

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

Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
with the independent auditor's report

Maeil Dairies Co., Ltd. and its  
subsidiaries

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## Independent auditor's report

(English Translation of a Report Originally Issued in Korean)

### 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 statements of financial position as of December 31, 2022 and 2021, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS").

#### Basis for opinion

We conducted our audit in accordance with Korean Standards on Auditing ("KSA"). 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 consideration 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 KSA 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 KSA, 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*.

*Ernst & Young Han Young*

March 16, 2023

This audit report is effective as of March 16, 2023, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent 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, 2022 and 2021**

“The accompanying consolidated financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Group.”

Seonhui Kim  
Chief Executive Officer  
Maeil Dairies Co., Ltd.

**Maeil Dairies Co., Ltd. and its subsidiaries**  
**Consolidated Statements of Financial Position**  
**December 31, 2022 and 2021**

<i>(In Korean won)</i>	Notes	December 31, 2022	December 31, 2021
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4,6	78,647,654,099	120,115,059,280
Financial assets at fair value through profit or loss	5,6,7	88,519,834,715	135,215,717,424
Financial assets at fair value through other comprehensive income	5,6,7	3,111,000,000	2,686,000,000
Short-term financial instrument	4,6	17,924,202,142	39,806,093,330
Derivative financial instrument	5,6	264,004,043	-
Trade and other current receivables	4,6,8,31	169,265,962,237	157,239,575,068
Contract assets	19	565,319,810	618,492,590
Inventories	10	235,027,110,493	174,959,903,718
Current income tax assets	20	71,526,360	1,824,113,000
Other current assets	9	6,561,411,160	9,120,273,349
		<u>599,958,025,059</u>	<u>641,585,227,759</u>
<b>Non-current assets</b>			
Investments in associates	14	5,073,557,481	5,118,862,262
Financial assets at fair value through profit or loss	5,6,7	19,309,911,404	11,715,142,884
Financial assets at fair value through other comprehensive income	5,6,7	2,334,915,064	999,999,985
Long-term financial instrument	4,6	10,006,000,000	10,006,000,000
Other receivables	4,6,8,31	14,825,449,171	13,606,495,914
Property, plant and equipment	11	274,003,980,346	271,871,627,045
Intangible assets	12	12,184,951,655	10,320,124,829
Right-of-use assets	13,31	8,110,947,130	11,068,915,324
Deferred tax assets	20	4,040,443,646	1,339,199,852
Net defined benefit assets	18	19,452,231,967	-
Other assets	9	5,447,880,051	4,067,588,620
		<u>374,790,267,915</u>	<u>340,113,956,715</u>
<b>Total assets</b>		<u>974,748,292,974</u>	<u>981,699,184,474</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	4,6,15,31	176,970,043,613	165,002,414,039
Current portion of bonds	4,6,17,29	69,970,453,432	-
Derivative financial liabilities	4,5,6	2,508,024,216	-
Lease liabilities	4,13,29,31	4,009,669,040	3,731,428,213
Contract liabilities	19	2,207,243,451	1,982,667,027
Current tax liabilities	20	2,162,019,556	15,181,671,676
Other current liabilities	16,33	8,271,866,669	10,698,629,972
		<u>266,099,319,977</u>	<u>196,596,810,927</u>
<b>Non-current liabilities</b>			
Other payables	4,6,15,31	4,103,914,769	4,021,782,659
Bonds	4,6,17,29	199,589,563,781	269,393,965,581
Post-employment benefit obligation	18	-	3,944,364,555
Lease liabilities	4,13,29,31	3,753,892,843	7,065,428,609
Provisions		131,020,067	131,020,067
Other liabilities	16	4,247,096,491	3,253,971,111
		<u>211,825,487,951</u>	<u>287,810,532,582</u>
<b>Total liabilities</b>		<u>477,924,807,928</u>	<u>484,407,343,509</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	275,656,481,297	270,134,404,727
Other components of equity	23	216,717,006,667	223,235,617,238
		<u>496,295,306,964</u>	<u>497,291,840,965</u>
<b>Non-controlling interests</b>		528,178,082	-
<b>Total equity</b>		<u>496,823,485,046</u>	<u>497,291,840,965</u>
<b>Total liabilities and equity</b>		<u>974,748,292,974</u>	<u>981,699,184,474</u>

The accompanying notes are an integral part of the consolidated financial statements.

**Maeil Dairies Co., Ltd. and its subsidiaries**  
**Consolidated Statements of Profit or Loss**  
**Years Ended December 31, 2022 and 2021**

<i>(In Korean won)</i>	<b>Notes</b>	<b>2022</b>	<b>2021</b>
<b>Sales</b>	19,31,32	1,685,644,029,927	1,551,869,546,714
<b>Cost of Sales</b>	10,19,26,31	(1,200,233,075,232)	(1,088,638,946,009)
<b>Gross profit</b>		<u>485,410,954,695</u>	<u>463,230,600,705</u>
Selling and administrative expenses	24,26,31	(424,722,878,169)	(375,433,194,837)
<b>Operating profit</b>	32	60,688,076,526	87,797,405,868
Other income	25,31	5,169,667,939	6,144,251,120
Other expenses	25,31	(10,585,709,995)	(6,083,111,495)
Financial income	6		
Dividends income		2,542,648,875	1,102,689,212
Interest income		3,329,073,638	2,312,712,458
Gains on transaction of derivatives		3,223,581,002	2,413,276,639
Gains on valuation of derivatives		189,524,043	-
Gains on disposal of financial assets at FVPL		703,777,669	3,454,064,448
Gains on valuation of financial assets at FVPL		<u>1,343,996,474</u>	<u>10,648,330,438</u>
		<u>11,332,601,701</u>	<u>19,931,073,195</u>
Financial costs	6		
Interest expenses		6,094,102,689	4,954,069,440
Losses on transaction of derivatives		3,186,260,000	123,000,000
Losses on valuation of derivatives		2,508,024,216	-
Losses on disposal of financial assets at FVPL		5,988,741,882	419,882,439
Losses on valuation of financial assets at FVPL		<u>24,343,864,690</u>	<u>5,765,875,991</u>
		<u>(42,120,993,477)</u>	<u>(11,262,827,870)</u>
Profit or loss on investment in associates			
Gain(loss) on equity method	14	(45,304,781)	118,825,106
Profit before income tax		24,438,337,913	96,645,615,924
Income tax expense	20	(10,007,377,054)	(22,400,400,129)
<b>Profit for the year</b>		<u>14,430,960,859</u>	<u>74,245,215,795</u>
<b>Profit for the year</b>			
Attributable to owners of the Parent Company		14,394,852,570	74,245,215,795
Attributable to Non-controlling interests		36,108,289	-
		<u>14,430,960,859</u>	<u>74,256,215,795</u>
<b>Earnings per share</b>			
Basic and diluted earnings per share	27	1,966	9,820

The accompanying notes are an integral part of the consolidated financial statements.

**Maeil Dairies Co., Ltd. and its subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**Years Ended December 31, 2022 and 2021**

<i>(In Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Profit for the year</b>	14,430,960,859	74,245,215,795
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurements of net defined benefit liability	18,20      5,975,209,447	1,499,623,094
Gain on valuation of financial assets at FVOCI	6,20      446,572,726	2,327,355,450
	<u>6,421,782,173</u>	<u>3,826,978,544</u>
<i>Items that may be subsequently reclassified to profit or loss</i>		
Gain(loss) from overseas operation translation	<u>(173,561,351)</u>	<u>282,259,469</u>
	6,248,220,822	4,109,238,013
<b>Total comprehensive income for the year</b>	<u>20,679,181,681</u>	<u>78,354,453,808</u>
Attributable to owners of the Parent Company	20,643,073,392	78,354,453,808
Attributable to non-controlling interests	36,108,289	-

The accompanying notes are an integral part of the consolidated financial statements.

**Maeil Dairies Co., Ltd. and its subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**Years Ended December 31, 2022 and 2021**

(In Korean won)

**Attributable to owners of the parent company**

	Notes	Share capital	Retained earnings	Other Components of Equity	Total	Non-controlling Interest	Total equity
<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		-	2,088,323,328	(2,088,323,328)	-	-	-
Gain or loss on overseas operations translation		-	-	282,259,469	282,259,469	-	282,259,469
<b>Transactions with owners</b>							
Dividends paid		-	(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>-</u>	<u>497,291,840,965</u>
<b>Balance at January 1, 2022</b>		3,921,819,000	270,134,404,727	223,235,617,238	497,291,840,965	-	497,291,840,965
<b>Total comprehensive income</b>							
Profit for the year		-	14,394,852,570	-	14,394,852,570	36,108,289	14,430,960,859
Remeasurement of net defined benefit liabilities	18,20	-	-	5,975,209,447	5,975,209,447	-	5,975,209,447
Gains on valuation of financial assets at FVOCI	20	-	-	446,572,726	446,572,726	-	446,572,726
Gain or loss on overseas operation translation		-	-	(173,561,351)	(173,561,351)	-	(173,561,351)
<b>Transactions with owners</b>							
Dividends paid	22,28	-	(8,872,776,000)	-	(8,872,776,000)	-	(8,872,776,000)
Acquisition and disposal of treasury stocks		-	-	(15,258,492,600)	(15,258,492,600)	-	(15,258,492,600)
Share-based payment expenses		-	-	2,833,731,000	2,833,731,000	-	2,833,731,000
Exercise of stock options		-	-	(850,000,000)	(850,000,000)	-	(850,000,000)
Increase in subsidiary's paid-in-capital		-	-	507,930,207	507,930,207	492,069,793	1,000,000,000
<b>Balance at December 31, 2022</b>		<u>3,921,819,000</u>	<u>275,656,481,297</u>	<u>216,717,006,667</u>	<u>496,295,306,964</u>	<u>528,178,082</u>	<u>496,823,485,046</u>

The accompanying notes are an integral part of the consolidated financial statements.

