Consolidated Interim financial statements March 31, 2022



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Independent Auditor's Review Report

Shareholders and the Board of Directors KT&G Corporation

We have reviewed the accompanying consolidated interim financial statements of KT&G Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated interim statement of financial position as of March 31, 2022, and the related consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the three-month period ended March 31, 2022, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Interim Financial Statements

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

Auditor's Responsibility

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

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

Conclusion

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

Other Matters

The consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the three-month period ended March 31, 2021, prepared in accordance with KIFRS 1034 and presented for comparative purposes, have been reviewed by Samil PricewaterhouseCoopers whose report dated May 14, 2021 expressed an unqualified review conclusion.

Moreover, the consolidated interim statement of comprehensive income for the three-month period ended March 31, 2021, on which another auditor expressed an unqualified review conclusion, did not reflect adjustments described in Note 25. The consolidated interim statement of comprehensive income for the three-month period ended March 31, 2021, presented for comparative purposes, reflect the adjustments described in Note 25.



Moreover, the consolidated statement of financial position of the Group as of December 31, 2021, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended which have been audited by Samil PricewaterhouseCoopers, in accordance with KGAAS (not presented herein), whose report dated March 18, 2022 expressed an unqualified opinion. The accompanying consolidated statement of financial position as of December 31, 2021, presented for comparative purpose are not different, in all material respects, from the above audited consolidated statement of financial position.

May 13, 2022

Ernst Joung Han Young

This review report is effective as of May 13, 2022, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying consolidated interim financial statements and may result in modifications to this review report.

Consolidated Interim Financial Statements for the three-month periods ended March 31, 2022 and 2021

"The accompanying cor	nsolidated interim f	financial	statements,	including	all footnotes	and disclosures,	have
	been prepared by	, and are	the respons	sibility of, t	the Group."		

Bok-in Baek Chief Executive Officer KT&G Corporation

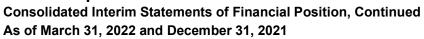
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Consolidated Interim Statements of Financial Position As of March 31, 2022 and December 31, 2021



(in Korean won)	Notes		March 31, 2022 (unaudited)		December 31, 2021
Assets					
Current assets					
Cash and cash equivalents	22,23	₩	896,595,728,347	₩	946,570,845,404
Current other financial assets	22,23		552,324,897,833		457,056,795,720
Current financial assets at fair value through profit or loss	22		1,109,636,675,957		965,384,441,544
Trade and other receivables	5,16,21,22		1,221,268,629,377		1,012,741,494,275
Derivative assets	22,23		674,549,944		580,339,743
Inventories	6		2,260,440,809,135		2,375,380,884,539
Refund assets and others			957,411,588		1,795,047,848
Accrued tobacco excise and other taxes			204,708,265,971		324,920,390,897
Advance payments	23		53,893,281,027		98,044,889,263
Prepaid expenses			44,795,576,046		53,262,710,533
Assets held for sale	4,12,21	2	25,415,204,879		20,123,696,708
Total current assets			6,370,711,030,104		6,255,861,536,474
Non-current assets					
Long-term other financial assets	22,23		2,665,690,653		9,001,281,420
Long-term deposits in MSA Escrow Fund	22,23		1,354,167,597,569		1,250,467,510,043
Long-term financial assets measured at fair value through profit or loss	22,23		276,714,956,014		304,815,651,866
Long-term trade and other receivables	5,21,22		99,007,871,619		94,759,875,704
Long-term financial assets measured at fair value through other comprehensive income or loss	22,23		214,761,220,016		228,398,434,797
Investments in associates and joint ventures	4,7,21,23		290,388,377,482		242,991,736,041
Property, plant and equipment	8,23		1,767,190,319,560		1,741,041,767,893
Intangible assets	9		154,611,520,687		145,718,649,536
Investment properties	10,23		1,085,555,042,645		1,150,979,933,340
Right-of-use assets	11		35,590,514,235		36,444,918,106
Long-term advance payments	23		104,685,800,918		104,559,554,973
Long-term prepaid expenses			8,099,584,004		8,538,939,470
Deferred tax assets	20		42,551,197,555		52,555,448,304
Net defined benefit assets	14		5,261,065,659		11,135,956,233
Total non-current assets			5,441,250,758,616	8	5,381,409,657,726
Total assets		₩	11,811,961,788,720	₩	11,637,271,194,200
Liabilities					
Current liabilities					
Short-term borrowings	13,22,23	₩	91,563,867,341	₩	75,432,490,744
Current portion of long-term borrowings	13,22,23		2,166,480,000		2,166,480,000
Trade and other payables	21,22,23		1,434,601,622,837		971,120,364,253
Current lease liabilities	22		15,590,615,556		17,180,641,274
Derivative liabilities	22,23		1,504,864,050		907,708,348
Advance receipts	16		30,189,502,851		21,918,095,726
Current refund liabilities and provisions	15,23		26,300,143,632		26,130,472,136
Current tax liabilities	20		252,152,384,996		236,397,106,383
Tobacco excise and other taxes payables			650,927,930,920		712,693,018,015
Total current liabilities		22	2,504,997,412,183		2,063,946,376,879
Non-current liabilities		33			
Long-term borrowings	13,22,23		53,052,810,888		53,195,098,748
Long-term trade and other payables	21,22,23		80,738,795,993		57,433,928,854
Long-term lease liabilities	22		18,546,914,034		19,377,131,556
Long-term advance receipts	16		4,184,399,848		5,077,077,062
Net defined benefit liabilities	14,21		61,497,114,149		57,735,568,500
Long-term refund liabilities and provisions	15,23		4,744,012,843		5,221,776,727
Deferred tax liabilities	20		165,099,830,460		148,104,701,940
Non-controlling interests liabilities	22		6,049,386,668		18,317,380,882
Total non-current liabilities	20.0000	0	393,913,264,883	8	364,462,664,269
Total liabilities		₩	2,898,910,677,066	₩	2,428,409,041,148





(in Korean won)	Notes	March 31, 2022 (unaudited)			December 31, 2021
Equity					
Share capital		₩	954,959,485,000	₩	954,959,485,000
Other capital surplus			4,497,785,722		4,497,785,722
Treasury shares			(879,981,829,569)		(879,981,829,569)
Gain on sale of treasury shares			528,894,053,906		528,894,053,906
Reserves			6,817,099,078,954		6,490,161,242,572
Retained earnings			1,438,205,573,604		2,060,255,463,296
Equity attributable to owners of the Parent Company			8,863,674,147,617		9,158,786,200,927
Non-controlling interest		_	49,376,964,037		50,075,952,125
Total equity		_	8,913,051,111,654	•	9,208,862,153,052
Total liabilities and equity		₩_	11,811,961,788,720	₩	11,637,271,194,200

[&]quot;The accompanying notes are an integral part of the consolidated interim financial statements."

Consolidated Interim Statements of Comprehensive Income For the three-month periods ended March 31, 2022 and 2021



