



KT&G Corporation

Interim separate financial statements
for each of the nine-month periods ended September 30, 2024 and 2023
with the independent auditor's review report

Table of contents

Report on review of interim separate financial statements

Interim separate financial statements	Page
Interim separate statements of financial position	1
Interim separate statements of comprehensive income	3
Interim separate statements of changes in equity	4
Interim separate statements of cash flows	5
Notes to the interim separate financial statements	6

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 September 30, 2024, and the related interim separate statements of comprehensive income for each of the three and nine-month periods ended September 30, 2024 and 2023, interim separate statements of changes in equity and interim separate statements of cash flows for each of the nine-month periods ended September 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 the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing ("KSA") and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Other matters

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

November 8, 2024

This review report is effective as of November 8, 2024, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim separate financial statements and may result in modifications to this review report.

KT&G Corporation

Interim separate financial statements

For each of the nine-month periods ended September 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 September 30, 2024 (Unaudited) and December 31, 2023



(in millions of Korean won)

	Notes	September 30, 2024	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents	23,24	₩ 585,264	₩ 210,392
Other financial assets	23,24	135,205	102,403
Current financial assets measured at fair value through profit or loss	23	246,769	342,933
Trade and other receivables	5,17,22,23,24	1,364,364	1,433,909
Derivative assets	23,24	10,259	7,751
Inventories	6	1,280,562	1,222,802
Refund assets and others		697	746
Accrued tobacco excise and other taxes		227,861	217,569
Advanced payments		15,275	441
Prepaid expenses		29,616	15,326
Assets held for sale	13	78,612	-
Total current assets		3,974,484	3,554,272
Non-current assets			
Long-term other financial assets	23,24	51,200	84,040
Long-term deposits in MSA Escrow Fund	23,24	1,523,224	1,479,737
Long-term financial assets measured at fair value through profit or loss	23,24	316,066	337,216
Long-term trade and other receivables	5,22,23,24	232,400	254,744
Long-term Financial assets measured at fair value through other comprehensive income or loss	23	221,179	182,106
Investments in associates and joint ventures	7,22,24	457,228	457,341
Investments in subsidiaries	8,22,24	1,612,256	1,475,656
Property, plant and equipment	9,22,24	1,426,905	1,282,113
Intangible assets	10,22	134,556	133,920
Investment properties	11,24	763,515	992,523
Right-of-use assets	12,22	24,472	26,299
Long-term prepaid expenses		10,409	9,652
Deferred tax assets	21	33,695	60,874
Net defined benefit assets	15	18,393	43,428
Total non-current assets		6,825,498	6,819,649
Total assets		₩ 10,799,982	₩ 10,373,921
Liabilities			
Current liabilities			
Short-term borrowings	14,23,24	₩ 300,000	₩ -
Current bonds	14,23	99,862	-
Trade and other payables	22,23,24	1,351,185	1,416,275
Current lease liabilities	22,23	6,818	6,407
Advanced receipts	17	73,414	8,646
Current refund liabilities and provisions	16	6,671	7,154
Current tax liabilities	21	101,530	164,435
Tobacco excise and other taxes payables		600,143	561,303
Total current liabilities		2,539,623	2,164,220
Non-current liabilities			
Bonds	14,23	498,734	299,165
Long-term trade and other payables	22,23,24	59,104	51,938
Long-term lease liabilities	22,23	14,681	17,532
Long-term advance receipts	17	8,753	5,829
Long-term refund liabilities and provisions	16	3,098	2,712
Total non-current liabilities		584,370	377,176
Total liabilities		₩ 3,123,993	₩ 2,541,396

KT&G Corporation

Interim separate statements of financial position, continued

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



(in millions of Korean won)

	Notes	September 30, 2024	December 31, 2023
Equity			
Share capital	₩	954,959	₩ 954,959
Other capital surplus		4,594	4,030
Treasury shares		(1,372,674)	(1,236,933)
Gain on sale of treasury shares		529,029	528,894
Reserves		7,167,890	7,238,475
Retained earnings		392,191	343,100
Total equity	₩	<u>7,675,989</u>	₩ <u>7,832,525</u>
Total liabilities and equity	₩	<u>10,799,982</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 nine-month periods ended September 30, 2024 and 2023

(Unaudited)



(in millions of Korean won)

	Notes	September 30, 2024		September 30, 2023	
		Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended
Sales	4,22	₩ 997,642	₩ 2,733,509	₩ 976,106	₩ 2,679,760
Manufacture of tobacco		857,774	2,390,949	817,671	2,327,010
Real estate	17	90,342	205,607	120,752	245,014
Exports of leaf tobacco and others		49,526	136,953	37,683	107,736
Cost of sales	22	(488,750)	(1,339,442)	(489,803)	(1,324,562)
Manufacture of tobacco		(393,332)	(1,116,450)	(393,875)	(1,107,939)
Real estate	17	(64,563)	(130,384)	(68,524)	(127,284)
Exports of leaf tobacco and others		(30,855)	(92,608)	(27,404)	(89,339)
Gross profit		508,892	1,394,067	486,303	1,355,198
Selling, general and administrative expense	18,22,23	(202,100)	(597,063)	(192,378)	(587,220)
Operating profit		306,792	797,004	293,925	767,978
Other income	19,22,23	31,586	118,103	64,650	167,030
Other expense	19,22,23	(173,431)	(70,171)	(22,967)	(78,015)
Finance income	20,22,23	36,027	119,392	21,903	135,966
Finance costs	20,22,23	(6,480)	(25,887)	(11,787)	(16,375)
Profit before income tax		194,494	938,441	345,724	976,584
Income tax expense	21	(48,047)	(213,924)	(87,381)	(260,584)
Profit for the period		₩ 146,447	₩ 724,517	₩ 258,343	₩ 716,000
Other comprehensive income (loss) for the year after income tax					
Items that will not be reclassified to profit or loss					
Re-measurements of net defined benefit liabilities		₩ 687	₩ (3,621)	₩ 635	₩ (15,171)
Gain on valuation of financial assets measured at fair value through other comprehensive income or loss		21,799	50,261	7,052	5,739
		22,486	46,640	7,687	(9,432)
Total comprehensive income for the period		₩ 168,933	₩ 771,157	₩ 266,030	₩ 706,568
Earnings per share (in Korean won)					
Basic and diluted		₩ 1,302	₩ 6,441	₩ 2,230	₩ 6,180

