KT&G Corporation and its subsidiaries

Interim consolidated financial statements
for each of the three-month periods ended March 31, 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 March 31, 2026, and the related interim consolidated statements of comprehensive income, interim consolidated statements of changes in equity and interim consolidated statements of cash flows for each of the three-month periods ended March 31, 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

May 8, 2026

This review report is effective as of May 8, 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 three-month periods ended March 31, 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 March 31, 2026 (unaudited) and December 31, 2025

(in millions of Korean won)	Notes		March 31, 2026		December 31, 2025
Assets					
Current assets					
Cash and cash equivalents	22,23	₩	1,101,407	₩	913,503
Current other financial assets	22,23		339,361		303,277
Current financial assets measured at fair value through profit or loss	22,23		281,398		61,431
Trade and other receivables	5,16,21,22		1,883,353		1,691,394
Derivative assets	22,23		2,529		4,965
Inventories	6		3,157,759		3,284,784
Refund assets and others			702		792
Accrued tobacco excise tax and others			459,786		490,835
Advanced payments	23		93,554		70,515
Prepaid expenses			137,784		163,051
Current income tax assets			2,067		398
Assets held for sale	4,25		33,622		41,298
Total current assets			7,493,322		7,026,243
Non-current assets					
Long-term other financial assets	22,23		38,494		38,478
Long-term deposits in MSA Escrow Fund	22,23		1,744,961		1,676,086
Long-term financial assets measured at fair value through profit or loss	22,23		299,945		333,291
Long-term trade and other receivables	5,16,21,22		158,355		159,600
Long-term financial assets measured at fair value through other comprehensive income or loss	22		134,383		187,911
Investments in associates and joint ventures	4,7,21,23		815,176		813,934
Property, plant and equipment	8,23		2,919,003		2,822,977
Intangible assets	9		170,861		170,875
Investment properties	10,23		663,526		665,021
Right-of-use assets	11		61,065		62,068
Long-term advance payments	23		89,936		89,959
Long-term prepaid expenses			28,171		23,056
Deferred income tax assets	20		57,677		79,435
Net defined benefit assets	14		24,930		40,193
Total non-current assets			7,206,483		7,162,884
Total assets		₩	14,699,805	₩	14,189,127
Liabilities					
Current liabilities					
Short-term borrowings	12,22,23	₩	225,344	₩	332,978
Current portion of long-term borrowings	12,22,23		68,995		68,864
Current portion of bonds	13,22		329,821		329,742
Current portion of convertible bonds	13,22		14,778		23,728
Trade and other payables	21,22		2,065,696		1,563,861
Current lease liabilities	22		25,633		25,419
Derivative liabilities	22,23		23,485		8,540
Advance receipts	16		91,934		31,870
Current refund liabilities and provisions	15		30,431		45,096
Current income tax liabilities	20		183,226		218,967
Tobacco excise tax payables and others			610,930		587,772
Total current liabilities			3,670,273		3,236,837
Non-current liabilities					
Long-term borrowings	12,22,23		107,476		106,405
Long-term bonds	13,22		931,189		907,350
Long-term convertible bonds	13,22		17,204		16,911
Long-term trade and other payables	22,23		283,009		273,347
Long-term lease liabilities	22		31,033		31,790
Long-term advance receipts	16		1,980		2,758
Net defined benefit liabilities	14		45,524		42,659
Long-term refund liabilities and provisions	15		7,768		7,857
Deferred income tax liabilities	20		270,209		220,575
Non-controlling interests liabilities	22		6,285		6,469
Total non-current liabilities			1,701,677		1,616,121
Total liabilities		₩	5,371,950	₩	4,852,958

KT&G Corporation and its subsidiaries
Interim consolidated statements of financial position, continued
as of March 31, 2026 (unaudited) and December 31, 2025

(in millions of Korean won)

	Notes		March 31, 2026		December 31, 2025
Equity					
Share capital		₩	954,959	₩	954,959
Other capital surplus			8,422		7,889
Treasury shares			(639,654)		(835,255)
Gain on disposal of treasury shares			530,357		529,633
Other components of equity			146,700		70,367
Retained earnings			8,276,355		8,551,967
Equity attributable to owners of the Parent Company			9,277,139		9,279,560
Non-controlling interest			50,716		56,609
Total equity		₩	9,327,855	₩	9,336,169
Total liabilities and equity		₩	14,699,805	₩	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 periods ended March 31, 2026 and 2025 (unaudited)

(in millions of Korean won)	Notes		March 31, 2026		March 31, 2025
Continuing operations					
Sales	4,16	₩	1,703,598	₩	1,491,108
Cost of sales			(881,438)		(737,425)
Gross profit			822,160		753,683
Selling, general and administrative expense	17,21		(457,624)		(468,123)
Operating profit	4		364,536		285,560
Other income	18,21,22		207,627		84,936
Other expense	18,21,22		(99,650)		(71,858)
Finance income	19,21,22		30,285		35,166
Finance costs	19,22		(22,018)		(16,545)
Share of net profit of associates and joint ventures	7		17,912		7,353
Profit arising from net monetary assets			9,622		12,811
Profit before income tax			508,314		337,423
Income tax expense	20		(129,755)		(77,242)
Profit from continuing operations			378,559		260,181
Discontinued operations					
Loss from discontinued operations	25		(319)		(2,252)
Profit for the period		₩	378,240	₩	257,929
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		₩	(1,995)	₩	(302)
Gain (loss) on valuation of financial assets measured at fair value through other comprehensive income or loss	22		8,600		(1,283)
Capital changes in equity method	7		92		(8)
Items that will be reclassified to profit or loss					
Exchange differences on translating foreign operations			78,370		24,940
Capital changes in equity method	7		6,724		10
			91,791		23,357
Total comprehensive income for the period		₩	470,031	₩	281,286
Profit for the period attributable to:					
Owners of the Parent Company					
Profit from continuing operations		₩	380,856	₩	257,868
Loss from discontinued operations	25		(319)		(2,252)
Profit attributable to owners of the Parent Company			380,537		255,616
Non-controlling interests					
Profit (loss) from continuing operations			(2,297)		2,313
Profit (loss) from discontinued operations	25		-		-
Profit (loss) attributable to non-controlling interests			(2,297)		2,313
Total		₩	378,240	₩	257,929
Total comprehensive income (loss) for the period attributable to:					
Owners of the Parent Company					
Profit from continuing operations		₩	472,571	₩	281,240
Loss from discontinued operations	25		(62)		(2,285)
Total comprehensive income attributable to owners of the Parent Company			472,509		278,955
Non-controlling interests					
Profit (loss) from continuing operations			(2,478)		2,331
Profit (loss) from discontinued operations	25		-		-
Total comprehensive income (loss) attributable to non-controlling interests			(2,478)		2,331
Total		₩	470,031	₩	281,286
Earnings (loss) per share:					
Basic and diluted					
From continuing operations *(in Korean won)*		₩	3,669	₩	2,391
From discontinued operations *(in Korean won)*			(3)		(21)
		₩	3,666	₩	2,370

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 three-month periods ended March 31, 2026 and 2025 (unaudited)