Cost of sales (073,778,005,059) (08,077,007,007,007,007,007,007,007,007,0	(in Korean won)	Notes		erch 31, 2022 unaudited)		March 31, 2021 (unaudited)
Profit profit Profit period Profit period after income tax Profit for the period after income (loss) for the period after income tax (lo		4,16,21 ∀	// 1,4	02,567,495,582	₩	1,208,048,107,631
Selling and administrative expense 17,21	Cost of sales		(67	73,728,209,589)		(529,275,100,427)
Operating profit 4 333,000,974,004 313,314,066,006 Other income 18,21,22 74,433,843,559 74,884,388,818,818 Other opense 19,212 27,018,127,809 (24,446,458,451) Finance income 19,22 32,720,184,525 (24,446,458,451) Finance costs 19,22 30,922,156,171 (56,138,877) Share of net profit of associates and joint ventures 20 38,132,001,197 (10,238,207,90) Profit form continuing operations 267,749,291,970 289,260,389,115 378,496,008,911 Profit form continuing operations 25 4,373,645,191 3,341,401,714 Profit form continuing operations 25 4,673,645,191 3,341,401,714 Profit form continuing operations 2 16,000,591,382 12,000,142,837 Gain on valuation of fier value through 2	Gross profit		7	28,839,285,993		678,773,007,204
Dither income	Selling and administrative expense	17,21	(39	95,832,311,909)		(365,458,140,798)
Distance purpose 1821.22 22 (20.01 817,899) 22.4446,483.813 Finance cools 19.22 32,793,185,269 32,973,185,269 32,973,185,269 32,973,185,269 32,973,185,269 32,973,185,269 32,973,185,269 32,973,185,269 32,973,185,269 32,973,185,269 32,973,185,269 32,973,185,269 32,973,195,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 3	Operating profit	4	3	33,006,974,084		313,314,866,406
Distance purpose 1821.22 22 (20.01 817,899) 22.4446,483.813 Finance cools 19.22 32,793,185,269 32,973,185,269 32,973,185,269 32,973,185,269 32,973,185,269 32,973,185,269 32,973,185,269 32,973,185,269 32,973,185,269 32,973,185,269 32,973,185,269 32,973,185,269 32,973,195,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 32,973,269 3	Other income	18 21 22		74 433 843 559		74 884 388 819
Finance income 19.22 33.73, 148, 269 20.97,293, 487, 187, 187, 187, 187, 187, 187, 187, 1						
Profit before income tax 19.22			(4			
Share of net profit of associates and joint ventures 7			(*			
Income tax expense 20					_	20,911,569
Income tax expense 20	Profit before income tax		3	96 152 691 197		378 499 608 914
Profit for the period is attributable to:		20			_	(109,233,209,799)
Profit for the period 25	Profit from continuing operations		2	67,749,291,970		269,266,399,115
Profit for the period Profit for the period after income tax Items that will not be reclassified to profit or loss Re-measurements of not defined benefit liabilities Profit for the period after income tax Re-measurements of not defined benefit liabilities Profit for loss Re-measurements of not defined benefit liabilities Profit for loss Re-measurements of not defined benefit liabilities Profit for loss Re-measurements of not defined benefit liabilities Profit for loss Re-measurements of not defined benefit liabilities Profit for loss Re-measurements of not defined benefit liabilities Profit for loss Re-measurements of not defined benefit liabilities Re-measure						
Cheir comprehensive income (loss) for the period after income tax		25			_	
Rem stal will not be reclassified to profit or loss Personation Pe	Profit for the period	∀	₩ 2	263,375,646,779	₩_	272,607,800,829
Remeasurements of net defined benefit liabilities	Other comprehensive income (loss) for the period after income tax					
Gain on valuation of fair value through other comprehensive income or loss 2 16,020,591,382 12,000,142,837 Capital changes in equity method 7 (614,037) (284,639) Itome that may be recibiated to profit or loss 1,373,484,825 5,767,952,817 Capital changes in equity method 7 16,716,942,223 17,557,349,048 Total comprehensive income for the period "280,092,589,000" "280,995,143,875 Profit for the period is attributable to: Owners of the Parent Company Profit for outnituring operations "284,400,31,509" "270,147,595,413 Profit attributable to owners of the Parent Company 25 (4,373,645,191) 3,341,401,714 Profit attributable to owners of the Parent Company (691,639,539) (881,196,298) Profit (loss) from discontinued operations (691,639,539) (881,196,298) Profit (loss) from continuing operations (691,639,539) (881,196,298) Total comprehensive income (loss) for the period attributable to: (691,639,539) (881,196,298) Total comprehensive income (loss) for the period attributable to: (691,639,539,50) (881,196,298) Profi	Items that will not be reclassified to profit or loss					
Capital changes in equity method 7	Re-measurements of net defined benefit liabilities	₩	₩	(676,519,947)	₩	(410,593,757)
Capital changes in equity method 7	Gain on valuation of fair value through	22		16,020,591,382		12,000,142,837
Exchange differences on translating foreign operations	other comprehensive income or loss					
Exchange differences on translating foreign operations 1,373,484,825 5,767,952,817 Ceptal changes in equity method 7 16,716,942,223 117,357,343,046 Total comprehensive income for the period w 280,992,589,002 w 289,995,143,875 Profit for the period is attributable to: Owners of the Parent Company \$ 268,440,931,509 \$ 270,147,595,413 Profit (loss) from discontinued operations 25 (4,373,645,191) 3,341,401,714 Profit (loss) from discontinued operations 25 (691,639,539) (881,196,298) Profit (loss) from discontinued operations 25 (691,639,539) (881,196,298) Profit attributable to onn-controlling interests 25 (691,639,539) (881,196,298) Profit attributable to non-controlling interests 25 (691,639,539) (881,196,298) Total comprehensive income (loss) for the period attributable to: 28,797,949,800 272,807,800,829 Total comprehensive income attributable to owners of the Parent Company 28,799,749,800 28,640,202,2260 Profit (loss) from discontinued operations 25 (4,918,172,710) 4,540,126,754 Total compr	Capital changes in equity method	7		(614,037)		(264,639)
Capital changes in equity method 7 16,716,342,223 17,357,343,046 Total comprehensive income for the period 16,716,342,223 17,357,343,046 Profit for the period is attributable to: 25 268,440,931,509 42,701,47,595,413 Profit form continuing operations 25 4,373,645,191 3,341,401,714 Profit attributable to owners of the Parent Company 264,040,7286,318 273,488,997,127 Non-controlling interests (691,639,539) (881,196,298) Profit (loss) from discontinued operations 25 6,91,639,539 (881,196,298) Profit attributable to non-controlling interests 25 (691,639,539) (881,196,298) Profit (loss) from discontinued operations 25 (691,639,539) (881,196,298) Total comprehensive income (loss) for the period attributable to: 25 (691,639,539) (881,196,298) Profit (from continuing operations 2 285,709,749,800 2 286,420,292,280 Profit (from continuing operations 2 285,709,749,800 2 286,420,292,280 Profit (loss) from discontinued operations 2 280,791,577,090 <t< td=""><td>Items that may be reclassified to profit or loss</td><td></td><td></td><td></td><td></td><td></td></t<>	Items that may be reclassified to profit or loss					
16,716,942,223 17,357,343,046 20,0092,589,002 20,9955,143,075 20,0092,589,002 20,9955,143,075 20,0092,589,002 20,9955,143,075 20,0092,589,002 20,9955,143,075 20,0092,589,002 20,9955,143,075 20,0092,589,002 20,9955,143,075 20,0092,589,002 20,9955,143,075 20,0092,589,002 20,9955,143,075 20,0092,589,002 20,9955,143,075 20,0092,589,002 20,9955,143,075 20,0092,589,002 20,9955,143,075 20,0092,589,002 20,9955,143,075 20,0092,589,002 20,9955,143,075 20,0092,589,002 20,9955,143,075 20,0092,589,002 20,9955,143,075 20,0092,589,002 20,9955,143,075 20,0092,589,002 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,075 20,9955,143,	Exchange differences on translating foreign operations			1,373,484,825		5,767,952,817
Profit for the period is attributable to:	Capital changes in equity method	7	-		_	105,788
Owners of the Parent Company W 268,440,931,509 W 270,147,595,413 Profit from continuing operations 25 (4,373,645,191) 3,341,401,714 Profit (loss) from discontinued operations 264,067,286,318 273,488,997,127 Non-controlling interests (691,639,539) (881,196,298) Loss from continuing operations 25 (691,639,539) (881,196,298) Profit attributable to non-controlling interests (691,639,539) (881,196,298) Total comprehensive income (loss) for the period attributable to: (691,639,539) (881,196,298) Total comprehensive income (loss) for the period attributable to: (691,639,539) (881,196,298) Total comprehensive income (loss) for the period attributable to: (691,639,539) (881,196,298) Owners of the Parent Company Profit from continuing operations W 285,709,749,800 W 286,420,292,260 Profit (loss) from discontinued operations 25 (4,918,172,710) 4,540,126,754 Total comprehensive income attributable to owners of the Parent Company 280,791,577,090 290,960,419,014 Non-controlling interests (698,988,088) (995,275,139) Total comprehensive loss attributable to non-controlling interests	Total comprehensive income for the period	٧	₩ 2		₩-	17,357,343,046 289,965,143,875
Owners of the Parent Company W 268,440,931,509 W 270,147,595,413 Profit from continuing operations 25 (4,373,645,191) 3,341,401,714 Profit (loss) from discontinued operations 264,067,286,318 273,488,997,127 Non-controlling interests (691,639,539) (881,196,298) Loss from continuing operations 25 (691,639,539) (881,196,298) Profit attributable to non-controlling interests (691,639,539) (881,196,298) Total comprehensive income (loss) for the period attributable to: (691,639,539) (881,196,298) Total comprehensive income (loss) for the period attributable to: (691,639,539) (881,196,298) Total comprehensive income (loss) for the period attributable to: (691,639,539) (881,196,298) Owners of the Parent Company Profit from continuing operations W 285,709,749,800 W 286,420,292,260 Profit (loss) from discontinued operations 25 (4,918,172,710) 4,540,126,754 Total comprehensive income attributable to owners of the Parent Company 280,791,577,090 290,960,419,014 Non-controlling interests (698,988,088) (995,275,139) Total comprehensive loss attributable to non-controlling interests	Profit for the period is attributable to:				_	
Profit from continuing operations ★ 268,440,931,509 ★ 270,147,595,413 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714 ★ 3,341,401,714						
Profit (loss) from discontinued operations 25 (4,373,645,191) 3,341,401,714 Profit attributable to owners of the Parent Company 264,067,286,318 273,488,997,127 Non-controlling interests (691,639,539) (881,196,298) Profit (loss) from discontinued operations 25 ————————————————————————————————————		₩	₩ 2	68 440 931 509	₩	270 147 595 413
Profit attributable to owners of the Parent Company 264,067,286,318 273,488,997,127 Non-controlling interests (691,639,539) (881,196,298) Loss from continuing operations 25 — — Profit (loss) from discontinued operations (691,639,539) (881,196,298) Profit attributable to non-controlling interests (691,639,539) (881,196,298) Total (691,639,539) (881,196,298) Total comprehensive income (loss) for the period attributable to: V 263,375,646,779 V 272,607,800,829 Total comprehensive income (loss) for the period attributable to: Profit (loss) from discontinued operations 25 (4,918,172,710) 4,540,126,754 Profit (loss) from discontinued operations 25 (4,918,172,710) 290,960,419,014 Non-controlling interests (698,988,088) (995,275,139) Loss from continuing operations 25 — — Profit (loss) from discontinued operations 25 — — Total comprehensive loss attributable to non-controlling interests (698,988,088) (995,275,139) Total comprehensive loss at					**	
Non-controlling interests (691,639,539) (881,196,298) Profit (loss) from discontinued operations 25 — — Profit attributable to non-controlling interests (691,639,539) (881,196,298) Total ₩ 263,375,646,779 ₩ 272,607,800,829 Total comprehensive income (loss) for the period attributable to: ₩ 285,709,749,800 ₩ 286,420,292,260 Profit from continuing operations ½ (4,918,172,710) 4,540,126,754 Profit (loss) from discontinued operations 25 (4,918,172,710) 4,540,126,754 Total comprehensive income attributable to owners of the Parent Company 280,791,577,090 290,960,419,014 Non-controlling interests (698,988,088) (995,275,139) Loss from continuing operations (698,988,088) (995,275,139) Profit (loss) from discontinued operations 25 — — Total comprehensive loss attributable to non-controlling interests (698,988,088) (995,275,139) Total comprehensive loss attributable to non-controlling interests (698,988,088) (995,275,139) Total comprehensive loss attributable to non-controlling interests (898,988,088) (995,275,139)		20			_	
Loss from continuing operations (691,639,539) (881,196,298) Profit (loss) from discontinued operations 25 — — Profit attributable to non-controlling interests (691,639,539) (881,196,298) Total ₩ 263,375,646,779 ₩ 272,607,800,829 Total comprehensive income (loss) for the period attributable to: W 285,709,749,800 ₩ 286,420,292,260 Profit (loss) from discontinued operations 25 (4,918,172,710) 4,540,126,754 Total comprehensive income attributable to owners of the Parent Company 280,791,577,090 290,960,419,014 Non-controlling interests (698,988,088) (995,275,139) Profit (loss) from discontinued operations 25 — — Total comprehensive loss attributable to non-controlling interests (698,988,088) (995,275,139) Total comprehensive loss attributable to non-controlling interests (698,988,088) (995,275,139) Total comprehensive loss attributable to non-controlling interests (698,988,088) (995,275,139) Total comprehensive loss attributable to non-controlling interests ₩ 280,092,589,002 ₩ 289,965,143,875 Basic earnings (loss) per share W 22,37 </td <td></td> <td></td> <td></td> <td>.04,007,200,510</td> <td>_</td> <td>210,400,551,121</td>				.04,007,200,510	_	210,400,551,121
Profit (loss) from discontinued operations 25 — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — — <td></td> <td></td> <td></td> <td>(601 620 E20)</td> <td></td> <td>(991 106 209)</td>				(601 620 E20)		(991 106 209)
Profit attributable to non-controlling interests (691,639,539) (881,196,288) Total ★ 263,375,646,779 ★ 272,607,800,829 Total comprehensive income (loss) for the period attributable to: Womers of the Parent Company Profit (from continuing operations ★ 285,709,749,800 ★ 286,420,292,260 Profit (loss) from discontinued operations 25 (4,918,172,710) 4,540,126,754 Total comprehensive income attributable to owners of the Parent Company 280,791,577,090 290,960,419,014 Non-controlling interests (698,988,088) (995,275,139) Profit (loss) from discontinued operations 25 — — Profit (loss) from discontinued operations 25 — — — Total comprehensive loss attributable to non-controlling interests (698,988,088) (995,275,139) — Total ★ 280,092,589,002 ★ 289,965,143,875 — Basic earnings (loss) per share From continuing operations ★ 2,237 ★ 2,177 From continuing operations ★ 2,237 ★ 2,177 From continuing operations ★ 2,237		25		(051,005,005)		(001,130,230)
Total # 263,375,646,779 # 272,607,800.829 Total comprehensive income (loss) for the period attributable to: Owners of the Parent Company # 285,709,749,800 # 286,420,292,260 Profit (loss) from discontinued operations 25 (4,918,172,710) 4,540,126,754 Total comprehensive income attributable to owners of the Parent Company 280,791,577,090 290,960,419,014 Non-controlling interests (698,988,088) (995,275,139) Profit (loss) from discontinued operations 25 - - Profit (loss) from discontinued operations 25 - - - Total comprehensive loss attributable to non-controlling interests (698,988,088) (995,275,139) (995,275,139) Total # 280,092,589,002 # 289,965,143,875 Basic earnings (loss) per share Basic and diluted earnings (loss) per share # 2,237 # 2,177 From continuing operations # 2,237 # 2,177 From continuing operations # 2,237 # 2,		20	-	(004 000 500)	_	(004 400 000)
Total comprehensive income (loss) for the period attributable to: Owners of the Parent Company Profit from continuing operations		₩	→ 2		₩-	
Owners of the Parent Company # 285,709,749,800 # 286,420,292,260 Profit from continuing operations 25 (4,918,172,710) 4,540,126,754 Total comprehensive income attributable to owners of the Parent Company 280,791,577,090 290,960,419,014 Non-controlling interests (698,988,088) (995,275,139) Profit (loss) from discontinued operations 25 — — Total comprehensive loss attributable to non-controlling interests (698,988,088) (995,275,139) Total # 280,092,589,002 # 289,965,143,875 Basic earnings (loss) per share Basic and diluted earnings (loss) per share # 2,237 # 2,177 From continuing operations # 2,237 # 2,177 From discontinued operations # 2,237 # 2,177				.00,070,010,773		212,001,000,023
Profit from continuing operations ₩ 285,709,749,800 ₩ 286,420,292,260 Profit (loss) from discontinued operations 25 (4,918,172,710) 4,540,126,754 Total comprehensive income attributable to owners of the Parent Company Non-controlling interests 280,791,577,090 290,960,419,014 Loss from continuing operations (698,988,088) (995,275,139) Profit (loss) from discontinued operations 25 Total comprehensive loss attributable to non-controlling interests (698,988,088) (995,275,139) Total ₩ 280,092,589,002 ₩ 289,965,143,875 Basic earnings (loss) per share Basic and diluted earnings (loss) per share ¥ 2,237 ₩ 2,177 From continuing operations ₩ 2,237 ₩ 2,177 From discontinued operations ₩ 2,237 ₩ 2,177						
Profit (loss) from discontinued operations 25 (4,918,172,710) 4,540,126,754 Total comprehensive income attributable to owners of the Parent Company 280,791,577,090 290,960,419,014 Non-controlling interests (698,988,088) (995,275,139) Profit (loss) from discontinued operations 25 Total comprehensive loss attributable to non-controlling interests (698,988,088) (995,275,139) Total ★ 280,092,589,002 ★ 289,965,143,875 Basic earnings (loss) per share From continuing operations ★ 2,237 ★ 2,177 From discontinued operations ★ 366 27						
Total comprehensive income attributable to owners of the Parent Company Non-controlling interests Loss from continuing operations Company	Profit from continuing operations		₩ 2	85,709,749,800	₩	286,420,292,260
Non-controlling interests	Profit (loss) from discontinued operations	25		(4,918,172,710)	_	4,540,126,754
Loss from continuing operations (698,988,088) (995,275,139) Profit (loss) from discontinued operations 25 - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - -	Total comprehensive income attributable to owners of the Parent Company		2	80,791,577,090	_	290,960,419,014
Profit (loss) from discontinued operations 25 - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - <td>Non-controlling interests</td> <td></td> <td></td> <td></td> <td></td> <td></td>	Non-controlling interests					
Total comprehensive loss attributable to non-controlling interests (698,988,088) (995,275,139) Total ₩ 280,092,589,002 ₩ 289,965,143,875 Basic earnings (loss) per share From continuing operations ₩ 2,237 ₩ 2,177 From discontinued operations (36) 27	Loss from continuing operations			(698,988,088)		(995,275,139)
Total ₩ 280,092,589,002 ₩ 289,965,143,875 Basic earnings (loss) per share Basic and diluted earnings (loss) per share Ψ 2,237 Ψ 2,237 Ψ 2,177 From continuing operations Ψ 3,000 Ψ 2,237 Ψ 2,177 From discontinued operations (36) 27	Profit (loss) from discontinued operations	25		-		-
Total ₩ 280,092,589,002 ₩ 289,965,143,875 Basic earnings (loss) per share Basic and diluted earnings (loss) per share Ψ 2,237 Ψ 2,237 Ψ 2,177 From continuing operations Ψ 3,000 Ψ 2,237 Ψ 2,177 From discontinued operations (36) 27	Total comprehensive loss attributable to non-controlling interests			(698.988.088)	_	(995.275.139)
Basic and diluted earnings (loss) per share ₩ 2,237 ₩ 2,177 From continuing operations ₩ 2,630 27 From discontinued operations (36) 27		∀	₩ 2		₩_	289,965,143,875
Basic and diluted earnings (loss) per share ₩ 2,237 ₩ 2,177 From continuing operations ₩ 2,630 27 From discontinued operations (36) 27	Basic earnings (loss) per share					
From continuing operations \forall 2,237 \forall 2,177 From discontinued operations (36) (27)						
From discontinued operations (36) 27		100		0.007	141	0.277
		₩	A.A.		ΨŸ	_,
₩ <u>2,201</u> ₩ <u>2,204</u>	From discontinued operations				_	
		∀	₩	2,201	₩_	2,204

