DOOSAN BOBCAT INC. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2018 and 2017

DOOSAN BOBCAT INC. AND SUBSIDIARIES
Index
December 31, 2018 and 2017

	Page(s)
Independent Auditor's Report	1 - 5
Consolidated Financial Statements	
Consolidated Statements of Financial Position	6
Consolidated Statements of Profit or Loss	7
Consolidated Statements of Comprehensive Income..	8
Consolidated Statements of Changes in Equity	9
Consolidated Statements of Cash Flows	10
Notes to the Consolidated Financial Statements..	11 - 68

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, 2018 and 2017, 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, 2018 and 2017, 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, 2018, the Group has recorded USD 162 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, 2018 (Note 3) to be a key audit matter.

How our audit addressed the key audit matter

We have, utilizing the work of component auditors, performed related audit procedures including the followings. We:

- Assessed appropriateness of the Group's accounting policies for the incentive and promotion programs
- 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, 2018, the carrying amount of goodwill is USD 2,609 million, which accounts for 45.3% 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 and examined subsequent changes in the market capitalization after the reporting period
- 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, 2018, the carrying amount of development costs capitalized as intangible asset is USD 101 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.

Samil PricewaterhouseCoopers

Seoul, Korea

March 19, 2019

This report is effective as at March 19, 2019, 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, 2018 and 2017

(in USD)	**Notes**		**December 31, 2018**		**December 31, 2017**
Assets					
Current assets					
Cash and cash equivalents	4,5	$	489,465,063	$	389,044,534
Trade and other receivables, net	4,5,6,30		400,471,122		351,483,061
Inventories, net	7		553,187,333		489,046,238
Derivative assets	4,5,8		6,084,776		1,743,702
Other current assets			56,625,722		55,913,631
Assets held for sale	32		-		253,933,116
Total current assets		$	1,505,834,016	$	1,541,164,282
Non-current assets					
Long-term financial instruments	4,5	$	749,389	$	-
Long-term financial assets	4,5		1,092,501		93,341
Long-term trade and other receivables, net	4,5,6		76,789,429		1,941,129
Investment in associates	11		13,028,270		28,443,663
Property, plant and equipment, net	9		385,488,196		381,184,510
Intangible assets, net	10		3,716,785,238		3,717,970,821
Deferred tax assets	26		36,491,930		72,793,737
Long-term derivative assets	4,5,8		5,771,289		4,095,447
Other non-current assets	4,5		23,397,085		24,048,179
Total non-current assets		$	4,259,593,327	$	4,230,570,827
Total assets		$	5,765,427,343	$	5,771,735,109
Liabilities					
Current liabilities					
Trade and other payables	4,5,12,30	$	674,573,385	$	503,313,834
Current portion of long-term borrowings	4,5,13,29		18,641,284		18,765,722
Income tax payable			11,214,832		6,695,328
Derivative liabilities	5,8		4,970		2,577,190
Provisions	15,29		57,679,156		62,432,733
Other current liabilities			99,577,470		80,165,071
Liabilities held for sale	32		-		122,834,224
Total current liabilities		$	861,691,097	$	796,784,102
Non-current liabilities					
Other non-current payables	4,5,12	$	1,000,966	$	1,129,050
Long-term borrowings	4,5,13,29		964,470,705		1,230,545,270
Net defined benefit liabilities	14		322,337,032		391,384,373
Deferred tax liabilities	26		182,212,618		87,061,179
Long-term derivative liabilities	5,8		560,091		4,886,453
Non-current provisions	15		42,677,153		24,361,567
Other non-current liabilities			45,872,469		36,457,961
Total non-current liabilities		$	1,559,131,034	$	1,775,825,853
Total liabilities		$	2,420,822,131	$	2,572,609,955
Equity					
Equity attributable to owners of the Parent Company					
Capital stock	1,16	$	43,095,528	$	43,095,528
Capital surplus	16		2,786,003,529		2,786,003,529
Other equity item	17		(178,407,620)		(178,407,620)
Accumulated other comprehensive loss	18		(199,667,460)		(169,790,724)
Retained earnings	19		893,581,235		718,224,441
Total equity		$	3,344,605,212	$	3,199,125,154
Total liabilities and equity		$	5,765,427,343	$	5,771,735,109

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, 2018 and 2017

(in USD)	Notes	2018	2017
Sales	20,21,30	$ 3,608,803,049	$ 2,997,071,903
Cost of sales	22,30	(2,807,801,591)	(2,282,364,563)
Gross profit		801,001,458	714,707,340
Selling and administrative expenses	22,24,30	(383,797,082)	(365,837,731)
Operating profit		417,204,376	348,869,609
Non-operating income (expenses)			
Finance income	5,25	33,783,502	113,489,556
Finance expenses	5,25	(75,813,336)	(173,498,096)
Other non-operating income	26	9,725,968	7,651,890
Other non-operating expenses	26	(17,852,313)	(17,792,298)
Losses on equity method	11	(173,949)	(315,796)
		(50,330,128)	(70,464,744)
Profit before income tax expense		366,874,248	278,404,865
Income tax expense	27	(126,487,836)	(51,810,856)
Profit from continuing operations		$ 240,386,412	$ 226,594,009
Discontinued operations			
Profit from discontinued operations	32	-	15,490,038
Profit for the year		$ 240,386,412	$ 242,084,047
Profit is attributable to:			
Owners of the Parent Company			
Profit from continuing operations		$ 240,386,412	$ 226,594,009
Profit from discontinued operations		-	15,490,038
Earnings per share:	28		
Basic earnings per share			
From continuing operations		$ 2.40	$ 2.26
From discontinued operations		-	0.15

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, 2018 and 2017

(in USD)	2018	2017
Profit for the year	$ 240,386,412	$ 242,084,047
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of net defined benefit liabilities	44,424,450	(2,754,738)
Gain on revaluation of property, plant and equipment	-	2,071,116
Share of other comprehensive income of associates	(11,330)	33,348
Items that may be subsequently reclassified to profit or loss		
Gain (loss) on translation of foreign operations	(33,369,227)	247,928,176
Gain (loss) on valuation of derivatives	5,543,959	(914,497)
Total comprehensive income for the year	$ 256,974,264	$ 488,447,452
Total comprehensive income for the year is attributable to:		
Owners of the Parent Company	$ 256,974,264	$ 488,447,452

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, 2018 and 2017

(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, 2017	$ 43,095,528	$ 2,786,003,529	$ (178,407,620)	$ (418,921,616)	$ 541,782,549	$ 2,773,552,370
Total comprehensive income:						
Profit for the year	-	-	-	-	242,084,047	242,084,047
Remeasurements of net defined benefit liability	-	-	-	-	(2,754,738)	(2,754,738)
Gain on revaluation of property, plant and equipment	-	-	-	2,071,116	-	2,071,116
Gain (loss) on translation of foreign operations	-	-	-	247,928,176	-	247,928,176
Gain (loss) on valuation of derivatives	-	-	-	(914,497)	-	(914,497)
Share of other comprehensive income of associates	-	-	-	46,097	(12,749)	33,348
	-	-	-	249,130,892	239,316,560	488,447,452
Capital Transactions with owners						
Dividend	-	-	-	-	(62,874,668)	(62,874,668)
Balance at December 31, 2017	$ 43,095,528	$ 2,786,003,529	$ (178,407,620)	$ (169,790,724)	$ 718,224,441	$ 3,199,125,154
Balance at January 1, 2018, as previously reported	$ 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	$ 43,095,528	$ 2,786,003,529	$ (178,407,620)	$ (169,790,724)	$ 717,493,974	$ 3,198,394,687
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
Reclassification of 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)
	-	-	-	(29,876,736)	286,851,000	256,974,264
Capital Transactions with owners						
Annual dividend of 2017	-	-	-	-	(75,198,625)	(75,198,625)
Interim dividend	-	-	-	-	(35,565,114)	(35,565,114)
	-	-	-	-	(110,763,739)	(110,763,739)
Balance at December 31, 2018	$ 43,095,528	$ 2,786,003,529	$ (178,407,620)	$ (199,667,460)	$ 893,581,235	$ 3,344,605,212

