KT&G Corporation and SubsidiariesConsolidated Financial Statements

Consolidated Financial Statements December 31, 2021 and 2020

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December 31, 2021 and 2020

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of KT&G Corporation

Opinion

We have audited the accompanying consolidated financial statements of KT&G Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as of December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 to the consolidated financial statements of the Group. As discussed in Note 3 to the consolidated financial statements, it describes management's plans and action taken to resolve uncertainty relating to the impact of Coronavirus disease 2019 (COVID-19) on the Group's productivity and ability to satisfy customer's orders.

Key Audit Matters

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

Impairment assessment in the cash generating unit ("CGU")

Key Audit Matter

As described in Note 3, the Group reviews if there is any indication of impairment for CGUs at the end of each reporting period. The Group performs an impairment assessment in accordance with Korean IFRS 1036 *Impairment of Assets* for CGUs for which there are indications of impairment, and recognizes impairment loss when the estimated recoverable amount is less than the carrying amount.

The Group engaged independent external experts to assess the impairment of the CGUs, and evaluated the value in use and fair value less costs to sell as recoverable amounts when performing the impairment assessment on CGUs. Considering that the size of CGUs subject to the impairment assessment is significant, and management's significant assumptions are involved in determining assessment method for assessing recoverable amounts, business plan and discount rates used for estimating value in use, fair values of assets and liabilities used for fair value less costs to sell and others, we determined the impairment assessment in CGU as a key audit matter.

How our audit addressed the Key Audit Matter

We performed audit procedures to respond to the key audit matter include the followings:

- · We evaluated the objectivity and competence of independent external experts used by the Group.
- · We made inquiries on and conducted a review of valuation model used by the Group, and assessing the consistency with the prior year.
- We confirmed whether the expected future cash flows used to measure the value in use have been approved by the board of directors and are consistent with basic financial information.
- · We evaluated the appropriateness of the business plan estimation by management by comparing business plans used in the impairment assessment in the prior year with actual business performance in the current year.
- We compared the discount rate computed independently using the observable information with the discount rate used by management for assessing value in use.
- · We evaluated the appropriateness of adjustment on fair value assessment on assets and liabilities of CGUs.
- · We evaluated the reasonableness of assumptions used in the assessment.

Other Matters

The consolidated financial statements of the Group for the year ended December 31, 2020, were audited by another auditor who expressed an unqualified opinion on those statements on March 11, 2021.

Meanwhile, the consolidated financial statements for the year ended December 31, 2020, on which another auditor expressed an unqualified opinion do not reflect adjustments described in Note 36. The comparative consolidated financial statements for the year ended December 31, 2020, reflect the adjustments. We were not engaged to audit or review or apply any procedures to the consolidated financial statements for the year ended December 31, 2020, including the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements for the year ended December 31, 2020, taken as a whole.

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Heung-Su, Certified Public Accountant.

Seoul, Korea March 18, 2022

This report is effective as of March 18, 2022, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

KT&G Corporation and Subsidiaries Consolidated Statements of Financial Position December 31, 2021 and 2020



Notes		2021		2020
5,31,32	₩	946,570,845,404	₩	1,253,611,491,485
5,31,32,33		457,056,795,720		407,735,098,979
6,31,32		965,384,441,544		914,423,857,131
7,31		1,012,741,494,275		1,215,049,112,141
31,33		580,339,743		12,710,170,259
8,33		2,375,380,884,539		2,535,032,331,643
19		1,795,047,848		1,055,336,156
		324,920,390,897		271,576,536,047
33		98,044,889,263		96,525,759,106
		53,262,710,533		39,982,310,895
4,14		20,123,696,708		2,680,613,295
		6,255,861,536,474		6,750,382,617,137
5,31,33		9,001,281,420		10,129,160,820
31,33		1,250,467,510,043		909,793,848,086
6,31		304,815,651,866		253,562,005,029
7,31		94,759,875,704		97,408,876,060
9,31		228,398,434,797		239,539,297,251
4,10,30		242,991,736,041		132,186,631,034
4,11,33		1,741,041,767,893		1,718,412,218,663
4,12		145,718,649,536		134,083,879,591
4,13,33		1,150,979,933,340		1,030,179,338,792
4,15		36,444,918,106		49,088,378,254
33		104,559,554,973		83,059,283,710
		8,538,939,470		9,578,669,254
28		52,555,448,304		50,933,089,250
18		11,135,956,233		45,859,229
		5,381,409,657,726	-	4,718,000,535,023
	₩	11,637,271,194,200	₩	11,468,383,152,160
16,31,32,33,34	₩	75,432,490,744	₩	17,308,208,182
16,31,33,34		2,166,480,000		37,506,480,000
17,30,31		971,120,364,253		969,201,720,579
31,34		17,180,641,274		19,879,792,617
31,33		907,708,348		57,106,354
		21,918,095,726		100,836,686,048
19,33		26,130,472,136		27,508,655,465
28		236,397,106,383		234,566,275,361
		712,693,018,015		584,576,087,074
4.4		-		51,000,609
14				4 004 400 040 000
14		2,063,946,376,879		1,991,492,012,289
14		2,063,946,376,879		1,991,492,012,289
16,31,32,33,34		2,063,946,376,879 53,195,098,748		1,991,492,012,289
16,31,32,33,34		53,195,098,748		53,492,407,968
16,31,32,33,34 17,30,31		53,195,098,748 57,433,928,854		53,492,407,968 49,479,702,490
16,31,32,33,34 17,30,31		53,195,098,748 57,433,928,854 19,377,131,556		53,492,407,968 49,479,702,490 25,828,963,710
16,31,32,33,34 17,30,31 31,34		53,195,098,748 57,433,928,854 19,377,131,556 5,077,077,062		53,492,407,968 49,479,702,490 25,828,963,710 8,193,185,016
16,31,32,33,34 17,30,31 31,34		53,195,098,748 57,433,928,854 19,377,131,556 5,077,077,062 57,735,568,500		53,492,407,968 49,479,702,490 25,828,963,710 8,193,185,016 112,959,451,518
16,31,32,33,34 17,30,31 31,34 18 19,33		53,195,098,748 57,433,928,854 19,377,131,556 5,077,077,062 57,735,568,500 5,221,776,727		53,492,407,968 49,479,702,490 25,828,963,710 8,193,185,016 112,959,451,518 3,192,103,226
16,31,32,33,34 17,30,31 31,34 18 19,33 28	_	53,195,098,748 57,433,928,854 19,377,131,556 5,077,077,062 57,735,568,500 5,221,776,727 148,104,701,940		53,492,407,968 49,479,702,490 25,828,963,710 8,193,185,016 112,959,451,518 3,192,103,226 130,558,400,937
	5,31,32 5,31,32,33 6,31,32 7,31 31,33 8,33 19 33 4,14 5,31,33 31,33 6,31 7,31 9,31 4,10,30 4,11,33 4,12 4,13,33 4,15 33 28 18	5,31,32	5,31,32 W 946,570,845,404 5,31,32,33 457,056,795,720 6,31,32 965,384,441,544 7,31 1,012,741,494,275 31,33 580,339,743 8,33 2,375,380,884,539 19 1,795,047,848 324,920,390,897 33 98,044,889,263 53,262,710,533 4,14 20,123,696,708 6,255,861,536,474 5,31,33 9,001,281,420 31,33 1,250,467,510,043 8 6,31 304,815,651,866 7,31 94,759,875,704 9,31 228,398,434,797 4,10,30 242,991,736,041 4,11,33 1,741,041,767,893 4,12 145,718,649,536 4,13,33 1,150,979,933,340 4,15 36,444,918,106 33 104,559,554,973 8,538,939,470 28 52,555,448,304 18 11,135,956,233 5,381,409,657,726 W 11,637,271,194,200 16,31,32,33,34 7,180,641,274 31	5,31,32 W 946,570,845,404 W 5,31,32,33 457,056,795,720 6,31,32 965,384,441,544 7,31 1,012,741,494,275 31,33 580,339,743 8,33 2,375,380,884,539 19 1,795,047,848 324,920,390,897 33 98,044,889,263 53,262,710,533 4,14 20,123,696,708 6,255,861,536,474 5,31,33 9,001,281,420 31,33 1,250,467,510,043 8 6,31 304,815,651,866 7,31 94,759,875,704 9,31 228,398,434,797 4,10,30 242,991,736,041 4,11,33 1,741,041,767,893 4,12 145,718,649,536 4,13,33 1,150,979,933,340 4,15 36,444,918,106 33 104,559,554,973 8,538,939,470 28 52,555,448,304 18 11,135,956,233 5,381,409,657,726 W 11,637,271,194,200 W 16,31,32,33,34 7,

Consolidated Statements of Financial Position

December 31, 2021 and 2020

(in Korean won)	Notes	2021		2020	
Equity					
Share capital	20	₩	954,959,485,000	₩	954,959,485,000
Other capital surplus	20		4,497,785,722		4,497,785,722
Treasury shares	21		(879,981,829,569)		(531,618,093,579)
Gain on sale of treasury shares	21		528,894,053,906		528,894,053,906
Reserves	22		6,490,161,242,572		5,977,643,096,280
Retained earnings	23		2,060,255,463,296		2,102,474,813,562
Equity attributable to owners of the Parent Company			9,158,786,200,927		9,036,851,140,891
Non-controlling interest	35		50,075,952,125		54,720,515,354
Total equity			9,208,862,153,052		9,091,571,656,245
Total liabilities and equity		₩	11,637,271,194,200	₩	11,468,383,152,160

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2021 and 2020



(in Korean won)	Notes 2021				2020
Continuing operations					
Sales	4,24	₩	5,228,351,596,536	₩	5,055,311,487,897
Cost of sales	25,30		(2,350,179,718,847)		(2,127,074,299,458)
Gross profit			2,878,171,877,689		2,928,237,188,439
Selling, general and administrative expense	25,30		(1,539,788,398,057)		(1,455,054,499,409)
Operating profit			1,338,383,479,632		1,473,182,689,030
Other income	26		188,398,441,771		289,353,115,347
Other expense	26		(144,991,032,409)		(266,387,447,969)
Finance income	27,30,31		78,752,556,761		117,738,683,160
Finance costs	27,31		(31,901,130,075)		(13,160,649,890)
Share of net profit of associates and joint ventures	10		10,911,173,678		4,135,483,693
Profit before income tax			1,439,553,489,358		1,604,861,873,371
Income tax expense	28		(415,440,944,469)		(438,492,936,765)
Profit from continuing operations			1,024,112,544,889		1,166,368,936,606
Discontinued operations					
Profit (loss) from discontinued operations	36		(52,353,800,233)		5,274,162,504
Profit for the year		₩	971,758,744,656	₩	1,171,643,099,110
Other comprehensive income (loss) for the year after income tax Items that will not be reclassified to profit or loss					
Re-measurements of net defined benefit liabilities	18	₩	42,562,261,510	₩	(16,212,208,218)
Gain (loss) on valuation of fair value through		••	12,002,201,010	•	(10,212,200,210)
other comprehensive income or loss	9,31		11,842,842,363		(10,548,156,278)
Capital changes in equity method	10		7,024,011		(42,122,768)
Items that will be reclassified to profit or loss					
Exchange differences on translating foreign operations			35,085,579,708		(23,240,850,194)
Capital changes in equity method	10		(18,589,051)		166,711,629
Total comprehensive income for the year		₩	89,479,118,541 1,061,237,863,197	₩	(49,876,625,829) 1,121,766,473,281
Total completions we modific for the year			.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	-	.,.2.,,
Profit for the year is attributable to:					
Owners of the Parent Company					
Profit from continuing operations		₩	1,029,612,505,065	₩	1,166,460,310,089
Profit (loss) from discontinued operations	36		(52,353,800,233)		5,274,162,504
Profit attributable to owners of the Parent Company			977,258,704,832		1,171,734,472,593
Non-controlling interests					
Loss from continuing operations			(5,499,960,176)		(91,373,483)
Profit (loss) from discontinued operations	36		(5.400.000.470)		(04.070.400)
Profit attributable to non-controlling interests		₩	(5,499,960,176) 971,758,744,656	₩-	(91,373,483)
Total		**	971,730,744,030		1,171,043,093,110
Total comprehensive income (loss) for the year attributable to:					
Owners of the Parent Company					
Profit from continuing operations		₩	1,117,671,825,278	₩	1,118,989,368,578
Profit (loss) from discontinued operations	36		(51,789,398,852)		3,425,286,920
Total comprehensive income attributable to owners of the Parent Company			1,065,882,426,426		1,122,414,655,498
Non-controlling interests					
Loss from continuing operations			(4,644,563,229)		(648,182,217)
Profit (loss) from discontinued operations	36		- (4.0.44.500.000)		- (0.10, 1.00, 0.17)
Total comprehensive loss attributable to non-controlling interests		₩	(4,644,563,229) 1,061,237,863,197	\A/-	(648,182,217) 1,121,766,473,281
Total		VV	1,001,237,003,197	VV	1,121,700,473,201
Basic earnings (loss) per share					
Basic and diluted	29				
From continuing operations		₩	8,321	₩	9,278
From discontinued operations			(423)		42
		₩	7,898	₩	9,320



(in Korean won)	Share capital	Other capital surplus	Treasury shares	Gains on sale of treasury shares	Reserve	Retained earnings	Owners of the Parent	Non-controlling interest	Total equity
Balance at January 1, 2020	₩ 954,959,485,000	₩ 4,497,785,722	₩ (318,789,449,459)	₩ 528,894,053,906	₩ 5,680,008,923,230	₩ 1,834,645,992,314 ₩	∀ 8,684,216,790,713	₩ 55,368,697,571	₩ 8,739,585,488,284
Total comprehensive income (loss) for the year Profit (loss) for the year			-	-	-	1,171,734,472,593	1,171,734,472,593	(91,373,483)	1,171,643,099,110
Other comprehensive income (loss) for the year: Re-measurements of net defined benefit liabilities		-	-	-		(15,653,977,560)	(15,653,977,560)	(558,230,658)	(16,212,208,218)
Loss on valuation of fair value through other comprehensive income or loss			-	-	(10,548,156,278)	-	(10,548,156,278)	-	(10,548,156,278)
Exchange differences on translating foreign operations Capital changes in equity method		. <u>-</u>	-	-	(23,242,272,118) 124,588,861	-	(23,242,272,118) 124,588,861	1,421,924	(23,240,850,194) 124,588,861
Capital Shangoo in Squity monou						(15,653,977,560)	(49,319,817,095)	(556,808,734)	(49,876,625,829)
Total comprehensive income (loss) for the year					(33,665,839,535)	1,156,080,495,033	1,122,414,655,498	(648,182,217)	1,121,766,473,281
Transactions with owners of the Parent Company: Dividends			-	-	-	(556,951,661,200)	(556,951,661,200)	-	(556,951,661,200)
Transfer to other reserve		-	-	-	331,300,012,585	(331,300,012,585)	-	-	-
Acquisition of treasury shares		<u> </u>	(212,828,644,120)		331,300,012,585	(888,251,673,785)	(212,828,644,120) (769,780,305,320)		(212,828,644,120) (769,780,305,320)
Balance at December 31, 2020	₩ 954,959,485,000	₩ 4,497,785,722	(212,828,644,120) ₩ (531,618,093,579)	₩ 528,894,053,906	₩ 5,977,643,096,280	₩ 2,102,474,813,562 ∀	,	₩ 54,720,515,354	₩ 9,091,571,656,245
Balance at January 1, 2021	₩ 954,959,485,000	₩ 4,497,785,722	₩ (531,618,093,579)	₩ 528,894,053,906	₩ 5,977,643,096,280	₩ 2,102,474,813,562 ₩	9,036,851,140,891	₩ 54,720,515,354	₩ 9,091,571,656,245
Total comprehensive income (loss) for the year Profit (loss) for the year		_	_	_		977,258,704,832	977,258,704,832	(5,499,960,176)	971,758,744,656
Other comprehensive income (loss) for the year: Re-measurements of net defined benefit liabilities		-				41,586,638,052	41,586,638,052	975,623,458	42.562.261.510
Gain on valuation of fair value through		-	-	-		41,380,038,032		975,025,456	, , - ,
other comprehensive income or loss Transfer of gain on disposal of fair value through		-	-	-	11,842,842,363	-	11,842,842,363	-	11,842,842,363
other comprehensive income or loss to retained earnings		. <u>-</u>	-	-	843,256,032	(843,256,032)	-	-	-
Exchange differences on translating foreign operations		-	-	-	35,205,806,219	· -	35,205,806,219	(120,226,511)	35,085,579,708
Capital changes in equity method		<u> </u>			(11,565,040)		(11,565,040)		(11,565,040)
		<u> </u>			47,880,339,574	40,743,382,020	88,623,721,594	855,396,947	89,479,118,541
Total comprehensive income (loss) for the year		<u> </u>			47,880,339,574	1,018,002,086,852	1,065,882,426,426	(4,644,563,229)	1,061,237,863,197
Transactions with owners of the Parent Company:									
Dividends		-	-	-	-	(595,583,630,400)	(595,583,630,400)	-	(595,583,630,400)
Transfer to other reserve	•	-	(348,363,735,990)	-	464,637,806,718	(464,637,806,718)	(249 262 725 000)	-	(348,363,735,990)
Acquisition of treasury shares		·	(348,363,735,990)		464,637,806,718	(1,060,221,437,118)	(348,363,735,990)	· -	(943,947,366,390)
Balance at December 31, 2021	₩ 954,959,485,000	₩ 4,497,785,722		₩ 528,894,053,906	₩ 6,490,161,242,572	₩ 2,060,255,463,296 ₩	(943,947,366,390) ∀ 9,158,786,200,927	₩ 50,075,952,125	₩ 9,208,862,153,052

Consolidated Statements of Cash Flows





(in Korean won)	Notes		2021	2020
Cash flows from operating activities		₩	1,419,821,288,927	₩ 1,261,664,798,427
Cash generated from operations	34		1,832,610,798,998	1,685,602,816,900
Income taxes paid			(412,789,510,071)	(423,938,018,473)
Cash flows from investing activities			(797,609,538,428)	(85,834,706,383)
Interest received			10,842,084,632	19,926,974,548
Dividends received			28,902,614,644	26,140,194,806
Decrease in other financial assets			322,157,602,604	562,840,300,000
Decrease in current financial assets measured at fair value through profit or loss			157,635,467	346,404,223,599
Decrease in long-term financial assets measured at fair value through profit or loss			21,261,394,235	33,667,340,960
Decrease in long-term deposits in MSA Escrow Fund			460,542,059	30,190,725,542
Disposal of property, plant and equipment			5,326,293,923	4,814,455,979
Disposal of intangible assets			152,168,000	2,639,090,910
Disposal of investment properties			440,084,055	4,407,486,213
Disposal of assets held for sale			663,396,465	144,712,189,220
Decrease in financial assets at fair value through				
other comprehensive income or loss			15,894,849,350	3,134,000,000
Disposal of investments in associates and joint ventures			-	21,207,630,232
Collection of loans			21,163,078,735	14,315,302,250
Collection of guarantee deposits			5,938,694,296	693,760,171
Collection of finance lease receivables			79,062,164	487,506,006
Increase in other financial assets			(371,913,419,700)	(578,456,040,188)
Increase in current financial assets measured at fair value			(44.740.000.400)	(0.000.000.000)
through profit or loss			(41,742,688,463)	(6,000,000,000)
Increase in long-term financial assets measured at fair value through profit or loss			(80,708,000,459)	(14,422,747,773)
Increase in financial assets at fair value through other comprehensive income or loss			(3,499,960,186)	_
Increase in long-term deposits in MSA Escrow Fund			(247,623,644,989)	(223,125,104,602)
Acquisition of property, plant and equipment			(224,443,071,178)	(216,059,141,375)
Acquisition of intangible assets			(43,671,230,422)	(35,743,635,276)
Acquisition of investment properties			(109,650,106,837)	(86,158,241,566)
Acquisition of right-of-use assets			(180,751,941)	(522,118,555)
Acquisition of assets held for sale			(100,701,011)	(3,282,946,350)
Acquisition of investments in associates and joint ventures			(79,786,091,620)	(101,500,000,000)
Increase in loans			(27,337,319,371)	(35,189,427,682)
Increase in guarantee deposits			(492,753,891)	(956,483,452)
Cash flows from financing activities			(947,573,961,892)	(808,888,421,592)
Dividends paid	23		(595,583,630,400)	(556,951,661,200)
Interest paid	20		(3,204,576,721)	(3,371,975,749)
Repayment of lease liabilities			(23,278,731,696)	(21,186,506,323)
Repayment of borrowings			(144,221,094,631)	(165,109,414,746)
Acquisition of treasury shares			(348,363,735,990)	(212,828,644,120)
Capital increase with consideration			(010,000,100,000)	813,000
Increase in borrowings			164,077,807,546	150,558,967,546
Increase in non-controlling interests liabilities			3,000,000,000	-
Net increase (decrease) in cash and cash equivalents			(325,362,211,393)	366,941,670,452
Cash and cash equivalents at the beginning of the year			1,253,611,491,485	891,306,145,983
Effect of exchange rate fluctuation on cash and cash equivalents			18,321,565,312	(4,636,324,950)
Cash and cash equivalents at the end of the year		₩	946,570,845,404	₩ 1,253,611,491,485
Sasti and sasti equivalents at the end of the year		**	J-0,57 0,043,404	1,200,011,401,400



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 December 31, 2021, the Parent Company has three manufacturing plants, including Shintanjin plant, and 14 local headquarters and 121 branches for the sale of tobacco throughout the country. Also, the Parent Company has the Gimcheon plant for fabrication of leaf tobacco and the Cheonan 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. The Parent Company was excluded from the application of the Act for the Management of Government-Invested Enterprises, and became an entity existing and operating under the Commercial Act of Korea, pursuant to the Act on Management Reform and Privatization of Public Enterprises, proclaimed on August 28, 1997, and enforced on October 1, 1997, in order to secure financing and to promote and develop, through efficient management, the monopoly business of red ginseng and tobacco. 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.

