

# **Maeil Dairies Co., Ltd. and its subsidiaries**

Consolidated financial statements  
for the years ended December 31, 2021 and 2020  
with the independent auditor's report

Maeil Dairies Co., Ltd. and its  
subsidiaries

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## Independent auditor's report

### The Shareholders and Board of Directors Maeil Dairies Co., Ltd.

#### Opinion

We have audited the consolidated financial statements of Maeil Dairies Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as of December 31, 2021 and 2020, and the consolidated statement of profit and 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 of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("KIFRS").

#### Basis for opinion

We conducted our audit in accordance with Korean Auditing Standards ("KGAAS"). 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 that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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.

### **Consideration to be paid to the customer**

The Group manufactures and sells consumer goods such as dairy products and food and beverages. Due to the nature of consumer goods, the Group applies various sales incentives or promotion policies such as sales incentives, customer support funds, and logistics agency fees paid to customers to promote sales. Sales in the consolidated financial statements are one of the Group's key financial performance indicators and are measured based on the consideration paid to customers. Therefore, as a result of considering the materiality of the estimates and amounts required in the process of recognizing such sales incentives, and the complexity of calculations, we determined the accounting for the considerations paid to customers as a key audit matter.

The main audit procedures we conducted in this regard were as follows.

- Sampling the supply contracts with major customers, identifying the consideration to be paid to customers in the contract, and confirming the appropriateness of related accounting
- Reviewing the samples of relevant documents regarding the consideration to be paid to the customer, and performing the transaction test to confirm the appropriateness of the accounting.
- Checking the completeness of the profit deduction through an investigation into the ledger for each account to see if the price to be paid to the customer exists in the selling expense account
- Examining the documents on the basis for the disclosure of footnotes related to the consideration to be paid to the customer.

### **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 KIFRS, 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, or has no realistic alternative but to do so.

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 KGAAS 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 KGAAS, 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 Group'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 *Jee Hoon Kim*.



March 17, 2022

This audit report is effective as of March 17, 2022, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditor's report date to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

# **Maeil Dairies Co., Ltd. and its subsidiaries**

**Consolidated Financial Statements**

**For the years ended December 31, 2021 and 2020**

**Maeil Dairies Co., Ltd. and its subsidiaries**  
**Consolidated Statements of Financial Position**  
**December 31, 2021 and 2020**

<i>(In Korean won)</i>	Notes	December 31, 2021	December 31, 2020
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4,6	120,115,059,280	68,807,769,265
Financial assets at fair value through profit or loss	5,6,7	135,215,717,424	19,465,834,686
Financial assets at fair value through other comprehensive income	5,6,7	2,686,000,000	9,836,400,000
Short-term financial instrument	4,6	39,806,093,330	22,705,632,899
Trade and other current receivables	4,6,8,31	157,239,575,068	174,162,046,567
Contract assets	19	618,492,590	481,199,379
Inventories	10	174,959,903,718	145,118,065,376
Current income tax assets		1,824,113,000	-
Other current assets	9	9,120,273,349	5,727,444,006
		<u>641,585,227,759</u>	<u>446,304,392,178</u>
<b>Non-current assets</b>			
Investments in associates	14	5,118,862,262	-
Financial assets at fair value through profit or loss	5,6,7	11,715,142,884	2,293,826,412
Financial assets at fair value through other comprehensive income	5,6,7	999,999,985	-
Long-term deposits	4,6	10,006,000,000	6,000,000
Other receivables	4,6,8,31	13,606,495,914	17,165,772,750
Property, plant and equipment	11	271,871,627,045	249,764,018,813
Intangible assets	12	10,320,124,829	10,038,005,167
Right-of-use assets	13,31	11,068,915,324	14,697,675,535
Deferred tax assets	20	1,339,199,852	1,160,168,654
Other assets	9	4,067,588,620	3,386,802,252
		<u>340,113,956,715</u>	<u>298,512,269,583</u>
<b>Total assets</b>		<u>981,699,184,474</u>	<u>744,816,661,761</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	6,15,31	165,002,414,039	156,955,247,955
Current portion of bonds	6,17	-	29,984,839,403
Current derivative financial liabilities	4,5,6	-	3,058,302,638
Lease liabilities	13,31	3,731,428,213	3,765,405,878
Contract liabilities	19	1,982,667,027	1,879,682,115
Current tax liabilities		15,181,671,676	11,882,054,235
Other current liabilities	16,33	10,698,629,972	7,942,794,834
		<u>196,596,810,927</u>	<u>215,468,327,058</u>
<b>Non-current liabilities</b>			
Other payables	6,15,31	4,021,782,659	4,292,572,833
Bonds	6,17	269,393,965,581	69,828,755,658
Post-employment benefit obligation	18	3,944,364,555	1,563,485,563
Lease liabilities	13,31	7,065,428,609	10,543,976,675
Provisions		131,020,067	121,764,872
Other liabilities	16	3,253,971,111	2,866,555,245
		<u>287,810,532,582</u>	<u>89,217,110,846</u>
<b>Total liabilities</b>		<u>484,407,343,509</u>	<u>304,685,437,904</u>
<b>Equity</b>			
<b>Equity attributable to owners of the Parent Company</b>			
Share capital	21	3,921,819,000	3,921,819,000
Retained earnings	22	270,134,404,727	199,893,854,404
Other components of equity	23	223,235,617,238	236,315,550,453
		<u>497,291,840,965</u>	<u>440,131,223,857</u>
<b>Non-controlling interests</b>			
		-	-
<b>Total equity</b>		<u>497,291,840,965</u>	<u>440,131,223,857</u>
<b>Total liabilities and equity</b>		<u>981,699,184,474</u>	<u>744,816,661,761</u>

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

**Maeil Dairies Co., Ltd. and its subsidiaries**  
**Consolidated Statements of Profit and loss**  
**Years Ended December 31, 2021 and 2020**

<i>(In Korean won)</i>	<b>Notes</b>	<b>2021</b>	<b>2020</b>
<b>Sales</b>	19,31,32	1,551,869,546,714	1,463,095,818,551
<b>Cost of Sales</b>	10,19,26,31	<u>(1,088,638,946,009)</u>	<u>(1,033,395,423,806)</u>
<b>Gross profit</b>		463,230,600,705	429,700,394,745
Selling and administrative expenses	24,26,31	<u>(375,433,194,837)</u>	<u>(343,213,202,050)</u>
<b>Operating profit</b>	32	87,797,405,868	86,487,192,695
Other income	25	6,144,251,120	4,772,100,536
Other expenses	25	(6,083,111,495)	(10,425,341,351)
Financial income	6		
Dividends income		1,102,689,212	-
Interest income		2,312,712,458	2,027,113,628
Gains on transaction of derivatives		2,413,276,639	2,885,671,081
Gains on disposal of financial assets at FVPL		3,454,064,448	21,037,013
Gains on valuation of financial assets at FVPL		10,648,330,438	918,116,693
		<u>19,931,073,195</u>	<u>5,851,938,415</u>
Financial costs	6		
Interest expenses		4,954,069,440	2,393,723,213
Losses on transaction of derivatives		123,000,000	546,769,930
Losses on valuation of derivatives		-	3,058,302,638
Losses on disposal of financial assets at FVPL		419,882,439	-
Losses on valuation of financial assets at FVPL		5,765,875,991	212,413,006
		<u>(11,262,827,870)</u>	<u>(6,211,208,787)</u>
Profit or loss on investment in associates			
Gains on equity method	14	118,825,106	-
Profit before income tax		96,645,615,924	80,474,681,508
Income tax expense	20	(22,400,400,129)	(22,821,200,251)
<b>Profit for the year</b>		<u>74,245,215,795</u>	<u>57,653,481,257</u>
<b>Profit for the year</b>			
Attributable to owners of the Parent Company		74,245,215,795	57,653,481,257
Attributable to Non-controlling interests		-	-
		<u>74,245,215,795</u>	<u>57,653,481,257</u>
<b>Earnings per share</b>			
Basic and diluted earnings per share	27	9,820	7,498

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

**Maeil Dairies Co., Ltd. and its subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**Years Ended December 31, 2021 and 2020**

<i>(In Korean won)</i>	<b>2021</b>	<b>2020</b>
<b>Profit for the year</b>	74,245,215,795	57,653,481,257
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified to profit and loss</i>		
Remeasurements of net defined benefit liability	18,20      1,499,623,094	1,385,161,780
Gain on valuation of financial assets at FVOCI	6,20      2,327,355,450	<u>(491,878,392)</u>
	3,826,978,544	893,283,388
<i>Items that may be subsequently reclassified to profit and loss</i>		
Gain from overseas operation translation	<u>282,259,469</u>	<u>44,199,914</u>
	4,109,238,013	937,483,302
<b>Total comprehensive income for the year</b>	<u>78,354,453,808</u>	<u>58,590,964,559</u>
Attributable to owners of the Parent Company	78,354,453,808	58,590,964,559
Attributable to non-controlling interests	-	-

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

**Maeil Dairies Co., Ltd. and its subsidiaries**  
**Consolidated Statements of Changes in Equity**

**Years Ended December 31, 2021 and 2020**

	Notes	Attributable to owners of the parent company			Total	Non-controlling Interest	Total equity
		Share capital	Retained earnings	Other Components of Equity			
<i>(In Korean won)</i>							
<b>Balance at January 1, 2020</b>		3,921,819,000	148,507,949,147	251,204,690,251	403,634,458,398	-	403,634,458,398
<b>Total comprehensive income</b>							
Profit for the year		-	57,653,481,257	-	57,653,481,257	-	57,653,481,257
Remeasurement of net defined benefit liabilities	18,20	-	-	1,385,161,780	1,385,161,780	-	1,385,161,780
Losses on valuation of financial assets at FVOCI	20	-	-	(491,878,392)	(491,878,392)	-	(491,878,392)
Gain or loss on overseas operations translation		-	-	44,199,914	44,199,914	-	44,199,914
<b>Transactions with owners</b>							
Dividends paid		-	(6,267,576,000)	-	(6,267,576,000)	-	(6,267,576,000)
Acquisition and disposal of treasury stocks		-	-	(16,514,238,600)	(16,514,238,600)	-	(16,514,238,600)
Share-based payment expenses	23	-	-	687,615,500	687,615,500	-	687,615,500
<b>Balance at December 31, 2020</b>		<u>3,921,819,000</u>	<u>199,893,854,404</u>	<u>236,315,550,453</u>	<u>440,131,223,857</u>	-	<u>440,131,223,857</u>
<b>Balance at January 1, 2021</b>		3,921,819,000	199,893,854,404	236,315,550,453	440,131,223,857	-	440,131,223,857
<b>Total comprehensive income</b>							
Profit for the year		-	74,245,215,795	-	74,245,215,795	-	74,245,215,795
Remeasurement of net defined benefit liabilities	18,20	-	-	1,499,623,094	1,499,623,094	-	1,499,623,094
Gains on valuation of financial assets at FVOCI	20	-	-	2,327,355,450	2,327,355,450	-	2,327,355,450
Transfer on valuation of financial assets at FVOCI	6,20	-	2,088,323,328	(2,088,323,328)	-	-	-
Gain or loss on overseas operation translation		-	-	282,259,469	282,259,469	-	282,259,469
<b>Transactions with owners</b>							
Dividends paid	22,28	-	(6,092,988,800)	-	(6,092,988,800)	-	(6,092,988,800)
Acquisition and disposal of treasury stocks		-	-	(15,263,232,400)	(15,263,232,400)	-	(15,263,232,400)
Share-based payment expenses	23	-	-	850,000,000	850,000,000	-	850,000,000
Exercise of stock options		-	-	(687,615,500)	(687,615,500)	-	(687,615,500)
<b>Balance at December 31, 2021</b>		<u>3,921,819,000</u>	<u>270,134,404,727</u>	<u>223,235,617,238</u>	<u>497,291,840,965</u>	-	<u>497,291,840,965</u>