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, 2018 and 2017

(in USD)	Note	2018	2017
Cash flows from operating activities			
Cash generated from operations:	31	$ 584,680,159	$ 445,460,085
Profit for the year		240,386,412	242,084,047
Adjustments		285,650,230	236,374,916
Changes in operating assets and liabilities		58,643,517	(32,998,878)
Interest received		4,590,631	2,921,151
Interest paid		(45,547,555)	(61,176,006)
Income tax received (paid)		7,727,034	(35,694,940)
Net cash provided by operating activities		551,450,269	351,510,290
Cash flows from investing activities			
Cash inflows from investing activities:			
Decrease in loan		219,941	-
Disposal of property, plant and equipment		5,741,773	795,284
Disposal of investment in associates		14,721,050	-
Disposal of business		32,810,606	-
		53,493,370	795,284
Cash outflows for investing activities:			
Increase in loan		-	203,339
Acquisition of long-term financial assets		1,000,000	-
Acquisition of property, plant and equipment		67,310,725	43,734,131
Acquisition of intangible assets		45,944,011	36,965,761
Investment in associates		-	26,990,240
		(114,254,736)	(107,893,471)
Net cash used in investing activities		(60,761,366)	(107,098,187)
Cash flows from financing activities			
Cash inflows from financing activities:			
Increase in borrowings		8,554,625	1,363,072,841
		8,554,625	1,363,072,841
Cash outflows for financing activities:			
Repayment of borrowings		275,164,799	1,467,224,521
Dividend paid		110,763,739	62,874,668
		(385,928,538)	(1,530,099,189)
Net cash used in financing activities		(377,373,913)	(167,026,348)
Effects of exchange rate changes on cash and cash equivalents		(12,894,461)	10,748,900
Net increase (decrease) in cash and cash equivalents		100,420,529	88,134,655
Cash and cash equivalents at the beginning of the period		389,044,534	300,909,879
Cash and cash equivalents at the end of the period		$ 489,465,063	$ 389,044,534

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

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") which include Clark Equipment Co. ("CEC"), Doosan Bobcat EMEA s.r.o. ("DBEM"), and Doosan Bobcat Singapore Pte. Ltd. ("DBSG") 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, 2018 is $43,096 thousand.

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. Doosan Heavy Industries & Construction Co., Ltd. has sold its entire 10,578,070 shares in DBI during the year ended December 31, 2018.

The Company's shareholders as at December 31, 2018 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
	100,249,166	100.00

1.1 Consolidated Subsidiaries

Details of the consolidated subsidiaries as at December 31, 2018 and 31, 2017, are as follows:

Subsidiary	Main business	Location	Ownership interest held by the Group (%) December 31, 2018	December 31, 2017	Fiscal year end
CEC	Manufacturing and sales	USA	100	100	December
CEC's subsidiaries:					
Bobcat Equipment Ltd.	Sales	Canada	100	100	December
Doosan International Australia Pty Ltd.	Sales	Australia	100	100	December
DBEM [1]	Manufacturing and sales	Czech	100	100	December
DBEM's subsidiaries:					
Doosan Infracore Europe S.A.	Sales	Belgium	100	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.	Management	Ireland	100	100	December
Doosan Benelux SA	Sales	Belgium	100	100	December
Doosan International Italia S.r.L. [2]	Sales	Italy	-	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 Lyon SAS [3]	Sales	France	-	100	December
Bobcat France S.A.	Manufacturing	France	100	100	December

Subsidiary	Main business	Location	Ownership interest held by the Group (%) December 31, 2018	December 31, 2017	Fiscal year end
Geith International Ltd.	Sales	Ireland	100	100	December
Doosan International Luxemburg S.a.r.l.	Management	Luxemburg	100	100	December
DBSG	Holdings	Singapore	100	100	December
DBSG'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 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

[1] During the year ended December 31, 2018, Doosan Holdings Europe Ltd. was merged into Doosan Bobcat EMEA s.r.o..
[2] During the year ended December 31, 2018, Doosan International Italy S.r.L went into liquidation.
[3] During the year ended December 31, 2018, Bobcat Lyon SAS was merged into Doosan Holdings France S.A.S.

1.2 Summarized Financial Information

Summarized financial information of the consolidated subsidiaries as at and for the years ended December 31, 2018 and 2017 are as follows:

	2018				
(in thousands of USD)	**Assets**	**Liabilities**	**Sales**	**Profit (loss) for the year**	**Total comprehensive income (loss)**
Clark Equipment Co.	$3,681,869	$2,162,057	$2,798,053	$251,107	$296,548
Bobcat Equipment Ltd.	103,994	45,201	246,747	6,216	6,216
Bobcat Bensheim GmbH	106,817	24,325	114,978	(782)	(782)
Doosan Bobcat EMEA s.r.o.	2,937,483	544,741	775,046	(18,792)	(17,980)
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.	121,286	24,182	-	286	286
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

	2017				
(in thousands of USD)	**Assets**	**Liabilities**	**Sales**	**Profit (loss) for the year**	**Total comprehensive income (loss)**
Clark Equipment Co.	$3,079,515	$2,238,988	$2,523,886	$234,780	$230,638
Bobcat Equipment Ltd.	99,042	41,842	202,419	6,149	5,938
Doosan Holdings Europe Ltd.	2,738,005	310,882	-	(47,372)	(47,372)
Bobcat Bensheim GmbH	119,101	34,026	110,184	650	744
Doosan Techno Holding Co., Ltd.	628,899	436,238	-	6,169	6,169
Doosan Benelux SA	576,929	363,386	-	(5,721)	(6,038)
Doosan Bobcat EMEA s.r.o.	964,533	798,395	1,042,203	8,830	8,486
Bobcat France S.A.	48,249	21,321	94,688	2,523	2,609
Geith International Ltd.	50,654	44,012	32,301	2,180	2,180
Doosan International Luxemburg S.a r.l.	766,689	595,008	40,418	23,000	23,000
Doosan Bobcat Singapore Pte. Ltd.	121,546	24,726	-	1,055	1,055
Doosan Bobcat Korea Co., Ltd.	108,761	95,447	122,320	6,587	6,358
Doosan Bobcat China Co., Ltd	84,580	37,347	30,419	77	77
Doosan Bobcat India Private Ltd.	46,006	11,571	47,567	4,080	4,080

1.3 Changes in Scope for Consolidation

Subsidiaries excluded from the consolidation for the year ended December 31, 2018:

Subsidiary	**Reason**
Doosan Holdings Europe Ltd.	Merged with another subsidiary
Doosan International Italy S.r.L	Liquidation
Bobcat Lyon SAS	Merged with another subsidiary

Subsidiaries excluded from the consolidation for the year ended December 31, 2017:

Subsidiary	**Reason**
Doosan Bobcat Engineering s.r.o	Merged with another subsidiary
Doosan Trading Ltd.	Merged with another subsidiary

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 and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2018. The adoption of these amendments did not have a material impact on the financial statements.

- Amendments to Korean IFRS 1028 *Investments in Associates and Joint Ventures*

When an investment in an associate or a joint venture held by an entity that is a venture capital organization, or a mutual fund, or unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure the investment at fair value through profit or loss in accordance with Korean IFRS 1109. The amendment does not have a significant impact on the financial statements as the Group is not a venture capital organization or an entity described above.

- Amendment to Korean IFRS 1040 *Transfers of Investment Property*

Paragraph 57 of Korean IFRS 1040 clarifies that a transfer to, or from, investment property, including property under construction, can only be made if there has been a change in use that is supported by evidence, and provides a list of circumstances as examples. The amendment does not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1102 *Share-based Payment*

Amendments to Korean IFRS 1102 clarify accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Amendments also clarify that the fair value measurement approach should treat the terms and conditions of a cash-settled share-based payment transaction in the same way as for an equity-settled share-based payment transaction. The amendment does not have a significant impact on the financial statements.

- Enactment of Interpretation 2122 *Foreign Currency Transaction and Advance Consideration*

According to the enactment, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The adoption of this amendment did not have a significant impact on the consolidated financial statements.

- Korean IFRS 1109 *Financial Instruments*

The Group has applied the Korean IFRS 1109 for annual reporting period commencing January 1, 2018. In accordance with the transitional provision in the standard, the Group has not restated any comparative information. Instead, the cumulative effect of applying the standard was recognized as an adjustment to the opening balance of retained earnings at the date of initial application. The details of financial effects of applying K-IFRS 1109 are provided in Note 33.

- Korean IFRS 1115 *Revenue from Contracts with Customers*

The Group has applied the Korean IFRS 1115 for annual reporting period commencing January 1, 2018. In accordance with the transitional provision in the standard, the Group has not restated any comparative information. The details of financial effects of applying K-IFRS 1115 are provided in Note 33.

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

Certain new accounting standards and interpretations that have been published that are not mandatory for the annual reporting period commencing January 1, 2018 and have not been early adopted by the Group are set out below.

- Korean IFRS 1116 *Leases*

Korean IFRS 1116 *Leases* issued on May 22, 2017 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. This standard will replace Korean IFRS 1017 *Leases.* The Group will apply Korean IFRS 1116 for annual period beginning on or after January 1, 2019.

The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The Group performed an impact assessment to identify potential financial effects of applying Korean IFRS 1116. The assessment was performed based on available information as at December 31, 2018 to identify effects on 2018 financial statements. The Group is analyzing the effects of applying Korean IFRS 1116 to the consolidated financial statements.

- Korean IFRS 1109 *Financial Instruments*

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. These amendments will be applied for annual periods beginning on or after January 1, 2019, with early adoption permitted.

- Amendments to Korean IFRS 1019 *Employee Benefits*

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 amendments are effective for plan amendments, curtailments and settlements occurring in reporting periods that begin on or after 1 January 2019.

