

Lotte Chilsung Beverage Co.,Ltd and Subsidiaries

**Consolidated Financial Statements
December 31, 2021 and 2020**

Lotte Chilsung Beverage Co.,Ltd and Subsidiaries
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December 31, 2021 and 2020

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Lotte Chilsung Beverage Co.,Ltd

Opinion

We have audited the accompanying consolidated financial statements of Lotte Chilsung Beverage Co.,Ltd and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

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

Key Audit Matters

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

A. Impairment assessment on the liquor segment cash generating unit (CGU)

Key Audit Matter

As at December 31, 2021, the Group determined that there is an indicator of impairment due to the continuing operating loss of the liquor segment until 2020. The Group performed an impairment test on the liquor CGU, using value-in-use calculations based on discounted cash flow method. We determined liquor CGU accounting treatments to be a key audit matter as the value-in-use involves significant judgement and estimates of the Group management including discount rates, growth rates and future cash flow forecast. See Note 16 for further details regarding the impairment assessment on the liquor segment cash generating unit (CGU).

How our audit addressed the Key Audit Matter

We performed the audit procedures on the method of estimation on discounted cash flows of liquor CGU and the underlying data used for the estimation to test whether assumptions used by the Group management were reasonable.

We focused on a classification of CGU that the Group identified. We obtained an understanding and evaluated the underlying process and relevant controls in connection with business planning for value-in-use calculation. We evaluated competency, capability and independence of an external expert engaged by the Group and verified whether past business plans were achieved and assumptions and estimates were reasonable in the assessment model. We also assessed that the calculation of the valuation amount was correct. Furthermore, we assessed the completeness of disclosures related to asset impairment of the Group, including the criteria for determining recoverable amount and the key assumptions used by the Group.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 to the consolidated financial statements of the Group. Note 3 to the consolidated financial statements describes uncertainty relating to the impact of Coronavirus disease 2019 (COVID-19) on the Group's consolidated financial statements, and management's judgements on these events or circumstances.

Other Matter

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jong-Jin Oh, Certified Public Accountant.

Seoul, Korea
March 15, 2022

<p>This report is effective as of March 15, 2022, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p>

Lotte Chilsung Beverage Co.,Ltd and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2021 and 2020

<i>(in Korean won)</i>	Notes	2021	2020
Assets			
Current assets			
Cash and cash equivalents	4,5,6	₩ 384,577,796,934	₩ 158,849,601,868
Short-term financial instruments	4,5,6,7	15,197,657,890	165,000,000,000
Trade and other receivables	4,5,6,8,39	225,501,980,736	247,110,448,883
Other financial assets	4,5,6,9,17,39	4,601,012,524	4,301,121,711
Held-to-maturity financial assets	4,5,6,14	1,466,355,000	11,605,000
Inventories	10	305,372,216,736	257,369,471,186
Current tax assets		2,790,379,165	4,875,218,011
Other assets	11,26	54,993,043,428	55,756,271,876
		<u>994,500,442,413</u>	<u>893,273,738,535</u>
Non-current assets			
Long-term financial instruments	4,5,6,7	115,761,346	66,058,729,947
Long-term trade and other receivables	4,5,6,8	1,477,998,940	6,724,842,404
Other financial assets	4,5,6,9,17,22	65,975,675,328	52,569,666,699
Financial assets at fair value through profit or loss	4,5,6,12	444,519,845	473,412,391
Financial assets at fair value through other comprehensive income	4,5,6,13	26,244,792,976	19,935,913,437
Held-to-maturity financial assets	4,5,6,14	338,090,000	1,795,300,000
Deferred tax assets	25	4,991,218,635	401,542,376
Investments in associates and joint ventures	15	135,119,358,106	130,563,634,058
Property, plant and equipment	16	2,048,216,396,232	1,939,744,908,385
Right-of-use assets	17	72,646,408,375	78,006,151,446
Investment property	18	129,433,027,560	135,508,526,578
Intangible assets	19	105,358,484,001	116,565,138,073
Other assets	11	4,013,531,532	11,621,665,025
Net defined benefit assets	24	7,954,417,889	12,869,733,571
		<u>2,602,329,680,765</u>	<u>2,572,839,164,390</u>
Total assets		<u>₩ 3,596,830,123,178</u>	<u>₩ 3,466,112,902,925</u>

Lotte Chilsung Beverage Co.,Ltd and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2021 and 2020

<i>(in Korean won)</i>	Notes	2021	2020
Liabilities			
Current liabilities			
Trade and other payables	4,5,6,20,39	₩ 356,785,916,330	₩ 330,889,582,345
Borrowings and current portion of debentures	4,5,6,21	433,105,412,254	383,664,841,402
Current portion of lease liabilities	4,17	25,095,846,052	25,494,581,647
Other financial liabilities	4,5,6,23	7,931,150,767	7,817,871,739
Current tax liabilities		17,962,025,023	402,409,222
Current portion of provisions	26	16,052,873,316	16,121,038,273
Other liabilities	27,31	114,040,916,940	100,554,585,364
		<u>970,974,140,682</u>	<u>864,944,909,992</u>
Non-current liabilities			
Long-term trade and other payables	4,5,6,20	-	2,995,000,000
Borrowings and debentures	4,5,6,21	988,024,922,673	1,121,149,196,455
Lease liabilities	4,17	45,167,143,385	51,773,354,361
Other financial liabilities	4,5,6,22,23,39	19,750,813,651	20,074,273,796
Net defined benefit liabilities	24	3,228,693,037	1,134,159,919
Deferred tax liabilities	25	90,152,336,362	67,917,087,947
Provisions	26	2,174,378,259	1,852,092,843
Other liabilities	27	32,301,995,199	29,386,741,260
		<u>1,180,800,282,566</u>	<u>1,296,281,906,581</u>
Total liabilities		<u>2,151,774,423,248</u>	<u>2,161,226,816,573</u>
Equity			
Share capital	1,28	5,027,097,000	4,875,216,500
Hybrid bonds	28	149,459,980,000	149,459,980,000
Other components of equity	28	(676,928,734,399)	(714,290,627,700)
Accumulated other comprehensive income	29	(12,362,684,708)	(21,659,335,701)
Retained earnings	30	1,961,533,661,372	1,876,242,522,226
Equity attributable to owners of the Parent Company		<u>1,426,729,319,265</u>	<u>1,294,627,755,325</u>
Non-controlling interest	41	18,326,380,665	10,258,331,027
Total equity		<u>1,445,055,699,930</u>	<u>1,304,886,086,352</u>
Total liabilities and equity		<u>₩ 3,596,830,123,178</u>	<u>₩ 3,466,112,902,925</u>

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

Lotte Chilsung Beverage Co.,Ltd and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2021 and 2020

<i>(in Korean won)</i>	Notes	2021	2020
Sales	2,31,39	₩ 2,506,093,270,200	₩ 2,257,973,300,939
Cost of sales	10,33,39	<u>1,460,279,224,712</u>	<u>1,349,522,459,201</u>
Gross profit		1,045,814,045,488	908,450,841,738
Selling and administrative expenses	32,33,39	861,978,339,061	812,394,287,534
Impairment loss (reversal)	6,8,33	<u>1,617,326,060</u>	<u>(1,173,755,570)</u>
Operating profit	2	182,218,380,367	97,230,309,774
Other income	6,34,39	59,594,481,737	44,814,036,645
Other expenses	6,34,39	37,762,752,654	125,019,682,860
Interest income	6	3,914,422,003	3,096,265,542
Finance income	6,35,39	7,828,285,884	4,723,250,248
Finance costs	6,35,39	43,929,557,164	40,061,990,804
Share of net profit (loss) of associates and joint ventures accounted for using the equity method	15	<u>3,106,820,414</u>	<u>(7,704,534,472)</u>
Profit (loss) before income tax		174,970,080,587	(22,922,345,927)
Income tax expense (benefit)	25	<u>37,893,200,047</u>	<u>(6,120,503,583)</u>
Profit (loss) for the year		₩ 137,076,880,540	₩ (16,801,842,344)
Profit (loss) is attributable to:			
Owners of the Parent Company		₩ 135,515,807,903	₩ (12,512,118,041)
Non-controlling interests	41	<u>1,561,072,637</u>	<u>(4,289,724,303)</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of net defined benefit liability	24	₩ (16,954,705,082)	₩ 6,947,767,658
Share of remeasurements of net defined benefit liability of associates	15	(2,547,906,756)	435,369,335
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	6,13,29	4,214,331,447	(3,211,333,615)
<i>Items that may be subsequently reclassified to profit or loss</i>			
Gain (loss) on valuation of derivative instruments	6,29	1,857,710,003	(1,774,983,861)
Share of other comprehensive income of associates	15,29	3,996,810,390	(9,952,658,497)
Loss on foreign currency translation		<u>(677,010,351)</u>	<u>(4,187,604,200)</u>
Total comprehensive income (loss) for the year		₩ <u>126,966,110,191</u>	₩ <u>(28,545,285,524)</u>
Total comprehensive income (loss) for the year is attributable to:			
Owners of the Parent Company		₩ 125,778,301,489	₩ (23,062,513,162)
Non-controlling interest	41	<u>1,187,808,702</u>	<u>(5,482,772,362)</u>
Earnings (losses) per share	37		
Basic and diluted earnings (loss) per ordinary share		₩ 13,341	₩ (2,104)
Basic and diluted earnings (loss) per preferred share		13,346	(2,099)

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

Lotte Chilsung Beverage Co.,Ltd and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2021 and 2020

(in Korean won)

(in Korean won)

Attributable to owners of the Parent Company															
	Notes	Share Capital		Hybrid Bonds		Other Components of Equity		Accumulated Other Comprehensive Income		Retained Earnings		Non-controlling Interest		Total Equity	
Balance at January 1, 2020		₩	4,384,385,000	₩	149,459,980,000	₩	(846,759,594,444)	₩	(3,230,608,536)	₩	1,908,282,032,473	₩	15,868,693,462	₩	1,228,004,887,955
Non-controlling interest related to business combination	41		-		-		-		-		-		(127,590,073)		(127,590,073)
Total comprehensive loss															
Loss for the year			-		-		-		-		(12,512,118,041)		(4,289,724,303)		(16,801,842,344)
Loss on valuation of financial assets at fair value through other comprehensive income	29		-		-		-		(3,211,333,615)		-		-		(3,211,333,615)
Loss on valuation of derivative instruments	29		-		-		-		(1,774,983,861)		-		-		(1,774,983,861)
Share of other comprehensive income of associates	15,29		-		-		-		(9,952,658,497)		-		-		(9,952,658,497)
Loss on foreign currency translation	29		-		-		-		(2,994,556,141)		-		(1,193,048,059)		(4,187,604,200)
Remeasurements of net defined benefit liability	24		-		-		-		-		6,947,767,658		-		6,947,767,658
Share of remeasurements of net defined benefit liability of associates	15		-		-		-		-		435,369,335		-		435,369,335
Total comprehensive loss for the year			-		-		-		(17,933,532,114)		(5,128,981,048)		(5,482,772,362)		(28,545,285,524)
Transfer of gain (loss) on disposal of equity investments at fair value through other comprehensive income	29		-		-		-		(495,195,051)		495,195,051		-		-
Transactions with owners															
Dividends paid	38		-		-		-		-		(22,170,724,250)		-		(22,170,724,250)
Disposal of treasury shares			-		-		45,806,494,124		-		-		-		45,806,494,124
Stock issuance	28		490,831,500		-		86,662,472,620		-		-		-		87,153,304,120
Dividends paid to hybrid bonds			-		-		-		-		(5,235,000,000)		-		(5,235,000,000)
Total transactions with owners			490,831,500		-		132,468,966,744		-		(27,405,724,250)		-		105,554,073,994
Balance at December 31, 2021		₩	4,875,216,500	₩	149,459,980,000	₩	(714,290,627,700)	₩	(21,659,335,701)	₩	1,876,242,522,226	₩	10,258,331,027	₩	1,304,886,086,352
Balance at January 1, 2021															
Consolidated capital adjustments		₩	4,875,216,500	₩	149,459,980,000	₩	(714,290,627,700)	₩	(21,659,335,701)	₩	1,876,242,522,226	₩	10,258,331,027	₩	1,304,886,086,352
Non-controlling interest related to business combination	41		-		-		(4,372,152,964)		-		-		-		(4,372,152,964)
Total comprehensive income															
Profit for the year			-		-		-		-		135,515,807,903		1,561,072,637		137,076,880,540
Gain on valuation of financial assets at fair value through other comprehensive income	29		-		-		-		4,214,331,447		-		-		4,214,331,447
Gain on valuation of derivative instruments	29		-		-		-		1,857,710,003		-		-		1,857,710,003
Share of other comprehensive income of associates	15,29		-		-		-		3,996,810,390		-		-		3,996,810,390
Loss on foreign currency translation	29		-		-		-		(301,841,512)		-		(375,168,839)		(677,010,351)
Remeasurements of net defined benefit liability	24		-		-		-		-		(16,956,609,986)		1,904,904		(16,954,705,082)
Share of remeasurements of net defined benefit liability of associates	15		-		-		-		-		(2,547,906,756)		-		(2,547,906,756)
Total comprehensive income for the year			-		-		-		9,767,010,328		116,011,291,161		1,187,808,702		126,966,110,191
Transfer of gain (loss) on disposal of equity investments at fair value through other comprehensive income	29		-		-		-		(470,359,335)		470,359,335		-		-
Transactions with owners															
Dividends paid	38		-		-		-		-		(25,955,511,350)		-		(25,955,511,350)
Stock issuance	28		151,880,500		-		43,124,212,080		-		-		-		43,276,092,580
Dividends paid to hybrid bonds			-		-		-		-		(5,235,000,000)		-		(5,235,000,000)
Transactions with non-controlling interests	41		-		-		(1,390,165,815)		-		-		1,352,713,243		(37,452,572)
Total transactions with owners			151,880,500		-		41,734,046,265		-		(31,190,511,350)		1,352,713,243		12,048,128,658
Balance at December 31, 2021		₩	5,027,097,000	₩	149,459,980,000	₩	(676,928,734,399)	₩	(12,362,684,708)	₩	1,961,533,661,372	₩	18,326,380,665	₩	1,445,055,699,930

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

Lotte Chilsung Beverage Co.,Ltd and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

(in Korean won)	Notes	2021	2020
Cash flows from operating activities			
Cash generated from operations			
Profit (loss) for the year		₩ 137,076,880,540	₩ (16,801,842,344)
Adjustments	40	227,293,618,931	296,850,465,630
Changes in operating assets and liabilities	40	(16,511,632,049)	63,396,894,757
		347,858,867,422	343,445,518,043
Interest received		3,266,420,348	2,091,667,669
Interest paid		(35,181,321,765)	(37,908,399,904)
Dividend received		1,026,695,060	1,127,605,350
Income taxes refunded (paid)		4,129,910,920	(5,332,889,488)
Net cash inflow from operating activities		321,100,571,985	303,423,501,670
Cash flows from investing activities			
Decrease in short-term financial instruments		160,001,950,000	60,000,000,000
Increase in short-term financial instruments		(5,000,000,000)	(220,000,000,000)
Decrease in long-term financial instruments		60,767,524,282	5,000,779,103
Increase in long-term financial instruments		(159,711,737)	(65,200,610,558)
Decrease in held-to-maturity financial assets		9,655,000	245,805,000
Increase in held-to-maturity financial assets		(4,995,000)	(155,565,000)
Increase in financial assets at fair value through profit or loss		-	(150,000,000)
Decrease in financial assets at fair value through other comprehensive income		1,431,703,645	933,088,636
Increase in financial assets at fair value through other comprehensive income		(2,189,812,020)	-
Payments for investments in subsidiaries, associates, and joint ventures		11,181,816,068	(44,974,546,019)
Proceeds from disposal of property, plant and equipment		72,366,168,204	14,305,773,294
Payments for property, plant and equipment		(202,409,357,586)	(129,312,308,711)
Proceeds from disposal of intangible assets		69,630,300	-
Payments for intangible assets		(606,144,591)	(853,842,219)
Decrease in other financial assets		14,001,103,932	10,371,633,598
Increase in other financial assets		(28,147,570,886)	(9,872,557,925)
Increase in other assets		(131,545,476)	(9,042,771,888)
Collection of lease receivables		252,481,822	220,774,638
Net cash inflow (outflow) from investing activities		81,432,895,957	(388,484,348,051)
Cash flows from financing activities			
Net decrease in short-term borrowings		(11,307,798,322)	(9,785,110,315)
Repayments of current portion of long-term borrowings		(56,429,242,874)	(125,000,000,000)
Increase in long-term borrowings		1,296,568,173	116,513,194,130
Repayments of long-term borrowings		-	(60,929,691)
Proceeds from issuance of debentures		249,314,340,000	469,703,940,000
Repayments of debentures		(299,262,181,936)	(389,195,168,113)
Repayments of finance lease liabilities		(29,642,647,472)	(30,194,996,808)
Dividends paid		(25,955,511,350)	(22,170,724,250)
Disposal of treasury shares		-	41,293,077,465
Dividends paid to hybrid bonds		(5,235,000,000)	(5,235,000,000)
Payment of share issuance costs		(9,849,920)	-
Net cash inflow (outflow) from financing activities		(177,231,323,701)	45,868,282,418
Net increase (decrease) in cash and cash equivalents		225,302,144,241	(39,192,563,963)
Cash and cash equivalents at the beginning of the financial year		158,849,601,868	199,410,280,331
Effects of exchange rate changes on cash and cash equivalents		426,050,825	(1,368,114,500)
Cash and cash equivalents at the end of the year		₩ 384,577,796,934	₩ 158,849,601,868

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

Lotte Chilsung Beverage Co.,Ltd and Subsidiaries

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1. General Information

Lotte Chilsung Beverage Co.,Ltd (the Parent Company) was established in 1967 to engage in manufacturing and selling soft drink, liquor, fruit/vegetable drink, grain drink, food and other beverage. On June 21, 1973, the Parent Company listed its stock on the Korea Exchange. The share capital of the Parent Company as at December 31, 2021, amounted to ₩ 5,027 million, and its major shareholders are as follows:

(in shares)	Number of shares		Percentage of ownership	
	Ordinary shares	Preferred shares	Ordinary shares	Preferred shares
Lotte Corporation	4,175,694	64,890	45.00%	8.37%
Lotte aluminium Co.,Ltd.	708,870	30,500	7.64%	3.93%
Lotte Scholarship Foundation	501,680	39,650	5.41%	5.11%
Hotel Lotte Co.,Ltd.	473,450	37,470	5.10%	4.83%
Yeong Ja Shin	247,073	48,213	2.66%	6.22%
Lotte Holdings Co.,Ltd.	109,830	-	1.18%	-
Dong Bin Shin	43,367	63,862	0.47%	8.24%
Dong Joo Shin	-	27,445	-	3.54%
Lotte Foundation for Arts	-	9,200	-	1.19%
Treasury shares	-	138,460	-	17.86%
Others	3,018,920	315,620	32.54%	40.71%
	<u>9,278,884</u>	<u>775,310</u>	<u>100.00%</u>	<u>100.00%</u>

1.1 Consolidated Subsidiaries

Details of the consolidated subsidiaries as at December 31, 2021 and 2020, are as follows:

	Location	Main business	Closing month	Ownership interest held by the Group (%)	
				2021	2020
Sanchung Beverage Co., Ltd.	Korea	Manufacture and sale	December 31	100.00	100.00
Lotte Akhtar Beverages (Private) Limited	Pakistan	Manufacture and sale	December 31	52.00	52.00
LOTTE Beverage America Corp. ¹	US	Sale	December 31	100.00	100.00
MJA Wine Co., Ltd ^{1,2}	Korea	Sale	December 31	-	100.00
LOTTE Liquor Beijing (China) ¹	China	SPC	December 31	100.00	100.00
LOTTE Beverages Holdings (Singapore) Pte. Ltd. ¹	Singapore	Manufacture and sale	December 31	100.00	100.00
LOTTE MGS Beverage (Myanmar) Co., Ltd ^{3,4}	Myanmar	Manufacture and sale	September 30	77.79	76.58
LOTTE LIQUOR JAPAN CO., LTD ⁵	Japan	Sale	December 31	100.00	100.00

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Greenwith ⁶	Korea	Service	December 31	100.00	-
CH Beverage Co., Ltd. ⁷	Korea	Manufacture and sale	December 31	100.00	-
CHUNGBUK SOJU CO., LTD. ⁷	Korea	Manufacture and sale	December 31	100.00	-
BaekHak Beverage CO., LTD. ⁷	Korea	Manufacture and sale	December 31	86.06	-

¹ The Parent Company acquired 100% shares of LOTTE Beverage America Corp., MJA Wine Co. Ltd., LOTTE Liquor Beijing (China), and LOTTE Beverage Holdings (Singapore) Pte. Ltd., respectively, from Lotte Corporation for the year ended December 31, 2020.

² The Parent Company merged with MJA Wine Co., Ltd for the year ended December 31, 2021.

³ The Parent Company holds the shares of LOTTE MGS Beverage (Myanmar) Co., Ltd. through its subsidiary, Lotte Beverage Holdings (Singapore) Pte. Ltd.

⁴ The Parent Company acquired additional shares of LOTTE MGS Beverage (Myanmar) Co., Ltd. for the year ended December 31, 2021.

⁵ The Parent Company acquired 100% of the shares of LOTTE LIQUOR JAPAN CO., LTD. through investment in kind from Lotte corporation for the year ended December 31, 2020.

⁶ The Parent Company acquired 100% shares of Greenwith for the year ended December 31, 2021.

⁷ The Parent Company acquired 100% shares of CH Beverage Co., Ltd and CHUNGBUK SOJU CO., LTD., respectively, and 86.06% shares of BaekHak Beverage Co., Ltd through investment in kind from Lotte Corporation for the year ended December 31, 2021.

