,732,559
	Subtotal	<u>977,031</u>	<u>1,869,930</u>
Others			
Hedging gains		(32,298)	(55,162)
Others		150	641
	Subtotal	<u>(32,148)</u>	<u>(54,521)</u>
	Total	<u>₩ 944,883</u>	<u>1,815,409</u>

(2) In the following table, revenue for the six-month periods ended June 30, 2020 and 2019 are disaggregated by primary geographical market and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Company's reportable segments.

(In millions of won)

		June 30, 2020	June 30, 2019
Primary geographical market			
Domestic		₩ 1,127,166	1,086,472
Americas		6,358	14,424
Asia		444,622	354,833
Middle East		140,968	330,354
Europe		22,845	18,792
Others		5,016	10,534
	Total	<u>₩ 1,746,975</u>	<u>1,815,409</u>
Timing of revenue recognition			
At a point in time		₩ 121,656	137,068
Over time		1,625,319	1,678,341
	Total	<u>₩ 1,746,975</u>	<u>1,815,409</u>

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

(3) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers as of June 30, 2020 and December 31, 2019.

(In millions of won)

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Receivables, which are included in 'trade and other receivables'	₩ 575,909	501,421
Contract assets	1,311,945	1,298,971
Contract liabilities	952,009	867,303

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from customers for construction, for which revenue is recognized over time. Of the contract liabilities as of December 31, 2019, the amount of recognized as revenue in 2020 is ₩424,907 million.

(4) Changes in transaction price for construction contract allocated to the performance obligations satisfied over time

Transaction prices allocated to the remaining performance obligations as of June 30, 2020 include contracts whose initial expected duration of performance obligations are less than one year old but not include contracts in which recognize the right to payment as revenue that corresponds directly with the value to the customer of the Company's performance completed to date.

Changes in transaction price for construction contract allocated to the performance obligations satisfied over time for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of won)

		<u>June 30, 2020</u>			
<u>Project name</u>		<u>January 1, 2020</u>	<u>Increase (Decrease)</u>	<u>Revenue recognized</u>	<u>June 30, 2020</u>
ENGIE and others	Fadhili CHP and others	₩ 10,182,072	1,115,405	1,625,319	9,672,158

(In millions of won)

		<u>June 30, 2019</u>			
<u>Project name</u>		<u>January 1, 2019</u>	<u>Increase (Decrease)</u>	<u>Revenue recognized</u>	<u>June 30, 2019</u>
ENGIE and others	Fadhili CHP and others	₩ 11,075,303	469,592	1,678,341	9,866,554

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

(5) Changes in profit or loss in current and future reporting periods and the book value of due from (to) customers for contracts work (excluding foreign currency translation effect) resulting from changes in total contract revenue and in total estimated contract costs for construction contracts in progress as of June 30, 2020 are as follows:

(In millions of won)

	Provision for construction loss	Changes in total contract revenue	Changes in total contract cost	Effect on profit (loss) for the period	Effect on profit (loss) for the future	Changes in due from (to) customer for contract work
Fadhili CHP and others	₩ 10,392	59,824	52,235	6,091	1,498	6,091

Impacts on current and future profit were calculated based on total contract revenue and costs which were estimated based on the current circumstances as of June 30, 2020. Those estimations may change in the future.

(6) As of June 30, 2020, details of contracts that the revenue was recognized based on the percentage-of-completion measured by input method, and whose contract revenue is more than 5% of sales of the year ended December 31, 2019 are as follows. There is no contract that the Company decided not to disclose due to the prohibition by related regulations or contracts.

(In millions of won)

	Contract date	Due date / Delivery date in contract	Percentage-of- completion (%)	Due from customers for contract work		Trade receivables (receivables from construction contract)	
				Gross amounts	Accumulated impairment losses	Gross amounts	Allowance for doubtful accounts
UAE BNPP #1,2 NSSF(*1)	30-Jun-10	30-Aug-19	98.94	₩ -	-	-	-
Samcheok #1,2 TPP	24-Jul-18	30-Apr-24	15.26	68,883	-	-	-
Shinhanul #1,2 NSSF	31-Jul-09	31-Aug-21	97.78	-	-	-	-
Shingori #5,6 NSSF	28-Aug-14	30-Jun-24	74.10	-	-	-	-
UAE BNPP #3,4 NSSF	30-Jun-10	31-Dec-20	98.22	14,925	-	1,710	-
Vinh Tan 4 TPP(*2)	26-Feb-14	26-Jun-18	99.59	32,048	-	23,128	-
Shingori #3,4 NSSF(*1)	28-Aug-06	31-Aug-19	99.87	-	-	4,629	46
Yanbu ph.3 MSF(*1)	4-Dec-12	30-Apr-19	98.46	-	-	-	-
Qurayyah Add-On(*1)	16-Sep-09	15-Oct-14	99.71	-	-	-	-
Fadhili CHP(*1)	12-Nov-16	30-Nov-19	98.77	9,013	-	1,217	5
Nghi Son II	24-Dec-14	10-Jul-22	70.54	242,835	-	43,510	13
Song Hau 1(*1)	10-Apr-15	2-Oct-19	86.40	52,983	-	-	-
UAE BNPP #3, 4 T/G	27-Sep-11	31-Dec-20	95.71	-	-	-	-
UAE BNPP #1, 2 T/G(*1)	30-Jun-10	31-Aug-19	98.05	-	-	-	-
Vinh Tan 4 Extension(*1)	10-Mar-16	3-Jan-20	93.99	-	-	670	101
Shinboryung #1, 2 Boiler(*1)	22-Oct-13	30-Jun-17	99.87	-	-	139	-
Van Phong 1 PJT	26-Aug-19	25-Dec-23	10.69	-	-	19	-
Shingori #5, 6 main equipment construction	12-Jun-15	31-May-24	63.84	29,863	-	-	-
Shingori #3, 4 main equipment construction(*1)	9-Mar-07	31-Aug-19	99.49	-	-	-	-

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

(In millions of won)