[&]quot;The accompanying notes are an integral part of the consolidated interim financial statements."



KT&G Corporation and Subsidiaries Consolidated Interim Statements of Changes in Equity For the three-month periods ended March 31, 2022 and 2021

(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 as of January 1, 2021	₩ 954,959,485,000 ₩	4,497,785,722 W	(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 W	9,091,571,656,245
lotal comprehensive income (loss) for the period Profit for the period		i		r	r	273,488,997,127	273,488,997,127	(881,196,298)	272,607,800,829
Other comprehensive income (loss) for the period:									
Re-measurements of net defined benefit liabilities loss on valuation of fair value through	•	1	1	1	1	(412,176,695)	(412,176,695)	1,582,938	(410,593,757)
other comprehensive income or loss	i	· ·	ı	•	12,000,142,837	i	12,000,142,837	1	12,000,142,837
Exchange differences on translating foreign operations					5,883,614,596	ï	5,883,614,596	(115,661,779)	5,767,952,817
Capital changes in equity method		1			(158,851)		(158,851)		(158,851)
					17,883,598,582	(412,176,695)	17,471,421,887	(114,078,841)	17,357,343,046
Total comprehensive income (loss) for the period					17,883,598,582	273,076,820,432	290,960,419,014	(995,275,139)	289,965,143,875
Transactions with owners of the Parent Company:									
Dividends						(595,583,630,400)	(595,583,630,400)		(595,583,630,400)
Transfer to other reserve			•		464,637,806,718	(464,637,806,718)	'	1	'
					464,637,806,718	(1,060,221,437,118)	(595,583,630,400)		(595,583,630,400)
Balance as of March 31, 2021 (unaudited)	# 954,959,485,000 ##	4,497,785,722 ₩	(531,618,093,579) ##	528,894,053,906 ##	6,460,164,501,580 ##	1,315,330,196,876 #	8,732,227,929,505 ₩	53,725,240,215 #	8,785,953,169,720
Balance as of January 1, 2022	# 954,959,485,000 # 	4,497,785,722 ##	# (879,981,829,569) #	528,894,053,906 #	6,490,161,242,572 ##	2,060,255,463,296 ##	9,158,786,200,927 ##	50,075,952,125 ##	9,208,862,153,052
Total comprehensive income (loss) for the period									
Profit for the period	•		,			264,067,286,318	264,067,286,318	(691,639,539)	263,375,646,779
Other comprehensive income (loss) for the period:									
Re-measurements of net defined benefit liabilities	,		,	,		(670,404,131)	(670,404,131)	(6,115,816)	(676,519,947)
Gain on valuation of fair value through									
other comprehensive income or loss Transfer from gain on disposal of financial assets			,		16,020,591,382	,	16,020,591,382	•	16,020,591,382
to retained earnings		t		C	8,330,221,000	(8,330,221,000)	•	1	
Exchange differences on translating foreign operations	i		•		1,374,717,558	ř	1,374,717,558	(1,232,733)	1,373,484,825
Capital changes in equity method					(614,037)		(614,037)	1	(614,037)
	ı		,		25,724,915,903	(9,000,625,131)	16,724,290,772	(7,348,549)	16,716,942,223
Total comprehensive income (loss) for the period			0	•	25,724,915,903	255,066,661,187	280,791,577,090	(888,988,088)	280,092,589,002
Transactions with owners of the Parent Company:									
Dividends						(575,903,630,400)	(575,903,630,400)		(575,903,630,400)
Transfer to other reserve	1	1	9		301,212,920,479	(301,212,920,479)	.1	1	2
			0		301,212,920,479	(877,116,550,879)	(575,903,630,400)	-	(575,903,630,400)
Balance as of March 31, 2022 (unaudited)	W 954,959,485,000 W	4,497,785,722 W	(879,981,829,569) W	528,894,053,906 ##	6,817,099,078,954 \	1,438,205,573,604 \	8,863,674,147,617 W	49,376,964,037 ₩	8,913,051,111,654

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

Consolidated Interim Statements of Cash Flows For the three-month periods ended March 31, 2022 and 2021



(in Korean won)	Notes	<u> </u>	March 31, 2022 (unaudited)	12	March 31, 2021 (unaudited)
Net cash flows provided by operating activities		₩	202,848,888,441	₩	137,205,280,497
Cash generated from operations	24		292,624,285,872		232,504,836,738
Income taxes paid	2.		(89,775,397,431)		(95,299,556,241)
Net cash flows used in investing activities			(261,608,040,901)		(58,605,734,766)
Interest received			3,323,123,062		2,780,657,298
Dividends received			5,005,054,796		3,501,017,709
Decrease in other financial assets			222,045,470,698		179,181,175,054
Decrease in current financial assets measured at fair value through profit or loss					79,446,632,858
Decrease in long-term financial assets measured at					,,,
fair value through profit or loss					600,000,000
Decrease in long-term financial assets measured at					
fair value through other comprehensive income or loss			7,200,000,000		-
Disposal of property, plant and equipment			672,849,676		1,220,727,683
Disposal of investment properties			-		413,670,211
Disposal of assets held for sale			48,309,728,412		416,343,285
Disposal of investments in associates and joint ventures			12,278,711,553		_
Collection of loans			4,888,578,573		3,861,436,773
Collection of guarantee deposits			99,079,108		68,166,997
Collection of finance lease receivables			-		33,020,364
Increase in other financial assets			(311,000,047,849)		(197,000,000,000)
Increase in current financial assets measured at fair value			(,,,,		(,,,
through profit or loss			(104,642,379,670)		-
Increase in long-term financial assets measured at fair value					
through profit or loss			(3,662,228,000)		(854,500,000)
Increase in long-term deposits in MSA Escrow Fund			(76,388,257,551)		(59,574,952,158)
Acquisition of property, plant and equipment			(22,470,571,108)		(55,843,249,914)
Acquisition of intangible assets			(4,582,189,275)		(7,591,976,992)
Acquisition of investment properties			(4,209,337,342)		(3,954,902,003)
Acquisition of right-of-use assets			(338,279,938)		(2,453,464)
Acquisition of investments in associates and joint ventures			(29,488,895,600)		-
Increase in loans			(7,419,325,358)		(5,285,637,338)
Increase in guarantee deposits			(1,229,125,088)		(20,911,129)
Net cash flows provided by (used in) financing activities			9,791,985,244		(601,529,889)
Interest paid			(788,391,203)		(1,051,962,646)
Repayment of lease liabilities			(4,975,070,151)		(5,450,025,643)
Repayment of borrowings			(30,165,693,632)		(16,602,728,085)
Increase in borrowings			45,721,140,230		22,503,186,485
Net increase (decrease) in cash and cash equivalents			(48,967,167,216)		77,998,015,842
Cash and cash equivalents at the beginning of the period			946,570,845,404		1,253,611,491,485
Effect of exchange rate fluctuation on cash and cash equivalents		_	(1,007,949,841)		(17,293,351,618)
Cash and cash equivalents at the end of the period		₩	896,595,728,347	₩	1,314,316,155,709

[&]quot;The accompanying notes are an integral part of the consolidated interim financial statements."