1.2 Summarized Financial Information

Summarized financial information for consolidated subsidiaries as at and for the years ended December 31, 2021 and 2020, is as follows:

(in millions of
Korean won)

Subsidiary	2021						
	Assets	Liabilities	Equity	Sales	Profit (loss) for the year	Total comprehensive income (loss)	
Sanchung Beverage Co.,Ltd.	₩ 23,923	₩ 10,364	₩ 13,559	₩ 17,391	₩ 1,741	₩ 1,669	
Lotte Akhtar Beverages (Private) Limited	61,610	28,615	32,995	104,166	3,667	3,667	
LOTTE Beverage America Corp.	8,528	1,907	6,621	18,966	1,371	1,371	
LOTTE Liquor Beijing (China)	2,253	1,527	726	5,389	150	150	
LOTTE Beverages Holdings (Singapore) Pte. Ltd.	7,956	-	7,956	-	(10)	(10)	
LOTTE MGS Beverage (Myanmar) Co., Ltd	17,652	17,698	(46)	19,003	(4,881)	(4,881)	
LOTTE LIQUOR JAPAN CO., LTD	40,085	19,314	20,771	52,476	614	614	

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Greenwith ¹	885	12	873	80	(13)	(13)
CH Beverage Co., Ltd. ¹	20,241	1,913	18,328	8,961	426	402
CHUNGBUK SOJU CO., LTD. ¹	14,623	13,992	631	6,577	(2,911)	(2,850)
BaekHak Beverage CO., LTD. ¹	61,108	20,800	40,308	23,081	3,791	3,802

(in millions of
Korean won)

	2020											
Subsidiary	Assets		Liabilities		Equity		Sales		Profit (loss) for the year	Total comprehensive income (loss)		
Sanchung Beverage Co., Ltd.	₩	22,811	₩	10,921	₩	11,890	₩	16,569	₩	1,301	₩	1,404
Lotte Akhtar Beverages (Private) Limited		55,071		24,884		30,187		83,927		1,417		1,417
LOTTE Beverage America Corp. ¹		7,855		3,082		4,773		3,992		(920)		(920)
MJA Wine Co., Ltd. ¹		6,109		5,629		480		5,191		(273)		(274)
LOTTE Liquor Beijing (China) ¹		2,321		1,811		510		1,628		(9)		(9)
LOTTE Beverages Holdings (Singapore) Pte. Ltd. ¹		1,319		3		1,316		-		(4)		(4)
LOTTE MGS Beverage (Myanmar) Co., Ltd. ¹		17,455		18,382		(927)		3,263		(407)		(407)
LOTTE LIQUOR JAPAN CO., LTD. ¹		40,876		20,243		20,633		15,335		125		125

¹ The entities were acquired, and above profit or loss is the amount incurred after the acquisition of control.

1.3 Change in the scope of consolidation

Subsidiaries newly included in the consolidation for the year ended December 31, 2021:

Subsidiary	Reason
Greenwith	Newly incorporated
CH Beverage Co., Ltd.	Investment in kind
CHUNGBUK SOJU CO., LTD.	Investment in kind
BaekHak Beverage CO., LTD.	Investment in kind

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Subsidiaries excluded in the consolidation for the year ended December 31, 2021:

Subsidiary	Reason
MJA Wine Co., Ltd. ¹	Merger

¹The Parent Company merged with MJA Wine Co., Ltd. on November 1, 2021.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

Lotte Chilsung Beverage Co., Ltd. and its subsidiaries (collectively referred to as the “Group”) maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

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

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

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

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

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

2.2 Changes in Accounting Policies and Disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual

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reporting period commencing January 1, 2021.

- Amendments to *Korean IFRS 1109 Financial Instruments*, *Korean IFRS 1039 Financial Instruments: Recognition and Measurement*, *Korean IFRS 1107 Financial Instruments: Disclosure*, *Korean IFRS 1104 Insurance Contracts* and *Korean IFRS 1116 Lease – Interest Rate Benchmark Reform (Phase 2 amendments)*

The Group has applied 'Phase 2 Interest Rate Benchmark Reform', which are amendments to Korean IFRS 1109 *Financial Instruments*, Korean IFRS 1039 *Financial Instruments: Recognition and Measurement*, Korean IFRS 1107 *Financial Instruments: Disclosure* and Korean IFRS 1116 *Lease* for the first time for their annual reporting period commencing January 1, 2021. Under the specific transitional provisions in the standard, the amendments have been applied retrospectively to hedging relationships and financial instruments. The Group did not restate comparatives for the 2020 reporting period. The adoption of the amendments does not have impact on the beginning balance of reserves.

Hedging relationships

'Phase 2 amendments' have considered matters arising from interest rate benchmark reform, including the timing to discontinue applying 'Phase 1 amendments', to update designation and documentation for hedge, and to allow alternative benchmark rates to hedged risks.

The Phase 1 amendments include temporary exceptions to relieve from applying specific hedge accounting requirements to hedging relationships that were directly affected by interest rate benchmark reform. Before a contract is changed due to these reliefs, the reform generally does not discontinue applying hedge accounting. However, the ineffective portion of the hedges is recorded in the consolidated statements of profit or loss continuously. The amendments also set out timing to end of application of the exceptions, including the timing when the uncertainty arising from the reform is no longer present.

The Group has applied the reliefs in relation to the following hedge accounting, provided under the Phase 2 amendments, for the first time their annual reporting period commencing January 1, 2021.

- Designation of hedging relationships: When the application of Phase 1 amendments is discontinued, the Group will amend the designation of hedging relationships to make change one or more of the followings, to reflect the changes required by the interest rate benchmark reform:

- (a) designating the alternative benchmark rate as a hedged risk;
- (b) amending the description of the hedged items;
- (c) amending the description of the hedging instruments

- The Group will amend the documentation of the hedging relationships to reflect the changes until the end of the reporting period. These amendments of hedge documentation would not require discontinuing the hedging relationships. In relation to the interest rate benchmark reform, there are no hedge documentations amended during the current period.

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- Amounts accumulated in the cash flow hedge reserve: As described above, the amount accumulated in the cash flow hedge reserve shall be deemed to be based on the alternative benchmark rate, when the designation of hedging relationships is amended. For a discontinued hedging relationship, when the interest rate benchmark on which the hedged future cash flows had been based is changed as required by interest rate benchmark reform, for the purpose to determine whether the hedged future cash flows are expected occur, the amount accumulated in the cash flow hedge reserve shall be deemed to be based on the alternative benchmark rate.

- Risk components: If it is reasonably expected to meet requirements and risk components are reliably measured within 24 months after the initial designation, the Group may designate the alternative benchmark rate as a non-contractually specified risk component, even though it is not separately identifiable at the date it is designated. The 24-month period applies to each alternative benchmark rate separately. During the current period, there are no risk components of alternative benchmark rate designated in the hedging relationships.

Long-term borrowings and Lease liabilities

Phase 2 amendments make change in the basis for determining the contractual cash flows of the debt instruments at amortized cost that is required by interest rate benchmark reform, to be reflected by adjusting effective interest rate, accordingly, profit or loss arising from the change is not recognized. For lease liability, the similar practical expedient is applied. This practical expedient would be only applied to the change required by the reform. The change is deemed to be required by the reform, when the change is necessary as a direct consequence of the reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

If a portion or whole change in the basis for determining the contractual cash flows of the financial assets and liabilities does not meet the requirements above, the Group shall first apply the practical expedient to the change required by the interest rate benchmark reform. The Group shall then apply regulations for general financial instruments to any additional changes.

For lease liability of which the basis for determining contractual cash flows has been changed, the practical expedient requires lease liability to be remeasured using a discount rate that reflects the change to interest rates by the interest rate benchmark reform. If lease modifications in addition to those required by the reform are made, the Group is required to apply the general requirements in Korean IFRS 1116 to account for all modifications made at the same time, including those required by the reform.

Details of financial instruments that have yet to transition to an alternative benchmark rate as at December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	Book amount¹		Subject to transition to alternative benchmark rate	
	Assets	Liabilities	Assets	Liabilities
Bond	₩	- ₩	₩	- ₩
		56,500		56,500
Lease liabilities		-		-
		1,571		1,571

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Derivative liabilities	2,099	-	2,099	-
Total assets and liabilities for USD				
LIBOR exposure	₩ 2,099	₩ 58,071	₩ 2,099	₩ 58,071

¹ Includes financial instruments which will expire prior to transitioning to an alternative benchmark rate.

- Amendment to Korean IFRS 1116 *Lease - Covid-19 - Related Rent Concessions beyond June 30, 2021*

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before June 30, 2022. The amendment should be applied for annual periods beginning on or after April 1, 2021, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements (Note 17).

- Amendments to Korean IFRS 1001 *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group changed the accounting policy through early application of the amendment, and there is no effect on retained earnings at the beginning of the previous year and current year due to the early application.

(b) *New standards and interpretations not yet adopted by the Group*

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Group.

- Amendments to Korean IFRS 1103 *Business Combination – Reference to the Conceptual Framework*

The amendments update a reference of definition of assets and liabilities to be recognized in a business combination in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also clarifies that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these

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amendments have a significant impact on the consolidated financial statements.

- Amendments to Korean IFRS 1016 *Property, Plant and Equipment - Proceeds before intended use*

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group is in review for the impact of these amendments on the consolidated financial statements.

- Amendments to Korean IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts: Cost of Fulfilling a Contract*

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- Korean IFRS 1001 *Presentation of Financial Statements - Disclosure of Accounting Policies*

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policies. The IASB amended IFRS Practice Statement 2 *Disclosure of Accounting Policies* to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is in review for the impact of these amendments on the consolidated financial statements.

- Korean IFRS 1008 *Accounting policies, changes in accounting estimates and errors - Definition of Accounting Estimates*

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

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

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary

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differences at the time of the transaction. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- 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, and earlier application is permitted. The Group does not expect that these amendments 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 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110 *Consolidated Financial Statements*.

(a) Subsidiaries

Subsidiaries are all entities over which the Parent Company has control. The Parent Company controls an entity when the Parent Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Parent Company. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and acquired identifiable assets and assumed contingent liabilities in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

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Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interest to reflect their relative interest in the subsidiary. Any difference between the amount of the adjustment to non-controlling interest and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Parent Company.

When the Group ceases to consolidate for a subsidiary because of a loss of control, any retained interest in the subsidiary is remeasured to its fair value with the change in carrying amount recognized in profit or loss.

(b) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If there is an objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss. If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

(c) Joint Arrangements

A joint arrangement, wherein two or more parties have joint control, is classified as either a joint operation or a joint venture. A joint operator recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

(d) Business Combination of Entities under a Common Control

Identifiable assets acquired and liabilities assumed in a business combination under a common control are measured at their book amounts on the consolidated financial statements of the Ultimate Parent Company.

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2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The consolidated financial statements are presented in Korean won, which is the Parent Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in other comprehensive income if they relate to qualifying cash flow hedges and qualifying effective portion of net investment hedges, or are attributable to monetary part of the net investment in a foreign operation.

Gain (losses) on settlement of foreign currency transactions are recognized in other income (expenses), and foreign exchange gains and losses resulting from the translation of monetary assets and liabilities are recognized in finance income (expenses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognized in other comprehensive income.

2.5 Financial Assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss
- those to be measured at fair value through other comprehensive income, and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the

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business model in which the investment is held. The Group reclassifies debt investments when, and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of non-designated equity investment are recognized in profit or loss.

(b) Measurement

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

A. Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into one of the following three measurement categories:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'interest income' using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'interest income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other income or expenses' and impairment losses (reversal of impairment loss) are presented in 'other expenses (income)'.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value

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through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit or loss within 'finance income or costs' in the year in which it arises.

B. Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments, which held for long-term investment or strategic purpose, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'finance income' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'finance income and costs' in the statement of profit or loss as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(c) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

(d) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Group classified the financial liability as "borrowings" in the statement of financial position (Note 21).

(e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or

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the counterparty.

2.6 Derivative Instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss within 'finance income (costs)' based on the nature of transactions.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group has hedge relationships and designates certain derivatives as either:

- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges)

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 5. Movements in the cash flow hedge reserve are shown in Note 29.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. A non-derivative financial asset and a non-derivative financial liability is classified as a current or non-current based on its expected maturity and its settlement, respectively.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity, limited to the cumulative change in fair value (present value) of the hedged item (the present value of the cumulative change in the future expected cash flows of the hedged item) from the inception of the hedge. The ineffective portion is recognized in 'finance income (costs)'.

2.7 Trade Receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less loss allowance.

2.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the average method except for inventories in transits.

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2.9 Non-current Assets (or Disposal Group) Held for sale

Non-current assets are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. The assets are measured at the lower amount between their carrying amount and the fair value less costs to sell.

2.10 Property, Plant and Equipment

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

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

	Useful lives
Buildings	20 - 50 years
Structures	15 - 40
Machinery	9 - 20
Vehicles	2 - 10
Others	3 - 10

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

2.11 Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

2.12 Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

2.13 Investment Property

Investment property is property held to earn rentals or for capital appreciation or both. An

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investment property is measured initially at its cost. An investment property is measured after initial measurement at depreciated cost (less any accumulated impairment losses). After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. The Group depreciates investment properties, except for land, using the straight-line method over their useful lives of 15 ~ 47 years.

2.14 Intangible Assets

Goodwill is measured as described in Note 2.15, and carried at cost less accumulated impairment losses. Intangible assets, except for goodwill, are initially recognized at its historical cost, and carried at cost less accumulated amortization and accumulated impairment losses.

Membership rights that have an indefinite useful life are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	Useful lives
Intangible assets from business combination	10 - 20 years
Others	4 - 10

2.15 Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses at the date of acquisition of the control (the acquisition date), if any. For the purpose of impairment test, goodwill is allocated to a cash-generating unit in which synergy effect is expected from the business combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the statements of comprehensive income. An impairment loss recognized for goodwill cannot be reversed in subsequent periods. When the related cash-generating unit is disposed, the amount of related goodwill is included in the determination of the gain and loss on the disposal.

2.16 Impairment of Non-financial Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are

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reviewed for possible reversal of the impairment at the end of each reporting period.

2.17 Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.18 Financial Liabilities

(a) Classification and measurement

The Group's financial liabilities at fair value through profit or loss are financial instruments held for trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not designated as hedging instruments and an embedded derivative that is separated are also classified as held for trading.

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and present as 'trade and other payables', 'borrowings and debentures', and 'other financial liabilities' in the statement of financial position.

Preferred shares that require mandatory redemption at a particular date are classified as liabilities. Interest expenses on these preferred shares using the effective interest method are recognized in the statement of profit or loss as 'finance costs', together with interest expenses recognized from other financial liabilities.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2.19 Financial Guarantee Contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, subsequently at the higher of following and recognized in the statement of financial position within 'other financial liabilities'.

- the amount determined in accordance with the expected credit loss model under Korean IFRS 1109 *Financial Instruments* and

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- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*

2.20 Provisions

Provisions for service warranties, make good obligation, and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognized as interest expense.

2.21 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Group recognizes a deferred tax liability all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, The Group recognizes a deferred tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation

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authority. Current tax assets and tax liabilities are offset when the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the assets and settle the liability simultaneously.

2.22 Employee Benefits

(a) Post-employment Benefits

The Group operates both defined contribution and defined benefit pension plans.

For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contribution have been paid. The contribution are recognized as employee benefit expense when they are due.

A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

(b) Other Long-term Employee Benefits

The Group provides long-term employee benefits that are entitled to employees with service period for a long time. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Group recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year. These liabilities are valued annually by an independent qualified actuary.

(c) Employee Welfare Fund

Employee welfare fund are held by the Group.

2.23 Revenue Recognition

The Group has applied Korean IFRS 1115 Revenue from Contracts to recognize all types of contracts by using the five-step revenue recognition model. The five-step revenue recognition

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model is as follows:

- Identify contracts with customers
- Identify the separate performance obligation
- Determine the transaction price of the contract
- Allocate the transaction price to each of the separate performance obligations,
- Recognize the revenue as each performance obligation is satisfied.

(a) Sale of Goods

The Group is engaged in the business of manufacturing or purchasing beverages and liquor items. Revenue from the sale of goods is recognized when the Group sells a product to the customer. The amount estimated to pay or payable to customers (including customers of the customer) in supplying beverages and liquors may result in variable consideration. In applying Korean IFRS 1115, the Group recognizes revenue by deducting the amount due to customers or customers' customers from revenue.

(b) Sale Returns

The Group allows sales returns to the customers within a given period, which may cause variable consideration. With implementation of Korean IFRS 1115, the refund liability is measured at the amount of consideration received for which the Group does not expect to be entitled. In addition, when the customer exercises the right of return, the Group has a right to collect the product from the customer and therefore, the Group recognizes an asset and adjusts cost of sales. The asset and refund liability are recognized separately and are not offset.

2.24 Lease

(a) Lessor

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

(b) Lessee

The Group leases various offices, warehouses, equipment and cars. Lease contracts are typically made for fixed periods of 1 to 50 years, but may have extension options as described in (d) below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

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Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Group determines the lease term as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When the lessee and the lessor each has the right to terminate the lease without permission from the other party, the Group should consider a termination penalty in determining the period for which the contract is enforceable.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Group (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Group (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Group (the lessee) exercising that option

Measurement of lease liability also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- Uses corporate bond interest rate considering the Group's credit rating and lease-term

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest

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on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

(c) Variable lease payments

Some vehicle leases include variable conditions of lease payments due to the mileage arising from transportation. Variable lease payments that depend on the mileage arising from transportation are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

(d) Extension and termination options

Extension and termination options are included in some of property and vehicle lease contracts across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

(e) Residual value guarantees

To optimize lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to vehicles leases.

2.25 Segment Reporting

Management that makes strategic decisions determines the Group's operating segments. Management reviews based on operating income to make a decision for allocating resources and assess performance of the operating segments.

Operating segments of the Group in accordance with Korean IFRS 1108 *Operating Segments*, are as follows:

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Segment	Products or services
Beverage division	Soft drink, fruit/vegetable drink and others
Liquor division	Liquor

Profit or loss by each segment for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>		2021		
		Beverage	Liquor	Total
Total segment revenue	₩	1,847,918	₩ 771,530	₩ 2,619,448
Inter-segment revenue		(52,045)	(61,310)	(113,355)
Revenue from external customers	₩	1,795,873	₩ 710,220	₩ 2,506,093
Operating profit (loss)	₩	159,329	₩ 22,889	₩ 182,218
Depreciation and amortization		95,316	62,673	157,989
<i>(in millions of Korean won)</i>		2020		
		Beverage	Liquor	Total
Total segment revenue	₩	1,656,049	₩ 635,817	₩ 2,291,866
Inter-segment revenue		(16,103)	(17,790)	(33,893)
Revenue from external customers	₩	1,639,946	₩ 618,027	₩ 2,257,973
Operating profit (loss)	₩	125,429	₩ (28,199)	₩ 97,230
Depreciation and amortization ¹		83,183	67,722	150,905

¹ Amount of depreciation expense for idle assets recognized as other expenses is included.

Accounting policies of reporting segment are same as those of the Group explained in Note 2. Segment revenue is a measurement that is regularly reported to the chief operating decision-maker for allocating resources and assessing performance of the operating segments. Segment assets and liabilities are not included as it is not regularly reported to the chief operating decision-maker.

As at December 31, 2021 and 2020, the Group operates its business in six major cities such as Korea (Location of headquarter), Pakistan, US, Japan, China, Myanmar (including Singapore). Details of non-current assets and sales by location as at and for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>		Sales		Non-current assets ¹	
		2021	2020	2021	2020
Korea	₩	2,306,884	₩ 2,150,295	₩ 2,315,567	₩ 2,225,788
Pakistan		104,166	83,927	31,124	31,872
US		18,966	3,992	61	156
Japan		51,685	14,868	784	981
China		5,389	1,628	28	33
Myanmar		19,003	3,263	8,090	10,995

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(including Singapore)

	₩	2,506,093	₩	2,257,973
	₩	2,355,654	₩	2,269,825

¹ Deferred tax assets, financial assets and investments in associates and joint ventures, other assets, and net defined benefit assets are excluded from non-current assets.

2.26 Greenhouse Gas Emission Permits and Obligations

With enforcement of *The Act on the Allocation and Trading of Greenhouse Gas Emission Permits*, emission permits that are allocated free of charge from the government are measured at zero, and emission permits purchased are recognized at acquisition cost by including any directly attributable costs incurred during the normal course of business. Emission permits are carried at cost less accumulated impairment losses, and those to be submitted to the government within one year from the end of reporting period are classified as current assets.

Emission obligation is a present obligation of submitting the allowances to the government. Emissions obligations are measured as the sum of the carrying amount of the allocated allowances that will be submitted to the government and the best estimate of expenditure required to settle the obligation at the end of reporting period for any excess emission. The emission obligations to be settled within one year from the end of the reporting period are classified as current liabilities.

The Group derecognizes the emission permits when the emission allowance is disposed or submitted to the government or becomes unable to be disposed or submitted, and accordingly, the future economic benefits are no longer expected to be probable. The Group derecognizes the emission obligations when the Group submits the emission permits to the government. The emission permits and emission obligations are classified as intangible assets and provisions, respectively, in the statement of financial position.

2.27 A Group of Assets Classified as Held for Distribution to Owners

In cases where the carrying amount of a group of assets that are classified as held for distribution to owners is primarily collected through distribution and if the likelihood of distribution is highly probable, they are classified as 'a group of assets classified as held for distribution to owners', and measured at the lower of carrying amount and fair value less costs to distribute.