- Amendments to Korean IFRS 1028 *Investments 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. These amendments will be applied for annual periods beginning on or after January 1, 2019, with early adoption permitted. In accordance with the transitional provisions in Korean IFRS 1109, the restatement of the comparative information is not required and the cumulative effects of initially applying the amendments retrospectively should be recognized in the beginning balance of retained earnings (or other components of equity, as appropriate) at the date of initial application.

- 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. This Interpretation will be applied for annual periods beginning on or after January 1, 2019, and an entity can either restate the comparative financial statements retrospectively or recognize the cumulative effect of initially applying the Interpretation as an adjustment in the beginning balance at the date of initial application.

- 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. These amendments will be applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early adoption permitted.

    - 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. These amendments will be applied to transactions in which an entity obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early adoption permitted.

    - 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. These amendments will be applied for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted.

    - 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. These amendments will be applied to borrowing costs incurred on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early adoption permitted.

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 recoded 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.

(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 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.

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 consolidated financial statements are presented in Korean won, which is the parent company's functional and presentation currency.

(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.

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

From January 1, 2018, 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.

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

A. Debt instruments

Subsequent measurement of debt instruments depends on the 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 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.

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 within 'other non-operating income (expenses)' or 'finance income (costs)' based on the nature of transactions.

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.

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 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.

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 – 10
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 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.

2.14 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 a 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*

2.15 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.

2.16 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 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.

2.17 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.

2.18 Revenue Recognition

The Group has applied Korean IFRS 1115 *Revenue from Contracts with Customers* for annual reporting period beginning on January 1, 2018. 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.

2.19 Lease

A lease is an agreement, whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Payments made under operating leases are charge to profit or loss on a straight-line basis over the period of lease.

Leases where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease’s inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost.

2.20 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.

2.21 Dividend

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

2.22 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.

2.23 Approval of Issuance of the Financial Statements

The consolidated financial statements 2018 were approved for issue by the Board of Directors on February 12, 2019 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 – Deductions from revenue

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.

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 27).

(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 14).

(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 15).

(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.

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, 2018 and 2017, are as follows:

(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)

(in thousands of USD)	December 31, 2017				
	USD	EUR	GBP	Others[1]	Total
Financial assets	$ 702,016	$ 104,701	$ 159,822	$ 42,011	$ 1,008,550
Financial liabilities	(984,682)	(286,333)	(159,141)	(7,364)	(1,437,520)
Net	$ (282,666)	$ (181,632)	$ 681	$ 34,647	$ (428,970)

[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, 2018		Year ended December 31, 2017	
	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	$ (37,714)	$ 37,714	$ (42,897)	$ 42,897

(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.

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, 2018 and 2017, are as follows:

(in thousands of USD)	December 31, 2018	December 31, 2017
Financial liabilities	$ 271,463	$ 534,913

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.

(in thousands of USD)	**Impact on annual profit before income tax estimated as at**			
	December 31, 2018		**December 31, 2017**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Profit before income tax expense	$ (2,715)	$ 2,715	$ (5,349)	$ 5,349

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, 2018 and 2017, are as follows.

(in thousands of USD)	**December 31, 2018**	**December 31, 2017**
Cash and cash equivalents	$ 489,465	$ 389,045
Trade and other receivables	400,471	351,483
Long-term financial instruments[1]	749	-
Long-term financial assets	1,093	93
Long-term trade and other receivables	76,789	1,941
Derivative assets	6,085	1,744
Long-term derivative assets	5,771	4,095
Other non-current assets	2,673	2,111
	$ 983,096	$ 750,512

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

Aging analysis of the Group's receivables as at December 31, 2018 and 2017, are as follows:

(in thousands of USD)

	December 31, 2018						
	Individually impaired receivables	Receivables assessed for impairment on a collective basis					Total
		Within due	0–3 months	3–6 months	6–12 months	Over 12 months	
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

(in thousands of USD)

	December 31, 2017						
	Individually impaired receivables	Receivables assessed for impairment on a collective basis					Total
		Within due	0–3 months	3–6 months	6–12 months	Over 12 months	
Trade receivables	$ 3,304	$ 195,810	$ 25,258	$ 3,276	$ 2,727	$ 4,056	$ 234,431
Other receivables	526	123,618	469	-	-	1	124,614
Accrued income	-	359	-	-	-	-	359
Short-term loans	-	278	-	-	-	-	278
Long-term trade receivables	-	1,428	-	-	-	-	1,428
Long-term other receivables	-	513	-	-	-	-	513
	$ 3,830	$ 322,006	$ 25,727	$ 3,276	$ 2,727	$ 4,057	$ 361,623

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, 2018						
	Individually impaired on allowance for bad debts	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
	$ 4,999	$ 1,200	$ 405	$ 722	$ 705	$ 3,087	$ 11,118

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, 2018 and 2017, are as follows:

(in thousands of USD)	December 31, 2018					
		Nominal cash flows				
	Book value	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	258,404	996	5	-
Borrowings	983,112	1,211,953	61,217	60,747	170,867	919,122
	$ 1,658,824	$ 1,887,527	$ 735,790	$ 61,743	$ 170,872	$ 919,122

(in thousands of USD)	December 31, 2017					
		Nominal cash flows				
	Book value	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Trade payables	$ 326,592	$ 326,592	$ 326,592	$ -	$ -	$ -
Other liabilities (current and non-current)	177,851	177,851	176,556	1,202	93	-
Borrowings	1,249,311	1,580,769	71,110	70,546	199,681	1,239,432
	$ 1,753,754	$ 2,085,212	$ 574,258	$ 71,748	$ 199,774	$ 1,239,432

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, 2018 is discussed in Note 29.

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, 2018 and 2017, are as follows:

(in thousands of USD)	December 31, 2018	December 31, 2017
Debt	$ 2,420,822	$ 2,572,610
Equity	3,344,605	3,199,125
Debt-to-equity ratio	72.38%	80.42%

5. Financial Instruments by Category

5.1 Carrying Amounts of Financial Instruments by Category

Categorizations of financial assets and liabilities as at December 31, 2018 and 2017, are as follows:

(in thousands of USD)	December 31, 2018				
	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Hedge derivatives	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 assets	-	1.093	-	-	1,093
Other non-current assets	2,673	-	-	-	2,673
Net	$ 945,475	$ 3,751	$ 24,762	$ 9,198	$ 983,096

(in thousands of USD)	December 31, 2018			
Liabilities	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Hedge derivatives	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
	$ 1,658,824	$ 560	$ 5	$ 1,659,389

(in thousands of USD)	December 31, 2017				
Assets	**Loans and receivables**	**Financial assets at fair value through profit or loss**	**Financial assets available-for-sale**	**Hedge derivatives**	**Total**
Cash and cash equivalents	$ 389,045	$ -	$ -	$ -	$ 389,045
Trade and other receivables	351,483	-	-	-	351,483
Derivative assets (current and non-current)	-	1,566	-	4,273	5,839
Long-term trade and other receivables	1,941	-	-	-	1,941
Long-term financial assets	-	-	93	-	93
Other non-current assets	2,111	-	-	-	2,111
	$ 744,580	$ 1,566	$ 93	$ 4,273	$ 750,512

(in thousands of USD)	December 31, 2017			
Liabilities	**Financial liabilities at fair value through profit or loss**	**Other financial liabilities at amortized cost**	**Hedge derivatives**	**Total**
Trade and other payables	$ -	$ 503,314	$ -	$ 503,314
Borrowings	-	1,249,311	-	1,249,311
Derivative liabilities (current and non-current)	5,416	-	2,048	7,464
Other non-current liabilities	-	1,129	-	1,129
	$ 5,416	$ 1,753,754	$ 2,048	$ 1,761,218

During the year ended December 31, 2018, 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, 2018 and 2017, are as follows:

(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	-	24,671
Hedge derivatives	-	9,198	-	9,198
	$ -	$ 36,528	$ 1,093	$ 37,621
Financial liabilities:				
Financial liabilities at fair value through profit or loss	$ -	$ (560)	$ -	$ (560)
Hedge derivatives	-	(5)	-	(5)
	$ -	$ (565)	$ -	$ (565)

(in thousands of USD)	December 31, 2017			
	Level 1 [1]	**Level 2** [1]	**Level 3** [1]	**Total**
Financial assets:				
Financial assets at fair value through profit or loss	$ -	$ 1,566	$ -	$ 1,566
Hedge derivatives	-	4,273	-	4,273
	$ -	$ 5,839	$ -	$ 5,839
Financial liabilities:				
Financial liabilities at fair value through profit or loss	$ -	$ (5,416)	$ -	$ (5,416)
Hedge derivatives	-	(2,048)	-	(2,048)
	$ -	$ (7,464)	$ -	$ (7,464)

[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, 2018 is as follows:

(in thousands of USD)	**Beginning**	**Change in accounting policy**	**Acquisition**	**OCI**	**Ending**
Financial assets at fair value through profit or loss	$ -	$ 90	$ 1,000	$ 3	$ 1,093