(in millions of Korean won)	Share capital	Other capital surplus	Treasury shares	Gains on disposal of treasury shares	Other components of equity	Retained earnings	Owners of the parent	Non-controlling interest	Total equity
Balance 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
Total comprehensive income (loss) for the period									
Profit for the period	-	-	-	-	-	255,616	255,616	2,313	257,929
Other comprehensive income (loss) for the period:									
Re-measurements of net defined benefit liabilities	-	-	-	-	-	(320)	(320)	18	(302)
Loss on valuation of financial assets measured at fair value through other comprehensive income or loss	-	-	-	-	(1,283)	-	(1,283)	-	(1,283)
Exchange differences on translating foreign operations	-	-	-	-	24,940	-	24,940	-	24,940
Capital changes in equity method	-	-	-	-	2	-	2	-	2
Other comprehensive income (loss) for the period	-	-	-	-	23,659	(320)	23,339	18	23,357
Total comprehensive income (loss) for the period	-	-	-	-	23,659	255,296	278,955	2,331	281,286
Transactions with owners of the Parent Company:									
Dividends	-	-	-	-	-	(453,069)	(453,069)	-	(453,069)
Retirement of treasury shares	-	-	194,258	-	-	(194,258)	-	-	-
Share-based payment	-	(913)	1,030	778	-	-	895	-	895
Total transactions with owners of the Parent Company	-	(913)	195,288	778	-	(647,327)	(452,174)	-	(452,174)
Balance as of March 31, 2025	₩ 954,959	₩ 5,031	₩ (835,253)	₩ 529,807	₩ 20,194	₩ 8,391,214	₩ 9,065,952	₩ 121,625	₩ 9,187,577
Balance 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
Total comprehensive income (loss) for the period									
Profit(loss) for the period	-	-	-	-	-	380,537	380,537	(2,297)	378,240
Other comprehensive income (loss) for the period:									
Re-measurements of net defined benefit liabilities	-	-	-	-	-	(1,814)	(1,814)	(181)	(1,995)
Gain on valuation of financial assets measured at fair value through other comprehensive income or loss	-	-	-	-	8,600	-	8,600	-	8,600
Transfer from gain (loss) on disposal of fair value through other comprehensive income or loss to retained earnings	-	-	-	-	(17,453)	17,453	-	-	-
Exchange differences on translating foreign operations	-	-	-	-	78,370	-	78,370	-	78,370
Capital changes in equity method	-	-	-	-	6,816	-	6,816	-	6,816
Other comprehensive income (loss) for the period	-	-	-	-	76,333	15,639	91,972	(181)	91,791
Total comprehensive income (loss) for the period	-	-	-	-	76,333	396,176	472,509	(2,478)	470,031
Transactions with owners of the Parent Company:									
Dividends	-	-	-	-	-	(477,530)	(477,530)	-	(477,530)
Retirement of treasury shares	-	-	194,258	-	-	(194,258)	-	-	-
Changes in non-controlling interest	-	1,542	-	-	-	-	1,542	(3,415)	(1,873)
Share-based payment	-	(1,009)	1,343	724	-	-	1,058	-	1,058
Total transactions with owners of the Parent Company	-	533	195,601	724	-	(671,788)	(474,930)	(3,415)	(478,345)
Balance as of March 31, 2026	₩ 954,959	₩ 8,422	₩ (639,654)	₩ 530,357	₩ 146,700	₩ 8,276,355	₩ 9,277,139	₩ 50,716	₩ 9,327,855

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 three-month periods ended March 31, 2026 and 2025 (unaudited)

(in millions of Korean won)	Notes		March 31, 2026		March 31, 2025
Cash flows from operating activities		₩	386,220	₩	99,708
Cash generated from operations	24		485,881		186,928
Income taxes paid			(99,661)		(87,220)
Cash flows from investing activities			(151,379)		(125,462)
Interest received			49,554		10,687
Dividends received			25,002		14,952
Decrease in other financial assets			1,000		59,746
Decrease in current financial assets measured at fair value through profit or loss			26,099		20,384
Decrease in long-term financial assets measured at fair value through profit or loss			8,374		1,183
Decrease in financial assets measured at fair value through other comprehensive income or loss			65,667		-
Disposal of property, plant and equipment			4,661		323
Disposal of intangible assets			1,451		3,652
Disposal of investment properties			-		105
Disposal of assets held for sale			10,000		-
Disposal of investments in associates and joint ventures			73		-
Collection of loans			6,704		8,615
Collection of guarantee deposits			2,292		1,555
Increase in other financial assets			(59,546)		(68,418)
Increase in current financial assets measured at fair value through profit or loss			(190,032)		(4,294)
Increase in long-term financial assets measured at fair value through profit or loss			(5,643)		(9,219)
Acquisition of property, plant and equipment			(52,121)		(119,269)
Acquisition of intangible assets			(12,753)		(6,676)
Acquisition of investment properties			(697)		(42)
Acquisition of right-of-use assets			(166)		(1,154)
Increase in loans			(29,416)		(36,044)
Increase in guarantee deposits			(1,882)		(1,548)
Cash flows from financing activities			(142,050)		(122,643)
Dividends paid			(1,875)		-
Interest paid			(14,260)		(16,520)
Repayment of lease liabilities			(8,676)		(6,874)
Repayment of borrowings			(891,701)		(952,761)
Proceeds from borrowings			783,412		853,512
Repayment of bond			(8,950)		-
Net increase(decrease) in cash and cash equivalents			92,791		(148,397)
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			95,113		31,145
Cash and cash equivalents at the end of the period		₩	1,101,407	₩	1,018,716

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 tobaccos. As of March 31, 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 Sejong printing 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 March 31, 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	March 31, 2026	Korea
	Yungjin Pharm. Co., Ltd.	Manufacturing and selling pharmaceuticals	52.45	March 31, 2026	Korea
	Cosmocos Co., Ltd.	Manufacturing and selling cosmetics	98.56	March 31, 2026	Korea
	Tae-A Industrial Co., Ltd.	Manufacturing reconstituted tobacco leaves	100.00	March 31, 2026	Korea
	SangSang Stay Inc.	Real estate development and rental business	100.00	March 31, 2026	Korea
	Renzoluc Pte., Ltd.	Other Professional Services	100.00	March 31, 2026	Singapore
	PT Trisakti Purwosari Makmur	Manufacturing and selling tobaccos	99.99	March 31, 2026	Indonesia
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	Manufacturing and selling tobaccos	100.00	March 31, 2026	Turkiye
	KT&G Pars	Manufacturing and selling tobaccos	99.99	March 31, 2026	Iran
	KT&G Rus L.L.C.	Manufacturing and selling tobaccos	100.00	March 31, 2026	Russia
	KT&G Kazakhstan LLP	Manufacturing and selling tobaccos	100.00	March 31, 2026	Kazakhstan
	KT&G USA Corporation	Selling tobaccos	100.00	March 31, 2026	USA
	KT&G Global Rus L.L.C.	Selling tobaccos	100.00	March 31, 2026	Russia
	KT&G Taiwan Corporation	Selling tobaccos	100.00	March 31, 2026	Taiwan
	KT&G Global Kazakhstan LLP	Selling tobaccos	100.00	March 31, 2026	Kazakhstan
	KT&G Global TAS FE LLC	Selling tobaccos	100.00	March 31, 2026	Uzbekistan
	Korea Tabacos do Brasil Ltda.	Assistance with purchasing tobacco leaf	99.99	March 31, 2026	Brazil
	Gwacheon SangSang PFV Inc.	Real estate development and sales business	51.00	March 31, 2026	Korea
	Mastern No. 144 PFV Co., Ltd.	Real estate development and sales business	92.50	March 31, 2026	Korea
	Edn the pine central Seocho Co., Ltd.	Real estate development and sales business	78.65	March 31, 2026	Korea
	Cheongna Medipolis Development Co., Ltd.	Real estate service business	66.67	March 31, 2026	Korea
Korea Ginseng Corporation	KGC Yebon Corporation	Manufacturing and selling medical herbs	100.00	March 31, 2026	Korea
	KGC Life & Gin Co., Ltd.	Selling ginseng, etc.	100.00	March 31, 2026	Korea
	CENTRAL PHARM INC.	Selling health functional food	50.01	March 31, 2026	Korea
	Jilin Hanzheng Ginseng Co., Ltd.	Manufacturing and selling ginseng, etc.	100.00	March 31, 2026	China
	Korea Ginseng (China) Corp.	Selling ginseng, etc.	100.00	March 31, 2026	China
	Korea Ginseng Corp. Japan	Selling ginseng, etc.	100.00	March 31, 2026	Japan
	Cheong Kwan Jang Taiwan Corporation	Selling ginseng, etc.	100.00	March 31, 2026	Taiwan
	Korean Red Ginseng Corp., Inc.	Selling ginseng, etc.	100.00	March 31, 2026	USA
CENTRAL PHARM	Pacific 365, Inc	Selling health functional food	50.01	March 31, 2026	USA
Cosmocos Co., Ltd.	K&I China Co., Ltd.	Selling cosmetics, etc.	98.56	March 31, 2026	China
PT Trisakti Purwosari Makmur	PT Nusantara Indah Makmur	Selling tobaccos	99.96	March 31, 2026	Indonesia
	PT TSPM FLAVOR AND FRAGRANCE	Manufacturing and selling tobaccos	99.99	March 31, 2026	Indonesia

