

**Maeil Dairies Co., Ltd. and Subsidiaries**  
**Consolidated Financial Statements**  
**December 31, 2023 and 2022**

**Maeil Dairies Co., Ltd. and its Subsidiaries**  
**Index**  
**December 31, 2023 and 2022**

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**Maeil Dairies Co., Ltd. and its subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2023 and 2022**

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**Independent Auditor's Report**

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of  
Maeil Dairies Co., Ltd.

**Opinion**

We have audited the accompanying consolidated financial statements of Maeil Dairies Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Maeil Dairies Co., Ltd. and its subsidiaries as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

**Basis for Opinion**

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

**Key Audit Matters**

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

**Maeil Dairies Co., Ltd. and its Subsidiaries**  
***Occurrence of revenue recognition in distributors***

**Why it is determined to be a key audit matter**

As described in Note 2.4.5 of the consolidated financial statements, when the control of goods or services is transferred to the customer, the revenue is recognized based on the amount expected to be received in exchange for the goods or services, reflecting the right to receive consideration. Revenue is a significant performance indicator for management of the Group, and it is subject to inherent risks of intentional adjustments to achieve target goals. Revenue recognition in distribution companies accounts for a majority of the Group's revenue. Considering these factors, we focused on this area because we determined that there is a significant risk in relation to occurrence of revenue recognition in distribution companies.

**How our audit addressed the Key Audit Matter**

We have performed the following audit procedures to address the Key Audit Matter.

- Obtained an understanding and assessed the Group's accounting policies of the revenue recognition.
- Obtained an understanding and assessed the revenue recognition process and the related controls.
- Compared samples of transactions recorded as revenue during the reporting period and its supporting document.
- Analyzed types of sales deduction items through contract review and examined supporting documents using the sampling method.
- Performed external confirmation procedures using the sampling method for trade receivables corresponding to revenue recognition.

**Other Matters**

The consolidated financial statements of the Group for the year ended December 31, 2022, were audited by another auditor who expressed an unqualified opinion on those statements on March 16, 2023.

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

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

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and

**Maeil Dairies Co., Ltd. and its Subsidiaries**

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 Yun-Won Jang, Certified Public Accountant.

Seoul, Korea

March 21, 2024

This report is effective as of March 21, 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**Maeil Dairies Co., Ltd. and its Subsidiaries**  
**Consolidated Statements of Financial Position**  
**December 31, 2023 and 2022**

<i>(In Korean won)</i>	Notes	December 31, 2023	December 31, 2022
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4,6	139,407,573,021	78,647,654,099
Financial assets at fair value through profit or loss	4,5,6,7	67,159,415,695	88,519,834,715
Financial assets at fair value through other comprehensive income	4,5,6,7	-	3,111,000,000
Short-term financial instrument	4,6	19,526,064,000	17,924,202,142
Derivative financial instrument	4,5,6	115,347,489	264,004,043
Trade and other current receivables	4,6,8,32	183,830,009,657	169,265,962,237
Refund assets		560,351,200	565,319,810
Inventories	10	185,847,134,533	235,027,110,493
Current income tax assets	21	76,594,760	71,526,360
Other current assets	9	7,478,405,435	6,561,411,160
Lease receivables	13	123,749,844	-
		<u>604,124,645,634</u>	<u>599,958,025,059</u>
<b>Non-current assets</b>			
Investments in associates	14	5,374,408,064	5,073,557,481
Financial assets at fair value through profit or loss	4,5,6,7	19,897,516,120	19,309,911,404
Financial assets at fair value through other comprehensive income	4,5,6,7	2,494,925,064	2,334,915,064
Long-term financial instrument	4,6	10,006,000,000	10,006,000,000
Other receivables	4,6,8,32	13,819,246,133	14,825,449,171
Property, plant and equipment	11	271,085,110,296	274,003,980,346
Intangible assets	12	14,709,986,560	12,184,951,655
Right-of-use assets	13,32	5,958,834,330	8,110,947,130
Deferred tax assets	21	2,420,192,958	4,040,443,646
Net defined benefit assets	19	17,184,119,998	19,452,231,967
Other non-current assets	9	5,726,519,069	5,447,880,051
		<u>368,676,858,592</u>	<u>374,790,267,915</u>
<b>Total assets</b>		<u>972,801,504,226</u>	<u>974,748,292,974</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	4,6,15,32	190,030,160,257	176,970,043,613
Current portion of bonds	4,6,18,30	-	69,970,453,432
Derivative financial liabilities	4,5,6	-	2,508,024,216
Lease liabilities	4,13,30,32	2,712,696,713	4,009,669,040
Refund liabilities		774,657,754	769,846,470
Contract liabilities	20	840,747,020	1,437,396,981
Current tax liabilities	21	11,689,158,211	2,162,019,556
Other current liabilities	16,34	9,659,983,429	8,271,866,669
Provisions		197,731,391	-
		<u>215,905,134,775</u>	<u>266,099,319,977</u>
<b>Non-current liabilities</b>			
Other payables	4,6,15,32	3,752,845,200	4,103,914,769
Long-term borrowings	4,6,17,30	4,319,621,273	-
Bonds	4,6,18,30	199,686,247,168	199,589,563,781
Lease liabilities	4,13,30,32	2,969,399,604	3,753,892,843
Provisions		131,020,067	131,020,067
Other non-current liabilities	16	5,951,618,282	4,247,096,491
		<u>216,810,751,594</u>	<u>211,825,487,951</u>
<b>Total liabilities</b>		<u>432,715,886,369</u>	<u>477,924,807,928</u>
<b>Equity</b>			
<b>Equity attributable to owners of the Parent Company</b>			
Issued capital	22	3,921,819,000	3,921,819,000
Retained earnings	23	321,791,168,362	275,656,481,297
Other components of equity	24	213,796,077,839	216,717,006,667
		<u>539,509,065,201</u>	<u>496,295,306,964</u>
<b>Non-controlling interests</b>		<u>576,552,656</u>	<u>528,178,082</u>
<b>Total equity</b>		<u>540,085,617,857</u>	<u>496,823,485,046</u>
<b>Total liabilities and equity</b>		<u>972,801,504,226</u>	<u>974,748,292,974</u>

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

**Maeil Dairies Co., Ltd. and its Subsidiaries**  
**Consolidated Income Statements**  
**Years Ended December 31, 2023 and 2022**

<i>(In Korean won)</i>	<b>Notes</b>	<b>2023</b>	<b>2022</b>
<b>Revenue</b>	20,32,33	1,782,979,215,597	1,685,644,029,927
<b>Cost of Sales</b>	10,27,32	(1,285,406,091,808)	(1,200,233,075,232)
<b>Gross profit</b>		<u>497,573,123,789</u>	<u>485,410,954,695</u>
Selling and administrative expenses	25,27,32	(425,344,002,557)	(424,722,878,169)
<b>Operating profit</b>	33	72,229,121,232	60,688,076,526
Other income	26,32	6,750,789,873	5,169,667,939
Other expenses	26,32	(10,858,681,473)	(10,585,709,995)
Financial income	6		
Dividends income		2,681,229,853	2,542,648,875
Interest income		3,752,143,234	3,329,073,638
Gains on transaction of derivatives		3,928,120,519	3,223,581,002
Gains on valuation of derivatives		115,347,489	189,524,043
Gains on disposal of financial assets at FVPL		1,494,514,962	703,777,669
Gains on valuation of financial assets at FVPL		<u>5,945,790,920</u>	<u>1,343,996,474</u>
		<u>17,917,146,977</u>	<u>11,332,601,701</u>
Financial expenses	6		
Interest expenses		5,525,855,188	6,094,102,689
Losses on transaction of derivatives		1,872,203,735	3,186,260,000
Losses on valuation of derivatives		-	2,508,024,216
Losses on disposal of financial assets at FVPL		110,154,711	5,988,741,882
Losses on valuation of financial assets at FVPL		<u>2,765,253,332</u>	<u>24,343,864,690</u>
		<u>(10,273,466,966)</u>	<u>(42,120,993,477)</u>
Profit or loss on investment in associates			
Gain (loss) on equity method	14	289,120,565	(45,304,781)
Profit before income tax		76,054,030,208	24,438,337,913
Income tax expense	21	(21,003,970,573)	(10,007,377,054)
<b>Profit for the year</b>		<u>55,050,059,635</u>	<u>14,430,960,859</u>
Attributable to owners of the Parent Company		55,008,054,403	14,394,852,570
Attributable to Non-controlling interests		42,005,232	36,108,289
<b>Earnings per share</b>			
Basic and diluted earnings per share	28	7,678	1,966

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, 2023 and 2022**

<i>(In Korean won)</i>	<b>2023</b>	<b>2022</b>
<b>Profit for the year</b>	<u>55,050,059,635</u>	<u>14,430,960,859</u>
<b>Other comprehensive income(loss)</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurements of net defined benefit liability	19,21 (5,689,086,098)	5,975,209,447
Gain on valuation of financial assets at FVOCI	6,21 (313,553,606)	446,572,726
	<u>(6,002,639,704)</u>	<u>6,421,782,173</u>
<i>Items that may be subsequently reclassified to profit or loss</i>		
Gain (loss) from exchange differences on translation	1,037,139,962	(173,561,351)
Share of other comprehensive income of associates	14 11,730,018	-
	<u>1,048,869,980</u>	<u>(173,561,351)</u>
	<u>(4,953,769,724)</u>	<u>6,248,220,822</u>
<b>Total comprehensive income for the year</b>	<u>50,096,289,911</u>	<u>20,679,181,681</u>
Attributable to owners of the Parent Company	50,052,179,206	20,643,073,392
Attributable to non-controlling interests	44,110,705	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, 2023 and 2022**