2.28 Approval of Issuance of the Financial Statements

The consolidated financial statements 2021 were approved for issue by the Board of Directors on February 7, 2022 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to

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be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgement and assumptions of certain items are included in relevant notes.

Meanwhile, during 2021, the spread of Coronavirus disease 2019 ("COVID-19") has a material impact on the global economy. It may have a negative impact; such as, decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it is expected to have a negative impact on the consolidated financial position and financial performance of the Group.

Significant accounting estimates and assumptions applied in the preparation of the consolidated financial statements can be adjusted depending on changes in the uncertainty from COVID-19. Also, the ultimate effect of COVID-19 to the Group's business, financial position and financial performance cannot presently be determined.

(a) Impairment of goodwill and CGU

The recoverable amount of a cash generating unit (CGU) used for impairment test of goodwill and CGU is determined based on value-in-use calculations (Notes 16 and 19).

(b) Income taxes

The Group's taxable income generated from these operations are subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain (Note 25).

If certain portion of the taxable income is not used for investments or increase in wages or dividends in accordance with the *Tax System For Recirculation of Corporate Income*, the Group is liable to pay additional income tax calculated based on the tax laws. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new tax system. As the Group's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

(c) Revenue recognition

A refund liability and a right to the returned goods are recognized for the products expected to be returned once they are sold. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method), and the Group's revenue is affected by changes in expected return rate.

(d) Lease

In determining the lease term, management considers all facts and circumstances that create an

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economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of property, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(e) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 5).

(f) Impairment of financial assets

The provision for impairment for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(g) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 24).

(h) Inventory valuation

Loss on valuation of inventories reduced to net realizable value by low cost method is recognized as an expense in the period in which the reduction occurs. If the net realizable value of inventories is increased, the loss on valuation of inventories can be reversed and the reversal is deducted

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from the cost of sales of the inventory recognized as an expense in the period in which the reversal occurred.

4. Financial Risk Management

4.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize any adverse effects on the financial performance of the Group. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out under policies approved by the Board of Directors. The Board reviews and approves written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

4.1.1 Market Risk

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from international operations and transactions with different foreign currencies, primarily with respect to US Dollar, Japanese Yen and Euro. Foreign exchange risk management is carried out by considering the nature of the businesses and using risk management tools. The Group operates a system to manage receivables and payables denominated in foreign currencies. The risks of foreign currency exposure to receivables and payables are periodically evaluated, managed and reported through the system.

Details of monetary assets and liabilities denominated in foreign currency as at December 31, 2021 and 2020, are as follows:

	2021				2020			
	Assets		Liabilities		Assets		Liabilities	
<i>(in millions of Korean won)</i>								
USD	₩	17,581	₩	27,752	₩	20,455	₩	31,409
JPY		34,610		18,709		33,315		20,660
EUR		1,811		7,328		31		6,362
PKR		3,533		25,171		2,338		22,862
Others		4,825		8,180		5,716		7,887

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The Group has entered in to on a currency swap contract to manage foreign exchange risk. The book amounts of monetary assets and monetary liabilities denominated in foreign currencies are calculated excluding the portion of currency swap contracts.

The table below summarizes the impact of weakened/strengthened Korean won on the Group's profit before income tax for the year. The analysis is based on the assumption that Korean won has weakened/strengthened by 10% with all other variables held constant.

(in millions of Korean won)	2021				2020			
	10% Strengthened		10% Weakened		10% Strengthened		10% Weakened	
USD	₩	(1,017)	₩	1,017	₩	(1,095)	₩	1,095
JPY		1,590		(1,590)		1,266		(1,266)
EUR		(552)		552		(633)		633
PKR		(2,164)		2,164		(2,052)		2,052
Others		(336)		336		(217)		217

The above sensitivity analysis has been performed for monetary assets and liability denominated in foreign currencies other than the Group's functional currency at the reporting date. The future changes in exchange rates may affect sales price and gross margin.

(b) Price risk

The Group is exposed to equity securities price risk arises from investments held by the Group that are classified as financial assets at fair value through other comprehensive income (available-for-sale financial assets) in the consolidated statement of financial position. The Group's equity investments are traded in Korea Exchange.

The table below summarizes the impact of increases/decreases of the Group's equity. The analysis is based on the assumption that the equity indexes has increased/decreased with all other variables held constant, and that all the Group's equity instruments moved in line with the indexes.

(in millions of Korean won)	2021				2020			
	10% increase		10% decrease		10% increase		10% decrease	
Before income tax	₩	1,145	₩	(1,145)	₩	1,172	₩	(1,172)
Tax effect		(277)		277		(284)		284
After income tax	₩	868	₩	(868)	₩	888	₩	(888)

(c) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk since the value of financial statement line items (financial assets and liabilities) and interest income or expenses changes as a result of change in

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interest rate. The Group's position with regard to interest rate risk exposure is mainly related to investments in interest-bearing financial assets and issuance of interest-bearing liabilities.

The Group analyses its interest rate exposure on a dynamic basis.

4.1.2 Credit Risk

(a) Risk management

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The compliance with credit limits by wholesale customers is regularly monitored by line management. Sales to retail customers are settled in cash or using major credit cards.

There were no wholesale and retail customers exceeding their credit limits for the period, and management does not expect any losses upon if the above counterparties are in default under the terms of the agreements.

(b) Security

For some trade receivables and loans, the Group may obtain security in the form of guarantees or letters of credit, etc. which can be called upon if the counterparty is in default under the terms of the agreement.

(c) The maximum exposure to credit risk as at December 31, 2021 and 2020, is as follows:

<i>(in millions of Korean won)</i>	2021	2020
Cash and cash equivalents ¹	₩ 383,750	₩ 158,196
Long and short-term financial instruments	15,313	231,059
Trade and other receivables	226,980	253,835
Financial assets at fair value through profit or loss	445	473
Held-to-maturity financial assets	1,804	1,807
Other financial assets	70,577	56,871
	<u>₩ 698,869</u>	<u>₩ 702,241</u>

¹ As cash on hand is not included, cash and cash equivalents differ from the amount in the consolidated statements of financial position.

(d) Trade receivables

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables.

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To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group has concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the trade receivables.

On that basis, the loss allowance as at December 31, 2021, and 2020, was determined as follows for trade receivables:

(in millions of Korean won)		2021												Total		
		Current	Within 3 months		Within 6 months		Within 9 months		Within 12 months		Over 12 months		Individual analysis ¹			
Expected loss rate																
Beverage general	-		0.05%		1.63%		37.74%		78.26%		96.52%		99.36%		8.65%	
Beverage hypermarkets	-		-		-		-		-		100.00%		-		-	
Liquor	-		0.21%		4.65%		6.79%		13.76%		82.08%		31.55%		8.33%	
Others	-		0.06%		-		-		-		-		-		0.06%	
Trade receivables																
Beverage general	₩	9,899	₩	47,723	₩	1,101	₩	106	₩	23	₩	230	₩	5,275	₩	64,357
Beverage hypermarkets	-		55,713		9		-		-		3		-		55,725	
Liquor	-		66,908		3,723		1,812		763		4,046		11,070		88,322	
Others	-		20,738		76		3		11		106		-		20,934	
Loss allowance provision																
Beverage general	₩	-	₩	26	₩	18	₩	40	₩	18	₩	222	₩	5,241	₩	5,565
Beverage hypermarkets	-		-		-		-		-		3		-		3	
Liquor	-		139		173		123		105		3,321		3,493		7,354	
Others	-		13		-		-		-		-		-		13	
(in millions of Korean won)		2020												Total		
		Current	Within 3 months		Within 6 months		Within 9 months		Within 12 months		Over 12 months		Individual analysis ¹			
Expected loss rate																
Beverage general	-		0.09%		1.89%		20.18%		78.95%		97.03%		99.26%		9.61%	
Beverage hypermarkets	-		-		-		-		-		100.00%		-		-	
Liquor	-		0.24%		3.93%		7.70%		14.53%		58.24%		12.13%		6.96%	
Others	-		0.05%		-		-		-		-		-		0.05%	
Trade receivables																
Beverage general	₩	10,813	₩	39,116	₩	1,537	₩	109	₩	57	₩	236	₩	5,157	₩	57,025
Beverage hypermarkets	-		66,046		217		1		-		3		-		66,267	
Liquor	-		67,716		6,038		1,519		592		6,150		29,617		111,632	
Others	-		18,339		768		82		250		590		-		20,029	
Loss allowance provision																
Beverage general	₩	-	₩	35	₩	29	₩	22	₩	45	₩	229	₩	5,119	₩	5,479
Beverage hypermarkets	-		-		-		-		-		3		-		3	
Liquor	-		160		237		117		86		3,582		3,593		7,775	
Others	-		10		-		-		-		-		-		10	

¹ The Group recognizes individual loss allowances for receivables from related parties and non-performing loans.

4.1.3 Liquidity Risk

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In order to maintain appropriate amount of liquidity, the Group manages liquidity risk by performing cyclical expectations and adjustments of cash inflows and outflows. In addition, the Group has entered into bank overdraft agreements with financial institutions.

The Group invests surplus cash in interest-bearing current accounts, time deposits and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

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

(in millions of Korean won)

		2021			
		Less than 1 year	Between 1 and 2 years	Over 2 years	Total
Trade and other payables ¹	₩	305,145	₩ -	₩ -	₩ 305,145
Borrowings and debentures ²		458,298	430,962	601,443	1,490,703
Lease liabilities ²		25,922	21,086	26,611	73,619
Other financial liabilities		7,931	333	19,418	27,682
	₩	<u>797,296</u>	<u>₩ 452,381</u>	<u>₩ 647,472</u>	<u>₩ 1,897,149</u>

(in millions of Korean won)

		2020			
		Less than 1 year	Between 1 and 2 years	Over 2 years	Total
Trade and other payables ¹	₩	288,204	₩ -	₩ 2,995	₩ 291,199
Borrowings and debentures ²		412,299	412,752	762,445	1,587,496
Lease liabilities ²		26,607	23,073	30,355	80,035
Other financial liabilities		7,818	-	20,074	27,892
	₩	<u>734,928</u>	<u>₩ 435,825</u>	<u>₩ 815,869</u>	<u>₩ 1,986,622</u>

¹ Payables related to employee benefits are excluded.

² The undiscounted nominal amounts of principal and interest expenses incurred to be paid until maturities.

4.2 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so the Group can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt ratio. This ratio is calculated as total liabilities divided by total equity.

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<i>(in millions of Korean won)</i>		2021		2020
Total liabilities	₩	2,151,774	₩	2,161,227
Total equity		1,445,056		1,304,886
Debt ratio		148.9%		165.6%

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5. Fair Value

5.1 Fair Value of Financial Instruments by Category

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

(in millions of Korean won)

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	₩ 384,578	₩ 384,578	₩ 158,850	₩ 158,850
Long and short-term financial instruments	15,313	15,313	231,059	231,059
Trade and other receivables	226,980	226,980	253,835	253,835
Held-to-maturity financial assets	1,804	1,804	1,807	1,807
Other financial assets ¹	70,367	70,367	56,871	56,871
Financial assets at fair value through profit or loss	445	445	473	473
Financial assets at fair value through other comprehensive income	26,245	26,245	19,936	19,936
	<u>₩ 725,732</u>	<u>₩ 725,732</u>	<u>₩ 722,831</u>	<u>₩ 722,831</u>
Financial liabilities				
Trade and other payables ²	₩ 305,145	₩ 305,145	₩ 291,199	₩ 291,199
Borrowings and debentures ³	1,421,130	1,413,612	1,504,814	1,540,994
Other financial liabilities	27,682	27,682	27,892	27,892
	<u>₩ 1,753,957</u>	<u>₩ 1,746,439</u>	<u>₩ 1,823,905</u>	<u>₩ 1,860,085</u>

¹ Receivables related to lease and receivables not related are excluded.

² Payables related to employee benefits are excluded.

³ The fair value of short-term borrowings and debentures equal to their carrying amount, as the effect of the present value discount is not significant. The fair value of non-current borrowings and debentures is calculated by discounting the cash flows using corporate bond yields based on the Group's credit rating (AA0).

5.2 Fair Value Hierarchy

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).
- Unobservable inputs for the asset or liability (Level 3).

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

(in millions of Korean won)

	2021			
	Level 1	Level 2	Level 3	Total
Financial assets/liabilities measured at fair value				
Financial assets at fair value through other comprehensive income ¹	₩ -	₩ 15,278	₩ 445	₩ 15,723
Financial assets at fair value through profit or loss	19,557	-	6,688	26,245
Derivative assets	-	2,591	-	2,591
Derivative liabilities	-	333	-	333

¹ The deposit for mutual growth cooperation of ₩ 10,000 million and the Bancassurance of ₩ 5,198 million in the short-term financial instruments are included.

(in millions of Korean won)

	2020			
	Level 1	Level 2	Level 3	Total
Financial assets/liabilities measured at fair value				
Financial assets at fair value through other comprehensive income ¹	₩ -	₩ 11,027	₩ 473	₩ 11,500
Financial assets at fair value through profit or loss ²	13,429	220,000	6,507	239,936
Derivative liabilities	-	5,170	-	5,170

¹ The deposit for mutual growth cooperation of ₩ 5,000 million in the short-term financial instruments and the Bancassurance of ₩ 5,103 million in the long-term financial instruments are included.

² MMT assets of ₩ 220,000 million in long and short-term financial instruments are included.

5.3 Transfers Between Fair Value Hierarchy Levels of Recurring Fair Value Measurements

The Group's policy is to recognize transfers between levels of the fair value at the date of the event or change in circumstances that caused the transfer. There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

Changes in level 3 for recurring fair value measurements for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021		2020	
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
Beginning balance	₩ 473	₩ 6,507	₩ 335	₩ 6,652

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Acquisition	-	508	150	-
Valuation	(28)	(327)	(12)	(145)
Ending balance	₩ 445	₩ 6,688	₩ 473	₩ 6,507

5.4 Valuation Techniques and the Inputs

Valuation techniques and inputs used in the recurring fair value measurements categorized within Level 3 of the fair value hierarchy as at December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021				
	Fair value	Level	Valuation techniques	Inputs	Range of inputs (weighted average)	
Financial assets at fair value through profit or loss	₩ 445	3	Net asset value method	N/A	N/A	
Financial assets at fair value through other comprehensive income	6,688	3	Market approach	PBR multiples	12.35	
				PBR multiples	0.57~1.09	
				EV/EBITDA	10.45	
(in millions of Korean won)		2020				
	Fair value	Level	Valuation techniques	Inputs	Range of inputs (weighted average)	
Financial assets at fair value through profit or loss	₩ 473	3	Net asset value method	N/A	N/A	
Financial assets at fair value through other comprehensive income	6,507	3	Market approach	PBR multiples	1.16	
				EV/EBITDA	10.05	
				FCFF model	Weighted Average Cost of Capital	6.79% ~ 6.83%

5.5 Valuation Processes for Fair Value Measurements Categorized as Level 3

The Group's finance department operates a team that performs the fair value measurements required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation process and result are held between the CFO, AC and the valuation team, in line with the Group's reporting periods.

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5.6 Sensitivity Analysis for Recurring Fair Value Measurements Categorized as Level 3

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the most favorable or most unfavorable amounts are presented.

The results of the sensitivity analysis for the effect on profit or loss from changes in inputs for each financial instrument that categorized as level 3 and subject to sensitivity analysis, are as follows:

(in millions of Korean won)	2021 ¹		2020 ²	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets at fair value through fair value through other comprehensive income	₩ -	₩ -	₩ 363	₩ (295)

¹ As the valuation technique was changed from the income approach to the market approach as at December 31, 2021, changes in fair value according to the sensitivity analysis were not calculated.

² For equity securities, changes in their fair value are calculated by increasing or decreasing the discount rate of increase or decrease, which are significant unobservable inputs, by 1%.

6. Financial Instruments by Category

6.1 Carrying Amounts of Financial Instruments by Category

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

(in millions of Korean won)	2021				
	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivative	Total
Cash and cash equivalents	₩ 384,578	₩ -	₩ -	₩ -	₩ 384,578
Long and short-term financial instruments	35	15,278	-	-	15,313
Trade and other receivables	226,980	-	-	-	226,980
Held-to-maturity financial assets	1,804	-	-	-	1,804
Other financial assets ¹	67,776	-	-	2,591	70,367
Financial assets at fair value through profit or loss	-	445	-	-	445
Financial assets at fair	-	-	26,245	-	26,245

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value through other
comprehensive
income

₩ 681,173	₩ 15,723	₩ 26,245	₩ 2,591	₩ 725,732
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(in millions of
Korean won)

	2020			
	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
Cash and cash equivalents	₩ 158,850	₩ -	₩ -	₩ 158,850
Long and short-term financial instruments	32	11,027	220,000	231,059
Trade and other receivables	253,835	-	-	253,835
Held-to-maturity financial assets	1,807	-	-	1,807
Other financial assets	56,871	-	-	56,871
Financial assets at fair value through profit or loss	-	473	-	473
Financial assets at fair value through other comprehensive income	-	-	19,936	19,936
	₩ 471,395	₩ 11,500	₩ 239,936	₩ 722,831

¹ Receivables related to lease and receivables not related are excluded.

6.2 Carrying amounts of financial liabilities by category

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

(in millions of Korean won)

	2021		
	Financial liabilities at amortized cost	Derivative instruments	Total
Trade and other payables ¹	₩ 305,145	₩ -	₩ 305,145
Borrowings and debentures	1,421,130	-	1,421,130
Other financial liabilities	27,349	333	27,682
	₩ 1,753,624	₩ 333	₩ 1,753,957

(in millions of Korean won)

	2020		
	Financial liabilities at amortized cost	Derivative instruments	Total
Trade and other payables ¹	₩ 291,199	₩ -	₩ 291,199
Borrowings and debentures	1,504,814	-	1,504,814
Other financial liabilities	22,722	5,170	27,892
	₩ 1,818,735	₩ 5,170	₩ 1,823,905

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¹ Payables related to employee benefits are excluded.

6.3 Net Gains or Losses by Category of Financial Instruments

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

<i>(in millions of Korean won)</i>	2021	2020
Financial assets at amortized cost		
Gain (loss) on foreign currency translation ₩	1,562 ₩	(361)
Gain (loss) on foreign exchange transactions	434	(533)
Reversal of provision for impairment (Impairment loss)	(1,617)	1,174
Other impairment loss	(188)	-
Interest income	1,287	1,749
Derivative instruments for hedging		
Gain (loss) on valuation of derivative instruments (other comprehensive income) ¹	2,450	(2,342)
Gain (loss) on valuation of derivative instruments	4,977	(2,828)
Financial assets at fair value through profit or loss		
Gain on valuation of financial assets at fair value through profit or loss	67	85
Financial assets at fair value through other comprehensive income (available-for-sale)		
Dividend income	1,027	1,127
Gain (loss) on valuation of financial assets at fair value (other comprehensive income) ¹	5,560	(4,237)
Interest income	2,627	1,347
Financial liabilities at amortized cost		
Gain (loss) on foreign currency translation	(8,209)	3,129
Loss on foreign exchange transactions	(798)	(210)
Interest expenses	(34,232)	(35,556)

¹This is the amount before deducting the corporate tax effect.

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7. Restricted Financial Instruments

Details of restricted financial instruments as at December 31, 2021 and 2020, are as follows:

(in millions of Korean won)

Description	Depository	2021		2020		Details
Short-term financial instruments	Industrial Bank of Korea	₩	10,000	₩	5,000	Mutual cooperation fund ¹
Long-term financial instruments	Kookmin Bank and others		35		29	Deposit for checking accounts
		₩	10,035	₩	5,029	

¹ The Group has entered into a mutual cooperation fund for supporting small and medium sized companies and the contracted amount is restricted to use.

8. Trade and Other Receivables

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

(in millions of Korean won)

	2021		2020	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 228,548	₩ 790	₩ 251,649	₩ 3,304
Less: Provision for impairment	(12,934)	(1)	(13,245)	(22)
Trade receivables - net	215,614	789	238,404	3,282
Non-trade receivables	12,338	689	11,157	3,443
Less: Provision for impairment	(2,450)	-	(2,451)	-
Non-trade receivables - net	9,888	689	8,706	3,443
	₩ 225,502	₩ 1,478	₩ 247,110	₩ 6,725

Movements in the provision for impairment of trade and other receivables for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)

	2021	2020
Beginning balance	₩ 15,718	₩ 19,174
Impairment loss (reversal)	1,617	(1,174)
Write-off	(1,971)	(2,148)
Collection of receivables written off	22	10
Others	(1)	(144)
Ending balance	₩ 15,385	₩ 15,718

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9. Other Financial Assets

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

<i>(in millions of Korean won)</i>	2021		2020	
	Current	Non-current	Current	Non-current
Accrued income	₩ 132	₩ -	₩ 331	₩ -
Loans	2,803	1,415	2,630	2,863
Deposits provided	1,464	61,962	1,127	49,692
Derivative assets	-	2,591	-	-
Finance lease receivables	202	8	213	15
	<u>₩ 4,601</u>	<u>₩ 65,976</u>	<u>₩ 4,301</u>	<u>₩ 52,570</u>

10. Inventories

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

<i>(in millions of Korean won)</i>	2021			2020		
	Acquisition cost	Valuation allowance	Book amount	Acquisition cost	Valuation allowance	Book amount
Finished goods	₩ 105,394	₩ (4,444)	₩ 100,950	₩ 95,629	₩ (4,783)	₩ 90,846
Merchandise	57,797	(6,122)	51,675	44,664	(2,616)	42,048
Semi-finished goods	13,092	-	13,092	13,772	-	13,772
Work-in-process	969	-	969	1,383	-	1,383
Raw materials	76,387	(1,578)	74,809	64,711	(2,752)	61,959
Sub-materials	466	(23)	443	400	(54)	346
Stored goods	13,556	(895)	12,661	11,980	(883)	11,097
Raw materials in transit	24,051	-	24,051	20,218	-	20,218
Merchandise in transit	26,691	-	26,691	15,682	-	15,682
By-product	31	-	31	18	-	18
	<u>₩ 318,434</u>	<u>₩ (13,062)</u>	<u>₩ 305,372</u>	<u>₩ 268,457</u>	<u>₩ (11,088)</u>	<u>₩ 257,369</u>

Inventories recognized as an expense during the year ended December 31, 2021, amounted to ₩ 1,457,394 million (2020: ₩ 1,345,695 million). These were included in 'cost of sales'.