**Maeil Dairies Co., Ltd. and its subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

<i>(In Korean won)</i>	Notes	2022	2021
<b>Cash flows from operating activities</b>			
Cash generated from operations	29	23,474,041,478	122,832,386,129
Interest received		2,904,526,399	2,128,395,715
Interest paid		(5,928,051,056)	(3,845,577,085)
Dividend received		2,426,797,829	1,102,689,212
Income taxes paid		(25,777,879,486)	(21,568,133,326)
<b>Net cash flows provided by (used in) operating activities</b>		<b>(2,900,564,836)</b>	<b>100,649,760,645</b>
<b>Cash flows from investing activities</b>			
Decrease in financial assets at fair value through profit or loss		100,720,327,307	53,850,559,457
Increase in financial assets at fair value through profit or loss		(89,904,045,547)	(171,105,122,211)
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		(1,179,104,500)	(999,999,985)
Decrease in short-term financial instruments		55,614,493,330	-
Increase in short-term financial instruments		(27,320,064,142)	(17,100,460,431)
Increase in long-term financial instruments		(7,015,440,692)	(10,000,000,000)
Decrease in long-term loans		100,000,000	1,367,900,000
Decrease in deposits		4,036,846,942	3,022,688,530
Increase in deposits		(3,733,564,953)	(77,566,182)
Acquisition of investments in associates		-	(5,000,037,156)
Proceeds from disposal of property, plant and equipment		144,467,536	269,817,186
Payments for property, plant and equipment		(35,474,351,287)	(53,663,910,633)
Proceeds from disposal of intangible assets		-	2,927,500
Payments for intangible assets		(4,483,923,188)	(2,309,972,610)
Increase in other non-current assets		(916,340,120)	(977,041,726)
<b>Net cash flows used in investing activities</b>		<b>(9,410,699,314)</b>	<b>(193,169,034,643)</b>
<b>Cash flows from financing activities</b>			
Repayments of short-term borrowings		-	-
Repayments of current portion of long-term borrowings		-	-
Proceeds from issuance of bonds		-	199,432,460,000
Repayment of current portion of bonds		(4,298,328,626)	(30,000,000,000)
Decrease in lease liabilities		(8,872,776,000)	(4,107,734,108)
Dividends paid to shareholders		(16,108,492,600)	(6,092,988,800)
Acquisition of treasury stocks		1,000,000,000	(15,950,847,900)
<b>Net cash flows provided by (used in) financing activities</b>		<b>(28,279,597,226)</b>	<b>143,280,889,192</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<b>(876,543,805)</b>	<b>545,674,821</b>
<b>Net increase(decrease) in cash and cash equivalents</b>		<b>(41,467,405,181)</b>	<b>51,307,290,015</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>120,115,059,280</b>	<b>68,807,769,265</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>78,647,654,099</b>	<b>120,115,059,280</b>

The accompanying notes are an integral part of the consolidated financial statements.

**Maeil Dairies Co., Ltd. and its subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022 and 2021**

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**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 of December 31, 2022, are as follows:

	Ownership (%)	Location	Closing month
Beijing Maeil Dairies Co., Ltd.	100	China	December
Maeil Australia Pty Ltd.	100	Australia	December
Maeil HealthNutrition Co., Ltd. <sup>1</sup>	100	Korea	December
M's Bakers Co., Ltd. <sup>2</sup>	94	Korea	December

<sup>1</sup>During the prior year, Maeil HealthNutrition Co., Ltd. was newly established from the sales division of the Parent Company's Health&Nutritions by split-off.

<sup>2</sup>During the prior year, M's Bakers Co., Ltd. was newly established and the sector of the CK dessert business of the Parent Company was transferred. During the current year, the shareholding ratio has changed due to increase in paid-in-capital.

(2) Summarized Financial Information

Summarized financial position for consolidated subsidiaries as of December 31, 2022 and 2021, summarized statements of comprehensive income for consolidated subsidiaries as for the years ended December 31, 2022 and 2021, are as follows:

(In thousands of Korean won)

**December 31, 2022**

	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Sales</b>	<b>Profit(Loss) for the year</b>	<b>Total comprehensive loss for the year</b>
Beijing Maeil Dairies Co., Ltd.	6,653,689	6,760,772	(107,083)	19,412,689	(2,169,335)	(2,106,360)
Maeil Australia Pty Ltd.	40,658,132	653,555	40,004,577	1,029,758	(5,626,292)	(5,872,290)
Maeil HealthNutrition Co., Ltd.	29,972,304	16,121,101	13,851,203	94,297,233	(4,336,510)	(4,349,315)
M's Bakers Co., Ltd.	10,497,316	2,018,380	8,478,936	10,824,188	11,696	(4,417)

**Maeil Dairies Co., Ltd. and its subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022 and 2021**

(In thousands of Korean won)

December 31, 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)

(3) There is no change in the scope of consolidation for the current year.

## 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 International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS"), 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.

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, 2022. The Group has not early adopted any other standards, interpretations, or amendments that has been issued but is not yet effective.

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*(1) Amendment to KIFRS 1037 'Provisions, contingent liabilities, and contingent assets'*  
*- Onerous Contracts – Costs of Fulfilling a Contract*

An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). 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 Group has no onerous contract within the scope of this amendment during the current year, so the amendment has no impact on the consolidated financial statements.

*(2) Amendment to KIFRS 1103 'Business Combination' - Reference to the Conceptual Framework*

The amendments replace a reference to a previous version of the International Accounting Standards Board (IASB)'s Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of KIFRS 1103 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of KIFRS 1037 Provisions, Contingent Liabilities and Contingent Assets or KIFRS Interpretation 2121 Levies, if incurred separately. The exception requires entities to apply the criteria in KIFRS 1037 or KIFRS Interpretation 2121, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to KIFRS 1103 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendment do not have impact on the consolidated financial statements as the Group does not have provisions, contingent assets, and contingent liabilities in the scope of these amendments.

*(3) Amendment to KIFRS 1016 Property, Plant and Equipment: Proceeds before Intended*

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of 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 recognises the proceeds from selling such items, and the costs

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of producing those items, in profit or loss.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

The Group has prepared consolidated financial statements applying these amendments as there were sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

*(4) KIFRS 1101 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of KIFRS 1101 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to KIFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of KIFRS 1101.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

*(5) KIFRS 1109 Financial Instruments - Fees in the '10 percent' test for derecognition of financial liabilities*

The amendment clarify the fees that entities include when assessing whether the terms of a new or modified financial liability differ materially from those of an existing financial liability. These fees include only fees paid or received between creditors and debtors and fees paid or received by creditors and debtors on behalf of each other. There are no similar amendments to KIFRS 1039, 'Financial Instruments: Recognition and Measurement'.

In accordance with the transitional provisions, the Group applies the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the amendments are first applied (date of initial application).

This amendment has no impact on the consolidated financial statements as no changes have been made to the financial instruments within the Group.

*(6) KIFRS 1041 Agriculture - Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of KIFRS 1041 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of KIFRS 1041.

As of the end of the reporting period, the Group does not have assets within the scope of application of this standard, so this amendment has no impact on the consolidated financial statements.

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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 KIFRS 1117 'Insurance Contracts'*

In May 2017, the IASB issued KIFRS 1117 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, KIFRS 1117 will replace KIFRS 1104 Insurance Contracts (KIFRS 1104) that was issued in 2005. KIFRS 1117 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of KIFRS 1117 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in KIFRS 1104, which are largely based on grandfathering previous local accounting policies, KIFRS 1117 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of KIFRS 1117 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

KIFRS 1117 is effective for reporting periods beginning on or after January 1 2023, with comparative figures required. Early application is permitted, provided the entity also applies KIFRS 1109 and KIFRS 1115 on or before the date it first applies KIFRS 1117. This standard is not applicable to the Group as it does not issue insurance contracts.

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

The amendments to KIFRS 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 assessing the impact of the amendments on current practice.

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(3) Definition of Accounting Estimates - Amendments to KIFRS 1008

In February 2021, the IASB issued amendments to KIFRS 1008, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group's financial statements.