1.2 Consolidated Subsidiaries (cont'd)

For the three-month period ended March 31, 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.

For the three-month period ended March 31, 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 the paid-in capital increase.

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

(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.

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

(2) 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 March 31, 2026, these amendments and interpretations do not have a material impact on the interim consolidated financial statements.

2. Material Accounting Policies (cont'd)

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

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

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

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

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

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

(b) Annual Improvements to KIFRS – Volume 11

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

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

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

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

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

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

2. Material Accounting Policies (cont'd)

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

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

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

(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 three-month periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)	March 31, 2026						
	Tobacco	Ginseng	Real estate	Others	Segment total	Adjustments	Consolidated
Total segment sales	₩ 1,315,099	₩ 351,108	₩ 118,748	₩ 98,574	₩ 1,883,529	₩ (179,931)	₩ 1,703,598
Intersegment sales	(159,177)	(18,511)	(1,817)	(426)	(179,931)	179,931	-
External sales	1,155,922	332,597	116,931	98,148	1,703,598	-	1,703,598
Operating profit[1]	321,372	23,231	15,643	786	361,032	3,504	364,536
Depreciation and amortization	60,572	11,243	5,148	2,931	79,894	(1,765)	78,129

[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)	March 31, 2025						
	Tobacco	Ginseng	Real estate	Others	Segment total	Adjustments	Consolidated
Total segment sales	₩ 1,118,017	₩ 364,177	₩ 104,100	₩ 89,745	₩ 1,676,039	₩ (184,931)	₩ 1,491,108
Intersegment sales	(129,940)	(49,797)	(3,722)	(1,472)	(184,931)	184,931	-
External sales	988,077	314,380	100,378	88,273	1,491,108	-	1,491,108
Operating profit[1]	241,309	21,999	11,644	4,295	279,247	6,313	285,560
Depreciation and amortization	48,796	12,468	7,874	2,754	71,892	(3,139)	68,753

[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 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)		March 31, 2026	March 31, 2025
Revenue recognized at a point in time:			
Tobacco	Wholesale and retail	₩ 1,152,706	₩ 971,788
	Direct sales	3,216	16,289
Ginseng	Wholesale and retail	172,878	168,692
	Direct sales	159,719	145,688
Others	Wholesale and retail	97,797	87,724
	Direct sales	351	549
Real estate	Sales	4,885	7,332
Subtotal		1,591,552	1,398,062
Revenue recognized over time:			
Real estate	Sales	94,547	69,049
	Rental	17,499	23,997
Subtotal		112,046	93,046
Total		₩ 1,703,598	₩ 1,491,108

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

(in millions of Korean won)	March 31, 2026						
	Tobacco	Ginseng	Real estate	Others	Segment total	Adjustments	Consolidated
Assets:							
Segment assets	₩ 9,846,233	₩ 2,238,114	₩ 950,211	₩ 270,072	₩ 13,304,630	₩ (3,718,624)	₩ 9,586,006
Investments in associates and joint ventures	332,117	-	432,012	51,047	815,176	-	815,176
Assets held for sale	33,622	-	-	-	33,622	-	33,622
Subtotal	₩ 10,211,972	₩ 2,238,114	₩ 1,382,223	₩ 321,119	₩ 14,153,428	₩ (3,718,624)	₩ 10,434,804
Common assets							4,265,001
Total assets							₩ 14,699,805
Acquisition of non.current assets	₩ 66,579	₩ 9,099	₩ 120	₩ 3,900	₩ 79,698	₩ (13,546)	₩ 66,152
Liabilities:							
Segment liabilities	₩ 3,300,871	₩ 216,509	₩ 9,386	₩ 89,126	₩ 3,615,892	₩ (903,958)	₩ 2,711,934
Common liabilities							2,660,016
Total liabilities							₩ 5,371,950

(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 three-month periods ended March 31, 2026 and 2025 is as follows:

(in millions of Korean won)	March 31, 2026			March 31, 2025		
	Korea	Overseas	Total	Korea	Overseas	Total
Sales	₩ 964,327	₩ 739,271	₩ 1,703,598	₩ 938,303	₩ 552,805	₩ 1,491,108
Non.current assets	2,771,278	1,043,177	3,814,455	3,054,575	689,526	3,744,101

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 is not material.

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

5. Trade and Other Receivables

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

(in millions of Korean won)	March 31, 2026				December 31, 2025			
	Current		Non-current		Current		Non-current	
Trade receivables	₩	1,745,385	₩	-	₩	1,537,432	₩	-
Loans		24,598		117,098		23,297		101,097
Other receivables		32,356		-		53,711		7,359
Guarantee deposits		69,192		40,063		60,455		50,192
Accrued income		11,822		1,194		16,499		952
Total	₩	1,883,353	₩	158,355	₩	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 March 31, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)	March 31, 2026				December 31, 2025			
	Current		Non-current		Current		Non-current	
Total carrying amount	₩	1,932,899	₩	158,442	₩	1,732,260	₩	159,687
Allowances for doubtful accounts:								
Trade receivables		(39,922)		-		(31,735)		-
Other receivables		(9,624)		(87)		(9,131)		(87)
Total allowances		(49,546)		(87)		(40,866)		(87)
Net trade and other receivables	₩	1,883,353	₩	158,355	₩	1,691,394	₩	159,600

(c) Changes in allowance for doubtful accounts for trade and other receivables for each of the three-month periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)	March 31, 2026		March 31, 2025	
Beginning balance	₩	40,953	₩	41,793
Impairment loss[1]		8,008		1,312
Write off		(1)		-
Net exchange difference and others		673		498
Ending balance	₩	49,633	₩	43,603

[1] Including reversal of impairment loss of ₩ 20 million classified as profit from discontinued operations for the three-month period ended March 31, 2026 and impairment loss of ₩ 1 million classified as loss from discontinued operations for the three-month period ended March 31, 2025.

