KT&G Corporation

Interim separate financial statements
for each of the six-month periods ended June 30, 2026 and 2025
with the independent auditor's review report

KT&G Corporation

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Report on review of interim separate financial statements

(English translation of a report originally issued in Korean)

The Shareholders and Board of Directors
KT&G Corporation

We have reviewed the accompanying interim separate financial statements of KT&G Corporation (the "Company"), which comprise the interim separate statement of financial position as of June 30, 2026, and the related interim separate statements of comprehensive income for each of the three-month and six-month periods ended June 30, 2026 and 2025, interim separate statements of changes in equity and interim separate statements of cash flows for each of the six-month periods ended June 30, 2026 and 2025 and a summary of material accounting policy information and other explanatory information.

Management's responsibility for the interim separate financial statements

Management is responsible for the preparation and presentation of these interim separate financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS") 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of interim separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on these interim separate financial statements based on our review.

We conducted our review in accordance with the Review Standards for Quarterly and Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing ("KSA") and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim separate financial statements are not prepared, in all material respects, in accordance with KIFRS 1034 *Interim Financial Reporting*.

Other matters

We have audited the separate statement of financial position as of December 31, 2025, and the related separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended (not presented herein) in accordance with KSA, and our report dated March 4, 2026 expressed an unqualified opinion thereon. The accompanying separate statement of financial position as of December 31, 2025, presented for comparative purposes, is not different, in all material respects, from the above audited separate statement of financial position.

EY Han Young

August 7, 2026

This review report is effective as of August 7, 2026, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's review report to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim separate financial statements and may result in modifications to this review report.

KT&G Corporation

Interim separate financial statements

for each of the six-month periods ended June 30, 2026 and 2025

“The accompanying interim separate financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Company.”

Kyung-Man Bang
Chief Executive Officer
KT&G Corporation

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KT&G Corporation

Interim separate statements of financial position

as of June 30, 2026 (unaudited) and December 31, 2025

(in millions of Korean won)

	Notes		June 30, 2026		December 31, 2025
Assets					
Current assets					
Cash and cash equivalents	24,25	₩	198,504	₩	134,151
Current other financial assets	24,25		132,227		130,600
Current financial assets measured at fair value through profit or loss	24,25		185,330		-
Trade and other receivables	5,18,23,24		2,423,972		2,043,849
Derivative assets	24,25		507		4,965
Inventories	6		1,300,996		1,358,973
Refund assets and others			310		458
Accrued tobacco excise and other taxes			273,689		282,049
Advanced payments			50,166		1,464
Prepaid expenses			35,067		50,332
Assets held for sale	13		83,362		41,298
Total current assets			4,684,130		4,048,139
Non-current assets					
Long-term other financial assets	24,25		38,023		38,017
Long-term deposits in MSA Escrow Fund	24,25		1,787,978		1,676,086
Long-term financial assets measured at fair value through profit or loss	24,25		298,211		331,578
Long-term trade and other receivables	5,23,24		380,570		381,300
Long-term financial assets measured at fair value through other comprehensive income or loss	24		117,982		156,107
Investments in associates and joint ventures	7,23,25		779,985		776,062
Investments in subsidiaries	8,23,25		1,684,667		1,772,866
Property, plant and equipment	9,23,25		1,435,380		1,392,756
Intangible assets	10		138,752		138,263
Investment properties	11,25		504,047		556,096
Right-of-use assets	12		17,673		18,796
Long-term prepaid expenses			26,636		21,735
Deferred income tax assets	22		-		21,123
Net defined benefit assets	16		35,159		35,368
Total non-current assets			7,245,063		7,316,153
Total assets		₩	11,929,193	₩	11,364,292
Liabilities					
Current liabilities					
Short-term borrowings	14,24,25	₩	450,000	₩	300,000
Current portion of bonds	15,24		429,771		329,742
Trade and other payables	23,24		1,326,135		1,227,066
Derivative liabilities	24,25		20,925		8,540
Current lease liabilities	23,24		7,579		6,918
Advance receipts	18		65,237		22,523
Current refund liabilities and provisions	17		12,314		9,700
Current income tax liabilities	22		143,449		183,079
Tobacco excise and other taxes payables			573,858		545,951
Total current liabilities			3,029,268		2,633,519
Non-current liabilities					
Long-term bonds	15,24		790,090		907,350
Long-term trade and other payables	23,24		232,369		257,545
Long-term lease liabilities	23,24		9,857		11,514
Long-term advance receipts	18		2,155		2,460
Long-term refund liabilities and provisions	17		3,531		3,563
Deferred income tax liabilities	22		45,410		-
Total non-current liabilities			1,083,412		1,182,432
Total liabilities		₩	4,112,680	₩	3,815,951

(in millions of Korean won)	Notes		June 30, 2026		December 31, 2025
Equity					
Share capital		₩	954,959	₩	954,959
Other capital surplus			5,070		5,628
Treasury shares			-		(835,255)
Gain on disposal of treasury shares			530,357		529,633
Other Components of Equity			19,106		15,433
Retained earnings			6,307,021		6,877,943
Total equity		₩	7,816,513	₩	7,548,341
Total liabilities and equity		₩	11,929,193	₩	11,364,292

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

KT&G Corporation
Interim separate statements of comprehensive income
for each of the three-month and six-month periods ended June 30, 2026 and 2025 (unaudited)

(in millions of Korean won)

	Notes	June 30, 2026 Three-month period ended	June 30, 2026 Six-month period ended	June 30, 2025 Three-month period ended	June 30, 2025 Six-month period ended
Sales	4,23	₩ 1,155,049	₩ 2,169,051	₩ 1,046,381	₩ 1,963,606
Manufacture of tobacco		929,169	1,760,999	829,798	1,575,538
Real estate	18	159,732	278,171	136,504	229,011
Exports of leaf tobacco and others		66,148	129,881	80,079	159,057
Cost of sales	23	(572,380)	(1,124,753)	(560,080)	(1,019,673)
Manufacture of tobacco		(429,729)	(865,918)	(412,903)	(754,779)
Real estate	18	(113,015)	(199,623)	(94,740)	(159,741)
Exports of leaf tobacco and others		(29,636)	(59,212)	(52,437)	(105,153)
Gross profit		582,669	1,044,298	486,301	943,933
Selling, general and administrative expense	19,23	(258,055)	(464,558)	(198,850)	(457,450)
Operating profit		324,614	579,740	287,451	486,483
Other income	20,23,24	149,354	337,581	84,388	142,582
Other expense	20,23,24	(36,854)	(117,293)	(250,658)	(277,349)
Finance income	21,23,24	42,087	167,350	90,131	137,323
Finance costs	21,23,24	(20,828)	(44,307)	(20,506)	(33,792)
Profit before income tax		458,373	923,071	190,806	455,247
Income tax expense	22	(110,595)	(209,651)	(37,199)	(94,007)
Profit for the period		₩ 347,778	₩ 713,420	₩ 153,607	₩ 361,240
Other comprehensive income(loss) for the year after income tax					
Items that will not be reclassified to profit or loss					
Re-measurements of net defined benefit liabilities		₩ 12,508	₩ 10,805	₩ (3,437)	₩ (3,203)
Gain (loss) on valuation of financial assets measured at fair value through other comprehensive income or loss		6,763	19,968	39,165	37,528
		19,271	30,773	35,728	34,325
Total comprehensive income for the period		₩ 367,049	₩ 744,193	₩ 189,335	₩ 395,565
Earnings per share					
Basic and diluted *(in Korean won)*		₩ 3,350	₩ 6,873	₩ 1,424	₩ 3,349

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

KT&G Corporation
Interim separate statements of changes in equity
for each of the six-month periods ended June 30, 2026 and 2025 (unaudited)

(in millions of Korean won)	Share capital	Other capital surplus	Treasury shares	Gains on disposal of treasury shares	Other Components of Equity	Retained earnings	Total equity
Balance as of January 1, 2025	₩ 954,959	₩ 5,028	₩ (1,030,541)	₩ 529,029	₩ (32,617)	₩ 7,281,638	₩ 7,707,496
Total comprehensive income (loss) for the period							
Profit for the period	-	-	-	-	-	361,240	361,240
Other comprehensive income (loss) for the period:							
Re-measurements of net defined benefit liabilities	-	-	-	-	-	(3,203)	(3,203)
Gain on valuation of finacial assets measured at fair value through other comprehensive income or loss	-	-	-	-	37,528	-	37,528
Subtotal other comprehensive income (loss) for the period	-	-	-	-	37,528	(3,203)	34,325
Total comprehensive income for the period	-	-	-	-	37,528	358,037	395,565
Transactions with owners of the Company:							
Dividends	-	-	-	-	-	(453,068)	(453,068)
Retirement of treasury shares	-	-	194,258	-	-	(194,258)	-
Share-based payment	-	(394)	1,028	778	-	-	1,412
Total transactions with owners of the Company	-	(394)	195,286	778	-	(647,326)	(451,656)
Balance as of June 30, 2025	₩ 954,959	₩ 4,634	₩ (835,255)	₩ 529,807	₩ 4,911	₩ 6,992,349	₩ 7,651,405
Balance as of January 1, 2026	₩ 954,959	₩ 5,628	₩ (835,255)	₩ 529,633	₩ 15,433	₩ 6,877,943	₩ 7,548,341
Total comprehensive income (loss) for the period							
Profit for the period	-	-	-	-	-	713,420	713,420
Other comprehensive income (loss) for the period:							
Re-measurements of net defined benefit liabilities	-	-	-	-	-	10,805	10,805
Gain on valuation of finacial assests measured at fair value through other comprehensive income or loss	-	-	-	-	19,968	-	19,968
Gain or loss on disposal of financial assets measured at fair value through other comprehensive income transferred to retained earnings	-	-	-	-	(16,295)	16,295	-
Subtotal other comprehensive income (loss) for the period	-	-	-	-	3,673	27,100	30,773
Total comprehensive income for the period	-	-	-	-	3,673	740,520	744,193
Transactions with owners of the Company:							
Dividends	-	-	-	-	-	(477,530)	(477,530)
Retirement of treasury shares	-	-	833,912	-	-	(833,912)	-
Share-based payment	-	(558)	1,343	724	-	-	1,509
Total transactions with owners of the Company	-	(558)	835,255	724	-	(1,311,442)	(476,021)
Balance as of June 30, 2026	₩ 954,959	₩ 5,070	₩ -	₩ 530,357	₩ 19,106	₩ 6,307,021	₩ 7,816,513

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

KT&G Corporation

Interim separate statements of cash flows

for each of the six-month periods ended June 30, 2026 and 2025 (unaudited)

(in millions of Korean won)	Notes		June 30, 2026		June 30, 2025
Cash flows from operating activities		₩	438,834	₩	337,306
Cash generated from operations	26		633,810		509,360
Income taxes paid			(194,976)		(172,054)
Cash flows from investing activities			28,178		(282,426)
Interest received			61,913		55,248
Dividends received			88,107		73,642
Decrease in current financial assets measured at fair value through profit or loss			-		16,372
Decrease in long-term financial assets measured at fair value through profit or loss			16,743		3,061
Decrease in financial assets measured at fair value through other comprehensive income or loss			65,667		-
Decrease in long-term deposits			-		133
Disposal of property, plant and equipment			1,899		1,083
Disposal of intangible assets			4,051		3,652
Disposal of investment properties			-		8,065
Disposal of assets held for sale			10,168		175
Disposal of investments in associates and joint ventures			73		-
Disposal of investments in subsidiaries			-		35,000
Collection of loans			14,614		11,086
Collection of guarantee deposits			114		75
Changes in investments in subsidiaries			170,573		-
Increase in other financial assets			(6)		(37,880)
Increase in current financial assets measured at fair value through profit or loss			(152,531)		-
Increase in long-term financial assets measured at fair value through profit or loss			(12,712)		(16,116)
Increase in long-term deposits			(1,456)		-
Acquisition of property, plant and equipment			(68,608)		(97,168)
Acquisition of intangible assets			(18,943)		(11,945)
Acquisition of investment properties			(806)		(1,132)
Acquisition of investments in associates and joint ventures			(4,000)		(3,000)
Acquisition of investments in subsidiaries			(17,825)		(67,348)
Increase in loans			(128,585)		(255,352)
Increase in guarantee deposits			(272)		(77)
Cash flows from financing activities			(418,987)		(150,003)
Interest paid			(36,751)		(27,829)
Dividends paid			(477,528)		(453,068)
Proceeds in short-term borrowings			1,875,000		1,725,000
Repayment of short-term borrowings			(1,725,000)		(1,815,000)
Proceeds from issuance of bond			-		425,260
Repayment of bond			(50,000)		-
Repayment of lease liabilities			(4,708)		(4,366)
Net increase (decrease) in cash and cash equivalents			48,025		(95,123)
Cash and cash equivalents at the beginning of the period			134,151		588,812
Effect of exchange rate fluctuation on cash and cash equivalents			16,328		(28,813)
Cash and cash equivalents at the end of the period		₩	198,504	₩	464,876

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

1. Overview of the Company

KT&G Corporation (the “Company”) is engaged in manufacturing and selling tobaccos. As of June 30, 2026, the Company has four manufacturing plants, including the Daejeon plant, and 11 local headquarters and 88 branches for the sale of tobacco throughout the country. Also, the Company has the Gimcheon plant for fabrication of leaf tobacco and the Sejong printing plant for manufacturing of packaging material. The headquarters of the Company is located at 71, Beotkkot-gil, Daedeok-gu, Daejeon.