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

**Maeil Dairies Co., Ltd. and its subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

<i>(In Korean won)</i>	Notes	2021	2020
<b>Cash flows from operating activities</b>			
Cash generated from operations	29	122,832,386,129	89,508,664,787
Interest received		2,128,395,715	1,167,828,759
Interest paid		(3,845,577,085)	(2,796,934,399)
Dividend received		1,102,689,212	-
Income taxes paid		<u>(21,568,133,326)</u>	<u>(25,277,361,361)</u>
<b>Net cash flow from operating activities</b>		<u>100,649,760,645</u>	<u>62,602,197,786</u>
<b>Cash flows from investing activities</b>			
Decrease in financial assets at fair value through profit or loss		53,850,559,457	-
Increase in financial assets at fair value through profit or loss		(171,105,122,211)	(8,943,347,607)
Decrease in financial assets at fair value through other comprehensive income		9,551,183,618	-
Increase in financial assets at fair value through other comprehensive income		(999,999,985)	(10,479,378,290)
Increase in short-term financial instruments		(17,100,460,431)	(13,912,648,381)
Increase in long-term financial instruments		(10,000,000,000)	-
Decrease in long-term loans		1,367,900,000	4,467,364,776
Decrease in deposits		3,022,688,530	3,212,895,806
Increase in deposits		(77,566,182)	(1,181,622,937)
Acquisition of investments in associates		(5,000,037,156)	-
Proceeds from disposal of property, plant and equipment		269,817,186	330,249,011
Payments for property, plant and equipment		(53,663,910,633)	(51,607,366,385)
Proceeds from disposal of intangible assets		2,927,500	256,392,800
Payments for intangible assets		(2,309,972,610)	(3,770,042,543)
Increase in other non-current assets		<u>(977,041,726)</u>	<u>-</u>
<b>Net cash flow from investing activities</b>		<u>(193,169,034,643)</u>	<u>(81,627,503,750)</u>
<b>Cash flows from financing activities</b>			
Repayments of short-term borrowings		-	(2,751,033,726)
Repayments of current portion of long-term borrowings		-	(5,300,000,000)
Proceeds from issuance of bonds		199,432,460,000	69,787,788,400
Repayment of current portion of bonds		(30,000,000,000)	(30,000,000,000)
Decrease in lease liabilities		(4,107,734,108)	(4,120,774,925)
Dividends paid to shareholders		(6,092,988,800)	(6,267,576,000)
Acquisition of treasury stocks		<u>(15,950,847,900)</u>	<u>(16,514,238,600)</u>
<b>Net cash flow from financing activities</b>		<u>143,280,889,192</u>	<u>4,834,165,149</u>
<b>Effects of exchange rate changes on cash and cash equivalents</b>		545,674,821	(1,350,666,014)
<b>Net increase(decrease) in cash and cash equivalents</b>		51,307,290,015	(15,541,806,829)
<b>Cash and cash equivalents at the beginning of the year</b>		<u>68,807,769,265</u>	<u>84,349,576,094</u>
<b>Cash and cash equivalents at the end of the year</b>		<u>120,115,059,280</u>	<u>68,807,769,265</u>

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

**Maeil Dairies Co., Ltd. and its subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2021 and 2020**

**1. General Information**

1.1 The Parent Company

Maeil Dairy Co., Ltd. (hereinafter referred to as the "the Parent Company") was newly established for the purpose of manufacturing and selling dairy products by dividing the dairy processing business from Maeil Holdings Co., Ltd. on May 1, 2017. On June 5, 2017, the stock was relisted on the KOSDAQ market of the Korea Exchange. Meanwhile, the Parent Company is headquartered in Jongro-gu, Seoul, and has production plants in 7 locations including Pyeongtaek, Gyeonggi-do.

1.2 Consolidated Subsidiary

(1) Details of the consolidated subsidiaries as at December 31, 2021, are as follows:

	Ownership (%)	Location	Closing month
Beijing Maeil Dairies Co., Ltd.	100	China	December
Maeil Australia Pty Ltd <sup>1</sup>	100	Australia	December
Maeil HealthNutrition Co., Ltd <sup>2</sup>	100	Korea	December
M's Bakers Co., Ltd <sup>3</sup>	100	Korea	December

<sup>1</sup>During the prior year, Maeil Australia Pty Ltd, which operates the dairy product business, was established.

<sup>2</sup>During the current year, Maeil HealthNutrition Co., Ltd was newly established from the sales division of the Parent Company's Health&Nutrition by split-off

<sup>3</sup>During the current year, M's Bakers Co., Ltd. was newly established and the sector of the CK dessert business of the Parent Company was transferred.

(2) Summarized Financial Information

Summarized financial position for consolidated subsidiaries as at December 31, 2021 and 2020, summarized statements of comprehensive income for consolidated subsidiaries as for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)

	December 31, 2021			2021		
	Assets	Liabilities	Equity	Sales	Loss for the year	Total comprehensive loss for the year
Beijing Maeil Dairies Co., Ltd.	4,303,064	2,303,787	1,999,277	9,098,509	(788,674)	(677,287)
Maeil Australia Pty Ltd.	36,924,392	776,753	36,147,639	-	(1,597,565)	(1,458,349)
Maeil HealthNutrition Co., Ltd.	22,515,707	4,315,190	18,200,517	6,268,106	(3,557,585)	(3,406,647)
M's Bakers Co., Ltd.	9,255,950	1,772,596	7,483,354	2,004,066	(599,023)	(522,446)

**Maeil Dairies Co., Ltd. and its subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2021 and 2020**

(In thousands of Korean won)

	December 31, 2020			2020		
	Assets	Liabilities	Equity	Sales	Loss for the year	Total comprehensive loss for the year
Beijing Maeil Dairies Co., Ltd.	1,410,914	1,817,722	(406,808)	7,122,971	(1,910,466)	(1,863,911)
Maeil Australia Pty Ltd.	1,673,660	-	1,673,660	-	-	-

## 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 years presented, unless otherwise stated.

### 2.1 Basis of Preparation

The Group prepares statutory financial statements in Korean in accordance with Korean International Financial Reporting Standards (“K-IFRS”) enacted by the Act on External Audit of Stock Companies. The accompanying consolidated financial statements have been translated into English from Korean financial statements. In the event of any differences in interpreting the financial statements or the independent auditor’s report thereon, Korean version, which is used for regulatory reporting purposes, shall prevail. K-IFRS 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 financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments)
- Defined benefit pension plans – plan assets measured at fair value

The preparation of financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement in applying the 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

#### 2.2.1 New and amended standards adopted by the Group

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2021. The Group has not early adopted any other standards, interpretations, or amendments that has been issued but is not yet effective.

(1) *Interest Rate Benchmark Reform – Phase 2: Amendments to K-IFRS 1109, K-IFRS 1039, K-IFRS 1107, K-IFRS 1104 and K-IFRS 1116*

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The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group.

### *(2) Amendments to K-IFRS 1116 'Lease' – Covid-19 Related Rent Concessions beyond 30 June 2021*

During 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to K-IFRS 1116 Leases. The amendments provide relief to lessees from applying Korean IFRS 1116 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under K-IFRS 1116 if the change were not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the COVID-19 pandemic is continuing, on April 1, 2021, the IASB extended the period of application of the practical expedient to June 30, 2022. The amendment applies to annual reporting periods beginning on or after April 1, 2021. However, the Group has not received COVID-19-related rent concessions, and this amendment has no effect on the consolidated financial statements of the Group.

### 2.2.2 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

#### *(1) Amendments to K-IFRS 1117 'Insurance Contracts'*

In 2021, K-IFRS 1117 'Insurance Contracts', an entirely new accounting standard for insurance contracts including the recognition and measurement of insurance contracts, was published. When this amendment comes into effect, K-IFRS 1117 will replace K-IFRS 1104 'Insurance Contracts' which published in 2007.

This amendment applies to all types of insurance contracts (e.g., life insurance, non-life

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insurance, original insurance contracts and reinsurance contracts), regardless of the type of entity issuing the insurance contract, and investment contracts with specific guarantees and discretionary participation characteristics. Very few contracts would be excluded from coverage. The overall objective of this Standard is to provide a more useful and consistent accounting model for insurance contracts for insurers. Unlike the requirements of K-IFRS 1104, which are largely based on the existing accounting policies of each country, this Standard provides a comprehensive model for insurance contracts. The core of this standard is the general model, and the following are added.

- Special application to contracts with direct participation characteristics (variable fee approach)
- A simplified method for contracts with mainly short-term coverage (premium distribution approach)

This standard is effective for annual periods beginning on or after January 1, 2023, and comparative financial statements are required to be disclosed. Companies that applied K-IFRS 1109 'Financial Instruments' and K-IFRS 1115 'Revenue from Contracts with Customers' before the first application date of this Standard may apply this Standard early. As the Group is not an entity that issues insurance contracts, this standard is not applicable to the Group.

### *(2) Amendment to K-IFRS 1001 'Presentation of Financial Statements' - Classification of current and non-current liabilities*

The amendments to K-IFRS 1001 paragraphs 69-76 clarify the following requirements for the current and non-current classification of liabilities.

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on after January 1, 2023, and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

### *(3) Amendment to K-IFRS 1103 'Business Combination' - Refer to the conceptual framework for financial reporting*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of K-IFRS 1103 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of K-IFRS 1037 or K-IFRS 2121 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in K-IFRS 1103 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective

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for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

*(4) Amendment to K-IFRS 1016 'Tangible Assets' amended - Amount of sale before intended use*

In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

*(5) Amendment to K-IFRS 1037 'Provisions, contingent liabilities, and contingent assets' - Cost of fulfillment of obligations under loss-bearing contracts*

In May 2020, the IASB issued amendments to K-IFRS 1037 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

*(6) Amendments to K-IFRS 1008 'Accounting policies, changes and errors in accounting estimates' – Definition of accounting estimates*

The revised amendment clearly distinguishes changes in accounting estimates, changes in accounting policies, and correction of accounting errors. The revised standard also clarifies how an entity uses measurement techniques and inputs to develop accounting estimates. These amendments are effective for the first fiscal year beginning on or after January 1, 2023, and are applied to changes in accounting policy and accounting estimates that occur after this point. Early adoption of this amendment is permitted. These amendments are not expected to have a material impact on the Group.

*(7) Amendment to K-IFRS 1001 'Presentation of Financial Statements' – Disclosure of accounting policy*

These amendments provide requirements and guidance to enable more effective disclosure of the Group's accounting policies. K-IFRS 1001 requires the Group's significant accounting policies to be disclosed. The amendment changed the 'significant' accounting policy to the 'material' accounting

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policy and added explanations for important accounting policy information. It allows the Group to provide more useful accounting policy information when making decisions on accounting policy disclosure. The revision of K-IFRS 1001 'Presentation of Financial Statements' is effective for the first fiscal year after January 1, 2023, and early application is permitted. These amendments are not expected to have a material impact on the Group.

#### *(8) Amendment to K-IFRS 1012 'Corporate Tax' – Reduced scope of exception to initial recognition of deferred tax*

These amendments have been amended to solve the problem of different accounting in practice for the recognition of deferred tax liabilities and assets for transactions in which a temporary difference to be added and a temporary difference to be deducted in the same amount occur simultaneously. The amendment adds the requirement (3) to the proviso of paragraphs 15 and 24 of K-IFRS 1012 (Exceptions to the Initial Recognition of Deferred Tax) by adding the same amount of taxable temporary difference upon initial recognition of assets and liabilities in a single transaction. In case of deductible temporary differences, deferred tax liabilities and assets are recognized respectively. These amendments are applied forward for the first fiscal year beginning on or after January 1, 2023, and early application is permitted. These amendments are not expected to have a material impact on the Group.

#### *(9) K-IFRS 2018-2020 – Annual Improvement*

- 1) K-IFRS 1101 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter

K-IFRS 1101 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of K-IFRS 1101 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to K-IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of K-IFRS 1101. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- 2) K-IFRS 1109 Financial Instruments - Fees in the '10 percent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to K-IFRS standards process the IASB issued amendment to K-IFRS 1109. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period

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in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

#### 3) K-IFRS 1041 Agriculture - Taxation in fair value measurements

As part of its 2018-2020 annual improvements to K-IFRS standards process the IASB issued amendment to K-IFRS 1041 Agriculture. The amendment removes the requirement in paragraph 22 of K-IFRS 1041 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of K-IFRS 1041. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

### 2.3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing right that give it the current ability to direct the relevant activities of the investee)
- Exposure, or right, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

#### 2.4 Significant Accounting Policies

##### 2.4.1 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of K-IFRS 1109 *Financial Instruments*, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with K-IFRS 1109. Other contingent consideration that is not within the scope of K-IFRS 1109 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying

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amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

#### 2.4.2 Investment in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss as 'Share of profit of an associate' in the statement of profit or loss and other comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

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#### 2.4.3 Current versus Non-current Classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

#### 2.4.4 Fair Value Measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

	Notes
Disclosures for valuation methods, significant estimates and assumptions	3,5
Quantitative disclosures of fair value measurement hierarchy	5
Financial instruments (including those carried at amortized cost)	5,6,7

#### 2.4.5 Revenues from Contracts with Customers

The Group is engaged in the manufacture and sale of dairy products. In contracts with customers, the Group recognizes revenue at an amount that reflects the price it expects to receive in return for the goods or services when control of the goods or services is transferred to the customer. The Group has concluded that the principal of sales is the entity because it controls each of the goods or services specified in the contract with the customer before the goods or services are provided to the customer.