Impairment losses (reversal of impairment loss) on trade receivables are included as part of selling, general and administrative expenses 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 March 31, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)	March 31, 2026			December 31, 2025		
	Acquisition cost	Valuation loss allowance	Carrying amount	Acquisition cost	Valuation loss allowance	Carrying amount
Merchandise	₩ 76,959	₩ (12,820)	₩ 64,139	₩ 79,848	₩ (10,133)	₩ 69,715
Finished goods	416,823	(13,652)	403,171	438,081	(13,180)	424,901
Half.finished goods and work in progress	1,277,377	(2,114)	1,275,263	1,311,484	(1,165)	1,310,319
Raw materials	1,082,912	(9,115)	1,073,797	1,062,186	(9,230)	1,052,956
Supplies	122,630	-	122,630	116,368	-	116,368
By.products	11,116	-	11,116	11,416	-	11,416
Buildings under construction	65,921	-	65,921	72,355	-	72,355
Completed buildings	30,510	(1,574)	28,936	80,694	(2,838)	77,856
Sites for construction of real estate	50,199	-	50,199	64,248	-	64,248
Goods in transit	62,587	-	62,587	84,650	-	84,650
Total	₩ 3,197,034	₩ (39,275)	₩ 3,157,759	₩ 3,321,330	₩ (36,546)	₩ 3,284,784

(b) The amount of loss on valuation (and reversal thereof) and loss on obsolescence of inventories recognized for each of the three-month periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)	March 31, 2026	March 31, 2025
Cost of sales:		
Impairment loss on valuation of inventories (reversal)	₩ 3,297	₩ (4,034)
Loss on obsolescence of inventories	8,018	4,055
Other expense:		
Loss on obsolescence of inventories	283	427
Total	₩ 11,598	₩ 448

7. Investments in Associates and Joint Ventures

Changes in investments in associates and joint ventures for each of the three-month periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)	March 31, 2026	March 31, 2025
Beginning balance	₩ 813,934	₩ 482,349
Acquisition	(68)	-
Shares of net profit or loss	17,912	7,353
Dividends	(26,005)	(12,425)
Changes in equity	9,403	3
Ending balance	₩ 815,176	₩ 477,280

8. Property, Plant and Equipment

Changes in property, plant and equipment for each of the three-month periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)		March 31, 2026		March 31, 2025
Beginning balance	₩	2,822,977	₩	2,664,382
Acquisition[1]		51,944		150,249
Disposal/Impairment		(1,029)		(336)
Depreciation		(55,488)		(46,901)
Reclassification,etc.[2]		100,599		10,676
Ending balance	₩	2,919,003	₩	2,778,070

[1]For the three-month period ended March 31, 2026, the Group has capitalized borrowings costs amounting to ₩ 5,395 million (for the three-month period ended March 31, 2025: ₩ 6,205 million) for property, plant and equipment that are qualifying assets. The rate used to calculate capitalizable borrowing costs is 4.2%-4.4% (for the three-month period ended March 31, 2025: 3.6%-9.6%).

[2]Including ₩ 657 million of transfers to investment properties and ₩ 44,831 million of transfers from inventories for the three-month period ended March 31, 2026, and ₩ 1,348 million of transfers to investment properties and ₩ 19 million of transfers to intangible assets for the three-month period ended March 31, 2025.

9. Intangible Assets

Changes in intangible assets for each of the three-month periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)		March 31, 2026		March 31, 2025
Beginning balance	₩	170,875	₩	179,681
Acquisition		9,260		5,084
Disposal/Impairment		(1,802)		(4,088)
Amortization		(7,692)		(7,954)
Reclassification, etc.[1]		220		(74)
Ending balance	₩	170,861	₩	172,649

[1]Including ₩ 19 million of transfers from property, plant and equipment for the three-month period ended March 31, 2025.

10. Investment Properties

Changes in investment properties for each of the three-month periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)	March 31, 2026		March 31, 2025	
Beginning balance	₩	665,021	₩	761,154
Acquisition[1]		697		42
Depreciation		(5,952)		(5,576)
Reclassification,etc.[2]		3,760		(13,149)
Ending balance	₩	663,526	₩	742,471

[1]For the three-month period ended March 31, 2026, the Group has capitalized borrowing costs amounting to ₩ 11 million (for the three-month period ended March 31, 2025: ₩ 31 million) for investment properties that are qualifying assets. The rate used to calculate capitalizable borrowing costs is 4.2% (for the three-month period ended March 31, 2025: 3.9%-4.0%).

[2]Consisting of ₩ 657 million of transfers from property, plant and equipment for the three-month period ended March 31, 2026, and ₩ 1,348 million of transfers from property, plant and equipment and ₩ 14,500 million of transfers to inventories for the three-month period ended March 31, 2025.

11. Right-of-use Assets

Changes in right-of-use assets for each of the three-month periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)	March 31, 2026		March 31, 2025	
Beginning balance	₩	62,068	₩	50,498
Acquisition		8,708		8,984
Disposal		(2,392)		(1,493)
Depreciation		(8,997)		(8,322)
Reclassification, etc.		1,678		1,244
Ending balance	₩	61,065	₩	50,911

12. Borrowings

(a) Details of short-term borrowings as of March 31, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)	Lender	Annual interest rate (%)	March 31, 2026	December 31, 2025
Borrowings	Hana Bank	FTP(6 months)+0.69	₩ -	₩ 200,000
	Hana Bank Shanghai branch	LPR(1 year)-0.35	2,187	2,048
	NH Nonghyup Bank	MOR(3 months)+1.00	95,000	100,000
	Citi Bank	2.35	-	2,755
	Shinhan Bank	MOR(6 months)+1.22	100,000	-
		Bank Debenture (6 months)+0.41	10,000	10,000
		Bank Debenture (6 months)+1.05	1,500	1,500
	Korea Development Bank Cooperatives	3.21	14,000	14,000
	Subtotal		222,687	330,303
Others	Others	4.60~5.00	2,657	2,675
	Total		₩ 225,344	₩ 332,978

12. Borrowings (cont'd)

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

(in millions of Korean won)	Lender	Maturity	Annual interest rate (%)		March 31, 2026		December 31, 2025
Other financial loan for working capital[1]	NH Nonghyup Bank	2026.06.30~ 2027.06.20	-	₩	13,290	₩	13,144
Financial agricultural mid.term loan[1]	NH Nonghyup Bank	2028.07.19~ 2030.07.02	-		49,864		49,170
Borrowings	NH Nonghyup Bank	2028.11.21	3.00		11,880		11,701
		2026.12.27~ 2028.12.27	3.00		7,452		7,340
	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
	Mirae Asset Capital Co., Ltd.	2026.08.29	CP+1.41		46,336		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		149		175
Total				₩	176,471	₩	175,269
Consolidated statements of financial position:							
Current				₩	68,995	₩	68,864
Non.current					107,476		106,405
Total				₩	176,471	₩	175,269

[1]The above loans are Contract 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 March 31, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)	Issuance Date	Maturity	Annual interest rate (%)	March 31, 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	50,000
3-2nd non-guarantee public bonds	2024.04.25	2027.04.23	3.763	150,000	150,000
3-3rd non-guarantee public bonds	2024.04.25	2029.04.25	3.808	100,000	100,000
4-1st non-guarantee public bonds	2024.10.08	2026.10.08	3.218	80,000	80,000
4-2nd non-guarantee public bonds	2024.10.08	2027.10.08	3.306	160,000	160,000
4-3rd non-guarantee public bonds	2024.10.08	2029.10.08	3.335	70,000	70,000
Senior unsecured notes denominated in foreign currency	2025.05.02	2028.05.02	5.000	454,020	430,470
	Subtotal			1,264,020	1,240,470
	Discount			(3,010)	(3,378)
	Total			₩ 1,261,010	₩ 1,237,092
Consolidated statements of financial position:					
Current				₩ 329,821	₩ 329,742
Non-current				931,189	907,350
	Total			₩ 1,261,010	₩ 1,237,092

