

DOOSAN BOBCAT INC. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2019 and 2018

DOOSAN BOBCAT INC. AND SUBSIDIARIES

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December 31, 2019 and 2018

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of
Doosan Bobcat Inc.

Opinion

We have audited the accompanying consolidated financial statements of Doosan Bobcat Inc. and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at December 31, 2019 and 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the consolidated 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.

Key Audit Matters

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

(1) Revenue recognition: Estimation of liabilities related to revenue deductions

Why it is determined to be a key audit matter

As at December 31, 2019, the Group has recorded USD 95 million of liabilities related to revenue deductions, including incentives, promotions and rebates. The Group offers customers a variety of incentive and promotion programs. Costs incurred in connection with these programs are recognized as deductions from revenue, and any unsettled amounts are recognized on an accrual basis. Incentive and rebate arrangements are complex, and judgement of management is required in estimating unsettled amounts. Given the extent of complexity and judgement involved, we consider estimation of revenue deductions related to incentives, promotions and rebates recognized as at December 31, 2019 (Note 3) to be a key audit matter.

How our audit addressed the key audit matter

We have assessed the appropriateness of the Group's accounting policies for revenue deductions related with the incentive and promotion programs. We have, utilizing the work of component auditors, performed related audit procedures including the followings. We:

- Evaluated design and tested operating effectiveness of related internal controls
- Performed lookback analysis by comparing the estimation of prior year to actual results
- Evaluated appropriateness of methods used by management and whether they have been consistently used
- Tested completeness of sales quantity information subject to revenue deductions programs
- For selected samples, tested accuracy of the inputs and variables used for the management estimates, including sales quantity information, costs incurred, and associated contractual rate

(2) Impairment assessment of goodwill

Why it is determined to be a key audit matter

As at December 31, 2019, the carrying amount of goodwill is USD 2,611 million, which accounts for 45.1% of the total assets of the Group. The Group performed an impairment assessment on goodwill by using estimated recoverable amount of goodwill allocated to the cash-generating units group (CGU group) and did not recognize goodwill impairment as the recoverable amount of CGU group exceeds its carrying amount. Given the magnitude of goodwill balance in the consolidated financial statement, and the extent of judgement of management estimating in the recoverable amount, we consider impairment assessment of goodwill to be a key audit matter (Note 10).

How our audit addressed the key audit matter

Key audit procedures we have performed in relation to the goodwill impairment assessment are as follows. We have utilized the auditor's experts in performing audit procedures related to the goodwill impairment assessment. We:

- Obtained an understanding and evaluated how management assessed goodwill impairment
- Evaluated reasonableness of identifying CGU by management for its assessment of goodwill impairment
- Evaluated accuracy of the market capitalization used to measure the net fair value of the CGU group.
- Evaluated reasonableness of key assumptions used in measurement of the net fair value by comparing them with relevant external information available

(3) Impairment assessment of capitalized development costs

Why it is determined to be a key audit matter

As at December 31, 2019, the carrying amount of development costs capitalized as intangible asset is USD 119 million. The Group operates several R&D centers in the U.S., Europe, and other regions, and invests significant amounts to develop new products and technologies. Given the magnitude of the balance of development costs capitalized in the consolidated financial statement, and the extent of judgement of management required, we consider impairment assessment of capitalized development costs to be a key audit matter (Note 10).

How our audit addressed the key audit matter

We evaluated the accounting policies applied by the Group for the recognition and impairment of capitalized development costs. In addition, we have, utilizing the work of component auditors, performed the related audit procedures including the followings. We:

- Obtained the details of capitalized development costs and reconciled the total amount to the amount recorded in the general ledger
- Tested a sample of projects capitalized by examining management's assessment documentation and assessing whether the criteria set out in the relevant accounting standards have been met
- Assessed appropriateness of management's conclusion on impairment analysis for the projects selected as sample by examining management's impairment assessment documentation, interviewing with appropriate project managers, verifying whether costs being continually spent into the project, and evaluating development progress of the project through aging analysis and other procedures
- Examined whether the actual sales have been generated from the projects selected and evaluated reasonableness of sales and profitability forecasts to assess future economic benefits of the projects capitalized

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 consolidated financial statements may differ from those generally accepted and applied in other countries.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 Yeo-Hyun Yoon, Certified Public Accountant.

Seoul, Korea

March 16, 2020

This report is effective as at March 16, 2020, 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 consolidated 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.

DOOSAN BOBCAT INC. AND SUBSIDIARIES
Consolidated Statements of Financial Position
December 31, 2019 and 2018

<i>(in USD)</i>	Notes	December 31, 2019	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents	4,5	\$ 183,488,648	\$ 489,465,063
Trade and other receivables, net	4,5,6,24,32	364,205,073	400,471,122
Inventories, net	7	698,697,414	553,187,333
Derivative assets	4,5,8	-	6,084,776
Other current assets		66,125,069	56,625,722
Total current assets		<u>\$ 1,312,516,204</u>	<u>\$ 1,505,834,016</u>
Non-current assets			
Long-term financial instruments	4,5	\$ 751,768	\$ 749,389
Long-term financial assets	4,5	957,019	1,092,501
Long-term trade and other receivables, net	4,5,6	46,445,466	76,789,429
Investment in associates	12	24,482,616	13,028,270
Property, plant and equipment, net	9	457,008,490	385,488,196
Intangible assets, net	10	3,770,968,398	3,716,785,238
Investment properties	11	77,092,889	-
Deferred tax assets	29	30,253,150	36,491,930
Long-term derivative assets	4,5,8	-	5,771,289
Right-of-use assets	13	53,196,093	-
Other non-current assets	4,5	16,823,955	23,397,085
Total non-current assets		<u>\$ 4,477,979,844</u>	<u>\$ 4,259,593,327</u>
Total assets		<u>\$ 5,790,496,048</u>	<u>\$ 5,765,427,343</u>
Liabilities			
Current liabilities			
Trade and other payables	4,5,14,24,32	\$ 741,246,822	\$ 674,573,385
Current portion of long-term borrowings	4,5,13,31	18,917,460	18,641,284
Income tax payable		19,636,392	11,214,832
Derivative liabilities	5,8	289,150	4,970
Lease liabilities	4,5,13	15,156,569	-
Provisions	17,31	88,664,458	57,679,156
Other current liabilities	24	99,969,257	99,577,470
Total current liabilities		<u>\$ 983,880,108</u>	<u>\$ 861,691,097</u>
Non-current liabilities			
Other non-current payables	4,5,14	\$ 10,832,900	\$ 1,000,966
Long-term borrowings	4,5,15,31	646,902,084	964,470,705
Net defined benefit liabilities	16	330,916,491	322,337,032
Deferred tax liabilities	29	222,933,104	182,212,618
Long-term derivative liabilities	5,8	-	560,091
Non-current lease liabilities	4,5,13	36,153,322	-
Non-current provisions	17	75,758,600	42,677,153
Other non-current liabilities	24,31	46,371,921	45,872,469
Total non-current liabilities		<u>\$ 1,369,868,422</u>	<u>\$ 1,559,131,034</u>
Total liabilities		<u>\$ 2,353,748,530</u>	<u>\$ 2,420,822,131</u>
Equity			
Equity attributable to owners of the Parent Company			
Capital stock	1,18	\$ 43,095,528	\$ 43,095,528
Capital surplus	18	2,598,877,780	2,786,003,529
Other equity item	19	(178,407,620)	(178,407,620)
Accumulated other comprehensive loss	20	(227,013,635)	(199,667,460)
Retained earnings	21	1,200,195,465	893,581,235
Total equity		<u>\$ 3,436,747,518</u>	<u>\$ 3,344,605,212</u>
Total liabilities and equity		<u>\$ 5,790,496,048</u>	<u>\$ 5,765,427,343</u>

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

DOOSAN BOBCAT INC. AND SUBSIDIARIES

Consolidated Statements of Profit or Loss

Years Ended December 31, 2019 and 2018

<i>(in USD)</i>	Notes	2019	2018
Sales	22,23,24,32	\$ 3,868,699,952	\$ 3,608,803,049
Cost of sales	7,25,32	<u>(3,027,853,302)</u>	<u>(2,807,801,591)</u>
Gross profit		840,846,650	801,001,458
Selling and administrative expenses	25,26,32	<u>(431,620,129)</u>	<u>(383,797,082)</u>
Operating profit		409,226,521	417,204,376
Non-operating income (expenses)			
Finance income	5,27	36,113,928	33,783,502
Finance expenses	5,27	(81,399,157)	(75,813,336)
Other non-operating income	28,32	1,895,453	9,725,968
Other non-operating expenses	28,32	(18,331,106)	(17,852,313)
Losses on equity method	12	<u>(155,014)</u>	<u>(173,949)</u>
		(61,875,896)	(50,330,128)
Profit before income tax expense		347,350,625	366,874,248
Income tax expense	29	<u>(113,905,024)</u>	<u>(126,487,836)</u>
Profit for the year		<u>\$ 233,445,601</u>	<u>\$ 240,386,412</u>
Profit is attributable to:			
Owners of the Parent Company		\$ 233,445,601	\$ 240,386,412
Earnings per share	30		
attributable to the owners of the Parent Company			
Basic earnings per share		\$ 2.33	\$ 2.40

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

DOOSAN BOBCAT INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2019 and 2018

<i>(in USD)</i>	2019	2018
Profit for the year	<u>\$ 233,445,601</u>	<u>\$ 240,386,412</u>
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurements of net defined benefit liabilities	(18,621,148)	44,424,450
Gain on revaluation of property, plant and equipment	3,242,386	-
Share of other comprehensive income of associates	(16,852)	(11,330)
Share of change in equity of associates	162,106	-
<i>Items that may be subsequently reclassified to profit or loss</i>		
Gain (loss) on translation of foreign operations	(24,495,435)	(33,369,227)
Gain (loss) on valuation of derivatives	<u>(6,255,232)</u>	<u>5,543,959</u>
Total comprehensive income for the year	<u>\$ 187,461,426</u>	<u>\$ 256,974,264</u>
Total comprehensive income for the year is attributable to:		
Owners of the Parent Company	\$ 187,461,426	\$ 256,974,264

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

DOOSAN BOBCAT INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

Years Ended December 31, 2019 and 2018

(in USD)

	Attributable to owners of the Parent Company					
	Capital Stock	Capital Surplus	Other Equity Items	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Equity
Balance at January 1, 2018	\$ 43,095,528	\$ 2,786,003,529	\$ (178,407,620)	\$ (169,790,724)	\$ 718,224,441	\$ 3,199,125,154
Impact of change in accounting policy	-	-	-	-	(730,467)	(730,467)
Restated balance at January 1, 2018	<u>\$ 43,095,528</u>	<u>\$ 2,786,003,529</u>	<u>\$ (178,407,620)</u>	<u>\$ (169,790,724)</u>	<u>\$ 717,493,974</u>	<u>\$ 3,198,394,687</u>
Total comprehensive income:						
Profit for the year	-	-	-	-	240,386,412	240,386,412
Remeasurements of net defined benefit liability	-	-	-	-	44,424,450	44,424,450
Gain on revaluation of property, plant and equipment	-	-	-	(2,051,468)	2,051,468	-
Gain (loss) on translation of foreign operations	-	-	-	(33,369,227)	-	(33,369,227)
Gain (loss) on valuation of derivatives	-	-	-	5,543,959	-	5,543,959
Share of other comprehensive income of associates	-	-	-	-	(11,330)	(11,330)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,876,736)</u>	<u>286,851,000</u>	<u>256,974,264</u>
Capital Transactions with owners						
Annual dividend	-	-	-	-	(75,198,625)	(75,198,625)
Interim dividend	-	-	-	-	(35,565,114)	(35,565,114)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(110,763,739)</u>	<u>(110,763,739)</u>
Balance at December 31, 2018	<u>\$ 43,095,528</u>	<u>\$ 2,786,003,529</u>	<u>\$ (178,407,620)</u>	<u>\$ (199,667,460)</u>	<u>\$ 893,581,235</u>	<u>\$ 3,344,605,212</u>
Balance at January 1, 2019, as previously reported	\$ 43,095,528	\$ 2,786,003,529	\$ (178,407,620)	\$ (199,667,460)	\$ 893,581,235	\$ 3,344,605,212
Total comprehensive income:						
Profit for the year	-	-	-	-	233,445,601	233,445,601
Remeasurements of net defined benefit liability	-	-	-	-	(18,621,148)	(18,621,148)
Reclassification of Gain on revaluation of property, plant and equipment	-	-	-	3,242,386	-	3,242,386
Gain (loss) on translation of foreign operations	-	-	-	(24,495,435)	-	(24,495,435)
Gain (loss) on valuation of derivatives	-	-	-	(6,255,232)	-	(6,255,232)
Share of other comprehensive income of associates	-	-	-	-	(16,852)	(16,852)
Share of change in equity of associates	-	-	-	162,106	-	162,106
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,346,175)</u>	<u>214,807,601</u>	<u>187,461,426</u>
Capital Transactions with owners						
Transfer	-	(187,125,749)	-	-	187,125,749	-
Annual dividend	-	-	-	-	(44,275,756)	(44,275,756)
Interim dividend	-	-	-	-	(51,043,364)	(51,043,364)
	<u>-</u>	<u>(187,125,749)</u>	<u>-</u>	<u>-</u>	<u>91,806,629</u>	<u>(95,319,120)</u>
Balance at December 31, 2019	<u>\$ 43,095,528</u>	<u>\$ 2,598,877,780</u>	<u>\$ (178,407,620)</u>	<u>\$ (227,013,635)</u>	<u>\$ 1,200,195,465</u>	<u>\$ 3,436,747,518</u>

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

DOOSAN BOBCAT INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years Ended December 31, 2019 and 2018

<i>(in USD)</i>	Note		
Cash flows from operating activities			
Cash generated from operations:	33	\$ 507,357,178	\$ 584,680,159
Profit for the year		233,445,601	240,386,412
Adjustments	33	276,327,419	285,650,230
Changes in operating assets and liabilities		(2,415,842)	58,643,517
Interest received		7,287,058	4,590,631
Interest paid		(36,759,426)	(45,547,555)
Income tax received (paid)		(58,388,475)	7,727,034
Net cash provided by operating activities		<u>419,496,335</u>	<u>551,450,269</u>
Cash flows from investing activities			
Cash inflows from investing activities:			
Decrease in loan		104,000,000	219,941
Disposal of property, plant and equipment		1,406,475	5,741,773
Disposal of intangible asset		2,495,173	-
Disposal of investment in associates		-	14,721,050
Disposal of business		32,810,606	32,810,606
		<u>140,712,254</u>	<u>53,493,370</u>
Cash outflows for investing activities:			
Acquisition of property, plant and equipment		113,998,645	67,310,725
Acquisition of intangible asset		50,883,456	45,944,011
Acquisition of investment properties		77,160,220	-
Investment in associates		11,881,189	-
Increase in loan		104,074,247	-
Acquisition of long-term financial asset		-	1,000,000
Business combination		81,488,000	-
		<u>(439,485,757)</u>	<u>(114,254,736)</u>
Net cash used in investing activities		<u>(298,773,503)</u>	<u>(60,761,366)</u>
Cash flows from financing activities			
Cash inflows from financing activities:			
Increase in borrowing		8,230,665	8,554,625
		<u>8,230,665</u>	<u>8,554,625</u>
Cash outflows for financing activities:			
Repayment of borrowing		324,405,749	275,164,799
Dividend paid		95,319,121	110,763,739
Principal elements of lease payments		14,420,069	-
		<u>(434,144,939)</u>	<u>(385,928,538)</u>
Net cash used in financing activities		<u>(425,914,274)</u>	<u>(377,373,913)</u>
Effects of exchange rate changes on cash and cash equivalents		(784,973)	(12,894,461)
Net increase (decrease) in cash and cash equivalents		(305,976,415)	100,420,529
Cash and cash equivalents at the beginning of the period		489,465,063	389,044,534
Cash and cash equivalents at the end of the period		<u>\$ 183,488,648</u>	<u>\$ 489,465,063</u>

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

DOOSAN BOBCAT INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

1. General Information

Doosan Bobcat Inc. ("DBI" or the "Company") was incorporated on April 25, 2014 by being split off from Doosan Infracore Co., Ltd. Main business purposes of the Company are to control and manage its subsidiaries (with the Company, collectively, referred to as the "Group") that manufacture and distribute compact construction equipment in North America, Europe, Latin America, and Asia.

