

Lotte Chilsung Beverage Co.,Ltd and Subsidiaries

**Consolidated Financial Statements
December 31, 2022 and 2021**

Lotte Chilsung Beverage Co.,Ltd and Subsidiaries
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December 31, 2022 and 2021

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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, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (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, 2022, the Group determined that there is an indicator of impairment due to the continuing operating loss of the liquor segment until 2020 and continuing impact of COVID-19 until 2022. 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 14, 2023

This report is effective as of March 14, 2023, 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.

Lotte Chilsung Beverage Co.,Ltd and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2022 and 2021

<i>(in Korean won)</i>	Notes	2022	2021
Assets			
Current assets			
Cash and cash equivalents	4,5,6	₩ 345,003,532,508	₩ 384,577,796,934
Short-term financial instruments	4,5,6,7	10,101,651,860	15,197,657,890
Trade and other receivables	4,5,6,8,39	239,135,596,123	225,501,980,736
Other financial assets	4,5,6,9,17,22,39	11,467,801,371	4,601,012,524
Held-to-maturity financial assets	4,5,6,14	43,025,000	1,466,355,000
Inventories	10	343,437,520,806	305,372,216,736
Current tax assets		1,910,794,997	2,790,379,165
Other assets	11,26	68,894,331,121	54,993,043,428
		<u>1,019,994,253,786</u>	<u>994,500,442,413</u>
Non-current assets			
Long-term financial instruments	4,5,6,7	35,401,477	115,761,346
Long-term trade and other receivables	4,5,6,8	985,677,500	1,477,998,940
Other financial assets	4,5,6,9,17,22	64,808,261,737	65,975,675,328
Financial assets at fair value through profit or loss	4,5,6,12	384,526,620	444,519,845
Financial assets at fair value through other comprehensive income	4,5,6,13	20,391,942,013	26,244,792,976
Held-to-maturity financial assets	4,5,6,14	309,340,000	338,090,000
Deferred tax assets	25	5,462,852,365	4,991,218,635
Investments in associates and joint ventures	15	135,067,925,318	135,119,358,106
Property, plant and equipment	16	2,077,791,326,496	2,048,216,396,232
Right-of-use assets	17	67,453,940,564	72,646,408,375
Investment property	18	117,529,490,580	129,433,027,560
Intangible assets	19	97,987,983,130	105,358,484,001
Other assets	11	12,330,224,942	4,013,531,532
Net defined benefit assets	24	75,402,493,782	7,954,417,889
		<u>2,675,941,386,524</u>	<u>2,602,329,680,765</u>
Total assets		<u>₩ 3,695,935,640,310</u>	<u>₩ 3,596,830,123,178</u>

Lotte Chilsung Beverage Co.,Ltd and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2022 and 2021

<i>(in Korean won)</i>	Notes	2022	2021
Liabilities			
Current liabilities			
Trade and other payables	4,5,6,20,39	₩ 390,448,014,741	₩ 356,785,916,330
Borrowings and current portion of debentures	4,5,6,21	551,160,174,981	433,105,412,254
Current portion of lease liabilities	4,17	27,297,519,540	25,095,846,052
Other financial liabilities	4,5,6,23	10,083,480,987	7,931,150,767
Current tax liabilities		19,687,238,483	17,962,025,023
Current portion of provisions	26	15,770,566,223	16,052,873,316
Other liabilities	27,31	140,176,011,013	114,040,916,940
		<u>1,154,623,005,968</u>	<u>970,974,140,682</u>
Non-current liabilities			
Borrowings and debentures	4,5,6,21	935,795,130,309	988,024,922,673
Lease liabilities	4,17	38,355,723,300	45,167,143,385
Other financial liabilities	4,5,6,22,23,39	18,005,891,453	19,750,813,651
Net defined benefit liabilities	24	3,018,388,335	3,228,693,037
Deferred tax liabilities	25	103,878,736,759	90,152,336,362
Provisions	26	2,225,610,581	2,174,378,259
Other liabilities	27	27,866,973,321	32,301,995,199
		<u>1,129,146,454,058</u>	<u>1,180,800,282,566</u>
Total liabilities		<u>2,283,769,460,026</u>	<u>2,151,774,423,248</u>
Equity			
Share capital	1,28	5,027,097,000	5,027,097,000
Hybrid bonds	28	-	149,459,980,000
Other components of equity	28	(668,196,183,297)	(676,928,734,399)
Accumulated other comprehensive income	29	(23,048,795,789)	(12,362,684,708)
Retained earnings	30	2,079,285,943,256	1,961,533,661,372
Equity attributable to owners of the Parent Company		<u>1,393,068,061,170</u>	<u>1,426,729,319,265</u>
Non-controlling interest	41	19,098,119,114	18,326,380,665
Total equity		<u>1,412,166,180,284</u>	<u>1,445,055,699,930</u>
Total liabilities and equity		<u>₩ 3,695,935,640,310</u>	<u>₩ 3,596,830,123,178</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, 2022 and 2021

<i>(in Korean won)</i>	Notes	2022		2021	
Sales	2,31,39	₩	2,841,747,049,867	₩	2,506,093,270,200
Cost of sales	10,33,39		<u>1,693,777,951,605</u>		<u>1,460,279,224,712</u>
Gross profit			1,147,969,098,262		1,045,814,045,488
Selling and administrative expenses	32,33,39		926,398,164,019		861,978,339,061
Impairment loss (reversal)	6,8,33		<u>(1,287,503,098)</u>		<u>1,617,326,060</u>
Operating profit	2		222,858,437,341		182,218,380,367
Other income	6,34,39		11,582,414,922		59,594,481,737
Other expenses	6,34,39		30,238,853,510		37,762,752,654
Interest income	6		6,708,352,247		3,914,422,003
Finance income	6,35,39		8,184,038,268		7,828,285,884
Finance costs	6,35,39		51,681,079,264		43,929,557,164
Share of net profit of associates and joint ventures accounted for using the equity method	15		<u>1,973,547,150</u>		<u>3,106,820,414</u>
Profit before income tax			169,386,857,154		174,970,080,587
Income tax expense	25		<u>38,292,575,940</u>		<u>37,893,200,047</u>
Profit for the year		₩	131,094,281,214	₩	137,076,880,540
Profit is attributable to:					
Owners of the Parent Company		₩	128,410,081,553	₩	135,515,807,903
Non-controlling interests	41		2,684,199,661		1,561,072,637
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss</i>					
Remeasurements of net defined benefit liability	24	₩	19,235,084,413	₩	(16,954,705,082)
Share of remeasurements of net defined benefit liability of associates	15		274,465,629		(2,547,906,756)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	6,13,29		(4,797,928,053)		4,214,331,447
<i>Items that may be subsequently reclassified to profit or loss</i>					
Gain on valuation of derivative instruments	6,29		773,262,535		1,857,710,003
Share of other comprehensive income of associates	15,29		(3,319,444,939)		3,996,810,390
Loss on foreign currency translation			<u>(5,538,285,160)</u>		<u>(677,010,351)</u>
Total comprehensive income for the year		₩	<u>137,721,435,639</u>	₩	<u>126,966,110,191</u>
Total comprehensive income for the year is attributable to:					
Owners of the Parent Company		₩	137,203,803,628	₩	125,778,301,489
Non-controlling interest	41		517,632,011		1,187,808,702
Earnings per share	37				
Basic and diluted earnings per ordinary share		₩	12,754	₩	13,341
Basic and diluted earnings per preferred share			12,759		13,346

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, 2022 and 2021

(in Korean won)

Notes	Attributable to owners of the Parent Company							Total Equity
	Share Capital	Hybrid Bonds	Other Components of Equity	Accumulated Other Comprehensive Income	Retained Earnings	Non-controlling Interest		
Balance at January 1, 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	
Consolidated capital adjustments	-	-	(4,372,152,964)	-	-	-	(4,372,152,964)	
Non-controlling interest related to business combination	41	-	-	-	-	5,527,527,693	5,527,527,693	
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	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	
Balance at January 1, 2022	₩ 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	
Non-controlling interest related to business combination	41	-	-	-	-	523,191,165	523,191,165	
Total comprehensive income								
Profit for the year	-	-	-	-	128,410,081,553	2,684,199,661	131,094,281,214	
Loss on valuation of financial assets at fair value through other comprehensive income	29	-	-	(4,797,928,053)	-	-	(4,797,928,053)	
Gain on valuation of derivative instruments	29	-	-	773,262,535	-	-	773,262,535	
Share of other comprehensive income of associates	15,29	-	-	(3,319,444,939)	-	-	(3,319,444,939)	
Loss on foreign currency translation	29	-	-	(3,342,000,624)	-	(2,196,284,536)	(5,538,285,160)	
Remeasurements of net defined benefit liability	24	-	-	-	19,205,367,527	29,716,886	19,235,084,413	
Share of remeasurements of net defined benefit liability of associates	15	-	-	-	274,465,629	-	274,465,629	
Total comprehensive income for the year				(10,686,111,081)	147,889,914,709	517,632,011	137,721,435,639	
Transactions with owners								
Dividends paid	38,41	-	-	-	(29,750,386,250)	(269,084,727)	(30,019,470,977)	
Disposal of treasury shares		-	9,272,571,102	-	-	-	9,272,571,102	
Dividends paid to hybrid bonds		-	-	-	(387,246,575)	-	(387,246,575)	
Repayments of hybrid bonds		(149,459,980,000)	(540,020,000)	-	-	-	(150,000,000,000)	
Total transactions with owners		(149,459,980,000)	8,732,551,102	-	(30,137,632,825)	(269,084,727)	(171,134,146,450)	
Balance at December 31, 2022	₩ 5,027,097,000	₩ -	₩ (668,196,183,297)	₩ (23,048,795,789)	₩ 2,079,285,943,256	₩ 19,098,119,114	₩ 1,412,166,180,284	

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, 2022 and 2021

(in Korean won)	Notes	2022	2021
Cash flows from operating activities			
Cash generated from operations			
Profit for the year		₩ 131,094,281,214	₩ 137,076,880,540
Adjustments	40	278,393,746,666	227,293,618,931
Changes in operating assets and liabilities	40	<u>(79,199,256,989)</u>	<u>(16,511,632,049)</u>
		330,288,770,891	347,858,867,422
Interest received		5,526,607,884	3,266,420,348
Interest paid		(41,133,319,129)	(35,181,321,765)
Dividend received		1,422,960,182	1,026,695,060
Income taxes refunded (paid)		<u>(27,771,024,836)</u>	<u>4,129,910,920</u>
Net cash inflow from operating activities		<u>268,333,994,992</u>	<u>321,100,571,985</u>
Cash flows from investing activities			
Decrease in short-term financial instruments		5,293,160,338	160,001,950,000
Increase in short-term financial instruments		-	(5,000,000,000)
Decrease in long-term financial instruments		-	60,767,524,282
Increase in long-term financial instruments		(21,291,991)	(159,711,737)
Decrease in held-to-maturity financial assets		1,466,355,000	9,655,000
Increase in held-to-maturity financial assets		(14,275,000)	(4,995,000)
Decrease in financial assets at fair value through other comprehensive income		-	1,431,703,645
Increase in financial assets at fair value through other comprehensive income		(480,150,380)	(2,189,812,020)
Payments for investments in subsidiaries, associates, and joint ventures		(9,644,618,075)	11,181,816,068
Proceeds from disposal of property, plant and equipment		756,308,970	72,366,168,204
Payments for property, plant and equipment		(152,198,052,788)	(202,409,357,586)
Proceeds from disposal of intangible assets		38,162,301	69,630,300
Payments for intangible assets		(888,806,753)	(606,144,591)
Decrease in other financial assets		7,148,124,301	14,001,103,932
Increase in other financial assets		(8,543,597,085)	(28,147,570,886)
Decrease in other assets		96,071,562	-
Increase in other assets		(9,549,179,366)	(131,545,476)
Collection of lease receivables		409,198,491	252,481,822
Net cash inflow (outflow) from investing activities		<u>(166,132,590,475)</u>	<u>81,432,895,957</u>
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		90,894,624,818	(11,307,798,322)
Repayments of current portion of long-term borrowings		(1,445,275,738)	(56,429,242,874)
Increase in long-term borrowings		28,213,867,939	1,296,568,173
Proceeds from issuance of debentures		338,573,240,000	249,314,340,000
Repayments of debentures		(389,056,567,446)	(299,262,181,936)
Increase in other financial liabilities		214,515,000	-
Decrease in other financial liabilities		(3,864,556,944)	-
Repayments of finance lease liabilities		(30,904,552,925)	(29,642,647,472)
Disposal of treasury shares		9,459,578,673	-
Dividends paid		(30,019,470,977)	(25,955,511,350)
Dividends paid to hybrid bonds		(1,308,750,000)	(5,235,000,000)
Repayments of hybrid bonds		(150,000,000,000)	-
Payment of share issuance costs		-	(9,849,920)
Net cash outflow from financing activities		<u>(139,243,347,600)</u>	<u>(177,231,323,701)</u>
Net increase (decrease) in cash and cash equivalents		(37,041,943,083)	225,302,144,241
Cash and cash equivalents at the beginning of the financial year		384,577,796,934	158,849,601,868
Effects of exchange rate changes on cash and cash equivalents		(2,532,321,343)	426,050,825
Cash and cash equivalents at the end of the year		<u>₩ 345,003,532,508</u>	<u>₩ 384,577,796,934</u>