The Company was established as a government-owned enterprise pursuant to the Korea Monopoly Corporation Act on April 1, 1987. On April 1, 1989, the Company changed its name to Korea Tobacco and Ginseng Corporation pursuant to the Korea Tobacco and Ginseng Corporation Act. In order to secure financing and promote efficient management of monopoly business of red ginseng and tobacco, the Company was excluded from the application of Framework Act on the Management of Government-Invested Institutions and became an entity existing and operating under the Commercial Act of Korea, pursuant to the *Act on Improvement of Managerial Structure and Privatization of Public Enterprises*, proclaimed on August 28, 1997, and enforced on October 1, 1997.

The shareholders approved a plan to separate the Company into two companies by setting up a subsidiary for its red ginseng business segment effective from January 1, 1999, pursuant to the Korean government’s privatization program and management reorganization plan. The separation into a wholly owned subsidiary, Korea Ginseng Corporation, was accomplished by the Company’s contribution of the assets and liabilities in the red ginseng business segment. On December 27, 2002, the Company changed its name again to KT&G Corporation from Korea Tobacco and Ginseng Corporation.

On October 8, 1999, the Company sold 28,650,000 shares of government-owned interest to the public and listed its shares on Korea Exchange. The Company listed 45,400,000 and 35,816,658 shares of Global Depositary Receipts (“GDRs”) on Luxembourg Stock Exchange, on October 31, 2001 and on October 17, 2002, respectively (each GDR represents the right to receive one-half ordinary share of the Company). Then on June 25, 2009, the Company changed the trading market for its GDRs from BdL Market to Euro MTF, both within the Luxembourg Stock Exchange.

2. Material Accounting Policies

2.1 Basis of Preparation

The interim separate financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (“KIFRS”) 1034 *Interim Financial Reporting*. The accompanying interim separate financial statements have been translated into English from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent auditor’s review report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

The Company’s interim separate financial statements should be read in conjunction with its year-end separate financial statements, since the interim separate financial statements do not include all information and notes that are required for the year-end separate financial statements.

For the six-month period ended June 30, 2026, the Company has changed the presentation and classification system of equity items to enhance the understandability and comparability of the financial statements. Dividend-distributable reserves have been reclassified as retained earnings, while other items within reserves have been reclassified as other components of equity. This change in presentation and classification does not affect the total equity or profit for the year. The comparative financial statements presented for the year ended December 31, 2025 have been restated to reflect this change. The adjustments were not due to material errors or changes in accounting policy, and have been reflected appropriately in accordance with KIFRS.

2.2 New and Amended Standards and Interpretations Adopted by the Company

The Company has not early adopted any standards, interpretations or amendments that have been published but are not yet effective for the reporting period. There are various amendments and interpretations which have been applied for the first time in 2026. As of June 30, 2026, these amendments and interpretations do not have a significant impact on the interim separate financial statements.

2.2 New and Amended Standards and Interpretations Adopted by the Company (Cont'd)

(a) Amendments to KIFRS 1109 *Financial Instruments* and KIFRS 1107 *Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments*

Amendments to KIFRS 1109 *Financial Instruments* and KIFRS 1107 *Financial Instruments: Disclosures* include:

- a clarification that a financial liability is derecognized on the "settlement date" and the introduction of an accounting policy choice (if specific conditions are met) to derecognize financial liabilities settled using an electronic payment system before the settlement date;

- additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed;

- clarifications on what constitute "non-recourse features" and what are the characteristics of contractually linked instruments; and

- the introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

(b) Annual Improvements to KIFRS – Volume 11

The annual improvements to KIFRS – Volume 11 have been issued to enhance consistency of requirements between standards, clarify ambiguous parts and improve understandability.

- KIFRS 1101 *First-time Adoption of KIFRS*: *Hedge accounting by a first-time adopter*

- KIFRS 1107 *Financial Instruments: Disclosures*: *Gain or loss on derecognition and implementation guidance*

- KIFRS 1109 *Financial Instruments*: *Derecognition of lease liabilities and definition of transaction price*

- KIFRS 1110 *Consolidated Financial Statements*: *Determination of a 'de facto agent'*

- KIFRS 1007 *Statement of Cash Flows*: *Cost method*

2.2 New and Amended Standards and Interpretations Adopted by the Company (Cont'd)

(c) Amendments to KIFRS 1109 *Financial Instruments* and KIFRS 1107 *Financial Instruments: Disclosures – Contracts Referencing Nature-dependent Electricity*

Amendments to KIFRS 1109 and KIFRS 1107 - *Contracts Referencing Nature-dependent Electricity* have been issued. The amendments:

- clarify the application of the "own-use" requirements for in-scope contracts;
- amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts; and
- add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows.

The following new and amended accounting standards and interpretations had been issued but were not mandatory for annual reporting periods ending on December 31, 2026.

(a) KIFRS 1118 Presentation and Disclosure in Financial Statements

- Major Changes in Accounting Policies

KIFRS 1118 *Presentation and Disclosure in Financial Statements* replaces KIFRS *1001 Presentation of Financial Statements*. KIFRS 1118 is expected to increase comparability of the financial performance of similar entities by providing users with more useful information for analyzing and comparing the entity's performance based on the income statement.

KIFRS 1118 should be first applied for annual periods beginning on or after January 1, 2027, and earlier application is permitted. In accordance with KIFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors*, the comparative information for the year ended December 31, 2026, shall be restated under KIFRS 1118 as the Company is required to apply the standard retrospectively.

When the Company prepares its financial statements by applying KIFRS 1118, the following material accounting policies are expected to result in significant differences compared to the current financial statements. These items do not include all differences that may arise in the future and may be subject to change based on the results of additional analysis.

- Changes in presentation of income statement

KIFRS 1118 requires all income and expenses in the income statement to be classified into one of five categories: the operating category, investing category, financing category, income taxes category, and discontinued operations category. Under the standard, all income and expenses that are not classified as investing, financing, income tax, or discontinued operations categories are classified in the operating category. Accordingly, the operating category is a residual category, and operating profit or loss is defined as the total of income and expenses classified within that category.

2.2 New and Amended Standards and Interpretations Adopted by the Company (Cont'd)

In classifying income and expenses, the Company is required to assess its main business activities. If the Company determines that investing in particular types of assets or providing financing to customers is a main business activity, income and expenses that would otherwise be classified in the investing or financing categories are classified instead in the operating category.

As a consequence, operating profit or loss determined in accordance with KIFRS 1118 may differ significantly from operating profit calculated under KIFRS 1001, which has generally been defined as revenue less cost of sales and selling, general and administrative expenses. KIFRS 1118 requires the Company to disclose, in the notes, the operating profit or loss calculated in accordance with KIFRS 1001, together with a reconciliation between that amount and operating profit or loss as defined by KIFRS 1118.

In addition, KIFRS 1118 requires the Company to present the following defined subtotals in the income statement : "operating profit or loss" comprising all income and expenses classified in the operating category; "profit or loss before financing and income taxes" comprising operating profit or loss and all income and expenses classified in the investing category; and "profit or loss" for the period. However, if providing financing to customers is a main business activity of the Company, the presentation of profit or loss before financing and income taxes may not be required, depending on the accounting policy applied.

- Introduction of disclosure of management-defined performance measures

KIFRS 1118 introduces requirements for the disclosure of management-defined performance measures (MPMs). MPMs are defined as subtotals of income and expenses that are used by management in public communications outside the financial statements, are used to communicate management's view of an aspect of the Company's financial performance, and are not listed in paragraph 118 of KIFRS 1118 or otherwise explicitly required to be presented or disclosed by KIFRS.

When the Company reports MPMs, it is required to disclose the reasons why such measures provide useful information, how those measures are calculated, and a reconciliation between those measures and the most directly comparable subtotal specified in KIFRS 1118. In addition, the Company shall disclose the income tax effect of each reconciling item and the effect of each reconciling item on non-controlling interests.

- Changes in classification of cash flows

In accordance with the issuance of KIFRS 1118, certain amendments have been made to KIFRS 1007 *Statement of Cash Flows*. Under the amendment, when applying the indirect method, the starting point for determining net cash flows from operating activities has been changed from profit or loss for the period to operating profit or loss, and the accounting policy choice regarding the classification of cash flows related to interest and dividends has been eliminated.

2.2 New and Amended Standards and Interpretations Adopted by the Company (Cont'd)

Assessment of key impacts

The Company has not applied KIFRS 1118 as its mandatory effective date has not yet arrived and plans to report its first interim financial statements for the period ending December 31, 2027, in accordance with KIFRS 1118.

The Company is implementing its financial reporting system to reflect the new classification of income and expenses, performing ongoing system validation, and preparing for parallel closing activities.

2.3 Material Accounting Policies

Material accounting policies and method of computation used in the preparation of the interim separate financial statements are consistent with those of the separate financial statements for the year ended December 31, 2025, except for the changes due to the application of amendment and enactments of standards described in Note 2.2 and the one described below.

(a) Income Tax Expense

Income tax expense for the interim period is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate is applied to the pre-tax income.

3. Material Accounting Estimates and Assumptions

The preparation of financial statements requires the Company to make estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on the historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The accounting estimates may not equal the related actual results.

Material accounting estimates and assumptions applied in the preparation of these interim separate financial statements are the same as those applied to the separate financial statements for the year ended December 31, 2025, except for the estimates used to determine the income tax expense.

4. Operating Segment

The Company recognizes revenue by transferring goods and services over a period or at a point in time in the major business lines. The categories of major business lines are consistent with the revenue disclosure information per reporting segment in accordance with KIFRS 1108.

(in millions of Korean won)			June 30, 2026				June 30, 2025			
			Three-month period ended		Six-month period ended		Three-month period ended		Six-month period ended	
Revenue recognized at a point in time:										
Sales of tobacco/merchandise and service revenue and others	Korea	Wholesale and retail	₩	578,571	₩	1,071,150	₩	547,864	₩	1,058,944
	Korea	Direct sales		822		1,604		538		1,593
	Export	Wholesale and retail		349,776		688,245		281,396		515,001
Sales of semifinished tobacco products/raw materials and others	Korea	Direct sales		14,104		20,050		2,965		7,802
	Export	Direct sales		52,044		109,831		77,114		151,255
Sales and rental of real estate	Korea	Sales		10,057		14,942		5,261		8,267
Subtotal				1,005,374		1,905,822		915,138		1,742,862
Revenue recognized over time:										
Sales and rental of real estate	Korea	Sales		130,925		225,472		110,880		179,929
	Korea	Rental		18,750		37,757		20,363		40,815
Subtotal				149,675		263,229		131,243		220,744
Total			₩	1,155,049	₩	2,169,051	₩	1,046,381	₩	1,963,606

5. Trade and Other Receivables

(a) Details of trade and other receivables as of June 30, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)	June 30, 2026				December 31, 2025			
	Current		Non-current		Current		Non-current	
Trade receivables	₩	1,548,843	₩	178,624	₩	1,343,733	₩	162,782
Loans		762,379		160,811		602,095		157,987
Other receivables		35,989		10,914		29,020		18,741
Guarantee deposits		34,634		22,032		32,901		35,464
Accrued income		42,127		8,189		36,100		6,326
Total	₩	2,423,972	₩	380,570	₩	2,043,849	₩	381,300

(b) Details of trade and other receivables at a gross amount before deduction of allowances for doubtful accounts and allowances for doubtful accounts therefore as of June 30, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)	June 30, 2026				December 31, 2025			
	Current		Non-current		Current		Non-current	
Total carrying amount	₩	2,464,322	₩	533,266	₩	2,080,195	₩	505,616
Allowances:								
Trade receivables		(37,586)		(116,680)		(34,024)		(90,126)
Other receivables		(2,764)		(36,016)		(2,322)		(34,190)
Total allowances		(40,350)		(152,696)		(36,346)		(124,316)
Net trade and other receivables	₩	2,423,972	₩	380,570	₩	2,043,849	₩	381,300

(c) Changes in allowance for doubtful accounts in relation to trade and other receivables for each of the six-month periods ended June 30, 2026 and 2025 are as follows:

(in millions of Korean won)	June 30, 2026		June 30, 2025	
Beginning balance	₩	160,662	₩	141,257
Impairment loss		32,384		22,920
Ending balance	₩	193,046	₩	164,177

Impairment losses (reversal of impairment loss) on trade receivables are included as part of selling, general and administrative expense while impairment losses (reversal of impairment loss) on other receivables are included as part of other expense (income) in the Company's separate statements of comprehensive income.

