



# **KT&G Corporation**

Separate financial statements  
for each of the two years in the period ended December 31, 2024  
with the independent auditor's report

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### Independent auditor's report

#### Separate financial statements

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### Audit opinion on internal control over financial reporting

Independent auditor's report on internal control over financial reporting

ICFR Operating Evaluation Report by CEO

**Independent auditor's report**  
(English translation of a report originally issued in Korean)

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

**Opinion**

We have audited the separate financial statements of KT&G Corporation (the "Company"), which comprise the separate statements of financial position as of December 31, 2024 and 2023, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for each of the two years in the period ended December 31, 2024, and the notes to the separate financial statements, including material accounting policy information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and its financial performance and its cash flows for each of the two years in the period ended December 31, 2024 in accordance with International Financial reporting Standards as adopted by the Republic of Korea ("KIFRS").

We have audited, the Company's internal control over financial reporting ("ICFR") as of December 31, 2024 based on the Conceptual Framework for Design and Operation of ICFR established by the Operating Committee of ICFR in Korea, in accordance with Korean Standards on Auditing ("KSA"), and our report dated March 4, 2025, expressed an unqualified opinion thereon.

**Basis for opinion**

We conducted our audit in accordance with KSA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the separate financial statements section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the separate financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Key audit matter**

A key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the separate financial statements of the current period. This matter was addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

### ***Revenue recognition for the exported tobacco***

The revenue from the exported tobacco for the year ended December 31, 2024 amounts to ₩ 1,153,513 million, accounting for 31% of the total revenue of the Company. As described in Note 2 to the separate financial statements, the Company recognizes revenue from the exported tobacco at a point when the control over the goods is transferred to the buyer, the transaction amount and costs related thereto can be reliably measured, and the inflow of economic benefits is probable.

Revenue from the exported tobacco is a significant factor affecting the Company's performance evaluation and financial performance. In addition, key judgment factors for revenue from the exported tobacco include the determination of the consideration to which the Company expects to be entitled for each contract arising from complex contract structures and various transaction forms, the assessment of the point at which the control is transferred, and the appropriateness of evaluation for the timing and amount of revenue recognition.

Furthermore, due to the characteristics of the overseas tobacco business, such as dependency on specific customers and recent changes in contract structures of an Original Equipment Manufacturer (OEM) model, management is more likely to make significant judgments related to revenue recognition. These factors increase the risk of misstatements in the revenue recognition process.

Therefore, we have identified the occurrence of revenue related to the overseas tobacco business as a significant risk, and we have determined that significant attention by auditors is required for the recognition of revenue from the exported tobacco. As a result, we have selected this as a key audit matter for the current period.

The main audit procedures we have performed for this key audit matter are as follows:

- Ensure the compliance of the Company's accounting policies with the revenue standards in relation with revenue from the exported tobacco;
- Obtain an understanding of the internal controls related to the recognition of revenue from the exported tobacco and Original Equipment Manufacturing (OEM) transactions, and assess the effectiveness of the design and operation of the controls;
- Inquire about the reasons for increases or decreases in revenue from the exported tobacco by type, market, and item;
- Review the contracts with major customers for revenue from the exported tobacco to assess the point of control transfer and the appropriateness of gross/net accounting treatment according to the revenue standards;
- Examine documents, such as export documents, for selected samples to corroborate the appropriateness of occurrence of revenue from the exported tobacco;
- Inspect documents for the selected sample transactions to verify the appropriateness of timing for recognizing revenue from the exported tobacco transactions occurring before and after the end of the reporting period;
- Analyze the correlation between revenue, trade receivables, and cash using data analysis techniques to review the occurrence of revenue from the exported tobacco;

- Perform independent confirmation procedures for trade receivables with major customers of the exported tobacco by sending and collecting confirmation letters;
- Check the occurrence of non-recurring sales discounts and rebates to assess the possibility of overstatement of revenue from the exported tobacco;
- Review the contracts for royalty sales and recalculate the royalty calculations; and
- Engage the fraud risk experts to perform testing on governance controls, category-specific checks, customer monitoring, and scenario-based checks related to revenue from the exported tobacco.

**Responsibilities of management and those charged with governance for the separate financial statements**

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

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

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

### **Auditor's responsibilities for the audit of the separate financial statements**

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jung-ik Park.



March 4, 2025

This report is effective as of March 4, 2025, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying separate financial statements and may result in modifications to this report.

# **KT&G Corporation**

## **Separate financial statements** for each of the two years in the period ended December 31, 2024

“The accompanying 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

Head office location: 71, Beotkkot-gil, Daedeok-gu, Daejeon, Republic of Korea  
Phone: 080-931-0399



**KT&G Corporation**  
**Separate statements of financial position**  
**As of December 31, 2024 and 2023**



(in millions of Korean won)

	Notes	December 31, 2024	December 31, 2023
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5, 30	₩ 588,812	₩ 210,392
Current other financial assets	5, 30, 31	155,205	102,403
Current financial assets measured at fair value through profit or loss	6, 30	244,941	342,933
Trade and other receivables	7, 23, 29, 30	1,621,550	1,433,909
Derivative assets	30, 31	-	7,751
Inventories	8	1,316,201	1,222,802
Refund assets and others	19	5,283	746
Accrued tobacco excise and other taxes		194,309	217,569
Advanced payments		573	441
Prepaid expenses		40,005	15,326
<b>Total current assets</b>		<b>4,166,879</b>	<b>3,554,272</b>
<b>Non-current assets</b>			
Long-term other financial assets	5, 30, 31	30,702	84,040
Long-term deposits in MSA Escrow Fund	30, 31	1,705,504	1,479,737
Long-term financial assets measured at fair value through profit or loss	6, 30, 31	330,549	337,216
Long-term trade and other receivables	7, 23, 29, 30	212,897	254,744
Long-term financial assets measured at fair value through other comprehensive income or loss	9, 30	185,461	182,106
Investments in associates and joint ventures	9, 29, 31	458,970	457,341
Investments in subsidiaries	9, 29, 31	1,591,674	1,475,656
Property, plant and equipment	10, 29	1,505,680	1,282,113
Intangible assets	11	132,821	133,920
Investment properties	12, 31	741,435	992,523
Right-of-use assets	14	21,440	26,299
Long-term prepaid expenses		10,093	9,652
Deferred income tax assets	27	317	60,874
Net defined benefit assets	18	7,014	43,428
<b>Total non-current assets</b>		<b>6,934,557</b>	<b>6,819,649</b>
<b>Total assets</b>		<b>₩ 11,101,436</b>	<b>₩ 10,373,921</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term borrowings	15, 30, 31, 32	₩ 250,000	₩ -
Current portion of bonds	16, 30, 32	99,895	-
Trade and other payables	17, 29, 30	1,295,134	1,416,275
Derivative liabilities		32,801	-
Current lease liabilities	29, 30, 32	6,903	6,407
Advance receipts	23	56,084	8,646
Current refund liabilities and provisions	19, 31	12,268	7,154
Current income tax liabilities	27	171,051	164,435
Tobacco excise and other taxes payables		561,198	561,303
<b>Total current liabilities</b>		<b>2,485,334</b>	<b>2,164,220</b>
<b>Non-current liabilities</b>			
Long-term bonds	16, 30, 32	808,039	299,165
Long-term trade and other payables	17, 18, 29, 30	73,399	51,938
Long-term lease liabilities	29, 30, 32	14,357	17,532
Long-term advance receipts	23	9,437	5,829
Long-term refund liabilities and provisions	19, 31	3,374	2,712
<b>Total non-current liabilities</b>		<b>908,606</b>	<b>377,176</b>
<b>Total liabilities</b>		<b>₩ 3,393,940</b>	<b>₩ 2,541,396</b>

**KT&G Corporation**  
**Separate statements of financial position, continued**  
**As of December 31, 2024 and 2023**



(in millions of Korean won)

	<u>Notes</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<b>Equity</b>			
Share capital	20	₩ 954,959	₩ 954,959
Other capital surplus	20	5,028	4,030
Treasury shares	21	(1,030,541)	(1,236,933)
Gain on disposal of treasury shares	21	529,029	528,894
Reserves	20	7,146,110	7,238,475
Retained earnings	22	102,911	343,100
<b>Total equity</b>		<u>₩ 7,707,496</u>	<u>₩ 7,832,525</u>
<b>Total liabilities and equity</b>		<u>₩ 11,101,436</u>	<u>₩ 10,373,921</u>

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

**KT&G Corporation**  
**Separate statements of comprehensive income**  
For each of the two years in the period ended December 31, 2024



(in millions of Korean won)		Notes	2024	2023
<b>Sales</b>	4, 23, 29	₩	3,704,548	₩ 3,586,696
Manufacture of tobacco			3,203,678	3,045,911
Real estate			334,790	402,175
Exports of leaf tobacco and others			166,080	138,610
<b>Cost of sales</b>	24, 29		(1,927,063)	(1,881,464)
Manufacture of tobacco			(1,522,995)	(1,444,916)
Real estate			(265,139)	(322,476)
Exports of leaf tobacco and others			(138,929)	(114,072)
<b>Gross profit</b>			1,777,485	1,705,232
Selling, general and administrative expense	24, 29		(795,817)	(773,489)
<b>Operating profit</b>			981,668	931,743
Other income	25, 29		496,239	99,797
Other expense	25, 29		(228,894)	(91,042)
Finance income	26, 29, 30		165,553	167,932
Finance costs	26, 29, 30		(75,212)	(31,341)
<b>Profit before income tax</b>			1,339,354	1,077,089
Income tax expense	27		(336,189)	(272,234)
<b>Profit for the year</b>			1,003,165	804,855
<b>Other comprehensive income (loss) for the year after income tax</b>				
Items that will not be reclassified to profit or loss				
Re-measurements of net defined benefit liabilities	18, 22	₩	(24,989)	₩ (19,490)
Gain on valuation of financial assets measured at fair value through other comprehensive income or loss	6, 30		28,763	16,772
			3,774	(2,718)
<b>Total comprehensive income for the year</b>		₩	1,006,939	₩ 802,137
<b>Earnings per share</b>				
Basic and diluted	28	₩	9,736	₩ 6,993

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

# KT&G Corporation



## Separate statements of changes in equity

For each of the two years in the period ended December 31, 2024

(in millions of Korean won)

Balance as of January 1, 2023

Total comprehensive income (loss) for the year

Profit for the year

Other comprehensive income (loss) for the year:

Re-measurements of net defined benefit liabilities  
Gain on valuation of financial assets measured at fair value  
through other comprehensive income

Subtotal other comprehensive income (loss) for the period

Total comprehensive income (loss) for the year

Transactions with owners of the Parent Company:

Dividends

Transfer to other reserve

Acquisition of treasury shares

Retirement of treasury shares

Share options

Total transactions with owners of the Company

Balance as of December 31, 2023

Balance as of January 1, 2024

Total comprehensive income (loss) for the year

Profit for the year

Other comprehensive income (loss) for the year:

Re-measurements of net defined benefit liabilities  
Gain on valuation of financial assets measured at fair value  
through other comprehensive income

Transfer from gain (loss) on disposal of financial assets measured at fair value  
through other comprehensive income or loss to retained earnings

Subtotal other comprehensive income (loss) for the period

Total comprehensive income (loss) for the year

Transactions with owners of the Parent Company:

Dividends

Transfer from other reserve

Acquisition of treasury shares

Retirement of treasury shares

Share options

Total transactions with owners of the Company

Balance as of December 31, 2024

	Share capital	Other capital surplus	Treasury shares	Gain on disposal of treasury shares	Reserves	Retained earnings	Total
₩	954,959	₩ 3,582	₩ (1,236,933)	₩ 528,894	₩ 6,814,101	₩ 989,001	₩ 8,653,604
	-	-	-	-	-	804,855	804,855
	-	-	-	-	-	(19,490)	(19,490)
	-	-	-	-	16,772	-	16,772
	-	-	-	-	16,772	(19,490)	(2,718)
	-	-	-	-	16,772	785,365	802,137
	-	-	-	-	-	(720,936)	(720,936)
	-	-	-	-	407,602	(407,602)	-
	-	-	302,728	-	-	-	(302,728)
	-	-	302,728	-	-	(302,728)	-
	-	448	-	-	-	-	448
	-	448	-	-	407,602	(1,431,266)	(1,023,216)
₩	954,959	₩ 4,030	₩ (1,236,933)	₩ 528,894	₩ 7,238,475	₩ 343,100	₩ 7,832,525
₩	954,959	₩ 4,030	₩ (1,236,933)	₩ 528,894	₩ 7,238,475	₩ 343,100	₩ 7,832,525
	-	-	-	-	-	1,003,165	1,003,165
	-	-	-	-	-	(24,989)	(24,989)
	-	-	-	-	28,763	-	28,763
	-	-	-	-	(12,988)	12,988	-
	-	-	-	-	15,775	(12,001)	3,774
	-	-	-	-	15,775	991,164	1,006,939
	-	-	-	-	-	(586,620)	(586,620)
	-	-	-	-	(108,140)	108,140	-
	-	-	(546,841)	-	-	-	(546,841)
	-	-	752,873	-	-	(752,873)	-
	-	998	360	135	-	-	1,493
	-	998	206,392	135	(108,140)	(1,231,353)	(1,131,968)
₩	954,959	₩ 5,028	₩ (1,030,541)	₩ 529,029	₩ 7,146,110	₩ 102,911	₩ 7,707,496

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

**KT&G Corporation**  
**Separate statements of cash flows**  
For each of the two years in the period ended December 31, 2024



<i>(in millions of Korean won)</i>	<b>Notes</b>	<b>2024</b>	<b>2023</b>
<b>Net cash flows provided by operating activities</b>		₩ 810,106	₩ 969,780
Cash generated from operations	32	1,080,478	1,292,662
Income taxes paid		(270,372)	(322,882)
<b>Net cash flows used in investing activities</b>		(160,817)	(955,834)
Interest received		63,824	34,253
Dividends received		85,520	27,012
Decrease in other financial assets		3,000	41,447
Decrease in current financial assets measured at fair value through profit or loss		134,131	397,778
Decrease in long-term financial assets measured at fair value through profit or loss		27,361	5,086
Decrease in long-term financial assets measured at fair value through other comprehensive income or loss		35,726	-
Disposal of property, plant and equipment		7,684	4,227
Disposal of intangible assets		1,379	1,034
Disposal of investment properties		11,301	9,368
Disposal of assets held for sale		137,169	372
Disposal of investments in associates and joint ventures		25,982	41
Collection of loans		16,942	17,105
Collection of guarantee deposits		148	2,035
Increase in other financial assets		(2,467)	(46,942)
Increase in current financial assets measured at fair value through profit or loss		(35,865)	(295,076)
Increase in long-term financial assets measured at fair value through profit or loss		(39,469)	(62,038)
Increase in long-term deposits in MSA Escrow Fund		(68)	(1,635)
Acquisition of property, plant and equipment		(346,316)	(259,698)
Acquisition of intangible assets		(23,432)	(36,309)
Acquisition of investment properties		(11,233)	(16,551)
Acquisition of investments in associates and joint ventures		(21,242)	(191,478)
Acquisition of investments in subsidiaries		(199,427)	(245,596)
Increase in loans		(31,130)	(337,391)
Increase in guarantee deposits		(335)	(2,878)
<b>Net cash flows used in financing activities</b>		(314,244)	(741,289)
Dividends paid		(586,620)	(720,936)
Interest paid		(30,224)	(8,506)
Repayment of lease liabilities		(8,628)	(8,173)
Acquisition of treasury shares		(546,841)	(302,728)
Proceeds in short-term borrowings		1,585,000	1,650,000
Repayment of short-term borrowings		(1,335,000)	(1,650,019)
Proceeds from issuance of bond		608,069	299,073
<b>Net increase (decrease) in cash and cash equivalents</b>		335,045	(727,343)
<b>Cash and cash equivalents at the beginning of the year</b>		210,392	939,550
Effect of exchange rate fluctuation on cash and cash equivalents		43,375	(1,815)
<b>Cash and cash equivalents at the end of the year</b>		₩ 588,812	₩ 210,392

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

## 1. Overview of the Company

KT&G Corporation (the "Company") is engaged in manufacturing and selling tobaccos. As of December 31, 2024, the Company has three manufacturing plants, including 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, Beotkkotgil, 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 the monopoly business of red ginseng and tobacco, the Company was excluded from the application of the 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 31, 2001 and October 17, 2002, 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.