##### (1) Transaction price calculation

When determining the transaction price in a contact with a customer, the Group considers variable consideration and consideration to be paid to customer.

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### ① Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of electronics equipment provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

#### • Right of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in K-IFRS 1115 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognizes a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

### ② Consideration to be paid to customer

The Group pays logistics agency expenses to customers by using the customer's logistics network according to a contract with the customer, and also pays the customer for use of shelves (stands) that are not under the customer's control.

Consideration payable to the Group's customers includes cash payments that the Group pays or expects to pay to customers (or other parties that purchase the entity's goods or services from customers), and also includes cash payments that customers transfer to the Group. Unless the payment is made for distinct goods or services, the consideration is accounted for as a deduction from revenue.

If the consideration to be paid to the customer includes a variable amount, estimate the transaction price, including an assessment of the constraints of the variable consideration estimate. If the consideration to be paid to the customer is paid to the distinct goods or services received from the customer, it is accounted for in the same way as if the consideration to be paid to the customer exceeds the fair value of the distinct goods or services received from the customer, and if the fair value cannot be reasonably estimated, the customer is deducted from the transaction price.

## (2) Contract balances

### ① Contract assets

A contract asset is initially recognized for revenue earned from installation services because the receipt of consideration is conditional on successful completion of the installation. Upon completion of the installation and acceptance by the customer, the amount recognized as contract assets is reclassified to trade receivables. Contract assets are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in section 2.4.14 Financial

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instruments – initial recognition and subsequent measurement.

#### ② Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in the Note 2.4.14

#### ③ Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

### (3) Assets and liabilities arising from rights of return

#### ① Right of return assets

Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

#### ② Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

### 2.4.6 Taxes

#### (1) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss and other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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(2) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

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The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered

### (3) Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### 2.4.7 Foreign Currency Translation

#### (1) 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 Group's functional and presentation currency.

#### (2) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in

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fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss is also recognized in OCI or profit or loss, respectively).

Foreign exchange differences from monetary items that are part of the Group's net investment in overseas operations are recognized in other comprehensive income and reclassified from equity to profit or loss at the time of disposal of the net investment.

### (3) Overseas business site

The assets and liabilities of foreign operations are translated into Korean won at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

### 2.4.8 Cash Dividends

The Parent Company recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the company. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

### 2.4.9 Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Property, plant and equipment transferred from customers are initially measured at fair value at the date on which control is obtained.

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

	<b>Useful lives</b>
Buildings	10, 20, 40 years
Structures	10, 20, 40
Machinery	8
Vehicles	4
Tools and supplies	4

The Group reviews the estimated residual values and expected useful lives of assets at least annually. In particular, the Group considers the impact of health, safety and environmental legislation in its assessment of expected useful lives and estimated residual values.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### 2.4.10 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

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Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Membership is not amortized because there is no predictable limit on the period of use, so the useful life is not limited. The following intangible assets with finite useful lives are amortized over their estimated useful lives using the straight-line method:

	<b>Useful lives</b>
Industrial property rights	5~7 years
Software	5
Other intangible assets	5

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss

#### Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

1. The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
2. Its intention to complete and its ability to use or sell the asset
3. How the asset will generate future economic benefits
4. The availability of resources to complete the asset
5. The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

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#### 2.4.11 Leases

The Group determines whether the contract itself is a lease and whether the contract includes a lease at the time of the contract, taking into account whether the control of the use of the identified asset is transferred for a certain period in exchange for consideration in the contract.

##### (1) Lessee

###### ① Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	<b>Useful lives</b>
Buildings	10, 20, 40 years
Structures	10, 20, 40
Machineries	8
Vehicles	4
Tools	4

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.4.17 Impairment of non-financial assets.

###### ② Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect

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the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing loans and borrowings.

### ③ Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

### (2) Lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases.

Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

### 2.4.12 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 2.4.13 Government Grant

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. When loans or similar assistance are provided by the government or related institutions, with an

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interest rate below the current applicable market rate, the effect of this preferential interest is regarded as a government grant. The loan or assistance is initially recognized and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received.

#### 2.4.14 Financial Instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### (1) Financial assets

###### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially 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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under K-IFRS 1115. Refer to the accounting policies in section 2.4.5 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

###### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon

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- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under K-IFRS 1032 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial

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assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured

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on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

	Notes
Disclosures for significant assumptions	3
Trade receivables, including contract assets	8,19

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The table of provision ratios set by the Group for trade receivables is described in Note 8.

The Group considers a financial asset in default when contractual payments are one year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## (2) Financial liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

#### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by K-IFRS 1109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in K-IFRS 1109 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

#### Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. Detail information of above is described in the note, Bonds (Note 17).

#### Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

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#### (3) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement 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 liabilities simultaneously.

#### 2.4.15 Derivative financial instruments

##### Initial recognition and subsequent measurement

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Changes in the fair value of derivatives are reflected directly in the consolidated income statement.

#### 2.4.16 Inventories

The Group values inventories at the lower of acquisition cost and net realizable value. On the other hand, acquisition cost per inventory includes purchase cost, conversion cost and other costs incurred to bring the inventory to its present location and condition. The unit cost of inventories is determined using the specific identification method (goods in transit) and the moving average method (other inventories).

#### 2.4.17 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth

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rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

#### 2.4.18 Cash and Cash Equivalents

Cash and cash equivalent in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

#### 2.4.19 Treasury Stocks

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the other capital items.

#### 2.4.20 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 an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

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#### 2.4.21 Employee Benefits

##### (1) Post-employment benefits

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes service cost and net interest on net defined benefit liability in profit or loss as items of cost of goods sold and selling and administrative expenses.

##### (2) Long-term employee benefits

The Group provides long-term employee benefits to long-term employees. The right to receive this salary is primarily given only to employees who have worked for a long period of 10 years or more. The estimated costs of these benefits are recognized over the period of service using the same accounting method used in the defined benefit pension plan. Actuarial gains or losses arising from changes in actuarial assumptions and differences between actuarial assumptions and actual results are recognized in profit or loss in the period in which they are incurred.

#### 2.4.22 Financial Guarantee Contracts

Financial guarantee contract provided by the Group is initially measured at fair value, subsequently at the higher of following and recognized in the statement of financial position within 'other financial liabilities'.

- (1) Provision for loss calculated in accordance with the impairment regulations of financial instruments
- (2) the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with K-IFRS 1115

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#### 2.4.23 Emission Rights and Emission Liabilities

The Group is being allocated Greenhouse Gas (GHG) emission allowances allocated to individual GHG emission companies free of charge within the scope of the total GHG emission allowance established in accordance with the 'Act on Allocation and Transaction of Greenhouse Gas Emission Permits'. The Group must submit the same quantity of emissions in response to actual emissions.

The Group recognizes allowances allocated free of charge by the government (refer as 'free allocation allowances') by measuring zero and purchasing allowances at cost. In addition, allowances are removed when they are submitted to the government or sold.

In the case of the sale of free allocation allowance that is confirmed to remain after submission to the government, the disposal gain or loss is deducted from the emission cost. In the case of selling the purchased emission rights, the disposal gain or loss is classified as non-operating profit or loss.

Emission liabilities are recognized only when the actual emission exceeds the allocated allowances, and the emission cost is recognized as operating cost.

Emission liabilities are measured by adding the following:

- (1) Carrying amount of emission permits held for the relevant performance year to be submitted to the government
- (2) Best estimate at the end of the reporting period for expenditures required to meet the obligation for emissions in excess of the amount of allowances of above

In the case of borrowing a part of free allocation allowances for the next performance year in order to fulfill the obligation to submit emission permits for the relevant performance year, the amount of emission liabilities corresponding to the borrowed portion is recognized as deferred revenue when the emission liabilities are removed. Profits are offset from the emission cost for the year of purchase and use of emission permits that have become insufficient due to borrowing.

#### 2.4.24 Approval of Issuance of the Financial Statements

The consolidated financial statements of the Group were approved by the Board of Directors on February 10, 2022, and will be finalized at the annual general shareholders' meeting on March 25, 2022.

#### 2.4.25 Segment information

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker (Note 32). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO that makes strategic decisions.

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#### **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. The accounting estimates and assumptions contain significant risk of materially changing current book value of assets and liabilities.

Other disclosures about risks and uncertainties to which the Group is exposed include financial risk management, sensitivity analysis (Note 4).

##### **3.1 Judgement**

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

###### **(1) Revenue from contracts with customers**

The Note 2.4.5 'Revenue from Contracts with Customers' describes the significant impact on determining the amount and timing of revenue from contracts with customers applied by the Group.

###### **(2) Determining the lease term of contracts with renewal and termination options – Group as lessee**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group recognizes right-of-use assets and lease liabilities in consideration of the extension before the end of the contracts periods for contracts that contain renewal options.

##### **3.2 Accounting Estimates and Assumptions**

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. Assumptions and estimates are based on variables available at the time of preparation of consolidated financial statements. The current situation and assumptions about the future can change due to changes in the market or circumstances beyond the control of the Group. Such changes are reflected in assumptions when they occur.

###### **(1) Impairment of non-financial assets**

The Group's intangible assets are tested at the end of each reporting period for impairment. 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. In order to calculate the

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value in use, the management should estimate the expected future cash flows from the asset or cash-generating unit and select an appropriate discount rate to calculate the present value of the expected cash flows.

### (2) Post-employment benefit

Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

### (3) Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

### (4) Expected Credit Losses for Trade Receivables

The Group uses a provisioning rate table to calculate expected credit losses for trade receivables. The provisioning rate is based on a set of overdue days by various customer segments (e.g. regional location, product type, customer type and credit rating, collateral or transaction credit insurance) that have similar loss patterns.

The provisioning rate table is based on the default rate observed in the past. The historical default rate is adjusted at each end of each reporting period.

The assessment of the correlation between past default rates and future economic conditions and expected credit losses (ECL) is a significant estimate. The magnitude of expected credit losses is sensitive to changes in the situation and future economic environment. The past credit loss experience of the Group and its expectations of the economic environment do not represent a customer's future actual default.

### (5) Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

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The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

### 4. Financial Risk Management

#### 4.1 Financial Risk Factors

Following explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

<b>Risk</b>	<b>Exposure arising from</b>	<b>Measurement</b>	<b>Management</b>
Market risk – stock	Investment in equity instruments	Sensitivity analysis	Portfolio diversification
Market risk – foreign exchange	Future commercial transactions Recognized financial assets and liabilities not denominated in functional currency	Cash flow forecasting Sensitivity analysis	Foreign currency forwards and foreign currency options
Credit risk	Cash equivalents, trade receivables, derivative financial instruments, debt investments and contract assets	Aging analysis Credit ratings	Diversification of bank deposits, credit limits and letter of credit Investment guidelines for debt investments
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Group's risk management is predominantly controlled by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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### 4.1.1 Market Risk

#### (1) Price risk

The Group is exposed to the price risk of equity securities held by the company, which are classified as fair value through profit or loss or other fair value through comprehensive income in the statement of financial position

The Group is diversifying its portfolio to manage the price risk of investing in equity securities, and the diversifying investment in the portfolio is made to the limit set by the Group.

If all other variables are constant at the end of the reporting period and the fair value of fair value through profit or loss and fair value through other comprehensive income increases and falls by 5%, the impact on the Group's profit or loss and other comprehensive income (before tax consideration) is shown in the table below.