Loss on valuation of inventories amounted to ₩ 1,974 million (2020: ₩ 2,635 million). These were recognized as an expense during the year ended December 31, 2021, and included in 'cost of sales' in statement of comprehensive income.

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11. Other Assets

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

<i>(in millions of Korean won)</i>	2021		2020	
	Current	Non-current	Current	Non-current
Prepayments	₩ 39,583	₩ 862	₩ 40,775	₩ 9,043
Prepaid expenses	10,082	3,152	10,963	2,579
Prepaid value added tax	682	-	63	-
Right of returned assets	3,218	-	3,955	-
Others	1,428	-	-	-
	<u>₩ 54,993</u>	<u>₩ 4,014</u>	<u>₩ 55,756</u>	<u>₩ 11,622</u>

12. Financial Assets at Fair Value through Profit or Loss

Details of financial assets at fair value through profit or loss as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Lotte Startup fund No.1	₩ 445	₩ 473

Changes in financial assets at fair value through profit or loss for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Beginning balance	₩ 473	₩ 335
Acquisition	-	150
Valuation	(28)	(12)
Ending balance	<u>₩ 445</u>	<u>₩ 473</u>

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13. Financial Assets at Fair Value through Other Comprehensive Income

Details of financial assets at fair value through other comprehensive income as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021		2020	
Equity securities				
Marketable	₩	19,557	₩	13,429
Non-marketable		6,688		6,507
	₩	26,245	₩	19,936

(a) Marketable equity securities

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

<i>(in millions of Korean won and in shares)</i>	2021				2020
	Number of shares	Percentage of ownership (%)	Acquisition cost	Carrying amount	Carrying amount
Ordinary shares					
BNK Financial Group Inc.	2,156,883	0.66	₩ 14,251	₩ 18,118	₩ 12,251
BIFIDO. Co. Ltd	132,014	1.61	1,682	1,439	-
SGC Energy Co., Ltd. ¹	-	-	-	-	1,178
			₩ 15,933	₩ 19,557	₩ 13,429

¹ The Group sold all shares for the year ended December 31, 2021.

(b) Non-marketable equity securities

Details of non-marketable securities as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won and in shares)</i>	2021				2020
	Number of shares	Percentage of ownership (%)	Acquisition cost	Carrying amount	Carrying amount
Ordinary shares					
Korea Ethanol Supplies Company	27,840	7.78	₩ 560	₩ 758	₩ 600
Sewang Metal Ind. Co., Ltd.	46,849	8.26	1,643	1,367	2,398
Seoan Alcohol Co.Ltd.	34,874	8.72	908	4,055	3,509
Gangwon Football Club Co.,Ltd.	10,000	0.55	50	-	-
Worker's High Co., Ltd	10,200	19.91	508	508	-
Others	-	-	49	-	-
			₩ 3,718	₩ 6,688	₩ 6,507

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Changes in financial assets at fair value through other comprehensive income for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021		2020	
Beginning balance	₩	19,936	₩	25,112
Acquisition		2,190		-
Sale		(1,441)		(939)
Valuation		5,560		(4,237)
Ending balance	₩	<u>26,245</u>	₩	<u>19,936</u>

Details of valuation of financial assets at fair value through other comprehensive income for the years ended December 31, 2021, and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021			2020		
	Acquisition cost	Carrying amount	Gain on valuation	Acquisition cost	Carrying amount	Gain (loss) on valuation
Marketable equity instruments	₩ 15,933	₩ 19,557	₩ 3,624	₩ 14,427	₩ 13,429	₩ (998)
Non-marketable equity instruments	3,718	6,688	2,970	3,854	6,507	2,653
	<u>₩ 19,651</u>	<u>₩ 26,245</u>	<u>₩ 6,594</u>	<u>₩ 18,281</u>	<u>₩ 19,936</u>	<u>₩ 1,655</u>

14. Held-to-maturity Financial Assets

Details of held-to-maturity financial assets as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021		2020	
	Current	Non-current	Current	Non-current
Government bonds	₩ 1,466	₩ 338	₩ 12	₩ 1,795

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15. Investments in Associates and Joint Ventures

Set out below are the associates and joint ventures of the Group as at December 31, 2021 and 2020:

Name of entity	Percentage of ownership (%)		Location	Date of financial statements	Remarks
	2021	2020			
Lotte Asahi Liquor Company Ltd.	49.99	49.99	Korea	December 31	Sales
PT LOTTE RND CENTER INDONESIA	33.33	33.33	Indonesia	December 31	Research center
Pepsi-Cola Products Philippines Inc. ¹	73.58	73.58	Philippines	December 31	Manufacturing, sales
LOTTE Agriculture and Food Fund No.1	22.37	22.37	Korea	December 31	Investment

¹ The Group acquired 31.36% shares of Pepsi-Cola Products Philippines, Inc., which is primarily engaged to manufacture and sell beverages, for ₩ 55,454 million through a tender offer, and 42.22% shares for ₩ 67,744 million through investment in kind during the year ended December 31, 2020. Although the Group owns more than 50% of ownership of Pepsi-Cola Products Philippines, Inc., the entity was classified as a joint venture as it is considered that parties with joint control on the arrangement between shareholders of the Parent Company, PepsiCo, Inc. and Quaker Global Investments B.V. have rights on net assets of the arrangements.

Details of valuation of investments in associates and joint ventures that are accounted for using the equity method for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)

	2021					
	Valuation of equity method					
	Share of other					
	Beginning balance	Share of profit or loss of associates	comprehensive income of associates	Retained earnings	Ending balance	
Lotte Asahi Liquor Company Ltd.	₩ 9,745	₩ (479)	₩ (7)	₩ 238	₩ 9,497	
PT LOTTE RND CENTER INDONESIA	354	(71)	23	-	306	
Pepsi-Cola Products Philippines Inc.	119,109	3,823	3,980	(2,786)	124,126	
LOTTE Agriculture and Food Fund No.1	1,356	(166)	-	-	1,190	
	₩ 130,564	₩ 3,107	₩ 3,996	₩ (2,548)	₩ 135,119	

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Korean won)

(in millions of Korean won)	2020											
	Valuation of equity method											
	Beginning balance	Acquisition	Gains on bargain purchase	Share of profit or loss of associates	Share of other comprehensive income of associates	Retained earnings	Impairment loss ¹	Ending balance				
Lotte Asahi Liquor Company Ltd.	₩ 22,548	₩ -	₩ -	₩ (6,326)	₩ -	₩ 435	₩ (6,912)	₩ 9,745				
PT LOTTE RND CENTER INDONESIA	455	-	-	(74)	(27)	-	-	354				
Pepsi-Cola Products Philippines Inc.	-	123,518	27,120	(1,301)	(9,925)	-	(20,303)	119,109				
LOTTE Agriculture and Food Fund No.1	-	1,360	-	(4)	-	-	-	1,356				
	₩ 23,003	₩ 124,878	₩ 27,120	₩ (7,705)	₩ (9,952)	₩ 435	₩ (27,215)	₩ 130,564				

¹ The recoverable amount of the CGU with Lotte Asahi Liquor Co., Ltd. and Pepsi-Cola Products Philippines ("PCPPI") is calculated on a basis of the value-in-use with applying profit approach (Discounted cash flow). Discount rates used for value-in-use calculation are 8.04% and 8.33% respectively, and the permanent growth rate is 1%.

Key assumptions used in calculating recoverable amounts of Lotte Asahi Liquor Co., Ltd are as follows. Sales are divided into sales volume and sales unit price. Sales volume is estimated with considering the Group's business plan, and sales unit price is assumed to maintain the past performances. The cost of sales assumes that the past purchase price in foreign currencies is maintained, and the past average exchange rate is applied to the exchange rate. Out of selling and administrative expenses, labor costs and variable overheads are considering the business plan and domestic expected inflation rate, and the ratio of past sales, respectively. The fixed overheads are applying the domestic expected inflation rate. CAPEX and depreciation were calculated by applying the investment plan in the business plan and useful life, and net working capital was estimated by applying the past average turnover period.

Key assumptions used in calculating the recoverable amounts of PCPPI are as follows. Sales are estimated with applying sales growth rate in the Group's business plan. The cost of sales are divided into material costs, labor costs and overheads and estimated those costs with considering the ratio of past sales, nominal salary growth rate in Philippines, consumer inflation rate in Philippines, respectively. Out of selling and administrative expenses, labor costs and variable overheads are considering nominal inflation rate in Philippines and the ratio of past sales, respectively. The fixed overheads are applying consumer inflation rate in Philippines. CAPEX was estimated with considering reinvestments for depreciation of each assets. Depreciation was calculated by applying depreciation method and useful life of each assets of the Group, and net working capital was estimated by applying the past average turnover period.

The tables below provide summarized financial information for those associates and joint ventures that are material to the Group and received dividends from the associates:

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	2021			
	Lotte Asahi Liquor Company Ltd.	PT LOTTE RND CENTER INDONESIA	Pepsi-Cola Products Philippines Inc.	LOTTE Agriculture and Food Fund No.1
Current assets	₩ 10,077	₩ 313	₩ 178,486	₩ 1,583
Non-current assets	3,212	606	400,704	3,735
Current liabilities	₩ 4,569	₩ -	₩ 208,485	₩ -
Non-current liabilities	445	-	168,689	-
Sales	₩ 17,235	₩ 160	₩ 761,208	₩ 10
Profit (loss) for the year	(959)	(212)	5,450	(745)
Other comprehensive income (loss)	464	-	(3,787)	-
Total comprehensive income (loss)	₩ (495)	₩ (212)	₩ 1,663	₩ (745)
Dividends received from investees	₩ -	₩ -	₩ -	₩ -

(in millions of Korean won)

	2020			
	Lotte Asahi Liquor Company Ltd.	PT LOTTE RND CENTER INDONESIA	Pepsi-Cola Products Philippines Inc.¹	LOTTE Agriculture and Food Fund No.1¹
Current assets	₩ 8,835	₩ 307	₩ 223,506	₩ 6,063
Non-current assets	5,417	753	382,708	-
Current liabilities	₩ 4,548	₩ -	₩ 286,864	₩ -
Non-current liabilities	933	-	123,909	-
Sales	₩ 17,343	₩ 154	₩ 420,682	₩ -
Loss for the year	(12,653)	(221)	(2,104)	(17)
Other comprehensive income	871	-	-	-
Total comprehensive loss	₩ (11,782)	₩ (221)	₩ (2,104)	₩ (17)
Dividends received from investees	₩ -	₩ -	₩ -	₩ -

¹Financial information is presented after acquisition of shares.

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The tables below provide a reconciliation of the summarized financial information presented to the carrying amount of its interest in the associate and joint ventures:

(in millions of
Korean won)

		2021						
		Net assets at the end of the year (a)	Group's share in % (b)	Group's share in KRW (a*b)	Margin from elimination of investments	Intergroup transaction	Book amount	
Lotte Asahi Liquor Company Ltd.	₩	8,275	49.99%	₩ 4,138	₩ 5,359	₩ -	₩ 9,497	
PT LOTTE RND CENTER INDONESIA		919	33.33%	306	-	-	306	
Pepsi-Cola Products Philippines Inc.		202,016	73.58%	148,645	(24,516)	(3)	124,126	
LOTTE Agriculture and Food Fund No.1		5,318	22.37%	1,190	-	-	1,190	

(in millions of
Korean won)

		2020						
		Net assets at the end of the year (a)	Group's share in % (b)	Group's share in KRW (a*b)	Margin from elimination of investments	Intergroup transaction	Book amount	
Lotte Asahi Liquor Company Ltd.	₩	8,771	49.99%	₩ 4,386	₩ 5,359	₩ -	₩ 9,745	
PT LOTTE RND CENTER INDONESIA		1,060	33.33%	354	-	-	354	
Pepsi-Cola Products Philippines Inc.		195,441	73.58%	143,808	(24,695)	(4)	119,109	
LOTTE Agriculture and Food Fund No.1		6,063	22.37%	1,356	-	-	1,356	

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16. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2021 and 2020, are as follows:

(in millions of
Korean won)

	2021							
	Land	Buildings	Structures	Machinery	Vehicles	Others	Construction -in-progress	Total
Beginning balance	₩ 992,335	₩ 310,922	₩ 35,894	₩ 379,422	₩ 7,616	₩ 132,731	₩ 80,825	₩ 1,939,745
Business combination ¹	15,899	22,733	6,608	22,477	24	668	1,414	69,823
Acquisition	-	47	77	10,725	1,477	24,986	162,624	199,936
Transfer	44,627	8,750	3,993	65,973	199	10,143	(137,441)	(3,756)
Disposal	(32,442)	(288)	(203)	(977)	(1,496)	(2,278)	-	(37,684)
Depreciation	-	(12,495)	(3,799)	(56,806)	(1,522)	(39,982)	-	(114,604)
Impairment loss	-	(723)	(131)	(1,016)	-	(1,487)	(489)	(3,846)
Reversal of impairment loss	16	-	-	41	-	-	-	57
Exchange differences	(249)	(43)	-	(604)	1	(464)	(96)	(1,455)
Ending balance	₩ 1,020,186	₩ 328,903	₩ 42,439	₩ 419,235	₩ 6,299	₩ 124,317	₩ 106,837	₩ 2,048,216
Acquisition cost	₩ 1,070,328	₩ 596,910	₩ 141,032	₩ 1,174,533	₩ 15,376	₩ 623,531	₩ 107,330	₩ 3,729,040
Accumulated depreciation	-	(184,857)	(85,837)	(609,162)	(8,934)	(458,490)	-	(1,347,280)
Accumulated impairment loss	(50,142)	(83,150)	(12,756)	(146,110)	(122)	(40,628)	(493)	(333,401)
Government grants	-	-	-	(26)	(21)	(96)	-	(143)

(in millions of
Korean won)

	2020							
	Land	Buildings	Structures	Machinery	Vehicles	Others	Construction -in-progress	Total
Beginning balance	₩ 994,338	₩ 335,799	₩ 40,211	₩ 409,810	₩ 6,683	₩ 153,438	₩ 74,310	₩ 2,014,589
Business combination ¹	-	358	15	6,213	120	2,618	-	9,324
Acquisition	34	58	70	1,587	5,408	24,204	95,955	127,316
Transfer	15,145	5,583	1,981	41,480	20	10,676	(89,240)	(14,355)
Disposal	(5,062)	(2,121)	(463)	(1,022)	(2,876)	(9,784)	-	(21,328)
Depreciation	-	(12,330)	(3,642)	(49,582)	(1,684)	(41,644)	-	(108,882)
Impairment loss	(13,597)	(16,295)	(2,277)	(27,327)	(41)	(6,400)	-	(65,937)
Reversal of impairment loss	2,940	-	-	59	-	30	-	3,029
Exchange differences	(1,463)	(130)	(1)	(1,796)	(14)	(407)	(200)	(4,011)
Ending balance	₩ 992,335	₩ 310,922	₩ 35,894	₩ 379,422	₩ 7,616	₩ 132,731	₩ 80,825	₩ 1,939,745
Acquisition cost	₩ 1,037,420	₩ 546,490	₩ 122,239	₩ 1,027,633	₩ 15,612	₩ 613,581	₩ 80,825	₩ 3,443,800
Accumulated depreciation	-	(159,197)	(75,878)	(507,007)	(7,878)	(441,234)	-	(1,191,194)
Accumulated impairment loss	(45,085)	(76,371)	(10,467)	(141,204)	(118)	(39,616)	-	(312,861)

¹ Included in the consolidation scope according to business combination (Note 42).

Depreciation expense of ₩ 88,393 million (2020: ₩ 82,791 million) was charged to 'cost of sales',

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₩ 26,211 million (2020: ₩ 26,038 million) to 'selling and administrative expenses', ₩ - (2020: ₩ 53 million) to 'other expenses' for the year ended December 31, 2021, and 2020.

Impairment of Assets

The liquor and beverage segments of the Group's cash-generating unit (hereafter 'CGU') has been tested for impairment as accumulation of operating losses, accordingly, impairment loss, which is recognized for the years ended December 31, 2021, and 2020 are as follows:

(in millions of Korean won)

	2021			2020		
	Liquor segment ¹	CHUNG-BUK SOJU ²	Sanchung Beverage	Liquor segment ¹	LTAB ³	Sanchung Beverage
Impairment loss						
Property, plant and equipment	₩ -	₩ 1,803	₩ -	₩ 54,954	₩ 9,828	₩ -
Intangible assets	-	8	11,173	3,766	442	6,624
Right-of-use assets	-	94	-	1,810	96	-
	<u>₩ -</u>	<u>₩ 1,905</u>	<u>₩ 11,173</u>	<u>₩ 60,530</u>	<u>₩ 10,366</u>	<u>₩ 6,624</u>

¹ The recoverable amount of the CGU with liquor segment is calculated on a basis of the value-in-use with applying profit approach (Discounted cash flow). As at December 31, 2021, discount rate and permanent growth rate used for value-in-use calculation are 6.63% (2020: 4.52%) and 1% (2020: 1%), respectively.

Key assumptions used in calculating the recoverable amounts of cash-generating units in the liquor segment are the same as 2020.

As at December 31, 2021, key assumptions used in calculating recoverable amounts of the liquor segment are as follows. Sales are divided into sales volume and sales unit price. Sales volume and sales unit price are estimated by applying the expected growth rate alcoholic beverage market and inflation rate, respectively. The cost of sales of finished goods is estimated with considering past ratio of materials by sales, salary growth rate in business plan, domestic expected inflation rate and others, respectively. The cost of sales of merchandise is applying past ratio of cost of sales. Out of selling and administrative expenses, labor costs and variable overheads are considering salary growth rate in the business plan and past ratios of sales, respectively. The fixed overheads is applying domestic expected inflation rate. CAPEX and depreciation were calculated by applying the investment plan in the business plan and useful life, and net working capital was estimated by applying the past average turnover period.

As of December 31, 2021, the impairment test suggests that the carrying amount of cash generating units does not exceed the recoverable amount.

If cash flows from operating activities had been decreased by 10% or permanent growth rate had been decreased by 0.5% when calculating value-in-use, the Group would have had to recognize an impairment of ₩ 54,023 million and 17,195 million, respectively, as at December 31, 2021.

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² The recoverable amount of the CGU with CHUNGBUK SOJU CO., LTD. is calculated on a basis of the value-in-use with applying profit approach (Discounted cash flow). As at December 31, 2021, discount rate and permanent growth rate used for value-in-use calculation are 10.58% and 0%, respectively.

As at December 31, 2021, key assumptions used in calculating the recoverable amounts of CHUNGBUK SOJU CO., LTD. are as follows. Sales are divided into sales volume and sales unit price, and estimated with considering the Group's business plan. The cost of sales of finished goods are divided into material costs, labor costs and overheads, and estimated with considering past ratio of materials by sales, salary growth rate in business plan, domestic expected inflation rate and others, respectively. Out of selling and administrative expenses, labor costs and variable overheads are considering expected salary growth rate in the business plan and past ratios of sales, respectively. The fixed overheads is applying domestic expected inflation rate. CAPEX and depreciation were calculated by applying the investment plan in the business plan and useful life, and net working capital was estimated by applying the past average turnover period.

³ The recoverable amount of the CGU with LTAB is calculated on a basis of the value in use with applying profit approach (Discounted cash flow). As at December 31, 2020, discount rate and permanent growth rate used for value-in-use calculation are 14.20% and 1%, respectively.

Key assumptions used in calculating the recoverable amounts of LTAB are as follows. Sales are divided into sales volume and sales unit price, and estimated with considering the Group's business plan. The cost of sales of finished goods are divided into material costs, labor costs and overheads, and estimated with considering the ratio of materials by sales in the business plan, expected salary growth rate in Pakistan, expected increase rate for sales unit price, respectively. The cost of sales of merchandise is applying past ratio of cost of sales. Out of selling and administrative expenses, labor costs and variable overheads are considering expected salary growth rate in Pakistan and the ratios of sales in the business plan, respectively. The fixed overheads is applying increase rate for sales unit price. CAPEX was estimated with considering reinvestments for past depreciation. Depreciation was calculated by applying depreciation method and useful life of each assets of the Group. Net working capital was estimated by applying the turnover period in the business plan.

Assets provided as collateral

As at December 31, 2021, land, buildings and machinery amounting up to ₩ 50,308 million (2020: ₩ 20,908 million) are provided as collateral for borrowings and payment of liquor tax. Meanwhile, the Group's current assets and property, plant and equipment are collateralized in relation to short-term and long-term borrowings of Lotte Akhtar Beverages (Private) Limited, respectively (Note 36).

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17. Lease

Set out below is information for leases when the Group is a lessee.

(a) Amounts recognized in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

<i>(in millions of Korean won)</i>	2021	2020
Right-of-use assets		
Properties	₩ 38,822	₩ 38,888
Equipment	6,313	7,870
Vehicles	27,511	31,248
	<u>₩ 72,646</u>	<u>₩ 78,006</u>

<i>(in millions of Korean won)</i>	2021	2020
Lease receivables		
Current	₩ 202	₩ 213
Non-current	8	15
	<u>₩ 210</u>	<u>₩ 228</u>
Lease liabilities		
Current	₩ 25,096	₩ 25,495
Non-current	45,167	51,773
	<u>₩ 70,263</u>	<u>₩ 77,268</u>

Additions to the right-of-use assets during the 2021 financial year were ₩ 25,068 million (2020: ₩ 34,532 million).

