KT&G Corporation and its subsidiaries

Interim consolidated 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 and its subsidiaries

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Report on review of interim consolidated 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 consolidated financial statements of KT&G Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the interim consolidated statement of financial position as of June 30, 2026, and the related interim consolidated statements of comprehensive income for each of the three-month and six-month periods ended June 30, 2026 and 2025, interim consolidated statements of changes in equity and interim consolidated 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 consolidated financial statements

Management is responsible for the preparation and presentation of these interim consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are not prepared, in all material respects, in accordance with KIFRS 1034 *Interim Financial Reporting*.

Other matters

We have audited the consolidated statement of financial position as of December 31, 2025, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 consolidated statement of financial position as of December 31, 2025, presented for comparative purposes, is not different, in all material respects, from the above audited consolidated 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 consolidated financial statements and may result in modifications to this review report.

KT&G Corporation and its Subsidiaries

Interim consolidated financial statements

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

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

Kyung-Man Bang
Chief Executive Officer
KT&G Corporation

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KT&G Corporation and its subsidiaries

Interim consolidated 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	22,23	₩	1,082,329	₩	913,503
Current other financial assets	22,23		280,671		303,277
Current financial assets measured at fair value through profit or loss	22,23		276,141		61,431
Trade and other receivables	5,16,21,22		2,048,793		1,691,394
Derivative assets	22,23		507		4,965
Inventories	6		3,100,136		3,284,784
Refund assets and others			862		792
Accrued tobacco excise and other taxes			526,504		490,835
Advanced payments	23		142,330		70,515
Prepaid expenses			116,372		163,051
Current income tax assets			3,502		398
Assets held for sale	4,25		33,622		41,298
Total current assets			7,611,769		7,026,243
Non-current assets					
Long-term other financial assets	22,23		38,508		38,478
Long-term deposits in MSA Escrow Fund	22,23		1,787,978		1,676,086
Long-term financial assets measured at fair value through profit or loss	22,23		300,815		333,291
Long-term trade and other receivables	5,16,21,22		158,527		159,600
Long-term financial assets measured at fair value through other comprehensive income or loss	22		135,624		187,911
Investments in associates and joint ventures	4,7,21,23		836,029		813,934
Property, plant and equipment	8,23		3,033,429		2,822,977
Intangible assets	9		170,297		170,875
Investment properties	10,23		656,927		665,021
Right-of-use assets	11		59,428		62,068
Long-term advance payments	23		112,742		89,959
Long-term prepaid expenses			30,355		23,056
Deferred income tax assets	20		62,456		79,435
Net defined benefit assets	14		41,093		40,193
Total non-current assets			7,424,208		7,162,884
Total assets		₩	15,035,977	₩	14,189,127
Liabilities					
Current liabilities					
Short-term borrowings	12,22,23	₩	480,427	₩	332,978
Current portion of long-term borrowings	12,22,23		47,426		68,864
Current portion of bonds	13,22		429,771		329,742
Current portion of convertible bonds	13,22		6,661		23,728
Trade and other payables	21,22		1,714,201		1,563,861
Current lease liabilities	22		26,209		25,419
Derivative liabilities	22,23		20,925		8,540
Advanced receipts	16		73,557		31,870
Current refund liabilities and provisions	15		28,675		45,096
Current income tax liabilities	20		171,778		218,967
Tobacco excise and other taxes payables			733,083		587,772
Total current liabilities			3,732,713		3,236,837
Non-current liabilities					
Long-term borrowings	12,22,23		150,583		106,405
Long-term bonds	13,22		790,090		907,350
Long-term convertible bonds	13,22		17,506		16,911
Long-term trade and other payables	22,23		247,883		273,347
Long-term lease liabilities	22		28,650		31,790
Long-term advance receipts	16		1,861		2,758
Net defined benefit liabilities	14		48,052		42,659
Long-term refund liabilities and provisions	15		8,251		7,857
Deferred income tax liabilities	20		281,614		220,575
Non-controlling interests liabilities	22		6,051		6,469
Total non-current liabilities			1,580,541		1,616,121
Total liabilities		₩	5,313,254	₩	4,852,958

(in millions of Korean won)

	Notes		June 30, 2026		December 31, 2025
Equity					
Share capital		₩	954,959	₩	954,959
Other capital surplus			10,271		7,889
Treasury shares			-		(835,255)
Gain on disposal of treasury shares			530,357		529,633
Other components of equity			164,487		70,367
Retained earnings			8,015,628		8,551,967
Equity attributable to owners of the Parent Company			9,675,702		9,279,560
Non-controlling interest			47,021		56,609
Total equity		₩	9,722,723	₩	9,336,169
Total liabilities and equity		₩	15,035,977	₩	14,189,127

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

KT&G Corporation and its subsidiaries
Interim consolidated 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
Continuing operations					
Sales	4,16	₩ 1,701,557	₩ 3,405,155	₩ 1,547,903	₩ 3,039,011
Cost of sales		(839,116)	(1,720,554)	(795,515)	(1,532,940)
Gross profit		862,441	1,684,601	752,388	1,506,071
Selling, general and administrative expenses	17,21	(447,989)	(905,613)	(402,506)	(870,629)
Operating profit	4	414,452	778,988	349,882	635,442
Other income	18,21,22	135,431	343,023	86,416	164,668
Other expense	18,21,22	(90,815)	(190,432)	(261,806)	(326,981)
Finance income	19,21,22	36,443	66,728	35,509	70,675
Finance costs	19,22	(23,172)	(45,190)	(24,074)	(40,618)
Share of net profit of associates and joint ventures	7	18,438	36,350	6,478	13,831
Profit (loss) arising from net monetary assets		(1,859)	7,765	(3,441)	9,370
Profit before income tax		488,918	997,232	188,964	526,387
Income tax expense	20	(126,814)	(256,569)	(43,975)	(121,217)
Profit from continuing operations		362,104	740,663	144,989	405,170
Discontinued operations					
Loss from discontinued operations	25	(18)	(337)	(1,475)	(3,727)
Profit for the period		₩ 362,086	₩ 740,326	₩ 143,514	₩ 401,443
Other comprehensive income (loss) for the period after income tax					
Items that will not be reclassified to profit or loss					
Re-measurements of net defined benefit liabilities		₩ 15,706	₩ 13,711	₩ (4,110)	₩ (4,412)
Gain on valuation of financial assets measured at fair value through other comprehensive income or loss	22	633	9,233	38,328	37,045
Capital changes in equity method	7	74	166	-	(8)
Items that will be reclassified to profit or loss		-	-	-	-
Exchange differences on translating foreign operations		16,800	95,170	(52,970)	(28,030)
Capital changes in equity method	7	(879)	5,845	64	74
		32,334	124,125	(18,688)	4,669
Total comprehensive income for the period		₩ 394,420	₩ 864,451	₩ 124,826	₩ 406,112
Profit for the period attributable to:					
Owners of the Parent Company					
Profit from continuing operations		₩ 364,289	₩ 745,145	₩ 144,802	₩ 402,670
Loss from discontinued operations	25	(18)	(337)	(1,475)	(3,727)
Profit attributable to owners of the Parent Company		364,271	744,808	143,327	398,943
Non-controlling interests					
Profit (loss) from continuing operations		(2,185)	(4,482)	187	2,500
Profit (loss) from discontinued operations	25	-	-	-	-
Profit (loss) attributable to non-controlling interests		(2,185)	(4,482)	187	2,500
Total		₩ 362,086	₩ 740,326	₩ 143,514	₩ 401,443
Total comprehensive income (loss) for the period attributable to:					
Owners of the Parent Company					
Profit from continuing operations		₩ 396,639	₩ 869,210	₩ 126,286	₩ 407,526
Profit (loss) from discontinued operations	25	75	13	(1,632)	(3,917)
Total comprehensive income attributable to owners of the Parent Company		396,714	869,223	124,654	403,609
Non-controlling interests					
Profit (loss) from continuing operations		(2,294)	(4,772)	172	2,503
Profit (loss) from discontinued operations	25	-	-	-	-
Total comprehensive income (loss) attributable to non-controlling interests		(2,294)	(4,772)	172	2,503
Total		₩ 394,420	₩ 864,451	₩ 124,826	₩ 406,112
Earnings (losses) per share					
Basic and diluted					
From continuing operations *(in Korean won)*		₩ 3,509	₩ 7,178	₩ 1,342	₩ 3,733
From discontinued operations *(in Korean won)*		-	(3)	(14)	(35)
		₩ 3,509	₩ 7,175	₩ 1,328	₩ 3,698