<i>(In thousands of Korean won)</i>	<b>2021</b>		<b>2020</b>	
	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>
Financial asset at fair value through profit or loss				
Listed stock	1,534,728	(1,534,728)	-	-
Unlisted stock	157,103	(157,103)	104,691	(104,691)
Financial asset at fair value through other comprehensive income				
Listed stock	134,300	(134,300)	491,820	(491,820)
Unlisted stock	50,000	(50,000)	-	-
	<u>1,876,131</u>	<u>(1,876,131)</u>	<u>596,511</u>	<u>(596,511)</u>

#### (2) Currency risk

The Group is exposed to foreign exchange risk. Foreign exchange risk arises from recognized assets and liabilities. The Group periodically evaluates, manages and reports the risk of exchange rate fluctuations for assets and liabilities expressed in foreign currency.

The Group's exposure to foreign currency risk as at December 31, 2021 and 2020, was as follows:

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
<b>Financial assets</b>		
USD	15,883,397	23,826,049
CNY	6,922,940	18,997,805
	<u>22,806,337</u>	<u>42,823,854</u>
<b>Financial liabilities</b>		
USD	14,799,501	8,825,254
EUR	10,494,371	9,215,376

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DKK	798,691	59,627
GBP	220,259	137,585
JPY	88,343	43,926
CNY	13,038	11,687
AUD	5,845	31,877
	<u>26,420,048</u>	<u>18,325,332</u>

As at December 31, 2021 and 2020, if the foreign exchange rate fluctuated by 5% while other variables are fixed, the effects on profit before income tax would be as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
	Increase	Decrease	Increase	Decrease
Financial assets	1,417,467	(1,417,467)	2,141,193	(2,141,193)
Financial liabilities	(1,321,002)	1,321,002	(916,267)	916,267
Net impact <sup>1</sup>	<u>96,465</u>	<u>(96,465)</u>	<u>1,224,926</u>	<u>(1,224,926)</u>

<sup>1</sup> The exchange rate effect that affects the profit and loss before tax for the years is calculated as the sum of the changes in other currencies against the reported currency, the won

#### 4.1.2 Credit Risk

Credit risk arises when client or counterparty does not keep to obligations stated on terms of the contract in committed transactions and investment activities. In order to manage credit risk, the Group continuously evaluates credit quality of the customer through taking into account its financial position, past experience and other factors. Customers' individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

In 2021, there has been no loan or receivable included in the accounts receivables or other receivables that are past due or have any sign of doubtful collection. The Group is expecting a low probability of default as at December 31, 2021.

Credit risk can arise from transaction with financial institution such as cash and cash equivalents, deposits with banks, derivative financial instruments.

The Group has transactions with counterparties that are above certain credit rating in order to mitigate risks of default.

The Group's maximum exposures of financial assets to credit risk without consideration of collaterals' values as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Cash and cash equivalents <sup>1</sup>	120,114,659	68,807,369
Trade and other receivables	170,846,072	191,327,820

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Short-term financial instruments	39,806,093	22,705,633
Long-term financial instruments	10,006,000	6,000
Financial guarantee liabilities	-	5,220,000
	<u>340,772,824</u>	<u>288,066,822</u>

<sup>1</sup> Cash on hand is not included in cash and cash equivalents.

4.1.3 Liquidity Risk

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

The Group forecasts its cash flow and liquidity status, and sets action plans on a regular basis to manage liquidity risk proactively.

Details of the Group's liquidity risk analysis as at December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021					Total
	Less than 3 months	Between 3 to 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Bonds	1,411,850	4,235,550	75,051,700	112,351,000	103,633,000	296,683,100
Lease liabilities	738,681	3,225,072	3,678,907	3,575,559	-	11,218,219
Trade and other payables <sup>1</sup>	154,931,516	-	-	-	-	154,931,516
	<u>157,082,047</u>	<u>7,460,622</u>	<u>78,730,607</u>	<u>115,926,559</u>	<u>103,633,000</u>	<u>462,832,835</u>

<sup>1</sup> Retirement, interest expenses, annual allowance and financial guarantee liabilities were excluded from the trade and other payables.

(in thousands of Korean won)

	2020					Total
	Less than 3 months	Between 3 to 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Bonds	496,225	31,091,925	1,191,400	70,297,850	-	103,077,400
Lease liabilities	829,758	3,030,188	3,612,138	6,572,316	581,816	14,626,216
Trade and other payables <sup>1</sup>	148,847,147	1,287,034	-	-	-	150,134,181
Derivative financial instrument liabilities	3,058,303	-	-	-	-	3,058,303
Financial guarantee liabilities	5,220,000	-	-	-	-	5,220,000
	<u>158,451,433</u>	<u>35,409,147</u>	<u>4,803,538</u>	<u>76,870,166</u>	<u>581,816</u>	<u>276,116,100</u>

<sup>1</sup> Retirement, interest expenses, annual allowance and financial guarantee liabilities were excluded from the trade and other payables.

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4.2 Capital Risk Management

The Group's capital risk management purpose is to maintain a sound capital structure. The Group uses debt-to-equity ratio as indicator of capital management. This ratio is calculated from total liabilities divided by total equity which are posted in the financial statements.

Debt-to-equity ratios as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Total liability	484,407,344	304,685,438
Total equity	497,291,841	440,131,224
Debt-to-equity ratio	97%	69%

**5. Fair Value**

There is no environmental or structural change that significantly affects the Group's financial assets and liabilities.

5.1 Fair Value of Financial Instruments by Category

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

<i>(in thousands of Korean won)</i>	<b>2021 Current</b>		<b>2021 Non-current</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Financial assets				
Financial assets at fair value through profit or loss	135,215,717	135,215,717	11,715,143	11,715,143
Financial assets at fair value through other comprehensive income	2,686,000	2,686,000	1,000,000	1,000,000
<i>(in thousands of Korean won)</i>	<b>2020 Current</b>		<b>2020 Non-current</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Financial assets				
Financial assets at fair value through profit or loss	19,465,835	19,465,835	2,293,826	2,293,826
Financial assets at fair value through other comprehensive income	9,836,400	9,836,400	-	-
Financial liabilities				
Derivative financial liabilities	3,058,303	3,058,303	-	-

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financial instruments whose carrying amount is a reasonable approximation of fair value are excluded from the fair value disclosures.

5.2 Fair Value Hierarchy

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

- Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date.
- 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.

The levels of the fair value hierarchy are reassessed at the end of every reporting period. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. There were no significant transfers among levels for the years ended December 31, 2021 and 2020.

Fair value hierarchy classifications of the financial instruments that are measured at fair value as at December 31, 2021 and 2020, are as follows:

*(in thousands of Korean won)*

	<b>2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss	70,147,055	66,090,397	10,693,408	146,930,860
Financial assets at fair value through OCI	2,686,000	-	1,000,000	3,686,000

*(in thousands of Korean won)*

	<b>2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss	-	19,665,835	2,093,826	21,759,661
Financial assets at fair value through OCI	9,836,400	-	-	9,836,400
Derivative financial liabilities	-	3,058,303	-	3,058,303

5.3 Valuation Techniques and the Inputs

The Group uses the following valuation techniques and inputs for recurring and non-recurring fair value measurements within Level 2 and Level 3 of the fair value hierarchy.

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

(in thousands of Korean won)

<b>2021</b>			
	<b>Fair value</b>	<b>Valuation techniques</b>	<b>Inputs</b>
Financial assets at fair value through profit or loss			
Equity instrument	9,712,410	Fair value method	N/A
Private equity investment trust	56,377,987	Quoted price of issuer	N/A

(in thousands of Korean won)

<b>2020</b>			
	<b>Fair value</b>	<b>Valuation techniques</b>	<b>Inputs</b>
Financial assets at fair value through profit or loss			
Private equity investment trust	19,665,835	Quoted price of issuer	N/A
Derivative financial liabilities			
Forward exchange	3,058,303	DCF model	Discount rate

5.3.2 Sensitivity analysis of significant unobservable inputs used to fair value measurements categorized as Level 3 as at December 31, 2021 is as follows:

(In thousands of Korean won)

	Fair value	Target	Technique	Unobservable inputs	Inputs	Sensitivity to fair value inputs		
						Changes in inputs	Increase	Decrease
<b>Financial assets at fair value through profit or loss</b>								
GI BIOME	2,136,394	Underlying assets	DCF	Perpetual earning growth rate	1.00%	1.00%	19,127	(16,861)
				WACC	16.88%	1.00%	(248,509)	42,425
RXC Co., Ltd.	1,005,660	Underlying assets	Acquisition cost	-	-	-	-	-
		Options	Binominal model	Volatility	39.0%	5.0%	-	-
Investment association	7,551,354	Underlying assets	Cost-based	-	-	-	-	-
<b>Financial assets at fair value through other comprehensive income</b>								
Logsynk Co., Ltd.	1,000,000	Common stocks	DCF	Perpetual earning growth rate	0.50%	1.00%	42,744	(41,271)
				WACC	15.31%	1.00%	(71,128)	77,341

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**6. Financial Instruments by Category**

6.1 Carrying amounts of financial assets by category as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	<b>2021 Carrying amount</b>	<b>2021 Fair value</b>	<b>2020 Carrying amount</b>	<b>2020 Fair value</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	146,930,860	146,930,860	21,759,661	21,759,661
Financial assets at fair value through other comprehensive income	3,686,000	3,686,000	9,836,400	9,836,400
Trade receivable	140,889,308	140,889,308	162,468,715	162,468,715
Other receivable	29,956,764	29,956,764	28,859,105	28,859,105
Financial instruments	49,812,093	49,812,093	22,711,633	22,711,633
Cash and cash equivalents	120,115,059	120,115,059	68,807,769	68,807,769
	<u>491,390,084</u>	<u>491,390,084</u>	<u>314,443,283</u>	<u>314,443,283</u>

6.2 Carrying amounts of financial liabilities by category as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	<b>2021 Carrying amount</b>	<b>2021 Fair value</b>	<b>2020 Carrying amount</b>	<b>2020 Fair value</b>
<b>Financial liabilities</b>				
Trade payables	94,423,601	94,423,601	80,257,801	80,257,801
Other payables	74,600,595	74,600,595	80,990,020	80,990,020
Bonds	269,393,966	269,393,966	99,813,595	99,813,595
Derivative liabilities	-	-	3,058,303	3,058,303
	<u>438,418,162</u>	<u>438,418,162</u>	<u>264,119,719</u>	<u>264,119,719</u>

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

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Financial assets at fair value through profit or loss		
Gains (losses) on valuation	4,882,454	705,704
Gains (losses) on transaction	3,034,182	21,037
Financial assets at fair value through other comprehensive income		
Interest income	487,105	109
Gains (losses) on valuation	2,327,355	(491,878)
Financial assets at amortized cost		
Interest income	1,825,607	2,027,003
Interest expense	(4,954,069)	(2,393,723)
Impairment loss	16,105	(110,143)
Foreign exchange gain (loss)	1,160,480	(1,320,135)
Derivative instruments		
Gains (losses) on transaction	2,290,277	2,338,901
Gains (losses) on valuation	-	(3,058,303)

6.4 Restricted cash and cash equivalents for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>	<b>Note</b>
<b>Short-term financial instruments</b>			
ANZ Bank	1,228,872	-	Pledged right (Construction performance deposit)
<b>Long-term financial instruments</b>			
KEB Hana Bank	2,000	2,000	
Woori Bank	2,000	2,000	Pledged right (Current deposit)
Shinhan Bank	2,000	2,000	
Shinhan Bank	5,000,000	3,000,000	Time deposit
	<u>5,006,000</u>	<u>3,006,000</u>	
	<u>6,234,872</u>	<u>3,006,000</u>	

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**7. Financial Assets at Fair Value**

Financial assets at fair value for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Financial assets at fair value through profit or loss		
Equity instrument	43,840,766	-
Debt instrument	99,948,041	19,665,835
Other financial instrument	3,142,053	2,093,826
	<u>146,930,860</u>	<u>21,759,661</u>
Financial assets at fair value through other comprehensive income		
Equity instrument	3,686,000	9,836,400
	<u>150,616,860</u>	<u>31,596,061</u>

**8. Trade Receivables and Other Financial Assets**

8.1 Trade receivables and other financial assets as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	<b>2021</b>		<b>2020</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
Trade receivables	141,505,607	-	163,100,957	-
Loans	1,288,273	-	1,380,459	1,200,704
Other receivables	11,342,668	-	7,288,441	-
Accrued income	126,386	-	332,694	-
Deposits	3,611,793	13,606,496	2,704,978	15,977,009
Less: provision for impairment	(635,152)	-	(645,482)	(11,940)
	<u>157,239,575</u>	<u>13,606,496</u>	<u>174,162,047</u>	<u>17,165,773</u>

8.2 Trade receivables and its provisions for impairment as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	<b>2021</b>				
	<b>Normal</b>	<b>Less than 6 months</b>	<b>Between 6 to 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
Trade receivables	140,649,465	25,411	305,514	525,217	141,505,607
Less: provision for impairment	65,671	25,411	-	525,217	616,299

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(in thousands of Korean won)

	2020				Total
	Normal	Less than 6 months	Between 6 to 12 months	Over 12 months	
Trade receivables	162,470,848	2,930	121,576	505,603	163,100,957
Less: provision for impairment	123,710	2,930	-	505,602	632,242

8.3 Movements on provisions for impairment of trade receivables for the periods ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021	2020
Beginning balance	632,242	493,961
Provision for impaired receivables during the year	(9,778)	153,243
Write-off	(6,165)	(15,425)
Others	-	463
Ending balance	616,299	632,242

8.4 Movements on provisions for impairment of other financial assets at amortized cost for the years ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021	2020
Beginning balance	25,180	52,854
Reversal allowance doubtful accounts	(6,327)	(27,674)
Ending balance	18,853	25,180

For trade receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables. To measure expected credit losses, trade receivables and other receivables were classified based on credit risk characteristics and overdue dates.