6. Inventories

(a) Details of inventories as of June 30, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)	June 30, 2026			December 31, 2025		
	Acquisition cost	Valuation loss allowance	Carrying amount	Acquisition cost	Valuation loss allowance	Carrying amount
Merchandise	₩ 42,382	₩ (7,315)	₩ 35,067	₩ 41,147	₩ (7,521)	₩ 33,626
Finished goods	147,023	(5,487)	141,536	121,869	(6,958)	114,911
Half-finished goods	64,863	-	64,863	52,677	-	52,677
Work in progress	1,921	-	1,921	4,188	-	4,188
Raw materials	741,697	(6,802)	734,895	739,030	(6,981)	732,049
Materials	45,436	-	45,436	52,009	-	52,009
Supplies	77,630	-	77,630	75,013	-	75,013
By-products	9,018	-	9,018	9,863	-	9,863
Buildings under construction	53,343	-	53,343	72,355	-	72,355
Completed buildings	45,671	(1,535)	44,136	80,694	(2,837)	77,857
Sites for construction of real estate	28,142	-	28,142	64,248	-	64,248
Goods in transit	65,009	-	65,009	70,177	-	70,177
Total	₩ 1,322,135	₩ (21,139)	₩ 1,300,996	₩ 1,383,270	₩ (24,297)	₩ 1,358,973

(b) The amount of loss on valuation (and reversal thereof) and loss on obsolescence of inventories recognized for each of the three-month and six-month periods ended June 30, 2026 and 2025 are as follows:

(in millions of Korean won)	June 30, 2026		June 30, 2025	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Cost of sales:				
Impairment loss (reversal) on valuation of inventories	₩ (2,089)	₩ (2,148)	₩ (1,686)	₩ (6,557)
Loss on obsolescence of inventories	6,420	9,886	4,301	6,209
Total	₩ 4,331	₩ 7,738	₩ 2,615	₩ (348)

7. Investments in Associates and Joint Ventures

Details of investments in associates and joint ventures as of June 30, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)

Type	Name of entity	Location	Principal operation	June 30, 2026 Ownership (%)	June 30, 2026 Carrying amount	December 31, 2025 Ownership (%)	December 31, 2025 Carrying amount
Associates	LitePharmTech Co., Ltd.[1]	Korea	Manufacturing medical supplies	12.53	₩ 1,830	12.53	₩ 1,830
	KORAMCO Banpo PFV Co., Ltd.[1]	Korea	Real estate investment, development and rental business	18.95	5,306	18.95	5,306
	KOCREF 41 REIT	Korea	Real estate investment, development and rental business	26.47	39,569	26.47	39,569
	Cheongna Medipolis PFV Co., Ltd.[2]	Korea	Real estate development and sales	51.01	101,000	51.01	101,000
	INNODIS Co., Ltd.[1]	Korea	Advertizing agency	19.64	55	19.64	55
	SJ BIO MED Co., Ltd.[1,3]	Korea	Manufacturing medical devices	14.39	-	14.39	-
	LSK Global Pharma Service Co., Ltd.	Korea	New medicine development	21.92	-	21.92	-
	Mirae Asset KT&G Investment Fund I	Korea	Healthcare, ESG, New growth industry	45.00	18,000	45.00	18,000
	KB KT&G New Growth Fund I[4]	Korea	Healthcare, New growth industry	66.67	10,000	66.67	6,000
Joint ventures	KORAMCO Europe Private REIT 3-2 Fund	Korea	Renting of real estate	51.35	19,890	51.35	19,890
	Starfield Suwon Inc.	Korea	Real estate development and rental business	50.00	259,500	50.00	259,500
	ASF International Holding Company AB[5]	Sweden	Holding company	51.00	324,835	51.00	324,835
	Sangsang Loft Co.,Ltd.[6]	Korea	Real estate development and rental business	-	-	50.00	77
		Total			₩ 779,985		₩ 776,062

[1] The Company has classified the ownership as investment in associates, notwithstanding its ownership percentage below 20%, as the Company determined it has a significant influence over the investees with its right to participate in the investee's Board of Directors meetings in accordance with the agreement with shareholders.

[2] The Company has classified its interests in the entities as investment in associates, as the three-fourths of the Board of Directors' consent is required in making decisions on material financial and operational policies of the investee in accordance with the agreement with shareholders.

[3] As of June 30, 2026, the liquidation procedures are in progress.

[4] Although the percentage of ownership in the investee exceeds 50%, the Company has classified its interests in the entity as investment in associates as the Company does not have control over related activities and has significant influence through participation in investment decision-making authority.

[5] The Company classified its interest in the entities as investment in joint ventures, since unanimous consent from all shareholders is required for making decisions on material financial and operational policies in accordance with the agreement with shareholders.

[6] For the six-month period ended June 30, 2026, the liquidation registration has been completed.

7. Investments in Associates and Joint Ventures (cont'd)

For the period ended June 30, 2026, the Company additionally invested ₩ 4,000 million in KB KT&G New Growth Fund 1, an associate.

For the year ended December 31, 2025, the Company additionally acquired equity securities of Mirae Asset KT&G Investment Fund I (45 shares for ₩ 4,500 million), an associate, through the issuance of new stocks.

For the year ended December 31, 2025, the Company additionally invested ₩ 3,000 million in KB KT&G New Growth Fund 1, an associate.

For the year ended December 31, 2025, the Company acquired equity securities of ₩ 271,366 million in ASF International Holding Company AB and disposed of equity securities of ₩ 107,091 million to Altria Ventures Inc. (the "joint investor") in accordance with the shareholders' agreement. In accordance with the shareholders' agreement between the Company and the joint investor, the Company has the right to purchase the joint investor's shares from the point when four years have elapsed after the closing date of the share purchase and new share subscription transactions, while the joint investor has the right to sell its shares in ASF International Holding Company AB to the Company from the point when five years have elapsed after the closing date. The Company added a financial liability of ₩160,560 million related to these rights to the acquisition cost of investments in joint ventures.

8. Investments in Subsidiaries

(a) Details of investments in subsidiaries as of June 30, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)

Name of entity	Location	Principal operation	June 30, 2026 Ownership (%)		June 30, 2026 Carrying amount	December 31, 2025 Ownership (%)		December 31, 2025 Carrying amount
Korea Ginseng Corporation	Korea	Manufacturing and selling ginseng	100.00	₩	762,130	100.00	₩	762,130
Yungjin Pharm. Co., Ltd.	Korea	Manufacturing and selling pharmaceutical	52.45		73,299	52.45		73,299
Tae-A Industrial Co., Ltd.	Korea	Manufacturing reconstituted	100.00		44,309	100.00		44,309
KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	Turkiye	Manufacturing and selling tobaccos	100.00		116,731	100.00		116,731
Korea Tabacos do Brasil Ltda.	Brazil	Assistance with purchasing tobacco leaf	99.99		2,891	99.99		2,891
KT&G Pars	Iran	Manufacturing and selling tobacco	99.99		-	99.99		-
KT&G Rus L.L.C.	Russia	Manufacturing and selling tobacco	100.00		68,947	100.00		68,947
KT&G USA Corporation	USA	Selling tobaccos	100.00		-	100.00		-
Cosmocos Co., Ltd.	Korea	Manufacturing and selling cosmetics	98.56		22,759	98.56		22,759
Renzoluc Pte., Ltd.	Singapore	Other Professional Services	100.00		57,080	100.00		163,104
PT Trisakti Purwosari Makmur	Indonesia	Manufacturing and selling tobacco	99.99		166,278	99.99		166,278
SangSang Stay Inc.	Korea	Real estate development and rental business	100.00		32,068	100.00		32,068
KT&G Global Rus L.L.C.	Russia	Selling tobaccos	100.00		936	100.00		936
Gwacheon SangSang PFV. Inc	Korea	Real estate development and sales business	51.00		3,570	51.00		3,570
KT&G Taiwan Corporation	Taiwan	Selling tobaccos	100.00		8,081	100.00		8,081
Mastern No. 144 PFV Co., Ltd.[1]	Korea	Real estate development and sales business	92.50		11,260	92.50		11,260
KT&G Global Kazakhstan LLP	Kazakhstan	Selling tobaccos	100.00		18,510	100.00		18,510
KT&G Kazakhstan LLP	Kazakhstan	Manufacturing and selling tobacco	100.00		213,417	100.00		213,417
Edn the pine central Seocho Co., Ltd.	Korea	Real estate development and sales business	78.65		36,623	78.65		36,623
Cheongna Medipolis Development Co., Ltd.	Korea	Real estate service business	66.67		200	66.67		200
KT&G Global TAS FE LLC	Uzbekistan	Selling tobaccos	100.00		45,578	100		27,753
	Total			₩	1,684,667		₩	1,772,866

[1] As of June 30, 2026, the Company's holdings in Mastern No.144 PFV Co. Ltd. are pledged as a collateral for a loan of Gwacheon SangSang PFV. Inc. (See Note 25.(c)).

8. Investments in Subsidiaries (cont'd)

For the six-month period ended June 30, 2026, the Company additionally acquired ₩ 17,825 million of equity securities of KT&G Global TAS FE LLC.

For the six-month period ended June 30, 2026, the Company converted its convertible preferred shares of Renzoluc Pte., Ltd. into 6,978,948 common shares at a 1:1 ratio, and additionally acquired 6,139,313 common shares of Renzoluc Pte., Ltd. by converting unpaid dividends into common shares. Additionally, the Company collected the capital return for 44,751,052 shares pursuant to the resolution on paid-in capital reduction of Renzoluc Pte., Ltd.

For the year ended December 31, 2025, the Company acquired all additional equity securities of PT Trisakti Purwosari Makmur held by Renzoluc Pte., Ltd. for ₩ 165,116 million.

For the year ended December 31, 2025, the Company acquired additional equity securities of ₩ 39,595 million of KT&G Kazakhstan LLP through issuance of new stocks.

For the year ended December 31, 2025, the Company disposed of its entire shareholding in DNC Deogeun Co., Ltd. and recognized loss on disposal of investments in subsidiaries of ₩ 675 million.

For the year ended December 31, 2025, the Company acquired ₩ 27,753 million of KT&G Global TAS FE LLC through investment establishment.

(b) Impairment

The Company conducts a review of impairment indicators for investments in subsidiaries and, if there is an indicator, the Company estimates the recoverable amount and performs an impairment test.

For each of the six-month periods ended June 30, 2026 and 2025, the Company has not recognized impairment losses for its investment in subsidiaries where impairment indicators have been identified, such as the book value of net assets being lower than the book value of investments due to continuous accumulation of operating losses, etc.

9. Property, Plant and Equipment

Changes in property, plant and equipment for each of the six-month periods ended June 30, 2026 and 2025 are as follows:

(in millions of Korean won)		June 30, 2026		June 30, 2025
Beginning balance	₩	1,392,756	₩	1,505,680
Acquisition[1]		69,843		92,935
Disposal/Impairment		(1,570)		(567)
Depreciation		(62,840)		(54,618)
Reclassification[2]		37,191		(3,499)
Ending balance	₩	1,435,380	₩	1,539,931

[1]For the six-month period ended June 30, 2026, ₩ 1,504 million (for the six-month period ended June 30, 2025: ₩ 7,561 million) of capitalized borrowing costs for property, plant and equipment that are qualifying assets are included. The rate used to calculate capitalizable borrowing costs is 3.7% - 4.2% (for the six-month period ended June 30, 2025: 3.9% - 4.2%).

[2]Including ₩ 7,640 million transfers to investment properties and ₩ 44,831 million transfers from inventories for the six-month period ended June 30, 2026, and ₩ 3,499 million of transfers to investment properties for the six-month period ended June 30, 2025.

10. Intangible Assets

Changes in intangible assets for each of the six-month periods ended June 30, 2026 and 2025 are as follows:

(in millions of Korean won)		June 30, 2026		June 30, 2025
Beginning balance	₩	138,263	₩	132,821
Acquisition		15,763		11,727
Disposal/Impairment		(4,676)		(4,269)
Amortization		(10,598)		(11,732)
Ending balance	₩	138,752	₩	128,547

11. Investment Properties

Changes in investment properties for each of the six-month periods ended June 30, 2026 and 2025 are as follows:

(in millions of Korean won)		June 30, 2026		June 30, 2025
Beginning balance	₩	556,096	₩	741,435
Acquisition[1]		806		1,132
Disposal/Impairment		(2)		(3,615)
Depreciation		(10,752)		(13,087)
Reclassification[2]		(42,101)		(11,494)
Ending balance	₩	504,047	₩	714,371

[1]For the six-month period ended June 30, 2026, the Company has capitalized borrowing costs amounting to ₩ 38 million (For the six-month period ended June 30, 2025: ₩ 58 million) for investment properties that are qualifying assets. The rate used to calculate capitalizable borrowing costs is 3.7% - 4.2% (For the six-month period ended June 30, 2025: 3.9% - 4.2%).

[2]Consisting of ₩ 7,640 million of transfers from property, plant and equipment and ₩ 49,741 million of transfers to assets held for sale for the six-month period ended June 30, 2026. and ₩ 3,499 million of transfers from property, plant and equipment and 14,993 million of transfers to inventories for the six-month period ended June 30, 2025.

12. Right-of-use Assets

Changes in right-of-use assets for each of the six-month periods ended June 30, 2026 and 2025 are as follows:

(in millions of Korean won)		June 30, 2026		June 30, 2025
Beginning balance	₩	18,796	₩	21,440
Acquisition		6,899		6,274
Disposal		(2,431)		(398)
Depreciation		(5,591)		(5,463)
Ending balance	₩	17,673	₩	21,853

13. Assets held for sale

Changes in Assets held for sale for each of the six-month periods ended June 30, 2026 and 2025 are as follows:

(in millions of Korean won)		June 30, 2026		June 30, 2025
Beginning balance	₩	41,298	₩	-
Disposal		(7,677)		-
Reclassification[1]		49,741		-
Ending balance	₩	83,362	₩	-

[1]Consisting of ₩ 49,741 million of transfers from investment properties for the six-month period ended June 30, 2026.