The Korean government sold 28,650,000 shares of the Parent Company to the public during 1999, and the Parent Company listed its shares on the Korea Exchange on October 8, 1999. On October 17, 2002, and October 31, 2001, the Parent Company listed 35,816,658 and 45,400,000 Global Depositary Receipts ("GDRs"), respectively, (each GDR representing the right to receive one-half share of an ordinary share of the Parent Company) on the Luxembourg Stock Exchange pursuant to the Korean government's privatization program.

Also, on June 25, 2009, the listing market of the Parent Company's GDR was changed from the BdL market to the Euro MTF in the Luxembourg Stock Exchange.

The Parent Company's major shareholders as of December 31, 2021, are as follows:

Shares held (number of shares)	Percentage of ownership (%)
11,677,543	8.51
9,510,485	6.93
3,860,635	2.81
17,312,574	12.61
94,931,260	69.14
137,292,497	100.00
	11,677,543 9,510,485 3,860,635 17,312,574 94,931,260



1.2 Consolidated Subsidiaries

Consolidated subsidiaries as of December 31, 2021, are as follows:

Controlling Company	Subsidiary	Principal operation	Percentage of ownership (%) ¹	Reporting date	Location
The Parent	Korea Ginseng Corporation	Manufacturing and selling ginseng	100.00	Dec.31.2021	Korea
Company	Yungjin Pharm. Co., Ltd.	Manufacturing and selling pharmaceuticals	52.45	Dec.31.2021	Korea
	Tae-a Industry Co., Ltd.	Manufacturing tobacco materials	100.00	Dec.31.2021	Korea
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	Manufacturing and selling tobaccos	99.99	Dec.31.2021	Turkey
	Korea Tabacos do Brasil Ltda.	Assistance with purchasing tobacco leaf	99.99	Dec.31.2021	Brazil
	KT&G Pars	Manufacturing and selling tobaccos	99.99	Dec.31.2021	Iran
	KT&G Rus L.L.C.	Manufacturing and selling tobaccos	100.00	Dec.31.2021	Russia
	KT&G USA Corporation	Selling tobaccos	100.00	Dec.31.2021	USA
	Cosmocos Co., Ltd.	Manufacturing and selling cosmetics	98.56	Dec.31.2021	Korea
	Renzoluc Pte., Ltd.	Holding company	100.00	Dec.31.2021	Singapore
	PT KT&G Indonesia	Selling tobaccos	99.99	Dec.31.2021	Indonesia
	SangSang Stay Inc.	Hotel	100.00	Dec.31.2021	Korea
	KT&G Global Rus L.L.C.	Selling tobaccos	100.00	Dec.31.2021	Russia
	Gwacheon SangSang PFV	Developing and selling real estate	51.00	Dec.31.2021	Korea
	KT&G Taiwan Corporation	Selling tobaccos	100.00	Dec.31.2021	Taiwan
	Mastern No. 144 PFV	Developing and selling real estate	92.50	Dec.31.2021	Korea
Korea Ginseng Corporation	KGC Yebon Corporation	Manufacturing and selling medical herbs	100.00	Dec.31.2021	Korea
•	KGC Life & Gin Co., Ltd.	Selling ginseng, etc.	100.00	Dec.31.2021	Korea
	Jilin Hanzheng Ginseng Co., Ltd.	Manufacturing and selling ginseng, etc.	100.00	Dec.31.2021	China
	Cheong Kwan Jang Taiwan Corporation	Selling ginseng, etc.	100.00	Dec.31.2021	Taiwan
	Korean Red Ginseng Corp., Inc.	Selling ginseng, etc.	100.00	Dec.31.2021	USA
	Korea Ginseng (China) Corp.	Selling ginseng, etc.	100.00	Dec.31.2021	China
	Korea Ginseng Corporation Japan	Selling ginseng, etc.	100.00	Dec.31.2021	Japan
Cosmocos	K&I HK Co., Ltd.	Selling cosmetics, etc.	98.56	Dec.31.2021	HongKong
Co., Ltd.	K&I China Co., Ltd.	Selling cosmetics, etc.	98.56	Dec.31.2021	China
Renzoluc Pte., Ltd.	PT Trisakti Purwosari Makmur	Manufacturing and selling tobaccos	99.99	Dec.31.2021	Indonesia
PT Trisakti Purwosari Makmur	PT Nusantara Indah Makmur	Selling tobaccos	99.99	Dec.31.2021	Indonesia

¹ The percentage of ownership, shown above, is on a consolidated basis.

The Parent Company has acquired 19,341,920 shares (₩ 8,081 million) of KT&G Taiwan Corporation and 7,400,000 shares (₩ 37,000 million) of Mastern No. 144 PFV during the year ended December 31, 2021, through establishment of capital investment.

The Parent Company has acquired 6,978,948 shares (₩ 25,291 million) of Renzoluc Pte., Ltd. during the year ended December 31, 2021, through a purchase of shares.

The Parent Company has acquired 250,000 shares (₩ 287 million) of its subsidiary, Cosmocos



Co., Ltd., during the year ended December 31, 2021, through a capital increase with consideration.

The Parent Company has acquired 4,000,000 shares (W 20,000 million) of its subsidiary, SangSang Stay Inc., during the year ended December 31, 2020, through a capital increase with consideration.

1.3 Summarized Financial Information

Summarized financial information¹ for consolidated subsidiaries as of and for the year ended December 31, 2021, are as follows:

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(in millions of Korean won)	an won) 2021						
	Total assets	Total liabilities	Revenue	Profit (loss) for year	Total comprehensive income (loss)		
Korea Ginseng Corporation	₩ 2,307,54	1 ₩ 194,121	₩ 1,292,829	₩ 86,292	₩ 99,906		
Yungjin Pharm. Co., Ltd.	194,09	89,210	196,067	(11,582)	(9,546)		
Tae-a Industry Co., Ltd.	56,47	6,362	25,236	905	904		
KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	27,209	53,939	16,045	(23,400)	(9,045)		
Korea Tabacos do Brasil Ltda.	1,988	3 184	173	66	94		
KT&G Pars	(57,442	-	(1,546)	(2,750)		
KT&G Rus L.L.C.	132,554	53,307	47,233	2,791	8,777		
KT&G USA Corporation	52,484	77,004	257,890	(52,354)	(51,789)		
Cosmocos Co., Ltd.	47,03	32,285	72,106	517	1,037		
Renzoluc Pte., Ltd.	135,22	34,142	-	(788)	6,170		
PT KT&G Indonesia	63,390	94,836	164,364	2,633	1,013		
SangSang Stay, Inc.	45,379	9 40,560	8,946	(7,275)	(7,221)		
KT&G Global Rus L.L.C.	64,94	57,857	31,625	7,371	7,489		
Gwacheon SangSang PFV	138,327	7 90,495	120,988	44,536	44,536		
KT&G Taiwan Corporation	7,988	3 439	-	(705)	(532)		
Mastern No. 144 PFV	87,849	48,052	58	(203)	(203)		
PT Trisakti Purwosari Makmur	227,538	64,680	85,778	8,268	19,461		
PT Nusantara Indah Makmur	81	1 -	-	1	6		
KGC Yebon Corporation	51,572	3,170	15,487	1,678	1,695		
KGC Life & Gin Co., Ltd.	30,54	5,729	36,416	1,683	1,726		
Jilin Hanzheng Ginseng Co., Lt	td. 55,850	861	17,309	871	6,518		
Cheong Kwan Jang Taiwan Co	orpc 29,224	23,971	38,676	1,312	1,749		
Korean Red Ginseng Corp., Inc	c. 23,929	11,392	35,332	1,604	2,839		
Korea Ginseng (China) Corp.	47,98	1 35,428	74,930	357	1,636		
Korea Ginseng Corporation Ja	par 9,627	7,037	11,203	560	506		
K&I HK Co., Ltd.	96	-	-	14	5		
K&I China Co., Ltd.	428	4,716	2,101	(126)	(563)		

¹ The above financial information is according to each company's separate financial statements.



Summarized financial information¹ for consolidated subsidiaries as of and for the year ended December 31, 2020, are as follows:

(in millions of Korean won)						2020				
	Total assets Total liabilities Revenue		Revenue Profit (loss) for year		for year comp		Total mprehensive ncome (loss)			
Korea Ginseng Corporation	₩	2,204,243	₩	190,729	₩	1,333,565	₩	109,387	₩	115,152
Yungjin Pharm. Co., Ltd.		188,101		73,669		208,464		(133)		(1,319)
Tae-a Industry Co., Ltd.		55,521		6,316		21,758		338		294
KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.		32,944		50,628		18,456		(8,288)		(3,825)
Korea Tabacos do Brasil Ltda		1,872		162		279		40		(592)
KT&G Pars		135		54,820		-		(36,872)		2,559
KT&G Rus L.L.C.		105,969		35,500		46,538		3,551		(15,481)
KT&G USA Corporation		141,829		114,560		246,306		5,274		3,425
Cosmocos Co., Ltd.		43,601		29,888		65,543		(602)		(199)
Renzoluc Pte., Ltd.		126,532		31,623		-		(1,372)		(8,392)
PT KT&G Indonesia		75,923		108,382		107,834		(31,036)		(28,924)
SangSang Stay, Inc.		56,171		44,131		6,906		(9,154)		(9,055)
KT&G Global Rus L.L.C.		36,739		37,144		30,690		7,727		8,903
Gwacheon SangSang PFV		69,579		66,283		-		(2,491)		(2,491)
PT Trisakti Purwosari Makmur		196,605		53,208		87,290		9,520		(1,455)
PT Nusantara Indah Makmur		75		-		-		-		(6)
KGC Yebon Corporation		49,690		2,983		13,960		1,227		1,161
KGC Life & Gin Co., Ltd.		29,904		6,815		44,997		2,269		2,445
Jilin Hanzheng Ginseng Co., L	td.	49,102		627		12,316		(923)		(541)
Cheong Kwan Jang Taiwan Co	orpc	23,376		19,872		33,248		821		806
Korean Red Ginseng Corp., Ir	ic.	18,306		8,608		28,801		1,740		1,100
Korea Ginseng (China) Corp.		39,581		28,665		60,779		82		159
Korea Ginseng Corporation Ja	apar	9,102		7,018		11,214		786		733
K&I HK Co., Ltd.		9		205		-		(102)		(89)
K&I China Co., Ltd.		496		4,221		1,173		(1,351)		(1,338)

¹ The above financial information is according to each company's separate financial statements.



2. Significant Accounting Policies

2.1 Basis of Preparation

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

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

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

The consolidated financial statements have been prepared based on historical cost except for the following:

- · certain financial assets and financial liabilities (including derivatives);
- · assets held for sale measured at fair value less cost to sell; and
- · defined contribution plans and plan assets measured at fair value.

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



2.2 Changes in Accounting Policies and Disclosures

(1) New and amended standards and interpretations adopted by the Group

The Group has applied the following new or amended standards and interpretations for the first time for its annual reporting period commencing on January 1, 2021.

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

In relation to interest rate benchmark reform, the amendments provide exceptions including adjust effective interest rate instead of book amounts when interest rate benchmark of financial instruments at amortized costs is replaced, and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship.

(b) Amendment to Korean IFRS 1116 Lease - Covid-19 - Related Rent Concessions beyond June 30. 2021

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before June 30, 2022. A lessee shall apply the practical expedient consistently to eligible contracts with similar characteristics and in similar circumstances. With early adoption of Korean IFRS 1116 *Lease*, the Group has changed the accounting policy for all the rent concessions that meet the requirements. The Group has adopted the accounting policy, retrospectively, as permitted under the specific transitional provisions in the standard. There was no cumulative impact of retrospective application and the Group did not restate comparatives for the 2020 reporting period. The Group recognized \forall 412 million in profit or loss during the year ended December 31, 2021, to reflect changes in lease payments that arise from a rent concession.

As of December 31, 2021, the amendment does not have a significant impact on the consolidated financial statements.

(2) New and amended standards and interpretations not yet adopted by the Group

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



(a) Amendments to Korean IFRS 1103 Business Combination – Reference to the Conceptual Framework

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

(b) Amendments to Korean IFRS 1016 Property, Plant and Equipment - Proceeds before intended use

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

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

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted.

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

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted.



(e) New Standard: Korean IFRS 1117 Insurance Contract

Korean IFRS 1117 *Insurance Contracts* replaces Korean IFRS 1104 *Insurance Contracts*. This standard estimates future cash flows of an insurance contract and measures insurance liabilities using discount rates applied with assumptions and risks at the measurement date. The entity recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual period. In addition, investment components (Refunds due to termination/maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and insurance financial income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses. This standard should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted for entities that applied Korean IFRS 1109 *Financial Instruments*.

(f) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policies. The IASB amended IFRS Practice Statement 2 *Disclosure of Accounting Policies* to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted.

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

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted.

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

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is in review for the impact of these amendments on the financial statements.



(i) Annual improvements to Korean IFRS 2018-2020

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted.

- Korean IFRS 1101 First time Adoption of Korean International Financial Reporting Standards – Subsidiaries that are first-time adopters
- Korean IFRS 1109 Financial Instruments Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1116 Leases Lease incentives
- Korean IFRS 1041 Agriculture Measuring fair value

The Group is in review for the impact of these amendments on the consolidated financial statements.

2.3 Significant Accounting Policies

Significant accounting policies and method of computation used in the preparation of the consolidated financial statements are consistent with those of the consolidated financial statements for the year ended December 31, 2020, except for the changes due to the application of amendment and enactments of standards described in Note 2.2 and the ones described below.

(1) Operating Segments

Information on operating segments is disclosed based on the method of internal reporting to the chief operating decision maker (Note 4). The chief operating decision maker is responsible for the allocation of resources to and evaluating the performance of the operating segments. The Group considers the board of directors, which performs strategic decision making, as its chief operating decision maker.

(2) Consolidation

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

(a) Subsidiaries

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



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

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

Balances of receivables and payables, revenues, expenses, unrealized gains etc. arising from intercompany transactions between companies within the Group are eliminated. When differences in accounting policies arise, the accounting policies of subsidiaries are changed to ensure consistent application of accounting policies adopted by the Group.

For transactions with non-controlling interests that do not result in a loss of control, any difference between the amount of the adjustment to non-controlling interests and the fair value of any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Parent Company.

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

(b) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The Group stops applying the equity method in cases where the proportion of the associate's loss attributable to the Group is either equal to or greater than the Group's investment holdings (including non-current investment holdings which form a part of the net investment) in the associate.

However, in cases where the Group has either legal-constructive obligations or needs to make payments on behalf of the associate for any additional losses after the Group's holdings in the associate has been reduced to zero (0), the Group recognizes losses and liabilities only up to those additional losses.



If there are objective signs of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss. When using the financial statements of the associates in order to apply the equity method, the Group reviews whether associates have used the same accounting policies the Group would apply for transactions or events that have occurred under similar circumstances and makes adjustments to the financial statements of the associates if necessary.

(c) Business combinations under common control

The Group applies the book value method to account for business combinations of entities under common control. Identifiable assets acquired and liabilities assumed in a business combination are measured at their book value on the consolidated financial statements of the ultimate Parent Company. The Group has adjusted the difference between the transfer consideration and the book value of the net assets from the capital surplus.

(3) Joint Arrangements

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

(4) Property, Plant and Equipment

All property, plant and equipment are stated at historical cost, less depreciation and accumulated impairment loss. Historical cost includes expenditures directly attributable to the acquisition of items.

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow into the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance costs are recognized as expenses in the period incurred.

No depreciation is recognized for land and certain other tangible assets (such as trees and paintings, etc.) classified as property, plant and equipment. Property, plant and equipment, except for land and certain other tangible assets (such as trees and paintings etc.), are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which an asset's future economic benefits are expected to be consumed.



The estimated useful lives of the Group's assets are as follows:

Estimated useful life (years)

Land	Indefinite
Buildings	10 - 60
Structures	4 - 40
Machinery	2 - 20
Vehicles	3 - 10
Tools	4 - 5
Equipment	2 - 10
Other tangible assets	1 - 5 or indefinite

The Group reviews the residual values and useful lives of assets at the end of each fiscal year and adjusts them, if necessary. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gain or loss on disposal of assets are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

(5) Borrowing Costs

The Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period to get ready for its intended use or sale. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

To the extent that the Group borrows funds specifically for obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on those borrowings during the period less any investment income on the temporary investment of those borrowings. The Group immediately recognizes other borrowing costs as an expense. To the extent that the Group borrows funds generally and uses them for obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for obtaining a qualifying asset. The amount of borrowing costs that the Group capitalizes during a period does not exceed the amount of borrowing costs incurred during that period.



(6) Government Subsidies

Government subsidies are only recognized when there is reasonable assurance that the Group will comply with the subsidies grant conditions and that the subsidies will be granted.

Asset related government subsidies are presented as deductions during the calculation of book value. Subsidies related to revenue are deferred and are presented as deductions from expenses related to the purpose of the government subsidies being granted.

(7) Intangible Assets

Intangible assets are measured initially at cost and subsequently are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the estimated useful lives of intangible assets from the date when they are available for use. The residual value of intangible assets is assumed to be zero.

However, as there are no foreseeable limits to the periods over which some industrial property rights, facility usage rights, intangible assets under development and other intangible assets are expected to be available for use, these intangible assets are regarded as having indefinite useful lives and not amortized.

Estimated useful life (years)

Industrial property rights
Facility usage rights
Intangible assets under development
Other intangible assets

5 - 20 or indefiniteIndefiniteIndefinite1 - 14 or indefinite

Amortization periods and amortization methods for intangible assets with finite useful lives are reviewed at the end of each fiscal year. Intangible assets with indefinite lives are reviewed at the end of each reporting period to determine whether assessment of their useful lives as indefinite are still valid, and adjusted if appropriate. Such changes are accounted for as changes in accounting estimates.

Development costs recognized as intangible assets mainly consist of costs associated with developing information management system. Development costs are recognized as intangible assets when the following criteria are met:

- · it is technically feasible to complete the software so that it will be available for use;
- · management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;



- adequate technical, financial and other resources to complete the development and to use to sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other expenditures attributable to system repair and maintenance are recognized as expense as incurred.

(8) Investment Property

Property held for earning rentals or benefiting from capital appreciation is classified as investment property. Investment property is initially measured at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with an item will flow into the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Routine repair and maintenance costs are recognized in profit or loss as incurred.

No depreciation is recognized for land which is classified as investment property. Investment property, except for land, is depreciated on a straight-line basis over 10-60 years as estimated useful lives.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. Such changes are accounted for as changes in accounting estimates.

(9) Assets Held for Sale

Non-current assets, or disposal groups held for sale that are expected to be recovered primarily through sale, rather than through continuous use, are classified as assets held for sale. In order to be classified as assets held for sale, an asset (or a disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. The assets or disposal groups that are classified as non-current assets held for sale are measured at the lower of their carrying amount or fair value less cost to sell. For the asset that had been impaired on the initial reclassification, the impairment loss is recognized immediately in profit or loss if the fair value of the asset decreases, when the fair value increases the impairment loss will be reversed into profit or loss with the limit of accumulated impairment loss recognized so far. However, deferred tax assets, assets generated from employee benefits, and financial instruments which are subject to Korean IFRS 1109 Financial Instruments are measured in accordance with the relevant standards.

If the non-current asset is classified as held for sale or is part of a disposal group classified as held for sale, the asset is not amortized.



(10) Inventories

Inventories are measured at the lower of acquisition cost or net realizable value. The acquisition cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The Group applies the following determination method of unit cost price by types of inventories.

Type

Determination method of unit cost price

Merchandise, finished goods, half-finished goods, work in progress, raw materials, supplies and by-products

Buildings under construction, completed buildings, sites for construction of real estate and goods in transit

Weighted-average method or movingaverage method

Specific identification method

When inventories are sold, the carrying amount of those inventories are recognized as cost of goods sold in the period in which the related revenue is recognized. Any loss on valuation or loss from inventory shrinkage that reduces the value of inventories to net realizable value are recognized as an expense during the period in which the write-down or shrinkage occurs. Any reversal of inventory valuation losses due to increases in the net realizable value of inventories are deducted from expenses already recognized as cost of goods sold during the period in which the reversal occurs.

(11) Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories, deferred tax assets, assets arising from employee benefits and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there are any indication of impairment. If any indication of impairment exist, then the asset's recoverable amount is estimated. Intangible assets that have indefinite useful lives or that are not yet available for use are tested for impairment annually by comparing their recoverable amount to their carrying amount, regardless of whether there are any indication of impairment.