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, 2018 and 2017, are as follows:

(in thousands of USD)	Year ended December 31, 2018				
	Interest income (expense)	**Bad debt expense**	**Loss on disposal**	**Gain (loss) on derivatives**	**Other**
Financial assets:					
Financial assets at amortized cost	$ 7,749	$ (3,622)	$ (5,478)	$ -	$ 46
Financial assets at fair value through profit or loss	-	-	-	10,347	-
	$ 7,749	$ (3,622)	$ (5,478)	$ 10,347	$ -
Financial liabilities:					
Financial liabilities at amortized cost	$ (47,367)	$ -	$ (1,533)	$ -	$ (603)

(in thousands of USD)	Year ended December 31, 2017				
	Interest income (expense)	Bad debt expense	Loss on disposal	Gain (loss) on derivatives	Other
Financial assets:					
Loans and receivables	$ 2,792	$ (978)	$ (8,723)	$ -	$ -
Financial liabilities:					
Derivative liabilities	$ -	$ -	$ -	$ (16,658)	$ -
Financial liabilities at amortized cost	(62,481)	-	(22,032)	-	(666)
	$ (62,481)	$ -	$ (22,032)	$ (16,658)	$ (666)

For the year ended December 31, 2018, the gain of $5,544 thousand from derivatives designated as a cash flow hedge was recognized as other comprehensive income (December 31, 2017: loss of $914 thousand).

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, 2018 and 2017, are as follows:

(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
	$ 411,589	$ (11,118)	$ 400,471
Non-current:			
Long-term trade receivables	$ 679	$ -	$ 679
Long-term other receivables	76,110	-	76,110
	$ 76,789	$ -	$ 76,789

(in thousands of USD)

	December 31, 2017		
	Gross	Allowance for doubtful accounts	Net
Current:			
Trade receivables	$ 234,431	$ (7,673)	$ 226,758
Other receivables	124,614	(526)	124,088
Accrued income	359	-	359
Short-term loans	278	-	278
	$ 359,682	$ (8,199)	$ 351,483
Non-current:			
Long-term trade receivables	$ 1,428	$ -	$ 1,428
Long-term other receivables	513	-	513
	$ 1,941	$ -	$ 1,941

Changes in allowance for doubtful accounts for the years ended December 31, 2018 and 2017, are as follows:

(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
	$ 8,199	$ 730	$ 8,929	$ 3,682	$ (658)	$ (835)	$ 11,118

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.

(in thousands of USD)

	Year ended December 31, 2017						
	Beginning (under K-IFRS 1039)	Opening adjustments	Adjusted beginning (under K-IFRS 1109)	Increase	Write-off	Other	Ending
Trade receivables	$ 20,681	$ -	$ 20,681	$ 941	$ (12,994)	$ (955)	$ 7,673
Other receivables	467	-	467	-	-	59	526
	$ 21,148	$ -	$ 21,148	$ 941	$ (12,994)	$ (896)	$ 8,199

The Group assessed the impairment on receivables based on expected loss model. An allowance for doubtful accounts is specifically recognized for the receivables with impairment indicators individually identified. A group of financial assets with similar credit risk natures that are not individually significant is assessed on a collective basis based on aging analysis and the Group’s historical experience on collection.

For the year ended December 31, 2017, the amount of $3,984 thousand in relation to assets for discontinued operations is included in the increase above.

7. Inventories

Inventories as at December 31, 2018 and 2017, are as follows:

(in thousands of USD)

	December 31, 2018		
	Acquisition cost	**Valuation allowance**	**Net book value**
Merchandise	$ 15,238	$ (1,415)	$ 13,823
Finished goods	247,105	(20,502)	226,603
Work in progress	27,677	-	27,677
Raw materials	227,398	(15,306)	212,092
Materials in transit	72,992	-	72,992
	$ 590,410	$ (37,223)	$ 553,187

(in thousands of USD)

	December 31, 2017		
	Acquisition cost	**Valuation allowance**	**Net book value**
Merchandise	$ 19,721	$ (3,751)	$ 15,970
Finished goods	231,037	(20,138)	210,899
Work in progress	13,440	-	13,440
Raw materials	197,154	(13,640)	183,514
Materials in transit	65,223	-	65,223
	$ 526,575	$ (37,529)	$ 489,046

The cost of inventories recognized as expense and included in ‘cost of sales’ for the year ended December 31, 2018, amounts to $2,648,607 thousand (December 31, 2017: $2,154,984 thousand). Reversal of losses on inventory valuation added to ‘cost of sales’ amounts to $ 306 thousand on the same period (December 31, 2017: loss of $6,048 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)

Details of valuation of derivatives as at December 31, 2018 and 2017, are as follows:

(in thousands of all currencies)

	December 31, 2018						
	Buy		Sell		Derivative assets (liabilities)	Valuation gain (loss)	Other comprehensive income (loss)
	Currency	Amount	Currency	Amount			
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	7,844
Foreign currency forward	EUR	12,470	GBP	11,164	113	-	113
					$ 11,291	$ 5,654	$ 7,957

(in thousands of all currencies)

	December 31, 2017						
	Buy		Sell		Derivative assets (liabilities)	Valuation gain (loss)	Other comprehensive income (loss)
	Currency	Amount	Currency	Amount			
Foreign currency swap	EUR 85,070, 0.02%		USD 100,000, 3M USD LIBOR		$ (3,321)	$ (3,321)	$ -
Interest rate swap	USD 600,000, 2.10%		USD 600,000, 3M USD LIBOR		2,629	999	1,630
Foreign currency forward	USD	36,000	EUR	30,387	(529)	(2,114)	-
	EUR	28,390	GBP	25,345	(58)	-	(58)
	USD	19,521	CZK	434,940	(346)	-	(833)
					$ (1,625)	$ (4,436)	$ 739

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, 2018 and 2017, are as follows:

(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)
Impairment	-	(1,121)	(327)	(721)	-	-	-	-	(2,169)
Others	(585)	(2,641)	(235)	19,795	84	50	(128)	(21,054)	(4,714)
Ending	$27,670	$144,842	$ 4,768	$147,507	$ 662	$ 1,642	$ 4,167	$54,230	$385,488
Acquisition cost	$27,670	$217,513	$ 7,484	$387,340	$2,824	$ 2,228	$ 16,087	$54,230	$715,376
Accumulated depreciation	-	(68,448)	(2,470)	(238,330)	(2,148)	(446)	(11,808)	-	(323,587)
Accumulated impairment losses	-	(4,223)	(309)	(1,503)	(14)	(140)	(112)	-	(6,301)

(in thousands of USD)

	Year ended December 31, 2017								
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Construction in progress	Total
Beginning	$ 25,607	$ 146,294	$ 5,059	$ 165,522	$ 865	$ 438	$ 4,471	$ 21,747	$ 370,003
Acquisition & capital expenditure	-	1,204	2	2,151	719	778	1,396	37,358	43,608
Disposal	-	(6)	(13)	(420)	(351)	(5)	(181)	-	(976)
Depreciation	-	(7,278)	(350)	(45,828)	(638)	(166)	(1,445)	-	(55,705)
Impairment loss	-	-	-	(24)	-	-	-	-	(24)
Revaluation	242	-	-	-	-	-	-	-	242
Asset held for sale	-	-	-	(859)	-	-	(744)	-	(1,603)
Others	1,735	11,148	320	49,041	96	117	416	(37,234)	25,639
Ending	$ 27,584	$ 151,362	$ 5,018	$ 169,583	$ 691	$ 1,162	$ 3,913	$ 21,871	$ 381,184
Acquisition cost	$ 27,584	241,417	$ 7,185	$ 411,352	$ 2,998	$ 1,582	$ 16,722	$ 21,871	$ 730,711
Accumulated depreciation	-	(79,737)	(2,167)	(240,925)	(2,252)	(253)	(12,269)	-	(337,603)
Accumulated impairment losses	-	(10,318)	-	(844)	(55)	(167)	(540)	-	(11,924)

Land is measured at fair value. If measured at a historical cost as at December 31, 2018, its carrying value would be $16,935 thousand.

As at December 31, 2018, certain property, plant and equipment included above are pledged as collateral in relation to the borrowings (Notes 13 and 29).

Classification of depreciation expenses for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of USD)	December 31, 2018	December 31, 2017 [1]
Cost of sales	$ 44,874	$ 48,204
Selling and administrative expenses		
Depreciation expenses	4,500	3,790
Research and development expenses	4,082	3,711
	$ 53,456	$ 55,705

[1] Depreciation expenses for the year ended December 31, 2017 included those in relation to expenses attributable to the discontinued operations amounting to $549 thousand.

