

DONGKUK STEEL MILL CO., LTD.

**Separate Financial Statements and
Internal Control over Financial Reporting
December 31, 2021 and 2020**

DONGKUK STEEL MILL CO., LTD.

Index

December 31, 2021 and 2020

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Dongkuk Steel Mill Co., Ltd.

Opinion

We have audited the accompanying separate financial statements of Dongkuk Steel Mill Co., Ltd. (the Company), which comprise the separate statements of financial position as at December 31, 2021 and 2020, and the separate statements of profit or loss, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of Dongkuk Steel Mill Co., Ltd. as at December 31, 2021 and 2020, and its separate financial performance and its separate cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

We also have audited, in accordance with Korean Standards on Auditing, the Company's Internal Control over Financial Reporting as at December 31, 2021, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*, and our report dated March 17, 2022 expressed an unqualified opinion.

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 to the separate financial statements. Note 3 to the separate financial statements describes management's plans and action taken to resolve uncertainty relating to the impact of Coronavirus disease-19(COVID-19) on the Company's productivity and ability to meet customer's need.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Impairment Assessment of Cash Generating Units (CGUs)

Reasons why the matter was determined to be a Key Audit Matter

As stated in Note 10.(7) to the separate financial statements, the Company identifies a number of cash generating units (CGUs), determined that there was an indication of impairment as the carrying amount of net assets of the Company exceeded total market capitalization as at December 31, 2021, and performed impairment assessments in accordance with Korean IFRS 1036. The Company compared the recoverable amount of each CGU determined on a basis of the value in use or the fair value less cost of disposal to the carrying amount of each CGU. In addition, the difference arising from the recoverable amount of the CGU, determined based on its value-in-use is less than the carrying amount of the CGU, is recognized as an impairment loss allocated to reduce the carrying amount of the assets of the unit on a pro rata basis. However, the carrying amount of individual assets in the CGU is considered not to be reduced below its fair value less costs of disposal. As a result, the Company recognized ₩ 10,508 million as an impairment loss in the CGU. The management used an external expert to measure the fair value less costs of disposal and the value-in-use.

We focused on this area as a key audit matter, to the amount of the carrying amount of the CGUs subject to impairment assessment (₩ 4,268,345 million) in the financial statement is significant, and various assumptions included in the assessment of the value-in-use have and fair value less costs of disposal are subject to significant estimation uncertainty, and the assessment of the CGUs involves the significant level of management's judgements.

How our audit addressed the Key Audit Matter

We performed the following audit procedures to address the key audit matter. We also involved our valuation specialists when performing such audit procedures. Our audit procedures included:

- Checking whether the Company's accounting policy related to impairment assessment meets the relevant accounting.
- Understanding and evaluating internal controls and processes regarding management evaluation of model generating the value-in-use and the fair value less costs of disposal for impairment assessment, management review and approval of key assumptions and basic input data
- Reconciling to determine whether the carrying amount to be compared for each CGU and the amount on the financial information are identical.
- Checking whether the future cash flows, which are the basis for the estimation of value-in-use, are based on a business plan approved by management.
- Comparing the actual performance of the current year and the prior year's estimate to determine whether management's bias is involved in the value-in-use estimate.
- Evaluating the competence and objectivity management's external expert.
- Evaluating the appropriateness of the valuation model applied by management to estimate the value in use and the fair value less costs of disposal.
- Evaluating the data used by management are accurate, complete and relevant.
- Evaluating the rationale of key assumptions used in estimating value-in-use.

- Examining the consistency by comparing the sales growth rate, operating profit rate and investment activity forecast of the CGU with past performance and market conditions.
- Comparing economic and industrial forecasts and long-term growth rates.
- Comparing the discount rate independently calculated using observable input data with the discount rate applied by management.
- Evaluating the results of a sensitivity analysis conducted by management to evaluate the impact of changes in key assumptions used in estimating the value-in-use on impairment assessment.
- Evaluating the rational of the key assumptions used in estimating the fair value less costs of disposal.
- Examining the reasonableness by comparing fair value and disposal cost estimates to similar transaction cases.
- Examining the consistency by comparing estimates of repurchase cost and remaining useful life with observable data.
- Evaluating whether the disclosure of notes to the financial statements related to impairment assessment in accordance with the relevant accounting standards are appropriate.

(2) Impairment Assessment of Investments in Subsidiary and Associate

Reasons why the matter was determined to be a Key Audit Matter

As stated in Note 13.(2) to the separate financial statements, management of the Company determined that there are indications of impairment with investments of the subsidiary, Intergis Co., Ltd., and the associate, Companhia Siderurgica do Pecem (hereinafter referred to as “CSP”) as the carrying amount of investments in Intergis Co., Ltd exceeds that of market capitalization at the end of the reporting period, and the carrying amount of investments in CSP significantly exceeds the carrying amount of net assets corresponding to the share of investments in CSP; therefore, management performed impairment assessments in accordance with Korean IFRS 1036. The Company recognized the difference occurred from the recoverable amount of each investment stock is less than the carrying amount as an impairment loss. As a result, the Company recognized ₩ 226,871 million of impairment loss to investments in CSP. The Company’s management used an external expert to measure the recoverable amount of investments in the subsidiary and the associate.

We focused on this area as a key audit matter as the amount of investments in CSP (pre-impairment carrying amount: ₩ 490,857 million) and Intergis Co., Ltd. (pre-impairment carrying amount: ₩ 77,685 million) subject to impairment assessment is significant in the financial statements, and various assumptions included in the assessment of value-in-use with high estimate uncertainty and involve the significant level of management’s judgements.

How our audit addressed the Key Audit Matter

We performed the following audit procedures to address the key audit matter. We also involved our valuation specialists when performing such audit procedures. Our audit procedures included:

- Checking whether the Company’s accounting policy related to impairment assessment meets the relevant accounting.
- Understanding and evaluating internal controls and processes regarding management evaluation of model generating the value-in-use for impairment assessment, management review and approval of key assumptions and basic input data.
- Reconciling to determine whether the carrying amount each investment in security and the amount in the financial information are identical.
- Confirming whether the future cash flows, which are the basis for the estimation of value-in-use, are based on business plans approved by management of the subsidiaries and associates.

- Comparing the actual performance of the current year and the prior year's estimate to determine whether subsidiaries and associates management's bias is involved in the value-in-use estimate.
- Evaluating the qualification and objectivity of external experts used by the Company.
- Evaluating the appropriateness of the valuation model applied by management to estimate the value-in-use.
- Evaluating the data used by management are accurate, complete and relevant.
- Evaluating the rationale of key assumptions used in estimating value in use.
 - Examining the consistency by comparing the sales growth rate, operating profit rate and investment activity forecast of the cash-generating unit with past performance and market conditions.
 - Comparing economic and industrial forecasts with long-term growth rates.
 - Comparing the discount rate independently calculated using observable input data with the discount rate applied by management.
- Evaluating the results of a sensitivity analysis conducted by management to evaluate the impact of changes in key assumptions used in estimating the value in use on impairment assessment.
- Evaluating whether the disclosure of notes to the financial statements related to impairment assessment in accordance with the relevant accounting standards are appropriate.

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Moonsub Song, Certified Public Accountant.

Seoul, Korea
March 17, 2022

This report is effective as of March 17, 2022, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

DONGKUK STEEL MILL CO., LTD.
Separate Statements of Financial Position
December 31, 2021 and 2020

<i>(in Korean won)</i>	Notes	2021	2020
Assets			
Current assets			
Cash and cash equivalents	4,5,40	₩ 330,551,693,559	₩ 151,609,205,060
Deposits held by financial institutions	4,5,40	-	146,865,839,180
Trade receivables, net	4,6,39,40	851,408,127,369	501,651,851,374
Other receivables	4,6,39,40	9,439,448,934	6,190,751,049
Other financial assets	4,6,7,40	3,213,895,036	2,949,947,000
Inventories, net	8	1,095,439,906,315	553,895,685,085
Other current assets	9,25	23,451,798,425	3,677,805,315
Contract assets	25,40	-	3,598,478,565
Total current assets		<u>2,313,504,869,638</u>	<u>1,370,439,562,628</u>
Non-current assets held for sale	15	<u>-</u>	<u>34,560,000,000</u>
Non-current assets			
Deposits held by financial institutions	4,5,40	972,505,377	971,709,755
Other receivables	4,6,39,40	34,556,866,560	14,570,818,472
Other financial assets	4,6,7,40	21,014,962,344	10,795,934,216
Property, plant and equipment, net	10,39,40	2,967,869,206,523	2,919,725,763,659
Intangible assets, net	11,39	38,131,218,096	39,606,642,744
Right-of-use assets	12	52,607,735,150	81,940,752,887
Investment properties, net	14,40	14,295,275,000	14,295,275,000
Investments in subsidiaries and associates	13,39	509,216,993,758	742,838,991,376
Other non-current assets	9	586,121,281	19,792,752,820
Total non-current assets		<u>3,639,250,884,089</u>	<u>3,844,538,640,929</u>
Total assets		<u>₩ 5,952,755,753,727</u>	<u>₩ 5,249,538,203,557</u>
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade payables	4,17,39,40	₩ 747,619,639,404	₩ 700,057,088,085
Borrowings	4,16,38,39,40	1,573,271,924,375	1,482,808,928,486
Lease liabilities	4,12	15,866,916,162	18,813,425,550
Other payables	4,17,39,40	339,103,014,059	259,698,234,767
Other financial liabilities	4,7,40	3,832,271,883	6,782,128,745
Provisions	18	3,883,123,310	2,238,386,993
Other current liabilities	21	59,921,061,455	39,026,207,800
Current tax liabilities	33	81,397,726,816	10,740,385,422
Contract liabilities	25	126,297,550	-
Total current liabilities		<u>2,825,021,975,014</u>	<u>2,520,164,785,848</u>
Non-current liabilities			
Borrowings	4,16,38,39,40	155,418,487,600	145,790,182,400
Lease liabilities	4,12	50,112,724,408	74,557,970,331
Net defined benefit liabilities	20	47,818,811,532	33,763,709,236
Other payables	4,17,39,40	2,079,683,733	719,400,002
Other financial liabilities	4,7,40	16,368,996,609	19,168,231,513
Deferred income tax liabilities	19	119,578,156,100	63,709,048,274
Other non-current liabilities	21	10,657,099,982	28,661,395,142
Total non-current liabilities		<u>402,033,959,964</u>	<u>366,369,936,898</u>
Total liabilities		<u>3,227,055,934,978</u>	<u>2,886,534,722,746</u>
Equity			
Share capital	1,22	₩ 589,228,035,000	₩ 589,228,035,000
Share premium	22	101,725,161,364	101,725,161,364
Retained earnings	23	856,310,866,381	575,723,787,346
Accumulated other comprehensive income	24	402,120,379,698	320,011,120,795
Other components of equity	24	776,315,376,306	776,315,376,306
Total equity		<u>2,725,699,818,749</u>	<u>2,363,003,480,811</u>
Total liabilities and equity		<u>₩ 5,952,755,753,727</u>	<u>₩ 5,249,538,203,557</u>

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

DONGKUK STEEL MILL CO., LTD.
Separate Statements of Profit or Loss
Years Ended December 31, 2021 and 2020

(in Korean won)

	Notes	2021	2020
Revenues	25,39	₩ 6,861,705,913,654	₩ 4,613,655,633,023
Cost of sales	8,26,27,39	5,785,066,706,889	4,120,050,243,050
Gross profit		1,076,639,206,765	493,605,389,973
Selling, general and administrative expenses	26,28	291,522,833,608	244,907,601,883
Operating profit (loss)		785,116,373,157	248,697,788,090
Other income	4,29	58,510,048,127	93,797,921,123
Other expenses	4,30	86,798,350,594	63,447,025,872
Finance income	4,31	24,476,251,574	42,391,409,607
Finance costs	4,32	99,648,799,435	117,087,298,345
Investments gains (losses) in subsidiaries and associates	13	(262,385,997,618)	(138,182,517,270)
Gain (loss) before income tax expense		419,269,525,211	66,170,277,333
Income tax expense	33	117,973,196,357	47,060,869,115
Gain (loss) for the period		₩ 301,296,328,854	₩ 19,109,408,218
Earning (losses) per share			
Basic earning (losses) per share	34	3,222	206
Diluted earning (losses) per share	34	3,222	206

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

DONGKUK STEEL MILL CO., LTD.
Separate Statements of Comprehensive Income
Years Ended December 31, 2021 and 2020

<i>(in Korean won)</i>	Notes	2021	2020
Gain (loss) for the period		₩ 301,296,328,854	₩ 19,109,408,218
Other comprehensive gain (loss), net of tax			
Items that will not be reclassified to profit or loss:			
Gain(loss) on valuation of equity instruments at fair value through other comprehensive income	7,24	8,343,697,702	(1,691,902,784)
Revaluation surplus	10,24	73,835,649,367	112,012,825,552
Remeasurement of net defined benefit liability	20	(2,078,846,585)	(19,835,417,530)
Other comprehensive income (loss) for the year, net of tax		80,100,500,484	90,485,505,238
Total comprehensive income (loss) for the year, net of tax		₩ 381,396,829,338	₩ 109,594,913,456

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

DONGKUK STEEL MILL CO., LTD.
Separate Statements of Changes in Equity
Years Ended December 31, 2021 and 2020

		Share capital and premium	Retained earnings	Accumulated other comprehensive income	Other components of equity	Total
(in Korean won)	Notes					
Balance at January 1, 2020		₩ 690,953,196,364	₩ 576,415,686,761	₩ 209,724,307,924	₩ 775,960,411,780	₩ 2,253,053,602,829
Comprehensive Income:						
Gain for the period		-	19,109,408,218	-	-	19,109,408,218
Loss on valuation of equity instruments at fair value through other comprehensive income	7,24	-	-	(1,691,902,784)	-	(1,691,902,784)
Revaluation surplus	10,24	-	34,109,897	111,978,715,655	-	112,012,825,552
Remeasurements of net defined benefit liability	20	-	(19,835,417,530)	-	-	(19,835,417,530)
Total comprehensive Income(loss) for the year		-	(691,899,415)	110,286,812,871	-	109,594,913,456
Transactions with owners:						
Treasury shares		-	-	-	354,964,526	354,964,526
Total transactions with owners		-	-	-	354,964,526	354,964,526
Balance at December 31, 2020		₩ 690,953,196,364	₩ 575,723,787,346	₩ 320,011,120,795	₩ 776,315,376,306	₩ 2,363,003,480,811
Balance at January 1, 2021		₩ 690,953,196,364	₩ 575,723,787,346	₩ 320,011,120,795	₩ 776,315,376,306	₩ 2,363,003,480,811
Comprehensive Income:						
Gain for the period		-	301,296,328,854	-	-	301,296,328,854
Loss on valuation of equity instruments at fair value through other comprehensive income	7,24	-	(99,738,764)	8,443,436,466	-	8,343,697,702
Revaluation surplus	10,24	-	169,826,930	73,665,822,437	-	73,835,649,367
Remeasurements of net defined benefit liability	20	-	(2,078,846,585)	-	-	(2,078,846,585)
Total comprehensive Income for the year		-	299,287,570,435	82,109,258,903	-	381,396,829,338
Transactions with owners:						
Annual dividend		-	(18,700,491,400)	-	-	(18,700,491,400)
Total transactions with owners		-	(18,700,491,400)	-	-	(18,700,491,400)
Balance at December 31, 2021		₩ 690,953,196,364	₩ 856,310,866,381	₩ 402,120,379,698	₩ 776,315,376,306	₩ 2,725,699,818,749

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

DONGKUK STEEL MILL CO., LTD.
Separate Statements of Cash Flows
Years Ended December 31, 2021 and 2020

<i>(in Korean won)</i>	Notes	2021	2020
Cash flows from operating activities			
Cash generated from operations	36	₩ 109,360,069,390	₩ 650,554,371,938
Interest received		1,506,745,760	2,053,337,509
Interest paid		(60,771,628,873)	(85,418,667,857)
Dividends received		505,701,295	496,079,844
Income tax received (paid)		(16,819,591,061)	(4,466,309,460)
Net cash inflow from operating activities		33,781,296,511	563,218,811,974
Cash flows from investing activities			
Decrease in deposits held by financial institutions and other financial assets		979,429,653,565	226,278,217,949
Decrease in other receivables		2,648,775,508	10,740,419,807
Proceeds from disposal of property, plant and equipment		2,296,684,045	496,068,182
Proceeds from disposal of intangible assets		240,000,000	-
Proceeds from disposal of non-current assets held for sale		33,640,000,000	-
Advance for disposal of non-current assets held for sale		-	1,000,000,000
Increase in deposits held by financial institutions and other financial assets		(832,054,009,416)	(368,583,564,048)
Increase in other receivables		(2,321,448,930)	(845,971,330)
Acquisition of property, plant and equipment		(133,589,986,227)	(75,759,061,876)
Acquisition of intangible assets		(220,792,000)	(1,042,800)
Prepaid of cost to sell for non-current assets held for sale		-	(80,000,000)
Acquisition of investments in subsidiaries and associates		(28,764,000,000)	(182,781,229,151)
Net cash outflow from investing activities		21,304,876,545	(389,536,163,267)
Cash flows from financing activities	36		
Proceeds from borrowings		2,503,434,783,071	1,770,586,614,263
Decrease in other receivables		6,861,668,915	-
Repayments of borrowings		(2,344,092,590,276)	(2,072,412,435,680)
Acquisition of treasury shares	24	-	(7,177,513,340)
Repayments of lease liabilities		(16,268,788,981)	(15,516,722,416)
Payment of dividends		(18,700,005,730)	-
Repayments of other financial liabilities		(7,378,751,556)	-
Net cash outflow from financing activities		123,856,315,443	(324,520,057,173)
Net increase (decrease) in cash and cash equivalents		178,942,488,499	(150,837,408,466)
Cash and cash equivalents at the beginning of the period		151,609,205,060	302,446,613,526
Cash and cash equivalents at the end of the period		₩ 330,551,693,559	₩ 151,609,205,060

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

DONGKUK STEEL MILL CO., LTD.