If it is impossible to measure the recoverable amounts of individual assets, the recoverable amount of an asset is determined as the higher value between the value-in-use or the fair value less costs to sell for each cash-generating unit ("CGU") that the asset belongs to. If the carrying amount of an asset or a CGU exceeds its recoverable amount, the book value of the asset is reduced and impairment losses are recognized immediately in profit or loss. At the end of each reporting period, the Group tests for signs which show that any impairment loss recognized in the past either no longer exists or there has been a reduction in the amount. Impairment losses are only reversed if changes occur to the estimates used to determine the recoverable amount since the period in which an impairment loss was last recognized.



(12) Financial Assets (Other than Derivative Instruments)

(a) Classification

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

- · Those to be measured at fair value through profit or loss;
- · Those to be measured at fair value through other comprehensive income; and
- Those to be measured at amortized cost.

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

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, classification will depend on the business model in which the investment is held. The Group reclassifies debt investments when, and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value through other comprehensive income at the time of initial recognition. For equity instruments not held for trading where the Group has not made such an election, subsequent changes in the investment's fair value are recognized through profit or loss.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recognized as an expense through profit or loss.

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

- Debt instruments

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

A. Financial assets measured at amortized cost

Financial assets are measured at amortized cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A gain or loss on a debt investment that is subsequently



measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.

B. Financial assets measured at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Valuation gains or losses for financial assets measured at fair value are recognized through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized through profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other income or expenses' and impairment losses are presented in 'other expenses'.

C. Financial assets measured at fair value through profit or loss

Debt instruments shall be measured at fair value through profit or loss unless they are financial assets measured at amortized cost or at fair value through other comprehensive income. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not subject to a risk hedging relationship is recognized in profit or loss. It is presented in the consolidated statements of comprehensive income as 'finance income' or 'finance cost' in the period incurred.

- Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments (held for long-term investment or strategic purposes), in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following de-recognition of the investment. Gains and losses related to the disposal of such investments are recognized in retained earnings. Dividend income from such investments continue to be recognized in the consolidated statements of comprehensive income as 'finance income' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are presented as 'finance income' or 'finance cost' in the consolidated statements of comprehensive income.

Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income is not reported separately from other changes in fair value.



(c) Impairment

The Group assesses the expected credit losses associated with its debt instruments measured at amortized cost or measured at fair value through other comprehensive income based on information that projects the future. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and other receivables, the Group applies the simplified approach, which recognizes lifetime expected credit losses from initial recognition of the receivables.

(d) Recognition and derecognition

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

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Group classifies the financial liability as 'borrowings' in the consolidated statements of financial position.

(e) Offsetting of financial instruments

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

(13) Financial Liabilities

(a) Classification and measurement

Financial liabilities of the Group measured at fair value through profit or loss are financial instruments held for trading. Financial liabilities assumed usually for repurchase in the short term are classified as financial liabilities held for trading. Derivative instruments which are not designated as a means of hedge accounting as well as embedded derivate instruments which are separate from financial instruments are also classified as financial instruments held for trading.

All non-derivative financial liabilities are classified as financial liabilities measured at amortized cost and are presented as 'trade and other payables', 'borrowings' or 'lease liabilities' in the consolidated statements of financial position. Exceptions to this are financial liabilities measured at fair value through profit or loss, financial guarantee contracts and cases where the transfer of financial assets do not satisfy conditions for derecognition.



(b) Derecognition

Financial liabilities are derecognized from the consolidated statements of financial position when either: the contractual obligations have been satisfied, cancelled or expired; or there has been a substantial change to the conditions of the existing financial liabilities. The difference between financial liabilities that have been expired or transferred to a third party, and the consideration paid (including non-cash assets transferred or liabilities assumed) are recognized through profit or loss.

(14) Derivative Instruments

At initial recognition, derivative instruments are measured at their fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting valuation gains or losses arising from changes in fair value of derivative instruments are recognized through profit or loss.

(15) Cash and Cash Equivalents

The Group classifies investment assets with maturities of three months or less from the acquisition date as cash and cash equivalents. Equity investments are excluded from cash equivalents, unless they are, in substance, cash equivalents, for example, in the case of preferred shares when they have a short maturity with a specified redemption date.

(16) Employee Benefits

(a) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(b) Other long-term employee benefits

As for other long-term employee benefits that are not due to be settled within 12 months after the end of the period in which the employees rendered the related service, the future benefits acquired in return for the services provided in the current term and the past period are discounted as current value. Changes following remeasurements are recognized as current term's profit or loss that have incurred in the period.

(c) Share-based compensation

Equity-settled share-based payment is recognized at fair value of equity instruments granted, and employee benefit expense is recognized over the vesting period. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.



When the options are exercised, the Group issues new shares. The proceeds received, net of any directly attributable transaction costs, are recognized as share capital (nominal value) and share premium.

(d) Retirement benefits: Defined contribution plans

The contribution payable to a defined contribution plan in exchange for services rendered by an employee to the Group during a period is recognized through profit or loss, except for cases where the contribution payable is included in the asset's cost. The contribution payable is recognized as a liability (accrued expense) after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Group recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(e) Retirement benefits: Defined benefit plans

Defined benefit pension plans are all pension plans excluding defined contribution pension plans. Generally, the amount of retirement pension payable to employees at retirement are confirmed through factors such as age, number of years worked or salary level, etc.

The net defined liability (asset) recognized on the consolidated financial statement of financial position in relation to defined benefit plans is the amount of deficit (or amount of surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling) as determined by deducting the present value of the defined benefit obligations from the fair value of plan assets as of the end of the reporting period. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. The present value of the defined benefit obligation is presented in the currency that the salary will be paid and is calculated by discounting the expected future cash outflow by the interest rate of a corporate bond with a good credit rating with a maturity similar to the period when payment of the defined benefit obligation is due.

Changes in actuarial assumptions and actuarial gains or losses that arise from the difference between the actuarial assumptions and the actual results are recognized through other comprehensive income in the period incurred. Past service cost is recognized at the earlier of the following dates: when the plan amendment or curtailment occurs; and when the Group recognizes related restructuring costs or terminations benefits.

(f) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits or when the Group recognizes costs for a restructuring.

(17) Refund Liabilities and Provisions

Refund liabilities and provisions are present obligations (legal obligation or constructive obligation) that that exist as a result of past events. The Group recognizes refund liabilities and provisions when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.



The amount of refund liabilities and provisions recognized are the best estimates of the necessary expenditure required to fulfill the present obligations at the end of the reporting period, taking into account the unavoidable risks and uncertainties involved. Where the effect of the time value of money is material, refund liabilities and provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle refund liabilities or provisions are expected to be reimbursed by another party, the reimbursement shall be recognized only when it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Refund liabilities and provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the related refund liabilities and provisions are reversed.

(18) Paid-in Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to equity transactions are recognized as a deduction from equity, net of any tax effects.

When the Group repurchases its own equity instruments, the amount of the consideration paid is recognized as a contra-equity account and classified as treasury shares. The profits or losses from the purchase, disposal, reissue or retirement of treasury shares are not recognized as current profits or losses.

(19) Revenue Recognition

The Group's revenue categories consist of revenue from goods sold, services and other income.

(a) Sales of goods

Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow into the Group and the costs incurred or to be incurred with respect to the transaction can be measured reliably.

Since the Group's contract with customers to supply goods allows customers a right of return, the amount of consideration that the Group receives can be variable. Variable consideration is estimated by using the expected value method, which the Group expects to better predict the amount of consideration to which it is entitled. The Group recognizes revenue by including in the transaction price variable consideration only up to the amount where it is highly probable that a significant portion of the accumulated revenue already recognized will not be reversed.



Refund liabilities are recognized at the amount of consideration received (or receivable) for which the Group does not expect to be entitled. When customers exercise their right of return, the Group has a right to recover its products from customers. The Group recognizes this right as a refund asset and makes a corresponding adjustment to the cost of sales. The Group's right to recover its products are measured by deducting the cost of retrieving the goods from customers from the previous book value of the product.

(b) Rendering of services

Revenue from rendering of services is recognized by reference to the stage of completion of the transaction at the end of the reporting period when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow into the Group, the stage of completion of the transaction at the end of the reporting period can be measured reliably and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

(c) Sale of real estate

The Group sells residential real estate according to long-term contracts with customers. Such contracts are signed before construction of the residential real estate begins. According to the contract conditions, transferring the real estate to another customer is restricted and the Group has the right to claim for enforceable payment with regard to work performed up to that point.

Therefore, revenue incurred from residential real estate is recognized based on the percentage-of-completion method (in other words, actual cost to date as a proportion of the estimated total cost). Management has deemed the percentage-of-completion method to be an appropriate method for measuring the progress rate until performance obligations are satisfied in accordance with Korean IFRS 1115.

The Group pays sales commission in relation to the sales contract of residential real estate. When the Group estimates that such incremental cost would be recovered, the incremental cost is capitalized and amortized over the period in which the residential real estate is transferred to the customer.

(d) Lease of real estate

The profit from lease of investment property and others is recognized on a straight-line basis over the period of lease.



(20) Finance Income and Finance Cost

Finance income includes interest income, dividend income etc. from investments in financial assets. Interest income, as it accrues, is recognized through profit or loss using the effective interest method. Dividend income is recognized through profit or loss on the date the Group's right to receive the dividend as a shareholder is established. Finance cost includes interest expense on borrowings and lease liabilities, amortization on trade and other payables etc. Interest expense, as it accrues, is recognized through profit or loss using the effective interest method.

(21) Income Tax Expense

Income tax expense consists of current tax and deferred tax. Income tax is usually recognized through profit or loss. Exceptions are income tax related to items which are recognized directly in other comprehensive income or in equity. In such cases, income tax is also recognized directly in other comprehensive income or in equity.

Income tax expense is measured based on tax laws that have either been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group recognizes current income tax on the basis of amounts expected to be paid to the tax authorities.

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis.



(22) Functional and Presentation Currency

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

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

Foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within 'other income' or 'other expenses'.

Foreign exchange gains or losses arising from non-monetary financial assets and liabilities are considered a part of changes in fair value through profit or loss. Therefore, foreign exchange gains or losses arising from equity instruments measured at fair value through profit or loss are recognized through profit or loss. Foreign exchange gains or losses arising from equity instruments measured at fair value through other comprehensive income are recognized through other comprehensive income.

(23) Earnings per Share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(24) Lease

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

The Group leases various offices, accommodation for employees and vehicles etc. The terms of lease are negotiated individually and include various contractual conditions. There are no restrictions from lease contracts other than that the leased assets cannot be used as collateral for borrowings.



The Group determines the lease term as the non-cancellable period of a lease, together with both: periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In determining the lease term and assessing the length of the non-cancellable period of a lease, the Group applies the definition of a contract and determine the period for which the contract is enforceable. A lease is no longer enforceable when the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

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

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

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

For variable lease payment terms that are linked to indexes or rates, the Group is exposed to the potential future risks of the variable lease payments not included in the lease liabilities whilst the indexes or rates are still valid. In such cases, the Group re-evaluates the lease liabilities whilst the changes in lease payments (due to indexes or rates) are still valid and make adjustments to the right-of-use asset.

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

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

- · the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;



- any initial direct costs; and
- estimated restoration costs.

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

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

In accordance with Korean IFRS 1116, the Group either classifies a sublease as an operating lease, or classifies it as a finance lease and recognizes the related lease receivables as well as derecognizing the right-of-use assets derived from head leases.

(25) Emission Rights

Pursuant to the Act on Allocation and Trading of Greenhouse Gas Emission that became effective in 2015, the Group has an emission liability, which is a present obligation of submitting emission rights to the government with regard to emission of greenhouse gases. Emission liability is recognized when it is probable that outflows of resources will be required to settle the obligation and the costs required to perform the obligation can be reliably estimated.

(26) Going Concern

At the time of approving the financial statements, management has reasonable expectations that the Group has sufficient resources to continue as a going concern for the foreseeable future. Therefore, management has prepared the financial statements under the assumption that the Group will continue as a going concern, with the exception of the statement below.

Following the resolution to liquidate KT&G Pars during 2020, the Group has prepared its consolidated financial statements by using the consolidated statements of financial position, comprehensive income, changes in equity and cash flows and the notes to consolidated financial statements under the assumption that KT&G Pars will be liquidated.

(27) Discontinued Operations

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

- · represents a separate major line of business or geographical area of operations;
- · is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- · is a subsidiary acquired exclusively with a view to resale.



If there is a discontinued operation, the Group restates the statement of comprehensive income as if it had been discontinued from the beginning of the comparative period presented.

(28) Approval of Financial Statements

The consolidated financial statements of the Group have been approved by the Board of Directors on March 10, 2022, and may be modified and approved at the Annual General Meeting of Shareholders.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

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

(1) Impairment of CGUs

The Group determines whether to recognize an impairment loss on CGUs in accordance with Korean IFRS 1036 *Impairment of Assets*. When there is an indication of impairment of assets, the Group performs an impairment assessment by comparing the carrying amount of a CGU with the recoverable amount and the recoverable amount is affected by various assumptions used for the estimation as it is determined based on the estimation of the value in use or fair value less costs to sell (Note 12).

- (2) Total construction revenue and total construction cost
- (a) Uncertainty of total contract revenue estimates

Total contract revenue is measured based on the initially agreed upon contract price, but measurement of contract revenue is affected by various uncertainties related to the outcome of future events, as it may increase or decrease depending on additional contracts, termination of the contract, etc. during the course of performing the contract. When the additional contract or contract termination is confirmed and the amount can be reliably measured, the Group includes it in contract revenue (Note 24).



(b) Estimated total construction cost

The amount of construction revenue is affected by the percentage of completion based on the cumulative incurred contract cost, and the total contract cost is estimated based on future estimates such as material cost, labor cost and construction period, etc. (Note 24).

(3) COVID-19

Significant accounting estimates and assumptions applied in the preparation of the consolidated financial statements can be adjusted depending on changes in the uncertainty from Coronavirus disease 2019 ("COVID-19"). Also, the ultimate effect of COVID-19 to the Group's business, financial position and financial performance cannot presently be determined.

4. Operating Segment

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

Operating Segments	Principal operation
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) Segment information on sales and operating profit for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)							:	2021						
	т	obacco ¹	Ginseng R		Re	Real estate Others		Others	Segment total		Adjustments		s Consolidated	
Total segment sales	₩	3,471,338	₩	1,520,065	₩	770,429	₩	279,416	₩	6,041,248	₩	(555,007)	₩	5,486,241
Intersegment sales		(339,167)		(145,649)		(60,353)		(9,838)		(555,007)		555,007		-
External sales		3,132,171		1,374,416		710,076		269,578		5,486,241		-		5,486,241
Operating profit (loss) ²		804,722		123,457		310,054		(19,023)		1,219,210		74,754		1,293,964
Depreciation and amortization	ı	133,297		53,957		25,584		13,340		226,178		(9,018)		217,160

¹ Profit (loss) from discontinued operations is included (Note 36).

² Other income or expenses items not comprised in the operating profit (loss) are not separately disclosed because the Chief Operating Decision Maker does not review them by segment.



(in millions of Korean won)		2020												
	T	obacco ¹	Ġ	Sinseng Real estate		C	Others		Segment total		Adjustments		nsolidated	
Total segment sales	₩	3,339,587	₩	1,536,507	₩	656,805	₩	282,601	₩	5,815,500	₩	(513,882)	₩	5,301,618
Intersegment sales		(369,372)		(125,599)		(14,868)		(4,043)		(513,882)		513,882		-
External sales		2,970,215		1,410,908		641,937		278,558		5,301,618		-		5,301,618
Operating profit (loss) ²		1,051,351		163,499		287,551		(8,259)		1,494,142		(13,091)		1,481,051
Depreciation and amortization	1	121,946		55,921		23,460		14,219		215,546		(12,225)		203,321

¹ Profit (loss) from discontinued operations is included (Note 36).

(c) The Group obtains revenue by transferring goods and services over a period or at a point in time in the major business lines. The categories of major business lines are consistent with the revenue disclosure information per reporting segment in accordance with Korean IFRS 1108.

(in millions of Kore	an won)		2020	
Revenue recognize	d at a point in time:			
	Wholesale, retail	₩	2,818,871	₩ 2,660,941
Tobacco	Direct sales		55,410	62,968
	Discontinued operations		257,890	246,306
Cincona	Wholesale, retail		741,320	739,151
Ginseng	Direct sales		633,096	671,757
Others	Wholesale, retail		255,590	268,993
Oulers	Direct sales		13,988	9,565
	Subtotal		4,776,165	4,659,681
Revenue recognize	d over time:			
Real estate	Sales and rental		710,076	641,937
	Subtotal		710,076	641,937
	Total	₩	5,486,241	₩ 5,301,618

² Other income or expenses items not comprised in the operating profit (loss) are not separately disclosed because the Chief Operating Decision Maker does not review them by segment.



(d) Segment information on assets and liabilities as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)								2021						
	7	obacco	(Ginseng	Re	eal estate	Others Segme		ment total	Adjustments		Со	nsolidated	
Assets:														
Segment assets	₩	5,356,142	₩	2,150,747	₩	1,379,475	₩	257,294	₩	9,143,658	₩	(2,150,978)	₩	6,992,680
Investments in associates and joint ventures		-		-		238,592		4,400		242,992		-		242,992
Assets held for sale		14,901		5,440						20,341		(217)		20,124
Subtotal	₩	5,371,043	₩	2,156,187	₩	1,618,067	₩	261,694	₩	9,406,991	₩	(2,151,195)		7,255,796
Common assets														4,381,475
Total assets													₩	11,637,271
Acquisition of non-current assets	₩	209,329	₩	166,752	₩	86,087	₩	21,813	₩	483,981	₩	(93,551)	₩	390,430
Liabilities:														
Segment liabilities	₩	1,958,575	₩	202,057	₩	90,547	₩	141,388	₩	2,392,567	₩	(523,360)	₩	1,869,207
Liabilities held for sale						-								
	₩	1,958,575	₩	202,057	₩	90,547	₩	141,388	₩	2,392,567	₩	(523,360)		1,869,207
Common liabilities														559,202
Total liabilities													₩	2,428,409

(in millions of Korean won)								2020						
	1	Tobacco	(Ginseng	Re	eal estate	(Others Segment total			Adjustments		Consolidated	
Assets:														
Segment assets	₩	5,298,576	₩	2,056,551	₩	1,469,929	₩	260,432	₩	9,085,488	₩	(1,967,586)	₩	7,117,902
Investments in associates and joint ventures		-		-		128,476		3,711		132,187		-		132,187
Assets held for sale		2,000		681		-				2,681				2,681
Subtotal	₩	5,300,576	₩	2,057,232	₩	1,598,405	₩	264,143	₩	9,220,356	₩	(1,967,586)		7,252,770
Common assets														4,215,613
Total assets													₩	11,468,383
Acquisition of non-current assets	₩	330,350	₩	47,615	₩		₩	8,853	₩	386,818	₩	(22,032)	₩	364,786
Liabilities:														
Segment liabilities	₩	2,001,388	₩	181,474	₩	1,283	₩	142,008	₩	2,326,153	₩	(463,472)	₩	1,862,681
Liabilities held for sale				51		-				51				51
Subtotal	₩	2,001,388	₩	181,525	₩	1,283	₩	142,008	₩	2,326,204	₩	(463,472)		1,862,732
Common liabilities														514,079
Total liabilities													₩	2,376,811

Cash and cash equivalents, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income or loss, deferred tax assets and others are included in the common assets and borrowings and deferred tax liabilities and others are included in the common liabilities.



(e) Geographical information determined by customer's location for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021		2020							
	Korea	Overseas ¹	Total	Korea	Overseas ¹	Total					
Sales	₩ 4,023,488	₩ 1,462,753	₩ 5,486,241	₩ 3,919,008	₩ 1,382,610	₩ 5,301,618					
Non-current assets	2,967,361	106,824	3,074,185	2,804,381	127,383	2,931,764					

 $^{^1}$ Overseas sales classified as profit or loss from discontinued operations of \forall 257,890 million and \forall 246,306 million are included for the years ended December 31, 2021 and 2020, respectively.

The above overseas category was not separately classified by region because sales and noncurrent assets attributed to a particular country are immaterial.

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



5. Cash and Cash Equivalents and Other Financial Assets

(a) Details of cash and cash equivalents as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021		2020
Cash on hand	₩	687	₩	1,395
Demand deposits		495,525		377,413
Money market trust		408,723		850,287
Others		41,636		24,516
Total	₩	946,571	₩	1,253,611

(b) Details of other financial assets as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		20	21		2020					
	Current		Non	Non-current Curre		urrent	Non	-current		
Time deposits	₩	416,700	₩	8,707	₩	387,155	₩	8,540		
Certificate of Deposit		40,000		239		20,000		1,585		
Security deposits for checking accounts, etc.		357		55		580		4		
Total	₩	457,057	₩	9,001	₩	407,735	₩	10,129		

6. Financial Assets at Fair Value through Profit or Loss

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

(in millions of Korean won)		20	21			20	20			
	С	urrent	Nor	-current	С	urrent	Non-current			
Money Market Trust	₩	965,362	₩	17,442	₩	914,344	₩	18,297		
Beneficiary certificate		22		287,374		80		235,265		
Total	₩	965,384	₩	304,816	₩	914,424	₩	253,562		



7. Trade and Other Receivables

(a) Trade and other receivables as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		20	21		2020					
		Current	Nor	n-current		Current	Non	-current		
Trade receivables	₩	904,504	₩	-	₩	1,115,246	₩	-		
Loans		17,123		60,827		14,634		54,598		
Other receivables		39,855		3,612		38,921		3,357		
Guarantee deposits		48,775		30,170		43,363		39,349		
Accrued income		2,484		151		2,406		105		
Finance lease receivables		-		-		479		-		
Total	₩	1,012,741	₩	94,760	₩	1,215,049	₩	97,409		

(b) Allowances for doubtful accounts in relation to trade and other receivables (as a gross amount before deduction of allowances for doubtful accounts) as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		20	21		2020					
		Current	Non	-current		Current	Non-current			
Total carrying amount	₩	1,091,383	₩	95,125	₩	1,302,636	₩	97,598		
Allowances:										
Trade receivables		(77,675)		-		(86,062)		-		
Other receivables		(967)		(365)		(1,525)		(189)		
Total allowances		(78,642)		(365)		(87,587)		(189)		
Net trade and other receivables	₩	1,012,741	₩	94,760	₩	1,215,049	₩	97,409		

(c) Changes in allowance for doubtful accounts in relation to trade and other receivables for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021		2020
Beginning balance	₩	87,776	₩	121,191
Reversal of impairment loss ¹		(6,389)		(28,452)
Write off		(3,414)		(3,191)
Net exchange difference		1,034		(1,772)
Ending balance	₩	79,007	₩	87,776

¹ Impairment loss classified as profit or loss from discontinued operations of ₩ 1,368 million and ₩ 194 million are included for the years ended December 31, 2021 and 2020, respectively.



