

Maeil Dairies Co., Ltd. and Subsidiaries
Consolidated Financial Statements
December 31, 2024 and 2023

Maeil Dairies Co., Ltd. and Subsidiaries
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December 31, 2024 and 2023

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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 consolidated financial statements of Maeil Dairies Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including 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, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

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

Key Audit Matters

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

Occurrence of revenue recognition in distribution companies

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 from the sales to 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 related to 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 the revenue recognition process and related controls and assessed those controls.
- Compared transactions recorded as revenue during the reporting period with supporting documents on a sample basis.
- Analyzed sales deduction items through contract review by types and examined supporting documents on a sample basis
- Performed external confirmation for trade receivables corresponding to revenue recognized on a sample basis.

Other Matter

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

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

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yun-Won Jang, Certified Public Accountant.

Seoul, Korea
March 20, 2025

This report is effective as of March 20, 2025, 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 Subsidiaries
Consolidated Statements of Financial Position
December 31, 2024 and 2023

<i>(in Korean won)</i>	Notes	December 31, 2024	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents	4,6	199,655,661,211	139,407,573,021
Financial assets at fair value through profit or loss	4,5,6,7	42,837,861,792	67,159,415,695
Short-term financial instrument	4,6	2,000,000,000	19,526,064,000
Derivative financial instrument	4,5,6	-	115,347,489
Trade and other receivables	4,6,8,32	191,707,696,891	183,830,009,657
Inventories	10	205,712,793,584	185,847,134,533
Current tax assets	21	51,801,240	76,594,760
Other current assets	9	8,236,123,688	8,038,756,635
Lease receivables	13	-	123,749,844
		<u>650,201,938,406</u>	<u>604,124,645,634</u>
Non-current assets			
Investments in associates	14	-	5,374,408,064
Financial assets at fair value through profit or loss	4,5,6,7	20,537,697,870	19,897,516,120
Financial assets at fair value through other comprehensive income	4,5,6,7	2,494,925,064	2,494,925,064
Long-term financial instrument	4,6	10,006,000,000	10,006,000,000
Other receivables	4,6,8,32	12,821,877,129	13,819,246,133
Property, plant and equipment	11	260,319,255,810	271,085,110,296
Intangible assets	12	29,587,878,809	14,709,986,560
Right-of-use assets	13,32	14,257,242,947	5,958,834,330
Deferred tax assets	21	6,590,894,388	2,420,192,958
Net defined benefit assets	19	13,075,426,530	17,184,119,998
Other non-current assets	9	6,391,061,851	5,726,519,069
		<u>376,082,260,398</u>	<u>368,676,858,592</u>
Total assets		<u>1,026,284,198,804</u>	<u>972,801,504,226</u>
Liabilities			
Current liabilities			
Trade and other payables	4,6,15,32	193,863,616,797	190,030,160,257
Current portion of long-term borrowings	4,6,17,31	4,404,992,363	-
Lease liabilities	4,13,32	5,106,200,007	2,712,696,713
Current tax liabilities	21	11,514,559,746	11,689,158,211
Other current liabilities	16,20,34	14,286,696,489	11,275,388,203
Provisions		97,071,234	197,731,391
		<u>229,273,136,636</u>	<u>215,905,134,775</u>
Non-current liabilities			
Other payables	4,6,15,32	3,506,000,000	3,752,845,200
Long-term borrowings	4,6,17,30	-	4,319,621,273
Bonds	4,6,18,30	199,785,093,085	199,686,247,168
Lease liabilities	4,13,32	8,527,746,039	2,969,399,604
Provisions		752,832,036	131,020,067
Other non-current liabilities	16	9,198,449,531	5,951,618,282
		<u>221,770,120,691</u>	<u>216,810,751,594</u>
Total liabilities		<u>451,043,257,327</u>	<u>432,715,886,369</u>
Equity			
Equity attributable to owners of the Parent Company			
Issued capital	22	3,921,819,000	3,921,819,000
Retained earnings	23	358,634,719,037	321,791,168,362
Other components of equity	24	211,940,611,175	213,796,077,839
		<u>574,497,149,212</u>	<u>539,509,065,201</u>
Non-controlling interest		<u>743,792,265</u>	<u>576,552,656</u>
Total equity		<u>575,240,941,477</u>	<u>540,085,617,857</u>
Total liabilities and equity		<u>1,026,284,198,804</u>	<u>972,801,504,226</u>

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

Maeil Dairies Co., Ltd. and Subsidiaries

Consolidated Income Statements

Years Ended December 31, 2024 and 2023

<i>(in Korean won)</i>	Notes	2024	2023
Revenue	20,32,33	1,811,435,717,578	1,782,979,215,597
Cost of sales	10,27,32	<u>(1,305,564,605,115)</u>	<u>(1,285,406,091,808)</u>
Gross profit		505,871,112,463	497,573,123,789
Selling and administrative expenses	25,27,32	<u>(435,534,894,725)</u>	<u>(425,344,002,557)</u>
Operating profit	33	70,336,217,738	72,229,121,232
Other income	26,32	9,891,360,619	6,750,789,873
Other expenses	26,32	(13,914,359,989)	(10,858,681,473)
Financial income	6		
Dividends income		1,647,311,996	2,681,229,853
Interest income		5,535,089,044	3,752,143,234
Gains on transaction of derivative		825,000,000	3,928,120,519
Gain on valuation of derivative		-	115,347,489
Gains on disposal of financial assets at FVPL		3,944,687,793	1,494,514,962
Gains on valuation of financial assets at FVPL		<u>730,784,036</u>	<u>5,945,790,920</u>
		<u>12,682,872,869</u>	<u>17,917,146,977</u>
Financial expenses	6		
Interest expenses		5,121,468,355	5,525,855,188
Losses on transaction of derivative		2,991,325,489	1,872,203,735
Losses on disposal of financial assets at FVPL		-	110,154,711
Losses on valuation of financial assets at FVPL		<u>5,474,885,165</u>	<u>2,765,253,332</u>
		<u>(13,587,679,009)</u>	<u>(10,273,466,966)</u>
Profit or loss on investment in associates			
Gain (loss) on equity method	14	<u>(1,320,146,446)</u>	<u>289,120,565</u>
Profit before tax		64,088,265,782	76,054,030,208
Income tax expense	21	<u>(18,550,542,296)</u>	<u>(21,003,970,573)</u>
Profit for the year		<u>45,537,723,486</u>	<u>55,050,059,635</u>
Attributable to owners of the Parent Company		45,459,014,967	55,008,054,403
Attributable to non-controlling interests		78,708,519	42,005,232
Earnings per share			
Basic and diluted earnings per share	28	6,304	7,678

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

Maeil Dairies Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2024 and 2023

<i>(in Korean won)</i>	Notes	2024	2023
Profit for the year		45,537,723,486	55,050,059,635
Other comprehensive income (loss)			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of net defined benefit liability	19,21	(4,875,662,456)	(5,689,086,098)
Gain (loss) on valuation of financial assets at FVOCI	6,21	-	(313,553,606)
		(4,875,662,456)	(6,002,639,704)
<i>Items that will be reclassified to profit or loss</i>			
Gain (loss) from exchange differences on translation		1,191,322,988	1,037,139,962
Share of other comprehensive income of associates	14	(10,650,710)	11,730,018
		1,180,672,278	1,048,869,980
		(3,694,990,178)	(4,953,769,724)
Total comprehensive income for the year		41,842,733,308	50,096,289,911
Attributable to owners of the Parent Company		41,771,230,446	50,052,179,206
Attributable to non-controlling interests		71,502,862	44,110,705

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

Maeil Dairies Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

Years Ended December 31, 2024 and 2023

(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		
Balance at January 1, 2023		3,921,819,000	275,656,481,297	216,717,006,667	496,295,306,964	528,178,082	496,823,485,046
Total comprehensive income							
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
Other comprehensive income (loss)							
Transfer on valuation of financial assets at FVOCI		-	(240,424,538)	240,424,538	-	-	-
Total transactions with owners							
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	-
Balance at December 31, 2023		<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>
Balance at January 1, 2024		3,921,819,000	321,791,168,362	213,796,077,839	539,509,065,201	576,552,656	540,085,617,857
Total comprehensive income							
Profit for the year		-	45,459,014,967	-	45,459,014,967	78,708,519	45,537,723,486
Remeasurement of net defined benefit liabilities	19	-	-	(4,868,456,799)	(4,868,456,799)	(7,205,657)	(4,875,662,456)
Gain or loss from exchange differences on translation		-	-	1,191,322,988	1,191,322,988	-	1,191,322,988
Share of other comprehensive income (loss) of associates	14	-	-	(10,650,710)	(10,650,710)	-	(10,650,710)
Total transactions with owners							
Dividends paid	29	-	(8,616,543,600)	-	(8,616,543,600)	-	(8,616,543,600)
Acquisition of treasury stocks		-	-	1,693,693,459	1,693,693,459	-	1,693,693,459
Stock compensation cost		-	-	235,440,453	235,440,453	-	235,440,453
Increase in subsidiary's paid-in-capital		-	-	(95,736,747)	(95,736,747)	95,736,747	-
Transfer of gains (losses) on disposal of investment in associates to retained earnings							
		-	1,079,308	(1,079,308)	-	-	-
Balance at December 31, 2024		<u>3,921,819,000</u>	<u>358,634,719,037</u>	<u>211,940,611,175</u>	<u>574,497,149,212</u>	<u>743,792,265</u>	<u>575,240,941,477</u>