(In Korean won)	Notes	Attributable to owners of the parent company			Non-controlling Interest	Total equity	
		Issued capital	Retained earnings	Other Components of Equity			Total
<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	19	-	-	5,975,209,447	5,975,209,447	-	5,975,209,447
Gains on valuation of financial assets at FVOCI	6	-	-	446,572,726	446,572,726	-	446,572,726
Gain or loss from exchange differences on translation		-	-	(173,561,351)	(173,561,351)	-	(173,561,351)
<b>Transactions with owners</b>							
Dividends paid	29	-	(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)
Stock compensation cost		-	-	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>
<b>Balance at January 1, 2023</b>		3,921,819,000	275,656,481,297	216,717,006,667	496,295,306,964	528,178,082	496,823,485,046
<b>Total comprehensive income</b>							
Profit for the year		-	55,008,054,403	-	55,008,054,403	42,005,232	55,050,059,635
Remeasurement of net defined benefit liabilities	19	-	-	(5,691,191,571)	(5,691,191,571)	2,105,473	(5,689,086,098)
Loss on valuation of financial assets at FVOCI	6	-	-	(313,553,606)	(313,553,606)	-	(313,553,606)
Gain or loss from exchange differences on translation		-	-	1,037,139,962	1,037,139,962	-	1,037,139,962
Share of other comprehensive income of associates	14	-	-	11,730,018	11,730,018	-	11,730,018
<b>Other comprehensive loss</b>							
Replacement on valuation of financial assets at FVOCI		-	(240,424,538)	240,424,538	-	-	-
<b>Transactions with owners</b>							
Dividends paid	29	-	(8,632,942,800)	-	(8,632,942,800)	-	(8,632,942,800)
Acquisition of treasury stocks		-	-	(2,236,726,300)	(2,236,726,300)	-	(2,236,726,300)
Stock compensation cost		-	-	4,035,512,000	4,035,512,000	-	4,035,512,000
Increase in subsidiary's paid-in-capital		-	-	(4,263,869)	(4,263,869)	4,263,869	-
<b>Balance at December 31, 2023</b>		<u>3,921,819,000</u>	<u>321,791,168,362</u>	<u>213,796,077,839</u>	<u>539,509,065,201</u>	<u>576,552,656</u>	<u>540,085,617,857</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, 2023 and 2022**

<i>(In Korean won)</i>	Notes	2023	2022
<b>Cash flows from operating activities</b>			
Cash generated from operations	30	158,636,974,416	23,474,041,478
Interest received		3,629,844,015	2,904,526,399
Interest paid		(5,443,835,883)	(5,928,051,056)
Dividend received		2,618,983,823	2,426,797,829
Income taxes paid		(8,286,363,720)	(25,777,879,486)
<b>Net cash flows from (used in) operating activities</b>		<b>151,155,602,651</b>	<b>(2,900,564,836)</b>
<b>Cash flows from investing activities</b>			
Decrease in financial assets at fair value through profit or loss		28,427,451,234	100,720,327,307
Increase in financial assets at fair value through profit or loss		(3,089,739,091)	(89,904,045,547)
Decrease in financial assets at fair value through other comprehensive income		2,776,093,462	-
Increase in financial assets at fair value through other comprehensive income		(160,010,000)	(1,179,104,500)
Decrease in short-term financial instruments		6,511,664,142	55,614,493,330
Increase in short-term financial instruments		(8,001,700,000)	(27,320,064,142)
Increase in long-term financial instruments		-	(7,015,440,692)
Decrease in long-term loans		-	100,000,000
Decrease in deposits		1,684,141,222	4,036,846,942
Increase in deposits		(417,177,541)	(3,733,564,953)
Decrease in lease receivables		40,821,131	-
Proceeds from disposal of property, plant and equipment		273,168,564	144,467,536
Purchase of property, plant and equipment		(30,645,864,265)	(35,474,351,287)
Purchase of intangible assets		(4,514,569,636)	(4,483,923,188)
Increase in other non-current assets		(617,297,610)	(916,340,120)
Cash outflow in a business combination		(1,414,927,494)	-
<b>Net cash flows used in investing activities</b>		<b>(9,147,945,882)</b>	<b>(9,410,699,314)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long-term borrowings		4,430,000,000	-
Repayments of current portion of long-term borrowings		(70,000,000,000)	-
Decrease in lease liabilities		(4,757,421,853)	(4,298,328,626)
Dividends paid to shareholders		(8,632,942,800)	(8,872,776,000)
Acquisition and disposal of treasury stocks		(2,236,726,300)	(16,108,492,600)
Paid-in capital increase of subsidiary company		-	1,000,000,000
<b>Net cash flows used in financing activities</b>		<b>(81,197,090,953)</b>	<b>(28,279,597,226)</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<b>(50,646,894)</b>	<b>(876,543,805)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>60,759,918,922</b>	<b>(41,467,405,181)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>78,647,654,099</b>	<b>120,115,059,280</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>139,407,573,021</b>	<b>78,647,654,099</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, 2023 and 2022**

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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 Subsidiaries**

1.2.1 Details of the consolidated subsidiaries as of December 31, 2023, are as follows:

	Ownership (%)	Location	Closing month
Beijing Maeil Dairies Co., Ltd.	100	China	December
MAEIL AUSTRALIA PTY LTD.	100	Australia	December
Maeil Health Nutrition Co., Ltd. <sup>1</sup>	100	Korea	December
M's bakers Co., Ltd. <sup>2</sup>	95	Korea	December

**1.2.2 Summarized Financial Information**

Summarized financial position for consolidated subsidiaries as of December 31, 2023 and 2022, summarized statements of comprehensive income for consolidated subsidiaries as for the years ended December 31, 2023 and 2022, are as follows:

*(In thousands of Korean won)*

**December 31, 2023**

	<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.	7,219,924	9,170,342	(1,950,418)	26,372,901	(1,878,149)	(1,847,939)
MAEIL AUSTRALIA PTY LTD.	40,440,993	905,861	39,490,132	1,567,696	(7,632,187)	(6,629,861)
Maeil Health Nutrition Co., Ltd.	18,974,804	10,322,545	8,652,259	106,165,233	(4,883,709)	(5,198,944)
M's bakers Co., Ltd.	12,770,125	2,135,534	10,634,591	19,828,011	1,178,785	1,153,955

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(In thousands of Korean won)

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	Assets	Liabilities	Equity	Sales	Loss for the year	Total comprehensive loss for the year
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 Health Nutrition 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)

1.3 There is no change in the scope of consolidation for the current year.

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

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

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

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

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

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

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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 material to the 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 the following amended standards for the first time for the annual reporting period commencing on January 1, 2023

*(a) Korean IFRS 1001 Presentation of Financial Statements – Disclosure of Accounting Policies*

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policy information. The amendments do not have a significant impact on the financial statements.

*(b) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of gain or loss on valuation of financial liabilities subject to adjustment of exercise price*

If the entire or a part of financial instrument, whose exercise price is subject to change due to the issuer's share price, is classified as a financial liability, the carrying amount of the financial liability and related gains and losses shall be disclosed. The amendments do not have a significant impact on the financial statements.

*(c) Korean IFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments do not have a significant impact on the financial statements.

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

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments do not have a significant impact on the financial statements.

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*(e) New Standard: Korean IFRS 1117 Insurance Contracts*

Korean IFRS 1117 Insurance Contracts replaces Korean IFRS 1104 Insurance Contracts. This Standard estimates future cash flows of an insurance contract and measures insurance liabilities using discount rates applied with assumptions and risks at the measurement date. The entity recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual period. In addition, investment components (Refunds due to termination/maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and insurance financial income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses. This standard does not have a significant impact on the financial statements.

*(f) Korean IFRS 1012 Income Taxes - International Tax Reform – Pillar Two Model Rules*

The amendments provide a temporary relief from the accounting for deferred taxes arising from legislation enacted to implement the Pillar Two model rules, which aim to reform international corporate taxation for multinational enterprises, and require disclosure of related current tax effects, etc.

The Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. Since the Pillar Two legislation is scheduled to be effective from January 1, 2024, the Group has no current tax expense related to Pillar Two. The impact of the Pillar Two income taxes is described in Note 21.

#### 2.2.2 New standards and interpretations not yet adopted by the Group

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Group.

*(a) Amendments to Korean IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants*

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. In addition, covenants that an entity is required to comply with after the end of the reporting period would not affect classification of a liability as current or non-current at the reporting date. When an entity classifies a liability that is subject to the covenants which an entity is required to comply with within twelve months of the reporting date as non-current at the end of the reporting period, the entity shall disclose information in the notes to understand the risk that non-current liabilities with covenants could become repayable within twelve months after the reporting

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period. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group is in review for the impact of these amendments on the financial statements.

*(b) Amendments to Korean IFRS 1007 Statement of Cash Flows, Korean IFRS 1107 Financial Instruments: Disclosures – Supplier finance arrangements*

When applying supplier finance arrangements, an entity shall disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group is in review for the impact of these amendments on the financial statements.

*(c) Amendments to Korean IFRS 1116 Leases - Lease Liability in a Sale and Leaseback*

When subsequently measuring lease liabilities arising from a sale and leaseback, a seller-lessee shall determine lease payments or revised lease payments in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group is in review for the impact of these amendments on the financial statements.

*(d) Amendments to Korean IFRS 1001 Presentation of Financial Statements - Disclosure of Cryptographic Assets*

The amendments require for an additional disclosure if an entity holds cryptographic assets, or holds cryptographic assets on behalf of the customer, or issues cryptographic assets. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group is in review for the impact of these amendments on the financial statements.

*(e) Amendments to Korean IFRS 1021 The Effects of Changes in Foreign Exchange Rates and 1101 First-time Adoption of International Financial Reporting Standards - Lack of Exchangeability*

When an entity estimates a spot exchange rate because exchangeability between two currencies is lacking, the entity shall disclose related information. The amendments should be applied for annual periods beginning on or after January 1, 2025, and earlier application is permitted. The Group is in review for the impact of these amendments on the financial statements.

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#### **2.3 Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

# Maeil Dairies Co., Ltd. and its subsidiaries

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#### 2.4 Material 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.

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 Korean IFRS 1109 *Financial Instruments*, is measured at fair value with the changes in fair value recognized in the income statement in accordance with Korean IFRS 1109. Other contingent consideration that is not within the scope of Korean IFRS 1109 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

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

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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.

#### 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 consolidated income statement reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. 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 income statement 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 the end of each reporting period, 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 'Profits (losses) of associates accounted for using equity method' in the consolidated income statement.

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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.

#### 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

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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.

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 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.

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#### (1) Transaction price calculation

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

##### ① Variable consideration

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

- Right of return

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

##### ② Consideration to be paid to customer

The Group pays logistics agency expenses to customers by using the customer's logistics network according to a contract with the customer, and also pays the customer for use of shelves (stands) that are not under the customer's control. Consideration payable to the Group's customers includes cash payments that the Group pays or expects to pay to customers (or other parties that purchase the entity's goods or services from customers), and also includes cash payments that customers transfer to the Group. Unless the payment is made for distinct goods or services, the consideration is accounted for as a deduction from revenue.