The Company's major shareholders as of December 31, 2024 are as follows:

	Shares held (number of shares)	Percentage of ownership (%)
Industrial Bank of Korea	9,510,485	7.59
National Pension Service	8,894,501	7.10
Employee Share Ownership Association	5,048,916	4.03
Treasury shares	17,506,454	13.96
Others	84,402,141	67.32
	125,362,497	100.00

## **2. Material Accounting Policies**

### **2.1 Basis of Preparation**

The Company maintains its accounting records in Korean won (presented as “₩” or “Korean won”) and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (KIFRS). The accompanying separate financial statements have been condensed, restructured and 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 report thereon, Korean version, which is used for regulatory reporting purposes, shall prevail.

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

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

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

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

KIFRS allows the use of material accounting estimates in preparation of the separate financial statements and requires management to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are material to the separate financial statements are disclosed in Note 3.



**2.2 Changes in Accounting Policies and Disclosures***(1) New and amended standards 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 December 31, 2024, these amendments and interpretations do not have a material impact on the 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.

*(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*

The amendments require an additional disclosure if an entity holds virtual assets, or holds virtual assets on behalf of the customer, or issues virtual assets.



**2.2 Changes in Accounting Policies and Disclosures (cont'd)***(2) New standards and interpretations not yet adopted by the Company*

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2024 reporting periods and have not been early adopted by the Company.

*(a) Amendments to KIFRS 1021 The Effects of Changes in Foreign Exchange Rates and 1101 First-time Adoption of International Financial Reporting Standards – Lack of Exchangeability*

When an entity estimates a spot exchange rate because exchangeability between two currencies is lacking, the entity shall disclose related information. The amendments should be applied for annual periods beginning on or after January 1, 2025, and earlier application is permitted.

*(b) Amendments to KIFRS 1109 Financial Instruments, KIFRS 1107 Financial Instruments: Disclosures – Classification and measurement of Financial Instrument*

KIFRS 1109 *Financial Instruments* and KIFRS 1107 *Financial Instruments: Disclosures* have been amended to respond to recent questions arising in practice, and to include new requirements. The amendments should be applied for annual periods beginning on or after January 1, 2026, and earlier application is permitted. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures of impact on the entity and the extent to which the entity is exposed for each type of financial instruments if the timing or amount of contractual cash flow changes due to amendment of contract term; and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

**2.2 Changes in Accounting Policies and Disclosures (cont'd)***(c) Annual Improvements to KIFRS - Volume 11*

The annual improvements to KIFRS - *Volume 11* has been issued to enhance consistency of requirements between standards, clarify ambiguous areas and improve understandability. Annual Improvements to KIFRS - *Volume 11* should be applied for annual periods beginning on or after January 1, 2026, and earlier application is permitted.

- KIFRS 1101 *First-time Adoption of International Financial Reporting Standards: Hedge accounting by a first-time adopter*
- KIFRS 1107 *Financial Instruments: Disclosures: Gain or loss on derecognition and implementation guidance*
- KIFRS 1109 *Financial Instruments: Derecognition of lease liabilities and definition of transaction price*
- KIFRS 1110 *Separate Financial Statements: Determination of a “de facto agent”*
- KIFRS 1007 *Statement of Cash Flows: Cost method*

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

**2.3 Material Accounting Policies**

Material accounting policies and method of computation used in the preparation of the 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 ones described below.

**(1) Operating Segments**

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

**(2) Investments in Subsidiaries, Associates and Joint Ventures**

The Company's financial statements are separate financial statements pursuant to KIFRS 1027. The Company accounts for investments in subsidiaries, associates and joint ventures using the cost method. Dividends received from subsidiaries, associates and joint ventures are recognized through profit or loss when the right to receive dividends is established.

**2.3 Material Accounting Policies (cont'd)****(3) Property, Plant and Equipment**

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

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

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

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

Type	Estimated useful lives (years)
Land	Indefinite
Buildings	10 - 60
Structures	10 - 40
Machinery	10 - 20
Vehicles	4
Tools	4
Equipment	4
Others	1- 5 or indefinite

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

**2.3 Material Accounting Policies (cont'd)****(4) Borrowing Costs**

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

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

**(5) Government Subsidies**

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

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

## 2.3 Material Accounting Policies (cont'd)

### (6) Intangible Assets

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

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

Type	Estimated useful lives (years)
Industrial property rights	10 - 20 or indefinite
Facility usage rights	Indefinite
Intangible assets under development	Indefinite
Others	4

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

Development costs recognized as intangible assets mainly consist of costs associated with developing information management system. Development costs are recognized as intangible assets when the following criteria are met. Other expenditures attributable to system repair and maintenance are recognized as expense as incurred.

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use to sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

**2.3 Material Accounting Policies (cont'd)****(7) Investment Property**

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

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

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

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

**(8) Assets Held for Sale**

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

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

### 2.3 Material Accounting Policies (cont'd)

#### (9) Inventories

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

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

Type	Determination method of unit cost price
Merchandise, finished goods, half-finished goods, work in progress, raw materials, supplies and byproducts	Weighted-average method or moving average method
Buildings under construction, completed buildings, sites for construction of real estate and goods in transit	Specific identification method

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

#### (10) Impairment of Non-Financial Assets

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

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

**2.3 Material Accounting Policies (cont'd)****(11) Financial Assets (Other than Derivative Instruments)***(a) Classification*

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

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

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

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

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

*(b) Measurement*

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

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

**- Debt instruments**

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



### **2.3 Material Accounting Policies (cont'd)**

#### **A. Financial assets measured at amortized cost**

Financial assets are measured at amortized cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.

#### **B. Financial assets measured at fair value through other comprehensive income or loss**

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

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

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

#### **- Equity instruments**

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

**2.3 Material Accounting Policies (cont'd)**

Changes in the fair value of financial assets at fair value through profit or loss are presented as finance income or finance cost in the separate statements of comprehensive income. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income is not reported separately from other changes in fair value.

*(c) Impairment*

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

*(d) Recognition and derecognition*

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

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

*(e) Offsetting of financial instruments*

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

**2.3 Material Accounting Policies (cont'd)****(12) Financial Liabilities***(a) Classification and measurement*

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

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

*(b) Derecognition*

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

**(13) Derivative Instruments**

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

**(14) Cash and Cash Equivalents**

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

### **2.3 Material Accounting Policies (cont'd)**

#### **(15) Employee Benefits**

##### ***(a) Short-term employee benefits***

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

##### ***(b) Other long-term employee benefits***

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

##### ***(c) Retirement benefits: Defined contribution plans***

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

##### ***(d) Retirement benefits: Defined benefit plans***

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

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

**2.3 Material Accounting Policies (cont'd)**

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

*(e) Termination benefits*

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

**(16) Refund Liabilities and Provisions**

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

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

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

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

**(17) Paid-in Capital**

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

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

**2.3 Material Accounting Policies (cont'd)****(18) Revenue Recognition**

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

***(a) Sales of goods***

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

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

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

***(b) Rendering of services***

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

### **2.3 Material Accounting Policies (cont'd)**

#### *(c) Sale of real estate*

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

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

For housing contracts meeting the conditions as described in Korea Accounting Institute's Question and Answer of 2017-I-KQA015, the revenue from the pre-sale of real estate is recognized using the percentage-of-completion method, and the accounting is effective only within the context of KIFRS.

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

On the other hand, sales revenue is recognized for sales contracts, such as shopping center, that do not meet the requirements for payment claims during the contract period, when the construction is completed and control of the goods is transferred to the customer.

#### *(d) Lease of real estate*

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

### **(19) Finance Income and Finance Cost**

Finance income includes interest income, dividend income etc. from investments in financial assets. Interest income, as it accrues, is recognized through profit or loss using the effective interest method. Dividend income is recognized through profit or loss on the date the Company's right to receive the dividend as a shareholder is established.

Finance cost includes interest expense on borrowings and lease liabilities, amortization on trade and other payables etc. Interest expense, as it accrues, is recognized through profit or loss using the effective interest method.

### **2.3 Material Accounting Policies (cont'd)**

#### **(20) Income Tax Expense**

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

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

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

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

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

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

Deferred tax assets and liabilities are offset if and only if the Company has a legally enforceable right to set off current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority which intends to settle income taxes on a net basis.



### **2.3 Material Accounting Policies (cont'd)**

#### **(21) Functional and Presentation Currency**

The Company's separate financial statements are prepared in Korean won, the currency of the main economic environment in which the Company operates (the "functional currency").

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

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

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

#### **(22) Earnings per Share**

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

**2.3 Material Accounting Policies (cont'd)****(23) Lease**

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

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

The Company determines the lease term as the non-cancellable period of a lease, together with both: periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. In determining the lease term and assessing the length of the noncancellable period of a lease, the Company applies the definition of a contract and determine the period for which the contract is enforceable. A lease is no longer enforceable when the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

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

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

**2.3 Material Accounting Policies (cont'd)**

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

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

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

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

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- estimated restoration costs.

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

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

**(24) Emission Rights**

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

**2.3 Material Accounting Policies (cont'd)****(25) Share-based Payments**

Management executives of the Company receive remuneration in the form of share-based payments, whereby Management executives render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the "vesting period"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of comprehensive income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

**(26) Going Concern**

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

**(27) Approval of Financial Statements**

The separate financial statements of the Company have been approved by the Board of Directors on February 6, 2025, and may be modified under approval to be made at the Annual General Meeting of Shareholders.

**3. Material Accounting Estimates and Assumptions**

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

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

**(1) Impairment of investments in subsidiaries**

The Company determines whether to recognize an impairment loss on investments in subsidiaries in accordance with KIFRS 1036 *Impairment of Assets*.

When there is an indication of impairment of assets, the Company performs an impairment assessment by comparing the carrying amount of investments in subsidiaries with the recoverable amount and the recoverable amount is affected by various assumptions used for the estimation as it is determined based on the estimation of the value-in-use or fair value less costs to sell (see Note 9).

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

Total contract revenue is measured based on the initially agreed upon contract price, but measurement of contract revenue is affected by various uncertainties related to the outcome of future events, as it may increase or decrease depending on additional contracts, termination of the contract, etc. during the course of performing the contract. When the additional contract or contract termination is confirmed and the amount can be reliably measured, the Company includes it in contract revenue (see Note 23).

***(b) Estimated total construction cost***

The amount of construction revenue is affected by the percentage of completion based on the cumulative incurred contract cost, and the total contract cost is estimated based on future estimates such as material cost, labor cost and construction period, etc. (see Note 23).

**3. Material Accounting Estimates and Assumptions (cont'd)****(3) Climate-related risks**

The Company considers climate-related risks in its estimates and assumptions. This assessment includes a wide range of possible on the Company due to both physical and transition risks. Even though the Company believes that its business model and products will still be viable after the transition to a low-carbon economy, climate-related risks increase the uncertainty of estimates and assumptions underpinning several items in the financial statements. Even though climate-related risks might not currently have a material impact on measurement, the Company is closely monitoring relevant changes and developments, such as new climate-related legislation. The items and considerations that are most directly affected by climate-related risks are as follows:

***(a) Useful lives of property, plant and equipment***

When reviewing the residual value and expected useful life of an asset, the Company considers climate-related risks, including climate-related legislation and regulations that may restrict the use of asset or require significant capital expenditures.

***(b) Impairment of non-financial assets***

The value-in-use may be impacted in several different ways by transition risks in particular, such as climate-related legislation and regulations and changes in demand for the Company's products.

***(c) Fair value measurements***

For investment properties and revalued office properties, the Company considers the effect of physical and transition risks, and whether investors would consider those risks in their valuation.

***(d) Decommissioning liability***

The impact of climate-related legislation and regulations is considered in estimating the timing and future costs of decommissioning one of the Company's manufacturing facilities.

***(e) Emission rights***

The Company receives free emission rights on an annual basis and, in return, it is required to remit rights equal to its actual emissions. The Company has adopted the net liability approach to the emission rights granted.

# KT&G Corporation

## Notes to the separate financial statements, Continued

December 31, 2024 and 2023



### 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)

				2024		2023
Revenue recognized at a point in time:						
Sales of tobacco/merchandise and service revenue and others	Korea	Wholesale and retail	₩	2,203,810	₩	2,192,181
	Korea	Direct sales		4,263		5,070
	Export	Wholesale and retail		995,605		848,660
Sales of semifinished tobacco products/raw materials and others	Korea	Direct sales		8,172		30,085
	Export	Direct sales		157,908		108,525
Sales and rental of real estate	Korea	Sales		20,684		70,360
	Subtotal			3,390,442		3,254,881
Revenue recognized over time:						
Sales and rental of real estate	Korea	Sales		226,116		246,893
	Korea	Rental		87,990		84,922
	Subtotal			314,106		331,815
	Total		₩	3,704,548	₩	3,586,696

## 5. Cash and Cash Equivalents and Other Financial Assets

(a) Details of cash and cash equivalents as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Korean won)</i>	2024	2023
Cash on hand	₩ 3	₩ 3
Demand deposits	530,009	210,389
Other cash and cash equivalents	58,800	-
Total	₩ 588,812	₩ 210,392

(b) Details of other financial assets as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Korean won)</i>	2024		2023	
	Current	Non-current	Current	Non-current
Time deposits	₩ 105,203	₩ 700	₩ 102,403	₩ 4,033
Company stock	50,002	30,002	-	80,007
Total	₩ 155,205	₩ 30,702	₩ 102,403	₩ 84,040

## 6. Financial Assets at Fair Value

(a) Details of financial assets measured at fair value through profit or loss as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Korean won)</i>	2024		2023	
	Current	Non-current	Current	Non-current
Money Market Trust	₩ -	₩ 2,931	₩ -	₩ 4,380
MMF	223,353	-	295,258	-
Beneficiary certificate	21,588	327,618	47,675	332,836
Total	₩ 244,941	₩ 330,549	₩ 342,933	₩ 337,216



**6. Financial Assets at Fair Value (cont'd)**

(b) Details of financial assets measured at fair value through other comprehensive income as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Korean won)</i>		<b>2024</b>	<b>2023</b>
Listed:			
Oscotech Inc.	₩	-	₩ 12,170
Shinhan Financial Group Co., Ltd.		176,703	160,936
Subtotal		176,703	173,106
Unlisted		8,758	9,000
Total	₩	185,461	₩ 182,106

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

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

(c) Changes in financial assets measured at fair value through profit or loss for each of two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>		<b>2024</b>	<b>2023</b>
Beginning balance	₩	680,149	₩ 706,709
Acquisition		75,333	357,113
Changes in fair value		(18,500)	19,191
Disposal		(161,492)	(402,864)
Ending balance	₩	575,490	₩ 680,149

(d) Changes in financial assets measured at fair value through other comprehensive income or loss for each of two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>		<b>2024</b>	<b>2023</b>
Beginning balance	₩	182,106	₩ 159,228
Changes in fair value		39,081	22,878
Disposal and reclassification		(35,726)	-
Ending balance	₩	185,461	₩ 182,106

## 7. Trade and Other Receivables

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

(in millions of Korean won)	2024		2023	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 1,077,892	₩ 87,249	₩ 988,516	₩ 62,818
Loans	449,733	74,275	315,083	139,676
Other receivables	31,542	15,840	82,403	8,778
Guarantee deposits	37,358	33,547	37,955	37,977
Accrued income	25,025	1,986	9,952	5,495
Total	₩ 1,621,550	₩ 212,897	₩ 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 December 31, 2024 and 2023 are as follows:

(in millions of Korean won)	2024		2023	
	Current	Non-current	Current	Non-current
Total carrying amount	₩ 1,663,401	₩ 312,303	₩ 1,483,123	₩ 392,891
Allowances:				
Trade receivables	(39,006)	(63,486)	(49,113)	(96,203)
Other receivables	(2,845)	(35,920)	(101)	(41,944)
Total allowances	(41,851)	(99,406)	(49,214)	(138,147)
Net trade and other receivables	₩ 1,621,550	₩ 212,897	₩ 1,433,909	₩ 254,744

(c) Changes in allowance for doubtful accounts in relation to trade and other receivables for each of two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)	2024		2023	
Beginning balance	₩	187,361	₩	203,467
Reversal of impairment loss		(46,104)		(16,103)
Write off, etc.		-		(3)
Ending balance	₩	141,257	₩	187,361

Impairment losses (reversal of impairment loss) on trade receivables are included as part of selling, general and administrative expenses while impairment losses (reversal of impairment loss) on other receivables are included as part of other expenses (income) in the Company's separate statements of comprehensive income.