Impairment loss (reversal of impairment loss) on trade receivables is included as part of selling, general and administrative expense while impairment loss (reversal of impairment loss) on other receivables is included as part of other expense (income) in the consolidated statements of comprehensive income.

8. Inventories

(a) Inventories as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021 2020													
	A	cquisition cost		Valuation loss allowance		Carrying amount		Acquisition cost		•		Valuation loss allowance		Carrying amount
Merchandise	₩	57,930	₩	(2,609)	₩	55,321	₩	44,192	₩	(6,513)	₩	37,679		
Finished goods		369,572		(37, 102)		332,470		365,074		(14,556)		350,518		
Half-finished goods		437,213		(1,876)		435,337		484,641		(48)		484,593		
Work in progress		604,715		(2,005)		602,710		651,435		(1,190)		650,245		
Raw materials		830,469		(8,671)		821,798		838,689		(2,002)		836,687		
Supplies		51,331		-		51,331		42,764		-		42,764		
By-products		6,551		-		6,551		7,168		-		7,168		
Buildings under construction		5,926		-		5,926		15,656		-		15,656		
Completed buildings		3,126		-		3,126		1,490		-		1,490		
Sites for construction of real estate		24,416		-		24,416		58,181		-		58,181		
Goods in transit		36,395				36,395		50,051				50,051		
Total	₩	2,427,644	₩	(52,263)	₩	2,375,381	₩	2,559,341	₩	(24,309)	₩	2,535,032		

(b) The amount of loss on valuation and obsolescence of inventories recognized for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021			
Cost of sales:				
Loss on valuation of inventories ¹	₩	27,521	₩	363
Loss on obsolescence of inventories		12,260		12,757
Other expense:				
Loss on obsolescence of inventories		149		793
Total	₩	39,930	₩	13,913

 $^{^1}$ Loss on valuation of inventories classified as profit or loss from discontinued operations of $\mbox{$W$}$ 39,155 million and $\mbox{$W$}$ 395 million are included for the years ended December 31, 2021 and 2020, respectively.



9. Financial Assets measured at Fair Value through Other Comprehensive Income

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

(in millions of Korean won)		2021	2020		
Listed:					
YTN Co. Ltd.	₩	24,722	₩	25,140	
Oscotech Inc.		19,325		34,637	
Shinhan Financial Group Co., Ltd.		147,507		128,468	
Ocuphire Pharma, Inc (Previously, Rexahn Pharmaceuticals, Inc.)		-		94	
U&I Corporation		4,759		4,319	
Subtotal		196,313		192,658	
Unlisted		32,085		46,881	
Total	₩	228,398	₩	239,539	

When assessing the fair value of financial assets measured at fair value through other comprehensive income, the Group used market prices traded in the active trading market for listed equity instruments and measured unlisted equity instruments using the discounted cash flow model, etc.

At the disposal of the above equity instruments, the related accumulated other comprehensive income or loss is reclassified to retained earnings and is not reclassified to profit or loss.

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

(in millions of Korean won)		2021		2020
		000 500		057.040
Beginning balance	₩	239,539	₩	257,640
Acquisition		3,500		-
Changes in fair value		16,354		(14,912)
Disposal, etc.		(30,995)		(3,189)
Ending balance	₩	228,398	₩	239,539



10. Investments in Associates and Joint Ventures

(a) Details of investments in associates and joint ventures as of December 31, 2021 and 2020, are as follows:

(in millions of K	(orean won)				2	2021			2020	
		Location	Principal operation	Date of financial staements used	Ownership (%)		arrying mount	Ownership (%)		arrying mount
Associates	LitePharmTech Co., Ltd. ¹	Korea	Manufacturing medical supplies	Dec.31	12.88	₩	3,923	16.75	₩	3,268
	KORAMCO Ocheon Project Financing Vehicle Co., Ltd. ²	Korea	Real estate investment, development and rental business	Dec.31	-		-	18.95		5,705
	KORAMCO Banpo Project Financing Vehicle Co., Ltd. ¹	Korea	Real estate investment, development and rental business	Dec.31	18.95		4,059	18.95		5,290
	KORAMCO Dongjak Project Financing Vehicle Co., Ltd. ¹	Korea	Real estate investment, development and rental business	Dec.31	19.47		1,727	19.47		1,800
	KORAMCO Amsa Project Financing Vehicle Co., Ltd. ¹	Korea	Real estate investment, development and rental business	Dec.31	17.84		1,048	17.84		1,121
	KOCREF Consigned- management REIT No.36 ³	Korea	Real estate investment, development and rental business	Dec.31	21.01		24,010	-		-
	AndaStation Professional Investment Private REIT No.1 ⁴	Korea	Real estate investment, development and rental business	Dec.31	21.43		18,081	-		-
	Kiwoom Milestone Private REIT No.16 ⁵	Korea	Real estate investment, development and rental business	Dec.31	45.45		15,384	-		-
	Cheong-ra medi-polis PFV ^{6,7}	Korea	Real estate development and sales	Dec.31	56.74		17,064	-		-
	Others						478			443
Joint ventures	KORAMCO Europe Private REIT 3-2 Fund ⁸	Germany	Renting of real estate	Dec.31	51.35		13,426	51.35		15,342
	Starfield Suwon, Inc.	Korea	Real estate development and rental business	Dec.31	50		143,792	50		99,218
	Total					₩	242,992		₩	132,187

¹ The Group has classified its holdings as an investment in associates even though its holdings in the invested company is less than 20%. Since it has the right to participate in the board of directors meeting of the invested company according to the shareholder's agreement, the Group has judged that it has significant influence over the invested company.

² The Group has classified its holdings as assets held for sale as the Group has entered into a sales agreement.

³ Due to a capital increase with consideration through dilutive secondary offerings during the year ended December 31, 2021, the Group has acquired its significant influence in the invested company. The Group has reclassified its holdings as an investment in associates.

⁴ The Group acquired AndaStation Professional Investment Private REIT No.1 for the year ended December 31, 2021.

⁵ The Group has reclassified its holdings as an investment in associates as the Group has reassessed that it has significant influence over the invested company.



- ⁶ The Group has established Cheong-ra medi-polis PFV through capital investment for the year ended December 31, 2021.
- ⁷ It was classified as an associate since decisions about the significant financial and operating policies of the investee could not be made without consents from 3/4 of the directors in accordance with the investors' agreement.
- 8 It was classified as a joint venture since decisions about the significant financial and operating policies of the investee could not be made without the unanimous consent of the parties that control the arrangement collectively.
- (b) Financial information of associates and joint ventures are as follows:
- (1) For the year ended December 31, 2021

A. Summarized financial information

(in millions of Korean won) 2021 Total Non-current Current Non-current **Current assets** Revenue comprehensive liabilities liabilities assets income (loss) LitePharmTech Co., Ltd. 17.014 29,411 ₩ 13,082 ₩ 2,891 ₩ 25,797 152 KORAMCO Banpo Project 2,363 81,684 512 63,000 1,840 (6,498)Financing Vehicle Co., Ltd. KORAMCO Dongjak Project 599 25,120 1,199 15,983 659 (373)Financing Vehicle Co., Ltd. KORAMCO Amsa Project 285 18,034 1,498 11,175 458 (409)Financing Vehicle Co., Ltd. KOCREF Consigned-3,031 439,603 937 293,046 1,426 (713)management REIT No.36 AndaStation Professional 9,775 312,600 4,367 237,517 5,076 674 Investment Private REIT No.1 Kiwoom Milestone Private 7,084 73,243 5,481 41,000 5,572 2,847 REIT No.16 Cheong-ra medi-polis PFV 23,297 176 (6,206)KORAMCO Europe Private 3,755 108,627 2,842 81,198 5,064 (1,624)REIT 3-2 Fund 35,388 258,193 (712)Starfield Suwon, Inc. 5,966

B. Additional financial information on joint ventures

(in millions of Korean won)		2021												
	Cash and cash equivalents		Current financial liabilities ¹		Non-current financial liabilities ¹		Depreciation expense		Interest income		Interest expense		Income tax	
KORAMCO Europe Private REIT 3-2 Fund	₩	1,043	₩	2,095	₩	80,007	₩	3,309	₩	120	₩	(1,390)	₩	(39)
Starfield Suwon, Inc.		32,967		-		-		-		174		-		-

¹ The amount excludes trade payables, other payables and provisions.

(2) For the year ended December 31, 2020



A. Summarized financial information

(in millions of Korean won) 2020 Total Non-current Current Non-current **Current assets** comprehensive Revenue liabilities liabilities assets income (loss) 9,912 ₩ LitePharmTech Co., Ltd. 11,766 ₩ 20,861 ₩ 3,207 22,176 ₩ (40)KORAMCO Ocheon Project 2,303 105 901 87,051 2,459 56,334 Financing Vehicle Co., Ltd. KORAMCO Banpo Project 841 82,256 1,784 54,280 1,636 (84) Financing Vehicle Co., Ltd. KORAMCO Dongjak Project 693 16,024 378 (254)749 24,879 Financing Vehicle Co., Ltd. KORAMCO Amsa Project 428 17,407 560 11,220 307 (215)Financing Vehicle Co., Ltd. KB Gimpo Logistics CR 6,038 5,997 REIT Co., Ltd. KORAMCO Private REIT 2,442 2,242 50 Fund KORAMCO Europe Private 111,829 4,120 2,184 81,105 4,809 (2,092)REIT 3-2 Fund Starfield Suwon, Inc. 22,492 177,978 2,018 17 (180)

B. Additional financial information on joint ventures

(in millions of Korean won)	Cash and cash equivalents	Current financial	Non-current financial liabilities ¹	2020 Depreciation expense	Interest income	Interest expense	Income tax		
KB Gimpo Logistics CR REIT Co., Ltd.	₩ -	₩ -		₩ 35	₩ 61	₩ 47	₩ 24		
KORAMCO Private REIT 50 Fund	-	-	-	-	1	-	-		
KORAMCO Europe Private REIT 3-2 Fund	1,474	1,556	79,918	3,853	118	1,597	55		
Starfield Suwon, Inc.	22,119	-	-	-	84	-	-		

¹ The amount excludes trade payables, other payables and provisions.



(c) Changes in investments in associates and joint ventures for the years ended December 31, 2021 and 2020, are as follows:

(1) For the year ended December 31, 2021

(in millions of Korean won)						2021			
		eginning palance	Acquisition	Share of net gair (loss)		Dividends	Capital changes	Reclassification, etc.	Ending balance
LitePharmTech Co., Ltd.	₩	3,268	₩ 634	₩	13	₩ -	₩ 8	₩ -	₩ 3,923
KORAMCO Ocheon Project Financing Vehicle Co., Ltd.		5,705	-		(219)	(18)	-	(5,468)	-
KORAMCO Banpo Project Financing Vehicle Co., Ltd.		5,290	-		(1,231)	-	-	-	4,059
KORAMCO Dongjak Project Financing Vehicle Co., Ltd.		1,800	-		(73)	-	-	-	1,727
KORAMCO Amsa Project Financing Vehicle Co., Ltd.		1,121	-		(73)	-	-	-	1,048
KOCREF Consigned- management REIT No.36		-	-		11,081	(2,071)	-	15,000	24,010
AndaStation Professional Investment Private REIT No.1		-	17,764		798	(481)	-	-	18,081
Kiwoom Milestone Private REIT No.16		-	-		1,597	(1,213)	-	15,000	15,384
Cheong-ra medi-polis PFV		-	17,022		42	-	-	-	17,064
KORAMCO Europe Private REIT 3-2 Fund		15,342	-		(631)	(1,259)	(26)	-	13,426
Starfield Suwon, Inc.		99,218	45,000		(428)	-	2	-	143,792
Others		443			35				478
Total	₩	132,187	₩ 80,420	₩	10,911	₩ (5,042)	₩ (16)	₩ 24,532	₩ 242,992

(2) For the year ended December 31, 2020

(in millions of Korean won)								20:	20						
		ginning alance	Acc	quisition		Disposal	Shai	re of net gain (loss)		Dividends	Capital changes	i	Reclassification, etc.	End	ling balance
LitePharmTech Co., Ltd.	₩	3,283	₩	-	₩	-	₩	33	₩	-	₩ (48	3)	₩ -	₩	3,268
Yong In Jung Sim Co., Ltd.		1,000		-		-		-		-		-	(1,000)		-
KORAMCO Ocheon Project Financing Vehicle Co., Ltd.		-		5,685		-		20		-		-	-		5,705
KORAMCO Banpo Project Financing Vehicle Co., Ltd.		-		5,306		-		(16)		-		-	-		5,290
KORAMCO Dongjak Project Financing Vehicle Co., Ltd.		-		1,850		-		(50)		-		-	-		1,800
KORAMCO Amsa Project Financing Vehicle Co., Ltd.		-		1,159		-		(38)		-		-	-		1,121
KB Gimpo Logistics CR REIT Co., Ltd.		2,637		-		(3,356)		719		-		-	-		-
KORAMCO Private REIT 50 Fund		14,023		-		(17,851)		3,828		-		-	-		-
KORAMCO Europe Private REIT 3-2 Fund		16,510		-		-		(170)		(1,227)	22	9	-		15,342
Starfield Suwon, Inc.		11,940		87,500		-		(212)		-	(10)	-		99,218
Others								21		-			422		443
Total	₩	49,393	₩	101,500	₩	(21,207)	₩	4,135	₩	(1,227)	₩ 17	1	₩ (578)	₩	132,187



(d) Reconciliation of the summarized financial information presented to the carrying amount of the Group's investments in associates and joint ventures as of December 31, 2021 and 2020, are as follows:

(1) As of December 31, 2021

(in millions of Korean won) 2021

	_						
	Net assets		Ownership (%)	Share of net assets ¹	Goodwill	Preferred stock effect	Carrying amount
LitePharmTech Co., Ltd.	₩	30,452	12.88	₩ 3,923	₩ -	₩ -	₩ 3,923
KORAMCO Banpo Project Financing Vehicle Co., Ltd.		20,535	18.95	3,892	167	-	4,059
KORAMCO Dongjak Project Financing Vehicle Co., Ltd.		8,537	19.47	1,662	65	-	1,727
KORAMCO Amsa Project Financing Vehicle Co., Ltd.		5,646	17.84	1,007	41	-	1,048
KOCREF Consigned- management REIT No.36		148,651	21.01	31,229	-	(7,219)	24,010
AndaStation Professional Investment Private REIT No.1		80,491	21.43	17,248	270	563	18,081
Kiwoom Milestone Private REIT No.16		33,846	45.45	15,384	-	-	15,384
Cheong-ra medi-polis PFV		23,121	56.74	13,119	382	3,563	17,064
KORAMCO Europe Private REIT 3-2 Fund		28,342	51.35	13,426	-	-	13,426
Starfield Suwon, Inc.		287,585	50.00	143,792	-	-	143,792

¹ It is the share of net assets in associates and joint ventures corresponding to the Parent Company's ownership.

(2) As of December 31, 2020

(in millions of Korean won) 2020 Share of net Carrying Ownership (%) Net assets Goodwill amount assets1 LitePharmTech Co., Ltd. 19,508 16.75 3,268 3,268 KORAMCO Ocheon Project 29,159 18.95 5,526 179 5,705 Financing Vehicle Co., Ltd. KORAMCO Banpo Project 27,033 18.95 167 5,290 5,123 Financing Vehicle Co., Ltd. KORAMCO Dongjak Project 8,911 19.47 1,735 1,800 65 Financing Vehicle Co., Ltd. KORAMCO Amsa Project 6,055 17.84 1,080 41 1,121 Financing Vehicle Co., Ltd. KORAMCO Europe Private 32,660 51.35 15,342 15,342 REIT 3-2 Fund 198,435 50.00 Starfield Suwon, Inc. 99,218 99,218

¹ It is the share of net assets in associates and joint ventures corresponding to the Parent Company's ownership.



11. Property, Plant and Equipment

(a) Composition of the carrying amounts of property, plant and equipment as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021						2020									
	Acquisition cost		Acquisition cost depre			ccumulated preciation and Carrying amount impairment			dep	ccumulated reciation and mpairment	Carr	ying amount					
Land	₩	510,767	₩	-	₩	510,767	₩	494,160	₩	-	₩	494,160					
Buildings		1,120,773		(592,520)		528,253		1,129,762		(566,367)		563,395					
Structures		70,890		(45,280)		25,610		75,225		(48,775)		26,450					
Machinery		1,675,559		(1,185,487)		490,072		1,581,027		(1,125,145)		455,882					
Vehicles		8,519		(6,467)		2,052		7,561		(5,942)		1,619					
Tools		78,748		(60,624)		18,124		72,658		(56,263)		16,395					
Equipment		192,149		(147,413)		44,736		205,286		(149,483)		55,803					
Others		4,741		(351)		4,390		5,915		(1,131)		4,784					
Construction in progress		117,038				117,038		100,587		(663)		99,924					
Total	₩	3,779,184	₩	(2,038,142)	₩	1,741,042	₩	3,672,181	₩	(1,953,769)	₩	1,718,412					

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

(in millions of Korean won)								2021						
		eginning balance	A	Acquisition Disposal		Disposal	Depreciation ¹		li	mpairment ¹	Reclassificati		End	ing balance
Land	₩	494,160	₩	84	₩	(125)	₩	-	₩	-	₩	16,648	₩	510,767
Buildings		563,395		8,289		(167)		(37,072)		(303)		(5,889)		528,253
Structures		26,450		772		(112)		(3,353)		-		1,853		25,610
Machinery		455,882		17,890		(1,540)		(84,249)		168		101,921		490,072
Vehicles		1,619		1,039		(2)		(729)		-		125		2,052
Tools		16,395		9,010		(243)		(7,606)		(123)		691		18,124
Equipment		55,803		12,714		(451)		(24,616)		(649)		1,935		44,736
Others		4,784		-		(257)		(136)		-		(1)		4,390
Construction in progress		99,924		168,965		(145)						(151,706)		117,038
Total	₩	1,718,412	₩	218,763	₩	(3,042)	₩	(157,761)	₩	(907)	₩	(34,423)	₩	1,741,042

¹ Depreciation expense of \forall 336 million and impairment loss of \forall 771 million classified as profit or loss from discontinued operations are included.

² Consists of \forall 36,703 million which was reclassified to investment property, \forall 5,440 million which was reclassified to assets held for sale, and \forall 272 million which was reclassified to intangible assets (Notes 12, 13 and 14).

 $^{^3}$ During the year, the Group has capitalized borrowing costs amounting to \forall 1,922 million on property, plant and equipment that are qualifying assets. The capitalization rate of borrowings used to determine the amount of borrowing costs to be capitalized is 3.69%.



(in millions of Korean won)								2020						
		eginning balance	A	Acquisition Disposal		C	Depreciation ¹		Impairment ¹	Rec	lassification, etc. ²	End	ling balance	
Land	₩	566,053	₩	779	₩	(266)	₩	-	₩	-	₩	(72,406)	₩	494,160
Buildings		560,808		25,606		(5,092)		(39,555)		-		21,628		563,395
Structures		26,614		1,435		(332)		(3,243)		-		1,976		26,450
Machinery		396,371		47,820		(1,744)		(75,131)		(1,071)		89,637		455,882
Vehicles		2,180		486		(43)		(638)		-		(366)		1,619
Tools		14,026		9,053		(158)		(6,834)		-		308		16,395
Equipment		48,655		20,913		(594)		(27,024)		(3)		13,856		55,803
Others		4,411		610		-		(630)		-		393		4,784
Construction in progress		134,621		106,175		(1)		<u>-</u>		(664)		(140,207)		99,924
Total	₩	1,753,739	₩	212,877	₩	(8,230)	₩	(153,055)	₩	(1,738)	₩	(85,181)	₩	1,718,412

 $^{^{1}}$ Depreciation expense classified as profit or loss from discontinued operations of \forall 239 million is included.