14. Borrowings

Details of short-term borrowings as of June 30, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)	Lender	Annual interest rate (%)	June 30, 2026	December 31, 2025
Limit loan	Hana Bank	FTP(6 months)+0.66	₩ 250,000	₩ 200,000
	NH Nonghyup Bank	MOR(3 months)+1.00	-	100,000
Commercial Paper	Kyobo Securities	3.11	200,000	-
	Total		₩ 450,000	₩ 300,000

15. Bonds

Details of bonds as of June 30, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)	Issuance date	Maturity	Annual interest rate (%)	June 30, 2026	December 31, 2025
2-2nd non-guarantee public bonds	2023.09.13	2026.09.11	4.322	₩ 200,000	₩ 200,000
3-1st non-guarantee public bonds	2024.04.25	2026.04.24	3.624	-	50,000
3-2nd non-guarantee public bonds	2024.04.25	2027.04.23	3.763	150,000	150,000
3-3rd non-guarantee public bonds	2024.04.25	2029.04.25	3.808	100,000	100,000
4-1st non-guarantee public bonds	2024.10.08	2026.10.08	3.218	80,000	80,000
4-2nd non-guarantee public bonds	2024.10.08	2027.10.08	3.306	160,000	160,000
4-3rd non-guarantee public bonds	2024.10.08	2029.10.08	3.335	70,000	70,000
Senior unsecured notes denominated in foreign currency	2025.05.02	2028.05.02	5.000	462,450	430,470
	Subtotal			1,222,450	1,240,470
	Discount			(2,589)	(3,378)
	Total			₩ 1,219,861	₩ 1,237,092
Current				₩ 429,771	₩ 329,742
Non-current				790,090	907,350
	Total			₩ 1,219,861	₩ 1,237,092

16. Employee Benefits

(a) Details of profit or loss recognized related to employee benefits for each of the three-month and six-month periods ended June 30, 2026 and 2025 are as follows:

(in millions of Korean won)	June 30, 2026				June 30, 2025			
	Three-month period ended		Six-month period ended		Three-month period ended		Six-month period ended	
Defined benefit plans:								
Current service cost	₩	7,430	₩	14,859	₩	8,133	₩	16,266
Net interest on net defined benefit liabilities (assets)		(365)		(728)		(67)		(134)
Past service cost		800		800		-		-
Subtotal		7,865		14,931		8,066		16,132
Defined contribution plan:								
Contributions recognized as expense		1,795		4,896		1,361		3,867
Other long-term employee benefits:								
Current service cost, etc.		(873)		767		374		1,853
Termination benefits:								
Voluntary retirements, etc.		4		2,450		-		57,698
Total	₩	8,791	₩	23,044	₩	9,801	₩	79,550

(b) Details of net defined benefit liabilities (assets) as of June 30, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)	June 30, 2026		December 31, 2025	
Present value of defined benefit obligations	₩	362,078	₩	384,066
Fair value of plan assets		(397,237)		(419,434)
Total	₩	(35,159)	₩	(35,368)

17. Refund Liabilities and Provisions

(a) Details of refund liabilities and provisions as of June 30, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)	June 30, 2026				December 31, 2025			
	Current		Non-current		Current		Non-current	
Provision for product warranty	₩	6,926	₩	-	₩	3,853	₩	-
Refund liabilities		5,269		3,359		5,723		3,412
Provision for site restoration		37		172		37		111
Provision for financial guarantee		82		-		87		40
Total	₩	12,314	₩	3,531	₩	9,700	₩	3,563

17. Refund Liabilities and Provisions (cont'd)

(b) Changes in refund liabilities and provisions for each of the six-month periods ended June 30, 2026 and 2025 are as follows:

(in millions of Korean won)	June 30, 2026							
	Beginning balance		Increase		Decrease		Ending balance	
Provision for product warranty	₩	3,853	₩	7,449	₩	(4,376)	₩	6,926
Refund liabilities		9,135		3,316		(3,823)		8,628
Provision for site restoration		148		61		-		209
Provision for financial guarantee		127		-		(45)		82
Provision for greenhouse gases		-		-		-		-
Total	₩	13,263	₩	10,826	₩	(8,244)	₩	15,845

(in millions of Korean won)	June 30, 2025							
	Beginning balance		Increase		Decrease		Ending balance	
Provision for product warranty	₩	6,194	₩	3,554	₩	(8,405)	₩	1,343
Refund liabilities		9,219		2,576		(3,484)		8,311
Provision for site restoration		170		-		-		170
Provision for financial guarantee		46		141		(14)		173
Provision for greenhouse gases		13		13		(26)		-
Total	₩	15,642	₩	6,284	₩	(11,929)	₩	9,997

18. Real Estate Pre-sales Contracts

(a) Details of ongoing real estate pre-sale contracts for each of the six-month periods ended June 30, 2026 and 2025 are as follows:

(in millions of Korean won)

June 30, 2026								
Construction project	Initial sales contract date	Expected completion date	Progress (%)	Total sales value[1]	Total sales contract value	Revenue (cumulative)[2]	Revenue (period)[3]	Cost (cumulative)[4]
Suwon Hwaseo Prugio Briciel	June 2020	September 2023	100.00	₩ 803,056	₩ 747,970	₩ 747,946	₩ -	₩ 338,101
ePyeonhansesang Daejeon station Centum Vista	December 2022	May 2026	100.00	214,253	192,719	191,508	22,744	176,255
Elif Mia station Complex 1	May 2023	July 2026	94.58	61,562	44,907	42,259	8,513	34,159
Elif Mia station Complex 2	May 2023	July 2026	91.47	155,141	109,786	100,066	21,004	80,362
ePyeonhansesang Pyeongchon Urban Valley	April 2024	October 2026	84.80	399,869	397,970	335,565	87,666	208,526
Digital Empire Pyeongchon Biz Valley	April 2024	March 2027	74.60	348,222	348,222	220,208	75,517	198,624
Anyang-dong Mixed-use building	January 2025	June 2026	100.00	42,044	41,574	41,574	10,028	37,319
Total				₩ 2,024,147	₩ 1,883,148	₩ 1,679,126	₩ 225,472	₩ 1,073,346

[1] Including the expected sales value for commercial buildings, efficiency apartments, and apartments that are scheduled to be recognized as sales at a point in time when the construction is completed and control of the goods is transferred to the customer.

[2] Presenting the amount after deducting prepayment discounts, etc. from the total sales contract value.

[3] Excluding the revenue of ₩ 14,942 million recognized as sales at a point when the construction is completed and control of the goods is transferred to the customer for the six-month period ended June 30, 2026.

[4] Excluding cumulative costs of ₩ 307,870 million for common infrastructure (see Note 25 (d)).

18. Real Estate Pre-sales Contracts (cont'd)

(in millions of Korean won)

Construction project	Initial sales contract date	Expected completion date	Progress (%)	Total sales value[1]	Total sales contract value	Revenue (cumulative)[2]	Revenue (period)[3]	Cost (cumulative)[4]
				June 30, 2025				
Suwon Hwaseo Prugio Briciel	June 2020	September 2023	100.00	₩ 803,056	₩ 747,970	₩ 747,946	₩ -	₩ 338,101
ePyeonhansesang Daejeon station Centum Vista	December 2022	June 2026	72.01	226,951	192,719	138,182	18,609	117,472
Nokbeon-dong Mixed-use building	April 2023	February 2025	100.00	31,660	27,161	27,160	4,653	16,583
Elif Mia station Complex 1	May 2023	July 2026	55.69	61,562	44,907	24,877	6,229	19,271
Elif Mia station Complex 2	May 2023	July 2026	51.73	155,141	109,786	56,595	13,945	42,961
ePyeonhansesang Pyeongchon Urban Valley	April 2024	October 2026	40.89	399,869	397,970	162,302	61,369	100,256
Digital Empire Pyeongchon Biz Valley	April 2024	March 2027	39.66	352,769	223,836	75,662	55,275	64,334
Anyang-dong Mixed-use building	January 2025	June 2026	47.75	42,044	41,574	19,851	19,849	17,694
Total				₩ 2,073,052	₩ 1,785,923	₩ 1,252,575	₩ 179,929	₩ 716,672

[1] Including the expected sales value for commercial buildings, efficiency apartments, and apartments that are scheduled to be recognized as sales at a point in time when the construction is completed and control of the goods is transferred to the customer.

[2] Presenting the amount after deducting prepayment discounts, etc. from the total sales contract value.

[3] Excluding the revenue of ₩ 8,267 million recognized as sales at a point when the construction is completed and control of the goods is transferred to the customer for the six-month period ended June 30, 2025.

[4] Excluding cumulative costs of ₩ 292,817 million for common infrastructure. (See Note 25 (d)).

(b) Details of receivables and payables for ongoing real estate pre-sale contracts as of June 30, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)

Construction project	Revenue (cumulative)	Cash collected, etc. (cumulative)	Trade receivables for sale in lots[1]	Advanced receipts for sale in lots[2]
	June 30, 2026			
Suwon Hwaseo Prugio Briciel	₩ 747,946	₩ 747,361	₩ 587	₩ 2
ePyeonhansesang Daejeon station Centum Vista	191,508	94,184	97,982	658
Elif Mia station Complex 1	42,259	5,327	37,300	368
Elif Mia station Complex 2	100,066	13,624	88,256	1,814
ePyeonhansesang Pyeongchon Urban Valley	335,565	117,909	219,027	1,371
Digital Empire Pyeongchon Biz Valley	220,208	12,604	207,604	-
Anyang-dong Mixed-use building	41,574	-	41,574	-
Total	₩ 1,679,126	₩ 991,009	₩ 692,330	₩ 4,213

[1] As of June 30, 2026, due from customers for contract assets is ₩ 658,296 million, and it will be reclassified to receivables in accordance with the billing schedule on the contract.

[2] Including advance receipts for the option contract (balcony) in relation to main construction, which is recognized using the percentage of completion method.

18. Real Estate Pre-sales Contracts (cont'd)

(in millions of Korean won)	December 31, 2025							
Construction project	**Revenue (cumulative)**		**Cash collected, etc. (cumulative)**		**Trade receivables for sale in lots[1]**		**Advanced receipts for sale in lots[2]**	
Suwon Hwaseo Prugio Briciel	₩	747,946	₩	747,359	₩	587	₩	-
ePyeonhansesang Daejeon station Centum Vista		168,764		35,889		133,588		713
Nokbeon-dong Mixed-use building		27,160		27,160		-		-
Elif Mia station Complex 1		33,746		5,366		28,627		247
Elif Mia station Complex 2		79,063		13,572		66,329		838
ePyeonhansesang Pyeongchon Urban Valley		247,899		86,603		161,861		565
Digital Empire Pyeongchon Biz Valley		144,691		19,937		124,754		-
Anyang-dong Mixed-use building		31,545		-		31,545		-
Total	₩	1,480,814	₩	935,886	₩	547,291	₩	2,363

[1] As of December 31, 2025, due from customers for contract assets is ₩ 526,952 million, and it will be reclassified to receivables in accordance with the billing schedule on the contract.

[2] Including advance receipts for the option contract (balcony) in relation to main construction, which is recognized using the percentage of completion method.

(c) No material changes in estimated total contract revenues and total contract costs have occurred for the six-month period ended June 30, 2026. Estimated total contract revenue and total contract cost of the ongoing real estate pre-sale contracts are based on the circumstances that have occurred until June 30, 2026 and are subject to change in the future.

(d) Details of receivables and payables in relation to real estate pre-sales contracts recognized at a point in time as of June 30, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)	June 30, 2026				December 31, 2025			
Construction project	**Trade receivables for sale in lots**		**Advanced receipts for sale in lots[1]**		**Trade receivables for sale in lots**		**Advanced receipts for sale in lots[1]**	
Suwon Hwaseo Prugio Briciel	₩	-	₩	-	₩	-	₩	125
ePyeonhansesang Daejeon station Centum Vista		-		175		-		105
Elif Mia station Complex 1		-		1,728		-		1,275
Elif Mia station Complex 2		-		4,735		-		4,603
Sangbong station Ubora First Live and Four Square		8,789		26		9,549		176
Goyang Ilsan Facilities for the Elderly and Child		-		8,400		-		4,200
Daegu Station Central Xi Commercial Complex		-		-		-		58
Total	₩	8,789	₩	15,064	₩	9,549	₩	10,542

[1] Excluding advance receipts for the option contract (balcony) in relation to main construction, which is recognized using the percentage of completion method.