(b) Amounts recognized in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

<i>(in millions of Korean won)</i>	Note	2021	2020
Depreciation of right-of-use assets			
Properties	₩	16,206	₩ 16,909
Equipment		1,566	1,650
Vehicles		12,901	12,192
	<u>₩</u>	<u>30,673</u>	<u>₩ 30,751</u>
Amount recognized in profit by applying the practical expedient ¹	₩	319	₩ 248
Profit from sublease of right-of-use assets		2	2

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Interest expense relating to lease liabilities (included in finance cost)	948	1,098
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	765	1,093
Expense relating to leases of low-value assets that are not short-term leases (included in cost of goods sold and administrative expenses)	807	751
Expense relating to variable lease payments not included in lease liabilities (included in cost of goods sold and administrative expenses)	34,675	31,727

¹ The Group has applied a practical expedient for a rent concession occurring as a direct consequence of the COVID-19 pandemic.

The total cash outflow for leases in 2021 was ₩ 70,503 million (2020: ₩ 61,126 million).

18. Investment Properties

Changes in investment properties for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)

	2021		
	Land	Buildings	Total
Beginning balance	₩ 130,376	₩ 5,133	₩ 135,509
Business combination ¹	411	21	432
Transfer	(3,945)	(2,300)	(6,245)
Depreciation	-	(253)	(253)
Exchange differences	(8)	(2)	(10)
Ending balance	₩ 126,834	₩ 2,599	₩ 129,433
Acquisition cost	₩ 126,834	₩ 8,138	₩ 134,972
Accumulated depreciation	-	(5,539)	(5,539)

(in millions of Korean won)

	2020		
	Land	Buildings	Total
Beginning balance	₩ 130,816	₩ 5,951	₩ 136,767
Business combination ¹	342	112	454
Transfer	(764)	(589)	(1,353)
Depreciation	-	(336)	(336)
Exchange differences	(18)	(5)	(23)
Ending balance	₩ 130,376	₩ 5,133	₩ 135,509
Acquisition cost	₩ 130,376	₩ 11,948	₩ 142,324
Accumulated depreciation	-	(6,815)	(6,815)

¹ Included in the consolidation scope according to business combination(Note 42).

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Depreciation expenses are classified as total cost of sales.

Fair value of investment properties as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021		2020	
	Book amount	Fair value	Book amount	Fair value
Land	₩ 126,834	₩ 308,311	₩ 130,376	₩ 236,096
Buildings	2,599	2,599	5,133	5,133
	<u>₩ 129,433</u>	<u>₩ 310,910</u>	<u>₩ 135,509</u>	<u>₩ 241,229</u>

Fair value of investment properties is calculated considering growth rate of official land price from appraised value.

Income and expenses from investment properties for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Rental income	₩ 4,863	₩ 5,084
Operating expenses	(1,682)	(1,399)
Depreciation	(253)	(336)
	<u>₩ 2,928</u>	<u>₩ 3,349</u>

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19. Intangible Assets

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

(in millions of Korean won)	2021							
	Goodwill		Intangible assets from business combination ¹		Others	Total		
Beginning balance	₩	35,384	₩	58,602	₩	22,579	₩	116,565
Business combination ²		-		4,036		21		4,057
Acquisition		-		-		591		591
Transfer		-		-		8,452		8,452
Disposal		-		-		(64)		(64)
Amortization		-		(7,103)		(5,356)		(12,459)
Impairment loss		(11,937)		-		(8)		(11,945)
Exchange differences		177		(14)		(2)		161
Ending balance	₩	23,624	₩	55,521	₩	26,213	₩	105,358
Acquisition cost	₩	223,019	₩	263,844	₩	64,165	₩	551,028
Accumulated amortization		-		(189,137)		(35,711)		(224,848)
Accumulated impairment loss		(199,395)		(19,186)		(2,241)		(220,822)

(in millions of Korean won)	2020							
	Intangible assets from business combination ¹				Others			
	Goodwill						Total	
Beginning balance	₩	38,710	₩	70,288	₩	9,583	₩	118,581
Business combination ²		3,448		-		5		3,453
Acquisition		-		-		869		869
Transfer		-		-		15,727		15,727
Amortization		-		(7,475)		(3,461)		(10,936)
Impairment loss		(6,624)		(4,071)		(137)		(10,832)
Exchange differences		(150)		(140)		(7)		(297)
Ending balance	₩	35,384	₩	58,602	₩	22,579	₩	116,565
Acquisition cost	₩	227,450	₩	259,848	₩	54,833	₩	542,131
Accumulated amortization		-		(182,052)		(29,990)		(212,042)
Accumulated impairment loss		(192,066)		(19,194)		(2,264)		(213,524)

¹ Intangible assets from business combination include water-intake right, customer relationships, brand, technology and others.

² Included in the consolidation scope according to business combination (Note 42).

Amortization of ₩ 1,864 million (2020: ₩ 1,285 million) is included in 'cost of sales', ₩ 10,595

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million (2020: ₩ 9,651million) to 'selling and administrative expenses' for the year ended December 31, 2021.

The Group recognized total research and development costs of ₩ 1,501 million (2020: ₩ 1,065 million) as expenses.

Impairment Tests for Goodwill

The table below summarizes the recoverable amounts of CGU goodwill allocation for each operating segment:

<i>(in millions of Korean won)</i>	2021		2020	
Sanchung Beverage Co, Ltd.	₩	20,913	₩	32,086
Others		2,711		3,298
	₩	<u>23,624</u>	₩	<u>35,384</u>

¹The recoverable amount of the CGU with Sanchung Beverage Co., Ltd is calculated on a basis of the value in use with applying profit approach (Discounted cash flow). Discount rate and permanent growth rate used for value-in-use calculation are 6.98% (2020: 5.86%) and 1% (2020: 1%), respectively.

Key assumptions used in calculating the recoverable amounts of cash-generating units in the Sanchung Beverage Co., Ltd. are the same as 2020.

As at December 31, 2021, key assumptions used in calculating recoverable amounts of Sanchung Beverage Co., Ltd. are as follows. Sales are divided into sales volume and sales unit price. Sales volume and sales unit price are estimated by applying the expected real GDP growth rate and the expected inflation rate, respectively. The cost of sales is dividend into material costs, labor costs and overheads, and estimated with considering past ratio of materials by sales and domestic expected salary growth rate and others, respectively. Out of selling and administrative expenses, labor costs are applying the domestic expected salary growth rate, and variable and fixed overheads are applying the domestic expected inflation rate. CAPEX was estimated with considering reinvestments for past depreciation. Depreciation was calculated by applying depreciation method and useful life of each assets of the Group, and net working capital was estimated by applying the past average turnover period.

During 2021, as a result of impairment test for goodwill, impairment loss of ₩ 11,937 million (2020 : ₩ 6,624 million) was recognized because the carrying amount of CGU exceeded the recoverable amount.

Emission permits

The quantities of emission permits which are allocated free of charge for the 3rd planning period (2021~2025) are as follows.

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<i>(in tCO2-eq)</i>	2021	2022	2023	2024	2025	Total
Allocation with nil consideration	143	143	143	142	142	713

Details of emission permits included in other intangibles assets for the years ended December 31, 2021 and 2020, are as follows.

<i>(in tCO2-eq, and in millions of Korean won)</i>	2021		2020	
	Quantity	Amount	Quantity	Amount
At January 1	24	₩ 159	24	₩ -
Allocation with nil consideration	143	-	135	-
Additional allocation	21	-	12	-
Cancellation	(8)	-	(2)	-
Surrendered to the government ¹	(165)	-	(150)	-
Purchase	-	-	5	159
Disposal	(2)	(63)	-	-
At December 31	13	₩ 96	24	₩ 159

¹ As at December 31, 2021, the amount surrendered to the government is estimated quantity and may differ from the fixed quantity to be determined.

Meanwhile, there are no emission permits provided as collateral as at December 31, 2021.

20. Trade and Other Payables

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

<i>(in millions of Korean won)</i>	2021		2020	
	Current	Non-current	Current	Non-current
Trade payables	₩ 180,323	₩ -	₩ 172,103	₩ -
Non-trade payables	126,637	-	130,864	2,995
Accrued expenses	49,826	-	27,923	-
	₩ 356,786	₩ -	₩ 330,890	₩ 2,995

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21. Borrowings and Debentures

Borrowings and debentures as at December 31, 2021 and 2020, are as follows:

(in millions of Korean won)

	2021		2020	
	Current	Non-current	Current	Non-current
Short-term borrowings	₩ 32,588	₩ -	₩ 27,347	₩ -
Long-term borrowings	10,643	116,382	56,379	114,692
Debentures	389,874	871,643	299,939	1,006,457
	₩ 433,105	₩ 988,025	₩ 383,665	₩ 1,121,149

Details of short-term borrowings as at December 31, 2021 and 2020, are as follows:

(in millions of Korean won)

Category	Creditor	Latest maturity date	Annual interest rate (%) as at December 31, 2021	2021	2020
Revolving loans	KEB Hana Bank	2022.07.08	3.19	₩ 900	₩ -
General loans	Korea Development Bank	2022.04.05	1.87~2.20	9,500	2,300
Secured loans	Allied Bank Limited	2022.04.30	11.04	939	2,063
Secured loans	Askari Bank Limited	2022.06.30	8.28~11.04	1,188	2,321
Secured loans	The Bank of Punjab	2022.05.31	12.21	47	1,758
Secured loans	MCB Bank Limited	2022.03.31	10.89	5,219	5,128
Secured loans	Faysal Bank Limited	2022.06.30	10.79	2,131	-
Secured loans	Samba Bank Limited	2022.02.15	11.54	25	-
Secured loans	Soneri Bank Limited	2022.10.31	11.19	160	1,326
General loans	MUFG Bank	2022.08.31	1.32~10.00	10,249	8,778
General loans	Shinhan Bank	2022.08.31	11.50	2,180	3,292
Letter of credit (SIGHT)	KEB Hana Bank	-	-	-	136
Sales loans	Shinhan Bank	-	-	50	245
				₩ 32,588	₩ 27,347

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Details of long-term borrowings as at December 31, 2021 and 2020, are as follows:

(in millions of Korean won)

Category	Creditor	Latest maturity date	Annual interest rate (%) as at December 31, 2021	2021	2020
General loans	Mizuho Bank, Ltd	-	-	₩ -	₩ 55,000
Back-up Line CP ¹	SHINHAN BANK	2023.06.26	91 Days CD+1.00	50,000	50,000
General loans	SHINHAN BANK	2022.10.04	3.70	4,670	-
General loans	Mizuho Bank, Ltd	2023.11.06	1.66	55,000	55,000
Facility loans	KEB Hana Bank	2023.02.23	2.72	1,600	-
General loans	KEB Hana Bank	2023.02.23	2.74	1,000	-
Facility loans	Korea Development Bank	2023.01.21	1.90~2.17	10,500	6,000
General loans	Askari Bank Limited	2026.01.01	9.78~12.54	828	855
General loans	Askari Bank Limited	2030.12.29	2.00	311	-
General loans	MCB Bank Limited	2028.10.31	11.04	186	-
General loans	MCB Bank Limited	2022.10.01	2.00	1,290	2,540
General loans	Allied Bank Limited	2026.01.04	11.54	361	1,676
General loans	Allied Bank Limited	2031.06.07	2.00	1,279	-
				127,025	171,071
Less: current portion				(10,643)	(56,379)
				₩ 116,382	₩ 114,692

¹The Group uses interest rate swap transactions to hedge the cash flow risks arising from changes in interest rate in relation to back-up line CP borrowings. Accordingly, interest on the borrowings is recognized at a fixed interest rate of 1.98% (Note 22).

Details of debentures that consist of general debentures as at December 31, 2021 and 2020, are as follows:

(in millions of Korean won)

Category	Issuance date	Repayment date	Annual interest rate (%) as at December 31, 2021	2021	2020	Payment for interests
45-2 nd non-guaranteed public debentures	2015.07.14	2022.07.14	2.60	50,000	50,000	Payment at the end of every 3 months
45-3 rd non-guaranteed public debentures	2015.07.14	2025.07.14	2.89	60,000	60,000	Payment at the end of every 3 months
46-2 nd non-guaranteed public debentures	2016.11.28	2021.11.28	-	-	100,000	Payment at the end of every 3 months
47-2 nd non-guaranteed public debentures	2017.04.21	2022.04.21	2.36	130,000	130,000	Payment at the end of every 3 months
47-3 rd non-guaranteed	2017.04.21	2024.04.21	2.60	50,000	50,000	Payment at the end

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Category	Issuance date	Repayment date	Annual interest rate (%) as at December 31, 2021	2021	2020	Payment for interests
public debentures						of every 3 months
48-1 st non-guaranteed public debentures	2018.01.18	2021.01.18	-	-	200,000	Payment at the end of every 3 months
48-2 nd non-guaranteed public debentures	2018.01.18	2023.01.18	2.92	50,000	50,000	Payment at the end of every 3 months
50-1 st non-guaranteed public debentures	2019.10.02	2022.09.30	1.69	70,000	70,000	Payment at the end of every 3 months
50-2 nd non-guaranteed public debentures	2019.10.02	2024.10.02	1.83	70,000	70,000	Payment at the end of every 3 months
50-3 rd non-guaranteed public debentures	2019.10.02	2029.10.02	2.31	60,000	60,000	Payment at the end of every 3 months
51-1 st non-guaranteed public debentures	2020.04.21	2022.04.21	2.05	140,000	140,000	Payment at the end of every 3 months
51-2 nd non-guaranteed public debentures	2020.04.21	2023.04.21	2.08	160,000	160,000	Payment at the end of every 3 months
52 nd non-guaranteed private bond	2020.06.09	2025.06.09	2.33	80,000	80,000	Payment at the end of every 3 months
53 rd foreign currency private bond ¹	2020.09.29	2023.09.27	3M Euribor+1.25	33,559	33,456	Payment at the end of every 3 months
54 th foreign currency private bond ²	2020.10.30	2023.10.30	3M Libor+0.05	59,275	54,400	Payment at the end of every 3 months
55-1 st non-guaranteed public debentures	2021.01.18	2024.01.18	1.22	90,000	-	Payment at the end of every 3 months
55-2 nd non-guaranteed public debentures	2021.01.18	2026.01.19	1.55	110,000	-	Payment at the end of every 3 months
55-3 rd non-guaranteed public debentures	2021.01.18	2031.01.20	2.22	50,000	-	Payment at the end of every 3 months
				1,262,834	1,307,856	
Less: discount on debentures				(1,317)	(1,460)	
				1,261,517	1,306,396	
Less: current portion				389,874	299,939	
Current portion of debentures				390,000	300,000	
Discount on current portion of debentures				(126)	(61)	
Non-current debentures				₩ 871,643	₩ 1,006,457	

¹ The Group uses currency swap transactions to hedge the cash flow risks arising from changes in exchange rate and interest rate in relation to the 53rd foreign currency private bond as at December 31, 2021. Accordingly, interest on these bonds is recognized at a fixed interest rate of ₩ 1,367.38/EUR and 1.78% (Note 22).

² The Group uses currency swap transactions to hedge the cash flow risks arising from changes in exchange rate and interest rate in relation to the 54th foreign currency private bond as at December 31, 2021. Accordingly, interest on these bonds is recognized at a fixed interest rate of ₩ 1,130.00/USD and 1.56% (Note 22).

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22. Derivative Instruments

The Group uses currency swap and interest rate swap transactions to hedge cash flow risks arising from changes in exchange rates and interest rates of long-term borrowings and foreign currency debentures. Details of derivative instruments as at December 31, 2021 and 2020, are as follows:

(in millions of Korean won)

Contractor	Purpose of transaction	Type of derivative instruments	Contract Date	Maturity Date	Details	2021		2020	
						Assets	Liabilities	Assets	Liabilities
Shinhan Bank	Hedge	Interest rate swap	2020-06-25	2023-06-26	91 Days CD+ 1.00% for receipts, 1.98% for KRW payments	₩ 492	₩ -	₩ -	₩ 61
KEB Hana Bank	Hedge	Currency swap	2020-09-29	2023-09-27	3M Euribor+1.25% for receipts, 1.78% for KRW payments Exchange rate: ₩ 1,367.38 / EUR	-	333	-	876
MUFG Bank	Hedge	Currency swap	2020-10-30	2023-10-30	3M Libor+0.05% for receipts, 1.56% for KRW payments Exchange rate: ₩ 1,130.00 / USD	2,099	-	-	4,233
						₩ 2,591	₩ 333	₩ -	₩ 5,170

23. Other Financial Liabilities

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

(in millions of Korean won)

	2021		2020	
	Current	Non-current	Current	Non-current
Guarantee deposit	₩ 7,931	₩ 14,223	₩ 7,818	₩ 14,904
Derivative liabilities	-	333	-	5,170
Other financial liabilities ¹	-	5,195	-	-
	₩ 7,931	₩ 19,751	₩ 7,818	₩ 20,074

¹ In relation to a put option contract concluded for the remaining shares of Baekhak Beverage Co., Ltd., the present value of exercise price for the put option amounting to approximately ₩ 5,195 million was recognized as other financial liabilities as at December 31, 2021 (Note 36).

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24. Net Defined Benefit Liabilities

Details of net defined benefit liabilities recognized in the statements of financial position as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021		2020	
Present value of funded defined benefit obligations	₩	255,375	₩	213,556
Fair value of plan assets		(260,101)		(225,292)
Net defined benefit liabilities		3,228		1,134
Net defined benefit assets	₩	7,954	₩	12,870

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

<i>(in millions of Korean won)</i>	2021		2020	
Beginning balance	₩	213,556	₩	207,924
Current service cost		26,366		28,703
Past service cost		-		193
Interest expense		5,739		5,233
Remeasurements:				
Actuarial loss from change in demographic assumptions		4,819		120
Actuarial gain from change in financial assumptions		(5,063)		(6,293)
Actuarial loss (gain) from experience adjustments		20,395		(4,154)
Transfer from/to associate		(370)		(1,372)
Liabilities from business combination ¹		4,817		131
Exchange differences		(3)		(5)
Benefit payments		(14,881)		(16,924)
Ending balance	₩	255,375	₩	213,556

¹ Included in the consolidation scope according to business combination (Note 42).

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

<i>(in millions of Korean won)</i>	2021		2020	
Beginning balance	₩	225,292	₩	205,926
Interest income		6,092		5,535
Remeasurements:				
Return on plan assets		(2,275)		(1,165)
Benefit payments		(15,407)		(16,728)
Transfer from/to associate		294		(1,324)
Contributions		43,105		33,007
Assets from business combination ¹		3,000		41
Ending balance	₩	260,101	₩	225,292

¹ Included in the consolidation scope according to business combination (Note 42).

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

<i>(in millions of Korean won)</i>	2021		2020	
	Quoted price	In %	Quoted price	In %
Cash and cash equivalents	₩ 47,456	18.24%	₩ 26,694	11.85%
Beneficiary securities	87,942	33.81%	63,090	28.00%
Equity instruments	54,171	20.83%	81,369	36.12%
Others	70,532	27.12%	54,139	24.03%
	₩ 260,101	100.00%	₩ 225,292	100.00%

Remeasurements recognized in other comprehensive income for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021		2020	
Before tax effects	₩	(22,426)	₩	9,162
Tax effects		5,471		(2,214)
After tax effects	₩	(16,955)	₩	6,948

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

<i>(in percentage, %)</i>	2021	2020
Discount rate	3.37	2.81
Salary growth rate	2.98	2.97

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

<i>(in percentage)</i>	Impact on defined benefit obligation		
	Changes in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	7.74% decrease	8.98% increase
Salary growth rate	1.00%	8.92% increase	7.87% decrease

The Group is exposed to the most significant risk from a decrease in discount rate, corporate bond yields, in which will increase the defined benefit obligations, although this will be partially offset by an increase in the value of the plan's bond holding.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Defined contribution plan

The expense recognized in the current period in relation to defined contribution plan was ₩ 3,726 million (2020: ₩ 3,045 million).

Effect of defined benefit plan on future cash flows

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

Expected contributions to post-employment benefit plans for the year ending December 31, 2022, are ₩ 28,754 million.

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

<i>(in millions of Korean won)</i>		Less than 1 year		Between 1-2 years		Between 2-5 years		Over 5 years		Total
Pension benefits	₩	22,649	₩	21,889	₩	51,900	₩	158,937	₩	255,375

The weighted average duration of the defined benefit obligation is 8.60 years.

