Binggrae Co., Ltd. and Its subsidiaries

Consolidated financial statements
for the years ended December 31, 2022and 2021
with the independent auditors' report

Table of contents

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Independent auditor's report

Based on a report originally issued in Korean

The Shareholders and Board of Directors
Binggrae Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Binggrae Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("KIFRS").

Basis for opinion

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

Key Audit Matters

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

(1) Variable consideration and consideration paid to the customers

A. Reasons why the matter was determined to be a key audit matter:
Revenue in the consolidated financial statements is one of the Group's key financial performance indicators. As revenue is measured based on variable consideration and consideration paid to customers, the significance of amounts such as sales incentives and the complexity of the calculations, a significant risk of error in recognition of the variable consideration and consideration to be paid to customers, which may result in overstatement of revenue has been identified as a key audit matter.

B. How the key audit matter was addressed in the audit:
- Performed trend analyses of the monthly performance of sales incentives for major customers.
- Inspected supply contracts for major customers to identify variable consideration and considerations payable to the customers and assessed the appropriateness of the treatment of the related revenue recognized.
- Assessed the appropriateness of the revenue recognition of sales incentives by obtaining relevant documents and testing transactions for a sample selected.
- Evaluated the completeness of the revenue deduction through inspection of general ledger accounts to assess whether the consideration to be paid to the customer amounts were recorded in the selling expense accounts

(2) Impairment of goodwill

A. Reasons why the matter was determined to be a key audit matter:
As of December 31, 2022, the carrying amounts of goodwill and intangible assets recognized in a business combination are KRW 26.7 billion and KRW 32 billion. Equivalent to 7.73% of consolidated assets. The Group conducted an impairment test by estimating the recoverable amount of the goodwill allocated to the Group of cash-generating units. As the recoverable amount exceeded the carrying amount of the Group, no impairment loss was recognized for goodwill. Since the amount of goodwill is significant in the consolidated financial statements and significant management's judgment is involved in estimating the recoverable amount, we identified assessment of goodwill impairment as a key audit matter.

B. How the key audit matter was addressed in the audit:
- Performing audit procedures related to the assessment of impairment of goodwill by using the auditor's professional expertise.
- Understanding and evaluating management's evaluation methods in relation to impairment evaluation of goodwill.
- Confirmation of rationality in the identification of cash-generating units to which management has allocated goodwill for impairment review.
- Confirm the rationality of the main assumptions used in calculating value in use through comparison with available external independent information.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with KGAAS we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the consolidated 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 partner in charge of the audit resulting in this independent auditor’s report is Dongkun, Seo.

BDO Sunghyun LLC

March7, 2023

This audit report is effective as ofMarch7, 2023, the independent auditor’s report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor’s report to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

Binggrae Co., Ltd. and its subsidiaries

Consolidated financial statements
for the years ended December 31, 2022 and 2021

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

Jeon, Chang Won
Chief Executive Officer
Binggrae Co., Ltd.

Binggrae Co., Ltd. and its subsidiaries
Consolidated statements of financial position
December 31, 2022 and 2021
(Korean won in millions)

	Notes	2022		2021	
Assets					
Current assets:					
Cash and cash equivalents	5,31,32	₩	79,222	₩	95,850
Short-term financial assets	6,31,32		13,445		70,495
Accounts and notes receivable, net	7,31,32		81,104		59,168
Other accounts receivable	29,31,32		1,925		1,668
Accrued income	32		285		475
Short term advance payments			166		753
Short-term prepaid expenses	7		9,033		10,022
Inventories	8		127,475		74,375
Prepaid corporate tax			248		15
Other current assets			2,365		1,088
Total current assets			315,268		313,909
Non-current assets:					
Long-term financial assets	9,32		31,564		31,553
Property, plant and equipment, net	10,12,15		298,726		295,489
Intangible assets, net	13		57,228		64,670
Investment property	11		2,213		14,058
Guarantee deposits	14,29,32		27,928		18,857
Long-term advance payments			1,545		1,684
Long-term prepaid expenses			228		356
Right-of-use assets	18		27,217		12,796
Deferred tax assets	27		7,350		6,873
Total non-current assets			453,999		446,336
Total assets		**₩**	**769,267**	**₩**	**760,245**

(Continued)

Binggrae Co., Ltd. and its subsidiaries
Consolidated statements of financial position
as of December 31, 2022 and 2021 (cont'd)
(Korean won in millions)

	Notes		2022		2021
Liabilities					
Current liabilities:					
Accounts and notes payable	31,32	₩	75,898	₩	55,873
Other accounts payable	29,31,32		40,280		70,680
Short-term accrued expenses	31,32		13,986		13,740
Income taxes payable	27		7,960		3,136
Dividends payable	31,32		3		2
Other current liabilities	16		5,792		9,508
Short-term lease liabilities	18,30,31		8,527		7,072
Total current liabilities			152,446		160,011
Non-current liabilities:					
Provision for severance and retirement benefits	17		3,933		15,565
Long-term guarantee deposits received	31,32		5,900		6,083
Long-term accrued expenses	31,32		6,822		8,325
Long-term lease liabilities	18,30,31		18,722		5,294
Deferred tax liabilities	27		5,675		7,091
Total non-current liabilities			41,052		42,358
Total liabilities			**193,498**		**202,369**
Equity					
Issued capital	1,19		49,756		49,756
Share premium	19		64,769		64,769
Other components of equity	20		(22,482)		(22,482)
Accumulated other comprehensive income	21		(3,714)		(2,606)
Reserves	22		463,801		485,501
Retained earnings (deficit)	23		23,639		(17,062)
Equity attributable to owners of the parent			575,769		557,876
Non-controlling interests			-		-
Total equity			**575,769**		**557,876**
Total liabilities and equity		₩	**769,267**	₩	**760,245**

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

Binggrae Co., Ltd. and its subsidiaries
Consolidated statements of comprehensive income
Years ended December 31, 2022 and 2021
(Korean won in millions)

	Notes		2022		2021
Sales	4,29	₩	**1,267,686**	₩	**1,147,436**
Cost of sales	24,29		(931,975)		(845,555)
Gross profit			**335,711**		**301,881**
Selling and administrative expenses	24,29		(296,303)		(275,637)
Operating income			**39,408**		**26,244**
Non-operating income (expenses):					
Finance income	25,32		5,566		4,201
Finance costs	25,32		(3,873)		(821)
Other income	26,29		1,041		1,527
Other expenses	26		(5,418)		(42,949)
			(2,684)		(38,042)
Net income (loss) before income taxes			36,724		(11,798)
Income tax expense	27		(11,038)		(7,528)
Net income (loss) for the year		₩	**25,686**	₩	**(19,326)**
Other comprehensive income					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax:					
Gains (losses) on valuation of financial assets at fair value through OCI	9	₩	(1,656)	₩	7
Remeasurement gains (losses) on defined benefit plans	17		5,694		270
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:			548		1,541
Total comprehensive income, net of tax		₩	**30,272**	₩	**(17,508)**
Net profit for the year attributable to:					
Equity holders of the parent		₩	25,686	₩	(19,327)
Non-controlling interests			-		-
Total comprehensive income attributable to:					
Equity holders of the parent	28	₩	30,272	₩	(17,508)
Non-controlling interests			-		-
Earnings per share (per share amounts in Korean won):					
Basic earnings for the year attributable to ordinary equity holders of the parent	28	₩	2,905	₩	(2,186)
Diluted earnings for the year attributable to ordinary equity holders of the parent			2,905		(2,186)

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

Binggrae Co., Ltd. and its subsidiaries
Consolidated statements of changes in equity
Years ended December 31, 2022 and 2021

(Korean won in millions)