19. Selling, General and Administrative Expenses

Selling, general and administrative expenses for each of the three-month and six-month periods ended June 30, 2026 and 2025 are as follows:

(in millions of Korean won)	June 30, 2026		June 30, 2025	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Salaries	₩ 76,167	₩ 162,136	₩ 70,299	₩ 140,770
Retirement and termination benefits	6,855	15,396	5,228	61,083
Employee welfare	14,645	25,206	14,000	24,133
Travel expenses	6,354	12,402	4,931	9,585
Communication cost	773	1,592	892	1,686
Utilities	2,535	6,327	2,683	6,605
Taxes and dues	21,495	23,616	22,165	24,491
Supplies	821	1,190	402	926
Rent	615	1,216	590	1,432
Depreciation	7,911	15,995	8,210	16,162
Amortization	3,174	7,087	3,415	7,958
Repairs and maintenance	2,692	4,855	1,953	2,837
Vehicles	884	1,679	815	1,620
Insurance	1,104	1,746	787	1,321
Commissions	35,766	71,268	36,946	66,519
Freight and custody	6,181	10,977	5,732	11,126
Conferences	981	1,847	770	1,612
Advertising	20,843	38,530	13,743	32,637
Education and training	2,827	5,009	1,081	3,658
Prizes and rewards	793	1,096	957	1,517
Research and development	14,851	25,272	7,922	15,341
Impairment loss (reversal of impairment loss) on trade receivables	29,788	30,116	(4,671)	24,431
Total	₩ 258,055	₩ 464,558	₩ 198,850	₩ 457,450

20. Other Income and Expense

(a) Details of other income for each of the three-month and six-month periods ended June 30, 2026 and 2025 are as follows:

(in millions of Korean won)	June 30, 2026		June 30, 2025	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Gain on foreign currency transaction	₩ 15,671	₩ 23,909	₩ 14,828	₩ 18,826
Gain on foreign currency translation	72,150	245,071	16,557	68,160
Gain on valuation of derivatives	1,183	1,363	42,128	42,533
Reversal of impairment loss on other receivables	(174)	-	2,653	2,796
Gain on disposal of property, plant and equipment	764	2,318	983	1,008
Gain on disposal of intangible assets	-	-	-	3
Gain on disposal of investment properties	-	-	5,001	5,001
Gain on disposal of assets held for sale	-	3,768	-	-
Other gains from subsidiaries	57,702	57,702	-	-
Gain on lease contract adjustments	-	2	6	6
Miscellaneous income	2,058	3,448	2,232	4,249
Total	₩ 149,354	₩ 337,581	₩ 84,388	₩ 142,582

(b) Details of other expense for each of the three-month and six-month periods ended June 30, 2026 and 2025 are as follows:

(in millions of Korean won)	June 30, 2026		June 30, 2025	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Loss on foreign currency transaction	₩ 7,788	₩ 16,830	₩ 24,459	₩ 33,390
Loss on foreign currency translation	7,727	41,031	221,800	235,894
Loss on valuation of derivatives	16,873	52,018	-	2,337
Loss on impairment of other receivables	2,268	2,268	1,285	1,285
Loss on disposal of property, plant and equipment	873	1,251	37	159
Loss on disposal of intangible assets	99	135	69	295
Loss on impairment of intangible assets	174	490	113	326
Loss on disposal of investment properties	2	2	250	250
Loss on disposal of investments in subsidiaries	-	-	552	552
Loss on disposal of investments in joint ventures	4	4	-	-
Loss on disposal of assets held for sale	-	1,445	-	-
Loss on lease contract adjustments	7	19	11	23
Donations	746	1,342	1,477	1,823
Miscellaneous loss	293	458	605	1,015
Total	₩ 36,854	₩ 117,293	₩ 250,658	₩ 277,349

21. Finance Income and Costs

Details of finance income and costs for each of the three-month and six-month periods ended June 30, 2026 and 2025 are as follows:

(in millions of Korean won)	June 30, 2026		June 30, 2025	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Finance income:				
Interest income[1]	₩ 31,125	₩ 61,060	₩ 29,169	₩ 57,283
Dividend income	7,557	101,139	58,507	73,752
Gain on valuation of financial assets measured at fair value through profit or loss	3,405	5,151	2,455	6,288
Total finance income	₩ 42,087	₩ 167,350	₩ 90,131	₩ 137,323
Finance costs:				
Interest expense	₩ 20,769	₩ 42,617	₩ 14,934	₩ 24,146
Loss on valuation of financial assets measured at fair value through profit or loss	59	1,690	5,572	9,646
Total finance costs	₩ 20,828	₩ 44,307	₩ 20,506	₩ 33,792
Net finance income	₩ 21,258	₩ 123,043	₩ 69,625	₩ 103,531

[1] The interest income is generated from financial instruments measured at amortized cost.

22. Income Tax Expense and Deferred Tax Asset

(a) Income tax expense is recognized based on the best estimate of weighted average annual effective income tax rate expected for the full financial year. The average effective tax rates for each of the six-month periods ended June 30, 2026 and 2025 are 22.71% and 20.65%, respectively.

(b) The Company is subject to Pillar Two income taxes. As of June 30, 2026, the Company estimates that the impact of Pillar Two income taxes on its separate financial statements will be immaterial, in accordance with its assessment result identified so far. The Company will apply the temporary exception to the recognition and disclosure of deferred income tax assets and liabilities related to Pillar Two legislation.

23. Related Parties

(a) Details of the Company's related parties as of June 30, 2026 and December 31, 2025 are as follows:

			Percentage of ownership (%)					
			June 30, 2026			December 31, 2025		
Type	Name of entity	Location	Parent	Subsidiary	Total	Parent	Subsidiary	Total
Subsidiaries	Korea Ginseng Corporation	Korea	100.00	-	100.00	100.00	-	100.00
	Yungjin Pharm. Co., Ltd.	Korea	52.45	-	52.45	52.45	-	52.45
	Tae-A Industrial Co., Ltd.	Korea	100.00	-	100.00	100.00	-	100.00
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	Turkiye	100.00	-	100.00	100.00	-	100.00
	Korea Tabacos do Brasil Ltda.	Brazil	99.99	-	99.99	99.99	-	99.99
	KT&G Pars	Iran	99.99	-	99.99	99.99	-	99.99
	KT&G Rus L.L.C.	Russia	100.00	-	100.00	100.00	-	100.00
	KT&G USA Corporation	USA	100.00	-	100.00	100.00	-	100.00
	Cosmocos Co., Ltd.	Korea	98.56	-	98.56	98.56	-	98.56
	Renzoluc Pte., Ltd.[11]	Singapore	100.00	-	100.00	100.00	-	100.00
	PT Trisakti Purwosari Makmur[10]	Indonesia	99.99	-	99.99	99.99	-	99.99
	PT TSPM FLAVOR AND FRAGRANCE	Indonesia	-	99.99	99.99	-	99.99	99.99
	SangSang Stay Inc.	Korea	100.00	-	100.00	100.00	-	100.00
	KT&G Global Rus L.L.C.	Russia	100.00	-	100.00	100.00	-	100.00
	Gwacheon SangSang PFV. Inc	Korea	51.00	-	51.00	51.00	-	51.00
	KT&G Taiwan Corporation	Taiwan	100.00	-	100.00	100.00	-	100.00
	Mastern No.144 PFV Co., Ltd.	Korea	92.50	-	92.50	92.50	-	92.50
	KT&G Global Kazakhstan LLP	Kazakhstan	100.00	-	100.00	100.00	-	100.00
	KT&G Kazakhstan LLP[1]	Kazakhstan	100.00	-	100.00	100.00	-	100.00
	Edn the pine central Seocho Co., Ltd.	Korea	78.65	-	78.65	78.65	-	78.65
	Cheongna Medipolis Development Co., Ltd.	Korea	66.67	-	66.67	66.67	-	66.67
	KT&G Global TAS FE LLC[2]	Uzbekistan	100.00	-	100.00	100.00	-	100.00
	K&I China Co., Ltd.	China	-	98.56	98.56	-	98.56	98.56
	KGC Yebon Corporation	Korea	-	100.00	100.00	-	100.00	100.00
	KGC Life & Gin Co., Ltd.	Korea	-	100.00	100.00	-	100.00	100.00
	Jilin Hanzheng Ginseng Co., Ltd.	China	-	100.00	100.00	-	100.00	100.00
	Cheong Kwan Jang Taiwan Corporation	Taiwan	-	100.00	100.00	-	100.00	100.00
	Korea Red Ginseng Corp., Inc.	USA	-	100.00	100.00	-	100.00	100.00
	Korea Ginseng (China) Corp.	China	-	100.00	100.00	-	100.00	100.00
	Korea Ginseng Corp. Japan	Japan	-	100.00	100.00	-	100.00	100.00
	CENTRAL PHARM INC.	Korea	-	50.01	50.01	-	50.01	50.01
	Pacific 365, Inc	USA	-	50.01	50.01	-	50.01	50.01
	PT Nusantara Indah Makmur	Indonesia	-	99.96	99.96	-	99.96	99.96
Associates	LitePharmTech, Co., Ltd.[3]	Korea	12.53	-	12.53	12.53	-	12.53
	KORAMCO Banpo PFV Co., Ltd.[3]	Korea	18.95	-	18.95	18.95	-	18.95
	KOCREF 41 REIT	Korea	26.47	-	26.47	26.47	-	26.47
	Cheongna Medipolis PFV Co., Ltd.[4]	Korea	51.01	-	51.01	51.01	-	51.01
	INNODIS CO., Ltd.[3]	Korea	19.64	-	19.64	19.64	-	19.64
	SJ BIO MED Co., Ltd.[3,5]	Korea	14.39	-	14.39	14.39	-	14.39
	LSK Global Pharma Services Co., Ltd.	Korea	21.92	-	21.92	21.92	-	21.92
	Mirae Asset KT&G Investment Fund I[6]	Korea	45.00	5.00	50.00	45.00	5.00	50.00
	KB KT&G New Growth Fund I[7]	Korea	66.67	-	66.67	66.67	-	66.67
Joint ventures	KORAMCO Europe Private REIT 3-2 Fund[8]	Korea	51.35	-	51.35	51.35	-	51.35
	Starfield Suwon, Inc.	Korea	50.00	-	50.00	50.00	-	50.00
	ASF International Holding Company AB5[8,9]	Sweden	51.00	-	51.00	51.00	-	51.00
Others	SangSang Loft Co.,Ltd.[12]	Korea	-	-	-	50.00	-	50.00

23. Related Parties (cont'd)

[1] For the year ended December 31, 2025, the Company acquired additional equity securities of ₩ 39,595 million of KT&G Kazakhstan LLP through issuance of new stocks.

[2] For the six-month period ended June 30, 2026, the Company additionally acquired ₩ 17,825 million of equity securities of KT&G Global TAS FE LLC. For the year ended December 31, 2025, the Company acquired ₩ 27,753 million of KT&G Global TAS FE LLC through an investment establishment method.

[3] The Company has classified the ownership as investment in associates, notwithstanding its ownership percentage of less than 20%, as the Company determined it has a significant influence over the investee with its right to participate in the investee's Board of Directors meetings in accordance with the agreement with shareholders.

[4] The Company has classified its interests in the entity as investment in associates, as the three-fourths of the Board of Directors' consent is required in making decisions on material financial and operational policies in accordance with the agreement with shareholders.

[5] As of June 30, 2026, the liquidation procedures are in progress.

[6] The Company classified the ownership as investment in associates, as there are no arrangements that incur joint control among the partners, notwithstanding its consolidated ownership percentage of 50%.

[7] Although the percentage of ownership in the investee exceeds 50%, the Company classified its investments in the entity as investment in associates as an investment in associates as the Company does not have control over related activities and has significant influence through participating on investment decision-making authority.

[8] The Company has classified its interest in the entities as investment in joint ventures, since unanimous consent from all shareholders is required for making decisions on material financial and operational policies in accordance with the agreement with shareholders.

[9] For the year ended December 31, 2025, the Company acquired all of the shares of ASF International Holding Company AB for ₩ 271,366 million, and, in accordance with the shareholders' agreement, the Company disposed of a portion of the shares to Altria Ventures Inc. (the "joint investor") for ₩ 107,091 million. Under the shareholders' agreement between the Company and the joint investor, the Company has the right to purchase the joint investor's shares from the point when four years have elapsed after the closing date of the share purchase and new share subscription transactions, while the joint investor has the right to sell its shares in ASF International Holding Company AB to the Company from the point when five years have elapsed after the closing date. The Company added financial liabilities of ₩ 160,560 million related to these rights to the acquisition cost of the joint venture investment.

[10] For the year ended December 31, 2025, the Company acquired all of the equity securities in PT Trisakti Purwosari Makmur that had been held by Renzoluc Pte., Ltd.

[11] For the six-month period ended June 30, 2026, the Company converted its convertible preferred shares in Renzoluc Pte., Ltd. into 6,978,948 common shares at a 1:1 ratio, and additionally acquired 6,139,313 shares of Renzoluc Pte., Ltd. by converting unpaid dividends into common shares. Additionally, the Company recovered the capital contribution of 44,751,052 shares pursuant to the resolution on paid-in capital reduction of Renzoluc Pte., Ltd.

[12] For the six-month period ended June 30, 2026, upon completion of the liquidation registration, the entity was excluded from the scope of related parties.

23. Related Parties (cont'd)

(b) The Company carries out transactions with its related parties such as sales of goods and provision of services, etc. Details of transactions with the related parties for each of the three-month and six-month periods ended June 30, 2026 and 2025 are as follows:

① Sales and other income

(in millions of Korean won)

Type	Name of entity	June 30, 2026 Three-month period ended	June 30, 2026 Six-month period ended	June 30, 2025 Three-month period ended	June 30, 2025 Six-month period ended
Subsidiaries	Korea Ginseng Corporation	₩ 2,707	₩ 53,660	₩ 52,799	₩ 55,889
	Yungjin Pharm. Co., Ltd.	215	458	339	633
	Tae-A Industrial Co., Ltd.	215	419	247	841
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.[1,2]	5,340	9,407	13,546	38,566
	Korea Tabacos do Brasil Ltda.	40	879	-	-
	KT&G Rus L.L.C.[1]	21,193	34,870	24,315	59,253
	KT&G USA Corporation	4	9	4	9
	Cosmocos Co., Ltd.	58	92	59	89
	Renzoluc Pte., Ltd.	57,702	65,232	-	-
	PT Trisakti Purwosari Makmur[1]	41,856	93,772	37,618	71,231
	SangSang Stay Inc.	72	136	1,631	3,264
	KT&G Global Rus L.L.C.	144	230	2,924	4,283
	Gwacheon Sangsang PFV. Inc	125	249	125	249
	KT&G Taiwan Corporation	7,836	13,890	5,004	11,141
	KT&G Kazakhstan LLP[1]	6,041	9,094	3,847	7,607
	KT&G Global Kazakhstan LLP	585	1,226	413	1,114
	Edn the pine central Seocho Co., Ltd.	-	9,000	-	-
	KGC Yebon Corporation	15	28	20	31
	KGC Life & Gin Co., Ltd.	13	25	17	29
	KT&G Global TAS FE LLC	10	10	216	216
	PT TSPM FLAVOR AND FRAGRANCE	157	222	351	351
Associates	KORAMCO Banpo PFV Co., Ltd.	-	7,617	-	-
	KOCREF 41 REIT	474	474	1,167	1,167
Joint ventures	Starfield Suwon, Inc.	-	18,388	4,095	16,520
Others	SangSang Loft Co., Ltd.[3]	-	1	1	2
	DNC Deogeun Co., Ltd.[4]	-	-	948	948
	KOCREF 36 REIT[4]	-	-	600	600
	Total	₩ 144,802	₩ 319,388	₩ 150,286	₩ 274,033

[1] Excludes impairment loss of ₩ 26,359 million and ₩ 27,746 million in relation to the related parties for each of the six-month periods ended June 30, 2026 and 2025.

