



# **KT&G Corporation**

Interim separate financial statements  
for each of the six-month periods ended June 30, 2024 and 2023  
With the independent auditor's review report

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## **Report on review of interim separate financial statements**

(English translation of a report originally issued in Korean)

### **The Shareholders and Board of Directors KT&G Corporation**

We have reviewed the accompanying interim separate financial statements of KT&G Corporation (the “Company”), which comprise the interim separate statement of financial position as of June 30, 2024, and the related interim separate statements of comprehensive income for each of the three-month and six-month periods ended June 30, 2024 and 2023, interim separate statements of changes in equity and interim separate statements of cash flows for each of the six-month periods ended June 30, 2024 and 2023 and a summary of material accounting policy information and other explanatory information.

### **Management’s responsibility for the interim separate financial statements**

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

### **Auditor’s responsibility**

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

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

### **Conclusion**

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

**Other matter**

We have audited the separate statement of financial position as of December 31, 2023, and the related separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended (not presented herein) in accordance with KSA, and our report dated March 4, 2024 expressed an unqualified opinion thereon. The accompanying separate statement of financial position as of December 31, 2023, presented for comparative purposes, is not different, in all material respects, from the above audited separate statement of financial position.

*Ernst & Young Han Young*

August 9, 2024

This review report is effective as of August 9, 2024, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's review report to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim separate financial statements and may result in modifications to this review report.

# **KT&G Corporation**

## **Interim separate financial statements**

**For each of the six-month periods ended June 30, 2024 and 2023**

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

Kyung-Man Bang  
Chief Executive Officer  
KT&G Corporation

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**KT&G Corporation**  
**Interim separate statements of financial position**  
As of June 30, 2024 (Unaudited) and December 31, 2023



(in millions of Korean won)

	Notes	June 30, 2024	December 31, 2023
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	22	₩ 269,399	₩ 210,392
Other financial assets	22,23	101,770	102,403
Current financial assets measured at fair value through profit or loss	22	467,035	342,933
Trade and other receivables	5,16,21,22,23	1,517,692	1,433,909
Derivative assets	22,23	228	7,751
Inventories	6	1,295,085	1,222,802
Refund assets and others		688	746
Accrued tobacco excise and other taxes		227,803	217,569
Advanced payments		31,185	441
Prepaid expenses		26,853	15,326
<b>Total current assets</b>		<b>3,937,738</b>	<b>3,554,272</b>
<b>Non-current assets</b>			
Long-term other financial assets	22,23	84,636	84,040
Long-term deposits in MSA Escrow Fund	22,23	1,589,644	1,479,737
Long-term financial assets measured at fair value through profit or loss	22,23	334,072	337,216
Long-term trade and other receivables	5,21,22,23	236,614	254,744
Long-term financial assets measured at fair value through other comprehensive income or loss	22	202,002	182,106
Investments in associates and joint ventures	7,21,23	454,577	457,341
Investments in subsidiaries	8,21,23	1,612,256	1,475,656
Property, plant and equipment	9,21,23	1,401,745	1,282,113
Intangible assets	10,21	136,213	133,920
Investment properties	11,23	843,818	992,523
Right-of-use assets	12,21	25,643	26,299
Long-term prepaid expenses		10,905	9,652
Deferred tax assets	20	-	60,874
Net defined benefit assets	14	32,150	43,428
<b>Total non-current assets</b>		<b>6,964,275</b>	<b>6,819,649</b>
<b>Total assets</b>		<b>₩ 10,902,013</b>	<b>₩ 10,373,921</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term borrowings	13,22	₩ 10,000	₩ -
Trade and other payables	21,22,23	1,472,384	1,416,275
Derivative liabilities	22,23	6,041	-
Current lease liabilities	21,22	6,362	6,407
Advanced receipts	16	22,590	8,646
Current refund liabilities and provisions	15	7,032	7,154
Current tax liabilities	20	120,683	164,435
Tobacco excise and other taxes payables		584,632	561,303
<b>Total current liabilities</b>		<b>2,229,724</b>	<b>2,164,220</b>
<b>Non-current liabilities</b>			
Bonds	13,22	598,399	299,165
Long-term trade and other payables	21,22,23	59,177	51,938
Long-term lease liabilities	22	16,205	17,532
Long-term advance receipts	16	7,823	5,829
Long-term refund liabilities and provisions	15	3,669	2,712
Deferred tax liabilities	20	2,882	-
<b>Total non-current liabilities</b>		<b>688,155</b>	<b>377,176</b>
<b>Total liabilities</b>		<b>₩ 2,917,879</b>	<b>₩ 2,541,396</b>

# KT&G Corporation

## Interim separate statements of financial position, continued

As of June 30, 2024 (Unaudited) and December 31, 2023



(in millions of Korean won)

	Notes	June 30, 2024	December 31, 2023
<b>Equity</b>			
Share capital	₩	954,959	₩ 954,959
Other capital surplus		4,160	4,030
Treasury shares		(1,030,541)	(1,236,933)
Gain on sale of treasury shares		529,029	528,894
Reserves		7,146,492	7,238,475
Retained earnings		380,035	343,100
<b>Total equity</b>	₩	<u>7,984,134</u>	₩ <u>7,832,525</u>
<b>Total liabilities and equity</b>	₩	<u>10,902,013</u>	₩ <u>10,373,921</u>

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

# KT&G Corporation

## Interim separate statements of comprehensive income

For each of the three-month and six-month periods ended June 30, 2024 and 2023 (Unaudited)



(in millions of Korean won)

	Notes	June 30, 2024		June 30, 2023	
		Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
<b>Sales</b>	4,21	₩ 944,068	₩ 1,735,867	₩ 882,640	₩ 1,703,654
Manufacture of tobacco		822,589	1,533,175	779,656	1,509,339
Real estate	16	73,943	115,265	65,634	124,262
Exports of leaf tobacco and others		47,536	87,427	37,350	70,053
<b>Cost of sales</b>	21	(462,589)	(850,692)	(433,574)	(834,759)
Manufacture of tobacco		(386,750)	(723,118)	(369,035)	(714,064)
Real estate	16	(44,447)	(65,821)	(31,958)	(58,760)
Exports of leaf tobacco and others		(31,392)	(61,753)	(32,581)	(61,935)
<b>Gross profit</b>		481,479	885,175	449,066	868,895
Selling, general and administrative expense	17,21,22	(199,923)	(394,963)	(205,276)	(394,842)
<b>Operating profit</b>		281,556	490,212	243,790	474,053
Other income	18,21,22	109,679	225,324	30,500	106,530
Other expense	18,21,22	(15,018)	(35,547)	(35,692)	(59,199)
Finance income	19,21,22	34,404	83,365	38,655	114,063
Finance costs	19,21,22	(11,971)	(19,407)	(1,735)	(4,588)
<b>Profit before income tax</b>		398,650	743,947	275,518	630,859
Income tax expense	20	(98,723)	(165,877)	(73,571)	(173,202)
<b>Profit for the period</b>		₩ 299,927	₩ 578,070	₩ 201,947	₩ 457,657
<b>Other comprehensive income (loss) for the year after income tax</b>					
Items that will not be reclassified to profit or loss					
Re-measurements of net defined benefit liabilities		₩ (4,195)	₩ (4,308)	₩ (14,102)	₩ (15,806)
Gain (loss) on valuation of financial assets measured at fair value through other comprehensive income or loss		9,435	28,462	(2,013)	(1,313)
		5,240	24,154	(16,115)	(17,119)
<b>Total comprehensive income for the period</b>		₩ 305,167	₩ 602,224	₩ 185,832	₩ 440,538
<b>Earnings per share (in Korean won)</b>					
Basic and diluted		₩ 2,659	₩ 5,124	₩ 1,737	₩ 3,936

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



# KT&G Corporation



## Interim separate statements of changes in equity For each of the six-month periods ended June 30, 2024 and 2023 (Unaudited)

(in millions of Korean won)

	Share capital	Other capital surplus	Treasury shares	Gains on sale of treasury shares	Reserve	Retained earnings	Total equity
<b>Balance as of January 1, 2023</b>	₩ 954,959	₩ 3,582	₩ (1,236,933)	₩ 528,894	₩ 6,814,100	₩ 989,001	₩ 8,053,603
<b>Total comprehensive income (loss) for the period</b>	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	457,657	457,657
<b>Other comprehensive loss for the period:</b>	-	-	-	-	-	(15,806)	(15,806)
Re-measurements of net defined benefit liabilities	-	-	-	-	-	-	-
Loss on valuation of financial assets measured at fair value through other comprehensive income or loss	-	-	-	-	(1,313)	-	(1,313)
<b>Subtotal other comprehensive loss for the period</b>	-	-	-	-	(1,313)	(15,806)	(17,119)
<b>Total comprehensive income (loss) for the period</b>	-	-	-	-	(1,313)	441,851	440,538
<b>Transactions with owners of the Company:</b>	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	(581,399)	(581,399)
Transfer to other reserve	-	-	-	-	407,601	(407,601)	-
Share options	-	369	-	-	-	369	369
<b>Total Transactions with owners of the Company</b>	-	369	-	-	407,601	(989,000)	(581,030)
<b>Balance as of June 30, 2023</b>	₩ 954,959	₩ 3,951	₩ (1,236,933)	₩ 528,894	₩ 7,220,388	₩ 441,852	₩ 7,913,111
<b>Balance as of January 1, 2024</b>	₩ 954,959	₩ 4,030	₩ (1,236,933)	₩ 528,894	₩ 7,238,475	₩ 343,100	₩ 7,832,525
<b>Total comprehensive income for the period</b>	-	-	-	-	-	578,070	578,070
Profit for the period	-	-	-	-	-	-	-
<b>Other comprehensive income (loss) for the period:</b>	-	-	-	-	-	(4,308)	(4,308)
Re-measurements of net defined benefit liabilities	-	-	-	-	-	-	-
Gain on valuation of financial assets measured at fair value through other comprehensive income or loss	-	-	-	-	-	-	-
Transfer from gain on disposal of financial assets measured at fair value through other comprehensive income or loss to retained earnings	-	-	-	-	28,462	-	28,462
<b>Subtotal other comprehensive income (loss) for the period</b>	-	-	-	-	(12,305)	12,305	-
<b>Total comprehensive income for the period</b>	-	-	-	-	16,157	7,997	24,154
<b>Transactions with owners of the Company:</b>	-	-	-	-	16,157	586,067	602,224
Dividends paid	-	-	-	-	-	(451,240)	(451,240)
Transfer from other reserve	-	-	-	-	(108,140)	108,140	-
Retirement of treasury shares	-	-	206,032	-	-	(206,032)	-
Share options	-	130	360	135	-	-	625
<b>Total Transactions with owners of the Company</b>	-	130	206,392	135	(108,140)	(549,132)	(450,615)
<b>Balance as of June 30, 2024</b>	₩ 954,959	₩ 4,160	₩ (1,030,541)	₩ 529,029	₩ 7,146,492	₩ 380,035	₩ 7,984,134

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

# KT&G Corporation

## Interim separate statements of cash flows

For each of the six-month periods ended June 30, 2024 and 2023 (Unaudited)



(in millions of Korean won)