Notes to the Consolidated Interim Financial Statements March 31, 2022 and 2021 (Unaudited)



1. Reporting Entity

1.1 Overview of the Parent Company

KT&G Corporation (the "Parent Company") is engaged in manufacturing and selling tobaccos. As of March 31, 2022, 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.

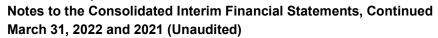
The Parent Company was established as a government-owned enterprise pursuant to the Korea Monopoly Corporation Act on April 1, 1987. On April 1, 1989, the Parent Company changed its name to Korea Tobacco and Ginseng Corporation pursuant to the Korea Tobacco and Ginseng Corporation Act. The Parent Company 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 March 31, 2022, are as follows:

	Shares held (number of shares)	Percentage of ownership (%)				
National Pension Service	11,061,966	8.06				
Industrial Bank of Korea	9,510,485	6.93				
Employee Share Ownership Association	4,045,946	2.95				
Treasury shares	17,312,574	12.61				
Others	95,361,526	69.45				
	137,292,497	100.00				





1.2 Consolidated Subsidiaries

Consolidated subsidiaries as of March 31, 2022 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	March 31, 2022	Korea
Company	Yungjin Pharm. Co., Ltd.	Manufacturing and selling pharmaceuticals	52.45	March 31, 2022	Korea
	Tae-a Industry Co., Ltd.	Manufacturing tobacco materials	100.00	March 31, 2022	Korea
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	Manufacturing and selling tobaccos	99.99	March 31, 2022	Turkey
	Korea Tabacos do Brasil Ltda.	Assistance with purchasing tobacco leaf	99.99	March 31, 2022	Brazil
	KT&G Pars	Manufacturing and selling tobaccos	99.99	March 31, 2022	Iran
	KT&G Rus L.L.C.	Manufacturing and selling tobaccos	100.00	March 31, 2022	Russia
	KT&G USA Corporation	Selling tobaccos	100.00	March 31, 2022	USA
	Cosmocos Co., Ltd.	Manufacturing and selling cosmetics	98.56	March 31, 2022	Korea
	Renzoluc Pte., Ltd.	Holding company	100.00	March 31, 2022	Singapore
	PT KT&G Indonesia	Selling tobaccos	99.99	March 31, 2022	Indonesia
	SangSang Stay Inc.	Hotel	100.00	March 31, 2022	Korea
	KT&G Global Rus L.L.C.	Selling tobaccos	100.00	March 31, 2022	Russia
	Gwacheon SangSang PFV Inc.	Developing and selling real estate	51.00	March 31, 2022	Korea
	KT&G Taiwan Corporation	Selling tobaccos	100.00	March 31, 2022	Taiwan
	Mastern No. 144 PFV Co. Ltd.	Developing and selling real estate	92.50	March 31, 2022	Korea
Korea Ginseng Corporation	KGC Yebon Corporation	Manufacturing and selling medical herbs	100.00	March 31, 2022	Korea
•	KGC Life & Gin Co., Ltd.	Selling ginseng, etc.	100.00	March 31, 2022	Korea
	Jilin Hanzheng Ginseng Co., Ltd.	Manufacturing and selling ginseng, etc.	100.00	March 31, 2022	China
	Cheong Kwan Jang Taiwan Corporation	Selling ginseng, etc.	100.00	March 31, 2022	Taiwan
	Korean Red Ginseng Corp., Inc.	Selling ginseng, etc.	100.00	March 31, 2022	USA
	Korea Ginseng Corp. China	Selling ginseng, etc.	100.00	March 31, 2022	China
	Korea Ginseng Corp. Japan	Selling ginseng, etc.	100.00	March 31, 2022	Japan
Cosmocos	K&I HK Co., Ltd.	Selling cosmetics, etc.	98.56	March 31, 2022	HongKong
Co., Ltd.	K&I China Co., Ltd.	Selling cosmetics, etc.	98.56	March 31, 2022	China
Renzoluc Pte., Ltd.	PT Trisakti Purwosari Makmur	Manufacturing and selling tobaccos	99.99	March 31, 2022	Indonesia
PT Trisakti Purwosari Makmur	PT Nusantara Indah Makmur	Selling tobaccos	99.96	March 31, 2022	Indonesia

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

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

The Parent Company has acquired 6,978,948 shares (\w25,291 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 (w287 million) of its subsidiary, Cosmocos Co., Ltd., during the year ended December 31, 2021, through a capital increase with consideration.

Notes to the Consolidated Interim Financial Statements, Continued March 31, 2022 and 2021 (Unaudited)



2. Significant Accounting Policies

(1) Basis of Preparation

The consolidated interim financial statements of KT&G Corporation and Subsidiaries (the Group, herein) have been prepared in accordance with KIFRS 1034 *Interim Financial Reporting*.

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

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

The Group does not have a history of early adoption of new accounting standards and interpretations that have been published but which are not mandatory for the reporting period. There are various amendments and interpretations which have been applied for the first time for the 2022 reporting period. As of March 31, 2022, these amendments and interpretations do not have a significant impact on the interim financial statements.

(a) Amendments to KIFRS 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.

(b) Amendments to KIFRS 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 KIFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and KIFRS 2121 *Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date.

(c) Amendments to KIFRS 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.

Notes to the Consolidated Interim Financial Statements, Continued March 31, 2022 and 2021 (Unaudited)



(d) Amendments to KIFRS 1101 First time Adoption of Korean International Financial Reporting Standards – Subsidiaries that are first-time adopters

The amendments allow subsidiaries that have elected to adopt paragraph D16 (1) of KIFRS 1101 to measure the accumulated foreign currency translation differences using the amount that the parent company has reported on the date of the parent company's adoption of KIFRS.

(e) Amendments to KIFRS 1109 Financial Instruments – Fees related to the 10% test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

(f) Amendments to KIFRS 1041 Agriculture – Measuring fair value

The amendments removed the requirement in paragraph 22 of KIFRS 1041 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of KIFRS 1041 *Agriculture*.

(3) Significant Accounting Policies

Significant accounting policies and method of computation used in the preparation of the consolidated interim financial statements are consistent with those of the consolidated financial statements for the year ended December 31, 2021, except for the changes due to the application of amendment and enactments of standards described in Note 2.2 and the one described below.

(a) Income Tax Expense

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

Notes to the Consolidated Interim Financial Statements, Continued March 31, 2022 and 2021 (Unaudited)



3. Critical Accounting Estimates and Assumptions

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

Significant accounting estimates and assumptions applied in the preparation of these consolidated interim financial statements are the same as those applied to the consolidated financial statements for the year ended December 31, 2021, except for the estimates used to determine income tax expense.

4. Operating Segment

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

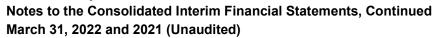
Operating Segments	Principal operations
Tobacco	Manufacturing and selling tobaccos
Ginseng	Manufacturing and selling red ginseng, etc.
Real estate	Selling and renting real estate
Others	Manufacturing and selling pharmaceuticals, cosmetics and others

(b) Segment information on sales and operating profit for the three-month periods ended March 31, 2022 and 2021 are as follows:

(in millions of Korean won)	_						Marc	h 31, 2022						
	To	obacco ¹	G	inseng	Re	al estate	C	Others	Seg	ment total	Ad	justments	Co	nsolidated
Total segment sales	₩	890,331	₩	434,039	₩	128,028	₩	71,761	₩	1,524,159	₩	(121,592)	₩	1,402,567
Intersegment sales		(62,517)		(37,206)		(18,908)		(2,961)		(121,592)		121,592		-
External sales		827,814		396,833		109,120		68,800		1,402,567		-		1,402,567
Operating profit (loss) ²		245,853		35,695		54,804		(2,477)		333,875		(5,384)		328,491

¹Profit (loss) from discontinued operations is included (see Note 25).

²Other 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.





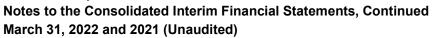
(in millions of Korean won)							Marc	h 31, 2021						
	Т	obacco ¹	G	Sinseng	Re	al estate	c	Others	Seg	ment total	Ad	justments	Coi	nsolidated
Total segment sales	₩	782,157	₩	440,211	₩	108,693	₩	61,329	₩	1,392,390	₩	(128,489)	₩	1,263,901
Intersegment sales		(82,306)		(37,213)		(7,435)		(1,535)		(128,489)		128,489		-
External sales		699,851		402,998		101,258		59,794		1,263,901				1,263,901
Operating profit (loss) ²		218,281		58,456		44,095		(3,981)		316,851		831		317,682

¹Profit (loss) from discontinued operations is included (see Note 25).

(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 KIFRS 1108.

(in millions of Korean won)		_	March 31, 2022	_	March 31, 2021
Revenue recognized at a point in	time:				
	Wholesale, retail	₩	792,335	₩	634,685
Tobacco	Direct sales		35,479		9,313
	Discontinued operations		-		55,853
Cinana	Wholesale, retail		196,730		199,813
Ginseng	Direct sales		200,103		203,185
Others	Wholesale, retail		65,580		52,733
Others	Direct sales		3,220		7,061
	Subtotal	-	1,293,447		1,162,643
Revenue recognized over time:					
Real estate	Sales and rental		109,120		101,258
	Total	₩	1,402,567	₩	1,263,901

²Other 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 March 31, 2022 and December 31, 2021 are as follows:

(in millions of Korean won)				M	arch 31, 2022				
	-	Tobacco	Ginseng	Real estate	Others	Segment total	Adjustments	(Consolidated
Assets:									
Segment assets	₩	5,500,344	2,037,519	1,338,626	261,459	9,137,948	(2,254,714)	₩	6,883,234
Investments in associates and joint ventures		17	<u> </u>	286,007	4,381	290,388	F		290,388
Assets held for sale		25,806	-	1-	= 1	25,806	(391)		25,415
Subtotal	₩	5,526,150	2,037,519	1,624,633	265,840	9,454,142	(2,255,105)		7,199,037
Common assets		-					-		4,612,925
Total assets									11,811,962
Acquisition of non-current assets	₩	29,749	8,620	1,832	2,166	42,367	7,536	-	49,903
Liabilities:								-	
Segment liabilities	₩	1,897,687	185,429	121,762	133,817	2,338,695	(622,623)		1,716,072
Common liabilities									1,182,839
Total liabilities								₩	2,898,911
(in millions of Korean won)				Dec	ember 31, 2021				
	100	Tobacco	Ginseng	Real estate	Others	Segment total	Adjustments		Consolidated
			Gillaelig		Others		Aujustinents		
Assets:			Gillsellg		Others		Aujustillerits	-	
Assets: Segment assets	₩	5,356,142	2,150,747	1,379,475	257,294	9,143,658	(2,150,978)	₩	6,992,680
	₩	5,356,142						-	
Investments in associates and	₩	5,356,142		1,379,475	257,294	9,143,658		-	6,992,680
Segment assets Investments in associates and joint ventures	₩	-	2,150,747	1,379,475	257,294	9,143,658 242,992	(2,150,978)	-	6,992,680 242,992
Segment assets Investments in associates and joint ventures Assets held for sale Subtotal	-	14,901	2,150,747	1,379,475 238,592	257,294 4,400	9,143,658 242,992 20,341	(2,150,978)	-	6,992,680 242,992 20,124
Segment assets Investments in associates and joint ventures Assets held for sale Subtotal	-	14,901	2,150,747	1,379,475 238,592	257,294 4,400	9,143,658 242,992 20,341	(2,150,978)	-	6,992,680 242,992 20,124 7,255,796
Segment assets Investments in associates and joint ventures Assets held for sale Subtotal Common assets	-	14,901	2,150,747	1,379,475 238,592	257,294 4,400	9,143,658 242,992 20,341	(2,150,978) - (217) (2,151,195)	-	6,992,680 242,992 20,124 7,255,796 4,381,475
Segment assets Investments in associates and joint ventures Assets held for sale Subtotal Common assets Total assets Acquisition of non-current assets	₩_	14,901 5,371,043	2,150,747 - 5,440 2,156,187	1,379,475 238,592 - - 1,618,067	257,294 4,400 ————————————————————————————————	9,143,658 242,992 20,341 9,406,991	(2,150,978)	-	6,992,680 242,992 20,124 7,255,796 4,381,475 11,637,271
Segment assets Investments in associates and joint ventures Assets held for sale Subtotal Common assets Total assets Acquisition of non-current	₩_	14,901 5,371,043	2,150,747 - 5,440 2,156,187	1,379,475 238,592 - - 1,618,067	257,294 4,400 ————————————————————————————————	9,143,658 242,992 20,341 9,406,991	(2,150,978) - (217) (2,151,195)	-	6,992,680 242,992 20,124 7,255,796 4,381,475 11,637,271
Segment assets Investments in associates and joint ventures Assets held for sale Subtotal Common assets Total assets Acquisition of non-current assets Liabilities:	₩_	14,901 5,371,043 209,329	2,150,747 - 5,440 2,156,187	1,379,475 238,592 	257,294 4,400 ————————————————————————————————	9,143,658 242,992 20,341 9,406,991	(2,150,978) - (217) (2,151,195) (93,551)	-	6,992,680 242,992 20,124 7,255,796 4,381,475 11,637,271 390,430

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.

Notes to the Consolidated Interim Financial Statements, Continued March 31, 2022 and 2021 (Unaudited)



(e) Geographical information determined by customer's location for the three-month periods ended March 31, 2022 and 2021 are as follows:

(in millions of Korean won)		March 31, 2022					March 31, 2021						
		Korea	0	verseas		Total	Korea		Korea Overseas ¹		Total		
Sales	₩	980,417	₩	422,150	₩	1,402,567	₩	963,694	₩	300,207	₩	1,263,901	
Non-current assets		2,942,554		100,393		3,042,947		2,837,668		128,966		2,966,634	

¹Overseas sales \(\psi \)55,853 million, classified as profit or loss from discontinued operations for the three-month period ended March 31, 2021 is included.

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.

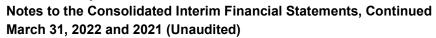
5. Trade and Other Receivables

(a) Trade and other receivables as of March 31, 2022 and December 31, 2021 are as follows:

(in millions of Korean won)		March 31, 2022			December 31, 2021					
	1	Current		Non-current		Current		Non-current		
Trade receivables	₩	1,086,067	₩	-	₩	904,504	₩	1.5		
Loans		18,174		62,246		17,123		60,827		
Other receivables		66,607		3,487		39,855		3,612		
Guarantee deposits		47,159		33,258		48,775		30,170		
Accrued income		3,262		17		2,484		151		
Total	₩	1,221,269	₩	99,008	₩	1,012,741	₩	94,760		

(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 March 31, 2022 and December 31, 2021 are as follows:

(in millions of Korean won)		March	31, 2	2022		December 31, 2021					
		Current		Non-current		Current		Non-current			
Total carrying amount	₩	1,301,895	₩	99,323	₩	1,091,383	₩	95,125			
Allowances:											
Trade receivables		(79,676)		(=)		(77,675)		-			
Other receivables		(950)		(315)		(967)		(365)			
Total allowances		(80,626)		(315)		(78,642)		(365)			
Net trade and other receivables	₩	1,221,269	₩_	99,008	₩	1,012,741	₩_	94,760			





(c) Changes in allowance for doubtful accounts in relation to trade and other receivables as of March 31, 2022 and December 31, 2021 are as follows:

(in millions of Korean won)	_	March 31, 2022	_	December 31, 2021
Beginning balance	₩	79,007	₩	87,776
Loss (reversal) of impairment ¹		138		(1,305)
Write off		(37)		-
Net exchange difference		1,833		202
Ending balance	₩	80,941	₩	86,673

¹Impairment loss classified as profit or loss from discontinued operations of ₩214 million and ₩42 million are included for the three-month periods ended March 31, 2022 and 2021, 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.

6. Inventories

(a) Inventories as of March 31, 2022 and December 31, 2021 are as follows:

(in millions of Korean won)			M	arch 31, 2022	2				December 31, 2021			
	_	Acquisition cost		Valuation loss allowance		Carrying amount	-	Acquisition cost		Valuation loss allowance		Carrying amount
Merchandise	₩	38,704	₩	(2,293)	₩	36,411	₩	57,930	₩	(2,609)	₩	55,321
Finished goods		328,564		(35,357)		293,207		369,572		(37,102)		332,470
Half-finished goods and work in progress		991,250		(3,232)		988,018		1,041,928		(3,881)		1,038,047
Raw materials		837,743		(8,550)		829,193		830,469		(8,671)		821,798
Supplies		50,637		-		50,637		51,331		_		51,331
By-products		5,907		-		5,907		6,551		-		6,551
Buildings under construction		7,401		12		7,401		5,926		_		5,926
Completed buildings		1,490		-		1,490		3,126		-		3,126
Sites for construction of real estate		20,713		=		20,713		24,416		-		24,416
Goods in transit		27,464		_		27,464		36,395		-		36,395
Total	₩	2,309,873	₩	(49,432)	₩	2,260,441	₩	2,427,644	₩	(52,263)	₩	2,375,381

Notes to the Consolidated Interim Financial Statements, Continued March 31, 2022 and 2021 (Unaudited)



(b) The amount of loss (reversal) on valuation and obsolescence of inventories recognized for the three-month periods March 31, 2022 and 2021 are as follows:

(in millions of Korean won)	1	March 31, 2022	100	March 31, 2021		
Cost of sales:						
Loss (reversal) on valuation of inventories ¹	₩	(3,167)	₩	(38)		
Loss on obsolescence of inventories		2,880		2,545		
Other expense:						
Loss on obsolescence of inventories		11		339		
Total	₩	(276)	₩	2,846		

¹Loss (reversal) on valuation of inventories classified as profit or loss from discontinued operations of (-) ₩64 million and ₩18 million are included for the three-month periods ended March 31, 2022 and 2021, respectively.

7. Investments in Associates and Joint Ventures

Changes in investments in associates and joint ventures as of March 31, 2022 and 2021 are as follows:

(in millions of Korean won)	March 31, 2022			March 31, 2021
Beginning balance	₩	242,992	₩	132,187
Acquisition		29,489		121
Disposal		(12,279)		-
Shares of net profit or loss		13,966		21
Dividends		(793)		(18)
Changes in Equity		(1)		-
Reclassification ¹		17,014		-
Ending balance	₩	290,388	₩	132,311

¹For the three-month period ended March 31, 2022, KOCREF 41 REIT is reclassified as investment in associates from financial assets at fair value through other comprehensive income, and KORAMCO Amsa PFV Co., Ltd. is reclassified as assets held for sale from investment in associates (see Note 21).

Notes to the Consolidated Interim Financial Statements, Continued March 31, 2022 and 2021 (Unaudited)



8. Property, Plant and Equipment

Changes in property, plant, and equipment for the three-month periods ended March 31, 2022 and 2021 are as follows:

(in millions of Korean won)		March 31, 2022	-	March 31, 2021
Beginning balance	₩	1,741,042	₩	1,718,412
Acquisition		25,829		51,133
Disposal/Impairment		(116)		(84)
Amoritisation ¹		(39,973)		(38,697)
Reclassification and others		40,408		1,461
Ending balance	₩	1,767,190	₩	1,732,225

¹Depreciation expense (W79 million for the three-month period ended March 31, 2021) classified as profit of loss from a discontinued operation is included.

9. Intangible Assets

Changes in intangible assets for the three-month periods ended March 31, 2022 and 2021 are as follows:

(in millions of Korean won)	Ma	March 31, 2021	
Beginning balance	₩	145,719 ∀	∀ 134,084
Acquisition		12,599	7,573
Disposal/Impairment		(401)	(35)
Amortisation		(3,815)	(3,609)
Reclassification		510	449
Ending balance	₩	154,612 ₩	₹ 138,462

Notes to the Consolidated Interim Financial Statements, Continued March 31, 2022 and 2021 (Unaudited)



10. Investment Property

Changes in investment property for the three-month periods ended March 31, 2022 and 2021 are as follows:

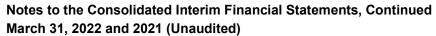
(in millions of Korean won)	N	-	March 31, 2021	
Beginning balance	₩	1,150,980	₩	1,030,179
Acquisition		4,807		3,990
Disposal/Impairment		~		(408)
Amortisation		(4,975)		(5,435)
Reclassification		(65,257)		21,182
Ending balance	₩	1,085,555	₩	1,049,508

11. Right-of-use Assets

Changes in right-of-use assets for the three-month periods ended March 31, 2022 and 2021 are as follows:

(in millions of Korean won)	M	arch 31, 2022	-	March 31, 2021
Beginning balance	₩	36,445	₩	49,088
Acquisition		6,666		3,010
Disposal		(1,506)		(178)
Amortisation ¹		(6,019)		(6,002)
Reclassification		5		521
Ending balance	₩	35,591	₩	46,439

¹Depreciation Expense (\(\frac{\psi}{380}\) million for the three-month period ended March 31, 2021) classified as profit or loss from discontinued operations is included.