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

Lotte Chilsung Beverage Co.,Ltd and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

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, 2022, 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	163,890	45.00%	21.14%
Lotte Aluminium Co.,Ltd.	708,870	30,500	7.64%	3.93%
Lotte Scholarship Foundation	501,680	39,650	5.41%	5.11%
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%
Hotel Lotte Co.,Ltd.	-	37,470	-	4.83%
Lotte Foundation for Arts	-	9,200	-	1.19%
Others	3,492,370	382,525	37.64%	49.34%
	<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, 2022 and 2021, are as follows:

	Location	Main business	Closing month	Ownership interest held by the Group (%)	
				2022	2021
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.	US	Sale	December 31	100.00	100.00
LOTTE Liquor Beijing (China)	China	Sale	December 31	100.00	100.00
LOTTE Beverages Holdings (Singapore) Pte. Ltd.	Singapore	SPC	December 31	100.00	100.00
LOTTE MGS Beverage (Myanmar) Co., Ltd ¹	Myanmar	Manufacture and sale	March 31	77.79	77.79
LOTTE LIQUOR JAPAN CO., LTD	Japan	Sale	December 31	100.00	100.00
Greenwith ²	Korea	Service	December 31	100.00	100.00
CH Beverage Co., Ltd. ³	Korea	Manufacture and sale	December 31	100.00	100.00
CHUNGBUK SOJU CO., LTD. ³	Korea	Manufacture and sale	December 31	100.00	100.00

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BaekHak Beverage CO., LTD. ³	Korea	Manufacture and sale	December 31	86.06	86.06
BIGSOMBIO ⁴	Korea	Sale and development	December 31	52.93	-
LABIO ⁵	Korea	Development	December 31	80.00	-

¹ The Parent Company holds the shares of LOTTE MGS Beverage (Myanmar) Co., Ltd. through its subsidiary, Lotte Beverage Holdings (Singapore) Pte. Ltd. Meanwhile, Lotte MGS Beverage (Myanmar) Co., Ltd. changed fiscal year-end date from September to March for the year ended December 31, 2022.

² The Parent Company acquired 100% shares of Greenwith for the year ended December 31, 2021.

³ 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.

⁴ The Parent Company acquired 52.93% shares of BIGSOMBIO for the year ended December 31, 2022.

⁵ The Parent Company holds the shares of LABIO through its subsidiary, BIGSOMBIO.

1.2 Summarized Financial Information

Summarized financial information for consolidated subsidiaries as at and for the years ended December 31, 2022 and 2021, is as follows:

(in millions of Korean won)

Subsidiary	2022			Sales	Profit (loss) for the year	Total comprehensive income (loss)
	Assets	Liabilities	Equity			
Sanchung Beverage Co.,Ltd.	₩ 48,507	₩ 33,319	₩ 15,188	₩ 23,693	₩ 1,585	₩ 1,629
Lotte Akhtar Beverages (Private) Limited	65,789	34,302	31,487	122,900	4,487	4,487
LOTTE Beverage America Corp.	10,970	2,141	8,829	29,913	1,785	1,785
LOTTE Liquor Beijing (China)	1,151	1,018	133	3,700	(607)	(607)
LOTTE Beverages Holdings (Singapore) Pte. Ltd.	8,491	8	8,483	-	(22)	(22)
LOTTE MGS Beverage (Myanmar) Co., Ltd	20,001	20,780	(779)	36,559	(842)	(842)
LOTTE LIQUOR JAPAN CO., LTD	36,939	17,776	19,163	43,649	(55)	(55)
Greenwith	944	52	892	464	19	19
CH Beverage Co., Ltd.	20,721	2,170	18,551	19,029	173	223
CHUNGBUK SOJU CO., LTD.	16,649	15,536	1,113	17,424	276	482
BaekHak Beverage CO., LTD.	63,759	20,764	42,995	52,103	4,404	4,617
BIGSOMBIO ¹	3,689	2,948	741	3,480	35	35
LABIO ¹	100	1	99	-	-	-

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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	
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	

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, 2022:

Subsidiary	Reason
BIGSOMBIO	Direct acquisition of shares
LABIO	Indirect acquisition of shares

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

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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 reporting period commencing January 1, 2022.

*- 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 Korean IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also clarify that contingent assets should not be recognized at the acquisition date. The amendment does not have a significant impact on the 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

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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 amendment does not have a significant impact on the 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 amendment does not have a significant impact on the 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 amendment does not have a significant impact on the 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 1041 *Agriculture* – Measuring fair value

(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, 2022 reporting periods and have not been early adopted by the Group.

- 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 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 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 financial statements.

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

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Single Transaction

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

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

If the entire or a part of financial instrument, whose exercise price is subject to change due to the issuer's share price, is classified as a financial liability, the carrying amount of the financial liability and related gains and losses shall be disclosed. The amendments 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 financial statements.

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.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides

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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.

2.4 Foreign Currency Translation

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(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 (costs).

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 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.

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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 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.

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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 the counterparty.

2.6 Derivative Instruments

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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 Group documents its risk management objective and strategy for undertaking its hedge transactions.

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.

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

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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	5 - 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 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

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

2.17 Application of Interest Rate Benchmark Reform

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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. Meanwhile, details of financial instruments that have yet to transition to an alternative benchmark rate as at December 31, 2022, 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	-	701	-	701
Derivative	8,110	-	8,110	-
Total assets and liabilities for USD LIBOR exposure	₩ 8,110	₩ 57,201	₩ 8,110	₩ 57,201

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

2.18 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.

2.19 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 a 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.

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(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.

2.20 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
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*

2.21 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.

2.22 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

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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 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.

2.23 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

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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.

2.24 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 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.

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2.25 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 applies the practical expedient which has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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

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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 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

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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. Meanwhile, information on critical accounting estimates and assumptions related to the determination of the lease term is presented in Note 3.

(e) Residual value guarantees

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

2.26 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:

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

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Profit or loss by each segment for the years ended December 31, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022					
	Beverage		Liquor		Total	
Total segment revenue	₩	2,138,207	₩	870,923	₩	3,009,130
Inter-segment revenue		(107,674)		(59,709)		(167,383)
Revenue from external customers	₩	2,030,533	₩	811,214	₩	2,841,747
Operating profit	₩	181,105	₩	41,753	₩	222,858
Depreciation and amortization		98,984		64,168		163,152

(in millions of Korean won)

	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	₩	159,329	₩	22,889	₩	182,218
Depreciation and amortization		95,316		62,673		157,989

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, 2022 and 2021, 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, 2022 and 2021, are as follows:

(in millions of Korean won)

	Sales				Non-current assets¹			
	2022		2021		2022		2021	
Korea	₩	2,605,078	₩	2,306,884	₩	2,316,578	₩	2,315,567
Pakistan		122,900		104,166		36,521		31,124
US		29,913		18,966		268		61
Japan		43,597		51,685		648		784
China		3,700		5,389		14		28
Myanmar (including Singapore)		36,559		19,003		6,734		8,090
	₩	2,841,747	₩	2,506,093	₩	2,360,763	₩	2,355,654

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.

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2.27 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 other current assets, and provisions, respectively, in the statement of financial position.

2.28 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.

2.29 Approval of Issuance of the Financial Statements

The consolidated financial statements 2022 were approved for issue by the Board of Directors on February 6, 2023 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 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

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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, 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 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, financial performance, and liquidity 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 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:

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- 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 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

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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, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
USD	₩ 14,896	₩ 32,923	₩ 11,379	₩ 25,844
JPY	1,249	285	1,618	30
EUR	735	4,894	1,811	7,328
Others	1,673	2,041	1,055	2,282

The Group has entered into 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.

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<i>(in millions of Korean won)</i>	2022		2021	
	10% Strengthened	10% Weakened	10% Strengthened	10% Weakened
USD	₩ (1,803)	₩ 1,803	₩ (1,447)	₩ 1,447
JPY	96	(96)	159	(159)
EUR	(416)	416	(552)	552
Others	(37)	37	(123)	123

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.

<i>(in millions of Korean won)</i>	2022		2021	
	10% increase	10% decrease	10% increase	10% decrease
Before income tax	₩ 1,254	₩ (1,254)	₩ 1,145	₩ (1,145)
Tax effect	(303)	303	(277)	277
After income tax	₩ 951	₩ (951)	₩ 868	₩ (868)

(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 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.

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Details of borrowings with floating rate as at December 31, 2022, are as follows, excluding the borrowings for which interest rate swap contracts have been entered into:

<i>(in millions of Korean won)</i>		2022		2021
Short-term borrowings	₩	32,993	₩	30,408
Long-term borrowings		14,350		1,375

The table below summarizes the impact of increases/decreases of interest rate on the Group's profit before income tax for the year. The analysis is based on the assumption that the interest rate has increased/decreased with all other variables held constant.

<i>(in millions of Korean won)</i>	2022		2021	
	100bp increase	100bp decrease	100bp increase	100bp decrease
Profit before income tax	₩	(473)	₩	473
			₩	(318)
			₩	318

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.

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(c) The maximum exposure to credit risk as at December 31, 2022 and 2021, is as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Cash and cash equivalents ¹	₩	344,377	₩	383,750
Long and short-term financial instruments		10,137		15,313
Trade and other receivables		240,122		226,980
Financial assets at fair value through profit or loss		385		445
Held-to-maturity financial assets		352		1,804
Other financial assets		76,276		70,577
	₩	<u>671,649</u>	₩	<u>698,869</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.

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, 2022, and 2021, was determined as follows for trade receivables:

<i>(in millions of Korean won)</i>	2022							
	Current	Within 3 months	Within 6 months	Within 9 months	Within 12 months	Over 12 months	Individual analysis¹	Total
Expected loss rate								
Beverage general	-	0.02%	0.40%	17.50%	57.14%	100.00%	100.00%	1.34%
Beverage hypermarkets	-	-	-	-	-	100.00%	-	-
Liquor	-	0.20%	4.30%	8.54%	17.87%	83.77%	38.37%	6.60%
Others	-	-	-	-	-	26.29%	-	0.54%
Trade receivables								
Beverage general	₩ 4,538	₩ 65,191	₩ 3,738	₩ 40	₩ 7	₩ 173	₩ 786	₩ 74,473
Beverage hypermarkets	-	62,377	101	2	-	4	-	62,484
Liquor	-	68,831	3,067	632	319	2,495	7,878	83,222
Others	-	19,733	236	115	70	426	-	20,580
Loss allowance provision								
Beverage general	₩ -	₩ 14	₩ 15	₩ 7	₩ 4	₩ 173	₩ 786	₩ 999
Beverage hypermarkets	-	-	-	-	-	4	-	4
Liquor	-	139	132	54	57	2,090	3,023	5,495
Others	-	-	-	-	-	112	-	112

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2021

(in millions of Korean won)	2021							
	Current	Within 3 months	Within 6 months	Within 9 months	Within 12 months	Over 12 months	Individual analysis ¹	Total
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

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

4.1.3 Liquidity Risk

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, 2022 and 2021, are as follows:

(in millions of Korean won)	2022			
	Less than 1 year	Between 1 and 2 years	Over 2 years	Total
Trade and other payables ¹	₩ 329,292	₩ -	₩ -	₩ 329,292
Borrowings and debentures ²	578,222	312,095	689,865	1,580,182
Lease liabilities ²	28,595	22,007	19,640	70,242
Other financial liabilities	10,083	2,552	15,454	28,089
	₩ 946,192	₩ 336,654	₩ 724,959	₩ 2,007,805

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<i>(in millions of Korean won)</i>	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>

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.