## 8. Inventories

(a) Details of Inventories as of December 31, 2024 and 2023 are as follows:

(in millions of Korean won)

	2024			2023		
	Acquisition cost	Valuation loss allowance	Carrying amount	Acquisition cost	Valuation loss allowance	Carrying amount
Merchandise	₩ 31,171	₩ (5,728)	₩ 25,443	₩ 19,213	₩ (1,597)	₩ 17,616
Finished goods	127,261	(29,050)	98,211	120,841	(13,157)	107,684
Half-finished goods	46,610	(890)	45,720	43,706	(980)	42,726
Work in progress	3,875	-	3,875	2,668	-	2,668
Raw materials	683,630	(363)	683,267	692,687	(233)	692,454
Materials	41,048	(1,776)	39,272	43,540	(2,999)	40,541
Supplies	65,620	-	65,620	57,419	-	57,419
By-products	6,750	-	6,750	7,577	-	7,577
Buildings under construction	82,015	-	82,015	19,965	-	19,965
Completed buildings	90,720	-	90,720	105,631	-	105,631
Sites for construction of real estate	124,713	-	124,713	41,741	-	41,741
Goods in transit	50,595	-	50,595	86,780	-	86,780
Total	₩ 1,354,008	₩ (37,807)	₩ 1,316,201	₩ 1,241,768	₩ (18,966)	₩ 1,222,802

(b) The amounts of loss on valuation and obsolescence of inventories recognized for each of two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)

	2024	2023
Cost of sales:		
Impairment loss (reversal of loss) on valuation of inventories	₩ 18,841	₩ (808)
Loss on obsolescence of inventories	9,133	6,549
Other expenses:		
Loss on obsolescence of inventories	-	260
Total	₩ 27,974	₩ 6,001

## 9. Investments in Subsidiaries, Associates and Joint Ventures

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

(in millions of Korean won)

Name of entity	Location	Principal operation	2024		2023	
			Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Korea Ginseng Corporation	Korea	Manufacturing and selling ginseng	100.00	W 762,130	100.00	W 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	60,029	100.00	117,698
KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	Türkiye	Manufacturing and selling tobaccos	100.00	116,731	99.99	57,039
Korea Tabacos do Brasil Ltda.	Brazil	Assistance with purchasing tobacco leaf	99.99	2,891	99.99	2,891
KT&G Pars	Iran	Manufacturing and selling tobacco	99.99	-	99.99	-
KT&G Rus L.L.C.	Russia	Manufacturing and selling tobacco	100.00	68,947	100.00	68,947
KT&G USA Corporation	USA	Selling tobaccos	100.00	-	100.00	-
Cosmocore Co., Ltd.	Korea	Manufacturing and selling cosmetics	98.56	22,759	98.56	22,759
Renzoluc Pte., Ltd. <sup>1</sup>	Singapore	Holding Company	100.00	163,104	100.00	163,104
PT Trisakti Purwosari Makmur <sup>2</sup>	Indonesia	Manufacturing and selling tobacco	6.56	1,162	6.56	1,162
SangSang Stay Inc.	Korea	Hotel	100.00	32,068	100.00	32,068
KT&G Global Rus L.L.C.	Russia	Selling tobaccos	100.00	936	100.00	936
Gwacheon SangSang PFV. Inc	Korea	Real estate development and sales business	51.00	3,570	51.00	3,570
KT&G Taiwan Corporation	Taiwan	Selling tobaccos	100.00	8,081	100.00	8,081
Mastern No.144 PFV Co. Ltd. <sup>3</sup>	Korea	Real estate development and sales business	92.50	11,260	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	173,822	100.00	35,910
DNC Deogeun Co., Ltd. <sup>4</sup>	Korea	Real estate development and sales business	38.25	35,552	38.25	35,552
Edn the pine central Seocho Co., Ltd. <sup>5</sup>	Korea	Real estate development and sales business	78.65	36,623	78.65	35,000
Cheongna Medipolis Development Co., Ltd.	Korea	Real estate service business	66.67	200	-	-
Total				W 1,591,674		W 1,475,656

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

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

<sup>3</sup>As of December 31, 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 31 (c)).

**9. Investments in Subsidiaries, Associates and Joint Ventures (cont'd)**

<sup>4</sup>The Company has acquired 38.25% of preferred stocks with voting rights of DNC Deogeun Co., Ltd. during the year ended December 31, 2023, securing 51.00% of the voting rights of DNC Deogeun Co., Ltd., and the Company classified the shares as investments in subsidiaries as it is considered that the Company holds substantial decision-making right over related activities that has significant impact on the profit or losses of the Company through the general shareholders' meeting and Board of Directors of DNC Deogeun Co., Ltd.

<sup>5</sup>The book amount has increased due to the payment of acquisition tax during the year ended December 31, 2024.

For the year ended December 31, 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 ₩ 137,912 million of KT&G Kazakhstan LLP.

For the year ended December 31, 2024, the Company newly established Cheongna Medipolis Development Co., Ltd. through capital investment of 40,000 shares (₩ 200 million).

For 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.

For 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.

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

**(b) Impairment**

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

The Company has recognized impairment losses for its investment in subsidiaries where impairment indicators have been identified, such as the book value of net assets being lower than the book value of investments due to continuous accumulation of operating losses, etc. Details of such impairment losses recognized for each of two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)

Name of entity	2024		2023		Method for evaluating recoverable amount
Tae-A Industrial Co., Ltd.	₩	57,669	₩	-	Value in use
Mastern No.144 PFV Co. Ltd.		25,740		-	Fair value less costs to sell
Total	₩	83,409	₩	-	

## 9. Investments in Subsidiaries, Associates and Joint Ventures (cont'd)

The value of use and fair value of investments in subsidiaries were assessed as recoverable amount when carrying out the impairment test, and the estimate of recoverable amount reflects management's assessment of future trends in the industry and is based on internal and external historical data.

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

For the year ended December 31, 2024, the recoverable amount of the Company's investments in Tae-A Industrial Co., Ltd. was measured as its value-in-use since the value-in-use is expected to exceed the net fair value. Future cash flows to measure value in use were estimated for the next five years based on the Company's past operating performance and future business plans, and subsequent cash flows were estimated by applying a 1% permanent growth rate.

The key assumptions applied in measuring value in use are as follows:

(in percent)

Type <sup>1</sup>	2024
Sales growth rate	2.94
Gross margin (% of revenue)	12.29
Operating income rate	3.77

<sup>1</sup> Annual average rate over the five-year forecast period.

Discount rates used for value-in-use calculation are the weighted average cost of capital adjusted to reflect the risks specific to the asset. Details of the discount rates used for value-in-use calculation for each of two years in the period ended December 31, 2024 are as follows:

(in percent)

Name of entity	2024	2023
Tae-A Industrial Co., Ltd.	8.30	-
Renzoluc Pte., Ltd.	-	11.70
PT Trisakti Purwosari Makmur		

**9. Investments in Subsidiaries, Associates and Joint Ventures (cont'd)**

The assumptions that are most sensitive to the value in use of Tae-A Industrial Co., Ltd. are the discount rate and permanent growth rate, and the effects of changes in the assumptions are as follows:

*(in millions of Korean won)*

Type	Increase by 1%		Decrease by 1%	
Discount rate				
Impact on value in use	₩	(5,441)	₩	6,549
Impairment loss recognized		(63,110)		(51,120)
Permanent growth rate				
Impact on value in use		1,724		(1,308)
Impairment loss recognized		(55,945)		(58,977)

## 9. Investments in Subsidiaries, Associates and Joint Ventures (cont'd)

(c) Details of investments in associates and joint ventures as of December 31, 2024 and 2023 are as follows:

(in millions of Korean won)

Type	Name of entity	Location	Principal operation	2024		2023	
				Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Associates	LitePharmTech Co., Ltd. <sup>1</sup>	Korea	Manufacturing medical supplies	12.53	₩ 1,830	12.53	₩ 1,830
	KORAMCO Banpo PFV Co., Ltd. <sup>1,2</sup>	Korea	Real estate investment, development and rental business	18.95	5,306	18.95	5,306
	KORAMCO Dongjak PFV Co., Ltd. <sup>1</sup>	Korea	Real estate investment, development and rental business	-	-	19.47	1,850
	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. <sup>3</sup>	Korea	Real estate development and sales	51.01	101,000	51.01	101,000
	INNODIS CO., Ltd. <sup>1</sup>	Korea	Game, advertizing agency	19.64	55	19.64	55
	SJ BIO MED Co., Ltd. <sup>1,4</sup>	Korea	Manufacturing medical devices	14.39	-	14.39	-
	LSK Global Pharma Service Co., Ltd.	Korea	New medicine development	21.92	-	21.92	-
	Mirae Asset KT&G Investment Fund I	Korea	Healthcare, ESG, New growth industry	45.00	13,500	45.00	9,000
	KB KT&G New Growth Fund 1 <sup>5</sup>	Korea	Healthcare, New growth industry	66.67	3,000	66.67	3,000
	KORAMCO Europe Private REIT 3-2 Fund <sup>6</sup>	Korea	Renting of real estate	51.35	19,890	51.35	18,468
Joint ventures	Starfield Suwon, Inc.	Korea	Real estate development and rental business	50.00	259,500	50.00	244,500
	SangSang Loft Co., Ltd.	Korea	Real estate development and rental business	50.00	320	-	-
Total					₩ 458,970		₩ 457,341

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

<sup>2</sup>As of December 31, 2024, the Company's investment in KORAMCO Banpo PFV Co., Ltd. is pledged as a collateral for a PF loan (see Notes 31 (c)).

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

<sup>4</sup>As of December 31, 2024, the liquidation procedures are in progress.

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



**9. Investments in Subsidiaries, Associates and Joint Ventures (cont'd)**

<sup>6</sup>The Company has classified the ownership in the investee as an investment in joint venture 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.

For the year ended December 31, 2024, the Company disposed of KORAMCO Dongjak PFV Co., Ltd., an associate, and recognized gain on disposal of investment in associates of ₩ 394 million.

For the year ended December 31, 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.

For the year ended December 31, 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.

For the year ended December 31, 2024, the Company additionally acquired 300,000 shares (₩ 15,000 million) of Starfield Suwon, Inc., a joint venture, through the issuance of new stocks.

For the year ended December 31, 2024, the Company additionally acquired ₩ 1,422 million in relation with KORAMCO Europe Private REIT 3-2 Fund, a joint venture, in accordance with a Capital call agreement (See Note 31 (k)).

For the year ended December 31, 2024, the Company established SangSang Loft Co.,Ltd. jointly with ZERO TO N, contributing 50% of contribution in the entity, respectively, and classified its equity shares in the entity as investments in joint ventures.

For 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.

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

For 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.

## 10. Property, Plant and Equipment

(a) Details of the carrying amounts of property, plant and equipment as of December 31, 2024 and 2023 are as follows:

(in millions of Korean won)

	2024			2023		
	Acquisition cost	Accumulated depreciation and impairment	Carrying amount	Acquisition cost	Accumulated depreciation and impairment	Carrying amount
Land	₩ 349,052	₩ -	₩ 349,052	₩ 346,043	₩ -	₩ 346,043
Buildings	720,056	(417,624)	302,432	666,773	(392,970)	273,803
Structures	35,641	(28,745)	6,896	39,478	(27,720)	11,758
Machinery	1,416,598	(981,003)	435,595	1,349,707	(940,922)	408,785
Vehicles	1,533	(1,145)	388	1,413	(1,033)	380
Tools	63,447	(43,486)	19,961	54,273	(37,221)	17,052
Equipment	77,933	(56,112)	21,821	93,237	(70,912)	22,325
Others	4,736	(350)	4,386	4,736	(350)	4,386
Construction in progress	365,149	-	365,149	197,581	-	197,581
Total	₩ 3,034,145	₩ (1,528,465)	₩ 1,505,680	₩ 2,753,241	₩ (1,471,128)	₩ 1,282,113

(b) Changes in property, plant and equipment for each of the two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)

	2024						
	Beginning balance	Acquisition <sup>1</sup>	Disposal	Depreciation	Impairment	Reclassification, etc. <sup>2</sup>	Ending balance
Land	₩ 346,043	₩ 856	₩ (381)	₩ -	₩ -	₩ 2,534	₩ 349,052
Buildings	273,803	34,123	(965)	(16,919)	(1)	12,391	302,432
Structures	11,758	1,143	(14)	(1,015)	-	(4,976)	6,896
Machinery	408,785	53,237	(3,359)	(68,614)	(303)	45,849	435,595
Vehicles	380	151	-	(173)	-	30	388
Tools	17,052	11,102	(26)	(7,250)	-	(917)	19,961
Equipment	22,325	10,363	(44)	(10,842)	-	19	21,821
Others	4,386	-	-	-	-	-	4,386
Construction in progress	197,581	217,742	-	-	-	(50,174)	365,149
Total	₩ 1,282,113	₩ 328,717	₩ (4,789)	₩ (104,813)	₩ (304)	₩ 4,756	₩ 1,505,680

<sup>1</sup>For the year ended December 31, 2024, ₩ 11,172 million of the borrowing costs capitalized for the items of property, plant and equipment that are qualifying assets are included. The rate used to calculate capitalizable borrowing costs is 4.0%~4.5%.

<sup>2</sup>Consists of ₩ 4,756 million of transfers from investment properties for the year ended December 31, 2024 (see Note 12).

## 10. Property, Plant and Equipment (cont'd)

(in millions of Korean won)

	2023						
	Beginning balance	Acquisition <sup>1</sup>	Disposal	Depreciation	Impairment	Reclassification, etc. <sup>2</sup>	Ending balance
Land	₩ 358,000	₩ -	₩ -	₩ -	₩ -	₩ (11,957)	₩ 346,043
Buildings	271,240	21,950	(190)	(17,366)	(10)	(1,821)	273,803
Structures	8,173	5,493	(147)	(1,445)	-	(316)	11,758
Machinery	364,189	63,345	(2,033)	(62,320)	(7,033)	52,637	408,785
Vehicles	130	363	-	(113)	-	-	380
Tools	13,141	8,246	-	(5,879)	(6)	1,550	17,052
Equipment	26,387	10,203	(36)	(14,458)	-	229	22,325
Others	4,359	27	-	-	-	-	4,386
Construction in progress	132,220	125,168	-	-	(92)	(59,715)	197,581
Total	₩ 1,177,839	₩ 234,795	₩ (2,406)	₩ (101,581)	₩ (7,141)	₩ (19,393)	₩ 1,282,113

<sup>1</sup>For the year ended December 31, 2023, ₩ 2,047 million of the borrowing costs capitalized for items of property, plant and equipment that are qualifying assets are included. The rate used to calculate borrowing costs is 4.4%~4.8%.

<sup>2</sup>Consists of ₩ 19,360 million of transfers to investment properties and ₩ 33 million of transfers to inventories for the year ended December 31, 2023. (see Notes 8 and 12).

## 11. Intangible Assets

(a) Details of the carrying amount of intangible assets as of December 31, 2024 and 2023 are as follows:

(in millions of Korean won)

	2024			2023		
	Acquisition cost	Accumulated amortization and impairment	Carrying amount	Acquisition cost	Accumulated amortization and impairment	Carrying amount
Industrial property rights	₩ 31,492	₩ (2,194)	₩ 29,298	₩ 20,600	₩ (1,353)	₩ 19,247
Facility usage rights	29,350	-	29,350	30,739	-	30,739
Intangible assets under development	32,437	-	32,437	26,438	-	26,438
Other intangible assets	111,678	(69,942)	41,736	105,713	(48,217)	57,496
Total	₩ 204,957	₩ (72,136)	₩ 132,821	₩ 183,490	₩ (49,570)	₩ 133,920

(b) Changes in intangible assets for each of two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)

	2024						
	Beginning balance	Acquisition	Disposal	Amortization	Impairment	Reclassification, etc.	Ending balance
Industrial property rights	₩ 19,247	₩ 3,420	₩ (182)	₩ (929)	₩ -	₩ 7,742	₩ 29,298
Facility usage rights	30,739	-	(1,389)	-	-	-	29,350
Intangible assets under development	26,438	16,055	-	-	(213)	(9,843)	32,437
Other intangible assets	57,496	5,222	(924)	(22,159)	-	2,101	41,736
Total	₩ 133,920	₩ 24,697	₩ (2,495)	₩ (23,088)	₩ (213)	₩ -	₩ 132,821

(in millions of Korean won)

	2023						
	Beginning balance	Acquisition	Disposal	Amortization	Impairment	Reclassification, etc.	Ending balance
Industrial property rights	₩ 13,009	₩ 1,602	₩ (117)	₩ (521)	₩ -	₩ 5,274	₩ 19,247
Facility usage rights	30,739	-	-	-	-	-	30,739
Intangible assets under development	28,291	13,202	-	-	(600)	(14,455)	26,438
Other intangible assets	50,446	19,815	(1,031)	(20,901)	-	9,167	57,496
Total	₩ 122,485	₩ 34,619	₩ (1,148)	₩ (21,422)	₩ (600)	₩ (14)	₩ 133,920

## 11. Intangible Assets (cont'd)

(c) Research and development expenditures recognized as expenses for each of two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Cost of sales	₩ 2,102	₩ 2,286
Selling, general and administrative expenses	33,012	22,782
<b>Total</b>	<b>₩ 35,114</b>	<b>₩ 25,068</b>

(d) Individually significant intangible assets

Details of individually significant intangible assets other than goodwill as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Korean won)</i>	<b>Useful life</b>	<b>2024</b>	<b>2023</b>
SAP system development	-	₩ 249	₩ 134
Intangible assets under development			
Other intangible assets	4 years	29,844	45,893
		<b>₩ 30,093</b>	<b>₩ 46,027</b>

## 12. Investment Properties

(a) Details of investment properties as of December 31, 2024 and 2023 are as follows:

(in millions of Korean won)

	2024			2023		
	Acquisition cost	Accumulated depreciation and impairment	Carrying amount	Acquisition cost	Accumulated depreciation and impairment	Carrying amount
Land	₩ 342,648	₩ -	₩ 342,648	₩ 401,367	₩ -	₩ 401,367
Buildings	670,599	(297,903)	372,696	739,982	(297,307)	442,675
Construction in progress	26,091	-	26,091	148,481	-	148,481
Total	₩ 1,039,338	₩ (297,903)	₩ 741,435	₩ 1,289,830	₩ (297,307)	₩ 992,523

(b) Changes in investment properties for each of the two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)

	2024						
	Beginning balance	Acquisition <sup>1</sup>	Disposal	Depreciation	Impairment	Reclassification, etc. <sup>2</sup>	Ending balance
Land	₩ 401,367	₩ 805	₩ (1,606)	₩ -	₩ -	₩ (57,918)	₩ 342,648
Buildings	442,675	-	(1,012)	(27,094)	(13,583)	(28,290)	372,696
Construction in progress	148,481	10,428	-	-	-	(132,818)	26,091
Total	₩ 992,523	₩ 11,233	₩ (2,618)	₩ (27,094)	₩ (13,583)	₩ (219,026)	₩ 741,435

<sup>1</sup>For the year ended December 31, 2024, ₩ 1,167 million of the borrowing costs capitalized for the investment properties that are qualifying assets are included. The rate used to calculate capitalizable borrowing costs is 4.0%~4.5%.