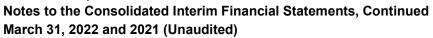


12. Assets and Liabilities Held for Sale

Changes in assets held for sale for the three-month periods ended March 31, 2022 and 2021 are as follows:

(in millions of Korean won)	17	March 31, 2022	100	March 31, 2021
Beginning balance	₩	20,124	₩	2,681
Disposal		(18,341)		(604)
Reclassification and others ¹		23,632		(77)
Ending balance	₩	25,415	₩	2,000

¹Consist of **W**22,647 million reclassified from investment property and **W**985 million reclassified from investment in associates (**W**77 million of exchange differences on translation foreign operations for the three-month period ended March 31, 2021)





13. Borrowings

(a) Short-term borrowings as of March 31, 2022 and December 31, 2021 are as follows:

(in millions of Korean won)	Lender	Annual interest rate (%)		March 31, 2022		December 31, 2021
		FTP+0.984~1.2	₩	17,600	₩	4,000
	Hana Bank	Bank Debenture (6 months)+1.62~2.308		3,000		3,000
		3.5		8,000		8,000
Perrousings	Hana Bank Bahrain branch	CME Term SOFR (3 months)+1.2		5,428		5,344
Borrowings	KB Kookmin Bank	3.5		40,000		40,000
	Shinhan Bank	Bank Debenture (6 months)+1.62		10,000		10,000
		Internal interest rate+1.12		-		1,000
	Korea Development Bank	Industrial Financial Debenture (1 year)+1.15		7,000		3,500
	Subtotal			91,028		74,844
Consumer credit	NH Nonghyup Bank	æ		393		437
agreements ¹	Hana Card	-		143		152
	Subtotal			536		589
	Total		₩	91,564	₩	75,433

¹The 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 March 31, 2022 and December 31, 2021 are as follows:

(in millions of Korean won)	Lender	Maturity	Annual interest rate (%)		March 31, 2022	December 31, 2021
Other financial loan for working capital	NH Nonghyup Bank	2023.05.30~ 2026.06.30	=	₩	51,969	₩ 51,569
Danamiana	KB Kookmin	0000 00 44	MOR(6 months) +1.03		1,650	1,925
Borrowings	Bank	2023.09.11	MOR(6 months) +1.58		1,600	1,867
	Total			- E	55,219	55,361
Consolidated statements of fina	ancial position:			-		
Current					2,166	2,166
Non-current					53,053	53,195
	Total			₩	55,219	₩ 55,361

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

Notes to the Consolidated Interim Financial Statements, Continued March 31, 2022 and 2021 (Unaudited)



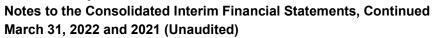
14. Employee Benefits

(a) Profit or loss recognized related to employee benefits for the three-month periods ended March 31, 2022 and 2021 are as follows:

(in millions of Korean won)	PI	March 31, 2022	_	March 31, 2021
Defined benefit plans:				
Current service cost	₩	12,933	₩	13,902
Net interest on net defined benefit liabilities (assets)		276		514
Subtotal	8	13,209	100	14,416
Defined contribution plan:				
Contributions recognized as expense		2,112		2,329
Other long-term employee benefits:				
Current service cost, etc.		1,423		1,046
Termination benefits:				
Voluntary retirements, etc.		2,214		1,732
Total	₩	18,958	₩	19,523

(b) Net defined benefit liabilities (assets) as of March 31, 2022 and December 31,2021 are as follows:

(in millions of Korean won)		March 31, 2022	-	December 31, 2021
Present value of defined benefit obligations	₩	589,471	₩	585,308
Fair value of plan assets		(533,235)		(538,708)
Total	₩	56,236	₩	46,600





15. Refund Liabilities and Provisions

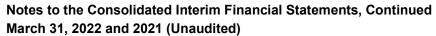
(a) Refund liabilities and provisions as of March 31, 2022 and December 31, 2021 are as follows:

(in millions of Korean won)		March	31, 2	2022		Decemb	er 31	, 2021
	-	Current	8	Non-current	_	Current		Non-current
Provision for product warranty	₩	4,809	₩		₩	4,915	₩	-
Refund liabilities		13,216		3,630		14,340		3,367
Provision for site restoration		6,255		890		3,497		1,604
Provision for financial guarantee		-		222		21		250
Provision for greenhouse gases		152		-		269		-
Provision for others		1,868		2		3,089		1
Total	₩	26,300	₩	4,744	₩	26,131	₩	5,222

(b) Changes in refund liabilities and provisions as of March 31, 2022 and December 31, 2021 are as follows:

(in millions of Korean won)		<u></u>		March	31, 2	022		
		Beginning balance		Increase		Decrease		Ending balance
Provision for product warranty	₩	4,915	₩	342	₩	(448)	₩	4,809
Refund liabilities		17,707		1,626		(2,487)		16,846
Provision for site restoration		5,101		2,056		(12)		7,145
Provision for financial guarantee		271		-		(49)		222
Provision for greenhouse gases		269		-		(117)		152
Provision for others		3,090		111		(1,331)		1,870
Total	₩	31,353	₩	4,135	₩	(4,444)	₩	31,044

(in millions of Korean won)		_		Decemb	er 31,	2021		
		Beginning balance		Increase		Decrease		Ending balance
Provision for product warranty	₩	4,464	₩	2,041	₩	(732)	₩	5,773
Refund liabilities		11,243		1,508		(2,210)		10,541
Provision for site restoration		13,476		311		(3,585)		10,202
Provision for financial guarantee		622		-		(87)		535
Provision for greenhouse gases		178		16		-		194
Provision for others		718		34		-		752
Total	₩	30,701	₩_	3,910	₩	(6,614)	₩	27,997





16. Real Estate Pre-sales Contract

(a) Details of ongoing real estate pre-sales contracts for the three-month periods ended March 31, 2022 and 2021 are as follows:

(in millions of Korean won)

					March 31, 202	22							
Construction project	Initial sales contract date	Expected completion date	Progress (%)		Total sales value		Total sales contract value		Revenue (cumulative)		Revenue (period) ¹		Cost (cumulative) ²
Suwon hwaseo prugio briciel	June 2020	September 2023	40.72	₩	791,406	₩	750,989	₩	305,835	₩	60,960	₩	137,516
Gwacheon sangsang Xi tower B	January 2021	May 2023	42.41		239,568		239,568		100,541		25,288		56,289
	Total			₩	1,030,974	₩	990,557	₩	406,376	₩	86,248	₩	193,805

¹Excludes sales revenue of Suwon Hwaseo Park Prugio, \(\psi^4\),203 million due to the fact that the construction has been completed and pre-sales contract is in progress.

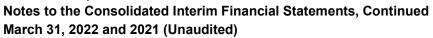
(in millions of Korean won)

Ma	rch	31	1 2	021

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)	June 2018	August 2021	81.22	₩	1,188,429 \	₩	1,186,566	₩	963,758	₩	51,773	₩	403,749
Suwon hwaseo park prugio (Efficiency apartment)	October 2018	August 2021	80.49		112,056		106,493		84,475		4,366		51,636
Suwon hwaseo prugio briciel	June 2020	September 2023	11.21		791,434		751,016		84,173		21,948		37,778
Gwacheon sangsang Xi tower B	January 2021	May 2023	2.8		239,568		239,568		6,708		6,708		3,887
	Total			₩	2,331,487 \	₩	2,283,643	₩	1,139,114	₩	84,795	₩	497,050

¹Excludes cumulative costs of ₩32,512 million for common infrastructure.

²Excludes cumulative costs of w970 million for common infrastructure.



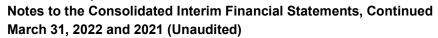


(b) Receivables and payables for ongoing real estate pre-sales contracts as of March 31, 2022 and December 31, 2021 are as follows:

(in millions of Korean won)	March 31, 2022							
Construction project		Revenue (cumulative)		Cash collected (cumulative)		Trade receivables for sale in lots		Advanced receipts for sale in lots
Suwon hwaseo prugio briciel	₩	305,835	₩	228,284	₩	81,772	₩	4,221
Gwacheon sangsang Xi tower B		100,541		70,811		29,730		-
Total	₩	406,376	₩	299,095	₩	111,502	₩	4,221

(in millions of Korean won)				December	r 31,	2021		
Construction project		Revenue (cumulative)		Cash collected (cumulative)		Trade receivables for sale in lots		Advanced receipts for sale in lots
Suwon hwaseo park prugio (Apartment)	₩	1,212,154	₩	1,202,022	₩	10,132	₩	<u></u>
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

(c) No Material changes in estimated total contract revenues and total contract costs have occurred for the three-month periods ended March 31, 2022. 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 March 31, 2022 and subject to change in the future.



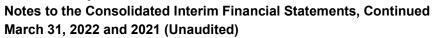


17. Selling and Administrative Expenses

Selling, general and administrative expenses for the three-month periods ended March 31, 2022 and 2021 are as follows:

(in millions of Korean won)	· <u> </u>	March 31, 2022	1	March 31, 2021
Salaries	₩	118,900	₩	112,663
Retirement and termination benefits		11,702		12,361
Employee welfare		18,193		13,263
Travel expenses		2,734		1,527
Communication cost		1,473		1,426
Utilities		3,335		3,379
Taxes and dues		2,864		2,655
Supplies		1,309		1,507
Rent		4,803		3,649
Depreciation		15,520		15,024
Amortization		3,758		3,568
Repairs and maintenance		919		1,137
Vehicles		1,700		1,493
Insurance		966		1,671
Commissions		112,395		110,225
Freight and custody		17,246		16,210
Conferences		664		523
Advertising		71,303		56,158
Education and training		1,115		1,243
Prizes and rewards		292		391
Cooperation		396		291
Research and development		8,562		15,965
Impairment loss(reversal) on trade receivables	-	200	96	(1,217)
Total	₩	400,349	₩	375,112

¹Includes profit (loss) in relation to discontinued operations for the three-month periods ended March 31, 2022 and 2021 of **W**4,516 million and **W**9,654 million respectively.





18. Other Income and Expense

(a) Other income for the three-month periods ended March 31, 2022 and 2021 are as follows:

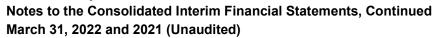
(in millions of Korean won)	10	March 31, 2022	-	March 31, 2021
Gain on foreign currency transaction	₩	7,077	₩	7,717
Gain on foreign currency translation		40,957		65,247
Gain on valuation of derivatives		675		5
Reversal of impairment loss on other receivables		232		88
Gain on disposal of property, plant and equipment		13		158
Gain on disposal of investment property		-		5
Gain on lease contract adjustments		62		30
Gain on disposal of investments in associates and joint ventures		-		122
Gain on disposal of assets held for sale		22,729		-
Miscellaneous income		3,381		1,781
Total	₩	75,126	₩	75,153

¹Profit (loss) relating discontinued operations of ₩692 million and ₩268 million for the three-month periods ended March 31, 2022 and 2021 are included, respectively.

(b) Other expense during three-month periods ended March 31, 2022 and December 31, 2021 are as follows:

(in millions of Korean won)		March 31, 2022	100	March 31, 2021		
Loss on foreign currency transaction	₩	3,574	₩	1,613		
Loss on foreign currency translation		12,391		9,417		
Loss on valuation of derivatives		5,760		11,841		
Loss on impairment of other receivables		170				
Loss on disposal of property, plant and equipment		80		76		
Loss on disposal of intangible assets		368		=		
Loss on impairment of intangible assets		33		35		
Loss on disposal of assets held for sale		1,217		297		
Donations		1,379		903		
Loss on lease contract adjustments		3		4		
Miscellaneous loss		2,637		260		
Total	₩	27,612	₩	24,446		

¹Profit (loss) relating discontinued operations of ₩550 million for the three-month periods ended March 31, 2022 of is included.





19. Finance Income and Costs

Finance income and costs for the three-month periods ended March 31, 2022 and 2021 are as follows:

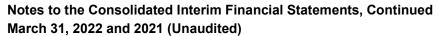
(in millions of Korean won)		March 31, 2022		March 31, 2021
Finance income:	2-			
Interest income ¹	₩	4,520	₩	3,364
Dividend income		8,617		8,757
Gain on valuation of fair value through profit or loss		19,593		8,277
Total finance income	₩	32,730	₩	20,398
Finance cost:				
Interest expense	₩	8,875	₩	2,332
Loss on valuation of fair value through profit or loss		11,747		3,402
Other financial expense		10,300		=
Total finance cost	₩	30,922	₩	5,734
Net finance income	₩	1,808	₩	14,664

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

20. Income Tax Expense and Deferred Tax Asset

Income tax expense is recognized based on the best estimate of weighted average annual effective income tax rate expected for the full financial year. The average effective tax rates for the three-month periods ended March 31, 2022 and 2021, are 32.77% and 28.84%, respectively.

²Losses relating discontinued operation for the three-month period ended March 31, 2021 of w63 million is included.