<i>(in millions of Korean won)</i>	2022	2021
Total liabilities	₩ 2,283,769	₩ 2,151,774
Total equity	1,412,166	1,445,056
Debt ratio	161.7%	148.9%

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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, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	₩ 345,004	₩ 345,004	₩ 384,578	₩ 384,578
Long and short-term financial instruments	10,137	10,137	15,313	15,313
Trade and other receivables	240,122	240,122	226,980	226,980
Held-to-maturity financial assets	352	352	1,804	1,804
Other financial assets ¹	75,887	75,887	70,367	70,367
Financial assets at fair value through profit or loss	385	385	445	445
Financial assets at fair value through other comprehensive income	20,392	20,392	26,245	26,245
	<u>₩ 692,279</u>	<u>₩ 692,279</u>	<u>₩ 725,732</u>	<u>₩ 725,732</u>
Financial liabilities				
Trade and other payables ²	₩ 329,292	₩ 329,292	₩ 305,145	₩ 305,145
Borrowings and debentures ³	1,486,955	1,435,563	1,421,130	1,413,612
Other financial liabilities	28,089	28,089	27,682	27,682
	<u>₩ 1,844,336</u>	<u>₩ 1,792,944</u>	<u>₩ 1,753,957</u>	<u>₩ 1,746,439</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, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022			
	Level 1	Level 2	Level 3	Total
Financial assets/liabilities measured at fair value				
Financial assets at fair value through profit or loss ¹	₩ -	₩ 10,102	₩ 385	₩ 10,487
Financial assets at fair value through other comprehensive income	15,142	-	5,250	20,392
Derivative assets	-	8,844	-	8,844
Derivative liabilities	-	2,552	-	2,552

¹ The deposit for mutual growth cooperation of ₩ 10,000 million in the short-term financial instruments is included.

(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 profit or loss ¹	₩ -	₩ 15,278	₩ 445	₩ 15,723
Financial assets at fair value through other comprehensive income	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.

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, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022		2021	
	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	₩ 445	₩ 6,688	₩ 473	₩ 6,507

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Acquisition		-		480		-		508
Valuation		(60)		(1,918)		(28)		(327)
Ending balance	₩	385	₩	5,250	₩	445	₩	6,688

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, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>		2022					
	Fair value	Level	Valuation techniques	Inputs	Range of inputs (weighted average)		
Financial assets at fair value through profit or loss	₩ 385	3	Net asset value method	N/A	N/A		
Financial assets at fair value through other comprehensive income	5,250	3	Market approach	PER multiples	18.90		
				PBR multiples	0.45~0.67		
				EV/EBITDA	8.98		
<i>(in millions of Korean won)</i>		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	PER multiples	12.35		
				PBR multiples	0.57~1.09		
				EV/EBITDA	10.45		

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 Group measured financial instrument that categorized as level 3 in accordance with the market approach and changes in fair value according to the sensitivity analysis were not calculated.

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, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022				
	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	₩ 345,004	₩ -	₩ -	₩ -	₩ 345,004
Long and short-term financial instruments	35	10,102	-	-	10,137
Trade and other receivables	240,122	-	-	-	240,122
Held-to-maturity financial assets	352	-	-	-	352
Other financial assets ¹	67,043	-	-	8,844	75,887
Financial assets at fair value through profit or loss	-	385	-	-	385
Financial assets at fair value through other comprehensive income	-	-	20,392	-	20,392
	<u>₩ 652,556</u>	<u>₩ 10,487</u>	<u>₩ 20,392</u>	<u>₩ 8,844</u>	<u>₩ 692,279</u>

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	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 value through other comprehensive income	-	-	26,245	-	26,245
	₩ 681,173	₩ 15,723	₩ 26,245	₩ 2,591	₩ 725,732

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, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022		
	Financial liabilities at amortized cost	Derivative instruments	Total
Trade and other payables ¹	₩ 329,292	₩ -	₩ 329,292
Borrowings and debentures	1,486,955	-	1,486,955
Other financial liabilities	25,537	2,552	28,089
	₩ 1,841,784	₩ 2,552	₩ 1,844,336

(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

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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, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022	2021
Financial assets at amortized cost		
Gain on foreign currency translation	₩ 54	₩ 1,562
Gain on foreign exchange transactions	570	434
Reversal of provision for impairment (Impairment loss)	1,288	(1,617)
Other impairment loss	(11)	(188)
Interest income	2,950	1,287
Derivative instruments for hedging		
Gain on valuation of derivative instruments (other comprehensive income) ¹	1,005	2,450
Gain on valuation of derivative instruments	3,031	4,977
Financial assets at fair value through profit or loss		
Gain on valuation of financial assets at fair value through profit or loss	24	67
Gain on disposal of financial assets at fair value through profit or loss	11	-
Financial assets at fair value through other comprehensive income (available-for-sale)		
Dividend income	1,423	1,027
Gain (loss) on valuation of financial assets at fair value (other comprehensive income) ¹	(6,334)	5,560
Interest income	3,758	2,627
Financial liabilities at amortized cost		
Loss on foreign currency translation	(7,252)	(8,209)
Loss on foreign exchange transactions	(1,998)	(798)
Interest expenses	(39,543)	(34,232)

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, 2022 and 2021, are as follows:

(in millions of Korean won)

Description	Depository	2022		2021		Details
Short-term financial instruments	Industrial Bank of Korea	₩	10,000	₩	10,000	Mutual cooperation fund ¹
Long-term financial instruments	Kookmin Bank and others		35		35	Deposit for checking accounts
		₩	10,035	₩	10,035	

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, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022		2021	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 239,771	₩ 988	₩ 228,548	₩ 790
Less: Provision for impairment	(6,608)	(2)	(12,934)	(1)
Trade receivables - net	233,163	986	215,614	789
Non-trade receivables	7,725	-	12,338	689
Less: Provision for impairment	(1,752)	-	(2,450)	-
Non-trade receivables - net	5,973	-	9,888	689
	₩ 239,136	₩ 986	₩ 225,502	₩ 1,478

Movements in the provision for impairment of trade and other receivables for the years ended December 31, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022	2021
Beginning balance	₩ 15,385	₩ 15,718
Impairment loss (reversal)	(1,288)	1,617
Write-off	(5,859)	(1,971)
Business combination ¹	98	-
Collection of receivables written off	32	22
Others	(5)	(1)
Ending balance	₩ 8,363	₩ 15,385

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

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9. Other Financial Assets

Details of other financial assets as at December 31, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022		2021	
	Current	Non-current	Current	Non-current
Accrued income	₩ 145	₩ -	₩ 132	₩ -
Loans	1,399	839	2,803	1,415
Deposits provided	741	63,919	1,464	61,962
Derivative assets	8,844	-	-	2,591
Finance lease receivables	339	50	202	8
	₩ 11,468	₩ 64,808	₩ 4,601	₩ 65,976

10. Inventories

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

(in millions of Korean won)

	2022			2021		
	Acquisition cost	Valuation allowance	Book amount	Acquisition cost	Valuation allowance	Book amount
Finished goods	₩ 125,102	₩ (5,869)	₩ 119,233	₩ 105,394	₩ (4,444)	₩ 100,950
Merchandise	61,497	(1,512)	59,985	57,797	(6,122)	51,675
Semi-finished goods	14,631	-	14,631	13,092	-	13,092
Work-in-process	1,822	-	1,822	969	-	969
Raw materials	81,254	(914)	80,340	76,387	(1,578)	74,809
Sub-materials	536	(37)	499	466	(23)	443
Stored goods	17,255	(1,024)	16,231	13,556	(895)	12,661
Raw materials in transit	31,854	-	31,854	24,051	-	24,051
Merchandise in transit	18,813	-	18,813	26,691	-	26,691
By-product	30	-	30	31	-	31
	₩ 352,794	₩ (9,356)	₩ 343,438	₩ 318,434	₩ (13,062)	₩ 305,372

Inventories recognized as an expense during the year ended December 31, 2022, amounted to ₩ 1,690,404 million (2021: ₩ 1,457,394 million). These were included in 'cost of sales'.

Reversal of loss on valuation of inventories amounted to ₩ 3,706 million (2021: loss on valuation of inventories ₩ 1,974 million). These were recognized as an expense during the year ended December 31, 2022, 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, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022		2021	
	Current	Non-current	Current	Non-current
Prepayments	₩ 49,035	₩ 9,585	₩ 39,583	₩ 862
Prepaid expenses	12,089	2,745	10,082	3,152
Prepaid value added tax	2,181	-	682	-
Right of returned assets	3,849	-	3,218	-
Others	1,740	-	1,428	-
	<u>₩ 68,894</u>	<u>₩ 12,330</u>	<u>₩ 54,993</u>	<u>₩ 4,014</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, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022	2021
Lotte Startup fund No.1	₩ 385	₩ 445

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

(in millions of Korean won)

	2022	2021
Beginning balance	₩ 445	₩ 473
Valuation	<u>(60)</u>	<u>(28)</u>
Ending balance	<u>₩ 385</u>	<u>₩ 445</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, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Equity securities				
Marketable	₩	15,142	₩	19,557
Non-marketable		5,250		6,688
	₩	20,392	₩	26,245

(a) Marketable equity securities

Details of marketable securities as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won and in shares)</i>	2022			2021	
	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	₩ 14,020	₩ 18,118
BIFIDO. Co. Ltd	132,014	1.61	1,682	1,122	1,439
			₩ 15,933	₩ 15,142	₩ 19,557

(b) Non-marketable equity securities

Details of non-marketable securities as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won and in shares)</i>	2022			2021	
	Number of shares	Percentage of ownership (%)¹	Acquisition cost	Carrying amount	Carrying amount
Ordinary shares					
Korea Ethanol Supplies Company	27,840	7.78	₩ 560	₩ 677	₩ 758
Sewang Metal Ind. Co., Ltd.	46,849	8.26	1,643	990	1,367
Seoan Alcohol Co.Ltd.	34,874	8.72	908	2,594	4,055
Gangwon Football Club Co.,Ltd.	10,000	0.55	50	-	-
Worker's High Co., Ltd ²	12,060	21.51	944	944	508
BOTTLEHIKER INC.	1,666	7.69	45	45	-
Others	-	-	49	-	-

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₩ 4,199 ₩ 5,250 ₩ 6,688

¹ It is the percentage of voting rights calculated by the number of shares with voting rights compared to the total number of issued shares.

² Although the Group owns more than 20% of shares of Worker's High Co., Ltd, the Group does not have significant influence over the entity as it does not participate in the decision-making of the investee.

Changes in financial assets at fair value through other comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Beginning balance	₩	26,245	₩	19,936
Acquisition		481		2,190
Disposal		-		(1,441)
Valuation		(6,334)		5,560
Ending balance	₩	20,392	₩	26,245

Details of valuation of financial assets at fair value through other comprehensive income for the years ended December 31, 2022, and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022			2021		
	Acquisition cost	Carrying amount	Gain (loss) on valuation	Acquisition cost	Carrying amount	Gain on valuation
Marketable equity instruments	₩ 15,933	₩ 15,142	₩ (791)	₩ 15,933	₩ 19,557	₩ 3,624
Non-marketable equity instruments	4,199	5,250	1,051	3,718	6,688	2,970
	₩ 20,132	₩ 20,392	₩ 260	₩ 19,651	₩ 26,245	₩ 6,594

14. Held-to-maturity Financial Assets

Details of held-to-maturity financial assets as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
	Current	Non-current	Current	Non-current
Government bonds	₩ 43	₩ 309	₩ 1,466	₩ 338

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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, 2022 and 2021:

Name of entity	Percentage of ownership (%)		Location	Date of financial statements	Remarks
	2022	2021			
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 ²	22.37	22.37	Korea	December 31	Investment

¹ 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.

² The Group invested ₩ 1,020 million to LOTTE Agriculture and Food Fund No.1 during the year ended December 31, 2022.