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

Maeil Dairies Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

<i>(in Korean won)</i>	Notes	2024	2023
Cash flows from operating activities			
Net cash generated from operations	30	93,678,935,255	158,636,974,416
Interest received		5,365,232,703	3,629,844,015
Interest paid		(5,011,050,120)	(5,443,835,883)
Dividend received		1,689,994,988	2,618,983,823
Income taxes paid		(21,170,305,898)	(8,286,363,720)
Net cash flows from operating activities		<u>74,552,806,928</u>	<u>151,155,602,651</u>
Cash flows from investing activities			
Decrease in financial assets at fair value through profit or loss		25,773,266,817	28,427,451,234
Increase in financial assets at fair value through profit or loss		(2,891,308,000)	(3,089,739,091)
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)
Decrease in short-term financial instruments		17,543,633,216	6,511,664,142
Increase in short-term financial instruments		(17,569,216)	(8,001,700,000)
Decrease in loans		35,721,156	-
Decrease in deposits		1,693,616,141	1,684,141,222
Increase in deposits		(270,420,825)	(417,177,541)
Decrease in lease receivables		41,034,794	40,821,131
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		5,600,000,000	-
Proceeds from disposal of property, plant and equipment		306,122,887	273,168,564
Purchase of property, plant and equipment		(24,533,629,872)	(30,645,864,265)
Purchase of intangible assets		(11,690,106,508)	(4,514,569,636)
Increase in other non-current assets		(791,210,500)	(617,297,610)
Cash outflow in a business combination		(9,746,784,985)	(1,414,927,494)
Net cash flows from (used in) investing activities		<u>1,052,365,105</u>	<u>(9,147,945,882)</u>
Cash flows from financing activities			
Proceeds from short-term borrowings		3,800,000,000	-
Repayments of short-term borrowings		(3,800,000,000)	-
Proceeds from long-term borrowings		-	4,430,000,000
Repayment of current portion of bonds		-	(70,000,000,000)
Decrease in lease liabilities		(7,615,671,396)	(4,757,421,853)
Dividends paid to shareholders		(8,616,543,600)	(8,632,942,800)
Acquisition of treasury stocks		-	(2,236,726,300)
Net cash flows used in financing activities		<u>(16,232,214,996)</u>	<u>(81,197,090,953)</u>
Effects of exchange rate changes on cash and cash equivalents		875,131,153	(50,646,894)
Increase in cash and cash equivalents		60,248,088,190	60,759,918,922
Cash and cash equivalents at the beginning of period		<u>139,407,573,021</u>	<u>78,647,654,099</u>
Cash and cash equivalents at the end of period		<u>199,655,661,211</u>	<u>139,407,573,021</u>

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

Maeil Dairies Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

1. General Information

1.1 The Parent Company

Maeil Dairies Co., Ltd. (hereinafter referred to as "the Parent Company") was newly established for the purpose of manufacturing and selling dairy products by splitting-off 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, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>		
	Ownership (%)	Ownership (%)	Location	Closing month
Beijing Maeil Dairies Co., Ltd.	100	100	China	December
MAEIL AUSTRALIA PTY LTD.	100	100	Australia	December
Maeil Health Nutrition Co., Ltd.	100	100	Korea	December
M's bakers Co., Ltd.	96	95	Korea	December

Maeil Dairies Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

1.2.2 Summarized Financial Information

Summarized financial position for consolidated subsidiaries as of December 31, 2024 and 2023, along with summarized statements of comprehensive income for consolidated subsidiaries for the years ended December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

Subsidiary	2024					
	Assets	Liabilities	Equity	Sales	Profit (Loss) for the year	Total comprehensive income (loss) for the year
Beijing Maeil Dairies Co., Ltd.	7,774,483	11,086,202	(3,311,719)	21,390,005	(1,072,534)	(1,361,300)
MAEIL AUSTRALIA PTY LTD.	38,738,262	1,213,643	37,524,619	5,374,476	(8,997,579)	(7,517,490)
Maeil Health Nutrition Co., Ltd.	18,917,507	14,975,845	3,941,662	82,285,114	(4,727,181)	(4,710,597)
M's bakers Co., Ltd.	23,775,435	6,548,621	17,226,814	40,105,183	1,759,109	1,592,222

(in thousands of Korean won)

Subsidiary	2023					
	Assets	Liabilities	Equity	Sales	Profit (Loss) for the year	Total comprehensive income (loss) for the year
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	950,861	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

1.3 Changes in Scope for Consolidation

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

Maeil Dairies Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

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

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2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and Amended Standards Adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2024.

(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 the 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 period. The amendments do not have a significant impact 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 do not have a significant impact on the financial statements. The Group has provided new disclosures for liabilities under supplier finance arrangements, as well as the associated cash flows, in Note 15.

(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 do not have a significant impact on the financial statements.

(d) Amendments to Korean IFRS 1001 Presentation of Financial Statements – Disclosure of Crypto Assets

The amendments require an additional disclosure if an entity holds crypto assets, or holds crypto assets on behalf of the customer, or issues crypto assets. The amendments do not have a significant impact on the financial statements.

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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, 2024 reporting periods and have not been early adopted by the Group.

(a) 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 currently assessing the impact of these amendments on the financial statements.

(b) Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1107 Financial Instruments: Disclosures

Korean IFRS 1109 *Financial Instruments* and Korean IFRS 1107 *Financial Instruments: Disclosures* have been amended to respond to recent questions arising in practice, and to include new requirements. The amendments should be applied for annual periods beginning on or after January 1, 2026, and earlier application is permitted. The Group is currently assessing for the impact of these amendments on the financial statements. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures of impact on the entity and the extent to which the entity is exposed for each type of financial instruments if the timing or amount of contractual cash flow changes due to amendment of contract term; and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

(c) Annual Improvements to Korean IFRS -Volume 11

Annual Improvements to Korean IFRS -Volume 11 should be applied for annual periods beginning on or after January 1, 2026, and earlier application is permitted. The Group does not expect the amendments to have a significant impact on the financial statements.

- Korean IFRS 1101 *First-time Adoption of International Financial Reporting Standards: Hedge accounting by a first-time adopter*
- Korean IFRS 1107 *Financial Instruments: Disclosures: Gain or loss on derecognition and implementation guidance*
- Korean IFRS 1109 *Financial Instruments: Derecognition of lease liabilities and definition of transaction price*
- Korean IFRS 1110 *Consolidated Financial Statements: Determination of a 'de facto agent'*
- Korean IFRS 1007 *Statement of Cash Flows: Cost method*

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2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2024. 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 rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect the amount of the investor's 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 reassesses whether 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 owners of the Parent and to non-controlling interests, even if this results in the 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.

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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.

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

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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.

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

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2.4.3 Current versus Non-current Classification

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

An asset is current when it is:

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

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no 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.

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2.4.4 Fair Value Measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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 consolidated 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 consolidated 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.

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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 consideration the Group expects to be entitled to in return for the goods or services when control of the goods or services is transferred to the customer. The Group has concluded that it acts as the principal 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.

(a) Transaction price calculation

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

(1) Variable consideration

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 provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

① 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.

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(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.

(b) Contract balances

(1) Contract assets

A contract asset is an entity's right to consideration in exchange for goods or services that the Group has transferred to a customer. A contract asset is the right to payment if the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due and the right requires conditions other than the passage of time. 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.

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(c) 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

(a) 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 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.

(b) 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

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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 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.

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2.4.7 Foreign Currency Translation

(a) 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.

(b) 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 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).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

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.

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(c) 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.

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:

	Useful lives (years)
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

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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.

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:

	Useful lives (years)
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.

(a) 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:

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

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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.

(a) Lessee

(1) Right-of-use assets

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

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

	Useful lives (years)
Buildings	10, 20, 40
Structures	10, 20, 40
Machinery	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

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guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

(3) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value 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.

(b) 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.

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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.

(a) Financial assets

(1) 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.

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(2) 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 derecognition (equity instruments)
- Financial assets at fair value through profit or loss

(3) Financial assets at amortized cost (debt instruments)

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

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

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

(4) 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.

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(5) 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.

(6) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

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

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.

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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.

(7) Derecognition

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

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

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

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

(8) 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

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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.

(b) Financial liabilities

(1) 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.

(2) 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.

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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.

(3) 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.

(4) Derecognition

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

(c) 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

(a) 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.

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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.

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.

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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 components of equity.

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 consolidated income statement and other comprehensive income net of any reimbursement.

2.4.21 Employee Benefits

(a) 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.

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(b) 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'.

- 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

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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 2024 were approved for issue by the Board of Directors on February 13, 2025 and are subject to change with the approval of shareholders at their Annual General Meeting on March 28, 2025.

2.4.25 Segment Reporting

Information of each operating segment is reported in a manner consistent with the internal business segment decision-maker reporting provided to the chief operating decision-maker. The chief operating 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

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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.

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.

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). The Group reviews the incremental borrowing rate using observable inputs at each end of each reporting period.

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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.