	Notes	June 30, 2024	June 30, 2023
<b>Net cash flows provided by operating activities</b>		₩ 489,472	₩ 91,977
Cash generated from operations	24	644,008	293,806
Income taxes paid		(154,536)	(201,829)
<b>Net cash flows used in investing activities</b>		(289,607)	(85,555)
Interest received		33,704	18,760
Dividends received		74,013	14,215
Decrease in other financial assets		633	36,339
Decrease in current financial assets measured at fair value through profit or loss		52,588	219,162
Decrease in long-term financial assets measured at fair value through profit or loss		15,976	3,911
Decrease in long-term financial assets measured at fair value through other comprehensive income or loss		18,774	-
Disposal of property, plant and equipment		1,847	690
Disposal of intangible assets		22	1
Disposal of investment properties		5,561	8,348
Disposal of assets held for sale		181	188
Disposal of investments in associates and joint ventures		23,738	-
Collection of loans		9,270	9,325
Collection of guarantee deposits		102	14
Increase in other financial assets		(597)	(16,340)
Increase in current financial assets measured at fair value through profit or loss		(165,263)	(1,459)
Increase in long-term financial assets measured at fair value through profit or loss		(21,437)	(7,503)
Increase in long-term deposits in MSA Escrow Fund		-	(1,540)
Acquisition of property, plant and equipment		(152,599)	(119,271)
Acquisition of intangible assets		(12,998)	(22,354)
Acquisition of investment properties		(4,611)	(3,001)
Acquisition of investments in associates and joint ventures		(15,000)	(4,500)
Acquisition of investments in subsidiaries		(136,600)	(125,874)
Increase in loans		(16,724)	(94,581)
Increase in guarantee deposits		(187)	(85)
<b>Net cash flows used in financing activities</b>		(151,172)	(586,067)
Interest paid		(4,695)	(701)
Dividends paid		(451,240)	(581,400)
Proceeds in short-term borrowings		130,000	600,000
Repayment in short-term borrowings		(120,000)	(600,019)
Proceeds from issuance of bond		298,990	-
Repayment of lease liabilities		(4,227)	(3,947)
<b>Net increase (decrease) in cash and cash equivalents</b>		48,693	(579,645)
<b>Cash and cash equivalents at the beginning of the period</b>		210,392	939,550
Effect of exchange rate fluctuation on cash and cash equivalents		10,314	1,465
<b>Cash and cash equivalents at the end of the period</b>		₩ 269,399	₩ 361,370

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

**1. Overview of the Company**

KT&G Corporation (the “Company”) is engaged in manufacturing and selling tobaccos. As of June 30, 2024, the Company has three manufacturing plants, including the Daejeon plant, and 14 local headquarters and 101 branches for the sale of tobacco throughout the country. Also, the Company has the Gimcheon plant for fabrication of leaf tobacco and the Cheonan printing plant for manufacturing of packaging material. The headquarters of the Company is located at 71, Beotkkot-gil, Daedeok-gu, Daejeon.

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

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

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

## **2. Material Accounting Policies**

### **(1) Basis of Preparation**

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

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

### **(2) New and amended standards and interpretations adopted by the Company**

The Company does not have a history of early adoption of new accounting standards and interpretations that have been published but are not mandatory for the reporting period. There are various amendments and interpretations which have been applied for the first time in the 2024 reporting period. As of June 30, 2024, these amendments and interpretations do not have a material impact on the interim separate financial statements.

#### **(a) Amendments to KIFRS 1001 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants***

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. In addition, covenants that an entity is required to comply with after the end of the reporting period would not affect classification of a liability as current or non-current at the reporting date. When an entity classifies a liability that is subject to the covenants which an entity is required to comply with within twelve months of the reporting date as non-current at the end of the reporting period, the entity shall disclose information in the notes to understand the risk that non-current liabilities with covenants could become repayable within twelve months after the reporting period.

**2. Material Accounting Policies (cont'd)***(b) Amendments to KIFRS 1007 Statement of Cash Flows, KIFRS 1107 Financial Instruments: Disclosures – Supplier finance arrangements*

When applying supplier finance arrangements, an entity shall disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk.

*(c) Amendments to KIFRS 1116 Leases – Lease Liability in a Sale and Leaseback*

When subsequently measuring lease liabilities arising from a sale and leaseback, a seller-lessee shall determine lease payments or revised lease payments in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

*(d) Amendments to KIFRS 1001 Presentation of Financial Statements – Disclosure of Virtual Assets*

These amendments mandate entities to disclose material information for the financial statement users such as the impact of holding and issuing virtual assets on their accounting policies and financial statements. The entities should separately disclose information related to holding virtual assets, holding them on behalf of the customers, and issuing them.

**(3) Material Accounting Policies**

Material accounting policies and method of computation used in the preparation of the interim separate financial statements are consistent with those of the separate financial statements for the year ended December 31, 2023, except for the changes due to the application of amendment and enactments of standards described in Note 2. (2) and the one described below.

*(a) Income Tax Expense*

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

### 3. Material Accounting Estimates and Assumptions

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

Material accounting estimates and assumptions applied in the preparation of these interim separate financial statements are the same as those applied to the separate financial statements for the year ended December 31, 2023, except for the estimates used to determine the income tax expense.

### 4. Operating Segment

The Company 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)

			June 30, 2024		June 30, 2023	
			Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Revenue recognized at a point in time:						
Sales of tobacco/merchandise and service revenue and others	Korea	Wholesale and retail	₩ 565,214	₩ 1,076,785	₩ 549,370	₩ 1,065,769
		Direct sales	959	2,398	1,044	2,197
	Export	Wholesale and retail	256,416	453,992	229,242	441,373
		Direct sales	2,814	4,100	13,825	13,884
Sales of semifinished tobacco products/raw materials and others	Export		44,722	83,327	23,526	56,169
Sales of real estate	Korea	Sales	3,524	9,847	-	-
	Subtotal		873,649	1,630,449	817,007	1,579,392
Revenue recognized over time:						
Sales and rental of real estate	Korea	Sales	48,259	60,850	44,352	81,120
		Rental	22,160	44,568	21,282	43,142
	Subtotal		70,419	105,418	65,634	124,262
	Total		₩ 944,068	₩ 1,735,867	₩ 882,641	₩ 1,703,654



**5. Trade and Other Receivables**

(a) Details of trade and other receivables as of June 30, 2024 and December 31, 2023 are as follows:

(in millions of Korean won)

	June 30, 2024		December 31, 2023	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 1,034,800	₩ 86,965	₩ 988,516	₩ 62,818
Loans	400,976	90,541	315,083	139,676
Other receivables	20,107	17,076	82,403	8,778
Guarantee deposits	38,955	35,218	37,955	37,977
Accrued income	22,854	6,814	9,952	5,495
Total	₩ 1,517,692	₩ 236,614	₩ 1,433,909	₩ 254,744

(b) Details of allowances for doubtful accounts in relation to trade and other receivables (as a gross amount before deduction of allowances for doubtful accounts) as of June 30, 2024 and December 31, 2023 are as follows:

(in millions of Korean won)

	June 30, 2024		December 31, 2023	
	Current	Non-current	Current	Non-current
Total carrying amount	₩ 1,557,590	₩ 376,511	₩ 1,483,123	₩ 392,891
Allowances:				
Trade receivables	(39,481)	(99,023)	(49,113)	(96,203)
Other receivables	(417)	(40,874)	(101)	(41,944)
Subtotal	(39,898)	(139,897)	(49,214)	(138,147)
Net trade and other receivables	₩ 1,517,692	₩ 236,614	₩ 1,433,909	₩ 254,744

(c) Changes in allowance for doubtful accounts in relation to trade and other receivables for each of the six-month periods ended June 30, 2024 and 2023 are as follows:

(in millions of Korean won)

	June 30, 2024	June 30, 2023
Beginning balance	₩ 187,361	₩ 203,467
Reversal of impairment loss	(7,566)	(5,956)
Ending balance	₩ 179,795	₩ 197,511

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 separate statements of comprehensive income.

**6. Inventories**

(a) Details of inventories as of June 30, 2024 and December 31, 2023 are as follows:

(in millions of Korean won)

	June 30, 2024			December 31, 2023		
	Acquisition cost	Valuation loss allowance	Carrying amount	Acquisition cost	Valuation loss allowance	Carrying amount
Merchandise	₩ 18,953	₩ (2,666)	₩ 16,287	₩ 19,213	₩ (1,597)	₩ 17,616
Finished goods	118,641	(12,431)	106,210	120,841	(13,157)	107,684
Half-finished goods	36,350	(918)	35,432	43,706	(980)	42,726
Work in progress	1,727	-	1,727	2,668	-	2,668
Raw materials	715,162	(132)	715,030	692,607	(233)	692,454
Materials	37,716	(2,927)	34,789	43,540	(2,999)	40,541
Supplies	62,621	-	62,621	57,419	-	57,419
By-products	6,880	-	6,880	7,577	-	7,577
Buildings under construction	48,739	-	48,739	19,965	-	19,965
Completed buildings	99,119	-	99,119	105,631	-	105,631
Sites for construction of real estate	155,596	-	155,596	41,741	-	41,741
Goods in transit	12,655	-	12,655	86,780	-	86,780
Total	₩ 1,314,159	₩ (19,074)	₩ 1,295,085	₩ 1,241,768	₩ (18,966)	₩ 1,222,802

(b) The amount of loss (reversal) on valuation and obsolescence of inventories recognized for each of the three-month and six-month periods ended June 30, 2024 and 2023 are as follows:

(in millions of Korean won)

	June 30, 2024		June 30, 2023	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Cost of sales:				
Loss (reversal) on valuation of inventories	₩ (321)	₩ 108	₩ (55)	₩ (2,134)
Loss on obsolescence of inventories	1,769	3,946	1,867	4,548
Other expenses:				
Loss on obsolescence of inventories	-	-	260	260
Total	₩ 1,448	₩ 4,054	₩ 2,072	₩ 2,674



**7. Investments in Associates and Joint Ventures**

Details of investments in associates and joint ventures as of June 30, 2024 and December 31, 2023, are as follows:

(in millions of Korean won)

Type	Name of entity	Location	Principal operation	June 30, 2024		December 31, 2023	
				Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Associates	LitePharmTech Co., Ltd. <sup>1</sup>	Korea	Manufacturing medical supplies	12.53	\ 1,830	12.53	\ 1,830
	KORAMCO Banpo PFV Co., Ltd. <sup>1,2</sup>	Korea	Real estate investment, development and rental business	18.95	5,306	18.95	5,306
	KORAMCO Dongjak PFV Co., Ltd. <sup>1</sup>	Korea	Real estate investment, development and rental business	19.47	1,850	19.47	1,850
	KOCREF 36 REIT	Korea	Real estate investment, development and rental business	21.01	15,000	21.01	15,000
	KOCREF 41 REIT	Korea	Real estate investment, development and rental business	26.47	39,568	26.47	39,568
	AndaStation Professional Investment Private REIT No. 1	Korea	Real estate investment, development and rental business	-	-	21.43	17,764
	Cheongna Medipolis PFV Co., Ltd. <sup>3</sup>	Korea	Real estate development and sales	51.01	101,000	51.01	101,000
	INNODIS Co., Ltd. <sup>1</sup>	Korea	Advertising agency	19.64	55	19.64	55
	SJ BIO MED Co., Ltd. <sup>1,4</sup>	Korea	Manufacturing medical devices	14.39	-	14.39	-
	LSK Global Pharma Service Co., Ltd.	Korea	New medicine development	21.92	-	21.92	-
	Mirae Asset KT&G Investment Fund I	Korea	Healthcare, ESG, New growth industry	45.00	9,000	45.00	9,000
	KB KT&G New Growth Fund 1 <sup>5</sup>	Korea	Healthcare, New growth industry	66.67	3,000	66.67	3,000
Joint ventures	KORAMCO Europe Private REIT 3-2 Fund <sup>6</sup>	Germany	Renting of real estate	51.35	18,468	51.35	18,468
	Starfield Suwon Inc.	Korea	Real estate development and rental business	50.00	259,500	50.00	244,500
Total				\	454,577	\	457,341

<sup>1</sup>The Company has classified the ownership as investment in associates, notwithstanding its ownership percentage of less than 20%, as the Company determined it has a significant influence over the invested company with its right to participate in the invested company's Board of Directors meetings in accordance with the agreement with shareholders.