	Attributable to the equity holders of the parent							
	Issued capital	**Share premium**	**Other components of equity**	**Accumulated other comprehensive income**	**Reserves**	**Retained earnings (deficit)**	**Non-controlling interests**	**Total equity**
As of January 1, 2021	₩ 49,756	₩ 64,769	₩ (22,482)	₩ (4,154)	₩ 459,081	₩ 42,562	₩ -	₩ 589,532
Net income	-	-	-	-	-	(19,327)	-	(19,327)
OCI	-	-	-	7	-	-	-	7
Re-measurement losses on defined benefit plans	-	-	-	-	-	270	-	270
Loss on translation of foreign operations	-	-	-	1,541	-	-	-	1,541
Total comprehensive income for the year	-	-	-	1,548	-	(19,057)	-	(17,509)
Dividends	-	-	-	-	-	(14,147)	-	(14,147)
Transfer from reserves	-	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	26,420	(26,420)	-	-
Effect of changes in consolidation scope	-	-	-	-	-	-	-	-
Transactions with owners of the Group, recognized directly in equity	-	-	-	-	26,420	(40,567)	-	(14,147)
As of December 31, 2021	₩ 49,756	₩ 64,769	₩ (22,482)	₩ (2,606)	₩ 485,501	₩ (17,062)	₩ -	₩ 557,876
As of January 1, 2022	₩ 49,756	₩ 64,769	₩ (22,482)	₩ (2,606)	₩ 485,501	₩ (17,062)	₩ -	₩ 557,876
Net income	-	-	-	-	-	25,686	-	25,686
Loss on valuation of financial assets at fair value through OCI	-	-	-	(1,656)	-	-	-	(1,656)
Re-measurement losses on defined benefit plans	-	-	-	-	-	5,694	-	5,694
Gain from translation of foreign operations	-	-	-	548	-	-	-	548
Total comprehensive income for the year	-	-	-	(1,108)	-	31,380	-	30,272
Dividends	-	-	-	-	-	(12,379)	-	(12,379)
Transfer from reserves	-	-	-	-	(23,000)	23,000	-	-
Transfer to reserves	-	-	-	-	1,300	(1,300)	-	-
Effect of changes in consolidation scope	-	-	-	-	-	-	-	-
Transactions with owners of the Group, recognized directly in equity	-	-	-	-	(21,700)	9,321	-	(12,379)
As of December 31, 2022	₩ 49,756	₩ 64,769	₩ (22,482)	₩ (3,714)	₩ 463,801	₩ 23,639	₩ -	₩ 575,769

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

Binggrae Co., Ltd. and its subsidiaries
Consolidated statements of cash flows
for the years ended December 31, 2022 and 2021
(Korean won in millions)

	Notes		2022		2021
Operating activities					
Net income		₩	25,686	₩	(19,327)
Non-cash adjustments to reconcile net income to net cash flows provided by operating activities	30		80,385		109,246
Working capital adjustments	30		(107,427)		(20,257)
Income tax paid			(9,888)		(14,161)
Net cash flows provided by operating activities			**(11,244)**		**55,501**
Investing activities					
Interest received			2,654		1,759
Dividends received			265		216
Increase(decrease) in short-term financial assets			57,041		35,238
Decrease in long-term financial assets			(314)		(2,343)
Increase in loans			517		1,624
Decrease in loans			(3,037)		(270)
Proceeds from disposal of property, plant and equipment			301		1,660
Acquisition of property, plant and equipment			(28,009)		(56,991)
Proceeds from disposal of intangible assets			-		326
Acquisition of intangible assets			(898)		(1,326)
Decrease in guarantee deposits			1,253		1,250
Increase in guarantee deposits			(10,393)		(453)
Net cash flows used in investing activities			**19,380**		**(19,310)**
Financing activities					
Interest paid			(115)		(32)
Payment of dividends			(12,378)		(14,147)
Payment of lease liabilities			(11,717)		(9,448)
Increase short-term borrowings			9,916		5,151
Decrease short-term borrowings			(9,916)		(5,151)
Net cash flows used in financing activities			**(24,210)**		**(23,627)**
Net increase in cash and cash equivalents			**(16,074)**		**12,564**
Net increase (decrease) in cash and cash equivalents denominated in foreign currencies arising from foreign exchange differences			**(554)**		**1,103**
Cash and cash equivalents at beginning of year			**95,850**		**82,183**
Cash and cash equivalents at end of year		₩	**79,222**	₩	**95,850**

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

1. General information

1.1 Corporate information

Binggrae Co., Ltd. (the "Parent Company" or the "Company") was established on September 13, 1967. The Company changed its name from Daeil Co., Ltd. to BinggraeCo., Ltd. on February 25, 1982 and is engaged in the production and sales of various dairy products. The Company's headquarter is located at 45, Migeum-ro 65 gil,Namyangjoo-si, Gyeonggi-do, and the Company's production facilities are located in Namyangjoo-si, Gimhae-si, Gwangju-si and Nonsan-si.

The Company's ordinary shares have been listed on the Korea Exchange since August 1978. As at the end of the current reporting period, the Company's issued capital amounting to ₩49,756 million. Details of the Company's shareholders and their ownership interest are as follows:

Name of Shareholders	Number of shares	Ownership
Ho-Youn Kim	3,620,527	36.75%
Treasury stock	1,009,440	10.25%
Others	5,221,274	53.00%
	9,851,241	100.00%

Differences arising from the Company's issued capital and aggregate of the par value of ordinary shares issued amounting to ₩500 million represents 100,000 ordinary shares reacquired as treasury stock and subsequently retired.

1.2 Consolidated subsidiaries

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

Name of subsidiary	Location	Year end	2022 Equity ownership	2022 Non-controlling interests	2021 Equity ownership	2021 Non-controlling interests	Principal business actuary
Haitai Ice Cream. Co., Ltd	Korea	December 31	100%	-	100%	-	Food and distribution
BC F&B Shanghai Co.,Ltd.	China	December 31	100%	-	100%	-	Import and distribution
BC F&B USA Corp.	USA	December 31	100%	-	100%	-	Import and distribution
BC F&B Vietnam Co., Ltd.	Vietnam	December 31	100%	-	100%	-	Import and distribution

Summarized financial information of subsidiaries as of and for the years ended December 31, 2022and 2021included in consolidation are as follows (Korean won in millions):

	2022					
Name of subsidiary	Total assets	Total liabilities	Total equity	Revenue	Profit (loss) for the year	Total comprehensive income (loss)
HaitaiIcecream. Co., Ltd	₩ 111,085	₩ 40,952	₩ 70,133	₩ 174,853	₩ 3,579	₩ 4,260
BC F&B Shanghai Co., Ltd.	6,039	771	5,268	23,916	546	525
BC F&B USA Corp.	8,105	1,081	7,023	57,853	2,259	2,768
BC F&B Vietnam Co., Ltd.	4,588	1,092	3,496	10,359	437	517

1.2 Consolidated subsidiaries (Continued)

	2021					
Name of subsidiary	Total assets	Total liabilities	Total equity	Revenue	Profit (loss) for the year	Total comprehensive income (loss)
HaitaiIcecream. Co., Ltd	₩ 101,368	₩ 35,495	₩ 65,873	₩ 160,107	₩ (2,184)	₩ (2,166)
BC F&B Shanghai Co., Ltd.	8,658	839	7,819	32,005	2,680	3,471
BC F&B USA Corp.	7,376	1,463	5,913	40,214	1,620	2,154
BC F&B Vietnam Co., Ltd.	3,525	547	2,978	5,744	306	575

2 Basis of presentation and summary of significant accounting policies

2.1 Basis of presentation

The Group prepares statutory consolidated financial statements in the Korean language in accordance with Korean International Financial Reporting Standards (KIFRS) enacted by the *Act on External Audit of Stock Companies*. The accompanying consolidated financial statements have been translated into English from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments, and other assets that have been measured at fair value. The consolidated financial statements are presented in Korean won (KRW) and all values are rounded to the nearest millions, except when otherwise indicated.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") as of December 31, 2022 and 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if the Group has:

- Power over the investee (i.e., existing 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 its returns

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

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

2.2 Basis of consolidation (Continued)

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

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

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

2.3 Summary of significant accounting policies

2.3.1 Current versus non-current classification

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

An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in 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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

2.3.2 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 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
Disclosure for valuation methods,significant estimates and assumptions	3, 17, 32
Financial instruments(including those carried at amortized cost)	32
Quantitative disclosures of fair value measurement hierarchy	32

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:

2.3.2 Fair value measurement (Continued)

- 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 to 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 financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the financial statements 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.

2.3.3 Foreign currencies

The Group’s consolidated financial statements are presented in Korean won, which is also the Parent Company’s functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group 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 rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group’s net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the income statement. 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 retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

2.3.3 Foreign currencies (Continued)

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.

Foreign entities
On consolidation, the assets and liabilities of foreign operations are translated into Korean won at the rate of exchange prevailing at the reporting date 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.

2.3.4 Property, plant and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, and property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgments, estimates and assumptions and provisions for further information about the recorded decommissioning provision.

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

The depreciation method and estimated useful lives of the Group's property, plant and equipment for the years ended December 31, 2021and 2020are as follows:

	Depreciation method	Years
Buildings		30–50
Structures		12 or 25
Machinery	Straight line depreciation method	6–12
Vehicles		6
Tools, furniture and fixtures		6

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

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

2.3.5 Cash and cash equivalents

Cash and cash equivalents 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. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.3.6 Inventories

Inventories are valued at the lower of cost and net realizable value. Meanwhile, initial cost of inventories includes purchase cost, transfer cost and other costs incurred in bringing each product to its present location and conditions. The cost of inventories is based on the specific identification method for materials-in-transit and on the gross average method for all other inventories.