Risk	Exposure arising from	Measurement	Management
Market risk – stock	Investment in equity securities	Sensitivity analysis	Portfolio diversion
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 exchange options
Credit risk	Cash equivalents, trade receivables, derivative financial instruments, debt investments and contract assets	Aging analysis Credit ratings	Diversification of bank deposits, credit limits and letter of credit Investment guidelines for debt investments
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

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

(a) Price risk

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

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

<i>(in thousands of Korean won)</i>	2024		2023	
	Increase	Decrease	Increase	Decrease
Financial asset at fair value through profit or loss				
Listed stock	581,149	(581,149)	1,033,661	(1,033,661)
Unlisted stock	170,806	(170,806)	200,687	(200,687)
Financial asset at fair value through other comprehensive income				
Unlisted stock	124,746	(124,746)	124,746	(124,746)

(b) Currency risk

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

The Group's exposure to foreign currency risk as of December 31, 2024 and 2023, was as follows:

<i>(in thousands of Korean won)</i>	2024	2023
Financial assets		
USD	23,984,298	19,921,237
CNY	22,052,690	18,932,892
AUD	-	150,832
	<u>46,036,988</u>	<u>39,004,961</u>
Financial liabilities instruments		
USD	17,047,179	9,526,882
EUR	12,832,380	7,992,453
DKK	1,181,128	1,023,801
GBP	309,039	79,657
JPY	936	22,817
CNY	468,179	12,659
VND	125,351	-
	<u>31,964,192</u>	<u>18,658,269</u>

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As at December 31, 2024 and 2023, 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>	2024		2023	
	Increase	Decrease	Increase	Decrease
Financial assets	2,301,849	(2,301,849)	1,950,248	(1,950,248)
Financial liabilities	(1,598,210)	1,598,210	(932,913)	932,913
Net impact ¹	<u>703,640</u>	<u>(703,640)</u>	<u>1,017,335</u>	<u>(1,017,335)</u>

¹ The exchange rate effect on profit before tax for the years is calculated as the sum of the changes in other currencies against the presentation currency, the Korean won.

4.1.2 Credit Risk

Credit risk arises when client or counterparty fails to meet 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 by considering 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 2024, 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, 2024.

Credit risk can arise from transactions with financial institutions 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, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	2024	2023
Cash and cash equivalents ¹	199,653,821	139,406,873
Trade and other receivables	204,529,574	197,649,256
Short-term financial instruments	2,000,000	19,526,064
Long-term financial instruments	10,006,000	10,006,000
	<u>416,189,395</u>	<u>366,588,193</u>

¹ Cash on hand is not included in cash and cash equivalents.

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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, 2024 and 2023, are as follows:

(in thousands of Korean won)

	2024				Total
	Less than 3 months	Between 3 to 12 months	Between 1 to 2 years	Between 2 to 5 years	
Bonds and long-term borrowings	1,114,000	7,860,600	103,439,000	103,633,000	216,046,600
Lease liabilities	920,675	4,050,807	3,321,805	4,632,424	12,925,711
Trade and other payables ¹	169,355,046	212	-	3,506,000	172,861,258
	<u>171,389,721</u>	<u>11,911,619</u>	<u>106,760,805</u>	<u>111,771,424</u>	<u>401,833,569</u>

¹ Liabilities related to retirement benefits, interest expenses, annual leave, and corporate income tax were excluded from trade and other payables.

(in thousands of Korean won)

	2023				Total
	Less than 3 months	Between 3 to 12 months	Between 1 to 2 years	Between 2 to 5 years	
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 ¹	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>

¹ Liabilities related to retirement benefits, interest expenses, annual leave, and corporate income tax were excluded from trade and other payables.

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4.2 Capital Risk Management

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

Debt-to-equity ratios as at December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	2024	2023
Total liabilities	451,043,257	432,715,886
Total equity	575,240,941	540,085,618
Debt-to-equity ratio	78%	80%

5. Fair Value

There have been no significant changes in the business or economic environment during the year that affect the fair value of 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, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	2024			
	Current		Non-current	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at fair value through profit or loss	42,837,862	42,837,862	20,537,698	20,537,698
Financial assets at fair value through other comprehensive income	-	-	2,494,925	2,494,925

<i>(in thousands of Korean won)</i>	2023			
	Current		Non-current	
	Carrying amount	Fair value	Carrying amount	Fair value
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	-	-

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

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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, 2024 and 2023.

Fair value hierarchy classifications of the financial instruments that are measured at fair value as at December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

	2024			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	23,719,939	19,117,923	20,537,698	63,375,560
Financial assets at fair value through other comprehensive income	-	-	2,494,925	2,494,925
Derivative financial assets	-	-	-	-

(in thousands of Korean won)

	2023			
	Level 1	Level 2	Level 3	Total
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 other comprehensive income	-	-	2,494,925	2,494,925
Derivative financial assets	-	115,347	-	115,347

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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, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	2024		
	Fair value	Valuation techniques	Inputs
Financial assets at fair value through profit or loss			
Private equity investment trust	19,117,923	Quoted price of issuer	N/A
<i>(in thousands of Korean won)</i>	2023		
	Fair value	Valuation techniques	Inputs
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

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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, 2024 and 2023, are as follows:

(in thousands of Korean won)		2024						
		Fair value	Target	Technique	Unobservable inputs	Inputs	Sensitivity to fair value inputs	
Changes in inputs	Increase						Decrease	
Financial assets at fair value through profit or loss								
Convertible preferred shares	1,402,381	Underlying assets	DCF	Perpetual earning growth rate	1.00%	1.00%	437,117	(380,257)
				WACC	15.38%	1.00%	(8,929,551)	10,302,428
				Options	Binominal model	Volatility	47.46%	-
Convertible preferred shares	1,005,660	Options	Cost-based ¹	-	-	-	-	-
Redeemable convertible preference shares	1,008,080	Options	Cost-based ¹	-	-	-	-	-
Investment association	17,121,577	Underlying assets	Asset approach	Net asset value	-	-	-	-
Financial assets at fair value through other comprehensive income								
Unlisted stock	2,494,925	Common stocks	Cost-based ¹	-	-	-	-	-

¹ 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).

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	Fair value	Target	Technique	Unobservable inputs	Inputs	Sensitivity to fair value inputs		
						Changes in inputs	Increase	Decrease
Financial assets at fair value through profit or loss								
Convertible preferred shares	1,999,990	Underlying assets	Market approach	Recent transaction price	-	-	-	-
		Options	Binominal model	Volatility	43.73%	-	-	-
Convertible preferred shares	1,005,660	Options	Cost-based ¹	-	-	-	-	-
Redeemable convertible preference shares	1,008,080	Options	Cost-based ¹	-	-	-	-	-
Investment association	15,883,786	Underlying assets	Asset approach	Net asset value	-	-	-	-
Financial assets at fair value through other comprehensive income								
Unlisted stock	2,494,925	Common stocks	Cost-based ¹	-	-	-	-	-

¹ 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).

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6. Financial Instruments by Category

6.1 Carrying amounts of financial assets by category as at December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

	2024		2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at fair value through profit or loss	63,375,560	63,375,560	87,056,932	87,056,932
Financial assets at fair value through other comprehensive income	2,494,925	2,494,925	2,494,925	2,494,925
Trade receivable	180,660,600	180,660,600	174,686,442	174,686,442
Other receivable	23,868,974	23,868,974	22,962,814	22,962,814
Financial instruments	12,006,000	12,006,000	29,532,064	29,532,064
Cash and cash equivalents	199,655,661	199,655,661	139,407,573	139,407,573
Derivative financial assets	-	-	115,347	115,347
	<u>482,061,720</u>	<u>482,061,720</u>	<u>456,256,097</u>	<u>456,256,097</u>

6.2 Carrying amounts of financial liabilities by category as at December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

	2024		2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Trade payables	114,870,612	114,870,612	112,419,676	112,419,676
Other payables	82,499,005	82,499,005	81,363,330	81,363,330
Bonds and borrowings	204,190,085	204,190,085	204,005,868	204,005,868
	<u>401,559,702</u>	<u>401,559,702</u>	<u>397,788,874</u>	<u>397,788,874</u>

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6.3 Net gains or losses on each category of financial instruments for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	2024	2023
Financial assets at fair value through profit or loss		
Interest income	1,065,330	679,869
Gains (losses) on valuation	(4,744,101)	3,180,538
Gains (losses) on transaction	3,944,688	1,384,360
Dividend income	1,647,312	2,511,230
Financial assets at fair value through other comprehensive income		
Gains (losses) on valuation	-	(313,554)
Dividend income	-	170,000
Financial assets at amortized cost Interest income		
Interest income	4,469,760	3,072,274
Interest expense	(4,756,529)	(5,363,813)
Bad debt expenses	(84,078)	(277,004)
Other bad debt expenses	(2,715)	(444,827)
Foreign exchange loss	1,731,013	(165,117)
Derivative instruments		
Gains on valuation	-	115,347
Gains (losses) on transaction	(2,166,325)	2,055,917

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6.4 Restricted cash and cash equivalents for the years ended December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

	2024	2023	Note
Cash and cash equivalents			
Samsung Futures Inc.	638,329	656,880	Pledged right (futures trading)
Shinhan Securities Co., Ltd.	4,000,983	-	Treasury share trust
	<u>4,639,312</u>	<u>656,880</u>	
Short-term financial instruments			
Shinhan Bank	2,000,000	2,000,000	win-win agreement term deposit
	<u>2,000,000</u>	<u>2,000,000</u>	
Long-term financial instruments			
ANZ Bank	18,274	17,602	Pledged right (Corporate card deposit)
KEB Hana Bank	2,000	2,000	
Woori Bank	2,000	2,000	Pledged right (Checking account deposit)
Shinhan Bank	2,000	2,000	
	<u>24,274</u>	<u>23,602</u>	
	<u>6,663,586</u>	<u>2,680,482</u>	

7. Financial Assets at Fair Value

Financial assets at fair value for the years ended December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

	2024	2023
Financial assets at fair value through profit or loss		
Equity instrument	11,622,981	20,673,227
Debt instrument	48,336,457	62,369,975
Other financial instrument	3,416,121	4,013,730
	63,375,559	87,056,932
Financial assets at fair value through other comprehensive income		
Equity instrument	2,494,925	2,494,925
	<u>65,870,484</u>	<u>89,551,857</u>