**9. Other Assets**

Details of Other assets as at December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)

	2021		2020	
	Current	Non-current	Current	Non-current
Advance payment	4,519,069	-	3,380,536	-
Prepaid expenses	3,376,811	444,374	2,341,451	740,630
Others	1,224,393	3,623,215	5,457	2,646,172
	9,120,273	4,067,589	5,727,444	3,386,802

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**10. Inventories**

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

(in thousands of Korean won)

	2021			2020		
	Gross amount	Accumulated impairment loss	Book amount	Gross amount	Accumulated impairment loss	Book amount
Merchandise	18,245,464	(30,545)	18,214,919	14,389,336	(46,506)	14,342,830
Finished goods	44,728,207	(369,045)	44,359,162	46,812,402	(160,341)	46,652,061
Semi-finished goods	2,386,047	-	2,386,047	2,898,045	-	2,898,045
Raw materials	21,698,368	-	21,698,368	16,361,600	-	16,361,600
Supplies	1,675,935	-	1,675,935	1,582,693	-	1,582,693
Minor ingredients	30,843,616	(38,501)	30,805,115	26,516,365	-	26,516,365
Goods in transit	55,820,358	-	55,820,358	36,764,471	-	36,764,471
	<u>175,397,995</u>	<u>(438,091)</u>	<u>174,959,904</u>	<u>145,324,912</u>	<u>(206,847)</u>	<u>145,118,065</u>

Inventories recognized as an expense during the year ended December 31, 2021, amounted to ₩ 906,730,524 thousand (2020: ₩ 855,537,735 thousand). These were included in 'cost of sales'.

**11. Property, Plant and Equipment**

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

(in thousands of Korean won)

	2021			
	Land	Buildings	Structure	Machinery
Opening net book amount	39,716,787	70,053,265	10,570,397	105,083,237
Acquisitions	1,908,726	9,763,915	2,135,691	14,194,586
Disposals	-	(187,711)	(9)	(536,797)
Impairment loss	-	-	-	(385,599)
Depreciation	-	(3,249,792)	(822,714)	(23,467,539)
Transferred	-	894,507	-	12,850,655
Others	-	-	-	-
Closing net book amount	<u>41,625,513</u>	<u>77,274,184</u>	<u>11,883,365</u>	<u>107,738,543</u>
Acquisition cost	41,625,513	139,080,548	27,048,552	408,219,759
Accumulated depreciation	-	(61,806,364)	(15,165,187)	(299,728,847)
Accumulated impairment loss	-	-	-	(752,369)
Net book amount	<u>41,625,513</u>	<u>77,274,184</u>	<u>11,883,365</u>	<u>107,738,543</u>

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	<b>2021</b>			<b>Total</b>
	<b>Tools and equipment</b>	<b>Other property, plant and equipment</b>	<b>Construction in progress</b>	
Opening net book amount	10,050,861	293,858	13,995,614	249,764,019
Acquisitions	4,170,210	32,980	23,834,638	56,040,746
Disposals	(48,252)	(2)	-	(772,771)
Impairment loss	-	-	-	(385,599)
Depreciation	(5,229,078)	(6,795)	-	(32,775,918)
Transferred	55,243	-	(13,800,405)	-
Others	1,150	-	-	1,150
Closing net book amount	<u>9,000,134</u>	<u>320,041</u>	<u>24,029,847</u>	<u>271,871,627</u>
Acquisition cost	79,959,288	700,820	24,029,847	720,664,327
Accumulated depreciation	(70,959,154)	(380,779)	-	(448,040,331)
Accumulated impairment loss	-	-	-	(752,369)
Net book amount	<u>9,000,134</u>	<u>320,041</u>	<u>24,029,847</u>	<u>271,871,627</u>

(In thousands of Korean won)

	<b>2020</b>			
	<b>Land</b>	<b>Buildings</b>	<b>Structure</b>	<b>Machinery</b>
Opening net book amount	39,716,787	71,894,476	10,195,238	86,939,893
Acquisitions	-	1,391,538	1,022,091	30,917,004
Disposals	-	-	(8)	(29,820)
Impairment loss	-	-	-	(696,506)
Depreciation	-	(3,259,484)	(819,849)	(20,124,089)
Transferred	-	26,735	172,925	8,076,755
Others	-	-	-	-
Closing net book amount	<u>39,716,787</u>	<u>70,053,265</u>	<u>10,570,397</u>	<u>105,083,237</u>
Acquisition cost	39,716,787	128,925,628	25,573,454	389,520,232
Accumulated depreciation	-	(58,872,363)	(15,003,057)	(283,740,488)
Accumulated impairment loss	-	-	-	(696,507)
Net book amount	<u>39,716,787</u>	<u>70,053,265</u>	<u>10,570,397</u>	<u>105,083,237</u>

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	<b>2020</b>			<b>Total</b>
	<b>Tools and equipment</b>	<b>Other property, plant and equipment</b>	<b>Construction in progress</b>	
Opening net book amount	10,873,887	338,224	8,880,540	228,839,045
Acquisitions	4,336,481	-	13,744,249	51,411,363
Disposals	(123,097)	(37,443)	-	(190,368)
Impairment loss	(8,311)	-	-	(704,817)
Depreciation	(5,084,249)	(6,923)	-	(29,294,594)
Transferred	55,618	-	(8,629,175)	(297,142)
Others	532	-	-	532
Closing net book amount	<u>10,050,861</u>	<u>293,858</u>	<u>13,995,614</u>	<u>249,764,019</u>
Acquisition cost	76,845,301	709,532	13,995,614	675,286,548
Accumulated depreciation	(66,786,129)	(415,674)	-	(424,817,711)
Accumulated impairment loss	(8,311)	-	-	(704,818)
Net book amount	<u>10,050,861</u>	<u>293,858</u>	<u>13,995,614</u>	<u>249,764,019</u>

Depreciation expenses of ₩ 4,475,314 thousand (2020: ₩ 4,275,461 thousand) were charged to 'Selling and administrative expenses'. Depreciation expenses of ₩ 28,300,604 thousand (2020: ₩ 25,019,132 thousand) were charged to 'Cost of sales' and 'Inventories'.

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**12. Intangible Assets**

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

(in thousands of Korean won)

	2021					Total
	Industrial property rights	Software	Other intangible assets	Membership rights	Construction in progress	
Opening net book amount	31,937	4,676,269	343,958	3,119,874	1,865,967	10,038,005
Acquisitions	19,467	1,210,898	750	34,200	1,007,343	2,272,658
Amortization	(14,375)	(1,862,678)	(124,419)	-	-	(2,001,472)
Transferred	-	834,600	-	1,090,000	(1,924,600)	-
Others	-	10,934	-	-	-	10,934
Closing net book amount	37,029	4,870,023	220,289	4,244,074	948,710	10,320,125
Acquisition cost	1,259,026	15,547,052	622,845	4,244,074	948,710	22,621,707
Accumulated amortization	(1,221,997)	(10,677,029)	(402,556)	-	-	(12,301,582)
Net book amount	37,029	4,870,023	220,289	4,244,074	948,710	10,320,125

(in thousands of Korean won)

	2020					Total
	Industrial property rights	Software	Other intangible assets	Membership rights	Construction In progress	
Opening net book amount	31,115	4,342,647	468,377	3,376,267	-	8,218,406
Acquisitions	13,971	1,782,685	-	-	1,865,967	3,662,623
Disposals	-	-	-	(256,393)	-	(256,393)
Amortization	(13,149)	(1,747,108)	(124,419)	-	-	(1,884,676)
Transferred	-	297,143	-	-	-	297,143
Others	-	902	-	-	-	902
Closing net book amount	31,937	4,676,269	343,958	3,119,874	1,865,967	10,038,005
Acquisition cost	1,239,828	13,487,024	622,095	3,119,874	1,865,967	20,334,788
Accumulated amortization	(1,207,891)	(8,810,755)	(278,137)	-	-	(10,296,783)
Net book amount	31,937	4,676,269	343,958	3,119,874	1,865,967	10,038,005

Amortization expenses of ₩ 1,586,773 thousand (2020: ₩ 1,476,918 thousand) were charged to 'Selling and administrative expenses'. Amortization expenses of ₩ 414,699 thousand (2020: ₩ 407,758 thousand) were charged to 'Cost of sales' and 'Inventories'.

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**13. Leases**

13.1 Details of right-of-use assets and lease liabilities as at December 31, 2021 and 2020 are as follows:

(In thousands of Korean won)

	2021				Lease liabilities
	Properties	Vehicles	Equipment	Total	
Beginning balance	7,241,949	174,416	7,281,311	14,697,676	14,309,383
Acquisitions	540,917	20,195	-	561,112	561,112
Depreciation	(2,768,950)	(104,399)	(1,343,195)	(4,216,544)	-
Interest expense	-	-	-	-	291,579
Lease expenses paid	-	-	-	-	(4,399,313)
Others	26,671	-	-	26,671	34,096
Ending balance	5,040,587	90,212	5,938,116	11,068,915	10,796,857
Current					3,731,428
Non-current					7,065,429

(In thousands of Korean won)

	2020				Lease liabilities
	Properties	Vehicles	Equipment	Total	
Beginning balance	9,294,058	87,460	8,351,676	17,733,194	16,901,281
Acquisitions	885,877	176,065	288,511	1,350,453	1,350,453
Depreciation	(2,958,276)	(89,109)	(1,358,876)	(4,406,261)	-
Interest expense	-	-	-	-	359,070
Lease expenses paid	-	-	-	-	(4,496,220)
Others	20,290	-	-	20,290	194,799
Ending balance	7,241,949	174,416	7,281,311	14,697,676	14,309,383
Current					3,765,406
Non-current					10,543,977

13.2 The total cash outflow for leases in 2021 was ₩ 13,839,649 thousand (2020: ₩ 12,551,602 thousand). Expense relating to short-term leases and leases of low-value assets in 2021 was ₩ 700,474 thousand (2020: ₩ 643,197 thousand).