On November 18, 2016, the Company listed its shares on the securities market established by the Korea Stock Exchange. After several capital increases and capital reductions, the capital stock as at December 31, 2019 is \$43,096 thousand.

The Company's shareholders as at December 31, 2019 is as follows:

Shareholder	Number of shares owned	Percentages of ownership (%)
Doosan Infracore Co., Ltd.	51,176,250	51.05
Others	49,072,916	48.95
	<u>100,249,166</u>	<u>100.00</u>

1.1 Consolidated Subsidiaries

Details of the consolidated subsidiaries as at December 31, 2019 and 31, 2018, are as follows:

Subsidiary	Main business	Location	Ownership interest held by the Group (%)		Fiscal year end
			December 31, 2019	December 31, 2018	
Clark Equipment Co.	Manufacturing and sales	USA	100	100	December
Clark Equipment Co's subsidiaries:					
Bobcat Equipment Ltd.	Sales	Canada	100	100	December
Doosan International Australia Pty Ltd.	Sales	Australia	100	100	December
Doosan Bobcat EMEA s.r.o	Manufacturing and sales	Czech	100	100	December
Doosan Bobcat EMEA s.r.o's subsidiaries:					
Doosan Infracore Europe S.A. ¹	Sales	Belgium	-	100	December
Bobcat Bensheim GmbH.	Sales	Germany	100	100	December
Doosan Holdings France S.A.S.	Holdings	France	100	100	December
Doosan Techno Holding Co., Ltd. ¹	Management	Ireland	-	100	December
Doosan Benelux SA ¹	Sales	Belgium	-	100	December
CJSC Doosan International Russia	Sales	Russia	100	100	December
Doosan International UK Ltd.	Sales	England	100	100	December
Doosan International South Africa Pty Ltd.	Sales	South Africa	100	100	December
Bobcat France S.A.	Manufacturing	France	100	100	December
Geith International Ltd.	Sales	Ireland	100	100	December
Doosan International Luxembourg S.a.r.l. ¹	Management	Luxemburg	-	100	December
Doosan Bobcat Singapore Pte. Ltd.	Holdings	Singapore	100	100	December
Doosan Bobcat Singapore Pte.Ltd's subsidiaries:					
Doosan Bobcat Korea Co., Ltd.	Sales	Korea	100	100	December
Doosan Bobcat Chile Compact SpA.	Sales	Chile	100	100	December
Doosan Bobcat China Co., Ltd.	Manufacturing and sales	China	100	100	December

DOOSAN BOBCAT INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

Subsidiary	Main business	Location	Ownership interest held by the Group (%)		Fiscal year end
			December 31, 2019	December 31, 2018	
Doosan Bobcat India Private Ltd.	Manufacturing and sales	India	100	100	March
Bobcat Corp.	Sales	Japan	100	100	December
Doosan Bobcat Mexico S.A. de C.V.	Other service	Mexico	100	100	December
Doosan Bobcat Global Collaboration Center, Inc ²	Other service	USA	100	-	December

¹ During the year ended December 31, 2019, the entity was liquidated.

² During the year ended December 31, 2019, the entity was newly established.

1.2 Summarized Financial Information

Summarized financial information of the consolidated subsidiaries as at and for the years ended December 31, 2019 and 2018 are as follows:

(in thousands of USD)	2019				
	Assets	Liabilities	Sales	Profit (loss) for the year	Total comprehensive income (loss)
Clark Equipment Co. and its subsidiaries	\$3,862,744	\$2,061,077	\$3,036,331	\$236,021	\$224,651
Bobcat Equipment Ltd.	105,816	40,631	203,591	3,765	3,765
Doosan Bobcat EMEA s.r.o. and its subsidiaries	2,045,263	471,453	965,885	36,338	4,349
Bobcat Bensheim GmbH	112,758	35,704	97,180	(3,744)	(3,744)
Bobcat France S.A.	63,308	32,311	136,049	3,457	3,225
Geith International Ltd.	22,215	7,159	41,630	5,301	5,301
Doosan Bobcat Singapore Pte. Ltd. and its subsidiaries	300,551	185,374	240,271	(3,621)	(6,383)
Doosan Bobcat Korea Co., Ltd.	118,046	103,807	132,396	865	782
Doosan Bobcat China Co., Ltd	91,458	56,522	49,839	(3,902)	(3,902)
Doosan Bobcat India Private Ltd.	58,385	24,039	52,351	273	551

(in thousands of USD)	2018				
	Assets	Liabilities	Sales	Profit (loss) for the year	Total comprehensive income (loss)
Clark Equipment Co. and its subsidiaries	\$3,883,529	\$2,179,413	\$2,817,050	\$258,464	\$246,630
Bobcat Equipment Ltd.	103,994	45,201	246,747	6,216	6,216
Doosan Bobcat EMEA s.r.o. and its subsidiaries	2,055,823	486,362	902,936	(1,299)	(318,572)
Bobcat Bensheim GmbH	106,817	24,325	114,978	(782)	(782)
Bobcat France S.A.	57,443	29,093	123,687	2,492	2,625
Geith International Ltd.	25,735	15,781	39,533	3,856	3,856
Doosan Bobcat Singapore Pte. Ltd. and its subsidiaries	244,918	145,841	221,002	(1,045)	(13,287)
Doosan Bobcat Korea Co., Ltd.	81,000	67,053	131,031	1,530	1,306
Doosan Bobcat China Co., Ltd	79,901	40,447	40,606	(5,777)	(5,777)
Doosan Bobcat India Private Ltd.	47,256	12,771	41,807	3,066	3,066

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1.3 Changes in Scope for Consolidation

Changes in the scope for consolidation for the year ended December 31, 2019:

Subsidiary	Reason
Doosan Infracore Europe S.A	Liquidated
Doosan Techno Holding Co., Ltd.	Liquidated
Doosan Benelux SA	Liquidated
Doosan International Luxemburg S.a.r.l.	Liquidated
Doosan Bobcat Global Collaboration Center, Inc	Newly established

Changes in the scope for consolidation for the year ended December 31, 2018:

Subsidiary	Reason
Doosan Holdings Europe Ltd.	Merged with another subsidiary
Bobcat Lyon SAS	Merged with another subsidiary
Doosan International Italia S.r.L	Liquidated

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated 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 consolidated financial statements of the Group 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.

The preparation of financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

2.2 Changes in Accounting Policies and Disclosures

(a) New standards and interpretations adopted by the Group

The Group has applied the following standards and interpretations for the first time for their annual reporting period commencing January 1, 2019.

- Enactment of Korean IFRS 1116 *Leases*

Korean IFRS 1116 *Leases* replaces Korean IFRS 1017 *Leases*. Under Korean IFRS 1116, with implementation of a single lease model, lessee is required to recognize assets and liabilities for all lease which lease term is over 12 months and underlying assets are not low value assets. A lessee is required to recognize a right-of-use asset and a lease liability representing its obligation to make lease payments.

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With implementation of Korean IFRS 1116 *Lease*, the Group has changed accounting policy. The Group has adopted Korean IFRS 1116 retrospectively, as permitted under the specific transitional provisions in the standard and recognized the cumulative impact of initially applying the standard as at January 1, 2019, the date of initial application. The Group has not restated comparatives for the 2018 reporting period. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 35.

- Korean IFRS 1109 *Financial Instruments – Prepayment Features with Negative Compensation*

The narrow-scope amendments made to Korean IFRS 1109 *Financial Instruments* enable entities to measure certain prepayable financial assets with negative compensation at amortized cost. When a modification of a financial liability measured at amortized cost that does not result in the derecognition, a modification gain or loss shall be recognized in profit or loss. The amendment does not have a significant impact on the consolidated financial statements.

- Amendments to Korean IFRS 1019 *Employee Benefits – Amendment, Curtailment or Settlement of the Plan*

The amendments require that an entity shall calculate current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement based on updated actuarial assumptions from the date of the change. The amendments also require that a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling. The amendment does not have a significant impact on the consolidated financial statements.

- Amendments to Korean IFRS 1028 *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity shall apply Korean IFRS 1109 to financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The amendment does not have a significant impact on the consolidated financial statements.

- Enactment to Interpretation of Korean IFRS 2123 *Uncertainty over Income Tax Treatments*

The Interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment, and includes guidance on how to determine whether each uncertain tax treatment is considered separately or together. It also presents examples of circumstances where a judgement or estimate is required to be reassessed. The enactment does not have a significant impact on the consolidated financial statements.

- Annual Improvements to Korean IFRS 2015 – 2017 Cycle

• Korean IFRS 1103 *Business Combination*

The amendments clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. In such cases, the acquirer shall remeasure its entire previously held interest in the joint operation. The amendment does not have a significant impact on the consolidated financial statements.

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- Korean IFRS 1111 *Joint Agreements*

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business. In such cases, previously held interests in the joint operation are not remeasured. The amendment does not have a significant impact on the consolidated financial statements.

- Paragraph 57A of Korean IFRS 1012 *Income Tax*

The amendment is applied to all the income tax consequences of dividends and requires an entity to recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendment does not have a significant impact on the consolidated financial statements.

- Korean IFRS 1023 *Borrowing Costs*

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use (or sale), it becomes part of general borrowings. The amendment does not have a significant impact on the consolidated financial statements.

(b) New and amended standards and interpretations not yet adopted by the Group

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2019 reporting periods and have not been early adopted by the Group.

(a) Amendments to Korean IFRS 1001 Presentation of Financial Statements and Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors – Definition of Material

The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001 and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Group. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

(b) Amendments to Korean IFRS 1103 Business Combination – Definition of a Business

To consider the integration of the required activities and assets as a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

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2.3 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110 *Consolidated Financial Statements*.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A changed in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interest to reflect their relative interest in the subsidiary. Any difference between the amount of the adjustment to non-controlling interest and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Parent Company.

When the Group ceases to consolidate for a subsidiary because of a loss of control, any retained interest in the subsidiary is remeasured to its fair value with the changed in carrying amount recognized in profit or loss.

(b) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If there is an objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss. If an associate uses accounting policies other than those of the Group for like transactions and events in

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similar circumstances, if necessary, adjustments shall be made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

(c) Joint Arrangements

A joint arrangement, wherein two or more parties have joint control, is classified as either a joint operation or a joint venture. A joint operator recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The parent company's functional currency is Korean Won, whereas the consolidated financial statements are presented in US dollar.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

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.

(c) Translation to the presentation currency

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period,
- income and expenses for each statement of profit or loss are translated at average exchange rates, unless this average is not reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions,
- all resulting exchange differences are recognized in other comprehensive income.

Exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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2.5 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash with insignificant risk of change in value.

2.6 Financial Assets

(a) Classification

The Group 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 Group'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 Group reclassifies debt investments when, and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(b) Measurement

At initial recognition, the Group 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.

A. Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group 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' 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 exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative

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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 exchange gains and losses are presented in 'finance 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 or expenses' in the year in which it arises.

B. Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group'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 in profit or loss as 'finance income' when the right to receive payments is established.

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.

(c) Impairment

The Group 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 Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

(d) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Group 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 Group has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Group classified the financial liability as "borrowings" in the statement of financial position (Note 4.4).

(e) 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 Group or the counterparty.

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2.7 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 profit or loss.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within other comprehensive income or loss and the ineffective portion is recognized in profit or loss.

2.8 Inventory

Inventories are stated at the lower of cost and net realizable value. Cost of inventories includes fixed and variable manufacturing overhead costs that are systematically allocated to inventories using appropriate methods based on each category of inventory. The cost of inventories is determined using the weighted average method. During the year, perpetual inventory systems are used to value inventories, which are adjusted to physical inventory counts performed at the end of the year.

The Group periodically reviews changes in net realizable value of its inventories (current replacement cost for raw materials) due to damage, obsolescence, decline in selling prices and others and, if appropriate, recognizes loss on inventory valuation. Loss on inventory valuation is charged to cost of sales when it is ordinary and to other expense when it is extraordinary. When the circumstances that previously caused inventories to be written down below cost no longer exist and the new market value of inventories subsequently recovers, the related valuation loss is reversed to the extent of the original valuation loss when the reversal is deducted from cost of sales.

2.9 Non-current Assets (or Disposal Group) Held for Sale

Non-current assets (or disposal Group) are classified as held for sale when their carrying amount will 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

Property, plant and equipment are initially stated at cost and subsequently recorded at cost, less accumulated depreciation and accumulated impairment losses, except for land, which is recorded using the valuation model. When the useful life of each part of an item of property, plant and equipment is different compared to that of the item, each part is recognized separately. The cost of an item of property, plant and equipment is directly attributable to its purchase or construction, including the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs incurred to replace part of previously recognized item of property, plant and equipment are added to the carrying amount of an asset, or recognized as a separate asset, if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of what was replaced is derecognized. Routine maintenance and repairs are expenses as incurred.