Details of valuation of investments in associates and joint ventures that are accounted for using the equity method for the years ended December 31, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022					
	Valuation of equity method					
	Beginning balance	Acquisition	Share of profit or loss of associates	Share of other comprehensive income of associates	Retained earnings	Ending balance
Lotte Asahi Liquor Company Ltd.	₩ 9,497	-	₩ 1,654	₩ 7	₩ 91	₩ 11,249
PT LOTTE RND CENTER INDONESIA	306	-	(80)	(3)	-	223
Pepsi-Cola Products Philippines Inc.	124,126	-	586	(3,323)	183	121,572
LOTTE Agriculture and Food Fund No.1	1,190	1,020	(186)	-	-	2,024
	<u>₩ 135,119</u>	<u>₩ 1,020</u>	<u>₩ 1,974</u>	<u>₩ (3,319)</u>	<u>₩ 274</u>	<u>₩ 135,068</u>

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	2021									
	Valuation of equity method									
	Beginning balance	Share of profit or loss of associates	Share of other 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

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:

(in millions of Korean won)

	2022							
	Lotte Asahi Liquor Company Ltd.		PT LOTTE RND CENTER INDONESIA		Pepsi-Cola Products Philippines Inc.		LOTTE Agriculture and Food Fund No.1	
Current assets	₩	18,528	₩	270	₩	251,768	₩	843
Non-current assets		2,815		398		391,211		8,305
Current liabilities	₩	9,133	₩	-	₩	316,577	₩	98
Non-current liabilities		430		-		127,991		-
Sales	₩	32,206	₩	490	₩	908,682	₩	17
Profit (loss) for the year		3,307		(243)		795		(827)
Other comprehensive income		197		-		249		-
Total comprehensive income (loss)	₩	3,504	₩	(243)	₩	1,044	₩	(827)
Dividends received from investees	₩	-	₩	-	₩	-	₩	-

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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	₩	-	₩	-	₩	-	₩	-

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)

	2022						
	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.	₩ 11,780	49.99%	₩ 5,890	₩ 5,359	₩ -	₩ 11,249	
PT LOTTE RND CENTER INDONESIA	668	33.33%	223	-	-	223	
Pepsi-Cola Products Philippines Inc.	198,411	73.58%	145,994	(24,420)	(2)	121,572	
LOTTE Agriculture and Food Fund No.1	9,050	22.37%	2,024	-	-	2,024	

(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

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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

16. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022								
	Land	Buildings	Structures	Machinery	Vehicles	Others	Construction-in-progress	Total	
Beginning balance	₩ 1,020,186	₩ 328,903	₩ 42,439	₩ 419,235	₩ 6,299	₩ 124,317	₩ 106,837	₩ 2,048,216	
Acquisition	86	169	52	5,563	2,046	29,991	113,387	151,294	
Transfer	33,508	33,512	3,050	49,040	32	7,735	(117,272)	9,605	
Disposal	-	(33)	(14)	(2,706)	(7)	(1,954)	-	(4,714)	
Depreciation	-	(13,543)	(3,814)	(61,588)	(1,680)	(36,700)	-	(117,325)	
Impairment loss	-	-	-	(259)	-	(1,894)	-	(2,153)	
Exchange differences	(2,033)	(343)	-	(3,259)	(16)	(1,043)	(438)	(7,132)	
Ending balance	₩ 1,051,747	₩ 348,665	₩ 41,713	₩ 406,026	₩ 6,674	₩ 120,452	₩ 102,514	₩ 2,077,791	
Acquisition cost	₩ 1,101,219	₩ 629,761	₩ 143,782	₩ 1,190,233	₩ 16,467	₩ 590,715	₩ 103,003	₩ 3,775,180	
Accumulated depreciation	-	(198,194)	(89,310)	(642,338)	(9,636)	(442,596)	-	(1,382,074)	
Accumulated impairment loss	(49,472)	(82,902)	(12,759)	(141,821)	(118)	(27,440)	(489)	(315,001)	
Government grants	-	-	-	(48)	(39)	(227)	-	(314)	

<i>(in millions of Korean won)</i>	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)	

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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)

¹ Included in the consolidation scope according to business combination during the year ended December 31, 2021 (Note 42).

Depreciation expense of ₩ 91,066 million (2021: ₩ 88,393 million) was charged to 'cost of sales', ₩ 26,259 million (2021: ₩ 26,211 million) to 'selling and administrative expenses' for the year ended December 31, 2022.

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, 2022, and 2021 are as follows:

(in millions of Korean won)

	2022			2021		
	Liquor segment ¹	CHUNG-BUK SOJU ²	Sanchung Beverage	Liquor segment ¹	CHUNG-BUK SOJU ²	Sanchung Beverage
Impairment loss						
Property, plant and equipment	₩ -	₩ -	₩ -	₩ -	₩ 1,803	₩ -
Intangible assets	-	-	5,044	-	8	11,173
Right-of-use assets	-	-	-	-	94	-
	₩ -	₩ -	₩ 5,044	₩ -	₩ 1,905	₩ 11,173

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, 2022, discount rate and permanent growth rate used for value-in-use calculation are 7.8% (2021: 6.63%) and 1% (2021: 1%), respectively.

As at December 31, 2022, key assumptions used in calculating recoverable amounts of cash-generating units in 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, domestic expected salary growth rate, 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 domestic expected salary growth rate and past ratios of sales, respectively. The fixed overheads is applying domestic expected inflation rate. CAPEX and

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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 at December 31, 2022 and 2021, the impairment test suggests that the recoverable amount of cash generating units exceeds their carrying 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 ₩ 52,029 million and ₩ 8,577 million, respectively, as at December 31, 2022.

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, 2022, discount rate and permanent growth rate used for value-in-use calculation are 12.83% (2021: 10.58%) and 0% (2021: 0%), respectively.

As at December 31, 2022, 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, domestic expected salary growth rate, domestic expected inflation rate and others, respectively. Out of selling and administrative expenses, labor costs and variable overheads are considering domestic expected salary growth rate 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.

Assets provided as collateral

As at December 31, 2022, land, buildings and machinery amounting up to ₩ 74,208 million (2021: ₩ 50,308 million) are provided as collateral for borrowings and payment of liquor tax. Meanwhile, land property, plant and equipment are collateralized in relation to long-term borrowings of Lotte Akhtar Beverages (Private) Limited (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>	2022		2021	
Right-of-use assets				
Properties	₩	38,166	₩	38,822
Equipment		7,748		6,313
Vehicles		21,540		27,511
	₩	<u>67,454</u>	₩	<u>72,646</u>

<i>(in millions of Korean won)</i>	2022		2021	
Lease receivables				
Current	₩	339	₩	202
Non-current		50		8
	₩	<u>389</u>	₩	<u>210</u>
Lease liabilities				
Current	₩	27,297	₩	25,096
Non-current		38,356		45,167
	₩	<u>65,653</u>	₩	<u>70,263</u>

Additions to the right-of-use assets during the 2022 financial year were ₩ 30,389 million (2021: ₩ 25,068 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	2022	2021	
Depreciation of right-of-use assets				
Properties	₩	17,548	₩	16,206
Equipment		1,671		1,566
Vehicles		13,185		12,901
	₩	<u>32,404</u>	₩	<u>30,673</u>
Amount recognized in profit by applying the practical expedient ¹	₩	205	₩	319
Profit from sublease of right-of-use assets		5		2

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Interest expense relating to lease liabilities (included in finance cost)	1,196	948
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	1,026	765
Expense relating to leases of low-value assets that are not short-term leases (included in cost of goods sold and administrative expenses)	874	807
Expense relating to variable lease payments not included in lease liabilities (included in cost of goods sold and administrative expenses)	43,865	34,675

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 2022 was ₩ 77,405 million (2021: ₩ 70,503 million).

18. Investment Properties

Changes in investment properties for the years ended December 31, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022		
	Land	Buildings	Total
Beginning balance	₩ 126,834	₩ 2,599	₩ 129,433
Transfer	(11,616)	(22)	(11,638)
Depreciation	-	(234)	(234)
Exchange differences	(24)	(7)	(31)
Ending balance	<u>₩ 115,194</u>	<u>₩ 2,336</u>	<u>₩ 117,530</u>
Acquisition cost	₩ 115,194	₩ 7,742	₩ 122,936
Accumulated depreciation	-	(5,406)	(5,406)

(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	<u>₩ 126,834</u>	<u>₩ 2,599</u>	<u>₩ 129,433</u>
Acquisition cost	₩ 126,834	₩ 8,138	₩ 134,972
Accumulated depreciation	-	(5,539)	(5,539)

¹ Included in the consolidation scope according to business combination during the year ended December 31, 2021 (Note 42).

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Depreciation expenses are classified as total cost of sales.

Fair value of investment properties as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
	Book amount	Fair value	Book amount	Fair value
Land	₩ 115,194	₩ 353,979	₩ 126,834	₩ 308,311
Buildings	2,336	2,336	2,599	2,599
	<u>₩ 117,530</u>	<u>₩ 356,315</u>	<u>₩ 129,433</u>	<u>₩ 310,910</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, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022	2021
Rental income	₩ 4,879	₩ 4,863
Operating expenses	(2,214)	(1,682)
Depreciation	(234)	(253)
	<u>₩ 2,431</u>	<u>₩ 2,928</u>

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19. Intangible Assets

Changes in intangible assets for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022							
	Goodwill		Intangible assets from business combination¹		Others		Total	
Beginning balance	₩	23,624	₩	55,521	₩	26,213	₩	105,358
Business combination ²		8,950		466		5		9,421
Acquisition		-		-		949		949
Transfer		-		-		2,234		2,234
Disposal		-		-		(55)		(55)
Amortization		-		(7,221)		(5,968)		(13,189)
Impairment loss		(6,656)		-		-		(6,656)
Exchange differences		92		(146)		(20)		(74)
Ending balance	₩	26,010	₩	48,620	₩	23,358	₩	97,988
Acquisition cost	₩	222,637	₩	263,989	₩	66,009	₩	552,635
Accumulated amortization		-		(196,246)		(40,822)		(237,068)
Accumulated impairment loss		(196,627)		(19,123)		(1,829)		(217,579)

<i>(in millions of Korean won)</i>	2021							
	Goodwill		Intangible assets from business combination¹		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)

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).

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Amortization of ₩ 1,777 million (2021: ₩ 1,864 million) is included in 'cost of sales', ₩ 11,412 million (2021: ₩ 10,595 million) to 'selling and administrative expenses' for the year ended December 31, 2022.

The Group recognized total research and development costs of ₩ 1,032 million (2021: ₩ 1,501 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>	2022		2021	
Sanchung Beverage Co, Ltd.	₩	15,869	₩	20,913
BIGSOMBIO		8,950		-
Others		1,191		2,711
	₩	<u>26,010</u>	₩	<u>23,624</u>

The 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 9.35% (2021: 6.98%) and 1% (2021: 1%), respectively.

As at December 31, 2022, 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, and estimated with considering the Group's business plan. The cost of sales is divided 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, variable overheads are applying past ratio by sales, and fixed overheads are applying the domestic expected inflation rate. CAPEX and depreciation were calculated by applying the investment plan in the business plan and depreciation method and useful life of each assets of the Group, respectively. Net working capital was estimated by applying the past average turnover period.

During 2022, as a result of impairment test for goodwill, impairment loss of ₩ 6,656 million (2021: ₩ 11,937 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, 2022 and 2021, are as follows.

<i>(in tCO2-eq, and in millions of Korean won)</i>	2022					
	2021			2022		
	Quantity	Amount		Quantity	Amount	
At January 1	24	₩	159	-	₩	-
Allocation with nil consideration	143		-	143		-
Additional allocation	15		-	24		-
Cancellation	(8)		-	(23)		-
Purchase	-		-	4		58
Surrendered to the government ¹	(163)		-	(158)		-
Disposal	(4)		(119)	-		-
Carried-forward	(7)		(40)	7		40
At December 31 ²	-	₩	-	(3)	₩	98

¹ The amount for the year ended December 31, 2021, represents the finalized actual amount, while the amount for the year ended December 31, 2022, is an estimated quantity.

² The carrying amount of emission permits as at December 31, 2022, is classified as other current assets as the deadline for submission to the government is expected to arrive within one year.

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

¹ The amount for the year ended December 31, 2020, represents the finalized actual amount, while the amount for the year ended December 31, 2021, is an estimated quantity.

There are no emission permits provided as collateral as at December 31, 2022 and 2021.