13.3 The maturity analysis before discounting lease liabilities is as follows:

(In thousands of Korean won)	Amount
Within December 31, 2022	3,963,753
Within December 31, 2023	3,678,907
Within December 31, 2024	1,684,937
After 2025	1,890,622

**14. Investment in Associates**

14.1 Details of investment in associate companies as at December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)	Located country	Ownership	Book value	
			2021	2020
The Bakers Co., Ltd(*)	Korea	36%	5,118,862	-

(\*) During the current year, the Group acquired 36% of The Bakers Co., Ltd which operates baking business

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14.2 Changes in investment in associates for the year ended December 31, 2021 are as follows:

*(In thousands of Korean won)*

Beginning balance	-
Acquisition	5,000,037
Gains on equity method	118,825
Ending balance	5,118,862

14.3 A summary of financial information of an associate as of December 31, 2021 is as follows:

<i>(In thousands of Korean won)</i>	<b>Total assets</b>	<b>Total liabilities</b>	<b>Equity</b>	<b>Revenue</b>	<b>Net income</b>
The Bakers Co., Ltd	13,233,177	5,155,301	8,077,876	8,838,446	1,139,932

14.4 Adjustments from the net assets of associate to the carrying amount of equity interest in associate as at December 31, 2021 are as follows:

*(In thousands of Korean won)*

	<b>Net assets</b>	<b>Net asset equity amount</b>	<b>Others</b>	<b>Book value</b>
The Bakers Co.,Ltd	8,077,877	2,883,802	2,235,060	5,118,862

**15. Trade and Other Payables**

Details of trade and other payables as at December 31, 2021 and 2020, are as follows:

*(in thousands of Korean won)*

	<b>2021</b>		<b>2020</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
Trade payables	94,423,602	-	80,257,801	-
Other payables	45,502,127	-	55,181,894	-
Accrued expenses	18,003,659	-	14,357,942	-
Guarantee deposit withholdings	7,073,026	4,021,783	7,100,026	4,205,783
Financial guarantee liabilities	-	-	57,585	86,790
	<b>165,002,414</b>	<b>4,021,783</b>	<b>156,955,248</b>	<b>4,292,573</b>

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**16. Other Liabilities**

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

<i>(in thousands of Korean won)</i>	2021		2020	
	Current	Non-current	Current	Non-current
Advances from customers	669,185	-	659,115	-
Income received in advance	-	648,458	-	591,589
Value Added Tax withheld	8,144,197	-	6,339,003	-
Withholdings	1,358,274	-	944,677	-
Non-current provisions for employee benefits	-	2,605,513	-	2,274,966
Emission liabilities	526,974	-	-	-
	<u>10,698,630</u>	<u>3,253,971</u>	<u>7,942,795</u>	<u>2,866,555</u>

**17. Bonds**

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

*(in thousands of Korean won)*

Category	Issuance date	Maturity date	Annual interest rate as at December 31,	Carrying amount		Interest payment and repayment
			2021	2021	2020	
Non-guaranteed bond (3)	2018.05.29	2021.05.28	-	-	30,000,000	Three-month repayment, Bullet payment
Non-guaranteed bond (4)	2020.05.28	2023.05.26	1.70%	70,000,000	70,000,000	Three-month repayment, Bullet payment
Non-guaranteed bond (5-1)	2021.04.29	2026.04.29	2.03%	100,000,000	-	Three-month repayment, Bullet payment
Non-guaranteed bond (5-2)	2021.04.29	2028.04.28	2.42%	100,000,000	-	Three-month repayment, Bullet payment
Less: Discount on bonds				(606,034)	(186,405)	
Less: Current portion of bonds				-	(29,984,839)	
				<u>269,393,966</u>	<u>69,828,756</u>	

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**18. Net Defined Benefit Liabilities**

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

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Present value of funded defined benefit obligations	95,927,836	88,295,332
Present value of unfunded defined benefit obligations	412,739	391,776
Total	96,340,575	88,687,108
Fair value of plan assets	(92,396,210)	(87,123,622)
Net defined benefit liabilities	3,944,365	1,563,486

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

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Beginning balance	88,687,108	82,961,754
Current service cost	13,998,118	11,694,004
Interest expense	2,051,059	1,933,082
Remeasurements:		
Actuarial loss (gain) from change in demographic assumptions	(158,207)	(64,693)
Actuarial loss (gain) from change in financial assumptions	(4,528,201)	(1,435,191)
Actuarial loss (gain) from experience adjustments	1,935,900	742,848
Payments from plans:		
Benefit payments	(5,460,023)	(6,975,757)
Liabilities increased (decreased) in a transfer	(185,179)	(168,939)
Ending balance	96,340,575	88,687,108

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

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Beginning balance	87,123,622	76,096,071
Interest income	1,973,324	1,794,026
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	(860,107)	1,053,632
Contributions:		
Contributions to plan assets	10,700,000	14,000,000
Payments from plans:		
Benefit payments	(6,393,453)	(5,634,489)

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Assets decreased in a transfer	(147,176)	(185,618)
Ending balance	92,396,210	87,123,622

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

*(in thousands of Korean won)*

	2021	2020
Cash and cash equivalents	7,781,006	5,404,965
Debt instruments	16,170,827	4,279,876
Investment trust	25,280,756	38,097,037
Others	43,163,621	39,341,744
	92,396,210	87,123,622

The contribution expected to be paid in the business year beginning after the reporting period is ₩ 16,298,900 thousand.

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

	2021	2020
Discount rate	3.04~3.56%	2.39%
Salary growth rate	3.88~4.68%	4.69%

18.6 The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

<i>(in thousands of Korean won)</i>	Impact on defined benefit obligation		
	Changes in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	(6,372,803)	7,228,555
Salary growth rate	1.00%	7,192,614	(6,461,005)

A decrease in profitability of blue chip bonds will be partially offset by some increase in the value of debt securities that the employee benefit plan owns but will bring an increase in the defined benefit obligation.

Although the above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant; in practice, more than one assumptions are correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized in the statement of financial position.

18.7 Effect of defined benefit obligations on future cash flows

The Group reviews the funding level on an annual basis and has a policy of eliminating deficit from the fund.

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The expected maturity analysis of undiscounted pension benefits as at December 31, 2021, is as follows:

<i>(in thousands of Korean won)</i>	<b>Less than 1 year</b>	<b>Between 1-2 years</b>	<b>Between 2-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Pension benefits	11,962,174	9,743,767	24,927,909	75,719,153	122,353,003

The weighted average duration of the defined benefit obligation is 7.02 ~ 10.12 years.

**19. Revenue from Contracts with Customers**

19.1 The Group has recognized the following amounts relating to revenue in the statement of profit and loss:

<i>(In thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Revenue from contracts with customers		
Categorization by type of goods or services		
Revenue from sale of goods product and merchandise	1,551,560,272	1,463,095,819
Others	309,275	-
	<u>1,551,869,547</u>	<u>1,463,095,819</u>
Categorization by type of geographical markets		
Domestic	1,522,680,369	1,423,519,065
Overseas	29,189,178	39,576,754
	<u>1,551,869,547</u>	<u>1,463,095,819</u>

19.2 The Group has recognized the following liabilities related to contracts with customers:

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Contract assets		
Expected sales return	618,493	481,199
Contract liabilities		
Expected sales return	841,697	718,496
Customer loyalty program	1,140,970	1,161,186
	<u>1,982,667</u>	<u>1,879,682</u>

19.3 Cost of sales for the years ended December 31, 2021, and 2020, are as follows:

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Cost of sales from sale of goods product and merchandises	1,088,638,946	1,033,395,424

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**20. Tax Expense and Deferred Tax**

20.1 Income tax expense for the years ended December 31, 2021, and 2020, consists of:

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Current tax on profits for the year	23,043,637	24,214,667
Changes in deferred tax	(179,031)	(1,119,060)
Deferred tax recognized directly to equity	(464,206)	(274,407)
Income tax expense	<u>22,400,400</u>	<u>22,821,200</u>

20.2 The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Profit before income tax expense	96,645,616	80,474,682
Tax at domestic tax rates applicable to profits in the respective countries	24,334,454	19,012,873
Tax effects of:		
Expenses not deductible for tax purposes	712,476	908,506
Non-taxable income	(600,051)	-
Unrecognized temporary difference	105,860	-
Tax deductions	(20)	(12,828)
Others	(2,152,319)	2,912,649
Income tax expense	<u>22,400,400</u>	<u>22,821,200</u>
The weighted average applicable tax rate	23.2%	28.4%

20.3 The tax effect relating to components of other comprehensive income (expenses) for the years ended December 31, 2021, and 2020, is as follows:

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Remeasurement of the net defined benefit liabilities	(390,778)	(425,507)
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income	(73,428)	151,100
	<u>(464,206)</u>	<u>(274,407)</u>

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20.4 The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(In thousands of Korean won)

	<b>2021</b>				
	<b>Beginning balance</b>	<b>Increase (decrease)</b>	<b>Ending balance</b>	<b>Deferred tax assets (liabilities)</b>	
				<b>Beginning balance</b>	<b>Ending balance</b>
Post-employment benefit obligation	88,682,888	7,447,121	96,130,009	20,840,478	22,380,322
Pensions	(81,026,831)	(11,134,603)	(92,161,434)	(19,041,305)	(21,405,963)
Depreciation expense	14,333,737	458,987	14,792,724	3,368,428	3,465,105
Contract liabilities	1,879,682	102,985	1,982,667	441,725	439,111
Advanced depreciation provision	(26,776,772)	-	(26,776,772)	(6,292,541)	(6,292,541)
Others	8,884,648	8,617,982	17,502,630	1,843,383	2,753,166
	<b>5,977,352</b>	<b>5,492,472</b>	<b>11,469,824</b>	<b>1,160,168</b>	<b>1,339,200</b>

(In thousands of Korean won)

	<b>2020</b>				
	<b>Beginning balance</b>	<b>Increase (decrease)</b>	<b>Ending balance</b>	<b>Deferred tax assets (liabilities)</b>	
				<b>Beginning balance</b>	<b>Ending balance</b>
Post-employment benefit obligation	82,957,535	5,725,353	88,682,888	18,250,658	20,840,478
Pensions	(76,091,852)	(4,934,979)	(81,026,831)	(16,740,207)	(19,041,305)
Depreciation expense	11,006,740	3,326,997	14,333,737	2,421,483	3,368,428
Contract liabilities	1,614,102	265,580	1,879,682	355,102	441,725
Advanced depreciation provision	(26,776,772)	-	(26,776,772)	(5,890,890)	(6,292,541)
Others	7,503,904	1,380,744	8,884,648	1,644,963	1,843,383
	<b>213,657</b>	<b>5,763,695</b>	<b>5,977,352</b>	<b>41,109</b>	<b>1,160,168</b>

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

(In thousands of Korean won)

	<b>2021</b>	<b>2020</b>	<b>Remarks</b>
Investments in subsidiaries	14,873,270	8,837,734	No plan for disposal
Unused losses	15,514,340	8,037,595	Uncertainty of future taxable profit

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**21. Share Capital**

The details of share capital as at December 31, 2021 and 2020, are as follows:

<i>(in Korean won, number of shares)</i>	<b>2021</b>	<b>2020</b>
Number of shares authorized to issue	40,000,000	40,000,000
Par value per share	500	500
Number of shares outstanding	7,843,638	7,843,638

**22. Retained Earnings**

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

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Appropriated retained earnings legal reserves		
Legal reserve <sup>1</sup>	2,127,140	1,517,841
Unappropriated retained earnings	268,007,265	198,376,013
	<u>270,134,405</u>	<u>199,893,854</u>

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

**23. Other Components of Equity**

23.1 Other components of equity as at December 31, 2021 and 2020, consist of:

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Capital surplus		
Share premium	256,794,213	256,794,213
Adjustments for share-based payments	850,000	687,616
Capital adjustments:		
Treasury shares <sup>1</sup>	(32,827,839)	(17,598,564)
Losses on disposal of treasury shares	(33,958)	-
Other comprehensive income/loss accumulated amount		
Gains cumulative effect foreign currency translation	328,814	46,553
Losses on valuation of financial assets at FVOCI	(252,846)	(491,878)
Remeasurement of defined benefit plans	(1,622,767)	(3,122,390)
	<u>223,235,617</u>	<u>236,315,550</u>

<sup>1</sup> The Parent Company acquired the registered ordinary shares and recognized in other components of equity in order to stabilize the price of its shares.

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23.2 Share-based Payments

As at December 31, 2021, the Group provides share options (RSU; Restricted Stock Unit) for executives. The fair value of share options are recognized as share-based payments and other components of equity over the vesting period in accordance with K-IFRS 1102. Share-based payments and other components of equity recognized during the year ended December 31, 2021, amounted to ₩ 850,000 thousand (2020: ₩ 687,616 thousand).