Notes to the Separate Financial Statements

December 31, 2021 and 2020

1. General Information

DONGKUK STEEL MILL CO., LTD. (the 'Company') was incorporated on July 7, 1954, under the Commercial Code of the Republic of Korea, and merged with Union Steel Co., Ltd., a subsidiary of the Company, on January 1, 2015 to engage in manufacturing and marketing of steel plates, reformed bars, H-beams and cold-rolled steel sheets. The Company's head office is located in Euljiro 5-gil, Jung-gu, Seoul, and its main manufacturing facilities are located in Incheon, Pohang, Busan, and Dangjin in the Republic of Korea. In addition, the Company has invested in Intergis Co., Ltd., Dongkuk Systems Co., Ltd, Dongkuk Int'l Inc., Dongkuk Corp. and several domestic and international companies.

The Company's shares were listed on the Korea Exchange in May, 1988. As at December 31, 2021, the Company has outstanding share capital amounting to ₩ 589,228 million, including preferred share of ₩ 36,781 million. The Company's shareholders and their respective ownership as at December 31, 2021, are as follows:

Shareholder	Number of shares	Percentage of ownership (%)
Chang, Sae-Joo	13,300,000	13.94
Chang, Sae-Wook	9,000,000	9.43
JFE Steel International Europe	8,309,404	8.71
Treasury shares	1,930,280	2.02
Others	62,893,053	65.90
	<u>95,432,737</u>	<u>100.00</u>

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of Preparation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying separate financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, financial performance or cash flows, is not presented in the accompanying separate financial statements.

The financial statements of the Company have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

DONGKUK STEEL MILL CO., LTD.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment – measured at fair value
- assets held for sale – measured at fair value less costs to sell, and
- defined benefit pension plans and plan assets measured at fair value.

The preparation of financial statements requires the use of critical accounting estimates.

Management also needs to exercise judgement in applying the Company's accounting policies.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 3.

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards and interpretations adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2021.

- (1) *Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1039 Financial Instruments: Recognition and Measurement, Korean IFRS 1107 Financial Instruments: Disclosure, Korean IFRS 1104 Insurance Contracts and Korean IFRS 1116 Lease – Interest Rate Benchmark Reform (Phase 2 amendments)*

In relation to interest rate benchmark reform, the amendments provide exceptions including adjust effective interest rate instead of book amounts when interest rate benchmark of financial instruments at amortized costs is replaced, and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. The amendment does not have a significant impact on the financial statements.

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

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before June 30, 2022. The amendment does not have a significant impact on the financial statements.

2.2.2 New standards and interpretations not yet adopted by the Company

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Company.

- (1) *Amendments to Korean IFRS 1103 Business Combination – Reference to the Conceptual Framework*

The amendments update a reference of definition of assets and liabilities qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS

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1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

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

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

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

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

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

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

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

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policies. The IASB amended IFRS Practice Statement 2 *Disclosure of Accounting Policies* to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

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

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

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

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

(8) Annual improvements to Korean IFRS 2018-2020

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

- Korean IFRS 1101 *First time Adoption of Korean International Financial Reporting Standards*
– Subsidiaries that are first-time adopters
- Korean IFRS 1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1116 *Leases* – Lease incentives
- Korean IFRS 1041 *Agriculture* – Measuring fair value

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2.3 Subsidiaries, Joint ventures and Associates

The financial statements are separate financial statements in accordance with Korean IFRS 1027, *Separate Financial Statements*. Investments in subsidiaries, joint ventures and associates are measured at cost based on direct equity investment. Only at the date of transition to IFRSs, the Company use book value under previous GAAP, as deemed cost at that date. Also, dividends received from subsidiaries, joint ventures and associates are recognized in profit or loss when the right to dividend is established.

2.4 Foreign Currency Translation

(1) Functional and presentation currency

Items included in the separate financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the each entity operates (the 'functional currency'). The separate financial statements are presented in Korean won, which is the Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or at the dates of valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities dominated in foreign currencies at year-end exchange rates are recognized in profit or loss.

Foreign currency translation gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign currency translation gains and losses are presented in the statement of profit or loss within 'other income or other expenses'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognized in other comprehensive income.

2.5 Financial Assets

(1) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss
- those to be measured at fair value through other comprehensive income, and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Company reclassifies debt investments only when its business model for managing those assets changes.

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For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of non-designated equity investment are recognized in profit or loss.

(2) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

A. Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments into one of the following three measurement categories:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' or 'other income' using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign currency translation gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign currency translation gains and losses are presented in 'other income or expenses' and impairment losses are presented in 'other expenses'.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit or loss within 'finance income(expense)' or 'other income(expenses)' in the year in which it arises.

B. Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments, which held for long-term investment or strategic purpose, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized as 'finance income' when the right to receive payments is established.

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Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other income and expenses' in the statement of profit or loss as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(3) Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and lease receivables, the Company applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables. (See Note 40.1(2) for how the Company determines whether credit risk has increased significantly.)

(4) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Company classified the financial liability as "borrowings" in the statement of financial position (Note 6).

(5) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.6 Derivative Instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in 'other income(expenses)'.

2.7 Trade Receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. Trade receivables are subsequently measured at amortized cost using the effective interest method, less loss allowance. See Note 6 for further information about the Company's accounting for trade receivables and Note 40.1(2) for a description of the Company's accounting policy for impairment.

2.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories is

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determined using the weighted-average method, except for materials-in-transit which are determined using the specific identification method.

2.9 Non-current Assets Classified as Held-For-Sale

Non-current assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. The assets are measured at the lower amount between their carrying amount and the fair value less costs to sell.

2.10 Property, Plant and Equipment

Land is shown at fair value based on valuation by external independent valuer. Valuation is performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Property, plant and equipment, except for land, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Increases in the carrying amount arising on revaluation of land are credited to other comprehensive income and shown as revaluation reserves net of income tax effect in equity. Decreases that offset previous increases of the same asset are charged to other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the statements of profit or loss.

Depreciation of all property, plant and equipment, except for land, is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

	Estimated Useful Lives
Buildings	20 - 40 years
Structures	10 - 40 years
Machinery and equipment	2 - 35 years
Others	4 - 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each financial year-end. An asset's carrying amount is adjusted to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized as 'other income (expense)' in the separate statements of profit or loss.

When revalued assets are sold, the amounts included in revaluation surplus are transferred to retained earnings.

2.11 Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

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2.12 Government Grants

Grants from the government are recognized at their fair value when there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

2.13 Intangible Assets

Intangible assets are initially recognized at its historical cost and carried at its cost less accumulated amortization and accumulated impairment losses. Membership rights are regarded as intangible assets with indefinite useful life and not amortized because there is no foreseeable limit to the period over which the assets are expected to be utilized. Intangible assets with definite useful life that are amortized using the straight-line method or the units of production method over the following estimated useful lives.

	Estimated Useful Lives
Software	4~10 years
Others	
Rights to use Pohang wharf ¹	Compensation period
Rights to use Dangjin wharf ¹	Compensation period
Rights to use Incheon wharf	47 years
Others	5~20 years

¹ Amortized using the units of production method.

2.14 Investment Property

An investment property is a property held to earn rentals or for capital appreciation or both. Investment property is measured initially at its cost. After recognition as an asset, the investment property is carried at cost less accumulated depreciation and impairment losses.

2.15 Impairment of Non-financial Assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. When allocating an impairment loss for a cash-generating unit, the Company shall not reduce the carrying amount of an asset below its fair value less cost of disposal.

2.16 Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of reporting period which are unpaid. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Financial Liabilities

(1) Classification and measurement

The Company's financial liabilities at fair value through profit or loss are financial instruments held for trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not designated as hedging instruments and an embedded derivative that is separated are also classified as held for trading.

The Company classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and presented as 'trade payables', 'borrowings', and 'other payables' in the statement of financial position.

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(2) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished, for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2.18 Financial Guarantee Contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, subsequently at the higher of following and recognized in the statement of financial position within 'other financial liabilities':

- the amount determined in accordance with the expected credit loss model under Korean IFRS 1109 *Financial Instruments* and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*

2.19 Compound Financial Instruments

Compound financial instruments are convertible bonds that can be converted into equity instruments at the option of the holder. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion rights, and subsequently recognized at amortized cost until extinguished on conversion or maturity of the bonds. The equity component is recognized initially on the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component and not subsequently remeasured. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

In accordance with the 'Interpretation Statements No.00094' issued by the Financial Supervisory Service in Korea, the Company recognized conversion rights (pre-emptive rights) in equity. This accounting treatment is effective only under the Korean IFRS.

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2.20 Provisions

Provisions for product warranty and others are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation and the increase in the provision due to passage of time is recognized as interest expense.

2.21 Current and Deferred Income Tax

The tax expense for the period consists of current and deferred tax. Tax is recognized on the profit for the period in the statements of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss.

The Company recognizes a deferred tax liability all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, the Company recognizes a deferred tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset when the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the assets and settle the liability simultaneously.

2.22 Employee Benefits

(1) Post-employment benefits

The Company operates both defined contribution and defined benefit pension plans. For defined contribution plans, the Company pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Company has no further payment obligation once the contribution has been paid. The contribution is recognized as employee benefit expense when they are due.

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A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the separate statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

(2) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: when the entity can no longer withdraw the offer of those benefits or when the entity recognizes costs for a restructuring.

(3) Other long-term employee benefits

The Company provides long-term employee benefits, which are entitled to employees with long-term service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Company recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the period. These liabilities are valued annually by independent qualified actuaries.

2.23 Revenue Recognition

(1) Sale of goods

The Company manufactures and sells a range of steel plates, reformed bars and H-beams, color coated steel sheet and others. Revenue from sale of goods is recognized when products are delivered to the purchaser. It is considered that goods are delivered when the goods have been transferred to the specific location, the risks of obsolescence and loss have been transferred to the purchaser, and either the purchaser has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(2) Transportation services

The Company provides transportation services and others as part of exporting contract of steel goods with its customers. The revenue from rendering of services that are separately provided to customers is recognized over time by measuring progress when the performance of service transactions can be reliably estimated. Any changes in expected revenue, cost and proportion of services rendered are accounted for as changes in estimates. These changes in estimates may bring adjustments to the expected revenue and cost which is recognized in the statement of profit or loss in the year in which management recognizes the changes in circumstances.

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(3) Rental services

The Company renders rental services, and revenue is generally recognized over time as services are being rendered.

2.24 Lease

(1) Lessor

The Company classifies a lease that transfers substantially all the risks and rewards incidental to ownership of an asset at inception of the lease as a finance lease. A lease other than a finance lease is classified as an operating lease.

A. Finance leases

The lessor recognizes finance lease receivables at the amount of the Company's net investment in the finance lease and recognizes interest income based on a pattern reflecting a constant periodic return on the net investment in the finance lease.

B. Operating Leases

Lease income from operating leases is recognized based on straight-line method over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Each leased asset is presented on the financial statements based on its nature.

(2) Lessee

The Company leases land, buildings, vessels and others. Lease contracts are typically made for fixed periods of 1 to 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is lessee, the Company applies the practical expedient which has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Company recognize leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. The Company determines the lease term as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When the lessee and the lessor each has the right to terminate the lease without permission from the other party, the Company should consider a termination penalty in determining the period for which the contract is enforceable.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or

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rate as at the commencement date

- Amounts expected to be payable by the Company (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Company (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Company (the lessee) exercising that option

Measurement of lease liability also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was y
- makes adjustments specific to the lease, for example term, country, currency and security

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Although the Company elected to apply the revaluation model to its land and buildings that are presented in property, plant and equipment, the Company elected not to apply that revaluation model to buildings held by the Company that are presented in the right-of-use assets.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

A. Extension and termination options

The Company includes extension and termination options in company's real estate lease contracts. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor. Information on critical accounting estimates and assumptions related to the determination of the lease term is presented in Note 3.

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B. Sales and leaseback

Related to sale and leaseback, The Company is required to applying Korean IFRS 1115 *Revenue from Contracts with Customers* to determine whether the transfer of an asset is accounted for as a sale of that asset.

When the transfer of an assets is accounted for as a sale of the asset, the Company measures right-of-use assets arising from the sale and leaseback in proportion to the carrying amount of the assets which the right remains to the Company and recognizes only net gain or loss in relation to transferred rights.

2.25 Greenhouse Gas Emission Permits and Obligations

With enforcement of *The Act on the Allocation and Trading of Greenhouse Gas Emission Permits*, the allowances that are received free of charge from the government are measured at zero while allowances purchased are measured at acquisition cost and stated net of accumulated impairment loss. Emissions obligations are measured as the sum of the carrying amount of the allocated allowances that will be submitted to the government and the best estimate of expenditure required to settle the obligation at the end of reporting period for any excess emission.

2.26 Approval of Issuance of Financial Statements

The separate financial statements were approved for issue by the Board of Directors on March 3, 2022, and are subject to change with approval of shareholders at their annual general shareholders meeting.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Company to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Company's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgement and assumptions of certain items are included in relevant notes.

During 2021, the spread of Coronavirus disease 2019 ("COVID-19") has a material impact on the global economy. It may have a negative impact; such as, decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the financial position and financial performance of the Company. Significant accounting estimates and assumptions applied in the preparation of the consolidated financial statements can be adjusted depending on changes in the uncertainty from COVID-19. Also, the ultimate effect of COVID-19 to the Company's business, financial position and financial performance cannot presently be determined.

In February 2022, a dispute broke out between Russia and Ukraine, and international sanctions have been imposed on Russia. Accordingly, it is uncertain to estimate the scope of impact on critical accounting estimates and assumptions applied in the preparation of the financial statements and operation of the Company.

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(1) Income taxes

The Company's taxable income generated from these operations are subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain (Notes 19 and 33).

If certain portion of the taxable income is not used for investments or increase in wages or dividend, the Company is liable to pay additional income tax calculated based on the tax laws. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new tax system. As the Company's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

(2) Impairment of financial assets

The provision for impairment for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period (Note 40.1(2)).

(3) Impairment assessment cash-generating units(CGU), and investments in subsidiaries and associates

The recoverable amount of cash generating units (CGU) and investment in subsidiaries and associates are determined based on value-in-use calculations. To calculate the value in use management must estimate the expected future cash flows arising from the asset or cash generating unit and select an appropriate discount rate to calculate the present value of the expected future cash flows. (Notes 10 and 13).

(4) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 20).

(5) Provisions for product warranty

The Company generally provides quality assurance period for cold-rolled products. The Company's management determines provisions for future warranty claims with consideration to the recent trend of changes implying that the historical data and past expenses relating to product warranty claims may differ from the future claims.

(6) Lease

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated)

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

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(7) Net realisable value of inventories

When estimating the net realisable value of inventories, the Company reflects recent fluctuation in the information on the past selling price and past costs of inventory, and the cost of the product is expected to exceed the net realizable value. For raw materials for which the cost of the product is expected to exceed the net realisable value, the current replacement cost is determined as the net realizable value.

(8) Revenue recognition

The Company identifies separate performance obligations for transport services included in part of our product export contracts with customers and recognizes revenue over time. Progress is measured by estimating the performance of the service provision transaction, and the factors for measuring the amount of revenue accompanying such estimation may change.

(9) Depreciation of property, plant and equipment

When estimating the depreciation of property, plant and equipment, the Company applies the straight-line method to assets excluding land, assuming that the future economic benefits of the assets are generated equally every year. In addition, regarding the useful life, the Company considers the actual asset use experience, and the useful life applied by other companies and industries.

(10) Revaluation of property, plant and equipment

Land is recognized at fair value based on valuations by external independent valuers, and revaluation is made with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. The official value method, in which the official land value is adjusted based on the present condition of the land to calculate the fair value

(11) Fair value of derivatives

The Company is trading derivatives such as forward exchange transactions to manage the risk of rising foreign currency value, and the fair value of the derivatives may fluctuate according to the spot exchange rate at the time of the agreement.