2.3.7 Financial instruments – initial recognition and subsequent measurement

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

1) Financial assets

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under KIFRS 1115. Refer to the accounting policies in section 2.3.15 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised 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 recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

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

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortised 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

2.3.7 Financial instruments – initial recognition and subsequent measurement (Continued)

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

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

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

  And

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised 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.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

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

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

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

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial 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 amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised 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.

2.3.7 Financial instruments – initial recognition and subsequent measurement (Continued)

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

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

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

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

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

Impairment of financial assets

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

	Notes
➢ Disclosures for significant assumptions	3
➢ Debt instruments at fair value through OCI	10, 33
➢ Trade receivables, including contract assets	8, 33

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due.

2.3.7 Financial instruments – initial recognition and subsequent measurement (Continued)

The Group's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the Good Credit Rating Agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2) Financial liabilities

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

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

The Group's financial liabilities include trade payables and other payables.

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 KIFRS 1109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

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

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

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

This category generally applies to interest-bearing loans and borrowings.

2.3.7 Financial instruments – initial recognition and subsequent measurement (Continued)

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 respectivecarrying amounts is recognized in the statement of profit or loss.

2.3.8 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2.3.9 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 share premium.

2.3.10 Intangible assets

1) Goodwill

The amount of non-controlling interest in the acquiree and the sum of fair value at the acquisition date of the acquiree's previous interest in the acquiree are measured as goodwill and goodwill is included in the intangible asset. The goodwill is tested annually for impairment and marked at the cost minus the cumulative amount of impairment losses.

The goodwill is allocated to the cash-generating unit or cash-generating unit group for impairment inspection purposes, and the distribution is for the identified cash-generating unit or group of cash-generating units that are expected to benefit from the business combination in which the goodwill occurs.

The impairment test of goodwill is conducted more frequently each year or in the presence of changes or events in circumstances indicating potential damage. The impairment test of goodwill is conducted by comparing the carrying amount of the cash-generating unit or group of cash-generating units to the recoverable amount (ie the higher of the value used or fair value net). Impairment losses are immediately recognised as expenses and are not subsequently reversed.

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

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

2.3.10 Intangible assets (Continued)

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit 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.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income when the asset is derecognized.

A summary of the amortization policies applied to the Group's intangible assets is, as follows:

	Estimated useful lives
Industrial proprietary rights	5 – 10 years
Facility usage rights	Indefinite
Customer relationship	5 years
Goodwill	Indefinite
Other intangible assets	5 years

2.3.11 Government grants

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 in a pattern of consumption of the benefit of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant.

2.3.12 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) 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. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the statement of 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.

2.3.12 Impairment of non-financial assets (Continued)

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

The following assets have specific characteristics for impairment testing:

Intangible assets
Intangible assets with indefinite useful lives are tested for impairment annually as of December 31 at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.3.13 Pension benefits

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), 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. Re-measurements 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 restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under 'cost of sales' and 'selling and administrative expenses; in the consolidated statement of comprehensive income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

The Group operates a defined contribution pension plan. The Group requires contributions to be made to separately administered funds. The amount of retirement benefits to be paid to employees in the future is determined by the contribution paid to the fund and the return on investment.

2.3.14 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

2.3.15 Revenue from contracts with customers

The Group is in the business of manufacturing and selling dairy products,etc. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Sale of products
Revenue from sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The normal credit term is 30 to 60 days upon delivery.The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

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 recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Contract balances
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 2.3.7.

2.3.16 Taxes

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

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of 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.

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; oran 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 ventures, 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

2.3.16 Taxes (Continued)

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 ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

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

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

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

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

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

2.3.17 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contractconveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-termleases and leases of low-value assets. The Group recognises lease liabilities representing obligations to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets
The Group recognises 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 recognised, 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:

- Plant 30 to 50 years
- Vehicles 6 years
- Machinery 6 to 12 years

2.3.17 Leases (Continued)

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 (s) Impairment of non-financial assets.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

ii) Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised 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.

iii) 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 recognised as expense on a straight-line basis over the lease term.

2.3.18 New and amended standards and interpretations

The Group has applied the following standards for the first time for the annual reporting period commencing January 1, 2022.

1) Amendments to Korean IFRS 1116, Lease

The amendments to Korean IFRS 1116 introduced a practical expedient that provided relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19. The amendment extend the practical expedient to apply to reduction in lease payaments originally due on or before June 30, 2022. The amendment does not have a significant impact on the consolidated financial statements.

2) Amendments to Korean IFRS 1103,Business Combinations

The amendments update Korean IFRS 1103 so that it refers to the amended conceptual framework for financial reporting for assets and liabilities recognized upon business combination, along with adding requirement that for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 to identify the liabilities it has assumed in a business combination. The amendments also add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The amendment does not have a significant impact on the consolidated financial statements.

2.3.18 New and amended standards and interpretations (Continued)

3) Amendments to Korean IFRS 1016,Propery, Plant and Equipment

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendment does not have a significant impact on the consolidated financial statements.

4) Amendments to Korean IFRS 1037,Provisions, Contingent Liabilities and Contingent Assets

The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract, and that costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.The amendment does not have a significant impact on the consolidated financial statements.

5) Annual improvements to Korean IFRS 2018-2020

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022. The amendment does not have a significant impact on the consolidated financial statements.
- Korean IFRS 1101 First time Adoption of Korean International Financial Reporting Standards – Subsidiaries that are first-time adopters
- Korean IFRS 1109 Financial Instruments – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1116 Leases – Lease incentives
- Korean IFRS 1041 Agriculture – Measuring fair value

2.3.19New and amended standards not yet adopted by the Company

The amended accounting standards issued that are not mandatory for the annual reporting periods commencing on January 1, 2022 and has not been early adopted by the Company are as follows:

1) Amendments to Korean IFRS 1001,Presentation of Financial Statements

The amendments clarify that the classification of liabilities as current or non-current is based on the rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, and elucidate that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

2) Amendments to Korean IFRS 1001,Presentation of Financial Statements

The amendments require companies to define and disclose their 'material' accounting policy information instead of its 'significant' accounting policies. The amendments explain how an entity can identify material accounting policy information. The amendments to K-IFRS 1001 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively.The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

3) Amendments to Korean IFRS 1008,Accounting Policies, Changes in Accounting Estimates and Errors

The amendments clarify the definition of a change in accounting estimates, and specify how to distinguish from a change in accounting policies. The amendments are effective for annual periods beginning on or after January, 1 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

2.3.19New and amended standards not yet adopted by the Company (Continued)

4) Amendments to Korean IFRS 1012,Income Taxes

The amendments add to the initial recognition exemption that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

5) Amendments to Korean IFRS 1117,Insurance Contracts

The amendments replaces Korean IFRS 1104, 'Insurance Contracts'. Estimate all cash flows from insurance contracts, measure insurance liabilities using a discount rate that reflects assumptions and risks at the time of reporting, and recognize revenue on an accrual basis by reflecting services (insurance protection) provided to policyholders for each fiscal year. do. In addition, investment elements (cancellation/maturity refunds) paid to policyholders regardless of insurance events are excluded from insurance revenue, and insurance profit and loss and investment profit and loss are displayed separately so that information users can identify the source of profit and loss. This standard is applied from the first fiscal year starting on or after January 1, 2023, and early application is permitted for companies that have applied Korean IFRS 1109, 'Financial Instruments'.The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

6) Amendments to Korean IFRS 1001,Presentation of Financial Statements

The amendments require disclosure of valuation gains or losses of the financial liabilities, if all or part of the financial instrument with exercise price that is adjusted depending on the issuer' s share price change is classified as financial liability.
The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

	Notes
Financial risk management and policies	32
Sensitivity analysis and disclosure	18, 32

3.1 Judgments

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:

Revenue from contracts with customers
The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

➢ *Determining method to estimate variable consideration and assessing the constraint*

Certain contracts for the sale of products include a right of return that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

3.1 Judgments(Continued)

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that a non-financial asset may be impaired. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually, or when circumstances indicate that the carrying value may be impaired. Other non-financial assets are tested for impairment when circumstances indicate that its carrying amount may not be recoverable. In determining a value in use, management estimates future cash flows to be derived from the asset of CGU, and applies the appropriate discount rate to those future cash flows.

Provision for expected credit losses of trade receivables and contract assets
The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables and contract assets is disclosed in Note 8.

Defined benefit plans (pension benefits)
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 each reporting date.