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Depreciation expense for property, plant and equipment other than land is computed using the straight-line method, which reflects most closely the pattern in which the asset's economic benefits are expected to be consumed by the Group over the estimated useful lives of the assets as follows:

	Useful lives
Buildings	30 – 35 years
Structures	10 – 15
Machinery	5 – 12
Vehicles	3 – 6
Tools	3 – 10
Office equipment	3 – 10

If a part of a property, plant and equipment has a cost that is significant in relation to the total cost of property, plant and equipment, it is depreciated separately.

The Group reviews the depreciation method, the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

When the carrying amount of property, plant and equipment is higher than the recoverable amount, the carrying amount is adjusted to the recoverable amount and the difference is recognized as an impairment loss. Meanwhile, when the recoverable amount subsequently exceeds the carrying amount of the impaired asset, the excess is recorded as a reversal of impairment loss to the extent that the reversed asset does not exceed the carrying amount before previous impairment as adjusted by depreciation. Upon derecognition of property, plant and equipment, the difference between the net disposal proceed and the carrying amount of the item is recognized in other non-operating income (expense).

2.11 Government Grants

For the purpose of acquisition of certain assets, government grants related to assets are accounted for as a deduction from related assets on the date that the related assets are received.

If a government grant that will be received is not subject to specific conditions attached to it, government grants related to primary operating activity are recognized in operating income; otherwise, those are recognized in other non-operating income. Meanwhile, expense related to the government grants is to be offset first and then recognized in current income.

2.12 Intangible Assets

Intangible assets are initially measured at cost and are carried at cost, less accumulated amortization and accumulated impairment losses. Subsequent expenditure on an intangible asset is capitalized only when it is probable that the expected future economic benefits that are attributable to the asset will increase.

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Intangible assets other than goodwill and intangible assets with indefinite useful lives are amortized using the straight-line method with no residual value, with amortization beginning when the asset is available for use. However, useful lives of membership and other intangible assets with similar nature are determined to be indefinite as there is no foreseeable limit to the period over which the assets are expected to generate net cash inflow from the Group and they are not amortized, but tested for impairment once a year.

	Useful lives
Industrial rights	5 – 10 years
Development costs	5
Other intangible assets	3 – 7

Goodwill acquired from business combination is measured as the consideration transferred in excess of acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired and is classified as intangible assets. Goodwill is not subject to amortization and tested annually for impairment. Goodwill is carried at cost less accumulated impairment losses, if any. Impairment loss recognized for goodwill is not reversed. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units or Groups of cash-generating units that are expected to benefit from the synergies of the combination.

Expenditures relating to development activities are capitalized when the result of the development is for the development of new products or substantial improvement of functions of existing products, there is technical and commercial feasibility of completing the development and the Group has the ability to measure reliably the expenditure attributable to the development. Capitalized development costs include expenditure on materials, salaries, wages and other employment-related costs of personnel directly engaged in generating assets and related overhead cost that is systematically allocated. Capitalized development costs are presented at the acquisition cost, less accumulated amortization and accumulated impairment losses. Capitalized development costs are amortized using the straight-line method over the estimated useful life and amortization expenses are included in cost of goods manufactured and amortization in selling and administrative expenses. The expenditure on research and development that does not meet the conditions noted above is recognized as an expense when it is incurred.

The estimated useful life and amortization method for intangible assets with finite useful lives are reviewed at the end of each reporting period and for the assets that have been assessed as having indefinite useful life, that assessment is revisited each period, with the effect of any changes in estimate being accounted for as a change in accounting estimate.

2.13 Investment Property

Investment property is property held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost. After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. The Group depreciates investment properties, except for land, using the straight-line method over their useful lives of 19 years.

2.14 Impairment of Non-financial Assets

Goodwill and 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 other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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2.15 Financial Liabilities

(a) Classification and measurement

The Group'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 Group 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 present as 'trades payables', 'borrowings', and 'other financial liabilities' in the statement of financial position.

(b) 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.

(c) 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 non-current 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*

2.16 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is measured using the present value of the cash flows estimated to settle the present obligation when the effect of the time value of money is material. At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. The increase in provision due to passage of time is recognized as interest expense. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received. In the consolidated statements of profit or loss, a net amount is presented, being the anticipated cost of the obligation, less the reimbursement.

2.17 Current and Deferred Tax

The tax expense for the year consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other

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comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The 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. The Group recognizes current income tax on the basis of amounts expected to be paid to the tax authorities.

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 nor taxable profit or loss.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that the Group 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 Group 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 where the entity has a legally enforceable right to offset and intends to settle on a net basis.

2.18 Employee Benefits

(a) Post-employment benefits

The Group operates both defined contribution and defined benefit pension plans.

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

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 depends on the employee's age, periods of service and salary levels. The liability recognized in the 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.

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2.19 Revenue Recognition

The Group has applied Korean IFRS 1115 *Revenue from Contracts with Customers* for annual reporting period beginning on January 1, 2019. In accordance with K-IFRS 1115, the Group recognizes revenue from all types of the contracts by using the five-step revenue recognition model. The five-step revenue recognition model is as follows:

- Identify contracts with customers
- Identify the separate performance obligation
- Determine the transaction price of the contract
- Allocate the transaction price to each of the separate performance obligations, and
- Recognize the revenue as each performance obligation is satisfied.

(a) Identify the separate performance obligation

The Group engages in manufacturing and distributing compact construction equipment. The Group provides an extended warranty service in connection with the sale of product based on the contract.

(b) Performance obligations recognizing through the periods: Extended warranty services

The Group provides an extended warranty for products for coverage beyond the standard warranty period, and a customer has an option to purchase the extended warranty separately. Therefore, the extended warranty is classified as separate performance obligation according to the K-IFRS 1115, and a portion of the transaction price is allocated to that performance obligation in order to recognize revenue based on the progress towards complete satisfaction of the performance obligation.

(c) Allocate the transaction price to each of the separate performance obligations

The Group allocates the transaction price in an arrangement to each separate performance obligation based on the relative stand-alone selling prices of the goods or services being provided to a customer. The stand-alone selling prices of goods or services are observable in most cases. However, if the stand-alone selling prices are not directly observable, the Group estimates the selling prices by using expected cost plus a margin approach.

(d) Sales with a right of return

The Group estimates an amount of variable consideration by using the expected value which the Group expects to better predict the amount of consideration. The Group recognize revenue with transaction price including variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the refund period has lapsed. The refund liability is measured at the amount of consideration received for which the Group does not expect to be entitled.

2.20 Lease

The Group leases various offices, warehouses, equipment and cars. 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.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over

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the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. 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.

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

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.

The Group determines the incremental borrowing rate by excluding hedge effects from the borrowing rate of Clark Equipment Co. which had the financing from third-party.

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

Lease payments of short-term lease (a lease term of 12 months or less at the commencement date) and low value assets (at acquisition cost less than or equal to USD 5,000) will be recognized immediately in profit or loss under straight-line method.

2.21 Earnings Per Share

Basic earnings per common share are computed by dividing net income attributable to owners of the Group by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share are computed by dividing diluted net income attributable to the owners of the Group, which is adjusted by adding back the after-tax amount of expenses related to dilutive potential ordinary shares, by the weighted-average number of common shares and dilutive potential ordinary shares outstanding during the period. Antidilutive potential ordinary shares are disregarded in the calculation of diluted earnings per share.

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2.22 Dividend

Dividend payable is recognized as liability when declaration of the dividend is approved at the shareholders' meeting.

2.23 Segment Reporting

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to management. The management of the Group is responsible for allocating resources and assessing performance of the operating segments.

2.24 Approval of Issuance of the Financial Statements

The consolidated financial statements 2019 were approved for issue by the Board of Directors on February 10, 2020 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Group'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.

(a) Revenue recognition – Revenue deductions

The Group offers customers a variety of promotion and incentive programs and its costs incurred are recognized as deductions from revenue. Any unsettled amounts are recognized on an accrual basis. These liabilities related to revenue deductions are estimated based on historical experience and judgement of management when the related revenue recognized. The Group's revenue is affected by these estimated revenue deductions.

(b) Impairment of goodwill

The Group annually performs impairment assessment on goodwill. Recoverable amount of cash-generating units is based on the higher of value in use or net fair value (fair value less cost of disposals). The calculation for impairment assessment requires accounting estimates (Note 10).

(c) Impairment of capitalized development cost

The Group performs an assessment for impairment of capitalized development costs at the end of each reporting period by reviewing project's business forecast, technical feasibility and future economic benefit. The assessment on indication of impairment or calculation of recoverable amount of capitalized development costs involves management's estimates and judgments (Note 10).

(d) Income taxes

The Group'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.

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Current and deferred income tax is measured to the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period when the asset is realized or the liability is settled. However, the ultimate corporate income tax may not correspond to the related assets and liabilities recognized at the end of the current reporting period. Such difference may affect current and deferred tax assets and liabilities at the time when final tax effect is determined.

A deferred tax asset is recognized for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. The future taxable profit measured by management's estimate involves management's significant judgement, and this could affect the Group's deferred tax assets.

If certain portion of the taxable income is not used for investments, increase in wages or others in accordance with the tax system for recirculation of corporate Income, the Group 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 these tax effects. As the Group's income tax is dependent on the investments, increase in wages and others, there is an uncertainty measuring the final tax effects. (Note 29).

(e) 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 16).

(f) Warranty provision

The Group provides warranty for products when the related revenue is recognized. At the end of each reporting period, provisions are recorded for the best estimated costs to fulfill current and future warranty obligations. These estimates may change in future due to additional provisions required under local legislation and practice (Note 17).

(g) Impairment of financial assets

The provision for impairment for financial assets are based on assumptions about risk of default and expected loss rates in accordance with K-IFRS 1109. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period (Note 4).

4. Financial Risk Management

4.1 Financial Risk Factors

The Group's financial risk management focuses on improving financial structure and efficiency of liquidity management for stable and consistent financial performance of the Group by minimizing market risk, credit risk and liquidity risk.

The Group's financial risk management activities are mainly carried out by its treasury function with the cooperation of the Group's other functions, financial risks are identified, assessed and hedged based on financial risk management policies and potential impacts of financial risks are regularly monitored.

4.1.1 Market Risk

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions. Foreign exchange risk arises from recognized assets and liabilities and net investments in foreign entities.

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Foreign currency risk is managed based on the Group's policy on foreign currencies and the Group's key strategy for managing this risk is to reduce a volatility of financial performances due to fluctuations in foreign exchange rates.

The Group's financial assets and liabilities exposed to foreign exchange risk as at December 31, 2019 and 2018, are as follows:

(in thousands of USD)

	December 31, 2019				
	USD	EUR	GBP	Others ¹	Total
Financial assets	\$ 204,131	\$ 4,519	\$ 7,644	\$ 3,557	\$ 219,851
Financial liabilities	(455,133)	(57,454)	(8,453)	(15,279)	(536,319)
Net	\$ (251,002)	\$ (52,935)	\$ (809)	\$ (11,722)	\$ (316,468)

(in thousands of USD)

	December 31, 2018				
	USD	EUR	GBP	Others ¹	Total
Financial assets	\$ 167,718	\$ 46,571	\$ 7,944	\$ 2,612	\$ 224,845
Financial liabilities	(453,169)	(132,085)	(7,590)	(9,141)	(601,985)
Net	\$ (285,451)	\$ (85,514)	\$ 354	\$ (6,529)	\$ (377,140)

¹ Others are assets and liabilities denominated in foreign currencies other than USD, EUR and GBP.

The table below summarizes the impact of weakened/strengthened functional currency on the Group's profit before income tax expense for the year. The analysis is based on the assumption that the functional currency has weakened/strengthened by 10% against the respective foreign currencies above with all other variables held constant.

(in thousands of USD)

	Year ended December 31, 2019		Year ended December 31, 2018	
	10% increase in foreign exchange currency rate	10% decrease in foreign exchange currency rate	10% increase in foreign exchange currency rate	10% decrease in foreign exchange currency rate
Profit before income tax expense	\$ (31,647)	\$ 31,647	\$ (37,714)	\$ 37,714

(b) 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 on floating rate deposits and borrowings.

The Group manages interest rate risk through various activities. These include minimizing external borrowings by utilizing internal fund availability, reducing borrowings with higher interest rates, improving maturity structure of borrowings, maintaining appropriate balance between floating rate and fixed rate, and a regular monitoring of market trend and developing action plans.

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Financial liabilities with floating interest rates, except the borrowings subject to the interest rate swap contract (Note 8), exposed to interest rate risk as at December 31, 2019 and 2018, are as follows:

<i>(in thousands of USD)</i>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial liabilities	\$ 657,013	\$ 271,463

The table below summarizes the impact of increases/decreases of interest rate on the Group's annual income before income tax expense. The analysis is based on the assumption that the interest rate has increased/decreased by 1% (100 basis points) with all other variables held constant.

<i>(in thousands of USD)</i>	Impact on the profit before income tax estimated for the year ended			
	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>100 bp increase</u>	<u>100 bp decrease</u>	<u>100 bp increase</u>	<u>100 bp decrease</u>
Profit before income tax expense	\$ (6,570)	\$ 6,570	\$ (2,715)	\$ 2,715

4.1.2 Credit Risk

Credit risk arises during the normal course of transactions and investing activities where customers or other parties are unable to comply with contractual obligations. The Group sets out and monitors credit limits for its customers and counterparts on a periodic basis considering financial conditions, historical experiences and other factors.

Credit risk arises from cash and cash equivalents, derivatives and deposits in banks and financial institutions, as well as the Group's receivables.

Main objectives of credit risk management are to efficiently manage credit risk based on the Group's credit policies, to promptly support decision-making processes and to minimize financial losses through safeguarding receivables. An allowance for doubtful accounts is specifically recognized for the receivables with impairment indicators individually identified. The Group uses the simplified approach to recognize the loss allowance for lifetime expected credit loss for a group of receivables with similar credit-risk nature that are not individually significant.

Maximum exposures of financial assets of the Group exposed to credit risk as at December 31, 2019 and 2018, are as follows.

<i>(in thousands of USD)</i>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash and cash equivalents	\$ 183,489	\$ 489,465
Trade and other receivables	364,205	400,471
Long-term financial instruments ¹	752	749
Long-term financial investments	957	1,093
Long-term trade and other receivables	46,445	76,789
Derivative assets	-	6,085
Long-term derivative assets	-	5,771
Other non-current assets	2,273	2,673
	<u>\$ 598,121</u>	<u>\$ 983,096</u>

¹ Long-term financial instruments are the limited deposits related to Government tender.