13. Bonds (cont'd)

(b) Convertible bonds

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

(in millions of Korean won)		March 31, 2026		December 31, 2025
Face value	₩	34,200	₩	42,800
Redemption premium		578		928
Conversion right adjustment		(2,796)		(3,089)
Total	₩	31,982	₩	40,639
Consolidated statements of financial position:				
Current	₩	14,778	₩	23,728
Non-current		17,204		16,911
Total	₩	31,982	₩	40,639

Details of issuance condition of convertible bonds issued by the Group as of March 31, 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]	₩ 14,200 million
Conversion price per share	₩ 1,999	₩ 2,305
Number of shares issued at conversion	12,556,278 shares	6,160,521 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, 2025 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 periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)		March 31, 2026		March 31, 2025
Defined benefit plans:				
Current service cost	₩	12,090	₩	13,146
Net interest on net defined benefit liabilities (assets)		85		369
Subtotal		12,175		13,515
Defined contribution plan:				
Contributions recognized as expense		4,651		3,462
Other long-term employee benefits:				
Current service cost, etc.		2,143		1,914
Termination benefits:				
Voluntary retirements, etc.		5,238		57,792
Total	₩	24,207	₩	76,683

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

(in millions of Korean won)		March 31, 2026		December 31, 2025
Present value of defined benefit obligations	₩	589,700	₩	589,322
Fair value of plan assets		(569,106)		(586,856)
Total	₩	20,594	₩	2,466

15. Refund Liabilities and Provisions

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

(in millions of Korean won)	March 31, 2026		December 31, 2025	
	Current	Non-current	Current	Non-current
Provision for product warranty	₩ 6,087	₩ -	₩ 3,853	₩ -
Refund liabilities	18,207	7,101	17,197	7,234
Provision for site restoration	1,545	647	1,564	581
Provision for financial guarantee	85	20	87	40
Provision for others	4,507	-	22,395	2
Total	₩ 30,431	₩ 7,768	₩ 45,096	₩ 7,857

(b) Changes in refund liabilities and provisions for each of the three-month periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)	March 31, 2026			
	Beginning balance	Increase	Decrease	Ending balance
Provision for product warranty	₩ 3,853	₩ 3,884	₩ (1,650)	₩ 6,087
Refund liabilities	24,431	11,041	(10,164)	25,308
Provision for site restoration	2,145	74	(27)	2,192
Provision for financial guarantee	127	-	(22)	105
Provision for greenhouse gases	-	-	-	-
Provision for others	22,397	795	(18,685)	4,507
Total	₩ 52,953	₩ 15,794	₩ (30,548)	₩ 38,199

(in millions of Korean won)	March 31, 2025			
	Beginning balance	Increase	Decrease	Ending balance
Provision for product warranty	₩ 6,194	₩ 1,690	₩ (1,733)	₩ 6,151
Refund liabilities	20,842	8,851	(8,131)	21,562
Provision for site restoration	2,240	60	(69)	2,231
Provision for financial guarantee	32	12	(18)	26
Provision for greenhouse gases	13	13	(26)	-
Provision for others	17,382	1,047	(797)	17,632
Total	₩ 46,703	₩ 11,673	₩ (10,774)	₩ 47,602

16. Real Estate Pre-sales Contracts

(a) Details of ongoing real estate pre-sale contracts for each of the three-month periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)

March 31, 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	Jun. 2020	Sep. 2023	100.00	₩ 803,056	₩ 747,970	₩ 747,946	₩ -	₩ 338,101
ePyeonhansesang Daejeon Station Centum Vista	Dec. 2022	May. 2026	91.57	212,889	192,719	175,484	6,720	160,690
Elif Mia Station Complex 1	May. 2023	Aug. 2026	81.35	61,562	44,907	36,334	2,588	28,969
Elif Mia Station Complex 2	May. 2023	Aug. 2026	79.01	155,141	109,786	86,437	7,374	68,209
ePyeonhansesang Pyeongchon Urban Valley	Apr. 2024	Oct. 2026	70.23	399,869	397,970	278,152	30,253	172,569
Digital Empire Pyeongchon Biz Valley	Apr. 2024	Mar. 2027	65.43	348,222	338,258	187,805	43,115	168,053
Anyang-dong Mixed-Use apartment building	Jan. 2025	May. 2026	86.69	42,044	41,574	36,042	4,497	32,163
	Total			₩ 2,022,783	₩ 1,873,184	₩ 1,548,200	₩ 94,547	₩ 968,754

[1] Including the expected sales value for commercial buildings and efficiency 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 ₩ 4,885 million recognized as sales at a point in time when the constuction is completed and control of the goods is transferred to the customer for the three-month period ended March 31, 2026.

[4] Excluding cumulative costs of ₩ 310,670 million for common infrastructure (see Note 23 (d)).

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

(in millions of Korean won)

	March 31, 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	Jun. 2020	Sep. 2023	100.00	₩ 803,056	₩ 747,970	₩ 747,946	₩ -	₩ 338,101
ePyeonhansesang Daejeon Station Centum Vista	Dec. 2022	Jun. 2026	64.98	226,951	192,719	124,756	5,183	105,513
Nokbeon-dong Mixed-Use apartment building	Apr. 2023	Apr. 2025	96.23	29,720	25,220	24,269	1,762	15,949
Elif Mia Station Complex 1	May. 2023	Aug. 2026	46.81	61,562	44,907	20,913	2,264	16,041
Elif Mia Station Complex 2	May. 2023	Aug. 2026	43.87	155,141	109,786	48,009	5,358	35,993
ePyeonhansesang Pyeongchon Urban Valley	Apr. 2024	Oct. 2026	30.41	399,869	397,970	120,831	19,899	74,533
Digital Empire Pyeongchon Biz Valley	Apr. 2024	Mar. 2027	31.09	352,769	146,625	38,825	18,437	32,276
Anyang-dong Mixed-Use apartment building	Jan. 2025	May. 2026	38.84	42,044	41,574	16,145	16,146	14,377
Goyang Hyangdong district knowledge industry center[5]	Mar. 2021	Jul. 2023	100.00	541,142	502,711	482,560	-	313,982
Total				₩ 2,612,254	₩ 2,209,482	₩ 1,624,254	₩ 69,049	₩ 946,765

[1] Including the expected sales value for commercial buildings, efficiency apartments and Knowledge Industry Center 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 ₩ 7,332 million recognized as sales at a point in time when the constuction is completed and control of the goods is transferred to the customer for the three-month period ended March 31, 2025.

[4] Excluding cumulative costs of ₩ 293,584 million for common infrastructure.

[5] As of March 31, 2025, the cumulative revenue and cost include the amount of revenues and costs incurred before the Group's acquisition of control over DNC Deogeun Co., Ltd.