	Contract date	Due date / Delivery date in contract	Percentage-of- completion (%)	Due from customers for		Trade receivables	
				contract work		(receivables from construction contract)	
				Gross amounts	Accumulated impairment losses	Gross amounts	Allowance for doubtful accounts
Gangneung Anin #1, 2 Boiler	31-Mar-15	15-Mar-23	58.92	₩ -	-	9,599	-
Namyangju Alfheim project	23-Jun-17	31-Dec-20	80.09	45,629	-	27,494	-
Shoaiba RO Ph.4(*1)	29-Mar-17	14-Feb-20	93.28	91,495	-	33	-
Goseong Hai #1, 2 Boiler	27-Dec-16	30-Apr-21	96.37	-	-	1,388	-
Shinhanul #1, 2 T/G	23-Jun-09	31-Aug-21	99.35	752	-	-	-
Shingori #5, 6 T/G	28-Aug-14	30-Jun-24	81.45	-	-	-	-
Doha RO Stage-I(*1)	30-May-16	29-Nov-18	94.38	108,564	-	-	-
Karabatan CCPP(*2)	27-Dec-14	28-Oct-19	94.91	20,865	-	11,392	3
IEC Add On Project(*1)	28-Mar-11	31-Dec-17	99.80	-	-	9,099	-
Shingori #3, 4 T/G(*3)	28-Aug-06	31-Aug-19	100.00	-	-	-	-
Whasung-Dongtan collective energy cycluser(*1)	11-Aug-14	22-Dec-17	99.95	-	-	-	-
Seoul complex #1,2 cycluser(*2)	5-Jul-13	31-Oct-19	99.89	-	-	-	-
Al Khalij Boiler Package PJT(*1)	1-Nov-08	31-Dec-18	98.60	40,920	-	-	-
Muara Tawar Add-On(*1)	29-Mar-17	20-Jun-20	88.41	63,556	-	60	-
Vogtle #3,4 AP1000(*2)	8-May-08	1-Feb-14	99.93	10,957	-	-	-
Sinboryung #1,2 turbine generator(*1)	22-Oct-13	30-Jun-17	99.11	-	-	49	-
Seoul forest Doosan weve(*1)	21-Oct-13	29-May-17	99.99	-	-	1,059	-
Botswana Morupule A Retrofit(*2)	5-Dec-15	31-Jan-18	94.03	8,139	-	2,824	410
Hanbit #5,6 RSG	31-Aug-16	28-Sep-20	80.88	-	-	2,891	1
Hanbit #3,4 RSG	31-Oct-14	31-Dec-21	95.18	-	-	-	-
Tripoli West(*1)	23-Dec-10	30-Nov-14	58.92	-	-	-	-
Gyungju yonggangdong Doosan weve	11-Jan-18	10-Nov-20	77.05	-	-	76,062	-
Yangsan Doosan weve(*3)	30-Nov-16	30-Nov-19	100.00	-	-	-	-
Samcheok greenpower #1,2	28-Jun-10	31-Dec-20	97.80	-	-	-	-
Kudgi STPP	15-Oct-14	31-Dec-20	99.46	-	-	846	-
IEC Orot Rabin FGD(*2)	30-Jun-10	30-Jan-20	91.49	4,362	-	1,819	448

(*1) The Company is negotiating to extend contract period with respective contract party.

(*2) The Company has completed the production process, but will demand for payment at the time of a trial run, commercial operation or etc. according to the contract.

(*3) Contractual obligations have been fulfilled during the current period.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

18. Expenses classified by nature

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

(In millions of won)

	June 30, 2020		June 30, 2019	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Changes in inventories	₩ (16,790)	(30,402)	(10,042)	(44,716)
Purchases of raw materials and goods	299,283	644,563	350,767	692,426
Salaries	158,794	437,690	136,390	275,111
Depreciation and amortization	48,341	101,173	43,923	95,117
Others	404,167	724,836	361,612	687,908
Total	₩ 893,795	1,877,860	882,650	1,705,846

19. Selling and administrative expenses

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

(In millions of won)

	June 30, 2020		June 30, 2019	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Salaries	₩ 21,643	55,930	30,189	61,287
Severance and retirement benefits	755	2,257	97	602
Termination benefits	45,997	184,201	-	-
Employee welfare benefits	2,433	5,119	2,559	5,214
Travel	278	1,063	1,148	2,000
Training	(15)	185	472	515
Taxes and dues	356	601	681	1,104
Commissions	16,425	23,143	13,233	23,364
Bad debt expenses (reversal)	6,803	8,499	(95)	648
Depreciation	3,114	8,438	3,299	4,542
Amortization	4,930	9,801	4,871	9,731
Insurance	1,719	3,424	1,096	2,197
Research	1,154	4,289	3,420	7,740
Marketing	2,164	5,674	4,173	7,448
Advertising	800	1,746	3,202	4,442
Warranty	1,563	6,029	5,046	8,483
Others	4,065	8,641	4,369	10,321
Total	₩ 114,184	329,040	77,760	149,638

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

20. Finance income and expenses

(1) Finance income for the three-month and six-month periods ended June 30, 2020 and 2019 are summarized as follows:

(In millions of won)

	June 30, 2020		June 30, 2019	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Interest income	₩ 2,247	3,876	1,610	5,492
Dividend income	-	604	62	277
Gain on foreign currency transaction	26,120	40,906	92,181	108,690
Gain on foreign currency translation	(6,815)	21,265	7,401	20,929
Gain on settlement of derivative financial instruments	50,465	78,714	14,302	30,340
Gain on valuation of derivative financial instruments	(54,040)	57,713	41,797	80,142
Gain on valuation of firm commitments	(37,230)	61,049	51,073	101,122
Gain on financial guarantee	1	1	6	14
Total	₩ (19,252)	264,128	208,432	347,006

(2) Finance expenses for the three-month and six-month periods ended June 30, 2020 and 2019 are summarized as follows:

(In millions of won)

	June 30, 2020		June 30, 2019	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Interest expenses	₩ 44,450	85,320	48,171	93,654
Loss on foreign currency transaction	77,963	95,756	98,664	117,012
Loss on foreign currency translation	(61,251)	34,588	29,346	59,037
Loss on settlement of derivative financial instruments	2,585	25,589	13,753	28,211
Loss on valuation of derivative financial instruments	(163,011)	149,619	57,364	156,360
Loss on valuation of firm commitments	(3,779)	8,040	7,466	15,500
Loss on bond redemption	31,385	31,385	-	-
Others	9,564	19,482	13,376	26,206
Total	₩ (62,094)	449,779	268,140	495,980

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

21. Other non-operating income and expenses

(1) Other non-operating income for the three-month and six-month periods ended June 30, 2020 and 2019 summarized as follows:

(In millions of won)

	June 30, 2020		June 30, 2019	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Commission income	₩ 1,475	2,785	2,832	5,784
Gain on disposal of property, plant and equipment	306	436	1,388	1,366
Miscellaneous gain and others	1,322	2,989	2,856	4,496
Total	₩ 3,103	6,210	7,076	11,646

(2) Other non-operating expenses for the three-month and six-month periods ended June 30, 2020 and 2019 summarized as follows:

(In millions of won)

	June 30, 2020		June 30, 2019	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Loss on disposal of trade receivables	₩ 857	5,965	497	742
Loss on disposal of property, plant and equipment	2	98	1,408	1,408
Loss on disposal of intangible assets	111	111	-	-
Donations	31	106	118	211
Impairment loss of intangible assets	-	-	-	263
Impairment loss of disposal group held for sale	-	-	21,259	21,259
Loss on valuation of investment in securities	381	641	31	78
Other bad debt expenses	68,213	68,213	-	-
Impairment loss of investment in subsidiaries	384,247	384,247	-	-
Miscellaneous loss and others	2,371	14,914	3,463	10,420
Total	₩ 456,213	474,295	26,776	34,381