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20. Trade and Other Payables

Details of trade and other payables as at December 31, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022		2021	
	Current	Non-current	Current	Non-current
Trade payables	₩ 200,946	₩ -	₩ 180,323	₩ -
Non-trade payables	133,969	-	126,637	-
Accrued expenses	55,533	-	49,826	-
	₩ 390,448	₩ -	₩ 356,786	₩ -

21. Borrowings and Debentures

Borrowings and debentures as at December 31, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022		2021	
	Current	Non-current	Current	Non-current
Short-term borrowings	₩ 170,795	₩ -	₩ 32,588	₩ -
Long-term borrowings	73,264	29,033	10,643	116,382
Debentures	307,101	906,762	389,874	871,643
	₩ 551,160	₩ 935,795	₩ 433,105	₩ 988,025

Details of short-term borrowings as at December 31, 2022 and 2021, are as follows:

(in millions of Korean won)

Category	Creditor	Latest maturity date	Annual interest rate (%) as at December 31,		
			2022	2021	
Revolving loans	KEB Hana Bank	-	-	₩ -	₩ 900
General loans	Korea Development Bank	-	-	-	9,500
General loans	Kookmin Bank	2023.09.26	6.00~6.36	3,848	-
Operating loans	Kookmin Bank	2023.07.15	6.16	3,000	-
Operating loans	Korea Development Bank	2023.08.23	3.36~4.86	14,500	-
Secured loans	Allied Bank Limited	2023.04.30	17.50	728	939
Secured loans	Askari Bank Limited	2023.06.30	17.50	509	1,188
Secured loans	The Bank of Punjab Limited	2023.05.31	17.54	552	47
Secured loans	MCB Bank Limited	2023.03.31	16.90	2,230	5,219
Secured loans	Faysal Bank Limited	2023.06.30	16.80	1,403	2,131
Secured loans	Samba Bank Limited	-	-	-	25

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Secured loans	Soneri Bank Limited	-	-	-	160
Secured loans	Meezan Bank Limited	2023.05.31	16.80	2,558	-
General loans	MUFG Bank	2023.08.31	4.14~10.00	39,665	10,249
General loans	Shinhan Bank	2023.08.31	11.50	1,802	2,180
Back-up Line CP ¹	Shinhan Bank	2023.03.29	91 Days CD+1.00	50,000	-
CP	BNK Securities	2023.10.19	5.51	50,000	-
Sales loans	Shinhan Bank	-	-	-	50
				₩ 170,795	₩ 32,588

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 long-term borrowings as at December 31, 2022 and 2021, are as follows:

(in millions of Korean won)

Category	Creditor	Latest maturity date	Annual interest rate (%) as at December 31,		2022	2021
			2022	2021		
General loans	Mizuho Bank, Ltd	2023.11.06	1.66	₩	55,000	₩ 55,000
General loans	Industrial Bank of Korea	2023.07.27	5.04		100	-
Operating loans	Shinhan Bank	2023.10.04	7.68		4,670	4,670
Operating loans	KEB Hana Bank	2023.02.23	2.74		1,000	1,000
Facility loans	KEB Hana Bank	2023.02.23	2.72		1,600	1,600
Facility loans	Korea Development Bank	2030.03.30	1.90~5.50		28,840	10,500
Secured loans	Askari Bank Limited	2026.01.01	17.77~19.00		543	828
Secured loans	Askari Bank Limited	2030.12.29	2.00		281	311
Secured loans	MCB Bank Limited	2028.12.31	17.50		8,340	186
Secured loans	MCB Bank Limited	-	-		-	1,290
Secured loans	Allied Bank Limited	2029.05.31	17.40~18.00		697	361
Secured loans	Allied Bank Limited	2031.08.17	2.00		1,226	1,279
Back-up Line CP	Shinhan Bank	-	-		-	50,000
					102,297	127,025
Less: current portion					(73,264)	(10,643)
					₩ 29,033	₩ 116,382

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Details of debentures that consist of general debentures as at December 31, 2022 and 2021, are as follows:

(in millions of Korean won)

Category	Issuance date	Repayment date	Annual interest rate (%) as at December 31, 2022	2022	2021	Payment for interests
45-2 nd non-guaranteed public debentures	2015.07.14	2022.07.14	-	₩ -	₩ 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
47-2 nd non-guaranteed public debentures	2017.04.21	2022.04.21	-	-	130,000	Payment at the end of every 3 months
47-3 rd non-guaranteed public debentures	2017.04.21	2024.04.21	2.60	50,000	50,000	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	-	-	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	-	-	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	33,780	33,559	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	63,365	59,275	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	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	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	50,000	Payment at the end of every 3 months
56-1 st non-guaranteed public debentures	2022.04.12	2024.04.12	3.87	35,000	-	Payment at the end of every 3 months
56-2 nd non-guaranteed public debentures	2022.04.12	2025.04.11	3.92	235,000	-	Payment at the end of every 3 months
56-3 rd non-guaranteed public debentures	2022.04.12	2032.04.12	4.00	30,000	-	Payment at the end of every 3 months
57 th foreign currency private bond ³	2022.12.22	2024.12.20	4.90	38,019	-	Payment at the end of every 3 months
				1,215,164	1,262,834	
	Less: discount on debentures			(1,301)	(1,317)	
				1,213,863	1,261,517	
	Less: current portion			307,101	389,874	
	Current portion of debentures			307,145	390,000	

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Category	Issuance date	Repayment date	Annual interest rate (%) as at December 31, 2022	2022	2021	Payment for interests
				(44)	(126)	
				₩ 906,762	₩ 871,643	

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, 2022. 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, 2022. Accordingly, interest on these bonds is recognized at a fixed interest rate of ₩ 1,130.00/USD and 1.56% (Note 22).

³ The Group uses currency swap transactions to hedge the cash flow risks arising from changes in exchange rate in relation to the 57th foreign currency private bond as at December 31, 2022. Accordingly, interest on these bonds is recognized at a fixed interest rate of ₩ 1,310.00/USD and 5.22% (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 borrowings and foreign currency debentures. Details of derivative instruments as at December 31, 2022 and 2021, are as follows:

(in millions of Korean won)

Contractor	Purpose of transaction	Type of derivative instruments	Contract Date	Maturity Date	Details	2022		2021	
						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	₩ 368	₩ -	₩ 492	₩ -
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	366	-	-	333
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	8,110	-	2,099	-
MUFG Bank	Hedge	Currency swap	2022-12-22	2024-12-20	4.90% for receipts, 5.22% for KRW payments Exchange rate: ₩ 1,310.00 / USD	-	2,552	-	-
						<u>₩ 8,844</u>	<u>₩ 2,552</u>	<u>₩ 2,591</u>	<u>₩ 333</u>

23. Other Financial Liabilities

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

(in millions of Korean won)

	2022		2021	
	Current	Non-current	Current	Non-current
Guarantee deposit	₩ 10,083	₩ 8,827	₩ 7,931	₩ 14,223
Derivative liabilities	-	2,552	-	333
Other financial liabilities ¹	-	6,627	-	5,195
	<u>₩ 10,083</u>	<u>₩ 18,006</u>	<u>₩ 7,931</u>	<u>₩ 19,751</u>

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 ₩ 6,627 million (2021: ₩ 5,195 million) was recognized as other financial liabilities as at December 31,

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2022 (Note 36).

24. Net Defined Benefit Liabilities

Details of net defined benefit liabilities recognized in the statements of financial position as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Present value of funded defined benefit obligations	₩	238,023	₩	255,375
Fair value of plan assets		(310,407)		(260,101)
Net defined benefit liabilities		3,018		3,228
Net defined benefit assets	₩	75,402	₩	7,954

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

<i>(in millions of Korean won)</i>	2022		2021	
Beginning balance	₩	255,375	₩	213,556
Current service cost and others		26,984		26,366
Interest expense		9,618		5,739
Remeasurements:				
Actuarial loss from change in demographic assumptions		3,329		4,819
Actuarial gain from change in financial assumptions		(44,456)		(5,063)
Actuarial loss from experience adjustments		10,668		20,395
Transfer from/to associate		(1,163)		(370)
Liabilities from business combination ¹		-		4,817
Exchange differences		(8)		(3)
Benefit payments		(22,324)		(14,881)
Ending balance	₩	238,023	₩	255,375

¹ Included in the consolidation scope according to business combination during the year ended December 31, 2021 (Note 42).

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

<i>(in millions of Korean won)</i>	2022		2021	
Beginning balance	₩	260,101	₩	225,292
Interest income		9,975		6,092
Remeasurements:				
Return on plan assets		(4,748)		(2,275)
Benefit payments		(20,850)		(15,407)
Transfer from/to associate		(1,253)		294
Contributions		67,182		43,105
Assets from business combination ¹		-		3,000
Ending balance	₩	<u>310,407</u>	₩	<u>260,101</u>

¹ Included in the consolidation scope according to business combination during the year ended December 31, 2021 (Note 42).

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

<i>(in millions of Korean won)</i>	2022		2021	
	Quoted price	In %	Quoted price	In %
Cash and cash equivalents	₩ 6,922	2.23%	₩ 47,456	18.24%
Beneficiary securities	62,485	20.13%	87,942	33.81%
Equity instruments	141,111	45.46%	54,171	20.83%
Others	99,889	32.18%	70,532	27.12%
	₩ <u>310,407</u>	<u>100.00%</u>	₩ <u>260,101</u>	<u>100.00%</u>

Remeasurements recognized in other comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Before tax effects	₩	25,711	₩	(22,426)
Tax effects		(6,476)		5,471
After tax effects	₩	<u>19,235</u>	₩	<u>(16,955)</u>

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

<i>(in percentage, %)</i>	2022	2021
Discount rate	5.72	3.37
Salary growth rate	3.00	2.98

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%p	6.28% decrease	7.09% increase
Salary growth rate	1.00%p	7.23% increase	6.52% 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 ₩ 4,821 million (2021: ₩ 3,726 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, 2023, are ₩ 21,659 million.

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The expected maturity analysis of discounted pension benefits as at December 31, 2022, 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	₩	24,406	₩	24,545	₩	60,772	₩	128,300	₩	238,023

The weighted average duration of the defined benefit obligation is 7.05 years.

25. Tax Expense and Deferred Tax

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

<i>(in millions of Korean won)</i>	2022		2021	
Current tax:				
Current tax on profits for the year	₩	30,553	₩	19,275
Current tax directly reflected in equity		(187)		-
Adjustments in respect of prior years		(558)		(3,990)
Total current tax		<u>29,808</u>		<u>15,285</u>
Deferred tax:				
Changes in deferred tax		13,774		19,039
Deferred tax relating to items that are charged or credited directly to equity		(5,289)		3,569
Total deferred tax		<u>8,485</u>		<u>22,608</u>
Income tax expense	₩	<u>38,293</u>	₩	<u>37,893</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>	2022		2021	
Profit before income tax expense	₩	169,387	₩	174,970
Tax at domestic tax rates applicable to profits in the respective countries		41,294		43,584
Tax effects of:				
Income not subject to tax		(895)		(4,853)
Expenses not deductible for tax purposes		4,857		3,822
Refund or additional payment of income taxes		(558)		(3,990)
Effects on changes in unrecognized deferred tax		(4,447)		6,818
Tax credits and others		(658)		(1,936)
Others		(1,300)		(5,552)
		<u>(3,001)</u>		<u>(5,691)</u>
Income tax expense	₩	<u>38,293</u>	₩	<u>37,893</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, 2022 and 2021, is as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	₩	1,536	₩	(1,345)
Loss on valuation of derivative instruments		(231)		(593)
Remeasurements of net defined benefit liability		(6,476)		5,471
Other equity		(305)		36
	₩	<u>(5,476)</u>	₩	<u>3,569</u>

The analysis of deferred tax assets and liabilities as at December 31, 2022 and 2021, is as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Deferred tax assets				
Deferred tax asset to be recovered after more than 12 months	₩	126,809	₩	137,926
Deferred tax asset to be recovered within 12 months		11,677		15,963
	₩	<u>138,486</u>	₩	<u>153,889</u>
Deferred tax liabilities				
Deferred tax liability to be recovered after more than 12 months	₩	(235,386)	₩	(237,418)
Deferred tax liability to be recovered within 12 months		(1,516)		(1,632)
		<u>(236,902)</u>		<u>(239,050)</u>
Deferred tax liabilities, net	₩	<u>(98,416)</u>	₩	<u>(85,161)</u>