"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 nine-month periods ended September 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
Balance as of January 1, 2023	₩ 954,959	₩ 3,582	₩ (1,236,933)	₩ 528,894	₩ 6,814,100	₩ 989,001	₩ 8,053,603
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	716,000	716,000
Other comprehensive income (loss) for the period:							
Re-measurements of net defined benefit liabilities	-	-	-	-	-	(15,171)	(15,171)
Gain on valuation of financial assets measured at fair value through other comprehensive income or loss	-	-	-	-	5,739	-	5,739
Subtotal other comprehensive income (loss) for the period	-	-	-	-	5,739	(15,171)	(9,432)
Total comprehensive income for the period	-	-	-	-	5,739	700,829	700,868
Transactions with owners of the Company:							
Dividends paid	-	-	-	-	-	(720,935)	(720,935)
Transfer to other reserve	-	-	-	-	407,601	(407,601)	-
Acquisition of treasury shares	-	-	(302,728)	-	-	-	(302,728)
Share options	-	409	-	-	-	-	409
Total Transactions with owners of the Company	-	409	(302,728)	-	407,601	(1,128,536)	(1,023,254)
Balance as of September 30, 2023	₩ 954,959	₩ 3,991	₩ (1,539,661)	₩ 528,894	₩ 7,227,440	₩ 561,294	₩ 7,736,917
Balance as of January 1, 2024	₩ 954,959	₩ 4,030	₩ (1,236,933)	₩ 528,894	₩ 7,238,475	₩ 343,100	₩ 7,832,525
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	724,517	724,517
Other comprehensive income for the period:							
Re-measurements of net defined benefit liabilities	-	-	-	-	-	(3,621)	(3,621)
Gain on valuation of financial assets measured at fair value through other comprehensive income or loss	-	-	-	-	50,261	-	50,261
Transfer from gain on disposal of financial assets measured at fair value through other comprehensive income or loss to retained earnings	-	-	-	-	(12,706)	12,706	-
Subtotal other comprehensive income for the period	-	-	-	-	37,555	9,085	46,640
Total comprehensive income for the period	-	-	-	-	37,555	733,602	771,157
Transactions with owners of the Company:							
Dividends paid	-	-	-	-	-	(586,619)	(586,619)
Transfer from other reserve	-	-	-	-	(108,140)	108,140	-
Acquisition of treasury shares	-	-	(342,133)	-	-	-	(342,133)
Retirement of treasury shares	-	-	206,032	-	-	(206,032)	-
Share options	-	564	360	135	-	-	1,059
Total Transactions with owners of the Company	-	564	(135,741)	135	(108,140)	(684,511)	(927,693)
Balance as of September 30, 2024	₩ 954,959	₩ 4,594	₩ (1,372,674)	₩ 529,029	₩ 7,167,890	₩ 392,191	₩ 7,675,989

"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 nine-month periods ended September 30, 2024 and 2023 (Unaudited)



(in millions of Korean won)

	Notes	September 30, 2024	September 30, 2023
Net cash flows provided by operating activities		₩ 848,322	₩ 600,315
Cash generated from operations	25	1,114,701	917,586
Income taxes paid		(266,379)	(317,271)
Net cash flows used in investing activities		(116,566)	(439,175)
Interest received		43,945	22,636
Dividends received		79,376	20,084
Decrease in other financial assets		2,403	36,340
Decrease in current financial assets measured at fair value through profit or loss		172,563	397,778
Decrease in long-term financial assets measured at fair value through profit or loss		26,339	4,846
Decrease in long-term financial assets measured at fair value through other comprehensive income or loss		29,216	-
Disposal of property, plant and equipment		5,745	3,871
Disposal of intangible assets		579	1,030
Disposal of investment properties		9,264	8,403
Disposal of assets held for sale		181	188
Disposal of investments in associates and joint ventures		25,982	-
Collection of loans		13,404	13,514
Collection of guarantee deposits		126	38
Increase in other financial assets		(2,367)	(16,942)
Increase in current financial assets measured at fair value through profit or loss		(35,865)	(181,020)
Increase in long-term financial assets measured at fair value through profit or loss		(35,277)	(32,160)
Increase in long-term deposits in MSA Escrow Fund		(68)	(1,635)
Acquisition of property, plant and equipment		(251,710)	(175,915)
Acquisition of intangible assets		(19,016)	(28,881)
Acquisition of investment properties		(7,671)	(13,127)
Acquisition of investments in associates and joint ventures		(19,500)	(188,478)
Acquisition of investments in subsidiaries		(136,600)	(190,874)
Increase in loans		(17,303)	(116,131)
Increase in guarantee deposits		(312)	(2,740)
Net cash flows used in financing activities		(356,166)	(736,227)
Interest paid		(19,961)	(5,620)
Dividends paid		(586,619)	(720,935)
Acquisition of treasury shares		(342,133)	(302,728)
Proceeds in short-term borrowings		630,000	1,230,000
Repayment in short-term borrowings		(330,000)	(1,230,018)
Proceeds from issuance of bond		298,990	299,073
Repayment of lease liabilities		(6,443)	(5,999)
Net increase (decrease) in cash and cash equivalents		375,590	(575,087)
Cash and cash equivalents at the beginning of the period		210,392	939,550
Effect of exchange rate fluctuation on cash and cash equivalents		(718)	7,215
Cash and cash equivalents at the end of the period		₩ 585,264	₩ 371,678

"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 September 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 45,400,000 and 35,816,658 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 September 30, 2024, these amendments and interpretations do not have a significant 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)

(in millions of Korean won)			September 30, 2024		September 30, 2023	
			Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended
Revenue recognized at a point in time:						
Sales of tobacco/merchandise and service revenue and others	Korea	Wholesale and retail	₩ 586,465	₩ 1,663,250	₩ 582,603	₩ 1,648,372
		Direct sales	1,006	3,404	1,441	3,638
	Export	Wholesale and retail	270,303	724,295	233,627	675,000
Sales of semifinished tobacco products/raw materials and others	Korea	Direct sales	1,774	5,874	984	14,868
	Export	Direct sales	47,752	131,079	36,699	92,867
Sales of real estate	Korea	Sales	15	9,862	3,256	3,256
Subtotal			907,315	2,537,764	858,610	2,438,001
Revenue recognized over time:						
Sales and rental of real estate	Korea	Sales	68,132	128,982	97,155	178,275
	Korea	Rental	22,195	66,763	20,341	63,483
Subtotal			90,327	195,745	117,496	241,758
Total			₩ 997,642	₩ 2,733,509	₩ 976,106	₩ 2,679,759

5. Trade and Other Receivables

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

(in millions of Korean won)

	September 30, 2024		December 31, 2023	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 884,656	₩ 90,250	₩ 988,516	₩ 62,818
Loans	381,425	87,040	315,083	139,676
Other receivables	35,702	17,146	82,403	8,778
Guarantee deposits	34,568	37,008	37,955	37,977
Accrued income	28,013	956	9,952	5,495
Total	₩ 1,364,364	₩ 232,400	₩ 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 September 30, 2024 and December 31, 2023 are as follows:

(in millions of Korean won)

	September 30, 2024		December 31, 2023	
	Current	Non-current	Current	Non-current
Total carrying amount	₩ 1,402,771	₩ 376,154	₩ 1,483,123	₩ 392,891
Allowances:				
Trade receivables	(37,714)	(105,092)	(49,113)	(96,203)
Other receivables	(693)	(38,662)	(101)	(41,944)
Subtotal	(38,407)	(143,754)	(49,214)	(138,147)
Net trade and other receivables	₩ 1,364,364	₩ 232,400	₩ 1,433,909	₩ 254,744

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

(in millions of Korean won)

	September 30, 2024	September 30, 2023
Beginning balance	₩ 187,361	₩ 203,467
Impairment loss	(5,200)	(5,663)
Ending balance	₩ 182,161	₩ 197,804

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 September 30, 2024 and December 31, 2023 are as follows:

(in millions of Korean won)