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4. Financial Instruments by Category

Categorizations of financial instruments as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Financial assets at fair value through profit or loss	₩ 2,451	₩ 2,447
Financial assets at fair value through other comprehensive income	20,672	10,465
Financial assets at amortized cost		
Trade receivables	851,408	501,652
Other receivables	37,468	17,339
Other financial assets	98	834
Deposits held by financial institutions	973	147,838
Cash and cash equivalents	330,552	151,609
Derivative instruments		
Trading derivatives	1,008	-
Others		
Other receivables (Lease payments)	6,529	3,423
	<u>₩ 1,251,159</u>	<u>₩ 835,607</u>

<i>(in millions of Korean won)</i>	2021	2020
Financial liabilities at amortized cost		
Trade payables	₩ 747,620	₩ 700,057
Other payables	341,183	260,418
Borrowings (current)	1,566,583	1,477,262
Borrowings (non-current)	155,418	145,790
Derivative instruments		
Trading derivatives	344	4,574
Others		
Lease liabilities	65,980	93,371
Other financial liabilities (financial guarantee liabilities)	19,857	21,376
Borrowings (Discount note)	6,689	5,547
	<u>₩ 2,903,674</u>	<u>₩ 2,708,395</u>

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Net gains and losses on each category of financial instruments for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Financial assets at fair value through profit or loss		
- Interest income	₩ 140	₩ 122
- Gain (Loss) on valuation	4	11
- Dividend income	4	5
Financial assets at amortized cost		
- Interest income	2,443	2,611
- Reversal of provision for impairment	833	8,506
- Gain (Loss) on foreign exchange	14,525	(13,760)
- Loss on disposal	-	(66)
Financial assets at fair value through other comprehensive income		
- Dividend income	270	256
- Loss on valuation		
(other comprehensive income or loss)	11,008	(2,232)
- Gain (loss) on disposal	(2)	-
Derivative instruments		
- Gain on transaction of derivatives	3,550	7,076
- Loss on valuation of derivatives	664	(4,574)
Financial liabilities at amortized cost		
- Interest expense	(54,103)	(70,035)
- Gain (Loss) on foreign exchange	(45,729)	18,934
Other		
- Interest income of lease	159	166
- Interest expense of lease	(5,869)	(7,356)
- Reversal of other provisions	-	29,294
- Financial guarantee income	2,739	3,179
- Interest expense of financial guarantee liabilities	(393)	-
- Interest expense of discount note	(226)	(353)

5. Cash and Cash Equivalents and Deposits Held by Financial Institutions

Cash and cash equivalents as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Bank deposits and others ¹	₩ 330,552	₩ 151,609

¹ Time deposits maturing within three months from acquisition date are included.

The following deposits held by financial institutions which are subject to restricted in relation to collateral for performance guarantees as at December 31, 2021 and 2020, are as follow:

<i>(in millions of Korean won)</i>	2021	2020
Restricted deposits held by financial institutions	₩ 973	₩ 1,138

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6. Trade Receivables and Other Financial Assets at Amortized Cost

Trade receivables and other financial assets at amortized cost, net of allowance for doubtful accounts as at December 31, 2021 and 2020 are as follows:

(in millions of Korean won)	2021			
	Gross carrying amount	Provision for impairment	Present value discount	Carrying amount (Net)
Trade receivables	₩ 873,818	₩ (22,410)	₩ -	₩ 851,408
Other financial assets at amortized cost				
Current other receivables ¹	9,871	(374)	(58)	9,439
Non-current other receivables ¹	43,843	(72)	(9,214)	34,557
Current other financial assets	4	-	-	4
Non-current other financial assets	94	-	-	94
(in millions of Korean won)	2020			
	Gross carrying amount	Provision for impairment	Present value discount	Carrying amount (Net)
Trade receivables	₩ 529,371	₩ (27,719)	₩ -	₩ 501,652
Other financial assets at amortized cost				
Current other receivables ¹	6,565	(374)	-	6,191
Non-current other receivables ¹	16,648	-	(2,077)	14,571
Current other financial assets	750	-	-	750
Non-current other financial assets	84	-	-	84

¹ As at December 31, 2021, lease payments of ₩ 1,835 million (2020 : ₩ 1,257 million) and ₩ 4,694 million (2020 : ₩ 2,166 million) are included in current and non-current other receivables, respectively.

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

(in millions of Korean won)	2021		
	Current	Non-current	Total
Short-term loans	₩ -	₩ -	₩ -
Non-trade receivables	7,496	16,474	23,970
Accrued income	108	-	108
Deposit	-	13,390	13,390
Government bonds	4	94	98
	₩ 7,608	₩ 29,958	₩ 37,566

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(in millions of Korean won)	2020		
	Current	Non-current	Total
Short-term loans	₩ 28	₩ -	₩ 28
Non-trade receivables	2,718	802	3,520
Accrued income	136	-	136
Deposit	2,051	11,603	13,654
Government bonds	750	84	834
	<u>₩ 5,683</u>	<u>₩ 12,489</u>	<u>₩ 18,172</u>

There are no significant differences between the fair value and carrying amount of trade and other receivables as at December 31, 2021 and 2020.

The maximum exposure of trade and other receivables to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

Movements on allowance for doubtful accounts for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021	2020
Beginning balance	₩ 28,093	₩ 37,451
Increase(decrease) in loss allowance recognized in profit or loss	(833)	(8,506)
Write off or transfer	(4,502)	(854)
Others	98	2
Ending balance	<u>₩ 22,856</u>	<u>₩ 28,093</u>

The recognition and reversal of provision for receivables during the year have been included in selling, general and administrative expenses (Note 28) and other expenses (Note 30) as bad debt expenses in the statements of profit or loss. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

Transferred financial assets that are not derecognized in their entirety as at December 31, 2021 and 2020, are as follows:

Under factoring arrangement, the Company sells trade receivables at a discount to the financial institutions for the years ended December 31, 2021 and 2020. The Company may retain an obligation to compensate a financial institution for debtors' failure to make payment when they become due, an obligation known as a 'recourse obligation'. Recourse obligations related to the sales of receivables with recourse are accounted for as collateralized borrowings (Note 16). The Company considers these receivables of its business model to be held for collection and hence continues to measure them at amortized cost.

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<i>(in millions of Korean won)</i>	Discounted trade receivables	
	2021	2020
Carrying amount of assets	₩ 6,689	₩ 5,547
Carrying amount of the associated liabilities	(6,689)	(5,547)
For those liabilities that have recourse only to the transferred assets		
Fair value of assets	6,689	5,547
Fair value of the associated liabilities	(6,689)	(5,547)
Net position	-	-

7. Other Financial Assets and Liabilities

Details of other financial assets and liabilities as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Other financial assets¹		
Financial assets at fair value through profit or loss	₩ 2,451	₩ 2,447
Financial assets at fair value through other comprehensive income	20,672	10,465
Other financial assets at amortized cost ²	98	834
Derivative financial assets	1,008	-
Less: current portion	(3,214)	(2,950)
	<u>₩ 21,015</u>	<u>₩ 10,796</u>
Other financial liabilities		
Derivative financial liabilities	₩ 344	₩ 4,574
Financial guarantee liabilities	19,857	21,376
Less: current portion	(3,832)	(6,782)
	<u>₩ 16,369</u>	<u>₩ 19,168</u>

¹ None of other financial assets are either past due or impaired, and the Company does not hold any collateral in relation to these assets.

² These assets are government bonds classified as other financial assets at amortized cost (Note 6).

Details of financial assets at fair value through profit or loss as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Beneficiary certificates	₩ 2,202	₩ 2,200
Equity investments subject to repurchase	249	247
	<u>₩ 2,451</u>	<u>₩ 2,447</u>

Changes in fair value of financial assets at fair value through profit or loss are presented as other income (expense) in statement of profit or loss.

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Changes in other financial assets at fair value through other comprehensive income for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021		2020	
Beginning balance	₩	10,465	₩	12,505
Acquisition		-		192
Disposal and others ¹		(800)		-
Valuation gain		11,008		(2,232)
Ending balance		20,672		10,465
Less: current portion		-		-
Non-current portion	₩	20,672	₩	10,465

¹ Accumulated other comprehensive income amounting to ₩100 million were reclassified to retained earnings due to disposal of shares and others during the year ended December 31, 2021.

Details of financial assets at fair value through other comprehensive income as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021		2020	
Marketable equity securities	₩	20,528	₩	10,321
Non-marketable equity securities		144		144
	₩	20,672	₩	10,465

The Company has entered into forward contracts to hedge foreign exchange risk relating to purchase of inventories and others, but hedge accounting is not applied. Details of derivative financial instruments as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Current				
Trading derivatives	₩ 1,008	₩ 10	₩ -	₩ 4,574
Non-current				
Trading derivatives	₩ -	₩ 334	₩ -	₩ -

Gain on derivatives transactions recognized in profit or loss was ₩ 3,550 million (2020: ₩ 8,398 million of gain on derivatives transactions, ₩ 1,323 million of loss on derivatives transactions), and gain and loss on valuation was ₩1,008 million (2020: ₩1 million) and ₩344 million (2020: ₩4,575 million), respectively.

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The details of the major outstanding forward contracts concluded by the Company at December 31, 2021 and 2020, are as follows:

2021				
	Contract signing date	Contract amount (in thousand)	Contract execution date	Contract price (KRW/USD)
Woori Bank	2021-10-26 ~ 2021-12-17	USD 14,000 Buy	2022-01-04 ~ 2022-02-28	1,168.85~1,186.20
Standard Chartered Bank Korea	2021-04-29 ~ 2021-12-16	USD 17,000 Buy	2022-01-04 ~ 2022-02-07	1,107.65~1,187.60
Korea Development Bank	2021-05-12 ~ 2021-12-23	USD 20,000 Buy	2022-01-07 ~ 2022-02-28	1,112.80~1,188.30
KEB Hana Bank	2021-10-25	USD 32,288 Sell	2022-01-26 ~ 2024-10-26	1,174.00
2020				
	Contract signing date	Contract amount (in thousand)	Contract execution date	Contract price (KRW/USD)
Standard Chartered Bank Korea	2020-02-06 ~ 2020-12-23	USD 20,000 Buy	2021-01-04 ~ 2021-07-29	1,093.40 ~ 1,216.40
Korea Development Bank	2020-02-17 ~ 2020-12-30	USD 38,000 Buy	2021-01-25 ~ 2021-08-23	1,087.15 ~ 1,232.20

8. Inventories

Inventories as at December 31, 2021 and 2020, consist of:

<i>(in millions of Korean won)</i>	2021			2020		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Merchandise	₩ 12,332	₩ (645)	₩ 11,687	₩ 12,841	₩ -	₩ 12,841
Finished products	364,973	(4,652)	360,321	210,213	(3,688)	206,525
Semi-finished products	152,130	(537)	151,593	78,742	(2,693)	76,049
Raw materials	420,545	(1,825)	418,720	196,527	(3,101)	193,426
Supplies	12,590	-	12,590	11,499	-	11,499
Materials-in-transit	130,892	-	130,892	48,543	-	48,543
Others	9,637	-	9,637	5,013	-	5,013
	<u>₩ 1,103,099</u>	<u>₩ (7,659)</u>	<u>₩ 1,095,440</u>	<u>₩ 563,378</u>	<u>₩ (9,482)</u>	<u>₩ 553,896</u>

The cost of inventories recognized as expense and included in cost of sales amounted to ₩ 5,674,339 million (2020 : ₩ 4,060,100 million) including losses on valuation of inventories of ₩ 1,610 million (2020 : ₩ 1,468 million) and reversal of allowance for losses on valuation of inventories amounted to ₩ 3,433 million (2020 : ₩ 4,550 million).

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9. Other Assets

Details of other current and non-current assets as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Current		
Advance payments	₩ 4,269	₩ 355
Prepaid expenses	13,618	3,323
Prepaid value added tax	5,565	-
	<u>23,452</u>	<u>3,678</u>
Non-current		
Long-term prepaid expenses	586	19,793
	<u>586</u>	<u>19,793</u>
	<u>₩ 24,038</u>	<u>₩ 23,471</u>

10. Property, plant and equipment

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

2021							
<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery and equipment	Others	Construction -in- progress	Total
Acquisition cost	₩ 884,782	₩ 657,757	₩ 218,484	₩ 3,436,388	₩ 177,232	₩ 43,632	₩ 5,418,275
Accumulated depreciation	-	(305,365)	(101,252)	(2,388,096)	(115,646)	-	(2,910,359)
Accumulated impairment	-	(1,128)	(202)	(59,657)	(800)	-	(61,787)
Government grants	-	-	(125)	(677)	(79)	-	(881)
Revaluation surplus	522,621	-	-	-	-	-	522,621
Carrying amount, net	<u>₩ 1,407,403</u>	<u>₩ 351,264</u>	<u>₩ 116,905</u>	<u>₩ 987,958</u>	<u>₩ 60,707</u>	<u>₩ 43,632</u>	<u>₩ 2,967,869</u>

2020							
<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery and equipment	Others	Construction -in- progress	Total
Acquisition cost	₩ 880,602	₩ 655,910	₩ 217,350	₩ 3,961,596	₩ 171,664	₩ 41,695	₩ 5,928,817
Accumulated depreciation	-	(289,927)	(95,639)	(2,805,285)	(106,185)	-	(3,297,036)
Accumulated impairment	-	-	-	(101,741)	(337)	-	(102,078)
Government grants	-	-	(128)	(433)	(293)	-	(854)
Revaluation surplus	425,437	-	-	-	-	-	425,437
Transfer to non-current assets (Note 15)	-	(279)	(520)	(29,804)	(3,957)	-	(34,560)
Carrying amount, net	<u>₩ 1,306,039</u>	<u>₩ 365,704</u>	<u>₩ 121,063</u>	<u>₩ 1,024,333</u>	<u>₩ 60,892</u>	<u>₩ 41,695</u>	<u>₩ 2,919,726</u>

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Changes in property, plant and equipment for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021						
	Land	Buildings	Structures	Machinery and equipment	Others	Construction –in– progress	Total
Beginning	₩ 1,306,039	₩ 365,704	₩ 121,063	₩ 1,024,333	₩ 60,892	₩ 41,695	₩ 2,919,726
Acquisitions	-	-	-	4,897	12,513	123,495	140,905
Revaluation ¹	97,408	-	-	-	-	-	97,408
Transfer	4,695	4,583	2,667	102,835	5,264	(121,558)	(1,514)
Disposals	(739)	(929)	(8)	(3,019)	(3,748)	-	(8,443)
Depreciation	-	(16,966)	(6,615)	(133,806)	(13,751)	-	(171,138)
Impairment loss	-	(1,128)	(202)	(7,282)	(463)	-	(9,075)
Ending	₩ 1,407,403	₩ 351,264	₩ 116,905	₩ 987,958	₩ 60,707	₩ 43,632	₩ 2,967,869

(in millions of Korean won)	2020						
	Land	Buildings	Structures	Machinery and equipment	Others	Construction –in– progress	Total
Beginning	₩ 1,171,391	₩ 379,697	₩ 127,604	₩ 1,149,201	₩ 60,443	₩ 17,414	₩ 2,905,750
Acquisitions	-	1,174	-	3,121	11,403	66,508	82,206
Revaluation ¹	147,744	-	-	-	-	-	147,744
Transfer	(12,929)	2,369	695	37,817	5,358	(42,227)	(8,917)
Transfer to non-current assets held for sale	-	(279)	(520)	(29,804)	(3,957)	-	(34,560)
Disposals	(167)	(331)	-	(5,100)	(2,018)	-	(7,616)
Depreciation	-	(16,926)	(6,716)	(139,494)	(10,000)	-	(173,136)
Impairment loss	-	-	-	-	(337)	-	(337)
Reversal of impairment loss ²	-	-	-	8,592	-	-	8,592
Ending	₩ 1,306,039	₩ 365,704	₩ 121,063	₩ 1,024,333	₩ 60,892	₩ 41,695	₩ 2,919,726

¹ During the current period, revaluation of land was conducted and ₩ 97,408 million (2020 : ₩ 147,744 million) was increased.

² During the previous year, after reversing an impairment loss of ₩ 8,592 million in relation to disposal of the part of facilities at Pohang Plant, it was replaced with non-current assets held for sale.

In current years, the Company revaluated land and recognized revaluation surplus as accumulated other comprehensive income. If land was stated on the historical cost basis, the amounts as at December 31, 2021, would be ₩ 884,782 million (2020 : ₩ 880,602 million).

During the current year, the capitalized borrowing costs for property, plant and equipment that are qualifying assets are ₩ 1,695 million, and the capitalization rate of borrowings used to determine the amount of borrowing costs to be capitalized is 3.31%.

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Depreciation of property, plant and equipment was charged to following accounts for the years ended December 31, 2021 and 2020:

<i>(in millions of Korean won)</i>	2021	2020
Cost of sales	₩ 168,832	₩ 170,665
Selling, general and administrative expenses (excluding research and development expenses)	653	851
Research and development expenses	1,653	1,620
	<u>₩ 171,138</u>	<u>₩ 173,136</u>

Details of property, plant and equipment provided as collateral as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021			
	Carrying amount	Secured party	Borrowing amount	Secured amount
Land, buildings, machinery and equipment, vessels and others	₩ 2,845,334	Korea Development Bank	₩ 1,136,130	₩ 2,161,707
		KEB Hana Bank	61,538	176,340
		Woori Bank	93,303	355,050
		KB Kookmin Bank	336	2,704
			<u>₩ 1,291,307</u>	<u>₩ 2,695,801</u>
<i>(in millions of Korean won)</i>	2020			
	Carrying amount	Secured party	Borrowing amount	Secured amount
Land, buildings, machinery and equipment, vessels and others	₩ 2,806,870	Korea Development Bank	₩ 1,045,054	₩ 2,151,212
		KEB Hana Bank	9,634	171,190
		Woori Bank	38,108	323,250
		KB Kookmin Bank	806	2,704
			<u>₩ 1,093,602</u>	<u>₩ 2,648,356</u>

As at December 31, 2021, Cash Generating Unit(CGU) has been tested for impairment. The Company has classified the CGU into reformed bars and section steel, steel plate, cold rolled steel, and individual vessels (see Note 12) that do not belong to a specific CGU according to the management's business observation method, product production method and minimum identification method of cash inflow. When calculating the value-in-use, an impairment test for each CGU was performed using the cash flow forecast based on the five-year budget approved by management.