The movements in deferred tax assets and liabilities for the years ended December 31, 2022 and 2021, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

<i>(in millions of Korean won)</i>	2022													
	Beginning balance		Adjustments		Business combination		Profit or loss		Equity		Exchange differences		Ending balance	
Property, plant and equipment, and intangible assets	₩	40,076	₩	5	₩	-	₩	(10,309)	₩	-	₩	475	₩	30,247
Non-deductible provision for impairment		2,458		-		-		(785)		-		-		1,673
Accrued income		(32)		-		-		(1)		-		-		(33)
Deposits for uncollectible empty bottles		(612)		-		-		28		-		-		(584)
Provision for returns		3,877		3		-		(277)		-		-		3,603
Annual leaves		2,972		1		-		(99)		-		-		2,874

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Long-term employee benefit obligations	7,608	3	-	(471)	-	-	7,140
Valuation allowance of inventories	3,017	63	-	(979)	-	-	2,101
Provision for severance benefits	57,032	12	-	4,523	(7,320)	-	54,247
Severance insurance	(62,108)	(12)	-	(7,442)	844	-	(68,718)
Revaluation of land	(137,420)	-	-	6,580	(118)	152	(130,806)
Valuation of available-for-sale securities	(1,595)	-	-	-	1,536	-	(59)
Valuation of derivative instruments	(26)	-	-	-	(231)	-	(257)
Goodwill	499	-	-	(89)	-	-	410
Lease	(267)	1	-	231	-	-	(35)
Others	(640)	(2)	(102)	531	-	(6)	(219)
	<u>₩ (85,161)</u>	<u>₩ 74</u>	<u>₩ (102)</u>	<u>₩ (8,559)</u>	<u>₩ (5,289)</u>	<u>₩ 621</u>	<u>₩ (98,416)</u>

(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 return	3,901	-	-	(24)	-	-	3,877
Annual leaves	2,910	-	-	62	-	-	2,972
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)

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Others	262	323	1,138	(2,437)	-	74	(640)
	₩ (67,516)	₩ 300	₩ 1,288	₩ (22,908)	₩ 3,569	₩ 106	₩ (85,161)

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

<i>(in millions of Korean won)</i>	2022	2021	Remarks
Investment in subsidiaries and others	₩ 82,651	₩ 83,988	No plan for sale
Treasury stock	-	291	-
Others ¹	13,325	30,881	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, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
	Current	Non-current	Current	Non-current
Provision for returns ¹	₩ 15,623	₩ -	₩ 16,053	₩ -
Provision for restoration costs	-	2,226	-	2,174
Emission obligations ²	147	-	-	-
	₩ 15,770	₩ 2,226	₩ 16,053	₩ 2,174

¹ In relation to the returns, the right of returned assets recognized is ₩ 3,849 million (2021: ₩ 3,218 million) as at December 31, 2022.

² As at December 31, 2022, emission obligations are estimated at 158 thousand tons, and there are emission obligations of ₩ 147 million (2021: nil) to be recognized.

Changes in provisions for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		
	Beginning balance	Increase (decrease)	Ending balance
Provision for returns	₩ 16,053	₩ (430)	₩ 15,623
Provision for restoration costs	2,174	52	2,226
Emission obligations	-	147	147
	₩ 18,227	₩ (231)	₩ 17,996

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	2021			
	Beginning balance	Business combination ¹	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>

¹ Included in the consolidation scope according to business combination during the year ended December 31, 2021 (Note 42).

27. Other Liabilities

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

(in millions of Korean won)

	2022		2021	
	Current	Non-current	Current	Non-current
Withholdings	₩ 5,908	₩ -	₩ 5,474	₩ -
Advance received	1,175	-	1,290	-
Unearned revenue	639	450	866	581
Withholdings of value added tax	25,063	-	23,209	-
Long-term employee benefit liabilities	3,706	27,417	-	31,721
Liquor tax	102,043	-	80,973	-
Others	1,642	-	2,229	-
	<u>₩ 140,176</u>	<u>₩ 27,867</u>	<u>₩ 114,041</u>	<u>₩ 32,302</u>

28. Share Capital and Others

(a) *Share capital*

During 2022, 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 and 775,310 shares, respectively, and par value is ₩ 500 as at December 31, 2022.

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	<u>9,278,884</u>	<u>775,310</u>	<u>₩ 4,639</u>	<u>₩ 388</u>	<u>₩ 5,027</u>

(b) Hybrid bonds

As at December 31, 2022 and 2021, 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	2022	2021
49 th hybrid bonds ²	Non-registered and non-guaranteed subordinated debentures	2019.01.28	2049.01.28	3.49%	₩ -	₩ 150,000
	Issuance costs				-	(540)
					<u>₩ -</u>	<u>₩ 149,460</u>

¹ The maturity can be extended without public notice, and the Group has early redeemed hybrid bonds through the exercise of call option during the year ended December 31, 2022.

² Terms of issuance for Bond-Type hybrid bond as at December 31, 2021, 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) - 2019.01.28 ~ 2022.01.28: fixed rate 3.49% per year
Interest rates	- 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 at every payment date of interest

The hybrid bonds issued by the Group are classified as equity because there are no contractual

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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, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Share premium	₩	132,517	₩	132,517
Other capital adjustments ¹		(45,063)		(45,109)
Loss on capital reduction		(755,650)		(755,650)
Treasury shares ²		-		(8,687)
	₩	<u>(668,196)</u>	₩	<u>(676,929)</u>

¹Other capital adjustments were increased by ₩ 46 million through selling of treasury shares and redemption of hybrid bonds for the year ended December 31, 2022.

²The Group has sold all its treasury shares for the year ended December 31, 2022.

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29. Accumulated Other Comprehensive Income

Accumulated other comprehensive income as at December 31, 2022 and 2021, consist of:

<i>(in millions of Korean won)</i>	2022		2021	
Gain on valuation of financial assets at fair value through other comprehensive income	₩	200	₩	4,998
Gain on valuation of derivative instruments		856		82
Share of other comprehensive loss of associate		(9,592)		(6,272)
Cumulative effect of foreign currency translation		(14,513)		(11,171)
	₩	<u>(23,049)</u>	₩	<u>(12,363)</u>

Changes in accumulated other comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Beginning balance	₩	(12,363)	₩	(21,659)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income				
Gain (loss) on valuation		(6,334)		5,560
Tax effects		1,536		(1,346)
Transfer of gain on disposal of equity investments at fair value through other comprehensive income				
Realized loss		-		(620)
Tax effects		-		150
Gain on valuation of derivative instruments				
Gain on valuation		1,005		2,450
Tax effects		(231)		(593)
Share of other comprehensive loss of associate				
Gain (loss) on valuation		(3,320)		3,996
Tax effects		-		-
Cumulative effect of foreign currency translation				
Loss on valuation		(3,342)		(301)
Tax effects		-		-
Ending balance	₩	<u>(23,049)</u>	₩	<u>(12,363)</u>

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30. Retained Earnings

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

<i>(in millions of Korean won)</i>	2022	2021
Legal reserves		
Earned profit reserves ¹	₩ 3,666	₩ 3,473
Revaluation reserves ²	241,524	241,524
Discretionary reserves		
Revaluation surplus	457,652	457,652
Other discretionary reserves	1,055,656	1,055,656
Retained earnings before appropriation	320,788	203,229
	<u>₩ 2,079,286</u>	<u>₩ 1,961,534</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>	2022	2021
Revenue from contracts with customers		
Sales of finished goods	₩ 2,537,161	₩ 2,023,475
Sales of merchandise	298,799	474,110
Revenue from other sources: rental income and others	5,787	8,508

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>	2022	2021
Contract liabilities - inventory	₩ 1,115	₩ 1,233
Contract liabilities - gift certifications	59	58
Contract liabilities - customer loyalty programme	453	490
Total contract liabilities	<u>₩ 1,627</u>	<u>₩ 1,781</u>

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32. Selling and Administrative Expenses

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

<i>(in millions of Korean won)</i>	2022		2021	
Salaries	₩	198,001	₩	179,544
Bonus		54,451		48,247
Post-employment benefits		21,777		22,814
Employee benefits		69,916		63,289
Travel expenses		4,125		2,578
Communication expenses		3,728		3,606
Utility expenses		3,026		2,306
Rental expenses		20,434		16,924
Repair expenses		18,634		17,768
Vehicle maintenance expenses		14,270		12,174
Insurance premium		1,653		1,534
Freight expenses		164,709		144,615
Commission expenses		81,745		82,869
Sales commission expenses		10,296		11,403
Supplies expenses		13,349		12,402
Advertising expenses		137,250		124,920
Depreciation		53,185		52,051
Amortization		11,412		10,595
Promotional expense		9,342		17,856
Taxes and dues		22,836		21,635
Others		12,259		12,848
	₩	<u>926,398</u>	₩	<u>861,978</u>

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33. Breakdown of Expenses by Nature

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

<i>(in millions of Korean won)</i>	2022		2021	
Changes in inventories	₩	(38,065)	₩	(41,256)
Purchase of raw materials and merchandise		1,320,188		1,145,171
Employee benefits expenses		418,945		383,902
Depreciation and amortization		163,152		157,989
Freight expenses		172,795		152,263
Advertising expenses		137,250		124,922
Other expenses		444,624		400,884
	₩	<u>2,618,889</u>	₩	<u>2,323,875</u>

34. Other Income and Expenses

Details of other income for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Gain on foreign currency transactions	₩	2,550	₩	2,276
Gains on bargain purchase		-		12,428
Gain on disposal of property, plant and equipment		577		37,725
Reversal of impairment loss on property, plant and equipment		-		57
Gain on disposal of right-of-use assets		166		1,294
Gain on disposal of intangible assets		-		6
Miscellaneous gains		8,289		5,808
	₩	<u>11,582</u>	₩	<u>59,594</u>

Details of other expenses for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Loss on foreign currency transactions	₩	4,072	₩	2,700
Donations		5,030		4,291
Loss on disposal of property, plant and equipment		4,535		3,029
Impairment loss on property, plant and equipment		2,153		3,846
Loss on disposal of right-of-use assets		4		29
Impairment loss on right-of-use assets		-		94
Loss on disposal of intangible assets		17		-

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Impairment loss on intangible assets	6,656	11,945
Miscellaneous losses	7,772	11,829
	₩ 30,239	₩ 37,763

35. Finance Income and Costs

Details of finance income for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Dividend income	₩	1,423	₩	1,027
Gain on foreign currency translation		2,354		1,729
Gain on valuation of financial assets at fair value through profit or loss		84		95
Gain on disposal of financial assets at fair value through profit or loss		11		-
Gain on valuation of derivative instruments		4,312		4,977
	₩	8,184	₩	7,828

Details of finance costs for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Interest expenses	₩	40,739	₩	35,180
Loss on foreign currency translation		9,590		8,533
Loss on valuation of financial assets at fair value through profit or loss		60		28
Loss on valuation of derivative instruments		1,281		-
Other impairment loss		11		188
	₩	51,681	₩	43,929

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36. Contingencies and Commitments

Details of the Group's major financial commitments as at December 31, 2022 and 2021, are as follows:

*(in millions of Korean won and
in thousands of foreign currencies)*

	Financial institutions	Credit line			
		2022		2021	
Letters of credit	Woori Bank	USD	10,000	USD	10,000
	KEB Hana Bank ¹	USD	33,500	USD	33,500
	Shinhan Bank	USD	5,000	USD	5,000
	Kookmin Bank	USD	5,000		-
	Industrial Bank of Korea	KRW	300		-
	Shinhan Bank	KRW	5,000	KRW	5,000
	KEB Hana Bank ¹	KRW	35,000		-
	Mizuho Bank, Ltd	KRW	55,000	KRW	55,000
	Sumitomo Mitsui Banking Corporation			- JPY	1,000,000
	MUFG Bank	KRW	30,000		-
General loans	Askari Bank Limited	PKR	642,575	PKR	642,575
	Allied Bank Limited	PKR	1,485,000	PKR	910,000
	Faysal Bank Limited	PKR	710,356	PKR	710,356
	The Bank of Punjab Limited	PKR	650,000	PKR	650,000
	MCB Bank Limited	PKR	3,830,000	PKR	3,830,000
	Soneri Bank Limited	PKR	300,000	PKR	300,000
	Samba Bank Limited	PKR	300,000	PKR	300,000
	Meezan Bank Limited	PKR	700,000		-
	Korea Development Bank	KRW	14,500	KRW	11,500
	Shinhan Bank	KRW	4,670	KRW	4,670
Operating loans	Woori Bank		-	KRW	3,000
	KEB Hana Bank	KRW	1,000	KRW	1,000
	MUFG Bank	USD	5,500	USD	5,500
		MMK	4,000,000	MMK	4,000,000
Facility loans	Korea Development Bank	KRW	35,500	KRW	10,500
	KEB Hana Bank	KRW	1,600	KRW	1,600
Revolving loans	KEB Hana Bank	KRW	1,400	KRW	1,400
	Kookmin Bank	KRW	5,000	KRW	5,000
Bank overdraft	Busan Bank	KRW	2,000	KRW	2,000
	Shinhan Bank	KRW	16,500	KRW	17,000
	KEB Hana Bank	KRW	22,000	KRW	22,000
	Woori Bank	KRW	5,000	KRW	5,000

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	Mizuho Bank, Ltd	JPY	1,000,000		-
	Sumitomo Mitsui Banking Corporation	JPY	1,000,000		-
	Kookmin Bank	KRW	5,000	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
Payment guarantee	KEB Hana Bank ¹	KRW	6,000		-

¹ The Group has entered into line of credit agreements of ₩ 41,000 million (2021: ₩ 41,000 million) for general loans, payment guarantee, D/A, D/P with KEB Hana Bank as at December 31, 2022.