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

KT&G Corporation and its subsidiaries

Interim consolidated statements of changes in equity

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

millions of Korean won)	Share capital	Other capital surplus	Treasury shares	Gains on disposal of treasury shares	Other components of equity	Retained earnings	Owners of the parent	Non-controlling interest	Total equity
lance as of January 1, 2025	₩ 954,959	₩ 5,944	₩ (1,030,541)	₩ 529,029	₩ (3,465)	₩ 8,783,245	₩ 9,239,171	₩ 119,294	₩ 9,358,465
tal comprehensive income (loss) for the period									
Profit for the period	-	-	-	-	-	398,943	398,943	2,500	401,443
her comprehensive income (loss) for the period:									
Re-measurements of net defined benefit liabilities	-	-	-	-	-	(4,415)	(4,415)	3	(4,412)
Gain on valuation of financial assets measured at fair value through other comprehensive income or loss	-	-	-	-	37,045	-	37,045	-	37,045
Exchange differences on translating foreign operations	-	-	-	-	(28,030)	-	(28,030)	-	(28,030)
Capital changes in equity method	-	-	-	-	66	-	66	-	66
btotal other comprehensive income (loss) for the period	-	-	-	-	9,081	(4,415)	4,666	3	4,669
tal comprehensive income (loss) for the period	-	-	-	-	9,081	394,528	403,609	2,503	406,112
ansactions with owners of the Parent Company:									
Dividends	-	-	-	-	-	(453,068)	(453,068)	-	(453,068)
Changes in the scope of consolidation	-	-	-	-	-	-	-	(75,298)	(75,298)
Retirement of treasury shares	-	-	194,258	-	-	(194,258)	-	-	-
Share-based payment	-	(394)	1,028	778	-	-	1,412	-	1,412
tal transactions with owners of the Parent Company	-	(394)	195,286	778	-	(647,326)	(451,656)	(75,298)	(526,954)
lance as of June 30, 2025	₩ 954,959	₩ 5,550	₩ (835,255)	₩ 529,807	₩ 5,616	₩ 8,530,447	₩ 9,191,124	₩ 46,499	₩ 9,237,623
lance as of January 1, 2026	₩ 954,959	₩ 7,889	₩ (835,255)	₩ 529,633	₩ 70,367	₩ 8,551,967	₩ 9,279,560	₩ 56,609	₩ 9,336,169
tal comprehensive income for the period									
Profit(loss) for the period	-	-	-	-	-	744,808	744,808	(4,482)	740,326
her comprehensive income (loss) for the period:									
Re-measurements of net defined benefit liabilities	-	-	-	-	-	14,001	14,001	(290)	13,711
Gain on valuation of financial assets measured at fair value through other comprehensive income or loss	-	-	-	-	9,233	-	9,233	-	9,233
Transfer from gain (loss) on disposal of fair value through other comprehensive income or loss to retained earnings	-	-	-	-	(16,294)	16,294	-	-	-
Exchange differences on translating foreign operations	-	-	-	-	95,170	-	95,170	-	95,170
Capital changes in equity method	-	-	-	-	6,011	-	6,011	-	6,011
btotal other comprehensive income (loss) for the period	-	-	-	-	94,120	30,295	124,415	(290)	124,125
tal comprehensive income (loss) for the period	-	-	-	-	94,120	775,103	869,223	(4,772)	864,451
ansactions with owners of the Parent Company:									
Dividends	-	-	-	-	-	(477,530)	(477,530)	-	(477,530)
Retirement of treasury shares	-	-	833,912	-	-	(833,912)	-	-	-
Changes in non-controlling interest	-	2,940	-	-	-	-	2,940	(4,816)	(1,876)
Share-based payment	-	(558)	1,343	724	-	-	1,509	-	1,509
tal transactions with owners of the Parent Company	-	2,382	835,255	724	-	(1,311,442)	(473,081)	(4,816)	(477,897)
lance as of June 30, 2026	₩ 954,959	₩ 10,271	₩ -	₩ 530,357	₩ 164,487	₩ 8,015,628	₩ 9,675,702	₩ 47,021	₩ 9,722,723

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

KT&G Corporation and its subsidiaries
Interim consolidated 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		₩	765,492	₩	388,141
Cash generated from operations	24		1,003,308		596,486
Income taxes paid			(237,816)		(208,345)
Cash flows from investing activities			(256,881)		(255,004)
Interest received			58,608		58,641
Dividends received			30,029		22,794
Decrease in other financial assets			82,967		150,446
Decrease in current financial assets measured at fair value through profit or loss			27,387		17,922
Decrease in long-term financial assets measured at fair value through profit or loss			16,743		3,061
Decrease in long-term 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			4,461		328
Disposal of intangible assets			4,083		3,653
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 subsidiaries			-		35,000
Collection of loans			14,029		16,651
Collection of guarantee deposits			3,991		5,217
Increase in other financial assets			(82,902)		(80,975)
Increase in current financial assets measured at fair value through profit or loss			(183,961)		(30,270)
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			(217,140)		(348,244)
Acquisition of intangible assets			(21,509)		(13,380)
Acquisition of investment properties			(836)		(1,132)
Acquisition of right-of-use assets			(694)		(1,894)
Acquisition of investments in associates			(4,000)		(3,000)
Increase in loans			(43,637)		(67,062)
Increase in guarantee deposits			(6,240)		(4,194)
Net cash outflows from changes in scope of consolidation			-		(10,823)
Cash flows from financing activities			(430,815)		(132,427)
Dividends paid			(479,405)		(453,069)
Interest paid			(40,052)		(33,178)
Repayment of lease liabilities			(16,461)		(13,639)
Repayment of borrowings			(1,843,046)		(1,856,562)
Proceeds from borrowings			1,965,217		1,798,761
Proceeds from issuance of bonds			-		425,260
Repayment of bond			(17,068)		-
Net Increase in cash and cash equivalents			77,796		710
Cash and cash equivalents at the beginning of the period			913,503		1,135,968
Effect of exchange rate fluctuation on cash and cash equivalents			91,030		2,853
Cash and cash equivalents at the end of the period		₩	1,082,329	₩	1,139,531

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

1. Reporting Entity

1.1 Overview of the Parent Company

KT&G Corporation (the "Parent Company") is engaged in manufacturing and selling tobacco. As of June 30, 2026, the Parent 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 Parent Company has the Gimcheon plant for fabrication of leaf tobacco and the Sejongprinting plant for manufacturing of packaging material. The headquarters of the Parent Company is located at 71, Beotkkot-gil, Daedeok-gu, Daejeon.

The Parent Company was established as a government-owned enterprise pursuant to the Korea Monopoly Corporation Act on April 1, 1987. On April 1, 1989, the Parent 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 Parent 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 Parent 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 Parent Company′s contribution of the assets and liabilities in the red ginseng business segment. On December 27, 2002, the Parent Company changed its name again to KT&G Corporation from Korea Tobacco and Ginseng Corporation.

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

1.2 Consolidated Subsidiaries

Details of the Group's consolidated subsidiaries as of June 30, 2026 are as follows:

Controlling Company	Subsidiary	Principal operation	Percentage of ownership (%)	Reporting date	Location
The Parent Company	Korea Ginseng Corporation	Manufacturing and selling ginseng	100.00	June 30, 2026	Korea
	Yungjin Pharm. Co., Ltd.	Manufacturing and selling pharmaceuticals	52.45	June 30, 2026	Korea
	Cosmocos Co., Ltd.	Manufacturing and selling cosmetics	98.56	June 30, 2026	Korea
	Tae-A Industrial Co., Ltd.	Manufacturing reconstituted tobacco leaves	100.00	June 30, 2026	Korea
	SangSang Stay Inc.	Real estate development and rental business	100.00	June 30, 2026	Korea
	Renzoluc Pte., Ltd.	Other professional services	100.00	June 30, 2026	Singapore
	PT Trisakti Purwosari Makmur	Manufacturing and selling tobaccos	99.99	June 30, 2026	Indonesia
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	Manufacturing and selling tobaccos	100.00	June 30, 2026	Turkiye
	KT&G Pars	Manufacturing and selling tobaccos	99.99	June 30, 2026	Iran
	KT&G Rus L.L.C.	Manufacturing and selling tobaccos	100.00	June 30, 2026	Russia
	KT&G Kazakhstan LLP	Manufacturing and selling tobaccos	100.00	June 30, 2026	Kazakhstan
	KT&G USA Corporation	Selling tobaccos	100.00	June 30, 2026	USA
	KT&G Global Rus L.L.C.	Selling tobaccos	100.00	June 30, 2026	Russia
	KT&G Taiwan Corporation	Selling tobaccos	100.00	June 30, 2026	Taiwan
	KT&G Global Kazakhstan LLP	Selling tobaccos	100.00	June 30, 2026	Kazakhstan
	KT&G Global TAS FE LLC	Selling tobaccos	100.00	June 30, 2026	Uzbekistan
	Korea Tabacos do Brasil Ltda.	Assistance with purchasing tobacco leaf	99.99	June 30, 2026	Brazil
	Gwacheon SangSang PFV Inc.	Real estate development and sales business	51.00	June 30, 2026	Korea
	Mastern No. 144 PFV Co., Ltd.	Real estate development and sales business	92.50	June 30, 2026	Korea
	Edn the pine central Seocho Co., Ltd.	Real estate development and sales business	78.65	June 30, 2026	Korea
	Cheongna Medipolis Development Co., Ltd.	Real estate service business	66.67	June 30, 2026	Korea
Korea Ginseng Corporation	KGCyebon Corporation	Manufacturing and selling medical herbs	100.00	June 30, 2026	Korea
	KGC Life & Gin Co., Ltd.	Selling ginseng, etc.	100.00	June 30, 2026	Korea
	CENTRAL PHARM INC.	Selling health functional food	50.01	June 30, 2026	Korea
	Jilin Hanzheng Ginseng Co., Ltd.	Manufacturing and selling ginseng, etc.	100.00	June 30, 2026	China
	Korea Ginseng (China) Corp.	Selling ginseng, etc.	100.00	June 30, 2026	China
	Korea Ginseng Corp. Japan	Selling ginseng, etc.	100.00	June 30, 2026	Japan
	Cheong Kwan Jang Taiwan Corporation	Selling ginseng, etc.	100.00	June 30, 2026	Taiwan
	Korean Red Ginseng Corp., Inc.	Selling ginseng, etc.	100.00	June 30, 2026	USA
CENTRAL PHARM INC.	Pacific 365, Inc	Selling health functional food	50.01	June 30, 2026	USA
Cosmocos Co., Ltd.	K&I China Co., Ltd.	Selling cosmetics, etc.	98.56	June 30, 2026	China
PT Trisakti Purwosari Makmur	PT Nusantara Indah Makmur	Selling tobaccos	99.96	June 30, 2026	Indonesia
	PT TSPM FLAVOR AND FRAGRANCE	Manufacturing and selling tobaccos	99.99	June 30, 2026	Indonesia