<sup>2</sup>As of June 30, 2024, the Company's holdings in KORAMCO Banpo PFV Co., Ltd. are pledged as a collateral for a PF loan (see Notes 21 (o) and 23 (c)).

<sup>3</sup>The Company has classified the ownership as investment in associates as the three-fourths of the Board of Directors' consent is required in making decisions on material financial and operational policies in accordance with the agreement with shareholders.

<sup>4</sup>As of June 30, 2024, liquidation procedures are in progress.

<sup>5</sup>Although the ownership exceeds 50%, the Company has classified the ownership as investment in associates as the Company does not have control over related activities and have significant influence through participating on investment decision-making authority.

<sup>6</sup>The Company has classified the ownership as investment in joint ventures as the Board of Directors' unanimous consent is required in making decisions on material financial and operational policies in accordance with the agreement with shareholders.

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

During the six-month period ended June 30, 2024, the Company additionally acquired 300,000 shares (₩ 15,000 million) of Starfield Suwon, Inc., a joint venture, through the issuance of new stocks.

During the six-month period ended June 30, 2024, the Company disposed of AndaStation Professional Investment Private REIT No.1, an associate, and recognized gain on disposal of investment in associates of ₩ 5,974 million.

During the year ended December 31, 2023, the Company has acquired additional equity securities of Mirae Asset KT&G Investment Fund I (45 shares for ₩ 4,500 million), an associate, additionally acquired 16,795,600 preferred shares (₩ 83,978 million) of Cheongna Medipolis PFV Co., Ltd., an associate, and 2,000,000 shares (₩ 100,000 million) of Starfield Suwon Inc., a joint venture, through the issuance of new stocks.

During the year ended December 31, 2023, the Company newly invested ₩ 3,000 million to KB KT&G New Growth Fund 1, an associate.

During the year ended December 31, 2023, the Company partially disposed of KORAMCO Europe Private REIT 3-2 Fund, an associate, and recognized gain on disposal of investment in associates of ₩ 9 million.

**8. Investments in subsidiaries**

(a) Details of investments in subsidiaries as of June 30, 2024 and December 31, 2023, are as follows:

(in millions of Korean won)			June 30, 2024		December 31, 2023	
Name of entity	Location	Principal operation	Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Korea Ginseng Corporation	Korea	Manufacturing and selling ginseng	100.00	₩ 762,130	100.00	₩ 762,130
Yungjin Pharm. Co., Ltd.	Korea	Manufacturing and selling pharmaceutical	52.45	73,299	52.45	73,299
Tae-A Industrial Co., Ltd.	Korea	Manufacturing reconstituted tobacco leaves	100.00	117,698	100.00	117,698
KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	Türkiye	Manufacturing and selling tobaccos	100.00	116,731	99.99	57,039
Korea Tabacos do Brasil Ltda.	Brazil	Assistance with purchasing tobacco leaf	99.99	2,891	99.99	2,891
KT&G Pars	Iran	Manufacturing and selling tobacco	99.99	-	99.99	-
KT&G Rus L.L.C.	Russia	Manufacturing and selling tobacco	100.00	68,947	100.00	68,947
KT&G USA Corporation	USA	Selling tobaccos	100.00	-	100.00	-
Cosmocos Co., Ltd.	Korea	Manufacturing and selling tobacco	98.56	22,759	98.56	22,759
Renzoluc Pte., Ltd. <sup>1</sup>	Singapore	Holding Company	100.00	163,104	100.00	163,104
PT Trisakti Purwosari Makmur <sup>2</sup>	Indonesia	Manufacturing and selling tobacco	6.56	1,162	6.56	1,162
SangSang Stay Inc.	Korea	Hotel	100.00	32,068	100.00	32,068
KT&G Global Rus L.L.C.	Russia	Selling tobaccos	100.00	936	100.00	936
Gwacheon SangSang PFV. Inc	Korea	Real estate development and sales business	51.00	3,570	51.00	3,570
KT&G Taiwan Corporation	Taiwan	Selling tobaccos	100.00	8,081	100.00	8,081
Mastern No. 144 PFV Co., Ltd.	Korea	Real estate development and sales business	92.50	37,000	92.50	37,000
KT&G Global Kazakhstan LLP	Kazakhstan	Selling tobaccos	100.00	18,510	100.00	18,510
KT&G Kazakhstan LLP	Kazakhstan	Manufacturing and selling tobacco	100.00	110,995	100.00	35,910
DNC Deogeun Co., Ltd. <sup>3</sup>	Korea	Real estate development and sales business	38.25	35,552	38.25	35,552
Edn the pine central Seocho Co., Ltd. <sup>4</sup>	Korea	Real estate development and sales business	78.65	36,623	78.65	35,000
Cheongna Medipolis Development Co., Ltd.	Korea	Real estate service business	66.67	200	-	-
Total				₩ 1,612,256		₩ 1,475,656

<sup>1</sup>The percentage of ownership is including preferred shares 6,978,948 shares (₩ 25,291 million) of Renzoluc Pte., Ltd.

<sup>2</sup>PT Trisakti Purwosari Makmur, the subsidiary of the Company, merged PT KT&G Indonesia, the subsidiary of the Company, during the year ended December 31, 2023. The Company acquired 26,276,953 (6.56%) shares of PT Trisakti Purwosari Makmur in exchange for 104,986 (99.99%) shares of PT KT&G Indonesia. The consolidated percentage of ownership of PT Trisakti Purwosari Makmur is 99.99%, including shares held by Renzoluc Pte., Ltd., the subsidiary of the Company, as of December 31, 2023.

<sup>3</sup>The Company has acquired 38.25% of preferred stocks with voting rights of DNC Deogeun Co., Ltd. during the year ended December 31, 2023, securing 51.00% of the voting rights of DNC Deogeun Co., Ltd., and the Company classified the shares as investments in subsidiaries as it is considered that the Company holds substantial decision-making right over related activities that has significant impact on the profit or losses of the Company through the general shareholders' meeting and Board of Directors of DNC Deogeun Co., Ltd.

<sup>4</sup>The book amount has increased due to the payment of acquisition tax during the six-month period ended June 30, 2024.

**8. Investments in subsidiaries (cont'd)**

During the six-month period ended June 30, 2024, the Company acquired 272,490,615 shares (₩ 59,692 million) of KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. through issuance of new stocks and additional equity securities of ₩ 75,085 million of KT&G Kazakhstan LLP.

During the six-month period ended June 30, 2024, the Company newly established Cheongna Medipolis Development Co., Ltd. through capital investment of 40,000 shares (₩ 200 million).

During the year ended December 31, 2023, the Company acquired 75,344,496 shares (₩ 25,624 million) of KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. 6,000,000 shares (₩ 30,000 million) of SangSang Stay Inc., 1,408,940 shares (₩ 65,000 million) of Tae-A Industry Co., Ltd. and additional equity securities of KT&G Kazakhstan LLP amounting to ₩ 19,722 million through paid-in capital increase.

During the year ended December 31, 2023, the Company newly established KT&G Global Kazakhstan LLP and KT&G Kazakhstan LLP through capital investment of ₩ 18,510 million and ₩ 16,188 million, respectively.

During the year ended December 31, 2023, the Company acquired 3,825 preferred shares with voting rights (₩ 35,552 million) of DNC Deogeun Co., Ltd. and 7,000,000 shares of preferred shares with voting rights (₩ 35,000 million) of Edn the pine central Seocho Co., Ltd.

**(b) Impairment**

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

The Company has recognized impairment losses for its investment in subsidiaries where impairment indicators have been identified, such as the book value of net assets being lower than the book value of investments due to continuous accumulation of operating losses, etc. Details of such impairment loss recognized for each of the six-month periods ended June 30, 2024 and 2023 are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2024</b>	<b>June 30, 2023</b>	<b>Method for evaluating recoverable amount</b>
KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	\ - \	4,390	Fair value less costs to sell
SangSang Stay Inc.	-	266	Fair value less costs to sell
	\ - \	4,656	

On the other hand, fair value has been assessed using the adjusted net asset method and is classified as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique.

## 9. Property, Plant and Equipment

Changes in property, plant and equipment for each of the six-month periods ended June 30, 2024 and 2023 are as follows:

<i>(in millions of Korean won)</i>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Beginning balance	1,282,113	1,177,839
Acquisition <sup>1</sup>	168,752	68,944
Disposal/Impairment	(756)	(8,144)
Depreciation	(51,524)	(50,366)
Reclassification <sup>2</sup>	3,160	(16,445)
Ending balance	<u>1,401,745</u>	<u>1,171,828</u>

<sup>1</sup>During the six-month period ended June 30, 2024, the Company has capitalized borrowing costs amounting to ₩ 4,767 million for property, plant and equipment that are qualifying assets. The rate used to calculate capitalizable borrowing costs is 4.13% to 4.45%.

<sup>2</sup>Consists of ₩ 3,160 million of transfers from investment properties for the six-month period ended June 30, 2024, and ₩ 16,445 million of transfers to investment properties for the six-month period ended June 30, 2023.

## 10. Intangible Assets

Changes in intangible assets for each of the six-month periods ended June 30, 2024 and 2023 are as follows:

<i>(in millions of Korean won)</i>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Beginning balance	133,920	122,485
Acquisition	13,870	19,835
Disposal/Impairment	(97)	(123)
Amortization	(11,480)	(9,517)
Reclassification	-	(13)
Ending balance	<u>136,213</u>	<u>132,667</u>

## 11. Investment Properties

Changes in investment properties for each of the six-month periods ended June 30, 2024 and 2023 are as follows:

<i>(in millions of Korean won)</i>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Beginning balance	992,523	1,029,217
Acquisition <sup>1</sup>	4,611	3,001
Disposal/Impairment	(721)	(1,775)
Depreciation	(13,778)	(13,824)
Reclassification <sup>2</sup>	(138,817)	(27,096)
Ending balance	<u>843,818</u>	<u>989,523</u>

<sup>1</sup>During the six-month period ended June 30, 2024, the Company has capitalized borrowing costs amounting to ₩ 967 million for investment properties that are qualifying assets. The rate used to calculate capitalizable borrowing costs is 4.13% to 4.45%.