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

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#### (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.

##### 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 Current and Deferred Tax

##### (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 end of the reporting period in the

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

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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 income statement 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:

- 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 the end of each reporting period 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 the end of each reporting period 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 end of reporting period.

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 other

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comprehensive income 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 recognized acquisition deferred tax benefit is applied to reduce the carrying amount of the goodwill related to the acquisition, and if the carrying amount of the goodwill is zero, the remaining deferred tax benefit is 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 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.

#### 2.4.7 Foreign Currency Translation

##### (1) Functional and presentation currency

The Group's consolidated financial statements are presented in Korean won, which is also the parent company's functional currency. Each of the Group's entities determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

##### (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 end of the reporting period.

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 other comprehensive income 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 other comprehensive income.

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

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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 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 end of the reporting period and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income 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.

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#### 2.4.9 Property, Plant and Equipment

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

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

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

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

#### 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 income statement 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 (years)</b>
Industrial property rights	5~7
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 income statement.

#### 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

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accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

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

	Useful lives(years)
Buildings	10, 20, 40
Structures	10, 20, 40
Machineries	8
Vehicles	4
Tools and equipment	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.

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

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

#### (2) Lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the income statement 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 related asset. 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.

#### 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 Korean IFRS 1115. Refer to the accounting policies in section 2.4.5 Revenue from contracts with customers.

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

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

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

##### *Subsequent measurement*

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

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

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- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

#### *Financial assets at fair value through OCI (debt instruments)*

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

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the income statement 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 Korean IFRS 1032 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as financial income in the income statement 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.

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

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

This category includes equity instruments that are not irrevocably elected to account for changes in derivatives and fair value in other comprehensive income. Dividends on equity instruments are recognized in profit or loss when the right is determined.

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

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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:

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

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

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#### *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:

- 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 Korean IFRS 1109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the income statement.

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 Korean IFRS 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.

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

#### *Derecognition*

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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 income statement.

#### (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 the end of each reporting period, 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.

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

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth 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 income statement 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 the end of each reporting period 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 income statement and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

#### 2.4.18 Cash and Cash Equivalents

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

#### 2.4.19 Treasury 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.

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#### 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 income statement 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.

#### 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'.

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- Provision for loss calculated in accordance with the impairment regulations of financial instruments
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with Korean IFRS 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:

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

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

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

The consolidated financial statements 2023 were approved for issue by the Board of Directors on February 15, 2024 and are subject to change with the approval of shareholders at their Annual General Meeting on March 29, 2024.

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#### 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. 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 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.

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3.2.1 Impairment of Non-Financial Assets

The Group's non-financial 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.

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3.2.2 Post-employment Benefit

The cost of the defined benefit pension plan 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. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at the end of each reporting period.

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.

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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 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).

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**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 securities	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 exchange 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 currency exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial 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

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits 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)*

	2023		2022	
	Increase	Decrease	Increase	Decrease
Financial asset at fair value through profit or loss				
Listed stock	1,033,661	(1,033,661)	1,188,937	(1,188,937)
Unlisted stock	200,687	(200,687)	230,817	(230,817)
Financial asset at fair value through other comprehensive income				
Listed stock	-	-	155,550	(155,550)
Unlisted stock	124,746	(124,746)	116,746	(116,746)
	<u>1,359,094</u>	<u>(1,359,094)</u>	<u>1,692,050</u>	<u>(1,692,050)</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, 2023 and 2022, was as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
<b>Financial assets</b>		
USD	19,921,237	24,093,867
CNY	18,932,892	15,482,918
AUD	150,832	682,598
	39,004,961	40,259,383
<b>Financial liabilities</b>		
USD	9,526,882	8,601,420
EUR	7,992,453	9,800,409
DKK	1,023,801	211,281
GBP	79,657	39,597
JPY	22,817	61,146
CNY	12,659	12,701
AUD	-	29,447
	18,658,269	18,756,001

As at December 31, 2023 and 2022, 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>2023</b>		<b>2022</b>	
	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>
Financial assets	1,950,248	(1,950,248)	2,012,969	(2,012,969)
Financial liabilities	(932,913)	932,913	(937,800)	937,800
Net impact <sup>1</sup>	1,017,335	(1,017,335)	1,075,169	(1,075,169)

<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 presentation 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 2023, there has been no loan or receivable included in the accounts receivables or other receivables that are past due or have any sign of doubtful collection. The Group is expecting a low probability of default as at December 31, 2023.

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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 at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Cash and cash equivalents <sup>1</sup>	139,406,873	78,647,254
Trade and other receivables	197,649,256	184,091,411
Short-term financial instruments	19,526,064	17,924,202
Long-term financial instruments	10,006,000	10,006,000
	<u>366,588,193</u>	<u>290,668,867</u>

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

#### 4.1.3 Liquidity Risk

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

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

Details of the Group's liquidity risk analysis as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</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>Total</b>
Bonds and long-term Borrowings	1,114,000	3,430,600	8,974,600	207,072,000	220,591,200
Lease liabilities	922,324	1,992,851	2,225,031	858,302	5,998,508
Trade and other payables <sup>1</sup>	172,234,165	8,679,706	-	3,752,845	184,666,716
	<u>174,270,489</u>	<u>14,103,157</u>	<u>11,199,631</u>	<u>211,683,147</u>	<u>411,256,424</u>

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

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	<b>2022</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>	<b>Total</b>
Bonds and long-term Borrowings	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 liabilities	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>

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<sup>1</sup> Retirement, interest expenses, annual allowance, tax liabilities 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 at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Total liability	432,715,886	477,924,808
Total equity	540,085,618	496,823,485
Debt-to-equity ratio	80%	96%

**5. Fair Value**

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

**5.1 Fair Value of Financial Instruments by Category**

Carrying amount and fair value of financial instruments by category as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023 Current</b>		<b>2023 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	67,159,416	67,159,416	19,897,516	19,897,516
Financial assets at fair value through other comprehensive income	-	-	2,494,925	2,494,925
Derivative financial assets	115,347	115,347	-	-
<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

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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	-	-

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, 2023 and 2022.

Fair value hierarchy classifications of the financial instruments that are measured at fair value as at December 31, 2023 and 2022, are as follows:

*(in thousands of Korean won)*

	<b>2023</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	42,879,248	24,280,168	19,897,516	87,056,932
Financial assets at fair value through OCI	-	-	2,494,925	2,494,925
Derivative financial assets	-	115,347	-	115,347

*(in thousands of Korean won)*

	<b>2022</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	50,450,152	39,184,250	18,195,344	107,829,746
Financial assets at fair value	3,111,000	-	2,334,915	5,445,915

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through OCI

Derivative financial assets	-	264,004	-	264,004
Derivative financial liabilities	-	2,508,024	-	2,508,024

**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 at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

<b>2023</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	24,280,167	Quoted price of issuer	N/A
Derivative financial assets			
Currency option	115,347	DCF model	Discount rate

(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

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5.3.2 Valuation techniques and inputs used in fair value measurements categorized as Level 3 of the fair value hierarchy as at December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

2023	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 preferred shares	1,999,990	Underlying assets Options	Market approach Binomial model	Recent transaction price Volatility	- 43.73%	- -	- -	- -
Convertible preferred shares	1,005,660	Options	Cost-based (*)	-	-	-	-	-
Redeemable convertible preferred shares	1,008,080	Options	Cost-based (*)	-	-	-	-	-
Investment association	15,883,786	Underlying assets	Asset approach	Net asset value	-	-	-	-
<b>Financial assets at fair value through other comprehensive income</b>								
Unlisted stock	2,494,925	Common stocks	Cost-based (*)	-	-	-	-	-

(\*) The cost was measured at fair value in accordance with the "Guidelines on Fair Value Evaluation for Unlisted Stocks" since there is no clear evidence of value changes and it does not fall under the case where fair value should be measured (Korean IFRS 1109 B5.2.4).

2022	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 preferred shares	2,602,607	Underlying assets Options	DCF Binomial model	Perpetual earning growth rate WACC Volatility	1.00% 16.46% -	1.00% 1.00% -	2,142 (199,471) -	(1,882) 224,449 -
Convertible preferred shares	1,005,660	Underlying assets Options	Cost-based Binomial model	- Volatility	- 33.18%	- 1.00%	- -	- -
Redeemable convertible preferred shares	1,008,080	Underlying assets Options	Cost-based Binomial model	- Volatility	- 29.81%	- 1.00%	- 2,900	- (1,795)

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Investment association	13,578,997	Underlying assets	Cost-based, DCF, etc.	-	-	-	-	-
<b>Financial assets at fair value through other comprehensive income</b>								
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	-	-	-	-	-

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**6. Financial Instruments by Category**

**6.1** Carrying amounts of financial assets by category as at December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>	<b>2023 Carrying amount</b>	<b>2023 Fair value</b>	<b>2022 Carrying amount</b>	<b>2022 Fair value</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	87,056,932	87,056,932	107,829,746	107,819,749
Financial assets at fair value through other comprehensive income	2,494,925	2,494,925	5,445,915	5,445,915
Trade receivable	174,686,442	174,686,442	159,097,526	159,097,526
Other receivable	22,962,814	22,962,814	24,993,885	24,993,885
Financial instruments	29,532,064	29,532,064	27,930,202	27,930,202
Cash and cash equivalents	139,407,573	139,407,573	78,647,654	78,647,654
Derivative financial assets	115,347	115,347	264,004	264,004
	<u>456,256,097</u>	<u>456,256,097</u>	<u>404,208,932</u>	<u>404,208,932</u>

**6.2** Carrying amounts of financial liabilities by category as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023 Carrying amount</b>	<b>2023 Fair value</b>	<b>2022 Carrying amount</b>	<b>2022 Fair value</b>
<b>Financial liabilities</b>				
Trade payables	112,419,676	112,419,676	100,472,412	100,472,412
Other payables	81,363,330	81,363,330	80,601,547	80,601,547
Bonds and long-term borrowings	204,005,868	204,005,868	269,560,017	269,560,017
Derivative liabilities	-	-	2,508,024	2,508,024
	<u>397,788,874</u>	<u>397,788,874</u>	<u>453,142,000</u>	<u>453,142,000</u>