(4) Disclosure of Accounting Policies - Amendments to KIFRS 1001 and KIFRS Practice Statement 2

In February 2021, the IASB issued amendments to KIFRS 1001 and KIFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to KIFRS 1001 are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

(5) Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to KIFRS 1012

In May 2021, the Board issued amendments to KIFRS 1012, which narrow the scope of the initial recognition exception under KIFRS 1012, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The Group is currently assessing the impact of the amendments.

### 2.3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of 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:

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- 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.

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.

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The group determines that a business is acquired when the set of activities and assets acquired include inputs and substantive processes that contribute significantly to its ability to generate outputs.

(1) the acquired process (or set of processes) is critical to the ability to continue to create outputs, and the acquired inputs include organized labor with skills, knowledge, or experience to perform the process (or set of processes), or (2) the acquired process contributes significantly to the ability to continue to produce the output and is considered unique or rare, or would require significant cost or effort to be substituted, or impede the ability to continue to produce the output, is considered substantive.

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 of 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 KIFRS 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 KIFRS 1109. Other contingent consideration that is not within the scope of KIFRS 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 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.

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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.

##### ① Variable consideration

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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 KIFRS 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 instruments – initial recognition and subsequent measurement.

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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.

(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:

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- 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.

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

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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 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

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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.

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:

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	<b>Useful lives</b>
Buildings	10, 20, 40 years
Structures	10, 20, 40
Machinery	8
Vehicles	4
Tools and supplies	3~6

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.

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.

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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, 10
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.

**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

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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

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

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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

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.

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(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 KIFRS 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
- 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

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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 KIFRS 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 financial 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 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.

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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 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:

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	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.

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:

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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 of 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 KIFRS 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 KIFRS 1109 are satisfied. The Group has not designated any financial liability as of 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 instruments

Initial recognition and subsequent measurement

Derivative 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.

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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 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.

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2.4.19 Treasury Shares

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.

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.

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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 KIFRS 1115

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.

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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 16, 2023, and will be finalized at the annual general shareholders' meeting on March 24, 2023.

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.

**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:

3.1.1 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.

3.1.2 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

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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.

**3.2.1 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 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.

**3.2.2 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.

**3.2.3 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.

**3.2.4 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

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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.

**3.2.5 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).

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

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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 instruments and non-derivative instruments, and investment of excess liquidity.

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.

*(In thousands of Korean won)*

	2022		2021	
	Increase	Decrease	Increase	Decrease
Financial asset at fair value through profit or loss				
Listed stock	1,188,937	(1,188,937)	1,534,728	(1,534,728)
Unlisted stock	230,817	(230,817)	157,103	(157,103)
Financial asset at fair value through other comprehensive income				
Listed stock	155,550	(155,550)	134,300	(134,300)
Unlisted stock	116,746	(116,746)	50,000	(50,000)
	<u>1,692,050</u>	<u>(1,692,050)</u>	<u>1,876,131</u>	<u>(1,876,131)</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.

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The Group's exposure to foreign currency risk as of December 31, 2022 and 2021, was as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Financial assets</b>		
USD	24,093,867	15,883,397
CNY	15,482,918	6,922,940
AUD	682,598	-
	<u>40,259,383</u>	<u>22,806,337</u>
<b>Financial liabilities</b>		
USD	8,601,420	14,799,501
EUR	9,800,409	10,494,371
DKK	211,281	798,691
GBP	39,597	220,259
JPY	61,146	88,343
CNY	12,701	13,038
AUD	29,447	5,845
	<u>18,756,001</u>	<u>26,420,048</u>

As of December 31, 2022 and 2021, 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>	<b>2022</b>		<b>2021</b>	
	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>
Financial assets	2,012,969	(2,012,969)	1,417,467	(1,417,467)
Financial liabilities	(937,800)	937,800	(1,321,002)	1,321,002
Net impact <sup>1</sup>	<u>1,075,169</u>	<u>(1,075,169)</u>	<u>96,465</u>	<u>(96,465)</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 2022, 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 of December 31, 2022.

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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 of December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents <sup>1</sup>	78,647,254	120,114,659
Trade and other receivables	184,091,411	170,846,072
Short-term financial instruments	17,924,202	39,806,093
Long-term financial instruments	10,006,000	10,006,000
	<u>290,668,867</u>	<u>340,772,824</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 of December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>					<b>Total</b>
	<b>Less than 3 months</b>	<b>Between 3 to 12 months</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	
Bonds	1,411,850	73,639,850	4,456,000	110,317,000	101,211,000	291,035,700
Lease liabilities	782,970	3,374,699	1,908,506	1,930,833	-	7,997,008
Trade and other payables <sup>1</sup>	160,440,654	7,957,746	227,915	3,876,000	-	172,502,315
Derivative financial instrument	737,041	1,770,983	-	-	-	2,508,024
	<u>163,372,515</u>	<u>86,743,278</u>	<u>6,592,421</u>	<u>116,123,833</u>	<u>101,211,000</u>	<u>474,043,047</u>

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

<i>(in thousands of Korean won)</i>	<b>2021</b>					<b>Total</b>
	<b>Less than 3 months</b>	<b>Between 3 to 12 months</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	

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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>	147,858,490	7,073,026	-	4,021,783	-	158,953,299
	<u>150,009,021</u>	<u>14,533,648</u>	<u>78,730,607</u>	<u>119,948,342</u>	<u>103,633,000</u>	<u>466,854,618</u>

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

#### 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 consolidated financial statements.

Debt-to-equity ratios as of December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Total liability	477,924,808	484,407,344
Total equity	496,823,485	497,291,841
Debt-to-equity ratio	96%	97%

#### 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 of December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	<b>2022 Current</b>		<b>2022 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	88,519,835	88,519,835	19,309,911	19,309,911
Financial assets at fair value through other comprehensive income	3,111,000	3,111,000	2,334,915	2,334,915
Derivative financial assets	264,004	264,004	-	-
Financial liabilities				
Derivative financial liabilities	2,508,024	2,508,024	-	-

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	2021 Current		2021 Non-current	
	Carrying amount	Fair value	Carrying amount	Fair value
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

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, 2022 and 2021.

Fair value hierarchy classifications of the financial instruments that are measured at fair value as of December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	50,450,152	39,184,250	18,195,344	107,829,746
Financial assets at fair value through OCI	3,111,000	-	2,334,915	5,445,915
Derivative financial assets	-	264,004	-	264,004
Derivative financial liabilities	-	2,508,024	-	2,508,024

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	<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

**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.

5.3.1 Valuation techniques and inputs used in fair value measurements categorized as Level 2 of the fair value hierarchy as of December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	<b>2022</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	39,184,250	Quoted price of issuer	N/A
Derivative financial assets			
Currency option	264,004	DCF model	Discount rate
Derivative financial liabilities			
Forward exchange	2,508,024	DCF model	Discount rate

(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

5.3.2 Valuation techniques and inputs used in fair value measurements categorized as Level 3 of the fair value hierarchy as of December 31, 2022 and 2021, are as follows:

(In thousands of Korean won)

<b>2022</b>	<b>Fair value</b>	<b>Target</b>	<b>Technique</b>	<b>Unobservable inputs</b>	<b>Inputs</b>	<b>Sensitivity to fair value inputs</b>		
						<b>Changes in inputs</b>	<b>Increase</b>	<b>Decrease</b>
<b>Financial assets at fair value through profit or loss</b>								
Convertible preferred stock	2,602,607	Underlying assets	DCF	Perpetual earning growth rate	1.00%	1.00%	2,142	(1,882)
				WACC	16,46%	1.00%	(199,471)	224,449
		Options	Binominal model	Volatility	-	-	-	-

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Convertible preferred stock	1,005,660	Underlying assets	Cost-based	-	-	-	-	-
		Options	Binominal model	Volatility	33.18%	1.00%	-	-
Redeemable Convertible Preference Shares	1,008,080	Underlying assets	Cost-based	-	-	-	-	-
		Options	Binominal model	Volatility	29.81%	1.00%	2,900	(1,795)
Investment association	13,578,997	Underlying assets	Cost-based, DCF, etc.	-	-	-	-	-

**Financial assets at fair value through other comprehensive income**

Unlisted stock	960,331	Common stocks	DCF	Perpetual earning growth rate	1.00%	1.00%	26,977	(25,215)
				WACC	15.81%	1.00%	(56,644)	64,092
Unlisted stock	1,195,484	Common stocks	DCF	Perpetual earning growth rate	1.00%	1.00%	77,591	(12,198)
				WACC	14.30%	1.00%	(25,420)	29,421
Unlisted stock	179,100	Common stocks	Cost-based	-	-	-	-	-

2021	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>								
Convertible stock	2,136,394	Underlying assets	DCF	Perpetual earning growth rate	1.00%	1.00%	19,217	(16,861)
				WACC	16.88%	1.00%	(248,509)	42,425
Convertible stock	1,005,660	Underlying assets	Cost-based	-	-	-	-	-
		Options	Binominal model	Volatility	39.00%	5.00%	-	-
Fund	7,551,354	Underlying assets	Cost-based	-	-	-	-	-