<sup>2</sup>Consists of ₩ 3,160 million of transfers to property, plant and equipment and ₩ 135,657 million of transfers to inventories for the six-month period ended June 30, 2024. And ₩ 16,445 million of transfers from property, plant and equipment and ₩ 43,541 million of transfers to inventories for the six-month period ended June 30, 2023.

## 12. Right-of-use Assets

Changes in right-of-use assets for each of the six-month periods ended June 30, 2024 and 2023 are as follows:

<i>(in millions of Korean won)</i>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Beginning balance	26,299	25,640
Acquisition	4,970	3,735
Disposal	(116)	(267)
Depreciation	(5,510)	(4,981)
Ending balance	<u>25,643</u>	<u>24,127</u>

### 13. Borrowings and Bonds

(a) Details of short-term borrowings as of June 30, 2024 and December 31, 2023 are as follows:

<i>(in millions of Korean won)</i>	Lender	June 30, 2024	December 31, 2023
Limit loan	Shinhan Bank	10,000	-

(b) Details of bonds as of June 30, 2024 and December 31, 2023 are as follows:

<i>(in millions of Korean won)</i>	Issued Date	Maturity	Annual interest rate (%)	June 30, 2024	December 31, 2023
2-1 <sup>st</sup> non-guarantee public bonds	2023.09.13	2025.09.12	4.180	100,000	100,000
2-2 <sup>nd</sup> non-guarantee public bonds	2023.09.13	2026.09.11	4.322	200,000	200,000
3-1 <sup>st</sup> non-guarantee public bonds	2024.04.25	2026.04.24	3.624	50,000	-
3-2 <sup>nd</sup> non-guarantee public bonds	2024.04.25	2027.04.23	3.763	150,000	-
3-3 <sup>rd</sup> non-guarantee public bonds	2024.04.25	2029.04.25	3.808	100,000	-
Subtotal				600,000	300,000
Discount on bonds				(1,601)	(835)
Total				598,399	299,165
Current				-	-
Non-current				598,399	299,165
Total				598,399	299,165

### 14. Employee Benefits

(a) Details of profit or loss recognized related to employee benefits for each of the three-month and six-month periods ended June 30, 2024 and 2023 are as follows:

<i>(in millions of Korean won)</i>	June 30, 2024		June 30, 2023	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Defined benefit plan:				
Current service cost	₩ 7,539	₩ 15,077	₩ 6,835	₩ 13,670
Net interest on net defined benefit liabilities	(465)	(929)	(1,030)	(2,059)
Subtotal	7,074	14,148	5,805	11,611
Defined contribution plan:				
Contributions recognized as expense	1,121	3,095	968	2,760
Other long-term employee benefits:				
Current service cost, etc.	6,445	7,536	2,106	3,001
Termination benefits:				
Voluntary retirements, etc.	-	1,543	-	355
Total	₩ 14,640	₩ 26,322	₩ 8,879	₩ 17,727

**14. Employee Benefits (cont'd)**

(b) Details of net defined benefit liabilities (assets) as of June 30, 2024 and December 31, 2023 are as follows:

(in millions of Korean won)

		June 30, 2024		December 31, 2023
Present value of defined benefit obligations	\	390,866	\	391,192
Fair value of plan assets		(423,016)		(434,620)
Total	\	(32,150)	\	(43,428)

**15. Refund Liabilities and Provisions**

(a) Details of refund liabilities and provisions as of June 30, 2024 and December 31, 2023 are as follows:

(in millions of Korean won)

		June 30, 2024			December 31, 2023	
		Current	Non-current		Current	Non-current
Provision for product warranty	\	1,494	-	\	1,780	-
Refund liabilities		5,352	3,547		5,221	2,575
Provision for site restoration		84	111		84	111
Provision for financial guarantee		9	11		18	26
Provision for greenhouse gases		93	-		51	-
Total	\	7,032	3,669	\	7,154	2,712

(b) Changes in refund liabilities and provisions for each of the six-month periods ended June 30, 2024 and 2023 are as follows:

(in millions of Korean won)

		June 30, 2024			
		Beginning balance	Increase	Decrease	Ending balance
Provision for product warranty	\	1,780	1,089	(1,375)	1,494
Refund liabilities		7,796	1,173	(70)	8,899
Provision for site restoration		195	-	-	195
Provision for financial guarantee		44	-	(24)	20
Provision for greenhouse gases		51	42	-	93
Total	\	9,866	2,304	(1,469)	10,701

(in millions of Korean won)

		June 30, 2023			
		Beginning balance	Increase	Decrease	Ending balance
Provision for product warranty	\	4,172	98	(1,323)	2,947
Refund liabilities		6,789	130	(11)	6,908
Provision for site restoration		186	-	-	186
Provision for financial guarantee		134	-	(57)	77
Provision for greenhouse gases		194	-	(124)	70
Total	\	11,475	228	(1,515)	10,188



**16. Real Estate Pre-sales Contracts**

(a) Details of real estate pre-sale contracts in effect for each of the six-month periods ended June 30, 2024 and 2023 are as follows:

(in millions of Korean won)

June 30, 2024								
Construction project	Initial sales contract date	Expected completion date	Progress (%)	Total sales value <sup>1</sup>	Total sales contract value	Revenue (cumulative) <sup>2</sup>	Revenue (period) <sup>3</sup>	Cost (cumulative) <sup>4</sup>
Suwon Hwaseo Prugio Briciel	June 2020	September 2023	100.00 \	803,056 \	747,970 \	747,946 \	- \	338,101
ePyeonghansesang Daejeon station Centum Vista	December 2022	June 2026	44.54	226,951	193,218	85,924	21,540	71,738
Nokbeon-dong Mixed-use building	April 2023	February 2025	55.77	29,720	25,220	14,066	5,184	9,215
Elif Mia station Complex 1	May 2023	August 2026	26.33	61,562	39,512	10,357	3,128	7,704
Elif Mia station Complex 2	May 2023	August 2026	25.40	155,141	107,098	27,144	9,056	19,574
ePyeonghansesang Pyeongchon Urban Valley	April 2024	October 2026	6.15	399,856	348,757	21,462	21,462	12,937
Digital Empire Pyeongchon Biz Valley	April 2024	March 2027	8.31	352,768	5,778	480	480	325
Total				2,029,054 \	1,467,553 \	907,379 \	60,850 \	459,594

<sup>1</sup>Includes the expected sales value for commercial buildings, officetels, and apartments that are scheduled to be recognized as sales at a point when the construction is completed and control of the goods is transferred to the customer.

<sup>2</sup>This is the amount after deducting prepayment discounts, etc. from the total sales contract value.

<sup>3</sup>Excludes the revenue of ₩ 9,847 million recognized as sales at a point when the construction is completed and control of the goods is transferred to the customer for the six-month period ended June 30, 2024.

<sup>4</sup>Excludes cumulative cost for common infrastructure, amounting to ₩ 228,098 million.

(in millions of Korean won)

June 30, 2023								
Construction project	Initial sales contract date	Expected completion date	Progress (%)	Total sales value <sup>1</sup>	Total sales contract value	Revenue (cumulative)	Revenue (period)	Cost (cumulative) <sup>2</sup>
Suwon Hwaseo Prugio Briciel	June 2020	September 2023	92.29 \	803,056 \	750,352 \	692,472 \	65,781 \	313,022
ePyeonghansesang Daejeon station Centum Vista	December 2022	June 2026	7.82	226,951	132,491	10,360	9,835	8,319
Nokbeon-dong Mixed-use building	April 2023	February 2025	12.71	29,720	25,220	3,207	3,207	2,101
Elif Mia station Complex 1	May 2023	August 2026	4.29	61,529	7,106	305	305	218
Elif Mia station Complex 2	May 2023	August 2026	4.26	155,078	46,726	1,993	1,993	1,364
Total				1,276,334 \	961,895 \	708,337 \	81,121 \	325,024

<sup>1</sup>Includes the expected sales value for commercial buildings, officetels that are scheduled to be recognized as sales at a point when the construction is completed and control of the goods is transferred to the customer.

<sup>2</sup>Excludes cumulative cost for common infrastructure, amounting to ₩ 105,273 million.

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

(b) Details of receivables and payables for real estate pre-sale contracts in effect as of June 30, 2024 and December 31, 2023 are as follows:

(in millions of Korean won)

Construction project	June 30, 2024			
	Revenue (cumulative)	Cash collected, etc. (cumulative)	Trade receivables for sale in lots <sup>1</sup>	Advanced receipts for sale in lots <sup>2</sup>
Suwon Hwaseo Prugio Briciel	747,946	746,809	1,142	5
ePyeonghansang Daejeon station Centum Vista	85,924	30,262	56,377	715
Nokbeon-dong Mixed-use building	14,066	-	14,066	-
Elif Mia station Complex 1	10,357	4,776	5,667	86
Elif Mia station Complex 2	27,144	12,948	14,413	217
ePyeonghansang Pyeongchon Urban Valley	21,462	34,875	-	13,413
Digital Empire Pyeongchon Biz Valley	480	578	-	98
Total	907,379	830,248	91,665	14,534

<sup>1</sup>As of June 30, 2024, contract assets due from customers are ₩ 87,269 million and will be reclassified to receivables in accordance with the billing schedule as pursuant to the contract.

<sup>2</sup>Includes advanced receipts for the option contract (balcony) in relation to main construction, which is recognized using the percentage of completion method.

(in millions of Korean won)

Construction project	December 31, 2023			
	Revenue (cumulative)	Cash collected, etc. (cumulative)	Trade receivables for sale in lots <sup>1</sup>	Advanced receipts for sale in lots <sup>2</sup>
Suwon Hwaseo Prugio Briciel	747,946	708,687	39,500	241
ePyeonghansang Daejeon station Centum Vista	64,384	23,852	41,250	718
Nokbeon-dong Mixed-use building	8,882	-	8,882	-
Elif Mia station Complex 1	7,229	4,815	2,505	91
Elif Mia station Complex 2	18,088	12,529	5,782	223
Gireum-dong Neighborhood Commercial Facilities	27,580	27,580	-	-
Total	874,109	777,463	97,919	1,273

<sup>1</sup>As of December 31, 2023, contract assets due from customers are ₩ 58,406 million and will be reclassified to receivables in accordance with the billing schedule as pursuant to the contract.

<sup>2</sup>Includes advanced receipts for the option contract (balcony) in relation to main construction, which is recognized using the percentage of completion method.

(c) No material changes in estimated total contract revenues and total contract costs have occurred for the six-month period ended June 30, 2024. Estimated total contract revenue and total contract cost of the real estate pre-sale contracts in effect are based on the circumstances that have occurred until June 30, 2024 and subject to changes in the future.

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

(d) Details of receivables and payables in relation to real estate pre-sales contracts recognized at a point in time as of June 30, 2024 and December 31, 2023 are as follows:

(in millions of Korean won)

Construction project	June 30, 2024		December 31, 2023	
	Trade receivables for sale in lots	Advanced receipts for sale in lots <sup>1</sup>	Trade receivables for sale in lots	Advanced receipts for sale in lots <sup>1</sup>
Suwon Hwaseo Prugio Briciel	-	1,050	-	1,465
ePyeonghansang Daejeon station Centum Vista	-	105	-	93
Elif Mia station Complex 1	-	343	-	322
Elif Mia station Complex 2	-	2,698	-	666
Sangbong station Ubona First Live and Four Square	9,549	611	6,626	774
Total	9,549	4,807	6,626	3,320

<sup>1</sup>Excludes advanced receipts for the option contract (balcony) in relation to main construction, which is recognized using the percentage of completion method.