21. Related Parties

(a) The Group's related parties as of March 31, 2022 and December 31, 2021 are as follows:

Type Name of entity			Percentage of ov	vnership (%)
Туре	Name of entity	Location -	March 31, 2022	December 31, 2021
Associates	LitePharmTech, Inc. ¹	Korea	12.88	12.88
	KORAMCO Banpo PFV Co., Ltd.1	Korea	18.95	18.95
	KORAMCO Dongjak PFV Co., Ltd.1	Korea	19.47	19.47
	KORAMCO Amsa PFV Co., Ltd. 1,2	Korea	17.84	17.84
	KOCREF 36 REIT ³	Korea	21.01	21.01
	KOCREF 41 REIT ⁴	Korea	26.47	-
	AndaStation Professional Investment Private REIT No 1	Korea	21.43	21.43
	Kiwoom Milestone Private	Korea	45.45	45.50
	REIT No.16 ⁵			
	Cheong-ra Medi-polis PFV Co.,Ltd. ^{6,7}	Korea	56.74	56.74
	INNODIS CO., Ltd.1	Korea	19.64	19.60
	SJ BIO MED Co., Ltd.1	Korea	14.39	14.39
	LSK Global Pharma Services Co., Ltd.	Korea	23.13	23.13
Joint ventures	KORAMCO Europe Private REIT 3-2 Fund ⁸	Germany	51.35	51.35
	Starfield Suwon Inc.	Korea	50.00	50.00
Others	KORAMCO Ocheon PFV Co., Ltd.9	Korea	-	18.95

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 is has significant influence over the invested company.

³Because the percentage of ownership increased due to the unequal capital decrease for 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.

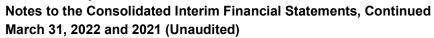
⁴Because the percentage of ownership increased due to the disproportionate capital decrease for the three-month period ended March 31, 2022, the Group has acquired its significant influence on the investee. The Group has reclassified its holdings as an investment in associates.

⁵It is reclassified as an investment in associates since the Group reassessed that is has significant influence over the invested company for the year ended December 31, 2021.

⁶Due to an establishment of capital investment for the year ended December 31, 2021, the Group has acquired its significant influence in the invested company. The Group has classified its holdings as an investment in associates.

⁷The Group classified such holdings as an investment in associates since decisions on significant financial, operating policies of the investee are to be made with more than three fourths of Board of Directors in accordance with investment agreement.

² The Group has reclassified its holdings as assets held for sale, following the resolution of dissolution made at shareholders' meeting.





⁸It 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.

⁹Since sales contract was made for the year ended December 31, 2021, it is reclassified as asset held for sale. Also, it is sold to the third party for the three-month period ended March 31,2022 and has been excluded from the list of related parties, accordingly.

(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 three-month periods ended March 31, 2022 and 2021 are as follows:

(in millions of Korea	an won)		March 31, 2022				March 31, 2021			
Туре	Name of entity		Sales and other revenue		Purchase and other expenses		Sales and other revenue		Purchase and other expenses	
Associates	Kiwoom Milestone Private REIT No.16	₩	793	₩	-	₩	-	₩	-	
	INNODIS CO., LTD.		(2)		434		-		270	
Joint ventures	Starfield Suwon, Inc.		1070		68		17		-	
Others	KORAMCO Ocheon PFV Co., Ltd.		-		= = = = = = = = = = = = = = = = = = =		18			
	Total	₩	793	₩	502	₩	18	₩	270	

(c) Account balances of receivables and payables with related parties as of March 31, 2022 and December 31, 2021 are summarized as follows:

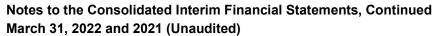
(in millions of Kore	an won)		March 31, 2022			_	Decemb	er 31	er 31, 2021	
Туре	Name of entity		Receivables		Payables		Receivables		Payables	
Associates	AndaStation Professional Investment Private REIT No.1	₩	ō	₩	=	₩	481	₩	-	
	INNODIS CO.,LTD.		-		35		-		-	
Others	KORAMCO Ocheon PFV Co., Ltd.				=		18		18E	
	Total	₩_	1-	₩	35	₩_	499	₩	-	

(d) Fund transactions with related parties for the three-month period ended March 31, 2022 is as follows:

(in millions of Korean won)

			March 31, 2022							
Туре	Name of entity		Equity investment		Equity recovery					
Associates	KOCREF 41 REIT	₩	29,489	₩	(12,279)					
Others	KORAMCO Ocheon PFV Co., Ltd. ¹		-	. n <u> </u>	(24,353)					
	Total	₩	29,489	₩	(36,632)					

¹Since sales contract was made for the year ended December 31, 2021, it is reclassified as asset held for sale. Also, it is sold to the third party for the three-month period ended March 31, 2022 and has been excluded from the list of related parties, accordingly.





- (e) There are no payment guarantees provided between or among the related parties.
- (f) The Group is currently operating Starfield Suwon Inc. 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.
- (g) The Group has entered into a contribution agreement for equity instruments of Cheong-ra medipolis PFV Co., Ltd., an associate, with the limit of \(\pmu101,000\) million. As of March 31, 2022, the outstanding amount of the contribution is \(\pmu83,978\) 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.
- (h) Upon disposal of the equity shares of Gwacheon SangSang PFV. Inc., unanimous consent of the other shareholders is required.
- (i) 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 three-month periods ended March 31, 2022 and 2021 are as follows:

(in millions of Korean won)	Mar	ch 31, 2022		March 31, 2021
Short-term and long-term employee benefits	₩	5,222	₩	6,163
Retirement benefits		592		602
Total	₩	5,814	₩	6,765

Notes to the Consolidated Interim Financial Statements, Continued March 31, 2022 and 2021 (Unaudited)



22. Risk Management and Fair Value of Financial Instruments

In relation to financial instruments, the Group is exposed to market risk, credit risk and liquidity risk. The purpose of risk management of the Group is to identify potential risks affecting the financial performance of the Group and to 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

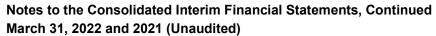
Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and prices of equity securities – will affect the fair value or future cash flow of the Group's financial instruments. The Group manages and controls market risk exposures within the acceptable limits,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

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.





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 variable interest rate liabilities of the Group as of March 31, 2022, the effect of changes in interest rates on the fair values of financial liabilities or future cash flows is immaterial.

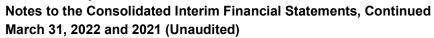
(b) Credit risk

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.

As of March 31, 2022 and December 31, 2021, the carrying amount of a financial asset indicates the maximum exposure to credit risk.

(c) Liquidity risk

The Group is exposed to liquidity risk that will be difficult to meet its obligations related to financial liabilities that are settled by delivering cash etc., or other financial assets. To manage liquidity risk, the management of the Group establishes short and mid-to-long term financial management plan and continuously analyzes and reviews the cash outflow budget and actual cash outflows to respond to the maturity of financial liabilities and financial assets. Management of the Group determines that the financial liabilities are redeemable through cash flows from operating activities and cash inflows from financial assets.





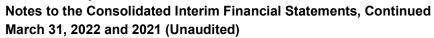
(d) The carrying amounts of each category of financial instruments as of March 31, 2022 and December 31, 2021 are as follows:

(in millions of Korean won)	-	March 31, 2022	_	December 31, 2021
Financial assets:				
Financial assets fair value through profit or loss ¹	₩	1,843,659	₩	1,683,359
Financial assets fair value through other comprehensive income or loss		214,761		228,398
Derivative assets		675		580
Financial assets measured at amortized cost				
Cash and cash equivalents ¹		439,288		533,412
Other financial assets		554,991		466,058
Trade and other receivables		1,320,277		1,107,501
Long-term deposits		1,354,168		1,250,468
Subtotal		3,668,724		3,357,439
Total financial assets	₩	5,727,819	₩	5,269,776
Financial liabilities:	-			
Derivative liabilities	₩	1,505	₩	908
Financial liabilities measured at amortized cost				
Short-term borrowings		91,564		75,433
Current portion of long-term borrowings		2,166		2,166
Long-term borrowings		53,053		53,195
Trade and other payables		1,142,014		603,833
Lease liabilities		34,138		36,558
Liabilities for non-controlling interests		6,049		18,317
Subtotal	8	1,328,984	90	789,502
Total financial liabilities	₩	1,330,489	₩	790,410

¹As of March 31, 2022, money market trust worth ₩457,308 million (December 31, 2021: ₩413,159 million) included in cash equivalents are classified as 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 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 March 31, 2022 and December 31, 2021 are as follows:

(in millions of Korean won)		March 31, 2022											
		Carrying				Fair value							
	<u> </u>	amount	_	Level 1	<u> </u>	Level 2	<u> </u>	Level 3					
Fair value through profit or loss ¹	₩	1,843,659	₩	-	₩	1,550,191	₩	293,468					
Fair value through other comprehensive income or loss		214,761		211,032		-		3,729					
Derivative assets		675		-		675		-					
Total financial assets	₩	2,059,095	₩	211,032	₩	1,550,866	₩	297,197					
Derivative liabilities	₩	1,505	₩	=	₩	1,505	₩	170					

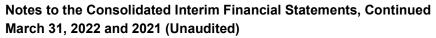
¹As of March 31, 2022, money market trust worth \u2214457,308 million included in cash equivalents are classified as the financial assets measured at fair value through profit or loss.

(in millions of Korean won)		December 31, 2021									
	_	Carrying				Fair value					
	_	amount	_	Level 1	200	Level 2	10	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		12			
Total financial assets	₩	1,912,337	₩	196,312	₩	1,396,543	₩	319,482			
Derivative liabilities	₩	908	₩	-	₩	908	₩	-			

¹As of December 31, 2021, money market trust worth \u2214413,159 million classified as cash equivalents are included in the financial assets measured at fair value through profit or loss.

There is no movement between levels of the fair value hierarchy for the three-month periods ended March 31, 2022 and 2021.

As of March 31, 2022 and December 31, 2021, the fair value of investment trust's equity securities classified as financial assets at fair value through profit or loss (other comprehensive income of 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 three-month ended March 31, 2022 and 2021 are as follows:

(in millions of Korean won)	17	March 31, 2022		March 31, 2021
Beginning balance	₩	319,482	₩	282,226
Acquisition		3,662		854
Disposal		1-1		(600)
Transfers		(28,300)		
Changes in fair value		2,353		(778)
Ending balance	₩	297,197	₩	281,702

(f) Net gains or losses by category of financial instruments for the three-month periods ended March 31, 2022 and 2021 are as follows:

(in millions of Korean won)		March 31, 2022											
		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	₩		₩	-	₩	10-	₩	4,520	₩	- ₩	4,520		
Dividend income		2,586		6,031		-		-		=	8,617		
Gain or loss on valuation		7,847		-		(5,086)		-		= 1	2,761		
Loss on disposal				(10,300)		-		-		2	(10,300)		
Interest expense		1-		-		-				(8,875)	(8,875)		
Impairment loss		-		-		-		(138)		-	(138)		
Gain or loss on lease contract adjustments		-		_		_		_		58	58		
Total	₩	10,433	₩	(4,269)	₩	(5,086)	₩	4,382	₩	(8,817) ₩	(3,357)		
Other comprehensive income(loss) before tax	3												
Net change in fair value	₩	_	₩	21,863	₩	_	₩	-	₩	- ₩	21,863		

(in millions of Korean won)		March 31, 2021											
	٠	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	₩	-	₩	-	₩		₩	3,364	₩	-	₩	3,364	
Dividend income		2,178		6,579		-		-		-		8,757	
Gain or loss on valuation		4,875		-		(11,836)		-		- 1		(6,961)	
Interest expense		-		-		_		-		(2,332)		(2,332)	
Reversal of impairment loss		-		-		-		1,305		- 1		1,305	
Gain or loss on lease contract adjustments		-		-		-				26		26	
Total	₩	7,053	₩	6,579	₩	(11,836)	₩	4,669	₩	(2,306)	₩	4,159	
Other comprehensive income(loss) before tax													
Net change in fair value	₩	-	₩	16,190	₩	-	₩	-	14	-	₩	16,190	

Notes to the Consolidated Interim Financial Statements, Continued March 31, 2022 and 2021 (Unaudited)



23. Contingent Liabilities and Commitments

(a) Litigation cases

As of March 31, 2022, the Group has 19 cases of pending litigations under progress where the Group is the defendant and the litigation amounts are \(\psi_82,172\) million. It is not possible to reasonably predict the impact of the outcome of pending litigation as of March 31, 2022, on the consolidated financial statements of the Group.