**Financial assets at fair value through other comprehensive income**

Unlisted stock	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 of December 31, 2022 and 2021 are as follows:

<i>(in thousands of Korean won)</i>	<b>2022 Carrying amount</b>	<b>2022 Fair value</b>	<b>2021 Carrying amount</b>	<b>2021 Fair value</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	107,829,746	107,829,746	146,930,860	146,930,860
Financial assets at fair value through other comprehensive income	5,445,915	5,445,915	3,686,000	3,686,000
Trade receivable	159,097,526	159,097,526	140,889,308	140,889,308
Other receivable	24,993,885	24,993,885	29,956,764	29,956,764
Financial instruments	27,930,202	27,930,202	49,812,093	49,812,093
Cash and cash equivalents	78,647,654	78,647,654	120,115,059	120,115,059
Derivative financial assets	264,004	264,004	-	-
	<u>404,208,932</u>	<u>404,208,932</u>	<u>491,390,084</u>	<u>491,390,084</u>

6.2 Carrying amounts of financial liabilities by category as of December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	<b>2022 Carrying amount</b>	<b>2022 Fair value</b>	<b>2021 Carrying amount</b>	<b>2021 Fair value</b>
<b>Financial liabilities</b>				
Trade payables	100,472,412	100,472,412	94,423,601	94,423,601
Other payables	80,601,547	80,601,547	74,600,595	74,600,595
Bonds	269,560,017	269,560,017	269,393,966	269,393,966
Derivative liabilities	2,508,024	2,508,024	-	-
	<u>453,142,000</u>	<u>453,142,000</u>	<u>438,418,162</u>	<u>438,418,162</u>

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6.3 Net gains or losses on each category of financial instruments for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Financial assets at fair value through profit or loss		
Interest income	1,292,947	487,105
Gains (losses) on valuation	(22,999,869)	4,882,454
Gains (losses) on transaction	(5,284,964)	3,034,182
Financial assets at fair value through other comprehensive income		
Gains (losses) on valuation	446,573	2,327,355
Financial assets at amortized cost		
Interest income	2,036,127	1,825,607
Interest expense	(6,094,103)	(4,954,069)
Impairment loss	(59,501)	16,105
Other bad debt expenses	(976,079)	-
Foreign exchange gain (loss)	(2,956,434)	1,160,480
Derivative instruments		
Gains (losses) on valuation	(2,318,500)	-
Gains (losses) on transaction	37,321	2,290,277

6.4 Restricted cash and cash equivalents for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>	<b>Note</b>
<b>Short-term financial instruments</b>			
ANZ Bank	17,168	1,228,872	Pledged right (Construction performance deposit)
Shinhan Bank	5,000,000	5,000,000	win-win agreement term deposit
Samsung Futures Inc.	828,815	-	Pledged right (futures trading)
	<u>5,845,983</u>	<u>6,228,872</u>	
<b>Long-term financial instruments</b>			
KEB Hana Bank	2,000	2,000	Pledged right (Checking account deposit)
Woori Bank	2,000	2,000	
Shinhan Bank	2,000	2,000	
	<u>6,000</u>	<u>6,000</u>	
	<u>5,851,983</u>	<u>6,234,872</u>	

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**7. Financial Assets at Fair Value**

Financial assets at fair value for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Financial assets at fair value through profit or loss		
Equity instrument	23,778,730	43,840,766
Debt instrument	79,434,669	99,948,041
Other financial instrument	4,616,347	3,142,053
	<u>107,829,746</u>	<u>146,930,860</u>
Financial assets at fair value through other comprehensive income		
Equity instrument	5,445,915	3,686,000
	<u>113,275,661</u>	<u>150,616,860</u>

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

8.1 Trade receivables and other financial assets as of December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>		<b>2021</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
Trade receivables	159,601,787	-	141,505,607	-
Loans	705,461	-	1,288,273	-
Other receivables	7,659,226	-	11,342,668	-
Accrued income	286,437	-	126,386	-
Deposits	1,832,244	14,825,449	3,611,793	13,606,496
Less: expected credit loss allowance	(819,193)	-	(635,152)	-
	<u>169,265,962</u>	<u>14,825,449</u>	<u>157,239,575</u>	<u>13,606,496</u>

8.2 Trade receivables and its expected credit loss allowance as of December 31, 2022 and 2021,

<i>(in thousands of Korean won)</i>	<b>2022</b>			
	<b>Normal</b>	<b>Between 6 to 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
Trade receivables	159,034,081	177,335	390,371	159,601,787
Less: expected credit loss allowance	68,554	45,336	390,371	504,261
<i>(in thousands of Korean won)</i>	<b>2021</b>			
	<b>Normal</b>	<b>Between 6 to 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
Trade receivables	140,674,876	305,514	525,217	141,505,607
Less: expected credit loss allowance	91,082	-	525,217	616,299

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8.3 Movements on expected credit loss allowance of trade receivables for the periods ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Beginning balance	616,299	632,242
Transfer(Reversal)	59,501	(9,778)
Write-off	(171,539)	(6,165)
Ending balance	<u>504,261</u>	<u>616,299</u>

8.4 Movements on expected credit loss allowance of other financial assets at amortized cost for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Beginning balance	18,853	25,180
Transfer(Reversal)	976,079	(6,327)
Write-off	(680,000)	-
Ending balance	<u>314,932</u>	<u>18,853</u>

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 of December 31, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	<b>2022</b>		<b>2021</b>	
	Current	Non-current	Current	Non-current
Advance payment	3,361,725	-	4,519,069	-
Prepaid expenses	3,089,764	908,326	3,376,811	444,374
Others	109,922	4,539,554	1,224,393	3,623,215
	<u>6,561,411</u>	<u>5,447,880</u>	<u>9,120,273</u>	<u>4,067,589</u>

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**10. Inventories**

Details of inventories as of December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022			2021		
	Gross amount	Accumulated impairment loss	Book amount	Gross amount	Accumulated impairment loss	Book amount
Merchandise	27,799,343	(660,625)	27,138,718	18,245,464	(30,545)	18,214,919
Finished goods	69,784,603	(2,081,279)	67,703,324	44,728,207	(369,045)	44,359,162
Semi-finished goods	3,680,127	-	3,680,127	2,386,047	-	2,386,047
Raw materials	27,292,822	-	27,292,822	21,698,368	-	21,698,368
Supplies	2,007,579	-	2,007,579	1,675,935	-	1,675,935
Minor ingredients	43,592,471	(34,148)	43,558,323	30,843,616	(38,501)	30,805,115
Goods in transit	63,646,217	-	63,646,217	55,820,358	-	55,820,358
	<u>237,803,162</u>	<u>(2,776,052)</u>	<u>235,027,110</u>	<u>175,397,995</u>	<u>(438,091)</u>	<u>174,959,904</u>

Inventories recognized as an expense during the year ended December 31, 2022, amounted to ₩ 1,035,990,183 thousand (2021: ₩ 906,730,524 thousand). These were included in 'cost of sales'.

**11. Property, Plant and Equipment**

Details of property, plant and equipment as of December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022			
	Land	Buildings	Structure	Machinery
Opening net book amount	41,625,513	77,274,184	11,883,365	107,738,543
Acquisitions	-	1,528,915	2,299,668	16,324,346
Disposals	-	-	-	(45,589)
Depreciation	-	(3,339,759)	(847,992)	(23,646,777)
Transferred	-	1,265,841	47,845	22,987,131
Others	(1,060)	1,888,362	(1,964,410)	(1,048,686)
Closing net book amount	<u>41,624,453</u>	<u>78,617,543</u>	<u>11,418,476</u>	<u>122,308,968</u>
Acquisition cost	41,624,453	143,761,668	27,431,655	441,935,546
Accumulated depreciation	-	(65,144,125)	(16,013,179)	(318,922,332)
Accumulated impairment loss	-	-	-	(704,246)
Net book amount	<u>41,624,453</u>	<u>78,617,543</u>	<u>11,418,476</u>	<u>122,308,968</u>

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	<b>2022</b>			
	<b>Tools and equipment</b>	<b>Other property, plant and equipment</b>	<b>Construction in progress</b>	<b>Total</b>
Opening net book amount	9,000,134	320,041	24,029,847	271,871,627
Acquisitions	2,912,704	-	11,789,393	34,855,026
Disposals	(8,953)	(2)	-	(54,544)
Depreciation	(4,603,785)	(13,518)	-	(32,451,831)
Transferred	141,322	-	(24,442,139)	-
Others	(214)	426	909,284	(216,298)
Closing net book amount	<u>7,441,208</u>	<u>306,947</u>	<u>12,286,385</u>	<u>274,003,980</u>
Acquisition cost	78,769,859	683,823	12,286,385	746,493,389
Accumulated depreciation	(71,328,651)	(376,876)	-	(471,785,163)
Accumulated impairment loss	-	-	-	(704,246)
Net book amount	<u>7,441,208</u>	<u>306,947</u>	<u>12,286,385</u>	<u>274,003,980</u>