<sup>2</sup>Consists of ₩ 135,658 million of transfers to inventories and ₩ 4,756 million of transfers to property, plant and equipment and ₩ 78,612 million of transfers to assets held for sale for the year ended December 31, 2024 (see Notes 8, 10 and 13).

(in millions of Korean won)

	2023						
	Beginning balance	Acquisition <sup>1</sup>	Disposal	Depreciation	Impairment	Reclassification, etc. <sup>2</sup>	Ending balance
Land	₩ 564,610	₩ -	₩ (812)	₩ -	₩ -	₩ (162,431)	₩ 401,367
Buildings	462,900	-	(1,099)	(27,635)	-	8,509	442,675
Construction in progress	1,707	16,551	-	-	-	130,223	148,481
Total	₩ 1,029,217	₩ 16,551	₩ (1,911)	₩ (27,635)	₩ -	₩ (23,699)	₩ 992,523

<sup>1</sup>For the year ended December 31, 2023, ₩ 1,992 million of the borrowing costs capitalized for investment properties that are qualifying assets are included. The rate used to calculate capitalizable borrowing costs is 4.4%~4.8%.

<sup>2</sup>Consists of ₩ 43,059 million of transfers to inventories and ₩ 19,360 million of transfers from property, plant and equipment for the year ended December 31, 2023 (see Notes 8 and 10).

**12. Investment Properties (cont'd)**

(c) Details of profit or loss recognized related to the investment properties for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>		<b>2024</b>		<b>2023</b>	
		₩		₩	
Rental income			87,990		84,922
Operating expenses			(28,055)		(28,136)
Total		₩	59,935	₩	56,786

(d) Details of the fair value and carrying amount of investment properties as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Korean won)</i>		<b>2024</b>		<b>2023</b>	
		<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>
Land	₩	1,244,601	₩ 342,648	₩ 1,326,553	₩ 401,367
Buildings		515,876	372,696	569,934	442,675
Total	₩	1,760,477	₩ 715,344	₩ 1,896,487	₩ 844,042

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

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

<i>(in millions of Korean won)</i>		<b>Carrying amount</b>		<b>Reason why fair value cannot be measured reliably</b>
	<b>Type</b>	<b>2024</b>	<b>2023</b>	
Hogye-dong development site <sup>1</sup>	Land	₩ -	₩ -	
	Construction in progress	-	134,847	
Donggwang-dong development site	Construction in progress	7,933	7,627	Construction in progress
Anyang-dong development site	Construction in progress	14,083	6,007	
Seongjeong-dong development site	Construction in progress	4,075	-	
		₩ 26,091	₩ 148,481	

<sup>1</sup>For the year ended December 31, 2024, Hogye-dong development sites were excluded as their use was changed to sale.

**12. Investment Properties (cont'd)**

## (e) Details of operating lease

Investment properties were leased to lessees as an operating lease with contractual terms of monthly lease payments. For the year ended December 31, 2024, variable lease payment that is based on an index or a rate was ₩ 1,997 million. Even though the Company is exposed to the risk of changes in residual value at the end of the lease term, it would not realize the residual value immediately at the end of the lease term because it generally commits to a new operating lease contract. Expectations of future residual value will be reflected on the fair value of the investment property.

Details of future minimum lease payments that the Company expects to receive from operating lease contracts for the investment properties described above as of December 31, 2024 are as follows:

*(in millions of Korean won)*

	2024			
	Within 1 year	More than 1 year ~ Within 5 years	More than 5 years	Total
Minimum lease payment	₩ 67,489	₩ 36,362	₩ 7,202	₩ 111,053

**13. Assets Held for Sale**

Changes in assets held for sale for the year ended December 31, 2024 are as follows:

*(in millions of Korean won)*

	2024
Beginning balance	₩ -
Reclassification <sup>1</sup>	78,612
Disposal	(78,612)
Ending balance	₩ -

<sup>1</sup>Consists of ₩ 78,612 million transfers from investment properties for the year ended December 31, 2024 (see Note 12).

#### 14. Right-of-use Assets

(a) Details of the carrying amount of right-of-use asset as of December 31, 2024 and 2023 are as follows:

(in millions of Korean won)

	2024				2023			
	Acquisition cost	Accumulated depreciation	Accumulated impairment	Carrying amount	Acquisition cost	Accumulated depreciation	Carrying amount	
Buildings	₩ 29,973	₩ (11,362)	₩ (2,096)	₩ 16,515	₩ 28,355	₩ (7,367)	₩ 20,988	
Machinery	391	(65)	-	326	-	-	-	
Vehicles	9,548	(4,960)	-	4,588	11,713	(6,402)	5,311	
Equipment	14	(3)	-	11	-	-	-	
Total	₩ 39,926	₩ (16,390)	₩ (2,096)	₩ 21,440	₩ 40,068	₩ (13,769)	₩ 26,299	

(b) Changes in right-of-use assets for each of two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)

	2024					
	Beginning balance	Acquisition	Disposal	Depreciation	Impairment	Ending balance
Buildings	₩ 20,988	₩ 5,018	₩ (181)	₩ (7,214)	₩ (2,096)	₩ 16,515
Machinery	-	450	-	(124)	-	326
Vehicles	5,311	3,371	(144)	(3,950)	-	4,588
Equipment	-	14	-	(3)	-	11
Total	₩ 26,299	₩ 8,853	₩ (325)	₩ (11,291)	₩ (2,096)	₩ 21,440

(in millions of Korean won)

	2023				
	Beginning balance	Acquisition	Disposal	Depreciation	Ending balance
Buildings	₩ 18,999	₩ 10,253	₩ (2,140)	₩ (6,124)	₩ 20,988
Machinery	58	-	-	(58)	-
Vehicles	6,583	3,168	(278)	(4,162)	5,311
Total	₩ 25,640	₩ 13,421	₩ (2,418)	₩ (10,344)	₩ 26,299



**KT&G Corporation****Notes to the separate financial statements, Continued**

December 31, 2024 and 2023

**14. Right-of-use Assets (cont'd)**

(c) The amounts recognized on the Company's separate statements of comprehensive income related to lease for each of two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Depreciation expense	₩	11,291	₩	10,344
Interest expense		787		737
Short-term lease expense		322		331
Lease payment for low-value assets		483		508
Variable lease expense		1,715		1,192
Gain on lease contract adjustments		(113)		(58)
Loss on impairment of right-of use assets		2,096		-
Total	₩	16,581	₩	13,054

For the year ended December 31, 2024, total cash outflows related to leases amount to ₩ 11,935 million (₩ 10,921 million for the year ended December 31, 2023).

The Company has provided some of its offices, which are represented as right-of-use assets, through a sublease, and classified the lease to operating lease since most of the risks and rewards of ownership of the assets are not transferred in a sublease. The lease revenue recognized amounted to ₩ 118 million and ₩ 20 million for each of two years in the period ended December 31, 2024, respectively.

## 15. Borrowings

Details of short-term borrowings as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Korean won)</i>		2024	2023
Limit loan	Hana Bank	₩ 200,000	₩ -
	Shinhan Bank	50,000	-
	Total	₩ 250,000	₩ -

## 16. Bond

Details of bond as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Korean won)</i>	Issuance date	Maturity	Annual interest rate (%)	2024	2023
2-1 <sup>st</sup> non-guarantee public bonds	2023.09.13	2025.09.12	4.180	₩ 100,000	₩ 100,000
2-2 <sup>nd</sup> non-guarantee public bonds	2023.09.13	2026.09.11	4.322	200,000	200,000
3-1 <sup>st</sup> non-guarantee public bonds	2024.04.25	2026.04.24	3.624	50,000	-
3-2 <sup>nd</sup> non-guarantee public bonds	2024.04.25	2027.04.23	3.763	150,000	-
3-3 <sup>rd</sup> non-guarantee public bonds	2024.04.25	2029.04.25	3.808	100,000	-
4-1 <sup>st</sup> non-guarantee public bonds	2024.10.08	2026.10.08	3.218	80,000	-
4-2 <sup>nd</sup> non-guarantee public bonds	2024.10.08	2027.10.08	3.306	160,000	-
4-3 <sup>rd</sup> non-guarantee public bonds	2024.10.08	2029.10.08	3.335	70,000	-
	Subtotal			910,000	300,000
	Discount			(2,066)	(835)
	Total			₩ 907,934	₩ 299,165
Current				₩ 99,895	₩ -
Non-current				808,039	299,165
	Total			₩ 907,934	₩ 299,165

## 17. Trade and Other Payables

Details of trade and other payables as of December 31, 2024 and 2023 are as follows:

(in millions of Korean won)

	2024		2023	
	Current	Non-current	Current	Non-current
Leasehold deposits received	₩ 24,565	₩ 18,103	₩ 24,256	₩ 20,891
Trade payables	216,007	-	186,676	-
Withholdings	7,322	-	5,205	-
Value-added deposit	165,841	-	184,207	-
Accrued expenses	318,231	46,668	277,035	31,047
Other payables	563,168	8,628	738,896	-
Total	₩ 1,295,134	₩ 73,399	₩ 1,416,275	₩ 51,938

## 18. Employee Benefits

(a) Details of profit or loss recognized related to employee benefits for each of the two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)

	2024	2023
Defined benefit plans:		
Current service cost	₩ 30,228	₩ 28,294
Net interest on net defined benefit liabilities (assets)	(1,589)	(3,142)
Past service cost	2,984	-
Subtotal	31,623	25,152
Defined contribution plan:		
Contributions recognized as expense	6,633	5,203
Other long-term employee benefits:		
Current service cost, etc.	17,592	9,346
Termination benefits:		
Voluntary retirements, etc.	2,133	355
Total	₩ 57,981	₩ 40,056

# KT&G Corporation

## Notes to the separate financial statements, Continued

December 31, 2024 and 2023



### 18. Employee Benefits (cont'd)

(b) Changes in net defined benefit liabilities (assets) for each of the two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)

	<b>2024</b>		<b>2023</b>	
Beginning balance	₩	(43,428)	₩	(79,454)
Current service cost		30,228		28,294
Past service cost		2,984		-
Net interest on net defined benefit liabilities (assets)		(1,589)		(3,142)
Remeasurment of net defined benefit liabilities (assets), before tax		33,953		26,481
Payment amount		(7,162)		2,393
Payment of plan assets		(22,000)		(18,000)
Ending balance	₩	(7,014)	₩	(43,428)
Statements of financial positions:				
Present value of defined benefit obligations	₩	422,357	₩	391,192
Fair value of plan assets		(429,371)		(434,620)
Total	₩	(7,014)	₩	(43,428)

(c) Changes in the present values of defined benefit obligations for each of the two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)

	<b>2024</b>		<b>2023</b>	
Beginning balance	₩	391,192	₩	353,822
Current service cost		30,228		28,294
Interest expenses		15,530		17,258
Past service cost		2,984		-
Remeasurement before taxes		36,013		26,329
Payment amount		(53,590)		(34,511)
Ending balance	₩	422,357	₩	391,192

# KT&G Corporation

## Notes to the separate financial statements, Continued

December 31, 2024 and 2023



### 18. Employee Benefits (cont'd)

(d) Changes in the fair values of plan assets for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>		<b>2024</b>		<b>2023</b>
Beginning balance	₩	434,620	₩	433,276
Interest income		17,119		20,400
Remeasurement before taxes		2,060		(152)
Payment amount		(46,428)		(36,904)
Payment of plan assets		22,000		18,000
Ending balance	₩	429,371	₩	434,620

The actual interest income from plan assets for each of the two years in the period ended December 31, 2024 is ₩ 19,179 million and ₩ 20,248 million, respectively.

(e) Changes in the present value of other long-term employee benefits for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>		<b>2024</b>		<b>2023</b>
Beginning balance	₩	32,985	₩	25,490
Current service cost		3,528		2,940
Past service cost		9,528		2,733
Interest cost		1,405		1,249
Remeasurement element		3,131		2,424
Payment amount		(3,609)		(1,851)
Ending balance	₩	46,968	₩	32,985

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

(f) Remeasurements recognized in other comprehensive income for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Actuarial gains and losses on defined benefit obligations:		
Changes in demographic assumptions	₩ 380	₩ 849
Changes in financial assumptions	(26,578)	(19,818)
Experience adjustments	(9,815)	(7,360)
Subtotal	₩ (36,013)	₩ (26,329)
Revenue (loss) from plan assets, excluding amounts included in net interest	₩ 2,060	₩ (152)
Remeasurment of net defined benefit liabilities (assets), before tax	(33,953)	(26,481)
Tax effect	8,964	6,991
Remeasurment of net defined benefit liabilities (assets), after tax	₩ (24,989)	₩ (19,490)

(g) The fair values of each of the major types included in the fair value of plan assets as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Regular deposits and cash equivalents	₩ 20,854	₩ 58
Principal and interest guarantee financial assets, etc.	408,517	434,562
Total	₩ 429,371	₩ 434,620

(h) The major assumptions used for actuarial evaluation as of December 31, 2024 and 2023 are as follows:

<i>(in percentage)</i>	<b>2024</b>	<b>2023</b>
Discount rate	3.68	4.24
Expected wage increase rate	4.29	3.97

To calculate the present value of the defined benefit obligation, the Company decided the discount rate by referring to the market rate of return on high-quality corporate bonds consistent with the currency and the expected payment period of the defined benefit obligation as of December 31, 2024.

## 18. Employee Benefits (cont'd)

(i) The sensitivity analysis results for the defined benefit obligation in relation to the major actuarial assumptions as of December 31, 2024 and 2023 is as follows:

<i>(in millions of Korean won)</i>	<b>Increase by 1%p</b>	<b>Decrease by 1%p</b>
Changes in discount rate	(29,499)	34,031
Changes in expected wage increase rate	34,130	(30,112)

The increase (decrease) in defined benefit obligations was calculated based on the present value of the defined benefit obligations as of December 31, 2024.

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

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

A reasonable estimate of the expected contribution related to the defined benefit plan for the year 2025 is ₩ 32,533 million.

The weighted average maturities of the defined benefit obligation as of December 31, 2024 and 2023 are 7.76 years and 7.36 years, respectively.