Fair value measurement 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 theDCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3.2 Estimates and assumptions(Continued)

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 has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

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

4. Operating segment information

Segments of revenue from contracts with customers for the years ended December 31, 2022and 2021are as follows (Korean won in millions):

		2022		2021
Category of refrigerated products (milk and milk drinks, etc.)	₩	573,196	₩	544,315
Category of frozen products (ice cream etc.)		694,490		603,120
	₩	1,267,686	₩	1,147,435
Timing of revenue recognition				
Goods transferred at a point in time		1,267,686	₩	1,147,435
Services transferred over time		-		-
	₩	1,267,686	₩	1,147,435

5. Cash and cash equivalents

Cash and cash equivalents as of December 31, 2022and 2021 are as follows (Korean won in millions):

		2022	2021
Cash on hand	₩	8	46
Deposits		79,214	95,804
	₩	79,222	95,850

6. Short-term financial assets

Short-term financial assetsas of December 31, 2022and 2021are as follows (Korean won in millions):

		2022	2021
Term deposit	₩	5,420	65,485
Other deposit(*)		5,000	5,000
Financial investments		3,025	-
Short term loans		-	10
	₩	13,445	70,495

(*)Short-term financial instruments of ₩5,000 million of Industrial Bank of Korea are restricted for use in connection with the deposits for mutual growth loans.

7. Accounts and notes receivable and prepaidexpenses

Accounts and notesreceivable and prepaid expenses are presented as net of allowances for impairment. Gross amount and related allowances as of December 31, 2022and 2021are as follows (Korean won in millions):

		2022	2021
Accounts and notes receivable	₩	81,958	60,183
Prepaid expenses		9,085	10,105
		91,043	70,288
Allowance for doubtful accounts:			
Accounts and notes receivable		(854)	(1,015)
Prepaid expenses		(52)	(83)
		(906)	(1,098)
Book value:			
Accounts and notes receivable		81,104	59,168
Prepaid expenses		9,033	10,022
	₩	90,137	69,190

Changes in allowance for doubtful accounts for the years ended December 31, 2022and 2021are as follows (Korean won in millions):

		2022	2021
As at January 1,	₩	1,098	1,284
Bad debt expense		(280)	172
Bad debt reversal		180	-
Write-off		(92)	(358)
As of December 31,	₩	906	1,098

As of December 31, 2022and 2021, the aging analysis of accounts and notes receivable is as follows (Korean won in millions):

		2022		2021	
		Accounts and notes receivable	Allowance for doubtful accounts	Accounts and notesreceivable	Allowance for doubtful accounts
< 180 days	₩	81,097	(332)	59,825	(697)
181~365 days		357	(209)	210	(187)
> 365 days		504	(313)	148	(131)
	₩	81,958	(854)	60,183	(1,015)

8. Inventories

Inventories as of December 31, 2022and 2021are as follows (Korean won in millions):

		2022	2021
Merchandise	₩	18,467	11,048
Finished goods		27,462	21,231
Work-in-process		4,913	3,004
Raw materials		57,916	28,404
Materials in-transit		18,717	10,688
	₩	127,475	74,375

9. Long-term financial assets

Long-term financial assetsas of December 31, 2022and 2021are as follows (Korean won in millions):

		2022	2021
Long-term deposits	₩	1,817	1,886
Financial assets at fair value through profit or loss		16,395	16,727
Financial assets at fair value through OCI		10,021	12,159
Long-term loans		3,331	801
	₩	45,009	31,553

Financial assets with restrictions for useas of December 31, 2022and 2021are as follows(Korean won in millions):

	Financial institution		2022	2021	Description
Long-term deposits	Shinhan Bank	₩	3	3	Deposits for checking accounts

Financial assets at fair value through profit or loss and financial assets at fair value through OCIas of December 31, 2022and 2021are as follows (Korean won in millions):

		2022	2021
Financial assets at fair value through profit or loss			
Marketable beneficiary certificate:			
Samsung Securities IBK Hybrid Securities	₩	4,753	4,944
Samsung Securities Woori Financial Hybrid Securities		4.575	4.953
Samsung Securities Plus Fund		5.170	5.170
Binggrae Agrifood Venture Fund		1,897	1,660
		16,395	16,727
Financial assets at fair value through OCI			
Marketable securities:			
Korea Telecom Corporation		169	153
Shinhan Financial Group Co., Ltd.		1,542	1,612
Crownhaitai Holdings Co., Ltd		7,735	9,773
Crown Confectionery Co., Ltd.		563	608
		10,009	12,146
Non-marketable securities:			
The Korea Economic Daily		13	13
		13	13
	₩	10,021	12,159

9. Long-term financial assets (Continued)

Changes in financial assets at fair value through profit or loss and financial assets at fair value through OCI for the years ended December 31, 2022and 2021are as follows (Korean won in millions):

		2022	2021
Balance at beginning of year	₩	16,727	16,465
Increase		360	480
Disposals		(123)	(1)
Gains (losses) on valuation of financial assets at fair value through OCI (before tax)		(569)	(218)
Balance at end of year	₩	16,395	16,727

10. Property, plant and equipment, net

Changes in the book value of property, plant and equipment for the years ended December 31, 2022and 2021are as follows (Korean won in millions):

		2022					
		Land	Buildings and structures	Machinery and vehicles (*1)	Tools, furniture and other	Construction-in-progress	Total
Acquisition cost:							
As of January 1	₩	62,855	102,943	361,326	118,924	7,480	653,528
Additions		270	277	4,173	9,964	18,191	32,875
Disposals		(9)	(3,454)	(13,763)	(7,706)	-	(24,932)
Other(*2)		7,836	7,024	13,432	154	(16,048)	12,398
As of December 31		70,952	106,790	365,168	121,336	9,623	673,869
Accumulated depreciation and impairment							
As of January 1		-	(51,121)	(221,936)	(84,983)	-	(358,040)
Disposals		-	1,779	12,786	7,584	-	22,149
Depreciation		-	(2,335)	(23,280)	(10,497)	-	(36,112)
Others(*2)		-	(3,010)	(175)	45	-	(3,140)
As of December 31		-	(54,687)	(232,605)	(87,851)	-	(375,143)
Net book value:							
As of December 31	₩	70,952	52,103	132,563	33,485	9,623	298,726

(*1) Amounts are net of government grants.
(*2) Includes the effects of foreign exchange differences.

10. Property, plant and equipment, net (Continued)

		2021					
		Land	Buildings and structures	Machinery and vehicles (*1)	Tools, furniture and other	Construction-in-progress	Total
Acquisition cost:							
As of January 1	₩	51,137	99,827	334,408	109,208	25,023	619,603
Additions		681	1,317	14,304	13,830	26,764	56,896
Disposals		(14)	(759)	(12,932)	(4,738)	-	(18,443)
Other(*2)		11,051	2,558	25,546	624	(44,307)	(4,528)
As of December 31		62,855	102,943	361,326	118,924	7,480	653,528
Accumulated depreciation and impairment							
As of January 1		-	(49,774)	(210,199)	(79,397)	-	(339,370)
Disposals		-	706	11,539	4,256	-	16,501
Depreciation		-	(2,410)	(23,252)	(9,851)	-	(35,513)
Others (*2)		-	357	(24)	9	-	342
As of December 31		-	(51,121)	(221,936)	(84,983)	-	(358,040)
Net book value:							
As of December 31	₩	62,855	51,822	139,390	33,941	25,023	295,488

(*1) Amounts are net of government grants.
(*2) Includes the effects of foreign exchange differences.

11. Investment Property

Changes in the book value of investment property for the year ended December 31, 2022and 2021are as follows (Korean won in millions):

	2022		
	Land	Building	Total
Acquisition cost:			
Balance at beginning of year	7,762	9,246	17,008
Other increase(decrease)	(7,762)	(6,984)	(14,746)
Disposals	–	–	–
Balance at end of year	-	2,262	2,262
Accumulated depreciation:			
Balance at beginning of year	-	(2,950)	(2,950)
Disposals	-	-	-
Others	-	2,946	2,946
Depreciation	-	(45)	(45)
Balance at end of year	-	(49)	(49)
Net book value at end of year	-	2,213	2,213

	2021		
	Land	Building	Total
Acquisition cost:			
Balance at beginning of year	7,127	6,413	13,540
Other increase(decrease)	635	2,833	3,468
Disposals	–	–	–
Balance at end of year	7,762	9,246	17,008
Accumulated depreciation:			
Balance at beginning of year	-	(2,589)	(2,589)
Disposals	-	-	-
Others	-	(231)	(231)
Depreciation	-	(130)	(130)
Balance at end of year	-	(2,950)	(2,950)
Net book value at end of year	7,762	6,296	14,058

12. Government grants

The Group purchased the machinery after receiving ₩300 million in government subsidies in connection with the Ministry of Agriculture, Food and Rural Affairs' greenhouse gas reduction technology demonstration project. The amortized value of the asset is ₩61 million and ₩61 million, respectively, in the current and prior terms, and the Government grants of ₩25 million and ₩25 million were offset from the same amount, respectively. As a result, the cumulative amount of the depreciation cost and offsetting amount of the asset increased from ₩116 million at the end of the previous term to ₩141 millionat the end of the current term.
The Group reflects the government subsidies received in connection with the Korea Agricultural and Fisheries Food Distribution Corporation's project to support export logistics costs as an item to deduct export logistics costs.