25. Tax Expense and Deferred Tax

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

<i>(in millions of Korean won)</i>		2021		2020
Current tax:				
Current tax on profits for the year	₩	19,275	₩	2,367
Current tax directly reflected in equity		-		4,513
Adjustments in respect of prior years		(3,990)		(433)
Total current tax		<u>15,285</u>		<u>6,447</u>
Deferred tax:				
Changes in deferred tax		19,039		(11,946)
Deferred tax relating to items that are charged or credited directly to equity		3,569		(622)
Total deferred tax		<u>22,608</u>		<u>(12,568)</u>
Income tax expense (benefit)	₩	<u>37,893</u>	₩	<u>(6,121)</u>

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

<i>(in millions of Korean won)</i>		2021		2020
Profit (loss) before income tax expense	₩	<u>174,970</u>	₩	<u>(22,922)</u>
Tax at domestic tax rates applicable to profits in the respective countries		43,584		(5,389)
Tax effects of:				
Income not subject to tax		(4,853)		(3,788)
Expenses not deductible for tax purposes		3,822		3,256
Refund or additional payment of income taxes		(3,990)		(433)
Effects on changes in unrecognized deferred tax		6,818		5,922
Tax credits and others		(1,936)		(744)
Others		(5,552)		(4,945)
		<u>(5,691)</u>		<u>(732)</u>
Income tax expense (benefit)	₩	<u>37,893</u>	₩	<u>(6,121)</u>

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The aggregate current and deferred tax relating to items that are charged or credited directly to equity for the years ended December 31, 2021 and 2020, is as follows:

<i>(in millions of Korean won)</i>	2021		2020	
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	₩	(1,345)	₩	1,025
Gain (loss) on valuation of derivative instruments		(593)		567
Remeasurements of net defined benefit liability		5,471		(2,214)
Other equity		36		4,513
	₩	<u>3,569</u>	₩	<u>3,891</u>

The analysis of deferred tax assets and liabilities as at December 31, 2021 and 2020, is as follows:

<i>(in millions of Korean won)</i>	2021		2020	
Deferred tax assets				
Deferred tax asset to be recovered after more than 12 months	₩	137,926	₩	145,462
Deferred tax asset to be recovered within 12 months		15,963		18,948
	₩	<u>153,889</u>	₩	<u>164,410</u>
Deferred tax liabilities				
Deferred tax liability to be recovered after more than 12 months	₩	(237,418)	₩	(229,662)
Deferred tax liability to be recovered within 12 months		(1,632)		(2,264)
		<u>(239,050)</u>		<u>(231,926)</u>
Deferred tax liabilities, net	₩	<u>(85,161)</u>	₩	<u>(67,516)</u>

The movements in deferred tax assets and liabilities for the years ended December 31, 2021 and 2020, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(in millions of Korean won)	2021													
	Beginning balance		Adjustments		Business combination		Profit or loss		Equity		Exchange differences		Ending balance	
Property, plant and equipment, and intangible assets	₩	48,928	₩	(21)	₩	128	₩	(8,981)	₩	-	₩	22	₩	40,076
Non-deductible provision for impairment		2,486		(2)		-		(26)		-		-		2,458
Accrued income		(80)		-		-		48		-		-		(32)
Deposits for uncollectible empty bottles		(612)		-		-		-		-		-		(612)
Provision for returns		3,901		-		-		(24)		-		-		3,877
Annual leaves		2,910		-		-		62		-		-		2,972

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Impairment loss on packaging	136	-	-	(136)	-	-	-
Long-term employee benefit obligations	7,100	-	-	508	-	-	7,608
Valuation allowance of inventories	2,575	-	-	441	-	1	3,017
Provision for severance benefits	48,053	-	63	4,002	4,914	-	57,032
Severance insurance	(51,224)	-	-	(11,441)	557	-	(62,108)
Revaluation of land	(137,712)	-	(41)	288	36	9	(137,420)
Valuation of available-for-sale securities	(400)	-	-	150	(1,345)	-	(1,595)
Valuation of derivative instruments	567	-	-	-	(593)	-	(26)
Goodwill	6,296	-	-	(5,797)	-	-	499
Lease	(702)	-	-	435	-	-	(267)
Others	262	323	1,138	(2,437)	-	74	(640)
	<u>₩ (67,516)</u>	<u>300</u>	<u>₩ 1,288</u>	<u>₩ (22,908)</u>	<u>₩ 3,569</u>	<u>₩ 106</u>	<u>₩ (85,161)</u>

(in millions of Korean won)

2020													
	Beginning balance		Adjustments		Business combination		Profit or loss		Equity		Exchange differences		Ending balance
Property, plant and equipment, and intangible assets	₩	44,307	₩	(60)	₩	(9)	₩	4,439	₩	-	₩	251	₩ 48,928
Non-deductible provision for impairment		3,869		-		-		(1,383)		-		-	2,486
Accrued income		(61)		-		-		(19)		-		-	(80)
Deposits for uncollectible empty bottles		(612)		-		-		-		-		-	(612)
Provision for return		3,191		-		-		710		-		-	3,901
Annual leaves		2,811		-		-		99		-		-	2,910
Impairment loss on packaging		554		-		-		(418)		-		-	136
Long-term employee benefit obligations		5,416		-		-		1,684		-		-	7,100
Valuation allowance of inventories		2,026		-		43		508		-		(2)	2,575
Provision for severance benefits		47,281		-		-		3,268		(2,496)		-	48,053
Severance insurance		(49,193)		-		-		(2,313)		282		-	(51,224)
Revaluation of land		(138,917)		-		-		1,066		-		139	(137,712)
Valuation of available-for-sale securities		(1,584)		-		-		159		1,025		-	(400)
Valuation of derivative instruments		-		-		-		-		567		-	567
Goodwill		12,093		-		-		(5,797)		-		-	6,296

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Lease	(700)	-	-	(2)	-	-	(702)
Others	(10,793)	-	252	10,627	-	176	262
	<u>₩ (80,312)</u>	<u>₩ (60)</u>	<u>₩ 286</u>	<u>₩ 12,628</u>	<u>₩ (622)</u>	<u>₩ 564</u>	<u>₩ (67,516)</u>

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

<i>(in millions of Korean won)</i>	2021		2020		Remarks
Investment in subsidiaries and others	₩	83,988	₩	70,611	No plan for sale
Treasury stock		291		291	No plan to expire in the foreseeable future
Others ¹		22,022		8,816	Expected to be less likely to be realized in the future

¹ Include subsidiaries' unused losses to be expired in 2036.

26. Provisions

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

<i>(in millions of Korean won)</i>	2021		2020	
	Current	Non-current	Current	Non-current
Provision for returns ¹	₩ 16,053	₩ -	₩ 16,121	₩ -
Provision for restoration costs	-	2,174	-	1,852
	<u>₩ 16,053</u>	<u>₩ 2,174</u>	<u>₩ 16,121</u>	<u>₩ 1,852</u>

¹ In relation to the returns, the right of returned assets recognized is ₩ 3,218 million (2020: ₩ 3,955 million) as at December 31, 2021.

Changes in provisions for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021			
	Beginning balance	Business combination¹	Increase (Decrease)	Ending balance
Provision for returns	₩ 16,121	₩ 23	₩ (91)	₩ 16,053
Provision for restoration costs	1,852	-	322	2,174
	<u>₩ 17,973</u>	<u>₩ 23</u>	<u>₩ 231</u>	<u>₩ 18,227</u>

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	2020			
	Beginning balance	Business combination ¹	Increase	Ending balance
Provision for returns	₩ 13,184	₩ 14	₩ 2,923	₩ 16,121
Provision for restoration costs	1,634	-	218	1,852
	₩ 14,818	₩ 14	₩ 3,141	₩ 17,973

¹ Included in the consolidation scope according to business combination (Note 42).

As at December 31, 2021, emission obligations are estimated at 165 thousand tons, and there are no emission obligations to be recognized.

27. Other Liabilities

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

(in millions of Korean won)

	2021		2020	
	Current	Non-current	Current	Non-current
Withholdings	₩ 5,474	₩ -	₩ 5,091	₩ -
Advance received	1,290	-	657	-
Unearned revenue	866	581	662	37
Withholdings of value added tax	23,209	-	20,533	-
Long-term employee benefit liabilities	-	31,721	-	29,350
Liquor tax	80,973	-	72,598	-
Others	2,229	-	1,014	-
	₩ 114,041	₩ 32,302	₩ 100,555	₩ 29,387

28. Share Capital and Others

(a) Share capital

During 2021, the Parent Company's total number of authorized shares to be issued by the Articles of incorporation are 24,000,000 shares. The total number of ordinary shares and preferred shares issued are 9,278,884 shares (2020: 8,975,123 shares) and 775,310 shares (2020: 775,310 shares), respectively, and par value is ₩ 500 as at December 31, 2021.

During 2021, the Parent Company received shares of CH Beverage Co.,Ltd., CHUNGBUK SOJU CO., LTD., and BaekHak Beverage CO., LTD. held by Lotte Corporation in kind, and allotted/distributed its new shares to Lotte Corporation. Changes in share capital for the year ended December 31, 2021, are as follows:

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(in millions of Korean won and in number of shares)

	Total number of shares issued		Share capital			
	Ordinary Shares	Preferred shares	Ordinary Shares	Preferred shares	Total	
Beginning balance	8,975,123	775,310	₩ 4,487	₩ 388	₩	4,875
Investment in kind	303,761	-	152	-		152
Ending balance	9,278,884	775,310	₩ 4,639	₩ 388	₩	5,027

During 2020, the Parent Company received shares of Pepsi-Cola Products Philippines, Inc. and LOTTE LIQUOR JAPAN CO., LTD. held by Lotte Corporation in kind, and allotted/distributed its new shares to Lotte Corporation. Changes in share capital for the year ended December 31, 2020, are as follows:

(in millions of Korean won and in number of shares)

	Total number of shares issued		Share capital			
	Ordinary Shares	Preferred shares	Ordinary Shares	Preferred shares	Total	
Beginning balance	7,993,460	775,310	₩ 3,996	₩ 388	₩	4,384
Investment in kind	981,663	-	491	-		491
Ending balance	8,975,123	775,310	₩ 4,487	₩ 388	₩	4,875

(b) Hybrid bonds

As at December 31, 2021 and 2020, the Group issued hybrid capital and the details of hybrid bonds are as follows:

(in millions of Korean won)

Category	Type	Issuance date	Maturity date ¹	Annual interest rate (%) as at December 31, 2021 ²	2021	2020
49 th hybrid bonds ³	Non-registered and non-guaranteed subordinated debentures	2019.01.28	2049.01.28	3.49%	₩ 150,000	₩ 150,000
	Issuance costs				(540)	(540)
					₩ 149,460	₩ 149,460

¹ The maturity can be extended without public notice.

² The interest rates will be adjusted after three years from the date of issuance.

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³ Terms of issuance for Bond-Type hybrid bond are as follows:

Category	49 th hybrid bonds
Issued amount	₩ 150,000 million
Maturity date	30 years (at maturity, it can be extended on the Group's decision)
Interest rates	- 2019.01.28 ~ 2022.01.28: fixed rate 3.49% per year - 2022.01.28 ~ 2049.01.28: yield rate of government bond with 3-year maturity + added interest rate + 1.50% (step-up margin)
Interest payment conditions	Payment after 3 months, extending payment is possible selectively
Others	Exercising call option is possible after 3 years from issuance and every payment date of interest

The hybrid bonds issued by the Group are classified as equity because there are no contractual obligations to deliver the financial assets. Also, the hybrid bonds are subordinated debenture that takes priority of ordinary share at the time of liquidation or bankruptcy.

(c) Other equity

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

<i>(in millions of Korean won)</i>	2021	2020
Share premium ¹	₩ 132,517	₩ 89,392
Other capital adjustments ²	(45,109)	(39,346)
Loss on capital reduction	(755,650)	(755,650)
Treasury shares	(8,687)	(8,687)
	<u>₩ (676,929)</u>	<u>₩ (714,291)</u>

¹Share premium was increased by ₩ 43,125 million (2020: ₩ 86,663 million) through the capital increase for the year ended December 31, 2021.

² Loss on disposal of treasury shares was increased by ₩14,137 million through the disposal of treasury shares for the year ended December 31, 2020.

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29. Accumulated Other Comprehensive Income

Accumulated other comprehensive income as at December 31, 2021 and 2020, consist of:

<i>(in millions of Korean won)</i>	2021	2020
Gain on valuation of financial assets at fair value through other comprehensive income	₩ 4,998	₩ 1,254
Gain (loss) on valuation of derivative instruments	82	(1,775)
Share of other comprehensive income of associate	(6,272)	(10,269)
Cumulative effect of foreign currency translation	(11,171)	(10,869)
	<u>₩ (12,363)</u>	<u>₩ (21,659)</u>

Changes in accumulated other comprehensive income for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Beginning balance	₩ (21,659)	₩ (3,231)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income		
Gain (loss) on valuation	5,560	(4,236)
Tax effects	(1,346)	1,025
Transfer of gain on disposal of equity investments at fair value through other comprehensive income		
Realized loss	(620)	(653)
Tax effects	150	158
Gain on valuation of derivative instruments		
Gain (loss) on valuation	2,450	(2,342)
Tax effects	(593)	567
Share of other comprehensive income of associate		
Gain (loss) on valuation	3,996	(9,953)
Tax effects	-	-
Cumulative effect of foreign currency translation		
Loss on valuation	(301)	(2,994)
Tax effects	-	-
Ending balance	<u>₩ (12,363)</u>	<u>₩ (21,659)</u>

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30. Retained Earnings

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

<i>(in millions of Korean won)</i>	2021	2020
Legal reserves		
Earned profit reserves ¹	₩ 3,473	₩ 3,473
Revaluation reserves ²	241,524	241,524
Discretionary reserves		
Revaluation surplus	457,652	457,652
Other discretionary reserves	1,055,656	1,085,656
Retained earnings before appropriation	203,229	87,938
	<u>₩ 1,961,534</u>	<u>₩ 1,876,243</u>

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

² The Group revalued certain assets in accordance with the previous Asset Revaluation Act, and recognizes the revaluation surplus as revaluation reserves. The reserve is not available for cash dividends payment, but may be transferred to share capital or used to reduce accumulated deficit.

31. Revenue from Contracts with Customers and Relevant Contract Liabilities

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

<i>(in millions of Korean won)</i>	2021	2020
Revenue from contracts with customers		
Sales of finished goods	₩ 2,023,475	₩ 1,857,730
Sales of merchandise	474,110	390,546
Revenue from other sources: rental income and others	8,508	9,697

Liabilities related to Contracts with Customers

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

<i>(in millions of Korean won)</i>	2021	2020
Contract liabilities - inventory	₩ 1,233	₩ 604
Contract liabilities - gift certifications	58	53
Contract liabilities - customer loyalty programme	490	262
Total contract liabilities	<u>₩ 1,781</u>	<u>₩ 919</u>

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32. Selling and Administrative Expenses

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

<i>(in millions of Korean won)</i>	2021		2020	
Salaries	₩	179,544	₩	180,908
Bonus		48,247		32,656
Post-employment benefits		22,814		24,705
Employee benefits		63,289		60,920
Travel expenses		2,578		1,815
Communication expenses		3,606		3,428
Utility expenses		2,306		2,145
Rental expenses		16,924		14,484
Repair expenses		17,768		17,444
Vehicle maintenance expenses		12,174		12,624
Insurance premium		1,534		1,957
Freight expenses		144,615		123,669
Commission expenses		82,869		87,109
Sales commission expenses		11,403		6,976
Supplies expenses		12,402		12,443
Advertising expenses		124,920		112,915
Depreciation		52,051		53,962
Amortization		10,595		9,651
Promotional expense		17,856		18,263
Taxes and dues		21,635		18,330
Others		12,848		15,990
	₩	<u>861,978</u>	₩	<u>812,394</u>

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33. Breakdown of Expenses by Nature

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

<i>(in millions of Korean won)</i>	2021	2020
Changes in inventories	₩ (41,256)	₩ 28,801
Purchase of raw materials and merchandise	1,145,171	991,046
Employee benefits expenses	383,902	355,602
Depreciation and amortization	157,989	150,852
Freight expenses	152,263	141,360
Advertising expenses	124,922	112,918
Other expenses	400,884	380,164
	<u>₩ 2,323,875</u>	<u>₩ 2,160,743</u>

34. Other Income and Expenses

Details of other income for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Gain on foreign currency transactions	₩ 2,276	₩ 2,934
Gains on bargain purchase	12,428	29,327
Gain on disposal of property, plant and equipment	37,725	3,718
Reversal of impairment loss on property, plant and equipment	57	3,029
Gain on disposal of right-of-use assets	1,294	211
Gain on disposal of intangible assets	6	-
Miscellaneous gains	5,808	5,595
	<u>₩ 59,594</u>	<u>₩ 44,814</u>

Details of other expenses for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Loss on foreign currency transactions	₩ 2,700	₩ 3,692
Donations	4,291	4,528
Impairment loss on investments in associates and joint ventures	-	27,215
Loss on disposal of property, plant and equipment	3,029	5,104
Impairment loss on property, plant and equipment	3,846	65,937
Loss on disposal of right-of-use assets	29	8

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Impairment loss on right-of-use assets	94	1,906
Impairment loss on intangible assets	11,945	10,832
Depreciation of idle assets	-	53
Miscellaneous losses	11,829	5,745
	<u>₩ 37,763</u>	<u>₩ 125,020</u>

35. Finance Income and Costs

Details of finance income for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Dividend income	₩ 1,027	₩ 1,127
Gain on foreign currency translation	1,729	3,493
Gain on valuation of financial assets at fair value through profit or loss	95	103
Gain on valuation of derivative instruments	4,977	-
	<u>₩ 7,828</u>	<u>₩ 4,723</u>

Details of finance costs for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Interest expenses	₩ 35,180	₩ 36,654
Loss on foreign currency translation	8,533	562
Loss on valuation of financial assets at fair value through profit or loss	28	18
Loss on valuation of derivative instruments	-	2,828
Other impairment loss	188	-
	<u>₩ 43,929</u>	<u>₩ 40,062</u>

36. Contingencies and Commitments

Details of the Group's major financial commitments as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won and in thousands of foreign currencies)</i>		Credit line	
	Financial institutions	2021	2020
Letters of credit	Woori Bank	USD 10,000	USD 10,000
	KEB Hana Bank ¹	USD 33,500	USD 33,500

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	Shinhan Bank	USD	5,000	USD	5,000
	Shinhan Bank	KRW	5,000	KRW	5,000
	Mizuho Bank, Ltd	KRW	55,000	KRW	110,000
		JPY	1,000,000	JPY	1,000,000
	Sumitomo Mitsui Banking Corporation	JPY	1,000,000	JPY	1,000,000
	Askari Bank Limited	PKR	642,575	PKR	622,575
	Allied Bank Limited	PKR	910,000	PKR	860,000
General loans	Faysal Bank Limited	PKR	710,356	PKR	-
	The Bank of Punjab	PKR	650,000	PKR	750,000
	JS Bank Limited	PKR	-	PKR	175,000
	MCB Bank Limited	PKR	3,830,000	PKR	1,480,000
	Soneri Bank Limited	PKR	300,000	PKR	200,000
	Samba Bank Limited	PKR	300,000	PKR	300,000
	KDB Bank	KRW	11,500		-
	Shinhan Bank	KRW	4,670		-
	Woori Bank	KRW	3,000		-
Operating loans	KEB Hana Bank	KRW	1,000		-
	MUFG Bank	USD	5,500	USD	5,500
		MMK	4,000,000	MMK	4,000,000
	Shinhan Bank	MMK	3,000,000	MMK	4,000,000
Facility loans	KDB Bank	KRW	10,500	KRW	-
	KEB Hana Bank	KRW	1,600	KRW	-
Revolving loans	KEB Hana Bank	KRW	1,400	KRW	-
	Kookmin Bank	KRW	5,000	KRW	5,000
	Busan Bank	KRW	2,000	KRW	2,000
Bank overdraft	Shinhan Bank	KRW	17,000	KRW	16,000
	KEB Hana Bank ¹	KRW	22,000	KRW	22,000
	Woori Bank	KRW	5,000	KRW	6,000
	Kookmin Bank	KRW	15,000	KRW	15,000
Purchase card	KEB Hana Bank	KRW	10,000	KRW	10,000
	Woori Bank	KRW	80,000	KRW	80,000
	Industrial Bank of Korea	KRW	100,000	KRW	100,000
CP	Shinhan Bank	KRW	50,000	KRW	50,000
Sales loans	Shinhan Bank	KRW	30,000	KRW	30,000

¹ The Group has entered into line of credit agreements of ₩ 41,000 million for general loans, payment guarantee, D/A, D/P with KEB Hana Bank.

Litigation

As at December 31, 2021, the Group has been named as a defendant in 6 pending litigations amounting to ₩ 1,178 million (2020: 4 litigations amounting to ₩ 878 million) in claims, and as a plaintiff in 24 litigations amounting to ₩ 34,230 million (2020: 62 litigations amounting to ₩ 34,550 million). The ultimate outcome of the above litigations cannot be determined as at December 31,

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2021.

Royalty agreement

As at December 31, 2021, the Group has entered into a royalty agreement with DEL Monte Fresh Produce Company and others and paid its royalty as 1.10% ~ 3.00% of sales amount or paid by straight line basis.

Brand Use Agreement and others

As at December 31, 2021, the Group has concluded contracts for brand use, management consulting and management support contracts with Lotte Corporation. The use price of the brand is 0.15% of the sales amount deducted from advertising expenses. The management consulting and management support service costs are calculated by multiplying by 5% to amount which is calculated by allocating the expenses incurred in the course of performing the target business with reasonable criteria.

Meanwhile, as at December 31, 2021, the Group has concluded contracts to provide management support service for Lotte Corporation and its overseas subsidiaries. The management support service costs are calculated expenses incurred in the course of performing the business by adding commission rate.

The Group and Lotte Corporation are jointly liable for the liabilities that existed before the spin-off.

Payment guarantees provided by others

As at December 31, 2021, the Group is provided payment guarantees amounting to ₩ 2,154 million (2020: ₩ 1,921 million) from Seoul Guarantee Insurance Company for approval, performance and deposits. And, the Group is provided payment guarantee with a limit of ₩41,000 million (2020: ₩41,000 million) from KEB Hana Bank for purchase of raw materials to manufacture alcoholic beverage.

In addition, the Group is provided payment guarantees amounting to PKR 17,575 thousand (2020: PKR 17,575 thousand), PKR 10,356 thousand (2020: PKR 10,356 thousand), PKR 15,150 thousand (2020: PKR 15,150 thousand) from Askari Bank Limited, Faysal Bank Limited and United Bank Limited, respectively, to import system for gas supply, sugar solution, and Spare of Lotte Akhtar Beverages (Private) Limited.