The expected maturity analysis of undiscounted pension benefits as of December 31, 2024 and 2023 is as follows:

<i>(in millions of Korean won)</i>	<b>Less than 1 year</b>		<b>Between 1-2 years</b>		<b>Between 2-5 years</b>		<b>Over 5 years</b>		<b>Total</b>
December 31, 2024	₩	38,405	₩	50,043	₩	147,425	₩	1,000,813	₩ 1,236,686
December 31, 2023		35,549		47,710		147,437		970,773	1,201,469

**19. Refund Liabilities and Provisions**

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

(in millions of Korean won)

	2024		2023	
	Current	Non-current	Current	Non-current
Provision for product warranty	₩ 6,194	₩ -	₩ 1,780	₩ -
Refund liabilities	5,980	3,239	5,221	2,575
Provision for site restoration	59	111	84	111
Provision for financial guarantee	22	24	18	26
Provision for greenhouse gases	13	-	51	-
Total	₩ 12,268	₩ 3,374	₩ 7,154	₩ 2,712

(b) Changes in refund liabilities and provisions for each of the two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)

	2024			
	Beginning balance	Increase	Decrease	Ending balance
Provision for product warranty	₩ 1,780	₩ 10,189	₩ (5,775)	₩ 6,194
Refund liabilities	7,796	9,529	(8,106)	9,219
Provision for site restoration	195	59	(84)	170
Provision for financial guarantee	44	34	(32)	46
Provision for greenhouse gases	51	-	(38)	13
Total	₩ 9,866	₩ 19,811	₩ (14,035)	₩ 15,642

(in millions of Korean won)

	2023			
	Beginning balance	Increase	Decrease	Ending balance
Provision for product warranty	₩ 4,172	₩ 1,780	₩ (4,172)	₩ 1,780
Refund liabilities	6,789	1,550	(543)	7,796
Provision for site restoration	186	123	(114)	195
Provision for financial guarantee	134	30	(120)	44
Provision for greenhouse gases	194	-	(143)	51
Total	₩ 11,475	₩ 3,483	₩ (5,092)	₩ 9,866



**19. Refund Liabilities and Provisions (cont'd)**

(c) For returnable sales, the Company sets up refund liabilities and refund assets by estimating the expected returnable amount at the time of sales, deducting the sales and cost of sales of the parts expected to be returned. The refund assets as of December 31, 2024 amount to ₩ 700 million (2023: ₩ 746 million).

(d) The Company sets up provision for product warranties by estimating the expected warranty amount at the time of selling the next generation device products. The amount of warranty reimbursement assets as of December 31, 2024 is ₩ 4,583 million.

(e) The Company's provision for site restoration is established by estimating the expected future recovery cost of the leased assets. The Company includes the recovery cost of leased assets to the acquisition cost of right-of-use assets, and such expenditure is expected to occur at the end of the contract term for the leased asset.

(f) The Company's provision for financial guarantee is recognized by estimating the amount of joint guarantees for down and mid payment loan provided to the buyer related to the off-plan sales construction of ePyeonhangesang Daejeon station Centum Vista and Digital Empire Pyeongchon Biz Valley.

(g) In relation to greenhouse gas emissions, the Company recognizes provision for greenhouse gas emissions by estimating the book value of the greenhouse gas emission rights that are exercised during the applicable compliance year as well as future expenses expected to be burdened by the Company as a result of emissions exceeding the greenhouse gas emission rights for that year.

**20. Share Capital, Other Capital Surplus and Reserves**

(a) Details of share capital and other capital surplus as of December 31, 2024 and 2023, are as follows:

<i>(in shares and millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Number of authorized shares	800,000,000 shares	800,000,000 shares
Amount per share <i>(in won)</i>	₩ 5,000	₩ 5,000
Issued	125,362,497 shares	133,822,497 shares
Share capital	954,959	954,959
Other capital surplus	5,028	4,030

As 65,629,400 shares (including 8,460,000 shares for the year ended December 31, 2024) of the Company have been written off to provide additional profit to its shareholders, there is a difference of ₩ 328,147 million between the total face value of the share capital and the shares issued.

## 20. Share Capital, Other Capital Surplus and Reserves (cont'd)

### (b) Share-based payments

As of December 31, 2024, the Company has share-based payments agreements that grants shares to its directors and selected employees based on the number of times of the approvals from shareholders at the annual general meetings and board of directors.

Details of equity-settled share-based payments granted to directors and selected employees as of December 31, 2024 are as follows:

*(in shares and millions of Korean won, except amount of shares granted)*

	<b>2021.03.20</b> <b>Performance condition</b> <b>share-based payments</b>	<b>2024.03.28</b> <b>Performance condition</b> <b>share-based payments</b>	<b>2024.03.28</b> <b>Restricted Stock Units</b> <b>("RSU")</b>
Granted stocks	Stock of KT&G Corporation	Stock of KT&G Corporation	Stock of KT&G Corporation
Grant method	Distributing treasury stock	Distributing treasury stock	Restricted Stock Units ("RSU")
Number of shares granted <sup>1</sup>	6,120 shares	15,157 shares	11,906 shares
Amount of shares granted (in won) <sup>2</sup>	80,948	90,713	90,713
Total grant amount	495	1,374	1,080
Vesting conditions	When exceeding a certain score in the long-term management evaluation the Group requires	When exceeding a certain score in the short-term management evaluation the Group requires	When exceeding a certain score in the long-term management evaluation the Group requires
Exercisable period	Within 14 days after the confirmation of the performance evaluation results (In February, 2024)	Within 14 days after the confirmation of the performance evaluation results (In February, 2025)	1 year, 2 years, and 3 years from the grant date regardless of employment status

<sup>1</sup> It presents the number of shares granted when the management evaluation score is the average of the score range.

<sup>2</sup>Applying the weighted average stock price of the three-month period of the first year of the term.

**20. Share Capital, Other Capital Surplus and Reserves (cont'd)**

Changes in equity-settled share-based payments for each of two years in the period ended December 31, 2024 are as follows:

<i>(in shares)</i>	<b>2024</b>	<b>2023</b>
Beginning balance	6,120	6,120
Grant	27,063	-
Exercise	(6,120)	-
Ending balance	27,063	6,120

Details of share-based payments recognized as expense for each of two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Equity-settled	₩ 1,493	₩ 158

(c) Details of reserves as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Profit reserve	₩ 602,937	₩ 602,937
Reserve for business rationalization	12,851	12,851
Reserve for business expansion	698,881	698,881
Other reserve	5,864,058	5,972,198
Loss on valuation of financial assets at fair value through other comprehensive income	(32,617)	(48,392)
Total	₩ 7,146,110	₩ 7,238,475

**① Profit reserve**

The commercial law stipulates that the Company shall set aside more than 10% of the profit dividends from the money as profit reserve at every settlement of accounts until it reaches 50% of the capital. The profit reserve cannot be distributed in cash and can be used only for the maintenance of carrying forward losses and capital transfer by resolution at the general meeting of shareholders. As of the December 31, 2024 and 2023, the profit reserve set aside in excess of 50% of the Company's share capital is ₩ 125,457 million.

## 20. Share Capital, Other Capital Surplus and Reserves (cont'd)

### ② Reserve for business rationalization

Until 2002, the Company had put the tax deduction amount pursuant to the *Act on Restriction of Special Cases Concerning Taxation* of the Republic of Korea as the corporate rationalized reserve, which could only be used to preserve and transfer capital losses. However, the Act on Restriction of Special Cases Concerning Taxation was amended on December 11, 2002, and the relevant provisions were deleted at the time of the amendment.

### ③ Reserve for business expansion and other reserve

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

(d) Details of gains and losses on valuation of fair value through other comprehensive income or loss as of December 31, 2024 and 2023 are as follows:

(in millions of Korean won)

	2024		2023
Loss on valuation of financial assets at fair value through other comprehensive income or loss before tax	₩ (44,317)	₩	(65,781)
Tax effect	11,700		17,389
Loss on valuation of financial assets at fair value through other comprehensive income or loss after tax	₩ (32,617)	₩	(48,392)

# KT&G Corporation

## Notes to the separate financial statements, Continued

December 31, 2024 and 2023



### 21. Treasury Shares and Gain on disposal of Treasury Shares

(a) Details of treasury shares and gains on disposal of treasury shares as of December 31, 2024 and 2023 are as follows:

<i>(in shares and millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Number of treasury shares	17,506,454 shares	21,012,574 shares
Treasury shares	₩ (1,030,541)	₩ (1,236,933)
Gain on disposal of treasury shares	529,029	528,894

(b) Changes in the number of treasury shares for each of two years in the period ended December 31, 2024 are as follows:

<i>(in shares)</i>	<b>2024</b>	<b>2023</b>
Beginning balance	21,012,574	21,012,574
Acquisition of treasury shares	4,960,000	3,470,000
Retirement of treasury shares	(8,460,000)	(3,470,000)
Disposal of treasury shares	(6,120)	-
Ending balance	17,506,454	21,012,574

The Company has acquired 4,960,000 treasury shares for the year ended December 31, 2024 (3,470,000 treasury shares for the year ended December 31, 2023) through a transaction on exchange and retired all treasury shares acquired, with a profit .

### 22. Retained Earnings

(a) Changes in retained earnings for each of two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Beginning balance	₩ 343,100	₩ 989,001
Dividends paid	(586,620)	(720,936)
Transfer to (from) other reserve	108,140	(407,602)
Retirement of treasury shares	(752,873)	(302,728)
Profit for the year	1,003,165	804,855
Transfer of gain on disposal of financial assets at fair value through other comprehensive income or loss to retained earnings	12,988	-
Remeasurements of net defined benefit liabilities (after tax)	(24,989)	(19,490)
Ending balance	₩ 102,911	₩ 343,100

## 22. Retained Earnings (cont'd)

(b) The appropriations of retained earnings for each of two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Unappropriated retained earnings carried over from prior year	₩ -	₩ -
Profit for the year	1,003,165	804,855
Interim dividends paid	(135,380)	(139,537)
Profit retirement of treasury stock	(752,873)	(302,728)
Transfer of gain on disposal of financial assets at fair value through other comprehensive income or loss to retained earnings	12,988	-
Remeasurements of net defined benefit liabilities (after tax)	(24,989)	(19,490)
Transfer of other reserves	350,158	108,140
Retained earnings available for appropriation	(453,069)	(451,240)
Appropriation of retained earnings		
Dividends <sup>1</sup> (Cash dividends (%)):	(453,069)	(451,240)
Ordinary share(in korean won):		
2024: 4,200 (84%)		
2023: 4,000 (80%)		
Unappropriated retained earnings to be carried forward	₩ -	₩ -

<sup>1</sup> The payment of dividends for the year ended December 31, 2024 is expected to be approved at a shareholders' meeting scheduled to be held on March 26, 2025.

## 23. Real Estate Pre-sales Contract

(a) Ongoing real estate pre-sales contracts for each of two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)

Construction project	Initial sales contract date	Expected completion date	Progress (%)	2024				
				Total sales value <sup>1</sup>	Total sales contract value	Revenue (cumulative) <sup>2</sup>	Revenue (period) <sup>3</sup>	Cost (cumulative) <sup>4</sup>
Suwon hwaseo prugio briel	June 2020	September 2023	100.00	₩ 803,056	₩ 747,970	₩ 747,946	₩ -	₩ 338,101
ePyeonghansang Daejeon Station Centum Vista	December 2022	June 2026	62.07	226,951	193,218	119,573	55,189	100,482
Nokbeon-dong Mixed-Use apartment building	April 2023	March 2025	89.24	29,720	25,220	22,507	13,624	14,777
Elif Mia Station Complex 1	May 2023	August 2026	41.72	61,562	44,907	18,649	11,420	14,099
Elif Mia Station Complex 2	May 2023	August 2026	39.18	155,141	109,162	42,650	24,562	31,600
ePyeonghansang Pyeongchon Urban Valley	April 2024	October 2026	25.39	399,869	397,970	100,933	100,933	61,913
Digital Empire Pyeongchon Biz Valley	April 2024	March 2027	24.32	352,768	98,001	20,388	20,388	16,540
Total				₩ 2,029,067	₩ 1,616,448	₩ 1,072,646	₩ 226,116	₩ 577,512

<sup>1</sup> Includes 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.

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

<sup>3</sup> Excludes the revenue of ₩ 20,684 million recognized as sales at a point when the construction is completed and control of the goods is transferred to the customer for the year ended December 31, 2024.

<sup>4</sup> Excludes cumulative costs of ₩ 293,284 million for common infrastructure (see Note 31 (d)).

(in millions of Korean won)

Construction project	Initial sales contract date	Expected completion date	Progress (%)	2023				
				Total sales value <sup>1</sup>	Total sales contract value	Revenue (cumulative) <sup>2</sup>	Revenue (period)	Cost (cumulative) <sup>3</sup>
Suwon hwaseo prugio briel	June 2020	September 2023	100.00	₩ 803,056	₩ 747,970	₩ 747,946	₩ 121,255	₩ 338,101
ePyeonghansang Daejeon Station Centum Vista	December 2022	June 2026	33.35	226,951	193,218	64,384	63,859	53,683
Nokbeon-dong Mixed-Use apartment building	April 2023	March 2025	35.22	29,720	25,220	8,882	8,882	5,819
Elif Mia Station Complex 1	May 2023	August 2026	18.33	61,562	39,511	7,229	7,229	5,323
Elif Mia Station Complex 2	May 2023	August 2026	17.62	155,141	102,705	18,088	18,088	12,866
Gireum-dong Neighborhood commercial facilities	July 2023	December 2023	100.00	27,580	27,580	27,580	27,580	1,832
Total				₩ 1,304,010	₩ 1,136,204	₩ 874,109	₩ 246,893	₩ 417,624

<sup>1</sup> Includes 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.

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

<sup>3</sup> Excludes the cumulative cost for common infrastructure, amounting to ₩ 227,608 million (see Note 31 (d)).

### 23. Real Estate Pre-sales Contract (cont'd)

(b) Receivables and payables for ongoing real estate pre-sales contracts as of December 31, 2024 and 2023 are as follows:

(in millions of Korean won)

Construction project	2024			
	Revenue (cumulative)	Cash collected (cumulative)	Trade receivables for sale in lots <sup>1</sup>	Advanced receipts for sale in lots <sup>2</sup>
Suwon hwaseo prugio briel	₩ 747,946	₩ 747,361	₩ 587	₩ 2
ePyeonghansang Daejeon Station Centum Vista	119,573	30,048	90,240	715
Nokbeon-dong Mixed-Use apartment building	22,507	12,610	9,897	-
Elif Mia Station Complex 1	18,649	5,339	13,396	86
Elif Mia Station Complex 2	42,650	13,131	29,736	217
ePyeonghansang Pyeongchon Urban Valley	100,933	47,906	53,284	257
Digital Empire Pyeongchon Biz Valley	20,388	6,352	14,036	-
Total	₩ 1,072,646	₩ 862,747	₩ 211,176	₩ 1,277

<sup>1</sup> As of December 31, 2024, due from customers for contract assets is ₩ 200,870 million, and it will be reclassified to receivables in accordance with the billing schedule on the contract.

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

(in millions of Korean won)

Construction project	2023			
	Revenue (cumulative)	Cash collected (cumulative)	Trade receivables for sale in lots <sup>1</sup>	Advanced receipts for sale in lots <sup>2</sup>
Suwon hwaseo prugio briel	₩ 747,946	₩ 708,687	₩ 39,500	₩ 241
ePyeonghansang Daejeon Station Centum Vista	64,384	23,852	41,250	718
Nokbeon-dong Mixed-Use apartment building	8,882	-	8,882	-
Elif Mia Station Complex 1	7,229	4,815	2,505	91
Elif Mia Station Complex 2	18,088	12,529	5,782	223
Gireum-dong Neighborhood commercial facilities	27,580	27,580	-	-
Total	₩ 874,109	₩ 777,463	₩ 97,919	₩ 1,273

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

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



**23. Real Estate Pre-sales Contract (cont'd)**

(c) No material changes in estimated total contract revenues and total contract costs has occurred during the year ended December 31, 2024. Estimated total contract revenue and total contract cost of the ongoing real estate pre-sales contracts are based on the circumstances that have occurred until December 31, 2024 and subject to change in the future.

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

(in millions of Korean won)

Construction project	2024		2023	
	Trade receivables for sale in lots	Advanced receipts for sale in lots <sup>1</sup>	Trade receivables for sale in lots	Advanced receipts for sale in lots <sup>1</sup>
Suwon hwaseo prugio briciel	₩ -	₩ 806	₩ -	₩ 1,465
ePyeonghansesang Daejeon Station Centum Vista	-	105	-	93
Elif Mia Station Complex 1	-	575	-	322
Elif Mia Station Complex 2	-	4,332	-	666
Sangbong Station Ubora First Live and Four Square	9,549	131	6,626	774
Total	₩ 9,549	₩ 5,949	₩ 6,626	₩ 3,320

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

(e) Advanced receipts for sale in lots are a contract liability arising from a contract with a customer. The amount recognized as revenue in the 2024 in relation to contract liabilities as of January 1, 2024 is ₩ 1,063 million, and the amount recognized as revenue in the 2023 in relation to contract liabilities as of January 1, 2023 is ₩ 7,851 million.