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Aging analysis of the Group's receivables as at December 31, 2019 and 2018, are as follows:

(in thousands of USD)

(in thousands of USD)		December 31, 2019					
		Receivables					
	Individually impaired receivables	assessed for impairment on a collective basis					
		Within due	0–3 months	3–6 months	6–12 months	Over 12 months	Total
Trade receivables	\$ 4,410	\$ 188,705	\$ 42,533	\$ 8,580	\$ 3,572	\$ 3,920	\$ 251,720
Other receivables	1	118,342	-	2	11	1	118,357
Accrued income	2,285	724	-	-	-	-	3,009
Short-term loans	-	132	-	-	-	-	132
Long-term trade receivables	-	268	-	-	-	-	268
Long-term other receivables	-	46,177	-	-	-	-	46,177
	\$ 6,696	\$ 354,348	\$ 42,533	\$ 8,582	\$ 3,583	\$ 3,921	\$ 419,663

(in thousands of USD)

(in thousands of USD)		December 31, 2018						
		Receivables						
	Individually impaired receivables	assessed for impairment on a collective basis						
		Within due	0–3 months	3–6 months	6–12 months	Over 12 months	Total	
Trade receivables	\$ 5,832	\$ 217,020	\$ 17,092	\$ 5,099	\$ 3,012	\$ 3,525	\$ 251,580	
Other receivables	1	156,426	6	-	-	-	156,433	
Accrued income	-	3,518	-	-	-	-	3,518	
Short-term loans	-	58	-	-	-	-	58	
Long-term trade receivables	-	679	-	-	-	-	679	
Long-term other receivables	-	76,110	-	-	-	-	76,110	
	\$ 5,833	\$ 453,811	\$ 17,098	\$ 5,099	\$ 3,012	\$ 3,525	\$ 488,378	

Receivables with specific impairment indicators such as insolvency and bankruptcy are individually assessed using appropriate allowance rates. A group of financial assets with similar credit risk natures that are not individually significant is assessed on expected credit losses based on aging analysis and the credit risk characteristics.

As at the end of the reporting period, the aging analysis of allowance for bad debts on trade receivables and other receivables are as follows.

(in thousands of USD)

		December 31, 2019					
		Allowance for bad debts assessed for impairment on a collective basis					Total
	Allowance for bad debts for individually impaired receivables	Within due	0-3 months	3-6 months	6-12 months	Over 12 months	
Trade receivables	\$ 4,315	\$ 1,168	\$ 413	\$ 682	\$ 733	\$ 1,701	\$ 9,012
Other receivables	1	-	-	-	-	-	1
	\$ 4,316	\$ 1,168	\$ 413	\$ 682	\$ 733	\$ 1,701	\$ 9,013

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(in thousands of USD)

(in thousands of USD)	December 31, 2018						
	Allowance for bad debts for individually impaired receivables	Allowance for bad debts assessed for impairment on a collective basis					Total
		Within due	0–3 months	3–6 months	6–12 months	Over 12 months	
Trade receivables	\$ 4,998	\$ 1,200	\$ 405	\$ 722	\$ 705	\$ 3,087	\$ 11,117
Other receivables	1	-	-	-	-	-	1
	<u>\$ 4,999</u>	<u>\$ 1,200</u>	<u>\$ 405</u>	<u>\$ 722</u>	<u>\$ 705</u>	<u>\$ 3,087</u>	<u>\$ 11,118</u>

4.1.3 Liquidity Risk

Liquidity risk represents the risk that the Group may encounter difficulties in fulfilling its obligations to repay financial liabilities or in being able to have additional funding for its normal business operations due to liquidity shortage.

The Group secures and maintains the appropriate level of liquidity volume and accordingly manages the liquidity risk in advance by forecasting the projected cash flows from operating, investing and financing activities for a three-month period as well as annual fiscal year.

Details of the Group's liquidity risk analysis as at December 31, 2019 and 2018, are as follows:

(in thousands of USD)

	Book value	December 31, 2019				
		Nominal cash flows				
		Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Trade payables	\$ 451,580	\$ 451,580	\$ 451,580	\$ -	\$ -	\$ -
Other Payables (current and non-current)	300,704	300,500	289,667	7,534	-	3,299
Borrowings	665,820	777,862	43,660	42,866	691,336	-
Lease liabilities	51,310	59,852	16,198	11,877	15,401	16,376
	<u>\$ 1,469,414</u>	<u>\$ 1,589,794</u>	<u>\$ 801,105</u>	<u>\$ 62,277</u>	<u>\$ 706,737</u>	<u>\$ 19,675</u>

(in thousands of USD)

	Book value	December 31, 2018				
		Nominal cash flows				
		Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Trade payables	\$ 418,169	\$ 418,169	\$ 418,169	\$ -	\$ -	\$ -
Other liabilities (current and non-current)	257,543	257,405	256,404	996	5	-
Borrowings	983,112	1,211,953	61,217	60,747	170,867	919,122
	<u>\$ 1,658,824</u>	<u>\$ 1,887,527</u>	<u>\$ 735,790</u>	<u>\$ 61,743</u>	<u>\$ 170,872</u>	<u>\$ 919,122</u>

The amounts of financial liabilities by remaining maturity included in above represent undiscounted contractual nominal cash flows (including interest expenses), assuming the earliest period in which the Group can be required to pay, and therefore differ from the financial liabilities recognized in the consolidated statements of financial position. In addition, apart from the financial liabilities above, the maximum exposure related with financial guarantees provided by the Group as at December 31, 2019 is discussed in Note 31.

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4.2 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so the Group can continue 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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the debt-to-equity ratio which is calculated by dividing total liabilities by total equity in the financial statements.

Debt-to-equity ratio as at December 31, 2019 and 2018, are as follows:

<i>(in thousands of USD)</i>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Debt	\$ 2,353,749	\$ 2,420,822
Equity	<u>3,436,748</u>	<u>3,344,605</u>
Debt-to-equity ratio	<u>68.49%</u>	<u>72.38%</u>

5. Financial Instruments by Category

5.1 Carrying Amounts of Financial Instruments by Category

Categorizations of financial assets and liabilities as at December 31, 2019 and 2018, are as follows:

<i>(in thousands of USD)</i>	<u>December 31, 2019</u>			
	<u>Financial assets at amortized cost</u>	<u>Financial assets at fair value through profit or loss</u>	<u>Financial assets at fair value through OCI</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 183,489	\$ -	\$ -	\$ 183,489
Trade and other receivables	358,548	-	5,657	364,205
Long-term trade and other receivables	46,445	-	-	46,445
Long-term financial instruments	752	-	-	752
Long-term financial investments	-	957	-	957
Other non-current assets	<u>2,273</u>	<u>-</u>	<u>-</u>	<u>2,273</u>
	<u>\$ 591,507</u>	<u>\$ 957</u>	<u>\$ 5,657</u>	<u>\$ 598,121</u>

<i>(in thousands of USD)</i>	<u>December 31, 2019</u>		
	<u>Financial liabilities at amortized cost</u>	<u>Other financial liabilities</u>	<u>Total</u>
Liabilities			
Trade and other payables	\$ 741,247	\$ -	\$ 741,247
Borrowings	665,820	-	665,820
Derivative liabilities (current and non-current)	-	289	289
Other non-current payables	10,833	-	10,833
Finance guaranty liabilities	-	204	204
Lease liabilities	<u>-</u>	<u>51,310</u>	<u>51,310</u>
	<u>\$ 1,417,900</u>	<u>\$ 51,803</u>	<u>\$ 1,469,703</u>

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Assets	December 31, 2018				
	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Other financial assets	Total
Cash and cash equivalents	\$ 489,465	\$ -	\$ -	\$ -	\$ 489,465
Trade and other receivables	375,799	-	24,672	-	400,471
Derivative assets (current and non-current)	-	2,658	-	9,198	11,856
Long-term trade and other receivables	76,789	-	-	-	76,789
Long-term financial instruments	749	-	-	-	749
Long-term financial investments	-	1,093	-	-	1,093
Other non-current assets	2,673	-	-	-	2,673
	<u>\$ 945,475</u>	<u>\$ 3,751</u>	<u>\$ 24,762</u>	<u>\$ 9,198</u>	<u>\$ 983,096</u>

(in thousands of USD)

Liabilities	December 31, 2018			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other Financial Liabilities	Total
Trade and other payables	\$ 674,573	\$ -	\$ -	\$ 674,573
Borrowings	983,112	-	-	983,112
Derivative liabilities (current and non-current)	-	560	5	565
Other non-current liabilities	1,001	-	-	1,001
Finance guaranty liabilities	-	-	138	138
	<u>\$ 1,658,686</u>	<u>\$ 560</u>	<u>\$ 143</u>	<u>\$ 1,659,389</u>

During the year ended December 31, 2019, there have been no significant changes in the business and economic environment affecting the fair value of the Group's financial assets and liabilities. Assets and liabilities whose carrying value is a reasonable approximation of fair value are excluded from the fair value disclosure above.

5.2 Fair Value Hierarchy

Fair value hierarchy classifications of the financial instruments, based on the levels defined as below, that are measured at fair value as at December 31, 2019 and 2018, are as follows:

(in thousands of USD)

	December 31, 2019			
	Level 1 ¹	Level 2 ¹	Level 3 ¹	Total
Financial assets:				
Financial assets at fair value through profit or loss	\$ -	\$ -	\$ 957	\$ 957
Financial assets at fair value through OCI	-	5,657	-	5,657
	<u>\$ -</u>	<u>\$ 5,657</u>	<u>\$ 957</u>	<u>\$ 6,614</u>
Financial liabilities:				
Other financial liabilities(Hedge derivatives)	-	(289)	-	(289)
	<u>\$ -</u>	<u>\$ (289)</u>	<u>\$ -</u>	<u>\$ (289)</u>

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(in thousands of USD)

	December 31, 2018			
	Level 1 ¹	Level 2 ¹	Level 3 ¹	Total
Financial assets:				
Financial assets at fair value through profit or loss	\$ -	\$ 2,658	\$ 1,093	\$ 3,751
Financial assets at fair value through OCI	-	24,672	-	24,672
Other financial assets(Hedge derivatives)	-	9,198	-	9,198
	<u>\$ -</u>	<u>\$ 36,528</u>	<u>\$ 1,093</u>	<u>\$ 37,621</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss	\$ -	\$ (560)	\$ -	\$ (560)
Other financial liabilities(Hedge derivatives)	-	(5)	-	(5)
	<u>\$ -</u>	<u>\$ (565)</u>	<u>\$ -</u>	<u>\$ (565)</u>

- ¹ 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.

5.3 Net Gains or Losses by Category of Financial Instruments

Changes in level 3 financial instruments among the financial instruments that are measured at fair value for the year ended December 31, 2019 is as follows:

(in thousands of USD)	Beginning	Gain(loss) recognized in other comprehensive income	Other	Ending
Financial assets at fair value through profit or loss	\$ 1,093	\$ (117)	\$ (19)	\$ 957

5.4 Net Gains or Losses by Category of Financial Instruments

Net gains or losses on each category of financial instruments for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of USD)

	Year ended December 31, 2019					
	Interest income (expense)	Bad debt expense	Loss on disposal	Gain (loss) on derivatives	Other	Other comprehensive income(expense)
Financial assets:						
Financial assets at amortized cost	\$ 6,778	\$ (552)	\$ (3,270)	\$ -	\$ -	\$ -
Financial assets at fair value through profit or loss	-	-	-	4,667	(117)	-
Financial assets at fair value through other comprehensive income	-	-	(2,233)	-	-	-
Other financial assets (Hedge derivatives)	-	-	-	-	-	(8,246)
	<u>\$ 6,778</u>	<u>\$ (552)</u>	<u>\$ (5,503)</u>	<u>\$ 4,667</u>	<u>\$ (117)</u>	<u>\$ (8,246)</u>
Financial liabilities:						
Financial liabilities at amortized cost	\$ (38,178)	\$ -	\$ (1,840)	\$ -	\$ (380)	\$ -
Other financial liabilities	(2,330)	-	-	(10,052)	97	-
	<u>\$ (40,508)</u>	<u>\$ -</u>	<u>\$ (1,840)</u>	<u>\$ (10,052)</u>	<u>\$ (283)</u>	<u>\$ -</u>
Year ended December 31, 2018						

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	Interest income (expense)	Bad debt expense	Loss on disposal	Gain (loss) on derivatives	Other	Other comprehensive income(loss)
Financial assets:						
Financial assets at amortized cost	\$ 5,503	\$ (328)	\$ (4,525)	\$ -	\$ -	\$ -
Financial assets at fair value through profit or loss	-	-	-	7,664	-	-
Other financial assets (Hedge derivatives)	-	-	-	236	-	(17,335)
	<u>\$ 5,503</u>	<u>\$ (328)</u>	<u>\$ (4,525)</u>	<u>\$ 7,900</u>	<u>\$ -</u>	<u>\$ (17,335)</u>
Financial liabilities:						
Financial liabilities at amortized cost	\$ (37,445)	\$ -	\$ (1,533)	\$ -	\$ (494)	\$ -

All of other comprehensive income or loss noted above was resulted from cash flow hedge derivatives.

In addition, foreign exchange differences, either realized or not, related to foreign currency transactions (other than derivative contracts) are mostly resulted from loans and receivables, financial assets at fair value through OCI and financial liabilities measured at amortized cost.