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

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

(in millions of Korean won)	March 31, 2026							
Construction project	**Revenue (cumulative)**		**Cash collected (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		175,484		45,894		130,303		713
Elif Mia Station Complex 1		36,334		5,343		31,359		368
Elif Mia Station Complex 2		86,437		13,669		74,327		1,559
ePyeonhansesang Pyeongchon Urban Valley		278,152		86,947		192,468		1,263
Digital Empire Pyeongchon Biz Valley		187,805		15,608		172,197		-
Anyang-dong Mixed-Use apartment building		36,042		-		36,042		-
Total	₩	1,548,200	₩	914,822	₩	637,283	₩	3,905

[1]As of March 31, 2026, due from customers for contract assets is ₩ 600,663 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.

(in millions of Korean won)	December 31, 2025							
Construction project	**Revenue (cumulative)**		**Cash collected (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 apartment 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 apartment 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.

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

(c) No material changes in estimated total contract revenues and total contract costs have occurred for the three-month period ended March 31, 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 March 31, 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 March 31, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)	March 31, 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	₩ -	₩ 188	₩ -	₩ 125
ePyeonhansesang Daejeon Station Centum Vista	-	115	-	105
Elif Mia Station Complex 1	-	1,709	-	1,275
Elif Mia Station Complex 2	-	4,716	-	4,603
Sangbong Station Ubora First Live and Four Square	9,549	361	9,549	176
Goyang Ilsan Facilities for the Elderly and Child	-	4,200	-	4,200
Daegu Station Central Xi Commercial Complex	-	-	-	58
Total	₩ 9,549	₩ 11,289	₩ 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 periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)		March 31, 2026		March 31, 2025
Salaries	₩	150,103	₩	130,912
Retirement and termination benefits		14,511		59,967
Employee welfare		24,589		19,548
Travel expenses		8,529		7,100
Communication cost		1,839		1,666
Utilities		4,231		4,233
Taxes and dues		4,583		3,864
Supplies		1,466		1,717
Rent		3,877		5,026
Depreciation		19,972		17,832
Amortization		5,668		6,581
Repairs and maintenance		4,417		1,871
Vehicles		1,915		1,850
Insurance		1,182		1,014
Commissions		97,156		90,633
Freight and custody		18,879		18,821
Conferences		1,579		1,410
Advertising		65,792		75,736
Education and training		2,456		2,863
Prizes and rewards		355		645
Cooperation		885		329
Research and development		15,579		13,232
Impairment loss on trade receivables		8,061		1,273
Total	₩	457,624	₩	468,123

18. Other Income and Expense

(a) Details of other income for each of the three-month periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)	March 31, 2026		March 31, 2025	
Gain on foreign currency transaction	₩	12,385	₩	7,814
Gain on foreign currency translation		182,289		64,780
Gain on valuation of derivatives		180		6,974
Reversal of impairment loss on other receivables		34		143
Gain on disposal of property, plant and equipment		4,887		313
Gain on disposal of intangible assets		-		4
Gain on disposal of equity-method investments		6		-
Gain on disposal of assets held for sale		3,768		-
Gain on lease contract adjustments		41		431
Gain on disposal of right-of-use assets		-		257
Miscellaneous income		4,037		4,220
Total	₩	207,627	₩	84,936

(b) Details of other expense for each of the three-month periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)	March 31, 2026		March 31, 2025	
Loss on foreign currency transaction	₩	11,110	₩	14,380
Loss on foreign currency translation		48,005		45,073
Loss on valuation of derivatives		35,145		8,906
Loss on impairment of other receivables		-		181
Loss on impairment of property, plant and equipment		6		-
Loss on disposal of property, plant and equipment		437		274
Loss on impairment of right-of-use assets		17		-
Loss on disposal of intangible assets		36		226
Loss on impairment of intangible assets		316		213
Loss on disposal of assets held for sale		1,445		-
Donations		1,154		887
Loss on lease contract adjustments		31		13
Miscellaneous loss		1,948		1,705
Total	₩	99,650	₩	71,858

19. Finance Income and Costs

Details of finance income and costs for each of the three-month periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)		March 31, 2026		March 31, 2025
Finance income:				
Interest income[1]	₩	26,225	₩	28,188
Dividend income		2,010		2,821
Gain on valuation of financial assets at fair value through profit or loss		1,746		3,833
Gain on disposal of financial instruments		304		324
Total finance income	₩	30,285	₩	35,166
Finance costs:				
Interest expense	₩	20,387	₩	12,471
Loss on valuation of financial assets at fair value through profit or loss		1,631		4,074
Total finance costs	₩	22,018	₩	16,545
Net finance income	₩	8,267	₩	18,621

[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 three-month periods ended March 31, 2026 and 2025 are 25.53% and 22.89%, respectively.

(b) The Group is subject to Pillar Two income taxes. As of March 31, 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 March 31, 2026 and December 31, 2025 are as follows:

Type	Name of entity	Location	Percentage of ownership (%)	
			March 31, 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 its interests in the entities as investment in associates, as the three-fourths of the Board of Directors' consent is required in making decisions on material financial and operational policies in accordance with the agreement with shareholders.

[3]As of March 31, 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 entity 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. The Group added a financial liability of ₩160,560 million related to these rights to the acquisition cost of investments in joint ventures.

[8] For the three-month period ended March 31, 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 periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)

Type	Name of entity	March 31, 2026		March 31, 2025	
		Sales and other revenue	Purchase and other expenses	Sales and other revenue	Purchase and other expenses
Associates	INNODIS CO., LTD.	₩ -	₩ -	₩ -	₩ 25
	Cheongna Medipolis PFV Co.,Ltd.	300	-	379	-
Joint ventures	Starfield Suwon, Inc.	-	28	-	27
Others	Sangsang Loft Co.,Ltd.[1]	1	-	1	-
	Others[2]	-	-	1,546	-
	Total	₩ 301	₩ 28	₩ 1,926	₩ 52

[1] For the three-month period ended March 31, 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 March 31, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)

Type	Name of entity	March 31, 2026		December 31, 2025	
		Receivables	Payables	Receivables	Payables
Associate	KORAMCO Banpo PFV 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 three-month period ended March 31, 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 three-month periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)

		March 31, 2026		March 31, 2025		
Type	Name of entity	Equity recovery	Dividends	Loan of funds	Loan recovery	Dividends
Associate	KORAMCO Banpo PFV Co., Ltd.	₩ -	₩ 3,790	₩ -	₩ -	₩ -
Joint venture	Starfield Suwon, Inc.	-	18,388	-	-	12,425
Others	Sangsang Loft Co.,Ltd.[1]	73	-	-	-	-
	Others[2]	-	-	4,702	1,217	-
		₩ 73	₩ 22,178	₩ 4,702	₩ 1,217	₩ 12,425

[1] For the three-month period ended March 31, 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.

21. Related Parties (cont'd)

(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 provisional operation is approved. 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 instrument of Cheongna Medipolis PFV Co., Ltd., an associate, with the ceiling of ₩ 101,000 million. As of March 31, 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.

(h) As of March 31, 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. As of March 31, 2026, the remaining contribution amount is ₩ 4,000 million, and the detailed timeline for contribution is yet to be determined (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.

21. Related Parties (cont'd)

(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 rights. 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 are 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 March 31, 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) Details of key management personnel compensation for each of the three-month periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)	March 31, 2026	March 31, 2025
Long and short-term employee benefits	₩ 7,992	₩ 5,918
Retirement benefits	575	620
Share-based payments	938	505
Total	₩ 9,505	₩ 7,043

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 audit committee continuously reviews compliance with risk management policies and procedures 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, 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 March 31, 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 over certain level of creditworthiness, 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 March 31, 2026 and December 31, 2025, the carrying amount of financial assets presents the maximum exposure to credit risk.