	September 30, 2024			December 31, 2023		
	Acquisition cost	Valuation loss allowance	Carrying amount	Acquisition cost	Valuation loss allowance	Carrying amount
Merchandise	₩ 23,922	₩ (2,620)	₩ 21,302	₩ 19,213	₩ (1,597)	₩ 17,616
Finished goods	108,889	(11,944)	96,945	120,841	(13,157)	107,684
Half-finished goods	35,237	(862)	34,375	43,706	(980)	42,726
Work in progress	4,690	-	4,690	2,668	-	2,668
Raw materials	688,689	(61)	688,628	692,687	(233)	692,454
Materials	35,809	(2,921)	32,888	43,540	(2,999)	40,541
Supplies	64,978	-	64,978	57,419	-	57,419
By-products	6,608	-	6,608	7,577	-	7,577
Buildings under construction	65,703	-	65,703	19,965	-	19,965
Completed buildings	98,942	-	98,942	105,631	-	105,631
Sites for construction of real estate	142,926	-	142,926	41,741	-	41,741
Goods in transit	22,577	-	22,577	86,780	-	86,780
Total	₩ 1,298,970	₩ (18,408)	₩ 1,280,562	₩ 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 nine-month periods ended September 30, 2024 and 2023 are as follows:

(in millions of Korean won)

	September 30, 2024		September 30, 2023	
	Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended
Cost of sales:				
Loss (reversal) on valuation of inventories	₩ (666)	₩ (558)	₩ 2,063	₩ (71)
Loss on obsolescence of inventories	728	4,674	210	4,758
Other expense:				
Loss on obsolescence of inventories	-	-	-	260
Total	₩ 62	₩ 4,116	₩ 2,273	₩ 4,947

7. Investments in Associates and Joint Ventures

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

(in millions of Korean won)

Type	Name of entity	Location	Principal operation	September 30, 2024		December 31, 2023	
				Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Associates	LitePharmTech Co., Ltd. ¹	Korea	Manufacturing medical supplies	12.53	₩ 1,830	12.53	₩ 1,830
	KORAMCO Banpo PFV Co., Ltd. ^{1,2}	Korea	Real estate investment, development and rental business	18.95	5,306	18.95	5,306
	KORAMCO Dongjak PFV Co., Ltd. ¹	Korea	Real estate investment, development and rental business	-	-	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	39,569	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. ³	Korea	Real estate development and sales	51.01	101,000	51.01	101,000
	INNODIS Co., Ltd. ¹	Korea	Advertising agency	19.64	55	19.64	55
	SJ BIO MED Co., Ltd. ^{1,4}	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	13,500	45.00	9,000
	KB KT&G New Growth Fund ^{1,5}	Korea	Healthcare, New growth industry	66.67	3,000	66.67	3,000
Joint ventures	KORAMCO Europe Private REIT 3-2 Fund ⁶	Korea	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					₩ 457,228		₩ 457,341

¹The 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.

²As of September 30, 2024, the Company's holdings in KORAMCO Banpo PFV Co., Ltd. are pledged as a collateral for a PF loan (see Notes 22.(o) and 24.(c)).

³The 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.

⁴As of September 30, 2024, liquidation procedures are in progress.

⁵Although 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 has significant influence through participating on investment decision-making authority.

⁶The 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 nine-month period ended September 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 nine-month period ended September 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 nine-month period ended September 30, 2024, the Company disposed of KORAMCO Dongjak PFV Co., Ltd., an associate, and recognized ₩ 394 million as gain on disposal of investment in associates.

During the nine-month period ended September 30, 2024, the Company additionally acquired equity securities of Mirae Asset KT&G Investment Fund I (45 shares for ₩ 4,500 million), an associate, through the issuance of new stocks.

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 September 30, 2024 and December 31, 2023, are as follows:

(in millions of Korean won)

Name of entity	Location	Principal operation	September 30, 2024		December 31, 2023	
			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.	Turkiye	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	-
Cosmococ Co., Ltd.	Korea	Manufacturing and selling cosmetics	98.56	22,759	98.56	22,759
Renzoluc Pte., Ltd. ¹	Singapore	Holding Company	100.00	163,104	100.00	163,104
PT Trisakti Purwosari Makmur ²	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. ³	Korea	Real estate development and sales business	38.25	35,552	38.25	35,552
Edn the pine central Seocho Co., Ltd. ⁴	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

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

²PT 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. 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 September 30, 2024.

³The 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.

⁴The book amount has increased due to the payment of acquisition tax during the nine-month period ended September 30, 2024.

8. Investments in subsidiaries (cont'd)

During the nine-month period ended September 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 nine-month period ended September 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. through issuance of new stocks, 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 ₩ 19,722 million of KT&G Kazakhstan LLP.

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 shares (₩ 35,552 million) of preferred stocks with voting rights of DNC Deogeun Co., Ltd. and 7,000,000 shares (₩ 35,000 million) of preferred stocks with voting rights of Edn the pine central Seocho Co., Ltd. through equity purchase.

(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 nine-month periods ended September 30, 2024 and 2023 are as follows:

(in millions of Korean won)

	September 30, 2024		September 30, 2023	Method for evaluating recoverable amount
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 nine-month periods ended September 30, 2024 and 2023 are as follows:

<i>(in millions of Korean won)</i>		September 30, 2024		September 30, 2023
Beginning balance	₩	1,282,113	₩	1,177,839
Acquisition ¹		226,553		124,786
Disposal/Impairment		(4,903)		(9,333)
Depreciation		(77,851)		(75,635)
Reclassification ²		993		(19,096)
Ending balance	₩	1,426,905	₩	1,198,561

¹During the nine-month period ended September 30, 2024, the Company has capitalized borrowing costs amounting to ₩ 7,901 million for property, plant and equipment that are qualifying assets. The rate used to calculate capitalizable borrowing costs is 4.13% to 4.45%.

²Consists of ₩ 993 million of transfers from investment properties for the nine-month period ended September 30, 2024. And ₩ 19,064 million of transfers to investment properties and ₩ 32 million of transfers to inventories for the nine-month period ended September 30, 2023.

10. Intangible Assets

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

<i>(in millions of Korean won)</i>		September 30, 2024		September 30, 2023
Beginning balance	₩	133,920	₩	122,485
Acquisition		18,693		26,900
Disposal/Impairment		(788)		(1,441)
Amortization		(17,269)		(15,286)
Reclassification		-		(13)
Ending balance	₩	134,556	₩	132,645

11. Investment Properties

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

<i>(in millions of Korean won)</i>		September 30, 2024		September 30, 2023
Beginning balance	₩	992,523	₩	1,029,217
Acquisition ¹		7,671		13,127
Disposal/Impairment		(947)		(1,775)
Depreciation		(20,470)		(20,728)
Reclassification ²		(215,262)		(25,104)
Ending balance	₩	<u>763,515</u>	₩	<u>994,737</u>

¹During the nine-month period ended September 30, 2024, the Company has capitalized borrowing costs amounting to ₩ 1,069 million are for investment properties that are qualifying assets. The rate used to calculate capitalizable borrowing costs is 4.13% to 4.45%.

²Consists of ₩ 993 million of transfers to property, plant and equipment, ₩ 78,612 million of transfers to assets held for sale and ₩ 135,657 million of transfers to inventories for the nine-month period ended September 30, 2024. And ₩ 19,064 million of transfers from property, plant and equipment and ₩ 44,168 million of transfers to inventories for the nine-month period ended September 30, 2023.