6. Trade and Other Receivables

Trade and other receivables as at December 31, 2019 and 2018, are as follows:

(in thousands of USD)

	December 31, 2019		
	Gross	Allowance for doubtful accounts	Net
Current:			
Trade receivables	\$ 251,720	\$ (9,012)	\$ 242,708
Other receivables	118,357	(1)	118,356
Accrued income	3,009	-	3,009
Short-term loans	132	-	132
	<u>\$ 373,218</u>	<u>\$ (9,013)</u>	<u>\$ 364,205</u>
Non-current:			
Long-term trade receivables	\$ 268	\$ -	\$ 268
Long-term other receivables	46,177	-	46,177
	<u>\$ 46,445</u>	<u>\$ -</u>	<u>\$ 46,445</u>

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(in thousands of USD)

	December 31, 2018		
	Gross	Allowance for doubtful accounts	Net
Current:			
Trade receivables	\$ 251,580	\$ (11,117)	\$ 240,463
Other receivables	156,434	(1)	156,433
Accrued income	3,518	-	3,518
Short-term loans	57	-	57
	<u>\$ 411,589</u>	<u>\$ (11,118)</u>	<u>\$ 400,471</u>
Non-current:			
Long-term trade receivables	\$ 679	\$ -	\$ 679
Long-term other receivables	76,110	-	76,110
	<u>\$ 76,789</u>	<u>\$ -</u>	<u>\$ 76,789</u>

Changes in allowance for doubtful accounts for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of USD)

	Year ended December 31, 2019				
	Beginning	Increase (Decrease)	Write-off	Other	Ending
Trade receivables	\$ 11,117	\$ 552	\$ (2,404)	\$ (253)	\$ 9,012
Other receivables	1	-	-	-	1
	<u>\$ 11,118</u>	<u>\$ 552</u>	<u>\$ (2,404)</u>	<u>\$ (253)</u>	<u>\$ 9,013</u>

(in thousands of USD)

	Year ended December 31, 2018						
	Beginning (under K-IFRS 1039)	Opening adjustments	Adjusted beginning (under K-IFRS 1109)	Increase	Write-off	Other	Ending
Trade receivables	\$ 7,673	\$ 730	\$ 8,403	\$ 3,682	\$ (146)	\$ (822)	\$ 11,117
Other receivables	526	-	526	-	(512)	(13)	1
	<u>\$ 8,199</u>	<u>\$ 730</u>	<u>\$ 8,929</u>	<u>\$ 3,682</u>	<u>\$ (658)</u>	<u>\$ (835)</u>	<u>\$ 11,118</u>

Past due receivables are considered impaired. An allowance for doubtful accounts is specifically recognized for the receivables with impairment indicators individually identified. The Group applies the simplified approach to recognize the lifetime expected credit losses as loss allowances for a group of financial assets with similar credit risk natures that are not individually significant. In order to measure expected credit loss, the Group categorizes receivables based on risk characteristics and aging. Expected credit loss includes forward looking information. The allowance for doubtful accounts is included in selling and administrative expenses and other non-operating expenses in the consolidated statements of income.

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7. Inventories

Inventories as at December 31, 2019 and 2018, are as follows:

(in thousands of USD)

	December 31, 2019		
	Acquisition cost	Valuation allowance	Net book value
Merchandise and Finished goods	\$ 349,152	\$ (25,397)	\$ 323,755
Work in progress	42,500	-	42,500
Raw materials	264,731	(13,084)	251,647
Materials in transit	80,795	-	80,795
	<u>\$ 737,178</u>	<u>\$ (38,481)</u>	<u>\$ 698,697</u>

(in thousands of USD)

	December 31, 2018		
	Acquisition cost	Valuation allowance	Net book value
Merchandise and Finished goods	\$ 262,343	\$ (21,917)	\$ 240,426
Work in progress	27,677	-	27,677
Raw materials	227,398	(15,306)	212,092
Materials in transit	72,992	-	72,992
	<u>\$ 590,410</u>	<u>\$ (37,223)</u>	<u>\$ 553,187</u>

The cost of inventories recognized as expense and included in 'cost of sales' for the year ended December 31, 2019, amounts to \$2,837,300 thousand (December 31, 2018: \$2,648,607 thousand). Reversal of losses on inventory valuation added to 'cost of sales' amounts to \$ 1,258 thousand on the same period (December 31, 2018: loss of \$306 thousand).

8. Derivatives

The Group's derivative contracts are classified as follows:

Purpose	Type of derivative instruments	Description
Trading purpose	Foreign currency swap	Foreign currency swap to hedge future cash flow
Cash flow hedge	Foreign currency forward	A contract to avoid cash flow risk arising from forecasted sales in foreign currencies
	Interest rate swap	A contract to avoid cash flow risk arising from changes in future interest rate (3 month USD Libor)

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Details of valuation of derivatives as at December 31, 2019 and 2018, are as follows:

(in thousands of all currencies)

	December 31, 2019					
	Buy		Sell		Derivative assets (liabilities)	Valuation gain (loss)
	Currency	Amount	Currency	Amount		Other comprehensive income (loss)
Foreign currency forward	EUR	9,644	GBP	8,423	(289)	-
					<u>\$ (289)</u>	<u>\$ -</u>
						<u>\$ (289)</u>

(in thousands of all currencies)

	December 31, 2018					
	Buy		Sell		Derivative assets (liabilities)	Valuation gain (loss)
	Currency	Amount	Currency	Amount		Other comprehensive income (loss)
Foreign currency swap	EUR 85,070, 0.02%		USD 100,000, 3M USD LIBOR		\$ 2,098	\$ 5,418
Interest rate swap	USD 600,000, 2.10%		USD 600,000, 3M USD LIBOR		9,080	236
Foreign currency forward	EUR	12,470	GBP	11,164	113	-
					<u>\$ 11,291</u>	<u>\$ 5,654</u>
						<u>\$ 7,957</u>

Derivatives are classified as non-current assets (liabilities) if their remaining maturities exceed 12 months from the end of the reporting period; otherwise, they are classified as current assets (liabilities).

9. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of USD)

	Year ended December 31, 2019							
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Construction in progress
Beginning	\$ 27,670	\$ 144,842	\$ 4,768	\$ 147,507	\$ 662	\$ 1,642	\$ 4,167	\$ 54,230
Acquisition & capital expenditure	-	11,732	17	13,591	468	1,221	5,496	79,689
Disposal	-	(2)	-	(1,263)	(143)	(1)	(73)	-
Business combination	1,270	2,765	-	4,714	-	-	286	-
Depreciation	-	(7,427)	(348)	(42,933)	(233)	(654)	(1,360)	-
Revaluation	4,129	-	-	-	-	-	-	-
Others	(282)	(1,406)	(76)	59,593	(4)	1,362	(585)	(58,023)
Ending	<u>\$ 32,787</u>	<u>\$ 150,504</u>	<u>\$ 4,361</u>	<u>\$ 181,209</u>	<u>\$ 750</u>	<u>\$ 3,570</u>	<u>\$ 7,931</u>	<u>\$ 75,896</u>
Acquisition cost	\$ 32,787	\$ 225,249	\$ 7,377	\$ 426,163	\$ 2,783	\$ 4,794	\$ 18,378	\$ 75,896
Accumulated depreciation	-	(73,684)	(2,711)	(244,271)	(2,026)	(1,088)	(10,447)	-
Accumulated impairment losses	-	(1,061)	(305)	(683)	(7)	(136)	-	-

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(in thousands of USD)

	Year ended December 31, 2018								
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Construction in progress	Total
Beginning	\$ 27,584	\$ 151,362	\$ 5,018	\$ 169,583	\$ 691	\$ 1,162	\$ 3,913	\$ 21,871	\$ 381,184
Acquisition & capital expenditure	3,955	7,140	674	3,525	247	687	1,781	53,413	71,422
Disposal	(3,284)	(2,539)	-	(725)	(106)	(13)	(112)	-	(6,779)
Depreciation	-	(7,359)	(362)	(43,950)	(254)	(244)	(1,287)	-	(53,456)
Asset held for sale ¹	-	(1,121)	(327)	(721)	-	-	-	-	(2,169)
Others	(585)	(2,641)	(235)	19,795	84	50	(128)	(21,054)	(4,714)
Ending	<u>\$ 27,670</u>	<u>\$ 144,842</u>	<u>\$ 4,768</u>	<u>\$ 147,507</u>	<u>\$ 662</u>	<u>\$ 1,642</u>	<u>\$ 4,167</u>	<u>\$ 54,230</u>	<u>\$ 385,488</u>
Acquisition cost	\$ 27,670	\$ 217,513	\$ 7,484	\$ 387,340	\$ 2,824	\$ 2,228	\$ 16,087	\$ 54,230	\$ 715,376
Accumulated depreciation	-	(68,448)	(2,407)	(238,330)	(2,148)	(446)	(11,808)	-	(323,587)
Accumulated impairment losses	-	(4,223)	(309)	(1,503)	(14)	(140)	(112)	-	(6,301)

Land is measured at fair value. If measured at a historical cost as at December 31, 2019, its carrying value would be \$18,562 thousand.

As at December 31, 2019, certain property, plant and equipment included above are pledged as collateral in relation to the borrowings (Notes 15 and 31).

Classification of depreciation expenses for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of USD)

	Year ended December 31, 2019	Year ended December 31, 2018
Cost of sales	\$ 43,076	\$ 44,874
Selling and administrative expenses		
Depreciation expenses	5,902	4,500
Research and development expenses	3,977	4,082
	<u>\$ 52,955</u>	<u>\$ 53,456</u>

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10. Intangible Assets

Changes in intangible assets for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of USD)

	Year ended December 31, 2019				
	Goodwill	Industrial rights	Development costs	Others	Total
Beginning	\$ 2,609,269	\$ 973,404	\$ 101,201	\$ 32,911	\$ 3,716,785
Internal development	-	-	40,129	-	40,129
Acquisition	-	544	2,275	7,752	10,571
Disposal	(3,209)	-	-	(53)	(3,262)
Business combination	20,423	27,491	-	15,210	63,124
Amortization	-	(26)	(20,595)	(9,290)	(29,911)
Impairment	-	-	(4,139)	-	(4,139)
Others	(15,944)	(7,230)	(320)	1,165	(22,329)
Ending	\$ 2,610,539	\$ 994,183	\$ 118,551	\$ 47,695	\$ 3,770,968
Acquisition cost	\$ 2,610,539	\$ 1,134,406	\$ 299,167	\$ 116,193	\$ 4,160,305
Accumulated amortization and impairment loss	-	(140,223)	(180,616)	(68,498)	(389,337)

(in thousands of USD)

	Year ended December 31, 2018				
	Goodwill	Industrial rights	Development costs	Others	Total
Beginning	\$ 2,607,526	\$ 988,811	\$ 89,850	\$ 31,784	\$ 3,717,971
Internal development	-	-	34,260	-	34,260
Acquisition	-	-	1,365	11,103	12,468
Disposal	-	-	-	(114)	(114)
Amortization	-	-	(23,556)	(9,438)	(32,994)
Impairment	-	-	-	(59)	(59)
Others	1,743	(15,407)	(718)	(365)	(14,747)
Ending	\$ 2,609,269	\$ 979,404	\$ 101,201	\$ 32,911	\$ 3,716,785
Acquisition cost	\$ 2,609,269	\$ 1,114,654	\$ 257,542	\$ 92,719	\$ 4,074,184
Accumulated amortization and impairment loss	-	(141,250)	(156,341)	(59,808)	(357,399)

As at December 31, 2019, the carrying amount of goodwill and other intangible with indefinite useful lives included in others above is \$3,605,476 thousand (December 31, 2018: \$3,583,785 thousand).

The Group performed an impairment assessment on industrial rights by estimating recoverable amount of industrial rights, and recognized no impairment as the recoverable amount exceeded its carrying amount.

Certain intangible assets included above are pledged as collateral as at December 31, 2019 in connection with the borrowings (Notes 15 and 31).

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Details of development costs as at December 31, 2019, is as follows:

(in thousands of USD)

		Balance	Remaining amortization period
Compact product development (relating to new models and emission regulations)	Development in progress	\$ 73,080	-
	Being amortized	32,084	41 months
Portable Power product development (relating to new models and emission regulations)	Development in progress	5,093	-
	Being amortized	8,294	39 months
		<u>\$ 118,551</u>	

Impairment losses on intangible assets for the year ended December 31, 2019, is as follows:

(in thousands of USD)

		Impairment losses	
		Year ended December 31, 2019	Accumulated
	Individual asset	Book value	
Development costs	Medium Frame GenV and others	\$ -	\$ 4,139
			\$ 4,139

Classification of impairment losses on intangible assets for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of USD)

	December 31, 2019	December 31, 2018 ¹
Other non-operating expenses	\$ 4,139	\$ -

Classification of amortization expenses for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of USD)

	Year ended December 31, 2019	Year ended December 31, 2018
Cost of sales	\$ 23,882	\$ 26,151
Selling and administrative expenses		
Amortization expenses	5,908	6,635
Research and development expenses	121	208
	<u>\$ 29,911</u>	<u>\$ 32,994</u>

Expenditures on research and development recognized as expenses amounted to \$64,532 thousand for the year ended December 31, 2019 (December 31, 2018: \$57,852 thousand).

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Impairment Tests for Goodwill

The Group allocates goodwill to cash-generating unit group, and goodwill allocated for impairment testing purposes to the following cash-generating unit is as follows.

(in thousands of USD)

Cash-generating unit group	Description	2019 ¹
Doosan Bobcat	Manufacturing and sales of construction equipment	\$ 2,590,116

¹ Goodwill of \$20,423 newly acquired at the end of year is excluded from the value above.

The Group performed an impairment assessment on goodwill in consideration of net fair value and value-in-use, and recognized no impairment loss on goodwill during the year as the recoverable amount of the group of cash-generating units exceeded the carrying amount.

The Group uses cash flow projections based on the five-year period financial budgets approved by the management. The financial budgets are determined based on historical result and expectation of market growth. Key assumptions used for value-in-use calculation are as follows:

	Rate Used
Discount rate	7.85%
Growth rate	1.50%

The growth rate is calculated by continuing the estimated cash flows at the end of the five-year period, and this growth rate does not exceed long-term average growth rate of market. The discount rates used reflect relevant risks specific to the cash-generating units. The result of recoverable amount that the Group calculated based on value-in-use calculation was not to cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit group. Therefore, no impairment loss is recognized based on the impairment test for the year ended December 31, 2019.

11. Investment Properties

Changes in investment properties for the year ended December 31, 2019 are as follows:

(in thousands of USD)

	December 31, 2019		
	Land	Building	Total
Beginning balance	\$ -	\$ -	\$ -
Acquisitions/ Capitalized expenditure ¹	60,583	16,577	77,160
Depreciation	-	(587)	(587)
Others	411	109	520
Ending balance	\$ 60,994	\$ 16,099	\$ 77,093

¹ During the year ended December 31, 2019, the Group purchased these properties from related parties (Notes 32).

Rental income from investment properties occurred during year ended December 31, 2019 amounted to \$2,571 thousand.

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During the year, the Group acquired the investment property at the fair value assessed by an independent valuer. The Group considers the change in fair value of investment property from the date of acquisition to the year-end is immaterial.

12. Investment in Associates

Investments in associates that are accounted for using the equity method as at December 31, 2019, are as follows:

Investee	Main business	Location	Fiscal year end	Percentages of ownership (%)
DBC Co., Ltd. ¹	Rent of real estate	Korea	December	22.89
Doosan Cuvex Co., Ltd. ²	Operation of golf club	Korea	December	3.98

¹ The Group acquired 12.89% of equity shares from related parties during the year ended December 31, 2019 (Notes 32).