12. Intangible Assets

(a) Details of carrying amount of intangible assets as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)				2021			2020						
	Acquisition cost		Accumulated amortization and impairment		Carrying amount		Acquisition cost		Accumulated amortization and impairment		Carrying amount		
Goodwill	₩	108,093	₩	(108,093)	₩	-	₩	107,544	₩	(91,189)	₩	16,355	
Industrial property rights		57,014		(38,385)		18,629		51,343		(38,183)		13,160	
Facility usage rights		40,278		(720)		39,558		38,432		(691)		37,741	
Intangible assets under development		48,959		(3,359)		45,600		24,565		(2,058)		22,507	
Other intangible assets		166,932		(125,000)		41,932		158,674		(114,353)		44,321	
Total	₩	421,276	₩	(275,557)	₩	145,719	₩	380,558	₩	(246,474)	₩	134,084	

² Consists of \forall 79,968 million which was reclassified to investment property, \forall 4,465 million which was reclassified to inventories, \forall 2,432 million which was reclassified to assets held for sale, and \forall 32 million which was reclassified to intangible assets (Notes 12, 13 and 14).



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

(in millions of Korean won)		2021												
	Beginning balance		Acquisition Disposal		Disposal	Amortization		Impairment ¹		Reclassification, etc. ²		Ending balance		
Goodwill	₩	16,355	₩	-	₩	-	₩	-	₩	(16,904)	₩	549	₩	-
Industrial property rights		13,160		2,160		(33)		(550)		(11)		3,903		18,629
Facility usage rights		37,741		1,291		(252)		-		(29)		807		39,558
Intangible assets under development		22,507		35,689		(2)		-		(1,606)		(10,988)		45,600
Other intangible assets		44,321		4,530		(171)		(13,944)		(394)		7,590		41,932
Total	₩	134,084	₩	43,670	₩	(458)	₩	(14,494)	₩	(18,944)	₩	1,861	₩	145,719

 $^{^1}$ An impairment assessment was performed on the CGUs of the Indonesian tobacco business, and the difference between the carrying amount and the recoverable amount was recognized as an impairment loss. The amount includes impairment of goodwill of \forall 16,904 million and impairment of other intangible assets of \forall 394 million.

² Consists of ₩ 792 million which was reclassified to property, plant and equipment (Note 11).

(in millions of Korean won)		2020												
	Beginning balance		Acquisition Disposal		Amortization		Impairment		Reclassification, etc. ¹		' Ending balance			
Goodwill	₩	18,975	₩	-	₩	-	₩	_	₩	_	₩	(2,620)	₩	16,355
Industrial property rights		9,053		1,661		-		(221)		(73)		2,740		13,160
Facility usage rights		34,271		4,909		(2,714)		-		1,275		-		37,741
Intangible assets under development		25,074		24,899		-		-		(276)		(27,190)		22,507
Other intangible assets		42,251		4,889		(98)		(8,320)		(105)		5,704		44,321
Total	₩	129,624	₩	36,358	₩	(2,812)	₩	(8,541)	₩	821	₩	(21,366)	₩	134,084

¹ Consists of ₩ 14,041 million which was reclassified to property, plant and equipment (Note 11).

(c) Research and development expenditures recognized as expenses for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021		2020			
Cost of sales	₩	1,723	₩	1,517			
Selling, general and administrative expenses		63,544		52,725			
Total	₩	65,267	₩	54,242			



(d) Impairment assessment on CGUs (including goodwill)

The Group reviews if there is any indication of impairment for the CGUs, and if an indication of impairment is found, the Group estimates the recoverable amount and performs an impairment assessment. As a result of the impairment assessment of the CGUs that had an indication of impairment, an impairment loss was recognized in the CGUs of the Indonesian tobacco business and the recoverable amount estimated based on value in use calculation.

Future cash flows to measure value in use are estimated for the next five years based on the company's past operating performance and future business plans, and subsequent cash flows are estimated by applying a 1% permanent growth rate. This permanent growth rate does not exceed the estimated long-term average growth rates from relevant industry reports.

Key assumptions used for value-in-use calculation are as follows:

(in percent)

Category ¹	2021	2020
Sales growth rate	16.45	22.96
Gross margin	45.62	44.69
Operating margin rate	6.82	10.58

¹ Average annual rate for the 5-year forecast period

Discount rate used for value-in-use calculation is weight average cost of capital reflected specific risks relating to the asset. Details of the discount rates used for value-in-use calculation for the years ended December 31, 2021 and 2020, are as follows:

(in percent)	2021	2020
CGUs of the Indonesian tobacco business	14.80	12.90

Details of the recoverable amount of and impairment loss recognized on the CGUs of the Indonesian tobacco business are as follows:

(in millions of Korean won)		2021		2020			
Recoverable amount	₩	154,666	₩	164,224			
Impairment loss		(17,298)		-			



As a result of the impairment assessment of the CGUs for which an indication of impairment was identified for the year ended December 31, 2021, the carrying amount of the CGUs of the Indonesian tobacco business exceeded the recoverable amount. The Group recognized all amount of goodwill as impairment loss on intangible assets.

The most variable assumptions used for the calculation of value in use for the CGU of the Indonesian tobacco business are the discount rate and permanent growth rate, and the effects of changes to these variables are as follows:

(in millions of Korean won)	1%	increase	1% (decrease
Discount rate				
Effect on value in use	₩	(14,286)	₩	16,923
Impairment loss to be recognized		(14,286)		16,923
Permanent growth rate				
Effect on value in use		6,601		(5,709)
Impairment loss to be recognized		6,601		(5,709)

(e) Individually significant intangible assets

Details of individually significant intangible assets other than goodwill as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		20)21	2020		
Intangible assets under development	SAP system development	₩	24,529	₩	2,849	



13. Investment Property

(a) Details of investment properties as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)				2021			2020							
		Acquisition cost		Accumulated depreciation and impairment		Carrying amount		Acquisition cost		Accumulated depreciation and impairment		ying amount		
Land	₩	708,486	₩	(1,029)	₩	707,457	₩	607,546	₩	(2,775)	₩	604,771		
Buildings		547,249		(152,843)		394,406		531,411		(127,353)		404,058		
Right-of-use assets		721		(491)		230		1,616		(783)		833		
Construction in progress		48,887		-		48,887		20,517		-		20,517		
Total	₩	1,305,343	₩	(154,363)	₩	1,150,980	₩	1,161,090	₩	(130,911)	₩	1,030,179		

(b) Changes in investment property for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021											
		Land		Buildings	I	Right-of-use assets		nstruction in progress		Total			
Beginning balance	₩	604,771	₩	404,058	₩	833	₩	20,517	₩	1,030,179			
Acquisition		81,424		548		84		28,332		110,388			
Disposal		(2)		(537)		(277)		-		(816)			
Depreciation		-		(21,252)		(405)		-		(21,657)			
Impairment		1,745		-		-		-		1,745			
Reclassification, etc.1		19,519		11,589		(5)		38		31,141			
Ending balance	₩	707,457	₩	394,406	₩	230	₩	48,887	₩	1,150,980			

¹ Consists of \forall 36,703 million reclassified from property, plant and equipment, \forall 1,614 million reclassified from inventories, and \forall 7,216 million reclassified to assets held for sale (Notes 11 and 15).

(in millions of Korean won)						2020				
		Land		Buildings	·	nt-of-use assets		struction in progress		Total
Beginning balance	₩	536,003	₩	267,485	₩	-	₩	81,837	₩	885,325
Acquisition		4		65,736		-		20,418		86,158
Disposal		(3,638)		(729)		-		-		(4,367)
Depreciation		-		(18,684)		(430)		=		(19,114)
Impairment		(2,775)		-		=		-		(2,775)
Reclassification, etc.1		75,177		90,250		1,263		(81,738)		84,952
Ending balance	₩	604,771	₩	404,058	₩	833	₩	20,517	₩	1,030,179

¹ Consists of \forall 79,968 million reclassified from property, plant and equipment, and \forall 3,740 million reclassified from inventories (Notes 11 and 15).



(c) Details of profit or loss recognized related to the investment properties for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021		2020			
Rental income	₩	66,183	₩	60,563			
Operating expenses		(22,053)		(19,604)			
Total	₩	44,130	₩	40,959			

(d) The fair value and carrying amount of investment properties as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		20:	21		2020					
	F	air value	Carrying amount		F	air value	Carrying amount			
Land	₩	1,637,172	₩	649725	₩	1,399,212	₩	548615		
Buildings		561,644		394,406		548,369		404,058		
Right-of-use asset		230		230		833		833		
Total	₩	2,199,046	₩	1,044,361	₩	1,948,414	₩	953,506		

The fair value of the major investment property is determined by the value measured by an independent valuation agency using the return-value method, etc., and is classified as Level 3 based on the inputs used in the valuation technique in the fair value hierarchy.

Details of investment properties where book values are deemed to be fair values since their fair values cannot be measured reliably are as follows:

(in millions of Korean won)						
	Туре	`	2021		2020	Reason why fair value cannot be measured reliably
Ssangmun-dong new development site	Land	₩	1,495	₩	1,495	
	Construction in progress		26,183		11,391	
Sangbong-dong new development site	Land		51,068		51,068	Construction in progress
	Construction in progress		17,883		8,978	
Gwacheon Knowledge Industry Center	Land		5169		3593	
	Construction in progress		4,821		148	
		₩	106,619	₩	76,673	



(e) Details of operating lease

Investment properties were leased to lessees as an operating lease with contractual terms of monthly lease payments. For the year ended December 31, 2021, variable lease payment that is based on an index or a rate was \forall 2,148 million. Even though the Group is exposed to the risk of changes in residual value at the end of the lease term, it would not realize the residual value immediately at the end of the lease term because it generally commits to a new operating lease contract. Expectations of future residual value will be reflected on the fair value of the investment property.

Details of future minimum lease payments that the Group expects to receive from operating lease contracts for the investment properties described above as of December 31, 2021, are as follows:

(in millions of Korean won)	2021												
	Withi	n 1 year	year [,]	than 1 ~ Within years		than 5 ars		Total					
Minimum lease payment	₩	36,034	₩	22,822	₩	353	₩	59,209					



14. Assets and Liabilities Held for Sale

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

(in millions of Korean won)		2021	2020		
Beginning balance	₩	2,681	₩	4,247	
Acquisition		-		3,283	
Impairment		-		(424)	
Reclassification, etc.		18,047		3,105	
Disposal		(604)		(7,530)	
Ending balance	₩	20,124	₩	2,681	

¹ Consists of ₩ 7,216 million reclassified from investment property, ₩ 5,440 million reclassified from property, plant and equipment and ₩ 5,685 million reclassified from investments in associates (2020: ₩ 2,414 million reclassified from property, plant and equipment and ₩ 747 million reclassified from inventories) (Notes 10, 11 and 13).

For the year ended December 31, 2021, the Group has reclassified $\mbox{$W$}$ 7,216 million of land in Gapyung Training institute and $\mbox{$W$}$ 5,685 million of KORAMCO Ocheon Project Financing Vehicle Co., Ltd. as assets held for sale.

For the year ended December 31, 2020, the Group has reclassified $\mbox{$W$}$ 2,424 million of land and buildings in Gapyung Culture and Arts School as assets held for sale and recognized $\mbox{$W$}$ 424 million as impairment loss from assets held for sale.

For the year ended December 31, 2020, in accordance with its contract with the joint venture, Starfield Suwon, Inc., the Group has acquired an additional $\forall 3,283$ of land and then disposed of $\forall 7,530$ million of land. The Group has recognized gains from disposal of assets held for sale of $\forall 153,188$ million.



15. Right-of-use Assets

(a) Details of carrying amount of right-of-use asset as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021						2020							
	Acquis	ition cost	depre	umulated ciation and pairment	Carryi	ing amount	Acqu	isition cost	depre	cumulated eciation and apairment	Car	rying amount		
Land	₩	6,879	₩	(1,441)	₩	5,438	₩	6,166	₩	(1,168)	₩	4,998		
Buildings		47,540		(29,250)		18,290		48,799		(19,611)		29,188		
Machinery		-		-		-		41		(11)		30		
Vehicles		26,969		(14,252)		12,717		25,551		(10,679)		14,872		
Total	₩	81,388	₩	(44,943)	₩	36,445	₩	80,557	₩	(31,469)	₩	49,088		

(b) Changes in right-of-use assets for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021												
		inning lance	A	cquisition		Disposal	D	epreciation ¹	Red	classification		Others	End	ling balance
Land	₩	4,998	₩	-	₩	-	₩	(131)	₩	-	₩	571	₩	5,438
Buildings		29,188		11,912		(1,476)		(15,376)		(6,393)		435		18,290
Machinery		30		-		-		(30)		-		-		-
Vehicles		14,872		5,697		(214)		(7,711)		(405)		478		12,717
Total	₩	49,088	₩	17,609	₩	(1,690)	₩	(23,248)	₩	(6,798)	₩	1,484	₩	36,445

¹ Depreciation expense of \forall 1,688 million and impairment loss of \forall 6,798 million classified as profit or loss from discontinued operations are included for the year ended December 31, 2021.

(in millions of Korean won)								2020						
		Beginning Acquisition Disposal Depreciation Reclassification Others Ending balance											ng balance	
Land	₩	5,084	₩	-	₩	-	₩	(126)	₩	-	₩	40	₩	4,998
Buildings		26,297		20,019		(224)		(14,997)		(1,219)		(688)		29,188
Machinery		-		41		-		(11)		-		-		30
Vehicles		14,103		9,333		(758)		(7,476)		-		(330)		14,872
Total	₩	45,484	₩	29,393	₩	(982)	₩	(22,610)	₩	(1,219)	₩	(978)	₩	49,088

¹ Depreciation expense of ₩ 1,212 million classified as profit or loss from discontinued operations are included for the year ended December 31, 2020.



(c) The amount recognized on the consolidated statements of comprehensive income related to lease for the years ended December 31, 2021 and 2020, is as follows:

(in millions of Korean won)		2021	2020		
Depreciation expense	₩	23,248	₩	22,610	
Interest expense		1,277		1,602	
Short-term lease expense		3,002		2,719	
Lease payment for low-value assets		690		1,730	
Variable lease expense		71,922		74,564	
Impairment loss on right-of-use assets		6,798		-	
Loss on lease contract adjustments		(486)	-	(360)	
Total	₩	106,451	₩	102,865	

¹ Depreciation expense of ₩ 1,688 million (2020: ₩ 1,212 million), interest expense of ₩ 249 million (2020: ₩ 249 million) and impairment loss on right-of-use assets of ₩ 6,798 million classified as profit or loss from discontinued operations are included for the year ended December 31, 2021.

For the year ended December 31, 2021, total cash outflows related to lease is \forall 100,169 million (2020: \forall 101,778 million).

(d) For the year ended December 31, 2021, the Group has recognized, because of sublease, \forall 8 million (2020: \forall 39 million) of interest revenue.



16. Borrowings

(a) Short-term borrowings as of December 31, 2021 and 2020, are summarized as follows:

(in millions of Korean won)	Lender	Annual interest rate (%)		2021	2020		
		FTP+0.984~1.104	₩	4,000	₩	500	
	Hana Bank	Bank Debenture (6 months)+1.62~2.308		3,000		10,000	
		3.5		8,000		-	
	Hana Bank Bahrain branch	3M LIBOR+1.1		5,344		5,991	
Borrowings	KB Kookmin Bank	3.5		40,000		-	
-	Shinhan Bank	Bank Debenture (6 months)+1.62		10,000		-	
		Internal interest rate+1.12		1,000		-	
	Korea Development Bank	Industrial Financial Debenture (1 year)+1.15		3,500		-	
	Subtotal			74,844		16,491	
Consumer credit	NH Nonghyup Bank	-		437		633	
agreements ¹	Hana Card	-		152		184	
	Subtotal			589		817	
	Total		₩	75,433	₩	17,308	

¹ The Group provides payment guarantees to financial institutions in accordance with the consumer credit agreement in connection with retail sales receivables and receives the related receivables from financial institutions through payment by proxy and recognizes them as short-term borrowings. No interest expenses are incurred related to these payment guarantees.



(b) Current portion of long-term borrowings and long-term borrowings as of December 31, 2021 and 2020, are summarized as follows:

(in millions of Korean won)	Lender	Maturity	Annual interest rate (%)	2021			2020
Other financial loan for working capital	NH Nonghyup Bank	2022.05.30~ 2026.06.30	-	₩	51,569	₩	49,700
Borrowings	KB Kookmin Bank	2023.09.11	MOR(6 months) +1.03		1,925		5,958
			MOR(6 months) +1.58		1,867		-
Redeemable convertible prefe	erred shares ^{1,2}				-		35,340
	Total				55,361		90,998
Consolidated statements of fir	nancial position:						
Current					2,166		37,506
Non-current					53,195		53,492
	Total			₩	55,361	₩	90,998

¹ The Group purchased all redeemable convertible preferred shares upon the purchase request from the owner of the shares for the year ended December 31, 2021.

17. Trade and Other Payables

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

in millions of Korean won) 2021				2020				
	С	urrent	Non	-current	С	urrent	Non	-current
Leasehold deposits received	₩	31,772	₩	12,650	₩	25,163	₩	16,044
Trade payables		60,337		-		57,897		-
Withholdings		8,819		-		10,539		-
Value-added deposit		182,942		-		170,169		-
Accrued expenses		265,993		43,885		213,625		30,182
Other payables		421,257		899		491,809		3,254
Total	₩	971,120	₩	57,434	₩	969,202	₩	49,480

⁽c) As discussed in Note 33 to the consolidated financial statements, the Group is providing collateral for the above borrowings.



18. Employee Benefits

(a) Profit or loss recognized related to employee benefits for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021	2020		
Defined benefit plans:					
Current service cost	₩	55,589	₩	52,045	
Net interest on net defined benefit liabilities (assets)		2,819		2,305	
Past service cost and loss on settlement		(123)		(814)	
Subtotal		58,285		53,536	
Defined contribution plan:					
Contributions recognized as expense		6,718		6,960	
Other long-term employee benefits:					
Current service cost, etc.		17,070		5,075	
Termination benefits:					
Voluntary retirements, etc.		1,969		4,088	
Total	₩	84,042	₩	69,659	

(b) Changed in net defined benefit liabilities (assets) for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021			2020
Beginning balance	₩	112,914	₩	91,083
Current service cost		55,589		52,045
Net interest of net defined benefit liabilities		2,819		2,305
Past service cost and any loss on settlement		(123)		(814)
Remeasurment element of net defined benefit liabilities (assets) (before tax)		(57,371)		22,369
Payment amount		(6,878)		(4,101)
Payment of plan assets		(60,920)		(49,280)
Net exchange differences		570		(693)
Ending balance	₩	46,600	₩	112,914
Consolidated statements of financial positions:				
Present value of defined benefit obligations	₩	585,308	₩	600,984
Fair value of plan assets		(538,708)		(488,070)
Total	₩	46,600	₩	112,914
		· · · · · · · · · · · · · · · · · · ·		



(c) Changes in the present value of defined benefit obligation for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021			2020
Beginning balance	₩	600,984	₩	542,699
Current service cost		55,589		52,045
Interest expenses		13,090		10,876
Past service cost and any loss on settlement		(123)		(814)
Remeasurement element (before tax)		(58,553)		22,930
Payment amount		(26,249)		(26,059)
Net exchange differences		570		(693)
Ending balance	₩	585,308	₩	600,984

(d) Changes in fair value of plan assets for the years ended December 31, 2021 and 2020, are as

follows:

(in millions of Korean won)	2021			2020		
Beginning balance	₩	488,070	₩	451,616		
Interest income		10,271		8,571		
Remeasurement element (before tax)		(1,182)		561		
Payment amount		(19,371)		(21,958)		
Payment of plan assets		60,920		49,280		
Ending balance	₩	538,708	₩	488,070		

The actual interest income from plan assets for the years ended December 31, 2021 and 2020, are \forall 9,090 million and \forall 9,132 million, respectively.

(e) Changes in the present value of other long-term employee benefits for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021	2020		
Beginning balance	₩	31,687	₩	28,113	
Current service cost		3,922		3,925	
Interest cost		12,826		-	
Past service cost		663		508	
Remeasurement element (before tax)		(341)		641	
Payment amount		(4,887)		(1,503)	
Net exchange differences		15		3	
Ending balance	₩	43,885	₩	31,687	



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

(in millions of Korean won)	2021			2020		
Actuarial gains and losses on defined benefit obligations:	1A 4	4.056	144	(604)		
Changes in demographic assumptions	₩	4,056	₩	(604)		
Changes in financial assumptions		46,768		(16,102)		
Experience adjustments		7,729		(6,224)		
	₩	58,553	₩	(22,930)		
Revenue (loss) from plan assets, excluding amounts included in net interest		(1,182)		561		
Remeasurement element of net defined liabilities (assets) (before tax)		57,371		(22,369)		
Tax effect		(14,809)		6,157		
Remeasurement element of net defined liabilities (assets) (after tax)		42,562		(16,212)		

(g) The fair value of each of the major types included in the fair value of plan assets as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021		2020
Regular deposits and cash equivalents	₩	116,106	₩	127,756
Principal and interest guarantee financial assets, etc.		422,602		360,314
Total	₩	538,708	₩	488,070

(h) The major assumptions used for actuarial evaluation as of December 31, 2021 and 2020, are as follows:

(in percentage)	2021	2020		
Discount rate	2.44~24.65	1.70~13.00		
Expected wage increase rate	3.00~20.00	3.00~10.00		

To calculate the present value of the defined benefit obligation, the Group decided the discount rate by referring to the market rate of return on high-quality corporate bonds consistent with the currency and the expected payment period of the defined benefit obligation as of December 31, 2021.