13. Intangible assets

Changes in the book value of intangible assets for the years ended December 31, 2022and 2021are as follows (Korean won in millions):

	2022					
	Industrial property rights	Software and Other intangible assets	Facility usage rights	Customer Relationship	Goodwill	Total
Balance at Jan.1	₩ 25,718	2,469	1,807	7,950	26,726	64,670
Additions	513	376	-	-	-	889
Disposals	-	-	-	-	-	-
Amortization	(6,935)	(1,528)	-	(2,120)	-	(10,583)
Others	-	2,581	(330)	-	-	2,251
Balance at Dec.31	₩ 19,296	3,898	1,477	5,830	26,726	57,227

	2021					
	Industrial property rights	Software and Other intangible assets	Facility usage rights	Customer Relationship	Goodwill	Total
Balance at Jan.1	₩ 32,124	2,704	1,737	10,070	26,726	73,361
Additions	490	364	403	-	-	1,257
Disposals	-	-	(333)	-	-	(333)
Amortization	(6,896)	(1,344)	-	(2,120)	-	(10,360)
Others	-	745	-	-	-	745
Balance at Dec.31	₩ 25,718	2,469	1,807	7,950	26,726	64,670

Research and development costs incurred and recognized in profit or loss for the years ended December 31, 2022and 2021are as follows (Korean won in millions):

	2022	2021
Cost of sales	₩ 2,394	2,214
Selling and administrative expenses	5,387	5,138
	₩ 7,781	7,352

14. Guarantee deposits

Details of guarantee deposits that are measured at amortized cost using the effective interest method as of December 31, 2022and 2021are as follows (Korean won in millions):

	2022		2021	
	Effective interest rate	Book value	Effective interest rate	Book value
Guarantee deposits	2.08% ~ 5.88%	₩ 27,928	1.23% ~ 5.60%	₩ 18,857

15. Pledged assets

Details of assets pledged for the Group's borrowings as of December 31, 2022are as follows: (Korean won in millions):

	Pledged assets		Borrowing	Pledged amount
Korea Development Bank	Land, buildings, machinery, tools, furniture and fixtures (Donong factory)	₩	-	21,000
Shinhan Bank	Land, buildings, machinery, tools, furniture and fixtures		-	9,600
Woori Bank	Land, buildings, machinery, tools, furniture and fixtures		-	12,000
		₩	-	42,600

16. Other current liabilities

Other current liabilities as of December 31, 2022and 2021are as follows (Korean won in millions):

		2022	2021
Advances received	₩	2,387	3,614
Withholdings		1,804	4,240
Deposits received for guarantees		3	3
Deposits for letter of guarantees and others		1,598	1,651
	₩	5,792	9,508

17. Employee benefits

Defined benefit liabilitiesas of December 31, 2022and 2021are as follows (Korean won in millions):

		2022	2021
Present value of the defined benefit obligation	₩	74,757	79,907
Fair value of plan assets		(70,824)	(64,342)
Provision for severance and retirement benefits recognized in the consolidated statement of financial position	₩	3,933	15,565

Changes in the defined benefit obligation for the years ended December 31, 2022and 2021are as follows (Korean won in millions):

		2022	2021
As of January 1	₩	79,907	78,768
Current service cost		8,986	8,825
Interest expense		2,403	1,993
Acquired in a business combination		-	-
Remeasurement gains (losses):			
Actuarial changes arising from changes in demographic assumptions		123	(377)
Actuarial changes arising from changes in financial assumptions		(10,012)	(2,448)
Experience adjustments		1,705	1,867
New and transfer		324	673
Benefits paid		(8,679)	(9,394)
As of December 31	₩	74,757	79,907

17. Employee benefits (Continued)

Changes in the fair value of plan assets for the years ended December 31, 2022and 2021are as follows (Korean won in millions):

		2022	2021
As of January 1	₩	64,342	60,296
Expected return on plan assets		1,988	1,553
Remeasurement losses in OCI:			
Remeasurement loss		(783)	(606)
Contributions by employer		13,500	8,000
Benefits paid		(8,223)	(4,901)
As of December 31	₩	70,824	64,342

The components of defined benefit costs recognized in profit or loss for the years ended December 31, 2022 and 2021 relating to defined benefit plans are as follows(Korean won in millions):

		2022	2021
Current service cost	₩	8,986	8,825
Net interest cost		415	440
New and transfer		324	673
	₩	9,725	9,938

The amount recognized as expense of defined contribution plans for the years ended December 31, 2022 and 2021 are ₩ 4,676 million and ₩4,356 million, respectively.

The fair values of the major categories of the plan assets as of December 31, 2022and 2021are as follows (Korean won in millions):

		2022	2021
Short-term trading financial assets	₩	26,661	24,613
Other financial assets		44,163	39,729
	₩	70,824	64,342

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

	2022	2021
Discount rate	5.28 ~ 5.65%	2.80 ~ 3.27%
Future salary growth rate	4.54 ~ 4.58%	3.56 ~ 4.47%

The sensitivity analysis of the defined benefit obligations as of December 31, 2022 and 2021 to changes in the weighted principal assumptions is as follows(Korean won in millions):

		2022	
		1% increase	1% decrease
Effect of changes in the discount rate	₩	(3,901)	4,356
Effect of changes in future salary growth rate		4,444	(4,047)

		2021	
		1% increase	1% decrease
Effect of changes in the discount rate	₩	(5,093)	5,773
Effect of changes in future salary growth rate		5,757	(5,176)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit liabilities as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

18. Leases

The Group has lease contracts for various items of land, plant and vehicles used in its operations. Leases of land and plant generally have lease terms between 1 and 40 years, while vehicles generally have lease terms between 1 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group also has certain leases of machinery with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets and lease liabilities recognised and the movements during the years ended December 31, 2022 and 2021. (Korean won in millions):

	2022					
	Right-of-use assets					Lease liabilities
	Land and plant		Vehicles	Others	Total	
As of January 1, 2022	₩	6,756	5,506	534	12,796	12,366
Additions		23,686	2,383	562	26,631	26,257
Depreciation expense		(8,420)	(2,506)	(1,111)	(12,037)	-
Interest expense		-	-	-	-	518
Payments		-	-	-	-	(11,718)
Decrease		(395)	(82)	304	(172)	(174)
As of December 31, 2022	₩	21,626	5,302	290	27,217	27,249
Short-term lease liabilities						(8,527)
Long-term lease liabilities						18,722

	2021					
	Right-of-use assets					Lease liabilities
	Land and plant		Vehicles	Others	Total	
As of January 1, 2021	₩	8,408	3,637	792	12,837	12,634
Additions		5,442	4,017	441	9,901	9,296
Depreciation expense		(6,714)	(2,127)	(699)	(9,540)	-
Interest expense		-	-	-	-	245
Payments		-	-	-	-	(9,449)
Decrease		(381)	(21)	-	(402)	(360)
As of December 31, 2021	₩	6,756	5,506	534	12,796	12,366
Short-term lease liabilities						(7,072)
Long-term lease liabilities						5,294

The following are the amounts recognised in profit or loss (Korean won in millions):

	2022	2021
Depreciation expense of right-of-use assets	₩12,037	9,540
Interest expense on lease liabilities	518	245

18.Leases (Continued)

The maturity analysis of lease liabilities as of December 31, 2022 and 2021are as follows (Korean won in millions):

		2022	2021
Less than 1 year	₩	8,695	7,657
~ 5 years		21,358	6,581
After 5 years		11	-
Total amount		30,064	14,238
Present value discount		(2,814)	(1,872)
Discounted amount		27,249	12,366
Non-current to current reclassification		(8,527)	(7,072)
Long-term lease liabilities	₩	18,722	5,294

The undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term is ₩8,493million won.

19. Issued capital and capital surplus

The Company issued capitalas of December 31, 2022and 2021are as follows (Korean won, except number of shares):

		2022	2021
Number of shares authorized		24,000,000	24,000,000
Value per share	₩	5,000	5,000
Number of shares issued		9,851,241	9,851,241
Common stock	₩	49,756,205,000	49,756,205,000

Differences arising from the Company’s issued capital and aggregate of the par value of ordinary shares issued amounting to ₩500 million represents 100,000 ordinary shares reacquired as treasury stock and subsequently retired.