**17. Selling, General and Administrative Expenses**

Details of selling, general and administrative expenses for each of the three-month and six-month periods ended June 30, 2024 and 2023 are as follows:

(in millions of Korean won)

	June 30, 2024		June 30, 2023	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Salaries	₩ 73,352	₩ 149,083	₩ 74,248	₩ 151,812
Retirement and termination benefits	5,565	12,685	4,564	9,958
Employee welfare	15,004	24,399	11,427	20,061
Travel expenses	3,270	6,059	3,805	6,461
Communication cost	682	1,435	709	1,402
Utilities	2,901	6,947	2,494	6,720
Taxes and dues	19,992	22,343	22,230	24,110
Supplies	487	852	448	1,339
Rent	796	2,336	1,419	3,642
Depreciation	7,732	15,376	8,289	16,647
Amortization	4,143	8,247	4,769	9,448
Repairs and maintenance	1,324	2,646	1,117	1,577
Vehicles	769	1,513	788	1,585
Insurance	426	953	262	654
Commissions	41,355	78,358	41,709	80,863
Freight and custody	5,142	9,965	5,866	11,252
Conferences	733	1,540	713	1,551
Advertising	21,267	40,564	23,778	40,595
Education and training	1,304	2,567	1,587	3,004
Prizes and rewards	280	522	472	779
Research and development	6,229	13,385	4,812	8,289
Reversal of impairment loss on trade receivables	(12,830)	(6,812)	(10,230)	(6,907)
Total	₩ 199,923	₩ 394,963	₩ 205,276	₩ 394,842

**18. Other Income and Expense**

(a) Details of other income for each of the three-month and six-month periods ended June 30, 2024 and 2023 are as follows:

(in millions of Korean won)

	June 30, 2024		June 30, 2023	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Gain on foreign currency transaction	₩ 16,128	₩ 23,112	₩ 9,902	₩ 15,849
Gain on foreign currency translation	81,382	183,535	7,481	69,983
Gain on valuation of derivatives	54	89	759	4,564
Reversal of impairment loss on other receivables	1,560	751	3,621	-
Gain on disposal of property, plant and equipment	220	295	10	1,401
Gain on disposal of intangible assets	2	4	-	-
Gain on disposal of investment properties	-	4,876	4,110	6,732
Gain on disposal of investment in associates	5,974	5,974	-	-
Gain on lease contract adjustments	97	119	13	31
Miscellaneous income	4,262	6,569	4,604	7,970
Total	₩ 109,679	₩ 225,324	₩ 30,500	₩ 106,530

(b) Details of other expense for each of the three-month and six-month periods ended June 30, 2024 and 2023 are as follows:

(in millions of Korean won)

	June 30, 2024		June 30, 2023	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Loss on foreign currency transaction	₩ 3,571	₩ 8,088	₩ 2,244	₩ 8,972
Loss on foreign currency translation	-	2,145	16,027	18,759
Loss on valuation of derivatives	10,980	24,033	4,018	13,416
Impairment loss on other receivables	-	-	-	951
Loss on disposal of property, plant and equipment	-	11	1,715	1,729
Loss on impairment of property, plant and equipment	1	1	5,917	5,917
Loss on disposal of intangible assets	1	5	-	-
Loss on impairment of intangible assets	34	75	60	123
Loss on disposal of investment properties	-	55	-	59
Loss on impairment of investments in subsidiaries	-	-	4,390	4,656
Loss on lease contract adjustments	6	7	4	6
Donations	192	750	474	1,011
Miscellaneous loss	233	377	843	3,600
Total	₩ 15,018	₩ 35,547	₩ 35,692	₩ 59,199

## 19. Finance Income and Costs

Details of finance income and costs for each of the three-month and six-month periods ended June 30, 2024 and 2023 are as follows:

(in millions of Korean won)

	June 30, 2024		June 30, 2023	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Finance income:				
Interest income <sup>1</sup>	\ 23,748	\ 45,899	\ 14,710	\ 28,570
Dividend income	7,489	23,994	8,833	50,564
Gain on valuation of financial assets measured at fair value through profit or loss	3,167	13,472	15,112	34,929
Total finance income	\ 34,404	\ 83,365	\ 38,655	\ 114,063
Finance cost:				
Interest expense	\ 4,651	\ 8,757	\ 1,735	\ 2,644
Loss on valuation of financial assets measured at fair value through profit or loss	7,320	10,650	-	1,944
Total finance cost	\ 11,971	\ 19,407	\ 1,735	\ 4,588
Net finance income	\ 22,433	\ 63,958	\ 36,920	\ 109,475

<sup>1</sup>The interest income is generated from financial instruments measured at amortized cost.

## 20. Income Tax Expense and Deferred Tax Asset

(a) Income tax expense is recognized based on the best estimate of weighted-average annual effective income tax rate expected for the full financial year. The average effective tax rates for each of the six-month periods ended June 30, 2024 and 2023, are 22.30% and 27.45%, respectively.

(b) Pillar Two legislation has been enacted or substantially enacted in some jurisdictions where the Company operates. According to the amendment to the Adjustment of International Taxes Act No. 19191 in the Republic of Korea, the Company expects to be subject to the application of Pillar Two Model Rules legislation starting from the fiscal year commencing on January 1, 2024. The Company is currently assessing the impact of implementing Pillar Two Model Rules on the Company, and it is expected that the Pillar Two legislation shall affect the net profits of the Company's constituent entities domiciled in certain jurisdictions where the effective tax rate of Pillar Two income tax is predicted to be less than 15%.

As of June 30, 2024, the Company estimates that the impact of Pillar Two income taxes on its separate financial statements will be immaterial, in accordance with its assessment result identified so far. The Company will apply the temporary exception to the recognition and disclosure of deferred income tax assets and liabilities related to Pillar Two legislation.

**21. Related Parties**

(a) Details of the Company's related parties as of June 30, 2024 and December 31, 2023 are as follows:

Type	Name of entity	Location	Percentage of ownership (%)					
			June 30, 2024			December 31, 2023		
			Parent	Subsidiary	Total	Parent	Subsidiary	Total
Subsidiaries	Korea Ginseng Corporation	Korea	100.00	-	100.00	100.00	-	100.00
	Yungjin Pharm. Co., Ltd.	Korea	52.45	-	52.45	52.45	-	52.45
	Tae-A Industrial Co., Ltd.	Korea	100.00	-	100.00	100.00	-	100.00
	KT&G Tuntun Mamulleri Sanyı ve Ticaret A.Ş.	Türkiye	100.00	-	100.00	99.99	-	99.99
	Korea Tabacos do Brasil Ltda.	Brazil	99.99	-	99.99	99.99	-	99.99
	KT&G Pars	Iran	99.99	-	99.99	99.99	-	99.99
	KT&G Rus L.L.C.	Russia	100.00	-	100.00	100.00	-	100.00
	KT&G USA Corporation	USA	100.00	-	100.00	100.00	-	100.00
	Cosmocore Co., Ltd.	Korea	98.56	-	98.56	98.56	-	98.56
	Renzouluc Pte., Ltd. <sup>1</sup>	Singapore	100.00	-	100.00	100.00	-	100.00
	PT Trisakti Purwosari Makmur <sup>2</sup>	Indonesia	6.56	93.43	99.99	6.56	93.43	99.99
	PT TSPM FLAVOR AND FRAGRANCE <sup>3</sup>	Indonesia	-	100.00	100.00	-	-	-
	SangSang Stay Inc.	Korea	100.00	-	100.00	100.00	-	100.00
	KT&G Global Rus L.L.C.	Russia	100.00	-	100.00	100.00	-	100.00
	Gwacheon SangSang PFV, Inc.	Korea	51.00	-	51.00	51.00	-	51.00
	KT&G Taiwan Corporation	Taiwan	100.00	-	100.00	100.00	-	100.00
	Mastern No.144 PFV Co. Ltd.	Korea	92.50	-	92.50	92.50	-	92.50
	KT&G Kazakhstan LLP <sup>4</sup>	Kazakhstan	100.00	-	100.00	100.00	-	100.00
	KT&G Global Kazakhstan LLP <sup>4</sup>	Kazakhstan	100.00	-	100.00	100.00	-	100.00
	DNC Deogeun Co., Ltd. <sup>5</sup>	Korea	38.25	-	38.25	38.25	-	38.25
	Edn the pine central Seocho Co., Ltd.	Korea	78.65	-	78.65	78.65	-	78.65
	Cheongna Medipolis Development Co., Ltd. <sup>6</sup>	Korea	66.67	-	66.67	-	-	-
	K&I China Co., Ltd.	China	-	98.56	98.56	-	98.56	98.56
	KGCyebon Corporation	Korea	-	100.00	100.00	-	100.00	100.00
	KGC Life & Gin Co., Ltd.	Korea	-	100.00	100.00	-	100.00	100.00
	Jilin Hanzheng Ginseng Co., Ltd.	China	-	100.00	100.00	-	100.00	100.00
	Cheong Kwan Jang Taiwan Corporation	Taiwan	-	100.00	100.00	-	100.00	100.00
	Korea Red Ginseng Corp., Inc.	USA	-	100.00	100.00	-	100.00	100.00
	Korea Ginseng (China) Corp.	China	-	100.00	100.00	-	100.00	100.00
	Korea Ginseng Corp. Japan	Japan	-	100.00	100.00	-	100.00	100.00
	PT Nusantara Indah Makmur	Indonesia	-	99.96	99.96	-	99.96	99.96
Associates	LitePharmTech, Co., Ltd. <sup>7</sup>	Korea	12.53	-	12.53	12.53	-	12.53
	KORAMCO Banpo PFV Co., Ltd. <sup>7</sup>	Korea	18.95	-	18.95	18.95	-	18.95
	KORAMCO Dongjak PFV Co., Ltd. <sup>7</sup>	Korea	19.47	-	19.47	19.47	-	19.47
	KOCREF 36 REIT	Korea	21.01	-	21.01	21.01	-	21.01
	KOCREF 41 REIT	Korea	26.47	-	26.47	26.47	-	26.47
	Cheongna Medipolis PFV Co., Ltd. <sup>8</sup>	Korea	51.01	-	51.01	51.01	-	51.01
	INNODIS CO., Ltd. <sup>7</sup>	Korea	19.64	-	19.64	19.64	-	19.64
	SJ BIO MED Co., Ltd. <sup>7,9</sup>	Korea	14.39	-	14.39	14.39	-	14.39
	LSK Global Pharma Services Co., Ltd.	Korea	21.92	-	21.92	21.92	-	21.92
	Mirae Asset KT&G Investment Fund I	Korea	45.00	5.00	50.00	45.00	5.00	50.00
	JIELGWANGJIN CITY DEVELOPMENT Co., Ltd.	Korea	-	35.00	35.00	-	35.00	35.00
Joint ventures	KB KT&G New Growth Fund 1 <sup>10</sup>	Korea	66.67	-	66.67	66.67	-	66.67
	KORAMCO Europe Private REIT 3-2 Fund <sup>11</sup>	Germany	51.35	-	51.35	51.35	-	51.35
Other	Starfield Suwon Inc.	Korea	50.00	-	50.00	50.00	-	50.00
	AndaStation Professional Investment Private REIT No.1 <sup>12</sup>	Korea	-	-	-	21.43	-	21.43



**21. Related Parties (cont'd)**

<sup>1</sup>The percentage of ownership is including preferred shares 6,978,948 shares (₩ 25,291 million) of Renzoluc Pte., Ltd.