12. Right-of-use Assets

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

<i>(in millions of Korean won)</i>		September 30, 2024		September 30, 2023
Beginning balance	₩	26,299	₩	25,640
Acquisition		6,760		11,044
Disposal		(208)		(531)
Depreciation		(8,379)		(7,556)
Ending balance	₩	<u>24,472</u>	₩	<u>28,597</u>

13. Assets held for Sale

Changes in assets held for sale for each of the nine-month periods ended September 30, 2024 and 2023 are as follows:

<i>(in millions of Korean won)</i>		<u>September 30, 2024</u>	<u>September 30, 2023</u>
Beginning balance	₩	-	₩ -
Disposal		-	-
Reclassification ¹		78,612	-
Ending balance	₩	<u>78,612</u>	<u>₩ -</u>

¹Reclassification consists of ₩ 78,612 million of transfers from investment properties for the nine-month period ended September 30, 2024.

14. Borrowings and Bonds

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

<i>(in millions of Korean won)</i>	<u>Lender</u>	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Limit loan	Hana Bank	₩ 300,000	₩ -

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

<i>(in millions of Korean won)</i>	<u>Issued Date</u>	<u>Maturity</u>	<u>Annual interest rate (%)</u>	<u>September 30, 2024</u>	<u>December 31, 2023</u>
2-1 st non-guarantee public bonds	2023.09.13	2025.09.12	4.180	₩ 100,000	₩ 100,000
2-2 nd non-guarantee public bonds	2023.09.13	2026.09.11	4.322	200,000	200,000
3-1 st non-guarantee public bonds	2024.04.25	2026.04.24	3.624	50,000	-
3-2 nd non-guarantee public bonds	2024.04.25	2027.04.23	3.763	150,000	-
3-3 rd non-guarantee public bonds	2024.04.25	2029.04.25	3.808	100,000	-
Subtotal				600,000	300,000
Discount on bonds				(1,404)	(835)
Total				₩ 598,596	₩ 299,165
Current				99,862	-
Non-current				498,734	299,165
Total				₩ 598,596	₩ 299,165

15. Employee Benefits

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

(in millions of Korean won)

	September 30, 2024		September 30, 2023	
	Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended
Defined benefit plan:				
Current service cost	₩ 7,575	₩ 22,652	₩ 7,312	₩ 20,982
Net interest on net defined benefit liabilities	(330)	(1,259)	(541)	(2,600)
Subtotal	7,245	21,393	6,771	18,382
Defined contribution plan:				
Contributions recognized as expense	1,787	4,882	1,379	4,138
Other long-term employee benefits:				
Current service cost, etc.	1,326	8,862	1,119	4,120
Termination benefits:				
Voluntary retirements, etc.	589	2,132	-	355
Total	₩ 10,947	₩ 37,269	₩ 9,269	₩ 26,995

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

(in millions of Korean won)

	September 30, 2024	December 31, 2023
Present value of defined benefit obligations	₩ 393,796	₩ 391,192
Fair value of plan assets	(412,189)	(434,620)
Total	₩ (18,393)	₩ (43,428)

16. Refund Liabilities and Provisions

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

(in millions of Korean won)

	September 30, 2024		December 31, 2023	
	Current	Non-current	Current	Non-current
Provision for product warranty	₩ 1,343	₩ -	₩ 1,780	₩ -
Refund liabilities	5,237	2,958	5,221	2,575
Provision for site restoration	59	111	84	111
Provision for financial guarantee	22	29	18	26
Provision for greenhouse gases	10	-	51	-
Total	₩ 6,671	₩ 3,098	₩ 7,154	₩ 2,712

16. Refund Liabilities and Provisions (cont'd)

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

(in millions of Korean won)

		September 30, 2024			
		Beginning balance	Increase	Decrease	Ending balance
Provision for product warranty	₩	1,780	₩ 3,300	₩ (3,737)	₩ 1,343
Refund liabilities		7,796	4,436	(4,037)	8,195
Provision for site restoration		195	59	(84)	170
Provision for financial guarantee		44	34	(27)	51
Provision for greenhouse gases		51	-	(41)	10
Total	₩	9,866	₩ 7,829	₩ (7,926)	₩ 9,769

(in millions of Korean won)

		September 30, 2023			
		Beginning balance	Increase	Decrease	Ending balance
Provision for product warranty	₩	4,172	₩ 1,460	₩ (3,259)	₩ 2,373
Refund liabilities		6,789	88	(656)	6,221
Provision for site restoration		186	84	(84)	186
Provision for financial guarantee		134	29	(86)	77
Provision for greenhouse gases		194	-	(125)	69
Total	₩	11,475	₩ 1,661	₩ (4,210)	₩ 8,926

17. Real Estate Pre-sales Contracts

(a) Details of ongoing real estate pre-sale contracts for each of the nine-month periods ended September 30, 2024 and 2023 are as follows:

(in millions of Korean won)

September 30, 2024								
Construction project	Initial sales contract date	Expected completion date	Progress (%)	Total sales value ¹	Total sales contract value	Revenue (cumulative) ²	Revenue (period) ³	Cost (cumulative) ⁴
Suwon Hwaseo Prugio Briciel	June 2020	September 2023	100.00	₩ 803,056	₩ 747,970	₩ 747,946	- ₩	338,101
ePyeonghansesang Daejeon station Centum Vista	December 2022	June 2026	54.11	226,951	193,218	104,297	39,913	87,156
Nokbeon-dong Mixed-use building	April 2023	February 2025	72.44	29,720	25,220	18,269	9,387	12,017
Elif Mia station Complex 1	May 2023	August 2026	32.98	61,562	44,907	14,743	7,514	11,033
Elif Mia station Complex 2	May 2023	August 2026	31.43	155,141	108,542	34,024	15,936	24,767
ePyeonghansesang Pyeongchon Urban Valley	April 2024	October 2026	13.80	399,869	397,291	54,814	54,814	33,559
Digital Empire Pyeongchon Biz Valley	April 2024	March 2027	14.40	352,768	11,586	1,418	1,418	1,133
Total				₩ 2,029,067	₩ 1,528,734	₩ 975,511	₩ 128,982	₩ 507,766

¹Includes the expected sales value for commercial buildings, efficiency apartments, 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.

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

³Excludes the revenue of ₩ 9,862 million recognized as sales at a point when the construction is completed and control of the goods is transferred to the customer for the nine-month period ended September 30, 2024.

⁴Excludes cumulative cost for common infrastructure, amounting to ₩ 242,167 million.

(in millions of Korean won)

September 30, 2023								
Construction project	Initial sales contract date	Expected completion date	Progress (%)	Total sales value ¹	Total sales contract value	Revenue (cumulative) ²	Revenue (period)	Cost (cumulative) ³
Suwon Hwaseo Prugio Briciel	June 2020	September 2023	100.00	₩ 803,056	₩ 750,352	₩ 750,328	₩ 123,637	348,542
ePyeonghansesang Daejeon station Centum Vista	December 2022	June 2026	18.99	226,951	194,148	36,865	36,340	30,422
Nokbeon-dong Mixed-use building	April 2023	February 2025	19.03	29,720	25,220	4,799	4,799	3,144
Elif Mia station Complex 1	May 2023	August 2026	8.51	61,562	25,568	2,176	2,176	1,563
Elif Mia station Complex 2	May 2023	August 2026	8.84	155,141	88,161	7,797	7,797	5,434
Gireum-dong Neighborhood Commercial Facilities	July 2023	December 2023	12.78	27,580	27,580	3,526	3,526	236
Total				₩ 1,304,010	₩ 1,111,029	₩ 805,491	₩ 178,275	₩ 389,341

¹Includes the expected sales value for commercial buildings, efficiency 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.