Capital surplusas of December 31, 2022and 2021are as follows (Korean won in millions):

		2022	2021
Additional paid-in capital	₩	27,910	27,910
Gain on disposal of treasury stock		2,386	2,386
Revaluation surplus		34,473	34,473
	₩	64,769	64,769

20. Other components of equity

Other components of equity as of December 31, 2022 and 2021 are as follows (Korean won in millions):

		2022	2021
Treasury stock	₩	22,482	22,482

21. Accumulated other comprehensive income

Accumulated other comprehensive income as of December 31, 2022and 2021are as follows (Korean won in millions):

		2022	2021
Changes in the fair value of financial assets at fair value through OCI	₩	(5,173)	(3,517)
Loss on foreign currency translations of foreign operations		1,458	911
	₩	(3,714)	(2,606)

Changes in the fair value of financial assets at fair value through OCI and fair value of available-for-sale financial assets as of December 31, 2022and 2021are as follows (Korean won in millions):

		2022	2021
Before tax	₩	(6,735)	(4,597)
Accumulated tax effect		1,563	1,080
	₩	(5,173)	(3,517)

22. Reserves

Reserves as of December 31, 2022and 2021are as follows (Korean won in millions):

		2022	2021
Legal reserve	₩	22,615	21,315
Voluntary reserves		441,186	464,186
	₩	463,801	485,501

Legal reserve

In accordance with the Korean Commercial Code, an amount equal to at least 10% of cash dividends is required to be appropriated as a legal reserve until the reserve equals 50% of issued capital. The legal reserve may not be utilized for cash dividends but may only be used to offset a deficit, if any, or be transferred to issued capital by the resolution of the shareholders' meeting.

Voluntary reserves as of December 31, 2022and 2021are as follows (Korean won in millions):

		2022	2021
Reserve for business rationalization	₩	96,505	96,505
Reserve for improvement of capital structure		18,681	18,681
Reserve for overseas market development		137,000	137,000
Reserve for facility investment		189,000	212,000
	₩	441,186	464,186

23. Retained earnings

Changes in retained earnings for the years ended December 31, 2022and 2021are as follows(Korean won in millions):

		2022	2021
Balance at beginning of year	₩	(17,062)	42,562
Transfer from reserve for research and human resource development		-	-
Appropriation to legal reserve		(1,300)	(1,420)
Appropriation to reserve for business rationalization		-	(9,000)
Appropriation to reserve for overseas market development		-	(6,000)
Appropriation to reserve for facility investment		23,000	(10,000)
Dividends		(12,379)	(14,147)
Net profit for the year		25,686	(19,327)
Less: net profit (loss) attributable to non-controlling interests		-	-
Re-measurement losses on defined benefit plans		5,694	270
Effect of changes in consolidation scope		-	-
Balance at end of year	₩	23,639	(17,062)

Dividends

The following dividends were declared and paid by the Company during 2022and 2021. (Korean won in millions):

		2022	2021
₩1,400 wonper qualifying ordinary share (2021: ₩1,600)	₩	12,379	14,147

24. Expenses classified by nature of expense

Expenses classified by nature of expense for the years ended December 31, 2022and 2021are as follows (Korean won in millions):

	2022		
	Selling and administrative expenses	Cost of sales	Total
Movement in inventories	₩ -	(157,298)	(157,298)
Purchase of inventories	-	829,214	829,214
Employee benefits expense	74,206	69,334	143,540
Depreciation and amortization	29,286	29,615	58,901
Other expenses	192,812	161,109	353,921
	₩ 296,304	931,974	1,228,278

	2021		
	Selling and administrative expenses	Cost of sales	Total
Movement in inventories	₩ -	(93,276)	(93,276)
Purchase of inventories	-	738,136	738,136
Employee benefits expense	74,350	67,458	141,808
Depreciation and amortization	27,740	27,672	55,412
Other expenses	173,547	105,565	279,112
	₩ 275,637	845,555	1,121,192

24. Expenses classified by nature of expense (Continued)

Details of selling and administrative expenses for the years ended December 31, 2022and 2021are summarized as follows (Korean won in millions):

		2022	2021
Wages and salaries	₩	68,087	66,363
Post-employment benefit		6,119	7,987
Employee welfare		12,833	14,051
Travel expenses		4,101	3,362
Taxes and dues		4,440	4,230
Service fee		14,382	10,416
Rental expenses		7,530	8,257
Depreciation		12,715	12,791
Amortization		10,583	10,359
Research and development		5,387	5,138
Advertisement		45,988	44,303
Sales commission		42,332	34,584
Impairment loss on trade receivables		(280)	173
Transportation		37,668	29,644
Depreciation on right-of-use assets		5,988	4,590
Other		18,431	19,389
	₩	296,304	275,637

25. Finance income and finance costs

Finance income and finance costs are summarized for the years ended December 31, 2022and 2021 as follows (Korean won in millions):

		2022	2021
Finance income:			
Interest income	₩	2,820	2,126
Dividend income		265	216
Gain on foreign currency transactions		2,460	1,830
Gain on foreign currency translation		20	29
Gain on valuation of financial assets at fair value through profit or loss		-	-
	₩	5,566	4,201
Finance costs:			
Interest expense		(281)	(111)
Loss on foreign currency transactions		(2,310)	(286)
Loss on foreign currency translation		(354)	-
Loss on valuation of financial assets at fair value through profit or loss		(570)	(218)
Lease liabilities interest expense		(358)	(206)
	₩	(3,873)	(821)

Interest income for the years ended December 31, 2022and 2021are as follows: (Korean won in millions):

		2022	2021
Deposits in financial institutions	₩	1,785	1,243
Short-term financial instruments		167	299
Long-term financial instruments		522	396
Guarantee deposits		347	188
	₩	2,820	2,126

26. Non-operating income and expenses

Non-operating income for the years ended December 31, 2022and 2021are as follows (Korean won in millions):

		2022	2021
Gain on disposal of property, plant and equipment	₩	287	810
Rental income		270	28
Miscellaneous income		485	689
	₩	1,042	1,527

Non-operating expenses for the years ended December 31, 2022and 2021are as follows (Korean won in millions):

		2022	2021
Donations	₩	729	2,940
Loss on disposal of property, plant and equipment		2,833	670
Loss on disposal of intangible assets		-	7
Miscellaneous loss		1,856	39,333
	₩	5,418	42,950

27. Income tax

The major components of income tax expense for the years ended December 31, 2022and 2021are as follows (Korean won in millions):

		2022	2021
Current income tax	₩	10,422	6,147
Adjustment in respect to prior years		2,340	174
Origination and reversal of temporary differences		(477)	1,342
Income taxes recognized in other comprehensive income		(1,246)	(136)
Income tax expense	₩	11,039	7,528

Income taxes recognized directly in other comprehensive income for the years ended December 31, 2022and 2021are as follows (Korean won in millions):

		2022	2021
Current income tax:			
Remeasurements losses on defined benefit plans	₩	(1,707)	(83)
Deferred tax:			
Gains on valuation of financial assets at fair value through OCI		482	-
Gains on translation of foreign operations		(21)	(53)
Income taxes recognized directly in other comprehensive income	₩	(1,246)	(136)

27. Income tax (Continued)

A reconciliation of provision for income taxes applicable to income before income taxes at the Korea statutory tax rate to provision for income taxes at the effective tax rate of the Group is summarized as follows (Korean won in millions):

		2022	2021
Profit before income taxes	₩	36,724	(11,799)
Statutory income tax rate		22.1%	22.4%
Taxes at the statutory income tax rate		8,132	(2,638)
Adjustments:			
Tax effects of permanent differences		377	9,586
Tax credits		(253)	(808)
Adjustments in respect to prior years		2,340	174
Other		441	1,214
Income tax expense	₩	11,039	7,528
Effective income tax rate		30.1%	-

As of December 31, 2022and 2021, tax effects of temporary differences are calculated by expected tax rate of the fiscal year when the temporary differences are expected to be reversed.