1.2 Consolidated Subsidiaries (cont'd)

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

For the six-month period ended June 30, 2026, the Parent 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. In addition, in accordance with the resolution on the capital reduction with consideration of Renzoluc Pte., Ltd., the Parent Company recovered its capital contribution of 44,751,052 shares.

For the six-month period ended June 30, 2026, Korea Ginseng Corporation, a subsidiary of the Parent Company, additionally acquired 1,000,000 shares of Korean Red Ginseng Corp., Inc. amounting to ₩14,728 million through issuance of new stocks.

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

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

For the year ended December 31, 2025, the Parent Company sold all of its equity securities of ₩ 35,552 million in DNC Deogeun Co., Ltd.

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

2. Material Accounting Policies

2.1 Basis of Preparation

The interim consolidated financial statements of the Group 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 consolidated financial statements have been translated into English from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's review report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

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

2.1 Basis of Preparation (cont'd)

For the six-month period ended June 30, 2026, the Group has changed the presentation and classification system of equity items to enhance the understandability and comparability of the consolidated 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 consolidated 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 Group

The Group 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 consolidated financial statements.

(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).

2.2 New and Amended Standards and Interpretations Adopted by the Group (cont'd)

(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*

(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 Group'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.

2.2 New and Amended Standards and Interpretations Adopted by the Group (cont'd)

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 Group is required to apply the standard retrospectively.

When the Group 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.

In classifying income and expenses, the Group is required to assess its main business activities. If the Group 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 Group 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 Group 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 Group, the presentation of profit or loss before financing and income taxes may not be required, depending on the accounting policy applied.

2.2 New and Amended Standards and Interpretations Adopted by the Group (cont'd)

- 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 Group'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 Group 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 Group 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.

Assessment of key impacts

The Group 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 Group 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 consolidated financial statements are consistent with those of the consolidated 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 Group 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 consolidated financial statements are the same as those applied to the consolidated financial statements for the year ended December 31, 2025, except for the estimates used to determine the income tax expense.

4. Operating Segment

(a) The Group's operating segments are summarized as follows:

Operating Segments	Principal operations
Tobacco	Manufacturing and selling tobaccos
Ginseng	Manufacturing and selling red ginseng, etc.
Real estate	Selling and renting real estate
Others	Manufacturing and selling pharmaceuticals, cosmetics and others

(b) Details of the segment information on sales and operating profit for each of the six-month periods ended June 30, 2026 and 2025 are as follows:

(in millions of Korean won)	June 30, 2026						
	Tobacco	Ginseng	Real estate	Others	Segment total	Adjustments	Consolidated
Total segment sales	₩ 2,721,783	₩ 593,103	₩ 278,808	₩ 199,902	₩ 3,793,596	₩ (388,441)	₩ 3,405,155
Intersegment sales	(347,407)	(36,726)	(3,585)	(723)	(388,441)	388,441	-
External sales	2,374,376	556,377	275,223	199,179	3,405,155	-	3,405,155
Operating profit (loss)[1]	682,919	25,609	37,683	2,041	748,252	30,736	778,988
Depreciation and amortization	122,977	22,372	10,342	5,902	161,593	(3,507)	158,086

[1] Other income or expenses items not comprising the operating profit are not separately disclosed because the Chief Operating Decision Maker does not review them by segment.

(in millions of Korean won)	June 30, 2025						
	Tobacco	Ginseng	Real estate	Others	Segment total	Adjustments	Consolidated
Total segment sales	₩ 2,359,647	₩ 627,754	₩ 251,596	₩ 183,266	₩ 3,422,263	₩ (383,252)	₩ 3,039,011
Intersegment sales	(281,105)	(92,767)	(7,462)	(1,918)	(383,252)	383,252	-
External sales	2,078,542	534,987	244,134	181,348	3,039,011	-	3,039,011
Operating profit (loss)[1]	570,780	26,122	30,317	8,193	635,412	30	635,442
Depreciation and amortization	100,785	24,504	15,504	5,566	146,359	(6,523)	139,836

[1] Other income or expenses items not comprising the operating profit are not separately disclosed because the Chief Operating Decision Maker does not review them by segment.

4. Operating Segment (cont'd)

(c) The Group 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 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
Revenue recognized at a point in time:					
Tobacco	Wholesale and retail	₩ 1,212,266	₩ 2,364,972	₩ 1,081,675	₩ 2,053,463
	Direct sales	6,188	9,404	8,790	25,079
Ginseng	Wholesale and retail	138,554	311,432	138,832	307,524
	Direct sales	85,226	244,945	81,775	227,463
Others	Wholesale and retail	100,677	198,474	92,695	180,419
	Direct sales	354	705	380	929
Real estate	Sales	10,057	14,942	5,260	12,592
Subtotal		1,553,322	3,144,874	1,409,407	2,807,469
Revenue recognized over time:					
Real estate	Sales	130,925	225,472	110,880	179,929
	Rental	17,310	34,809	27,616	51,613
Subtotal		148,235	260,281	138,496	231,542
Total		₩ 1,701,557	₩ 3,405,155	₩ 1,547,903	₩ 3,039,011

(d) The segment information on assets and liabilities as of June 30, 2026 and December 31, 2025 is as follows:

(in millions of Korean won) June 30, 2026	Tobacco	Ginseng	Real estate	Others	Segment total	Adjustments	Consolidated
Assets:							
Segment assets	₩ 10,197,016	₩ 2,213,504	₩ 805,195	₩ 272,489	₩ 13,488,204	₩ (3,555,027)	₩ 9,933,177
Investments in associates and joint ventures	331,487	-	425,185	79,357	836,029	-	836,029
Assets held for sale	33,622	-	49,741	-	83,363	(49,741)	33,622
Subtotal	₩ 10,562,125	₩ 2,213,504	₩ 1,280,121	₩ 351,846	₩ 14,407,596	₩ (3,604,768)	₩ 10,802,828
Common assets							4,233,149
Total assets							₩ 15,035,977
Acquisition of non-current assets	₩ 247,824	₩ 17,037	₩ 198	₩ 5,768	₩ 270,827	₩ (13,613)	₩ 257,214
Liabilities:							
Segment liabilities	₩ 3,572,897	₩ 186,733	₩ 9,504	₩ 96,460	₩ 3,865,594	₩ (960,904)	₩ 2,904,690
Common liabilities							2,408,564
Total liabilities							₩ 5,313,254

(in millions of Korean won) December 31, 2025	Tobacco	Ginseng	Real estate	Others	Segment total	Adjustments	Consolidated
Assets:							
Segment assets	₩ 9,569,209	₩ 2,332,163	₩ 948,509	₩ 265,239	₩ 13,115,120	₩ (3,631,549)	₩ 9,483,571
Investments in associates and joint ventures	324,836	-	449,130	39,968	813,934	-	813,934
Assets held for sale	41,298	-	-	-	41,298	-	41,298
Subtotal	₩ 9,935,343	₩ 2,332,163	₩ 1,397,639	₩ 305,207	₩ 13,970,352	₩ (3,631,549)	₩ 10,338,803
Common assets							3,850,324
Total assets							₩ 14,189,127
Acquisition of non-current assets	₩ 650,010	₩ 35,230	₩ 940	₩ 16,432	₩ 702,612	₩ (10,019)	₩ 692,593
Liabilities:							
Segment liabilities	₩ 3,134,737	₩ 225,255	₩ 12,305	₩ 115,857	₩ 3,488,154	₩ (895,295)	₩ 2,592,859
Common liabilities							2,260,099
Total liabilities							₩ 4,852,958

4. Operating Segment (cont'd)

Common assets include cash and cash equivalents, financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, deferred tax assets and others; common liabilities include borrowings, deferred tax liabilities and others.