(b) Commitments with financial institutions

Major commitments of the Group with financial institutions as of March 31, 2022 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	USD	110,300
Derivatives trading ¹	KB Kookmin Bank and four others	USD	338,500
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	205,833
	Hana Bank Bahrain branch	USD	5,500

¹Derivatives are composed of foreign exchange forward contracts and are held for trading as of March 31, 2022.

As of March 31, 2022, the Group has a short-term export credit insurance contract with the Korea Trade Insurance Corporation (covered amount: USD 119,140 thousand, EUR 1,800 thousand) related to the overseas export of manufactured cigarettes etc.

Notes to the Consolidated Interim Financial Statements, Continued March 31, 2022 and 2021 (Unaudited)



(c) Payment guarantees and collateral

Payment guarantees and collateral provided by other parties to the Group as of March 31, 2022 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	18,346	License guarantee, etc.				
Travelers Casualty and Surety Company of America	USD	29,640	Escrow deposit guarantee				
Liberty Mutual and two others	USD	640	Payment guarantees on license bonc				
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.				

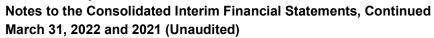
As of March 31, 2022, KT&G USA Corporation is being provided with a payment guarantee from the Federal Insurance Company (Executed amount: nil) for custom clearance. The Group has a recourse responsibility up to a limit of USD 125,000 thousand to the Federal Insurance Company and others.

Payment guarantees provided by the Group for other parties as of March 31, 2022 are as follows:

(in millions of Korean won)

Guarantee user	Guaranteed by	Limit amount	Execution amount	Details of guarantee			
Buyer of Suwon hwaseo prugio briciel	Shinhan Bank	76,720	25,532	Loan guarantee for the intermediate payment of off-plan sales construction			
Agency registered in Korea Special Sales Financial Cooperative Association	Korea Special Sales Financial Cooperative Association	909	-	Payment guarantee for deductibles and others of Donghae branch			

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 (see Note 13).





Assets pledged as collateral as of March 31, 2022 are as follows:

(in millions of Korean won)		Carrying amount		Debt amount		Collateralized amount	Collateral holder	Туре
Property, plant and equipment	₩	26,191	₩	3,251	₩	15,600	KB Kookmin Bank	Current portion of long- term and long term borrowings
		17,236		13,000		24,000	Hana Bank and one other	Short-term borrowings
		31,143		-		2,400	Korea Development Bank	Collateral for limit loan agreement
Investment property		478,476		26,709		27,939	CJ Foodville Co., Ltd., etc.	Establishment of right to collateral security on rent deposits/Establishment of lease contracts
		81,424		48,000		57,600	KB Kookmin bank and one other	Short-term borrowings
Other financial assets		10,310		-		10,310	Korea Land & Housing Corporation	Establishment of a pledge for property development
		597		597		597	Samsung Fire & Marine Insurance	Establishment of a pledge for leasehold deposits
Investments in associates and joint ventures		5,306		90,000		5,306	Hyundai Marine & Fire Insurance Co., Ltd & NH Bank	Collateral for PF Loan of KORAMCO Banpo PFV Co., Ltd.
Total	₩	650,683	₩	181,557	₩	143,752		

Bills and cheques provided as collateral by the Group in relation to borrowings, etc., as of March 31, 2022 are as follows:

	Туре	pe Quantity Face amo		Details
linhaung Cavinga Dank	Draft bill	1 note	₩ 1,000 million	Not collected after debt dissipation
Jinheung Savings Bank	Cheque	1 note	Blank	Not collected after debt dissipation

As of March 31, 2022, 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.

Restricted financial assets as of March 31, 2022 and December 31, 2021 are as follows:

(in millions of Korean v	von)	_	March 31, 2022		December 31, 2021
Other financial assets	Establishment of a pledge to guarantee real estate development	₩	10,310	₩	10,310
	Establishment of a pledge for leasehold		597		597
	Deposit in the Accompanied Growth Cooperation Loan Fund		100,000		100,000
	Security deposits for checking accounts, etc.		55		55
Cash and cash equivalents	Establishment of a pledge to savings		1,680		1,680
	Total	₩	112,642	₩	112,642

Notes to the Consolidated Interim Financial Statements, Continued March 31, 2022 and 2021 (Unaudited)



(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 \(\psi\)1,354,168 million as of March 31, 2022 (As of December 31, 2021: \(\psi\)1,250,468 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 six-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 \text{\psi}103,841 million as of March 31, 2022 (As of December 31, 2021: \text{\psi}103,841 million) and \text{\psi}31,396 million as of March 31, 2022 (As of December 31, 2021: \text{\psi}20,564 million), respectively.

As of March 31, 2022, 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 March 31, 2022, 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 \(\psi_23,000\) million in total. As of March 31, 2022, the outstanding contribution amounts to \(\psi_6,438\) 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 Co., Ltd. an associate, with the limit of \(\psi\)101,000 million. As of March 31, 2022, the outstanding amount of the contribution is \(\psi\)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.

Notes to the Consolidated Interim Financial Statements, Continued March 31, 2022 and 2021 (Unaudited)



Upon disposal of the equity shares of Gwacheon SangSang PFV. Inc., unanimous consent of the other shareholders is required.

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 March 31, 2022, 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 prugio briciel. In addition, Daewoo Engineering & Construction Co., Ltd. is being provided with a guarantee from the Engineering Guarantee Insurance Cooperative in connection with the construction in Suwon.

For the period ended March 31, 2022, the Group signed a financial support letter for its subsidiaries, KT&G USA Corporation, PT KT&G Indonesia, KT&G Tutun Mamulleri Sanayi ve Ticaret A.S., and Cosmos Co., Ltd. to provide operating funds and other management-related business support.

As of March 31, 2022, 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 March 31, 2022, the Group 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 March 31, 2022.

The spread of Covid-19 has a significant impact on the domestic and international economies. This may have a negative impact on productivity decline, sales decrease or delay, and collection of existing receivables, which might subsequently make negative impact on the financial position and financial performance of the Group. The ultimate impact of changes in uncertainty due to Covid-19 on Group's business, financial position and financial performance is unpredictable as of March 31, 2022.

The Group is engaged in manufacturing and selling tobacco in Russia. As of March 31, 2022, the U.S. and others impose economic sanctions on Russia including restriction on SWIFT international payment network, and the ultimate outcome of the impact that such sanctions may have on the Group's business in Russia and its financial position therein cannot be reasonably estimated as of March 31, 2022.

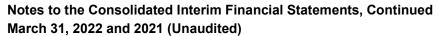
Notes to the Consolidated Interim Financial Statements, Continued March 31, 2022 and 2021 (Unaudited)



24. Cash Flows

Cash generated from operations for the three-month periods ended March 31, 2022 and 2021 are as follows:

(in millions of Korean won)	92	March 31, 2022		March 31, 2021
Profit for the three-month period ended March 31	₩	263,376	₩	272,608
Operating profit from continuing operations		267,750		269,267
Operating profit from discontinued operation		(4,374)		3,341
Adjustments:				
Employee welfare		1,621		1,216
Retirement benefits		13,209		13,662
Loss(reversal) on valuation or obsolescence of inventories		(276)		2,846
Depreciation		50,967		50,134
Amortization		3,815		3,609
Loss(reversal) in impairment of trade and other receivables		138		(1,305)
Loss on foreign currency translation		12,391		9,417
Loss on valuation of derivatives		5,760		11,841
Loss on disposal of property, plant and equipment		80		76
Loss on disposal of intangible assets		368		=
Loss on impairment of intangible assets		33		35
Loss on disposal of assets held for sale		1,218		297
Other expenses, etc.		1,619		243
Finance cost		30,922		5,734
Income tax expense		128,403		110,465
Gain on foreign currency translation		(40,957)		(65,247)
Gain on valuation of derivatives		(675)		(5)
Gain on disposal of property, plant and equipment		(13)		(158)
Gain on disposal of investment property				(5)
Gain on disposal of assets held-for-sale		(22,729)		
Gain on disposal of investments in		(-		(122)
associates and joint ventures				
Other income, etc.		(1,407)		150
Finance income		(32,730)		(20,398)
Increase of investments in associates		(13,966)		(21)
and joint ventures due to share of net gain/loss				
Changes in working capital:				
Decrease in trade and other receivables		(159,982)		(189,521)
Decrease (increase) in derivatives		(4,583)		3,986
Decrease in inventories		116,056		23,009
Decrease (increase) in accrued tobacco excise and other taxes		120,786		(17,561)
Decrease in advance payments		(17,180)		(13,054)
		6,420		(12,727)
Decrease (increase) in prepaid expenses Increase in trade and other payables		30,759		15,469
Increase (decrease) in advance receipts		(26,062)		9,485
Increase (decrease) in advance receipts Increase (decrease) in tobacco excise and other taxes		(168,687)		30,881
Decrease in provision for site restoration		(52)		(3,558)
Decrease in net defined benefit liabilities		(6,018)		(8,976)
Cash generated from operations	₩	292,624	₩	232,505
oush generated from operations	V V	292,024	77	232,303





25. Discontinued Operations

For the year ended December 31, 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 operations as of March 31, 2021. The comparative statements of other comprehensive income are restated to present separated discontinued operations from continuing operations.

(a) Profit or loss from discontinued operations

(in millions of Korean won)		March 31, 2022	-	March 31, 2021
Revenue ¹	₩	692	₩	56,122
Expenses ²		(5,066)		(51,548)
Profit (loss) on discontinued operation, before tax		(4,374)		4,574
Income tax expense		-		(1,233)
Profit (loss) on discontinued operation, after tax		(4,374)		3,341
Exchange differences on translating foreign operations		(544)		1,199
Total comprehensive income (loss) on discontinued operation	₩	(4,918)	₩	4,540

¹The revenue includes finance income and other income.

Profit or loss from discontinued operations for the three-month periods ended March 31, 2022 and 2021 are entirely attributed to owners of the Parent Company.

(b) Cash flows from discontinued operations

(in millions of Korean won)		March 31, 2022	100	March 31, 2021
Cash flows from operating activities	₩	(11,997)	₩	5,372
Cash flows from investing activities		7		(85)
Cash flows from financing activities		(304)		(432)
Differences arising from changes in exchange rates on cash and cash equivalents presented in foreign currency		630		1,182
	₩	(11,664)	₩	6,037

²The expenses include finance costs and other expenses.