Significant changes in cumulative temporary differences and deferred tax assets and liabilities for the years ended December 31, 2022and 2021are as follows (Korean won in millions):

2022	January 1	Recognized in business combination	Recognized in profit or loss	Recognized directly in equity	December 31
Financial assets at fair value through OCI	₩ (1,338)	-	34	482	(822)
Accrued expenses	117	-	(71)	-	46
Defined benefit oligations	2,998	-	(136)	-	2,862
Other employee benefits	2,997	-	(254)	-	2,743
Intangible assets	(6,885)	-	1,436	-	(5,449)
Accumulated depreciation	1,853	-	19	-	1,872
Allowance for temporary depreciation	(481)	-	62	-	(419)
Other	521	-	342	(21)	842
	₩ (218)	-	1,432	461	1,675

2021	January 1	Recognized in business combination	Recognized in profit or loss	Recognized directly in equity	December 31
Financial assets at fair value through OCI	₩ (1,335)	-	(3)	-	(1,338)
Accrued expenses	1,139	-	(1,022)	-	117
Defined benefit oligations	3,027	-	54	(83)	2,998
Other employee benefits	2,754	-	243	-	2,997
Intangible assets	(8,892)	-	2,007	-	(6,885)
Accumulated depreciation	2,105	-	(252)	-	1,853
Allowance for temporary depreciation	(541)	-	60	-	(481)
Investment in subsidiaries	(162)	-	162	-	-
Other	936	-	(362)	(53)	521
	₩ (969)	-	887	(136)	(218)

28. Earnings per share

The Group's basic earnings per share for the years ended December 31, 2022and 2021are computed as follows (Korean won, except number of shares):

		2022	2021
Net profit attributable to ordinary equity holders of the parent:			
Continuing operations	₩	25,685,517,208	(19,327,115,194)
Weighted-average number of shares of ordinary stock outstanding (*)		8,841,801	8,841,801
Basic earnings per share:			
Net profit for the year attributable to ordinary equity holders	₩	2,905	(2,186)

(*) Weighted-average number of shares of ordinary stock outstanding is calculated as follows:

		2022	2021
Beginning weighted-average number of shares of ordinary stock	₩	9,851,241	9,851,241
Treasury stock		(1,009,440)	(1,009,440)
Weighted-average number of shares of ordinary stock outstanding	₩	8,841,801	8,841,801

There is no difference between basic earnings per share and diluted earnings per share as there are no potential dilutive instruments as of the year ended December 31, 2022and 2021.

29. Related party transactions

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

Classification	Name of related parties
Other related party	Jette Co., Ltd
Other related party	Self-Storage Co., Ltd

Transactions with with the two companies for the years ended December 31, 2022and 2021are as follows(Korean won in millions):

Classification	2022		
	Company	Rental revenue and other revenue	Transportation expense and other expense
Other related party	Jette Co., Ltd	₩ 4	92,182
Other related party	Self-Storage Co., Ltd	-	49

Classification	2021		
	Company	Rental revenue and other revenue	Transportation expense and other expense
Other related party	Jette Co., Ltd	₩ 103	67,614
Other related party	Self-Storage Co., Ltd	-	36

Balances of receivables and payables resulted from transactions among the Group and its related party as of December 31, 2022 and 2021 are as follows (Korean won in millions):

Classification	Company	Accounts	2022	2021
Other related party	Jette Co., Ltd	Receivables:		
		Other accounts receivable	₩ -	-
		Guarantee deposits	2,177	734
			₩ 2,177	734
		Payables:		
		Other accounts payable	8,031	6,392
			₩ 8,031	6,392

Key management personnel compensations in total and for each of the following categories for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022	2021
Annual salaries	₩ 5,784	4,892
Provision for retirement and severance benefits	421	340
	₩ 6,205	5,232

30. Supplementary consolidated cash flow information

Cash flows from operating activities prepared using the indirect method for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

		2022	2021
Net income (loss) for the year	₩	25,686	(19,327)
Non-cash adjustments to reconcile net income (loss) to net cash flows provided by operating activities:			
Severance and retirement benefits		9,725	9,265
Depreciation		36,235	35,513
Depreciation on right-of-use assets		12,037	9,540
Amortization		10,583	10,360
Amortization Expenses on Investment in Properties		45	-
Bad debt expense		(280)	173
Interest income		(2,820)	(2,126)
Dividend income		(265)	(216)
Gain on foreign currency translation		(20)	(29)
Interest expense		638	317
Reversal of Losses on Valuation of Inventories		-	-
Loss on foreign currency translation		354	-
Gain on disposal of property, plant and equipment		(287)	(810)
Loss on disposal of property, plant and equipment		2,833	670
Loss on disposal of intangible assets		-	7
Loss on valuation of financial assets at fair value through profit or loss		570	218
Income tax expense		11,039	7,527
Miscellaneous expense		-	38,838
Miscellaneous revenues		(2)	-
		80,385	109,247
Working capital adjustments:			
Accounts and notes receivable		(17,422)	9,489
Other accounts receivable		(519)	(644)
Accrued revenues		(10)	14
Advance payments		16	(654)
Prepaid expenses		939	2,334
Inventories		(52,223)	(18,640)
Business guarantees		(900)	724
Long-term advance payments		140	327
Long-term prepaid expenses		129	(101)
Accounts and notes payable		15,557	(3,251)
Other accounts payable		(33,794)	300
Accrued expenses		(60)	(3,112)
Other current liabilities		(2,130)	4,051
Contributions by employer		(15,465)	(10,982)
Long-term guarantee deposits received		(183)	170
Long-term accrued expenses		(1,503)	(283)
		(107,428)	(20,258)
Income taxes paid		(9,888)	(14,161)
Net cash flows provided by operating activities	₩	(11,245)	55,501

30. Supplementary consolidated cash flow information (Continued)

Cash and cash equivalents on the consolidated statements of cash flows consist entirely of cash and cash equivalents on the consolidated statements of financial position.

For the years ended December 31, 2022and 2021, significant transactions not involving cash flows are as follows (Korean won in millions):

		2022	2021
Transfers to machinery from construction-in-progress	₩	16,048	44,054
Transfers to Investment propery from Property		14,746	3,468

31. Financial risk management objectives and policies

The Group’s principal financial liabilities, consist ofaccounts and notes payable and other accounts payable. The main purpose of these financial liabilities is to finance the Group’s operations and to provide guarantees to support its operations. Also the Group has various financial assets including accounts and notes receivable, cash and short-term deposits that arise directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk.The Group's management reviews risk management process of each risk and whether it follows the Group's policies as follows.It is the Group’s policy that no trading in derivatives for speculative purposes shall be undertaken.

31.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuates because of changes in market prices. Market comprises three types of risk: interest rate risk, currency risk and other price risk.

The sensitivity analyses in the following sections relate to the position as of December 31, 2022and 2021.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There is no significant effect on cash flows or the fair value of financial liabilities from the interest rate fluctuation.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As the Group carries few monetary assets and liabilities denominated in foreign currency as of December 31, 2022, the effect of exchange rate fluctuation is not material.

Other price risk
Other price risk is the rick that the fair value or future cash flows of a financial instrument fluctuate because of changes in market price other than interest rate risk or foreign currency risk.

The Group’s listed equity securities are susceptible to market price risk arising from the fluctuation in the price of the securities. The following table demonstrates a sensitivity analysis of a reasonably possible change in the price of listed equity securities on the financial statements of the Group as of December 31, 2022and 2021(Korean won in millions):

	2022		
	5%p increase		5%p decrease
Other comprehensive income before tax	₩	501	(501)
Income tax		(116)	116
Other comprehensive income after tax	₩	385	(385)

Other price risk(Continued)

	2021	
	5%p increase	5%p decrease
Other comprehensive income before tax	₩ 607	(607)
Income tax	(143)	143
Other comprehensive income after tax	₩ 464	(464)

31.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss of the Group. The Group is exposed to credit risk from its operating activities and from its financing activities.

Accounts and notes receivable and other accounts receivable
Customer credit risk is managed by the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance. The maximum exposure to credit risk at the reporting date is as follows (Korean won in millions):

	2022	2021
Accounts and notes receivable	₩ 81,104	59,168
Other accounts receivable	1,925	1,668

The Group evaluates impairment on accounts and notes receivable and other accounts receivable at every reporting date individually and collectively.

Other assets
Credit risks associated with the Group's other assets which consist of cash, short-term deposits and long-term loans arise from default ofcounterparties. Maximum exposure to credit risks will be the book value of the related other assets. The Group deposits its surplus funds in Woori Bank and other financial institutions whose credit ratings are high, therefore credit risk related to financial institutions is considered limited.

31.3 Liquidity risk

Liquidity risk refers to the risk that the Group may default on the contractual obligations that become due.

The Group manages its risk to a shortage of funds using a recurring liquidity planning tool. The Group matches the financial liabilities with the financial assets taking into account the maturity dates and cash flow from operating activities of those financial assets. The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (Korean won in millions):

	2022			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Accounts and notes payable	₩ 75,898	-	-	75,898
Other accounts payable	40,280	-	-	40,280
Accrued expenses	13,986	-	-	13,986
Dividends payable	3	-	-	3
Long-term guarantee deposits received	-	5,900	-	5,900
Long-term accrued expense	-	5,326	1,496	6,822
Lease liabilities	8,527	18,722	-	27,249
	₩ 138,694	29,948	1,496	170,138

31.3 Liquidity risk (Continued)

	2021				
	Less than 1 year		1 to 5 years	More than 5 years	Total
Accounts and notes payable	₩	55,873	-	-	55,873
Other accounts payable		70,680	-	-	70,680
Accrued expenses		13,740	-	-	13,740
Dividends payable		3	-	-	3
Long-term guarantee deposits received		-	6,083	-	6,083
Long-term accrued expense		-	8,325	-	8,325
Lease liabilities		7,072	5,294	-	12,366
	₩	147,368	19,702	-	167,070

Cash flow on the above financial liabilities by maturities represent nominal and undiscounted amounts.