(e) The segment information by region where a customer is located 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		
	Korea	Overseas	Total	Korea	Overseas	Total
Sales	₩ 1,973,070	₩ 1,432,085	₩ 3,405,155	₩ 1,891,083	₩ 1,147,928	₩ 3,039,011
Non-current assets	2,729,112	1,190,969	3,920,081	3,060,468	781,394	3,841,862

The segment information classified as the above Overseas category is not separately disclosed by each country as sales and non-current assets of certain country are not material.

(f) There is no single external customer from whom revenue contributes more than 10% of the Group's consolidated revenue.

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	₩	1,901,674	₩	-	₩	1,537,432	₩	-
Loans		24,346		119,954		23,297		101,097
Other receivables		39,546		-		53,711		7,359
Guarantee deposits		64,326		37,084		60,455		50,192
Accrued income		18,901		1489		16,499		952
Total	₩	2,048,793	₩	158,527	₩	1,691,394	₩	159,600

(b) Details of trade and other receivables at a gross amount before deduction of allowances for doubtful accounts and allowances for doubtful accounts therefor 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	₩	2,099,450	₩	158,614	₩	1,732,260	₩	159,687
Allowances:								
Trade receivables		(39,709)		-		(31,735)		-
Other receivables		(10,948)		(87)		(9,131)		(87)
Total allowances		(50,657)		(87)		(40,866)		(87)
Net trade and other receivables	₩	2,048,793	₩	158,527	₩	1,691,394	₩	159,600

(c) Changes in allowances for doubtful accounts of 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	₩	40,953	₩	41,793
Impairment loss (reversal)[1]		7,948		(4,304)
Write-off		(26)		(30)
Changes in the scope of consolidation		-		(5,006)
Net exchange difference and others		1,869		562
Ending balance	₩	50,744	₩	33,015

[1] Including reversal of impairment loss of ₩ 27 million classified as profit from discontinued operations for the six-month period ended June 30, 2026 and impairment loss of ₩ 28 million classified as loss from discontinued operations for the six-month period ended June 30, 2025.

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 Group's consolidated 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	₩ 78,499	₩ (12,223)	₩ 66,276	₩ 79,848	₩ (10,133)	₩ 69,715
Finished goods	428,753	(13,880)	414,873	438,081	(13,180)	424,901
Half.finished goods and work in progress	1,249,154	(2,293)	1,246,861	1,311,484	(1,165)	1,310,319
Raw materials	1,040,755	(9,568)	1,031,187	1,062,186	(9,230)	1,052,956
Supplies	125,901	-	125,901	116,368	-	116,368
By-products	10,232	-	10,232	11,416	-	11,416
Buildings under construction	53,343	-	53,343	72,355	-	72,355
Completed buildings	45,671	(1,535)	44,136	80,694	(2,838)	77,856
Sites for construction of real estate	28,142	-	28,142	64,248	-	64,248
Goods in transit	79,185	-	79,185	84,650	-	84,650
Total	₩ 3,139,635	₩ (39,499)	₩ 3,100,136	₩ 3,321,330	₩ (36,546)	₩ 3,284,784

(b) The amount of loss on valuation 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 on valuation of inventories	₩ 84	₩ 3,381	₩ 5,626	₩ 1,592
Loss on obsolescence of inventories	11,667	19,685	5,153	9,208
Other expense:				
Loss on obsolescence of inventories	24	28	-	427
Total	₩ 11,775	₩ 23,094	₩ 10,779	₩ 11,227

7. Investments in Associates and Joint Ventures

Changes in investments in associates and joint ventures 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	₩ 813,934	₩ 482,349
Acquisition	4,000	3,000
Disposal	(67)	-
Changes in the scope of consolidation	-	(108)
Shares of net profit or loss	36,350	13,831
Dividends	(26,479)	(14,192)
Changes in equity	8,291	90
Ending balance	₩ 836,029	₩ 484,970

8. 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	₩	2,822,977	₩	2,664,382
Acquisition[1]		222,252		348,162
Disposal/Impairment		(2,054)		(574)
Depreciation		(115,174)		(96,305)
Reclassification, etc.[2]		105,428		(40,152)
Ending balance	₩	3,033,429	₩	2,875,513

[1]For the six-month period ended June 30, 2026, the Group has capitalized borrowings costs amounting to ₩ 7,673 million (for the six-month period ended June 30, 2025: ₩ 11,098 million) for property, plant and equipment that are qualifying assets. The rate used to calculate capitalizable borrowing costs is 3.7% - 4.6% (for the six-month period ended June 30, 2025: 3.7% - 9.6%).

[2]Including ₩ 1,279 million of transfers to investment properties and ₩ 44,831 million of transfers from inventories for the six-month period ended June 30, 2026, and ₩8,699 million of transfers to investment properties and ₩19 million of transfers to intangible assets for the six-month period ended June 30, 2025.

9. 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	₩	170,875	₩	179,681
Acquisition		18,350		13,211
Disposal/Impairment		(4,711)		(4,269)
Amortization		(14,393)		(15,980)
Reclassification, etc.[1]		176		(450)
Ending balance	₩	170,297	₩	172,193

[1]Consisting of ₩ 19 million of transfer from property, plant and equipment for the six-month period ended June 30, 2025.

10. 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	₩	665,021	₩	761,154
Acquisition[1]		836		1,132
Disposal/Impairment		(2)		(3,615)
Depreciation		(10,931)		(11,162)
Reclassification,etc.[2]		2,003		(6,290)
Ending balance	₩	656,927	₩	741,219

[1] For the six-month period ended June 30, 2026, the Group 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 ₩ 1,279 million of transfers from property, plant and equipment for the six-month period ended June 30, 2026, and ₩ 8,699 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.

11. 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	₩	62,068	₩	50,498
Acquisition		15,776		20,487
Disposal / Change		(2,892)		(2,083)
Depreciation		(17,588)		(16,389)
Reclassification, etc.		2,064		423
Ending balance	₩	59,428	₩	52,936

12. Borrowings

(a) 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
Borrowings	Hana Bank	FTP (6 months)+0.66	₩ 250,000	₩ 200,000
	Hana Bank Shanghai branch	LPR (1 year)-0.70	2,270	2,048
	NH Nonghyup Bank	MOR (3 months)+1.00	-	100,000
	Citi Bank	2.35	-	2,755
	Shinhan Bank	Bank Debenture (6 months)-0.012	10,000	10,000
		Bank Debenture (6 months)+0.33	1,500	1,500
	Korea Development Bank Cooperatives	3.21	14,000	14,000
	Subtotal		277,770	330,303
Commercial Paper	Kyobo Securities	3.11	200,000	-
Others	Others	4.6	2,657	2,675
	Total		₩ 480,427	₩ 332,978

12. Borrowings (cont'd)

(b) Details of the current portion of long-term borrowings and long-term borrowings as of June 30, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)	Lender	Maturity	Annual interest rate (%)		June 30, 2026		December 31, 2025
Other financial loan for working capital[1]	NH Nonghyup Bank	2027.06.20	-	₩	13,475	₩	13,144
Financial agricultural mid-term loan[1]	NH Nonghyup Bank	2028.07.19~ 2031.06.10	-		67,793		49,170
Borrowings	NH Nonghyup Bank	2028.11.21	3.00		11,872		11,701
		2026.12.27~ 2028.12.27	3.00		7,450		7,340
		2028.06.30	CD (3 Months)+0.8		10,740		-
	Korea Development Bank	2026.12.02	Industrial Financial Debenture (6 Months)+1.23		20,000		20,000
		2030.03.20	Industrial Financial Debenture (1 year)+1.27		15,500		15,500
		2030.11.20	Industrial Financial Debenture (1 year)+1.27		2,000		2,000
	Industrial Bank of Korea	2028.06.30	4.50		9,764		-
	LOTTE Capital Co. Ltd.	2028.06.30	4.50		19,527		-
	iM CAPITAL Co. Ltd.	2028.06.30	4.50~6.20		9,763		-
	Mirae Asset Capital Co., Ltd.	2026.08.29	CP+1.41		-		46,239
	Shinhan Bank	2027.06.26	Financial Debenture (6 months)+1.75		10,000		10,000
Others	Korea SMEs And Startups Agency	2027.09.27	3.06		125		175
	Total			₩	198,009	₩	175,269
Consolidated statements of financial position:							
Current				₩	47,426	₩	68,864
Non-current					150,583		106,405
	Total			₩	198,009	₩	175,269

[1] The above loans are Contractual Cultivation Fund for Ginseng-Integration Project provided as the policy fund for facilitating agriculture, forestry and fisheries sectors by the Ministry of Agriculture, Food and Rural Affairs of the Republic of Korea. Therefore, the interest rate on the loan is 0%, and the amount of present value discounts is recognized as government grants after calculating the present value.