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**6.3** Net gains or losses on each category of financial instruments for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Financial assets at fair value through profit or loss		
Interest income	679,869	1,292,947
Gains (losses) on valuation	3,180,538	(22,999,869)
Gains (losses) on transaction	1,384,360	(5,284,964)
Dividend income	2,511,230	2,379,449
Financial assets at fair value through other comprehensive income		
Gains (losses) on valuation	(313,554)	446,573
Dividend income	170,000	163,200
Financial assets at amortized cost		
Interest income	3,072,274	2,036,127
Interest expense	(5,363,813)	(6,094,103)
Bad debt expenses	(277,004)	(59,501)
Other bad debt expenses	(444,827)	(976,079)
Foreign exchange gain (loss)	(165,117)	(2,956,434)
Derivative instruments		
Gains (losses) on valuation	115,347	(2,318,500)
Gains (losses) on transaction	2,055,917	37,321

**6.4** Restricted cash and cash equivalents for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>	<b>Note</b>
<b>Cash and cash equivalents</b>			
Samsung Futures Inc.	656,880	-	Pledged right (futures trading)
<b>Short-term financial instruments</b>			
ANZ Bank	17,602	17,168	Pledged right (Corporate card deposit)
Shinhan Bank	2,000,000	5,000,000	win-win agreement term deposit
Samsung Futures Inc.	-	828,815	Pledged right (futures trading)
	<u>2,017,602</u>	<u>5,845,983</u>	

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**Long-term financial instruments**

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>2,680,482</u>	<u>5,851,983</u>	

**7. Financial Assets at Fair Value**

Financial assets at fair value for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Financial assets at fair value through profit or loss		
Equity instrument	20,673,227	23,778,730
Debt instrument	62,369,975	79,434,669
Other financial instrument	4,013,703	4,616,347
	<u>87,056,932</u>	<u>107,829,746</u>
Financial assets at fair value through other comprehensive income		
Equity instrument	2,494,925	5,445,915
	<u>89,551,857</u>	<u>113,275,661</u>

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

8.1 Trade receivables and other financial assets as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
Trade receivables	176,021,885	-	159,601,787	-
Loans	418,612	43,361	705,461	-
Other receivables	7,291,042	-	7,659,226	-
Accrued income	190,231	-	286,437	-
Deposits	1,704,184	13,775,885	1,832,244	14,825,449
Less: expected credit loss allowance	(1,795,944)	-	(819,193)	-
	<u>183,830,010</u>	<u>13,819,246</u>	<u>169,265,962</u>	<u>14,825,449</u>

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8.2 Trade receivables and its expected credit loss allowance as at December 31, 2023 and 2022,

(in thousands of Korean won)	2023			
	Normal	Between 6 to 12 months	Over 12 months	Total
Trade receivables	174,013,998	1,239,931	767,956	176,021,885
Expected credit loss allowance	273,168	294,319	767,956	1,335,443

(in thousands of Korean won)	2022			
	Normal	Between 6 to 12 months	Over 12 months	Total
Trade receivables	159,034,081	177,335	390,371	159,601,787
Expected credit loss allowance	68,554	45,336	390,371	504,261

8.3 Movements on expected credit loss allowance of trade receivables for the periods ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Beginning balance	504,261	616,299
Transfer	277,004	59,501
Others	(5,007)	-
Increase in a business combination	586,610	-
Write-off	(27,426)	(171,539)
Ending balance	1,335,442	504,261

8.4 Movements on expected credit loss allowance of other financial assets at amortized cost for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Beginning balance	314,932	18,853
Transfer	444,827	976,079
Others	(566)	-
Write-off	(298,692)	(680,000)
Ending balance	460,501	314,932

For trade and other 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.

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**9. Other Assets**

Details of Other assets as at December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	2023		2022	
	Current	Non-current	Current	Non-current
Advance payment	4,769,980	-	3,361,725	-
Prepaid expenses	2,624,925	569,667	3,089,764	908,326
Others	83,500	5,156,852	109,922	4,539,554
	<u>7,478,405</u>	<u>5,726,519</u>	<u>6,561,411</u>	<u>5,447,880</u>

**10. Inventories**

Details of inventories as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023			2022		
	Gross amount	Accumulated impairment loss	Book amount	Gross amount	Accumulated impairment loss	Book amount
Merchandise	21,620,851	(116,220)	21,504,631	27,799,343	(660,625)	27,138,718
Finished goods	61,557,919	(760,247)	60,797,672	69,784,603	(2,081,279)	67,703,324
Semi-finished goods	2,796,311	-	2,796,311	3,680,127	-	3,680,127
Raw materials	25,381,605	-	25,381,605	27,292,822	-	27,292,822
Supplies	1,997,748	-	1,997,748	2,007,579	-	2,007,579
Minor ingredients	32,750,336	(34,148)	32,716,188	43,592,471	(34,148)	43,558,323
Goods in transit	40,652,980	-	40,652,980	63,646,217	-	63,646,217
	<u>186,757,750</u>	<u>(910,615)</u>	<u>185,847,135</u>	<u>237,803,162</u>	<u>(2,776,052)</u>	<u>235,027,110</u>

Inventories recognized as an expense during the year ended December 31, 2023, amounted to ₩ 1,056,281,945 thousand (2022: ₩ 1,035,990,183 thousand). These were included in 'cost of sales'.

**11. Property, Plant and Equipment**

11.1 Details of property, plant and equipment as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023			
	Land	Buildings	Structure	Machinery
Opening net book amount	41,624,453	78,617,543	11,418,476	122,308,968
Acquisitions	-	800,737	1,031,082	15,323,064
Disposals	-	(55,564)	(4,255)	(80,487)
Impairment loss	-	-	-	(1,858,652)
Depreciation	-	(3,370,739)	(941,064)	(26,486,893)
Transferred	-	713,407	6,909	9,156,930
Increase in a business combination	56	-	-	459,374

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	<b>2023</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	7,441,208	306,947	12,286,385	274,003,980
Acquisitions	2,393,625	-	13,134,333	32,682,841
Disposals	(2,720)	-	(78,220)	(221,246)
Impairment loss	-	-	-	(1,858,652)
Depreciation	(4,134,522)	(8,308)	-	(34,941,526)
Transferred	1,056,469	-	(10,933,715)	-
Increase in a business combination	41,095	-	-	500,469
Others	4,204	297	49,991	(919,244)
Closing net book amount	<u>6,799,359</u>	<u>298,936</u>	<u>14,458,774</u>	<u>271,085,110</u>
Acquisition cost	78,518,504	684,473	14,458,774	774,588,416
Accumulated depreciation	(71,719,145)	(385,537)	-	(500,940,408)
Accumulated impairment loss	-	-	-	(2,562,898)
Closing net book amount	<u>6,799,359</u>	<u>298,936</u>	<u>14,458,774</u>	<u>271,085,110</u>
Others	47,855	276,849	-	540,374
Closing net book amount	<u>41,672,308</u>	<u>76,982,233</u>	<u>11,511,148</u>	<u>119,362,352</u>
Acquisition cost	41,672,308	145,473,013	28,430,138	465,351,206
Accumulated depreciation	-	(68,490,780)	(16,918,990)	(343,425,956)
Accumulated impairment loss	-	-	-	(2,562,898)
Closing net book amount	<u>41,672,308</u>	<u>76,982,233</u>	<u>11,511,148</u>	<u>119,362,352</u>

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	<b>2022</b>			
	<b>Land</b>	<b>Buildings</b>	<b>Structure</b>	<b>Machinery</b>
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)
Closing 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>
(In thousands of Korean won)				
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>

11.2. Depreciation expenses of ₩ 3,848,955 thousand (2022: ₩ 4,944,654 thousand) were charged to 'Selling and administrative expenses'. Depreciation expenses of ₩ 31,092,571 thousand (2022: ₩ 27,507,177 thousand) were charged to 'Cost of sales' and 'Inventories'.

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**12. Intangible Assets**

12.1 Intangible assets as at December 31, 2023 and 2022, consist of:

(in thousands of Korean won)

	2023					Total
	Industrial property rights	Software	Other intangible assets	Membership rights	Construction in progress	
Opening net book amount	33,300	4,506,669	1,225,424	4,244,074	2,175,485	12,184,952
Acquisitions	8,346	2,744,662	84,370	714,235	1,159,031	4,710,644
Disposals	-	(126,435)	-	-	-	(126,435)
Amortization	(15,157)	(1,880,950)	(416,702)	-	-	(2,312,809)
Transferred	20,141	917,100	905,415	-	(1,842,656)	-
Increase in a business combination	20,462	11,671	214,124	-	-	246,257
Others	-	7,372	6	-	-	7,378
Closing net book amount	67,092	6,180,089	2,012,637	4,958,309	1,491,860	14,709,987
Acquisition cost	1,343,423	20,629,506	3,075,472	5,179,485	1,636,258	31,864,144
Accumulated amortization	(1,276,332)	(14,449,416)	(1,062,837)	-	-	(16,788,585)
Accumulated Impairment loss	-	-	-	(221,176)	(144,398)	(365,574)
Closing net book amount	67,091	6,180,090	2,012,635	4,958,309	1,491,860	14,709,985

(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 loss	-	-	-	-	(144,399)	(144,399)
Others	-	(7,911)	14	-	-	(7,897)
Closing net book amount	33,300	4,506,669	1,225,424	4,244,074	2,175,485	12,184,952
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)
Closing net book amount	33,300	4,506,669	1,225,424	4,244,074	2,175,485	12,184,952

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12.2 Amortization expenses of ₩ 1,931,911 thousand (2022: 1,676,694 thousand) were charged to 'Selling and administrative expenses'. Amortization expenses of ₩ 380,898 thousand (2022: ₩ 442,972 thousand) were charged to 'Cost of sales' and 'Inventories'.