22. Income tax expense

Income tax expense is recognized based on the estimation of weighted-average annual effective income tax rate. Expected average tax rate for the six-month periods ended June 30, 2020 and 2019 are not provided due to loss for the period.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

23. Loss per share

(1) Basic loss per share

Basic loss per share for the three-month and six-month periods ended June 30, 2020 and 2019 are as follows:

(In won, except for share)

	June 30, 2020		June 30, 2019	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Loss for the period	₩ (504,841,944,215)	(806,037,955,155)	(24,427,570,398)	(60,018,692,709)
Less : preferred stock dividends	-	-	4,374,527,190	8,749,054,380
Loss for the period of common shares	(504,841,944,215)	(806,037,955,155)	(28,802,097,588)	(68,767,747,089)
Weighted-average number of common shares outstanding	253,126,449	241,512,329	159,171,363	138,270,967
Basic loss per share	₩ (1,994)	(3,337)	(181)	(497)

Weighted-average number of common shares outstanding for the three-month and six-month periods ended June 30, 2020 and 2019 are as follows:

(In shares)

	June 30, 2020		June 30, 2019	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Issued common shares at the beginning of the period	253,126,449	202,138,396	117,138,396	117,138,324
Effect of treasury stock held	-	(3,600)	-	-
Issuance of common shares	-	39,377,533	42,032,967	21,132,596
Exercise of bonds with stock warrants	-	-	-	47
Weighted-average number of common shares outstanding at the end of the period	253,126,449	241,512,329	159,171,363	138,270,967

(2) Diluted loss per share

There are no potential common shares with dilutive effect for the six-month periods ended June 30, 2020 and 2019. Therefore, diluted loss per share are the same as basic loss per share.

Details of potential common shares that are potentially dilutive but were not included in the calculation of loss per share, as there were no dilutive effects for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In shares)

	June 30, 2020	June 30, 2019
Stock option (2010.03.26)	-	2,900
Stock option (2011.03.25)	2,600	8,400
Stock option (2012.03.30)	8,400	21,300
Stock option (2013.03.29)	21,700	41,400
Stock option (2014.03.28)	50,900	77,900
Redeemable convertible preferred shares	-	12,904,210
Bonds with stock warrants	29,217,999	29,217,999
Total	29,301,599	42,274,109

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

24. Commitments and contingencies

- (1) As of June 30, 2020, 7 blank checks (regarding the ₩18,162 million funds replenishing requirement) have been provided as collateral to Incheon-Gimpo Expressway Co. in relation with Incheon-Gimpo Expressway SOC construction project, to the HS-City Expressway in relation with Bibong-Maesong Expressway construction project and to Gyeonggi East-West Beltway Co. in relation with Bongdam-Songsan Expressway construction project.
- (2) As of June 30, 2020, the Company has credit lines of borrowings, bank overdraft and others from financial institutions up to ₩6,668,181 million and used ₩5,433,545 million. As a result, the Company maintains unused credit lines amounting to ₩1,234,636 million as of June 30, 2020.

As of June 30, 2020, the Company's borrowings (₩31,429 million) from SC Bank require that the credit ratings of the corporate bonds issued by the Company, respectively, evaluated by two or more credit rating agencies to be maintained at BBB or higher. In addition, borrowings (₩140,782 million) from Mashreq Bank require that the credit rating evaluated by the Korean credit rating agency to be maintained at BBB or higher during the borrowing agreement period, and if major financial indicators (the debt to equity ratio below 3 and interest coverage ratio above 2.2) cannot be maintained, additional investments are required within a certain period. Non-fulfillment of these debt covenants would trigger accelerated repayment of these borrowings. These borrowings contain an acceleration clause, but related financial institutions are delaying the application of the related clauses in consideration of changes in circumstances such as changes in the Company's business environment. Asset-backed borrowings of ₩152,000 million for KDPP 5th Co., Ltd. maintain a domestic effective credit rating of BB+ or higher, and failure to comply is a reason for early payment.

- (3) As of June 30, 2020, the Company is involved in pending lawsuits as a defendant with total claims against the Company amounting to approximately ₩94,469 million and the result is currently unpredictable.

(In millions of won)

	Claim amount
Arbitration	₩ 28,829
Solidarity claim for damages(*1)	29,629
Others	36,011
Total	₩ 94,469

- (*1) The amount is calculated based on the Company's expected share (0.75%~11.64%) as a joint obligor out of total claim amount of ₩404,510 million.

- (4) As of June 30, 2020, the Company has entered into 15 technical contracts with Mitsubishi Hitachi Power System, Ltd. and others, which have been effective from April 12, 2007 to August 24, 2035. For the six-month periods ended June 30, 2020 and 2019, royalty payments amounted to ₩1,096 million and ₩4,532 million, respectively.
- (5) As of June 30, 2020, the Company has been provided with guarantees of ₩6,263,519 million from financial institutions in connection with domestic and overseas construction.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

(6) As of June 30, 2020, the Company provides payment guarantees to Yongin Doosan We've tenants related to lease deposits and to the Construction Credit Union for completion of Bongdam Songsan Expressway in the amount of ₩8,680 million and ₩11,794 million, respectively. As of June 30, 2020, payment guarantees for progress loans are also provided to pre-sale buyers for apartments in the Baekbong district of Namyangju, 2nd apartment units in Yangsan, the apartments in Yong-gang dong, Gyeongju, the apartments of Deungchon Doosan We've and the Anyang Myunghak Knowledge Industry Center in total amount of ₩127,897 million.

(7) As of June 30, 2020, details of guarantees provided by the Company for developers' project financing are as follows:

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

Guarantee	Currency	Guarantee amount	Translated in KRW	Guarantee plan	Beneficiary
Doosan Babcock Ltd.	GBP	25,000	₩ 36,935	Debt guarantee	SC Bank and others
	GBP	26,700	39,447	Construction guarantee	NNB Generation (HPC) Ltd.
Doosan Babcock General Maintenance Service LLC	AED	25,000	8,172	Debt guarantee	Mashreq Bank
Doosan Heavy Industries America LLC	USD	4,500	5,403	Debt guarantee	Woori Bank
DPS S.A.	USD	300,000	360,210	Hybrid bond(*1)	Korea EXIM Bank
	GBP	15,795	23,336	Debt guarantee	Woori Bank
	EUR	39,480	53,306	Debt guarantee	KDB
Doosan Power Systems Arabia Company Limited	USD	8,000	9,606	Debt guarantee	Korea EXIM Bank
	SAR	50,000	16,005	Debt guarantee	SABB
DPSI	EUR	12,004	16,208	Construction guarantee	Axis Bank and others
	INR	126,887	2,017	Trade financing	Axis Bank
				Construction guarantee	Construction guarantee cooperative and others
	INR	51,771,965	823,174		
	INR	8,702,510	138,370	Debt guarantee	HSBC and others
	JPY	362,331	4,044	Construction guarantee	Hana Bank and others
Doosan Enpure Ltd.				Construction guarantee	Construction guarantee cooperative and others
	USD	135,179	162,310		Northumbrian Water and others
	GBP	63,280	93,490	Construction guarantee	SC Bank
Doosan Heavy Industries Japan Corp.	GBP	6,500	9,603	Debt guarantee	
	JPY	220,000	2,455	Debt guarantee	KDB
Doosan Heavy Industries Muscat LLC	OMR	2,214	6,907	Construction guarantee	Arab Bank
				Construction guarantee(*2)	Oman Wastewater Services Company S.A.O.C. and others
	USD	339,949	408,177	Debt guarantee	HSBC
Doosan Heavy Industries Vietnam Co., Ltd.	OMR	2,072	6,462		
	USD	2,423	2,909	Construction guarantee	Kookmin Bank and others
	USD	122,450	147,026	Debt guarantee	HSBC and others
				Construction guarantee	Construction guarantee cooperative and others
PT. Doosan Heavy Industries Indonesia	VND	5,049,350,576	261,556		
	VND	256,800,000	13,302	Debt guarantee	Woori Bank
	USD	12,800	₩ 15,369	Construction guarantee	China Bank

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

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

Guarantee	Currency	Guarantee amount	Translated in KRW	Guarantee plan	Beneficiary
Doosan GridTech Inc.	AUD	122,249	100,870	Construction guarantee	Wandoan
	USD	7,669	9,208	Construction guarantee	Construction guarantee cooperative
DEC	EUR	7,847	10,595	Construction guarantee	Korea EXIM Bank
	USD	15,736	18,894	Construction guarantee	Seoul guarantee insurance and others
KDPP 5 th Co., Ltd.	KRW	201,500	201,500	Debt guarantee	KDB and others
Employee Stock Ownership Plan	KRW	14,910	14,910	Member loans	Korea Securities Finance
Total			<u>₩ 3,021,776</u>		

(*1) This permanent bond is recorded as equity by Doosan Power Systems S.A. due to automatically postponable redemption features for 30 years.

(*2) The Company is providing parent company payment guarantee (guarantee amount: USD 117.7 million / maturity: March 2021) to the client in connection with the implementation of the Sharqiyah EPC project. The credit rating of the company evaluated by the Korea Credit Rating Agency must be maintained at the BBB or higher, and if this is not maintained, it is obligated to provide a valid guarantee under the same conditions within 10 days from the date of the decline in the credit rating. Meanwhile, as of June 30, 2020, the application of the related provisions has been suspended in consideration of various circumstances such as changes in the company's business environment.

As of June 30, 2020, details of the collateral provided by related parties for the Company's borrowing agreement are as follows:

(In millions of won)

Collateral provider	Collateralized asset	Collateralized amount	Amount of borrowing contract	Amount of borrowings	Pledgee
Doosan Corp., Park Jeong-won and 31 others	Stocks of Doosan Corp., Doosan Heavy Industries & Construction, etc. and real estate trust beneficiary rights, etc.	₩ 3,600,000	3,000,000	2,120,000	KDB, Korea EXIM Bank

(8) Other commitments and contingencies

- As of June 30, 2020, the Company has entered into a contract to assume a liability (limit: ₩446,300 million) if it fails to complete construction of Namyangju Baekbong District, Gyeongju Yonggangdong Doosan We've, Anyang Myunghak, Hanam Misa and Yeosu Ungcheon Projects.
- In 2019, the Company sold its shares of DBC Co., Ltd. and Doosan Institute of Technology, and has entered into a 15-year contract for the completion responsibility under the 'PF arrangement on the Construction of Doosan Bundang Center' before the sale of the shares of DBC Co., Ltd. and is responsible for the lease of the center for five years after the sale of the Doosan Institute of Technology.
- During 2019, the Company and financial investors, Nuscale Korea and others, acquired preferred shares of Nuscale Power LLC. The Company entered into a put option contract that could only be exercised under the conditions of non-compliance, including failure to obtain design certification in relation to the preferred shares (USD 39.8 million) acquired by Nuscale Korea and others.
- The Company is an investor of Samcheok Blue Power Co., Ltd. which is responsible for the EPC construction project of Samcheok #1, 2 TPP, and is obligated to make an additional investment of ₩77,740 million in the related investor agreement in September 2023. If two or more credit rating agencies give a rating below BBB-, it is required to submit an investment performance guarantee for additional investment obligations within 60 days from the date of decline in the Company's credit rating.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

25. Assets pledged as collateral

(1) As of June 30, 2020, assets that have been pledged as collateral for the Company's borrowings and others are as follows:

(In millions of won)

Collateralized asset	Collateralized amount	Amount of borrowings and others	Pledgee
Land, buildings, equipment and others	₩ 2,048,255	1,601,761	KDB, Korea EXIM Bank, SC Bank
Stocks and loans, etc. such as Doosan Mecatec Co., Ltd. and others(*1)	614,600	2,120,000	KDB, Korea EXIM Bank
Common stock of DEC	424,067	328,572	Woori Bank
Equity shares of Construction Guarantee Cooperative	38,492	28,100	Construction Guarantee Cooperative
Equity shares of Engineering Guarantee Insurance	5,130	2,250	Engineering Guarantee Insurance
Total	₩ 3,130,544	4,080,683	

(*1) In accordance with this borrowing agreement, Doosan Corp., Park Jeong-won and 31 related persons provide stocks of Doosan Corp. and Doosan Heavy Industries & Construction and others and real estate trust beneficiary rights and others as collateral (See Note 24).

(2) As of June 30, 2020, shares of Incheon-Gimpo Expressway Co., Ltd. and others with the book value of ₩21,596 million are pledged for the project financing of that entity to Kookmin Bank and others.

(3) As of June 30, 2020, the Company entered into exchange rights agreement with the Korea EXIM Bank regarding hybrid bonds with equity shares issued by Doosan Power Systems S.A. The Korea EXIM Bank is granted the right to request the exchange of hybrid bonds for the Company's common stock and obliged to cash settlement in accordance with the investor's put option rights exercise. In this regard, the Company has provided as collateral 75,509,366 shares (the book value of ₩1,483,471 million) of DI to Korea EXIM Bank.

As of June 30, 2020, the Company has entered into a contract of completion guarantee regarding the Samcheok #1,2 TPP construction project and provided 1,193,066 shares (the book value of ₩43,568 million) in Samcheok Blue Power Co., Ltd. as collateral.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

26. Related party transactions

(1) The related parties of the Company and nature of their relationship with the Company as of June 30, 2020 and December 31, 2019 are as follows:

1) As of June 30, 2020, the Company's ultimate parent company is Doosan Corp. (equity ownership: 44.86%).