[2] The amount of sales related to OEM transactions is presented before adjustment for subcontracting transactions.

[3] For the six-month period ended June 30, 2026, upon completion of the liquidation registration, the entity was excluded from the scope of related parties.

[4] As the sale was completed for the year ended December 31, 2025, the entity was excluded from the scope of related parties.

23. Related Parties (cont'd)

② Purchases and other expenses

(in millions of Korean won)

Type	Name of entity	June 30, 2026 Three-month period ended	June 30, 2026 Six-month period ended	June 30, 2025 Three-month period ended	June 30, 2025 Six-month period ended
Subsidiaries	Korea Ginseng Corporation	₩ 684	₩ 1,096	₩ 404	₩ 835
	Yungjin Pharm. Co., Ltd.	-	143	-	207
	Tae-A Industrial Co., Ltd.	9,757	17,512	10,601	22,274
	Korea Tabacos do Brasil Ltda.	111	111	-	-
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.[1, 2]	31,207	66,575	43,400	60,862
	KT&G USA Corporation	7	11	-	-
	Cosmocos Co., Ltd.	46	52	45	46
	PT Trisakti Purwosari Makmur[1]	-	41	-	-
	SangSang Stay Inc.	-	-	60	81
	KT&G Kazakhstan LLP	106	106	-	-
	KT&G Global Kazakhstan LLP	135	610	-	-
	KGC Yebon Corporation	227	463	232	471
	Renzoluc Pte., Ltd.	293	579	173	429
	PT TSPM FLAVOR AND FRAGRANCE[3]	13,579	30,971	-	-
Associate	INNODIS Co., Ltd.	-	-	-	25
Joint venture	Starfield Suwon, Inc.	28	56	643	670
	Total	₩ 56,180	₩ 118,326	₩ 55,558	₩ 85,900

[1] Excludes impairment loss of ₩ 26,359 million and ₩ 27,746 million in relation to the related parties for each of the six-month periods ended June 30, 2026 and 2025.

[2] The amount of purchases related to OEM transactions is presented before adjustment for subcontracting transactions.

[3] Considering the transaction structure and economic substance, the transaction with the entity was included as a related party transaction.

23. Related Parties (cont'd)

(c) Details of account balances of receivables and payables with the related parties as of June 30, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)		June 30, 2026		December 31, 2025	
Type	Name of entity	Receivables	Payables	Receivables	Payables
Subsidiaries	Korea Ginseng Corporation	₩ 887	₩ 2,021	₩ 2,472	₩ 2,902
	Yungjin Pharm. Co., Ltd.[6]	5,251	50	5,346	50
	Tae-A Industrial Co., Ltd.	13	9,591	-	6,860
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.[1,3]	97,513	23,278	93,604	7,004
	Korea Tabacos do Brasil Ltda.[1,2]	122	-	122	-
	KT&G Pars[1,2]	44,526	-	44,526	-
	KT&G Rus L.L.C.[1]	272,794	-	246,152	445
	KT&G USA Corporation[1]	3,276	392	3,285	480
	Cosmocos Co., Ltd.	34	-	-	-
	SangSang Stay Inc.	113	-	41	6
	PT Trisakti Purwosari Makmur[1,2]	946,904	-	768,955	-
	KT&G Global Rus L.L.C.	13,151	-	16,661	-
	Gwacheon SangSang PFV. Inc[4]	8,541	966	8,541	1,215
	KT&G Taiwan Corporation[4]	6,843	-	2,969	-
	KT&G Kazakhstan LLP	4,937	107	3,048	-
	KT&G Global Kazakhstan LLP[2]	9,759	-	15,207	-
	KGC Yebon Corporation	9	6,380	-	6,741
	KGC Life & Gin Co., Ltd.	13	-	-	-
	Renzoluc Pte., Ltd.	-	291	-	208
	KT&G Global TAS FE LLC	11	-	302	-
	PT TSPM FLAVOR AND FRAGRANCE	141	-	142	-
Associate	KORAMCO Banpo PFV Co., Ltd.[4]	3,827	-	-	-
	INNODIS Co., Ltd.	-	-	-	25
Joint venture	Starfield Suwon, Inc.	37	10	37	10
Others	Sangsang Loft Co.,Ltd.[5]	-	-	-	2
	Total	₩ 1,418,702	₩ 43,086	₩ 1,211,410	₩ 25,948

[1] Presented in total amount before deducting loss allowance of ₩ 161,061 million and ₩ 134,702 million as of June 30, 2026 and as of December 31, 2025.

[2] Includes loans receivable to related parties.

[3] The amounts of receivables and payables related to OEM transactions are presented before adjustment for subcontracting transactions.

[4] Includes other receivables in relation to dividends to related parties.

[5] For the six-month period ended June 30, 2026, upon completion of the liquidation registration, the entity was excluded from the scope of related parties.

[6] Including convertible bond investments of ₩ 5,100 million as of June 30, 2026 (as of December 31, 2025: ₩ 5,100 million).

23. Related Parties (cont'd)

(d) Purchase and sale of property, plant and equipment with related parties for each of the six-month periods ended June 30, 2026 and 2025 are as follows:

(in millions of Korean won)		June 30, 2026	June 30, 2025
Type	Name of entity	Sale of property, plant and equipment	Sale of property, plant and equipment
Subsidiaries	PT Trisakti Purwosari Makmur	₩ 150	₩ 17
	KT&G Rus L.L.C.	-	1,382
	Total	₩ 150	₩ 1,399

(e) Details of fund transactions with the related parties for each of the six-month periods ended June 30, 2026 and 2025 are as follows:

(in millions of Korean won)		June 30, 2026					
Type	Name of entity	Equity investment	Repayment of lease liabilities	Equity recovery	Loan of fund	Equity withdrawal	Dividends
Subsidiaries	Korea Ginseng Corporation	₩ -	₩ 101	₩ -	₩ -	₩ -	₩ 48,200
	Korea Tabacos do Brasil Ltda.	-	-	-	-	-	879
	KGC Yebon Corporation	-	361	-	-	-	-
	Renzoluc Pte., Ltd.	-	-	170,573	-	-	-
	PT Trisakti Purwosari Makmur	-	-	-	89,534	-	-
	KT&G Kazakhstan LLP	-	-	-	-	-	-
	KT&G Global Kazakhstan LLP	-	-	-	-	5,478	-
	Edn the pine central Seocho Co., Ltd.	-	-	-	-	-	9,000
	KT&G Global TAS FE LLC	17,825	-	-	-	-	-
Associates	KORAMCO Banpo PFV Co., Ltd.	-	-	-	-	-	3,790
	KOCREF 41 REIT	-	-	-	-	-	474
	KB KT&G New Growth Fund	4,000	-	-	-	-	-
Joint venture	Starfield Suwon, Inc.	-	-	-	-	-	18,388
Others	Sangsang Loft Co., Ltd.[1]	-	-	73	-	-	-
	Total	₩ 21,825	₩ 462	₩ 170,646	₩ 89,534	5,478	₩ 80,731

(in millions of Korean won)		June 30, 2025				
Type	Name of entity	Equity investment	Repayment of lease liabilities	Equity recovery	Loan of fund	Dividends
Subsidiaries	Korea Ginseng Corporation	₩ -	₩ 99	₩ -	₩ -	₩ 49,900
	Korea Tabacos do Brasil Ltda.	-	-	-	-	-
	KGC Yebon Corporation	-	354	-	-	-
	Renzoluc Pte., Ltd.	-	-	-	-	-
	PT Trisakti Purwosari Makmur	-	-	-	215,318	-
	KT&G Kazakhstan LLP	39,595	-	-	-	-
	KT&G Global Kazakhstan LLP	-	-	-	-	-
	Edn the pine central Seocho Co., Ltd.	-	-	-	-	-
	KT&G Global TAS FE LLC	27,753	-	-	-	-
Associates	KORAMCO Banpo PFV Co., Ltd.	-	-	-	-	-
	KOCREF 41 REIT	-	-	-	-	1,167
	KB KT&G New Growth Fund	3,000	-	-	-	-
Joint venture	Starfield Suwon, Inc.	-	-	-	-	12,425
Others	Sangsang Loft Co., Ltd.[1]	-	-	-	-	-
	DNC Deogeun Co., Ltd.[2]	-	-	35,000	-	948
	KOCREF 36 REIT[2]	-	-	-	-	600
	Total	₩ 70,348	₩ 453	₩ 35,000	₩ 215,318	₩ 65,040

23. Related Parties (cont'd)

[1] For the six-month period ended June 30, 2026, upon completion of the liquidation registration, the entity was excluded from the scope of related parties.

[2] As the sale was completed for the year ended December 31, 2025, the entity was excluded from the scope of related parties.

(f) As of June 30, 2026, KT&G Taiwan Corporation receives a payment guarantee from Citi Bank Taiwan (executed amount: TWD 200,000 thousand), for import clearance and other purposes. The Company has provided a counter-guarantee to Citi Bank Taiwan with a limit of TWD 700,000 thousand. KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. receives a payment guarantee from Hana Bank (executed amount: TRY 191,544 thousand) for the refund of value-added tax (VAT), and the Company has a recourse liability up to the limit of USD 5,500 thousand to Hana Bank. (Note 25.(c)).

(g) For the six-month period ended June 30, 2026, the Company signed a financial support letter for its subsidiaries, Tae-A Industrial Co., Ltd., KT&G USA Corporation, Cosmocos Co., Ltd. and KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. to provide operating funds, debt payment and other management-related business support.

(h) The Company established Starfield Suwon Inc., a 50:50 joint venture with Shinsegae Property Inc., for the year ended December 31, 2018. The disposal of the shares is limited for 5 years from the date Starfield Suwon Inc.'s temporary approval for use is granted. In the event that the Company or the joint venturer wishes to transfer all of its shares, the other party may elect to exercise the right of first refusal and the tag-along right.

(i) The Company has entered into a contribution agreement in relation to equity instruments of Cheongna Medipolis PFV Co., Ltd., an associate, with the ceiling of ₩ 101,000 million. As of June 30, 2026, a capital contribution has been completed. Furthermore, the equity shares shall not be transferred without the approval of Incheon Free Economic Zone and all the shareholders. In addition, when transferring the equity shares of Cheongna Medipolis PFV Co., Ltd., the equity shares of Cheongna Medipolis Development Co., Ltd., a subsidiary of the Company, shall also be transferred.

(j) The Company is required to obtain unanimous consent of other shareholders for disposal of the equity shares of Gwacheon Sangsang PFV. Inc.

(k) The Company has entered into a capital call agreement in relation to KORAMCO Europe Private REIT 3-2 Fund. The agreement may incur a payment obligation if the maturity exchange rate rises compared to the contractual exchange rate.

(l) The Company has entered into a capital contribution agreement in relation to Mirae Asset KT&G Investment Fund I and KB KT&G New Growth Fund 1, with the ceiling of ₩ 28,000 million. For the six-month period ended June 30, 2026, the Company made an additional capital contribution of ₩4,000 million to KB KT&G New Growth Fund 1, an associate, thereby completing the full amount of its committed contribution (see Note 7, 25.(d)).

23. Related Parties (cont'd)

(m) The Company has a joint disposal right to require other investors to dispose of their ownership under the same condition of the Company's disposal of Mastern No. 144 PFV Co. Ltd.'s shares. Also, if the shareholders other than the Company dispose of the shares by obtaining the approvals of the Board of Directors and the general meeting of shareholders, the Company has the right of first refusal to purchase the shares under the condition notified by those shareholders. However, the right of first refusal is not an obligation, and the other investors will have delegated their right to dispose of the shares to the Company.

(n) The Company extended the maturity of the loan to PT Trisakti Purwosari Makmur amounting to USD 183,278 thousand For the six-month period ended June 30, 2026, and entered into agreements to extend the maturities of the loan to KT&G Global Kazakhstan LLP amounting to USD 10,000 thousand and the loan to PT Trisakti Purwosari Makmur amounting to USD 270,256 thousand for the year ended December 31, 2025.

(o) As of June 30, 2026, the Company's holdings in Mastern No.144 PFV Co., Ltd. are pledged as a collateral for a loan of Gwacheon Sangsang PFV. Inc. (See Notes 8 and 25.(c)).

(p) The Company deferred the receipt of dividends amounting to ₩ 3,400 million, which were declared by its subsidiary Gwacheon SangSang PFV. Inc., and Gwacheon SangSang PFV. Inc. entered into an agreement to lend the same amount to the Company's subsidiary, Mastern No. 144 PFV Co., Ltd. In the event that Mastern No. 144 PFV Co., Ltd. fails to repay the loan by its maturity date (August 31, 2026), the unpaid amount will be deducted from the dividends the Company is scheduled to receive (See Note 25.(d)).