Litigation

As at December 31, 2022, the Group has been named as a defendant in 3 pending litigations amounting to ₩ 3,069 million (2021: 6 litigations amounting to ₩ 1,178 million) in claims, and as a plaintiff in 35 litigations amounting to ₩ 28,366 million (2021: 24 litigations amounting to ₩ 34,230 million). The ultimate outcome of the above litigations cannot be determined as at December 31, 2022.

Royalty agreement

As at December 31, 2022, the Group has entered into a royalty agreement with DEL Monte Fresh Produce Company and others and paid its royalty as 1.10% ~ 4.00% of sales amount or paid by straight line basis.

Brand Use Agreement and others

As at December 31, 2022, the Group has concluded contracts for brand use, management consulting and management support contracts with Lotte Corporation. The use price of the brand is 0.1% ~ 0.2% 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, 2022, 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, 2022, the Group is provided payment guarantees amounting to ₩ 1,823

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million (2021: ₩ 2,154 million) from Seoul Guarantee Insurance Company for approval, performance and deposits, and payment guarantees amounting to ₩ 90 million (2021: ₩ nil) from Korea Credit Guarantee Fund for facility loans. And, the Group is provided payment guarantee with a limit of ₩ 6,000 million (2021: ₩ 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 7,575 thousand (2021: PKR 17,575 thousand), PKR 10,356 thousand (2021: PKR 10,356 thousand), PKR 15,150 thousand (2021: 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 (2021: ₩ 1,123 million) to Capco Energy Solution in relation of an energy efficiency business as at December 31, 2022. Meanwhile, the Group provides a payment guarantee up to ₩ 556 million (2021: ₩ 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% 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 and Gatorade, 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

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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 VENTURES CORPORATION (formerly, 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 ₩ 1,020 million for the year ended December 31, 2022.

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, 2022, a real estate disposal trust contract was concluded with KB Real Estate Trust Co., Ltd. as a trustee for ₩ 490 million (2021: ₩ 490 million) and Korea Land Trust Co., Ltd. as a trustee for ₩ 730 million (2021: ₩ 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

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CH Beverage Co., Ltd.	Yangju, Gyeonggi-do	2018.03.27 ~ 2023.03.26
CH Beverage Co., Ltd.	Cheongju, Chungcheongbuk-do	2022.07.10 ~ 2027.07.09

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, 2022, are as follows:

(in millions of Korean won)

Asset pledged as collateral	Secured party	Carrying amount	Secured amount	Remark
Land	Chungju Tax office	₩ 9,286	₩ 4,808	Security for liquor tax payment of plant in Chungju
Land, buildings and machinery	Korea Development Bank	44,631	69,400	Security for borrowings
		<u>₩ 53,917</u>	<u>₩ 74,208</u>	

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
		<u>₩ 69,615</u>	<u>₩ 50,308</u>	

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, 2022 and 2021, is as follows:

(in millions of Korean won)

	2022	2021
Property, plant and equipment	₩ 5,069	₩ 16,073

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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 per Share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Group by the weighted average number of ordinary shares outstanding during the financial year. Basic earnings per share for the years ended December 31, 2022 and 2021, are as follows:

(a) Basic earnings per share

Basic earnings per ordinary share for the years ended December 31, 2022 and 2021, are as follows:

<i>(in Korean won and in number of shares)</i>	2022	2021
Profit attributable to the equity holders of the Parent Company (A)	₩ 128,410,081,553	₩ 135,515,807,903
(-) Dividends of hybrid securities (B)	387,246,575	5,235,000,000
(-) Profit attributable to preferred shares of the Parent Company (C)	<u>9,675,972,264</u>	<u>8,499,491,265</u>
Profit attributable to the ordinary equity holders of the Parent Company (D=A-B-C)	₩ 118,346,862,714	₩ 121,781,316,638
Weighted average number of ordinary shares outstanding ¹ (E)	<u>9,278,884</u>	<u>9,128,252</u>
Basic earnings per ordinary share (F=D÷E)	<u>₩ 12,754</u>	<u>₩ 13,341</u>

¹ Weighted average number of ordinary shares outstanding for the year ended December 31, 2021, is 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	<u>1,707,314,656</u>
				<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

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Basic earnings per preferred share² for the years ended December 31, 2022 and 2021, are as follows:

<i>(in Korean won and in number of shares)</i>	2022		2021	
Profit attributable to preferred shares of the Parent Company (A)	₩	9,675,972,264	₩	8,499,491,265
Weighted average number of preferred shares outstanding ³ (B)		758,339		636,850
Basic earnings per preferred share (C=A÷B)	₩	12,759	₩	13,346

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

³ Weighted average number of preferred shares outstanding for the year ended December 31, 2022, is as follows:

		2022		
Period	Details	Number of shares outstanding	Days	Weight
2022-01-01~2022-01-17	Number of shares outstanding at the beginning of the year	636,850	17	10,826,450
2022-01-18~2022-03-07	Disposal of treasury shares	735,850	49	36,056,650
2022-03-08~2022-06-13	Disposal of treasury shares	755,850	98	74,073,300
2022-06-14~2022-12-31	Disposal of treasury shares	775,310	201	155,837,310
				276,793,710

³ Weighted average number of preferred shares outstanding for the year ended December 31, 2022: 276,793,710 shares / 365 days = 758,339 shares

(b) Diluted earnings per share

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

38. Dividends

A dividend in respect of the year ended December 31, 2021, amounting to ₩ 27,836 million for ordinary shares and ₩ 1,914 million for preferred shares, was paid to the equity holders of the Group in April 2022 (2021: ordinary dividend of ₩ 24,233 million and preferred dividend of ₩ 1,723 million). A dividend for ordinary shares amounting to ₩ 269 million was paid to the Group's non-controlling shareholders and, the Group has not paid any dividends during the year ended December 31, 2021.

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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, 2022 and 2021, are as follows:

	2022	2021
Parent Company ¹	Lotte Corporation	Lotte Corporation
Associates and joint ventures	Lotte Asahi Liquor Company Ltd., Pepsi-Cola Products Philippines, Inc	Lotte Asahi Liquor Company Ltd., Pepsi-Cola Products Philippines, Inc
Other related parties ²	Daehong Communications Inc., KOREA SEVEN CO., LTD., LOTTE DATA COMMUNICATION COMPANY, LOTTE GRS Co., Ltd., Lotte Confectionery Co., Ltd., Lotte Global Logistics Co., Ltd., Lotte Trading Co., Ltd., Lotte Shopping Co., Ltd., LOTTE CHEMICAL CORPORATION, CS Mart Co., Ltd., LOTTECVS711 Co., LTD., and others	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
Others ³	Hotel Lotte Co., Ltd., Lotte Aluminium Co., Ltd., Lotte Engineering & Construction Co., Ltd., and others	Hotel Lotte Co., Ltd., Lotte Aluminium Co., Ltd., Lotte Engineering & Construction Co., Ltd., and others

¹ Lotte Corporation was 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 as at December 31, 2022 and 2021, by additionally acquiring shares of the Group for the year ended December 31, 2021.

² 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, 2022 and 2021.

³ 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.

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Significant transactions with related parties and accounts receivable, payable balances with related parties as at December 31, 2022 and 2021, are as follows.

Details of the outstanding balances arising from sales/purchases of goods and services as at December 31, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022									
	Sales ¹		Income and others ²		Purchase and others ³		Acquisition of property, plant and equipment, and intangible assets		Acquisition of right-of-use asset	
Parent Company										
Lotte Corporation ⁴	₩	909	₩	-	₩	21,548	₩	-	₩	-
Associate and joint ventures										
Lotte Asahi Liquor Company Ltd.		19		1		5		-		-
Pepsi-Cola Products Philippines, Inc.		214		-		-		-		-
Other related parties										
Lotte giants baseball club		91		-		3,080		-		-
Daehong Communications Inc.		1		-		24,894		1,914		-
KOREA SEVEN CO., LTD.		137,789		-		3,629		-		32
LOTTECVS711 Co., LTD. ⁵		17,513		-		329		-		-
LOTTE GRS Co., Ltd.		18,573		32		-		-		-
LOTTE DATA COMMUNICATION COMPANY		54		-		13,702		4,232		161
Lotte Confectionery Co., Ltd.		1,024		150		19,530		-		-
Lotte Foods Co., Ltd. ⁶		862		75		12,502		-		-
Lotte Global Logistics Co., Ltd.		387		-		157,335		11		11,195
Lotte Shopping Co., Ltd.		43,360		13		4,727		-		7
Lotte Trading Co., Ltd.		1		-		766		-		-
CS Mart Co., Ltd.		8,260		-		87		-		-
LOTTE CHEMICAL CORPORATION		62		-		56,934		205		-
Others		13,766		-		9,576		4		-
Others										
Lotte Aluminum Co., Ltd.		4		-		238,763		2,611		-
Lotte Engineering & Construction Co., Ltd.		2,964		-		122		483		-
LOTTE rental co.,ltd.		117		1		255		-		3,217
Lotte auto lease co.,ltd.		-		-		394		-		1,450
Others		1,536		1		5,732		52		356
	₩	247,506	₩	273	₩	573,910	₩	9,512	₩	16,418

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	2021									
	Sales ¹		Income and others ²		Purchase and others ³		Acquisition of property, plant and equipment, and intangible assets		Acquisition of right-of-use asset	
Parent Company										
Lotte Corporation ⁴	₩	1,260	₩	-	₩	14,517	₩	-	₩	-
Subsidiaries										
BaekHak Beverage Co., Ltd. ⁷		48		8		18,021		84		-
CH Beverage Co., Ltd. ⁷		91		9		9,707		-		-
CHUNGBUK SOJU CO., LTD ⁷		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 ⁸		-		-		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

¹ This includes amounts accounted as a deduction from sales.

² This includes dividend income, rental income and others.

³ This includes purchase of inventories, commission expenses, rental expenses, dividends paid, interest expenses for lease transactions and others.

⁴ Brand usage fees, management support service fees, and others are included.

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⁵ LOTTECVS711 Co., Ltd. (formerly, Ministop Korea Co., Ltd.) was reclassified into subsidiaries of KOREA SEVEN CO., LTD. in 2022.

⁶ Lotte Confectionery Co., Ltd. merged with Lotte Foods Co., Ltd. on July 1, 2022. The transactions of Lotte Foods Co., Ltd. during 2022 are before its merger with Lotte Confectionery Co., Ltd.

⁷ 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.

⁸ 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.