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

³Excludes cumulative cost for common infrastructure, amounting to ₩ 109,492 million.

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

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

(in millions of Korean won)

Construction project	September 30, 2024			
	Revenue (cumulative)	Cash collected, etc. (cumulative)	Trade receivables for sale in lots ¹	Advanced receipts for sale in lots ²
Suwon Hwaseo Prugio Briciel	₩ 747,946	₩ 747,361	₩ 587	₩ 2
ePyeonghansesang Daejeon station Centum Vista	104,297	30,166	74,846	715
Nokbeon-dong Mixed-use building	18,269	12,609	5,660	-
Elif Mia station Complex 1	14,743	5,359	9,470	86
Elif Mia station Complex 2	34,024	13,075	21,166	217
ePyeonghansesang Pyeongchon Urban Valley	54,814	47,756	7,166	108
Digital Empire Pyeongchon Biz Valley	1,418	908	510	-
Total	₩ 975,511	₩ 857,234	₩ 119,405	₩ 1,128

¹As of September 30, 2024, contract assets unclaimed to customers are ₩ 115,558 million and will be reclassified to receivables in accordance with the billing schedule as pursuant to the contract.

²Includes 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 ¹	Advanced receipts for sale in lots ²
Suwon Hwaseo Prugio Briciel	₩ 747,946	₩ 708,687	₩ 39,500	₩ 241
ePyeonghansesang 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

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

²Includes 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 nine-month period ended September 30, 2024. Estimated total contract revenue and total contract cost of the ongoing real estate pre-sale contracts are based on the circumstances that have occurred until September 30, 2024 and subject to probable changes in the future.

17. 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 September 30, 2024 and December 31, 2023, are as follows:

<i>(in millions of Korean won)</i>		September 30, 2024		December 31, 2023	
		Trade receivables for sale in lots	Advanced receipts for sale in lots ¹	Trade receivables for sale in lots	Advanced receipts for sale in lots ¹
Construction project					
Suwon Hwaseo Prugio Briciel	₩	-	₩ 806	₩ -	₩ 1,465
ePyeonghansang Daejeon station Centum Vista		-	105	-	93
Elif Mia station Complex 1		-	457	-	322
Elif Mia station Complex 2		-	3,569	-	666
Sangbong station Ubora First Live and Four Square		9,549	797	6,626	774
Total	₩	9,549	₩ 5,734	₩ 6,626	₩ 3,320

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

18. Selling, General and Administrative Expenses

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

<i>(in millions of Korean won)</i>		September 30, 2024		September 30, 2023	
		Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended
Salaries	₩	75,725	₩ 224,808	₩ 77,901	₩ 229,713
Retirement and termination benefits		6,561	19,245	5,539	15,497
Employee welfare		22,499	46,898	12,134	32,195
Travel expenses		4,263	10,322	3,754	10,215
Communication cost		756	2,191	635	2,037
Utilities		3,861	10,808	4,205	10,925
Taxes and dues		1,123	23,466	689	24,799
Supplies		554	1,406	385	1,724
Rent		795	3,131	2,645	6,287
Depreciation		7,722	23,098	4,828	21,475
Amortization		3,606	11,853	5,741	15,189
Repairs and maintenance		2,663	5,310	1,946	3,523
Vehicles		917	2,430	837	2,422
Insurance		419	1,374	389	1,043
Commissions		30,293	108,651	32,424	113,287
Freight and custody		5,535	15,499	5,711	16,963
Conferences		738	2,278	715	2,266
Advertising		21,158	61,722	21,708	62,303
Education and training		1,457	4,025	1,492	4,496
Prizes and rewards		523	1,045	283	1,062
Research and development		6,631	20,014	5,790	14,079
Impairment loss (reversal of impairment loss) on trade receivables		4,301	(2,511)	2,627	(4,280)
Total	₩	202,100	₩ 597,063	₩ 192,378	₩ 587,220

19. Other Income and Expense

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

(in millions of Korean won)

	September 30, 2024		September 30, 2023	
	Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended
Gain on foreign currency transaction	₩ 7,639	₩ 30,751	₩ 6,998	₩ 22,847
Gain on foreign currency translation	-	47,301	53,862	123,846
Gain on valuation of derivatives	15,111	12,657	1,424	5,988
Reversal of impairment loss on other receivables	1,935	2,689	2,334	1,383
Gain on disposal of property, plant and equipment	2,947	3,242	14	1,415
Gain on disposal of intangible assets	-	4	3	3
Gain on disposal of investment properties	2,056	6,932	-	6,732
Gain on disposal of investment in associates	394	6,368	-	-
Gain on lease contract adjustments	13	132	15	47
Miscellaneous income	1,491	8,027	-	4,769
Total	₩ 31,586	₩ 118,103	₩ 64,650	₩ 167,030

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

(in millions of Korean won)

	September 30, 2024		September 30, 2023	
	Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended
Loss on foreign currency transaction	₩ 11,932	₩ 20,020	₩ 3,757	₩ 12,729
Loss on foreign currency translation	160,070	25,982	3,355	22,114
Loss on valuation of derivatives	-	21,489	8,958	22,374
Loss on disposal of property, plant and equipment	134	144	24	1,753
Loss on impairment of property, plant and equipment	303	304	1,165	7,082
Loss on disposal of intangible assets	87	92	9	9
Loss on impairment of intangible assets	47	122	282	405
Loss on disposal of investment properties	141	196	-	59
Loss on impairment of investments in subsidiaries	-	-	-	4,656
Loss on lease contract adjustments	8	14	4	10
Donations	709	1,459	983	1,994
Miscellaneous loss	-	349	4,430	4,830
Total	₩ 173,431	₩ 70,171	₩ 22,967	₩ 78,015

20. Finance Income and Costs

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

(in millions of Korean won)

	September 30, 2024		September 30, 2023	
	Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended
Finance income:				
Interest income ¹	₩ 25,718	₩ 71,618	₩ 16,249	₩ 44,820
Dividend income	3,620	27,613	3,736	54,301
Gain on valuation of financial assets measured at fair value through profit or loss	6,689	20,161	1,918	36,845
Total finance income	₩ 36,027	₩ 119,392	₩ 21,903	₩ 135,966
Finance cost:				
Interest expense	₩ 7,414	₩ 16,171	₩ 5,811	₩ 8,454
Loss on valuation of financial assets measured at fair value through profit or loss	(934)	9,716	5,976	7,921
Total finance cost	₩ 6,480	₩ 25,887	₩ 11,787	₩ 16,375
Net finance income	₩ 29,547	₩ 93,505	₩ 10,116	₩ 119,591

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

21. 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 nine-month periods ended September 30, 2024 and 2023, are 22.80% and 26.68%, 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 implication of 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 September 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.