(In thousands of Korean won)

	<b>2021</b>			
	<b>Land</b>	<b>Buildings</b>	<b>Structure</b>	<b>Machinery</b>
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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	2021			Total
	Tools and equipment	Other property, plant and equipment	Construction in progress	
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	9,000,134	320,041	24,029,847	271,871,627
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	9,000,134	320,041	24,029,847	271,871,627

Depreciation expenses of ₩ 4,944,654 thousand (2021: ₩ 4,475,314 thousand) were charged to 'Selling and administrative expenses'. Depreciation expenses of ₩ 27,507,177 thousand (2021: ₩ 28,300,604 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, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022					Total
	Industrial property rights	Software	Other intangible assets	Membership rights	Construction in progress	
Opening net book amount	37,029	4,870,023	220,289	4,244,074	948,710	10,320,125
Acquisitions	8,842	1,091,220	1,157,500	-	1,879,227	4,136,789
Amortization	(14,371)	(1,860,948)	(244,347)	-	-	(2,119,666)
Transferred	1,800	414,285	91,968	-	(508,053)	-
Impairment	-	-	-	-	(144,399)	(144,399)
Others	-	(7,911)	14	-	-	(7,897)
Closing net book amount	<u>33,300</u>	<u>4,506,669</u>	<u>1,225,424</u>	<u>4,244,074</u>	<u>2,175,485</u>	<u>12,184,952</u>
Acquisition cost	1,269,668	17,040,078	1,872,313	4,465,250	2,319,883	26,967,192
Accumulated amortization	(1,236,368)	(12,533,409)	(646,889)	-	-	(14,416,666)
Accumulated Impairment loss	-	-	-	(221,176)	(144,398)	(365,574)
Net book amount	<u>33,300</u>	<u>4,506,669</u>	<u>1,225,424</u>	<u>4,244,074</u>	<u>2,175,485</u>	<u>12,184,952</u>

(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	<u>37,029</u>	<u>4,870,023</u>	<u>220,289</u>	<u>4,244,074</u>	<u>948,710</u>	<u>10,320,125</u>
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	<u>37,029</u>	<u>4,870,023</u>	<u>220,289</u>	<u>4,244,074</u>	<u>948,710</u>	<u>10,320,125</u>

Amortization expenses of ₩ 1,676,694 thousand (2021: 1,586,773 thousand) were charged to 'Selling and administrative expenses'. Amortization expenses of ₩ 442,972 thousand (2021: ₩ 414,699 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 of December 31, 2022 and 2021 are as follows:

	2022				Lease liabilities
	Properties	Vehicles	Equipment	Total	
Beginning balance	5,040,587	90,212	5,938,116	11,068,915	10,796,857
Acquisitions	1,032,536	315,545	-	1,348,081	1,348,081
Depreciation	(2,760,875)	(109,352)	(1,343,195)	(4,213,422)	-
Interest expense	-	-	-	-	217,944
Lease expenses paid	-	-	-	-	(4,516,273)
Others	(10,190)	(82,437)	-	(92,627)	(83,047)
Ending balance	3,302,058	213,968	4,594,921	8,110,947	7,763,562
Current					4,009,669
Non-current					3,753,893

  

	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

13.2 The total cash outflow for leases in 2022 was ₩ 15,324,800 thousand (2021:₩ 13,839,649 thousand). Expense relating to short-term leases and leases of low-value assets in 2022 was ₩ 544,985 thousand (2021: ₩ 700,474 thousand).

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

(In thousands of Korean won)	Amount
Within December 31, 2023	4,157,669
Within December 31, 2024	1,908,506
Within December 31, 2025	1,343,383
After 2026	587,450

**14. Investment in Associates**

14.1 Details of investment in associate companies as of December 31, 2022 and 2021, are as follows:

(In thousands of Korean won)	Located country	Ownership	Book value	
			2022	2021
The Bakers Co.,Ltd(*)	Korea	36%	5,073,557	5,118,862

(\*) During the prior 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 years ended December 31, 2022 and 2021 are as follows:

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Beginning balance	5,118,862	-
Acquisition	-	5,000,037
Gains (Losses) on equity method	(45,305)	118,825
Ending balance	5,073,557	5,118,862

14.3 A summary of financial information of an associate as of December 31, 2022 and 2021 are as follows:

<i>(In thousands of Korean won)</i>	<b>2022</b>				
	<b>Total assets</b>	<b>Total liabilities</b>	<b>Equity</b>	<b>Revenue</b>	<b>Net loss</b>
The Bakers Co., Ltd	15,300,130	6,911,378	8,388,752	10,986,757	(126,903)

<i>(In thousands of Korean won)</i>	<b>2021</b>				
	<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 of December 31, 2022 and 2021 are as follows:

<i>(In thousands of Korean won)</i>	<b>2022</b>			
	<b>Net assets</b>	<b>Net asset equity amount</b>	<b>Others</b>	<b>Book value</b>
The Bakers Co.,Ltd	8,388,752	2,944,784	2,078,773	5,073,557

<i>(In thousands of Korean won)</i>	<b>2021</b>			
	<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 of December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>		<b>2021</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
Trade payables	100,472,412	-	94,423,601	-
Other payables	57,416,341	-	45,502,127	-
Accrued expenses	12,279,265	-	18,003,659	-
Guarantee deposit withholdings	6,802,026	4,103,915	7,073,027	4,021,783
	<b>176,970,044</b>	<b>4,103,915</b>	<b>165,002,414</b>	<b>4,021,783</b>

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**16. Other Liabilities**

Details of other liabilities as of December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022		2021	
	Current	Non-current	Current	Non-current
Advances from customers	663,513	-	669,185	-
Income received in advance	-	1,888,966	-	648,458
Value Added Tax withheld	5,584,417	-	8,144,197	-
Withholdings	1,734,753	-	1,358,274	-
Non-current provisions for employee benefits	-	2,358,130	-	2,605,513
Emission liabilities	289,184	-	526,974	-
	<u>8,271,867</u>	<u>4,247,096</u>	<u>10,698,630</u>	<u>3,253,971</u>

**17. Bonds**

Details of bonds as of December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

Category	Issuance date	Maturity date	Annual interest rate as of	Carrying amount		Interest payment and repayment
			December 31, 2022	2022	2021	
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	100,000,000	Three-month repayment, Bullet payment
Non-guaranteed bond (5-2)	2021.04.29	2028.04.28	2.42%	100,000,000	100,000,000	Three-month repayment, Bullet payment
Less: Discount on bonds				(439,983)	(606,034)	
Less: Current portion of bonds				(69,970,453)	-	
				<u>199,589,564</u>	<u>269,393,966</u>	

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**18. Net Defined Benefit Liabilities(Assets)**

18.1 Details of net defined benefit liabilities(assets) as of December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Present value of funded defined benefit obligations	93,303,175	95,927,836
Present value of unfunded defined benefit obligations	<u>372,722</u>	<u>412,739</u>
Total	93,675,897	96,340,575
Fair value of plan assets	<u>(113,128,129)</u>	<u>(92,396,210)</u>
Net defined benefit liabilities(assets)	<u>(19,452,232)</u>	<u>3,944,365</u>

18.2 Movements in the defined benefit obligations for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Beginning balance	96,340,575	88,687,108
Current service cost	12,212,970	13,998,118
Interest expense	2,799,035	2,051,059
Remeasurements:		
Actuarial loss (gain) from change in demographic assumptions	(691,936)	(158,207)
Actuarial loss (gain) from change in financial assumptions	(12,206,428)	(4,528,201)
Actuarial loss (gain) from experience adjustments	866,440	1,935,900
Payments from plans:		
Benefit payments	(5,678,240)	(5,460,023)
Liabilities increased in a transfer	524,536	-
Liabilities decreased in a transfer	<u>(491,055)</u>	<u>(185,179)</u>
Ending balance	<u>93,675,897</u>	<u>96,340,575</u>

18.3 Movements in the fair value of plan assets for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Beginning balance	92,396,210	87,123,622
Interest income	2,657,817	1,973,324
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	(4,388,760)	(860,107)
Contributions:		
Contributions to plan assets	28,298,000	10,700,000
Payments from plans:		
Benefit payments	(5,868,619)	(6,393,453)

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Assets increased due to transfer	521,362	-
Assets decreased due to transfer	(487,881)	(147,176)
Ending balance	113,128,129	92,396,210

18.4 Plan assets as of December 31, 2022 and 2021, consist of:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	2,864,039	7,781,006
Debt instruments	22,113,757	16,170,827
Investment trust	38,936,557	25,280,756
Others	49,213,776	43,163,621
	113,128,129	92,396,210

The contribution expected to be paid in the business year beginning after the reporting period is ₩ 13,440,927 thousand.