Accounts receivable, payable balances with related parties as at December 31, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022			
	Trade receivables	Other receivables ¹	Trade payables	Other payables ²
Parent Company				
Lotte Corporation	₩ 5	₩ 73	₩ -	₩ 726
Associate and joint ventures				
Lotte Asahi Liquor Company Ltd.	-	-	-	264
Pepsi-Cola Products Philippines, Inc.	43	-	-	-
Other related parties				
Daehong Communications Inc.	-	-	-	7,602
KOREA SEVEN CO., LTD.	8,025	4	-	252
LOTTECVS711 Co., LTD. ³	2,161	-	-	125
LOTTE GRS Co., Ltd.	6,999	11	-	-
LOTTE DATA COMMUNICATION COMPANY	-	-	-	1,899
Lotte Confectionery Co., Ltd. ⁴	24	5,167	1,777	2,615
Lotte Global Logistics Co., Ltd.	-	650	1,151	22,922
Lotte Shopping Co., Ltd.	4,109	10,303	-	10,405
LOTTE CHEMICAL CORPORATION	-	-	5,343	-
Others	2,109	-	571	47
Others				
Lotte Aluminum Co., Ltd.	1	-	72,260	1,839

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Lotte Engineering & Construction Co., Ltd.	17	-	-	12
Hotel Lotte Co., Ltd.	130	3,872	-	590
LOTTE CAPITAL CO., LTD.	-	-	-	209
LOTTE rental co.,Ltd.	-	1	-	7,835
Lotte auto lease co.,Ltd.	-	-	-	14,975
Others	18	4,009	-	204
	<u>₩ 23,641</u>	<u>₩ 24,090</u>	<u>₩ 81,102</u>	<u>₩ 72,521</u>

(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
Lotte Shopping Co., Ltd.	5,940	10,302	-	20,323
LOTTE CHEMICAL CORPORATION	-	-	4,870	-
Others	1,734	11	391	250
Others				
Lotte Aluminum Co., Ltd.	413	-	61,945	2,294
Lotte Engineering & Construction Co., Ltd.	8	-	-	38
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>

¹ This includes leasehold deposits and others.

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

³ LOTTECVS711 Co., Ltd. (formerly, Ministop Korea Co., Ltd.) was reclassified into subsidiaries of KOREA SEVEN CO., LTD. in 2022.

⁴ Lotte Confectionery Co., Ltd. merged with Lotte Foods Co., Ltd. on July 1, 2022.

Although the above receivables are not impaired at the end of the reporting period, the Group established provisions for impairment amounting to ₩ 1,533 million and ₩ 5,861 million as at December 31, 2022 and 2021, respectively, in relation to the future expected credit losses, and recognized impairment loss (reversal) amounting to ₩ (-)7 million and ₩ 358 million for the years ended December 31, 2022 and 2021, respectively.

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

(in millions of Korean won)

	2022			2021		
	Repayment of lease liabilities	Disposal of treasury shares	Contributions in cash	Repayment of lease liabilities	Loans	Collections
Parent Company						
Lotte Corporation ¹	₩ -	₩ 6,851	₩ -	₩ -	₩ -	₩ -
Associate and joint ventures						
LOTTE Agriculture and Food Fund No.1	-	-	1,020	-	-	-
Other related parties						
Lotte Changbai beverage co.,LTD ²	-	-	-	-	1,576	940
Lotte Asset Development CO., LTD	-	-	-	2	-	-
Lotte Confectionery Co., Ltd.	108	-	-	-	-	-
Lotte Food Co., Ltd. ³	108	-	-	216	-	-
Korea Seven Co., Ltd.	46	-	-	67	-	-
LOTTE DATA COMMUNICATION COMPANY	154	-	-	164	-	-
Lotte Shopping Co., Ltd.	5,296	-	-	4,964	-	-
CANON KOREA INC.	1	-	-	1	-	-
LOTTE Himart Co.,Ltd.	67	-	-	103	-	-
Lotte Global Logistics Co.,LTD.	1,166	-	-	-	-	-
Others						
LOTTE rental co.,ltd.	3,828	-	-	3,413	-	-

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Lotte auto lease co.,Ltd.	7,240	-	-	7,152	-	-
LOTTE CAPITAL CO., LTD.	248	-	-	861	-	-
Hotel Lotte Co., Ltd.	-	-	-	2	-	-
LOTTE Property&Development	10	-	-	10	-	-

¹ As Lotte Corporation acquired additional shares of the Group in 2021, the Group was recognized as a subsidiary as at December 31, 2022 and 2021.

² 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.

³ Lotte Confectionery Co., Ltd. merged with Lotte Foods Co., Ltd. on July 1, 2022. The transactions of Lotte Foods Co., Ltd. during 2022 are before its merger with Lotte Confectionery Co., Ltd.

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

Brand Use Agreement and others

As at December 31, 2022, 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 0.1% ~ 0.2% 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, 2022, 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 VENTURES CORPORATION (formerly, Lotte Accelerator Co., Ltd.) to invest ₩ 3,400 million for LOTTE Agriculture and Food Fund No.1

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during 4 years from November 2020, the date of registration as an association, and invested ₩ 1,020 million during the year ended December 31, 2022.

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, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Short-term employee benefits	₩	13,868	₩	12,415
Post-employment benefits		2,402		1,680
Long-term employee benefits		113		(55)
	₩	<u>16,383</u>	₩	<u>14,040</u>

40. Cash Flows

Adjustments for cash flows from operating activities and changes in operating assets and liabilities for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Adjustments for:				
Income tax expense	₩	38,293	₩	37,893
Interest income		(6,708)		(3,914)
Interest expenses		40,739		35,180
Dividend income		(1,423)		(1,027)
Gain on valuation of derivative instruments		(4,312)		(4,977)
Loss on valuation of derivative instruments		1,281		-
Gain on foreign currency translation		(2,354)		(1,729)
Loss on foreign currency translation		9,590		8,533
Gain on foreign currency transactions		(7)		(19)
Loss on foreign currency transactions		93		47
Long-term employee benefit expenses		4,145		5,650
Post-employment benefit		26,609		25,993
Depreciation		149,963		145,530
Amortization		13,189		12,459
Impairment loss (reversal)		(1,288)		1,617
Other impairment loss		11		188
Gain on disposal of property, plant and equipment		(577)		(37,725)
Loss on disposal of property, plant and equipment		4,535		3,029
Impairment loss on property, plant and equipment		2,153		3,846
Reversal of impairment loss on property, plant and equipment		-		(57)

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<i>(in millions of Korean won)</i>	2022		2021	
Gain on disposal of right-of-use assets		(166)		(1,294)
Loss on disposal of right-of-use assets		4		29
Impairment loss on right-of-use assets		-		94
Gain on disposal of intangible assets		-		(6)
Loss on disposal of intangible assets		17		-
Impairment loss on intangible assets		6,656		11,945
Gain on valuation of financial assets at fair value through profit or loss		(84)		(95)
Loss on valuation of financial assets at fair value through profit or loss		60		28
Gain on disposal of financial assets at fair value through profit or loss		(11)		-
Share of profit of associates and joint ventures		(1,974)		(3,107)
Gains on bargain purchase		-		(12,428)
Others		(40)		1,611
	₩	278,394	₩	227,294
Change in operating assets and liabilities:				
Decrease (increase) in trade and other receivables	₩	(15,014)	₩	14,166
Increase in inventories		(41,646)		(44,514)
Decrease (increase) in other current assets		(11,451)		1,882
Decrease (increase) in other current financial assets		1,227		(108)
Increase in trade and other payables		39,060		39,363
Decrease in current portion of provisions		(430)		(91)
Increase in other current financial liabilities		1,093		832
Increase in other current liabilities		22,156		16,305
Increase (decrease) in other financial liabilities		(795)		1,774
Payment of post-employment benefits		(22,324)		(14,881)
Increase in plan assets		(46,332)		(27,698)
Payment of long-term employee benefits		(4,743)		(3,542)
	₩	(79,199)	₩	(16,512)

Non-cash investing and financing transactions that are not included in the statements of cash flows for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Reclassification of debentures to current portion	₩	307,101	₩	389,874
Reclassification of long-term borrowings to current portion		63,994		1,473
Decrease in non-trade payables due to acquisition of property, plant and equipment, and intangible assets		(843)		(2,489)

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Increase (decrease) in receivables due to disposal of property, plant and equipment, and intangible assets	(1)	12
Increase in right-of-use assets - implementation of Korean IFRS 1116 <i>Lease</i>	30,389	25,068
Increase in other financial liabilities due to shareholders' agreement	-	4,372

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

(in millions of Korean won)

	Liabilities from financing activities			
	Lease liabilities	Short-term borrowings	Long-term borrowings	Debentures
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
At January 1, 2022	₩ 70,263	₩ 32,588	₩ 127,025	₩ 1,261,517
Cash flows	(30,905)	90,895	26,769	(51,427)
Increases	28,912	-	-	-
Business combination ¹	60	-	100	-
Exchange differences	87	(2,688)	(1,673)	3,031
Other non-financial changes	(2,764)	50,000	(49,924)	742
At December 31, 2022	₩ 65,653	₩ 170,795	₩ 102,297	₩ 1,213,863

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

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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, 2022 and 2021, is as follows:

(in millions of
Korean won)

	Non-controlling interest rate (%)	2022						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	Dividends to non-controlling interests	Others		
Lotte Akhtar Beverages (Private) Limited	48.00	₩ 12,301	₩ -	₩ 2,261	₩ -	₩ (2,220)	₩ 12,342	
LOTTE MGS Beverage (Myanmar) Co., Ltd.	22.21	(10)	-	(187)	-	24	(173)	
BaekHak Beverage CO., LTD.	13.94	6,035	-	592	(269)	30	6,388	
BIGSOMBIO	47.07	-	503	18	-	-	521	
LABIO	20.00	-	20	-	-	-	20	
		₩ 18,326	₩ 523	₩ 2,684	₩ (269)	₩ (2,166)	₩ 19,098	

(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 Beverage (Myanmar) Co., Ltd.	22.21	(217)	-	(1,087)	1,294	(10)	
BaekHak Beverage CO., LTD.	13.94	-	5,528	505	2	6,035	
		₩ 10,258	₩ 5,528	₩ 1,561	₩ 979	₩ 18,326	

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

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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, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022	2021
Carrying amount of non-controlling interests acquired	₩ -	₩ 4,687
Consideration paid to non-controlling interests	-	(6,077)
Net effect on equity	<u>₩ -</u>	<u>₩ (1,390)</u>

42. Business Combination

In September 2022, the Group acquired 52.93% shares of BIGSOME BIO for ₩ 9,516 million. Meanwhile, BIGSOME BIO established LABIO during the year ended December 31, 2022, and the Group holds 80% of shares of LABIO through its subsidiary, BIGSOME BIO.

(a) BIGSOME BIO

Details of the purchase consideration for BIGSOME BIO, 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	₩ 9,516
Recognized amounts of acquired identifiable assets and assumed liabilities	
Cash and cash equivalents	872
Trade and other receivables	1,063
Intangible assets	471
Right-of-use assets	59
Other assets	27
Trade and other payables	(981)
Borrowings	(100)
Lease liabilities	(60)
Deferred tax liabilities	(102)
Other liabilities	(180)
Net identifiable assets acquired	<u>1,069</u>
Non-controlling interests	<u>(503)</u>
Goodwill	<u>₩ 8,950</u>

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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:

<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	<u>16,304</u>
Gains on bargain purchase	<u>₩ (3,037)</u>

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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	<u>3,157</u>
Gains on bargain purchase	<u>₩ (968)</u>

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(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
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	<u>35,853</u>
Non-controlling interests	<u>(5,528)</u>
Gains on bargain purchase	<u>₩ (8,423)</u>

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43. Events After the Reporting Period

The Group has entered into a shareholder's agreement with the holders of the remaining shares of BIGSOMEBIO in January 2023. In case that the Group wants to transfer the shares of BIGSOMEBIO to the third party, the holders of the remaining shares 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. Meanwhile, the holders of the remaining shares have put options for remaining shares of 47.04%. The put option can be exercised at the time stipulated in the shareholder's agreement for 5 years from the date of the contract, and the exercise price per share is the fair value at the time the option is exercised. Also, the Group may exercise call option for all or part of the remaining shares, which the shareholders have not exercised the put option when the period for exercise of the put option by the holders of the remaining shares terminates.

The Parent Company established Lotte Chilsung(shanghai) Beverage Co., Ltd in January 2023.

The Parent Company issued debentures of ₩ 250,000 million for the purpose of operation and repayment of debts in February 2023.