10. Intangible Assets

Changes in intangible assets for the years ended December 31, 2018 and 2017, are as follows:

(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	$ 973,404	$ 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)

(in thousands of USD)

	Year ended December 31, 2017				
	Goodwill	Industrial rights	Development costs	Others	Total
Beginning	$ 2,437,079	$ 955,246	$ 80,420	$ 27,594	$ 3,500,339
Internal development	-	-	26,939	-	26,939
Acquisition	-	-	-	12,502	12,502
Disposal	-	-	-	(105)	(105)
Amortization	-	(11,470)	(23,239)	(7,779)	(42,488)
Asset held for sale	-	-	-	(2,104)	(2,104)
Others	170,447	45,035	5,730	1,676	222,888
Ending	$ 2,607,526	$ 988,811	$ 89,850	$ 31,784	$ 3,717,971
Acquisition cost	$ 2,607,526	$ 1,132,305	$ 224,072	$ 91,110	$ 4,055,013
Accumulated amortization and impairment loss	-	(143,494)	(134,222)	(59,326)	(337,042)

As at December 31, 2018, the carrying amount of goodwill and other intangible with indefinite useful lives included in others above is $3,583,785 thousand (December 31, 2017: $3,597,558 thousand).

Certain intangible assets included above are pledged as collateral as at December 31, 2018 in connection with the borrowings (Notes 13 and 29).

Details of development costs as at December 31, 2018, is as follows:

(in thousands of USD)			Balance	Remaining amortization period
Compact product development (relating to new models and emission regulations)	Before amortization	$	46,874	-
	Being amortized		41,736	40 months
Portable Power product development (relating to new models and emission regulations)	Before amortization		3,249	-
	Being amortized		9,342	36 months
		$	101,201	

Impairment losses on intangible assets for the year ended December 31, 2018, is as follows:

(in thousands of USD)	Individual asset	Book value	Impairment losses [1] Year ended December 31, 2018	Impairment losses [1] Accumulated	Valuation method for recoverable amount
Other intangible assets	Membership	$ 1,112	59	203	Fair Value

[1] Recoverable amount was estimated to reflect the fair value of individual asset.

Classification of impairment losses on intangible assets for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of USD)		December 31, 2018		December 31, 2017 [1]
Other non-operating expenses	$	59	$	-

Classification of amortization expenses for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of USD)		December 31, 2018		December 31, 2017 [1]
Cost of sales	$	26,151	$	23,392
Selling and administrative expenses				
Amortization expenses		6,635		18,815
Research and development expenses		208		281
	$	32,994	$	42,488

[1] Amortization expenses for the year ended December 31, 2017, included amortization in relation to expenses attributable to the discontinued operations amounting to $675 thousand.

Expenditures on research and development recognized as expenses amounted to $57,852 thousand for the year ended December 31, 2018 (December 31, 2017: $48,251 thousand).

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	2018	
Doosan Bobcat	Manufacturing and sales of construction equipment	$	2,609,269

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	9.63%
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, 2018.

11. Investment in Associates

Investments in associates that are accounted for using the equity method as at December 31, 2018, are as follows:

Investee	Main business	Location	Fiscal year end
DBC Co., Ltd.[1]	Rent of real estate	Korea	December
Doosan Cuvex Co., Ltd.[2]	Operation of golf club	Korea	December

[1] The Group acquired 10% of equity shares of DBC Co., Ltd. during the year ended December 31, 2017. The Group considers it has significant influence over this investee as the Group holds a right to nominate a registered director and a veto right for certain matters at the shareholders meeting.

[2] The Group acquired 4% of equity shares of Doosan Cuvex Co., Ltd. from Doosan Engineering & Construction Co., Ltd. during the year ended December 31, 2017. The Group considers it has significant influence over this investee as the Group holds an agreement of joint cooperation related to appointment of representatives and other rights.

Details of investments in associates that are accounted for using the equity method as at December 31, 2018 and 2017, are as follows:

(in thousands of USD)		December 31, 2018		
	Percentage of ownership (%)	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
		$ 12,269	$ 13,028	$ 12,763

(in thousands of USD)		December 31, 2017		
	Percentage of ownership (%)	Acquisition cost	Book value	Net asset value
DBC Co., Ltd.	10.00	$ 23,078	$ 24,529	$ 24,529
Doosan Cuvex Co., Ltd.	3.98	3,912	3,915	3,638
		$ 26,990	$ 28,444	$ 28,167

Changes in investment in associates for the year ended December 31, 2018 and 2017, are as follows:

(in thousands of USD)	Year ended December 31, 2018					
Investee	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
	$ 28,444	$ (173)	$ (14,721)	$ (15)	$ (507)	$ 13,028

(in thousands of USD)	Year ended December 31, 2017					
Investee	Beginning	Acquisition	Share of gain (loss)	Share of other comprehensive income of associate	Others	Ending
DBC Co., Ltd.	$ -	$ 23,078	$ (17)	$ -	$ 1,468	$ 24,529
Doosan Cuvex Co., Ltd.	-	3,912	(299)	43	259	3,915
	$ -	$ 26,990	$ (316)	$ 43	$ 1,727	$ 28,444

Summarized financial information of associates as at December 31, 2018, is as follows:

(in thousands of USD)	December 31, 2018				
	Assets	Liabilities	Sales	Profit (loss) for the year	Total comprehensive income (loss)
DBC Co., Ltd.	$ 252,460	$ 159,390	$ -	$ (1,616)	$ (1,616)
Doosan Cuvex Co., Ltd.	190,844	89,936	60,030	454	82

12. Trade and Other Payables

Trade and other payables as at December 31, 2018 and 2017, are as follows:

(in thousands of USD)	December 31, 2018	December 31, 2017
Current:		
Trade payables	$ 418,169	$ 326,592
Other payables	120,154	90,930
Accrued expenses	136,250	85,792
	$ 674,573	$ 503,314
Non-current:		
Other payables	$ 1,001	$ 1,129

13. Borrowings

Borrowings as at December 31, 2018 and 2017, are as follows:

(in thousands of USD)

Lender	Annual interest rate	December 31, 2018	December 31, 2017
Syndicated lenders[1]	3M LIBOR + 2.00%	$ 971,463	$ 1,234,913
Bank of New York	8.00%	4,250	4,250
BNP Paribas[2]	2.30%~2.75%	15,231	19,093
Subtotal		990,944	1,258,256
Less: present value of discount		(7,832)	(8,945)
		983,112	1,249,311
Less: current portion		(18,641)	(18,766)
Total		$ 964,471	$ 1,230,545

[1] In connection with the borrowings above, financial guarantees have been provided by DBI. In addition, the equity shares held by DBI and CEC in their respective subsidiaries as well as certain property, plant and equipment, intangible assets and other assets of CEC are pledged as collateral as at December 31, 2018 (Notes 9, 10 and 29).

[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, 2018 (Note 9).

14. Net Defined Benefit Liabilities

Details of net defined benefit liabilities recognized in the statements of financial position as at December 31, 2018 and 2017, are as follows:

(in thousands of USD)	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$ 711,087	$ 813,576
Fair value of plan assets	(388,750)	(422,192)
Net defined benefit liabilities	$ 322,337	$ 391,384

Income and loss recognized for the year ended December 31, 2018 and 2017, are as follows:

(in thousands of USD)	December 31, 2018	December 31, 2017
Current service cost	$ 18,203	$ 16,183
Past service cost and (gains) or losses on settlements	(6,061)	(1,739)
Net interest cost	14,776	17,478
	$ 26,918	$ 31,922

Classification of expenses related to defined benefit plan for the year ended December 31, 2018 and 2017, is as follows:

(in thousands of USD)	December 31, 2018	December 31, 2017
Cost of sales	$ 13,641	$ 16,294
Selling and administrative expenses	12,624	15,019
Research and development expenses	653	609
	$ 26,918	$ 31,922

The Group recognized expenses of $ 10,686 thousand in relation to its defined contribution plan for the year ended December 31, 2018 (2017: $ 9,280 thousand). In addition, post-employment benefits for the year ended December 31, 2017, include expenses attributable to the discontinued operations amounting to $ 272 thousand.

Movements in the defined benefit obligations for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of USD)	**December 31, 2018**	**December 31, 2017**
Beginning balance	$ 813,576	$ 766,199
Current service cost	18,203	16,183
Past service cost and (gains) or losses on settlements	(6,061)	(1,739)
Interest expense	26,825	28,684
Remeasurements:		
Actuarial loss (gain) from change in demographic assumptions	(15,866)	24
Actuarial loss from change in financial assumptions	(76,606)	41,506
Other	(6,179)	2,337
Contributions by employees	2,281	2,346
Benefits paid	(42,501)	(48,101)
Transfers	155	570
Foreign exchange differences	(2,740)	5,567
Ending balance	$ 711,087	$ 813,576

Movements in the fair value of plan assets for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of USD)	**December 31, 2018**	**December 31, 2017**
Beginning balance	$ 422,192	$ 376,647
Interest income	12,049	11,206
Remeasurements	(40,329)	41,291
Contributions:		
Employers	23,200	20,369
Employees	20	22
Benefits paid	(26,313)	(31,209)
Transfers	86	350
Foreign exchange differences	(2,155)	3,516
Ending balance	$ 388,750	$ 422,192

Actual gains (losses) on plan assets recognized are ($28,280) thousand and $ 52,497 thousand for the years ended December 31, 2018 and 2017, respectively. Contributions to defined benefit plans for the year ending December 31, 2019 is expected to be $ 23,172 thousand.