31.4 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain the sound capital structure, the Group may acquire treasury shares or adjust the dividend payment to shareholders, etc. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2022and 2021.

The Group monitors a gearing ratio, which is net debt divided by equity. Net debt refers to interest bearing loans and bonds, less cash and cash equivalents.

Gearing ratio as at the reporting date is computed as follows (Korean won in millions):

		2022	2021
Net debt:			
Borrowings	₩	-	-
Less:			
Cash and cash equivalent		79,222	95,850
Short-term financial assets		13,445	70,495
Net debt		(92,667)	(166,345)
Equity	₩	575,769	557,876
Gearing ratio		-	-

Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities is as follows (Korean won in millions):

		Jan. 1, 2022	Increase	Interest expense	Payments	Decrease	Dec. 31, 2022
Lease liabilities	₩	12,366	26,257	518	(11,718)	(174)	27,249

		Jan. 1, 2021	Increase	Interest expense	Payments	Decrease	Dec. 31, 2021
Lease liabilities	₩	12,634	9,296	245	(9,449)	(361)	12,366

32. Fair value

The differencebetween book values and fair values of financial instruments by categoriesare not significant as of December 31, 2022and 2021and the book values and fair values of other financial instruments are identical.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Methods and assumptions used for fair value estimates are as follows:

- Ascash, short-term deposits, accounts and notes receivable, other current assets, accounts and notespayable and other current liabilities are short-term, their fair value approximate book value.
- Fair value of long-term financial assets (except equity securities and debt instruments), guarantee deposits, and other long-term liabilities are computed for disclosure. Cash flow of interest or principal payments are discounted to their present value using market rates to calculate their fair values.
- The fair value of long-term financial assets (equity securities and debt instruments) is based on quoted prices in an active market. The unlisted available-for-sale equity instruments that do not have a market price in an active market and whose fair value cannot be reliably measuredare measured at cost.

Fair value measurement

Hierarchy and measurement method of fair value
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. Fair value measurement is estimating the price that would be received to sell an asset or pair to transfer a liability in an orderly transaction between market participants at the measurement date, considering current market's situation. 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.

Level 1: Fair values of financial assets and liabilities measured at quoted (unadjusted) market prices in active markets are classified as level 1.
Level 2: When assets or liabilities are measured through valuation techniques, if significant all inputs to the valuationtechniques are observable in market, the asset or liability is classified as level 2.
Level 3: When assets or liabilities are measured through valuation techniques, if one or more inputs to the valuation techniques are un-observable in market, the asset or liability is classified as level 3.

As of December 31, 2022and 2021, the Group held the following assets and liabilities carried at fair value on the statement of financial position (Korean won in millions):

	2022				
		Level 1	Level 2	Level 3	Total
Financial assets					
Assets that are measured at fair value:					
Short-term financial assets	₩	-	3,025	-	3,025
Long-term financial assets (equity securities and debt instruments)		10,009	14,497	1,910	26,416
	₩	10,009	17,522	1,910	29,441

	2021				
		Level 1	Level 2	Level 3	Total
Financial assets					
Assets that are measured at fair value:					
Short-term financial assets	₩	-	-	-	-
Long-term financial assets (equity securities and debt instruments)		12,147	15,067	1,673	28,887
	₩	12,147	15,067	1,673	28,887

32. Fair value (Continued)

Details of financial assets by categories for the years ended December 31, 2022and 2021are as follows (Korean won in millions):

	2022				
	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
Financial assets:					
Cash and cash equivalents	₩ -	-	79,222	-	79,222
Short-term financial assets	3,025	-	10,420	-	13,445
Accounts and notes receivable	-	-	81,104	-	81,104
Other accounts receivable	-	-	1,925	-	1,925
Accrued income	-	-	285	-	285
Long-term financial assets	16,395	10,021	5,149	-	31,565
Guarantee deposits	-	-	27,928	-	27,928
	₩ 19,420	10,021	206,033	-	235,474
Financial liabilities:					
Accounts and notes payable	-	-	-	75,898	75,898
Other accounts payable	-	-	-	40,280	40,280
Accrued expenses	-	-	-	13,986	13,986
Dividends payable	-	-	-	3	3
Long-term guarantee deposits received	-	-	-	5,900	5,900
Long-term accrued expenses	-	-	-	6,822	6,822
Lease liabilities	-	-	-	27,249	27,249
	₩ -	-	-	170,138	170,138

32. Fair value(Continued)

		2021				
		Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
Financial assets:						
Cash and cash equivalents	₩	-	-	95,850	-	95,850
Short-term financial assets		-	-	70,495	-	70,495
Accounts and notes receivable		-	-	59,168	-	59,168
Other accounts receivable		-	-	1,668	-	1,668
Accrued income		-	-	475	-	475
Long-term financial assets		16,727	12,159	2,667	-	31,553
Guarantee deposits		-	-	18,857	-	18,857
	₩	16,727	12,159	249,180	-	278,066
Financial liabilities:						
Accounts and notes payable		-	-	-	55,873	55,873
Other accounts payable		-	-	-	70,680	70,680
Accrued expenses		-	-	-	13,740	13,740
Dividends payable		-	-	-	3	3
Long-term guarantee deposits received		-	-	-	6,083	6,083
Long-term accrued expenses		-	-	-	8,325	8,325
Lease liabilities		-	-	-	12,366	12,366
	₩	-	-	-	167,070	167,070

Details of gains and losses arising from financial instruments by categories for the years ended December 31, 2022and 2021are as follows (Korean won in millions):

		2022
Financial assets at fair value through profit or loss:		
Interest income	₩	528
Gain on valuation of financial assets at fair value through profit or loss		-
Loss on valuation of financial assets at fair value through profit or loss		(570)
Financial assets at fair value through OCI:		
Other comprehensive income		(1,656)
Dividend income		265
Financial assets at amortised cost:		
Interest income on deposits in financial institutions		1,904
Interest income on guarantee deposits		387
Foreign currency difference on foreign demand deposits		(334)
Foreign exchange difference in accounts receivable		1,256
Bad debt expenses of accounts and notes receivable		280
Financial liabilities at amortised cost:		
Interest expenses on lease liabilities		(358)
Interest expenses on other financial liabilities		(281)
Foreign currency difference on foreign debt		(1,106)

32. Fair value (Continued)

		2021
Financial assets at fair value through profit or loss:		
Interest income	₩	660
Gain on valuation of financial assets at fair value through profit or loss		-
Loss on valuation of financial assets at fair value through profit or loss		(218)
Financial assets at fair value through OCI:		
Other comprehensive income		7
Dividend income		216
Financial assets at amortised cost:		
Interest income on deposits in financial institutions		1,243
Interest income on guarantee deposits		222
Foreign currency difference on foreign demand deposits		29
Foreign exchange difference in accounts receivable		330
Bad debt expenses of accounts and notes receivable		(173)
Financial liabilities at amortised cost:		
Interest expenses on lease liabilities		(206)
Interest expenses on other financial liabilities		(111)
Foreign currency difference on foreign debt		1,214

33. Commitments and Contingencies

As of December 31, 2022, the Group provided a promissory note with a face value of ₩3,589 million to Korea Dairy Committee as a performance guarantee for the supply of raw materials to the Group.

The Group entered into a technology transfer agreement with Sodima S.A.S, a French corporation. Sodima S.A.S is to provide technical assistance to the Group in producing and distributing certain products and the Group is committed to paying Sodima S.A.S royalties based on net sales. Royalty fees paid by the Group amounted to ₩3,188million and ₩2,931million for the years ended December 31, 2022and 2021, respectively.

The Group has been provided with a payment guarantee of ₩1,156million from Seoul Guarantee Insurance Group Ltd.

The Group has commitments with Shinhan Bank and four other financial institutions for combined limit of up to ₩60,385 million as of December 31, 2022, which are related to trade finance, discounts on commercial bills, and loan commitments. In connection with the payment of purchases, the Group also has a loan commitment secured by trade receivables with Shinhan Bank and two other financial institution for a credit limit of up to ₩32,000 million.

The investment agreement for the financial assets of the Group for the year ended December 31, 2022is as follows (Korean won in millions):

	Total commitment amount	Invested amount
Binggrae Agrifood Venture Fund	2,257	1,897

The Group has no significant pending litigation for the year ended December 31, 2022.

34. Approval of the Consolidated Financial Statements

These consolidated financial statements were approved by the Board of Directors on January 27, 2023, and may be modified and approved at the Annual General Shareholders' Meetings.