(c) Liquidity risk

The Group is exposed to liquidity risk that will be difficult to meet 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 March 31, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)		March 31, 2026		December 31, 2025
Financial assets:				
Financial assets measured at fair value through profit or loss[1]	₩	581,344	₩	394,723
Financial assets measured at fair value through other comprehensive income or loss		134,383		187,911
Derivative assets		2,529		4,965
Financial assets measured at amortized cost				
Cash and cash equivalents[1]		1,101,406		913,503
Other financial assets		377,855		341,755
Trade and other receivables		2,041,708		1,850,994
Long-term deposits		1,744,961		1,676,086
Subtotal		5,265,930		4,782,338
Total financial assets	₩	5,984,186	₩	5,369,937
Financial liabilities:				
Derivative liabilities	₩	23,485	₩	8,540
Financial liabilities measured at amortized cost				
Short-term borrowings		225,344		332,978
Long-term borrowings		176,471		175,269
Bonds		1,261,010		1,237,092
Convertible bonds		31,982		40,639
Trade and other payables		1,943,949		1,350,168
Lease liabilities		56,666		57,209
Liabilities for non-controlling interests		6,285		6,469
Subtotal		3,701,707		3,199,824
Total financial liabilities	₩	3,725,192	₩	3,208,364

[1] As of March 31, 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 March 31, 2026 and December 31, 2025 are as follows:

(in millions of Korean won)	March 31, 2026							
	Carrying amount		Fair value					
			Level 1		Level 2		Level 3	
Financial assets measured at fair value through profit or loss	₩	581,344	₩	-	₩	257,627	₩	323,717
Financial assets measured at fair value through other comprehensive income or loss		134,383		126,216		-		8,167
Derivative assets		2,529		-		2,529		-
Total financial assets	₩	718,256	₩	126,216	₩	260,156	₩	331,884
Derivative liabilities	₩	23,485	₩	-	₩	23,485	₩	-

(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 three-month period ended March 31, 2026 and the year ended December 31, 2025.

As of March 31, 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) 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 three-month periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)	March 31, 2026		March 31, 2025	
Beginning balance	₩	335,105	₩	360,809
Acquisition		5,943		13,514
Disposal		(8,965)		(697)
Changes in fair value		(199)		(2,766)
Ending balance	₩	331,884	₩	370,860

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 three-month periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)

	March 31, 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	₩	-	₩	-	₩	-	₩	26,225	₩	-	₩	26,225
Dividend income		997		1,013		-		-		-		2,010
Loss on valuation		115		-		(34,965)		-		-		(34,850)
Gain on disposal		304		-		-		-		-		304
Interest expense		-		-		-		-		(20,387)		(20,387)
Impairment loss		-		-		-		(8,028)		-		(8,028)
Gain on lease contract adjustments		-		-		-		-		10		10
Total	₩	1,416	₩	1,013	₩	(34,965)	₩	18,197	₩	(20,377)	₩	(34,716)
Other comprehensive income(loss) before tax:												
Net change in fair value	₩	-	₩	12,139	₩	-	₩	-	₩	-	₩	12,139

(in millions of Korean won)

	March 31, 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	₩	-	₩	-	₩	-	₩	28,188	₩	-	₩	28,188
Dividend income		818		2,003		-		-		-		2,821
Gain or loss on valuation		(241)		-		(1,932)		-		-		(2,173)
Gain on disposal		324		-		-		-		-		324
Interest expense		-		-		-		-		(12,471)		(12,471)
Reversal of impairment loss		-		-		-		(1,312)		-		(1,312)
Gain on lease contract adjustments		-		-		-		-		418		418
Total	₩	901	₩	2,003	₩	(1,932)	₩	26,876	₩	(12,053)	₩	15,795
Other comprehensive income(loss) before tax:												
Net change in fair value	₩	-	₩	(1,764)	₩	-	₩	-	₩	-	₩	(1,764)

23. Contingent Liabilities and Commitments

(a) Litigation cases

As of March 31, 2026, the Group has 21 cases of pending litigations under progress where the Group is the defendant and the litigation amounts are ₩ 158,621 million. It is not possible to reasonably estimate the impact of the outcome of the pending litigations on the consolidated financial statements of the Group as of March 31, 2026.

(b) Commitments with financial institutions

Details of the Group's major arrangements with financial institutions as of March 31, 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	72,600
Derivatives trading[1]	Hana Bank and six others	USD	242,883	36,058
Trade receivables factoring agreement	Hana Bank	KRW	5,000	464
Insurance Contract for Compensation of Consumer Damages in Sponsored Door-to-Door Sales	Korea Special Sales Financial Cooperative Association	KRW	546	-
Others	Korea Development Bank and six others	KRW	1,050,680	409,430
	Hana Bank Shanghai branch	CNY	10,000	10,000

[1]Derivatives are composed of foreign exchange forward contracts and are held for trading as of March 31, 2026.

As of March 31, 2026, the Group has a short-term export credit insurance contract with Korea Trade Insurance Corporation (covered amount: USD 162,423 thousand, EUR 600 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 March 31, 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	31,000	Payment guarantee for tobacco consumption tax
Korea Housing & Urban Guarantee Corporation	KRW	238,332	Housing distribution guarantee, etc.
Seoul Guarantee Insurance	KRW	13,663	License guarantee, etc.
Unified Customs Guarantor JSC	RUB	3,000,000	Payment guarantee on customs
Ameria Bank	USD	500	Trade receivables payment guarantee
Garanti Bank and one other	TRY	520,000	Payment guarantee on customs, etc.
Hana Bank	USD	7,500	Performance and tender guarantee related to exporting reconstituted tobacco leaves
Mastern Investment Management	KRW	146	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 March 31, 2026, KT&G Taiwan Corporation receives a payment guarantee from Citi Bank Taiwan (executed amount: TWD 200,000 thousand) for import clearance. The Group has a recourse liability up to the limit of TWD 700,000 thousand to Citi Bank Taiwan.

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

(in millions of Korean won)

Guarantee user	Guaranteed by	March 31, 2026		December 31, 2025		Details of guarantee
		Limit amount	Execution amount	Limit amount	Execution amount	
Buyer of ePyeonhansesang Daejeon Station Centum Vista	Hana Bank	8,000	5,004	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	69,960	32,731	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 March 31, 2026 are as follows:

(in millions of Korean won)

	Carrying amount	Debt amount	Collateralized amount	Collateral holder	Type
Property, plant and equipment	₩ 81,193	₩ 47,500	₩ 75,600	Korea Development Bank and one other	Long term borrowings and limit loan
	20,287	25,500	39,000	Shinhan Bank and one other	Short-term borrowings
	27,868	-	2,400	Korea Development Bank	Collateral for limit loan agreement
Investment property. etc.	201,232	16,986	19,212	BGF Retail Co.,Ltd., etc.	Establishment of right to collateral security on rent deposits/Establishment of lease contracts
	55,715	46,500	55,800	Mirae Asset Capital Co.,Ltd.	Current portion of long-term borrowings[1]
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	4,201	-	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	5,163	-	5,280	Suhyup Bank	Establishment of pledge related to loan arrangement for Elif Mia contract deposit
Total	₩ 434,239	₩ 182,415	₩ 251,112		

[1] As of March 31, 2026, the Group has provided investment properties under real estate collateral trust agreements and insurance claim rights under insurance claim pledge agreements as collateral for borrowings.

[2] Comprehensive collateral has been established over the account designated to receive the deposit and intermediate payment from the sale of Goyang Facilities for the Elderly and Child, covering the expected intermediate payment amount.