<sup>2</sup>PT Trisakti Purwosari Makmur, the subsidiary of the Company merged with PT KT&G Indonesia, the subsidiary of the Company during the year ended December 31, 2023. The Company acquired 26,276,953 (6.56%) shares of PT Trisakti Purwosari Makmur in exchange for 104,986 (99.99%) shares of PT KT&G Indonesia's equity securities. The consolidated share of PT Trisakti Purwosari Makmur is 99.99%, including shares held by Renzoluc Pte., Ltd., the subsidiary of the Company, as of June 30, 2024.

<sup>3</sup>PT Trisakti Purwosari Makmur, the subsidiary of the Company acquired 217,372,000 shares (₩ 18,563 million) of PT TSPM FLAVOR AND FRAGRANCE through a capital contribution establishment method during the six-month ended June 30, 2024.

<sup>4</sup>The Company newly established 100.00% of KT&G Global Kazakhstan LLP and KT&G Kazakhstan LLP during the year ended 31, 2023, and the Company has classified the shares as investments in subsidiaries.

<sup>5</sup>The Company acquired 38.25% of preferred stocks with voting rights of DNC Deogeun Co., Ltd. during the year ended December 31, 2023, securing 51.00% of the voting rights of DNC Deogeun Co., Ltd., and the Company classified the shares as investments in subsidiaries. As the Company holds substantial decision-making right over related activities that has significant impact on the profit or losses of DNC Deogeun Co., Ltd. through the general shareholders' meeting and Board of Directors of DNC Deogeun Co., Ltd.

<sup>6</sup>The Company newly established 66.67% of Cheongna Medipolis Development Co., Ltd. during the six-month ended June 30, 2024, and the Company has classified the shares as investments in subsidiaries.

<sup>7</sup>The Company has classified the ownership as investment in associates, notwithstanding its ownership percentage of less than 20%, as the Company determined it has a significant influence over the investee with its right to participate in the investee's Board of Directors meetings in accordance with the agreement with shareholders.

<sup>8</sup>The Company has classified the ownership as investment in associates as the three-fourths of the Board of Directors' consent is required in making decisions on material financial and operational policies in accordance with the agreement with shareholders.

<sup>9</sup>As of June 30, 2024, liquidation procedures are in progress.

<sup>10</sup>Although the Company's percentage of ownership in the invested company exceeds 50%, the Company has classified the ownership as investment in associates as the Company does not have control over related activities and has significant influence by participating in the entity's investment decision-making authority.

<sup>11</sup>The Company has classified the ownership as investment in joint ventures as the Board of Directors' unanimous consent is required in making decisions on material financial and operational policies in accordance with the agreement with shareholders.

<sup>12</sup>The Company excluded the entity from its related parties, as the entity was disposed of during the six-month period ended June 30, 2024.

**21. Related Parties (cont'd)**

(b) The Company conducts transactions with related parties, such as sales of goods and provision of services, etc. Details of transactions with related parties for each of the three-month and six-month periods ended June 30, 2024 and 2023 are as follows:

**① Sales and other income**
*(in millions of Korean won)*

Type	Name of entity	June 30, 2024		June 30, 2023	
		Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Subsidiaries	Korea Ginseng Corporation	₩ 4,145	₩ 7,057	₩ 3,552	₩ 7,002
	Yungjin Pharm. Co., Ltd.	386	670	358	565
	Tae-A Industrial Co., Ltd.	235	444	253	385
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. <sup>1,2</sup>	7,316	9,223	7,254	15,438
	KT&G Rus L.L.C. <sup>1</sup>	16,103	28,606	11,895	23,830
	KT&G USA Corporation <sup>1</sup>	4	9	9	9
	Cosmocos Co., Ltd.	52	78	28	40
	PT Trisakti Purwosari Makmur <sup>1</sup>	28,413	52,293	16,944	29,047
	SangSang Stay Inc.	1,516	3,024	1,231	2,458
	KT&G Global Rus L.L.C. <sup>1</sup>	4,282	6,243	2,499	3,578
	Gwacheon Sangsang PFV. Inc.	125	8,791	-	36,939
	KT&G Taiwan Corporation	3,423	7,814	3,344	6,573
	KT&G Kazakhstan LLP	20	20	3	4
	KT&G Global Kazakhstan LLP	1,768	2,728	59	59
	DNC Deogeun Co., Ltd.	-	5,075	-	-
	KGCyebon Corporation	16	26	9	16
	KGC Life&Gin Co., Ltd.	17	29	17	30
	KOCREF 36 REIT	600	600	600	600
	KOCREF 41 REIT	938	938	914	914
Other	AndaStation Professional Investment Private REIT No.1 <sup>3</sup>	-	-	473	473
Total		₩ 69,359	₩ 133,668	₩ 49,442	₩ 127,960

<sup>1</sup>Excludes impairment loss (reversal) of ₩ 3,633 million and ₩ 10,358 million in relation to the related parties for each of the six-month periods ended June 30, 2024 and 2023.

<sup>2</sup>The amount of sales related to OEM transactions presents the amount before adjustment considering receivables related to payment to subcontractors.

<sup>3</sup>The Company excluded the entity from its related parties, as the entity was disposed of during the six-month period ended June 30, 2024.

**② Purchases and other expenses**
*(in millions of Korean won)*

Type	Name of entity	June 30, 2024		June 30, 2023	
		Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Subsidiaries	Korea Ginseng Corporation	₩ 208	₩ 549	₩ 238	₩ 587
	Yungjin Pharm. Co., Ltd.	7	224	-	222
	Tae-A Industrial Co., Ltd.	10,209	18,374	9,815	19,137
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. <sup>1</sup>	4,529	5,225	-	-
	Cosmocos Co., Ltd.	6	13	1	3
	PT Trisakti Purwosari Makmur	-	-	14	14
	SangSang Stay Inc.	94	108	65	138
	KGCyebon Corporation	226	437	16	412
	KGC Life&Gin Co., Ltd.	3	3	3	3
Associate	INNODIS Co., Ltd.	73	147	74	123
Joint venture	Starfield Suwon Inc.	26	48	-	-
Total		₩ 15,381	₩ 25,128	₩ 10,226	₩ 20,639

<sup>1</sup>The amount of purchase related to OEM transactions presents the amount before adjustment considering payables related to payment to subcontractors.



**21. Related Parties (cont'd)**

(c) Details of account balances of receivables and payables with related parties as of June 30, 2024 and December 31, 2023 are as follows:

(in millions of Korean won)

Type	Name of entity	June 30, 2024		December 31, 2023	
		Receivables	Payables	Receivables	Payables
Subsidiaries	Korea Ginseng Corporation	2,027	2,071	2,965	2,967
	Youngjin Pharm. Co., Ltd. <sup>2</sup>	5,037	50	4,903	50
	Tae-A Industrial Co., Ltd.	21	10,211	4	6,423
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. <sup>1,3</sup>	42,366	2,995	34,655	-
	Korea Tabacos do Brasil Ltda. <sup>1,2</sup>	122	-	122	-
	KT&G Pars <sup>1,2</sup>	44,526	-	44,526	-
	KT&G Rus L.L.C. <sup>1</sup>	139,138	-	98,785	-
	KT&G USA Corporation <sup>1</sup>	53,103	347	53,094	322
	Cosmococ Co., Ltd.	36	4	9	-
	PT Trisakti Purwosari Makmur <sup>1,2</sup>	446,708	-	404,956	-
	SangSang Stay Inc.	12	-	28	-
	KT&G Global Rus L.L.C. <sup>1</sup>	14,761	-	7,322	-
	Gwacheon SangSang PFV. Inc <sup>2</sup>	8,541	1,971	57,763	2,222
	KT&G Taiwan Corporation	2,501	-	1,684	-
	KT&G Kazakhstan LLP	533	-	380	-
	KT&G Global Kazakhstan LLP <sup>2</sup>	11,653	-	12,244	-
	KGCyebon Corporation	13	7,803	3	7,747
	KGC Life & Gin Co., Ltd.	13	-	1	-
	Starfield Suwon Inc.	37	10	8	37
	Other	-	-	481	-
	AndaStation Professional Investment Private REIT No.1 <sup>4</sup>	-	-	-	-
Total		771,148	25,462	723,933	19,768

<sup>1</sup>Presented in total amount of receivables before deducting loss allowance of ₩ 148,746 million and ₩ 145,113 million as of June 30, 2024 and as of December 31, 2023.

<sup>2</sup>Includes loans and accounts receivable to related parties.

<sup>3</sup>The amount of receivables and payables related to OEM transactions presents the amount before adjustment considering receivables and payables related to the payment to subcontractors.

<sup>4</sup>The Company excluded the entity from its related parties, as the entity was disposed of during the six-month period ended June 30, 2024.

(d) Details of purchase and sale of property, plant and equipment, intangible assets and right-of-use

(in millions of Korean won)

Type	Name of entity	June 30, 2024		June 30, 2023	
		Purchase of Right-of-use assets	Purchase of property, plant and equipment	Sale of property, plant and equipment and intangible assets	Sale of property, plant and equipment
Subsidiaries	PT Trisakti Purwosari Makmur	₩ -	₩ 372	₩ -	₩ 3,120
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	-	-	2	-
	KGCyebon Corporation	₩ 392	-	₩ 764	-
	Total	₩ 392	₩ 372	₩ 766	₩ 3,120

assets with related parties for each of the six-month periods ended June 30, 2024 and 2023 are as follows:

**21. Related Parties (cont'd)**

(e) Details of fund transactions with related parties for each of the six-month periods ended June 30, 2024 and 2023 are as follows:

(in millions of Korean won)

Type	Name of entity	June 30, 2024			June 30, 2023		
		Equity investment	Repayment of lease liabilities	Equity recovery	Equity investment	Repayment of lease liabilities	Loan of Fund
Subsidiaries	SangSang Stay Inc.	₩ -	₩ -	₩ -	₩ 30,000	₩ -	-
	Youngjin Pharm. Co., Ltd.	-	-	-	-	-	4,500
	KGCyebon Corporation	-	336	-	-	306	-
	PT Trisakti Purwosari Makmur	-	-	-	-	-	58,627
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	59,692	-	-	25,623	-	-
	KT&G Kazakhstan LLP	75,085	-	-	16,188	-	-
	KT&G Global Kazakhstan LLP	-	-	-	18,510	-	-
	DNC Deogeun Co., Ltd.	-	-	-	35,552	-	-
	Edn the pine central	-	-	-	-	-	-
	Seocho Co., Ltd.	1,623	-	-	-	-	-
	Cheongna Medipolis Development Co., Ltd.	200	-	-	-	-	-
	Mirae Asset KT&G Investment Fund I	-	-	-	4,500	-	-
	Starfield Suwon Inc.	15,000	-	-	-	-	-
Associate	AndaStation Professional Investment Private REIT	-	-	-	-	-	-
Joint venture	No. 1 <sup>1</sup>	-	-	23,738	-	-	-
Other	Total	₩ 151,600	₩ 336	₩ 23,738	₩ 130,373	₩ 306	₩ 63,127

<sup>1</sup>The Company excluded the entity from its related parties, as the entity was disposed of during the six-month period ended June 30, 2024.