2) Details of the Company's subsidiaries as of June 30, 2020 and December 31, 2019 are as follows:

Related party	Equity ownership (%)(*1)	
	June 30, 2020	December 31, 2019
Doosan Heavy Industries Vietnam Co., Ltd.	100.00	100.00
Doosan HF Controls Corp.	100.00	100.00
Doosan HF Controls Asia Co., Ltd.	100.00	100.00
PT. Doosan Heavy Industries Indonesia	55.00	55.00
Doosan Heavy Industries Malaysia Sdn. Bhd	100.00	100.00
Doosan Heavy Industries Japan Corp.	100.00	100.00
IMGB	99.92	99.92
Doosan Enpure Ltd.	100.00	100.00
DPSI(*5)	100.00	100.00
Doosan Heavy Industries Muscat LLC	70.00	70.00
Doosan Power Systems Arabia Company Limited	51.00	51.00
Azul Torre Construction Corporation	40.00	40.00
Doosan Heavy Industries America Holdings Inc.	100.00	100.00
Doosan Heavy Industries America LLC	100.00	100.00
Doosan ATS America, LLC	100.00	100.00
Doosan Power Service America, LLC	100.00	100.00
Doosan Turbomachinery Services Holding, Inc.	95.90	95.90
Doosan Turbomachinery Services Inc.	100.00	100.00
Doosan GridTech Inc.	100.00	100.00
Doosan GridTech LLC	100.00	100.00
Doosan GridTech CA LLC	100.00	100.00
Doosan GridTech EPC LLC	100.00	100.00
Doosan GridTech C&I LLC	100.00	100.00
Continuity Energy LLC	100.00	100.00
Doosan Skoda Power s.r.o	100.00	100.00
Skoda Power Private Ltd.	100.00	100.00
Doosan Power Systems Pension Trustee Company Ltd.	100.00	100.00
Doosan Power Systems Overseas Investments Ltd.	100.00	100.00
Doosan Babcock Ltd.	100.00	100.00
Doosan Power Systems Europe Limited GmbH	100.00	100.00
Doosan Power Systems Americas LLC	100.00	100.00
Doosan Lentjes UK Limited(*2)	-	100.00
Doosan Lentjes GmbH	100.00	100.00
DPS S.A.	100.00	100.00
Doosan Babcock Energy Technologies (Shanghai) Ltd.(*2)	-	100.00
Doosan Babcock Energy Services (Overseas) Ltd.	100.00	100.00
Doosan Babcock Energy Polska Sp z.o.o.	98.91	98.91
Doosan Babcock Energy Germany GmbH	100.00	100.00
Doosan Lentjes Czech s.r.o	100.00	100.00
Doosan Power Systems (Scotland) Ltd. Partnership	100.00	100.00
Doosan Babcock General Maintenance Services LLC	49.00	49.00
Osung power O&M Co., Ltd.	100.00	100.00
Doosan Mecatec Co., Ltd.(*3)	100.00	-
KDPP 3 rd Co., Ltd.(*4)	-	-
KDPP 5 th Co., Ltd.	-	-
U-best 5 th Co., Ltd.	-	-
Doosan Cuvex Co., Ltd.	56.60	64.97

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

	Related party	Equity ownership (%)(*1)	
		June 30, 2020	December 31, 2019
DI and the subsidiaries		36.07	36.27
DEC and the subsidiaries(*5)		100.00	89.74

(*1) The ownership represents addition of the investment owned by the Company and its subsidiaries.

(*2) Liquidated in 2020.

(*3) Newly acquired in 2020.

(*4) Control was lost due to borrowings repayment in 2020.

(*5) Additionally acquired in 2020.

3) The associates and joint ventures and other related parties of the Company and nature of their relationship with the Company as of June 30, 2020 are as follows:

Control relationship	Related party
Associates and joint ventures(*2)	The HS-City Expressway, Samcheok Blue Power Co., Ltd.(*1), Daejung Offshore Wind Power Co., Ltd.
Related parties:	
Subsidiaries of the parent company	Oricom Inc., Hancorn Co., Ltd., Doosan Bears Inc., Doosan Business Research Institute(*3), Doosan Robotics Co., Ltd., Doosan Mobility Innovation Inc., Doosan Logistics Solutions Co., Ltd., Neoplux Co., Ltd., DBC Co., Ltd., Sunny Russel 8 th Co., Ltd., DPAY 1 st Co., Ltd., DPAY 2 nd Co., Ltd.(*4), New Star Motive 1 st Co., Ltd.(*4), Doosan 2 nd Real Estate Securitization Specialty Co., Ltd., Doosan Mobility Innovation (Shen Zhen) Co., Ltd., Doosan Electro-Materials Singapore Pte Ltd., Doosan Hong Kong Ltd., Doosan Electro-Materials (Shen Zhen) Ltd., Doosan (Shanghai) Chemical Materials Co., Ltd., Doosan Electro-Materials (Changshu) Co., Ltd., Doosan Digital Innovation America LLC, Doosan Digital Innovation China LLC, Doosan Mottrol (Jiangyin) Co., Ltd., Doosan Digital Innovation Europe Limited, Doosan Industrial Vehicle Europe N.A., Doosan Industrial Vehicle UK Ltd., Doosan Logistics Europe GmbH, Doosan Industrial Vehicle America Corp., Doosan Material Handling Solutions LLC, Doosan Industrial Vehicle Yantai Co., Ltd., Genesis Forklift Trucks Limited, Rushlift Holdings Ltd., Doosan Material Handling UK Ltd., Rushlift Ltd., Doosan Electro-Materials America, LLC, Doosan Fuel Cell America, Inc., Doosan Energy Solutions America, Inc., DESA Service, LLC, Doosan Electro-Materials Vietnam Company Limited(*4) and others
Associates and joint ventures of the parent company	Prestoliteasia Co., Ltd., KDDI Korea Corporation, Wise-fashion Co., Ltd., Protera SAS.(*5), Sichuan Kelun-Doosan Biotechnology Company Limited and others
Others	Dongdaemoon Miraechangcho Foundation, Doosan Credit Union, Yonkang Foundation, Chung-Ang University, Chung-Ang University Hospital, Kyunggi Railroad Co., Ltd., Shinbundang Railroad Co., Ltd., Neo Trans Co., Ltd., New Seoul Railroad Co., Ltd., KIAMCO Kyunggi Railway Investment private property investment trust, Incheon Fuel Cell Co., Ltd., Potenit Co., Ltd., Doosan Infracore Liaoning Machinery Sales Co., Ltd., Tianjin Lovol Doosan Engine Co., Ltd., Doosan Babcock BlackCat W.L.L, Daejeon Riverside Expressway Co., Ltd., Doosan Solus Co., Ltd., Doosan Fuel Cell Co., Ltd., Doosan Electro-Materials Luxembourg Sarl, Doosan Corporation Europe Kft., ReCarbon, Inc. and others

(*1) The company name was changed from POSPOWER Co., Ltd. to Samcheok Blue Power Co., Ltd. in 2020.