22. Related Parties

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

Type	Name of entity	Location	Percentage of ownership (%)					
			September 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
	Cosmocos Co., Ltd.	Korea	98.56	-	98.56	98.56	-	98.56
	Renzouluc Pte., Ltd. ¹	Singapore	100.00	-	100.00	100.00	-	100.00
	PT Trisakti Purwosari Makmur ²	Indonesia	6.56	93.43	99.99	6.56	93.43	99.99
	PT TSPM FLAVOR AND FRAGRANCE ³	Indonesia	-	99.99	99.99	-	-	-
	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 ⁴	Kazakhstan	100.00	-	100.00	100.00	-	100.00
	KT&G Global Kazakhstan LLP ⁴	Kazakhstan	100.00	-	100.00	100.00	-	100.00
	DNC Deogeun Co., Ltd. ⁵	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. ⁶	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. ⁷	Korea	12.53	-	12.53	12.53	-	12.53
	KORAMCO Banpo PFV Co., Ltd. ⁷	Korea	18.95	-	18.95	18.95	-	18.95
	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. ⁸	Korea	51.01	-	51.01	51.01	-	51.01
	INNODIS CO., Ltd. ⁷	Korea	19.64	-	19.64	19.64	-	19.64
	SJ BIO MED Co., Ltd. ^{7,9}	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 ¹⁰	Korea	66.67	-	66.67	66.67	-	66.67
	KORAMCO Europe Private REIT 3-2 Fund ¹¹	Korea	51.35	-	51.35	51.35	-	51.35
	Starfield Suwon Inc.	Korea	50.00	-	50.00	50.00	-	50.00
Others	AndaStation Professional Investment Private REIT No.1 ¹²	Korea	-	-	-	21.43	-	21.43
	KORAMCO Dongjak PFV Co., Ltd. ¹²	Korea	-	-	-	19.47	-	19.47

22. Related Parties (cont'd)

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

²PT 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 Makur 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 September 30, 2024.

³PT 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 nine-month ended September 30, 2024.

⁴The Company newly acquired 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.

⁵The 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.

⁶The Company newly acquired 66.67% of Cheongna Medipolis Development Co., Ltd. during the nine-month period ended September 30, 2024, and the Company has classified the shares as investments in subsidiaries.

⁷The 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.

⁸The 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.

⁹As of September 30, 2024, liquidation procedures are in progress.

¹⁰Although the Company's percentage of ownership for 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 through participating on the entity's investment decision-making authority.

¹¹The 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.

¹²The Company excluded the entity from its related parties, as the entity was disposed during the nine-month period ended September 30, 2024.

22. 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 nine-month periods ended September 30, 2024 and 2023 are as follows:

① Sales and other income

(in millions of Korean won)

Type	Name of entity	September 30, 2024		September 30, 2023	
		Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended
Subsidiaries	Korea Ginseng Corporation	₩ 3,183	₩ 10,240	₩ 2,965	₩ 9,967
	Yungjin Pharm. Co., Ltd.	293	963	311	876
	Tae-A Industrial Co., Ltd.	275	719	215	600
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. ^{1,2}	10,917	20,140	1,143	16,581
	KT&G Rus L.L.C. ¹	21,088	49,694	12,447	36,277
	KT&G USA Corporation ¹	4	13	9	18
	Cosmocos Co., Ltd.	34	112	27	67
	PT Trisakti Purwosari Makmur ¹	26,157	78,450	13,377	42,424
	SangSang Stay Inc.	1,512	4,536	1,231	3,689
	KT&G Global Rus L.L.C. ¹	5,109	11,352	1,384	4,962
	Gwacheon Sangsang PFV. Inc.	127	8,918	-	36,939
	KT&G Taiwan Corporation	4,386	12,200	4,332	10,905
	KT&G Kazakhstan LLP	1,126	1,146	7	11
	KT&G Global Kazakhstan LLP	1,846	4,574	245	304
	DNC Deogeun Co., Ltd.	-	5,075	-	-
	KGCyebon Corporation	14	40	6	22
	KGC Life&Gin Co., Ltd.	13	42	14	44
	CHEONGNA MEDIPOLIS DEVELOPMENT CO., LTD.	9	9	-	-
	Associates	-	600	-	600
	KOCREF 41 REIT	-	938	-	914
Joint venture	Starfield Suwon Inc.	91	91	-	-
	AndaStation Professional	-	-	-	-
Others	Investment Private REIT No.1 ³	-	-	-	473
	Total	₩ 76,184	₩ 209,852	₩ 37,713	₩ 165,673

¹Excludes impairment loss (reversal) of ₩ 5,858 million and ₩ 7,641 million in relation to the related parties for each of the nine-month periods ended September 30, 2024 and 2023.

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

³The Company excluded the entity from its related parties, as the entity was disposed during the nine-month period ended September 30, 2024.

22. Related Parties (cont'd)
② Purchases and other expenses
(in millions of Korean won)

Type	Name of entity	September 30, 2024		September 30, 2023	
		Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended
Subsidiaries	Korea Ginseng Corporation	₩ 472	₩ 1,021	₩ 368	₩ 955
	Yungjin Pharm. Co., Ltd.	60	284	2	224
	Tae-A Industrial Co., Ltd.	9,215	27,589	9,092	28,229
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. ¹	8,810	14,035	-	-
	Cosmocos Co., Ltd.	211	224	14	17
	PT Trisakti Purwosari Makmur	457	457	-	14
	SangSang Stay Inc.	49	157	17	155
	KT&G Kazakhstan LLP	358	358	-	-
	KGCyebon Corporation	232	669	206	618
	KGC Life&Gin Co., Ltd.	-	3	211	214
	Renzoluc Pte., Ltd.	48	48	-	-
	Associate	74	221	73	196
Joint venture	Starfield Suwon Inc.	28	76	-	-
	Total	₩ 20,014	₩ 45,142	₩ 9,983	₩ 30,622

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

22. Related Parties (cont'd)

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

(in millions of Korean won)		September 30, 2024		December 31, 2023	
Type	Name of entity	Receivables	Payables	Receivables	Payables
Subsidiaries	Korea Ginseng Corporation	₩ 1,649	₩ 2,271	₩ 2,965	₩ 2,967
	Youngjin Pharm. Co., Ltd. ²	5,062	50	4,903	50
	Tae-A Industrial Co., Ltd.	16	9,001	4	6,423
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. ^{1,3}	46,342	4,538	34,655	-
	Korea Tabacos do Brasil Ltda. ^{1,2}	122	-	122	-
	KT&G Pars ^{1,2}	44,526	-	44,526	-
	KT&G Rus L.L.C. ¹	137,578	-	98,785	-
	KT&G USA Corporation ¹	53,107	330	53,094	322
	Cosmococ Co., Ltd.	30	204	9	-
	PT Trisakti Purwosari Makmur ^{1,2}	429,684	-	404,956	-
	SangSang Stay Inc.	7	-	28	-
	KT&G Global Rus L.L.C. ¹	19,109	-	7,322	-
	Gwacheon SangSang PFV. Inc ⁴	8,541	1,845	57,763	2,222
	KT&G Taiwan Corporation	2,785	-	1,684	-
	KT&G Kazakhstan LLP	5,957	-	380	-
	KT&G Global Kazakhstan LLP ²	11,644	-	12,244	-
	KGCyebon Corporation	12	7,628	3	7,747
	KGC Life & Gin Co., Ltd.	13	-	1	-
	Renzoluc Pte., Ltd.	-	48	-	-
Associates	INNODIS Co., Ltd.	-	27	-	-
Joint venture	Starfield Suwon Inc.	138	10	8	37
Others	AndaStation Professional	-	-	-	-
	Investment Private REIT No. 1 ⁵	-	-	481	-
Total		₩ 766,322	₩ 25,952	₩ 723,933	₩ 19,768

¹Presented in total amount of receivables before deducting loss allowance of ₩ 150,971 million and ₩ 145,113 million as of September 30, 2024 and as of December 31, 2023.