18.5 The significant actuarial assumptions as of December 31, 2022 and 2021, are as follows:

	<b>2022</b>	<b>2021</b>
Discount rate	5.76~6.01%	3.04~3.56%
Salary growth rate	4.63~5.41%	3.88~4.68%

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

	<b>Impact on defined benefit obligation</b>		
<i>(in thousands of Korean won)</i>	<b>Changes in assumption</b>	<b>Increase in assumption</b>	<b>Decrease in assumption</b>
Discount rate	1.00%	(6,175,263)	7,002,287
Salary growth rate	1.00%	7,104,164	(6,368,368)

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 retirement benefits as of December 31, 2022, 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>
Retirement benefits	12,437,645	9,518,185	24,765,975	104,413,536	151,135,341

The weighted average duration of the defined benefit obligation is 6.95 ~ 10.15 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>2022</b>	<b>2021</b>
Revenue from contracts with customers		
Categorization by type of goods or services		
Revenue from sale of goods product and merchandise	1,685,152,040	1,551,560,272
Others	491,990	309,275
	<u>1,685,644,030</u>	<u>1,551,869,547</u>
Categorization by type of geographical markets		
Domestic	1,634,154,636	1,513,891,135
Overseas	51,489,394	37,978,412
	<u>1,685,644,030</u>	<u>1,551,869,547</u>

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

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Contract assets		
Expected sales return	565,320	618,493
Contract liabilities		
Expected sales return	769,846	841,697
Customer loyalty program	1,437,397	1,140,970
	<u>2,207,243</u>	<u>1,982,667</u>

19.3 Cost of sales for the years ended December 31, 2022 and 2021 are as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Cost of sales from sale of goods product and merchandises	1,200,233,075	1,088,638,946

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**20. Tax Expense and Deferred Tax**

20.1 Income tax expense for the years ended December 31, 2022 and 2021, consists of:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Current tax on profits for the year	14,510,814	23,043,637
Changes in deferred tax	(2,701,244)	(179,031)
Deferred tax recognized directly to equity	(1,802,193)	(464,206)
Income tax expense	<u>10,007,377</u>	<u>22,400,400</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>2022</b>	<b>2021</b>
Profit before income tax expense	24,438,338	96,645,616
Tax at domestic tax rates applicable to profits in the respective countries	8,615,476	24,334,454
Tax effects of:		
Expenses not deductible for tax purposes	1,632,401	712,476
Non-taxable income	(904,654)	(600,051)
Unrecognized temporary difference	-	105,860
Tax deductions	(238,899)	(20)
Others	903,053	(2,152,319)
Income tax expense	<u>10,007,377</u>	<u>22,400,400</u>
The weighted average applicable tax rate	40.9%	23.2%

20.3 The tax effect relating to components of other comprehensive income (expenses) for the years ended December 31, 2022 and 2021, is as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Remeasurement of the net defined benefit liabilities	(1,667,955)	(390,778)
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income	(134,328)	(73,428)
	<u>(1,802,193)</u>	<u>(464,206)</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>2022</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	96,130,009	(3,139,274)	92,990,735	22,380,322	20,803,436
Pensions	(92,161,434)	(14,712,237)	(106,873,671)	(21,405,963)	(23,940,980)
Depreciation expense	14,792,724	4,415,688	19,208,412	3,465,105	3,464,299
Contract liabilities	1,982,667	120,106	2,102,773	439,111	386,466
Advanced depreciation provision	(26,776,772)	-	(26,776,772)	(6,292,541)	(6,051,551)
Others	17,502,630	24,339,604	41,842,234	2,753,166	9,378,774
	<u>11,469,824</u>	<u>11,023,887</u>	<u>22,493,711</u>	<u>1,339,200</u>	<u>4,040,444</u>

(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
	<u>5,977,352</u>	<u>5,492,472</u>	<u>11,469,824</u>	<u>1,160,168</u>	<u>1,339,200</u>

20.5 Details of unrecognized deductible temporary differences as deferred tax assets as of December 31, 2022 and 2021, are as follows:

(In thousands of Korean won)

	<b>2022</b>	<b>2021</b>	<b>Remarks</b>
Investments in subsidiaries	25,542,689	14,873,270	No plan for disposal
Deductible temporary difference	4,633,809	5,062,986	Uncertainty of future taxable profit
Tax deficit	22,345,576	15,514,340	Uncertainty of future taxable profit

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**21. Share Capital**

The details of share capital as of December 31, 2022 and 2021, are as follows:

<i>(in Korean won, number of shares)</i>	<b>2022</b>	<b>2021</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
Capital(common share capital)	3,921,819,000	3,921,819,000

**22. Retained Earnings**

Retained earnings as of December 31, 2022 and 2021, consist of:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Appropriated retained earnings legal reserves		
Legal reserve <sup>1</sup>	3,014,417	2,127,140
Unappropriated retained earnings	<u>272,642,064</u>	<u>268,007,265</u>
	<u>275,656,481</u>	<u>270,134,405</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. Since it has reached 50% of the capital, there is no obligation to accumulate additional funds.

**23. Other Components of Equity**

23.1 Other components of equity as of December 31, 2022 and 2021, consist of:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Capital surplus		
Share premium	256,794,213	256,794,213
Adjustments for share-based payments <sup>1</sup>	-	850,000
Other capital surplus	507,930	-
Capital adjustments		
Treasury shares <sup>2</sup>	(45,063,301)	(32,827,839)
Losses on disposal of treasury shares <sup>2</sup>	(223,257)	(33,958)
Other comprehensive income/loss accumulated amount		
Gains cumulative effect foreign currency translation	155,254	328,814
Gains (Losses) on valuation of financial assets at FVOCI	193,726	(252,846)
Remeasurement of defined benefit plans	<u>4,352,442</u>	<u>(1,622,767)</u>
	<u>216,717,007</u>	<u>223,235,617</u>

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<sup>1</sup>During the previous year, the parent company provided stock options (RSU; Restricted Stock Unit) by granting shares of the parent company to executives. In accordance with KIFRS 1102, the parent company accounts for the fair value of stock options as stock compensation expense and other components of equity over the vesting period. Stock compensation expenses and capital surplus recognized by the parent company in the previous year amounted to ₩850,000 thousand, and were fully exercised during the current year.

<sup>2</sup> During the current year, the parent company paid 40,629 shares of its treasury stock to its employees, recorded the difference between the book value and the market price on the date of payment as loss on disposal of treasury shares, and recorded the amount equivalent to the market price of the paid consideration as wages.

23.2 Details of the treasury shares as of December 31, 2022 and 2021, are as follows:

<i>(in shares)</i>	<b>2022</b>	<b>2021</b>
Beginning balance	449,658	233,402
Acquisition	262,086	225,873
Disposal	(53,225)	(9,617)
Ending balance	658,519	449,658

**24. Selling and Administrative Expenses**

Selling and administrative expenses for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Salaries	74,016,754	69,281,398
Post-employment benefits	7,704,122	7,378,311
Sales commissions	53,302,014	52,167,821
Commission expenses	80,843,633	69,730,382
Depreciation expense	7,879,939	7,413,720
Amortization expense	1,676,694	1,586,773
Advertising expenses	91,627,695	74,949,040
Freight expenses	52,501,502	46,697,750
Other	55,170,525	46,228,000
	<u>424,722,878</u>	<u>375,433,195</u>

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**25. Other Income and Expenses**

Other income and expenses for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Other income :		
Rental income	303,810	114,702
Gains on foreign currency transaction	2,878,843	2,527,893
Gains on foreign currency translation	367,009	336,086
Gains on disposals of property, plant and equipment	113,916	197,654
Gains on disposals of intangible assets	-	2,928
Gains on disposals of right-of-use asset	182	-
Miscellaneous revenue	1,505,908	2,964,988
	<u>5,169,668</u>	<u>6,144,251</u>
Other expenses :		
Other bad debt allowance	976,079	-
Losses on foreign exchange transaction	3,736,132	1,570,107
Losses on foreign currency translation	2,466,153	133,392
Donations	1,924,491	2,302,862
Losses on disposals of property, plant and equipment	23,992	700,606
Losses on disposals of right-of-use asset	3,683	-
Write-downs of property, plant and equipment	-	385,599
Write-downs of intangible assets	144,399	-
Miscellaneous losses	1,310,781	990,545
	<u>10,585,710</u>	<u>6,083,111</u>

**26. Breakdown of Expenses by Nature**

Breakdown of expenses by nature for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Changes in inventories of merchandise, finished goods and semi-finished goods	(33,562,042)	(1,067,191)
Raw materials and minor ingredients used, purchase of merchandise	1,069,552,225	907,797,715
Employee benefits expenses	160,851,444	156,822,254
Depreciation and amortization	38,784,919	38,993,934
Freight expenses	57,249,746	51,210,401
Advertising expenses	91,627,695	74,949,040
Others	240,451,966	235,365,988
Cost of sales, and selling and administrative expenses total	<u>1,624,955,953</u>	<u>1,464,072,141</u>

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**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, 2022 and 2021, are as follows:

<i>(In Korean won, number of shares)</i>	<b>2022</b>	<b>2021</b>
Profit attributable to the ordinary equity holders of the Parent Company	14,394,852,570	74,245,215,795
Weighted average number of ordinary shares outstanding <sup>1</sup>	7,323,442	7,560,675
Basic earnings per share	1,966	9,820

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

<i>(In number of shares, days)</i>	<b>2022</b>	<b>2021</b>
Number of ordinary shares		
Opening balance	7,393,980	7,610,236
Acquisition of treasury shares	(262,086)	(225,873)
Disposal of treasury shares	53,225	9,617
Ending balance	<u>7,185,119</u>	<u>7,393,980</u>
Weighted average number of ordinary shares in circulation	2,673,056,477	2,759,646,375
Number of days	365	365
Weighted average number of ordinary shares	7,323,442	7,560,675

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, 2022, of ₩ 1,200 (2021: ₩ 1,200) per share, amounting to a total dividend of ₩ 8,632,942 thousand (2021: ₩ 8,872,776 thousand), is to be proposed to shareholders at the annual general meeting on March 24, 2023. As of December 31, 2022, there are no accounts payable related to dividends.