(f) As of December 31, 2024, the trade receivables for sale in lots were classified as current receivables as they were expected to be realized within the normal operating cycle, but the amount expected to be realized after 12 months as of December 31, 2024 is ₩ 127,668 million.

# KT&G Corporation

## Notes to the separate financial statements, Continued

December 31, 2024 and 2023



### 24. Operating Expenses

(a) Details of expenses classified by nature, incurred for each of the two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)

	2024	2023
Changes in inventories	₩ (93,399)	₩ (99,798)
Raw materials etc. used and merchandise purchased	1,327,146	1,308,096
Salaries	449,395	442,450
Retirement and termination benefits	40,389	30,710
Depreciation	143,198	139,560
Amortization	23,088	21,422
Employee welfare	91,849	68,550
Advertising	97,280	90,206
Commissions	229,918	217,158
Other expenses	414,016	436,599
Total	₩ 2,722,880	₩ 2,654,953

# KT&G Corporation

## Notes to the separate financial statements, Continued

December 31, 2024 and 2023



### 24. Operating Expenses (cont'd)

(b) Details of selling, general and administrative expenses for each of the two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)

	2024	2023
Salaries	₩ 300,496	₩ 296,962
Retirement and termination benefits	27,405	20,970
Employee welfare	65,475	46,801
Travel expenses	15,232	13,690
Communication cost	2,940	2,677
Utilities	13,967	13,758
Taxes and dues	24,294	20,272
Supplies	1,971	2,263
Rent	3,916	8,855
Depreciation	30,850	33,402
Amortization	15,857	16,435
Repairs and maintenance	7,083	6,546
Vehicles	3,286	3,203
Insurance	1,816	1,385
Commissions	161,394	153,140
Freight and custody	20,667	22,240
Conferences	3,293	3,195
Advertising	97,215	90,124
Education and training	6,033	5,839
Prizes and rewards	2,439	2,173
Research and development	33,012	22,782
Reversal of Impairment loss on trade receivables	(42,824)	(13,223)
Total	₩ 795,817	₩ 773,489

# KT&G Corporation

## Notes to the separate financial statements, Continued

December 31, 2024 and 2023



### 25. Other Income and Expense

(a) Details of other income for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Gain on foreign currency transaction	₩	60,035	₩	32,038
Gain on foreign currency translation		339,608		32,156
Gain on valuation of derivatives		4,545		13,901
Reversal of impairment loss on other receivables		3,280		2,880
Gain on disposal of property, plant and equipment		4,307		3,897
Gain on disposal of intangible assets		4		3
Gain on disposal of investment property		9,186		7,242
Gain on lease contract adjustments		132		73
Gain on disposal of assets held for sale		58,394		-
Gain on disposal of investments in associates and joint ventures		6,368		9
Miscellaneous income		10,380		7,598
Total	₩	496,239	₩	99,797

(b) Other expense for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Loss on foreign currency transaction	₩	37,391	₩	19,124
Loss on foreign currency translation		18,029		34,948
Loss on valuation of derivatives		65,904		21,214
Loss on disposal of property, plant and equipment		175		1,825
Loss on impairment of property, plant and equipment		304		7,141
Loss on disposal of intangible assets		215		117
Loss on impairment of intangible assets		213		600
Loss on disposal of investment properties		403		86
Loss on impairment of investment properties		13,583		-
Loss on impairment of right-of-use assets		2,096		-
Loss on disposal of assets held for sale		196		-
Loss on impairment of investments in subsidiaries		83,409		-
Loss on lease contract adjustments		19		15
Donations		3,624		3,925
Miscellaneous loss		3,333		2,047
Total	₩	228,894	₩	91,042

# KT&G Corporation

## Notes to the separate financial statements, Continued

December 31, 2024 and 2023



### 26. Finance Income and Costs

(a) Details of finance income and costs for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>		<b>2024</b>		<b>2023</b>
Finance income:				
Interest income <sup>1</sup>	₩	99,042	₩	63,037
Dividend income		35,465		63,769
Gain on valuation of financial assets at fair value through profit or loss		31,046		41,126
Total finance income	₩	165,553	₩	167,932
Finance costs:				
Interest expense	₩	25,666	₩	9,406
Loss on valuation of financial assets at fair value through profit or loss		49,546		21,935
Total finance cost	₩	75,212	₩	31,341
Net finance income	₩	90,341	₩	136,591

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

(b) Details of interest income included in finance income for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>		<b>2024</b>		<b>2023</b>
Deposits	₩	14,401	₩	11,367
Trade and other receivables		30,962		16,807
Long-term deposits		53,679		34,863
Total	₩	99,042	₩	63,037

## 26. Finance Income and Costs (cont'd)

(c) Details of interest expenses included in finance costs for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>		<b>2024</b>		<b>2023</b>
Trade and other payables	₩	11,155	₩	7,378
Lease liabilities		567		650
Borrowings and Debentures <sup>1</sup>		13,944		1,378
Total	₩	25,666	₩	9,406

<sup>1</sup> ₩ 12,744 million and ₩ 4,081 million of capitalized borrowing costs on qualifying assets is excluded from interest expense for each of two years in the period ended December 31, 2024, respectively.

## 27. Income Tax Expense and Deferred Tax Asset

(a) Details of income tax expenses elements for each of two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>		<b>2024</b>		<b>2023</b>
Current tax on profits for the year	₩	295,220	₩	291,181
Adjustments with respect to past income taxes, etc.		(22,893)		6,216
Increase/decrease from temporary differences		63,862		(25,163)
Income tax	₩	336,189	₩	272,234

**27. Income Tax Expense and Deferred Tax Asset (cont'd)**

(b) Details of the relationship between income tax expenses and accounting profit for each of two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>		<b>2024</b>		<b>2023</b>
Profit before income tax expense	₩	1,339,354	₩	1,077,089
Tax rate (%)		25.63		25.44
Tax expense calculated at applicable rates		343,228		273,989
Adjustments:				
Non-taxable income		(2,017)		(766)
Expenses not deductible for tax purposes		2,259		2,190
Changes in unrecognized amount of deferred tax due to temporary differences, etc.		15,409		2,433
Tax credit		-		(13,213)
Adjustments with respect to past income taxes		(22,893)		6,216
Others		203		1,385
Income tax expense	₩	336,189	₩	272,234
Average effective tax rate (%)		25.10		25.27

(c) Details of current and deferred income tax related to items recognized outside profit or loss for each of two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>		<b>2024</b>		<b>2023</b>
Deferred tax:				
Loss on valuation of financial assets measured at fair value through other comprehensive income	₩	(5,659)	₩	(6,106)
Remeasurement of net defined benefit liabilities (assets)		8,964		6,991
Total	₩	3,305	₩	885

## 27. Income Tax Expense and Deferred Tax Asset (cont'd)

(d) Changes in deferred income tax assets (liabilities) for each of two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)

	2024			
	Beginning balance	Profit or loss	Reflected in other comprehensive income (loss)	Ending balance
Accumulated depreciation	₩ 19,328	₩ (4,189)	₩ -	₩ 15,139
Loss allowance	45,803	(12,235)	-	33,568
Financial assets measured at fair value through other comprehensive income or loss (profit or loss)	17,117	3,090	(5,659)	14,548
Accrued expenses	47,515	1,485	-	49,000
Defined benefit liabilities	(9,507)	543	8,964	-
Treasury shares	(9,034)	-	-	(9,034)
Investments in subsidiaries	(68,304)	6,795	-	(61,509)
Advanced depreciation provision	(9,603)	-	-	(9,603)
Others	27,559	(59,351)	-	(31,792)
Total	₩ 60,874	₩ (63,862)	₩ 3,305	₩ 317

(in millions of Korean won)

	2023			
	Beginning balance	Profit or loss	Reflected in other comprehensive income (loss)	Ending balance
Accumulated depreciation	₩ 16,117	₩ 3,211	₩ -	₩ 19,328
Loss allowance	50,251	(4,448)	-	45,803
Financial assets at fair value through other comprehensive income or loss (profit or loss)	19,827	3,396	(6,106)	17,117
Accrued expenses	47,732	(217)	-	47,515
Defined benefit liabilities	(20,764)	4,266	6,991	(9,507)
Treasury shares	(9,068)	34	-	(9,034)
Investments in subsidiaries	(68,563)	259	-	(68,304)
Advanced depreciation provision	(9,640)	37	-	(9,603)
Others	8,934	18,625	-	27,559
Total	₩ 34,826	₩ 25,163	₩ 885	₩ 60,874

(e) Details of temporary differences related to investment in subsidiaries etc. which are deductible (taxable) as of December 31, 2024 and 2023 are as follows. They have not been recognized as deferred tax assets (liabilities) since it does not seem probable in the foreseeable future that they will not be realized:

(in millions of Korean won)

	2024	2023
Deductible temporary differences	₩ 487,372	₩ 428,996
Taxable temporary differences	(280,078)	(280,078)
Total	₩ 207,294	₩ 148,918



**27. Income Tax Expense and Deferred Tax Asset (cont'd)**

## (f) Global anti-base erosion model rules

If the Company's revenue exceeds EUR 750 million and Pillar Two Model Rules have been enacted or substantially enacted in some or all of the jurisdictions implementing the rules, the following information must be included to meet disclosure requirements:

The Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) addresses the tax challenges arising from the digitalization of the global economy. Global anti-base erosion model rules ("GloBE Rules" or "Pillar Two Model Rules") apply to multinational enterprises (MNEs) that have consolidated revenue of EUR 750 million or more.

The GloBE Rules propose new taxing mechanisms as follows under which MNEs would pay a minimum level of tax ("Minimum Tax");

- the Qualified Domestic Minimum Top-Up Tax (QDMTT)
- the Income Inclusion Rule (IIR); and
- the Undertaxed Payment Rule (UTPR).

New taxing mechanisms above ensure MNEs pay a minimum level of tax on the income arising in each jurisdiction where they operate. IIR, UTPR and QDMRR are applied by imposing a top-up tax in a jurisdiction whenever the effective tax rate, determined on a jurisdictional basis, is below the minimum tax rate, 15%.

Amendments to KIFRS 1012 *Income taxes - International tax reform - Pillar Two Model Rules* were issued, and the amendments clarified that KIFRS 1012 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules. The Company applied the amendments including following provisions:

- mandatory application of temporary exception from the requirement to recognize and disclose deferred taxes arising from implementation of the Pillar Two Model Rules
- requirement for disclosing known or reasonably estimable information that would help users of financial statements to understand an entity's exposure to Pillar Two income taxes.

Pillar Two Model Rules were enacted in the Republic Korea at the end of 2023 and has come into effect since January 1, 2024. Under the rules, the Company is a MNEs subject to the Pillar Two Model Rules. At the same time, Pillar Two legislations have been enacted or substantially enacted in several other jurisdictions in which the Company operates, starting from the annual reporting period commencing on January 1, 2024.

**27. Income Tax Expense and Deferred Tax Asset (cont'd)**

The Company assessed potential exposure to Pillar Two income taxes based on the Country-by-Country report for 2023 and financial information for 2024 regarding the Company. The effective tax rate under Pillar Two is above 15% in most jurisdictions where the Company operates.

The effect of the Pillar Two income tax for the year ended December 31, 2024 is ₩ 2 million and primarily related to profits generated in the United States.

The Company continues to follow Pillar Two legislative developments as other countries enact the Pillar Two Model Rules and assesses the potential impact on the Company's future operating results, financial position and cash flows.

**28. Earnings Per Share (EPS)**

(a) The relationship between EPS and accounting profit for each of two years in the period ended December 31, 2024 is as follows:

<i>(in millions of Korean won, Korean won, and shares)</i>	<b>2024</b>		<b>2023</b>	
Profit for the period attributable to owners of the Company	₩	1,003,165	₩	804,855
Weighted average number of ordinary shares outstanding (in shares)		103,038,223		115,096,170
Basic and diluted EPS (in Korean won)		9,736		6,993

## 28. Earnings Per Share (EPS) (cont'd)

(b) The following table reflects the income and share data used in the diluted EPS computations for each of two years in the period ended December 31, 2024:

(in shares)		2024			
	Date	Number of shares (in shares)	Days	Weighted shares	
Beginning balance for outstanding shares	Jan. 1 ~ Dec. 31	125,362,497	366	₩	45,882,673,902
Beginning balance for treasury shares	Jan. 1 ~ Dec. 31	(21,012,574)	366		(7,690,602,084)
Disposal of treasury shares	Feb. 21	6,120	315		1,927,800
Acquisition of treasury shares	Aug. 9 ~ Nov. 27	(4,960,000)	35~145		(482,010,000)
Total				₩	37,711,989,618
Days in circulation (days)					366
Weighted average number of ordinary shares outstanding (Ordinary shares outstanding for the accumulated number of days / days in circulation)					103,038,223

(in shares)		2023			
	Date	Number of shares (in shares)	Days	Weighted shares	
Beginning balance for outstanding shares	Jan. 1 ~ Dec. 31	137,292,497	365	₩	50,111,761,405
Beginning balance for treasury shares	Jan. 1 ~ Dec. 31	(21,012,574)	365		(7,669,589,510)
Acquisition of treasury shares	Aug. 4, etc. ~ Dec. 31	(3,470,000)	101~150		(432,070,000)
Total				₩	42,010,101,895
Days in circulation (days)					365
Weighted average number of ordinary shares outstanding (Ordinary shares outstanding for the accumulated number of days / days in circulation)					115,096,170

The weighted average number of ordinary shares is the number of ordinary shares acquired and disposed of during the period or the number of newly issued ordinary shares, adjusted to take into account the weighting of each period.

# KT&G Corporation

## Notes to the separate financial statements, Continued

December 31, 2024 and 2023



### 29. Related Parties

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

Type	Name of entity	Location	Percentage of ownership (%)					
			2024			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 Industry Co., Ltd.	Korea	100.00	-	100.00	100.00	-	100.00
	KT&G Tuntun Mamulleri Sanayi 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
	Cosmococ Co., Ltd.	Korea	98.56	-	98.56	98.56	-	98.56
	Renzoluc Pte., Ltd. <sup>1</sup>	Singapore	100.00	-	100.00	100.00	-	100.00
	PT Trisakti Purwasari Makmur <sup>2</sup>	Indonesia	6.56	93.43	99.99	6.56	93.43	99.99
	PT TSPM FLAVOR AND FRAGRANCE <sup>3</sup>	Indonesia	-	99.99	99.99	-	-	-
	SangSang Slay, 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	Korea	51.00	-	51.00	51.00	-	51.00
	KT&G Taiwan Corporation	Taiwan	100.00	-	100.00	100.00	-	100.00
	Master No.144 PFV Co. Ltd.	Korea	92.50	-	92.50	92.50	-	92.50
	KT&G Kazakhstan LLP <sup>4</sup>	Kazakhstan	100.00	-	100.00	100.00	-	100.00
	KT&G Global Kazakhstan LLP <sup>4</sup>	Kazakhstan	100.00	-	100.00	100.00	-	100.00
	DNC Deogeun Co., Ltd. <sup>5</sup>	Korea	38.25	-	38.25	38.25	-	38.25
	Edn the pine central Seocho Co., Ltd.	Korea	78.65	-	78.65	78.65	-	78.65
	Cheongna Medipolis Development Co., Ltd. <sup>6</sup>	Korea	66.67	-	66.67	-	-	-
	K&I China Co., Ltd.	China	-	98.56	98.56	-	98.56	98.56
	KGCYebon Corporation	Korea	-	100.00	100.00	-	100.00	100.00
	KGC Life &Gin Co., Ltd.	Korea	-	100.00	100.00	-	100.00	100.00
	Jilin Hanzheng Ginseng Co.,Ltd.	China	-	100.00	100.00	-	100.00	100.00
	Cheong Kwan Jang Taiwan Corporation	Taiwan	-	100.00	100.00	-	100.00	100.00
	Korean 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 Corporation. Japan	Japan	-	100.00	100.00	-	100.00	100.00
	CENTRAL PHARM INC. <sup>7</sup>	Korea	-	50.01	50.01	-	-	-
	Pacific 365, Inc <sup>7</sup>	USA	-	50.01	50.01	-	-	-
	PT Nusantara Indah Makmur	Indonesia	-	99.96	99.96	-	99.96	99.96
Associates	Lite Pharm Tech, Inc. <sup>8</sup>	Korea	12.53	-	12.53	12.53	-	12.53
	KORAMCO Banpo Project Financing Vehicle Co., Ltd. <sup>8</sup>	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. <sup>9</sup>	Korea	51.01	-	51.01	51.01	-	51.01
	INNODIS Co., Ltd. <sup>8</sup>	Korea	19.64	-	19.64	19.64	-	19.64
	SJ BIO MED Co., Ltd. <sup>8,10</sup>	Korea	14.39	-	14.39	14.39	-	14.39
	LSK Global Pharma Services Co., Ltd.	Korea	21.92	-	21.92	21.92	-	21.92
	Mirae Asset KT&G Investment Fund <sup>11</sup>	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 <sup>12</sup>	Korea	66.67	-	66.67	66.67	-	66.67
	KORAMCO Europe Private ReIT 3-2 Fund <sup>13</sup>	Korea	51.35	-	51.35	51.35	-	51.35
	Starfield Suwon, Inc	Korea	50.00	-	50.00	50.00	-	50.00
	SangSang Loft Co.,Ltd. <sup>14</sup>	Korea	50.00	-	50.00	-	-	-
Others	AndaStation Professional	Korea	-	-	-	21.43	-	21.43
	Investment Private REIT No.1 <sup>15</sup>							
	KORAMCO Dongjak Project	Korea	-	-	-	19.47	-	19.47
	Financing Vehicle Co., Ltd. <sup>15</sup>							
Others <sup>16</sup>		Korea	-	-	-	-	-	-

## 29. Related Parties (cont'd)

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

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

<sup>3</sup> PT Trisakti Purwosari Makmur, the subsidiary of the Company acquired 217,372,000 shares (₩ 18,563 million) of PT TSPM FLAVOR AND FRAGRANCE through a capital contribution establishment method during the year ended December 31, 2024.