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In order to remove the effect that the abnormal increase or decrease in market volatility caused by COVID-19 is reflected in the discount rate, the Company applied the average value of a longer observation period to the market risk premium.

		2021					
(in millions of Korean won)		Bar/Section steel		Steel plate		Cold rolled steel	
Value in use		₩	2,243,199	₩	279,306	₩	1,290,642
Impairment loss ¹			-		10,508		-
Permanent growth rate			0%		0%		0%
Discount rate ²			10.06%		10.06%		10.06%
Sensitivity ³	0.5% increase of discount rate		(103,348)		(8,251)		(57,054)
	0.5% decrease of discount rate		114,146		8,987		62,986
		2020					
(in millions of Korean won)		Bar/Section steel		Steel plate		Cold rolled steel	
Value in use		₩	1,945,275	₩	291,434	₩	999,160
Impairment loss			-		3,653		-
Permanent growth rate			0%		0%		0%
Discount rate			9.20%		9.20%		9.20%
Sensitivity	0.5% increase of discount rate		(98,162)		(11,417)		(52,643)
	0.5% decrease of discount rate		109,437		12,582		58,696

¹ When allocating the impairment loss of a steel plate CGU to the separate assets, the carrying amount of an asset was not reduced below its fair value less costs for disposal. As a result of damage inspection, the Company recognized in the impairment loss on steel plate CGU of ₩ 10,508 million (2020: ₩ 3,653 million). The Company recorded impairment loss on property, plant and equipment of ₩ 9,075 million (2020: ₩ 337 million) and intangible assets of ₩ 1,433 million (2020: ₩ 3,316 million) as other expenses (See Note 30).

² After-tax discount rate was used when discounting the net of tax cash flows. (2020: 9.20%)

³ Change in value-in-use.

As at December 31, 2021 inventories, property, plant and equipment are insured against fire and other casualty loss with Meritz Insurance Co., Ltd. and others. And, part of insured amount is provided as a collateral to financial institution, where property, plant and equipment are pledged as collateral. In addition, the Company carries general loss and comprehensive liability insurance on its vehicles and products.

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11. Intangible Assets

Intangible assets as at December 31, 2021 and 2020, consist of:

(in millions of Korean won)	2021			
	Membership rights	Right to use of wharf	Other intangible assets	Total
Acquisition cost	₩ 7,483	₩ 60,204	₩ 48,651	₩ 116,338
Accumulated amortization	-	(18,735)	(44,093)	(62,828)
Accumulated impairment	(345)	(1,836)	(2,914)	(5,095)
Government grants	-	(10,284)	-	(10,284)
Net	₩ 7,138	₩ 29,349	₩ 1,644	₩ 38,131

(in millions of Korean won)	2020			
	Membership rights	Right to use of wharf	Other intangible assets	Total
Acquisition cost	₩ 7,502	₩ 60,204	₩ 47,137	₩ 114,843
Accumulated amortization	-	(17,475)	(43,500)	(60,975)
Accumulated impairment	(345)	(1,196)	(2,120)	(3,661)
Government grants	-	(10,600)	-	(10,600)
Net	₩ 7,157	₩ 30,933	₩ 1,517	₩ 39,607

Changes in intangible assets for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021			
	Membership rights	Right to use of wharf	Other intangible assets	Total
Beginning	₩ 7,157	₩ 30,933	₩ 1,517	₩ 39,607
Acquisition	221	-	-	221
Transfer	-	-	1,514	1,514
Amortization	-	(944)	(594)	(1,538)
Disposal	(240)	-	-	(240)
Impairment loss	-	(640)	(793)	(1,433)
Net	₩ 7,138	₩ 29,349	₩ 1,644	₩ 38,131

(in millions of Korean won)	2020			
	Membership rights	Right to use of wharf	Other intangible assets	Total
Beginning	₩ 7,156	₩ 32,998	₩ 4,283	₩ 44,437
Acquisition	1	-	-	1
Transfer	-	85	240	325
Amortization	-	(954)	(886)	(1,840)
Impairment loss	-	(1,196)	(2,120)	(3,316)
Net	₩ 7,157	₩ 30,933	₩ 1,517	₩ 39,607

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Amortization of intangible assets was charged to following accounts for the years ended December 31, 2021 and 2020:

<i>(in millions of Korean won)</i>	2021		2020	
Cost of sales	₩	1,411	₩	1,829
Selling, general and administrative expenses		127		11
	₩	<u>1,538</u>	₩	<u>1,840</u>

Total amount of research and development expenditures recognized as expenses for the years ended December 31, 2021 and 2020:

<i>(in millions of Korean won)</i>	2021		2020	
Cost of sales	₩	-	₩	2
Selling, general and administrative expenses		11,885		10,287
	₩	<u>11,885</u>	₩	<u>10,289</u>

The quantities of emission permits which are allocated free of charge are as follows:

<i>(in tCO2-eq)</i>	2021	2022	2023	2024	2025	Total
Allocation with nil consideration ¹	2,009,378	2,009,378	2,009,378	1,990,559	1,990,559	10,009,252

¹ The quantities represent for the 3rd planning period (2021-2025).

Changes in emission permits quantities and the carrying amounts for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won, except quantities)

	2021							
	2020		2021		2022		2023	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
At January 1 and								
Allocation with nil consideration	1,776	₩ -	2,009	₩ -	2,009	₩ -	2,009	₩ -
Purchase	10	238	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-
Surrendered to the government ¹	(1,831)	(238)	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-
Carrying forward	45	-	-	-	-	-	-	-
At December 31	-	₩ -	2,009	₩ -	2,009	₩ -	2,009	₩ -

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(in millions of Korean won,
except quantities)

	2021					
	2024		2025		Total	
	Quantity	Amount	Quantity	Amount	Quantity	Amount
At January 1 and Allocation with nil consideration	1,991	₩ -	1,991	₩ -	11,785	₩ -
Purchase	-	-	-	-	10	238
Disposal	-	-	-	-	-	-
Surrendered to the government ¹	-	-	-	-	(1,831)	(238)
Borrowing	-	-	-	-	-	-
Carrying forward	-	-	-	-	45	-
At December 31	1,991	₩ -	1,991	₩ -	10,009	₩ -

¹ Emission permits for the current period will be submitted in June of the following year.

(in millions of Korean won,
except quantities)

	2020					
	2019		2020		Total	
	Quantity	Amount	Quantity	Amount	Quantity	Amount
At January 1 and Allocation with nil consideration	1,776	₩ -	1,776	₩ -	3,552	₩ -
Purchase	200	4,109	10	238	210	4,347
Disposal	(10)	(228)	-	-	(10)	(228)
Surrendered to the government	(1,879)	(3,881)	-	-	(1,879)	(3,881)
Borrowing	(42)	-	-	-	(42)	-
Carrying forward	(45)	-	45	-	-	-
At December 31	-	₩ -	1,831	₩ 238	1,831	₩ 238

Our estimate of greenhouse gas emissions for the current year is 1,887,345 tons (tCO₂-eq), and we have not established any emission liabilities as it is not expected to exceed the number of free allotment allowances for the current year.

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12. Lease

12.1 The Company as a Lessee.

(a) Amounts recognized in the statement of financial position

1) Right-of-use assets and lease liabilities

<i>(in millions of Korean won)</i>	2021	2020
Right-of-use assets		
Land and buildings ¹	₩ 26,250	₩ 38,053
Vessels ²	25,038	42,522
Others	1,320	1,366
	<u>₩ 52,608</u>	<u>₩ 81,941</u>

<i>(in millions of Korean won)</i>	2021	2020
Lease liabilities		
Current	₩ 15,867	₩ 18,813
Non-current	50,113	74,558
	<u>₩ 65,980</u>	<u>₩ 93,371</u>

¹ Included transactions with JB Dangjin Ferrumvill investment type Private investment limited liability company, a related party.

² The total amount is recognized from transactions with related parties

Additions to the right-of-use assets during the 2021 financial year were ₩ 1,614 million (2020: ₩ 1,303 million).

(b) Amounts recognized in the statement of profit or loss

<i>(in millions of Korean won)</i>	2021	2020
Depreciation of right-of-use assets		
Land and buildings	₩ 7,599	₩ 8,075
Vessels	7,949	9,705
Others	915	849
	<u>16,463</u>	<u>18,629</u>
Interest expense relating to lease liabilities (included in finance cost)	5,869	7,356
Expense relating to short-term leases and leases of low-value assets (included in cost of goods sold and administrative expenses)	137	195
Impairment loss on vessel right-of-use assets (included in other expenses) ¹	-	6,694

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¹ As of the end of the previous year, it was determined that signs of impairment existed, and damage inspection was conducted for individual vessels not belonging to a specific cash-generating unit. Impairment loss (other expenses) of ₩ 6,694 million was recognized on the vessel of Korea Tonnage No.16 Shipping Company S.A. because the fair value less costs of disposal was not reached the carrying amount.

The total cash outflow for leases in 2021 was ₩ 22,274 million (2020: ₩ 23,068 million).

12.2 The Company as a Lessor.

(a) Finance lease receivables

As at December 31, 2021 and 2020, the Company is applying financial lease accounting by providing full lease to Ferrum Tower, and the details of financial lease receivables are as follows.

<i>(in millions of Korean won)</i>		2021		2020
Principal amount of receivables	₩	6,896	₩	3,671
Present value discount		(367)		(248)
Carrying amount		6,529		3,423

As of the end of the reporting period, among financial lease receivables, there are no uncollectible receivables and loss allowance provision.

(b) Total lease investment and present value of minimum lease payment

<i>(in millions of Korean won)</i>	2021		2020	
	Total lease investment	Present value of minimum lease payment	Total lease investment	Present value of minimum lease payment
Less than 1 year	₩ 2,018	₩ 1,835	₩ 1,358	₩ 1,257
1 to 5 years	4,878	4,694	2,313	2,166
Total	₩ 6,896	₩ 6,529	₩ 3,671	₩ 3,423

(c) Unrealized interest income

<i>(in millions of Korean won)</i>	2021	2020
Total lease investment	₩ 6,896	₩ 3,671
Net lease investment		
Present value of minimum lease payment	6,529	3,423
Unrealized interest income	367	248

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(d) Financial income

(in millions of Korean won)

	2021	2020
Interest income on finance lease receivables	₩ 159	₩ 166

(e) Rental income incurred during the current period was ₩ 720 million (2020: ₩ 773 million), and rental expenses were ₩ 98 million (2020: ₩ 121 million).

13. Investments in Subsidiaries and Associates

Changes in investments in subsidiaries and associates for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)

	2021	2020
Beginning balance	₩ 742,839	₩ 698,240
Acquisitions	28,764	182,781
Impairment loss	(262,386)	(138,182)
Ending balance	₩ 509,217	₩ 742,839

Impairments on investments in subsidiaries and associates

As of the end of the reporting period, the investment stocks of subsidiaries and associates have been reviewed for indications of impairment. Subsidiaries those indications, Intergis Co., Ltd. and Dongkuk Steel China Co. Ltd investment stocks and CSP investment stocks, an associate company, were tested for impairment. The recoverable amount was applied as the larger of the value-in-use and the fair value less costs of disposal. when calculating the value-in-use, the recoverable amount was calculated with the five-years cash flow forecast approved by management of each company.

In order to remove the effect that the abnormal increase or decrease in market volatility caused by COVID-19 is reflected in the discount rate, some changes have been made to the existing method, such as applying the average value of a longer observation period to the market risk premium.

		2021		
<i>(in millions of Korean won)</i>		CSP²	Intergis Co., Ltd.²	Dongkuk Steel China Co. Ltd.
Recoverable amount ¹	₩	263,986	₩ 89,228	₩ -
Impairment loss		226,871	-	35,515
Permanent growth rate		1.5%	0%	-
Discount rate		9.98%	10.64%	-
Sensitivity	0.5% increase of discount rate	(46,432)	(2,768)	-
	0.5% decrease of discount rate	52,127	3,062	-

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(in millions of Korean won)		2020			
		CSP ²	Intergis Co., Ltd. ²	Dongkuk Steel China Co. Ltd. ²	
Value in use	₩	424,460	₩	77,685	₩ 35,515
Impairment loss ¹		115,115		12,148	10,920
Permanent growth rate		1.5%		0%	0%
Discount rate		7.88%		9.39%	8.53%
Sensitivity	0.5% increase of discount rate	(90,198)		(3,589)	(4,656)
	0.5% decrease of discount rate	105,457		4,026	5,217

¹ When calculating the recoverable amount, the value-in-use were applied to Intergis Co., Ltd., a subsidiary, and CSP, an associate, and the fair value less costs to disposal were applied to Dongkuk Steel China Co., Ltd., a subsidiary.

² When calculating the value in use, the post-tax discount rate was applied by using the cash flow after tax. And the sensitivity corresponds to a change in value-in-use.

Details of investments in subsidiaries and associates as at December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021		2020	
Subsidiaries	₩	245,231	₩	280,746
Associates		263,986		462,093
	₩	509,217	₩	742,839

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Details of investments in subsidiaries as at December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	Location	Percentage of ownership (%)		2021	2020
		2021	2020		
Intergis Co., Ltd. ¹	Korea	48.34	48.34	₩ 77,685	₩ 77,685
Dongkuk International Inc.	U.S.A	100.00	100.00	28,188	28,188
Dongkuk Corporation	Japan	95.89	95.89	32,669	32,669
Dangjin Kodae-port Operating Co., Ltd. ²	Korea	21.22	21.22	849	849
Dongkuk Systems Co., Ltd (Previous : DK UNC Co., Ltd.)	Korea	100.00	100.00	18,984	18,984
Dongkuk Steel China Co., Ltd. ³	China	100.00	100.00	-	35,515
Union Logistics Jiangyin Co., Ltd. ³	China	24.00	24.00	-	-
Dongkuk Steel Mexico S.A. de C.V.	Mexico	55.56	55.56	8,129	8,129
Dongkuk Steel India Pvt. Ltd.	India	75.00	75.00	6,573	6,573
Dongkuk Steel (Thailand) Ltd.	Thailand	100.00	100.00	11,589	11,589
JB Dangjin Ferrumvill Investment Type Private Investment Limited Liability Company	Korea	81.89	81.89	11,186	11,186
Gaon Steel Co., Ltd.	Korea	64.25	64.25	-	-
Ferrum Infra Co., Ltd. ^{4,5}	Korea	61.44	61.44	49,379	49,379
				<u>₩ 245,231</u>	<u>₩ 280,746</u>

¹ The percentage of ownership above includes treasury shares with no voting rights and the percentage of voting rights, excluding the treasury shares is 50.97%.

² Intergis Co., Ltd., a subsidiary, owns 48.78% of the shares.

³ Intergis Co., Ltd., a subsidiary, owns 76.00% of the shares.

⁴ The percentage of ownership increased due to additional investment during the previous year, it was included into a subsidiary from an associate. Excluding redeemable preferred stocks with voting rights, the percentage of ownership is 87.06%.

⁵ The subsidiaries Dongkuk Corporation and Intergis Co., Ltd. own 7.71% and 0.75%, respectively. Excluding redeemable preferred stocks with voting rights, the percentage of ownership are 10.93% and 1.07%, respectively.

⁶ During the current period, the entire amount was treated for impairment.

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Details of investments in associates as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	Location	Percentage of ownership (%)	2021	2020
CSP Co., Ltd. ¹	Brazil	30.00	₩ 263,986	₩ 462,093
			<u>₩ 263,986</u>	<u>₩ 462,093</u>

¹ During the period ended December 31, 2021 and 2020, the Company invested USD 25,500 thousand (₩ 28,764 million) and USD 79,500 thousand (₩ 94,067 million), respectively (Notes 38 and 39).

14. Investment Properties

Details of investment property as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Land		
Acquisition cost	₩ 14,295	₩ 14,295
Net book amount	<u>₩ 14,295</u>	<u>₩ 14,295</u>

Changes in the net carrying amounts of investment properties for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
	Land	Land
Beginning balance	₩ 14,295	₩ 1,366
Transfer	-	12,929
Ending balance	<u>₩ 14,295</u>	<u>₩ 14,295</u>

Fair value of investment properties as at December 31, 2021 and 2020, is as follows:

<i>(in millions of Korean won)</i>	2021	2020
Land	₩ 21,612	₩ 20,004
	<u>₩ 21,612</u>	<u>₩ 20,004</u>

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15. Non-Current Assets Held-for-Sale

On December 24, 2020, the Company decided to sell a certain portion of the Pohang plant's facilities, and as a result, related assets were marked as held for sale. The sale of the non-current assets held-for-sale was completed on March 2021.