² The Group considers it has significant influence over this investee as the Group holds a right to appoint representatives through a joint cooperation agreement.

Details of investments in associates that are accounted for using the equity method as at December 31, 2019 and 2018, are as follows:

(in thousands of USD)

	Percentage of ownership (%)	December 31, 2019		
		Acquisition cost	Book value	Net asset value
DBC Co., Ltd.	22.89	\$ 20,238	\$ 20,702	\$ 20,412
Doosan Cuvex Co., Ltd.	3.98	3,912	3,780	3,524
		<u>\$ 24,150</u>	<u>\$ 24,482</u>	<u>\$ 23,936</u>

(in thousands of USD)

	Percentage of ownership (%)	December 31, 2018		
		Acquisition cost	Book value	Net asset value
DBC Co., Ltd.	10.00	\$ 8,357	\$ 9,307	\$ 9,307
Doosan Cuvex Co., Ltd.	3.98	3,912	3,721	3,456
		<u>\$ 12,269</u>	<u>\$ 13,028</u>	<u>\$ 12,763</u>

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Changes in investment in associates for the year ended December 31, 2019 and 2018, are as follows:

(in thousands
of
USD)

Investee	Year ended December 31, 2019						
	Beginning	Acquisition ¹	Share of gain (loss)	Capital reduction	Share of other comprehensive income of associate	Others	Ending
DBC Co., Ltd.	\$ 9,307	\$ 11,881	\$ (155)	\$ -	\$ -	\$ (331)	\$ 20,702
Doosan Cuvex Co., Ltd.	3,721	-	-	(21)	206	(126)	3,780
	<u>\$ 13,028</u>	<u>\$ 11,881</u>	<u>\$ (155)</u>	<u>\$ (21)</u>	<u>\$ 206</u>	<u>\$ (457)</u>	<u>\$ 24,482</u>

¹ The Group acquired additional 12.89% of equity shares from the related parties during 2019 (Notes 32).

(in thousands of
USD)

Investee	Year ended December 31, 2018					
	Beginning	Share of gain (loss)	Capital reduction	Share of other comprehensive income of associate	Others	Ending
DBC Co., Ltd.	\$ 24,529	\$ (158)	\$ (14,721)	\$ -	\$ (343)	\$ 9,307
Doosan Cuvex Co., Ltd.	3,915	(15)	-	(15)	(164)	3,721
	<u>\$ 28,444</u>	<u>\$ (173)</u>	<u>\$ (14,721)</u>	<u>\$ (15)</u>	<u>\$ (507)</u>	<u>\$ 13,028</u>

Summarized financial information of associates for the year and as at December 31, 2019, is as follows:

(in thousands of
USD)

	December 31, 2019				
	Assets	Liabilities	Sales	Profit (loss) for the year	Total comprehensive income (loss)
DBC Co., Ltd.	\$ 278,370	\$ 189,195	\$ -	\$ (698)	\$ (699)
Doosan Cuvex Co., Ltd.	190,700	89,217	58,690	801	5,454

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13. Lease

Changes in right-of-use assets for the year ended December 31, 2019 are as follows:

(in thousands of USD)

	Year ended December 31, 2019						
	Land	Buildings	Machinery	Vehicles	Tools	Equipment	Total
Beginning balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjustment (Change in accounting policy)	5,391	30,688	1,683	3,044	23	4,228	45,057
Adjusted Beginning balance	5,391	30,688	1,683	3,044	23	4,228	45,057
Acquisition	-	17,236	34	4,140	-	998	22,408
Depreciation	(139)	(8,915)	(638)	(2,161)	(7)	(1,816)	(13,676)
Others	(88)	(426)	(12)	(71)	-	4	(593)
Ending balance	\$ 5,164	\$ 38,583	\$ 1,067	\$ 4,952	\$ 16	\$ 3,414	\$ 53,196
Acquisition cost	\$ 5,301	\$ 47,517	\$ 1,705	\$ 7,144	\$ 23	\$ 5,230	\$ 66,920
Accumulated depreciation	(137)	(8,934)	(638)	(2,192)	(7)	(1,816)	(13,724)

Classification of amortization expenses for the year ended December 31, 2019 is as follows:

(in thousands of USD)

	Year ended December 31, 2019
Cost of sales	\$ 6,844
Selling and administrative expenses	6,500
R&D expenses	332
	<u>\$ 13,676</u>

Changes in lease liabilities for the year ended December 31, 2019 are as follows:

(in thousands of USD)

	Year ended December 31, 2019
Beginning balance	\$ -
Adjustment(Change in accounting policy)	40,086
Adjusted beginning balance	40,086
Acquisition of right-of-use assets	24,611
Repayment of lease liabilities	(14,420)
Interest expenses	2,330
Termination of lease agreement	(283)
Foreign exchange differences	(1,014)
Ending balance	<u>\$ 51,310</u>

Expenditures on short-term leases or leases of low-value assets for the year ended December 31, 2019 are as follows:

(in thousands of USD)

	Year ended December 31, 2019
Cost of sales	\$ 529
Selling and administrative expenses	3,637
R&D expenses and etc.	162
	<u>\$ 4,328</u>

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14. Trade and Other Payables

Trade and other payables as at December 31, 2019 and 2018, are as follows:

<i>(in thousands of USD)</i>	December 31, 2019	December 31, 2018
Current:		
Trade payables	\$ 451,580	\$ 418,169
Other payables	92,029	120,154
Accrued expenses	197,638	136,250
	<u>\$ 741,247</u>	<u>\$ 674,573</u>
Non-current:		
Other payables	\$ 1,160	\$ 1,001
Accrued expenses	9,673	-
	<u>\$ 10,833</u>	<u>\$ 1,001</u>

15. Borrowings

Borrowings as at December 31, 2019 and 2018, are as follows:

<i>(in thousands of USD)</i>				December 31, 2019	December 31, 2018
Lender	Annual interest rate	Maturity			
Syndicated lenders ¹	3M LIBOR + 1.75%	May 2024	\$	657,013	\$ 971,463
Bank of New York	8.00%	April 2023		4,250	4,250
BNP Paribas ²	2.6%~2.75%	Oct 2022		13,912	15,231
Subtotal				674,455	990,944
Less: present value of discount				(8,636)	(7,832)
				665,819	983,112
Less: current portion				(18,917)	(18,641)
Total			\$	<u>646,902</u>	<u>\$ 964,471</u>

¹ In connection with the borrowings above, financial guarantees have been provided by DBI. In addition, the equity shares held by DBI and Clark Equipment Co. in their respective subsidiaries as well as certain property, plant and equipment, intangible assets and other assets of Clark Equipment Co. are pledged as collateral as at December 31, 2019 (Notes 9, 10 and 31).

² In connection with the borrowings above, financial guarantees have been provided by DBI. In addition, certain property, plant and equipment of Bobcat Bensheim GmbH are pledged as collateral as at December 31, 2019.

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16. Net Defined Benefit Liabilities

Details of net defined benefit liabilities recognized in the statements of financial position as at December 31, 2019 and 2018, are as follows:

<i>(in thousands of USD)</i>	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	\$ 719,191	\$ 711,087
Fair value of plan assets	<u>(388,275)</u>	<u>(388,750)</u>
Net defined benefit liabilities	<u>\$ 330,916</u>	<u>\$ 322,337</u>

Income and loss recognized for the years ended December 31, 2019 and 2018, are as follows:

<i>(in thousands of USD)</i>	December 31, 2019	December 31, 2018
Current service cost	\$ 15,305	\$ 18,203
Past service cost and (gains) or losses on settlements	(7,417)	(6,061)
Net interest cost	<u>13,825</u>	<u>14,776</u>
	<u>\$ 21,713</u>	<u>\$ 26,918</u>

Classification of expenses related to defined benefit plan for the years ended December 31, 2019 and 2018, is as follows:

<i>(in thousands of USD)</i>	December 31, 2019	December 31, 2018
Cost of sales	\$ 11,973	\$ 13,641
Selling and administrative expenses	9,245	12,624
Research and development expenses	<u>495</u>	<u>653</u>
	<u>\$ 21,713</u>	<u>\$ 26,918</u>

The Group recognized expenses of \$ 14,769 thousand in relation to its defined contribution plan for the year ended December 31, 2019 (2018: \$ 10,686 thousand).

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Movements in the defined benefit obligations for the years ended December 31, 2019 and 2018, are as follows:

<i>(in thousands of USD)</i>	Year ended December 31, 2019	Year ended December 31, 2018
Beginning balance	\$ 711,087	\$ 813,576
Current service cost	15,306	18,203
Past service cost and (gains) or losses on settlements	(7,417)	(6,061)
Interest expense	27,957	26,825
Remeasurements:		
Actuarial loss (gain) from change in demographic assumptions	(1,330)	(15,866)
Actuarial loss from change in financial assumptions	87,710	(76,606)
Other	3,724	(6,179)
Contributions by employees	2,597	2,281
Benefits paid	(121,868)	(42,501)
Transfers	909	155
Foreign exchange differences	516	(2,740)
Ending balance	<u>\$ 719,191</u>	<u>\$ 711,087</u>

Movements in the fair value of plan assets for the years ended December 31, 2019 and 2018, are as follows:

<i>(in thousands of USD)</i>	Year ended December 31, 2019	Year ended December 31, 2018
Beginning balance	\$ 388,750	\$ 422,192
Interest income	14,133	12,049
Remeasurements	65,842	(40,329)
Contributions:		
Employers	24,553	23,200
Employees	22	20
Benefits paid	(106,440)	(26,313)
Transfers	624	86
Foreign exchange differences	791	(2,155)
Ending balance	<u>\$ 388,275</u>	<u>\$ 388,750</u>

Actual gains (losses) on plan assets recognized are \$79,975 thousand and (\$28,280) thousand for the years ended December 31, 2019 and 2018, respectively. Contributions to defined benefit plans for the year ending December 31, 2019 is expected to be \$ 30,055 thousand.

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The significant actuarial assumptions as at December 31, 2019 and 2018, are as follows:

<i>(in percentage, %)</i>	December 31, 2019	December 31, 2018
Discount rate	1.3~3.3	2.0~4.3
Future salary growth rate	2.3~4.2	2.1~4.8

Plan assets as at December 31, 2019 and 2018, consist of:

<i>(in thousands of USD)</i>	December 31, 2019	December 31, 2018
Equity instruments	\$ 135,235	\$ 121,530
Debt instruments	221,741	243,770
Others	31,299	23,450
	<u>\$ 388,275</u>	<u>\$ 388,750</u>

The sensitivity of the defined benefit obligation to changes in the principal assumptions as at December 31, 2019 and 2018, are as follows:

<i>(in thousands of USD)</i>	December 31, 2019		December 31, 2018	
	Amount	Rate	Amount	Rate
Discount rate:				
1%p increase	\$ (96,042)	(13.35%)	\$ (84,755)	(11.92%)
1%p decrease	123,237	17.14%	107,137	15.07%
Salary growth rate:				
1%p increase	\$ 9,395	1.31%	\$ 7,963	1.12%
1%p decrease	(8,869)	(1.23%)	(7,090)	(1.00%)

The weighted average maturity of the defined benefit obligations is 15 years.

17. Provisions

The Group estimates provisions based on expected expenditures required to settle its obligations for product warranty, refund, related after sales service activities and factors such as warranty period and historical experiences.

Changes in provisions for the year ended December 31, 2019, is as follows:

(in thousands of USD)

	Year ended December 31, 2019							
	Beginning	Increase	Decrease	Business Combination	Others	Ending	Current	Non- current
Warranty	\$ 74,627	\$ 98,808	\$ (42,203)	\$ 4,599	\$ (193)	\$ 135,638	\$ 77,383	\$ 58,255
Product liability	22,588	9,255	(7,132)	-	-	24,711	7,207	17,504
Litigation	1,395	200	-	-	88	1,683	1,683	-
Restructuring	1,746	6,945	(6,038)	-	(262)	2,391	2,391	-
	<u>\$ 100,356</u>	<u>\$ 115,208</u>	<u>\$ (55,373)</u>	<u>\$ 4,599</u>	<u>(367)</u>	<u>\$ 164,423</u>	<u>\$ 88,664</u>	<u>\$ 75,759</u>

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18. Capital Stock and Capital Surplus

DBI is authorized to issue up to 400,000,000 ordinary shares with a par value of ₩500 per share. As at December 31, 2019, 100,249,166 ordinary shares are issued and there are no ordinary shares of which voting rights are restricted under the Korean Commercial Law. Changes on capital stock and capital surplus for year ended December 31, 2019 are as follows: There have been no changes in capital stock and capital surplus for the year ended December 31, 2018.

<i>(in thousands of USD)</i>	Share premium	Other Capital surplus
As at December 31, 2018	\$ 2,614,766	\$ 171,238
Transfer	(187,126)	-
As at December 31, 2019	<u>\$ 2,427,640</u>	<u>\$ 171,238</u>

19. Other Equity Items

Other equity items as at December 31, 2019 and 2018, are as follows:

<i>(in thousands of USD)</i>	December 31, 2019	December 31, 2018
Capital adjustment from equity transactions among subsidiaries	\$ 7,700	\$ 7,700
Ordinary shares issued in kind ¹	(186,108)	(186,108)
	<u>\$ (178,408)</u>	<u>\$ (178,408)</u>

¹ Represented the difference between i) the value of contribution in kind made by Doosan Engine prior to the previous year and ii) carrying amount of non-controlling interest reduced.