(c) As discussed in Note 23.(c) to the consolidated financial statements, the Group is providing collateral for the above borrowings.

13. Bonds

(a) 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
Foreign Currency-Denominated Senior Unsecured Notes	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
Consolidated statements of financial position:							
Current				₩	429,771	₩	329,742
Non-current					790,090		907,350
	Total			₩	1,219,861	₩	1,237,092

13. Bonds (cont'd)

(b) Convertible bonds

Details of the book values of convertible bonds issued by the Group as of June 30, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)		June 30, 2026		December 31, 2025
Face value	₩	26,400	₩	42,800
Redemption premium		261		928
Conversion right adjustment		(2,494)		(3,089)
Total	₩	24,167	₩	40,639
Consolidated statements of financial position:				
Current	₩	6,661	₩	23,728
Non-current		17,506		16,911
Total	₩	24,167	₩	40,639

Details of issuance condition of convertible bonds issued by the Group as of June 30, 2026 are as follows:

Classification	Details	
Type and name	2nd unregistered coupon non-guarantee private convertible bond	1st unregistered non-guarantee private convertible bond
Underwriter	MIRAE ASSET SECURITIES CO.,LTD. and 15 other underwriters	Korea Investment & Securities Co., Ltd. and 13 other underwriters
Issuing company	Yungjin Pharm. Co., Ltd.	Yungjin Pharm. Co., Ltd.
Issuance date	Nov. 28, 2025	Nov. 21, 2023
Maturity date	Nov. 28, 2030	Nov. 21, 2028
Total issuance amount	₩ 25,100 million[1]	₩ 30,300 million
Remaining issuance amount	₩ 25,100 million[1]	₩ 6,400 million
Conversion price per share	₩ 1,999	₩ 2,305
Number of shares issued at conversion	12,556,278 shares	2,776,573 shares
Condition for conversion price adjustment	(a) In the case of issuance of new shares due to paid-in capital increase, capital increase without consideration, stock dividend, capital transfer of reserves at an issue price below the market price, or issuance of convertible bonds or bonds with warrants at a conversion price or exercise price below the market price, the conversion price is adjusted as follows. Conversion price after adjustment = Conversion price before adjustment × [{A+(B× C/D)}/(A+B)] A: Number of outstanding shares, B: Number of newly issued shares, C: Issue price per share, D: Market price (b) In cases where the conversion price needs to be adjusted due to a merger, capital reduction, stock split or merger, etc., adjust to the same effect that the "bondholder" of the "bonds" could have had if the conversion right had been exercised immediately before these events and the entire amount had been acquired with stocks. (c) If reasons for an increase in stock value, such as capital reduction or stock merger, occur, the conversion price is adjusted on the condition that it is reflected upward by the adjustment ratio due to capital reduction, stock merger and others. (d) If the conversion price adjusted in accordance with the above (a), (b), (c) provisions is less than the par value of the stock, the par value shall be the conversion price, and the total issuance price of the stocks to be issued through the conversion of each convertible bond cannot exceed the issuance price of each convertible bond.	(a) In the case of issuance of new shares due to paid-in capital increase, capital increase without consideration, stock dividend, capital transfer of reserves at an issue price below the market price, or issuance of convertible bonds or bonds with warrants at a conversion price or exercise price below the market price, the conversion price is adjusted as follows. Conversion price after adjustment = Conversion price before adjustment × [{A+(B× C/D)}/(A+B)] A: Number of outstanding shares, B: Number of newly issued shares, C: Issue price per share, D: Market price (b) In cases where the conversion price needs to be adjusted due to a merger, capital reduction, stock split or merger, etc., adjust to the same effect that the "bondholder" of the "bonds" could have had if the conversion right had been exercised immediately before these events and the entire amount had been acquired with stocks. (c) If reasons for an increase in stock value, such as capital reduction or stock merger, occur, the conversion price is adjusted on the condition that it is reflected upward by the adjustment ratio due to capital reduction, stock merger and others. (d) If the conversion price adjusted in accordance with the above (a), (b), (c) provisions is less than the par value of the stock, the par value shall be the conversion price, and the total issuance price of the stocks to be issued through the conversion of each convertible bond cannot exceed the issuance price of each convertible bond.
Conversion period	From Nov. 28, 2026 to Oct. 28, 2030	From November 21, 2024 to October 21, 2028
Conversion ratio	100% of bond price	100% of bond price
Early redemption right	On May 28, 2028, which is two years and six months from the date of issuance of the bond, and on each date falling every three months thereafter (an "early redemption payment date"), the bondholders of this bond may request early redemption before maturity for the entire amount calculated by multiplying the electronic registration amount for which early redemption is requested by the early redemption rate. However, if an early redemption payment date is not a business day, repayment shall be made on the following business day, and no interest shall accrue for the period after the early redemption payment date.	On November 21, 2025, which is two years from the date of issuance of the bond, and every three months thereafter, bondholders of the bond may request early redemption before maturity for the entire amount calculated by multiplying the electronic registration amount by the early redemption rate (approximately 2% annual compound interest).
Yield to maturity	.	2.00%
Coupon rate	.	.

[1] Out of the total issuance amount of ₩25,100 million for the 2nd unregistered coupon non-guarantee private convertible bonds, the Parent Company acquired ₩ 5,100 million.

14. 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	₩ 12,082	₩ 24,172	₩ 13,068	₩ 26,214
Net interest on net defined benefit liabilities	99	184	373	742
Past service cost and gain and loss on settlement	800	800	-	-
Subtotal	12,981	25,156	13,441	26,956
Defined contribution plan:				
Contributions recognized as expense	2,512	7,163	1,882	5,344
Other long-term employee benefits:				
Current service cost, etc.	(840)	1,303	222	2,136
Termination benefits:				
Voluntary retirements, etc.	78	5,316	(4)	57,788
Total	₩ 14,731	₩ 38,938	₩ 15,541	₩ 92,224

(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	₩ 555,998	₩ 589,322
Fair value of plan assets	(549,039)	(586,856)
Total	₩ 6,959	₩ 2,466

15. 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	18,321	7,561	17,197	7,234
Provision for site restoration	1,510	690	1,564	581
Provision for financial guarantee	82	-	87	40
Provision for others	1,836	-	22,395	2
Total	₩ 28,675	₩ 8,251	₩ 45,096	₩ 7,857

(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	24,431	16,596	(15,145)	25,882
Provision for site restoration	2,145	114	(59)	2,200
Provision for financial guarantee	127	-	(45)	82
Provision for greenhouse gases	-	-	-	-
Provision for others	22,397	1,783	(22,344)	1,836
Total	₩ 52,953	₩ 25,942	₩ (41,969)	₩ 36,926

(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	20,842	13,638	(11,642)	22,838
Provision for site restoration	2,240	97	(86)	2,251
Provision for financial guarantee	32	174	(33)	173
Provision for greenhouse gases	13	13	(26)	-
Provision for others	17,382	1,972	(1,476)	17,878
Total	₩ 46,703	₩ 19,448	₩ (21,668)	₩ 44,483

16. 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 in time 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 23 (d)).

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

(in millions of Korean won)

	June 30, 2025							
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	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, apartments and knowledge industry centers that are scheduled to be recognized as sales at a point in time when 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 ₩ 12,592 million recognized as sales at a point in time 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 23 (d)).

16. Real Estate Pre-sales Contracts (cont'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)

	June 30, 2026			
Construction project	**Revenue (cumulative)**	**Cash collected and others (cumulative)**	**Trade receivables for sale in lots[1]**	**Advanced receipts for sale in lots[2]**
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 percentage of completion method.

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

(in millions of Korean won)	December 31, 2025			
Construction project	**Revenue (cumulative)**	**Cash collected and others (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 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 percentage of completion method.