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

<i>(in millions of Korean won)</i>	2021		2020	
Property, plant and equipment	₩	-	₩	34,560

In accordance with Korean IFRS 1105, the assets held-for-sale were measured at net fair value and this is a non-recurring fair value which has been measured by using the contract price.

16. Borrowings

Details of carrying amount borrowings as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021		2020	
Current				
Short-term borrowings	₩	1,396,671	₩	1,220,194
Current portion of long-term borrowings		176,601		219,626
Debentures		-		42,989
		<u>1,573,272</u>		<u>1,482,809</u>
Non-current				
Long-term borrowings		<u>155,418</u>		<u>145,790</u>
		<u>155,418</u>		<u>145,790</u>
	₩	<u>1,728,690</u>	₩	<u>1,628,599</u>

16.1 Short-term Borrowings

<i>(in millions of Korean won)</i>	Creditor	Interest rate (%) at 2021.12.31	Carrying amount	
			2021	2020
Banker's Usance	Korea Development Bank and others	0.25~0.57	₩ 324,183	₩ 172,980
General loans ¹	Korea Development Bank and others	2.15~4.22	1,022,900	1,041,667
Loans for purchasing	Standard Chartered Bank Korea	4.22	42,899	-
Discount notes	IBK Capital and others	3.70	6,689	5,547
			<u>₩ 1,396,671</u>	<u>₩ 1,220,194</u>

¹ As at December 31, 2021, trade receivables are provided as a collateral for certain borrowings.

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16.2 Long-term Borrowings

(in millions of Korean won)	Creditor	Interest rate (%) at 2021.12.31	Carrying amount	
			2021	2020
Loans for renting house	Kookmin Bank	2.30	₩ 336	₩ 806
General loans	Woori Investment			
(Korean won)	Bank Co.,Ltd	3.65	20,000	26,000
General loans	KEB Hana Bank			
(foreign currency)		3.10	35,565	-
Loans for facilities	Korea Development			
	Bank	2.40~2.83	70,000	70,000
Syndicated loans	Korea Development			
	Bank and others	3.17~3.35	206,118	268,610
			332,019	365,416
Less: current portion of long-term borrowings			(176,601)	(219,626)
			₩ 155,418	₩ 145,790

16.3 Debentures

The fixed interest rate Korean won debentures issued by the Company has been fully redeemed during the current period.

(in millions of Korean won)	Maturity date	Interest rate (%) at 2020.12.31	2020					
			Total		Current		Non-current	
Fixed interest rate Korean won debentures								
98th private bonds	2021.01.31	4.70	₩	10,000	₩	10,000	₩	—
99th private bonds	2021.03.27	4.50		25,000		25,000		—
100th private bonds	2021.06.15	5.30		8,000		8,000		—
Less : discounts on debentures				(11)		(11)		—
			₩	42,989	₩	42,989	₩	—

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17. Trade Payables and Other Payables

(in millions of Korean won)

	2021		2020	
Current¹				
Trade payables	₩	747,620	₩	700,057
		747,620		700,057
Non-trade payables ²		303,501		225,534
Accrued expenses		35,262		32,460
Deposits received		339		1,703
Others		1		1
		339,103		259,698
Non-current				
Deposits received		2,080		719
		2,080		719
	₩	1,088,803	₩	960,474

¹ The carrying amounts of trade payables and current other payables are considered to be the same as their fair values, due to their short-term nature.

² The Company has been using an exclusive card for payment of electricity expense. In relation to this, the Company recognized ₩129,134 million (2020: ₩99,038 million) as non-trade payables.

18. Provisions

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

(in millions of Korean won)	2021		2020	
	Provision for warranty	Other provisions	Provision for warranty	Other provisions
Beginning balance	₩ 2,238	₩ -	₩ 3,023	₩ 29,294
Additional provisions	3,849	-	2,419	-
Reversal provisions	-	-	-	(29,294)
Used amount	(2,204)	-	(3,204)	-
Ending balance	₩ 3,883	₩ -	₩ 2,238	₩ -

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19. Deferred Income Tax

The analyses of deferred tax assets and deferred tax liabilities as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021		2020	
Deferred tax assets				
Deferred tax assets to be recovered within 12 months	₩	30,776	₩	5,194
Deferred tax assets to be recovered after more than 12 months		148,318		208,106
		<u>179,094</u>		<u>213,300</u>
Deferred tax liabilities				
Deferred tax liabilities to be recovered within 12 months		(27)		(36)
Deferred tax liabilities to be recovered after more than 12 months		(298,645)		(276,973)
		<u>(298,672)</u>		<u>(277,009)</u>
Deferred tax liabilities, net	₩	<u>(119,578)</u>	₩	<u>(63,709)</u>

Changes in deferred tax assets and liabilities for the years ended December 31, 2021 and 2020, without taking into consideration the offsetting of balances within the same jurisdiction, are as follows:

	2021							
	Beginning balance		Charged/ (credited) to the profit or loss		Charged/ (credited) to other comprehensive income		Ending balance	
(in millions of Korean won)								
Loss on valuation of inventories	₩	2,295	₩	(441)	₩	-	₩	1,854
Net defined benefit liabilities		4,931		2,068		664		7,663
Depreciation		4,274		2,711		-		6,985
Government grants		3,234		130		-		3,364
Capitalization of borrowing costs		(5,520)		487		-		(5,033)
Investments in subsidiaries and associates		(8,254)		47,794		-		39,540
Property, plant and equipment		(167,317)		(31,605)		(23,573)		(222,495)
Financial assets at fair value through other comprehensive income		8,040		395		(2,696)		5,739
Others		18,408		(1,580)		-		16,828
		(139,909)		19,959		(25,605)		(145,555)
Tax loss carryforwards		76,200		(50,223)		-		25,977
	₩	(63,709)	₩	(30,264)	₩	(25,605)	₩	(119,578)

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(in millions of Korean won)	2020			
	Beginning balance	Charged/ (credited) to the profit or loss	Charged/ (credited) to other comprehensive income	Ending balance
Loss on valuation of inventories	₩ 3,041	₩ (746)	₩ -	₩ 2,295
Net defined benefit liabilities	-	(1,402)	6,333	4,931
Depreciation	4,407	(133)	-	4,274
Government grants	3,044	190	-	3,234
Capitalization of borrowing costs	(6,024)	504	-	(5,520)
Investments in subsidiaries and associates	(8,217)	(37)	-	(8,254)
Property, plant and equipment	(131,159)	(396)	(35,762)	(167,317)
Financial assets at fair value through other comprehensive income	13,462	(5,962)	540	8,040
Others	17,695	713	-	18,408
	(103,751)	(7,269)	(28,889)	(139,909)
Tax loss carryforwards	100,095	(23,895)	-	76,200
	₩ (3,656)	₩ (31,164)	₩ (28,889)	₩ (63,709)

The income tax (charged) / credited directly to equity as at December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021			2020		
	Amount	Tax (charge) credit	Net of tax	Amount	Tax (charge) credit	Net of tax
Financial assets at fair value through other comprehensive income	₩ 11,008	₩ (2,664)	₩ 8,344	₩ (2,232)	₩ 540	₩ (1,692)
Remeasurements of the net defined benefit liabilities	(2,742)	664	(2,078)	(26,168)	6,333	(19,835)
Gain on disposal of treasury shares	-	-	-	1,517	(367)	1,150
Revaluation surplus	97,409	(23,573)	73,836	147,775	(35,762)	112,013
	₩ 105,675	₩ (25,573)	₩ 80,102	₩ 120,892	₩ (29,256)	₩ 91,636

Details of unrecognized deductible (taxable) temporary differences as deferred tax assets (liabilities) as at December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021	2020	Remarks
Investments in subsidiaries and associates	₩ 917,914	₩ 851,595	No plan for disposal
Others	2,771	4,414	Uncertainty of realization

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20. Post-employment Benefits

Details of net defined benefit liability as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Present value of funded defined benefit obligations	₩ 270,441	₩ 234,469
Less: fair value of plan assets ¹	(222,622)	(200,705)
Net book amount	<u>₩ 47,819</u>	<u>₩ 33,764</u>

¹ The amount includes contributions of ₩ 243 million (2020: ₩ 248 million) to the National Pension Fund according to the National Pension Law.

Amounts recognized in the statements of profit or loss for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Current service cost	₩ 20,447	₩ 16,769
Net interest cost	(382)	(1,136)
	<u>₩ 20,065</u>	<u>₩ 15,633</u>

Movements in the defined benefit obligations for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Beginning balance	₩ 234,469	₩ 202,906
Current service cost	20,447	16,769
Interest expense	4,228	3,350
Remeasurements:		
- Actuarial gains and losses arising from changes in demographic assumptions and financial assumptions	1,249	19,760
- Actuarial gains and losses arising from experience adjustments	(1,430)	4,721
Payments ¹	(7,379)	(13,037)
Replacement	18,801	-
Transfer	56	-
Ending balance	<u>₩ 270,441</u>	<u>₩ 234,469</u>

¹ Payments of ₩ 6,576 million to the executives and employees whose post-employment benefits changed to defined contribution pension plans during 2020 are included.

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Movements in the fair value of plan assets for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021		2020	
Beginning balance	₩	200,705	₩	193,596
Interest income		4,610		4,486
Remeasurements:				
- Return on plan assets (excluding amounts included in interest income)		(2,923)		(1,687)
Employers contribution		25,510		15,000
Payments ¹		(5,336)		(10,690)
Transfer		56		-
Ending balance	₩	222,622	₩	200,705

¹ The amount of ₩ 4,755 million, paid from plan assets are included in payments to the executives and employees whose post-employment benefits changed to defined contribution pension plans during 2020.

Plan assets as at December 31, 2021 and 2020, consist of:

<i>(in millions of Korean won)</i>	2021		2020	
	Amount	Composition(%)	Amount	Composition(%)
Time deposits	₩ 155,283	69.75	₩ 168,570	83.99
Retirement pension insurance	67,091	30.14	31,871	15.88
Others	248	0.11	264	0.13
	₩ 222,622	100.00	₩ 200,705	100.00

The significant actuarial assumptions as at December 31, 2021 and 2020, are as follows:

<i>(in percentage, %)</i>	2021	2020
Discount rate	2.89	2.38
Salary growth rate	4.95	4.97

The sensitivity of the defined benefit obligations as at December 31, 2021, to changes in the principal assumption is as follows:

<i>(in millions of Korean won)</i>	Impact on defined benefit obligations	
	Increase by 1%	Decrease by 1%
Discount rate	₩ (16,716)	₩ 19,233
Salary growth rate	19,023	(16,857)

The above sensitivity analyses are based on a change in an assumption while holding all other variables constant. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compare to the previous period.

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The Company reviews the funding level on an annual basis and has a policy to eliminate deficit in the fund. Expected contributions to post-employment benefit plans for the year ending December 31, 2022, amount to ₩ 66,641 million.

The weighted average duration of the defined benefit obligations is 6.55 years and expected maturity analysis of undiscounted pension benefits as at December 31, 2021, is as follows:

<i>(in millions of Korean won)</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Pension benefits	₩ 59,825	₩ 32,178	₩ 48,905	₩ 171,437	₩ 312,345

The expense recognized in the current period in relation to defined contribution plan was ₩ 1,927 million (2020 : ₩ 929 million).

21. Other Liabilities

<i>(in millions of Korean won)</i>	2021	2020
Current		
Account payables	₩ 350	₩ 357
Accrued benefits	17,174	17,325
Accrued expenses	1,232	1,079
Advances from customers	4,674	7,071
Withholding	18,369	7,735
Others	18,122	5,459
	<u>59,921</u>	<u>39,026</u>
Non-current		
Long-term unearned revenues	131	25
Other long-term employee benefits	10,457	28,568
Deposit received	69	68
	<u>10,657</u>	<u>28,661</u>
	<u>₩ 70,578</u>	<u>₩ 67,687</u>

22. Share Capital and Share Premium

The Company is authorized to issue 200,000,000 shares with a ₩ 5,000 par value per share, of which 110,489,447 ordinary shares and 7,356,160 preferred shares have been issued as at December 31, 2021.

Changes in share capital and Share Premium are as follows:

<i>(in millions of Korean won)</i>	Ordinary shares¹		Preferred shares¹		Share Premium
	Number of shares	Share Capital	Number of shares	Share Capital	
2020.01.01	95,432,737	₩ 552,447	-	₩ 36,781	₩ 101,725
2020.12.31	95,432,737	552,447	-	36,781	101,725
2021.12.31	<u>95,432,737</u>	<u>552,447</u>	<u>-</u>	<u>36,781</u>	<u>101,725</u>

¹ Paid in capital is not equal to the total par value of the shares issued due to retirement of shares occurred before the previous year.

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The Company redeemed 7,356,160 shares of redeemable preferred shares from Kawasaki Steel Co., Ltd. for ₩ 36,563 million in 2003 and retired them through an appropriation of retained earnings, as approved by the Board of Directors. As a result, no outstanding redeemable preferred shares remain as at the end of the reporting date. In 2003, 2004 and 2006, the Company retired 10,000,000 treasury shares amounting to ₩ 40,855 million, 2,300,000 shares amounting to ₩ 22,420 million and 2,756,710 shares amounting to ₩ 13,523 million, respectively, through an appropriation of retained earnings according to the resolutions of the Board of Directors. As a result, share capital amount as at December 31, 2021, is not equal to the total par value of the ordinary shares issued, which is ₩ 477,164 million.

23. Retained Earnings

Retained earnings as at December 31, 2021 and 2020, consist of:

<i>(in millions of Korean won)</i>	2021	2020
Legal reserves ¹	₩ 88,224	₩ 86,354
Discretionary reserves ²	468,799	490,062
Retained earnings before appropriation	299,288	(692)
	<u>₩ 856,311</u>	<u>₩ 575,724</u>

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued share capital. The reserve is not available for cash dividends payment, but may be transferred to share capital or used to reduce accumulated deficit. When the accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than one and half times the paid-in capital amount, the excess legal reserves may be distributed in accordance with a resolution of the shareholders' meeting.

² These reserves may be distributed as dividends after the shareholders' approval.

Changes in retained earnings for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Beginning balance	₩ 575,724	₩ 576,416
Gain (loss) for the period	301,296	19,109
Annual dividend	(18,700)	-
Transfer of gain (loss) on valuation of financial assets (equity instruments) at fair value through other comprehensive income	(100)	-
Remeasurements of the net defined benefit liability	(2,079)	(19,835)
Transfer of revaluation surplus	170	34
Ending balance	<u>₩ 856,311</u>	<u>₩ 575,724</u>

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Disposition of Retained Earnings

The disposition of retained earnings for the year ended December 31, 2021, is expected to be disposed at the shareholders' meeting on March 25, 2022 (Disposition date for the year ended December 31, 2020, was March 26, 2021).

The disposition of accumulated deficits for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Retained earnings (accumulated deficits) available for disposition		
Unappropriated retained earnings carried over from prior year	₩ -	₩ -
Remeasurements of the net defined benefit liability	(2,079)	(19,835)
Transfer of revaluation surplus	170	34
Transfer of gain (loss) on valuation of financial assets (equity instruments) at fair value through other comprehensive income	(100)	-
Gain (loss) for the period	301,296	19,109
	<u>299,287</u>	<u>(692)</u>
Transfers such as discretionary reserves		
Discretionary reserve	-	21,262
	<u>-</u>	<u>21,262</u>
Retained earnings available for appropriation		
Accumulation of discretionary reserves	258,145	1,870
Earned profit reserves	3,740	18,700
Dividends	37,402	-
Dividends(ratio) per share		
Ordinary share :		
₩400 (8%) in 2021		
₩200 (4%) in 2020		
	<u>299,287</u>	<u>20,570</u>
Unappropriated retained earnings to be carried forward	₩ -	₩ -

24. Accumulated Other Comprehensive Income and Other Components of Equity

Accumulated other comprehensive income as at December 31, 2021 and 2020, consists of:

<i>(in millions of Korean won)</i>	2021	2020
Financial assets (equity instruments) at fair value through other comprehensive income	₩ 5,973	₩ (2,470)
Revaluation surplus	396,147	322,481
	<u>₩ 402,120</u>	<u>₩ 320,011</u>

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Changes in accumulated other comprehensive income for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)

	2021		
	Beginning balance	Increase (decrease)¹	Ending balance
Equity instruments at fair value through other comprehensive income	₩ (2,470)	₩ 8,443	₩ 5,973
Revaluation reserves	322,481	73,666	396,147

(in millions of Korean won)

	2020		
	Beginning balance	Increase (decrease)¹	Ending balance
Equity instruments at fair value through other comprehensive income	₩ (778)	₩ (1,692)	₩ (2,470)
Revaluation reserves	210,502	111,979	322,481

¹ Changes in accumulated other comprehensive income represent net of tax effect amounts.