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8. Trade Receivables and Other Financial Assets

8.1 Trade receivables and other financial assets as at December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

	2024		2023	
	Current	Non-current	Current	Non-current
Trade receivables	182,092,273	-	176,021,885	-
Loans	418,612	7,640	418,612	43,361
Other receivables	9,290,581	-	7,291,042	-
Accrued income	91,455	-	190,231	-
Deposits	1,711,247	12,814,237	1,704,184	13,775,885
Less: expected credit loss allowance	(1,896,471)	-	(1,795,944)	-
	<u>191,707,697</u>	<u>12,821,877</u>	<u>183,830,010</u>	<u>13,819,246</u>

8.2 Trade receivables and its expected credit loss allowance as at December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

	2024			
	Normal	Between 6 to 12 months	Over 12 months	Total
Trade receivables	175,610,528	5,252,726	1,229,019	182,092,273
Expected credit loss allowance	181,628	21,026	1,229,019	1,431,673

(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

8.3 Movements on expected credit loss allowance of trade receivables for the years ended December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

	2024	2023
Beginning balance	1,335,442	504,261
Transfer	84,078	277,004
Others	37,496	(5,007)
Increase in a business combination	-	586,610
Write-off	(25,344)	(27,426)
Ending balance	<u>1,431,672</u>	<u>1,335,442</u>

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8.4 Movements on expected credit loss allowance of other financial assets at amortized cost for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	2024	2023
Beginning balance	460,501	314,932
Transfer	2,715	444,827
Others	1,582	(566)
Write-off	-	(298,692)
Ending balance	<u>464,798</u>	<u>460,501</u>

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

9. Other Assets

Details of other assets as at December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	2024		2023	
	Current	Non-current	Current	Non-current
Advance payment	4,226,792	-	4,769,980	-
Prepaid expenses	3,416,766	442,999	2,624,925	569,667
Refund assets	569,395	-	560,351	-
Others	23,171	5,948,062	83,500	5,156,852
	<u>8,236,124</u>	<u>6,391,061</u>	<u>8,038,756</u>	<u>5,726,519</u>

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10. Inventories

Details of inventories as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	2024			2023		
	Gross amount	Accumulated impairment loss	Book amount	Gross amount	Accumulated impairment loss	Book amount
Merchandise	28,750,207	(421,487)	28,328,720	21,620,851	(116,220)	21,504,631
Finished goods	66,771,861	(936,170)	65,835,691	61,557,919	(760,247)	60,797,672
Semi-finished goods	2,472,175	-	2,472,175	2,796,311	-	2,796,311
Raw materials	20,918,376	-	20,918,376	25,381,605	-	25,381,605
Supplies	2,671,202	-	2,671,202	1,997,748	-	1,997,748
Minor ingredients	40,848,451	(34,148)	40,814,303	32,750,336	(34,148)	32,716,188
Goods in transit	44,672,327	-	44,672,327	40,652,980	-	40,652,980
	<u>207,104,599</u>	<u>(1,391,805)</u>	<u>205,712,794</u>	<u>186,757,750</u>	<u>(910,615)</u>	<u>185,847,135</u>

Inventories recognized as an expense during the year ended December 31, 2024, amounted to 1,056,548,794 thousand Korean won (2023: 1,056,281,945 thousand Korean won). These were included in 'cost of sales'.

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11. Property, Plant and Equipment

11.1 Details of property, plant and equipment as at December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

	2024			
	Land	Buildings	Structure	Machinery
Opening net book amount	41,672,308	76,982,233	11,511,148	119,362,352
Acquisitions	-	641,305	1,672,618	12,281,540
Disposals	-	-	(6)	(4,116)
Impairment loss	-	-	-	87,664
Depreciation	-	(3,293,223)	(938,454)	(28,411,397)
Transferred	-	706,790	206,409	13,899,885
Increase in a business combination	-	-	-	2,124,484
Others	74,201	421,959	-	823,412
Closing net book amount	<u>41,746,509</u>	<u>75,459,064</u>	<u>12,451,715</u>	<u>120,163,824</u>
Acquisition cost	41,746,509	147,260,387	30,042,104	486,344,201
Accumulated depreciation	-	(71,801,323)	(17,590,389)	(363,924,309)
Accumulated impairment loss	-	-	-	(2,256,068)
Closing net book amount	<u>41,746,509</u>	<u>75,459,064</u>	<u>12,451,715</u>	<u>120,163,824</u>

(in thousands of Korean won)

	2024			
	Tools and equipment	Other property, plant and equipment	Construction in progress	Total
Opening net book amount	6,799,359	298,936	14,458,774	271,085,110
Acquisitions	2,207,204	-	4,651,191	21,453,858
Disposals	(19,993)	(16)	(215,205)	(239,336)
Impairment loss	-	-	-	87,664
Depreciation	(3,647,540)	(71,621)	-	(36,362,235)
Transferred	91,071	-	(15,415,750)	(511,595)
Increase in a business combination	534,201	796,837	-	3,455,522
Others	6,234	252	24,210	1,350,268
Closing net book amount	<u>5,970,536</u>	<u>1,024,388</u>	<u>3,503,220</u>	<u>260,319,256</u>
Acquisition cost	62,413,972	1,283,976	3,503,220	772,594,369
Accumulated depreciation	(56,443,436)	(259,588)	-	(510,019,045)
Accumulated impairment loss	-	-	-	(2,256,068)
Closing net book amount	<u>5,970,536</u>	<u>1,024,388</u>	<u>3,503,220</u>	<u>260,319,256</u>

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	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	-	-	-	459,374
Others	47,855	276,849	-	540,048
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>

(in thousands of Korean won)

	2023			
	Tools and equipment	Other property, plant and equipment	Construction in progress	Total
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>

11.2 Depreciation expenses of 3,791,783 thousand Korean won (2023: 3,848,955 thousand Korean won) were charged to 'Selling and administrative expenses'. Depreciation expenses of 32,570,452 thousand Korean won (2023: 31,092,571 thousand Korean won) were charged to 'Cost of sales' and 'Inventories'.

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12. Intangible Assets

12.1 Intangible assets as at December 31, 2024 and 2023, consist of:

(in thousands of Korean won)

	2024					Total
	Industrial property rights	Software	Other intangible assets	Membership rights	Construction in progress	
Opening net book amount	67,092	6,180,089	2,012,637	4,958,309	1,491,860	14,709,987
Acquisitions	5,959	1,511,248	383,681	-	9,542,148	11,443,036
Amortization	(215,007)	(2,239,236)	(577,714)	-	-	(3,031,957)
Transferred	18,531	624,694	517,335	-	(648,969)	511,591
Increase in a business combination	1,254,000	-	4,688,107	-	-	5,942,107
Others	-	13,115	-	-	-	13,115
Closing net book amount	<u>1,130,575</u>	<u>6,089,910</u>	<u>7,024,046</u>	<u>4,958,309</u>	<u>10,385,039</u>	<u>29,587,879</u>
Acquisition cost	2,621,914	22,792,160	8,664,597	5,179,485	10,529,438	49,787,594
Accumulated amortization	(1,491,339)	(16,702,250)	(1,640,551)	-	-	(19,834,140)
Accumulated impairment loss	-	-	-	(221,176)	(144,399)	(365,575)
Closing net book amount	<u>1,130,575</u>	<u>6,089,910</u>	<u>7,024,046</u>	<u>4,958,309</u>	<u>10,385,039</u>	<u>29,587,879</u>

(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	<u>67,092</u>	<u>6,180,089</u>	<u>2,012,637</u>	<u>4,958,309</u>	<u>1,491,860</u>	<u>14,709,987</u>
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	<u>67,091</u>	<u>6,180,090</u>	<u>2,012,635</u>	<u>4,958,309</u>	<u>1,491,860</u>	<u>14,709,985</u>

12.2 Amortization expenses of 2,678,351 thousand Korean won (2023: 1,931,911 thousand Korean won) were charged to 'Selling and administrative expenses'. Amortization expenses of 353,607 thousand Korean won (2023: 380,898 thousand Korean won) were charged to 'Cost of sales' and 'Inventories'.

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13. Leases

13.1 Lessee

13.1.1 Details of right-of-use assets and lease liabilities as at December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

	2024				Lease liabilities
	Properties	Vehicles	Equipment	Total	
Beginning balance	982,408	1,706,613	3,269,813	5,958,834	5,682,097
Acquisitions	15,171,439	236,765	3,041	15,411,245	14,839,113
Depreciation	(5,379,242)	(850,151)	(1,327,497)	(7,556,890)	-
Interest expense	-	-	-	-	364,939
Lease expenses paid	-	-	-	-	(7,980,611)
Increase in a business combination	713,188	-	-	713,188	606,316
Others ¹	(269,134)	-	-	(269,134)	122,092
Ending balance	11,218,659	1,093,227	1,945,357	14,257,243	13,633,946
Current					5,106,200
Non-current					8,527,746

¹ Reduction amounts due to contract termination and gain or loss on foreign currency translation are included.

(in thousands of Korean won)

	2023				Lease liabilities
	Properties	Vehicles	Equipment	Total	
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	(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

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13.1.2 The total cash outflow for leases in 2024 was 16,304,657 thousand Korean won (2023: 15,337,244 thousand Korean won). Expense relating to short-term leases and leases of low-value assets in 2024 was 468,428 thousand Korean won (2023: 584,407 thousand Korean won). Expense relating to variable lease payments not included in lease liabilities in 2024 was 7,855,618 thousand Korean won (2023: 9,833,314 thousand Korean won).