17. Selling, General and Administrative Expenses

Details of 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	₩ 135,771	₩ 285,874	₩ 125,930	₩ 256,842
Retirement and termination benefits	10,236	24,747	8,885	68,853
Employee welfare	28,211	52,800	25,596	45,144
Travel expenses	9,144	17,673	7,775	14,875
Communication cost	1,767	3,606	1,936	3,601
Utilities	2,913	7,144	2,995	7,228
Taxes and dues	23,276	27,860	24,814	28,678
Supplies	1,699	3,165	1,506	3,222
Rent	3,918	7,794	4,443	9,470
Depreciation	20,549	40,522	18,013	35,845
Amortization	4,898	10,566	5,393	11,974
Repairs and maintenance	4,986	9,403	3,042	4,912
Vehicles	2,021	3,936	1,848	3,699
Insurance	1,722	2,905	1,264	2,278
Commissions	80,564	177,719	80,361	170,994
Freight and custody	17,385	36,264	17,519	36,340
Conferences	1,585	3,164	1,625	3,034
Advertising	72,057	137,849	59,844	135,580
Education and training	3,035	5,491	1,367	4,230
Prizes and rewards	930	1,285	1,018	1,663
Cooperation	1,203	2,088	344	674
Research and development	21,342	36,920	13,291	26,523
Impairment loss (reversal) on trade receivables	(1,223)	6,838	(6,303)	(5,030)
Total	₩ 447,989	₩ 905,613	₩ 402,506	₩ 870,629

18. 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	₩ 40,243	₩ 52,628	₩ 22,155	₩ 29,969
Gain on foreign currency translation	88,514	270,804	14,953	79,734
Gain on valuation of derivatives	1,183	1,363	42,128	42,533
Reversal of impairment loss on other receivables	-	-	-	28
Gain on disposal of property, plant and equipment	738	5,625	207	520
Gain on disposal of intangible assets	-	-	-	4
Gain on disposal of investment properties	-	-	5,001	5,001
Gain on disposal of right-of-use assets	12	12	29	286
Gain on disposal of assets held for sale	-	3,768	-	-
Gain on disposal of equity-method investments	-	6	-	-
Gain on lease contract adjustments	56	97	21	452
Miscellaneous income	4,685	8,720	1,922	6,141
Total	₩ 135,431	₩ 343,023	₩ 86,416	₩ 164,668

(b) Details of other 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
Loss on foreign currency transaction	₩ 12,615	₩ 23,726	₩ 37,110	₩ 51,490
Loss on foreign currency translation	51,578	99,583	217,795	262,868
Loss on disposal of investments in subsidiaries	-	-	336	336
Loss on valuation of derivatives	16,873	52,018	-	2,337
Loss on impairment of other receivables	1,170	1,137	659	726
Loss on disposal of property, plant and equipment	1,008	1,445	193	467
Loss on impairment of property, plant and equipment	-	6	-	-
Loss on disposal of intangible assets	102	138	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 right-of-use assets	1	17	-	-
Loss on impairment of right-of-use assets	10	10	-	-
Loss on disposal of assets held for sale	-	1,445	-	-
Donations	2,773	3,927	3,129	4,015
Loss on lease contract adjustments	8	39	28	41
Miscellaneous loss	4,501	6,449	2,124	3,830
Total	₩ 90,815	₩ 190,432	₩ 261,806	₩ 326,981

19. 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]	₩ 27,906	₩ 54,131	₩ 26,026	₩ 54,213
Dividend income	4,168	6,178	5,892	8,713
Gain on valuation of financial assets measured at fair value through profit or loss	3,405	5,151	2,455	6,288
Gain on disposal of financial assets measured at fair value through profit or loss	943	1,247	1,136	1,461
Other finance income	21	21	-	-
Total finance income	₩ 36,443	₩ 66,728	₩ 35,509	₩ 70,675
Finance costs:				
Interest expense	₩ 23,083	₩ 43,470	₩ 18,501	₩ 30,972
Loss on valuation of financial assets measured at fair value through profit or loss	59	1,690	5,573	9,646
Loss on disposal of financial assets measured at fair value through profit or loss	19	19	-	-
Other finance costs	11	11	-	-
Total finance costs	₩ 23,172	₩ 45,190	₩ 24,074	₩ 40,618
Net finance income	₩ 13,271	₩ 21,538	₩ 11,435	₩ 30,057

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

20. 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 25.73% and 23.03%, respectively.

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

21. Related Parties

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

Type	Name of entity	Location	Percentage of ownership (%)	
			June 30, 2026	December 31, 2025
Associates	LitePharmTech Co., Ltd.[1]	Korea	12.53	12.53
	KORAMCO Banpo PFV Co., Ltd.[1]	Korea	18.95	18.95
	KOCREF 41 REIT	Korea	26.47	26.47
	Cheongna Medipolis PFV Co.,Ltd.[2]	Korea	51.01	51.01
	INNODIS CO., Ltd.[1]	Korea	19.64	19.64
	SJ BIO MED Co., Ltd.[1,3]	Korea	14.39	14.39
	LSK Global Pharma Services Co., Ltd.	Korea	21.92	21.92
	Mirae Asset KT&G Investment Fund I[4]	Korea	50.00	50.00
	KB KT&G New Growth Fund 1[5]	Korea	66.67	66.67
Joint ventures	KORAMCO Europe Private REIT 3-2 Fund[6]	Korea	51.35	51.35
	Starfield Suwon Inc.	Korea	50.00	50.00
	ASF International Holding Company AB[6,7]	Sweden	51.00	51.00
Others	Sangsang Loft Co.,Ltd.[8]	Korea	-	50.00

[1] The Group classified its interests in the entities as investment in associates, as the Group is deemed to have significant influence over such entities and has the right to participate in the entities' Board of Directors meetings in accordance with the agreement with shareholders, notwithstanding its ownership percentage of less than 20%.

[2] The Group has classified the ownership 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.

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

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

[5] Although the ownership exceeds 50%, the Group classified the ownership as investment in associates as the Group does not have control over related activities and has significant influence through participating in investment decision-making authority.

[6] The Group 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.

[7] For the year ended December 31, 2025, the Group acquired all of the shares of ASF International Holding Company AB for ₩ 271,366 million, and, in accordance with the shareholders' agreement, the Group disposed of a portion of the shares to Altria Ventures Inc. (the "joint investor") for ₩ 107,091 million. Under the shareholders' agreement between the Group and the joint investor, the Group 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 Group from the point when five years have elapsed after the closing date.

[8] 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.

21. Related Parties (cont'd)

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

(in millions of Korean won)

Type	Name of entity	June 30, 2026				June 30, 2025			
		Sales and other income		Purchase and other expenses		Sales and other income		Purchase and other expenses	
		Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Associates	INNODIS Co., Ltd.	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 25
	Cheongna Medipolis PFV Co., Ltd.	300	600	-	-	300	679	-	-
Joint ventures	Starfield Suwon Inc.	-	-	28	56	4,095	4,095	643	670
Others	SangSang Loft Co.,Ltd.[1]	-	1	-	-	1	2	-	-
	Others[2]	-	-	-	-	-	1,546	-	-
	Total	₩ 300	₩ 601	₩ 28	₩ 56	₩ 4,396	₩ 6,322	₩ 643	₩ 695

[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] The Group classified the related parties of DNC Deogeun Co., Ltd. as other related party as the Group acquired DNC Deogeun Co., Ltd. as subsidiary for the year ended December 31, 2023. The Group excluded the related parties of DNC Deogeun Co., Ltd. from its related parties, as the Group disposed of all of its shares in DNC Deogeun Co., Ltd. for the year ended December 31, 2025.

(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)

Type	Name of entity	June 30, 2026		December 31, 2025	
		Receivables	Payables	Receivables	Payables
Associate	Koramco Banpo Project Finance Investment Co., Ltd.	₩ 3,827	₩ -	₩ -	₩ -
	INNODIS CO., LTD.	-	-	-	25
	Cheongna Medipolis PFV Co.,Ltd.	-	-	113	-
Joint venture	Starfield Suwon, Inc.	37	10	37	10
Others	Sangsang Loft Co.,Ltd.[1]	-	-	-	2
	Total	₩ 3,864	₩ 10	₩ 150	₩ 37

[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.

21. Related Parties (cont'd)

(d) 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			June 30, 2025			
Type	Name of entity	Equity investment	Equity recovery	Dividends	Equity investment	Loan	Equity recovery	Dividends
Associates	Koramco Banpo Project Finance Investment Co., Ltd.	₩ -	₩ -	₩ 3,790	₩ -	₩ -	₩ -	₩ -
	KOCREF 41 REIT	-	-	474	-	-	-	1,167
	KB KT&G New Growth Fund	4,000	-	-	3,000	-	-	-
Joint ventures	Starfield Suwon, Inc.	-	-	18,388	-	-	-	12,425
Others	SangSang Loft Co.,Ltd.[1]	-	73	-	-	-	-	-
	KOCREF 36 REIT[2]	-	-	-	-	-	-	600
	Others[3]	-	-	-	-	4,702	1,217	-
	Total	₩ 4,000	₩ 73	₩ 22,652	₩ 3,000	₩ 4,702	₩ 1,217	₩ 14,192

[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.

[3] For the year ended December 31, 2023, as the Group acquired DNC Deogeun Co., Ltd. as a subsidiary, the related parties of DNC Deogeun Co., Ltd. were classified as other related parties. The Group excluded the related parties of DNC Deogeun Co., Ltd. from its related parties, as the Group disposed of all of its shares in DNC Deogeun Co., Ltd. for the year ended December 31, 2025.

(e) The Group 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 restricted for 5 years from the date Starfield Suwon Inc.'s temporary approval for use is granted. In the event that the Group or the joint investor wishes to transfer all of its shares, the other party may elect to exercise the right of first refusal and the tag-along right.

(f) The Group 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 transfer of equity shares in Cheongna Medipolis PFV Co., Ltd., the equity shares of Cheongna Medipolis Development Co., Ltd., a subsidiary of the Parent Company, should also be transferred.