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

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

<sup>6</sup> The Company newly acquired 66.67% of Cheongna Medipolis Development Co., Ltd. during the year ended December 31, 2024, and the Company has classified the shares as investments in subsidiaries.

<sup>7</sup> For the year ended December 31, 2024, Korea Ginseng Corporation, the Company's subsidiary, acquired 22,501 shares (₩ 9,000 million) of CENTRAL PHARM INC. through the acquisition of equity shares, and Pacific 365, Inc., the subsidiary of CENTRAL PHARM INC., has been included in the scope of the Company's related parties.

<sup>8</sup> The Company has classified the ownership as investment in associates, notwithstanding its ownership percentage of less than 20%, as the Company determined it has a significant influence over the investee with its right to participate in the investee's Board of Directors meetings in accordance with the agreement with shareholders.

<sup>9</sup> The Company has classified the ownership as investment in associates as the three-fourths of the Board of Directors' consent is required in making decisions on material financial and operational policies in accordance with the agreement with shareholders.

<sup>10</sup> As of December 31, 2024, liquidation procedures are in progress.

<sup>11</sup> The Company classified the ownership as investment in associates, as there are no arrangements that incur joint control among the partners, notwithstanding its consolidated ownership percentage is 50%.

<sup>12</sup> Although 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.

## **29. Related Parties (cont'd)**

<sup>13</sup> The Company has classified the ownership as investment in joint ventures as the Board of Directors' unanimous consent is required in making decisions on material financial and operational policies in accordance with the agreement with shareholders.

<sup>14</sup> For the year ended December 31, 2024, the Company established Sangsang Loft Co., Ltd. jointly with Zero TO N at 50:50 ratio. The Company classified its interests in the entity as investments in joint ventures.

<sup>15</sup> The Company excluded the entity from its related parties, as the entity was disposed during the year ended December 31, 2024.

<sup>16</sup> The Company has classified the related parties of DNC Deogeun Co., Ltd. as other related parties, following the acquisition of DNC Deogeun Co., Ltd. as its subsidiary for the year ended December 31, 2023.

# KT&G Corporation

## Notes to the separate financial statements, Continued

December 31, 2024 and 2023



### 29. Related Parties (cont'd)

(b) The Company carries out transactions with its related parties such as sales of goods and provision of services, etc. Details of the transactions with the related parties for each of two years in the period ended December 31, 2024, are as follows:

#### (1) Sales and other income

(in millions of Korean won)

Type	Name of entity		2024		2023
Subsidiaries	Korea Ginseng Corporation	₩	14,648	₩	14,541
	Youngjin Pharm. Co., Ltd.		1,505		1,377
	Tae-A Industry Co., Ltd.		966		964
	KT&G Tutun Mamulleri Sanayi				
	ve Ticaret A.S. <sup>1,2</sup>		34,341		19,827
	KT&G Rus L.L.C. <sup>1</sup>		74,351		42,823
	KT&G USA Corporation <sup>1,3</sup>		18		18
	Cosmocos Co., Ltd.		145		105
	PT Trisakti Purwosari Makmur <sup>1</sup>		114,030		54,288
	SangSang Stay, Inc.		6,080		4,948
	KT&G Global Rus L.L.C. <sup>1</sup>		14,106		6,203
	Gwacheon SangSang PFV		9,045		37,107
	KT&G Taiwan Corporation		13,287		13,525
	KT&G Kazakhstan LLP		1,848		16
	KT&G Global Kazakhstan LLP		7,520		3,442
	DNC Deogeun Co., Ltd.		5,075		-
	KGCyebon Corporation		51		35
	KGC Life &Gin Co., Ltd.		276		322
	Cheongna Medipolis PFV Co.,Ltd.		9		-
Associates	KOCREF 36 REIT		1,200		1,200
	KOCREF 41 REIT		2,084		2,087
Joint ventures	Starfield Suwon, Inc.		147		7
Others	AndaStation Professional				
	Investment Private REIT No.1 <sup>4</sup>		-		954
Total		₩	300,732	₩	203,789

<sup>1</sup> Excludes reversal of impairment loss of ₩ 34,308 million (2023: ₩ (7,371) million) in relation to the related parties for the year ended December 31, 2024.

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

<sup>3</sup> In relation to the discontinued operation of KT&G USA Corporation, the amount before adjustment related to sales cancellation and inventory return (sales cancellation: ₩ 41,037 million, inventory return and obsolescence: ₩ 17,904 million) that occurred in 2024 was reflected.

## 29. Related Parties (cont'd)

<sup>4</sup> The Company excluded the entity from its related parties, as the entity was disposed during the year ended December 31, 2024.

### (2) Purchases and other expenses

(in millions of Korean won)

Type	Name of entity	2024	2023
Subsidiaries	Korea Ginseng Corporation	₩ 2,756	₩ 2,228
	Youngjin Pharm. Co., Ltd.	284	224
	Tae-A Industry Co., Ltd.	39,650	34,835
	Korea Tabacos do Brasil Ltda.	523	315
	KT&G Tutun Mamulleri		
	Sanayi ve Ticaret A.S. <sup>1</sup>	31,184	-
	KT&G Rus L.L.C.	8	-
	KT&G USA Corporation <sup>2</sup>	10,273	-
	Cosmocos Co., Ltd.	328	28
	PT Trisakti Purwosari Makmur	620	-
	SangSang Stay, Inc.	300	524
	KGCyebon Corporation	902	821
	KGC Life &Gin Co., Ltd.	26	247
	Renzoluc Pte., Ltd.	314	-
Associates	INNODIS Co., Ltd.	294	270
Joint ventures	Starfield Suwon, Inc.	104	-
Total		₩ 87,566	₩ 39,492

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

<sup>2</sup> In relation to the discontinued operation of KT&G USA Corporation, the amount before adjustment related to sales cancellation and inventory return (sales cancellation: ₩ 41,037 million, inventory return and obsolescence: ₩ 17,904 million) that occurred in 2024 was reflected.



## 29. Related Parties (cont'd)

(c) Account balances of receivables and payables with related companies as of December 31, 2024 and 2023 are summarized as follows:

(in millions of Korean won)		2024		2023	
Type	Name of entity	Receivables	Payables	Receivables	Payables
Subsidiaries	Korea Ginseng Corporation	₩ 2,943	₩ 2,753	₩ 2,965	₩ 2,967
	Youngjin Pharm. Co., Ltd. <sup>2</sup>	5,359	48	4,903	50
	Tae-A Industry Co., Ltd.	-	6,423	4	6,423
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. <sup>1,3</sup>	61,753	9,144	34,655	-
	Korea Tabacos do Brasil Ltda. <sup>1,2</sup>	122	520	122	-
	KT&G Pars <sup>1,2</sup>	44,526	-	44,526	-
	KT&G Rus L.L.C. <sup>1</sup>	139,472	-	98,785	-
	KT&G USA Corporation <sup>1</sup>	4,004	540	53,094	322
	Cosmocos Co., Ltd.	30	-	9	-
	PT Trisakti Purwosari Makmur <sup>1,2</sup>	471,345	-	404,956	-
	SangSang Stay, Inc.	40	-	28	-
	KT&G Global Rus L.L.C. <sup>1</sup>	19,819	-	7,322	-
	Gwacheon SangSang PFV <sup>4</sup>	8,541	1,718	57,763	2,222
	KT&G Taiwan Corporation	131	-	1,684	-
	KT&G Kazakhstan LLP	6,618	-	380	-
	KT&G Global Kazakhstan LLP <sup>2</sup>	28,827	-	12,244	-
	KGCyebon Corporation	12	7,452	3	7,747
	KGC Life &Gin Co., Ltd.	13	-	1	-
	Renzoluc Pte., Ltd.	-	265	-	-
Associates	INNODIS Co., Ltd.	-	27	-	-
Joint ventures	Starfield Suwon, Inc	98	10	8	37
	SangSang Loft Co., Ltd.	-	2	-	-
Others	AndaStation Professional	-	-	-	-
	Investment Private REIT No.1 <sup>5</sup>	-	-	481	-
Total		₩ 793,653	₩ 28,902	₩ 723,933	₩ 19,768

<sup>1</sup> Presented in gross amount before deducting loss allowance of ₩ 110,805 million and ₩ 145,113 million as of December 31, 2024 and 2023.

<sup>2</sup> Includes loans to related parties.

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

<sup>4</sup> Includes other receivables in relation to dividends to related parties.

<sup>5</sup> The Company excluded the entity from its related parties, as the entity was disposed during the year ended December 31, 2024.

## 29. Related Parties (cont'd)

(d) Purchase and sale of property, plant and equipment, intangible assets (including assets held for sale) and right-of-use assets from related parties for each of two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)

Type	Name of entity	2024			2023		
		Purchase of right-of-use assets	Purchase of property, plant and equipment	Sale of property, plant and intangible assets	Purchase of property, plant and equipment	Sale of property, plant and equipment	
Subsidiaries	Korea Ginseng Corporation	₩ 302	₩ -	₩ -	₩ 14	₩ -	
	KGCyebon Corporation	392	-	764	-	-	
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	-	-	2	-	-	
	PT Trisakti Purwosari Makmur	-	854	-	-	3,120	
	KT&G Kazakhstan LLP	-	-	3,999	-	-	
	Total	₩ 694	₩ 854	₩ 4,765	₩ 14	₩ 3,120	

(e) Details of fund transactions with the related parties for each of two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)

Type	Name of entity	2024				2023			
		Equity investment	Repayment of lease liabilities	Equity recovery	Loan of funds	Equity investment	Repayment of lease liabilities	Equity investment	Loan of funds
Subsidiaries	Korea Ginseng Corporation	₩ -	₩ 97	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
	SangSang Stay, Inc.	-	-	-	-	30,000	-	-	-
	Youngjin Pharm. Co., Ltd.	-	-	-	-	-	-	-	4,500
	Tae-A Industry Co., Ltd.	-	-	-	-	65,000	-	-	-
	KGCyebon Corporation	-	686	-	-	-	616	-	-
	PT Trisakti Purwosari Makmur	-	-	-	-	-	-	-	279,204
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	59,692	-	-	-	25,624	-	-	-
	KT&G Kazakhstan LLP	137,912	-	-	-	35,910	-	-	-
	KT&G Global Kazakhstan LLP	-	-	-	13,711	18,510	-	-	9,319
	DNC Deogeun Co., Ltd.	-	-	-	-	35,552	-	-	-
	Edn the pine central Seocho Co., Ltd.	1,623	-	-	-	35,000	-	-	-
	Cheongna Medipolis Development Co., Ltd.	200	-	-	-	-	-	-	-
	Mirae Asset KT&G Investment Fund 1	4,500	-	-	-	4,500	-	-	-
	KB KT&G New Growth Fund 1	-	-	-	-	3,000	-	-	-
Joint ventures	Cheongna Medipolis PFV Co., Ltd.	-	-	-	-	83,978	-	-	-
	Starfield Suwon, Inc	15,000	-	-	-	100,000	-	-	-
	KORAMCO Europe Private REIT 3-2 Fund	1,422	-	-	-	-	-	32	-
Others	SangSang Loft Co., Ltd.	320	-	-	-	-	-	-	-
	AndaStation Professional Investment Private REIT No.1 <sup>1</sup>	-	-	23,738	-	-	-	-	-
	KORAMCO Dongjak Project Financing Vehicle Co., Ltd. <sup>1</sup>	-	-	2,244	-	-	-	-	-
	Total	₩ 220,669	₩ 783	₩ 25,982	₩ 13,711	₩ 437,074	₩ 616	₩ 32	₩ 293,023

<sup>1</sup> The Company excluded the entity from related parties, as the entity was disposed for the year ended December 31, 2024.

(f) As of December 31, 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 1,261,000 thousand to Citi Bank Taiwan (see Note 31 (c)).

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

(g) During the year ended December 31, 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 December 31, 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.

(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 December 31, 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 December 31, 2024, the remaining contribution amount is ₩ 11,500 million, and the detailed timeline for contribution is yet to be determined (see Note 31 (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 and PT Trisakti Purwosari Makmur worth at USD 270,256 thousand during the year ended December 31, 2024, and loans to PT Trisakti Purwosari Makmur worth at USD 100,816 thousand during the year ended December 31, 2023, respectively.

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

(o) As of December 31, 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 9 and 31 (c)).

(p) As of December 31, 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 Notes 9 and 31 (c)).

(q) Key management personnel compensations for each of the two in the period ended December 31, 2024 are as follows:

*(in millions of Korean won)*

	<b>2024</b>		<b>2023</b>	
Long and short-term employee benefits	₩	25,729	₩	21,091
Retirement benefits		2,413		2,249
Total	₩	28,142	₩	23,340

**30. Risk Management and Fair Value of Financial Instruments and Capital Management**

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 reduce, eliminate and avoid 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 audit committee continuously reviews compliance with risk management policies and procedures and limits on risk exposure. The Company's overall financial risk management strategy is the same as the previous fiscal year.

**(a) Market risk**

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

**30. Risk Management and Fair Value of Financial Instruments and Capital Management (cont'd)**
**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 is internally measuring the currency risk of fluctuations to the Korean won on a regular basis.

The carrying amounts of monetary assets and liabilities denominated in a foreign currency other than the functional currency as of December 31, 2024 and 2023 are as follows:

(in millions of Korean won)	2024		2023	
	Monetary assets	Monetary liabilities	Monetary assets	Monetary liabilities
USD	₩ 2,578,904	₩ 98,393	₩ 2,247,803	₩ 124,456
IDR	8,749	-	9,660	83
EUR	13,555	17,072	1,473	28,229
Others	157,103	29,558	119,699	6,974
Total	₩ 2,758,311	₩ 145,023	₩ 2,378,635	₩ 159,742

The effects of a 10% change in the Korean won-foreign currency exchange rate on profit before tax as of December 31, 2024 and 2023 are as follows:

(in millions of Korean won)	2024		2023	
	10% increase	10% decrease	10% increase	10% decrease
Increase (decrease) in profit before tax	₩ 261,329	₩ (261,329)	₩ 221,889	₩ (221,889)

**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 of listed stocks the Company invests in. Company 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 management.