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

<i>(in thousands of Korean won)</i>	Amount
Within December 31, 2025	6,409,830
Within December 31, 2026	4,694,079
After 2027	6,168,792

13.2 Lessor

13.2.1 Details of the Group's gross and net investment in the finance leases as at December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	2024			
	Minimum lease payment	Unearned interest	Net investment in lease	Book amount
Current lease receivables	-	-	-	-
	-	-	-	-

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

13.2.2 During the current year, 575 thousand was recognized as interest income on lease receivables.

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14. Investment in Associates

14.1 Details of investment in associate companies as at December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

	Located country	Ownership	Book value	
			2024	2023
The VAKERS Co., Ltd ¹	Korea	-	-	5,374,408

¹ During the year ended December 31, 2024, the entire shares held by the Group were sold. The percentage of ownership from the year ended December 31, 2023 to the time of disposal during the year ended December 31, 2024, was 36%. Meanwhile, the Group acquired the business of The VAKERS Co., Ltd through its subsidiary, M's bakers Co., Ltd. (Note 35).

14.2 Changes in investment in associates for the years ended December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

	2024	2023
Beginning balance	5,374,408	5,073,557
Disposals	(4,043,611)	-
Losses on equity method	(1,320,146)	289,121
Equity method changes in equity	(10,651)	11,730
Ending balance	-	5,374,408

15. Trade and Other Payables

15.1 Details of trade and other payables as at December 31, 2024 and 2023, are as follows:

*(in thousands of
Korean won)*

	2024		2023	
	Current	Non-current	Current	Non-current
Trade payables	114,870,612	-	112,419,675	-
Non-trade payables	51,882,589	-	51,763,771	-
Accrued expenses	20,929,681	-	19,512,688	-
Guarantee deposit withholdings	6,180,736	3,506,000	6,334,026	3,752,845
	193,863,618	3,506,000	190,030,160	3,752,845

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15.2 Liabilities under supplier finance arrangements

Supplier finance arrangements are characterized by one or more finance providers paying amounts owed by the Group to its suppliers, with the Group subsequently repaying the finance providers in accordance with the terms of the arrangements, after the suppliers have been paid. These arrangements provide the Group with extended payment terms, or the Group's suppliers with early payment terms, compared to the related invoice payment due date.

The carrying amount of liabilities under supplier finance arrangements as at December 31, 2024, is as follows:

<i>(in thousands of Korean won and in USD)</i>	2024
Liabilities under supplier finance arrangements for which the supplier has received payment from the finance provider	1,531,655
	\$ 57,475

The carrying amounts of liabilities under the supplier finance arrangement are considered to be reasonable approximations of their fair values, due to their short-term nature.

16. Other Liabilities

Details of other liabilities as at December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	2024		2023	
	Current	Non-current	Current	Non-current
Advances from customers	850,481	-	1,117,957	-
Income received in advance	-	4,181,965	-	2,689,377
Value Added Tax withheld	7,419,211	-	6,128,496	-
Withholdings	3,873,674	-	2,266,378	-
Non-current provisions for employee benefits	-	5,016,484	-	3,262,241
Emission liabilities	138,478	-	147,152	-
Refund liabilities	796,201	-	774,658	-
Contract liabilities	1,208,651	-	840,747	-
	<u>14,286,696</u>	<u>9,198,449</u>	<u>11,275,388</u>	<u>5,951,618</u>

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17. Borrowings

Details of long-term borrowings as at December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

	Creditor	Annual interest rate as of December 31, 2024	Amount		Repayment
			2024	2023	
Policy borrowings for promotion in dairy consumption	NH Bank	2.00%	4,430,000	4,430,000	Two-year maturity repayment
Less: Present value discount			(25,008)	(110,379)	
Less: Current portion			(4,404,992)	-	
			<u>-</u>	<u>4,319,621</u>	

18. Bonds

Details of bonds as at December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

Category	Issuance date	Maturity date	Annual interest rate as of December 31, 2024	Amount		Interest payment and repayment
				2024	2023	
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				(214,907)	(313,753)	
				<u>199,785,093</u>	<u>199,686,247</u>	

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19. Net Defined Benefit Liabilities (Assets)

19.1 Details of net defined benefit liabilities (assets) as at December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	2024	2023
Present value of funded defined benefit obligations	97,077,697	104,799,213
Present value of unfunded defined benefit obligations	17,411,331	619,081
Total	<u>114,489,028</u>	<u>105,418,294</u>
Fair value of plan assets	<u>(127,564,455)</u>	<u>(122,602,414)</u>
Net defined benefit liabilities (assets)	<u>(13,075,427)</u>	<u>(17,184,120)</u>

19.2 Movements in the defined benefit obligations for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	2024	2023
Beginning balance	105,418,293	93,675,897
Current service cost	12,814,759	11,287,999
Interest expense	5,376,106	5,064,420
Remeasurements:		
Actuarial loss (gain) from change in demographic assumptions	(162)	3,099
Actuarial loss (gain) from change in financial assumptions	4,280,700	3,148,001
Actuarial loss (gain) from experience adjustments	824,843	3,571,468
Payments from plans:		
Benefit payments	(14,408,189)	(11,387,643)
Liabilities increased in a transfer	647,516	311,479
Liabilities decreased in a transfer	(843,516)	(377,186)
Increase due to business combination	378,678	120,759
Ending balance	<u>114,489,028</u>	<u>105,418,293</u>

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19.3 Movements in the fair value of plan assets for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	2024	2023
Beginning balance	122,602,413	113,128,129
Interest income	6,255,517	6,151,655
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	(1,198,767)	(517,973)
Contributions:		
Contributions to plan assets	10,805,000	15,491,779
Operating management cost	(4,650)	-
Payments from plans:		
Benefit payments	(10,917,933)	(11,760,447)
Assets increased due to transfer	22,874	311,479
Assets decreased due to transfer	-	(311,108)
Increase due to business combination	-	108,899
Ending balance	127,564,454	122,602,413

19.4 Plan assets as at December 31, 2024 and 2023, consist of:

<i>(in thousands of Korean won)</i>	2024	2023
Cash and cash equivalents	2,218,924	2,435,579
Debt instruments	14,014,794	13,451,857
Investment trust	8,411,650	7,908,457
Time deposits	14,302,522	18,362,024
Insurance product fixed interest rate	88,616,564	80,444,496
	127,564,454	122,602,413

As at December 31, 2024, the Group's funding ratio for its defined benefit obligations is 111%. The Group's management considered the level of fund accumulation, and the contribution expected to be made in the business year beginning after the reporting period is nil.

19.5 The significant actuarial assumptions as at December 31, 2024 and 2023, are as follows:

	2024	2023
Discount rate	4.77%~5.21%	3.56%~5.31%
Salary growth rate	4.55%~5.40%	4.49%~5.40%

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

<i>(in thousands of Korean won)</i>	Impact on defined benefit obligation		
	Changes in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	(7,762,815)	8,812,654
Salary growth rate	1.00%	8,851,423	(7,934,876)

A decrease in the yields 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 assumption are correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized in the statement of financial position.

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, 2024 and 2023, is as follows:

<i>(in thousands of Korean won)</i>	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Defined benefit obligation as at December 31, 2024	9,657,199	12,936,843	29,456,853	117,541,870	169,592,765
Defined benefit obligation as at December 31, 2023	16,950,303	9,742,980	26,897,805	107,557,025	161,148,113

The weighted average duration of the defined benefit obligation is 7.08 ~ 10.34 years (2023: 6.96 ~ 10.15 years).

19.8 The expense recognized in the current period in relation to defined contribution plan was 799,008 thousand Korean won (2023: 340,408 thousand Korean won).

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20. Revenue from Contracts with Customers

20.1 The Group has recognized the following amounts relating to revenue in the income statements:

<i>(in thousands of Korean won)</i>	2024	2023
Revenue from contracts with customers		
Revenue from sale of goods product and merchandise	1,811,410,090	1,782,979,216
Others	25,628	-
	<u>1,811,435,718</u>	<u>1,782,979,216</u>
Categorization by type of geographical markets		
Domestic	1,717,837,753	1,717,062,697
Overseas	93,597,965	65,916,519
	<u>1,811,435,718</u>	<u>1,782,979,216</u>

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

<i>(in thousands of Korean won)</i>	2024	2023
Customer loyalty program	1,208,240	840,747

21. Tax Expense and Deferred Tax

21.1 Income tax expense for the years ended December 31, 2024 and 2023, consists of:

<i>(in thousands of Korean won)</i>	2024	2023
Current tax:		
Current tax on profits for the year	21,072,301	17,810,915
Deferred tax:		
Changes in deferred tax	(4,170,701)	1,620,249
Deferred tax recognized directly to equity	1,648,942	1,572,807
Income tax expense	<u>18,550,542</u>	<u>21,003,971</u>

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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>	2024	2023
Profit before income tax expense	64,088,266	76,054,030
Tax at domestic tax rates applicable to profits in the respective countries	17,462,444	20,256,969
Adjustments:		
Income not subject to tax	(58,281)	(293,459)
Expenses not deductible for tax purposes	893,614	923,476
Tax effect of temporary difference for which no deferred tax asset was recognized	268,369	1,086,937
Tax effects of deductions and reduction	(258,432)	(814,842)
Special tax for rural development, foreign taxes paid and others	22,290	179,841
Adjustments in respect of prior years (Additional income tax expense or tax refund)	147,756	(227,794)
Others	72,782	(107,157)
Income tax expense	18,550,542	21,003,971