²Includes loans to related parties.

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

⁴Includes other receivables in relation to dividends to related parties.

⁵The Company excluded the entity from its related parties, as the entity was disposed during the nine-month period ended September 30, 2024.

(d) Details of purchase and sale of property, plant and equipment, intangible assets and right-of-use assets with related parties for each of the nine-month periods ended September 30, 2024 and 2023 are as follows:

(in millions of Korean won)		September 30, 2024			September 30, 2023
Type	Name of entity	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	₩ -	₩ 854	₩ -	₩ 3,120
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	-	-	2	-
	Korea Ginseng Corporation	302	-	-	-
	KGCyebon Corporation	392	-	764	-
	KT&G Kazakhstan LLP	-	-	3,999	-
	Total	₩ 694	₩ 854	₩ 4,765	₩ 3,120

22. Related Parties (cont'd)

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

(in millions of Korean won)

Type	Name of entity	September 30, 2024			September 30, 2023		
		Equity investment	Repayment of lease liabilities	Equity recovery	Equity investment	Repayment of lease liabilities	Loan of Fund
Subsidiaries	Korea Ginseng Corporation	₩ -	₩ 48	₩ -	₩ -	₩ -	-
	SangSang Stay Inc.	-	-	-	30,000	-	-
	Youngjin Pharm. Co., Ltd.	-	-	-	-	-	4,500
	Tae-A Industrial Co., Ltd.	-	-	-	65,000	-	-
	KGCyebon Corporation	-	510	-	-	461	-
	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	-	9,319
	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	-	-	4,500	-	-
	Cheongna Medipolis PFV Co., Ltd.	-	-	-	83,978	-	-
	Starfield Suwon Inc.	15,000	-	-	100,000	-	-
Others	AndaStation Professional	-	-	23,738	-	-	-
	Investment Private REIT No.1 ¹	-	-	-	-	-	-
	KORAMCO Dongjak PFV Co., Ltd. ¹	-	-	2,244	-	-	-
Total		₩ 156,100	₩ 558	₩ 25,982	₩ 379,351	₩ 461	₩ 72,446

¹The Company excluded the entity from its related parties, as the entity was disposed during the nine-month period ended September 30, 2024.

(f) As of September 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 24.(c)).

(g) During the nine-month period ended September 30, 2024, the Company signed a financial support letter for its subsidiaries, KT&G USA Corporation, Yungjin Pharm. Co., Ltd. and Cosmocos 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 September 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.

22. Related Parties (cont'd)

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

(k) As of September 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 September 30, 2024, the remaining contribution amount is ₩ 11,500 million, and the detailed timeline for contribution is yet to be determined (see Note 24.(d)).

(m) The Company has a joint disposal right to require other investors to dispose 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 KT&G Global Kazakhstan LLP worth at USD 7,000 thousand during the nine-month period ended September 30, 2024, and loans to PT Trisakti Purwosari Makmur worth at USD 100,816 thousand during the year ended December 31, 2023, respectively.

(o) As of September 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 24.(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 24.(d)).

(q) As of September 30, 2024, the Company's holdings in Mastern No.144 PFV Co., Ltd. are pledged as a collateral for a loan of Gwacheon Sangsang PFV. Inc (see Note 24.(c)).

(r) Key management personnel compensation for each of the nine-month periods ended September 30, 2024 and 2023 are as follows:

(in millions of Korean won)

	September 30, 2024	September 30, 2023
Long (short)-term employee benefits	₩ 19,801	₩ 15,700
Retirement benefits	1,790	1,515
Total	₩ 21,591	₩ 17,215

23. 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 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.

23. 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 September 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 September 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.

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

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

<i>(in millions of Korean won)</i>	September 30, 2024		December 31, 2023	
Financial assets:				
Financial assets measured at fair value through profit or loss ¹	₩	668,403	₩	680,149
Financial assets measured at fair value through other comprehensive income or loss		221,179		182,106
Derivative assets		10,259		7,751
Financial assets measured at amortized cost				
Cash and cash equivalents ¹		479,696		210,392
Other financial assets		186,405		186,443
Trade and other receivables		1,596,764		1,688,653
Long-term deposits		1,523,224		1,479,737
Subtotal		3,786,089		3,565,225
Total financial assets	₩	4,685,930	₩	4,435,231
Financial liabilities:				
Financial liabilities measured at amortized cost				
Short-term borrowings	₩	300,000	₩	-
Bonds		598,596		299,165
Trade and other payables		1,054,051		1,097,480
Lease liabilities		21,499		23,939
Subtotal		1,974,146		1,420,584
Total financial liabilities	₩	1,974,146	₩	1,420,584

¹Among cash equivalents, the money market trust of ₩ 105,568 million is classified as financial assets measured at fair value through profit or loss as of September 30, 2024.

(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

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

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

(in millions of Korean won)

	Carrying amount	September 30, 2024		
		Fair value		
		Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss ¹	₩ 668,403	₩ -	₩ 296,206	₩ 372,197
Financial assets measured at fair value through other comprehensive income or loss	221,179	212,179	-	9,000
Derivative assets	10,259	-	10,259	-
Total financial assets	₩ 899,841	₩ 212,179	₩ 306,465	₩ 381,197

¹Among cash equivalents, the money market trust of ₩ 105,568 million is classified as financial assets measured at fair value through profit or loss as of September 30, 2024.

(in millions of Korean won)

	Carrying amount	December 31, 2023		
		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 nine-month period ended September 30, 2024 and the year ended December 31, 2023.

As of September 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.