20. Accumulated Other Comprehensive Income

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2019 and 2018, are as follows:

<i>(in thousands of USD)</i>	Year ended December 31, 2019				
	Gain (loss) on translation of foreign operation	Gain (loss) on valuation of derivatives	Gain on revaluation of property, plant and equipment	Share of other comprehensive income	Total
Beginning balance	\$ (208,813)	\$ 6,060	\$ 3,040	\$ 46	\$ (199,667)
Increase(decrease)	(24,495)	(6,255)	3,242	162	(27,346)
Ending balance	<u>\$ (233,308)</u>	<u>\$ (195)</u>	<u>\$ 6,282</u>	<u>\$ 208</u>	<u>\$ (227,013)</u>

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	Year ended December 31, 2018				
	Gain (loss) on translation of foreign operation	Gain (loss) on valuation of derivatives	Gain on revaluation of property, plant and equipment	Share of other comprehensive income	Total
Beginning balance	\$ (175,444)	\$ 516	\$ 5,091	\$ 46	\$ (169,791)
Increase(decrease)	(33,369)	5,544	(2,051)	-	(29,876)
Ending balance	<u>\$ (208,813)</u>	<u>\$ 6,060</u>	<u>\$ 3,040</u>	<u>\$ 46</u>	<u>\$ (199,667)</u>

21. Retained Earnings

Details of retained earnings as at December 31, 2019 and 2018, are as follow:

(in thousands of USD)	December 31, 2019	December 31, 2018
Legal reserves	\$ 21,799	\$ 13,829
Retained earnings before appropriation	<u>1,178,396</u>	<u>879,752</u>
	<u>\$ 1,200,195</u>	<u>\$ 893,581</u>

(in thousands of USD)	2019	2018
Unappropriated retained earnings carried over from prior year	\$ 893,581	\$ 718,224
Changes in accounting policy	-	(730)
Consolidated profit for the year	233,446	240,386
Remeasurement of net defined benefit liabilities	(18,621)	44,424
Reclassification of revaluation surplus on disposal of property, plant and equipment	-	2,052
Share of other comprehensive income of associates	(17)	(11)
Transfer	<u>187,125</u>	<u>-</u>
Dividends	<u>(95,319)</u>	<u>(110,764)</u>
Unappropriated retained earnings to be carried forward	<u>1,200,195</u>	<u>893,581</u>

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22. Segment Information

The Group operates a single reportable segment. Key products of the Group are as follows:

Segment	Main products
Construction Equipment	Compact (Skid Steer Loader, Compact Track Loader, Mini Excavator), Portable Power

Sales by main products for the years ended December 31, 2019 and 2018, are as follows:

<i>(in thousands of USD)</i>	Year ended December 31, 2019	Year ended December 31, 2018
Compact	\$ 3,541,945	\$ 3,300,117
Portable Power	326,755	308,686
	<u>\$ 3,868,700</u>	<u>\$ 3,608,803</u>

Sales by region for the years ended December 31, 2019 and 2018, are as follows:

<i>(in thousands of USD)</i>	Year ended December 31, 2019	Year ended December 31, 2018
North America and Oceania	\$ 2,879,888	\$ 2,659,086
Europe, Middle East and Africa	755,740	734,067
Asia and Latin America	233,072	215,650
	<u>\$ 3,868,700</u>	<u>\$ 3,608,803</u>

There is no single external customer accounted for 10% or more of the Group's sales for the years ended December 31, 2019 and 2018.

23. Revenue

Details of revenue for the years ended December 31, 2019 and 2018, are as follows:

<i>(in thousands of USD)</i>	Year ended December 31, 2019	Year ended December 31, 2018
Revenue from contracts with customers		
By type of goods or services		
- Manufactured products/merchandise	\$ 3,809,334	\$ 3,556,383
- Others	25,108	26,755
	<u>\$ 3,834,442</u>	<u>\$ 3,583,138</u>
By timing of recognition		
- Products transferred at a point in time	\$ 3,809,334	\$ 3,556,383
- Service rendered over time	25,108	26,755
	<u>\$ 3,834,442</u>	<u>\$ 3,583,138</u>
Revenue from other sources		
Rental income, etc.	\$ 34,258	\$ 25,665
	<u>\$ 3,868,700</u>	<u>\$ 3,608,803</u>

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24. Contract Balances

Details of receivables, contract assets and contract liabilities from contracts with customers as at December 31, 2019 and 2018, is as follows:

(in thousands of USD)

	December 31, 2019		December 31, 2018
Trade receivables (current and non-current)	\$ 251,636	\$	252,259
Contract assets	-		-
Contract liabilities ¹	252,996		228,797

¹ Contract liabilities are included in the trade payables and other payables, other current liabilities and other non-current liabilities.

Revenue recognized that was included in the contract liability balance at the beginning of the year amounting to \$19,045 thousand for the year ended December 31, 2019 (December 31, 2018: \$16,448 thousand).

25. Expenses by Nature

Expenses classified by nature for the years ended December 31, 2019 and 2018, are as follows:

<i>(in thousands of USD)</i>	Year ended December 31, 2019	Year ended December 31, 2018
Purchases of inventories (Raw materials & merchandises)	\$ 2,201,141	\$ 2,033,979
Changes in inventories	(145,510)	(64,141)
Employee benefits	434,757	386,981
Depreciation and amortization	83,511	86,450
Other expenses	885,574	748,330
	<u>\$ 3,459,473</u>	<u>\$ 3,191,599</u>

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26. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2019 and 2018, are as follows:

<i>(in thousands of USD)</i>	Year ended December 31, 2019	Year ended December 31, 2018
Salaries	\$ 134,319	\$ 118,264
Post-employment benefits	9,622	12,842
Employee benefits	21,372	21,900
Rent	6,256	11,454
Depreciation	5,902	4,500
Amortization	5,908	6,635
Research and development	64,532	57,852
Advertising	30,145	19,185
Commission expenses	72,774	70,034
Bad debt expenses	552	3,682
Insurance expenses	12,633	9,757
Others	67,605	47,692
	<u>\$ 431,620</u>	<u>\$ 383,797</u>

27. Finance Income and Expenses

Finance income and expenses for the years ended December 31, 2019 and 2018, are summarized as follows:

<i>(in thousands of USD)</i>	Year ended December 31, 2019	Year ended December 31, 2018
Finance income:		
Interest income	\$ 6,778	\$ 7,749
Gain on foreign currency transactions	13,541	5,175
Gain on foreign currency translation	9,515	10,467
Gain on derivative transactions	4,667	4,693
Gain on valuation of derivatives	-	5,654
Income on financial guarantee	97	46
Others	1,516	-
	<u>36,114</u>	<u>33,784</u>
Finance expenses:		
Interest expenses	(40,508)	(47,367)
Loss on foreign currency transactions	(12,294)	(7,451)
Loss on foreign currency translation	(16,325)	(18,859)
Loss on derivatives	(10,052)	-
Loss on retirement of borrowing	(1,840)	(1,533)
Cost of financial guarantee	-	(33)
Others	(380)	(570)
	<u>(81,399)</u>	<u>(75,813)</u>
Net finance expenses	<u>\$ (45,285)</u>	<u>\$ (42,029)</u>

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28. Other Non-operating Income and Expenses

Other non-operating income and expenses for the years ended December 31, 2019 and 2018, are as follows:

<i>(in thousands of USD)</i>	Year ended December 31, 2019	Year ended December 31, 2018
Other non-operating income:		
Gain on disposal of property, plant and equipment	\$ 28	\$ 31
Others	1,867	9,695
	<u>1,895</u>	<u>9,726</u>
Other non-operating expenses:		
Loss on disposal of trade receivables	(5,503)	(5,478)
Other bad debt expenses	-	60
Loss on disposal of property, plant and equipment	(104)	(1,068)
Impairment loss on property plant and equipment	-	(2,169)
Impairment loss on intangible assets	(4,139)	(59)
Donations	(2,320)	(2,786)
Others	(6,265)	(6,352)
	<u>(18,331)</u>	<u>(17,852)</u>
Net other non-operating expense	<u>\$ (16,436)</u>	<u>\$ (8,126)</u>

29. Income Tax Expense

Income tax expense for the years ended December 31, 2019 and 2018, consists of:

<i>(in thousands of USD)</i>	Year ended December 31, 2019	Year ended December 31, 2018
Current tax	\$ 60,685	\$ 13,914
Changes in deferred tax assets and liabilities	46,959	131,453
Deferred tax charged directly to equity	6,261	(18,879)
Income tax expense	<u>\$ 113,905</u>	<u>\$ 126,488</u>

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The Group offsets deferred tax assets and deferred tax liabilities if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. Changes in deferred tax assets (liabilities) for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of USD)

	Year ended December, 2019		
	Beginning	Increase (decrease)	Ending
Net defined benefit liabilities	\$ 76,881	\$ 510	\$ 77,391
Property, plant and equipment	(12,597)	(10,130)	(22,727)
Development costs	(18,882)	(1,660)	(20,542)
Intangible assets	(231,870)	(39,759)	(271,629)
Provisions	10,680	5,028	15,708
Inventories	11,890	(1,018)	10,872
Others	28,796	2,043	30,839
Consolidation adjustments	(10,618)	(1,972)	(12,590)
	<u>\$ (145,720)</u>	<u>\$ (46,958)</u>	<u>\$ (192,678)</u>

(in thousands of USD)

	Year ended December, 2018		
	Beginning	Increase (decrease)	Ending
Net defined benefit liabilities	\$ 94,840	\$ (17,959)	\$ 76,881
Property, plant and equipment	(13,674)	1,077	(12,597)
Development costs	(17,153)	(1,729)	(18,882)
Intangible assets	(170,353)	(61,517)	(231,870)
Provisions	10,247	433	10,680
Inventories	12,759	(869)	11,890
Others	65,870	(37,074)	28,796
Consolidation adjustments	3,197	(13,815)	(10,618)
	<u>\$ (14,267)</u>	<u>\$ (131,453)</u>	<u>\$ (145,720)</u>

Carryforwards of tax losses, temporary differences and tax credits for which deferred tax assets (liabilities) are not recognized as at December 31, 2019 and 2018, are as follows:

(in thousands of USD)	December 31, 2019	December 31, 2018
Tax loss carryforwards	\$ 38,147	\$ 114,509
Temporary differences	36,964	60,493
Tax credits	13,252	10,469

Realization of the future tax benefits related to deferred tax assets (liabilities) is dependent on many factors, including the Group's ability to generate taxable income within the period during which temporary differences reverse and, outlook of the economic environment and the overall future industry. The Group evaluates these factors each period.

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Temporary differences from investments in subsidiaries for which deferred tax assets as at December 31, 2019 and 2018, are not recognized are as follows:

<i>(in thousands of USD)</i>	December 31, 2019	December 31, 2018
Investments in subsidiaries	\$ (616,021)	\$ (304,332)

Reconciliation between profit before income tax and income tax expense for the years ended December 31, 2019 and 2018, are as follows:

<i>(in thousands of USD)</i>	Year ended December 31, 2019	Year ended December 31, 2018
Income before income tax expense	\$ 347,351	\$ 366,874
Income tax based on statutory tax rate in the respective countries	\$ 114,159	\$ 85,538
Tax effects of:		
Permanent difference	481	4,920
Changes in unrecognized deferred tax assets	3,174	(3,126)
Tax credits	(18,213)	(3,185)
Additional tax	1,217	(5,644)
Changes in tax rate ¹	(137)	25,992
Others	13,224	21,993
Income tax expense	\$ 113,905	\$ 126,488
Average effective tax rate (Income tax expense / Profit before income tax)	32.8%	34.5%

¹ The effect of changes in tax rate for the year ended December 31, 2019 included the increase in applicable tax rate related to the transfer of intellectual property between countries.

Statutory tax rates in the respective countries vary from 12.5% to 30.7%.

30. Earnings Per Share

30.1 Basic Earnings Per Share

Basic earnings per share is computed by dividing profit for the year attributable to owners of the Group by the weighted average number of ordinary shares outstanding during the period excluding treasury shares

Earnings per share attributable to owners of the Group for the years ended December 31, 2019 and 2018, are computed as follows:

<i>(in USD and in shares)</i>	Year ended December 31, 2019	Year ended December 31, 2018
Profit (loss) attributable to owners of Group	\$ 233,445,601	\$ 240,386,412
Weighted average number of ordinary shares outstanding ¹	100,249,166	100,249,166
Basic earnings (loss) per share	\$ 2.33	\$ 2.40

¹ Weighted average number of ordinary shares outstanding are calculated as follows:

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<i>(in shares)</i>	Year ended December 31, 2019	Year ended December 31, 2018
Outstanding shares at the beginning	100,249,166	100,249,166
Weighted average number of ordinary shares outstanding	100,249,166	100,249,166

30.2 Diluted Earnings Per Share

For the years ended December 31, 2019 and 2018, the earnings per share of the Group also represents the diluted earnings per share because of no dilutive potential ordinary shares issued during the year.

31. Commitments and Contingencies

31.1 Litigations

As at December 31, 2019, the Group was a defendant in several legal actions arising from the normal course of business, including suits related to product liability claim. Provisions for those cases with high probability of outflow of resources expected are recognized (Note 17). For other cases, the Group believes that although the outcome of the cases, as well as timing and amount of outflow of resources are uncertain, they would not result in a material impact on the consolidated financial statements.

31.2 Financial Guarantees and Assets Provided as Collaterals

31.2.1 Financial Guarantees Provided

As at December 31, 2019, guarantees provided by the Group for third parties, are as follows:

<i>(in thousands of USD)</i>	Provided by	Provided for	Amount guaranteed
	Clark Equipment Co. and others	End customers, etc.	\$ 124,244
	Doosan Bobcat EMEA and others	End customers, etc.	1,132
	Doosan Bobcat Korea Co., Ltd. and Others	End customers, etc.	5,426
			<u>\$ 130,802</u>

31.2.2 Assets Provided as Collaterals

CEC, a subsidiary of the Group, entered into an agreement for its borrowing of \$1,345,000 thousand and a credit line agreement up to \$150,000 thousand on May 18, 2017. DBI has provided all of its equity shares in CEC, in DBEM and in DBSG as collateral. In addition, CEC's equity shares in subsidiaries and its certain property, plant and equipment, intangible assets and other assets are also pledged as collateral as at December 31, 2019. The book value of related borrowings as at December 31, 2019 is \$657,013 thousand.

As at January 15, 2018, the Group entered into a payment guarantee agreement for DBC Co., Ltd., a related party. In relation to this agreement, 212,000 common shares of DBC Co., Ltd. owned by the Group are provided as collateral. In addition, during the year ended December 31, 2019, the Group purchased 273,222 additional shares of DBC Co., Ltd. from Doosan Heavy Industries and Construction Co., Ltd. and Doosan Engineering & Construction Co., Ltd. As a result, the existing payment guarantee agreement over these purchased shares was also transferred to the Group. The carrying amount of the investments in associates held as collateral as at December 31, 2019, is \$20,702 thousand

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31.3 Commitments

- *Investment commitment*

The Group has made an investment commitment in 2018 with Nautilus Venture Partners Fund II, L.P., up to \$5,000 thousand.