Payment Guarantees Provided by the Group

The Group provides a joint surety for performance guarantee up to ₩ 1,123 million to Capco Energy Solution in relation of an energy efficiency business. Meanwhile, the Group provides a payment guarantee up to ₩ 556 million for restoration obligation to Yeoncheon County Office and Seoul National Forest Service through Seoul Guarantee Insurance.

According to the share purchase agreement, in case that the Group fails to meet the contractual obligations among shareholders, the shareholders of RIAZ BOTTLERS (PRIVATE) LTD (hereafter "AG") have right to sell for shares of Lotte Akhtar Beverages (Private) Limited held by AG at 120%

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of its fair value. In case that AG fails to meet the contractual obligations among shareholders, the Group has right to purchase for shares of Lotte Akhtar Beverages (Private) Limited held by AG at 80% of its fair value.

In case that the Group or AG is proposed to sell their shares from the third party, they can exercise right of first refusal to each other. The Group has drag-along right for AG and AG has tag-along right for the Group.

The Parent Company has an Exclusive Bottling agreement with PepsiCo. Inc and Stokely-Van Camp, Inc. The Group is exclusively manufacturing and selling the products of PepsiCo. Inc and Stokely-Van Camp, Inc., such as Pepsi, Gatorade, Mountain Dew, and Mirinda, in Korea.

Lotte Akhtar Beverages (Private) Limited has an exclusive bottling agreement with PepsiCo. Inc and Portfolio Concentrate Solutions Unlimited Company. Lotte Akhtar Beverages (Private) Limited is exclusively manufacturing and selling the product of PepsiCo. Inc and Portfolio Concentrate Solutions Unlimited Company in Lahore and Kasur region in Parkistan.

LOTTE MGS Beverage (Myanmar) Co., Ltd. has an exclusive bottling agreement with PepsiCo. Inc and Portfolio Concentrate Solutions Unlimited Company. LOTTE MGS Beverage (Myanmar) Co., Ltd. is exclusively manufacturing and selling the product of PepsiCo. Inc and Portfolio Concentrate Solutions Unlimited Company in Myanmar.

In case that the Group wants to transfer the shares of Lotte Asahi Liquor Company Ltd. to the third party, Asahi Group Holdings, Ltd. (Asahi Group) can exercise its call option for the shares of the Group, under arrangements with other shareholders. In addition, if Asahi Group transfers Lotte Asahi Liquor Company Ltd.'s shares to the third party by resulting Asahi Group's percentage of ownership falls below 50%, with the Group's demand, Asahi Group is required to acquire the Group's shares under the same conditions to transfer the shares to the third party.

In case that the Group or MGS BEVERAGE Co., Ltd. is proposed to sell their shares from the third party, they can exercise right of first refusal to each other. The Group has drag-along right for MGS BEVERAGE Co., Ltd. and MGS BEVERAGE Co., Ltd. has tag-along right for the Group.

The Group has a call option for 5% shares of LOTTE MGS Beverage (Myanmar) Co., Ltd. held by MGS BEVERAGE Co., Ltd. The option exercise period is 5 years after the contract is concluded, and the exercise price per share is the fair value at the time the option is exercised. Meanwhile, MGS BEVERAGE Co., Ltd. can exercise a call option for 551,000 shares of LOTTE MGS Beverage (Myanmar) Co., Ltd. held by the Group at USD 5,510,000 within two years after the contract date.

The Group has entered into an agreement with Lotte Accelerator Co., Ltd. to invest ₩ 3,400 million to LOTTE Agriculture and Food Fund No.1 during 4 years from November 2020, the date of registration as an association, and invested ₩ 1,360 million for the year ended December 31, 2020.

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In case that the Group wants to transfer the shares of Baekhak Beverage Co., Ltd. to the third party, the Military Mutual Aid Association can exercise its call option for all or part of the shares of the Group with same conditions for the Group's shares, under arrangements with other shareholders. The Group and the Military Mutual Aid Association have call options and put options, respectively, for their shares of 13.94%. The option exercise period is 3 years after the contract is concluded, and the exercise price per share is the fair value at the time the option is exercised. In addition, Baekhak Beverage Co., Ltd has to pay dividends amounting to ₩ 269 million every year for the shares held by the Military Mutual Aid Association, and dividends that were unpaid due to insufficient sources are added to exercise prices of the call options and put options.

As at December 31, 2021, a real estate disposal trust contract was concluded with KB Real Estate Trust Co., Ltd. as a trustee for ₩490 million and Korea Land Trust Co., Ltd. as a trustee for ₩730 million of the carrying amount of land of the Group, respectively. As the Group is substantially using the land, it is recognized as an asset of the Group.

In accordance with the Management of Drinking Water Act and the enforcement rules of the Act, the Group has been permitted to develop spring water from each permit holder, and the details are as follows:

	Permitted location	Permit period ¹
Sanchung beverage. Co., Ltd.	Sancheong-gun, Gyeongsangnam-do	2019.07.21 ~ 2024.07.20
Sanchung beverage. Co., Ltd.	Sancheong-gun, Gyeongsangnam-do	2021.07.19 ~ 2026.07.18
BaekHak Beverage CO., LTD.	Yeoncheon-gun, Gyeonggi-do	2021.02.19 ~ 2026.02.18
CH Beverage Co., Ltd.	Yangju, Gyeonggi-do	2018.03.27 ~ 2023.03.26
CH Beverage Co., Ltd.	Cheongju, Chungcheongbuk-do	2017.07.10 ~ 2022.07.09

¹ The Group plans to extend the periods before the permit period has been terminated.

Collateral

Details of assets pledged as collateral for payment of liquor tax and others as at December 31, 2021, are as follows:

(in millions of Korean won)

Asset pledged as collateral	Secured party	Carrying amount	Secured amount	Remark
Land and buildings	East Incheon Tax office	₩ 5,754	₩ 395	Security for liquor tax payment of plant in Bupyeong
Land	North Incheon Tax office	5,663	5,705	Security for liquor tax payment of plant in Bupyeong
Land	Chungju Tax office	9,286	4,808	Security for liquor tax payment of plant in Chungju
Land, buildings and machinery	Korea Development Bank	48,912	39,400	Security for borrowings
		₩ 69,615	₩ 50,308	

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Meanwhile, the Group's current assets and property, plant and equipment are collateralized in relation to short-term and long-term borrowings of Lotte Akhtar Beverages (Private) Limited, respectively.

The amount of contract for acquisition of property, plant and equipment that has not occurred as at December 31, 2021 and 2020, is as follows:

<i>(in millions of Korean won)</i>		2021		2020
Property, plant and equipment	₩	16,073	₩	34,047

Under the agreement on debenture, the Group has an obligation to maintain financial ratios (Debt ratio from 200% to 300%), limitation on settlement of security rights on assets owned, limitation on disposal of assets, and limitation on changes in governance until the repayment of debenture for both principal and interests is completed.

37.Earnings (Loss) per Share

Basic earnings (loss) per share is calculated by dividing the profit attributable to owners of the Group by the weighted average number of ordinary shares outstanding during the financial year. Basic earnings (loss) per share for the years ended December 31, 2021 and 2020, is as follows:

(a) Basic earnings (loss) per share

Basic earnings (loss) per ordinary share for the years ended December 31, 2021 and 2020, are as follows:

<i>(in Korean won and in number of shares)</i>		2021		2020
Profit (loss) attributable to the equity holders of the Parent Company (A)	₩	135,515,807,903	₩	(12,512,118,041)
(-) Dividends of hybrid securities (B)		5,235,000,000		5,235,000,000
(-) Profit (loss) attributable to preferred shares of the Parent Company (C)		8,499,491,265		(1,336,665,480)
Profit (loss) attributable to the ordinary equity holders of the Parent Company (D=A-B-C)	₩	121,781,316,638	₩	(16,410,452,561)
Weighted average number of ordinary shares outstanding ¹ (E)		9,128,252		7,800,126
Basic earnings (loss) per ordinary share (F=D÷E)	₩	13,341	₩	(2,104)

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¹ Weighted average number of ordinary shares outstanding for the year ended December 31, 2021 and 2020, are as follows:

2021				
Period	Details	Number of shares outstanding	Days	Weight
2021-01-01~2021-06-30	Number of shares outstanding at the beginning of the year	8,975,123	181	1,624,497,263
2021-07-01~2021-12-31	Share issuance	9,278,884	184	1,707,314,656
				<u>3,331,811,919</u>

¹ Weighted average number of ordinary shares outstanding for the year ended December 31, 2021: 3,331,811,919 shares / 365 days = 9,128,252 shares

2020				
Period	Details	Number of shares outstanding	Days	Weight
2020-01-01~2020-10-22	Number of shares outstanding at the beginning of the year	7,573,350	296	2,241,711,600
2020-10-23~2020-11-27	Share issuance	8,555,013	36	307,980,468
2020-11-28~2020-12-31	Disposal of treasury shares	8,975,123	34	305,154,182
				<u>2,854,846,250</u>

¹ Weighted average number of ordinary shares outstanding for the year ended December 31, 2020: 2,854,846,250 shares / 366 days = 7,800,126 shares

Basic loss per preferred share² for the years ended December 31, 2021 and 2020, are as follows:

<i>(in Korean won and in number of shares)</i>	2021	2020
Profit (loss) attributable to preferred shares of the Parent Company (A)	₩ 8,499,491,265	₩ (1,336,665,480)
Weighted average number of preferred shares outstanding ¹ (B)	636,850	636,850
Basic earnings (loss) per preferred share (C=A÷B)	₩ 13,346	₩ (2,099)

² It is determined as a preferred share with a different dividend rate (annually 1% additional dividends) from other types of ordinary share.

(b) Diluted loss per share

The Group did not have any dilutive ordinary shares. Therefore, basic loss per share is identical to diluted earnings (loss) per share.

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38. Dividends

A dividend in respect of the year ended December 31, 2020, amounting to ordinary dividend of ₩ 24,233 million and preferred dividend of ₩ 1,723 million, was paid in April 2021 (2020: ordinary dividend of ₩ 20,448 million and preferred dividend of ₩ 1,723 million).

39. Related Party Transactions

Details of associate and other related parties that have sales and other transactions with the Group or have outstanding balances as at December 31, 2021 and 2020, are as follows:

	2021	2020
Parent Company	Lotte Corporation ¹	-
Significant influence on the Group	-	Lotte Corporation ¹
Associates and joint ventures	Lotte Asahi Liquor Company Ltd., Pepsi-Cola Products Philippines, Inc	Lotte Asahi Liquor Company Ltd., Pepsi-Cola Products Philippines, Inc ²
Other related parties ³	Daehong Communications Inc., KOREA SEVEN CO., LTD., Lotte aodeli beverage.co.LTD, LOTTE DATA COMMUNICATION COMPANY, LOTTE GRS Co., Ltd., Lotte Confectionery Co., Ltd., Lotte Foods Co., Ltd., Lotte Global Logistics Co., Ltd., Lotte Trading Co., Ltd., Lotte Shopping Co., Ltd., LOTTE CHEMICAL CORPORATION, CS Mart Co., Ltd., and others	Daehong Communications Inc., BaekHak Beverage Co., Ltd., KOREA SEVEN CO., LTD., Lotte aodeli beverage.co.LTD, Lotte Changbai beverage co.,LTD, LOTTE DATA COMMUNICATION COMPANY, LOTTE GRS Co., Ltd., CH Beverage Co., Ltd., Lotte Confectionery Co., Ltd., Lotte Foods Co., Ltd., and others
Others ⁴	Hotel Lotte Co., Ltd., Lotte Engineering & Construction Co., Ltd., Lotte Aluminium Co., Ltd., and others	Hotel Lotte Co., Ltd., Lotte Engineering & Construction Co., Ltd., Lotte Global Logistics Co., Ltd., Lotte Trading Co., Ltd., Lotte Shopping Co., Ltd., Lotte Aluminium Co., Ltd., CS Mart Co., Ltd., and others

¹ Lotte Corporation is a newly established corporation through the spin-off and merger of the Group, Lotte Shopping Co., Ltd., Lotte Confectionery Co., Ltd. and Lotte Foods Co., Ltd., and recognizes the Group as a subsidiary by additionally acquiring shares of the Group.

² The Group acquired 73.58% shares in Pepsi-Cola Products Philippines, Inc. for the year ended December 31, 2020, and the entity was reclassified into the Group's associates and joint ventures since 2020.

³ Other related parties are subsidiaries, associates and joint ventures of Lotte Corporation who is a Parent Company of the Group, and related parties of Lotte Akhtar Beverages (Private) Limited, one of subsidiaries of the Group as at December 31, 2021. Meanwhile, other related parties are subsidiaries of Lotte Corporation who has significant influence and related parties of Lotte Akhtar Beverages (Private) Limited, one of subsidiaries of the Group as at December 31, 2020.

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⁴ Although the entity is not the related party of the Group in accordance with Korean IFRS 1024, the entity belongs to the Large Enterprise Group to which the Group also belongs in accordance with the Monopoly Regulation and Fair Trade Act and foreign affiliates.

Significant transactions with related parties and accounts receivable, payable balances with related parties as at December 31, 2021 and 2020, are as follows.

Details of the outstanding balances arising from sales/purchases of goods and services as at December 31, 2021 and 2020, are as follows:

(in millions of Korean won)

	2021						2020	
	Sales		Income and others ¹		Purchase and others ²		Acquisition of property, plant and equipment, and intangible assets	Acquisition of right-of-use asset
Parent Company								
Lotte Corporation ³	₩	1,260	₩	-	₩	14,517	₩	-
Subsidiaries								
BaekHak Beverage Co., Ltd. ⁴		48		8		18,021	84	-
CH Beverage Co., Ltd. ⁴		91		9		9,707	-	-
CHUNGBUK SOJU CO., LTD ⁴		39		128		66	-	-
Associate and joint ventures								
Lotte Asahi Liquor Company Ltd.		3		-		-	-	-
Pepsi-Cola Products Philippines, Inc.		112		-		-	-	-
Other related parties								
Lotte giants baseball club		-		-		3,010	-	-
Daehong Communications Inc.		2		-		15,714	-	-
KOREA SEVEN CO., LTD.		122,454		-		3,508	-	5
LOTTE GRS Co., Ltd.		17,233		45		6	-	-
Lotte Changbai beverage co.,LTD ⁵		-		-		58	-	-
LOTTE DATA COMMUNICATION COMPANY		64		-		11,055	9,237	160
Lotte Confectionery Co., Ltd.		295		-		7,072	-	-
Lotte Foods Co., Ltd		979		466		21,676	-	422
Lotte Global Logistics Co., Ltd.		374		-		132,810	13	-
Lotte Shopping Co., Ltd.		41,287		8		7,863	410	2,055
Lotte Trading Co., Ltd.		1		37		2,848	-	-
CS Mart Co., Ltd.		8,326		-		103	-	-
LOTTE CHEMICAL CORPORATION		44		-		29,443	13	-
Others		7,010		-		7,032	38	269
Others								
Lotte Aluminum Co., Ltd.		1,413		-		208,050	10,943	-
Lotte Engineering & Construction Co., Ltd.		2,910		-		-	608	-
LOTTE rental co.,Ltd.		129		1,736		318	-	6,733
Lotte auto lease co.,Ltd.		-		-		452	-	401
Others		827		-		5,405	-	285
	₩	204,901	₩	2,437	₩	498,734	₩	21,346
							₩	10,330

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(in millions of Korean won)

(in millions of Korean won)

	2020									
	Sales		Income and others ¹		Purchase and others ²		Acquisition of property, plant and equipment, and intangible assets		Acquisition of right-of-use asset	
Significant influence on the Group										
Lotte Corporation ³	₩	2,275	₩	215	₩	10,760	₩	-	₩	-
Subsidiaries										
LOTTE Beverage America Corp. ⁶		5,761		-		-		-		-
LOTTE Liquor Beijing (China) ⁶		2,226		-		-		-		-
MJA Wine Co., Ltd ⁶		8,034		6		13		-		-
LOTTE LIQUOR JAPAN CO., LTD. ⁶		27,478		-		534		-		-
Associate and joint ventures										
Lotte Asahi Liquor Company Ltd.		3		-		-		-		-
Pepsi-Cola Products Philippines, Inc.		92		-		-		-		-
Other related parties										
Lotte giants baseball club		-		-		2,650		-		-
Daehong Communications Inc.		8		-		16,969		9		-
KOREA SEVEN CO., LTD. ⁷		101,713		-		2,200		-		-
BaekHak Beverage Co., Ltd.		51		2,226		32,555		-		-
CH Beverage Co., Ltd.		120		725		20,336		-		-
LOTTE GRS Co., Ltd.		16,271		31		3		-		-
Lotte Changbai beverage co.,LTD		-		-		365		-		-
LOTTE DATA COMMUNICATION COMPANY		-		-		10,785		8,627		167
Lotte Confectionery Co., Ltd.		587		3		6,995		-		-
Lotte Foods Co., Ltd ⁸		1,112		708		21,329		-		-
Others		5,054		171		1,279		54		-
Others										
Lotte Aluminum Co., Ltd.		293		-		202,944		6,833		-
Lotte Global Logistics Co., Ltd.		448		-		132,437		20		248
Lotte Shopping Co., Ltd.		43,839		3		3,394		1,018		1,155
Lotte Engineering & Construction Co., Ltd.		2,855		-		293		413		-
Lotte Trading Co., Ltd.		-		872		10,691		-		-
CS Mart Co., Ltd.		9,330		-		217		-		-
LOTTE rental co.,ltd.		120		2,844		265		4		5,726
Lotte auto lease co.,ltd.		-		-		523		1,344		17,186
Others		3,473		-		9,214		2,530		1,091
	₩	231,143	₩	7,804	₩	486,751	₩	20,852	₩	25,573

¹ This includes dividend income, rental income and others.

² This includes purchase of inventories, commission expenses, rental expenses, dividends paid, interest expenses for lease transactions and others.

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³ Brand usage fees, management support service fees, and others are included.

⁴ In July 2021, the Group acquired 100% shares of CH Beverage Co., Ltd and CHUNGBUK SOJU CO., LTD., respectively, and 86.06% shares of BaekHak Beverage Co., Ltd through investment in kind from Lotte Corporation, the entities were reclassified into subsidiaries of the Group. The transactions during 2021 are before reclassification to the subsidiaries.

⁵ As Lotte Corporation disposed of all the shares of Lotte Changbai beverage co.,LTD in 2021, Lotte Changbai beverage co.,LTD. was excluded from subsidiaries of Lotte Corporation as at December 31, 2021. Accordingly, the transactions during 2021 are before exclusion from the subsidiaries.

⁶ LOTTE Beverage America Corp. and four other entities acquired shares through Lotte Corporation in August 2020 and reclassified into the Group's subsidiaries since 2020. The transactions during 2020 are before reclassification to the subsidiaries.

⁷ Korea Seven Co., Ltd. merged with By the Way Co., Ltd. and Lotte PSNET Co., Ltd. on January 1, 2020.

⁸ As Lotte Corporation acquired additional 14.27% shares of Lotte Foods Co., Ltd. in June 2020, Lotte Foods Co., Ltd. was reclassified into subsidiaries of Lotte Corporation since 2020.

Accounts receivable, payable balances with related parties as at December 31, 2021 and 2020, are as follows:

(in millions of Korean won)

	2021			
	Trade receivables	Other receivables ¹	Trade payables	Other payables ²
Parent Company				
Lotte Corporation	₩ 1	₩ 100	₩ -	₩ 621
Associate and joint ventures				
Pepsi-Cola Products Philippines, Inc.	40	-	-	-
Other related parties				
Daehong Communications Inc.	-	-	-	5,467
KOREA SEVEN CO., LTD.	7,769	-	-	385
Lotte aodeli beverage.co.LTD	4,322	-	-	-
LOTTE GRS Co., Ltd.	4,633	4	-	-
LOTTE DATA COMMUNICATION COMPANY	-	-	-	2,145
Lotte Confectionery Co., Ltd.	-	2,168	12	633
Lotte Foods Co., Ltd	44	3,109	2,071	2,188
Lotte Global Logistics Co., Ltd.	-	2	449	10,714

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Lotte Shopping Co., Ltd.	5,940	10,302	-	20,323
LOTTE CHEMICAL CORPORATION	-	-	4,870	-
Others	1,734	11	391	250
Others				
Lotte Engineering & Construction Co., Ltd.	8	-	-	38
Lotte Aluminum Co., Ltd.	413	-	61,945	2,294
Hotel Lotte Co., Ltd.	134	3,872	-	8
LOTTE CAPITAL CO., LTD.	-	-	-	245
LOTTE rental co.,Ltd.	-	7	-	8,763
Lotte auto lease co.,Ltd.	-	-	-	20,411
Others	13	2,998	-	-
	<u>₩ 25,051</u>	<u>₩ 22,573</u>	<u>₩ 69,738</u>	<u>₩ 74,485</u>

(in millions of Korean won)

	2020			
	Trade receivables	Other receivables¹	Trade payables	Other payables²

Significant influence on the Group

Lotte Corporation	₩	-	₩	93	₩	-	₩	516
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Associate and joint ventures

Pepsi-Cola Products Philippines, Inc.		6	-	-	-
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Other related parties

Daehong Communications Inc.	-	-	-	12,479
KOREA SEVEN CO., LTD.	7,017	-	-	1,008
Lotte aodeli beverage.co.LTD	3,966	-	-	-
LOTTE GRS Co., Ltd.	4,080	3	-	1
BaekHak Beverage Co., Ltd.	-	9	2,180	-
LOTTE DATA COMMUNICATION COMPANY	-	-	-	2,812
Lotte Confectionery Co., Ltd.	36	2,168	103	369
Lotte Foods Co., Ltd ³	123	3,039	1,784	1,857
Others	869	256	1,608	594

Others

Lotte Engineering & Construction Co., Ltd.	8	250	-	-
Lotte Aluminum Co., Ltd.	-	31	64,148	1,774
Lotte Global Logistics Co., Ltd.	-	7	433	9,952
Lotte Shopping Co., Ltd.	5,229	9,520	-	5,762
Hotel Lotte Co., Ltd.	68	3,872	-	180
LOTTE CAPITAL CO., LTD.	-	-	-	901

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Lotte Trading Co., Ltd.	-	-	449	-
LOTTE rental co.,ltd.	-	1	-	5,607
Lotte auto lease co.,ltd.	-	-	-	26,722
Others	1,217	2,998	217	33
	<u>₩ 22,619</u>	<u>₩ 22,247</u>	<u>₩ 70,922</u>	<u>₩ 70,567</u>

¹ This includes leasehold deposits and others.