21.3 The tax effect relating to components of other comprehensive income (expenses) for the years ended December 31, 2024 and 2023, is as follows:

<i>(in thousands of Korean won)</i>	2024			2023		
	Before tax effect	Tax effect	After tax effect	Before tax effect	Tax effect	After tax effect
Remeasurement of the net defined benefit liabilities	(6,304,147)	1,428,485	(4,875,662)	(7,240,540)	1,551,454	(5,689,086)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	-	-	-	(94,482)	21,353	(73,129)
Losses on disposal of treasury shares	(975,470)	220,457	(755,013)	-	-	-
	(7,279,617)	1,648,942	(5,630,675)	(7,335,022)	1,572,807	(5,762,215)

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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)

	2024				
	Beginning balance	Increase (decrease)	Ending balance	Deferred tax assets (liabilities)	
				Beginning balance	Ending balance
Post-employment benefit obligation	103,412,068	9,739,245	113,151,313	23,369,276	25,594,957
Pensions	(111,663,405)	(1,950,611)	(113,614,016)	(25,234,078)	(25,699,527)
Depreciation expense	17,866,585	(107,319)	17,759,266	4,037,848	4,013,594
Contract liabilities	1,600,047	(53,647)	1,546,400	361,611	349,486
Advanced depreciation provision	(26,776,772)	7,023	(26,769,749)	(6,051,551)	(6,049,963)
Increase due to business combination	-	462,703	462,703	-	107,925
Others	25,648,180	10,603,489	36,251,669	5,937,087	8,274,422
	<u>10,086,703</u>	<u>18,700,883</u>	<u>28,787,586</u>	<u>2,420,193</u>	<u>6,590,894</u>

(in thousands of Korean won)

	2023				
	Beginning balance	Increase (decrease)	Ending balance	Deferred tax assets (liabilities)	
				Beginning balance	Ending balance
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	5,937,087
	<u>22,493,712</u>	<u>(12,407,009)</u>	<u>10,086,703</u>	<u>4,040,443</u>	<u>2,420,193</u>

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21.5 Details of unrecognized deductible temporary differences as deferred tax assets as at December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	2024	2023	Remarks
Investments in subsidiaries	54,863,838	39,658,606	No plan for disposal
Deductible temporary difference for subsidiaries	1,833,649	2,552,450	Uncertainty of future taxable profit
Tax deficit	35,362,440	29,018,137	Uncertainty of future taxable profit

¹ The maturity of unused losses is as follows:

<i>(in thousands of Korean won)</i>	2024
2025-12-31	868,196
2026-12-31	975,351
2027-12-31	2,643,039
After 2028	30,875,854
	<u>35,362,440</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, 2024 and 2023, is as follows:

<i>(in thousands of Korean won)</i>	2024	2023
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	38,806,260	33,068,988
Deferred tax assets to be recovered within 12 months	2,560,944	1,599,843
Subtotal	<u>41,367,204</u>	<u>34,668,831</u>
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than 12 months	(34,628,937)	(32,080,924)
Deferred tax liabilities to be settled within 12 months	(147,373)	(167,714)
Subtotal	<u>(34,776,310)</u>	<u>(32,248,638)</u>
Deferred tax assets, net	<u>6,590,894</u>	<u>2,420,193</u>

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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 2024, the average effective tax rate (calculated in accordance with paragraph 86 of IAS 12) of the Group entity operating in jurisdiction overseas is:

<i>(In thousands of Korean won)</i>	Beijing Maeil Dairies Co., Ltd	MAEIL AUSTRALIA PTY LTD.
Income tax expense for the reporting period ending December 31, 2024	-	-
Profit before income tax	(1,072,534)	(8,997,579)
Average effective tax rate	-	-

The Group is in the process of assessing its exposure to the Pillar Two legislation as it comes into effect. This assessment indicates that no average effective tax rate—based on accounting losses for the annual reporting period ending December 31, 2024—arises in the jurisdictions of China and Australia.

22. Issued Capital

The details of issued capital as at December 31, 2024 and 2023, are as follows:

<i>(in Korean won and in number of shares)</i>	2024	2023
Total number of authorized shares	40,000,000	40,000,000
Par value per share	500	500
Total number of ordinary shares issued	<u>7,843,638</u>	<u>7,843,638</u>
Issued capital (ordinary shares)	<u>3,921,819,000</u>	<u>3,921,819,000</u>

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23. Retained Earnings

Retained earnings as at December 31, 2024 and 2023, consist of:

<i>(in thousands of Korean won)</i>	2024	2023
Legal reserves		
Earned profit reserves ¹	4,739,366	3,877,712
Unappropriated retained earnings	353,895,353	317,913,457
	<u>358,634,719</u>	<u>321,791,169</u>

¹ 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, 2024 and 2023, consist of:

<i>(in thousands of Korean won)</i>	2024	2023
Capital surplus		
Share premium	256,794,213	256,794,213
Other capital surplus	407,930	503,666
Capital adjustments		
Treasury shares ¹	(42,157,427)	(44,594,210)
Losses on disposal of treasury shares ¹	(1,809,052)	(1,065,962)
Share-based payments ²	2,407,840	2,172,400
Accumulated other comprehensive income(loss)		
Gains from exchange differences on translation	2,383,716	1,192,393
Gains on valuation of financial assets at fair value through other comprehensive income	120,597	120,597
Gains (losses) on remeasurements of net defined benefit liabilities	(6,207,206)	(1,338,749)
Share of other comprehensive income(loss) of associates	-	11,730
	<u>211,940,611</u>	<u>213,796,078</u>

¹ During the previous year, the Parent Company granted 40,240 shares of its treasury shares to its employees, recorded the difference between the book value and the market price on the date of payment as loss on disposal of treasury shares, and recorded the amount equivalent to the market price of the paid consideration as wages. Also, the Parent Company granted 36,239 shares of its treasury shares in relation to share-based payments to its employees, recorded the difference between the book value and the share-based payments standards as loss on disposal of treasury shares.

² During the year ended December 31, 2023, the Parent Company provided Restricted Stock Unit (RSU) by granting shares of the Parent Company to executives. In accordance with Korean IFRS 1102, the Parent Company accounts for the fair value of RSUs as share compensation expense and other components of equity over the vesting period. The Parent Company paid the share-based payments recognized during the year ended December 31, 2023 in treasury shares during the current year.

24.2 Details of the treasury shares as at December 31, 2024 and 2023, are as follows:

<i>(in number of shares)</i>	2024	2023
Beginning balance	663,185	658,519
Acquisition	-	44,906
Disposal	(36,239)	(40,240)
Ending balance	<u>626,946</u>	<u>663,185</u>

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25. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	2024	2023
Salaries	85,730,454	83,277,994
Post-employment benefits	7,625,803	6,829,727
Sales commissions	45,731,682	49,757,015
Commission expenses	84,806,129	82,425,962
Depreciation (property, plant and equipment and, right-of-use assets)	9,690,171	7,113,343
Amortization expense	2,678,351	1,931,911
Advertising expenses	92,344,447	88,064,268
Freight expenses	51,502,045	49,430,188
Other	55,425,814	56,513,595
	<u>435,534,896</u>	<u>425,344,003</u>

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26. Other Income and Expenses

Other income and expenses for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	2024	2023
Other income:		
Rental income	173,668	369,393
Gains on foreign currency transaction	3,759,116	4,460,464
Gains on foreign currency translation	2,171,173	237,962
Gains on disposals of property, plant and equipment	81,106	113,826
Reversal of impairment loss on property, plant and equipment	87,664	-
Reversal of provision for restoration	54,326	-
Gains on disposals of right-of-use asset	1,816	47,196
Gains on disposals of investments accounted for using the equity method	1,556,389	-
Miscellaneous income	2,006,103	1,521,949
	<u>9,891,361</u>	<u>6,750,790</u>
Other expenses:		
Other bad debt allowance	2,715	444,827
Losses on foreign exchange transaction	3,238,991	4,323,444
Losses on foreign currency translation	960,285	540,099
Donations	2,015,854	1,873,087
Losses on disposals of property, plant and equipment	14,320	61,903
Losses on disposals of intangible assets	-	126,435
Impairment loss on property, plant and equipment	-	1,858,652
Losses on disposals of right-of-use asset	23,287	-
Miscellaneous losses	7,658,908	1,630,234
	<u>13,914,360</u>	<u>10,858,681</u>

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27. Breakdown of Expenses by Nature

Breakdown of expenses by nature for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	2024	2023
Changes in inventories of merchandise, finished goods and semi-finished goods	(11,537,972)	13,423,555
Raw materials and minor ingredients used, purchase of merchandise	1,068,086,766	1,042,858,390
Employee benefits expenses	189,313,293	177,728,771
Depreciation (property, plant and equipment and, right-of-use assets) and amortization	46,951,083	41,796,862
Freight expenses	56,502,071	54,167,445
Advertising expenses	92,344,447	88,064,268
Other expenses	299,439,813	292,710,803
The cost of sales, and selling and administrative expenses total	1,741,099,501	1,710,750,094

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 share for the years ended December 31, 2024 and 2023, are as follows:

<i>(in Korean won and in number of shares)</i>	2024	2023
Profit attributable to the ordinary equity holders of the Parent Company	45,459,014,967	55,008,054,403
Weighted average number of ordinary shares outstanding ¹	7,211,642	7,163,915
Basic earnings per share	6,304	7,678

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¹ Weighted average number of ordinary shares outstanding

<i>(in number of shares, days)</i>	2024	2023
Number of ordinary shares		
Opening balance	7,180,453	7,185,119
Acquisition of treasury shares	-	(44,906)
Disposal of treasury shares	36,239	40,240
Ending balance	7,216,692	7,180,453
Accumulated common shares outstanding	2,639,461,083	2,614,829,037
Number of days	366	365
Weighted average number of ordinary shares	7,211,642	7,163,915

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, 2024, of 1,250 Korean won (2023: 1,200 Korean won) per share, amounting to a total dividend of 9,020,865 thousand Korean won (2023: 8,616,544 thousand Korean won), is to be proposed to shareholders at the annual general meeting on March 28, 2025. As of December 31, 2024, there are no accounts payable related to dividends.