(*2) Haman Industrial Complex Company was liquidated in 2020.

(*3) The company name was changed from Doosan Leadership Institute to Doosan Business Research Institute in 2020.

(*4) Newly acquired in 2020.

(*5) The company name was changed from Geaenzymes to Protera SAS. in 2020.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

(2) Significant transactions (excluding financial and investment) with related parties for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of won)

Related party	June 30, 2020					
	Sales and others		Purchases and others			
	Sales	Other revenue	Purchase	Acquisition of assets	Other expense	
Parent:						
Doosan Corp.	₩	-	243	11,944	-	13,872
Subsidiaries:						
Clark Equipment Co.		-	-	562	-	-
DEC		-	-	(159)	(6,385)	571
Doosan Cuvex Co., Ltd.		21	-	5,406	-	195
Osung Power O&M Co., Ltd.		-	2	2,844	-	-
KDPP 5 th Co., Ltd.		-	-	-	-	5,096
Doosan Mecatec Co., Ltd.		3,513	-	-	-	-
Doosan Heavy Industries Vietnam Co., Ltd.		1,457	481	51,873	-	-
Doosan Heavy Industries America LLC		-	5	1,327	-	-
IMGB		-	-	4,742	-	-
DPSI		27,928	752	-	-	-
Doosan Enpure Ltd.		-	4	160	-	-
Doosan Heavy Industries Muscat LLC		9,817	630	-	-	-
Doosan Power Systems Arabia Company Limited		-	32	5,536	-	-
Doosan ATS America, LLC		-	-	3,148	-	-
Doosan Babcock Ltd.		156	135	3,329	-	-
Doosan Skoda Power s.r.o		1,970	-	7,782	-	1,097
Doosan HF Controls Corp.		-	-	6,702	-	-
U-best 5 th Co., Ltd.		-	-	-	-	1,997
Others		262	1,163	1,781	-	594
Subtotal		45,124	3,204	95,033	(6,385)	9,550
Associates and joint ventures:						
Samcheok Blue Power Co., Ltd.		122,981	-	-	-	-
The HS-City Expressway		24	-	-	-	-
Subtotal		123,005	-	-	-	-
Others:						
Oricom Inc.		-	-	-	-	1,215
Others		-	-	257	-	45
Subtotal		-	-	257	-	1,260
Total	₩	168,129	3,447	107,234	(6,385)	24,682

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

(In millions of won)

Related party	June 30, 2019					
	Sales and others			Purchases and others		
	Sales	Disposal of assets and others	Other revenue	Purchase	Acquisition of assets and others	Other expense
Parent:						
Doosan Corp.	₩ 816	-	146	10,830	-	16,962
Subsidiaries:						
Doosan Cuvex Co., Ltd.	26	-	3	5,854	-	765
DEC	-	-	3,920	-	184	358
Clark Equipment Co.	-	39,509	-	-	-	198
Osung Power O&M Co., Ltd.	-	-	2	2,611	-	-
KDPP 4 th Co., Ltd.	-	-	-	-	-	8,639
Doosan Heavy Industries Vietnam Co., Ltd.	236	-	505	37,442	-	-
Doosan Heavy Industries America LLC	-	-	19	1,630	-	-
IMGB	-	-	94	16,152	-	-
DPSI	26,275	-	1,200	36	-	-
Doosan Enpure Ltd.	4	-	94	8,991	-	-
Doosan Power Systems Arabia Company Limited	-	-	23	3,639	-	-
Doosan ATS America, LLC	-	-	-	3,975	-	-
Doosan Babcock Ltd.	4	-	95	7,352	-	-
Doosan Skoda Power s.r.o	169	-	-	6,676	-	713
Others	449	-	1,176	3,214	-	2,942
Subtotal	27,163	39,509	7,131	97,572	184	13,615
Associates and joint ventures:						
POSPOWER Co., Ltd.	46,506	-	-	-	-	-
The HS-City Expressway	192	-	-	-	-	-
Subtotal	46,698	-	-	-	-	-
Others:						
Oricom Inc.	2	-	-	102	-	1,699
Doosan Mecatec Co., Ltd.	2,340	-	-	-	-	-
Others	-	-	10	710	-	118
Subtotal	2,342	-	10	812	-	1,817
Total	₩ 77,019	39,509	7,287	109,214	184	32,394

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

(3) The outstanding receivables and payables arising from the transactions with related parties (excluding dividend and investment) as of June 30, 2020 and December 31, 2019 are as follows:

(In millions of won)

Related party	June 30, 2020						
	Receivables			Payables			
	Accounts receivable	Loans receivable	Other receivable	Trade payable	Borrowings	Other payable	
Parent:							
Doosan Corp.	₩	-	-	690	7,045	-	10,099
Subsidiaries:							
DEC		-	-	8,807	-	-	9,968
Doosan Cuvex Co., Ltd.		-	-	4,825	650	-	37
Doosan Mecatec Co., Ltd.		3,798	-	-	-	-	-
KDPP 5 th Co., Ltd.		-	-	-	-	152,000	-
U-best 5 th Co., Ltd.		-	-	-	-	80,000	-
Doosan Heavy Industries Vietnam Co., Ltd.		1,031	-	3,583	80,819	-	29,215
Doosan Heavy Industries America LLC		-	-	4	15,143	-	644
Doosan Heavy Industries Japan Corp.		-	-	37	4,907	-	568
IMGB		-	-	538	3,528	-	-
DPSI(*1)		194,711	37,333	26,189	13,467	-	-
Doosan Enpure Ltd.		-	-	4,767	4,854	-	-
Doosan Heavy Industries Muscat LLC		-	-	1,408	-	-	-
Doosan Power Systems Arabia Company Limited		514	-	32	5,852	-	-
Azul Torre Construction Corporation		-	3,854	4,681	-	-	-
Doosan Heavy Industries America Holdings Inc.		1,512	31,253	-	-	-	-
DPS S.A.		-	-	5,082	-	-	-
Doosan Babcock Ltd.		-	-	11,620	10,343	-	-
Doosan Skoda Power s.r.o		-	-	1,024	8,884	18,611	1,352
Doosan GridTech Inc.		-	6,004	217	-	-	-
Doosan HF Controls Corp.		-	-	1	7,705	-	-
Others		-	275	1,899	2,161	-	245
Subtotal		<u>201,566</u>	<u>78,719</u>	<u>74,714</u>	<u>158,313</u>	<u>250,611</u>	<u>42,029</u>
Related Parties							
Others		-	-	61	871	-	14
Total		<u>₩ 201,566</u>	<u>78,719</u>	<u>75,465</u>	<u>166,229</u>	<u>250,611</u>	<u>52,142</u>

(*1) As of June 30, 2020, the Company has set an allowance for doubtful accounts of ₩71,476 million for DPSI's receivables, and the same amount was recognized as bad debt expenses in 2020.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

(In millions of won)