23. Contingent Liabilities and Commitments (cont'd)

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

(in millions of Korean won)			March 31, 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	₩	4,201	₩	4,201
Other financial assets	Establishment of a pledge for leasehold deposits		100		100
	Establishment of a pledge for suwon daeyupyeong district underpass		37,880		37,880
	Deposit in the Accompanied Growth Cooperation Loan Fund		100,000		100,000
	Establishment of pledge related to loan arrangement for Elif Mia contract deposit		600		600
	Security deposits for checking accounts, etc.		4		4
	Payment guarantee on import customs		472		459
Financial assets at fair value through profit or loss	Establishment of pledge related to loan arrangement for Elif Mia contract deposit		5,163		5,139
	Total	₩	148,420	₩	148,383

As of March 31, 2026, cash and cash equivalents and short-term financial instruments of ₩ 62,349 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 March 31, 2026 is ₩ 164,299 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 ₩ 1,744,961 million in long-term deposits for MSA Escrow Fund as of March 31, 2026 (as of December 31, 2025: ₩ 1,676,086 million), and they consist of US Treasury bond, 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 March 31, 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 ₩ 89,833 million and ₩ 55,327 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 operation is approved. 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.

As of March 31, 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 during the three-month period ended March 31, 2026 is ₩ 220 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 March 31, 2026, the remaining contribution amount is ₩ 13,162 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 March 31, 2026, a capital contribution has been completed. Furthermore, the equity shares shall not be transferred without the approval of Incheon Free Economic Zone and all the shareholders. In addition, in the event of transfer of equity shares in Cheongna Medipolis PFV Co., Ltd., the equity shares of Cheongna Medipolis Development Co., Ltd., a subsidiary of the Parent Company, should also be transferred.

The Group has entered into a land-sales contract during the year ended December 31, 2018 and completed the balance payment during 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 require other investors to dispose of their ownership under the same conditions 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 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 the shares to the Parent Company.

23. Contingent Liabilities and Commitments (cont'd)

As of March 31, 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 (ePyeonhansesang Daejeon Station Centum Vista, 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 years ended December 31, 2025 (see Note 16).

In connection with the Elif Mia Station Phases 1 and 2 housing sales project, 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 park and roads located in the district and a portion of the facilities 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 facilities to the Daejeon Metropolitan Government.

As of March 31, 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 purchaser and failure to repay borrowings amounting to ₩ 5,666 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 related 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 instalment according to the completion rate until the point of completion. The construction was completed during the year ended December 31, 2023 but the arbitration is in progress and the ultimate outcome of the arbitration is unpredictable as of March 31, 2026.

For the three-month period ended March 31, 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 March 31, 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 March 31, 2026.

The subsidiary is engaged in manufacturing and selling tobacco in Russia. As of March 31, 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 March 31, 2026.

The Group established ASF International Holding Company AB ("ASF") with Altria Ventures Inc. (the "joint investor") with an investment ratio of 51:49 during 2025. 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 March 31, 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 three-month periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)		March 31, 2026		March 31, 2025
Profit for the period	₩	378,240	₩	257,929
Operating profit from continuing operations		378,559		260,181
Operating loss from discontinued operation		(319)		(2,252)
Adjustments:				
Employee welfare		2,256		2,288
Retirement benefits and termination benefits		14,194		40,668
Loss on valuation or obsolescence of inventories		11,598		448
Depreciation		70,437		60,799
Amortization		7,692		7,954
Impairment loss on trade and other receivables		8,008		1,312
Loss on foreign currency translation		48,005		45,073
Loss on valuation of derivatives		35,145		8,906
Loss on disposal of property, plant and equipment		437		274
Loss on impairment of property, plant and equipment		6		-
Loss on disposal of intangible assets		36		226
Loss on impairment of intangible assets		316		213
Loss on impairment of right-of-use assets		17		-
Loss on disposal of assets held for sale		1,445		-
Other expenses, etc		3,021		5,040
Finance cost		22,018		16,545
Share based payment expense		1,009		895
Income tax expense		129,755		77,242
Gain on foreign currency translation		(182,289)		(64,780)
Gain on valuation of derivatives		(180)		(6,974)
Gain on disposal of property, plant and equipment		(4,887)		(313)
Gain on disposal of intangible assets		-		(4)
Gain on disposal of right-of-use assets		-		(257)
Gain on disposal of assets held for sale		(3,768)		-
Gain on disposal Investments in associates and joint ventures		(6)		-
Other income, etc.		(3,236)		(4,193)
Finance income		(30,374)		(35,242)
Increase of investments in associates and joint ventures due to share of net gain/loss		(17,912)		(7,353)
Changes in working capital:				
Decrease (increase) in trade and other receivables		(135,085)		116,056
Decrease (increase) in derivatives assets (liabilities)		(17,584)		(22,615)
Decrease in inventories		94,285		8,083
Decrease (increase) in accrued tobacco excise taxes and others		42,798		(48,682)
Increase in advance payments		(17,727)		(116,887)
Decrease (increase) in prepaid expenses		27,515		(14,375)
Decrease in trade and other payables		(65,563)		(155,221)
Increase in advance receipts		60,319		32,031
Increase (decrease) in tobacco excise tax payables and others		19,423		(11,473)
Increase (decrease) in provision for site restoration		(2)		22
Decrease in provision for litigation		(16,174)		-
Decrease (Increase) in net defined benefit assets (liabilities)		2,693		(6,707)
Cash generated from operations	₩	485,881	₩	186,928

25. Assets Held for Sale and Discontinued Operations

(a) Changes in assets held for sale for each of the three-month periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)		**March 31, 2026**		**March 31, 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 three-month periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)		**March 31, 2026**		**March 31, 2025**[1]
Sales	₩	-	₩	-
Cost of sales		-		-
Selling, general and administrative expense		(832)		(1,948)
Operating loss		(832)		(1,948)
Other income		424		2
Other expense		-		(382)
Finance income		89		76
Finance costs		-		-
Loss on discontinued operation, before tax		(319)		(2,252)
Income tax expense		-		-
Loss on discontinued operation, after tax		(319)		(2,252)
Exchange differences on translating foreign operations		257		(33)
Total comprehensive loss on discontinued operation	₩	(62)	₩	(2,285)

[1] Profits or losses from discontinued operations for the three-month period ended March 31, 2025 are presented after eliminating the effects of intra-group transactions.

Profit or loss from discontinued operations for each of the three-month periods ended March 31, 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 three-month periods ended March 31, 2026 and 2025 are as follows:

(in millions of Korean won)		March 31, 2026		March 31, 2025
Cash flows generated from operating activities	₩	(253)	₩	(1,939)
Cash flows generated from investing activities		(14,123)		76
Cash flows generated from financing activities		(284)		(267)
Differences arising from changes in exchange rates on cash and cash equivalents presented in foreign currency		348		(42)
Total cash flows	₩	(14,312)	₩	(2,172)

26. Events After the Reporting Period

On April 23, 2026, the Parent Company has retired 10,866,189 treasury shares in accordance with the resolution of the Board of Directors on April 16, 2026.

Sangsang Stay Co., Ltd., a subsidiary of the Parent Company, reduced its capital by canceling 11,840,000 common shares through a share consolidation, pursuant to a resolution of its board of directors on April 7, 2026. In addition, pursuant to a resolution of the Parent Company's board of directors on May 7, 2026, the Parent Company plans to make an in-kind contribution of its land and buildings to Sangsang Stay Co., Ltd.