23.3 Details of the treasury shares as at December 31, 2021 and 2020, are as follows:

<i>(in shares, thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Number of shares	449,658	233,402
Acquisition cost	32,827,839	17,598,564

**24. Selling and Administrative Expenses**

Selling and administrative expenses for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Salaries	69,281,398	64,168,617
Post-employment benefits	7,378,311	7,224,592
Sales commissions	52,167,821	45,922,049
Commission expenses	69,730,382	62,978,362
Depreciation expense	7,413,720	7,353,660
Amortization expense	1,586,773	1,476,918
Advertising expenses	74,949,040	67,108,857
Freight expenses	46,697,750	43,541,538
Other	46,228,000	43,438,609
	<u>375,433,195</u>	<u>343,213,202</u>

**25. Other Income and Expenses**

Other income and expenses for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Other income :		
Rental income	114,702	154,970
Gains on foreign currency translation	336,086	196,752
Gains on foreign currency transaction	2,527,893	2,370,722
Gains on disposals of property, plant and equipment	197,654	256,503
Gains on disposals of intangible assets	2,928	-

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Miscellaneous revenue	2,964,988	1,793,154
	<u>6,144,251</u>	<u>4,772,101</u>
Other expenses :		
Losses on foreign exchange translations	133,392	1,961,805
Losses on foreign currency transaction	1,570,107	1,925,804
Donations	2,302,862	1,866,240
Losses on disposals of property, plant and equipment	700,606	79,201
Write-downs of property, plant and equipment	385,599	704,817
Miscellaneous losses	990,545	3,887,474
	<u>6,083,111</u>	<u>10,425,341</u>

**26. Breakdown of Expenses by Nature**

Breakdown of expenses by nature for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Changes in inventories of merchandise, finished goods and semi-finished goods	(1,067,191)	(12,962,542)
Raw materials and minor ingredients used, purchase of merchandise	907,797,715	868,500,277
Employee benefits expenses	156,822,254	149,685,917
Depreciation and amortization	38,993,934	35,585,531
Freight expenses	51,210,401	47,993,342
Advertising expenses	74,949,040	67,108,857
Others	235,365,988	220,697,244
Cost of sales, and selling and administrative expenses total	<u>1,464,072,141</u>	<u>1,376,608,626</u>

**27. Earnings per Share**

27.1 Basic earnings per share

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

Basic earnings per shares for the years ended December 31, 2021 and 2020, are as follows:

<i>(In Korean won, number of shares)</i>	<b>2021</b>	<b>2020</b>
Profit attributable to the ordinary equity holders of the Parent Company	74,245,215,795	57,653,481,257
Weighted average number of ordinary shares outstanding <sup>1</sup>	7,560,675	7,688,825
Basic earnings per share	9,820	7,498

<sup>1</sup> Weighted average number of ordinary shares outstanding

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<i>(In number of shares, days)</i>	<b>2021</b>	<b>2020</b>
Number of ordinary shares		
Opening balance	7,610,236	7,830,616
Acquisition of treasury shares	(216,256)	(220,380)
Ending balance	7,393,980	7,610,236
Weighted average number of ordinary shares in circulation	2,759,646,375	2,814,109,805
Number of days	365	366
Weighted average number of ordinary shares	7,560,675	7,688,825

27.2 Diluted earnings per share

The Group did not issue any potential ordinary shares. Therefore, basic earnings per share is identical to diluted earnings per share.

**28. Dividends**

A dividend in respect of the year ended December 31, 2021, of ₩ 1,200 (2020: ₩ 800) per share, amounting to a total dividend of ₩ 8,872,776 thousand (2020: ₩ 6,092,988 thousand), is to be proposed to shareholders at the annual general meeting on March 25, 2022. The accompanying consolidated financial statements do not reflect this dividend payable.

**29. Cash Flows**

29.1 Cash generated from operations for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Profit	74,245,216	57,653,481
Adjustments for:		
Income tax expense	22,400,400	22,821,200
Interest income	(2,312,712)	(2,027,114)
Interest expenses	4,954,069	2,393,723
Dividends income	(1,102,689)	-
Losses on abandonment of inventories	802,883	1,258,387
Write-downs of inventories	225,263	92,237
Provision for severance indemnities	14,075,854	11,833,060
Bonus	850,000	687,616
Depreciation expense	36,992,461	33,700,854
Amortization	2,001,472	1,884,676
Losses on disposals of property, plant and equipment.	700,606	79,201
Write-downs of property, plant and equipment	385,599	704,817
Gains on disposals of property, plant and equipment	(197,654)	(256,503)
Gains on disposal of intangible assets	(2,928)	-

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Loss on foreign exchange translations	133,392	1,961,805
Gain on foreign exchange translations	(336,086)	(196,752)
Bad debt expenses	(16,105)	110,143
Losses on disposal of financial assets at fair value through profit or loss	419,882	-
Losses on valuation of financial assets at fair value through profit or loss	5,765,876	212,413
Gains on disposal of financial assets at fair value through profit or loss	(3,454,064)	(21,037)
Gains on valuation of financial assets at fair value through profit or loss	(10,648,330)	(918,117)
Gain on equity method	(118,825)	-
Emission cost	526,974	-
	<u>72,045,338</u>	<u>74,320,609</u>
Changes in net operating assets and liabilities:		
Trade receivables	21,189,810	(9,306,011)
Other receivables	(5,398,787)	609,380
Other current assets	(3,138,679)	506,012
Inventories	(30,869,984)	(30,204,506)
Other non-current assets	84,382	(43,276)
Trade payables	14,519,905	6,857,215
Other payables	(9,430,410)	2,336,223
Provisions	102,985	265,580
Other current liabilities	2,228,861	(1,807,736)
Other non-current payables	(270,790)	110,415
Derivative assets and liabilities	(3,058,303)	3,165,645
Payment for post-employment benefit	933,429	(1,341,268)
Transfer to related companies	(38,003)	16,679
Plan assets	(10,700,000)	(14,000,000)
Other non-current liabilities	387,416	370,223
	<u>(23,458,168)</u>	<u>(42,465,425)</u>
	<u>122,832,386</u>	<u>89,508,665</u>

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

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Transfer of construction-in-progress to property, plant, and equipment	13,800,405	8,629,175
Transfer of construction-in-progress to intangible assets	1,924,600	-
Increase (decrease) in other payables related to acquisition of tangible assets	2,376,836	(196,003)
Decrease in other payables related to acquisition of intangible assets	(37,315)	(107,420)
Decrease in other receivables related to disposal of tangible assets	-	(37,421)
Acquisition of right-of-use assets	561,112	1,391,757

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29.3 Changes in liabilities arising from financial activities for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)

	Short-term borrowings	Current-portion of long-term borrowings	Current-portion of bonds	Bonds	Lease liabilities	Total
At January 1, 2020	2,654,282	5,300,000	30,000,000	29,938,869	16,901,281	84,794,432
Cash flows	(2,654,282)	(5,300,000)	(30,000,000)	69,787,788	(4,496,220)	27,337,286
Exchange differences	-	-	-	-	194,798	194,798
Acquisition – leases	-	-	-	-	1,350,453	1,350,453
Transfer	-	-	29,966,409	(29,966,409)	-	-
Others	-	-	18,430	68,508	359,070	446,008
At December 31, 2020	-	-	29,984,839	69,828,756	14,309,382	114,122,977
At January 1, 2021	-	-	29,984,839	69,828,756	14,309,382	114,122,977
Cash flows	-	-	(30,000,000)	199,432,460	(4,399,313)	165,033,147
Exchange differences	-	-	-	-	34,096	34,096
Acquisition – leases	-	-	-	-	561,112	561,112
Others	-	-	15,161	132,750	291,580	439,491
At December 31, 2021	-	-	-	269,393,966	10,796,857	280,190,823

**30. Contingencies and Commitments**

30.1 Details of the check provided as collateral for the years ended December 31, 2021, are as follows:

(in thousands of Korean won)

Type	Provided to	Numbers of checks	Amount	Remarks
Checks	Korea Dairy committee	1	12,479,724	Raw milk supply contract deposit

30.2 The Group's major agreements with financial institutions as at December 31, 2021, are as follows:

(in USD, CNY, thousands of Korean won)

Classification	Currency	Financial institution	Committed amount
Borrowings	KRW	Export-Import Bank of Korea, etc.	54,000,000
	CNY	DBS Bank	12,000,000
Import credit	USD	KEB Hana Bank	2,000,000
	KRW	KOOKMIN Bank	5,000,000
Payment guarantee	KRW	KEB Hana Bank	42,000,000
	KRW	SHINHAN Bank, etc.	30,000,000
Derivative financial instruments	USD	SHINHAN Bank	10,000,000

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30.3 The details of the payment guarantee provided as at December 31, 2021, are as follows:

(in AUD)

<b>Financial institution</b>	<b>Amount</b>	<b>Remarks</b>
ANZ Bank	1,500,000	Construction performance payment guarantee

30.4 As at December 31, 2021, the Group has contracts with Hershey Food Corporation, etc. regarding the use of trademarks.

30.5 The Parent Company entered into a management advisory agreement and trademarks use agreements with Maeil Holdings Co., Ltd. Expenses related to the agreements are recognized as commissions expenses.

30.6 The Parent Company was provided payment amounting to ₩ 2,142,699 thousand (2020: ₩ 2,122,157 thousand) guaranteed by Seoul Guarantee Insurance Company.

30.7 The Parent Company entered into a management on its own trust contract to enhance shareholder value and stabilize stock prices.

30.8 In accordance with Article 530-9 (1) in the Commercial Law of the Republic of Korea, the Group and Maeil HealthNutrition Co., Ltd., are jointly and severally liable for the liabilities of the company prior to the spin off date.

30.9 The bond collection agreement for unsecured public bonds issued by the parent includes maintaining a debt ratio of less than 400%, setting a mortgage within 300% of the equity capital, and restricting the disposal of assets within 100% of the total amount of the asset. Therefore, if the above regulations are violated, the Group may lose due profit. The bonds held by the Parent Company that are issued by applying the provisions above were ₩ 270,000 million as at December 31, 2021 and there is no violation of the regulation as at December 31, 2021.

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**31. Related Party Transactions**

31.1 Related parties of the Group as at December 31, 2021 and 2020, are as follows:

Type	2021	2020
The Parent Company	Maeil Holdings Co., Ltd	Maeil Holdings Co., Ltd
Associate	The Bakers Co., Ltd <sup>1</sup>	-
Other related parties	Zero to Seven Inc Les Vins de Maeil Co.,Ltd Crystal Jade Korea Co., Ltd M's Food System Co., Ltd M's Seed Co., Ltd Sangha Dairy Development Co., Ltd Sangha Farm Co., Ltd Korea Food Services Corporation Co., Ltd MD WELL Inc M's Beverage Co., Ltd M's Partners Co., Ltd Bon Mangé Co., Ltd Pyeong Taek Trading & Logistics Co.,Ltd PTL International Co., Ltd CK Corporations Co., Ltd	Zero to Seven Inc Les Vins de Maeil Co.,Ltd Crystal Jade Korea Co., Ltd M's Food System Co., Ltd M's Seed Co., Ltd Sangha Dairy Development Co., Ltd Sangha Farm Co., Ltd Korea Food Services Corporation Co., Ltd MD WELL Inc M's Beverage Co., Ltd M's Partners Co., Ltd Bon Mangé Co., Ltd Pyeong Taek Trading & Logistics Co.,Ltd PTL International Co., Ltd CK Corporations Co., Ltd

<sup>1</sup> During the year, Maeil Dairies Co., Ltd acquired 36% shares in The Bakers Co., Ltd which is engaged in the confectionery and bakery business.