The significant actuarial assumptions as at December 31, 2018 and 2017, are as follows:

(in percentage, %)	**December 31, 2018**	**December 31, 2017**
Discount rate	2.0~4.3	1.9~3.7
Future salary growth rate	2.1~4.8	2.4~4.8

Plan assets as at December 31, 2018 and 2017, consist of:

(in thousands of USD)	**December 31, 2018**	**December 31, 2017**
Equity instruments	$ 121,530	$ 153,311
Debt instruments	243,770	248,454
Others	23,450	20,427
	$ 388,750	$ 422,192

The sensitivity of the defined benefit obligation to changes in the principal assumptions as at December 31, 2018 and 2017, are as follows:

(in thousands of USD)	**December 31, 2018**		**December 31, 2017**	
	Amount	**Rate**	**Amount**	**Rate**
Discount rate:				
1%p increase	$ (84,755)	(11.92%)	$ (102,654)	(12.63%)
1%p decrease	107,137	15.07%	133,898	16.47%
Salary growth rate:				
1%p increase	$ 7,963	1.12%	$ 7,565	0.93%
1%p decrease	(7,090)	(1.00%)	(6,781)	(0.83%)

The weighted average maturity of the defined benefit obligations is 14 years.

15. 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, 2018, is as follows:

(in thousands of USD)

	Year ended December 31, 2018								
	Beginning	Adjustment [1]	Beginning (under K-IFRS 1115)	Increase	Decrease	Others	Ending	Less: Current	Non-current
Warranty	$ 53,620	$ -	$ 53,620	$ 49,388	$ (27,164)	$ (1,217)	$ 74,627	$ 49,123	$ 25,504
Product liability	26,670	(3,162)	23,508	4,453	(5,373)	-	22,588	5,415	17,173
Litigation	1,284	-	1,284	451	(242)	(98)	1,395	1,395	-
Restructuring	5,220	-	5,220	5,038	(8,234)	(278)	1,746	1,746	-
	$ 86,794	$ (3,162)	$ 83,632	$ 59,330	$ (41,013)	$ (1,593)	$100,356	$ 57,679	$ 42,677

[1] Represented the difference between the adjusted amounts of refund asset and refund liability at the date of initial application of K-IFRS 1115 and the amounts recorded under previous standards (Note 33).

16. 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, 2018, 100,249,166 ordinary shares are issued and there are no ordinary shares of which voting rights are restricted under the Korean Commercial Law.
There have been no changes in capital stock and capital surplus for the years ended December 31, 2018 and 2017.

17. Other Equity Items

Other equity items as at December 31, 2018 and 2017, are as follows:

(in thousands of USD)	December 31, 2018	December 31, 2017
Capital adjustment from equity transactions among subsidiaries	$ 7,700	$ 7,700
Ordinary shares issued in kind [1]	(186,108)	(186,108)
	$ (178,408)	$ (178,408)

[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.
.

18. Accumulated Other Comprehensive Income

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of USD)	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	-	5,544	-	-	5,544
Decrease	(33,369)	-	(2,051)	-	(35,420)
Ending balance	$ (208,813)	$ 6,060	$ 3,040	$ 46	$ (199,667)

(in thousands of USD)	Year ended December 31, 2017				
	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	$ (423,372)	$ 1,430	$ 3,020	$ -	$ (418,922)
Increase	247,928	-	2,071	46	250,045
Decrease	-	(914)	-	-	(914)
Ending balance	$ (175,444)	$ 516	$ 5,091	$ 46	$ (169,791)

19. Retained Earnings

Details of retained earnings as at December 31, 2018 and 2017, are as follow:

(in thousands of USD)	December 31, 2018		December 31, 2017	
Legal reserves	$	13,829	$	6,309
Retained earnings before appropriation		879,752		711,915
	$	893,581	$	718,224

(in thousands of USD)	2018		2017	
Unappropriated retained earnings carried over from prior year	$	718,224	$	541,783
Changes in accounting policy		(730)		-
Consolidated profit for the year		240,386		242,084
Remeasurements of net defined benefit liabilities		44,424		(2,755)
Reclassification of revaluation surplus on disposal of property, plant and equipment		2,052		-
Share of other comprehensive income of associates		(11)		(13)
Dividends		(110,764)		(62,875)
Unappropriated retained earnings to be carried forward		893,581		718,224

20. 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, 2018 and 2017, are as follows:

(in thousands of USD)	December 31, 2018		December 31, 2017	
Compact	$	3,300,117	$	2,747,214
Portable Power		308,686		249,858
	$	3,608,803	$	2,997,072

Sales by region for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of USD)		**December 31, 2018**		**December 31, 2017**
North America and Oceania	$	2,659,086	$	2,175,951
Europe, Middle East and Africa		734,067		613,764
Asia and Latin America		215,650		207,357
	$	3,608,803	$	2,997,072

There is no single external customer accounted for 10% or more of the Group's sales for the years ended December 31, 2018 and 2017.

21. Revenue

Details of revenue for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of USD)		**December 31, 2018**
Revenue from contracts with customers		
By type of goods or services		
- Manufactured products/merchandise	$	3,556,383
- Others		26,755
	$	3,583,138
By timing of recognition		
- Products transferred at a point in time	$	3,556,383
- Service rendered over time		26,755
	$	3,583,138
Revenue from other sources		
Rental income, etc.	$	25,665
	$	3,608,803

(in thousands of USD)		**December 31, 2017**
Sale of goods	$	2,914,799
Others		82,273
	$	2,997,072

22. Contract Balances

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

(in thousands of USD)		December 31, 2018
Trade receivables (current and non-current)	$	252,259
Contract assets		-
Contract liabilities		228,797

The contract liabilities primarily related to the advance considerations received from customers for which revenue is recognized on completion of transfer of goods or services.

Revenue recognized that was included in the contract liability balance at the beginning of the period amounting to $16,448 thousand for the year ended December 31, 2018.

23. Expenses by Nature

Expenses classified by nature for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of USD)		December 31, 2018		December 31, 2017
Purchases of inventories (Raw materials and merchandises)	$	2,033,979	$	1,916,545
Changes in inventories		(64,141)		(72,752)
Employee benefits		386,981		361,248
Depreciation and amortization		86,450		96,969
Other expenses		748,330		346,192
	$	3,191,599	$	2,648,202

24. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of USD)	December 31, 2018	December 31, 2017
Salaries	$ 118,264	$ 123,636
Post-employment benefits	12,842	14,062
Employee benefits	21,900	21,980
Rent	11,454	11,276
Depreciation	4,500	3,686
Amortization	6,635	18,140
Research and development	57,852	48,251
Advertising	19,185	18,231
Commission expenses	70,034	83,140
Bad debt expenses	3,682	978
Insurance expenses	9,757	7,394
Tax and duty	4,398	5,328
Others	43,294	9,736
	$ 383,797	$ 365,838

25. Finance Income and Expenses

Finance income and expenses for the years ended December 31, 2018 and 2017, are summarized as follows:

(in thousands of USD)	December 31, 2018	December 31, 2017
Finance income:		
Interest income	$ 7,749	$ 2,792
Gain on foreign currency transactions	5,175	17,912
Gain on foreign currency translation	10,467	92,785
Gain on derivative transactions	4,693	1
Gain on valuation of derivatives	5,654	-
Income on financial guarantee	46	-
	33,784	113,490
Finance expenses:		
Interest expenses	(47,367)	(62,481)
Loss on foreign currency transactions	(7,451)	(13,912)
Loss on foreign currency translation	(18,859)	(57,748)
Loss on derivative transactions	-	(11,224)
Loss on valuation of derivatives	-	(5,435)
Loss on retirement of borrowing	(1,533)	(22,032)
Costs of financial guarantee	(33)	-
Others	(570)	(666)
	(75,813)	(173,498)
Net finance expenses	$ (42,029)	$ (60,008)

26. Other Non-operating Income and Expenses

Other non-operating income and expenses for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of USD)	**December 31, 2018**	**December 31, 2017**
Other non-operating income:		
Gain on disposal of property, plant and equipment	$ 31	$ 35
Others	9,695	7,617
	9,726	7,652
Other non-operating expenses:		
Loss on disposal of trade receivables	(5,478)	(8,723)
Other bad debt expenses	60	-
Loss on disposal of property, plant and equipment	(1,068)	(215)
Impairment loss on property plant and equipment	(2,169)	(24)
Impairment loss on intangible assets	(59)	-
Donations	(2,786)	(1,759)
Others	(6,352)	(7,071)
	(17,852)	(17,792)
Net other non-operating expense	$ (8,126)	$ (10,140)

27. Income Tax Expense

Income tax expense for the years ended December 31, 2018 and 2017, consists of:

(in thousands of USD)	**December 31, 2018**	**December 31, 2017** [1]
Current tax	$ 13,914	$ 24,337
Changes in deferred tax assets and liabilities	131,453	22,424
Deferred tax charged directly to equity	(18,879)	10,967
Income tax expense	$ 126,488	$ 57,728

[1] Income tax expense for the year ended December 31, 2017 included income tax attributable to discontinued operations amounting to $ 5,918 thousand.