32. Related Party Transactions

The Group's related party disclosures for the years ended December 31, 2019 and 2018, are as follows:

Nature of Relationship

Relationship	Name
Ultimate parent	Doosan Corp.
Next most senior parent	Doosan Heavy Industries and Construction Co., Ltd.
Immediate parent	Doosan Infracore Co., Ltd.
Associates	DBC Co., Ltd.
	Doosan Cuvex Co., Ltd.
Others	Doosan Infracore China Co., Ltd.
	Doosan Infracore (China) Investment Co., Ltd.
	Doosan Bobcat Chile S.A.
	Doosan Infracore (Shandong) Co., Ltd.
	Doosan Infracore Norway AS
	Doosan Engineering & Construction Co., Ltd.
	Oricom Inc.
	Doosan Bears Inc.
	Doosan Digital Innovation America, LLC and others

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Significant transactions with related parties for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of USD)

		Year ended December 31, 2019					
Relationship	Related party	Sales	Other income	Purchases	Other expense	Purchases of investment properties & fixed asset	Acquisition of right-of-use asset
Ultimate parent	Doosan Corp.	\$ 2,769	\$ -	\$ 8,891	\$ 5,210	\$ 39,917	\$ 904
Next most senior parent	Doosan Heavy Industries and Construction Co., Ltd.	659	-	-	-	33,908	-
Immediate parent	Doosan Infracore Co., Ltd.	806	1,422	326,031	1,775	-	-
Associate	Doosan Cuvex Co., Ltd.	-	115	-	1,023	-	-
Others	Doosan Digital Innovation America, LLC,	-	648	-	37,205	-	1,459
	Doosan Infracore North America LLC	17,921	1,327	10,496	-	-	-
	Doosan Infracore Europe B.V.	16,565	1,570	11,543	17	-	-
	Others	3,855	326	600	12,088	-	-
	Subtotal	38,341	3,871	22,639	49,310	-	1,459
	Total	\$42,575	\$ 5,408	\$ 357,561	\$ 57,318	\$ 73,825	\$ 2,363

(in thousands of USD)

		Year ended December 31, 2018				
Relationship	Related party	Sales	Other income	Business transfer	Purchases	Other expenses
Ultimate parent	Doosan Corp.	\$ -	\$ -	\$ -	\$ 3,087	\$ 4,219
Next most senior parent	Doosan Heavy Industries and Construction Co., Ltd.	42	-	-	-	-
Immediate parent	Doosan Infracore Co., Ltd.	1,169	1,553	11,517	290,742	6,904
Associate	Doosan Cuvex Co., Ltd.	-	-	-	-	318
Others	Doosan Digital Innovation America, LLC,	-	4	-	-	35,697
	Doosan Infracore North America LLC	12,668	963	70,126	-	-
	Doosan Infracore Europe B.V.	10,173	2,639	49,456	7,681	521
	Others	1,336	22	-	2,173	7
	Subtotal	24,177	3,628	119,582	9,854	44,594
	Total	\$ 25,388	\$ 5,181	\$ 131,099	\$ 303,683	\$ 56,035

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December 31, 2019 and 2018

Related significant balances as at December 31, 2019 and 2018, are as follows:

(in thousands of USD)

		December 31, 2019				
Relationship	Related party	Trade receivables	Other receivables	Trade payables	Other payables	Lease Liabilities
Ultimate parent	Doosan Corp.	\$ 310	\$ 755	\$ 1,311	\$ 2,361	\$ 904
Next most senior parent	Doosan Heavy Industries and Construction Co., Ltd.	88	-	-	538	-
Immediate parent	Doosan Infracore Co., Ltd.	838	54,079	79,892	344	-
Associate	Doosan Cuvex Co., Ltd.	-	741	-	142	-
Others	Doosan Digital Innovation America, LLC,	-	136	-	344	1,489
	Doosan Infracore North America LLC	13,943	37,631	11,474	-	-
	Doosan Infracore Europe B.V.	8,518	39,174	1,940	-	-
	Others	955	31	2,225	1,455	-
	Subtotal	23,416	76,972	15,639	1,799	1,489
	Total	\$ 24,652	\$ 132,547	\$ 96,842	\$ 5,184	\$ 2,393

(in thousands of USD)

		December 31, 2018			
Relationship	Related party	Trade receivables	Other receivables	Trade payables	Other payables
Ultimate parent	Doosan Corp.	\$ -	\$ 809	\$ 584	\$ 342
Immediate parent	Doosan Infracore Co., Ltd.	4,376	88,828	73,283	297
Associate	Doosan Cuvex Co., Ltd.	-	580	-	2
Others	Doosan Digital Innovation America, LLC,	-	96	-	449
	Doosan Infracore North America LLC	7,331	54,328	-	-
	Doosan Infracore Europe B.V.	7,775	69,593	2,627	-
	Others	1,593	167	1,028	708
	Subtotal	16,699	124,184	3,655	1,157
	Total	\$ 21,075	\$ 214,401	\$ 77,522	\$ 1,798

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December 31, 2019 and 2018

Treasury transactions (including equity transactions) with related parties for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of USD)

Relationship	Related party	Year ended December 31, 2019				
		Loan transactions		Capital transactions		Repayment of lease liabilities
		Loans	Repayments	Dividend paid	Capital contribution	
Immediate parent	Doosan Infracore Co., Ltd	\$ -	\$ -	\$ 48,660	\$ -	\$ -
Next most senior parent	Doosan Heavy Industries and Construction Co., Ltd.	-	-	-	9,637	-
Others	Doosan Infracore North America LLC	24,000	24,000	-	-	-
	Doosan Heavy Industries America Holdings INC	80,000	80,000	-	-	-
	Doosan Digital Innovation America, LLC	-	-	-	-	794
	Doosan Engineering & Construction Co., Ltd. ²	-	-	-	2,244	-
		<u>\$ 104,000</u>	<u>\$ 104,000</u>	<u>\$ 48,660</u>	<u>\$ 11,881</u>	<u>\$ 794</u>

(in thousands of USD)

Relationship	Related party	Year ended December 31, 2019	
		Capital reduction ²	Dividend paid
Next most senior parent	Doosan Heavy Industries and Construction Co., Ltd.	\$ -	\$ 3,753
Immediate parent	Doosan Infracore Co., Ltd.	-	61,295
Associate	DBC Co., Ltd.	14,721	-
Other	Doosan Engine Co., Ltd. ¹	-	7,935
		<u>\$ 14,721</u>	<u>\$ 72,983</u>

¹ During the year ended December 31, 2018, Doosan Engine Co., Ltd., the former shareholder of the Company, spun off, and its investment segment was merged into Doosan Heavy Industries & Construction Co., Ltd.

² During the year ended December 31, 2018, the number of shares decreased from 526,000 shares to 212,000 shares due to capital reduction (Issue price: KRW 50,000).

The Group defines key management personnel including registered officer and non-registered officer who have the authority and responsibility for planning, operation and control. Compensation to key management personnel for the years ended December 31, 2019 and 2018, are as follows:

(in thousands of USD)

	Year ended December 31, 2019	Year ended December 31, 2018
Employee benefits	\$ 3,164	\$ 3,232
Post-employment benefits	203	171
	<u>\$ 3,367</u>	<u>\$ 3,403</u>

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33. Consolidated Financial Statements of Cash Flows

Details of adjustments and changes in operating assets and liabilities in the consolidated statement of cash flows for the years ended December 31, 2019 and 2018, are as follows:

<i>(in thousands of USD)</i>	Year ended December 31, 2019	Year ended December 31, 2018
Adjustments:		
Income tax expense	\$ 113,905	\$ 126,488
Finance income	(15,804)	(23,870)
Finance expense	54,129	66,226
Post-employment benefits (defined benefit plan)	21,713	26,918
Depreciation	52,955	53,456
Depreciation on right-of-use asset	13,675	-
Depreciation on investment properties	587	-
Amortization	29,911	32,994
Gain on disposal of property, plant and Equipment	(28)	(31)
Loss on disposal of property, plant and equipment	104	1,068
Impairment loss on property, plant and equipment	-	2,169
Impairment loss on intangible asset	4,139	59
Loss on equity method investment	155	173
Impairment loss on long-term financial asset	135	-
Loss on other investment	983	-
Gain from termination of lease contract	(232)	-
	<u>\$ 276,327</u>	<u>\$ 285,650</u>

<i>(in thousands of USD)</i>	Year ended December 31, 2019	Year ended December 31, 2018
Changes in operating assets and liabilities:		
Trade receivables and other receivables	\$ 39,594	\$ (18,600)
Inventories	(134,233)	(67,642)
Other current assets	9,065	(15,759)
Right-of-use asset	(256)	-
Other non-current assets	(1,287)	(9,325)
Trade payables and other payables	66,770	169,749
Derivative liabilities	3,332	(160)
Provisions	59,223	9,240
Other current liabilities	(5,245)	15,639
Defined benefit obligations	(118,363)	(40,066)
Plan assets	81,241	3,007
Other non-current liabilities	(2,257)	12,561
	<u>\$ (2,416)</u>	<u>\$ 58,644</u>

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Significant non-cash transactions for the years ended December 31, 2019 and 2018, are as follows:

<i>(in thousands of USD)</i>	Year ended December 31, 2019	Year ended December 31, 2018
Reclassified to other receivables from assets and liabilities held for sale	\$ -	\$ 131,099
Reclassified from construction-in-progress	-	\$ 20,660
Increase(decrease) in other payables related to purchase of property, plant, and equipment	(1,784)	4,111
Increase(decrease) in other payables related to purchase of intangible assets	(183)	783
	<u>\$ (1,967)</u>	<u>\$ 156,653</u>

Details of adjustments in liabilities arising from financing activities for the year ended December 31, 2019, are as follows:

<i>(in thousands of USD)</i>	Borrowings	Lease Liabilities	Total
Beginning balance	\$ 983,112	\$ -	\$ 983,112
Adjustment (Change in accounting policy) ¹	-	40,086	40,086
Adjusted beginning balance	983,112	40,086	1,023,198
Acquisition of right-of-use assets	-	24,611	24,611
Cash flows	(316,175)	(14,420)	(330,595)
Foreign exchange differences	(314)	(1,014)	(1,328)
Other non-financial changes	(803)	2,047	1,244
Ending balance	<u>\$ 665,820</u>	<u>\$ 51,310</u>	<u>\$ 717,130</u>

¹ Adjustment due to the implementation of Korean IFRS 1116 Lease. (Note 34)

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34. Business Combination

Upon approval of board of directors on December 2, 2019, the Group has acquired the ZTR Mower business of Schiller Grounds Care, INC's on December 31, 2019. The Group expects a synergy effect between ZTR Mower business and its existing business in the US as a result of this acquisition.

Details of the purchase consideration paid to Schiller Grounds Care, INC, and the acquired assets and liabilities recognized as a result of the acquisition at the acquisition date are as follows. The Group has not completed the fair value assessment on the acquired assets and liabilities as at December 31, 2019, and accordingly, related assets, liabilities, and goodwill may be subject to further changes in the subsequent periods.

<i>(in thousands of USD)</i>	Amount
Purchase consideration:	
Cash	\$ 81,488
Other payables	1,850
Total	83,338
Identifiable assets acquired and liabilities recognized:	
Trade and other receivables	3,974
Inventories	18,132
Other current assets	142
Property, plant and equipment	9,035
Intangible assets ¹	42,701
Trade payables and other payables	(3,073)
Other current liabilities	(4,676)
Other non-current liabilities	(3,320)
Total fair value of identifiable net assets	62,915
Goodwill	\$ 20,423

¹ Included the value of trademark, an identifiable intangible asset acquired, amounting to \$27,491 thousand, which is subject to further changes in the subsequent period

As the Mower business was acquired on December 31, 2019, the revenue and profit or loss of the Mower business for the year ended December 31, 2019 was not included in the consolidated statements of comprehensive income for the period ended December 31, 2019. The revenue and profit or loss that would have been included in the consolidated statement of comprehensive income were \$83,178 thousand and \$3,498 thousand, respectively, if it was acquired on January 1, 2019.

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35. Changes in Accounting Policy

35.1 Adoption of Korean IFRS 1116 Lease

As explained in Note 2.1.1, the Group has adopted Korean IFRS 1116, retrospectively, from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are, therefore, recognized in the consolidated statement of financial position on January 1, 2019.

35.2 Adjustments recognized on adoption of Korean IFRS 1116 Lease

On adoption of Korean IFRS 1116, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of Korean IFRS 1017. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4.8%.

<i>(in thousands of USD)</i>	Amount
Operating lease commitments disclosed as at December 31, 2018	\$ 37,658
Discounted using the lessee's incremental borrowing rate of at the date of initial application	32,923
Less: short-term leases and low-value leases not recognized as a liability	(7,078)
Add: Contracts reassessed as lease contracts	14,241
Lease liability recognized as at January 1, 2019	40,086
Of which are:	
Current lease liabilities	5,885
Non-current lease liabilities	34,221
	\$ 40,086

(a) Amounts recognized in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

<i>(in thousands of USD)</i>	December 31, 2019	January 1, 2019
Right-of-use assets		
Land	\$ 5,164	\$ 5,391
Buildings	38,583	30,688
Structures	1,068	1,683
Vehicles	4,951	3,044
Tools and equipment	16	23
Supplies	3,414	4,228
	\$ 53,196	\$ 45,057

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<i>(in thousands of USD)</i>	December 31, 2019	January 1, 2019
Lease liabilities		
Current	\$ 15,157	\$ 5,865
Non-current	36,153	34,221
	<u>\$ 51,310</u>	<u>\$ 40,086</u>

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

The consolidated statement of profit or loss shows the following amounts relating to leases:

<i>(in thousands of USD)</i>	Year ended December 31, 2019
Depreciation of right-of-use assets	
Land	\$ 139
Buildings	8,915
Structures	638
Vehicles	2,161
Tools and equipment	7
Supplies	1,816
	<u>\$ 13,676</u>
Interest expense relating to lease liabilities	\$ 2,330
Expense relating to short-term leases and low-value assets	4,328

The total cash outflow for leases in 2019, is as follows,

<i>(in thousands of USD)</i>	Year ended December 31, 2019
Lease liabilities	\$ 14,420
Expense relating to short-term leases and low-value assets	4,328
	<u>\$ 18,748</u>

The change in accounting policy affected the following items in the consolidated statement of financial position on January 1, 2019:

- Right-of-use assets: increase by \$45,057 thousand
- Long-term prepaid expenses: decrease by \$5,391 thousand
- Other receivables: increase by \$420 thousand
- Lease liabilities (current and non-current): increase by \$40,086 thousand

In applying Korean IFRS 1116 for the first time, the Group has used the following practical expedients permitted by the standard:

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments on whether leases are onerous
- Accounting for operating leases with a remaining lease term of less than 12 months as at

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January 1, 2019, as short-term leases

- Exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying Korean IFRS 1017 and Interpretation 2104 *Determining whether an Arrangement contains a Lease*.