(i) The sensitivity analysis results for the defined benefit obligation in relation to the major actuarial assumptions as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	Increase by 1%	Decrease by 1%		
Changes in discount rate	(44,724)	51,626		
Changes in expected wage increase rate	51,426	(45,389)		

The increase (decrease) in defined benefit obligations was calculated based on the present value of the defined benefit obligations as of December 31, 2021.

(j) Effects of defined benefit plan on future cash flow

The Group maintains its policy of reviewing the level of contribution in the pension fund at the end of each fiscal year and making up any losses that may occur in the fund.

A reasonable estimate of the expected contribution related to the defined benefit plan during the year 2022 is \forall 40,402 million.

The weighted average maturities of the defined benefit obligation as of December 31, 2021 and 2020, are 8.41 years and 10.08 years, respectively.

19. Refund Liabilities and Provisions

(a) Refund liabilities and provisions as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	millions of Korean won) 2021				2020			
	Current		Non-current		Current		irrent Non-curre	
Provision for product warranty	₩	4,915	₩	-	₩	4,464	₩	-
Refund liabilities		14,340		3,367		9,796		1,447
Provision for site restoration		3,497		1,604		12,354		1,122
Provision for financial guarantee		21		250		-		622
Provision for greenhouse gases		269		-		178		-
Provision for others		3,089		1		717		1
Total	₩	26,131	₩	5,222	₩	27,509	₩	3,192



(b) Changes in refund liabilities and provisions for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021							
	Beginning balance		Increase		Decrease		Ending balance	
Provision for product warranty	₩	4,464	₩	2,500	₩	(2,049)	₩	4,915
Refund liabilities		11,242		14,565		(8,100)		17,707
Provision for site restoration		13,476		632		(9,007)		5,101
Provision for financial guarantee		622		-		(351)		271
Provision for greenhouse gases		178		354		(263)		269
Provision for others		719		2,371				3,090
Total	₩	30,701	₩	20,422	₩	(19,770)	₩	31,353

(in millions of Korean won)	millions of Korean won) 2020											
	Beginning balance		Increase		Decrease		Ending balance					
Provision for product warranty	₩	3,694	₩	5,781	₩	(5,011)	₩	4,464				
Refund liabilities		13,374		5,452		(7,583)		11,243				
Provision for site restoration		10,693		10,693		10,693 9,3		9,312	(6,529)			13,476
Provision for financial guarantee		492		130		-		622				
Provision for greenhouse gases		-		276		(98)		178				
Provision for others		1,504		_		(786)		718				
Total	₩	29,757	₩	20,951	₩	(20,007)	₩	30,701				

(c) For returnable sales, the Group sets up refund liabilities and refund assets by estimating the expected returnable amount at the time of sales, deducting the sales and cost of sales of the parts expected to be returned. The refund assets as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2	021		2020	
Refund assets	₩	1.036	₩	1,052	

- (d) The Group sets up provision for product warranties by estimating the expected warranty amount at the time of sales and sets up the rights to be reimbursed by the manufacturer in the future due to the manufacturer's fault as warranty reimbursement assets. The amount of warranty reimbursement assets as of December 31, 2021 is \forall 759 million (2020: \forall 4 million).
- (e) The Group's provision for site restoration is established by estimating the expected future recovery cost of the leased assets. The Group includes the recovery cost of leased assets to the acquisition cost of right-of-use assets, and such expenditure is expected to occur at the end of the contract term for the leased asset.



2020

- (f) The Group's provision for financial guarantee is recognized by estimating the amount of joint guarantees for midpayment loan provided to the buyer related to the off-plan sales construction of Suwon hwaseo.
- (g) In relation to greenhouse gas emissions, the Group recognizes provision for greenhouse gases by estimating the book value of the greenhouse gas emission rights that are exercised during the year as well as future expenses expected to be burdened by the Group as a result of emissions exceeding the greenhouse gas emission rights for that year.
- (h) The Group has signed an agreement with the Iran Tobacco Company to manufacture more than a certain quantity of cigarettes each year. The Group has recognized penalty payments of $\mbox{$W$}$ 734 million expected to be paid in the future as (current) other provisions, related to actual production quantities being less than the quantity agreed upon by the agreement. Also, in order to actively respond to changes in external environment, the expected amount of $\mbox{$W$}$ 2,354 million for rationalization plan for management, including manpower restructuring, is recognized as other provisions.

20. Share Capital and Other Capital Surplus

(in charge and millions of Karaan wan)

There have been no changes to share capital and other capital surplus during the years ended December 31, 2021 and 2020. Details of share capital and other capital surplus as of December 31, 2021 and 2020, are as follows:

(in shares and millions of Korean worl)	2021			2020
Numbre of authorized shares		800,000,000 shares		800,000,000 shares
Amount per share (in won)	₩	5,000	₩	5,000
Issued		137,292,497 shares		137,292,497 shares
Share capital		954,959		954,959
Other capital surplus		4,498		4,498

As 53,699,400 shares of the Parent Company have been written off in profit there is a difference of $\mbox{$W$}$ 268,497 million between the total face value of the equity and the issued shares.



21. Treasury Shares and Gain on disposal of Treasury Shares

Details of treasury shares and gain on disposal of treasury shares as of December 31, 2021 and 2020, are as follows:

(in shares and millions of Korean won)	2021			2020
Number of treasury shares		17,312,574 shares		13,212,574 shares
Treasury shares	₩	(879,982)	₩	(531,618)
Gain on disposal of treasury shares		528,894		528,894

Changes in the number of treasury shares for the years ended December 31, 2021 and 2020, are as follows:

(in shares)	2021	2020
Beginning balance Acquisition of treasury shares	13,212,574 4,100,000	10,712,574 2,500,000
Ending balance	17,312,574	13,212,574

The Group has acquired 4,100,000 treasury shares (2020: 2,500,000 treasury shares) through a transaction on exchange during the year ended December 31, 2021.

22. Reserves

(a) Details of reserves as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021			2020
Profit reserve	₩	602,937	₩	602,937
Reserve for business rationalization		12,851		12,851
Reserve for business expansion		698,881		698,881
Other reserve		5,263,383		4,798,745
Loss on valuation of financial assets at fair value through other comprehensive income		(47,534)		(60,221)
Exchange differences on translating foreign operations		(40,386)		(75,591)
Capital changes in equity method		29		41
Total	₩	6,490,161	₩	5,977,643



(1) Profit reserve

The commercial law stipulates that the Company shall set aside more than 10% of the profit dividends from the money as profit reserve at every settlement of accounts until it reaches 50% of the capital. The profit reserve cannot be distributed in cash and can be used only for the maintenance of carrying forward losses and capital transfer by resolution at the general meeting of shareholders. As of the December 31, 2021 and 2020, the profit reserve set aside in excess of 50% of the Parent Company's share capital is $\frac{1}{2}$ 125,458 million.

(2) Reserve for business rationalization

Until 2002, the Parent Company had put the tax deduction amount under the Tax Specialization Act as the corporate rationalized reserve, which could only be used to preserve and transfer capital losses. However, the Act on Restriction of Special Taxes was amended on December 11, 2002, and the relevant provisions were deleted at the time of the amendment.

(3) Reserve for business expansion and other reserve

In addition to the above-mentioned reserves, the Parent Company can reserve for business expansion and unconditionally with no particular purpose. These reserves can be used for other purposes according to the resolutions of the shareholders' meeting.

(b) Details of gain and loss on valuation of fair value through other comprehensive income or loss as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021			2020
Loss on valuation of financial assets at fair value through other comprehensive income or loss before tax Tax effect	₩	(66,598) 19,064	₩	(83,981) 23,760
Loss on valuation of financial assets at fair value through other comprehensive income or loss after tax	₩	(47,534)	₩	(60,221)



23. Retained Earnings

(in millions of Korean won)	2021			2020
Beginning balance	₩	2,102,475	₩	1,834,646
Dividends		(595,584)		(556,952)
Transfer to other reserve		(464,638)		(331,300)
Profit for the year		971,759		1,171,643
Less: Non-controlling interests		5,500		92
Transfer of loss on disposal of financial assets at fair value through other comprehensive income or loss to retained earnings		(843)		-
Remeasurements of net defined benefit liabilities (after tax)		42,562		(16,212)
Less: non-controlling interests (after tax)		(976)		558
Ending balance	₩	2,060,255	₩	2,102,475

24. Real Estate Pre-sales Contract

(a) Ongoing real estate pre-sales contracts for the years ended December 31, 2021 and 2020, are as follows:

(in millions of K	(orean won)			2021						
Construction project	Initial sales contract date	Expected completion date	Progress (%)	Total sales value	Total sales contract value	Revenue (cumulative)	Revenue (period)	Cost (cumulative) ¹		
Suwon hwaseo park prugio (Apartment) Suwon hwaseo	June 2018	August 2021	100.00	₩ 1,212,711	₩ 1,212,711	₩ 1,212,154	₩ 300,169	₩ 535,019		
park prugio (Efficiency apartment)	October 2018	August 2021	100.00	112,049	112,049	109,719	29,610	67,853		
Suwon hwaseo park prugio (Commercial facility)	January 2021	August 2021	100.00	60,443	60,443	57,262	57,262	16,590		
Suwon hwaseo prugio briciel Gwacheon	June 2020	September 2023	32.61	791,406	750,989	244,875	182,650	110,105		
sangsang Xi tower B	January 2021	May 2023	31.67	239,568	239,568	75,253	75,253	42,195		
	Tot	al		₩ 2,416,177	₩ 2,375,760	₩ 1,699,263	₩ 644,944	₩ 771,762		

¹ Excludes cumulative costs of ₩ 59,354 million for common infrastructure.



(in millions of	Korean won)			2020					
Construction project	Initial sales contract date	Expected completion date	Progress (%)	Total sales value	Total sales contract value	Revenue (cumulative)	Revenue (period) ¹	Cost (cumulative)	
Suwon hwaseo park prugio (Apartment) Suwon	June 2018	August 2021	76.86	₩ 1,188,449	₩ 1,186,585	₩ 911,985	₩ 477,684	₩ 379,683	
hwaseo park prugio (Efficiency apartment)	October 2018	August 2021	76.10	112,056	106,493	80,109	41,425	48,728	
Suwon hwaseo prugio briciel	June 2020	September 2023	8.29	791,447	751,030	62,225	62,225	27,854	
	Tota	al		₩ 2,091,952	₩ 2,044,108	₩ 1,054,319	₩ 581,334	₩ 456,265	

¹ Excludes sales revenue for Dae-gu central Xi of ₩ 902 million for the year ended December 31, 2020 (construction has been completed as of December 31, 2020, but resale is underway due to cancellation of the sales contract).

(b) Receivables and payables for ongoing real estate pre-sales contracts as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021								
Construction project	Revenue (cumulative)		(cumulative) (cumulative)			Trade eceivables sale in lots	1	dvanced receipts sale in lots	
Suwon hwaseo park prugio (Apartment)	₩	1,212,154	₩	1,202,022	₩	10,132	₩	-	
Suwon hwaseo park prugio (Efficiency apartment)		109,719		104,499		5,558		338	
Suwon hwaseo park prugio (Commercial facility)		57,262		58,265		-		1,003	
Suwon hwaseo prugio briciel		244,875		227,360		20,715		3,200	
Gwacheon sangsang Xi tower B		75,253		71,252		4,001		-	
Total	₩	1,699,263	₩	1,663,398	₩	40,406	₩	4,541	

(in millions of Korean won)	2020								
Construction project	-	Revenue imulative)	Cash collected Trade (cumulative) receivables for sale in lots			re	vanced eceipts ale in lots		
Suwon hwaseo park prugio (Apartment)	₩	911,985	₩	721,871	₩	190,114	₩	-	
Suwon hwaseo park prugio (Efficiency apartment)		80,109		43,926		36,183		-	
Suwon hwaseo prugio briciel		62,225		151,136		-		88,911	
Total	₩	1,054,319	₩	916,933	₩	226,297	₩	88,911	

² Excludes cumulative costs of ₩ 30,999 million for common infrastructure.



(c) No material changes in estimated total contract revenues and total contract costs have occurred during the year ended December 31, 2021. Estimated total contract revenue and total contract cost of the ongoing real estate pre-sales contracts are based on the circumstances that have occurred until December 31, 2021 and subject to change in the future.

25. Operating Expenses

Expenses classified by nature, incurred for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021			2020
Changes in inventories	₩	159,652	₩	(87,789)
Raw materials etc. used and merchandise purchased		1,515,616		1,393,115
Salaries		674,940		642,376
Retirement and termination benefits		66,973		64,584
Depreciation		202,666		194,780
Amortization		14,494		8,541
Employee welfare		101,012		90,013
Advertising		300,972		275,049
Commissions		650,526		657,930
Other expenses		505,426		581,968
Total	₩	4,192,277	₩	3,820,567

 $^{^{1}}$ Profit (loss) in relation to discontinued operation for the years ended December 31, 2021 and 2020 of $\mbox{$\forall$}$ 302,309 million and $\mbox{$\forall$}$ 238,438 million, respectively, is included.



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

(in millions of Korean won)	2021			2020
Salaries	₩	454,192	₩	428,976
Retirement and termination benefits	VV	434,192	VV	43,704
		70,354		60,335
Employee welfare		,		•
Travel expenses		9,369		8,500
Communication cost		5,715		5,953
Utilities		11,297		10,561
Taxes and dues		29,524		27,803
Supplies		6,068		6,468
Rent		14,983		15,453
Depreciation		59,336		62,189
Amortization		14,339		8,344
Repairs and maintenance		8,438		7,327
Vehicles		7,047		6,565
Insurance		6,303		4,479
Commissions		408,578		419,582
Freight and custody		71,291		62,528
Conferences		2,751		3,188
Advertising		300,906		274,971
Education and training		4,845		4,916
Prizes and rewards		2,315		2,735
Cooperation		1,126		1,133
Research and development		63,544		52,725
Reversal of impairment loss on trade receivables		(6,051)		(29,384)
Total	₩	1,590,746	₩	1,489,051

 $^{^{1}}$ Profit (loss) in relation to discontinued operation for the years ended December 31, 2021 and 2020 of $\,$ 50,958 million and $\,$ 33,997 million, respectively, is included.



26. Other Income and Expense

(a) Other income for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021		2020
Gain on foreign currency transaction	₩	41,093	₩	74,001
Gain on foreign currency translation		129,849		10,023
Gain on valuation of derivatives		1,368		33,358
Reversal of impairment loss on other receivables		634		3
Gain on disposal of property, plant and equipment		2,043		1,402
Reversal of impairment loss on property, plant and equipment		168		-
Reveral of impairment loss on intangible assets		-		1,288
Gain on disposal of investment property		30		534
Gain on lease contract adjustments		515		390
Gain on disposal of equity method investments		634		-
Gain on disposal of assets held for sale		-		153,188
Gain on disposal of investments in associates and joint ventures		1,745		-
Miscellaneous income		10,668		15,577
Total	₩	188,747	₩	289,764

¹ Profit (loss) in relation to discontinued operation for the years ended December 31, 2021 and 2020 of \forall 348 million and \forall 410 million, respectively, is included.



(b) Other expense for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021	20	020
Loss on foreign currency transaction	₩	8,480	₩	40,944
Loss on foreign currency translation		33,421		172,214
Loss on valuation of derivatives		23,123		17,421
Loss on impairment of other receivables		297		935
Loss on disposal of property, plant and equipment		2,657		7,053
Loss on impairment of property, plant and equipment		1,075		1,738
Loss on disposal of intangible assets		213		75
Loss on impairment of intangible assets		18,944		466
Loss on impairment of right-of-use assets		6,798		-
Loss on disposal of investment properties		128		493
Loss on impairment of investment properties		-		2,775
Loss on disposal of assets held for sale		305		7.
Loss on impairment of assets held for sale		-		424
Donations		46,879		7,891
Loss on lease contract adjustments		29		30
Miscellaneous loss		10,316		14,719
Total	₩	152,665	₩	267,178

¹ Profit (loss) in relation to discontinued operation for the years ended December 31, 2021 and 2020 of \forall 7,674 million and \forall 790 million, respectively, are included.



27. Finance Income and Costs

(a) Finance income and costs for the years ended December 31, 2021 and 2020, are as follows:

Finance income:		
Interest income ¹ ₩ 13,856	₩	19,687
Dividend income 24,143		24,885
Gain on adjustment of debt 10,366		15
Gain on valuation of financial assets at fair value through profit or loss 30,389		43,881
Gain on disposal of long-term deposits in MSA Escrow Fund		29,303
Total finance income ₩ 78,754	₩	117,771
Finance costs:		
Interest expense ₩ 17,844	₩	6,004
Loss on valuation of financial assets at fair value through other comprehensive income or loss		-
Loss on valuation of financial assets at fair value through profit or loss 14,206		7,405
Total finance cost ₩ 32,150	₩	13,409
Net finance income ² ₩ 46,604	₩	104,362

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

(b) Details of interest income included in finance income for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021		2020
Deposits ¹	₩	8,526	₩	10,880
Trade and other receivables		3,061		2,679
Long-term deposits		2,268		6,112
Others		1		16
Total	₩	13,856	₩	19,687

¹ Profit (loss) in relation to discontinued operation for the years ended December 31, 2021 and 2020 of \forall 1 million and \forall 32 million, respectively, is included.

 $^{^2}$ Losses in relation to discontinued operation for the years ended December 31, 2021 and 2020 of $\mbox{$W$}$ 248 million and $\mbox{$W$}$ 216 million, respectively, are included.



(c) Details of interest expense included in finance cost for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021	2020
Borrowings	₩	600	₩ 1,455
Trade and other payables		946	897
Lease liabilities ¹		1,276	1,602
Others		15,022	2,050
Total ²	₩	17,844	₩ 6,004

¹ Profit (loss) in relation to discontinued operation for the years ended December 31, 2021 and 2020 of \forall 249 million and \forall 248 million, respectively, is included.

28. Income Tax Expense and Deferred Tax Asset

(a) Details of income tax expenses elements for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021		2020
Current tax on profits for the year	₩	392,233	₩	442,293
Adjustments with respect to past income taxes, etc.		(3,510)		(5,877)
Increase/decrease from temporary differences		(3,717)		2,691
Effects of income tax on non-recirculation income		30,795		1,384
Income tax	₩	415,801	₩	440,491
Income tax for continuing operations	₩	415,441	₩	438,493
Income tax for discontinued operation		360		1,998

² Interest expenses for the year ended December 31, 2021 exclude capitalized borrowing costs on qualifying assets of ₩ 1,930 million.



(b) Details of the relationship between income tax expenses and accounting profit for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021			2020
Profit before income tax expense	₩	1,387,560	₩	1,612,134
Tax rate (%)		25.92		26.47
Tax expense at domestic rates applicable to profits in the respective countries		359,589		426,738
Adjustments:				
Non-taxable income		(1,246)		(3,380)
Expenses not deductible for tax purposes		10,212		6,368
Changes in unrecognized amount of deferred tax due to temporary differences, etc.		34,408		18,249
Tax credit		(14,372)		(2,739)
Adjustments with respect to past income taxes		(3,510)		(5,877)
Effects of corporate earnings circulation tax		30,795		1,384
Others		(75)		(252)
Income tax expense	₩	415,801	₩	440,491
Average effective tax rate (%)		29.97		27.32

(c) Details of current and deferred income tax related to items recognized outside profit or loss for the years ended December 31, 2021 and 2020, are as follows:

	2021		2020
₩	4	₩	(47)
₩	4	₩	(47)
₩	(4,831) (14,810)		4,363 6,157
₩	(19,641)		10,520
₩	(19,637)	₩	10,473
	₩ ₩	₩ 4 ₩ 4 ₩ (4,831) (14,810) ₩ (19,641)	₩ 4 ₩ ₩ 4 ₩ ₩ (4,831) (14,810) ₩ (19,641)



(d) Changes in deferred income tax assets (liabilities) for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021											
	Beginning balance		•		• •		Profit or in		con	Other prehensive loss	Ending balance	
Accumulated depreciation	₩	18,516	₩	4,450	₩	-	₩	22,966				
Loss allowance		39,833		17,120		-		56,953				
Financial assets at fair value through other comprehensive income or loss (profit or loss)		15,832		62		(4,831)		11,063				
Accrued expenses		48,592		9,601		-		58,193				
Defined benefit liabilities		45,511		1,244		(14,810)		31,945				
Treasury shares		(9,411)		-		-		(9,411)				
Investments in subsidiaries		(248,671)		(20,976)		-		(269,647)				
Advanced depreciation provision		(10,004)		-		-		(10,004)				
Others		20,177		(7,784)				12,393				
Total	₩	(79,625)	₩	3,717	₩	(19,641)	₩	(95,549)				

(in millions of Korean won)	2020							
		eginning balance	Pro	fit or loss	com	Other prehensive income	End	ling balance
Accumulated depreciation	₩	21,245	₩	(2,729)	₩	-	₩	18,516
Loss allowance		48,216		(8,383)		-		39,833
Financial assets at fair value through other comprehensive income or loss (profit or loss)		11,503		(34)		4,363		15,832
Accrued expenses		45,954		2,638		-		48,592
Defined benefit liabilities		39,359		(5)		6,157		45,511
Treasury shares		(9,411)		-		-		(9,411)
Investments in subsidiaries		(232,371)		(16,300)		-		(248,671)
Advanced depreciation provision		(10,004)		-		-		(10,004)
Others		(1,945)		22,122				20,177
Total	₩	(87,454)	₩	(2,691)	₩	10,520	₩	(79,625)

(e) Details of deductible temporary differences, unused tax losses and unused tax credit not recognized as deferred tax assets as of December 31, 2021 and 2020, are as follows:

	2021		2020
₩	536,248	₩	513,891
	205,955		214,850
	304		132
₩	742,507	₩	728,873
		₩ 536,248 205,955 304	₩ 536,248 ₩ 205,955 304



(f) The expiry period for net operating losses not recognized as deferred tax assets as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021			2020				
		ised tax osses		sed tax edits		ised tax osses		sed tax redits
Within 1 year	₩	47,862	₩	-	₩	27,760	₩	131
1 ~ 2 years		47,200		-		48,789		1
2 ~ 3 years		18,954		-		46,715		-
Over 3 years		91,345		304		91,586		-
Total	₩	205,361	₩	304	₩	214,850	₩	132

(g) As of December 31, 2021 and 2020, temporary differences to be added in relation to investments in subsidiaries and associates, and equity investments in joint ventures that are not recognized as deferred tax liabilities is $\forall 965,437$ million as of December 31, 2021 (2020: $\forall 893,447$ million).