² This includes non-trade payables, accrued expenses, leasehold deposits received, liabilities from lease transactions, and others.

³ As Lotte Corporation acquired additional 14.27% shares of Lotte Foods Co., Ltd. in June 2020, Lotte Foods Co., Ltd. was reclassified into subsidiaries of Lotte Corporation since 2020.

Although the above receivables are not impaired at the end of the reporting period, the Group established provisions for impairment amounting to ₩ 5,861 million and ₩ 5,503 million as at December 31, 2021 and 2020, respectively, in relation to the future expected credit losses, and recognized impairment loss (reversal) amounting to ₩ 358 million and ₩ (-)238 million for the years ended December 31, 2021 and 2020, respectively.

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

(in millions of Korean won)	2021			2020			
	Repayment of lease liabilities	Loans	Collections	Repayment of lease liabilities	Acquisition of shares	Disposal of treasury share	Contributions in cash
Parent Company							
Lotte Corporation ¹	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
Significant influence on the Group							
Lotte Corporation ²	-	-	-	-	10,474	41,423	-
Associate and joint ventures							
LOTTE Agriculture and Food Fund No.1 ³	-	-	-	-	-	-	1,360
Other related parties							
Lotte Changbai beverage co.,LTD ⁴	-	1,576	940	-	-	-	-
Lotte Asset Development CO., LTD	2	-	-	30	-	-	-
Lotte Food Co., Ltd. ⁵	216	-	-	216	-	-	-
Korea Seven Co., Ltd.	67	-	-	63	-	-	-
LOTTE DATA COMMUNICATION COMPANY	164	-	-	169	-	-	-

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Lotte Shopping Co., Ltd. ⁶	4,964	-	-	-	-	-	-
CANON KOREA INC. (formerly, CANON KOREA BUSINESS SOLUTIONS INC.) ⁶	1	-	-	-	-	-	-
LOTTE Himart Co.,Ltd. ⁶	103	-	-	-	-	-	-
Others							
LOTTE rental co.,ltd.	3,413	-	-	3,784	-	-	-
Lotte Shopping Co., Ltd. ⁶	-	-	-	4,435	-	-	-
Lotte auto lease co.,ltd.	7,152	-	-	6,880	-	-	-
LOTTE CAPITAL CO., LTD.	861	-	-	1,059	-	-	-
Hotel Lotte Pusan Co., LTD	-	-	-	3	-	-	-
Hotel Lotte Co., Ltd.	2	-	-	63	-	-	-
Lotte Global Logistics Co.,LTD. ⁶	-	-	-	252	-	-	-
LOTTE Property&Development	10	-	-	10	-	-	-
CANON KOREA INC. (formerly, CANON KOREA BUSINESS SOLUTIONS INC.) ⁶	-	-	-	1	-	-	-

¹ As Lotte Corporation acquired additional shares of the Group in 2021, the Group was recognized as a subsidiary as at December 31, 2021.

² The Group acquired 100% shares of LOTTE Beverage America Corp., MJA Wine Co., LOTTE Liquor Beijing (China) and LOTTE Beverage Holdings (Singapore) Pte. Ltd., respectively, through Lotte Corporation for the year ended December 31, 2020.

³ The Group has entered into an agreement with Lotte Accelerator Co., Ltd. to invest ₩ 3,400 million for LOTTE Agriculture and Food Fund No.1 during 4 years from November 2020, the date of registration as an association for the year ended December 31, 2020.

⁴ As Lotte Corporation disposed of all the shares of Lotte Changbai beverage co.,LTD in 2021, Lotte Changbai beverage co.,LTD. was excluded from subsidiaries of Lotte Corporation as at December 31, 2021. Accordingly, the transactions during 2021 are before exclusion from the subsidiaries.

⁵ As Lotte Corporation acquired additional 14.27% shares of Lotte Foods Co., Ltd. in June 2020, Lotte Foods Co., Ltd. was reclassified into subsidiaries of Lotte Corporation since 2020.

⁶ CANON KOREA INC. (formerly, CANON KOREA BUSINESS SOLUTIONS INC.) was recognized as other related parties of the Group as at December 31, 2021, and others of the Group as at December 31, 2020.

The Group acquired 86.06% shares of BaekHak Beverage Co., Ltd for ₩ 25,702 million through

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investment in kind from Lotte Corporation, and 100% shares of CH Beverage Co., Ltd and CHUNGBUK SOJU CO., LTD. for ₩ 15,072 million and ₩ 2,512 million, respectively, for the year ended December 31, 2021.

<i>(in millions of Korean won)</i>	Number of shares outstanding	Issue price per share (in Korean won)		Issued amount
Investment in kind	303,761 shares	₩	157,872	₩ 47,955

The Group acquired 100% of the shares of LOTTE LIQUOR JAPAN CO., LTD. for ₩ 19,427 million through investment in kind from Lotte Corporation, and 42.22% of the shares of Pepsi-Cola Products Philippines, Inc. for ₩ 67,744 million for the year ended December 31, 2020.

<i>(in millions of Korean won)</i>	Number of shares outstanding	Issue price per share (in Korean won)		Issued amount
Investment in kind	981,663 shares	₩	93,660	₩ 91,943

Brand Use Agreement and others

As at December 31, 2021, the Group has concluded contracts for brand use, management consulting and management support contracts with Lotte Corporation Co., Ltd. The use price of the brand is 0.15% of the sales amount deducted from advertising expenses. The management consulting and management support service costs are calculated by multiplying by 5% to amount which is calculated by allocating the expenses incurred in the course of performing the target business with reasonable criteria.

Meanwhile, as at December 31, 2021, the Group has concluded contracts to provide management support service for Lotte Corporation Co., Ltd. and its overseas subsidiaries. The management support service costs are calculated expenses incurred in the course of performing the business by adding commission rate.

The Group and Lotte Corporation are jointly liable for the liabilities that existed before the spin-off.

The Group has entered into an agreement with Lotte Accelerator Co., Ltd. to invest ₩ 3,400 million for LOTTE Agriculture and Food Fund No.1 during 4 years from November 2020, the date of registration as an association.

Key management includes executive directors and other executives who hold authorities and responsibilities over planning, operations and control of the Group. Details of compensation to key management for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021		2020	
Short-term employee benefits	₩	12,415	₩	12,928
Post-employment benefits		1,680		1,537

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Long-term employee benefits	(55)	263
	₩ 14,040	₩ 14,728

40. Cash Flows

Adjustments for cash flows from operating activities and changes in operating assets and liabilities for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Adjustments for ¹ :		
Income tax expense (benefit)	₩ 37,893	₩ (6,121)
Interest income	(3,914)	(3,096)
Interest expenses	35,180	36,654
Dividend income	(1,027)	(1,127)
Gain on valuation of derivative instruments	(4,977)	-
Loss on valuation of derivative instruments	-	2,828
Gain on foreign currency translation	(1,729)	(3,493)
Loss on foreign currency translation	8,533	562
Gain on foreign currency transactions	(19)	(18)
Loss on foreign currency transactions	47	60
Long-term employee benefit expenses	5,650	10,136
Post-employment benefit	25,993	28,580
Depreciation	145,530	139,969
Amortization	12,459	10,936
Impairment loss (reversal)	1,617	(1,174)
Other impairment loss	188	-
Gain on disposal of property, plant and equipment	(37,725)	(3,718)
Loss on disposal of property, plant and equipment	3,029	5,104
Impairment loss on property, plant and equipment	3,846	65,937
Reversal of impairment loss on property, plant and equipment	(57)	(3,029)
Gain on disposal of right-of-use assets	(1,294)	(211)
Loss on disposal of right-of-use assets	29	8
Impairment loss on right-of-use assets	94	1,906
Gain on disposal of intangible assets	(6)	-
Impairment loss on intangible assets	11,945	10,832
Gain on valuation of financial assets at fair value through profit or loss	(95)	(103)
Loss on valuation of financial assets at fair value through profit or loss	28	18
Share of loss (profit) of associates and joint ventures	(3,107)	7,705
Impairment loss on investments in associates and joint	-	27,215

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<i>(in millions of Korean won)</i>	2021	2020
ventures		
Gains on bargain purchase	(12,428)	(29,327)
Others	1,611	(183)
	<u>₩ 227,294</u>	<u>₩ 296,850</u>
Change in operating assets and liabilities:		
Decrease in trade and other receivables	₩ 14,166	₩ 7,107
Decrease (increase) in inventories	(44,514)	27,333
Decrease (increase) in other current assets	1,882	(2,056)
Decrease (increase) in other current financial assets	(108)	1,048
Increase in trade and other payables	39,363	61,226
Increase (decrease) in current portion of provisions	(91)	3,186
Increase (decrease) in other current financial liabilities	832	(903)
Increase in other current liabilities	16,305	3,235
Increase (decrease) in other financial liabilities	1,774	(398)
Payment of post-employment benefits	(14,881)	(16,924)
Increase in plan assets	(27,698)	(16,279)
Payment of long-term employee benefits	(3,542)	(3,179)
	<u>₩ (16,512)</u>	<u>₩ 63,396</u>

Non-cash investing and financing transactions that are not included in the statements of cash flows for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Reclassification of debentures to current portion	₩ 389,874	₩ 299,939
Reclassification of long-term borrowings to current portion	1,473	61,378
Acquisition of joint ventures through investment in kind	-	67,744
Decrease in non-trade payables due to acquisition of property, plant and equipment, and intangible assets	(2,489)	(1,981)
Increase in receivables due to disposal of property, plant and equipment, and intangible assets	12	5,637
Increase in right-of-use assets - implementation of Korean IFRS 1116 <i>Lease</i>	25,068	34,532
Increase in other financial liabilities due to shareholders' agreement	4,372	-

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

(in millions of Korean won)

	Liabilities from financing activities			
	Lease liabilities	Short-term borrowings	Long-term borrowings	Debentures
At January 1, 2020	₩ 81,222	₩ 26,453	₩ 180,000	₩ 1,228,758
Cash flows	(30,195)	(9,785)	(8,548)	79,705
Increases	33,929	-	-	-
Business combination ¹	779	12,818	-	-
Exchange differences	(222)	(2,139)	(381)	(2,829)
Other non-financial changes	(8,245)	-	-	762
At December 31, 2020	₩ 77,268	₩ 27,347	₩ 171,071	₩ 1,306,396
At January 1, 2021	₩ 77,268	₩ 27,347	₩ 171,071	₩ 1,306,396
Cash flows	(29,643)	(11,308)	(55,133)	(50,686)
Increases	22,702	-	-	-
Business combination ¹	1,190	15,500	11,770	-
Exchange differences	203	1,049	(56)	4,978
Other non-financial changes	(1,457)	-	(627)	829
At December 31, 2021	₩ 70,263	₩ 32,588	₩ 127,025	₩ 1,261,517

¹ Included in the consolidation scope according to business combination (Note 42).

41. Information for Non-controlling Interests

41.1 Changes in Accumulated Non-controlling Interests

The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are included in the Group for the years ended December 31, 2021 and 2020, is as follows:

(in millions of Korean won)

	Non-controlling interest rate (%)	2021				Accumulated non-controlling interests at the end of the year
		Accumulated non-controlling interests at the beginning of the year	Increase ¹	Profit or loss allocated to non-controlling interests	Others	
Lotte Akhtar Beverages (Private) Limited	48.00	₩ 10,475	₩ -	₩ 2,143	₩ (317)	₩ 12,301
LOTTE MGS	22.21	(217)	-	(1,087)	1,294	(10)

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Beverage (Myanmar)
Co., Ltd.

BaekHak Beverage
CO., LTD.

13.94	-	5,528	505	2	6,035
₩	10,258	₩	5,528	₩	1,561
		₩	979	₩	18,326

(in millions of
Korean won)

2020

	Non- controlling interest rate (%)	Accumulated non- controlling interests at the beginning of the year	Increase ¹	Profit or loss allocated to non- controlling interests	Others	Accumulated non- controlling interests at the end of the year
Lotte Akhtar Beverages (Private) Limited	48.00	₩ 15,869	₩ -	₩ (4,195)	₩ (1,199)	₩ 10,475
LOTTE MGS Beverage (Myanmar) Co., Ltd.	23.42	-	(128)	(95)	6	(217)
		₩ 15,869	₩ (128)	₩ (4,290)	₩ (1,193)	₩ 10,258

¹ Included in the consolidation scope according to business combination (Note 42).

41.2 Transactions with Non-controlling Interests

Effects of transactions with non-controlling interests on the equity attributable to owners of the Group for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)

2021

2020

Carrying amount of non-controlling interests acquired	₩	4,687	₩	-
Consideration paid to non-controlling interests		(6,077)		-
Net effect on equity	₩	(1,390)	₩	-

42. Business Combination

In July 2021, the Group acquired 100% shares of CH Beverage Co., Ltd and CHUNGBUK SOJU CO., LTD., respectively, and 86.06% shares of BaekHak Beverage Co., Ltd through investment in kind from Lotte Corporation, for ₩ 43,286 million.

(a) CH Beverage Co., Ltd

Details of the purchase consideration for CH Beverage Co., Ltd., the assets and liabilities recognized as a result of the acquisition at the acquisition date, are as follows:

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<i>(in millions of Korean won)</i>		Amount
Purchase consideration		
Investment in kind	₩	15,072
Settlement of previous transactions		(1,805)
Recognized amounts of acquired identifiable assets and assumed liabilities		
Cash and cash equivalents		2,869
Trade and other receivables		8
Inventories		785
Property, plant and equipment, and intangible assets		13,473
Right-of-use assets		57
Deferred tax assets		638
Other assets		191
Trade and other payables		(1,249)
Net defined benefit liability		(100)
Lease liabilities		(83)
Other liabilities		(285)
Net identifiable assets acquired		16,304
Gains on bargain purchase	₩	(3,037)

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(b) CHUNGBUK SOJU CO., LTD

Details of the purchase consideration for CHUNGBUK SOJU CO., LTD., the assets and liabilities recognized as a result of the acquisition at the acquisition date, are as follows:

<i>(in millions of Korean won)</i>		Amount
Purchase consideration		
Investment in kind	₩	2,512
Settlement of previous transactions		(323)
Recognized amounts of acquired identifiable assets and assumed liabilities		
Cash and cash equivalents		2,403
Trade and other receivables		2,375
Inventories		1,396
Property, plant and equipment, and intangible assets		6,393
Investment property		432
Right-of-use assets		296
Deferred tax assets		1,538
Net defined benefit asset		27
Other assets		581
Trade and other payables		(1,459)
Borrowings		(7,270)
Provisions		(23)
Lease liabilities		(323)
Other liabilities		(3,209)
Net identifiable assets acquired		3,157
Gains on bargain purchase	₩	(968)

(c) BaekHak Beverage CO., LTD

Details of the purchase consideration for BaekHak Beverage CO., LTD., the assets and liabilities recognized as a result of the acquisition at the acquisition date, are as follows:

<i>(in millions of Korean won)</i>		Amount
Purchase consideration		
Investment in kind	₩	25,702
Settlement of previous transactions		(3,800)
Recognized amounts of acquired identifiable assets and assumed liabilities		
Cash and cash equivalents		5,910
Trade and other receivables		981
Inventories		1,937

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Property, plant and equipment, and intangible assets	54,014
Right-of-use assets	667
Other assets	1,173
Trade and other payables	(4,840)
Borrowings	(20,000)
Net defined benefit liability	(1,744)
Deferred tax liabilities	(888)
Lease liabilities	(784)
Other liabilities	(573)
Net identifiable assets acquired	35,853
Non-controlling interests	(5,528)
Gains on bargain purchase	₩ (8,423)

The Group has entered into a share purchase agreement to acquire 100% shares of LOTTE Beverage America Corp. and 3 others for ₩ 10,474 million from Lotte Corporation in August 2020. In addition, the Group acquired 100% shares in LOTTE LIQUOR JAPAN CO., LTD. from Lotte Corporation through investment in kind for ₩ 19,427 million on October 2020.

(a) LOTTE Beverage America Corp.

Details of the purchase consideration for LOTTE Beverage America Corp, the assets and liabilities recognized as a result of the acquisition at the acquisition date, are as follows:

<i>(in millions of Korean won)</i>	Amount
Purchase consideration	
Cash	₩ 6,789
Recognized amounts of acquired identifiable assets and assumed liabilities	
Cash and cash equivalents	4,249
Trade and other receivables	2,300
Inventories	1,263
Property, plant and equipment, and intangible assets	30
Right-of-use assets	165
Deferred tax assets	117
Current tax assets	415
Other assets	92
Trade and other payables	(2,324)
Lease liabilities	(169)
Other liabilities	(25)
Net identifiable assets acquired	6,113
Goodwill	₩ 676

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(b) MJA Wine Co., Ltd

Details of the purchase consideration for MJA Wine Co., Ltd, the assets and liabilities recognized as a result of the acquisition at the acquisition date, are as follows:

<i>(in millions of Korean won)</i>		Amount
Purchase consideration		
Cash	₩	1,214
Recognized amounts of acquired identifiable assets and assumed liabilities		
Cash and cash equivalents		243
Trade and other receivables		2,386
Inventories		3,240
Property, plant and equipment, and intangible assets		326
Right-of-use assets		62
Other assets		102
Trade and other payables		(5,505)
Net defined benefit liability		(5)
Lease liabilities		(66)
Provisions		(14)
Other liabilities		(15)
Net identifiable assets acquired		754
Goodwill	₩	460

(c) LOTTE Liquor Beijing (China)

Details of the purchase consideration LOTTE Liquor Beijing (China) the assets and liabilities recognized as a result of the acquisition at the acquisition date, are as follows:

<i>(in millions of Korean won)</i>		Amount
Purchase consideration		
Cash	₩	1,981
Recognized amounts of acquired identifiable assets and assumed liabilities		
Cash and cash equivalents		1,341
Trade and other receivables		1
Inventories		633
Property, plant and equipment, and intangible assets		36
Deferred tax assets		10
Other assets		258
Trade and other payables		(1,695)
Other liabilities		(50)

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Net identifiable assets acquired		534
Goodwill	₩	1,447

(d) LOTTE MGS Beverage (Myanmar) Co., Ltd

The Group acquired 76.58% shares of LOTTE MGS Beverage (Myanmar) Co., Ltd. from LOTTE Beverage Holdings (Singapore) Pte. Ltd., Details of the purchase consideration LOTTE MGS Beverage (Myanmar) Co., Ltd from LOTTE Beverage Holdings (Singapore) Pte. Ltd, the assets and liabilities recognized as a result of the acquisition at the acquisition date, are as follows:

<i>(in millions of Korean won)</i>		Amount
Purchase consideration		
Cash	₩	490
Recognized amounts of acquired identifiable assets and assumed liabilities		
Cash and cash equivalents		2,527
Trade and other receivables		2,391
Inventories		2,562
Property, plant and equipment, and intangible assets		8,828
Right-of-use assets		3,136
Other assets		373
Trade and other payables		(6,192)
Borrowings		(12,818)
Other liabilities		(1,310)
Net identifiable assets acquired		(503)
Non-controlling interest		128
Goodwill	₩	865

During 2021, the Parent Company acquired additional shares of LOTTE MGS Beverage (Myanmar) through investing 6,077 million to LOTTE Beverage Holdings (Singapore) Pte. Ltd., a subsidiary. The Group's ownership for LOTTE MGS Beverage (Myanmar) Co., Ltd. is 77.79% as at December 31, 2021.

(e) LOTTE LIQUOR JAPAN CO., LTD

Details of the purchase consideration LOTTE LIQUOR JAPAN CO., LTD the assets and liabilities recognized as a result of the acquisition at the acquisition date, are as follows:

<i>(in millions of Korean won)</i>		Amount
Purchase consideration		
Investment in kind	₩	19,427
Recognized amounts of acquired identifiable assets and assumed liabilities		

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Cash and cash equivalents	14,292
Trade and other receivables	10,247
Inventories	4,495
Property, plant and equipment, and intangible assets	109
Right-of-use assets	527
Investment property	454
Deferred tax assets	159
Current tax assets	270
Other assets	5,407
Trade and other payables	(10,394)
Net defined benefit liability	(85)
Lease liabilities	(544)
Other liabilities	(3,303)
Net identifiable assets acquired	21,634
Gains on bargain purchase	₩ (2,207)

43. Events After the Reporting Period

The Parent Company sold 99,000 preferred treasury shares to Lotte Corporation in January 2022. In addition, the Parent Company sold 20,000 preferred treasury shares to a third party in March 2022.

The Parent Company issued corporate papers of ₩ 100,000 million for the purpose of redemption of hybrid securities amounting to ₩ 150,000 million in January 2022.

Sanchung Beverage. Co., Ltd., a subsidiary, decided to borrow ₩ 25,000 million for facility loans in accordance with the resolution of the Board of Directors held in January 2022.