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

21. Related Parties (cont'd)

(h) As of June 30, 2026, the Group 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.

(i) The Group 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 ₩ 30,000 million. For the six-month period ended June 30, 2026, the Group 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 23.(d))

(j) The Parent Company has a joint disposal right to require other investors to dispose of their ownership under the same condition of the Parent Company's disposal of Mastern No. 144 PFV Co., Ltd.'s shares. Also, if the shareholders other than the Parent Company dispose of the shares by obtaining the approvals from the Board of Directors and Shareholders, the Parent 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 Parent Company.

(k) For the year ended December 31, 2025, the Group 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 Group 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 Group 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 Group 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 Group beginning five years after the closing date.
The Group 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 Group 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 Group 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 23.(d)).

(l) 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

22. Risk Management and Fair Value of Financial Instruments

In relation to financial instruments, the Group is exposed to market risk, credit risk and liquidity risk. The purpose of risk management of the Group is to identify potential risks affecting the financial performance of the Group and to eliminate, avoid and reduce them to an acceptable level. The Group prepares and operates the companywide risk management policies and procedures and the finance department of the Group has overall responsibility for risk management. The finance department of the Group is responsible for monitoring and managing the financial risks associated with the operations of the Group 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 Group's management continuously reviews compliance with risk management policies and procedures and limits on risk exposure. The Group’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 Group’s financial instruments. The Group manages and controls market risk exposures within the acceptable limits, while optimizing the revenue.

① Foreign exchange risk

The Group 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 Group’s management measures the risk of fluctuations in foreign exchange rates against the Korean won internally on a regular basis.

② Price risk

The Group 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 Group invests in. The Group’s 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 Group invests in. Material investments in the Group’s portfolio are individually managed, for which acquisitions and disposals are required to be approved by the Group’s management.

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

③ Interest rate risk

The Group 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 Group 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 Group 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 Group is exposed to credit risk in which 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 Group's management only transacts with parties with of creditworthiness over a certain level, and establishes and manages the credit enhancement policies and procedures for financial assets. The Group evaluates the creditworthiness of new transacting parties using the financial information disclosed when entering into a contract and the information provided by the credit rating agency, which provides the basis for determining credit limits; the Group then receives collaterals and/or payment guarantees as necessary. In addition, the Group periodically reassesses the credit limits and readjusts the collaterals by reassessing the contracting party's creditworthiness, and for financial assets with delayed collection, their status and collection strategies are reported quarterly and appropriate measures are taken in accordance with 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 Group is exposed to liquidity risk that the Group 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 Group 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. Management of the Group determines that the financial liabilities are redeemable through cash flows from operating activities and cash inflows from financial assets.

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

(d) Details of the carrying amounts of financial instruments by category 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[1]	₩	576,956	₩	394,723
Financial assets measured at fair value through other comprehensive income or loss		135,624		187,911
Derivative assets		507		4,965
Financial assets measured at amortized cost				
Cash and cash equivalents[1]		1,082,329		913,503
Other financial assets		319,179		341,755
Trade and other receivables		2,207,320		1,850,994
Long-term deposits		1,787,978		1,676,086
Subtotal		5,396,806		4,782,338
Total financial assets	₩	6,109,893	₩	5,369,937
Financial liabilities:				
Derivative liabilities	₩	20,925	₩	8,540
Financial liabilities measured at amortized cost				
Short-term borrowings		480,427		332,978
Long-term borrowings		198,009		175,269
Bonds		1,219,861		1,237,092
Convertible bonds		24,167		40,639
Trade and other payables		1,456,205		1,350,168
Lease liabilities		54,859		57,209
Liabilities for non-controlling interests		6,051		6,469
Subtotal		3,439,579		3,199,824
Total financial liabilities	₩	3,460,504	₩	3,208,364

[1] As of June 30, 2026, money market trust amounting ₩ 1 million classified as cash equivalents are included in the financial assets measured at fair value through profit or loss (December 31, 2025: ₩ 1 million).

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

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

Details of the fair value 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	₩ 576,956	₩ -	₩ 252,371	₩ 324,585
Financial assets measured at fair value through other comprehensive income or loss	135,624	127,457	-	8,167
Derivative assets	507	-	507	-
Total financial assets	₩ 713,087	₩ 127,457	₩ 252,878	₩ 332,752
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	₩ 394,723	₩ -	₩ 67,785	₩ 326,938
Financial assets measured at fair value through other comprehensive income or loss	187,911	179,744	-	8,167
Derivative assets	4,965	-	4,965	-
Total financial assets	₩ 587,599	₩ 179,744	₩ 72,750	₩ 335,105
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.

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	₩ 335,105	₩ 360,809
Acquisition	13,994	16,385
Disposal	(17,468)	(2,423)
Changes in fair value	1,121	(8,878)
Ending balance	₩ 332,752	₩ 365,893

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

(f) Details of net gains or losses by each financial instrument category 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	₩ -	₩ -	₩ -	₩ 54,131	₩ -	₩ 54,131
Dividend income	4,312	1,866	-	-	-	6,178
Loss on valuation	3,462	-	(50,655)	-	-	(47,193)
Gain on disposal	1,228	-	-	-	-	1,228
Interest expense	-	-	-	-	(43,470)	(43,470)
Reversal of impairment loss	-	-	-	(7,975)	-	(7,975)
Gain on lease contract adjustments	-	-	-	-	58	58
Others	-	-	-	10	-	10
Total	₩ 9,002	₩ 1,866	₩ (50,655)	₩ 46,166	₩ (43,412)	₩ (37,033)
Other comprehensive income (loss) before tax:						
Net change in fair value	₩ -	₩ 13,380	₩ -	₩ -	₩ -	₩ 13,380

(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	₩ -	₩ -	₩ -	₩ 54,213	₩ -	₩ 54,213
Dividend income	4,596	4,117	-	-	-	8,713
Gain or loss on valuation	(3,358)	-	40,196	-	-	36,838
Gain on disposal	1,461	-	-	-	-	1,461
Interest expense	-	-	-	-	(30,972)	(30,972)
Reversal of impairment loss	-	-	-	4,332	-	4,332
Gain on lease contract adjustments	-	-	-	-	411	411
Total	₩ 2,699	₩ 4,117	₩ 40,196	₩ 58,545	₩ (30,561)	₩ 74,996
Other comprehensive income(loss) before tax:						
Net change in fair value	₩ -	₩ 50,361	₩ -	₩ -	₩ -	₩ 50,361

23. Contingent Liabilities and Commitments

(a) Litigation cases

As of June 30, 2026, the Group has 23 cases of pending litigations under progress where the Group is the defendant and the litigation amounts are ₩ 158,450 million. It is not possible to reasonably predict the impact of the outcome of the pending litigations on the consolidated financial statements of the Group as of June 30, 2026.

(b) Commitments with financial institutions

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

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

Type	Financial institutions	Currency	Limit	Execution
Opening import letter of credits	Hana Bank and one other	USD	210,300	5,992
Derivatives trading[1]	Hana Bank and six others	USD	243,677	33,968
Trade receivables factoring agreement	Hana Bank	KRW	5,000	128
Insurance Contract for Compensation of Consumer Damages in Sponsored Door-to-Door Sales	Korea Special Sales Financial Cooperative Association	KRW	546	-
Others	NH Nonghyup Bank and eight others	KRW	1,077,465	490,690
	Hana Bank Shanghai branch	CNY	10,000	10,000
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 Group 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 Group as of June 30, 2026 are as follows:

(In millions of Korean won or thousands of US dollars or thousands of Turkish Lira or thousands of Russian Ruble)

Provider	Currency	Limit	Details
Hana Bank	KRW	85,000	Payment guarantee for tobacco consumption tax
Korea Housing & Urban Guarantee Corporation	KRW	180,088	Housing distribution guarantee, etc.
Seoul Guarantee Insurance	KRW	53,631	License guarantee, etc.
Unified Customs Guarantor JSC	RUB	3,000,000	Payment guarantee on customs
America Bank	USD	500	Trade receivables payment guarantee
Garanti Bank and one other	TRY	520,000	Payment guarantee on customs, etc.
Hana Bank	USD	2,000	Performance and tender guarantee related to exporting reconstituted tobacco leaves and finished tobacco products
Mastern Investment Management	KRW	116	Borrowings payment guarantee
Sberbank PAO and two others	RUB	5,818,000	Trade receivables payment guarantee

23. Contingent Liabilities and Commitments (cont'd)

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 Parent Company provides 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 refund of value-added tax (VAT), and the Parent Company has a recourse liability up to the limit of USD 5,500 thousand to Hana Bank.