(f) As of June 30, 2024, KT&G Taiwan Corporation receives a payment guarantee from Citi Bank Taiwan (executed amount: TWD 200,000 thousand), for import clearance. The Company has a recourse liability up to the limit of TWD 200,000 thousand to Citi Bank Taiwan (see Note 23 (c)).

(g) During the six-month period ended June 30, 2024, the Company signed a financial support letter for its subsidiaries, KT&G USA Corporation, Yungjin Pharm. Co., Ltd. and Cosmococs Co., Ltd., to provide operating funds, debt repayment and other management-related business support.

(h) The Company established Starfield Suwon Inc., a 50:50 joint venture with Shinsegae Property Inc. for the year ended December 31, 2018. The disposal of the shares is limited for 5 years from the date Starfield Suwon Inc.'s temporary operation is approved. In the event that the Company or the joint venturer wishes to transfer all of its shares, the other party may elect to exercise the pre-emptive right to purchase the shares or exercise its joint put-option rights.

(i) The Company has entered into a contribution agreement in relations to equity instruments of Cheongna Medipolis PFV Co., Ltd., an associate, with the ceiling of ₩ 101,000 million. As of June 30, 2024, a capital contribution has been completed. Furthermore, the equity shares shall not be transferred without the approval of Incheon Free Economic Zone and all the shareholders. In addition, when transferring the equity shares of Cheongna Medipolis PFV Co., Ltd., the equity shares of Cheongna Medipolis Development Co., Ltd., a subsidiary of the Company, shall also be transferred.

**21. Related Parties (cont'd)**

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

(k) As of June 30, 2024, the Company has entered into a capital call agreement in relations to KORAMCO Europe Private REIT 3-2 Fund. The agreement might have a payment obligation if the maturity exchange rate rises compared to the contractual exchange rate.

(l) The Company has entered into a capital contribution agreement in relations to Mirae Asset KT&G Investment Fund I and KB KT&G New Growth Fund 1, with the ceiling of ₩ 28,000 million. As of June 30, 2024, the remaining contribution amount is ₩ 16,000 million, and the detailed timeline for contribution is yet to be determined (see Note 23 (d)).

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

(n) The Company has entered into an agreement to extend the maturity of loans to PT Trisakti Purwosari Makmur worth at USD 100,816 thousand, during the year ended December 31, 2023.

(o) As of June 30, 2024, the Company's holdings in KORAMCO Banpo PFV Co., Ltd. are pledged as a collateral for a PF loan of KORAMCO Banpo PFV Co., Ltd. (see Notes 7 and 23 (c)).

(p) The Company was ordered to pay a sewage fee of ₩ 6,350 million for 1 block of Daeyupyeong District by Suwon City, and Starfield Suwon Inc. completed the payment during the year ended December 31, 2023 (see Note 23 (d)).

(q) Key management personnel compensations for each of the six-month periods ended June 30, 2024 and 2023 are as follows:

*(in millions of Korean won)*

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Long (short)-term employee benefits	₩ 13,798	₩ 10,376
Retirement benefits	1,188	966
Total	₩ <u>14,986</u>	₩ <u>11,342</u>

**22. Risk Management and Fair Value of Financial Instruments**

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

**(a) Market risk**

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

**① Currency risk**

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

**② Price risk**

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

**22. Risk Management and Fair Value of Financial Instruments (cont'd)****③ Interest rate risk**

The Company is exposed to interest rate fluctuation risk in relation to the borrowings, trade payables and other payables and lease liabilities. The management of the Company regularly measures the risk of changes in the fair value or future cash flows of the financial instrument due to changes in the market interest rate, maintaining an appropriate balance between fixed and variable interest borrowings. Considering the size of the interest bearing liabilities of the Company as of June 30, 2024, the effect of changes in interest rates on the fair values of financial liabilities or future cash flows is immaterial.

**(b) Credit risk**

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

As of June 30, 2024 and December 31, 2023, the carrying amount of financial assets is the maximum exposure to credit risk.

**(c) Liquidity risk**

The Company 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 Company establishes short and mid-to-long term financial management plan and continuously analyzes and reviews the cash outflow budget and actual cash outflows to respond to the maturity of financial liabilities and financial assets. Management of the Company determines that the financial liabilities are redeemable through cash flows from operating activities and cash inflows from financial assets.

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

(d) Details of the carrying amounts of each category of financial instrument as of June 30, 2024 and December 31, 2023 are as follows:

<i>(in millions of Korean won)</i>		June 30, 2024		December 31, 2023
Financial assets:				
Financial assets measured at fair value through profit or loss	₩	801,107	₩	680,149
Financial assets measured at fair value through other comprehensive income or loss		202,002		182,106
Derivative assets		228		7,751
Financial assets measured at amortized cost				
Cash and cash equivalents		269,399		210,392
Other financial assets		186,406		186,443
Trade and other receivables		1,754,307		1,688,653
Long-term deposits		1,589,644		1,479,737
Subtotal		3,799,756		3,565,225
Total financial assets	₩	4,803,093	₩	4,435,231
Financial liabilities:				
Derivative liabilities	₩	6,041	₩	-
Financial liabilities measured at amortized cost				
Short-term borrowings		10,000		-
Bonds		598,399		299,165
Trade and other payables		1,166,816		1,097,480
Lease liabilities		22,567		23,939
Subtotal		1,797,782		1,420,584
Total financial liabilities	₩	1,803,823	₩	1,420,584

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

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

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

Details of the fair value of financial instruments measured by each hierarchy as of June 30, 2024 and December 31, 2023 are as follows:

(in millions of Korean won)

	June 30, 2024			
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss	₩ 801,107	₩ -	₩ 438,044	₩ 363,063
Financial assets measured at fair value through other comprehensive income or loss	202,002	193,002	-	9,000
Derivative assets	228	-	228	-
Total financial assets	₩ 1,003,337	₩ 193,002	₩ 438,272	₩ 372,063
Derivative liabilities	₩ 6,041	₩ -	₩ 6,041	-

(in millions of Korean won)

	December 31, 2023			
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss	₩ 680,149	₩ -	₩ 299,639	₩ 380,510
Financial assets measured at fair value through other comprehensive income or loss	182,106	173,106	-	9,000
Derivative assets	7,751	-	7,751	-
Total financial assets	₩ 870,006	₩ 173,106	₩ 307,390	₩ 389,510

There is no movement between the levels of fair value hierarchy during the six-month period ended June 30, 2024 and the year ended December 31, 2023.

As of June 30, 2024 and December 31, 2023, the fair value of investment trust's equity securities classified as financial assets at fair value through profit or loss (other comprehensive income or loss) was measured using the adjusted net asset method and the discounted cash flow, and was classified as Level 3 fair value based on the inputs used in the valuation technique.



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

Changes in Level 3 fair value for each of the six-month periods ended June 30, 2024 and 2023 are as follows:

(in millions of Korean won)

	June 30, 2024		June 30, 2023	
Beginning balance	₩	389,510	₩	360,125
Acquisition		21,437		8,962
Disposal		(32,930)		(27,987)
Changes in fair value		(995)		11,624
Others		(4,959)		-
Ending balance	₩	372,063	₩	352,724

(f) Details of net gain or loss by each financial instrument category for each of the six-month periods ended June 30, 2024 and 2023 are as follows:

(in millions of Korean won)

	June 30, 2024					
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income or loss	Derivatives	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total
Profit for the period:						
Interest income	₩ -	₩ -	₩ -	₩ 45,899	₩ -	₩ 45,899
Dividend income	4,571	4,269	-	-	-	8,840
Gain or loss on valuation	2,822	-	(23,944)	-	-	(21,122)
Gain on lease contract adjustments	-	-	-	-	112	112
Interest expense	-	-	-	-	(8,757)	(8,757)
Reversal of impairment loss	-	-	-	7,566	-	7,566
Total	₩ 7,393	₩ 4,269	₩ (23,944)	₩ 53,465	₩ (8,645)	₩ 32,538
Other comprehensive income (loss) before tax:						
Net change in fair value	₩ -	₩ 38,671	₩ -	₩ -	₩ -	₩ 38,671

(in millions of Korean won)

	June 30, 2023					
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income or loss	Derivatives	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total
Profit for the period:						
Interest income	₩ -	₩ -	₩ -	₩ 28,570	₩ -	₩ 28,570
Dividend income	6,066	5,572	-	-	-	11,638
Gain or loss on valuation	32,984	-	(8,852)	-	-	24,132
Gain on lease adjustments	-	-	-	-	25	25
Interest expense	-	-	-	-	(2,644)	(2,644)
Reversal of impairment loss	-	-	-	5,956	-	5,956
Total	₩ 39,050	₩ 5,572	₩ (8,852)	₩ 34,526	₩ (2,619)	₩ 67,677
Other comprehensive income (loss) before tax:						
Net change in fair value	₩ -	₩ (1,695)	₩ -	₩ -	₩ -	₩ (1,695)



## 23. Contingent Liabilities and Commitments

### (a) Litigation cases

As of June 30, 2024, the Company has 7 cases of pending litigations under progress where the Company is the defendant and the litigation amounts are ₩ 155,108 million. It is not possible to reasonably predict the impact of the outcome of pending litigation on the separate financial statements of the Company as of June 30, 2024.

### (b) Commitments with financial institutions

Details of the Company's major arrangements with financial institutions as of June 30, 2024 are as follows:

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

Type	Financial institutions	Currency	Limit	Execution
Opening import letter of credits	Hana Bank	USD	200,000	72,890
Derivatives trading <sup>1</sup>	KB Kookmin Bank and five others	USD	218,627	11,686
Limit loan	NH Bank and three others	KRW	800,000	10,000

<sup>1</sup>Derivatives are composed of foreign exchange forward contracts and are held for trading as of June 30, 2024.

As of June 30, 2024, the Company has a short-term export credit insurance contract with Korea Trade Insurance Corporation (covered amount: USD 114,973 thousand, EUR 1,800 thousand) related to the overseas export of manufactured cigarettes and other products.

### (c) Payment guarantees and collaterals

Details of payment guarantees and collaterals provided by other parties to the Company as of June 30, 2024 are as follows:

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

Provider	Currency	Limit	Details
Korea Housing & Urban Guarantee Corporation	KRW	237,581	Housing distribution guarantee, etc.
Seoul Guarantee Insurance	KRW	7,856	License guarantee, etc.
Hana Bank	USD	2,000	Performance and tender guarantee related to exporting reconstituted tobacco leaves

As of June 30, 2024, KT&G Taiwan Corporation receives a payment guarantee from Citi Bank Taiwan (executed amount: TWD 200,000 thousand), for import clearance. The Company has a recourse liability up to the limit of TWD 200,000 thousand to Citi Bank Taiwan.