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, 2018 and 2017, are as follows:

(in thousands of USD)	**Year ended December, 2018**		
	Beginning	**Increase (decrease)**	**Ending**
Net defined benefit liabilities	$ 94,840	$ (17,959)	$ 76,681
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)
	$ (14,267)	$ (131,453)	$ (145,720)

(in thousands of USD)	**Year ended December, 2017**		
	Beginning	**Increase (decrease)**	**Ending**
Net defined benefit liabilities	$ 113,967	$ (19,127)	$ 94,840
Property, plant and equipment	(18,019)	4,345	(13,674)
Development costs	(23,316)	6,163	(17,153)
Intangible assets	(163,668)	(6,685)	(170,353)
Provisions	15,565	(5,318)	10,247
Inventories	21,313	(8,554)	12,759
Others	67,954	(2,084)	65,870
Consolidation adjustments	(5,639)	8,836	3,197
	$ 8,157	$ (22,424)	$ (14,267)

Carryforwards of tax losses, temporary differences and tax credits for which deferred tax assets (liabilities) are not recognized as at December 31, 2018 and 2017, are as follows:

(in thousands of USD)	**December 31, 2018**	**December 31, 2017**
Tax loss carryforwards	$ 114,509	$ 137,594
Temporary differences	60,493	(48,219)
Tax credits	10,469	12,525

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.

Temporary differences from investments in subsidiaries for which deferred tax assets as at December 31, 2018 and 2017, are not recognized are as follows:

(in thousands of USD)	December 31, 2018	December 31, 2017
Investments in subsidiaries	$ (304,332)	$ (89,082)

Reconciliation between profit before income tax and income tax expense for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of USD)	December 31, 2018	December 31, 2017
Income before income tax expense [1]	$ 366,874	$ 299,812
Income tax based on statutory tax rate in the respective countries	$ 85,538	$ 107,799
Tax effects of:		
Permanent difference	4,920	4,030
Changes in unrecognized deferred tax assets	(3,126)	20,739
Tax credits	(3,185)	(3,485)
Additional tax	(5,644)	(663)
Changes in tax rate [2]	25,992	(67,325)
Others	21,993	(3,367)
Income tax expense [3]	$ 126,488	$ 57,728
Average effective tax rate (Income tax expense / Profit before income tax)	34.5%	19.3%

[1] Profit before income tax expense includes profit before income tax attributable to discontinued operations amounting to $ 21,408 thousand for the year ended December 31, 2017.
[2] The effect of changes in tax rate for the year ended December 31, 2018 included the increase in applicable tax rate related to the transfer of intellectual property between countries. For the year ended December 31, 2017, the effect of changes in tax rate included the decrease in applicable tax rate related to deferred income tax in the U.S.
[3] Income tax expense includes income tax attributable to discontinued operations amounting to $ 5,918 thousand for the year ended December 31, 2017.

Statutory tax rates in the respective countries vary from 12.5% to 39.3%.

28. Earnings Per Share

28.1 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, 2018 and 2017, are computed as follows:

(in USD and in shares)	December 31, 2018	December 31, 2017	
	Continuing operations	Continuing operations	Discontinued operations
Profit (loss) attributable to owners of Group	$ 240,386,412	$ 226,594,009	$ 15,490,038
Weighted average number of ordinary shares outstanding [1]	100,249,166	100,249,166	100,249,166
Basic earnings (loss) per share	$ 2.40	$ 2.26	$ 0.15

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

(in shares)	December 31, 2018	December 31, 2017
Outstanding shares at the beginning	100,249,166	100,249,166
Weighted average number of ordinary shares outstanding	100,249,166	100,249,166

28.2 Diluted Earnings Per Share

For the years ended December 31, 2018 and 2017, 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.

29. Commitments and Contingencies

29.1 Litigations

The Group is involved in certain lawsuits as defendants with total claim exposures of $7,913 thousand as at December 31, 2018 and the ultimate outcome of these lawsuits cannot be reasonably estimated.

29.2 Financial Guarantees and Assets Provided as Collaterals

29.2.1 Financial Guarantees Provided

As at December 31, 2018, guarantees provided by the Group for third parties, are as follows:

(in thousands of USD)

Provided by	Provided for	Amount guaranteed	
CEC and its subsidiaries	End customers, etc.	$	109,784
DBEM and its subsidiaries	End customers, etc.		676
Doosan Bobcat Korea Co., Ltd. and Others	End customers, etc.		4,560
		$	115,020

29.2.2 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, 2018. The book value of related borrowings as at December 31, 2018 is $971,463 thousand.

As at January 15, 2018, Doosan Bobcat Korea Co., Ltd., a subsidiary of 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. The carrying amount of the investments in associates held as collateral as at December 31, 2018, is $9,307 thousand.

29.2.3 Operating Lease

The total of future minimum lease payments under non-cancellable operating lease agreements as at December 31, 2018, are as follows:

(in thousands of USD)	December 31, 2018			
	Less than 1 year	1-5 years	More than 5 years	Total
Minimum lease payments	$ 11,879	$ 22,785	$ 2,995	$ 37,659

29.3 Commitments

(a) Acquisition of intellectual property and product development agreement

During the year ended December 31, 2018, the Group has entered into an agreement with Daedong Industrial Co., Ltd., in relation to purchase of intellectual properties and product development for compact tractor products. Total value of commitment amounts to $3,803 thousand (equivalent to ₩4,252,000 thousand). During the year ended December 31, 2018, the Group acquired related assets of $1,073 thousand, recognized in development costs (Note 10).

(b) Investment commitment

During the year ended December 31, 2018, the Group has made an investment commitment with Nautilus Venture Partners Fund II, L.P., up to $5,000 thousand.

30. Related Party Transactions

The Group’s related party disclosures for the years ended December 31, 2018 and 2017, 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., and others

Significant transactions with related parties for the years ended December 31, 2018 and 2017, are as follows:

(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 Information and Communications (America, Europe and China)	-	4	-	-	36,697
	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	7,376
	Subtotal	24,177	3,628	119,582	9,854	44,594
	Total	$ 25,388	$ 5,181	$ 131,099	$ 303,683	$ 56,035

(in thousands of USD)

		Year ended December 31, 2017					
Relationship	Related party	Sales	Other income	Disposal of property, plant and equipment and intangible assets	Purchases	Other expenses	Acquisition of property, plant and equipment and intangible assets
Ultimate parent	Doosan Corp.	$ -	$ 52	$ -	$ 2,867	$ 3,833	$ 131
Immediate parent	Doosan Infracore Co., Ltd.	1,164	-	-	539,780	6,969	294
Associate	Doosan Cuvex Co., Ltd.	-	-	-	-	70	-
Others	Doosan Infracore Bobcat Ireland Ltd.	-	-	-	-	12,777	-
	Doosan Information and Communications (America, Europe and China)	-	1,979	-	-	36,154	-
	Others	3,713	46	54	184,315	7,925	716
	Subtotal	3,713	2,025	54	184,315	56,856	716
	Total	$ 4,877	$ 2,077	$ 54	$ 726,962	$ 67,728	$ 1,141

Related significant balances as at December 31, 2018 and 2017, are as follows:

(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 Information and Communications (America, Europe and China)	-	100	-	530
	Doosan Infracore North America LLC	7,331	54,328	-	-
	Doosan Infracore Europe B.V.	7,775	69,593	2,627	-
	Others	1,539	163	1,028	627
	Subtotal	16,699	124,184	3,655	1,157
	Total	$ 21,075	$ 214,401	$ 77,522	$ 1,798

(in thousands of USD)

		December 31, 2017			
Relationship	**Related party**	**Trade receivables**	**Other receivables**	**Trade payables**	**Other payables**
Ultimate parent	Doosan Corp.	$ -	$ 279	$ 565	$ 747
Immediate parent	Doosan Infracore Co., Ltd.	30,115	82,812	95,645	776
Associate	Doosan Cuvex Co., Ltd.	-	566	-	-
Others	Doosan Information and Communications (America, Europe and China)	-	584	-	503
	Others	3,343	31,624	12,055	861
	Subtotal	3,343	32,208	12,055	1,364
	Total	$ 33,458	$ 115,865	$ 108,265	$ 2,887

Treasury transactions (including equity transactions) with related parties for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of USD)

Relationship	Related party	Year ended December 31, 2018 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
		$ 14,721	$ 72,983

[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).