29. Earnings Per Share

(a) The relationship between EPS and accounting profit for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won, Korean won, and shares)		2021		2020
Profit for the year from continuing operations attributable to owners of the Parent Company	₩	1,029,613	₩	1,166,460
Profit for the year from discontinued operation attributable to owners of the Parent Company		(52,354)		5,274
Total	₩	977,259	₩	1,171,734
Weighted average number of ordinary shares outstanding (shares)		123,731,183		125,719,943
Basic and diluted EPS for continuing operations (Korean won)		8,321		9,278
Basic and diluted EPS for discontinued operation Korean won)		(423)		42
Total	₩	7,898	₩	9,320



(b) The relationship between EPS and accounting profit for the years ended December 31, 2021 and 2020, are as follows:

(in shares)			2021		
	Date	Number of shares (in	Days	W	eighted shares
	Duto	shares)	Duys	•••	oigintou onui co
Beginning balance for outstanding shares	Jan. 1 ∼ Dec. 31	137,292,497	365	₩	50,111,761,405
Beginning balance for treasury shares	Jan. 1 ∼ Dec. 31	(13,212,574)	365		(4,822,589,510)
Acquisition of treasury shares	Nov. 5, etc. ~ Dec. 31	(4,100,000)	9 ~ 57		(127,290,000)
Total				₩	45,161,881,895
Days in circulation (days)					365
Weighted averae number of ordinary shares outstand (Ordinary shares outstanding for the accumulated nu	U	circulation)			123,731,183

(in shares)		2020					
	Date	Number of shares (in shares)	Days	W	eighted shares		
Beginning balance for outstanding shares	Jan. 1 ∼ Dec. 31	137,292,497	366	₩	50,249,053,902		
Beginning balance for treasury shares	Jan. 1 ∼ Dec. 31	(10,712,574)	366		(3,920,802,084)		
Acquisition of treasury shares	Aug. 7, etc. ~ Dec. 31	(2,500,000)	108 ~ 147		(314,752,806)		
Total				₩	46,013,499,012		
Days in circulation (days)					366		
Weighted averae number of ordinary shares outstan	•	circulation)			125,719,943		



30. Related Parties

(a) Details of the Group's related parties as of December 31, 2021 and 2020, are as follows:

	2021	2020
Associates	LitePharmTech Co., Ltd. ¹	LitePharmTech Co., Ltd. ¹
	KORAMCO Ocheon Project Financing Vehicle2	KORAMCO Ocheon Project Financing Vehicle
	Co., Ltd. ²	Co., Ltd. ¹
	KORAMCO Banpo Project Financing Vehicle Co.,	KORAMCO Banpo Project Financing Vehicle
	Ltd. ¹	Co., Ltd. ¹
	KORAMCO Dongjak Project Financing Vehicle	KORAMCO Dongjak Project Financing Vehicle
	Co., Ltd. ¹	Co., Ltd. ¹
	KORAMCO Amsa Project Financing Vehicle Co.,	KORAMCO Amsa Project Financing Vehicle
	Ltd. ¹	Co., Ltd. ¹
	KOCREF Consigned-management REIT	_
	No.36 ³	
	AndaStation Professional Investment Private REIT	-
	No.1	
	Kiwoom Milestone Private REIT No.164	
	Cheong-ra medi-polis PFV⁵	
	Others	Others
Joint ventures	KORAMCO Europe Private REIT 3-2 ⁶	KORAMCO Europe Private REIT 3-2 Fund ⁶
veritures	Starfield Suwon, Inc.	Starfield Suwon, Inc.

¹It is classified as an investment in associates although the Group's holdings in the invested company are less than 20%. Since it has the right to participate in the invested company's Board of Directors meeting according to the shareholders' agreement, the Group determined that it has significant influence over the invested company.

⁴It is reclassified as an investment in associates since the Group reassessed that it has significant influence over the invested company during the year ended December 31, 2021.

⁶It is classified as a joint venture since decisions about the significant financial and operating policies of the investee cannot be made without unanimous consent of the parties that control the arrangement collectively.

² The Group has classified its holdings as assets held for sale as the Group has entered into a sales agreement.

³ Due to a capital increase with consideration through dilutive secondary offerings during the year ended December 31, 2021, the Group has acquired its significant influence in the invested company. The Group has reclassified its holdings as an investment in associates.

⁵ Due to an establishment of capital investment during the year ended December 31, 2021, the Group has acquired its significant influence in the invested company. The Group has reclassified its holdings as an investment in associates.



(b) The Group carries out transactions with related parties such as sales of goods and provision of services, etc. Details of transactions with related parties for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)			20	21		2020				
Туре	Name of entity		es and revenue		chase and other penses		es and revenue		hase and other penses	
Associates	KORAMCO Ocheon Project Financing									
	Vehicle Co., Ltd.	₩	18	₩	-	₩	-	₩	-	
	KOCREF Consigned- management REIT-No.363 AndaStation Professional Investment Private REIT		2,070		-		-		_	
	No.1		481		-		-		-	
	Kiwoom Milestone		4.040							
	Private REIT No.16		1,212		0.454		-			
laint vanturas	Others		-		2,454		-		2,149	
Joint ventures	KORAMCO Europe Private REIT 3-2 Fund		1,260		-		1,227		-	
	Starfield Suwon, Inc.		615	·	811		51			
	Total	₩	5,656	₩	3,265	₩	1,278	₩	2,149	

(c) Account balances of receivables and payables with related companies as of December 31, 2021 and 2020, are summarized as follows:

(in millions of k	Korean won)	20	21	2020 Payables		
Type	Name of entity	Recei	vables			
Associates	KORAMCO Ocheon Project Financing Vehicle Co., Ltd. AndaStation Professional Investment Private REIT No.1	₩	18 481	₩	-	
	Others		-		32	
	Total	₩	499	₩	32	

(d) Purchase and sale of intangible assets (including assets held for sale) from and related parties for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)

Туре	Name of entity	Sales an reve	Purchase and other expenses		
Associates	Others	₩	160	₩	-
Joint ventures	Starfield Suwon, Inc.				160,718
	Total	₩	160	₩	160,718



(e) Details of fund transactions with related parties for the years ended December 31, 2021 and 2020, are as follows:

(in millions of K	orean won)		2021	2020		
Туре	Name of entity		Equity estment	Equity investment (disposal)		
Associates	KORAMCO Ocheon Project Financing Vehicle Co., Ltd.	₩	-	₩ 5,685		
	KORAMCO Banpo Project Financing Vehicle Co., Ltd.		-	5,306		
	KORAMCO Dongjak Project Financing Vehicle Co., Ltd.		-	1,850		
	KORAMCO Amsa Project Financing Vehicle Co., Ltd.		-	1,159		
	AndaStation Professional Investment Private REIT No.1		17,764	-		
	Cheong-ra medi-polis PFV		17,022	-		
Joint ventures	KB Gimpo Logistics CR REIT Co., Ltd. ¹		-	(3,356)		
	KORAMCO Private REIT 50 Fund ¹		-	(17,852)		
	Starfield Suwon, Inc.		45,000	87,500		
	Total	₩	79,786	₩ 80,292		

¹According to the liquidation procedure for these equity investments, the Group was allocated a portion of the remaining assets during the year ended December 31, 2020.

- (f) There are no payment guarantees provided between or among the related parties.
- (g) The Group is currently operating Starfield Suwon after establishing the joint venture under 50:50 ratio with Shinsegae Property. The disposal of such share is limited for five years from the approval for use of the multi-shopping mall. In the event that the Group or the joint venture intend to transfer all of its shares, the other party shall have the pre-emptive right to purchase the shares and selectively exercise its joint put-option rights.
- (h) The Group has entered into a contribution agreement for equity instruments of Cheong-ra medipolis PFV, an associate, with the limit of 101,000 million. As at December 31, 2021, the outstanding amount of the contribution is 83,978 million, and the contribution will be made by the payment date for land purchase and sale agreement for the relevant business. Also, the equity shares shall not be transferred without approval of all shareholders and Incheon Free Economic Zone. Upon disposal of the equity shares, unanimous consent of the other shareholders is required.



- (i) As of December 31, 2021, the Group has entered into a capital call agreement with KORAMCO Europe Private REIT 3-2 Fund. However, the Group expects that the arrangement will be substantially less practicable as it will only be executed if the trustee defaults on the currency swap/forward contract.
- (j) The Group has a joint disposal right to require other investors to dispose their holdings under the same conditions at the disposal of the shares of Mastern No.144 PFV Co. Ltd. Also, when shareholders other than the Group dispose of shares by obtaining approval from Board of Directors and at Shareholders Meeting, the Group has a pre-emptive right to purchase such shares under the condition notified by other shareholders. However, the pre-emptive right to purchase shares are not required, and the other investors delegates their right for disposal to the Group.
- (k) Key management personnel compensation for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021	2020		
Employee benefits	₩	23,162	₩	23,107	
Retirement benefits		2,538		2,354	
Total	₩	25,700	₩	25,461	

31. 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 reduce, eliminate and avoid them to an acceptable level. The Group prepares and operates the company-wide 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 Parent Company's audit committee continuously reviews compliance with risk management policies and procedures and limits on risk exposure. The Group's overall financial risk management strategy is the same as 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 flow of the Group's financial instruments. The Group manages and controls market risk exposures within the acceptable limits, while optimizing the revenue.



① Currency 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 is internally measuring the currency risk of fluctuations to the Korean won on a regular basis.

The carrying amount of monetary assets and liabilities denominated in a foreign currency other than the functional currency as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		20	21		2020					
	N	lonetary assets	Monetary liabilities		Mon	etary assets		Monetary liabilities		
USD	₩	1,806,296	₩	23,084	₩	1,492,433	₩	40,513		
EUR		545		3,027		58		11,895		
Others		16,170		1,280		9,204		55		
Total	₩	1,823,011	₩	27,391	₩	1,501,695	₩	52,463		

The effects of a 10% change in the Korean won-foreign currency exchange rate on profit before tax as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021				2020				
	10% in	crease	10%	decrease	10%	6 increase	10	% decrease	
Increase (decrease) in profit before tax	₩	179,562	₩	(179,562)	₩	144,923	₩	(144,923)	

② Price risk

The Group is exposed to other price fluctuation risks in relation to its listed equity instruments in fair value through other comprehensive income or loss such that the fair value of the financial instruments or the future cash flows will change due to factors such as changes in market price. The management of the Group regularly measures the risk of changes in the fair value or future cash flows of the listed equity instruments due to changes in market prices. Management of important investments within the portfolio is performed individually and acquisition and disposal are approved by the management of the Group.

The effects of a 5% fluctuation in the price index of stocks on comprehensive income or loss before tax (gain or loss on valuation of financial assets at fair value through other comprehensive income or loss) for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		202	21		2020				
	5% increa	se	5% dec	crease	5% i	ncrease	5	% decrease	
Increase (decrease) in comprehensive income or loss before tax	₩ 2	,780	₩	(2,780)	₩	4,685	₩	(4,685)	



(3) Interest rate risk

The Group is exposed to interest rate fluctuation risk in relation to the borrowings, trade payables and other payables 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 December 31, 2021, 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 that will cause financial losses to the other party because one of the parties to the financial instrument fails to perform its obligations. To manage credit risk, the management of the Group deals with customers with certain level of creditworthiness or higher, and prepares and operates policies and procedures for credit enhancement of the financial assets. The Group evaluates the creditworthiness of the client using financial information disclosed at the time of contract with the new client and information provided by the credit rating agency, and determines the credit limit on the basis of this, and is provided with collateral or payment guarantee. In addition, the Group periodically reassesses the credit limit, readjusts the collateral level by reassessing the client's creditworthiness, reports the delayed recovery status and recovery measures on a quarterly basis for financial assets that are delayed and takes appropriate measures according to the reason for the delay.

The carrying amount of a financial asset indicates the maximum exposure to credit risk. The maximum exposure to credit risk as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021	2020		
Cash and cash equivalents (excluding cash on hand) ¹	₩	532,725	₩	398,913	
Other financial assets		466,058		417,864	
Financial assets at fair value through profit or loss ¹		1,683,359		2,021,289	
Trade and other receivables		1,107,501		1,312,458	
Long-term deposits		1,250,468		909,794	
Derivative assets		580		12,710	
Total	₩	5,040,691	₩	5,073,028	

¹ As of December 31, 2021, money market trust and others amounting to ₩ 413,159 million (2020: ₩ 853,304 million) classified as cash equivalents are included in the financial assets at fair value through profit or loss.

(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.

The maturity analysis according to the remaining maturity of the financial liabilities as of December 31, 2021 and 2020, is as follows:

(in millions of Korean won)	2021													
(III IIIIIIOIIS OF NOICEIT WORL)			Co	ntractual		Remaining maturity of contract								
	Carryir	Carrying amount		ash flow Less than 3 months		flow Less than 3 3 months ~ 1			1 year ~ 5 years			e than 5 ears		
Short-term borrowings	₩	75,433	₩	75,679	₩	7,068	₩	68,611	₩	-	₩	-		
Current portion of long-term borrowings		2,166		2,191		554		1,637		-		-		
Trade and other payables		603,833		606,546		549,713		41,670		10,207		4,956		
Derivative liabilities		908		908		908		-		-		-		
Lease liabilities		36,558		38,267		5,075		12,778		16,492		3,922		
Long-term borrowings		53,195		53,247		10		29		53,208		-		
Non-controlling interest liability		18,317		18,317		-		-		15,318		2,999		
Total	₩	790,410	₩	795,155	₩	563,328	₩	124,725	₩	95,225	₩	11,877		

2020												
Remaining maturity of contract												
than 5 ars												
-												
-												
4,956												
-												
3,884												
-												
-												
8,840												

The cash flows of financial liabilities per maturity remaining, as stated above, are undiscounted nominal values. The above cash flows have been calculated by using the earliest date from the period of time that the Group can be requested to make payment, and includes cash flows for interest.

As of December 31, 2021, the Group provides joint-guarantees for mid-payment loan provided to the buyer related to the real estate sales contract of Suwon hwaseo (guarantee limit: $\mbox{$W$}$ 225,600 million, remaining contract maturity: 1 ~ 5 years) and has recognized a financial guarantee provision liability of $\mbox{$W$}$ 271 million (2020: $\mbox{$W$}$ 622 million) (Note 33).

In addition, the Group provides contribution commitment for debt/equity instruments, capital call agreement for overseas property fund and others. Maximum exposure of liquidity risk in relation to such agreements are equal to the agreed amount (Note 33).



(d) The carrying amounts of each category of financial instruments as of December 31, 2021 and 2020, are summarized as follows:

(in millions of Korean won)		2021		2020
Financial accets				
Financial assets:	١٨/	4 000 050	14/	0.004.000
Financial assets at fair value through profit or loss ¹ Financial assets at fair value through	₩	1,683,359	₩	2,021,289
other comprehensive income or loss		228,398		239,539
Derivative assets		580		12,710
Financial assets measured at amortized cost				
Cash and cash equivalents ¹		533,412		400,308
Other financial assets		466,058		417,864
Trade and other receivables		1,107,501		1,312,458
Long-term deposits		1,250,468		909,794
Subtotal		3,357,439		3,040,424
Total financial assets	₩	5,269,776	₩	5,313,962
Financial liabilities:				
Derivative liabilities	₩	908	₩	57
Financial liabilities measured at amortized cost				
Short-term borrowings		75,433		17,308
Current portion of long-term borrowings		2,166		37,506
Long-term borrowings		53,195		53,492
Trade and other payables		603,833		645,365
Lease liabilities		36,558		45,709
Liabilities for non-controlling interests		18,317		1,615
Subtotal		789,502		800,995
Total financial liabilities	₩	790,410	₩	801,052

¹ As of December 31, 2021, money market trust worth ₩ 413,159 million (2020: ₩ 853,304 million) classified as cash equivalents are included in the financial assets measured at fair value through profit or loss.

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

Inputs used

Level 1	Unadjusted quoted price in an active market accessible at the measurement date
LOVOI	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



The fair value measurements classified by fair value hierarchy as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021										
(III Millions of Noreall worl)		Carrying	Fair value									
	;	amount	L	Level 1		Level 2	Level 3					
Fair value through profit or loss ¹	₩	1,683,359	₩	-	₩	1,395,963	₩	287,396				
Fair value through other comprehensive income or loss		228,398		196,312		-		32,086				
Derivative assets		580		-		580		-				
Total financial assets	₩	1,912,337	₩	196,312	₩	1,396,543	₩	319,482				
Derivative liabilities	₩	908	₩	_	₩	908	₩					

¹ As of December 31, 2021, money market trust amounting to ₩ 413,159 million classified as cash equivalents are included in the financial assets measured at fair value through profit or loss.

(in millions of Karaan wan)	2020									
(in millions of Korean won)		Carrying	Fair value							
		amount	Level 1		Level 2		Level 3			
Fair value through profit or loss ¹	₩	2,021,289	₩	-	₩	1,785,944	₩	235,345		
Fair value through other comprehensive income or loss		239,539		192,658		-		46,881		
Derivative assets		12,710		-		12,710		-		
Total financial assets	₩	2,273,538	₩	192,658	₩	1,798,654	₩	282,226		
Derivative liabilities	₩	57	₩	-	₩	57	₩	-		

 $^{^{1}}$ As of December 31, 2020, money market trust amounting to \forall 853,304 million classified as cash equivalents are included in the financial assets measured at fair value through profit or loss.

There was no movement between levels of the fair value hierarchy for the years ended December 31, 2021 and 2020.



As of December 31, 2021 and 2020, the fair value of investment trust's equity securities classified as financial assets at fair value through profit or loss (other comprehensive income or loss) was measured using the adjusted net asset method and discounted cash flow and was classified as Level 3 fair value based on the inputs used in the valuation technique. The changes in Level 3 fair value for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2020		
Beginning balance	₩	282,226	₩	300,427
Acquisition		84,208		14,423
Disposal		(37,241)		(36,830)
Transfers		(30,100)		945
Changes in fair value		20,389		3,261
Ending balance	₩	319,482	₩	282,226

(f) Net gains or losses by category of financial instruments for the years ended December 31, 2021 and 2020, are as follows:

	2021											
(in millions of Korean won)	Fair value through profit or loss		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	₩	-	₩	-	₩	-	₩	13,856	₩	-	₩	13,856
Dividend income		12,838		11,305		-		-		-		24,143
Gain or loss on valuation		16,183		-		(21,755)		-		-		(5,572)
Gain on adjustment on leases		-		-		-		-		486		486
Interest expense		-		-		-		-		(17,844)		(17,844)
Reversal of impairment loss		-		-		-		6,389		-		6,389
Gain on adjustment on debt		-		-		-		-		10,366		10,366
Total	₩	29,021	₩	11,305	₩	(21,755)	₩	20,245	₩	(6,992)	₩	31,824
Other comprehensive income before tax:												
Net change in fair value	₩	-	₩	16,354	₩	-	₩	-	₩	-	₩	16,354
Total	₩		₩	16,354	₩	-	₩	-	₩		₩	16,354

		2020										
(in millions of Korean won)	Fair value through profit or loss		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	₩	-	₩	-	₩	-	₩	19,688	₩	-	₩	19,688
Dividend income		14,260		10,625		-		-		-		24,885
Gain or loss on valuation		36,476		-		15,937		-		375		52,788
Gain on disposal		-		-		-		29,303		-		29,303
Interest expense		-		-		-		-		(6,005)		(6,005)
Impairment loss		-		-		-		28,452		-		28,452
Total	₩	50,736	₩	10,625	₩	15,937	₩	77,443	₩	(5,630)	₩	149,111
Other comprehensive loss before tax:												
Net change in fair value	₩	-	₩	(14,912)	₩	-	₩	-	₩	-	₩	(14,912)
Total	₩		₩	(14,912)	₩	-	₩		₩		₩	(14,912)



32. Capital Management

The purpose of capital management of the Group is to maintain its viability as a continuous company and maximize shareholder profits by maintaining a sound capital structure and minimizing capital procurement costs. The Board of Directors is striving to balance the return on higher borrowing with sound financial position.