**23. Contingent Liabilities and Commitments (cont'd)**

Details of payment guarantees provided by the Company to other parties as of June 30, 2024 and December 31, 2023 are as follows:

(in millions of Korean won)

Guarantee user	Guaranteed by	June 30, 2024		December 31, 2023		Details of guarantee
		Limit amount	Execution amount	Limit amount	Execution amount	
Buyer of Suwon Hwaseo Prugio Briciel	Shinhan Bank	₩ -	₩ -	₩ 76,720	₩ 9,160	Loan guarantee for the intermediate payment of off-plan sales construction <sup>1</sup>
Buyer of ePyeonghansang Daejeon station Centum Vista	Hana Bank	8,000	1,781	8,000	515	

<sup>1</sup>The limit amount of this table excludes the portion of guarantees provided by Korea Housing & Urban Guarantee Corporation (80%) in the limit amount prescribed in the intermediate payment loan agreement.

Details of assets pledged as collaterals as of June 30, 2024 are as follows:

(in millions of Korean won)

	Carrying amount	Debt amount	Collateralized amount	Collateral holder	Type
Investment properties	₩ 357,312	₩ 21,852	₩ 25,415	CJ Foodville Co., Ltd., etc.	Establishment of right to collateral security on rent deposits/ Establishment of lease contracts
Other financial assets and other receivables	5,203	-	5,203	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
	600	-	720	Suhyup Bank	Establishment of pledge related to loan arrangement for Elif Mia contract deposit
Financial assets measured at fair value through profit or loss	5,001	-	5,280	Suhyup Bank	Establishment of pledge related to loan arrangement for Elif Mia contract deposit
Investments in Associates	5,306	-	5,306	Hyundai Marine & Fire Insurance, NH Bank	Collateral for PF Loan of KORAMCO Banpo PFV Co., Ltd. <sup>1</sup>
Total	₩ 374,019	₩ 22,449	₩ 42,521		

<sup>1</sup>Equity holdings of all investors in KORAMCO Banpo PFV Co., Ltd. are pledged as collaterals for a PF loan amounting to ₩ 90,000 million.

Details of restricted financial assets as of June 30, 2024 and December 31, 2023 are as follows:

(in millions of Korean won)

		June 30, 2024	December 31, 2023
Other financial assets and other receivables	Establishment of a pledge for property development	₩ 5,203	₩ 5,203
	Establishment of a pledge for leasehold deposits	597	597
	Deposit in the Accompanied Growth Cooperation Loan Fund	100,000	100,000
	Security deposits for checking accounts	2	2
	Establishment of pledge related to loan arrangement for Elif Mia contract deposit	600	600
Financial assets measured at fair value through profit or loss	Establishment of pledge related to loan arrangement for Elif Mia contract deposit	5,001	4,960
Total		₩ 111,403	₩ 111,362

The contracted amount for the acquisition of major items of property, plant and equipment that have not yet been incurred as of June 30, 2024, is ₩ 134,546 million.

**23. Contingent Liabilities and Commitments (cont'd)****(d) Others**

Each year, the Company deposits a certain proportion of the United States bound tobacco sales proceeds into the US state government in accordance with the Tobacco Master Settlement Agreement ("MSA") legislated under the Escrow Statute of the US. According to the Escrow Statute, if the Company inflicts damage on tobacco consumers due to any illegal activities committed by the Company and leads the US state government to spend medical expenditure accordingly, the deposits in the MSA Escrow Fund may be classified to the state government's medical expenditures. Otherwise, the fund shall be refunded to the Company, in whole, after 25 years from each date of deposit. The Company recognized ₩ 1,589,644 million in long-term deposits for MSA Escrow Fund as of June 30, 2024 (as of December 31, 2023: ₩ 1,479,737 million), and they consist of US Treasury bond, and demand deposits.

The Company established Starfield Suwon Inc. a 50:50 joint venture with Shinsegae Property Inc. for the year ended December 31, 2018. The disposal of the shares is limited for 5 years from the date Starfield Suwon Inc.'s temporary operation is approved. In the event that the Company or the joint venturer wishes to transfer all of its shares, the other party may elect to exercise the pre-emptive right to purchase the shares or exercise its joint put-option rights.

The Company was ordered to pay a sewage fee of ₩ 6,350 million for 1 block of Daeyupyeong District by Suwon City, and Starfield Suwon Inc. completed the payment during the year ended December 31, 2023.

As of June 30, 2024, the Company has entered into a capital call agreement in relations to the Company's overseas real estate funds. The agreement might have a payment obligation if the maturity exchange rate rises compared to the contractual exchange rate. The amount of payment obligation is ₩ 5,836 million as of June 30, 2024.

The Company has entered into a capital contribution agreement in relations to the debt instruments and associates of Mirae Asset KT&G Investment Fund I, KB KT&G New Growth Fund 1, Smilegate New Deal Fund, etc., with the ceiling of ₩ 154,623 million. As of June 30, 2024, the remaining contribution amount is ₩ 47,309 million, and the detailed timeline for contribution is yet to be determined.

The Company has entered into a contribution agreement in relations to equity instruments of Cheongna Medipolis PFV Co., Ltd., an associate, with the ceiling of ₩ 101,000 million. As of June 30, 2024, a capital contribution has been completed. Furthermore, the equity shares shall not be transferred without the approval of Incheon Free Economic Zone and all the shareholders. In addition, when transferring equity shares of Cheongna Medipolis PFV Co., Ltd., the equity shares of Cheongna Medipolis Development Co., Ltd., a subsidiary of the Company, shall also be transferred.

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

**23. Contingent Liabilities and Commitments (cont'd)**

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

As of June 30, 2024, the Company is being provided with a commitment to complete the construction and guarantee from contractors and mutual aid associations for the sale contract (ePyeonhansesang Daejeon station Centum Vista, etc.) proceeded by the Company.

The Company is obligated to return infrastructure such as roads and neighbourhood parks to Suwon City for free related to sales project in Suwon Daeyupyeong district. And as blocks 1, 2, and 3 of Suwon Daeyupyeong district were completed during the year ended December 31, 2023, additional expected costs of fulfilling infrastructure-related obligations are being reflected in construction costs.

In relation to the sales project of Elif Mia station Complex 1 and 2, the Company has an obligation to sell a portion of the residential and commercial facilities built by the Company at a low price and to donate roads to Seoul City.

In relation to the sales project of Digital Empire Pyeongchon Biz Valley and ePyeonhansesang Pyeongchon Urban Valley, the Company has an obligation to donate park and roads located in the district and a portion of the facilities built by the Company to Anyang City.

As of June 30, 2024, in relation to the Daejeon station Centum Vista sales project, the Company has agreed with the constructor (DL Construction Co., Ltd.) to compensate for the liabilities incurred by the contractor due to termination of the contract with the sub-subsidiary for the amount of ₩ 6,074 million loaned to the sub-subsidiary and problems related to the loan contract such as non-repayment of the loan.

During the year ended December 31, 2022, in relation to the construction of residential and commercial complexes in Sangbong-dong, the Company has reached an agreement with Bando Engineering & Construction Co., Ltd. to resolve the dispute over increase in construction costs due to the permission for change through arbitration judgement ordered by Korea Commercial Arbitration Board. For the progress of the construction, the Company also promised to pay ₩ 10 billion to Bando Engineering & Construction Co., Ltd. in installment according to the completion rate until the point of completion. The construction was completed during the year ended December 31, 2023, however, the arbitration is in progress and the ultimate outcome of the arbitration is unpredictable as of June 30, 2024.

During the six-month period ended June 30, 2024, the Company signed a financial support letter for its subsidiaries, KT&G USA Corporation, Yungjin Pharm. Co., Ltd. and Cosmococ Co., Ltd., to provide operating funds, debt repayment and other management-related business support.

**23. Contingent Liabilities and Commitments (cont'd)**

As of June 30, 2024, the Company and KT&G USA Corporation received a notification from the US Department of Justice ("DOJ") to submit a comprehensive document on the regulatory compliance status of tobacco products sold in the US, for which the investigation is underway. The Company and KT&G USA Corporation cannot predict the ultimate outcome of the investigation and its impact as of June 30, 2024.

The Company's subsidiaries are engaged in manufacturing and selling tobacco in Russia. As of June 30, 2024, the US and other countries have imposed the economic sanctions against Russia, including restrictions on SWIFT international payment network. The ultimate impact of such sanctions on the Company's business in Russia and its financial position therein cannot be reasonably estimated as of June 30, 2024.

**24. Cash Flows**

Details of cash generated from operations for each of the six-month periods ended June 30, 2024 and 2023 are as follows:

<i>(in millions of Korean won)</i>		June 30, 2024	June 30, 2023
Profit for the six-month period ended June 30	₩	578,070	₩ 457,657
Adjustments:			
Employee welfare		8,110	2,820
Retirement benefits		14,148	11,611
Loss on valuation or obsolescence of inventories		4,054	2,674
Depreciation		70,812	69,171
Amortization		11,480	9,517
Reversal of impairment loss on trade and other receivables		(7,566)	(5,956)
Loss on foreign currency translation		2,145	18,759
Loss on valuation of derivatives		24,033	13,416
Loss on disposal of property, plant and equipment		11	1,729
Loss on impairment of property, plant and equipment		1	5,917
Loss on disposal of intangible assets		5	-
Loss on impairment of intangible assets		75	123
Loss on disposal of investment properties		55	59
Loss on impairment of investments in subsidiaries		-	4,656
Other expenses, etc.		2,380	(47)
Finance cost		19,407	4,588
Share based payment expense		625	79
Income tax expense		165,877	173,201
Gain on foreign currency translation		(183,535)	(69,983)
Gain on valuation of derivatives		(89)	(4,564)
Gain on disposal of property, plant and equipment		(295)	(1,401)
Gain on disposal of intangible assets		(4)	-
Gain on disposal of investment properties		(4,876)	(6,732)
Gain on disposal of investments in associates and joint ventures		(5,974)	-
Other income, etc.		(3,150)	(3,461)
Finance income		(83,365)	(114,063)
Changes in working capital:			
Decrease (increase) in trade and other receivables		(30,745)	809
Decrease (increase) in derivatives		(10,380)	13,906
Decrease in inventories		59,320	688
Increase in accrued tobacco excise and other taxes		(10,233)	(57,590)
Increase in advance payments		(30,744)	(32,936)
Increase in prepaid expenses		(11,685)	(2,221)
Increase (decrease) in trade and other payables		35,324	(228,462)
Increase in advance receipts		16,114	7,769
Increase in tobacco excise and other taxes payable		23,327	19,845
Increase (decrease) in net defined benefit liabilities (assets)		(8,724)	2,228
Cash generated from operations	₩	644,008	₩ 293,806

**25. Events After the Reporting Period**

At the Board of Directors' meeting held on August 8, 2024, the Company decided to pay interim dividend of ₩ 135,379 million (₩ 1,200 per share) with June 30, 2024, set as the record date and August 28, 2024 scheduled as the distribution date. The separate financial statements for the six-month period ended June 30, 2024 do not include such dividends payables.

According to the resolution of the Board of Directors made on August 8, 2024, the Company plans to buy back 3,610,000 shares of its treasury stocks in 2024 for retirement of the shares.

According to the resolution of the Board of Directors made on August 8, 2024, the Company plans to issue unsecured public bonds denominated in Korean won during the second half of the year of 2024 for the purpose of enhancing corporate value and securing investment funds.