**13. Leases**

**13.1 Lessee**

13.1.1 Details of right-of-use assets and lease liabilities as at December 31, 2023 and 2022 are as follows:

(In thousands of Korean won)

	<b>2023</b>				
	<b>Properties</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>	<b>Lease liabilities</b>
Beginning balance	3,302,058	213,968	4,594,921	8,110,947	7,763,562
Acquisitions	750,973	1,941,218	3,044	2,695,235	2,694,758
Depreciation	(2,765,802)	(448,573)	(1,328,152)	(4,542,527)	-
Interest expense	-	-	-	-	162,042
Lease expenses paid	-	-	-	-	(4,919,523)
Others (*1)	(304,821)	-	-	(304,821)	(18,742)
Ending balance	982,408	1,706,613	3,269,813	5,958,834	5,682,097
Current					2,712,697
Non-current					2,969,400

(\*1) Reduction amounts due to contract termination and gain or loss on foreign currency translation are included

(In thousands of Korean won)

	<b>2022</b>				
	<b>Properties</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>	<b>Lease liabilities</b>
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

13.1.2 The total cash outflow for leases in 2023 was ₩ 15,337,244 thousand (2022: ₩ 14,704,814 thousand). Expense relating to short-term leases and leases of low-value assets in 2023 was ₩ 584,407 thousand (2022: ₩ 327,880 thousand). Expense relating to variable lease payments not included in lease liabilities in 2023 was ₩ 9,833,314 thousand (2022: ₩ 10,019,831 thousand)

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

(In thousands of Korean won)

	Amount
Within December 31, 2024	2,915,175
Within December 31, 2025	2,225,031
After 2026	858,302

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13.2 Lessor

13.2.1 Details of the Group's gross and net investment in the finance leases as at December 31, 2023 is as follows:

(In thousands of Korean won)

	<b>2023</b>			
	<b>Minimum lease payment</b>	<b>Unearned interest</b>	<b>Net investment in lease</b>	<b>Book amount</b>
Current lease receivables	124,830	(1,080)	123,750	123,750
	124,830	(1,080)	123,750	123,750

13.2.2 The lease payments expected to be received in the future due to finance leases contracts as at December 31, 2023, are as follows:

(In thousands of Korean won)

	<b>2023</b>	
	<b>Buildings</b>	
	<b>Minimum lease payment</b>	<b>Net investment in lease</b>
Within 1 year	124,830	123,750
Total undiscounted lease payment	124,830	123,750

13.2.3. During the current year, ₩ 789 thousand was recognized as interest income on lease receivables.

**14. Investment in Associates**

14.1 Details of investment in associate companies as at December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

	<b>Located country</b>	<b>Ownership</b>	<b>Book value</b>	
			<b>2023</b>	<b>2022</b>
The VAKERS Co., Ltd	Korea	36%	5,374,408	5,073,557

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14.2 Changes in investment in associates for the years ended December 31, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Beginning balance	5,073,557	5,118,862
Gains (Losses) on equity method	289,121	(45,305)
Equity method changes in equity	11,730	-
Ending balance	5,374,408	5,073,557

14.3 A summary of financial information of an associate as at December 31, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>				
	<b>Total assets</b>	<b>Total liabilities</b>	<b>Equity</b>	<b>Revenue</b>	<b>Net Income</b>
The VAKERS Co., Ltd.	18,264,035	9,277,852	8,986,183	15,618,708	787,810

  

<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 VAKERS Co., Ltd.	15,300,130	6,911,378	8,388,752	10,986,757	(126,903)

14.4 Adjustments from the net assets of associate to the carrying amount of equity interest in associate as at December 31, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>				
	<b>Net assets</b>	<b>Net asset equity amount</b>	<b>Goodwill</b>	<b>Others</b>	<b>Book value</b>
The VAKERS Co., Ltd.	8,986,183	3,208,067	2,166,341	-	5,374,408

  

<i>(In thousands of Korean won)</i>	<b>2022</b>				
	<b>Net assets</b>	<b>Net asset equity amount</b>	<b>Goodwill</b>	<b>Others</b>	<b>Book value</b>
The VAKERS Co., Ltd.	8,388,752	2,944,784	2,166,341	(87,568)	5,073,557

**15. Trade and Other Payables**

Details of trade and other payables as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
Trade payables	112,419,675	-	100,472,412	-
Other payables	51,763,771	-	57,416,341	-
Accrued expenses	19,512,688	-	12,279,265	-
Guarantee deposit withholdings	6,334,026	3,752,845	6,802,026	4,103,915
	<u>190,030,160</u>	<u>3,752,845</u>	<u>176,970,044</u>	<u>4,103,915</u>

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**16. Other Liabilities**

Details of other liabilities as at December 31, 2023 and 2022, are as follows:

*(in thousands of Korean won)*

	2023		2022	
	Current	Non-current	Current	Non-current
Advances from customers	1,117,957	-	663,513	-
Income received in advance	-	2,689,377	-	1,888,966
Value Added Tax withheld	6,128,496	-	5,584,417	-
Withholdings	2,266,378	-	1,734,753	-
Non-current provisions for employee benefits	-	3,262,241	-	2,358,130
Emission liabilities	147,152	-	289,184	-
	<u>9,659,983</u>	<u>5,951,618</u>	<u>8,271,867</u>	<u>4,247,096</u>

**17. Borrowings**

Details of long-term borrowings as at December 31, 2023 and 2022, are as follows:

*(In thousands of Korean won)*

	Creditor	Annual interest rate as of December 31,	Amount		Repayment
		2023	2023	2022	
Policy borrowings for promotion in dairy consumption	NH Bank	2.00%	4,430,000	-	Two-year maturity repayment
Less: Present value discount			<u>(110,379)</u>	<u>-</u>	
			<u>4,319,621</u>	<u>-</u>	

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**18. Bonds**

Details of bonds as at December 31, 2023 and 2022, are as follows:

*(in thousands of Korean won)*

Category	Issuance date	Maturity date	Annual interest rate as of December 31, 2023	Amount		Interest payment and repayment
				2023	2022	
Non-guaranteed bond (4)	2020.05.28	2023.05.26	-	-	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				(313,753)	(439,983)	
Less: Current portion of bonds				-	(69,970,453)	
				<u>199,686,247</u>	<u>199,589,564</u>	

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

19.1 Details of net defined benefit liabilities (assets) as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Present value of funded defined benefit obligations	104,799,213	93,303,175
Present value of unfunded defined benefit obligations	619,081	372,722
Total	105,418,294	93,675,897
Fair value of plan assets	(122,602,414)	(113,128,129)
<b>Net defined benefit liabilities(assets)</b>	<b>(17,184,120)</b>	<b>(19,452,232)</b>

19.2 Movements in the defined benefit obligations for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Beginning balance	93,675,897	96,340,575
Current service cost	11,287,999	12,212,970
Interest expense	5,064,420	2,799,035
Remeasurements:		
Actuarial loss (gain) from change in demographic Assumptions	3,099	(691,936)
Actuarial loss (gain) from change in financial assumptions	3,148,001	(12,206,428)
Actuarial loss (gain) from experience adjustments	3,571,468	866,440
Payments from plans:		
Benefit payments	(11,387,643)	(5,678,240)
Liabilities increased in a transfer	311,479	524,536
Liabilities decreased in a transfer	(377,186)	(491,055)
Increase due to business combination	120,759	-
<b>Ending balance</b>	<b>105,418,293</b>	<b>93,675,897</b>

19.3 Movements in the fair value of plan assets for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Beginning balance	113,128,129	92,396,210
Interest income	6,151,655	2,657,817
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	(517,973)	(4,388,760)
Contributions:		
Contributions to plan assets	15,491,779	28,298,000

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Payments from plans:		
Benefit payments	(11,760,447)	(5,868,619)
Assets increased due to transfer	311,479	521,362
Assets decreased due to transfer	(311,108)	(487,881)
Increase due to business combination	108,899	-
<b>Ending balance</b>	<b>122,602,413</b>	<b>113,128,129</b>

19.4 Plan assets as at December 31, 2023 and 2022, consist of:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	2,435,579	2,864,039
Debt instruments	13,451,857	22,113,757
Investment trust	7,908,457	38,936,557
Time deposits	18,362,024	14,724,684
Insurance product fixed interest rate	80,444,496	34,489,092
	<b>122,602,413</b>	<b>113,128,129</b>

As at December 31, 2023, the Group's plan accrual ratio to defined benefit obligations is 116%.

The Group's management considered the level of fund accumulation and the contribution expected to be paid in the business year beginning after the reporting period is ₩ 24,563 thousand.

19.5 The significant actuarial assumptions as at December 31, 2023 and 2022, are as follows:

	<b>2023</b>	<b>2022</b>
Discount rate	3.56%~5.31%	5.76%~6.01%
Salary growth rate	4.49%~5.40%	4.63%~5.41%

19.6 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%	(6,761,621)	7,672,185
Salary growth rate	1.00%	7,748,149	(6,944,860)

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

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calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized in the statement of financial position.

19.7 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.

The expected maturity analysis of undiscounted retirement benefits as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Defined benefit obligation					
as December 31, 2023	16,950,303	9,742,980	26,897,805	107,557,025	161,148,113
Defined benefit obligation					
as December 31, 2022	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 6.96 ~ 10.15 years (2022: 6.95 ~ 10.15 years).

19.8 The expense recognized in the current period in relation to defined contribution plan was ₩ 340,408 thousand (2022: ₩ 302,800 thousand).