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30. Cash Generated from Operations

30.1 Cash flows generated from operations for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	2024	2023
Profit	45,537,723	55,050,060
Adjustments for:		
Income tax expense	18,550,542	21,003,971
Interest income	(5,535,089)	(3,752,143)
Interest expenses	5,121,468	5,525,855
Dividend income	(1,647,312)	(2,681,230)
Losses on abandonment of inventories	1,003,353	2,207,896
Loss on (reversal of) valuation of inventories	481,190	(1,865,437)
Post-employment benefits	11,939,998	10,200,764
Bonus	2,407,840	4,035,512
Depreciation (property, plant and equipment and, right-of-use assets)	43,919,125	39,484,053
Amortization	3,031,958	2,312,809
Losses on disposals of property, plant and equipment	14,320	61,903
Impairment loss on property, plant and equipment	-	1,858,652
Reversal of impairment loss on property, plant and equipment	(87,664)	-
Gains on disposals of property, plant and equipment	(81,106)	(113,826)
Losses on disposal of intangible assets	-	126,435
Gains on disposal of right-of-use asset	(1,816)	(47,196)
Losses on disposal of right-of-use asset	23,287	-
Reversal of provision for restoration	(54,326)	-
Gains on derivative transactions	(825,000)	(3,928,121)
Losses on derivative transactions	2,991,325	1,872,204
Gains on valuation of derivatives	-	(115,347)
Loss on foreign exchange translations	960,285	540,099
Gain on foreign exchange translations	(2,171,173)	(237,962)
Bad debt expenses	84,078	277,004
Other bad debt expenses	2,715	444,827
Losses on disposal of financial assets at fair value through profit or loss	-	110,155
Losses on valuation of financial assets at fair value through profit or loss	5,474,885	2,765,253
Gains on disposal of financial assets at fair value through profit or loss	(3,944,688)	(1,494,515)
Gains on valuation of financial assets at fair value through profit or loss	(730,784)	(5,945,791)
Losses (profits) of associates accounted for using	1,320,146	(289,121)

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<i>(in thousands of Korean won)</i>	2024	2023
equity method		
Gains on disposals of investments accounted for using the equity method	(1,556,389)	-
Emission cost	117,646	87,366
	<u>80,808,814</u>	<u>72,444,069</u>
Changes in net operating assets and liabilities:		
Trade receivables	(3,239,321)	(12,826,644)
Other receivables	(1,808,170)	786,483
Other current assets	(154,332)	(909,152)
Inventories	(21,205,535)	49,580,875
Other non-current assets	137,319	237,476
Trade payables	1,248,026	8,787,636
Other payables	3,740,832	(1,288,342)
Provisions	416,564	(394,107)
Other current liabilities	1,762,138	1,298,702
Other non-current payables	(246,845)	(351,070)
Derivative assets and liabilities	(2,050,978)	(188,103)
Net defined benefit liabilities	(3,709,130)	306,726
Plan assets	(10,805,000)	(15,491,779)
Other non-current liabilities	3,246,831	1,594,144
	<u>(32,667,601)</u>	<u>31,142,845</u>
Cash generated from operations	<u>93,678,936</u>	<u>158,636,974</u>

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30.2 Significant non-cash transactions for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	2024	2023
Transfer of construction-in-progress to property, plant, and equipment	14,904,155	10,933,715
Transfer of construction-in-progress to intangible assets	1,160,560	1,842,656
Increase (decrease) in other payables related to acquisition of property, plant, and equipment	(3,079,773)	2,036,977
Increase (decrease) in other payables related to acquisition of intangible assets	(247,071)	196,075
Acquisition of right-of-use assets	15,411,245	2,694,758
Increase in lease liabilities	14,839,113	2,694,758
Payment of treasury shares	2,436,783	2,705,818
Transfer of lease liabilities to current portion	(4,641,282)	889,439
Increase in dividend-related receivables	-	62,246

30.3 Changes in liabilities arising from financial activities for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	Current portion of bonds	Bonds	Lease liabilities	Current portion of long-term borrowings	Long-term borrowings	Total
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
At January 1, 2024	-	199,686,247	5,682,097	-	4,319,621	209,687,965
Cash flows	-	-	(7,615,671)	-	-	(7,615,671)
Exchange differences	-	-	145,904	-	-	145,904
Acquisition – leases	-	-	14,839,113	-	-	14,839,113
Reclassification of current portion	-	-	-	4,404,992	(4,404,992)	-
Others	-	98,846	582,503	-	85,371	766,720
At December 31, 2024	-	199,785,093	13,633,946	4,404,992	-	217,824,031

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31. Contingencies and Commitments

31.1 Details of the check provided as collateral as at December 31, 2024, are as follows:

(in thousands of Korean won)

Type	Provided to	Numbers of checks	Amount	Remarks
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, 2024, are as follows:

(in USD and in thousands of Korean won)

Classification	Currency	Financial institution	Committed amount
Borrowings and others	KRW	The Korea Development Bank, etc.	54,430,000
Import credit	USD	KEB Hana Bank	\$ 2,000,000
Payment guarantee	KRW	DBS Bank	50,000,000
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

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 commission expenses.

31.5 The Group was provided with contract performance guaranteed by Seoul Guarantee Insurance Company amounting to 5,533,796 thousand Korean won (2023: 6,488,836 thousand Korean won).

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

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 repayment of the bond may be accelerated. The bonds held by the Parent Company that are issued by applying the provisions above were 200,000 million Korean won as of December 31, 2024, and there is no violation of the regulation as of December 31, 2024.

31.8 Pending litigations that the Group is involved in as at December 31, 2024, include two lawsuits where the Parent Company stands as a defendant with the claim amount of 1,862 million Korean won. For one of the lawsuits with the claim amount of 1,861 million Korean won, the Group won the lawsuit after the reporting period, leaving a remaining one lawsuit (claim amount of 1 million Korean won) as at the financial statement preparation date.

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32. Related Party Transactions

32.1 Related parties of the Group as at December 31, 2024 and 2023, are as follows:

Type	2024	2023
Ultimate parent company	Maeil Holdings Co., Ltd.	Maeil Holdings Co., Ltd.
Associate	-	The VAKERS Co., Ltd. ³
Other related parties	Zero to Seven Inc. Les Vins Co., Ltd. M's FOOD SYSTEM CO., LTD. m's seed co., Ltd. Sangha Dairy Development Co., Ltd. Sangha Farm Co., Ltd Korea Food Services Corporation Bon Mangé Co., Ltd ⁵ M's beverage CO., Ltd. - M's Partners Co., Ltd JP LOGISTICS JP INTERNATIONAL Co., Ltd. CK Corporations Co., Ltd. DAEJIN TOTAL Logics Company ⁴ M's Friand Co.,Ltd. ⁴	Zero to Seven Inc. Les Vins Co.,Ltd Crystal Jade Korea Co., Ltd ¹ 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. ² M's Partners Co., Ltd JP LOGISTICS JP INTERNATIONAL Co., Ltd. CK Corporations Co., Ltd. - -

¹ During the prior year, Crystal Jade Korea Co., Ltd. was liquidated.

² During the prior year, 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 prior year.

³ During the current year, the Group sold the entire shares of The VAKERS Co., Ltd. and transaction amounts before excluded from associates are included.

⁴ During the current year, they were included in other related parties.

⁵ During the current year, it was liquidated.

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32.2 Transactions with related parties for the years ended December 31, 2024 and 2023, are as follows:

(in thousands of
Korean won)

Name of Entity	2024								
	Sales	Purchases	Rental income	Rental expenses	Advertising expenses	Commissions	Other income	Other expenses	Acquisition of right-of-use assets
Ultimate parent company									
Maeil Holdings Co., Ltd.	-	-	-	4,570	-	11,913,553	10,790	31,306	78,963
Associate									
The VAKERS Co., Ltd.	286,899	6,399	-	-	-	2,577	2,326	-	-
Other related parties									
Zero to Seven Inc	519,445	1,530,719	-	-	-	-	-	-	-
Les Vins Co.,Ltd	-	1,124	3,924	-	-	-	-	5,289	-
M's FOOD SYSTEM CO., LTD.	27,915,822	1,775,549	-	4,200	-	2,430,351	6,301	209,664	-
m's seed co., Ltd.	7,740,626	48,775	-	-	17,740	29,079	7,591	-	-
Sangha Dairy Development Co., Ltd.	-	117,461	-	-	-	-	22,055	-	-
Sangha Farm Co., Ltd	690,501	13,916,611	-	94,855	17,567	31,257	23,858	579,441	49,796
Korea Food Services Corporation	13,345,589	-	-	-	294	1,254	15,925	-	-
M's beverage CO., Ltd.	1,380	-	7,200	-	-	-	-	-	-
M's Partners Co., Ltd.	5,226	-	-	-	1,328,648	7,687,610	-	9,872	-
JP LOGISTICS	49,549	-	19,189	4,026,428	102,055	23,727,562	-	180,909	-
JP INTERNATIONAL Co., Ltd.	-	9,254,229	-	-	346	4,860	-	448,954	-
CK Corporations Co., Ltd	46,043	16,366,993	-	-	1,800	-	-	27,735	-
DAEJIN TOTAL Logics Company	-	446,656	-	-	53,493	3,500	-	18,704,871	-
M's Friand Co.,Ltd.	14,164	-	-	-	6,856	13,743	58,280	-	-
	<u>50,615,244</u>	<u>43,464,516</u>	<u>30,313</u>	<u>4,130,053</u>	<u>1,528,799</u>	<u>45,845,346</u>	<u>147,126</u>	<u>20,198,041</u>	<u>128,759</u>