Other components of equity as at December 31, 2021 and 2020, are as follows:

(in millions of Korean won)

	2021	2020
Remeasurment reserves	₩ 386,141	₩ 386,141
Gain (loss) on disposal of treasury shares ¹	100,817	100,817
Treasury shares ^{1,2}	(12,608)	(12,608)
Others	301,965	301,965
	<u>₩ 776,315</u>	<u>₩ 776,315</u>

¹ During the previous year, the Company acquired 2,000,000 treasury shares (₩ 7,178 million). In addition, 977,240 treasury shares (₩ 6,383 million) were paid as incentives for employees during the current period, resulting in gains on disposal of treasury shares of ₩ 1,517 million, and the income tax effect of ₩ 367 million was deducted from the gain on disposal of treasury shares as other components of equity.

² The Company owns 1,930,280 shares of treasury shares (2020: 1,930,280 shares) as at December 31, 2021.

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25. Revenue from Contracts with Customers and Relevant Contract Assets and Liabilities

Revenue from Contracts with Customers

The Company has recognized the following amounts relating to revenue in the statement of profit or loss:

<i>(in millions of Korean won)</i>	2021		2020	
Revenue from contracts with customers				
Performance obligation at a point in time				
Products and goods	₩	6,705,401	₩	4,524,349
Others		43,292		25,641
Performance obligation over time				
Transportation services and others		112,293		62,893
		6,860,986		4,612,883
Revenue from other sources: rental income		720		773
	₩	6,861,706	₩	4,613,656

Assets and Liabilities related to Contracts with Customers

The Company has recognized the following assets and liabilities related to contracts with customers:

<i>(in millions of Korean won)</i>	2021		2020	
Costs to fulfill a contract recognized as asset ¹	₩	11,779	₩	3,598
Contract liabilities- sale of goods ²		4,800		7,071

¹ The Company recognized costs paid in advance to provide transportation services included in goods export contract as assets, and is included in other assets in the financial statements.

² The amount is the sum of advances and contract liabilities (due to customers) from customers among other liabilities.

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26. Expenses by Nature

<i>(in millions of Korean won)</i>	2021	2020
Changes in inventories	₩ (233,784)	₩ 41,281
Use of raw materials and purchase of merchandise	4,759,171	2,959,613
Employee benefits	310,044	273,666
Depreciation and amortization ¹	189,139	193,605
Electricity expenses	244,335	238,046
Fuel expenses	120,436	105,501
Transportation expenses	226,514	164,027
Commission expenses and service fees	222,084	186,793
Supplies expenses	95,349	85,325
Repairs expenses	81,956	69,456
Packaging expenses	40,589	30,717
Chemical treatment expenses	10,905	10,322
Other expenses	9,852	6,606
Total ²	₩ 6,076,590	₩ 4,364,958

¹ Depreciation relating to right-of-use assets amounting to ₩ 16,463 million (2020 : ₩ 18,629 million) is included.

² Total of cost of sales, selling, general and administrative expenses in the statements of profit or losses.

27. Employee Benefits

<i>(in millions of Korean won)</i>	2021	2020
Wages and salaries	₩ 252,202	₩ 203,104
Post-employment benefits	21,992	16,562
Other long-term employee benefits	1,817	18,332
Employee fringe benefits	34,033	35,668
	₩ 310,044	₩ 273,666

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28. Selling, General and Administrative Expenses

<i>(in millions of Korean won)</i>	2021		2020	
Wages and salaries	₩	53,655	₩	40,950
Post-employment benefits		4,675		4,179
Employee fringe benefits		5,911		6,438
Impairment loss (reversal) on trade receivables		(1,112)		(8,506)
Transportation expenses		91,566		88,735
Rental expenses		441		486
Commission expenses		4,514		4,544
Depreciation and amortization ¹		7,207		7,793
Taxes and dues		2,728		1,298
Entertainment expenses		1,375		1,416
Insurance expenses		306		295
Warranty expenses		3,849		2,419
Research & development expenses		11,885		10,287
Service fees		78,874		62,625
Training expenses		666		572
Export expenses		20,223		16,487
Others		4,760		4,890
	₩	<u>291,523</u>	₩	<u>244,908</u>

¹ Depreciation relating to right-of-use assets amounting to ₩6,427 million (2020: ₩6,931 million) for the year ended December 31, 2021 is included.

29. Other Income

<i>(in millions of Korean won)</i>	2021		2020	
Interest income	₩	1,319	₩	643
Gain on foreign currency exchange		23,622		38,440
Gain on transaction of derivatives		4,558		8,399
Gain on disposal of property, plant and equipment		787		795
Reversal of Impairment loss on property, plant and equipment		-		8,592
Others ¹		28,224		36,929
	₩	<u>58,510</u>	₩	<u>93,798</u>

¹ Reversal of provision of payment guarantee for Dongkuk Steel China Co., Ltd amounting to ₩29,294 million for the year ended December 31, 2020 is included (Notes 18).

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30. Other Expenses

<i>(in millions of Korean won)</i>	2021	2020
Interest expenses	₩ 2,719	₩ 5,146
Loss on foreign currency exchange	36,372	27,736
Loss on transaction of derivatives	344	5,897
Loss on disposal of plant, property and equipment	6,933	7,247
Impairment loss on plant, property and equipment	9,075	337
Impairment loss on Intangible assets	1,433	3,316
Impairment loss on right-of-use assets	-	6,694
Contributions	697	321
Other impairment losses	279	-
Others ¹	28,946	6,753
	<u>₩ 86,798</u>	<u>₩ 63,447</u>

¹ Recognition of provision of payment guarantee for Dongkuk Steel China Co., Ltd amounting to ₩ 29,294 million for the year ended December 31, 2020 is included (Notes 18).

31. Finance Income

<i>(in millions of Korean won)</i>	2021	2020
Interest income	₩ 1,423	₩ 2,256
Dividend income	546	534
Gain on foreign currency exchange	19,768	36,422
Financial guarantee income	2,739	3,179
	<u>₩ 24,476</u>	<u>₩ 42,391</u>

32. Finance Costs

<i>(in millions of Korean won)</i>	2021	2020
Interest expense ¹	₩ 56,177	₩ 72,598
Loss on foreign currency exchange	38,222	41,952
Others	5,250	2,537
	<u>₩ 99,649</u>	<u>₩ 117,087</u>

¹ The amount of capitalization for the current period, tangible assets of ₩ 1,695 million has been deducted (Note 10).

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33. Income Tax Expense (Benefit)

Income tax expense (benefit) for the years ended December 31, 2021 and 2020, consist of:

<i>(in millions of Korean won)</i>	2021	2020
Current tax		
Current tax on profits for the period	₩ 88,445	₩ 15,897
Adjustments in respect of prior years	(736)	-
	<u>87,709</u>	<u>15,897</u>
Deferred tax		
Changes in temporary differences	(19,846)	7,269
Changes in deferred income tax from tax loss carryforwards, others	50,110	23,895
	<u>30,264</u>	<u>31,164</u>
Income tax expense (benefit)	<u>₩ 117,973</u>	<u>₩ 47,061</u>

The reconciliation between profit (loss) before profit tax and income tax expense (benefit) for the years ended December 31, 2021 and 2020, is as follows:

<i>(in millions of Korean won)</i>	2021	2020
Profit (Loss) before income tax expense	₩ 419,270	₩ 66,170
Tax at domestic tax rates applicable to profits (loss)	<u>101,463</u>	<u>16,013</u>
Tax effects of:		
Expenses not deductible for tax purposes	1,917	1,814
Temporary differences for which no deferred income tax asset was recognized and others	16,049	37,933
Tax losses carryforwards for which no deferred income tax asset was recognized	-	(8,244)
Utilization of tax credit carryforwards for which no deferred income tax asset was recognized	(398)	(441)
Adjustment in respect of prior years	(736)	-
Others	(322)	(14)
Income tax expense (benefit)	<u>₩ 117,973</u>	<u>₩ 47,061</u>

The weighted average applicable tax rate for profit before income tax was 24.2% in 2021 (2020: 24.2%).

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34. Earning (losses) per Share

Basic earning (losses) per share is calculated by dividing the profit (loss) by the weighted average number of ordinary shares outstanding during the financial year excluding treasury shares.

<i>(in Korean won)</i>	2021	2020
Profit (loss) attributable to equity holders of the Company	₩ 301,296,328,854	₩ 19,109,408,218
Weighted average number of ordinary shares in issue ¹	93,502,457 shares	92,955,451 shares
Basic earning (losses) per share	₩ 3,222	₩ 206

¹ Weighted average number of ordinary shares for the years ended December 31, 2021 and 2020, are calculated as follows:

<i>(in number of shares)</i>	2021	2020
Beginning balance	93,502,457	94,525,217
Changes of treasury shares	-	(1,569,766)
Weighted average number of ordinary shares	<u>93,502,457</u>	<u>92,955,451</u>

Diluted earnings (losses) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

As at December 31, 2021, there are no potential ordinary shares issued by the Group, and as at December 31, 2020, convertible bonds held by the Group were not included in calculation of diluted losses per shares as they have no dilutive effect.

35. Dividends

A dividend in respect of the year ended December 31, 2021, of ₩ 400 per share, amounting to a total dividend of ₩ 37,402 million, is to be proposed to shareholders at the annual general meeting on March 25, 2022. These financial statements do not reflect this dividend payable.

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36. Cash Generated from Operations

Details of cash generated from operations for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021		2020	
Profit (loss) before income tax	₩	419,270	₩	66,170
Adjustments for:				
Depreciation		171,138		173,136
Amortization		1,538		1,840
Depreciation of right-of-use assets		16,463		18,629
(Reversal of) Impairment loss on trade receivables		(1,112)		(8,506)
Other impairment losses		279		-
Loss on valuation of derivatives		(664)		4,574
(Reversal of) Loss on transaction of derivatives		(3,550)		(7,076)
(Reversal of) Loss on valuation of inventories		(1,823)		(3,082)
Post-employment benefits		20,065		15,633
Other long-term employee benefits		1,816		18,332
Interest income		(2,742)		(2,899)
Dividend income		(546)		(534)
Interest expenses		58,896		77,744
Loss (gain) on foreign currency translation		5,917		(34,799)
Loss (gain) on disposal on property, plant and equipment		6,146		6,452
Impairment loss on property, plant and equipment		9,075		337
Impairment loss on intangible assets		1,433		3,316
Impairment loss on right-of-use assets		-		6,694
Reversal of impairment loss on property, plant and equipment		-		(8,592)
Impairment loss of investments in subsidiaries and associates		262,386		138,182
Warranty provision addition		3,849		2,419
Reversal of payment guarantee ¹		-		(29,294)
Other losses (gains)		14,429		5,911
Changes in operating assets and liabilities:				
Trade receivables		(348,094)		46,650
Other receivables		1,134		12,841
Inventories		(539,721)		84,711
Contract assets		(8,176)		595
Other assets		(9,268)		1,537
Trade payables		(15,075)		30,680
Other payables		75,351		42,495
Provisions used		(2,204)		(3,204)
Other liabilities		703		7,009
Contribution to pension plans		(25,510)		(15,000)
Payment for benefit obligation		(2,043)		(2,347)
Cash generated from operations	₩	109,360	₩	650,554

¹ Reversal of payment guarantee for Dongkuk Steel China Co., Ltd amounting to ₩ 29,294 million for the year ended December 31, 2020 is included (Notes 18).

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The principal non-cash transactions for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Transfer to construction-in-progress to property, plant and equipment	121,558	42,227
Transfer to current portion of borrowings	176,601	254,590
Changes in payables of property, plant and equipment's acquisition	7,315	6,447
Revaluation of land	97,408	147,744
Recognition of right-of-use assets (Acquisition)	1,614	1,303
Reduction of lease liabilities due to termination of lease contract	14,223	494
Transfer to current portion of lease liabilities	16,668	18,658
Reclassification of non-current assets held-for-sale	-	34,560

Changes in liabilities (assets) arising from financial activities for the year ended December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	2021								Ending balance
	Beginning balance	Cash flow from financial activities	Effects of other changes					Other non-financial movements	
			Exchange difference	Financial guarantee expenses	Interest expense	Interest income			
Assets									
Other receivables	₩ -	₩ (6,862)	₩ (38)	₩ 7,323	₩ -	₩ 631	₩ 18,584	₩ 19,638	
	-	(6,862)	(38)	7,323	-	631	18,584	19,638	
Liabilities									
Borrowings	1,628,599	159,342	3,090	-	11	-	(62,352)	1,728,690	
Lease liabilities	93,371	(16,269)	3,101	-	-	-	(14,223)	65,980	
Total	₩ 1,721,970	₩ 143,073	₩ 6,191	₩ -	₩ 11	₩ -	₩ (76,575)	₩ 1,794,670	

<i>(in millions of Korean won)</i>	2020								Ending balance
	Beginning balance	Cash flow from financial activities	Effects of other changes					Other non-financial movements	
			Exchange difference	Financial guarantee expenses	Interest expense	Interest income			
Liabilities									
Borrowings	₩ 1,939,517	₩ (301,826)	₩ (11,149)	₩ -	₩ 2,057	₩ -	₩ -	₩ 1,628,599	
Lease liabilities	110,367	(15,517)	(2,676)	-	-	-	1,197	93,371	
Total	₩ 2,049,884	₩ (317,343)	₩ (13,825)	₩ -	₩ 2,057	₩ -	₩ 1,197	₩ 1,721,970	

37. Contingencies

(1) As at December 31, 2021 the Company has received payment guarantees and entered into an import settlement fund loan agreement amounting to ₩ 774,013 million that is equivalent to USD 652,900 thousand (2020: ₩ 812,141 million that is equivalent to USD 746,453 thousand) with financial institutions including Korea Development Bank for the opening of letters of credit to import raw materials. In addition, the Company entered into a currency related derivative contract with Korea Development Bank and others with a limit of ₩ 17,706 million (2020: ₩ 24,144 million).

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- (2) As at December 31, 2021, the Company has agreements on maximum loan amounting to ₩ 1,196,221 million (2020: ₩ 1,138,473 million) with Korea Development Bank and others in relation to loans for industrial, general operating capital and others.
- (3) As at December 31, 2021, the Company entered into loan agreements secured by trade receivables for up to ₩ 37,000 million (2020: ₩ 47,000 million) with financial institutions including Nonghyup Bank to make payments for trade payables to suppliers. And also, the Company entered into factoring agreements to discount trade receivables at a discount to financial institutions including IBK capital with a limit of ₩ 40,000 million (2020: ₩ 10,000 million).
- (4) As at December 31, 2021, the Company has received guarantees from Seoul Guarantee and others Insurance amounting to ₩ 73,911 million (2020: ₩ 68,880 million) in relation to performance guarantee agreements.
- (5) As at December 31, 2021, the Company has an agreement on syndicated loan with a limit of ₩ 282,864 million with Korea Development Bank and other two financial institutions in relation to investment in CSP Co., Ltd., an associate, which constructed a steel mill factory in Brazil. The loan contain an 'events of default' clause that maintains debt ratio less than 200% and EBITDA/interest expense ratio 1 or more. The loan has balance is ₩ 206,118 million (2020: ₩ 268,610 million) on December 31, 2021.
- (6) The Company has borrowings from financial institutions except syndicated loan subject to early redemption in case of deterioration in credit rating. The loan has balance is ₩ 341,416 million (2020: ₩ 262,968 million).
- (7) The Company has entered into an additional agreement on loan for payment of imports and general operating loan with Korea Development Bank to maintain debt ratio 200% or less, interest coverage ratio 1 or more, and EBITDA 250 billion or more, which include 'events of default' clause. The amount for additional agreement is included in the limit agreement and others described above.
- (8) As at December 31, 2021, the Company has been named as a defendant or under arbitration in one case without a litigation fee, which arising from the normal course of business. The outcome of the lawsuit is unpredictable as at the reporting date.

38. Commitments

- (1) As at December 31, 2020, the Company entered into an agreement with TOKYO STEEL MFG. CO., LTD., a Japanese steel company, in which 1% of shares are held mutually. In 2020, the Company holds 1,430,000 shares of TOKYO STEEL MFG. CO., LTD.
- (2) As at December 31, 2021, the Company entered contracts with VALE S.A. and POSCO, shareholders of CSP (an associate of the Company), to guarantee payment of CSP's borrowings to the extent of shareholding. In addition, the Company is provided with joint guarantee by VALE S.A. in relation to the Company's share of payment guarantee on CSP's long-term borrowings. In this regard, if requested by VALE S.A., the Company's property, plant, and equipment at Pohang and Dangjin facilities, or equity interest in CSP shall be provided as collateral.