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**29. Cash Flows**

29.1 Cash flows generated from operations for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Profit	14,430,961	74,245,216
Adjustments for:		
Income tax expense	10,007,377	22,400,400
Interest income	(3,329,074)	(2,312,712)
Interest expenses	6,094,103	4,954,069
Dividends income	(2,542,649)	(1,102,689)
Losses on abandonment of inventories	2,288,004	802,883
Write-downs of inventories	1,902,020	225,263
Provision for severance indemnities	12,354,189	14,075,854
Bonus	2,833,731	850,000
Depreciation expense	36,665,253	36,992,461
Amortization	2,119,666	2,001,472
Losses on disposals of property, plant and equipment	23,992	700,606
Write-downs of property, plant and equipment	-	385,599
Gains on disposals of property, plant and equipment	(113,916)	(197,654)
Gains on disposal of intangible assets	-	(2,928)
Impairment loss on intangible assets	144,399	-
Loss on disposal of right-of-use asset	3,683	-
Gain on disposal of right-of-use asset	(182)	-
Loss on foreign exchange translations	2,466,153	133,392
Gain on foreign exchange translations	(367,009)	(336,086)
Bad debt expenses	59,501	(16,105)
Other bad debt expenses	976,079	-
Losses on disposal of financial assets at fair value through profit or loss	5,988,742	419,882
Losses on valuation of financial assets at fair value through profit or loss	24,343,865	5,765,876
Gains on disposal of financial assets at fair value through profit or loss	(703,778)	(3,454,064)
Gains on valuation of financial assets at fair value through profit or loss	(1,343,996)	(10,648,330)
Gain on equity method	45,305	(118,825)
Emission cost	49,494	526,974
	<hr/>	<hr/>
	99,964,952	72,045,338
Changes in net operating assets and liabilities:		
Trade receivables	(19,158,628)	21,189,810
Other receivables	4,065,782	(5,398,787)
Other current assets	2,223,406	(3,138,679)

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Inventories	(64,257,231)	(30,869,984)
Other non-current assets	(17,189)	84,382
Trade payables	6,346,465	14,519,905
Other payables	6,915,549	(9,430,410)
Provisions	224,576	102,985
Other current liabilities	(2,476,257)	2,228,861
Other non-current payables	82,132	(270,790)
Derivative assets and liabilities	2,244,020	(3,058,303)
Net defined benefit liabilities	190,380	895,426
Plan assets	(28,298,000)	(10,700,000)
Other non-current liabilities	993,123	387,416
	<u>(90,921,872)</u>	<u>(23,458,168)</u>
	<u>23,474,041</u>	<u>122,832,386</u>

29.2 Significant non-cash transactions for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Transfer of construction-in-progress to property, plant, and equipment	24,442,139	13,800,405
Transfer of construction-in-progress to intangible assets	508,053	1,924,600
Increase (decrease) in other payables related to acquisition of tangible assets	(619,325)	2,376,836
Decrease in other payables related to acquisition of intangible assets	(347,135)	(37,315)
Increase in right-of-use assets and lease liabilities	1,348,081	561,112
Transfer of lease liabilities to current portion	3,897,679	3,871,967
Transfer of financial instruments to current portion	6,412,538	9,964,464
Transfer of bonds to current portion	69,927,992	-

29.3 Changes in liabilities arising from financial activities for the years ended December 31, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	<b>Current-portion of long-term borrowings</b>	<b>Bonds</b>	<b>Lease liabilities</b>	<b>Total</b>
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	<u>-</u>	<u>269,393,966</u>	<u>10,796,857</u>	<u>280,190,823</u>
At January 1, 2022	-	269,393,966	10,796,857	280,190,823
Cash flows	-	-	(4,516,273)	(4,516,273)
Exchange differences	-	-	20,631	20,631
Acquisition – leases	-	-	1,348,081	1,348,081
Liquidity substitution	69,927,992	(69,927,992)	-	-

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Others	42,461	123,590	114,266	280,317
At December 31, 2022	<u>69,970,453</u>	<u>199,589,564</u>	<u>7,763,562</u>	<u>277,323,579</u>

**30. Contingencies and Commitments**

30.1 Details of the check provided as collateral for the years ended December 31, 2022, 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 of December 31, 2022, are as follows:

*(in USD, CNY, AUD, thousands of Korean won)*

Classification	Currency	Financial institution	Committed amount
Borrowings	KRW	Export-Import Bank of Korea, etc.	60,000,000
	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
Payment guarantee	AUD	ANZ Bank	2,000,000
Electronic bills	KRW	SHINHAN Bank, etc.	28,000,000
Derivative financial instruments	USD	SHINHAN Bank	10,000,000

30.3 The Group has contracts with Hershey Food Corporation, etc. regarding the use of trademarks.

30.4 The Group 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.

30.5 The Group was provided payment amounting to ₩ 3,395,244 thousand (2021: ₩ 2,142,699 thousand) guaranteed by Seoul Guarantee Insurance Company.

30.6 The Parent Company entered into a management on its own trust contract with NH Investment&Securities to enhance shareholder value and stabilize stock prices.

30.7 In accordance with Article 530-9 Paragraph 1 of 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.

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30.8 As of December 31, 2022, the amount of payment guarantee provided is as follows:

*(Thousands of Korean won)*

	Financial institution	Provided by	Amount
Payment guarantee(won)	KEB Hana Bank	Maeil HealthNutrition Co., Ltd.	54,000,000

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 of December 31, 2022 and there is no violation of the regulation as of December 31, 2022.

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**31. Related Party Transactions**

31.1 Related parties of the Group as of December 31, 2022 and 2021, are as follows:

Type	2022	2021
The Parent Company	Maeil Holdings Co., Ltd	Maeil Holdings Co., Ltd
Associate	The Bakers Co., Ltd <sup>1</sup>	The Bakers Co., Ltd <sup>1</sup>
Other related parties	Zero to Seven Inc Les Vins Co.,Ltd <sup>2</sup> 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 JP Logistics Co.,Ltd <sup>3</sup> JP International Co., Ltd <sup>4</sup> CK Corporations Co., Ltd	Zero to Seven Inc Les Vins de Maeil Co.,Ltd <sup>2</sup> 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 <sup>3</sup> PTL International Co., Ltd <sup>4</sup> CK Corporations Co., Ltd

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

<sup>2</sup> During the current year, Les Vins de Maeil Co., Ltd. changed its name to Les Vins Co., Ltd.

<sup>3</sup> During the current year, Pyeong Taek Trading & Logistics Co., Ltd. changed its name to JP Logistics Co., Ltd.

<sup>4</sup> During the current year, PTL International Co., Ltd. changed its name to JP International Co., Ltd.

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31.2 Transactions with related parties for the years ended December 31, 2022 and 2021, are as follows:

(In thousands of Korean won)

**2022**

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	464	31,385	-	-	-	10,349,940	11,456	1,219	38,681
<b>Associate</b>									
The Bakers Co.,Ltd	379,351	25,928	-	-	4,523	10,049	194,293	-	-
<b>Other related parties</b>									
Zero to Seven Inc	3,756,747	1,609,793	-	-	-	-	-	315	-
Les Vins Co., Ltd <sup>1</sup>	-	2,290	3,924	-	-	-	-	9,033	-
M's Food System Co.,Ltd	16,707,545	1,230,933	-	-	2,288	346,279	7,089	55,817	-
M's Seed Co., Ltd	10,198,538	404,831	-	-	43,275	-	1,596	4,887	-
Sangha Dairy Development Co., Ltd	-	1,946,382	-	-	-	-	20,216	-	-
Sangha Farm Co., Ltd	951,214	7,826,440	-	80,400	34,364	-	6,849	409,338	-
Korea Food services corporation Co., Ltd	9,426,897	-	-	-	18	-	228	-	-
MD Well Inc	8,953,014	-	-	-	-	-	24,654	-	-
M's Beverage Co., Ltd	-	-	7,200	-	-	-	-	-	-
M's Partners Co., Ltd	33,122	-	-	-	1,966,183	7,940,170	1,386	-	-
Bon Mange Co., Ltd	58,697	4,937	-	-	-	-	-	-	-
JP Logistics Co.,Ltd <sup>2</sup>	50,299	-	22,598	4,512,140	169,758	20,474,203	-	40,616	-
CK corporations Co., Ltd	56,213	16,424,988	-	-	-	-	-	48,010	-
JP International Co., Ltd <sup>3</sup>	-	10,385,431	-	-	-	9,671	-	690,387	-
	<u>50,572,101</u>	<u>39,893,338</u>	<u>33,722</u>	<u>4,592,540</u>	<u>2,220,409</u>	<u>39,130,312</u>	<u>267,767</u>	<u>1,259,622</u>	<u>38,681</u>

<sup>1</sup> During the current year, Les Vins de Maeil Co., Ltd. changed its name to Les Vins Co., Ltd.