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(in thousands of
Korean won)

Name of Entity	2023								
	Sales	Purchases	Rental income	Rental expenses	Advertising expenses	Commissions	Other income	Other expenses	Acquisition of right-of-use assets
Ultimate parent company									
Maeil Holdings Co., Ltd.	164	-	-	11,438	-	12,030,489	10,662	308,777	79,023
Associate									
The VAKERS Co., Ltd.	1,099,105	27,460	262,065	-	5,610	10,866	21,290	-	-
Other related parties									
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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32.3 Outstanding balances from related parties and others

Outstanding balances arising from related party transactions as of December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	2024				
	Receivables		Payables		
	Trade receivables	Other receivables	Trade payables	Other payables	Lease liabilities¹
Ultimate parent company					
Maeil Holdings Co., Ltd.	-	149,621	14,674	1,380,108	3,254
Other related parties					
Zero to Seven Inc.	69,765	93	134,618	1,470	-
Les Vins Co., Ltd.	-	195	-	-	-
M's FOOD SYSTEM CO., LTD.	2,950,279	-	272,676	241,831	-
m's seed co., Ltd.	359,405	1,539	9,403	67,312	-
Sangha Dairy Development Co., Ltd	-	2,022	-	3,880	-
Sangha Farm Co., Ltd	35,764	2,670	1,814,620	115,465	29,183
Korea Food Services Corporation	2,705,980	-	-	53	-
M's beverage CO., Ltd.	-	-	-	-	-
M's Partners Co., Ltd.	-	-	-	819,960	-
JP LOGISTICS	12,586	2,659	5,005	2,318,102	-
JP INTERNATIONAL Co., Ltd.	-	153,154	-	45,774	-
CK Corporations Co., Ltd	3,790	-	672,672	13,730	-
DAEJIN TOTAL					
Logics Company	-	-	-	1,632,236	-
M's Friand Co.,Ltd.	2,565	-	-	-	-
	<u>6,140,134</u>	<u>311,953</u>	<u>2,923,668</u>	<u>6,639,921</u>	<u>32,437</u>

¹ During the current year, the right-of-use assets recognized in accordance with the lease contract with a related party are 3,907 thousand Korean won, the lease liabilities are 3,254 thousand Korean won, the depreciation cost of the right-of-use assets for the current year is 57,275 thousand Korean won, the repayment amount of lease liabilities is 55,339 thousand Korean won, and the interest expense is 780 thousand Korean won.

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(in thousands of
Korean won)

	2023				
	Receivables		Payables		
	Trade receivables	Other receivables	Trade payables	Other payables	Lease liabilities¹
Ultimate parent company					
Maeil Holdings Co., Ltd.	-	150,551	-	1,552,173	3,254
Associate					
The VAKERS Co., Ltd	222,316	27,604	1,816	756	-
Other related parties					
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	-
	<u>4,962,514</u>	<u>223,984</u>	<u>3,020,646</u>	<u>4,827,038</u>	<u>3,254</u>

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32.4 Fund transactions with related parties for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	Name of entity	2024	2023	Remarks
Ultimate parent Company	Maeil Holdings Co., Ltd.	2,923,817	2,923,817	Dividend

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, 2024 and 2023, consists of:

<i>(in thousands of Korean won)</i>	2024	2023
Salaries	3,404,496	3,536,524
Retirement benefit	646,664	376,890
Share-based payments	1,403,392	2,172,400
	<u>5,454,552</u>	<u>6,085,814</u>

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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, 2024 and 2023, are as follows:

(in thousands of Korean won)

	2024		
	Dairy processing	Others	Total
Revenue	1,090,938,605	720,497,113	1,811,435,718
Operating profit	55,899,006	14,437,212	70,336,218
Depreciation (property, plant and equipment and, right-of-use assets), amortization	28,276,327	18,674,756	46,951,083

(in thousands of Korean won)

	2023		
	Dairy processing	Others	Total
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

33.1.2 Segment assets and liabilities as at December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

	2024			
	Dairy processing	Others	Adjustments^{3,4}	Total
Assets ^{1,3}	605,377,912	399,814,468	21,091,819	1,026,284,199
Acquisition of non-current assets ²	19,812,180	13,084,713	-	32,896,893
Liabilities ^{1,4}	141,732,867	93,605,745	215,704,645	451,043,257

(in thousands of Korean won)

	2023			
	Dairy processing	Others	Adjustments^{3,4}	Total
Assets ^{1,3}	573,979,778	359,000,136	39,821,590	972,801,504
Acquisition of non-current assets ²	23,004,896	14,388,591	-	37,393,487
Liabilities ^{1,4}	133,513,684	83,507,176	215,695,027	432,715,887

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

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

³ 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 instruments are not distributed to operating segments.

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

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33.2 Overall disclosures of the Group

33.2.1 Details of the Group's revenue for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	2024	2023
Revenue		
Revenue from sale of finished goods	1,609,893,358	1,591,717,511
Revenue from sale of merchandise	201,516,731	191,261,705
Others	25,629	-
	<u>1,811,435,718</u>	<u>1,782,979,216</u>
Timing of revenue recognition:		
Goods and services transferred at a point in time	1,811,410,089	1,782,979,216
Goods and services transferred over time	25,629	-
	<u>1,811,435,718</u>	<u>1,782,979,216</u>

33.2.2 The Group's revenue by region for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	2024	2023
Korea	1,717,837,753	1,717,062,697
Asia	80,509,861	57,751,722
Others	13,088,104	8,164,797
	<u>1,811,435,718</u>	<u>1,782,979,216</u>

33.2.3 Revenues of approximately 258,950,572 thousand Korean won (2023: 222,284,595 thousand Korean won), over 10% of the Group's revenue, are derived from a single external customer. These revenues are attributed to dairy processing and others segment.

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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, 2024, are as follows.

<i>(in KAU)</i>	2021	2022	2023	2024	2025	Plan period total
Free allocated emission rights	106,913	101,889	101,881	100,948	100,948	512,579
Emissions	120,964	120,156	115,995	Undetermined	Undetermined	Undetermined

34.1.2 Changes in emission rights quantities for the years ended December 31, 2024 and 2023, are as follows:

(Quantity: KAU, Amount: in thousands of Korean won)

	2024		2023	
	Quantity	Carrying amount	Quantity	Carrying amount
Beginning balance	109,903	67,467	101,911	-
Free allocation	100,926	-	101,881	-
Purchase	6,114	55,571	26,267	296,865
Submitted to government	(115,995)	(123,038)	(120,156)	(229,398)
Ending balance	100,948	-	109,903	67,467

34.1.3 There are no emission rights provided as collateral as at December 31, 2024.

34.2 Emission Liabilities

34.2.1 The estimated quantity of emissions for the current implementation year of 2024 is 115,316 tons (tCO₂-eq), and an emission liability of 138,478 thousand Korean won was recognized for the estimated shortage of approximately 14,648 tons (tCO₂-eq).

34.2.2 Details of emission liabilities for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	2024	2023
Beginning balance	147,152	289,184
Increase	274,480	414,800
Decrease	(283,154)	(556,832)
Ending balance	138,478	147,152

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35. Business Combinations

The Group acquired the entire business in relation to Meal Do brand of The VAKERS Co., Ltd during the year ended December 31, 2024.

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

<i>(in thousands of Korean won)</i>	Acquired corporation
Name of corporation	The VAKERS Co., Ltd
Acquisition date	2024-04-01
Consideration transferred	15,700,000

35.2 Details of the fair value of consideration transferred from the business combination that occurred during the year ended December 31, 2024, are as follows:

<i>(in thousands of Korean won)</i>	Amount
Cash and cash equivalents	15,700,000
	<u>15,700,000</u>

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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, 2024, are as follows

<i>(in thousands of Korean won)</i>	Amount
Book amount of acquired or assumed assets	
Cash and cash equivalents	5,953,215
Trade and other receivables	1,638,617
Other current assets	63,737
Inventories	144,666
Property, plant and equipment	3,455,522
Intangible assets	1,254,000
Right-of-use assets	713,188
Deferred tax assets	107,925
Other non-current financial assets	731,188
Total assets	<u>14,062,058</u>
Book amount of acquired or assumed liabilities	
Trade and other payables	1,441,646
Other current liabilities	41,569
Lease liabilities	606,316
Provision for restoration	581,956
Net defined benefit liabilities	378,678
Total liabilities	<u>3,050,165</u>
Fair value of identifiable net assets	<u>11,011,893</u>
Goodwill ¹	4,688,107

¹ The recognized goodwill will not be deductible for tax purposes.

35.4 Had the business of The VAKERS Co., Ltd been acquired from January 1, 2024, the statement of comprehensive income would have shown additional revenue of 4,633,132 thousand Korean won and gain of 311,302 thousand Korean won in relation to the business of The VAKERS Co., Ltd.