**20. Revenue from Contracts with Customers**

20.1 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>2023</b>	<b>2022</b>
Revenue from contracts with customers		
Revenue from sale of goods product and merchandise	1,782,979,216	1,685,152,040
Others	-	491,990
	<u>1,782,979,216</u>	<u>1,685,644,030</u>
Categorization by type of geographical markets		
Domestic	1,717,062,697	1,634,154,636
Overseas	65,916,519	51,489,394
	<u>1,782,979,216</u>	<u>1,685,644,030</u>

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

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Customer loyalty program	<u>840,747</u>	<u>1,437,397</u>

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**21. Tax Expense and Deferred Tax**

21.1 Income tax expense for the years ended December 31, 2023 and 2022, consists of:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Current tax		
Current tax on profits for the year	17,810,915	14,510,814
Deferred tax		
Changes in deferred tax	1,620,249	(2,701,244)
Deferred tax recognized directly to equity	1,572,807	(1,802,193)
<b>Income tax expense</b>	<b>21,003,971</b>	<b>10,007,377</b>

21.2 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>2023</b>	<b>2022</b>
Profit before income tax expense	76,054,030	24,438,338
Tax at domestic tax rates applicable to profits in the respective countries	20,256,969	8,395,476
Adjustments:		
Income not subject to tax	(293,459)	(860,357)
Expenses not deductible for tax purposes	923,476	1,655,737
Tax effect of temporary difference for which no deferred tax asset was recognized	1,086,937	(10,239)
Tax effects of deductions and reduction	(814,842)	(238,899)
Special tax for rural development, foreign taxes paid and others	179,841	67,929
Adjustments in respect of prior years (Additional income tax expense or tax refund)	(227,794)	635,994
Others	(107,157)	361,736
<b>Income tax expense</b>	<b>21,003,971</b>	<b>10,007,377</b>

21.3 The tax effect relating to components of other comprehensive income (expenses) for the years ended December 31, 2023 and 2022, is as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>			<b>2022</b>		
Remeasurement of the net defined benefit liabilities	(7,240,540)	1,551,454	(5,689,086)	7,672,083	(1,667,955)	6,004,128
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	(94,482)	21,353	(73,129)	580,811	(134,238)	446,573
	<u>(7,335,022)</u>	<u>1,572,807</u>	<u>(5,762,215)</u>	<u>8,252,894</u>	<u>(1,802,193)</u>	<u>6,450,701</u>

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21.4 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>2023</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	92,990,734	10,421,334	103,412,068	20,803,436	23,369,276
Pensions	(106,873,671)	(4,789,734)	(111,663,405)	(23,940,980)	(25,234,078)
Depreciation expense	19,208,412	(1,341,827)	17,866,585	3,464,299	4,037,848
Contract liabilities	2,102,773	(502,726)	1,600,047	386,466	361,611
Advanced depreciation provision	(26,776,772)	-	(26,776,772)	(6,051,551)	(6,051,551)
Others	41,842,236	(16,194,056)	25,648,180	9,378,773	5,937,088
	<u>22,493,712</u>	<u>(12,407,009)</u>	<u>10,086,703</u>	<u>4,040,443</u>	<u>2,420,194</u>

(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>

21.5 Details of unrecognized deductible temporary differences as deferred tax assets as at December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

	<b>2023</b>	<b>2022</b>	<b>Remarks</b>
Investments in subsidiaries	39,658,606	25,542,689	No plan for disposal
Deductible temporary difference for subsidiaries	2,552,450	4,633,809	Uncertainty of future taxable profit
Tax deficit	29,018,137	22,345,576	Uncertainty of future taxable profit

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(\*) The maturity of unused losses is as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>
2024-12-31	1,916,111
2025-12-31	780,069
2026-12-31	876,348
2027-12-31	2,376,289
After 2028	23,069,320
	<u>29,018,137</u>

21.6 The aggregate current and deferred tax relating to items that are charged or credited directly to equity for the years ended December 31, 2023 and 2022, is as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	34,668,831	36,619,056
Deferred tax assets to be recovered within 12months	33,068,988	33,950,565
<b>Subtotal</b>	<u>1,599,843</u>	<u>2,668,491</u>
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than 12months	(32,248,638)	(32,578,612)
Deferred tax liabilities to be settled within 12months	(32,080,924)	(32,386,566)
<b>Subtotal</b>	<u>(167,714)</u>	<u>(192,047)</u>
Deferred tax assets, net	<u>2,420,193</u>	<u>4,040,444</u>

21.7 Impact of Pillar Two income taxes

Under the Pillar Two legislation, the Group is liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate.

For 2023, the average effective tax rate (calculated in accordance with paragraph 86 of IAS 12) if the Group entity operating in jurisdiction overseas is:

<i>(In thousands of Korean won)</i>	<b>Beijing Maeil Dairies Co., Ltd</b>	<b>MAEIL AUSTRALIA PTY LTD.</b>
Income tax expense for the reporting period ending December 31, 2023	-	-
Profit before income tax	(1,878,149)	(7,632,187)
Average effective tax rate	-	-

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The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. This assessment indicates there is no jurisdiction China that the average effective tax rate based on accounting loss for the annual reporting period to December 31, 2023.

**22. Issued Capital**

The details of issued capital as at December 31, 2023 and 2022, are as follows:

<i>(in Korean won and in number of shares)</i>	<b>2023</b>	<b>2022</b>
Total number of authorized shares	40,000,000	40,000,000
Par value per share	500	500
Total number of ordinary shares issued	7,843,638	7,843,638
Issued capital (ordinary shares)	3,921,819,000	3,921,819,000

**23. Retained Earnings**

Retained earnings as at December 31, 2023 and 2022, consist of:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Legal reserves		
Earned profit reserves <sup>1</sup>	3,877,712	3,014,417
Unappropriated retained earnings	<u>317,913,457</u>	<u>272,642,064</u>
	<u>321,791,169</u>	<u>275,656,481</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.

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**24. Other Components of Equity**

24.1 Other components of equity as at December 31, 2023 and 2022, consist of:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Capital surplus		
Share premium	256,794,213	256,794,213
Other capital surplus	503,666	507,930
Capital adjustments		
Treasury shares <sup>1</sup>	(44,594,210)	(45,063,301)
Losses on disposal of treasury shares <sup>1</sup>	(1,065,962)	(223,257)
Share-based payments <sup>2</sup>	2,172,400	
Accumulated other comprehensive income(loss)		
Gains from exchange differences on translation	1,192,393	155,254
Gains on valuation of financial assets at fair value through other comprehensive income	120,597	193,726
Gains (losses) on remeasurements of net defined benefit liabilities	(1,338,749)	4,352,442
Share of other comprehensive income(loss) of an associate	11,730	
	<u>213,796,078</u>	<u>216,717,007</u>

<sup>1</sup> During the current year, the parent company paid 40,240 shares of its treasury stock to its employees (2022: 40,629 shares) , 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. Meanwhile, the parent company acquires registered common stocks and records them as other components of equity in order to stabilize the price of its own stocks during the current period.

<sup>2</sup>During the year ended December 31, 2023, the parent company provided stock options (RSU; Restricted Stock Unit) by granting shares of the parent company to executives. In accordance with Korean IFRS 1102, the parent company accounts for the fair value of stock options as share compensation expense and other components of equity over the vesting period.

24.2 Details of the treasury shares as at December 31, 2023 and 2022, are as follows:

<i>(in number of shares)</i>	<b>2023</b>	<b>2022</b>
Beginning balance	658,519	449,658
Acquisition	44,906	262,086
Disposal	(40,240)	(53,225)
<b>Ending balance</b>	<u>663,185</u>	<u>658,519</u>

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**25. Selling and Administrative Expenses**

Selling and administrative expenses for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Salaries	83,277,994	74,016,754
Post-employment benefits	6,829,727	7,704,122
Sales commissions	49,757,015	53,302,014
Commission expenses	82,425,962	80,843,633
Depreciation (property, plant and equipment and, right-of-use assets)	7,113,343	7,879,939
Amortization expense	1,931,911	1,676,694
Advertising expenses	88,064,268	91,627,695
Freight expenses	49,430,188	52,501,502
Other	56,513,595	55,170,525
	<u>425,344,003</u>	<u>424,722,878</u>

**26. Other Income and Expenses**

Other income and expenses for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Other income:		
Rental income	369,393	303,810
Gains on foreign currency transaction	4,460,464	2,878,843
Gains on foreign currency translation	237,962	367,009
Gains on disposals of property, plant and equipment	113,826	113,916
Gains on disposals of right-of-use asset	47,196	182
Miscellaneous revenue	1,521,949	1,505,908
	<u>6,750,790</u>	<u>5,169,668</u>
Other expenses:		
Other bad debt allowance	444,827	976,079
Losses on foreign exchange transaction	4,323,444	3,736,132
Losses on foreign currency translation	540,099	2,466,153
Donations	1,873,087	1,924,491
Losses on disposals of property, plant and equipment	61,903	23,992
Losses on disposals of intangible assets	126,435	-
Losses on disposals of right-of-use asset	-	3,683
Impairment loss on property, plant and equipment	1,858,652	-
Impairment loss on intangible assets	-	144,399
Miscellaneous losses	1,630,234	1,310,781
	<u>10,858,681</u>	<u>10,585,710</u>

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**27. Breakdown of Expenses by Nature**

Breakdown of expenses by nature for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Changes in inventories of merchandise, finished goods and semi-finished goods	13,423,555	(33,562,042)
Raw materials and minor ingredients used, purchase of merchandise	1,042,858,390	1,069,552,225
Employee benefits expenses	177,728,771	160,851,444
Depreciation (property, plant and equipment and, right-of-use assets) and amortization	41,796,862	38,784,919
Freight expenses	54,167,445	57,249,746
Advertising expenses	88,064,268	91,627,695
Other expenses	292,710,803	240,451,966
<b>The cost of sales, and selling and administrative expenses total</b>	<b>1,710,750,094</b>	<b>1,624,955,953</b>

**28. Earnings per Share**

28.1 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, 2023 and 2022, are as follows:

<i>(In Korean won and in number of shares)</i>	<b>2023</b>	<b>2022</b>
Profit attributable to the ordinary equity holders of the Parent Company	55,008,054,403	14,394,852,570
Weighted average number of ordinary shares outstanding <sup>1</sup>	7,163,915	7,323,442
<b>Basic earnings per share</b>	<b>7,678</b>	<b>1,966</b>

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

<i>(In number of shares, days)</i>	<b>2023</b>	<b>2022</b>
Number of ordinary shares		
Opening balance	7,185,119	7,393,980
Acquisition of treasury shares	(44,906)	(262,086)
Disposal of treasury shares	40,240	53,225
Ending balance	7,180,453	7,185,119
Accumulated common shares outstanding	2,614,829,037	2,673,056,477
Number of days	365	365
<b>Weighted average number of ordinary shares</b>	<b>7,163,915</b>	<b>7,323,442</b>

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28.2 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.

**29. Dividends**

A dividend in respect of the year ended December 31, 2023, of ₩ 1,200 (2022: ₩ 1,200) per share, amounting to a total dividend of ₩ 8,616,544 thousand (2022: ₩ 8,632,943 thousand), is to be proposed to shareholders at the annual general meeting on March 29, 2024. As of December 31, 2023, there are no accounts payable related to dividends.