(in thousands of USD)

Description		Year ended December 31, 2017		
		Borrowing	Capital Transaction	
Relationship	Related party	Repayment	Dividend paid	Capital contribution
Immediate parent	Doosan Infracore Co., Ltd	$ -	$ 37,303	$ -
Associate	DBC Co., Ltd. .[1]	-	-	23,078
Others	Doosan Infracore Bobcat Ireland Ltd.	400,000	-	-
	Doosan Engine Co., Ltd.	-	6,634	-
	Doosan Engineering & Construction Co., Ltd. .[2],	-	-	3,912

[1] The Group acquired the equity shares of DBC Co., Ltd., established for constructing Doosan Bundang Center (526,000 shares acquired at the value of ₩ 50,000 per share) during the year ended December 31, 2017.

[2] The Group acquired the equity shares of Doosan Cuvex Co., Ltd. from Doosan Engineering & Construction Co., Ltd. (192,303 shares acquired at the value of ₩ 23,327 per share) during the year ended December 31, 2017.

Financial guarantees provided by related parties for the Group as at December 31, 2018, are as follows:

(in thousands of USD)

Provided by	Provided for	Amount Guaranteed
Doosan Infracore Co., Ltd.	Clark Equipment Co.	$ 102

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, 2018 and 2017, are as follows:

(in thousands of USD)	December 31, 2018	December 31, 2017
Employee benefits	$ 3,232	$ 2,692
Post-employment benefits	171	150
	$ 3,403	$ 2,842

31. 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, 2018 and 2017, are as follows:

(in thousands of USD)	December 31, 2018	December 31, 2017
Adjustments:		
Income tax expense	$ 126,488	$ 57,728
Finance income	(23,870)	(99,678)
Finance expenses	66,226	147,690
Post-employment benefits (defined benefit plan)	26,918	31,922
Depreciation	53,456	55,705
Amortization	32,994	42,488
Gain on disposal of property, plant and Equipment	(31)	(35)
Loss on disposal of property, plant and equipment	1,068	215
Impairment loss on property, plant and equipment	2,169	24
Impairment loss on intangible assets	59	-
Losses on equity method investments	173	316
	$ 285,650	$ 236,375

(in thousands of USD)	**December 31, 2018**	**December 31, 2017**
Changes in operating assets and liabilities:		
Trade receivables	$ (18,923)	$ 302
Other receivables	323	(4,828)
Derivative assets	-	(2,869)
Inventories	(67,642)	(93,563)
Other current assets	(15,759)	(5,669)
Other non-current assets	(9,325)	(461)
Trade payables	88,661	89,343
Other payables	81,088	24,683
Derivative liabilities	(160)	765
Provisions	9,240	(30,871)
Other current liabilities	15,639	11,462
Other non-current liabilities	12,561	13,422
Defined benefit obligations	(40,066)	(45,184)
Plan assets	3,007	10,469
	$ 58,644	$ (32,999)

Significant non-cash transactions for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of USD)	**December 31, 2018**	**December 31, 2017**
Reclassified to other receivables from assets and liabilities held for sale	$ 131,099	-
Reclassified from construction-in-progress	$ 20,660	$ 38,420
Reclassification of discontinued operations to assets held-for-sale	-	(253,933)
Reclassification of discontinued operations to liabilities held-for-sale	-	122,834
	$ 151,759	$ (92,679)

Details of adjustments in liabilities arising from financing activities for the year ended December 31, 2018, is as follows:

(in thousands of USD)	**Borrowings**
Beginning balance	$ 1,249,311
Cash flows	(266,610)
Foreign exchange differences	(702)
Other non-financial changes	1,113
Ending balance	$ 983,112

32. Discontinued Operation

32.1 Transfer of the Heavy Equipment business

During 2017, the transfer of heavy equipment business was approved by the Board of Directors of the Group, and it was sold to Doosan Infracore Co., Ltd and its subsidiaries at a price of $ 131,099 thousand. The Group expects that this sale will allow more organizational and financial capabilities and accordingly the Group's profitability and financial structure will be improved by focusing on the Compact Equipment business, the core business of the Group.

32.2 Analysis of profit from discontinued operations

Details of profit and loss from discontinued operation for the year ended December 31, 2017, is as follows. Line items included in the statements of profit or loss for the year ended December 31, 2017, were reclassified for comparative presentation of discontinued operations based on the consolidated statements of profit of loss prior to the reflection of the discontinued operations.

Profit and loss from discontinued operations

(in thousands of USD)		**Year ended December 31, 2017**
Sales	$	600,483
Cost of sales		530,662
Selling and administrative expenses		47,756
Operating profit		22,065
Non-operating income (expenses)		(657)
Profit before income tax expense		21,408
Income tax expense		5,918
Profit from discontinued operations	$	15,490

Cash flows from discontinued operations

(in thousands of USD)		**Year ended December 31, 2017**
Cash flows from operating activities	$	25,143
Cash flows from investing activities		82
Cash flows from financing activities		-
	$	25,225

33. Changes in Accounting Policy

33.1 Application of K-IFRS 1109 *Financial Instruments*

The Group has applied the Korean IFRS 1109 for annual reporting period commencing January 1, 2018. In accordance with its transitional provision, the Group has not restated any comparative information. The effects of application of K-IFRS 1109 on the consolidated financial statements are as follows:

1) Changes in Retained Earnings

(in thousands of USD)	**Amount**
Beginning retained earnings under K-IFRS 1039	$ 718,224
Increase in allowance for bad debt for accounts receivable	(730)
Adjusted retained earnings under K-IFRS 1109	$ 717,494

2) Classification and Measurement of Financial Instruments

a. Reclassification of financial instruments from the adoption of K-IFRS 1109

Details of reclassification of financial assets from the adoption of K-IFRS 1109 as at January 1, 2018, the date of the first application, are as follows:

(in thousands of USD)	**Measurement category**		**Carrying amount**		
	Under K-IFRS 1039 (Before changes)	**Under K-IFRS 1109 (After changes)**	**Under K-IFRS 1039 (Before changes)**	**Under K-IFRS 1109 (After changes)**	**Difference**
Financial Assets:					
Cash and cash equivalents	Loan and receivables	Measured at amortized cost	$ 389,045	$ 389,045	$ -
Accounts receivables and other receivables	Loan and receivables	Measured at amortized cost	297,899	297,899	-
Accounts receivables and other receivables	Loan and receivables	Measured at fair value through OCI	53,584	53,584	-
Long-term receivables and other non-current receivables	Loan and receivables	Measured at amortized cost	1,941	1,941	-
Long-term financial assets	Financial assets available-for-sale	Measured at fair value through profit or loss	93	93	-
Other non-current assets	Loan and receivables	Measured at amortized cost	2,111	2,111	-
			$ 744,673	$ 744,673	$ -

The adjustments arising from impairment of financial assets are not included.

3) Impairment of Financial Assets

The Group has two types of financial assets that are subject to impairment assessment with expected credit loss model required by K-IFRS 1109.

- Accounts receivable
- Other receivables measured at amortized cost

Along with the adoption of K-IFRS 1109, the Group changed its accounting policy relating to the recognition of impairment loss. Refer to Note 33.1 above for the effects on the beginning retained earnings.

33.2 Application of K-IFRS 1115 *Revenue from Contracts with Customers*

The Group has applied the Korean IFRS 1115 for annual reporting period commencing January 1, 2018. In accordance with the transitional provision, the Group has not restated any comparative information. The effects of application of K-IFRS 1115 on the consolidated financial statements as at the beginning of the period is as follows:

(in thousands of USD)	**December 31, 2017 (Before adjustment)**	**Adjustment**	**January 1, 2018 (After adjustment)**
Refund assets	$ -	$ 4,447	$ 4,447
Current provisions	62,433	(3,162)	59,271
Refund liabilities	-	7,609	7,609

[1] The adjustment above represented accounting for return and refunds. Under the previous standard, when the customer has a right to return the product within a given period, the Group previously recognized a provision for returns which was measured on a net basis at the margin on the sale. Under Korean IFRS 1115, if the customer returns a product, a gross *refund liability* for the expected refunds to customers is recognized. At the same time, a right to recover the product from the customer where the customer exercises his right of return is recognized as *refund asset*.
Due to this change in policy, the Group reclassified $3,162 thousand from provisions to contract liabilities of $7,609 thousand and contract assets of $4,447 thousand as at January 1, 2018.

(2) The effects of application of K-IFRS 1115 on the consolidated financial statements as at December 31, 2018 are as follows:

(in thousands of USD)	**December 31, 2018 (Without the impact of K-IFRS 1115 application)**	**Adjustment**	**December 31, 2018 (As reported)**
Assets			
Refund assets	$ -	$ 8,346	$ 8,346
Liabilities			
Current provisions	63,775	(6,096)	57,769
Refund liabilities	-	14,442	14,442
Total liabilities	$ 63,775	$ 8,346	$ 72,121

There was no impact on the cash flows generated from operating activities from the application of Korean IFRS 1115.