<sup>2</sup> During the current year, Pyeong Taek Trading & Logistics Co., Ltd. changed its name to JP Logistics Co., Ltd.

<sup>3</sup> During the current year, PTL International Co., Ltd. changed its name to JP International Co., Ltd.

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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 <sup>1</sup>	-	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 <sup>2</sup>	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 <sup>3</sup>	-	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>

<sup>1</sup> During the current year, Les Vins de Maeil Co., Ltd. changed its name to Les Vins Co., Ltd.

<sup>2</sup> During the current year, Pyeong Taek Trading & Logistics Co., Ltd. changed its name to JP Logistics Co., Ltd.

<sup>3</sup> During the current year, PTL International Co., Ltd. changed its name to JP International Co., Ltd.

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31.3 Outstanding balances from related parties and others

Outstanding balances arising from related party transactions as of December 31, 2022 and 2021, are as follows:

(In thousands of Korean won)	2022				
	Receivables		Payables		
	Trade receivables	Other receivables	Trade payables	Other payables	Lease liabilities
<b>Parent Company</b>					
Maeil Holdings Co., Ltd.	-	150,390	6,651	1,020,196	3,254
<b>Associate</b>					
The Bakers Co.,Ltd	88,579	29,799	5,811	4,101	-
<b>Other related parties</b>					
Zero to Seven Inc	241,577	354	150,306	2,996	-
Les Vins Co.,Ltd <sup>1</sup>	-	195	-	-	-
Crystal Jade Korea. Co., Ltd.	-	152	-	11,529	-
M's Food System Co., Ltd.	2,345,916	-	173,570	10,587	-
M's seed Co., Ltd.	846,130	3,600	85,137	52,869	-
Sangha Dairy Development Co.,Ltd	-	2,022	106,209	20,651	-
Sangha Farm Co., Ltd.	80,759	834	686,755	60,406	-
Korea Food Services Corporation Co.,Ltd	1,616,657	250	-	-	-
MD WELL Inc	2,514,793	21,846	-	-	-
M's partners Co.,Ltd	-	1,525	-	912,415	-
JP Logistics Co., Ltd <sup>2</sup>	1,890	3,949	-	2,005,099	-
CK corporations Co.,Ltd	2,660	-	1,047,051	1,269	-
JP International Co.,Ltd <sup>3</sup>	-	-	-	43,101	-
	<b>7,738,961</b>	<b>214,916</b>	<b>2,261,490</b>	<b>4,145,219</b>	<b>3,254</b>

<sup>1</sup> During the current year, Les Vins de Maeil Co., Ltd. changed its name to Les Vins Co., Ltd

<sup>2</sup> During the current year, Pyeong Taek Trading & Logistics Co., Ltd. changed its name to JP Logistics Co., Ltd

<sup>3</sup> During the current year, PTL International Co., Ltd. changed its name to JP International Co., Ltd

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(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 <sup>1</sup>	-	-	-	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 <sup>2</sup>	3,263	1,759	54,507	1,947,990	-
CK corporations Co.,Ltd	992	-	1,076,417	1,412	-
PTL International Co.,Ltd <sup>3</sup>	-	-	-	156,521	-
	<u>7,194,312</u>	<u>204,375</u>	<u>1,902,671</u>	<u>5,269,929</u>	<u>5,735</u>

<sup>1</sup> During the current year, Les Vins de Maeil Co., Ltd. changed its name to Les Vins Co., Ltd

<sup>2</sup> During the current year, Pyeong Taek Trading & Logistics Co., Ltd. changed its name to JP Logistics Co., Ltd

<sup>3</sup> During the current year, PTL International Co., Ltd. changed its name to JP International Co., Ltd

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31.4 Fund transactions with related parties for the years ended December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

Type	Name of entity	2022	2021	Remarks
The Parent Company	Maeil Holdings Co., Ltd	2,923,817	1,949,211	Dividend payment

31.5 The compensation paid or payable to key management for employee services for the years ended December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022	2021
Salaries	3,261,004	3,143,358
Retirement benefit	456,771	386,139
Share-based payments	-	850,000
	<u>3,717,775</u>	<u>4,379,497</u>

Key executives include directors(registered), members of the board of directors, financial managers, and internal auditor.

**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, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022		
	Dairy processing	Others	Total
Revenue	1,383,240,952	302,403,078	1,685,644,030
Operating profit	51,749,133	8,938,944	60,688,077
Depreciation expense(Amortization expense included)	31,826,938	6,957,981	38,784,919

(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 included)	32,350,200	6,643,733	38,993,933

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32.1.2 Segment assets and liabilities as of December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>			
	<b>Dairy processing</b>	<b>Others</b>	<b>Adjustments<sup>3,4</sup></b>	<b>Total</b>
Assets <sup>1,3</sup>	765,011,866	167,246,309	42,490,118	974,748,293
Acquisition of non-current assets <sup>2</sup>	31,996,717	6,995,098	-	38,991,815
Liabilities <sup>1,4</sup>	167,152,086	36,542,661	274,230,061	477,924,808

  

<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>
Asset <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

<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> Current income tax asset, deferred tax assets, short-term financial instruments, long-term financial instruments, financial assets measured at fair value, 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, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Revenue		
Revenue from sale of finished goods	1,419,000,231	1,404,317,724
Revenue from sale of merchandise	266,151,809	147,242,548
Others	491,990	309,275
	<u>1,685,644,030</u>	<u>1,551,869,547</u>
Timing of revenue recognition:		
Goods and services transferred at a point in time	1,685,152,040	1,551,560,272
Goods and services transferred over time	491,990	309,275
	<u>1,685,644,030</u>	<u>1,551,869,547</u>

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32.2.2 The Group's revenue by region for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Korea	1,634,154,636	1,508,204,129
Asia	45,379,149	36,412,895
Others	6,110,245	7,252,523
	<u>1,685,644,030</u>	<u>1,551,869,547</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, 2022 and 2021.

**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 of December 31, 2022 are as follows:

<i>(In KAU)</i>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Plan period Total</b>
Emission rights	106,913	101,911	101,903	100,948	100,948	512,623
Emissions	120,964	Undecided	Undecided	Undecided	Undecided	Undecided

33.1.2 Changes of Emission rights for the year ended December 31, 2022 and 2021, are as follows:

<i>(Quantity : KAU Amount : in thousands of Korean won)</i>	<b>2022</b>		<b>2021</b>	
	<b>Quantity</b>	<b>Carrying amount</b>	<b>Quantity</b>	<b>Carrying amount</b>
Beginning balance	111,913	-	-	-
Free allocation	101,911	-	106,913	-
Disposal	14,051	287,283	-	-
Submitted to government	(120,964)	(287,283)	-	-
Carry-over	-	-	5,000	-
Ending balance	<u>106,911</u>	<u>-</u>	<u>111,913</u>	<u>-</u>

33.1.3 There are no emission rights provided as collateral as of December 31, 2022

33.2 Emission liabilities

33.2.1 The estimated quantity of emissions for the current implementation year of 2022 is 124,985 tons (tCO<sub>2</sub>-eq), and an emission liability of ₩289,184 thousand was recognized for the estimated shortage of approximately 18,074 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>2022</b>	<b>2021</b>
Beginning balance	526,974	-
Increase	559,200	526,974
Decrease	(796,990)	-
Ending balance	289,184	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 and payables (Note 8), impairment of inventories, property, plant and equipment and intangible assets (Notes 10, 11, 12, 13), impairment of investment on related parties (Note 14) 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 of December 31, 2022.

**35. Introduction and impact of the global minimum tax**

The OECD/G20 Inclusive Framework on BEPS (Base Erosion and Profit Shifting) is intended to counter tax avoidance and tax base erosion through income transfer by multinational corporations in the digital economy. The BEPS Pillar Two model rules apply to multinational entities with consolidated sales exceeding 750 million euros.

In Korea, the global minimum tax was passed by the National Assembly at the end of 2022 as part of the revision of the 'Act on International Tax Adjustment'. The domestic effective date of this law is January 1, 2024, and the enforcement decree on the global minimum tax has not been amended as of December 31, 2022.

As the global minimum tax in Korea has not been substantially enacted for financial reporting purposes, there is no related tax effect recognized by the Group in its consolidated financial statements as of December 31, 2022.