(q) For the year ended December 31, 2025, the Company established ASF International Holding Company AB ("ASF") with Altria Ventures Inc. (the "joint investor") with an investment ratio of 51:49. The disposal of such shares held by the Company and the joint investor is restricted for five years from the effective date of the share purchase agreement. After this restriction period, in the event that the Company or the joint investor intends to transfer its shares, the other party may choose to exercise the right of first refusal to purchase the shares, the drag-along right, or the tag-along right. In addition, the Company has the right to purchase the joint investor's shares beginning four years after the closing date of the share purchase and new share subscription transactions, while the joint investor has the right to sell its shares to the Company beginning five years after the closing date.
The Company added a financial liability of ₩ 160,560 million related to these rights to the acquisition cost of the investments in joint ventures. In addition, under the shareholders' agreement, if certain events occur that result in a loss to the joint investor, the Company is required to ensure that such loss is first covered using ASF's surplus available for dividends. In case the surplus available for dividends is insufficient to fully cover the loss, the Company is obligated to make monetary payment to the joint investor for the uncovered loss amount, for up to the agreed amount specified in the shareholders' agreement. As of June 30, 2026, such events have not occurred, and it is not possible to reasonably estimate whether such events will occur in the future or the amount thereof (see Note 25.(d)).

23. Related Parties (cont'd)

(r) The Company acquired convertible bonds amounting to ₩ 5,100 million issued by its subsidiary, Yungjin Pharm. Co., Ltd., for the year ended December 31, 2025. The convertible bonds have a maturity of five years, and both the coupon rate and the yield to maturity are 0%. The Company may request conversion of the bonds from November 28, 2026 to October 28, 2030 at a conversion price of ₩ 1,999 per share. In addition, the Company holds an early redemption right that allows it to demand early redemption every three months after 30 months from the issuance date.

(s) Key management personnel compensation for each of the six-month periods ended June 30, 2026 and 2025 is as follows:

(in millions of Korean won)		**June 30, 2026**		**June 30, 2025**
Long and short-term employee benefits	₩	14,109	₩	11,436
Retirement benefits		1,961		1,232
Share-based payment		1,351		1,023
Total	₩	17,421	₩	13,691

24. Risk Management and Fair Value of Financial Instruments

In relation to financial instruments, the Company is exposed to market risk, credit risk and liquidity risk. The purpose of risk management of the Company is to identify potential risks affecting the financial performance of the Company and to eliminate, avoid and reduce them to an acceptable level. The Company prepares and operates the companywide risk management policies and procedures and the finance department of the Company has overall responsibility for risk management. The finance department of the Company is responsible for monitoring and managing the financial risks associated with the operations of the Company in accordance with the risk management policies and procedures approved by the board of directors, and it periodically analyzes the nature and exposure of the financial risks. In addition, the Company's management continuously reviews compliance with risk management policies and procedures and limits on risk exposure. The Company’s overall financial risk management strategy is the same as that of the previous fiscal year.

(a) Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and prices of equity securities – will affect the fair value or future cash flows of the Company’s financial instruments. The Company manages and controls market risk exposures within the acceptable limits, while optimizing the revenue.

① Foreign exchange risk

The Company is exposed to the risk of changes in foreign exchange rates in relation to the export of manufactured tobacco and the import of tobacco leaves, etc. The Company’s management measures the risk of fluctuations in foreign exchange rates against the Korean won internally on a regular basis.

② Price risk

The Company is exposed to other price risks related to fluctuations of fair values and future cash flows of assets measured at fair value through other comprehensive income or loss, which may be caused by the changes in market prices of listed stocks the Company invests in. Company management regularly measures the risk that the fair values or future cash flows may fluctuate due to the changes in market prices of the listed stocks the Company invests in. Material investments in the Company’s portfolio are individually managed, for which acquisitions and disposals are required to be approved by the Company management

24. Risk Management and Fair Value of Financial Instruments (cont'd)

③ Interest rate risk

The Company is exposed to interest rate fluctuation risk in relation to the borrowings, trade payables and other payables, bonds and lease liabilities. The management of the Company regularly measures the risk of changes in the fair value or future cash flows of the financial instrument due to changes in the market interest rate, maintaining an appropriate balance between fixed and variable interest borrowings. Considering the size of the interest bearing liabilities of the Company as of June 30, 2026, the effect of changes in interest rates on the fair values of financial liabilities or future cash flows is immaterial.

(b) Credit risk

The Company is exposed to credit risk that one of the contracting parties to the financial instrument may incur financial losses to the other party due to the failure of performing its obligations. To manage such credit risk, the Company's management only transacts with parties with creditworthiness over a certain level, and establishes and manages the credit enhancement policies and procedures for financial assets. The Company evaluates the creditworthiness of new contract parties using the financial information disclosed upon entering into a contract and the information provided by the credit rating agency, which provides the basis for determining credit limits; the Company then receives collaterals and/or payment guarantees as necessary. In addition, the Company periodically reassesses the credit limits and readjusts the collaterals by reassessing the contract party's creditworthiness, and for financial assets with delayed collection, their status and collection strategies are reported quarterly and appropriate measures are taken based on the reasons for delay.

As of June 30, 2026 and December 31, 2025, the carrying amount of financial assets is the maximum exposure to credit risk.

(c) Liquidity risk

The Company is exposed to liquidity risk that it will face difficulty in meeting its obligations related to financial liabilities that are settled by delivering cash etc., or other financial assets. To manage liquidity risk, the management of the Company establishes short and mid-to-long term financial management plan and continuously analyzes and reviews the cash outflow budget and actual cash outflows to respond to the maturity of financial liabilities and financial assets. The management of the Company determines that it can repay the financial liabilities using cash flows from operating activities and cash inflows from financial assets.

24. Risk Management and Fair Value of Financial Instruments (cont'd)

(d) The carrying amounts of each category of financial instruments as of June 30, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)	June 30, 2026		December 31, 2025	
Financial assets:				
Financial assets measured at fair value through profit or loss	₩	483,541	₩	331,578
Financial assets measured at fair value through other comprehensive income or loss		117,982		156,107
Derivative assets		507		4,965
Financial assets measured at amortized cost				
Cash and cash equivalents		198,504		134,151
Other financial assets		170,250		168,617
Trade and other receivables		2,804,542		2,425,149
Long-term deposits		1,787,978		1,676,086
Subtotal		4,961,274		4,404,003
Total financial assets	₩	5,563,304	₩	4,896,653
Financial liabilities:				
Derivative liabilities	₩	20,925	₩	8,540
Financial liabilities measured at amortized cost				
Short-term borrowings		450,000		300,000
Bonds		1,219,861		1,237,092
Trade and other payables		1,174,182		1,092,744
Lease liabilities		17,436		18,432
Subtotal		2,861,479		2,648,268
Total financial liabilities	₩	2,882,404	₩	2,656,808

(e) When measuring the fair value of an asset or a liability, the Company uses observable inputs in the market as much as possible. Fair value is classified within the fair value hierarchy based on the inputs used in the valuation technique as follows:

	Inputs used
Level 1	Unadjusted quoted price in an active market accessible at the measurement date for the same asset or liability
Level 2	Inputs that are observable directly or indirectly for an asset or liability other than the quoted price of Level 1
Level 3	Unobservable inputs for an asset or liability

24. Risk Management and Fair Value of Financial Instruments (cont'd)

Details of the fair values measurements classified by the fair value hierarchy as of June 30, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)

	June 30, 2026			
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss	₩ 483,541	₩ -	₩ 162,364	₩ 321,177
Financial assets measured at fair value through other comprehensive income or loss	117,982	110,319	-	7,663
Derivative assets	507	-	507	-
Total financial assets	₩ 602,030	₩ 110,319	₩ 162,871	₩ 328,840
Derivative liabilities	₩ 20,925	₩ -	₩ 20,925	₩ -

(in millions of Korean won)

	December 31, 2025			
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss	₩ 331,578	₩ -	₩ 7,779	₩ 323,799
Financial assets measured at fair value through other comprehensive income or loss	156,107	148,444	-	7,663
Derivative assets	4,965	-	4,965	-
Total financial assets	₩ 492,650	₩ 148,444	₩ 12,744	₩ 331,462
Derivative liabilities	₩ 8,540	₩ -	₩ 8,540	₩ -

There was no movement between the levels of fair value hierarchy for the six-month period ended June 30, 2026 and the year ended December 31, 2025.

As of June 30, 2026 and December 31, 2025, the fair value of investment trust's equity securities classified as financial assets at fair value through profit or loss (other comprehensive income or loss) was measured using the adjusted net asset method and the discounted cash flow method and was classified as Level 3 fair value based on the inputs used in the valuation technique.

24. Risk Management and Fair Value of Financial Instruments (cont'd)

Changes in Level 3 fair value for each of the six-month periods ended June 30, 2026 and 2025 are as follows:

(in millions of Korean won)	June 30, 2026	June 30, 2025
Beginning balance	₩ 331,462	₩ 352,924
Acquisition	12,712	16,116
Disposal	(16,457)	(2,333)
Changes in fair value	1,123	(8,878)
Ending balance	₩ 328,840	₩ 357,829

(f) Details of net gains or losses by category of financial instrument for each of the six-month periods ended June 30, 2026 and 2025 are as follows:

(in millions of Korean won)	June 30, 2026					
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income or loss	Derivatives	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total
Profit for the period:						
Interest income	₩ -	₩ -	₩ -	₩ 61,060	₩ -	₩ 61,060
Dividend income	4,272	1,866	-	-	-	6,138
Loss on valuation	3,461	-	(50,655)	-	-	(47,194)
Loss on lease contract adjustments	-	-	-	-	(16)	(16)
Interest expense	-	-	-	-	(42,617)	(42,617)
Impairment loss	-	-	-	(32,384)	-	(32,384)
Total	₩ 7,733	₩ 1,866	₩ (50,655)	₩ 28,676	₩ (42,633)	₩ (55,013)
Other comprehensive income before tax:						
Net change in fair value	₩ -	₩ 27,542	₩ -	₩ -	₩ -	₩ 27,542

(in millions of Korean won)	June 30, 2025					
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income or loss	Derivatives	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total
Profit for the period:						
Interest income	₩ -	₩ -	₩ -	₩ 57,283	₩ -	₩ 57,283
Dividend income	4,596	4,117	-	-	-	8,713
Gain or loss on valuation	(3,358)	-	40,196	-	-	36,838
Gain on lease contract adjustments	-	-	-	-	(17)	(17)
Interest expense	-	-	-	-	(24,146)	(24,146)
Impairment loss	-	-	-	(22,920)	-	(22,920)
Total	₩ 1,238	₩ 4,117	₩ 40,196	₩ 34,363	₩ (24,163)	₩ 55,751
Other comprehensive loss before tax:						
Net change in fair value	₩ -	₩ 50,990	₩ -	₩ -	₩ -	₩ 50,990

25. Contingent Liabilities and Commitments

(a) Litigation cases

As of June 30, 2026, the Company is involved in 10 cases of pending litigations where the Company is the defendant and the litigation amounts are ₩ 156,403 million. It is not possible to reasonably estimate the impact of the outcome of the pending litigation on the separate financial statements of the Company as of June 30, 2026.

(b) Commitments with financial institutions

Details of the Company's major arrangements with financial institutions as of June 30, 2026 are as follows:

(in millions of Korean won or thousands of US dollars)

Type	Financial institutions	Currency	Limit	Execution
Opening import letter of credits	Hana Bank	USD	200,000	4,443
Derivatives trading[1]	Hana Bank and six others	USD	243,677	33,968
Limit loan	NH Bank and three others	KRW	800,000	250,000
Commercial Paper	Kyobo Securities	KRW	200,000	200,000

[1] Derivatives are composed of foreign exchange forward contracts and are held for trading as of June 30, 2026.

As of June 30, 2026, the Company has a short-term export credit insurance contract with Korea Trade Insurance Corporation (covered amount: USD 163,593 thousand, EUR 1,250 thousand) related to the overseas export of manufactured cigarettes and other products.

(c) Payment guarantees and collaterals

Details of payment guarantees and collaterals provided by other parties to the Company as of June 30, 2026 are as follows:

(in millions of Korean won or thousands of US dollars)

Provider	Currency	Limit	Details
Korea Housing & Urban Guarantee Corporation	KRW	180,088	Housing distribution guarantee, etc.
Seoul Guarantee Insurance	KRW	47,751	License guarantee, etc.
Hana Bank	USD	2,000	Performance and tender guarantee related to exporting reconstituted tobacco leaves and finished tobacco products
Hana Bank	KRW	85,000	Payment guarantee for tobacco consumption tax

As of June 30, 2026, KT&G Taiwan Corporation receives a payment guarantee from Citi Bank Taiwan (executed amount: TWD 200,000 thousand) for import clearance and other purposes. The Company has provided a counter-guarantee to Citi Bank Taiwan with a limit of TWD 700,000 thousand.

As of June 30, 2026, KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. receives a payment guarantee from Hana Bank (executed amount: TRY 191,544 thousand) for the refund of value-added tax (VAT), and the Company has a recourse liability up to the limit of USD 5,500 thousand to Hana Bank.

25. Contingent Liabilities and Commitments (cont'd)

Details of payment guarantees provided by the Company for other parties as of June 30, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)		June 30, 2026				December 31, 2025				
Guarantee user	Guaranteed by	Limit amount		Execution amount		Limit amount		Execution amount		Details of guarantee
Buyer of ePyeonhansesang Daejeon station Centum Vista	Hana Bank	₩	8,000	₩	2,534	₩	8,000	₩	3,019	Loan guarantee for the intermediate payment of off-plan sales construction[1]
Buyer of Digital Empire Pyeongchon Biz Valley	Hana Bank		66,960		35,410		66,960		30,544	Loan guarantee for the contract deposit and the intermediate payment of off-plan sales construction

[1]The limit amount of the loan guarantee for the intermediate payment of off-plan sales construction excludes the portion of guarantees provided by Korea Housing & Urban Guarantee Corporation (80%).