Related party	December 31, 2019					
	Receivables			Payables		
	Accounts receivable	Loans receivable	Other receivable	Trade payable	Borrowings	Other payable
Parent:						
Doosan Corp.	₩ -	-	521	4,548	-	2,496
Subsidiaries:						
DEC	-	-	674	122	-	7,802
Doosan Cuvex Co., Ltd.	-	-	4,827	676	-	37
KDPP 3 rd Co., Ltd.	-	275	-	-	40,000	-
KDPP 5 th Co., Ltd.	-	-	-	-	169,000	-
U-best 5 th Co., Ltd.	-	-	-	-	80,000	-
Doosan Heavy Industries Vietnam Co., Ltd.	3,021	-	2,692	60,095	-	26,942
Doosan Heavy Industries America LLC	-	-	52	9,793	-	708
Doosan Heavy Industries Japan Corp	-	-	43	5,082	-	501
IMGB	3	-	518	5,963	-	-
DPSI	148,375	38,108	33,561	-	-	-
Doosan Enpure Ltd.	-	-	4,676	5,228	-	-
Doosan Heavy Industries Muscat LLC	888	-	1,887	-	-	-
Doosan Power Systems Arabia Company Limited	496	-	86	100	-	-
Azul Torre Construction Corporation	-	3,449	4,514	-	-	-
Doosan Heavy Industries America Holdings Inc.	780	42,839	-	-	-	-
DPS S.A.	-	-	4,925	-	-	-
Doosan Babcock Ltd.	-	-	10,999	11,074	-	-
Doosan Skoda Power s.r.o	1,845	-	399	3,928	69,468	224
Others	-	5,789	2,036	3,105	-	2,742
Subtotal	155,408	90,460	71,889	105,166	358,468	38,956
Associates and joint ventures:						
Haman Industrial Complex Company	522	-	-	-	-	-
Related Parties						
Oricom Inc.	-	-	-	1,959	-	-
Doosan Mecatec Co., Ltd.	1,702	-	-	-	-	-
Others	88	-	81	-	-	14
Subtotal	1,790	-	81	1,959	-	14
Total	₩ 157,720	90,460	72,491	111,673	358,468	41,466

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

(4) Financial transactions (including investment) with related parties for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of won)

Related party	June 30, 2020									
	Loans		Borrowings		Investments		Dividend		Shares	
	Lending	Collection	Borrowed	Repaid	Received	Provided	Income	Payout	Acquisition	Disposal
Parent:										
Doosan Corp.	₩	-	-	-	-	238,199	-	-	-	-
Subsidiaries:										
DEC		-	-	-	-	-	-	-	51,009	-
KDPP 3 rd Co., Ltd.		-	-	-	40,000	-	-	-	-	-
KDPP 5 th Co., Ltd.		-	-	-	17,000	-	-	-	-	-
Osung Power O&M Co., Ltd.		-	-	-	-	-	600	-	-	-
Doosan Mecatec Co., Ltd.		-	-	-	-	-	-	-	238,199	-
DPSI		-	-	-	-	112,000	-	-	-	-
Doosan Heavy Industries America Holdings Inc.		20,686	33,516	-	-	-	-	-	-	-
Doosan Skoda Power s.r.o		-	-	3,888	54,793	-	-	-	-	-
Subtotal		20,686	33,516	3,888	111,793	-	112,000	600	289,208	-
Total	₩	20,686	33,516	3,888	111,793	238,199	112,000	600	289,208	-

(In millions of won)

Related party	June 30, 2019									
	Loans		Borrowings		Investments		Dividend		Shares	
	Lending	Collection	Borrowed	Repaid	Received	Provided	Income	Payout	Acquisition	Disposal
Parent:										
Doosan Corp.	₩	-	-	-	-	141,586	-	-	-	23,615
Subsidiaries:										
Doosan Skoda Power s.r.o		-	-	89,678	25,831	-	-	-	-	-
Azul Torre Construction Corporation		3,437	-	-	-	-	-	-	-	-
KDPP 4 th Co., Ltd.		-	-	-	20,300	-	-	-	-	-
U-best 4 th Co., Ltd.		-	-	-	80,000	-	-	-	-	-
FSS 8 th Co., Ltd.		-	-	-	9,700	-	-	-	-	-
U-best 5 th Co., Ltd.		-	-	80,000	-	-	-	-	-	-
Doosan GridTech Inc.		3,552	-	-	-	-	-	-	-	-
IMGB		-	-	-	-	35,837	-	-	-	-
Doosan Infracore North America LLC		-	-	-	-	-	-	3,108	-	-
DI		-	-	-	-	-	-	-	-	11,948
Doosan Bobcat Korea Co., Ltd.		-	-	-	-	-	-	-	-	11,148
DEC		300,000	300,000	-	-	-	300,000	-	-	-
Subtotal		306,989	300,000	169,678	135,831	-	335,837	-	3,108	23,096
Others:										
KDDI Korea Corporation		-	-	-	-	-	-	58	-	-
Total	₩	306,989	300,000	169,678	135,831	141,586	335,837	58	3,108	46,711

(5) The Company provides payment guarantees and collateral for certain related parties as of June 30, 2020 (See Notes 24 and 25).

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

- (6) Key management personnel are standing directors who have authorities and responsibilities for planning, operation and control of the business of the Company. Compensation for key management personnel for the three-month and six-month periods ended June 30, 2020 and 2019 consists of following:

(In millions of won)

	June 30, 2020		June 30, 2019	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Short-term employee benefits	₩ 2,014	5,551	3,887	9,064
Severance and retirement benefits	267	574	355	710
Total	₩ 2,281	6,125	4,242	9,774

27. Separate interim statements of cash flows

- (1) Details of cash generated from operation for the six-month periods ended June 30, 2020 and 2019 are as follows:

(In millions of won)

	June 30, 2020	June 30, 2019
Loss for the period:	₩ (806,038)	(60,019)
Adjustments:		
Interest expenses	85,320	93,654
Loss on foreign currency translation	34,588	59,037
Bad debt expenses	8,499	648
Other bad debt expenses	68,213	-
Loss on valuation of derivative financial instruments	149,619	156,360
Loss on valuation of firm commitments	8,040	15,500
Depreciation	58,733	50,002
Amortization	42,440	45,115
Income tax expense (benefit)	21,416	(2,127)
Severance and retirement benefits	23,973	16,555
Loss on valuation of inventory	182	188
Loss on disposal of property, plant and equipment	98	1,408
Loss on disposal of intangible assets	111	-
Impairment loss of intangible assets	-	263
Impairment loss of disposal group held for sale	-	21,259
Impairment loss of investment in subsidiaries	384,247	-
Loss on valuation of investment in securities	641	78
Loss on bond redemption	31,385	-
Loss on disposal of trade receivables	5,965	742
Provision for construction warranties	7,355	1,879
Interest income	(3,876)	(5,492)
Dividend income	(604)	(277)
Gain on foreign currency translation	(21,265)	(20,929)
Gain on valuation of derivatives financial instruments	(57,713)	(80,142)
Gain on valuation of firm commitments	(61,049)	(101,122)
Gain on disposal of property, plant and equipment	(436)	(1,366)
Gain on disposal of investment in subsidiaries	-	(446)
Gain on valuation of investment in securities	(829)	(1,402)
Others	19,770	(304)