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

(in millions of Korean won)

Guarantee user	Guaranteed by	June 30, 2026 Limit amount	June 30, 2026 Execution amount	December 31, 2025 Limit amount	December 31, 2025 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
Property, plant and equipment	₩ 80,716	₩ 47,500	₩ 75,600	Korea Development Bank and one other	Long-term borrowings and limit loan
	20,219	25,500	39,000	Shinhan Bank and one other	Short-term borrowings
	27,610	-	2,400	Korea Development Bank	Collateral for limit loan agreement
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
	54,820	51,000	61,200	NH Nonghyup Bank and four others	Long-term borrowings[1]
Cash and cash equivalents	8,609				
Other financial assets	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
	600	-	720	Suhyup Bank	Establishment of pledge related to loan arrangement for Elif Mia contract deposit
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[2]
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
Total	₩ 442,476	₩ 186,436	₩ 256,412		

[1] As of June 30, 2026, the Group has provided investment properties under real estate collateral trust agreements, insurance claim rights under insurance claim pledge agreements, and the accounts designated to receive loan proceeds and other receipts under deposit pledge agreements as collateral for borrowings. In addition, in the event of disposal of the investment properties provided as collateral, the proceeds from such disposal shall be used first to repay the principal and interest on the borrowings and other secured obligations.

[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.

23. 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
	Establishment of a pledge for long-term borrowings	8,609	-
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, etc.	4	4
	Payment guarantee on import customs	483	459
Financial assets at fair value through profit or loss	Establishment of pledge related to loan arrangement for Elif Mia contract deposit	5,188	5,139
	Total	₩ 161,267	₩ 148,383

As of June 30, 2026, cash and cash equivalents and short-term financial instruments of ₩ 11,477 million held by the Group are deposited in a trust account in accordance with the managed land trust contract and fund management business entrustment contract.

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 ₩ 124,542 million.

(d) Others

Each year, the Group 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 Group inflicts damage on tobacco consumers due to any illegal activities committed by the Group 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 will be refunded to the Group, in whole, after 25 years from each date of deposit. The Group recognized ₩ 1,787,978 million in long-term deposits for MSA Escrow Fund as of June 30, 2026 (as of 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 Group has entered into a contract with agronomists for green ginseng, where the Group is to purchase a determined volume of ginseng after 6 years from the date of contract; as of June 30, 2026, the Group recognizes the initial contract payment as long-term advance payments and current portion of long-term advance payment, in the amount of ₩ 112,635 million and ₩ 55,223 million, respectively (as of December 31, 2025: ₩ 89,863 million and ₩ 33,674 million, respectively).

23. Contingent Liabilities and Commitments (cont'd)

The Group 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 Group 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 Group has entered into currency hedge capital call agreement in relation to the Group'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 Group 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 and Smilegate New Deal Fund, etc., with the ceiling of ₩ 126,000 million and USD 37,000 thousand. As of June 30, 2026, the remaining contribution amount is ₩ 7,742 million and USD 11,683 thousand, and the detailed timeline for contribution is yet to be determined.

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

The Group 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 transfer of equity shares in Cheongna Medipolis PFV Co., Ltd., the equity shares of Cheongna Medipolis Development Co., Ltd., a subsidiary of the Parent Company, should also be transferred.

The Group has entered into a land-sales contract for the year ended December 31, 2018 and completed the balance payment for the year ended December 31, 2020. The land should be used for constructing a building in accordance with the business plan submitted to the authority of Gwacheon City and a certain part of the building should be used for designated purposes stated in the business plan for 10 years from the date of registration of preservation of ownership.

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

23. Contingent Liabilities and Commitments (cont'd)

As of June 30, 2026, the Group 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 Group.

The Group is obligated to return infrastructure such as roads and neighboring 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 fulfilment of infrastructure-related obligations were reflected in construction costs for the year ended December 31, 2025 (see Note 16).

In connection with the sales project of Elif Mia Station Complex 1 and 2, the Group is obligated to sell certain portions of the residential facilities constructed by the Group to the Seoul Metropolitan Government at a reduced price and to contribute certain portions of the commercial facilities to the local government, and easements have been established with respect to certain portions of the roads.

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

In connection with the ePyeonhansesang Daejeon Station Centum Vista sales project, the Group 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 Group 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.

For the year ended December 31, 2022, in relation to the construction of residential and commercial complexes in Sangbong-dong, the Group 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 Group 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 Parent 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.

23. Contingent Liabilities and Commitments (cont'd)

As of June 30, 2026, the Parent 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 Parent Company and KT&G USA Corporation cannot predict the ultimate outcome of the investigation and its impact as of June 30, 2026.

The Group is 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 Group'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 Group 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 Group 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 Group 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 Group 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 Group beginning five years after the closing date. The Group 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 Group 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 Group 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.

24. 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 period	₩ 740,326	₩ 401,443
Operating profit from continuing operations	740,663	405,170
Operating loss from discontinued operation	(337)	(3,727)
Adjustments:		
Employee welfare	1,769	2,728
Retirement benefits and termination benefits	27,175	54,109
Loss on valuation or obsolescence of inventories	23,094	11,227
Depreciation	143,693	123,856
Amortization	14,393	15,980
Impairment loss (reversal) on trade and other receivables	7,948	(4,304)
Loss on foreign currency translation	99,583	262,868
Loss on valuation of derivatives	52,018	2,337
Loss on disposal of property, plant and equipment	1,445	467
Loss on impairment of property, plant and equipment	6	-
Loss on disposal of intangible assets	138	295
Loss on impairment of intangible assets	490	326
Loss on disposal of investment properties	2	250
Loss on disposal of right-of-use assets	17	-
Loss on impairment of right-of-use assets	10	-
Loss on disposal of assets held for sale	1,445	-
Loss on disposal of investments in subsidiaries	-	336
Other expenses, etc	15,873	10,460
Finance cost	45,190	40,618
Share based payment expense	1,458	1,412
Income tax expense	256,569	121,217
Gain on foreign currency translation	(270,804)	(79,734)
Gain on valuation of derivatives	(1,363)	(42,533)
Gain on disposal of property, plant and equipment	(5,625)	(520)
Gain on disposal of intangible assets	-	(4)
Gain on disposal of right-of-use assets	(12)	(286)
Gain on disposal of investment properties	-	(5,001)
Gain on disposal of assets held for sale	(3,768)	-
Gain on disposal of equity-method investments	(6)	-
Other income, etc.	(17,867)	(8,448)
Finance income	(66,882)	(70,777)
Increase of investments in associates and joint ventures due to share of net gain/loss	(36,350)	(13,831)
Changes in working capital:		
Increase in trade and other receivables	(270,384)	(19,062)
Decrease (Increase) in derivative assets (liabilities)	(33,813)	(10,609)
Decrease in inventories	138,635	73,414
Increase in accrued tobacco excise and other taxes	(19,783)	(84,003)
Increase in advance payments	(97,310)	(87,322)
Decrease (Increase) in prepaid expenses	52,050	(30,022)
Increase (Decrease) in trade and other payables	37,290	(115,824)
Increase in advance receipts	43,485	154
Increase in tobacco excise and other taxes payable	141,421	55,963
Increase in provision for site restoration	85	22
Decrease in provision for litigation	(16,174)	-
Decrease (Increase) in net defined benefit assets (liabilities)	(2,159)	(10,716)
Cash generated from operations	₩ 1,003,308	₩ 596,486

25. Assets Held for Sale and Discontinued Operations

(a) Details of changes in assets held for sale for the six-month periods ended June 30, 2026 and June 30, 2025 are as follows.

(in millions of Korean won)		June 30, 2026		June 30, 2025
Beginning balance	₩	41,298	₩	-
Disposal		(7,676)		-
Ending balance	₩	33,622	₩	-

(b) Discontinued operations

As of December 14, 2021, the Group has discontinued KT&G USA Corporation business as the Group determined it necessary to revisit the entire global business strategy, following the enhanced US tobacco regulations and growing market competition which warrant reconsideration of conducting the US business segment.

① Details of profit or loss from discontinued operation 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[1]
Sales	₩	-	₩	-
Cost of sales		-		-
Selling, general and administrative expense		(1,408)		(3,616)
Operating loss		(1,408)		(3,616)
Other income		896		166
Other expense		-		(379)
Finance income		175		102
Finance costs		-		-
Loss on discontinued operation, before tax		(337)		(3,727)
Income tax expense		-		-
Loss on discontinued operation, after tax		(337)		(3,727)
Exchange differences on translating foreign operations		350		(190)
Total comprehensive income (loss)	₩	13	₩	(3,917)

[1] Profits or losses from discontinued operations for the six-month period ended June 30, 2025 are presented after eliminating the effects of intra-group transactions.

Profit or loss from discontinued operations for each of the six-month periods ended June 30, 2026 and 2025 is entirely attributed to the Parent Company.

25. Assets Held for Sale and Discontinued Operations (cont'd)

② Details of cash flows from discontinued operation 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
Cash flows generated from operating activities	₩	(630)	₩	(3,737)
Cash flows generated from investing activities		(13,914)		102
Cash flows generated from financing activities		(580)		(529)
Differences arising from changes in exchange rates on cash and cash equivalents presented in foreign currency		540		(499)
	₩	(14,584)	₩	(4,663)

26. Events After the Reporting Period

On July 21, 2026, the Parent 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.