Details of assets pledged as collaterals as of June 30, 2026 are as follows:

(in millions of Korean won)	Carrying amount		Debt amount		Collateralized amount		Collateral holder	Type
Investment properties.etc.	₩	198,331	₩	16,507	₩	19,112	BGF Retail Co.,Ltd., etc.	Establishment of right to collateral security on rent deposits/Establishment of lease contracts
Cash and cash equivalents		8,403		-		15,120	HHR Real Estate General Private Investment Company No.16	Payment restriction for the purpose of the sale of the Goyang Facilities for the Elderly and Child[1]
Other financial assets		600		-		720	Suhyup Bank	Establishment of pledge related to loan arrangement for Elif Mia contract deposit
		100		100		100	Kyobo Book Center Co.,Ltd.	Establishment of a pledge for leasehold deposits
		37,880		45,829		37,880	Suwon City	Establishment of a pledge for suwon daeyupyeong district underpass
Financial assets measured at fair value through profit or loss		5,188		-		5,280	Suhyup Bank	Establishment of pledge related to loan arrangement for Elif Mia contract deposit
Investments in subsidiaries		11,260		-		4,420	Gwacheon SangSang PFV. Inc	Collateral for PF Loan of Mastern No.144 PFV Co., Ltd.[2]
Total	₩	261,762	₩	62,436	₩	82,632		

[1] Comprehensive collateral has been established on the account designated for receiving the contract deposit and intermediate payments related to the sale of Goyang Facility for the Elderly and Children, which includes the expected amount of the intermediate payment to be deposited.

[2] In relation to the loan agreement of Mastern No.144 PFV Co., Ltd., the Company's equity interests in Mastern No.144 PFV Co., Ltd. are subject to a first-priority pledge amounting to ₩ 4,420 million (collateral holder: Gwacheon SangSang PFV Co., Ltd.).

25. Contingent Liabilities and Commitments (cont'd)

Details of restricted financial assets as of June 30, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)			June 30, 2026		December 31, 2025
Cash and cash equivalents	Payment restriction for the purpose of the sale of the Goyang Facilities for the Elderly and Child	₩	8,403	₩	4,201
Other financial assets	Establishment of a pledge for leasehold deposits		100		100
	Establishment of a pledge for Suwon Daeyupyeong district underpass		37,880		37,880
	Deposit in the Accompanied Growth Cooperation Loan Fund		100,000		100,000
	Establishment of pledge related to loan arrangement for Elif Mia contract deposit		600		600
	Security deposits for checking accounts		2		2
Financial assets measured at fair value through profit or loss	Establishment of pledge related to loan arrangement for Elif Mia contract deposit		5,188		5,139
	Total	₩	152,173	₩	147,922

The contracted amount for the acquisition of major items of property, plant and equipment that has not yet been incurred as of June 30, 2026, is ₩ 94,062 million.

25. Contingent Liabilities and Commitments (cont'd)

(d) Others

Each year, the Company deposits a certain proportion of the United States bound tobacco sales proceeds into the US state government in accordance with the Tobacco Master Settlement Agreement ("MSA") legislated under the Escrow Statute of the US. According to the Escrow Statute, if the Company inflicts damage on tobacco consumers due to any illegal activities committed by the Company and leads the US state government to spend medical expenditure accordingly, the deposits in the MSA Escrow Fund may be used for the state government's medical expenditures. Otherwise, the fund shall be refunded to the Company, in whole, after 25 years from each date of deposit. The Company recognized ₩ 1,787,978 million in long-term deposits for MSA Escrow Fund as of June 30, 2026 (December 31, 2025: ₩ 1,676,086 million), and they consist of US Treasury bonds and demand deposits. For the year ended December 31, 2025, refund of the funds that have been deposited for 25 years from the date of deposit was initiated.

The Company established Starfield Suwon Inc., a 50:50 joint venture with Shinsegae Property Inc., for the year ended December 31, 2018. The disposal of the shares is limited for 5 years from the date Starfield Suwon Inc.'s temporary approval for use is granted. In the event that the Company or the joint venturer wishes to transfer all of its shares, the other party may elect to exercise the right of first refusal and the tag-along right.

As of June 30, 2026, the Company has entered into currency hedge capital call agreement in relation to the Company's overseas real estate funds. The agreement might have a payment obligation if the maturity exchange rate rises compared to the contractual exchange rate. The amount of payment obligation For the six-month period ended June 30, 2026 is ₩ 4,306 million.

The Company has entered into a capital contribution agreement in relation to the debt instruments and associates of Mirae Asset KT&G Investment Fund I, KB KT&G New Growth Fund 1, Smilegate New Deal Fund, etc., with the ceiling of ₩ 119,000 million and USD 37,000 thousand. As of June 30, 2026, the remaining contribution amount is ₩ 6,762 million and USD 11,683 thousand, and the detailed timeline for contribution is yet to be determined.

The Company is required to obtain the unanimous consent of other shareholders for disposal of the equity shares of Gwacheon Sangsang PFV. Inc.

The Company has entered into a contribution agreement in relation to equity instruments of Cheongna Medipolis PFV Co., Ltd., an associate, with the ceiling of ₩ 101,000 million. As of June 30, 2026, a capital contribution has been completed. Furthermore, the equity shares shall not be transferred without the approval of Incheon Free Economic Zone and all the shareholders. In addition, in the event of transfer of equity shares in Cheongna Medipolis PFV Co., Ltd., the equity shares of Cheongna Medipolis Development Co., Ltd, a subsidiary of the Company, should also be transferred.

25. Contingent Liabilities and Commitments (cont'd)

The Company has a joint disposal right to require other investors to dispose of their ownership under the same conditions of the Company's disposal of Mastern No.144 PFV Co., Ltd.'s shares. Also, if the shareholders other than the Company dispose of the shares by obtaining the approvals from Board of Directors and at Shareholders, the Company has the right of first refusal purchase the shares under the condition notified by those shareholders. However, the right of first refusal is not an obligation, and the other investors will have delegated their right to dispose of the shares to the Company.

The Company deferred the receipt of dividends amounting to ₩ 3,400 million, which were declared by its subsidiary, Gwacheon Sangsang PFV. Inc., and Gwacheon Sangsang PFV. Inc. entered into an agreement to lend the same amount to the Company's subsidiary, Mastern No.144 PFV Co., Ltd. In the event that Mastern No.144 PFV Co., Ltd. fails to repay the loan by its maturity date (August 31, 2026), the outstanding amount will be deducted from the dividends to be received by the Company.

As of June 30, 2026, the Company is being provided with a commitment to complete the construction and guarantee from contractors and mutual aid associations for the sale contract (Anyang Hogye-dong Knowledge Industry Center, etc.) proceeded by the Company.

The Company is obligated to return infrastructure such as roads and neighbourhood parks to Suwon City for free related to sales project in Suwon Daeyupyeong district. And as blocks 1, 2, and 3 of Suwon Daeyupyeong district were completed in September 2023, additional expected costs due to fulfillment of infrastructure-related obligations were reflected in construction costs for the year ended December 31, 2025 (see Note 18).

In connection with the sales project of Elif Mia Station Complex 1 and 2, the Company is obligated to sell part of the residential facilities it constructs to the Seoul Metropolitan Government at a discounted price, and to donate part of the commercial facilities to the local government. In addition, an easement has been established on a portion of the roads.

In relation to the sales project of Digital Empire Pyeongchon Biz Valley and ePyeonhansesang Pyeongchon Urban Valley, the Company has an obligation to donate parks and roads and portions of the facilities and other infrastructure built by the Company to Anyang City.

In connection with the ePyeonhansesang Daejeon Station Centum Vista sales project, the Company is obligated to donate the roads and the expanded school to the Daejeon City.

As of June 30, 2026, in relation to the ePyeonhansesang Daejeon Station Centum Vista sales project, the Company has agreed with the constructor (DL Construction Co., Ltd.) to compensate for the debts incurred by the purchaser due to termination of the contract for reasons attributable to the purchaser and failure to repay borrowings amounting to ₩ 3,579 million.

25. Contingent Liabilities and Commitments (cont'd)

For the year ended December 31, 2022, in relation to the construction of residential and commercial complexes in Sangbong-dong, the Company has reached an agreement with Bando Engineering & Construction Co., Ltd. to resolve the dispute over increase in construction costs due to the permission for change through arbitration judgement ordered by Korea Commercial Arbitration

Board. For the progress of the construction, the Company also promised to pay ₩ 10 billion to Bando Engineering & Construction Co., Ltd. in installment according to the completion rate until the point of completion. The construction was completed for the year ended December 31, 2023, however, the arbitration is in progress and the ultimate outcome of the arbitration is unpredictable as of June 30, 2026.

For the six-month period ended June 30, 2026, the Company signed a financial support letter for its subsidiaries, Tae-A Industrial Co., Ltd., KT&G USA Corporation, Cosmocos Co., Ltd., and KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. to provide operating funds, debt payment and other management-related business support.

As of June 30, 2026, the Company and KT&G USA Corporation received a notification from the US Department of Justice ("DOJ") to submit a comprehensive document on the regulatory compliance status of tobacco products sold in the US, for which the investigation is underway. The Company and KT&G USA Corporation cannot predict the ultimate outcome of the investigation and its impact as of June 30, 2026.

The Company's subsidiaries are engaged in manufacturing and selling tobacco in Russia. As of June 30, 2026, the US and other countries have imposed the economic sanctions on Russia, including restrictions on SWIFT international payment network. The ultimate impact of such sanctions on the Company's business in Russia and its financial position therein cannot be reasonably estimated as of June 30, 2026.

For the year ended December 31, 2025, the Company established ASF International Holding Company AB ("ASF") with Altria Ventures Inc. (the "joint investor") with an investment ratio of 51:49. The disposal of such shares held by the Company and the joint investor is restricted for five years from the effective date of the share purchase agreement. After this restriction period, in the event that the Company or the joint investor intends to transfer its shares, the other party may choose to exercise the right of first refusal, the drag-along right, or the tag-along right. In addition, the Company has the right to purchase the joint investor's shares beginning four years after the closing date of the share purchase and new share subscription transactions, while the joint investor has the right to sell its shares to the Company beginning five years after the closing date. The Company added a financial liability of ₩ 160,560 million related to these rights to the acquisition cost of investments in joint ventures. In addition, under the shareholders' agreement, if certain events occur that result in a loss to the joint investor, the Company is required to ensure that such loss is first covered using ASF's surplus available for dividends. In case the surplus available for dividends is insufficient to fully cover the loss, the Company is obligated to make monetary payment to the joint investor for the uncovered loss amount, for up to the agreed amount specified in the shareholders' agreement. As of June 30, 2026, no such event has occurred, and it is not possible to reasonably estimate whether such an event will occur in the future or the amount thereof.

26. Cash Flows

Details of cash generated from operations for each of the six-month periods ended June 30, 2026 and 2025 are as follows:

(in millions of Korean won)		June 30, 2026		June 30, 2025
Profit for the six-month period ended June 30	₩	713,420	₩	361,240
Adjustments:				
Employee welfare		1,642		2,546
Retirement benefits and termination benefits		16,950		43,286
Loss on valuation or obsolescence of inventories		7,738		(348)
Depreciation		79,183		73,168
Amortization		10,598		11,732
Impairment loss on trade and other receivables		32,384		22,920
Loss on foreign currency translation		41,031		235,894
Loss on valuation of derivatives		52,018		2,337
Loss on disposal of property, plant and equipment		1,251		159
Loss on disposal of intangible assets		135		295
Loss on impairment of intangible assets		490		326
Loss on disposal of investment properties		2		250
Loss on disposal of assets held for sale		1,445		-
Loss on disposal of investments in subsidiaries		-		552
Other expenses, etc.		10,931		6,531
Finance cost		44,307		33,792
Stock compensation expense		1,458		1,412
Income tax expense		209,651		94,007
Gain on foreign currency translation		(245,071)		(68,160)
Gain on valuation of derivatives		(1,363)		(42,533)
Gain on disposal of property, plant and equipment		(2,318)		(1,008)
Gain on disposal of intangible assets		-		(3)
Gain on disposal of investment properties		-		(5,001)
Gain on disposal of assets held for sale		(3,768)		-
Other gains from subsidiaries		(57,702)		-
Other income, etc.		(8,957)		(8,238)
Finance income		(167,350)		(137,323)
Changes in working capital:				
Increase in trade and other receivables		(191,671)		(155,279)
Decrease (increase) in derivative assets (liabilities)		(33,813)		(10,609)
Decrease in inventories		5,408		79,248
Decrease (increase) in accrued tobacco excise and other taxes		8,360		(55,091)
Increase in advance payments		(48,704)		(26,917)
Decrease (increase) in prepaid expenses		17,891		(14,739)
Increase in trade and other payables		65,954		1,485
Increase (decrease) in advance receipts		44,190		(2,623)
Increase in tobacco excise and other taxes payable		27,908		67,678
Decrease (increase) in net defined benefit liabilities (assets)		182		(1,626)
Cash generated from operations	₩	633,810	₩	509,360

27. Events After the Reporting Period

On July 21, 2026, the Company issued USD-denominated unsecured senior foreign currency bonds amounting to USD 300,000 thousand based on the resolution of the Board of Directors on February 5, 2026.