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

<i>(In millions of won)</i>		June 30, 2020	June 30, 2019
Subtotal		₩ 804,823	249,081
Changes in operating assets and liabilities:			
Trade receivables		₩ (83,329)	(88,054)
Due from customers for contract work		(12,580)	(163,120)
Other receivables		(28,537)	(25,352)
Prepayment		(43,583)	(25,861)
Inventories		(30,584)	(44,904)
Derivative financial assets and liabilities		(28,259)	(14,625)
Firm commitments assets and liabilities		35,382	39,495
Trade payables		(111,824)	(199,952)
Other payables		145,197	(112,831)
Advance received		1,182	46,068
Due to customers for contract work		83,465	(20,109)
Accrued expenses		(30,230)	(60,011)
Severance payments paid		(119,766)	(11,698)
Plan assets		102,934	17,427
Others		(33,020)	(72,826)
Subtotal		(153,552)	(736,353)
Total		₩ (154,767)	(547,291)

(2) Significant non-cash transactions for the six-month periods ended June 30, 2020 and 2019 are as follows:

<i>(In millions of won)</i>		June 30, 2020	June 30, 2019
Transfer to current portion of bonds, borrowings and others		₩ 169,877	931,880
Transfer from construction-in-progress to another account		13,264	18,945
Acquisition of investment in subsidiaries through investment in kind		238,199	-
Acquisition of investment in subsidiaries through comprehensive stock exchange		36,971	-
Transfer from PP&E to disposal group held for sale		-	129,214

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

(3) Changes of liability in financing activities for the six-month periods ended June 30, 2020 and 2019 are summarized as follows:

(In millions of won)

	June 30, 2020						
	Balance at January 1, 2020	Cash flows from financing activities, net	Current portion of long-term debt	Changes in foreign currency translation	Interest expenses amortization	Others(*1)	Balance at June 30, 2020
Short-term borrowings	₩ 2,659,815	1,768,476	-	7,518	-	-	4,435,809
Current portion of long-term debt	1,529,162	(1,312,212)	161,138	5,505	7,193	31,385	422,171
Current portion of lease liabilities	28,084	(17,322)	8,739	-	-	-	19,501
Bonds	80,000	-	(65,664)	-	101	-	14,437
Long-term borrowings	484,078	25,000	(35,556)	773	-	-	474,295
Long-term asset-backed borrowings	132,514	-	(59,918)	-	733	-	73,329
Non-current portion of lease liabilities	15,602	-	(8,739)	-	-	3,464	10,327
Total	₩ 4,929,255	463,942	-	13,796	8,027	34,849	5,449,869

(*1) Non-cash changes such as loss on debt redemption and account transfer are included.

(In millions of won)

	June 30, 2019							
	Balance at January 1, 2019	Cash flows from financing activities, net	Current portion of long-term debt	Changes in foreign currency translation	Interest expenses amortization	Adjustment on application of K-IFRS No. 1116(*1)	Others	Balance at June 30, 2019
Short-term borrowings	₩ 1,261,779	802,492	-	8,387	-	-	-	2,072,658
Current portion of long-term debt	1,041,219	(672,868)	931,880	27,003	829	-	-	1,328,063
Current portion of lease liabilities	-	(8,360)	7,231	-	-	16,244	295	15,410
Bonds	1,154,393	80,000	(652,130)	-	12,434	-	-	594,697
Long-term borrowings	708,254	184,538	(219,750)	1,006	-	-	-	674,048
Long-term asset-backed borrowings	208,788	-	(60,000)	-	631	-	-	149,419
Non-current portion of lease liabilities	-	-	(7,231)	-	-	24,972	3,710	21,451
Total	₩ 4,374,433	385,802	-	36,396	13,894	41,216	4,005	4,855,746

(*1) The lease liability is recognized on transition to K-IFRS No. 1116.

DOOSAN HEAVY INDUSTRIES & CONSTRUCTION CO., LTD.

Notes to the Separate Interim Financial Statements

As of June 30, 2020 and December 31, 2019

(Unaudited)

28. Pursuance of the financial structure improvement plan

The Company faces financial difficulties as the current borrowings amounted to ₩4,857,980 million as of June 30, 2020, due to accumulated losses since 2014 arise from the recession in the global power market and changes in the external environment and the Company's current liabilities exceed the current assets by ₩4,063,645 million. This situation raises significant questions about the Company's ability as a going concern.

In order to overcome such a management crisis, the Company is carrying out a plan to rationalize management, including improvement of profitability, including restructuring of human resources, and carries out a plan to improve the financial structure in stages, such as reducing debts through expansion of capital. As a result, the Board of Directors held on February 14, 2020 decided on a plan to restructure the workforce to secure financial soundness, and on March 10, 2020, the Company gave a notice about the shutdown of limited idle workforce at a level that would not interfere with operations. In addition, the Company signed ₩1,000,000 million, ₩800,000 million and ₩1,200,000 million emergency operating fund borrowing agreements with KDB and Korea EXIM Bank ("Creditor Banks") on March 30, 2020, April 29, 2020 and June 10, 2020, respectively, in order to respond to liquidity risks caused by the tight financial market, and the Company, other related parties other than Doosan Corp. and Park Jeong-won signed special agreements with Creditor Banks to improve financial structure through the sale of assets and capital expansion. For the purposes of the above borrowing and implementation of the special agreement, shares such as Doosan Mecatec Co., Ltd. held by the Company and Doosan Heavy Industries & Construction Co., Ltd. held by related parties other than Doosan Corp. and Park Jeong-won and the real estate trust beneficiary rights were provided to the creditor banks as collateral.

Meanwhile, although the Company's separate interim financial statements are accounted for under the assumption that assets and liabilities can be recovered or redeemed through normal course of business, depending on the success or failure of the financial and business improvement plan, there is a possibility that the financial position and management performance may fluctuate significantly. If these plans are disrupted, the Company's assets and liabilities may not be recovered or redeemed at their carrying amount through the normal course of business, and the Company's separate interim financial statements do not reflect such adjustments in relation to the assets and liabilities and the classification thereof and the related profit or loss that may arise from this uncertainty.

29. Effect of coronavirus disease-19 ("COVID-19")

The World Health Organization declared a global pandemic against COVID-19 on March 11, 2020 and the Company believes that the spread and persistence of COVID-19 will have a negative impact on the Company's business and financial environment. However, as of June 30, 2020, the effects of COVID-19 are not reflected in the separate interim financial statement in case the Company cannot reasonably estimate the effects.