**30. Cash Flows**

30.1 Cash flows generated from operations for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
<b>Profit</b>	55,050,060	14,430,961
<b>Adjustments for:</b>		
Income tax expense	21,003,971	10,007,377
Interest income	(3,752,143)	(3,329,074)
Interest expenses	5,525,855	6,094,103
Dividends income	(2,681,230)	(2,542,649)
Losses on abandonment of inventories	2,207,896	2,288,004
Loss on (reversal of) valuation of inventories	(1,865,437)	1,902,020
Post-employment benefits	10,200,764	12,354,189
Bonus	4,035,512	2,833,731
Depreciation (property, plant and equipment and, right-of-use assets)	39,484,053	36,665,253
Amortization	2,312,809	2,119,666
Losses on disposals of property, plant and equipment	61,903	23,992
Impairment loss on property, plant and equipment	1,858,652	-
Gains on disposals of property, plant and equipment	(113,826)	(113,916)
Losses on disposal of intangible assets	126,435	-
Impairment loss on intangible assets	-	144,399
Losses on disposal of right-of-use asset	-	3,683
Gains on disposal of right-of-use asset	(47,196)	(182)
Gains on derivative transactions	(3,928,121)	(3,223,581)
Losses on derivative transactions	1,872,204	3,186,260
Gains on valuation of derivatives	(115,347)	-
Loss on foreign exchange translations	540,099	2,466,153
Gain on foreign exchange translations	(237,962)	(367,009)

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Bad debt expenses	277,004	59,501
Other bad debt expenses	444,827	976,079
Losses on disposal of financial assets at fair value through profit or loss	110,155	5,988,742
Losses on valuation of financial assets at fair value through profit or loss	2,765,253	24,343,865
Gains on disposal of financial assets at fair value through profit or loss	(1,494,515)	(703,778)
Gains on valuation of financial assets at fair value through profit or loss	(5,945,791)	(1,343,996)
Losses (profits) of associates accounted for using equity method	(289,121)	45,305
Emission cost	87,366	49,494
	72,444,069	99,927,631
<b>Changes in net operating assets and liabilities:</b>		
Trade receivables	(12,826,644)	(19,158,628)
Other receivables	786,483	4,065,782
Other current assets	(909,152)	2,223,406
Inventories	49,580,875	(64,257,231)
Other non-current assets	237,476	(17,189)
Trade payables	8,787,636	6,346,465
Other payables	(1,288,342)	6,915,549
Provisions	(394,107)	224,576
Other current liabilities	1,298,702	(2,476,257)
Other non-current payables	(351,070)	82,132
Derivative assets and liabilities	(188,103)	2,281,341
Net defined benefit liabilities	306,726	190,380
Plan assets	(15,491,779)	(28,298,000)
Other non-current liabilities	1,594,144	993,123
	31,142,845	(90,884,551)
<b>Cash generated from operations</b>	158,636,974	23,474,041

30.2 Significant non-cash transactions for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Transfer of construction-in-progress to property, plant, and equipment	10,933,715	24,442,139
Transfer of construction-in-progress to intangible assets	1,842,656	508,053
Increase (decrease) in other payables related to acquisition of property, plant, and equipment	2,036,977	(619,325)
Decrease in other payables related to acquisition of intangible assets	196,075	(347,135)
Increase in right-of-use assets and lease liabilities	2,694,758	1,348,081
Payment of treasury shares	2,705,818	3,873,030
Transfer of lease liabilities to current portion	889,439	3,897,679
Transfer of financial instruments to current portion	-	6,412,538
Transfer of bonds to current portion	-	69,927,992
Increase in dividend-related receivables	62,246	-

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30.3 Changes in liabilities arising from financial activities for the years ended December 31, 2023 and 2022, 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>Long-term Borrowings</b>	<b>Total</b>
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
Reclassification of current portion	69,927,992	(69,927,992)	-	-	-
Others	42,461	123,590	114,266	-	280,317
At December 31, 2022	69,970,453	199,589,564	7,763,562	-	277,323,579
At January 1, 2023	69,970,453	199,589,564	7,763,562	-	277,323,579
Cash flows	(70,000,000)	-	(4,757,422)	4,430,000	(70,327,422)
Exchange differences	-	-	168,185	-	168,185
Acquisition – leases	-	-	2,694,758	-	2,694,758
Others	29,547	96,683	(186,986)	(110,379)	(171,135)
At December 31, 2023	-	199,686,247	5,682,097	4,319,621	209,687,965

**31. Contingencies and Commitments**

31.1 Details of the check provided as collateral for the years ended December 31, 2023, are as follows:

*(in thousands of Korean won)*

<b>Type</b>	<b>Provided to</b>	<b>Numbers of checks</b>	<b>Amount</b>	<b>Remarks</b>
Checks	Korea Dairy committee	1	13,757,820	Raw milk supply contract deposit

31.2 The Group's major agreements with financial institutions as at December 31, 2023, are as follows:

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

<b>Classification</b>	<b>Currency</b>	<b>Financial Institution</b>	<b>Committed amount</b>
Borrowings and others	KRW	Export-Import Bank of Korea, etc.	94,430,000
Import credit	USD	KEB Hana Bank	2,000,000
Payment guarantee	KRW	KEB Hana Bank	54,000,000
Electronic bills	KRW	SHINHAN Bank, etc.	28,000,000
Derivative financial instruments	USD	SHINHAN Bank	10,000,000

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31.3 The Parent Company has contracts with Hershey Food Corporation, etc. regarding the use of trademarks.

31.4 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.

31.5 The Group was provided with contract performance guaranteed by Seoul Guarantee Insurance Company amounting to ₩ 6,488,836 thousand (2022: ₩ 3,395,244 thousand).

31.6 At the end of the reporting period, in accordance with Article 530-9 Paragraph 1 of the Commercial Law of the Republic of Korea, the Group and Maeil Health Nutrition Co., Ltd., are jointly and severally liable for the liabilities of the company prior to the spin off date.

31.7 The bond collection agreement for unsecured public bonds issued by the parent company 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 ₩ 200,000 million as of December 31, 2023 and there is no violation of the regulation as of December 31, 2023.

31.8 Pending litigations that the Group is involved in as at December 31, 2023, include one lawsuit where the Parent Company stands as a defendant with the claim amount of ₩ 3,761 million. The Group cannot reasonably estimate the impact of the lawsuit on its financial statements and the outcome of the lawsuit as at December 31, 2023.

31.9 At the end of the reporting period, the Group is currently undergoing with review of the legality before taxation, the review in relation to the taxation notice from the Customs Office. The Group believes that it is probable that the Group will win the tax appeal and has not recognized provisions because the Group has determined that there is a low possibility of an outflow of resources.

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**32. Related Party Transactions**

32.1 Related parties of the Group as at December 31, 2023 and 2022, are as follows:

Type	2023	2022
Ultimate parent company	Maeil Holdings Co., Ltd.	Maeil Holdings Co., Ltd.
Associate	The VAKERS Co., Ltd.	The VAKERS Co., Ltd.
Other related parties	Zero to Seven Inc. Les Vins Co., Ltd <sup>1</sup> Crystal Jade Korea Co., Ltd <sup>2</sup> M's FOOD SYSTEM CO., LTD. m's seed co., Ltd. Sangha Dairy Development Co., Ltd. Sangha Farm Co., Ltd Korea Food Services Corporation Bon Mangé Co., Ltd M's beverage CO., Ltd. MD WELL, INC. <sup>3</sup> M's Partners Co., Ltd JP LOGISTICS <sup>4</sup> JP INTERNATIONAL Co., Ltd. <sup>5</sup> CK Corporations Co., Ltd.	Zero to Seven Inc. Les Vins Co., Ltd <sup>1</sup> Crystal Jade Korea Co., Ltd <sup>2</sup> M's FOOD SYSTEM CO., LTD. m's seed co., Ltd. Sangha Dairy Development Co., Ltd. Sangha Farm Co., Ltd Korea Food Services Corporation Bon Mangé Co., Ltd M's beverage CO., Ltd. MD WELL, INC. <sup>3</sup> M's Partners Co., Ltd JP LOGISTICS <sup>4</sup> JP INTERNATIONAL Co., Ltd. <sup>5</sup> CK Corporations Co., Ltd.

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

<sup>2</sup>During the current year, Crystal Jade Korea Co., Ltd. was liquidated.

<sup>3</sup>During the current period, Maeil Holdings Co., Ltd., ultimate parent company, sold the entire shares in MD Well, Inc., a joint venture. Meanwhile, The Group acquired the business division of MD Well I&C Co., Ltd. during the current period, and related details are stated in Note 36.

<sup>4</sup>During the prior year, Pyeongtaek Trading & Logistics Co., Ltd. changed its name to JP LOGISTICS.

<sup>5</sup> During the prior year, PTL International Co., Ltd. changed its name to JP INTERNATIONAL Co., Ltd.

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32.2 Transactions with related parties for the years ended December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

**2023**

Name of Entity	Sales	Purchases	Rental income	Rental expenses	Advertising expenses	Commissions	Other income	Other expenses	Acquisition of right-of-use assets
<b>Ultimate parent Company</b>									
Maeil Holdings Co., Ltd.	164	-	-	11,438	-	12,030,489	10,662	308,777	79,023
<b>Associate</b>									
The VAKERS Co., Ltd.	1,099,105	27,460	262,065	-	5,610	10,866	21,290	-	-
<b>Other related parties</b>									
Zero to Seven Inc	963,792	1,724,132	-	-	-	41,104	-	-	-
Les Vins Co., Ltd	-	1,075	3,924	-	-	-	-	17,435	-
M's FOOD SYSTEM CO., LTD.	23,754,386	860,459	-	-	-	212,009	-	42,233	-
m's seed co., Ltd.	8,385,441	107,961	-	-	24,271	7,840	68,416	-	-
Sangha Dairy Development Co., Ltd.	-	2,205,958	-	-	-	-	22,054	-	-
Sangha Farm Co., Ltd	857,074	9,358,071	-	93,900	16,000	35,905	1,440	437,910	-
Korea Food Services Corporation	8,989,126	-	-	-	-	-	7,012	5,758	-
M's beverage CO. Ltd.	-	-	7,200	-	-	-	-	-	-
MD WELL, INC.	11,144,527	-	-	-	-	-	8,913	-	-
M's Partners Co., Ltd.	16,243	-	-	-	972,840	7,884,436	693	86,778	-
JP LOGISTICS	35,135	-	22,456	4,139,311	76,159	20,615,775	-	199,287	-
JP INTERNATIONAL Co., Ltd.	-	10,134,497	-	-	-	5,046	-	554,049	-
CK Corporations Co., Ltd	46,221	14,565,612	-	-	292	-	-	20,994	-
	<u>55,291,214</u>	<u>38,985,225</u>	<u>295,645</u>	<u>4,244,649</u>	<u>1,095,172</u>	<u>40,843,470</u>	<u>140,480</u>	<u>1,673,221</u>	<u>79,023</u>