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- (3) As at December 31, 2021, the Company's long-term contract of affreightment with subsidiaries, CE LINE 4 Corporation, and Intergis Co., Ltd. in order to guarantee the stable transportation of finished products, semi-finished products and raw materials, and the contracts are accounted for as lease. The Company provides the assets as collateral in connection with the borrowings of the legal owner of the vessels.
- (4) In prior years, the Company disposed of the building and land of apartment for employees (Ferrum-ville) and signed a lease contract. The Company provides the assets as collateral in connection with the borrowings of the legal owner of the Ferrum-ville. Also, as at December 31, 2021, the Company possess an option to purchase the Ferrum-ville prior to 3rd parties, according to the contractual condition during the defined period when the lessor intends to dispose of the building.
- (5) In prior years, the Company disposed of the building and land of the Headquarter (Ferrum-tower) and signed a lease contract. Also, the Company possess an option to purchase the Ferrum-tower prior to 3rd parties according to the contractual condition during the defined period when the lessor intends to dispose of the building.
- (6) The Company's contractual maturity of lease liabilities related to long-term contract of affreightment, Ferrum-villem, Ferrum-tower as at December 31, 2021, is as follows:

<i>(in millions of Korean won)</i>	Total	Within 1 year	Within 2 years	Within 3 years	Within 4 years	Within 5 years	Over 5 years
Lease liabilities	₩ 64,359	₩ 14,997	₩ 14,860	₩ 15,649	₩ 9,591	₩ 3,374	₩ 5,888

- (7) Expenditures contracted for acquiring property, plant and equipment, but not yet incurred as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Property, plant and equipment	₩ 23,461	₩ 45,685

- (8) The Company entered into a wharf use agreement with government agency including Ministry of Land, Infrastructure and Transport and others. The carrying amount of intangible assets in right to use wharf is ₩ 29,349 million, and the total period of use is 47 years for Incheon North Port Pier, and investment cost preservation period for Dangjin Pier.

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39. Related Parties

As at December 31, 2021, the Company is the ultimate parent company, which prepares the financial statements.

The Company's subsidiaries, associates and other related parties as at December 31, 2021 and 2020, are as follows:

Subsidiaries	2021		2020		Remark
	Percentage of direct ownership(%) ¹	Effective percentage of ownership(%) ²	Percentage of direct ownership(%) ¹	Effective percentage of ownership(%) ²	
Dongkuk Steel China Co., Ltd.	100.00	100.00	100.00	100.00	
Dongkuk Steel Mexico S.A. DE C.V.	55.56	100.00	55.56	100.00	
Dongkuk Steel India Pvt. Ltd.	75.00	75.00	75.00	75.00	
Dongkuk Steel (Thailand) Ltd.	100.00	100.00	100.00	100.00	
Dongkuk International Inc.	100.00	100.00	100.00	100.00	
Dongkuk Corporation	95.89	95.89	95.89	95.89	
DKC S.A.	-	100.00	-	100.00	
Intergis Co., Ltd.	48.34	48.34	48.34	48.34	3
Union Logistics Jiangyin Co., Ltd.	24.00	100.00	24.00	100.00	
Intergis Logistica Ltda..	-	100.00	-	100.00	
Intergis Vina Co.,Ltd	-	100.00	-	100.00	
Intergis Mexico S. de R.L. de C.V.	-	100.00	-	-	5
Intergis Busan Newport Center Co., Ltd.	-	80.00	-	80.00	
Intergis Ungdong Center Co., Ltd.	-	90.00	-	90.00	
Intergis Central Pier Co., Ltd.	-	100.00	-	100.00	
Dangjin Kodae-port Operating Co.,Ltd.	21.22	70.00	21.22	70.00	
Jeju Maritime Logistics Co.,Ltd.	-	-	-	100.00	6
Dongkuk Systems Co., Ltd.	100.00	100.00	100.00	100.00	
DK UNC Servico de T.I. LTDA	-	100.00	-	100.00	
Ferrum Infra Co., Ltd.	61.44	69.91	61.44	69.91	
Gaon Steel co., Ltd..	64.25	64.25	64.25	64.25	
JB Dangjin Ferrumvill investment type Private investment limited liability company	81.89	81.89	81.89	81.89	4
Korea Tonnage NO.16 Shipping Company S.A.	-	-	-	-	4
Korea Tonnage NO.17 Shipping Company S.A.	-	-	-	-	4
CE LINE 3 Corporation	-	-	-	-	4, 7
CE LINE 4 Corporation	-	-	-	-	4
Ferrum 1 st Co.,Ltd.	-	-	-	-	4, 8
One Punch 1st Co.,Ltd	-	-	-	-	4

¹ The percentage of direct ownership of the Company.

² The total percentage of ownership of the Company and its subsidiaries.

³ The percentage of ownership above includes treasury shares with no voting rights and the percentage of voting rights excluding the treasury shares is 50.97%.

⁴ The entities are included in subsidiaries because the Company is not only exposed to volatility of entities but also has power to affect their income.

⁵ The entity was included in the consolidated subsidiary by purchasing shares during the current period.

⁶ The entity was excluded from subsidiaries due to disposal of shares during the current period.

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⁷ Contracts with structured entities were terminated during the current period and was excluded from subsidiaries.

⁸ Liquidation was terminated during the current period and was excluded from subsidiaries.

Details of associates that have sales and other transactions with the Company or have receivables and payables balances as at December 31, 2021 and 2020, are as follows:

	2021	2020	Remark
Associates	CSP	CSP	

Sales and purchases with related parties for the years ended December 31, 2021 and 2020, are as follows:

		2021										
						Acquisition of property, plant and equipment		Dividend income	Interest received		Interest paid	
<i>(in millions of Korean won)</i>	Counterparty	Sales²	Purchases^{1,2}									
Subsidiaries	Intergis Co., Ltd.	₩ 636	₩ 299,677	₩ 257		₩ -	₩ 72	₩ 542				
	Dongkuk Systems Co., Ltd.	167	16,499	4,685		-	65	-				
	Dangjin Kodae-port Operating Company., Ltd	26	-	-		-	-	-				
	JB Dangjin Ferrumvill investment type Private investment limited liability company	-	-	-		273	-	551				
	Ferrum Infra Co., Ltd.	121	30,424	1,210		-	21	-				
	Gaon steel Co., Ltd	-	-	-		-	244	-				
	Union Logistics Jiangyin Co., Ltd.	-	-	374		-	-	-				
	Dongkuk Steel China Co. Ltd.	230	30,972	-		-	-	-				
	Dongkuk Steel India Pvt. Ltd.	118,470	-	-		-	-	-				
	Dongkuk Steel (Thailand) Ltd.	78,927	-	-		-	-	-				
	Dongkuk Steel Mexico S.A. de C.V.	14,999	-	-		-	-	-				
	Dongkuk Corporation	48,087	822,141	98		-	-	-				
	Dongkuk International Inc.	687,691	88,042	-		-	-	-				
	CE LINE 3 Corporation	5,314	-	-		-	-	1,716				
	CE LINE 4 Corporation	-	-	-		-	-	2,004				
	Ferrum 1 st Co.,Ltd.	-	-	-		-	-	160				
	One Punch 1st Co.,Ltd	-	-	-		-	-	131				
Associates	CSP Co., Ltd.	2,288	51,722	-		-	245	-				
		₩ 956,956	₩ 1,339,477	₩ 6,624		₩ 273	₩ 647	₩ 5,104				

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2020													
(in millions of Korean won)	Counterparty	Sales ²		Purchases ^{1, 2}		Acquisition of property, plant and equipment		Dividend income		Interest received		Interest paid	
Subsidiaries	Intergis Co., Ltd.	₩	577	₩	226,155	₩	157	₩	-	₩	87	₩	754
	Dongkuk Systems Co., Ltd. (Previous : DK UNC Co., Ltd.)		196		16,498		366		-		53		-
	Dangjin Kodae-port Operating Company., Ltd		30		-		-		-		-		-
	Intergis Ungdong Center Co., Ltd..		1		-		-		-		-		-
	Intergis Central Pier Co., Ltd.		1		-		-		-		-		-
	JB Dangjin Ferrumvill investment type Private investment limited liability company		-		-		-		274		-		843
	Gaon steel Co., Ltd		-		-		-		-		566		-
	Union Logistics Jiangyin Co., Ltd.		-		215		330		-		-		-
	Dongkuk Steel China Co. Ltd.		11,426		16,852		-		-		-		-
	Dongkuk Steel India Pvt. Ltd.		61,212		-		-		-		-		-
	Dongkuk Steel (Thailand) Ltd.		59,419		-		-		-		-		-
	Dongkuk Steel Mexico S.A. de C.V.		8,629		-		-		-		-		-
	Dongkuk Corporation		37,206		518,175		204		-		-		-
	Dongkuk International Inc.		340,623		50,612		-		-		-		-
	CE LINE 3 Corporation		-		-		-		-		-		2,053
	CE LINE 4 Corporation		-		-		-		-		-		2,175
	Ferrum 1 st Co.,Ltd.		-		-		-		-		-		1,195
	Gyeonghuigung 1st Co.,Ltd.		-		-		-		-		-		183
	Gyeonghuigung 2 nd Co.,Ltd.		-		-		-		-		-		504
	One Punch 1st Co.,Ltd		-		-		-		-		-		400
Associates	CSP Co., Ltd.		2,302		52,365		-		-		-		-
	Ferrum Infra Co., Ltd.		126		27,078		392		-		26		-
		₩	521,747	₩	907,950	₩	1,449	₩	274	₩	732	₩	8,107

¹ Purchases from Dongkuk Int'l Inc. and Dongkuk Corporation were adjusted as the net amounts.

² Other income and other expenses are included in sales and purchases.

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Outstanding balances arising from sales/purchase of goods and services as at December 31, 2021 and 2020, are as follows:

(In millions of Korean won)	2021									
	Receivables					Payables				
	Trade receivables	Financial lease receivables	Other receivables	Trade payables	Financial lease liabilities	Non-trade payables	Borrowings	Other payables		
Subsidiaries										
Intergis Co., Ltd.	₩ 3	₩ 1,682	₩ 1,220	₩ 12,991	₩ 15,424	₩ 95,508	₩ -	₩ 327		
Dongkuk Systems Co., Ltd.	-	4,363	75	1,652	-	2,466	-	823		
Dongkuk Steel Mexico S.A. de C.V.	995	-	17	-	-	-	-	-		
Dongkuk Steel India Pvt. Ltd.	55,324	-	-	-	-	-	-	-		
Dongkuk Steel (Thailand) Ltd.	2,727	-	8	-	-	-	-	-		
Dongkuk Corporation	4,431	-	6	224,553	-	-	-	101		
Dongkuk International Inc.	155,580	-	-	-	-	1	-	-		
CE LINE 4 Corporation	-	-	-	-	12,502	-	-	-		
JB Dangjin Ferrumvill										
investment type Private										
investment limited liability										
company	-	-	4,800	-	8,771	-	-	-		
Gaon steel Co., Ltd	-	-	432	-	-	-	-	-		
Ferrum Infra Co., Ltd.	-	484	23	7,418	-	6,516	-	244		
Associates										
CSP	-	-	19,638	-	-	-	-	-		
	₩ 219,060	₩ 6,529	₩ 26,219	₩ 246,614	₩ 36,697	₩ 104,491	₩ -	₩ 1,495		

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(In millions of Korean won)	2020									
	Receivables					Payables				
	Trade receivables	Financial lease receivables	Other receivables	Trade payables	Financial lease liabilities	Non-trade payables	Borrowings	Other payables		
Subsidiaries										
Intergis Co., Ltd.	₩ 1	₩ 2,110	₩ 180	₩ 8,382	₩ 19,646	₩ 67,985	₩ -	₩ 322		
Dongkuk Systems Co., Ltd.	-	707	103	-	-	1,542	-	979		
Dongkuk Steel Mexico S.A. de C.V.	519	-	-	-	-	3	-	-		
Dongkuk Steel India Pvt. Ltd.	21,877	-	-	-	-	-	-	-		
Dongkuk Steel (Thailand) Ltd.	3,394	-	-	-	-	9	-	-		
Dongkuk Corporation	3,130	-	-	315,969	-	167	-	1,382		
Dongkuk International Inc.	15,513	-	-	1,352	-	34	-	-		
CE LINE 3 Corporation	-	-	-	-	12,023	-	-	-		
CE LINE 4 Corporation	-	-	-	-	12,207	-	-	-		
Ferrum 1 st Co.,Ltd.	-	-	-	-	-	-	12,000	15		
One Punch 1st Co.,Ltd	-	-	77	-	-	-	10,000	-		
JB Dangjin Ferrumvill investment type Private investment limited liability company	-	-	4,867	-	13,094	5	-	-		
Gaon steel Co., Ltd	-	-	531	-	-	-	-	-		
Ferrum Infra Co., Ltd.	-	607	20	3,366	-	4,689	-	243		
Associates										
CSP	-	-	-	2,782	-	-	-	-		
	₩ 44,434	₩ 3,424	₩ 5,778	₩ 331,851	₩ 56,970	₩ 74,434	₩ 22,000	₩ 2,941		

Fund transactions with related parties for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021									
	Lease transactions			Fund lending transactions		Fund borrowing transactions		Dividends received	Other received	
	Investment in cash	Redemption	Repayments	Redemption	Lending	Borrowings	Repayments			
Subsidiaries										
Intergis Co., Ltd.	₩ -	₩ 428	₩ 5,288	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	-
Dongkuk Systems Co., Ltd.	-	1,269	-	-	-	-	-	-	-	-
Dongkuk Steel China Co., Ltd.	-	-	-	-	-	-	-	-	-	169
Dongkuk International Inc.	-	-	-	-	-	-	-	-	-	-
Dongkuk Corporation	-	-	-	-	-	-	-	-	-	260
JB Dangjin Ferrumvill investment type Private investment limited liability company	-	-	1,617	-	-	-	-	273	-	-
CE LINE 3 Corporation	-	-	800	-	-	-	-	-	-	-
CE LINE 4 Corporation	-	-	733	-	-	-	-	-	-	-
Ferrum 1 st Co.,Ltd.	-	-	-	-	-	-	12,000	-	-	-
One Punch 1st Co.,Ltd	-	-	-	41	13	-	10,000	-	-	-
Ferrum Infra Co., Ltd.	-	123	-	-	-	-	-	-	-	-
Associates										
CSP	28,764	-	-	-	-	-	-	-	-	6,433
	₩ 28,764	₩ 1,820	₩ 8,438	₩ 41	₩ 13	₩ -	₩ 22,000	₩ 273	₩ 6,862	

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2020																		
(in millions of Korean won)	Investment in cash	Lease transactions				Fund lending transactions				Fund borrowing transactions				Dividends received	Other received			
		Redemption	Repayments			Redemption	Lending			Borrowings	Repayments							
Subsidiaries																		
Intergis Co., Ltd.	₩	-	₩	400	₩	5,561	₩	-	₩	-	₩	-	₩	-	₩	-	₩	-
Dongkuk Systems Co., Ltd.		-		1,201		-		-		-		-		-		-		-
Dongkuk Steel China Co., Ltd.	46,434			-		-		-		-		-		-		-		213
Dongkuk International Inc.		-		-		-		-		-		-		-		-		237
Dongkuk Corporation		-		-		-		-		-		-		-		-		172
JB Dangjin Ferrumvill investment type Private investment limited liability company		-		-		1,082		-		-		-		-		274		-
CE LINE 3 Corporation		-		-		1,886		-		-		-		-		-		-
CE LINE 4 Corporation		-		-		1,792		-		-		-		-		-		-
Ferrum 1 st Co.,Ltd.		-		-		-		-		-		-		22,000		-		-
Gyeonghuigung 1st Co.,Ltd.		-		-		-		355		35		-		20,000		-		-
Gyeonghuigung 2st Co.,Ltd.		-		-		-		159		51		-		30,000		-		-
One Punch 1st Co.,Ltd		-		-		-		63		60		-		-		-		-
Associates																		
Ferrum Infra Co., Ltd.	94,067			-		-		-		-		-		-		-		-
CSP	-			115		-		-		-		-		-		-		-
	₩140,501	₩	1,716	₩	10,321	₩	577	₩	146	₩	-	₩	72,000	₩	274	₩	622	

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Details of payment guarantees and collaterals provided by the Company for the funding sources of the related parties as at December 31, 2021 and 2020, are as follows, and no collaterals and payment guarantees are provided by the related parties:

2021								
(in thousands of foreign currency and in millions of Korean won)	Guaranteed by	Currency	Guaranteed amount			Guarantee period		Remark
			Foreign currency	KRW		Beginning date	Maturity date	
Subsidiaries								
Dongkuk Corporation	Tokyo Star Bank	JPY	5,000,000	₩	51,512	2021.09.10	2022.08.31	Borrowings
Dongkuk Steel China Co.,Ltd	Korea Development Bank	USD	15,200		18,020	2021.03.05	2022.03.05	
	The Export-Import Bank of Korea	USD	15,000		17,782	2021.04.29	2022.04.29	
Associate								
CSP	The Export-Import Bank of Korea and others	USD	341,764		405,162	2015.05.11	2031.09.30	
	Korea Export Insurance Corporation and others	USD	207,897		246,461	2015.05.11	2031.09.30	
	BNDES	USD	149,837		177,632	2015.05.11	2031.09.30	
	BNDES	BRL	363,713		77,391	2015.05.11	2031.09.30	
					₩	993,960		
2020								
(in thousands of foreign currency and in millions of Korean won)	Guaranteed by	Currency	Guaranteed amount			Guarantee period		Remark
			Foreign currency	KRW		Beginning date	Maturity date	
Subsidiaries								
Dongkuk Int'l Inc.	Hanmi Bank	USD	32,000	₩	34,816	2020.05.18	2021.05.18	Borrowings
Dongkuk Corporation	Tokyo Star Bank	JPY	3,000,000		31,628	2020.08.25	2021.08.31	
Dongkuk Steel China Co.,Ltd	Korea Development Bank	USD	15,200		16,537	2020.03.06	2021.03.06	
	The Export-Import Bank of Korea	USD	20,000		21,760	2020.04.29	2021.04.29	
Associate								
CSP	The Export-Import Bank of Korea and others	USD	345,752		376,178	2015.05.11	2031.09.30	
	Korea Export Insurance Corporation and others	USD	210,322		228,830	2015.05.11	2031.09.30	
	BNDES	USD	151,671		165,018	2015.05.11	2031.09.30	
	BNDES	BRL	363,462		76,134	2015.05.11	2031.09.30	
					₩	950,901		

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In addition to the payment guarantees above, the Company has provided letters of comfort amounting to JPY 600,000 thousand that is equivalent to ₩ 6,181 million (2020: JPY 600,000 thousand that is equivalent to ₩ 6,326 million) in relation to borrowings of Dongkuk Corporation.