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

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

(in millions of Korean won)

	September 30, 2024		September 30, 2023	
Beginning balance	₩	389,510	₩	360,125
Acquisition		36,142		34,118
Disposal		(43,157)		(28,279)
Changes in fair value		3,661		4,852
Others		(4,959)		-
Ending balance	₩	<u>381,197</u>	₩	<u>370,816</u>

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

(in millions of Korean won)

	September 30, 2024					
	Financial assests measured at fair value through profit or loss	Financial assests 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	₩ -	₩ -	₩ -	₩ 71,618	₩ -	₩ 71,618
Dividend income	6,026	6,433	-	-	-	12,459
Gain or loss on valuation	10,445	-	(8,833)	-	-	1,612
Gain on lease contract adjustments	-	-	-	-	118	118
Interest expense	-	-	-	-	(16,171)	(16,171)
Reversal of impairment loss	-	-	-	5,200	-	5,200
Total	₩ 16,471	₩ 6,433	₩ (8,833)	₩ 76,818	₩ (16,053)	₩ 74,836
Other comprehensive income before tax:						
Net change in fair value	₩ -	₩ 68,290	₩ -	₩ -	₩ -	₩ 68,290

(in millions of Korean won)

	September 30, 2023					
	Financial assests measured at fair value through profit or loss	Financial assests 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	₩ -	₩ -	₩ -	₩ 44,820	₩ -	₩ 44,820
Dividend income	7,699	7,676	-	-	-	15,375
Gain or loss on valuation	28,924	-	(16,386)	-	-	12,538
Gain on lease adjustments	-	-	-	-	37	37
Interest expense	-	-	-	-	(8,454)	(8,454)
Reversal of impairment loss	-	-	-	5,663	-	5,663
Total	₩ 36,623	₩ 7,676	₩ (16,386)	₩ 50,483	₩ (8,417)	₩ 69,979
Other comprehensive income before tax:						
Net change in fair value	₩ -	₩ 7,887	₩ -	₩ -	₩ -	₩ 7,887

24. Contingent Liabilities and Commitments

(a) Litigation cases

As of September 30, 2024, the Company has 10 cases of pending litigations under progress where the Company is the defendant and the litigation amounts are ₩ 154,530 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 September 30, 2024.

(b) Commitments with financial institutions

Details of the Company's major arrangements with financial institutions as of September 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	69,851
Derivatives trading ¹	KB Kookmin Bank and five others	USD	219,213	12,039
Limit loan	NH Bank and three others	KRW	800,000	300,000

¹Derivatives are composed of foreign exchange forward contracts and are held for trading as of September 30, 2024.

As of September 30, 2024, the Company has a short-term export credit insurance contract with Korea Trade Insurance Corporation (covered amount: USD 115,473 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 September 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	9,446	License guarantee, etc.
Hana Bank	USD	2,000	Performance and tender guarantee related to exporting reconstituted tobacco leaves

As of September 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.

24. Contingent Liabilities and Commitments (cont'd)

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

(in millions of Korean won)

Guarantee user	Guaranteed by	September 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 ¹
Buyer of ePyeonghansang Daejeon station Centum Vista	Hana Bank	8,000	1,781	8,000	515	
Buyer of Digital Empire Pyeongchon Biz Valley	Hana Bank	9,960	239	-	-	Loan guarantee for the contract deposit

¹The 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 September 30, 2024 are as follows:

(in millions of Korean won)

	Carrying amount	Debt amount	Collateralized amount	Collateral holder	Type
Investment properties	₩ 286,853	₩ 21,896	₩ 24,000	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	5,019	-	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. ¹
Investments in subsidiaries	37,000	-	3,250	Gwacheon Sangsang PFV, Inc.	Collateral for Loan of Mastern No.144 PFV Co., Ltd.
Total	₩ 340,578	₩ 22,493	₩ 44,356		

¹Equity 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 September 30, 2024 and December 31, 2023 are as follows:

(in millions of Korean won)

		September 30, 2024	December 31, 2023
Cash and cash equivalents	Establishment of a pledge for Bundang Tower sales contract guarantee deposits	₩ 1,000	₩ -
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	5,019	4,960
Total		₩ 112,421	₩ 111,362

The contracted amount for the acquisition of major items of property, plant and equipment that have not yet been incurred as of September 30, 2024, is ₩ 113,817 million.

24. 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 ₩ 1,523,224 million in long-term deposits for MSA Escrow Fund as of September 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 September 30, 2024, the Company has entered into currency hedge 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 during the nine-month period ended September 30, 2024 is ₩ 15,446 million.

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 ₩ 148,131 million and USD 15,000 thousand. As of September 30, 2024, the remaining contribution amount is ₩ 50,433 million and USD 760 thousand, 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 September 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, should 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.

24. Contingent Liabilities and Commitments (cont'd)

The Company has a joint disposal right to require other investors to dispose 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 September 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.

As of September 30, 2024, in relation to construction of mixed-use building at Nokbeon-dong performed by the Company, the land and accompanying buildings are pledged as collateral and surface rights for the land by Korea Land & Housing Corporation and the maximum amount of claims related thereto is ₩ 15,341 million.

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 September 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 September 30, 2024.

24. Contingent Liabilities and Commitments (cont'd)

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

As of September 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 September 30, 2024.

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

25. Cash Flows

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

<i>(in millions of Korean won)</i>	September 30, 2024		September 30, 2023	
Profit for the nine-month period ended September 30	₩	724,517	₩	716,000
Adjustments:				
Employee welfare		9,721		4,774
Retirement benefits		21,393		18,382
Loss on valuation or obsolescence of inventories		4,116		4,947
Depreciation		106,700		103,919
Amortization		17,269		15,286
Reversal of impairment loss on trade and other receivables		(5,200)		(5,663)
Loss on foreign currency translation		25,982		22,114
Loss on valuation of derivatives		21,489		22,374
Loss on disposal of property, plant and equipment		144		1,753
Loss on impairment of property, plant and equipment		304		7,082
Loss on disposal of intangible assets		92		9
Loss on impairment of intangible assets		122		405
Loss on disposal of investment properties		196		59
Loss on impairment of investments in subsidiaries		-		4,656
Other expenses, etc.		3,840		1,158
Finance cost		25,887		16,375
Share based payment expense		1,059		119
Income tax expense		213,924		260,581
Gain on foreign currency translation		(47,301)		(123,846)
Gain on valuation of derivatives		(12,657)		(5,988)
Gain on disposal of property, plant and equipment		(3,242)		(1,415)
Gain on disposal of intangible assets		(4)		(3)
Gain on disposal of investment properties		(6,932)		(6,732)
Gain on disposal of investments in associates and joint ventures		(6,368)		-
Other income, etc.		(6,099)		(6,539)
Finance income		(119,392)		(135,966)
Changes in working capital:				
Decrease (increase) in trade and other receivables		53,851		(231,114)
Decrease (increase) in derivatives		(11,341)		13,587
Decrease (increase) in inventories		73,780		(9,775)
Increase in accrued tobacco excise and other taxes		(10,292)		(92,898)
Increase in advance payments		(14,834)		(12,413)
Increase in prepaid expenses		(14,325)		(7,392)
Increase (decrease) in trade and other payables		(35,641)		226,017
Increase in advance receipts		66,467		9,147
Increase in tobacco excise and other taxes payable		38,840		106,023
Decrease in provision for site restoration		(84)		(84)
Increase (decrease) in net defined benefit liabilities (assets)		(1,280)		2,647
Cash generated from operations	₩	1,114,701	₩	917,586

26. Events After the Reporting Period

On October 15, 2024, the Company retired all treasury shares (3,610,000 shares, ₩ 385,373 million) acquired from August 9, 2024 to October 7, 2024 for the purpose of retirement.

According to the resolution of Board of Directors made on November 7, 2024, the Company plans to acquire and retire 1,350,000 shares of its treasury stocks in 2024 through trading on the floor.

On October 8, the Company issued ₩ 310,000 million of bearer-type interest unsecured bonds of KT&G (4-1st to 4-3rd) for the acquisition of construction-in-progress.

During October 2024, the Company invested USD 47,282 thousand to KT&G Kazakhstan LLP, a subsidiary.

During October 2024, the Company lent USD 10,000 thousand to KT&G Global Kazakhstan LLP, a subsidiary.