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31.2 Sales and purchases

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

(In thousands of Korean won)

2021

Name of Entity	Sales	Purchases	Rental revenue	Rent expenses	Advertising expenses	Commissions	Other sales	Other purchases	Acquisition of right-of-use assets
<b>Parent Company</b>									
Maeil Holdings Co.,Ltd	-	-	-	-	-	9,440,653	12,414	402	37,947
<b>Other related parties</b>									
Zero to Seven Inc	7,067,496	1,475,809	900	-	-	705	-	1,070	-
Les Vins de maeil Co., Ltd	-	1,914	-	-	-	-	2,124	6,217	-
Crystal Jade Korea Co.,Ltd	-	-	-	-	-	-	3,925	-	-
M's Food System Co.,Ltd	11,886,379	1,749,166	-	-	-	415,121	10,403	27,545	-
M's Seed Co., Ltd	4,542,022	80,510	-	-	26,726	-	-	523	-
Sangha Dairy Development Co., Ltd	-	1,677,000	-	-	-	-	18,508	-	-
Sangha Farm Co., Ltd	941,168	4,242,822	-	86,400	11,037	560	99,081	265,708	-
Korea Food services corporation Co., Ltd	7,648,761	-	-	4,819	-	-	2,746	-	-
MD Well Inc	9,116,757	-	-	-	-	-	25,773	-	-
M's Beverage Co., Ltd	-	-	7,200	-	-	-	-	-	-
M's Partners Co., Ltd	36,068	10,940	-	-	2,534,561	8,591,510	-	4,367	-
Bon Mange Co., Ltd	79,771	5,494	-	-	-	-	-	-	-
Pyeong Taek Trading & Logistics Co.,Ltd	91,164	299,688	18,733	3,913,797	276,726	19,724,846	8,877	70,699	-
CK corporations Co., Ltd	41,173	15,264,185	-	-	-	-	-	34,561	-
PTL International Co., Ltd	-	6,999,896	-	-	-	2,390	-	734,144	-
	<u>41,450,759</u>	<u>31,807,424</u>	<u>26,833</u>	<u>4,005,016</u>	<u>2,849,050</u>	<u>38,175,785</u>	<u>183,851</u>	<u>1,145,236</u>	<u>37,947</u>

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(In thousands of Korean won)

2020

Name of Entity	Sales	Purchases	Rental revenue	Rent expenses	Advertising expenses	Commissions	Other sales	Other purchases	Acquisition of right-of-use assets
<b>Parent Company</b>									
Maeil Holdings Co.,Ltd	-	-	-	-	-	9,516,358	16,474	-	35,511
<b>Other related parties</b>									
Zero to Seven Inc	14,632,406	1,410,427	5,142	-	7,682	2,590	142,019	-	-
Les Vins de maeil Co., Ltd	-	2,014	2,124	-	-	-	-	7,216	-
Crystal Jade Korea Co.,Ltd	-	-	-	-	-	-	6,211	-	-
M's Food System Co.,Ltd	7,745,365	876,943	-	-	-	395,883	12,079	103,197	-
M's Seed Co., Ltd	2,758,968	122,574	-	-	48,415	-	34,775	844	-
Sangha Dairy Development Co., Ltd	-	1,624,147	-	-	-	2,550	17,733	-	-
Sangha Farm Co., Ltd	843,109	2,548,937	-	51,045	46,997	53,684	109,884	206,986	-
Korea Food services corporation Co., Ltd	13,265,390	-	-	2,471	-	-	22,495	1,352	-
MD Well Inc	8,110,661	-	-	-	-	-	21,551	-	-
M's Beverage Co., Ltd	-	-	7,200	-	-	-	-	-	-
M's Partners Co., Ltd	43,175	-	-	-	5,027,983	7,975,276	-	-	-
Bon Mange Co., Ltd	80,197	11,930	-	-	-	-	-	-	-
Pyeong Taek Trading & Logistics Co.,Ltd	58,379	405,087	18,893	3,703,886	205,923	18,331,552	-	28,654	-
CK corporations Co., Ltd	74,540	13,774,794	-	-	-	-	-	43,142	-
PTL International Co., Ltd	-	5,513,542	-	-	-	3,551	-	659,456	-
	<u>47,612,190</u>	<u>26,290,395</u>	<u>33,359</u>	<u>3,757,402</u>	<u>5,337,000</u>	<u>36,281,444</u>	<u>383,221</u>	<u>1,050,847</u>	<u>35,511</u>

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31.3 Outstanding balances from related parties and others

Outstanding balances arising from related party transactions as at December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)	2021				
	Receivables		Payables		
	Trade receivables	Other receivables	Trade payables	Other payables	Lease liabilities
<b>Parent Company</b>					
Maeil Holdings Co., Ltd.	-	150,686	-	1,885,526	5,735
<b>Other related parties</b>					
Zero to Seven Inc	850,905	496	145,532	66,486	-
Les vins de maeil Co.,Ltd	-	-	-	825	-
Crystal Jade Korea. Co., Ltd.	-	3,805	-	9,865	-
M's Food System Co., Ltd.	1,778,908	-	133,496	62	-
M's seed Co., Ltd.	455,259	5,220	8,124	36,155	-
Sangha Dairy Development Co.,Ltd	-	2,022	70,533	15,994	-
Sangha Farm Co., Ltd.	77,152	4,717	414,062	36,452	-
Korea Food Services Corporation Co.,Ltd	1,356,744	-	-	219	-
MD WELL Inc	2,665,619	35,670	-	-	-
M's partners Co.,Ltd	-	-	-	1,112,422	-
Bon Mangé Co.,Ltd	5,470	-	-	-	-
Pyeong Taek Trading & Logistics Co., Ltd	3,263	1,759	54,507	1,947,990	-
CK corporations Co.,Ltd	992	-	1,076,417	1,412	-
PTL International Co.,Ltd	-	-	-	156,521	-
	<b>7,194,312</b>	<b>204,375</b>	<b>1,902,671</b>	<b>5,269,929</b>	<b>5,735</b>

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<i>(In thousands of Korean won)</i>	2020				
	Receivables		Payables		
	Trade receivables	Other receivables	Trade payables	Other payables	Lease liabilities
<b>Parent Company</b>					
Maeil Holdings Co., Ltd.	-	153,854	-	1,674,153	5,986
<b>Other related parties</b>					
Zero to Seven Inc	2,373,903	27,823	117,911	187,079	-
Les vins de maeil Co.,Ltd	-	2,561	880	-	-
Crystal Jade Korea. Co., Ltd.	-	5,229	-	6,191	-
M's Food System Co., Ltd.	826,636	24,193	254,249	10,227	-
M's seed Co., Ltd.	21	97,119	9,162	30,750	-
Sangha Dairy Development Co.,Ltd	-	7,803	83,041	18,330	-
Sangha Farm Co., Ltd.	49,742	29,858	212,959	43,821	-
Korea Food Services Corporation Co.,Ltd	1,638,257	-	-	949	-
MD WELL Inc	2,225,852	15,445	-	-	-
M's partners Co.,Ltd	-	2,889	-	110,445	-
Bon Mangé Co.,Ltd	3,245	-	99	-	-
Pyeong Taek Trading & Logistics Co.,Ltd	3,589	2,465	37,662	1,923,370	-
CK corporations Co.,Ltd	616	-	743,376	5,539	-
PTL International Co.,Ltd	-	-	-	85,141	-
	<b>7,121,861</b>	<b>369,239</b>	<b>1,459,339</b>	<b>4,095,995</b>	<b>5,986</b>

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

*(in thousands of Korean won)*

Type	Name of entity	2021	2020	Remarks
The Parent Company	Maeil Holdings Co., Ltd	1,949,211	1,949,211	Dividend payment

31.5 Compensation to key management

Key management includes directors (registered), members of the Executive Committee, CFO, and the Head of Internal Audit. The compensation paid or payable to key management for employee services for the years ended December 31, 2021, and 2020, consists of:

*(in thousands of Korean won)*

	2021	2020
Salaries	3,143,358	1,747,035
Post-employment benefits	386,139	298,349
Share-based payments	850,000	687,616
	<u>4,379,497</u>	<u>2,733,000</u>

**32. Operating Segment Information**

32.1 The Group's operating segments are classified into dairy processing and others based on the type of products produced.

32.1.1 Operating segment information for the years ended December 31, 2021, and 2020, are as follows:

*(in thousands of Korean won)*

	2021		
	Dairy processing	Others	Total
Revenue	1,287,464,128	264,405,419	1,551,869,547
Operating profit	68,983,105	18,814,301	87,797,406
Depreciation expense, Amortization expense	32,350,200	6,643,733	38,993,933

*(in thousands of Korean won)*

	2020		
	Dairy processing	Others	Total
Revenue	1,223,493,624	239,602,195	1,463,095,819
Operating profit	73,073,539	13,413,654	86,487,193
Depreciation expense, Amortization expense	29,774,985	5,810,546	35,585,531

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32.1.2 Segment assets and liabilities as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	<b>2021</b>			
	<b>Dairy processing</b>	<b>Others</b>	<b>Adjustments<sup>3,4</sup></b>	<b>Total</b>
Assets <sup>1,3</sup>	765,225,048	157,153,621	59,320,515	981,699,184
Acquisition of non-current assets <sup>2</sup>	48,378,046	9,935,358	-	58,313,404
Liabilities <sup>1,4</sup>	165,784,653	34,047,054	284,575,637	484,407,344

  

<i>(in thousands of Korean won)</i>	<b>2020</b>			
	<b>Dairy processing</b>	<b>Others</b>	<b>Adjustments<sup>3,4</sup></b>	<b>Total</b>
Asset <sup>1,3</sup>	586,757,120	114,907,255	43,152,287	744,816,662
Acquisition of non-current assets <sup>2</sup>	44,494,469	8,713,550	-	53,208,019
Liabilities <sup>1,4</sup>	158,827,576	31,103,910	114,753,952	304,685,438

<sup>1</sup> Segment assets and liabilities that are reported to the CEO are measured reflecting the following <sup>3</sup> and <sup>4</sup>. These assets and liabilities are allocated based on operating income of the segments.

<sup>2</sup> Financial instruments and deferred tax assets are excluded from 'acquisition of non-current assets'.

<sup>3</sup> Deferred tax assets, short-term financial instruments, long-term financial instruments, available-for-sale financial assets, investments in subsidiaries and associates and derivative assets are not distributed to operating segments.

<sup>4</sup> Deferred tax liabilities, current tax liabilities, short term borrowings, long term borrowings, bonds and derivative liabilities are not distributed to operating segments.

**32.2 Overall disclosures of the Group**

32.2.1 Details of the Group's revenue for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Revenue		
Revenue from sale of finished goods	1,404,317,724	1,331,883,785
Revenue from sale of merchandise	147,242,548	131,212,034
Others	309,275	-
	<u>1,551,869,547</u>	<u>1,463,095,819</u>
Timing of revenue recognition:		
Goods and services transferred at a point in time	1,551,560,272	1,463,095,819
Goods and services transferred over time	309,275	-
	<u>1,551,869,547</u>	<u>1,463,095,819</u>

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32.2.2 The Group's revenue by region for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Korea	1,508,204,129	1,423,519,065
Asia	36,412,895	29,586,358
Others	7,252,523	9,990,396
	<u>1,551,869,547</u>	<u>1,463,095,819</u>

32.2.3 There is no single external customer who contributes more than 10% of the Group's revenue for the years ended December 31, 2021 and 2020.

**33. Emission rights and Emission liabilities**

33.1 Emission rights

33.1.1 The quantities of free allocation emission rights for the 3<sup>rd</sup> plan period (2021~2025) and implementation year as at December 31, 2021 are as follows:

<i>(In KAU)</i>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Plan period Total</b>
Emission rights	50,722	106,953	101,953	101,953	100,998	100,998	512,855
Emissions	42,928	Undecided	Undecided	Undecided	Undecided	Undecided	Undecided

33.1.2 Changes of Emission rights for the year ended December 31, 2021 and 2020, are as follows:

<i>(Quantity : KAU Amount : in thousands of Korean won)</i>	<b>2021</b>		<b>2020</b>	
	<b>Quantity</b>	<b>Carrying amount</b>	<b>Quantity</b>	<b>Carrying amount</b>
Beginning balance	-	-	-	-
Free allocation	106,953	-	50,722	-
Disposal	-	-	(2,794)	-
Submitted to government	-	-	(42,928)	-
Carry-over	5,000	-	(5,000)	-
Ending balance	<u>111,953</u>	<u>-</u>	<u>-</u>	<u>-</u>

33.1.3 There are no emission rights provided as collateral as at December 31, 2021

33.2 Emission liabilities

33.2.1 The estimated quantity of emissions for the current implementation year of 2021 is 126,967 tons (tCO<sub>2</sub>-eq), and an emission liability of ₩526,974 thousand was recognized for the estimated shortage of approximately 15,014 tons (tCO<sub>2</sub>-eq).

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33.2.2 Details of emission liabilities during current year are as follows:

<i>(In thousands of Korean won)</i>	<b>2021</b>
Beginning balance	-
Increase	526,974
Ending balance	526,974

**34. Impact of COVID-19**

To stop the spread of COVID-19, various prevention and control, including travel restrictions, are being implemented worldwide, resulting in widespread impact on the global economy. In addition, various forms of government support policies are being announced to cope with COVID-19.

Recoverability of trade receivables (Note 8), impairment of inventories, property, plant and equipment and intangible assets (Notes 10, 11, 12, 13), and valuation of deferred tax assets (Note 20) are primarily affected by COVID-19. The Group prepared the consolidated financial statements by reasonably estimating the impact of COVID-19 on the Group.

The termination or expansion of COVID-19 in the future may affect the Group's estimates and assumptions but the impact therefrom is not reasonably estimable as at December 31, 2021.