Collateral Provided by the Company

		2021				
<i>(in millions of Korean won)</i>		Secured assets	Carrying amount	Secured amount		Provided to
Subsidiaries						
Korea Tonnage NO.16 Shipping Company S.A.	Right-of-use assets	₩	20,042	₩	35,257	Kamco Ship Investment Management and Others
Korea Tonnage NO.17 Shipping Company S.A.	(Vessels) and					
CE LINE 3 Corporation	others					
		2020				
<i>(in millions of Korean won)</i>		Secured assets	Carrying amount	Secured amount		Provided to
Subsidiaries						
Korea Tonnage NO.16 Shipping Company S.A.	Right-of-use assets	₩	36,193	₩	41,605	Kamco Ship Investment Management and Others
Korea Tonnage NO.17 Shipping Company S.A.	(Vessels) and					
CE LINE 3 Corporation	others					
CE LINE 4 Corporation						

Key Management Compensation

<i>(in millions of Korean won)</i>	2021		2020	
Short-term employee benefits and bonuses	₩	19,479	₩	13,920
Post-employment benefits		1,523		1,451
	₩	<u>21,002</u>	₩	<u>15,371</u>

The above key management refers to the directors who have significant control and responsibilities on the Company's business plans and operations.

The dividend paid to key management and related parties was ₩ 5,004 million for the years ended December 31, 2021.

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40. Financial Risk Management

40.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is controlled by the finance team, and the finance team identifies, evaluates and manages financial risk. The finance team manages specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(1) Market risk

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar. The exposure in Japanese Yen, and Euro is also considered for foreign exchange risk.

The Company manages foreign exchange risk by foreign exchange regulations. The purpose of foreign exchange risk management is to minimize volatility of foreign exchange gains and losses from foreign exchange rate fluctuation.

The impact of weakened/strengthened Korean won by 10% against foreign currencies with all other variables held constant on the pre-tax profit for the year and equity of the Company as at December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		Impact on pre-tax profit		Impact on equity	
		2021	2020	2021	2020
USD/KRW	Increase	₩ (26,121)	₩ (38,359)	₩ (26,121)	₩ (38,359)
	Decrease	26,121	38,359	26,121	38,359
JPY/KRW	Increase	(8,198)	(10,047)	(8,198)	(10,047)
	Decrease	8,198	10,047	8,198	10,047
EUR/ KRW	Increase	100	(204)	100	(204)
	Decrease	(100)	204	(100)	204

Price risk

The Company is exposed to equity securities price risk because of investments held by the Company that are classified in the statement of financial position either as financial assets at fair value through other comprehensive income or financial assets at fair value through profit or loss. The Company manages its price risk arising from investments in equity securities, by diversifying its portfolio. Also, the significant investment assets are managed individually in the portfolio.

The Company's investments in equity of other entities that are publicly traded are included in KOSPI and NIKKEI equity index.

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As at December 31, 2021 and 2020, the impact of increases/decreases of the share price by 10% with all other variables held constant on the Company's pre-tax profit for the year and equity (before tax effect) is as follows:

(in millions of Korean won)		Impact on pre-tax profit				Impact on equity			
		2021		2020		2021		2020	
KOSPI	Increase	₩	-	₩	-	₩	1	₩	15
	Decrease		-		-		(1)		(15)
NIKKEI	Increase		-		-		2,000		560
	Decrease		-		-		(2,000)		(560)

Interest rate risk

Interest rate risk is defined as the risk that the interest income or expenses arising from deposits and borrowings will fluctuate because of changes in future market interest rate. The interest rate risk mainly arises through floating rate deposits and borrowings. The objective of interest rate risk management lies in maximizing corporate value by minimizing uncertainty caused by fluctuations in interest rates and minimizing net interest expense.

To mitigate interest rate risk, the Company manages interest rate risk proactively by: reforming capital structure for overall interest expenses management, avoiding high rate borrowings, maintaining an adequate mix between short-term and long-term liabilities and between fixed and variable interest rates and monitoring weekly and monthly interest rate trends in domestic and international markets.

The impact 100 basis points higher/lower of interest rate with all other variables held constant on the Company's pre-tax profit for the years ended and on equity as at December 31, 2021 and 2020, is as follows:

(in millions of Korean won)		Impact on pre-tax profit				Impact on equity			
		2021		2020		2021		2020	
	Increase	₩	(8,061)	₩	(4,826)	₩	(8,061)	₩	(4,826)
	Decrease		8,061		4,826		8,061		4,826

(2) Credit risk

Credit risk is managed on a company basis. Credit risk arises from cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Risk management

If customers are independently rated, these ratings are used. If there is no independent rating, the credit quality of the customer is evaluated taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance of credit limits is regularly monitored. The Company is also provided with collaterals by customers depending on their credit rating or payment guarantees from the customers' financial institutions as necessary.

The Company maintains business relationship with those financial institutions with high credit ratings evaluated by independent credit rating institutions and accordingly, credit risks associated with these financial institutions are limited.

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Impairment of financial assets

The Company has four types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of goods and provision of services,
- other financial assets carried at amortized cost.

A. Trade receivables and contract assets

The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

As at December 31, 2021 allowance for doubtful accounts was determined as follows for both trade receivables and contract assets:

		2021					Total
		Current	Less than 3 months	Between 3 months and 6 months	Between 6 months and 12 months	More than 12 months	
<i>(in millions of Korean won)</i>							
December 31, 2021							
Expected loss rate		0.49%	1.44%	9.09%	0%	100.00%	2.56%
Gross carrying amount-trade receivables	₩ 823,759	₩ 24,775	₩ 11	₩ -	₩ 11	₩ 25,262	₩ 873,818
Loss allowance provision	4,060	356	1	-	11	17,982	22,410
		2020					Total
		Current	Less than 3 months	Between 3 months and 6 months	Between 6 months and 12 months	More than 12 months	
<i>(in millions of Korean won)</i>							
December 31, 2020							
Expected loss rate		0.48%	1.00%	4.41%	51.17%	100.00%	5.20%
Gross carrying amount-trade receivables	₩ 488,775	₩ 8,418	₩ 522	₩ 213	₩ 11	₩ 31,432	₩ 529,371
Gross carrying amount-contract assets	3,598	-	-	-	-	-	3,598
Loss allowance provision	2,351	84	23	109	11	25,141	27,719

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B. Other financial assets amortized cost

The identified impairment loss of other financial assets at amortized cost was immaterial. As at December 31, 2021 and 2020, the maximum exposure to credit risk is as follows:

<i>(in millions of Korean won)</i>	2021		2020	
Cash and cash equivalents	₩	330,552	₩	151,609
Deposits held by financial institutions		973		147,838
Other financial assets at amortized cost (Government bond)		98		834
Other receivables ¹		53,268		20,762

¹ Finance lease receivables that are not classified as financial assets amortized cost are included.

(3) Liquidity risk

Liquidity risk is defined as the risk that the Company is unable to meet its short-term payment obligations on time due to deterioration of its business performance or inability to access financing.

The Company monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable, external regulatory or legal requirements – for example, currency restrictions.

Undiscounted cash flows analysis for financial liabilities, including interest, according to their remaining contractual maturity as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021				
	Total	Less than 1 year	Less than 2 years	Less than 5 years	Over 5 years
Non-Derivatives					
Trade payables	₩ 747,620	₩ 747,620	₩ -	₩ -	₩ -
Other payables	341,313	339,103	665	1,545	-
Borrowings (except for lease liabilities)	1,760,012	1,598,008	69,424	92,580	-
Lease liabilities	78,474	19,393	18,206	29,097	11,778
Financial guarantee contracts ¹	1,000,142	1,000,142	-	-	-
Total	3,924,581	3,701,286	88,295	-	-
Derivatives					
Trading derivatives	₩ 344	₩ 10	₩ -	₩ 334	₩ -

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(in millions of Korean won)	2020				
	Total	Less than 1 year	Less than 2 years	Less than 5 years	Over 5 years
Non-Derivatives					
Trade payables	₩ 700,057	₩ 700,057	₩ -	₩ -	₩ -
Other payables	260,443	259,698	180	565	-
Borrowings (except for lease liabilities)	1,658,151	1,509,305	148,325	521	-
Lease liabilities	119,376	25,029	21,109	50,173	23,065
Financial guarantee contracts ¹	952,539	952,539	-	-	-
Total	3,690,566	3,446,628	169,614	51,259	23,065
Derivatives					
Trading derivatives	₩ 4,574	₩ 4,574	₩ -	₩ -	₩ -

¹ The maximum amount of the guarantee was allocated at the earliest time the guarantee could be required.

40.2 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders and issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings(including lease liabilities) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios as at December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021	2020
Total Borrowings	₩ 1,794,670	₩ 1,628,599
Less: cash and cash equivalents	(330,552)	(151,609)
Net debt (A)	1,464,118	1,476,990
Total equity (B)	2,725,700	2,363,003
Total capital (C)=(A)+(B)	₩ 4,189,818	₩ 3,839,993
Gearing ratio (A)/(C)	34.94%	38.46%

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40.3 Fair Value

(1) Fair value of financial instruments by category

Carrying amount and fair value of financial instruments by category as at December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	₩ 330,552	₩ 330,552	₩ 151,609	₩ 151,609
Deposits held by financial institutions	973	973	147,838	147,838
Trade receivables	851,408	851,408	501,652	501,652
Other receivables	43,996	43,996	17,338	17,338
Other financial assets				
Other financial assets at amortized cost	98	98	834	834
Financial assets at fair value through other comprehensive income	20,672	20,672	10,465	10,465
Financial assets at fair value through profit or loss	2,451	2,451	2,447	2,447
Derivative financial assets	1,008	1,008	-	-
Total	₩ 1,251,158	₩ 1,251,158	₩ 832,183	₩ 832,183
Financial liabilities				
Trade payables	₩ 747,620	₩ 747,620	₩ 700,057	₩ 700,057
Borrowings ²	1,728,690	1,728,690	1,628,599	1,628,599
Other payables	341,183	341,183	260,418	260,418
Other financial liabilities				
Derivative financial liabilities	344	344	4,574	4,574
Financial guarantee liabilities	19,857	¹	21,376	¹
Total	₩ 2,837,694	₩ 2,817,837	₩ 2,615,024	₩ 2,593,648

¹ The amounts are measured at the higher of loss allowance calculated in accordance with Korean IFRS 1109 Financial Instruments and the amount initially recognized, less cumulative amount of income recognized in accordance with Korean IFRS 1115 Revenue from Contracts with Customers.

(2) Fair value hierarchy

Assets measured at fair value or for which the fair value is disclosed are categorized within the fair value hierarchy, and the defined levels are as follows:

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

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Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value or its fair value is disclosed as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021			
	Level 1	Level 2	Level 3	Total
Financial instrument measured at fair value				
Financial assets at fair value through other comprehensive income	₩ 20,528	₩ -	₩ 144	₩ 20,672
Financial assets at fair value through profit or loss	-	2,202	249	2,451
Derivative financial assets	-	1,008	-	1,008
Derivative financial liabilities	-	344	-	344
Non-financial instruments measured at non-recurring fair value				
Land(property, plant and equipment)	-	-	1,407,403	1,407,403
Non-financial instruments disclosed at fair value				
Investment properties	-	-	21,612	21,612
2020				
<i>(in millions of Korean won)</i>	Level 1	Level 2	Level 3	Total
Financial instrument measured at fair value				
Financial assets at fair value through other comprehensive income	₩ 10,321	₩ -	₩ 144	₩ 10,465
Financial assets at fair value through profit or loss	-	2,200	247	2,447
Derivative financial liabilities	-	4,574	-	4,574
Non-financial instruments measured at non-recurring fair value				
Land(property, plant and equipment)	-	-	1,306,039	1,306,039
Non-financial instruments disclosed at fair value				
Investment properties	-	-	20,004	20,004

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(3) Valuation technique and the inputs

Valuation techniques and inputs used in the fair value of financial instruments categorized within Level 2 and Level 3 of the fair value hierarchy as at December 31, 2021 and 2020, are as follows:

	2021					
(in millions of Korean won)	Fair value	Level	Valuation techniques	Inputs	Range of inputs	
Financial assets at fair value through other comprehensive income						
Unlisted equity securities	₩ 144	3	Discounted cash flow model	Discount rate	-	
Financial assets at fair value through profit or loss						
Beneficiary certificate	2,202	2	Discounted cash flow model	Discount rate	-	
Debt securities	249	3	Discounted cash flow model	Discount rate	-	
Derivative financial assets	1,008	2	Discounted cash flow model	Discount rate and currency rate	-	
Derivative financial liabilities	344	2	Discounted cash flow model	Discount rate and currency rate	-	
Property, plant and equipment						
Land(property, plant and equipment)	1,407,403	3	Official values of land	Specific Identification	1.0	
Investment property						
Land	21,612	3	Official values of land	Specific Identification	1.0	
	2020					
(in millions of Korean won)	Fair value	Level	Valuation techniques	Inputs	Range of inputs	
Financial assets at fair value through other comprehensive income						
Unlisted equity securities	₩ 144	3	Discounted cash flow model	Discount rate	-	
Financial assets at fair value through profit or loss						
Beneficiary certificate	2,200	2	Discounted cash flow model	Discount rate	-	
Debt securities	247	3	Discounted cash flow model	Discount rate	-	
Derivative financial liabilities	4,574	2	Discounted cash flow model	Discount rate and currency rate	-	
Property, plant and equipment						
Land(property, plant and equipment)	1,306,039	3	Official values of land	Specific Identification	1.0	
Investment property						
Land	20,004	3	Official values of land	Specific Identification	1.0	

(4) Valuation Processes for Fair Value Measurements Categorized Within Level 3

The Company performs the fair value measurements required for financial reporting purposes, including level 3 fair values.

**Report on Independent Auditor's
Audit of Internal Control over Financial Reporting**

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Dongkuk Steel Mill Co., Ltd.

Opinion on Internal Control over Financial Reporting

We have audited Dongkuk Steel Mill Co., Ltd.'s (the Company) Internal Control over Financial Reporting as at December 31, 2021, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

We also have audited, in accordance with Korean Standards on Auditing, the separate financial statements of the Company, which comprise the separate statement of financial position as at December 31, 2021, and the separate statement of profit or loss, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flow for the year then ended, and notes to the separate financial statements including a summary of significant accounting policies, and our report dated March 17, 2022 expressed an unqualified opinion.

Basis for Opinion on Internal Control over Financial Reporting

We conducted our audit in accordance with Korean Standards on Auditing. Our responsibility under these standards are further described in the *Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of internal control over financial reporting and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for Internal Control over Financial Reporting

Management is responsible for designing, implementing and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Report on the Effectiveness of Internal Control over Financial Reporting.

Those charged with governance have the responsibilities for overseeing internal control over financial reporting.

Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting

Our responsibility is to express opinion on the Company's internal control over financial reporting based on our audit. We conducted the audit in accordance with Korean Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of

unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The engagement partner on the audit resulting in this independent auditor's report is Moon-Sub Song, Certified Public Accountant.

Seoul, Korea
March 17, 2022

This report is effective as of March 17, 2022, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the Company's internal control over financial reporting thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Report on the Effectiveness of Internal Control over Financial Reporting

(English Translation of a Management's Report Originally Issued in Korean)

To the Board of Directors and Audit Committee of
Dongkuk Steel Mill Co., Ltd.

We, as the President and the Internal Control over Financial Reporting("ICFR") Officer of Dongkuk Steel Mill Co., Ltd. (the "Company"), assessed the effectiveness of the design and operation of the Company's Internal Control over Financial Reporting for the year ended December 31, 2021.

The Company's management, including ourselves, is responsible for designing and operating ICFR. We assessed the design and operating effectiveness of the ICFR in the prevention and detection of an error or fraud which may cause material misstatements in the preparation and disclosure of reliable financial statements.

We designed and operated ICFR in accordance with *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting* established by the Operating Committee of Internal Control over Financial Reporting in Korea (the ICFR Committee). And, we conducted an evaluation of ICFR based on *Best Practice Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting* established by the ICFR Committee.

Based on the assessment results, we believe that the Company's ICFR, as at December 31, 2021, is designed and operating effectively, in all material respects, in accordance with *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statement which cause material misunderstandings, and we have reviewed and verified this report with sufficient due care.

January 27, 2022

Sae-Wook Chang

Chief Executive Officer and President

Soon-Uk Chung

Internal Accounting Control Officer