The Group manages capital on a capital basis with net liabilities (net assets) deducting cash and cash equivalents from the borrowings, and the overall capital management policy is the same as the previous fiscal year. Details on the Group's capital structure as of December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021	2020		
Total borrowings	₩	130,794	₩	108,306	
Less: Cash and cash equivalents		(946,571)		(1,253,611)	
Less: Current other financial assets		(457,057)		(407,735)	
Less: Current financial instruments measured at fair value through profit or loss		(965,384)		(914,424)	
Net assets	₩	(2,238,218)	₩	(2,467,464)	
Total equity	₩	9,208,862	₩	9,091,572	



33. Contingent Liabilities and Commitments

(a) Litigation cases

As of December 31, 2021, the Group has 19 cases of pending litigations under progress where the Group is the defendant and the litigation amounts are \forall 75,478 million. It is not possible to reasonably predict the impact of the outcome of pending litigation as of December 31, 2021, on the consolidated financial statements of the Group.

(b) Commitments with financial institutions

Major commitments of the Group with financial institutions as of December 31, 2021, are as follows:

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

Туре	Financial institutions	Currency	Limit
Opening import letter of credits	Hana Bank and one other	USD	120,300
Derivatives trading ¹	Hana Bank and five others	USD	374,700
Trade receivables factoring agreement	Hana Bank	KRW	5,000
Discount of notes	Korea Development Bank	KRW	8,000
Others	Korea Development Bank and five others	KRW	226,377
	Hana Bank Bahrain branch	USD	5,500

¹ Derivatives are composed of foreign exchange forward contracts and are held for trading as of December 31, 2021.

As of December 31, 2021, the Group entered into a short-term export credit insurance contract with the Korea Trade Insurance Corporation (covered amount: USD 120,940 thousand, EUR 1,200 thousand) related to the overseas export of manufactured cigarettes etc.



(c) Payment guarantees and collateral

Payment guarantees and collateral provided by other parties to the Group as of December 31, 2021, are as follows:

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

Provider	Currency	Limit	Details
Korea Housing & Urban Guarantee Corporation	KRW	465,870	Housing distribution guarantee, etc.
Seoul Guarantee Insurance	KRW	21,904	License guarantee, etc.
Travelers Casualty and Surety Company of America	USD	29,020	Escrow deposit guarantee
Liberty Mutual and two others	USD	640	Payment guarantees on license bond
Garanti Bank	TRY	2,508	Payment guarantee on customs, etc.
Hana Bank	USD	2,000	Performance and tender guarantee related to exporting reconstituted tobacco leaves

As of December 31, 2021, the Group currently holds inventories from Alokozay International Limited worth ₩ 1,165 million as collateral in order to improve collection of receivables.

As of December 31, 2021, the Group is being provided with a payment guarantee from the Federal Insurance Company up to a limit of USD 35,000 thousand in relation to import clearance for KT&G USA Corporation. The Parent Company has a recourse responsibility up to a limit of USD 125,000 thousand, which includes the amount of payment guarantee executed, to the Federal Insurance Company and others.

Payment guarantees provided by the Group for other parties as of December 31, 2021, are as follows:

(in millions of Korean won)

Guarantee user	Guaranteed by	Limit	t amount	Executi	on amount	Details of guarantee		
Loan guarantee for	Shinhan Bank	₩	139,400	₩	4,211	Loan guarantee for		
the intermediate payment of off-plan	Hana Bank		76,720		25,781	the intermediate payment of off-plan		
sales construction	Suhyup Bank		9,480		818	sales construction		
Payment guarantee for deductibles and others of Donghae branch	Korea Special Sales Financial Cooperative Association		909		-	Payment guarantee for deductibles		
Total		₩	226,509	₩	30,810			



The Group provides payment guarantees to financial institutions in accordance with the consumer financial agreement related to retail trade receivables and receives related bonds from financial institutions and recognizes them as short-term borrowings (Note 16).

Assets pledged as collateral as of December 31, 2021, are as follows:

Property, plant and equipment W 96,901 W 3,488 W 4,186 Wonju City-Office Collateral security through a government grant 26,786 3,792 15,600 Bank Current portion of long-term and long term borrowings 17,346 14,000 24,000 Hana Bank and one other 31,395 - 2,400 Korea Development Bank Investment property 481,790 27,193 29,629 CJ Foodville Co., Ltd., etc. 81,423 48,000 57,600 KB Kookmin bank and one other Other financial assets 10,310 - 10,310 Korea Land & Housing Corporation 597 597 597 Samsung Fire & Marine Insurance Fire & Marine Insurance Total W 746,548 W 97,070 W 144,322	(in millions of Korean won)		arrying mount	Debt amount		Collateralized amount		Collateral holder	Туре		
17,346 14,000 24,000 Hana Bank and long term borrowings 17,346 14,000 24,000 Hana Bank and one other 31,395 - 2,400 Korea Development Bank Investment property 481,790 27,193 29,629 CJ Foodville Co., Ltd., etc. deposits/Establishment of right to collateral security on rent deposits/Establishment of lease contracts Short-term borrowings 81,423 48,000 57,600 KB Kookmin bank and one other Other financial assets 10,310 - 10,310 Korea Land & Establishment of a pledge for property development 597 597 597 Samsung Fire & Marine pledge for leasehold deposits		₩	96,901	₩	3,488	₩	4,186	, ,	collateral security through a government		
17,346 14,000 24,000 one other 31,395 - 2,400 Korea Development Bank Investment property 481,790 27,193 29,629 CJ Foodville Co., Ltd., etc. Establishment of right to collateral security on rent deposits/Establishment of lease contracts Short-term borrowings 81,423 48,000 57,600 KB Kookmin bank and one other Other financial assets 10,310 - 10,310 Korea Land & Establishment of a pledge for Housing Corporation 597 597 597 Samsung Fire & Establishment of a Marine pledge for leasehold deposits			26,786		3,792		15,600				
Investment property 481,790 27,193 29,629 CJ Foodville Co., Ltd., etc. 81,423 48,000 57,600 KB Kookmin bank and one other Other financial assets 10,310 - 10,310 Korea Land & Establishment of a pledge for property development Corporation 597 597 597 597 597 Samsung Fire & Marine pledge for leasehold deposits			17,346		14,000		24,000		Short-term borrowings		
Investment property 481,790 27,193 29,629 CJ Foodville Co., Ltd., etc. deposits/Establishment of lease contracts Short-term borrowings KB Kookmin bank and one other Other financial assets 10,310 - 10,310 Korea Land & Establishment of a pledge for property development Corporation 597 597 597 597 598 Samsung Fire & Establishment of a pledge for leasehold deposits			31,395		-		2,400	Development	Collateral for limit loan agreement		
81,423 48,000 57,600 KB Kookmin bank and one other Other financial assets 10,310 - 10,310 Korea Land & Establishment of a pledge for property development Corporation 597 597 597 Samsung Fire & Establishment of a pledge for leasehold linsurance deposits	Investment property		481,790		27,193		29,629		collateral security on rent deposits/Establishment of lease contracts		
Housing property development Corporation 597 597 597 Samsung Fire & Establishment of a Marine pledge for leasehold Insurance deposits			81,423		48,000		57,600		Ç		
Marine pledge for leasehold Insurance deposits	Other financial assets		10,310		-		10,310	Housing			
Total ₩ 746,548 ₩ 97,070 ₩ 144,322			597		597		597	Marine	pledge for leasehold		
	Total	₩	746,548	₩	97,070	₩	144,322				

As of December 31, 2021, the Group's holdings in KORAMCO Banpo Project Financing Vehicle Co., Ltd. is pledged as collateral for a PF loan.

Bills and cheques provided as collateral by the Group in relation to borrowings, etc., as of December 31, 2021, are as follows:

	Туре	Quantity	Face amount	Details
Jinheung Savings Bank	Draft bill	1 note	₩ 1,000 million	Not collected after debt dissipation
Jillieully Savillys Balik	Cheque	1 note	Blank	Not collected after debt dissipation

As of December 31, 2021, other than explained above, 11 notes and two cheques with unknown origin and face amount are lost, and the Group will proceed with the authorization process for these bills.



Financial assets restricted in use as of December 31, 2021 and 2020, are summarized as follows:

(in millions of Kore	an won)		2021		2020
	Establishment of a pledge to guarantee real estate development	₩	10,310	₩	8,540
Other financial	Establishment of a pledge for leasehold deposits		597		597
assets	Deposit in the Accompanied Growth Cooperation Loan Fund		100,000		100,000
	Security deposits for checking accounts, etc.		55		1,635
Cash and cash equivalents	Establishment of a pledge to savings		1,680		-
	Total	₩	112,642	₩	110,772

(d) Others

Each year, the Group deposits a certain proportion of sales of tobacco products sold in the United States in accordance with the Tobacco Master Settlement Agreement ("MSA") under the Escrow Statute of the US state government. In accordance with the Escrow Statute, in the event that tobacco consumers suffer adverse damages as a result of illegal activities by the Group, which in turn lead to the medical finances of US state governments being used, the deposit in the MSA Escrow Fund may be incorporated into the state government's medical finances. The unused portion of the fund will be refunded to the Group after 25 years from the date of each deposit. The Group has recognized \(\psi 1,250,468\) million as of December 31, 2021 (2020: \(\psi 909,794\) million), as long-term deposits in MSA Escrow Fund and they consist of T-Notes, T-bills and demand deposits.

The Group has maintained a contract with the farmers who grow nine-year-old green ginseng for purchasing determined volumes as guarantees and recorded contractual amounts paid to the farmers as long-term advance payments and advance payments in the amount of ₩ 103,841 million as of December 31, 2021 (2020: ₩ 82,940 million) and ₩ 20,564 million as of December 31, 2021 (2020: ₩ 18,643 million), respectively.

As of December 31, 2021, the Group has entered into a management trust agreement with Marriott International Management Company B.V. and has been provided with international public relations services through Global Hospitality Licensing S.A.R.L. Also, the Group has been provided with technical advice by Marriott International Design & Construction Services, Inc.

The Group is currently operating Starfield Suwon, Inc. Corporation after establishing the joint venture under 50:50 ratio with Shinsegae Property. The disposal of such share is limited for five years from the approval for use of the multi-shopping mall. In the event that the Group or the joint venture intend to transfer all of its shares, the other party shall have the pre-emptive right to purchase the shares and selectively exercise its joint put-option rights.

As of December 31, 2021, there is a capital call agreement for overseas real estate funds invested by the Group. However, the Group expects that the arrangement will be substantially less practicable as it will only be executed if the trustee defaults on the currency swap/forward contract.

The Group has entered into an investment agreement for the debt instruments of Smilegate-



Newdeal fund and others with the limit of $\mbox{$W$}$ 23,000 million in total. As at December 31, 2021, the outstanding contribution amounts to $\mbox{$W$}$ 7,453 million, and the detailed schedule for contribution is not determined.

The Group has entered into a contribution agreement for equity instruments of Cheong-ra medipolis PFV, an associate, with the limit of 101,000 million. As at December 31, 2021, the outstanding amount of the contribution is 83,978 million, and the contribution will be made by the payment date for land purchase and sale agreement for the relevant business. Also, the equity shares shall not be transferred without approval of all shareholders and Incheon Free Economic Zone. Upon disposal of the equity shares, unanimous consent of the other shareholders is required.

As of December 31, 2021, the Group is being provided with a commitment from GS Engineering & Construction Corp to complete the construction of Gwacheon sangsang Xi tower, and from Daewoo Engineering & Construction Co., Ltd. to complete the construction of Suwon hwaseo park prugio (Apartment), Suwon hwaseo park prugio (Efficiency apartment), Suwon hwaseo prugio briciel. In addition, Daewoo Engineering & Construction Co., Ltd. is being provided with a guarantee from the Construction Guarantee Cooperative in connection with the construction in Suwon.

The Group has a joint disposal right to require other investors to dispose their holdings under the same conditions at the disposal of the shares of Mastern No.144 PFV Co. Ltd. Also, when shareholders other than the Group dispose of shares by obtaining approval from Board of Directors and at Shareholders Meeting, the Group has a pre-emptive right to purchase such shares under the condition notified by other shareholders. However, the pre-emptive right to purchase shares are not required, and the other investors delegates their right for disposal to the Group.

As of December 31, 2021, tax investigations are under way for subsidiaries in Indonesia (PT Trisakti Purwosari Makmur and PT KT&G Indonesia) and a subsidiary in Turkey (KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.).

As of December 31, 2021, the Parent Company and KT&G USA Corporation received an order from the US Department of Justice (DOJ) to submit a comprehensive document on the regulatory compliance status of tobacco products sold in the US and the investigation is underway. The ultimate outcome of the investigation and its impact are unpredictable as of December 31, 2021.



34. Cash Flows

(a) Details of cash generated from operations for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021		2020
Profit for the year	₩	971,759	₩	1,171,643
Operating profit from continuing operations		1,024,113		1,166,369
Operating profit from discontinued operation		(52,354)		5,274
Adjustments:		(- , ,		-,
Employee welfare		17,811		5,486
Retirement benefits		58,286		53,537
Loss on valuation or obsolescence of inventories		39,930		13,913
Depreciation		202,666		194,780
Amortization		14,494		8,541
Reversal of impairment loss on trade and other receivables		(6,389)		(28,452)
Loss on foreign currency translation		33,421		172,214
Loss on valuation of derivatives		23,123		17,421
Loss on disposal of property, plant and equipment		2,657		7,053
Loss on impairment of property, plant and equipment		1,075		1,738
Loss on disposal of intangible assets		213		75
Loss on impairment of intangible assets		18,944		466
Loss on disposal of investment properties		128		493
Loss on impairment of investment properties		-		2,775
Loss on impairment of right-of-use assets		6,798		-
Loss on disposal of right-of-use assets		1		-
Loss on disposal of assets held for sale		305		-
Loss on impairment of assets held for sale		-		424
Other expenses, etc.		10,175		24,535
Finance cost		32,151		13,409
Income tax expense		415,801		440,491
Gain on foreign currency translation		(129,849)		(10,023)
Gain on valuation of derivatives		(1,368)		(33,358)
Gain on disposal of property, plant and equipment		(2,043)		(1,402)
Reversal of impairment loss on intangible assets		-		(1,288)
Reversal of impairment loss on property, plant and equipme	nt	(168)		-
Gain on disposal of investment property		(30)		(534)
Reversal of impairment loss on investment property		(1,745)		-
Gain on dsposal of assets held for sale		-		(153,188)
Gain on disposal of investments in		(634)		_
associates and joint ventures Other income, etc.				(45.210)
Finance income		(7,418) (78,754)		(45,310) (117,771)
Decrease of investments in associates				
and joint ventures due to share of net gain/loss		(10,911)		(4,135)



Changes in working capital:				
Decrease (increase) in trade and other receivables		252,000		(250,170)
Decrease (increase) in derivatives		(8,775)		5,561
Decrease (increase) in inventories		66,079		(77,317)
Decrease (increase) in accrued tobacco excise and other taxes		(50,073)		14,430
Increase in advance payments		(29,781)		(17,467)
Increase in prepaid expenses		(13,800)		(2,216)
Increase (decrease) in trade and other payables		48,197		(14,320)
Increase (decrease) in advance receipts		(85,805)		43,905
Increase in tobacco excise and other taxes payable		122,384		310,061
Decrease in provision for site restoration		(8,801)		(6,302)
Decrease in net defined benefit liabilities		(69,443)		(54,095)
Cash generated from operations	₩	1,832,611	₩	1,685,603

(b) Material transactions without cash inflow and outflow for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021		2020	
Reclassification of property, plant and equipment to investment properties	₩	36,703	₩	79,968
Reclassification of other payables related to the payment of tobacco excise payables by credit card		6,327		297,971
Reclassification of construction-in-progress assets (property, plant and equipment, intangible assets and investment properties) upon completion		154,122		248,844

(c) Changes in liabilities due to financing activities for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021							
	Cash flow Beginning from balance financing activities		Others		Ending balance				
Dividends payable Short-term borrowings (including current portion of long-term borrowings)	₩	- 54,815	₩	(595,584) 7,659	₩	595,584 15,125	₩	- 77,599	
Long-term borrowings		53,492		12,198		(12,495)		53,195	
Lease liabilities		45,709		(24,555)		15,404		36,558	
Total	₩	154,016	₩	(600,282)	₩	613,618	₩	167,352	



(in millions of Korean won)	2020							
		ginning alance	fi	ash flow from nancing activities		Others		Ending balance
Dividends payable Short-term borrowings (including current portion of long-term borrowings)	₩	- 32,350	₩	(556,952) (25,623)	₩	556,952 48,088	₩	- 54,815
Long-term borrowings Lease liabilities		90,954 43,306		11,073 (22,789)		(48,535) 25,192		53,492 45,709
Total	₩	166,610	₩	(594,291)	₩	581,697	₩	154,016

(d) The Group has presented the inflows and outflows from current financial instruments that have large total amounts and short maturities due to frequent transactions as a net increase/decrease amount.

35. Non-Controlling Interests

(a) For subsidiaries where the non-controlling interests included in the Group are material, the profit or loss and the accumulated non-controlling interests allocated to the Group for the years ended December 31, 2021 and 2020, are as follows:

				202	1				
(in millions of Korean won)	Share of non- controlling interest (%)	Beginning balance o accumulated non- controlling interests		Net profit or loss distributed to non- controlling interests		Others		Ending balance of accumulated non- controlling interests	
Yungjin Pharm. Co., Ltd.	47.55	₩	54,412	₩	(5,508)	₩	968	₩	49,872
Cosmocos Co., Ltd.	1.44		309		8		(113)		204
Total		₩	54,721	₩	(5,500)	₩	855	₩	50,076
				202	•				
(in millions of Korean won)	Share of non- controlling interest	accumu	g balance of	distribu	ofit or loss ted to non-		Others	accum	balance of
(in millions of Korean won)		accumu	-	Net pro	ofit or loss		Others	accum	
(in millions of Korean won) Yungjin Pharm. Co., Ltd.	controlling interest	accumu	lated non-	Net pro	ofit or loss ted to non-	₩	Others (564)	accum	ulated non- itrolling
	controlling interest (%)	accumu controlli	ulated non- ng interests	Net pro distribu controlli	ofit or loss ted to non- ng interests			accum cor int	ulated non- strolling erests



(b) The condensed cash flows for subsidiaries where the non-controlling interests included in the Group are material for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		in Pharm. o., Ltd.	Cosmocos Co., Ltd.		
Cash flows from operating activities	₩	8,368	₩	(2,705)	
Cash flows from investing activities		(11,638)		1,745	
Cash flows from financing activities		3,307		1,065	
Net increase in cash and cash equivalents	₩	37	₩	105	
Cash and cash equivalents at January 1		428		3,600	
Effect of exchange rate fluctuations on cash and cash equivalents denominated in foreign currency		-		6	
Cash and cash equivalents at December 31	₩	465	₩	3,711	
			_	ocos Co.,	
(in millions of Korean won)		in Pharm. o., Ltd.		Ltd.	
(in millions of Korean won) Cash flows from operating activities					
	C	o., Ltd.		Ltd.	
Cash flows from operating activities	C	0., Ltd . 14,498		7,349 (353)	
Cash flows from operating activities Cash flows from investing activities	C	14,498 (5,653)		Ltd. 7,349	
Cash flows from operating activities Cash flows from investing activities Cash flows from financing activities	₩	14,498 (5,653) (9,066)	₩	7,349 (353) (7,515)	
Cash flows from operating activities Cash flows from investing activities Cash flows from financing activities Net increase in cash and cash equivalents	₩	14,498 (5,653) (9,066) (221)	₩	7,349 (353) (7,515) (519)	

(c) The Group has presented the non-controlling interest holding of 49% and 7.5% of its subsidiaries, Gwacheon Sangsang PFV and Mastern No.144 PFV Co. Ltd. as non-controlling interest liabilities in its consolidated financial statements, separately from equity attributable to owners of the Parent company.

36. Discontinued Operations

On December 14, 2021, the Group has discontinued KT&G USA Corporation business as the Group determines that it is necessary to conduct a review of the entire global business strategy including a review of the feasibility of the US business due to intensifying regulations over tobacco and growing competition in the market.

The relevant segment was not classified as discontinued operation as of December 31, 2020. The comparative statements of other comprehensive income are restated to present separated discontinued operation from continuing operations.



Details of profit or loss from discontinued operation for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021	2020		
Revenue ¹	₩	258,239	₩	246,749	
Expenses ²		(310,233)		(239,477)	
Profit (loss) on discontinued operation, before tax		(51,994)		7,272	
Income tax expense		(360)		(1,998)	
Profit (loss) on discontinued operation, after tax		(52,354)		5,274	
Exchange differences on translating foreign operations		565		(1,849)	
Total comprehensive income (loss) on discontinued operation	₩	(51,789)	₩	3,425	

¹ The revenue includes finance income and other income.

Profit or loss from discontinued operation for the years ended December 31, 2021 and 2020 are entirely attributed to the Parent Company.

Details of cash flows from discontinued operation for the years ended December 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021		2020
Cash flows from operating activities	₩	4,107	₩	8,180
Cash flows from investing activities		1,305		(463)
Cash flows from financing activities		(1,823)		(1,297)
Differences arising from changes in exchange rates on cash and cash equivalents presented in foreign currency		2,480		(1,805)
	₩	6,069	₩	4,615

37. Events After the Reporting Period

The Group is engaged in manufacturing and selling tobacco in Russia. After the reporting period, the U.S. and others impose economic sanctions on Russia including restriction on SWIFT international payment network, and the ultimate outcome of the impact on the Russia business of the Group and its financial position cannot be reasonably estimated.

² The expenses include finance costs and other expenses.