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**2022**

Name of Entity	Sales	Purchases	Rental income	Rental expenses	Advertising expenses	Commissions	Other income	Other expenses	Acquisition of right-of-use assets
<b>Ultimate parent Company</b>									
Maeil Holdings Co., Ltd.	464	31,385	-	-	-	10,349,940	11,456	1,219	38,681
<b>Associate</b>									
The VAKERS 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.	-	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	9,426,897	-	-	-	18	-	228	-	-
Bon Mangé Co., Ltd.	58,697	4,937	-	-	-	-	-	-	-
M's beverage CO., Ltd	-	-	7,200	-	-	-	-	-	-
MD WELL, INC.	8,953,014	-	-	-	-	-	24,654	-	-
M's Partners Co., Ltd.	33,122	-	-	-	1,966,183	7,940,170	1,386	-	-
JP LOGISTICS	50,299	-	22,598	4,512,140	169,758	20,474,203	-	40,616	-
JP INTERNATIONAL Co., Ltd.	-	10,385,431	-	-	-	9,671	-	690,387	-
CK Corporations Co., Ltd.	56,213	16,424,988	-	-	-	-	-	48,010	-
	<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>

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32.3 Outstanding balances from related parties and others

Outstanding balances arising from related party transactions as of December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)	2023				
	Receivables		Payables		
	Trade receivables	Other receivables	Trade payables	Other payables	Lease liabilities (*)
<b>Ultimate parent Company</b>					
Maeil Holdings Co., Ltd.	-	150,551	-	1,552,173	3,254
<b>Associate</b>					
The VAKERS Co., Ltd	222,316	27,604	1,816	756	-
<b>Other related parties</b>					
Zero to Seven Inc.	110,419	204	288,126	971	-
Les Vins Co., Ltd.	-	195	356	-	-
Crystal Jade Korea. Co., Ltd.	-	-	-	-	-
M's FOOD SYSTEM CO., LTD.	2,748,145	2,768	78,805	26,570	-
m's seed co., Ltd.	347,634	22,376	15,855	56,056	-
Sangha Dairy Development Co., Ltd	-	2,022	76,181	1,946	-
Sangha Farm Co., Ltd	52,988	326	769,527	190,465	-
Korea Food Services Corporation	1,478,555	7,463	-	-	-
MD WELL, INC.	-	-	-	-	-
M's Partners Co., Ltd.	-	-	-	767,826	-
JP LOGISTICS	1,316	10,475	-	2,004,482	-
JP INTERNATIONAL Co., Ltd.	-	-	-	213,569	-
CK Corporations Co., Ltd	1,141	-	1,789,980	12,224	-
	4,962,514	223,984	3,020,646	4,827,038	3,254

(\*) During the current year, the right-of-use assets recognized in accordance with the lease contract with a related party are ₩ 4,027 thousand, the lease liabilities are ₩3,254 thousand, the amortization cost of the right-of-use assets for the current year are ₩ 79,023 thousand, the repayment amount of lease liabilities are ₩ 79,920 thousand, and the interest expense is ₩ 897 thousand.

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(In thousands of Korean won)	2022				
	Receivables		Payables		
	Trade receivables	Other receivables	Trade payables	Other payables	Lease liabilities
<b>Ultimate parent Company</b>					
Maeil Holdings Co., Ltd.	-	150,390	6,651	1,020,196	3,254
<b>Associate</b>					
The VAKERS 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.	-	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	1,616,657	250	-	-	-
MD WELL, INC.	2,514,793	21,846	-	-	-
M's Partners Co., Ltd.	-	1,525	-	912,415	-
JP LOGISTICS	1,890	3,949	-	2,005,099	-
JP INTERNATIONAL Co., Ltd.	-	-	-	43,101	-
CK Corporations Co., Ltd.	2,660	-	1,047,051	1,269	-
	<u>7,738,961</u>	<u>214,916</u>	<u>2,261,490</u>	<u>4,145,219</u>	<u>3,254</u>

32.4 Fund transactions with related parties for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

Type	Name of entity	2023	2022	Remarks
Ultimate parent Company	Maeil Holdings Co., Ltd	2,923,817	2,923,817	Dividend payment

32.5 Key management includes directors (executive), members of the Executive Committee, the Group Secretary and the Head of Internal Audit. The compensation paid or payable to key management for employee services for the years ended December 31, 2023 and 2022, consists of:

(in thousands of Korean won)	2023	2022
Salaries	3,536,524	2,166,988
Retirement benefit	376,890	392,823
Share-based payments	2,172,400	-
	<u>6,085,814</u>	<u>2,559,811</u>

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

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**33. Operating Segment Information**

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

33.1.1 Operating segment information for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>		
	<b>Dairy processing</b>	<b>Others</b>	<b>Total</b>
Revenue	1,096,908,946	686,070,270	1,782,979,216
Operating profit	58,822,943	13,406,179	72,229,122
Depreciation (property, plant and equipment and, right-of-use assets), amortization)	25,713,902	16,082,961	41,796,863

<i>(in thousands of Korean won)</i>	<b>2022</b>		
	<b>Dairy processing</b>	<b>Others</b>	<b>Total</b>
Revenue	1,045,748,889	639,895,141	1,685,644,030
Operating profit	44,119,759	16,568,318	60,688,077
Depreciation (property, plant and equipment and, right-of-use assets), amortization)	24,061,596	14,723,323	38,784,919

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33.1.2 Segment assets and liabilities as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>			
	<b>Dairy processing</b>	<b>Others</b>	<b>Adjustments<sup>3,4</sup></b>	<b>Total</b>
Assets <sup>1,3</sup>	573,979,778	359,000,136	39,821,590	972,801,504
Acquisition of non-current assets <sup>2</sup>	23,004,896	14,388,591	-	37,393,487
Liabilities <sup>1,4</sup>	133,513,684	83,507,176	215,695,027	432,715,887

  

<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

<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 financial instrument are not distributed to operating segments.

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

33.2 Overall disclosures of the Group

33.2.1 Details of the Group's revenue for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Revenue		
Revenue from sale of finished goods	1,591,717,511	1,419,000,231
Revenue from sale of merchandise	191,261,705	266,151,809
Others	-	491,990
	<u>1,782,979,216</u>	<u>1,685,644,030</u>
Timing of revenue recognition:		
Goods and services transferred at a point in time	1,782,979,216	1,685,152,040
Goods and services transferred over time	-	491,990
	<u>1,782,979,216</u>	<u>1,685,644,030</u>

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33.2.2 The Group's revenue by region for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Korea	1,717,062,697	1,634,154,636
Asia	57,751,722	45,379,149
Others	8,164,797	6,110,245
	<u>1,782,979,216</u>	<u>1,685,644,030</u>

33.2.3 Revenues of approximately ₩ 222,284,595 thousand (2022: ₩ 186,500,859 thousand), over 10% of the Group's revenue, are derived from a single external customer. These revenues are attributed to dairy processing others segment.

**34. Emission rights and Emission liabilities**

34.1 Emission rights

34.1.1 The quantities of emission rights which are allocated free of charge for the 3rd planning period (2021~2025) and implementation year as at December 31, 2023, 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>
Free allocated emission rights	106,913	101,889	101,903	100,948	100,948	512,601
Emissions	120,964	120,156	Undecided	Undecided	Undecided	Undecided

34.1.2 Changes in emission rights quantities for the years ended December 31, 2023 and 2022, are as follows:

<i>(Quantity: KAU Amount: in thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
	<b>Quantity</b>	<b>Carrying amount</b>	<b>Quantity</b>	<b>Carrying amount</b>
Beginning balance	101,911	-	111,913	-
Free allocation	101,881	-	96,911	-
Purchase	26,267	296,865	14,051	287,283
Submitted to government	(120,156)	(229,398)	(120,964)	(287,283)
Ending balance	<u>106,911</u>	<u>67,467</u>	<u>101,911</u>	<u>-</u>

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34.1.3 There are no emission rights provided as collateral as at December 31, 2023

34.2 Emission liabilities

34.2.1 The estimated quantity of emissions for the current implementation year of 2023 is 118,194 tons (tCO<sub>2</sub>-eq), and an emission liability of ₩147,152 thousand was recognized for the estimated shortage of approximately 16,314 tons (tCO<sub>2</sub>-eq).

34.2.2 Details of emission liabilities for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Beginning balance	289,184	526,974
Increase	414,800	559,200
Decrease	(556,832)	(796,990)
Ending balance	147,152	289,184

**35. Business combination**

The Parent Company acquired business of MD WELL, INC. during the year ended December 31, 2023.

35.1 Details of the business combination that occurred during the current period are as follows.

<i>(In thousands of Korean won)</i>	<b>Acquired corporation</b>
Name of corporation	MD WELL, INC.
Acquisition date	2023-12-31
Consideration transferred	1,414,927

35.2 Details of the fair value of consideration transferred from the business combination occurred during the year ended December 31, 2023, are as follows:

<i>(In thousands of Korean won)</i>	<b>Amount</b>
Cash and cash equivalents	1,414,927

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35.3 The fair values of assets acquired and liabilities assumed at the acquisition date as a result of the business combination occurred during the year ended December 31, 2023, are as follows:

<i>(In thousands of Korean won)</i>	<b>Amount</b>
Book amount of acquired or assumed assets	
Trade and other receivables	3,347,966
Loans	43,361
Other current assets	882
Inventories	743,360
Property, plant and equipment	500,470
Intangible assets	32,133
Deferred tax assets	2,479
Total assets	<u>4,670,651</u>
Book amount of acquired or assumed liabilities	
Trade and other payables	3,455,938
Other current liabilities	2,049
Net defined benefit liabilities	11,860
Total liabilities	<u>3,469,847</u>
Fair value of identifiable net assets	<u>1,200,804</u>
Goodwill <sup>1</sup>	<u>214,123</u>

<sup>1</sup>The recognized goodwill is not deductible for tax purposes.

35.4 There are no revenue and net profit of business of MD WELL, INC., included in the consolidated statement of comprehensive income for the year ended December 31, 2023. Had the business of MD WELL, INC. been acquired from January 1, 2023, the consolidated statement of comprehensive income would have shown a revenue of ₩ 21,160,132 thousand and loss of ₩ 1,034,924 thousand in relation to the business of MD WELL, INC..