The effects of a 5% fluctuation in the price index of stocks on comprehensive income or loss before tax (gain or loss on valuation of financial assets at fair value through other comprehensive income or loss) for each of the two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)	2024		2023	
	5% increase	5% decrease	5% increase	5% decrease
Increase (decrease) in comprehensive income or loss before tax	₩ 546	₩ (546)	₩ (1,835)	₩ 1,835

**30. Risk Management and Fair Value of Financial Instruments and Capital Management (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 December 31, 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. To manage such credit risk, the Company 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. The carrying amounts of financial assets present the maximum exposure to credit risk. The maximum exposure to credit risk as of December 31, 2024 and 2023 are as follows:

(in millions of Korean won)

		<b>2024</b>		<b>2023</b>
Cash and cash equivalents (excluding cash on hand)	₩	588,810	₩	210,389
Other financial assets		185,907		186,443
Financial assets at fair value through profit or loss		575,490		680,149
Trade and other receivables		1,834,447		1,688,653
Long-term deposits		1,705,504		1,479,737
Derivative assets		-		7,751
<b>Total</b>	₩	<b>4,890,158</b>	₩	<b>4,253,122</b>

**(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.

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

Detail of the maturity analysis according to the remaining maturity of the financial liabilities as of December 31, 2024 and 2023 are as follows:

(in millions of Korean won)

	2024					
	Carrying amount	Contractual cash flow	Remaining maturity of contract			
			Less than 3 months	3 months ~ 1 year	1 year ~ 5 years	More than 5 years
Short-term borrowings	₩ 250,000	₩ 250,501	₩ 250,501	₩ -	₩ -	₩ -
Bond	907,934	994,810	8,572	124,667	861,571	-
Trade and other payables	1,002,778	1,007,442	956,403	24,889	14,072	12,078
Lease liabilities	21,260	22,756	2,257	5,600	10,899	4,000
Total	₩ 2,181,972	₩ 2,275,509	₩ 1,217,733	₩ 155,156	₩ 886,542	₩ 16,078

(in millions of Korean won)

	2023					
	Carrying amount	Contractual cash flow	Remaining maturity of contract			
			Less than 3 months	3 months ~ 1 year	1 year ~ 5 years	More than 5 years
Bond	₩ 299,165	₩ 331,086	₩ 3,206	₩ 9,618	₩ 318,262	₩ -
Trade and other payables	1,097,480	1,101,570	1,064,462	12,249	17,836	7,023
Lease liabilities	23,939	25,624	2,104	5,009	13,761	4,750
Total	₩ 1,420,584	₩ 1,458,280	₩ 1,069,772	₩ 26,876	₩ 349,859	₩ 11,773

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

As of December 31, 2024, the Company provides joint-guarantees for mid-payment loan provided to the buyer related to the real estate sales contract of ePyeonghansesang Daejeon Station Centum Vista and Digital Empire Pyeongchon Biz Valley (guarantee limit: ₩ 17,960 million, remaining contract maturity: 1 ~ 3 years) and has recognized a financial guarantee provision liability of ₩ 46 million (2023: ₩ 44 million) (see Notes 19 (f) and 31 (c)).

In addition, the Company provides contribution commitment for debt/equity instruments, capital call agreement for overseas property fund and others. Maximum exposure of liquidity risk in relation to such agreements are equal to the agreed amount (see Note 31 (d)).



### 30. Risk Management and Fair Value of Financial Instruments and Capital Management (cont'd)

(d) The carrying amounts of each category of financial instruments as of December 31, 2024 and 2023 are summarized as follows:

<i>(in millions of Korean won)</i>	2024	2023
Financial assets:		
Financial assets measured at fair value through profit or loss	₩ 575,490	₩ 680,149
Financial assets measured at fair value through other comprehensive income or loss	185,461	182,106
Derivative assets	-	7,751
Financial assets measured at amortized cost		
Cash and cash equivalents	588,812	210,392
Other financial assets	185,907	186,443
Trade and other receivables	1,834,447	1,688,653
Long-term deposits	1,705,504	1,479,737
Subtotal	4,314,670	3,565,225
Total financial assets	₩ 5,075,621	₩ 4,435,231
Financial liabilities:		
Derivative liabilities	₩ 32,801	₩ -
Financial liabilities measured at amortized cost		
Short-term borrowings	250,000	-
Bond	907,934	299,165
Trade and other payables	1,002,778	1,097,480
Lease liabilities	21,260	23,939
Subtotal	2,181,972	1,420,584
Total financial liabilities	₩ 2,214,773	₩ 1,420,584

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

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



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

Details of the fair values measurements classified by fair value hierarchy as of December 31, 2024 and 2023 are as follows:

(in millions of Korean won)	2024			
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss	₩ 575,490	₩ -	₩ 231,324	₩ 344,166
Financial assets measured at fair value through other comprehensive income or loss	185,461	176,703	-	8,758
Total financial assets	₩ 760,951	₩ 176,703	₩ 231,324	₩ 352,924
Derivative liabilities	₩ 32,801	₩ -	₩ 32,801	-

  

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

There was no movement between levels of the fair value hierarchy for each of two years in the period ended December 31, 2024.

As of December 31, 2024 and 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 discounted cash flow and was classified as Level 3 fair value based on the inputs used in the valuation technique. Changes in Level 3 fair value for each of two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)	2024	2023
Beginning balance	₩ 389,510	₩ 360,125
Acquisition	39,044	64,056
Disposal	(44,025)	(28,454)
Changes in fair value	(26,646)	(6,217)
Others	(4,959)	-
Ending balance	₩ 352,924	₩ 389,510

### 30. Risk Management and Fair Value of Financial Instruments and Capital Management (cont'd)

(f) Net gains or losses by category of financial instruments for each of two years in the period ended December 31, 2024 are as follows:

2024						
(in millions of Korean won)						
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income or loss	Derivatives	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total
Profit for the period:						
Interest income	₩ -	₩ -	₩ -	₩ 99,042	₩ -	₩ 99,042
Dividend income	10,057	8,509	-	-	-	18,566
Loss on valuation	(18,500)	-	(61,359)	-	-	(79,859)
Gain on lease contract adjustments	-	-	-	-	113	113
Interest expense	-	-	-	-	(25,666)	(25,666)
Reversal of impairment loss	-	-	-	46,104	-	46,104
Total	₩ (8,443)	₩ 8,509	₩ (61,359)	₩ 145,146	₩ (25,553)	₩ 58,300
Other comprehensive income before tax:						
Net change in fair value	₩ -	₩ 39,081	₩ -	₩ -	₩ -	₩ 39,081

  

2023						
(in millions of Korean won)						
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income or loss	Derivatives	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total
Profit for the period:						
Interest income	₩ -	₩ -	₩ -	₩ 63,037	₩ -	₩ 63,037
Dividend income	12,809	9,780	-	-	-	22,589
Gain or loss on valuation	19,191	-	(7,312)	-	-	11,879
Gain on lease contract adjustments	-	-	-	-	58	58
Interest expense	-	-	-	-	(9,406)	(9,406)
Reversal of impairment loss	-	-	-	16,103	-	16,103
Total	₩ 32,000	₩ 9,780	₩ (7,312)	₩ 79,140	₩ (9,348)	₩ 104,260
Other comprehensive loss before tax:						
Net change in fair value	₩ -	₩ 22,878	₩ -	₩ -	₩ -	₩ 22,878

#### (g) Capital management

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

**KT&G Corporation****Notes to the separate financial statements, Continued**

December 31, 2024 and 2023

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

The Company manages capital on a capital basis with net liabilities (net assets) deducting cash and cash equivalents from the borrowings and bonds, and the overall capital management policy is the same as the previous fiscal year. Details on the Company's capital structure as of December 31, 2024 and 2023 are as follows:

*(in millions of Korean won)*

	2024	2023
Total borrowings and bonds	₩ 1,157,934	₩ 299,165
Less: Cash and cash equivalents	(588,812)	(210,392)
Less: Current other financial assets	(155,205)	(102,403)
Less: Current financial instruments measured at fair value through profit or loss	(244,941)	(342,933)
Net liabilities (assets)	₩ 168,976	₩ (356,563)
Total equity	₩ 7,707,496	₩ 7,832,525

### 31. Contingent Liabilities and Commitments

#### (a) Litigation cases

As of December 31, 2024, the Company has 10 cases of pending litigations under progress where the Company is the defendant and the litigation amounts are ₩ 156,040 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 December 31, 2024.

#### (b) Commitments with financial institutions

Details of the Company's major arrangements with financial institutions as of December 31, 2024 are as follows:

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

Type	Financial institutions, etc.	Currency	Limit	Execution
Opening import letter of credits	Hana Bank	USD	200,000	69,738
Derivatives trading <sup>1</sup>	Hana Bank and five others	USD	218,015	31,273
Limit loan	NH Bank and three others	KRW	800,000	250,000

<sup>1</sup>Derivatives are composed of foreign exchange forward contracts and are held for trading as of December 31, 2024.

As of December 31, 2024, the Company has a short-term export credit insurance contract with the Korea Trade Insurance Corporation (covered amount: USD 160,523 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 collateral provided by other parties to the Company as of December 31, 2024 are as follows:

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

Provider	Currency	Limit	Details
Korea Housing & Urban Guarantee Corporation	KRW	238,332	Housing distribution guarantee, etc.
Seoul Guarantee Insurance	KRW	9,265	License guarantee, etc.
Hana Bank	USD	2,000	Performance and tender guarantee related to exporting reconstituted tobacco leaves

As of December 31, 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 1,261,000 thousand to Citi Bank Taiwan.

### 31. Contingent Liabilities and Commitments (cont'd)

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

(in millions of Korean won)

Guarantee user	Guaranteed by	2024		2023		Details of guarantee
		Limit amount	Execution amount	Limit amount	Execution amount	
Buyer of Suwon Hwaseo Prugio Briciel	Shinhan Bank	₩ -	₩ -	₩ 76,720	₩ 9,160	Loan guarantee for the intermediate payment of off-plan sales construction <sup>1</sup>
Buyer of ePyeonghansang Daejeon Station Centum Vista	Hana Bank	8,000	1,774	8,000	515	
Buyer of Digital Empire Pyeongchon Biz Valley	Hana Bank	9,960	4,046	-	-	Loan guarantee for the contract deposit

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

Details of assets pledged as collateral as of December 31, 2024 are as follows:

(in millions of Korean won)

	Carrying amount	Debt amount	Collateralized amount	Collateral holder	Type
Investment properties	₩ 231,018	₩ 19,108	₩ 21,606	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
	600	-	720	Suhyup Bank	Establishment of pledge related to loan arrangement for Elif Mia contract deposit
	100	100	100	Kyobo Book Center Co., Ltd.	Establishment of a pledge for leasehold deposits
Financial assets measured at fair value through profit or loss	5,040	-	5,280	Suhyup Bank	Establishment of pledge related to loan arrangement for Elif Mia contract deposit
Investments in associates	5,306	-	5,306	Hyundai Marine & Fire Insurance, NH Bank	Collateral for PF Loan of KORAMCO Banpo PFV Co., Ltd. <sup>1</sup>
Investments in subsidiaries	11,260	-	3,250	Gwacheon Sangsang PFV, Inc.	Collateral for Loan of Mastern No.144 PFV Co., Ltd.
Total	₩ 258,527	₩ 19,208	₩ 41,465		

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

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

(in millions of Korean won)

		2024	2023
Other financial assets and other receivables	Establishment of a pledge for property development	₩ 5,203	₩ 5,203
	Establishment of a pledge for leasehold deposits	100	597
	Deposit in the Accompanied Growth Cooperation Loan Fund	100,000	100,000
	Establishment of pledge related to loan arrangement for Elif Mia contract deposit	600	600
	Security deposits for checking accounts	2	2
Financial assets measured at fair value through profit or loss	Establishment of pledge related to loan arrangement for Elif Mia contract deposit	5,040	4,960
Total		₩ 110,945	₩ 111,362

The contracted amount for acquisition of major items of property, plant and equipment that have not yet been incurred as of December 31, 2024 is ₩ 153,515 million.

**31. 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 ₩ 1,705,504 million in long-term deposits for MSA Escrow Fund as of December 31, 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.

As of December 31, 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 for the year ended December 31, 2024 is ₩ 17,564 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 December 31, 2024, the remaining contribution amount is ₩ 48,228 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 December 31, 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.

**31. 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 December 31, 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 December 31, 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 are completed in September 2023, additional expected costs due to fulfillment of infrastructure-related obligations are being reflected in construction costs for each of two years in the period ended December 31, 2024 (see Note 23).

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 December 31, 2024, in relation to the ePyeonhansesang 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-subsidary for the amount of ₩ 6,028 million loaned to the sub-subsidary and problems related to 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 December 31, 2024.

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

During the year ended December 31, 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 December 31, 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 December 31, 2024.

The Company's subsidiaries are engaged in manufacturing and selling tobacco in Russia. As of December 31, 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 December 31, 2024.



# KT&G Corporation

## Notes to the separate financial statements, Continued

December 31, 2024 and 2023



### 32. Cash Flows

(a) Details of cash generated from operations for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>		2024	2023
	₩		₩
Profit for the year		1,003,165	804,855
Adjustments:			
Employee welfare		16,833	10,241
Retirement benefits		31,623	25,152
Loss on valuation or obsolescence of inventories		27,974	6,001
Depreciation		143,198	139,560
Amortization		23,088	21,422
Reversal of impairment loss on trade and other receivables		(46,104)	(16,103)
Loss on foreign currency translation		18,029	34,948
Loss on valuation of derivatives		65,904	21,214
Loss on disposal of property, plant and equipment		175	1,825
Loss on impairment of property, plant and equipment		304	7,141
Loss on disposal of intangible assets		215	117
Loss on impairment of intangible assets		213	600
Loss on disposal of investment properties		403	86
Loss on impairment of investment properties		13,583	-
Loss on impairment of right-of-use assets		2,096	-
Loss on disposal of assets held for sale		196	-
Loss on impairment of investments in subsidiaries		83,409	-
Other expenses, etc.		16,221	3,251
Finance cost		75,212	31,341
Share-based payment expenses		1,493	158
Income tax expense		336,189	272,234
Gain on foreign currency translation		(339,608)	(32,156)
Gain on valuation of derivatives		(4,545)	(13,901)
Gain on disposal of property, plant and equipment		(4,307)	(3,897)
Gain on disposal of intangible assets		(4)	(3)
Gain on disposal of investment property		(9,186)	(7,242)
Gain on disposal of assets held for sale		(58,394)	-
Gain on disposal of investments in associates and joint ventures		(6,368)	(9)
Other income, etc.		(16,936)	(7,982)
Finance income		(165,553)	(167,932)

# KT&G Corporation

## Notes to the separate financial statements, Continued

December 31, 2024 and 2023



### 32. Cash Flows (cont'd)

(in millions of Korean won)

	2024	2023
Changes in working capital:		
Decrease (increase) in trade and other receivables	(46,833)	98,904
Decrease (increase) in derivatives	(20,807)	8,006
Decrease (increase) in inventories	14,283	(62,708)
Decrease (increase) in accrued tobacco excise and other taxes	23,260	(46,407)
Decrease (increase) in advance payments	(131)	91
Increase in prepaid expenses	(24,865)	(7,965)
Increase (decrease) in trade and other payables	(95,364)	220,216
Increase (decrease) in advance receipts	51,769	(1,932)
Decrease in tobacco excise and other taxes payable	(105)	(30,773)
Decrease in provision for site restoration	(84)	(84)
Decrease in net defined benefit liabilities	(29,163)	(15,607)
Cash generated from operations	₩ 1,080,478	₩ 1,292,662

(b) Material transactions without cash inflows and outflows for each of the two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)

	2024	2023
Reclassification of property, plant and equipment to investment properties	₩ (4,756)	₩ 19,360
Reclassification of construction-in-progress assets (property, plant and equipment, intangible assets and investment properties) upon completion	184,439	74,124
Decrease in other payables due to acquisition of property, plant and equipment	(17,601)	(24,903)
Reclassification of investment properties to inventories	135,657	43,059

**32. Cash Flows (cont'd)**

(c) Changes in liabilities due to financing activities for each of the two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)

	<b>2024</b>			
	<b>Beginning balance</b>	<b>Cash flow from financing activities</b>	<b>Others</b>	<b>Ending balance</b>
Dividends payable	₩ -	₩ (586,620)	₩ 586,620	₩ -
Short-term borrowings	-	247,024	2,976	250,000
Bond	299,165	589,612	19,157	907,934
Lease liabilities	23,939	(9,415)	6,736	21,260
Total	₩ 323,104	₩ 240,601	₩ 615,489	₩ 1,179,194

(in millions of Korean won)

	<b>2023</b>			
	<b>Beginning balance</b>	<b>Cash flow from financing activities</b>	<b>Others</b>	<b>Ending balance</b>
Dividends payable	₩ -	₩ (720,936)	₩ 720,936	₩ -
Short-term borrowings	113	(1,511)	1,398	-
Bond	-	295,867	3,298	299,165
Lease liabilities	24,340	(8,890)	8,489	23,939
Total	₩ 24,453	₩ (435,470)	₩ 734,121	₩ 323,104

(d) The Company has presented the inflows and outflows from cash and cash equivalents, financial assets at fair value through profit or loss and others that have large total amounts and short maturities due to frequent transactions as a net increase/decrease amount.

**33. Events After the Reporting Period**

In January 2025, the Company newly established KT&G GLOBAL TAS with the resolution of the Board of Directors on November 1, 2024 and capital injections of of USD 19,000 thousand were completed for its establishment.

In January 2025, the Company has contributed USD 27,500 thousand to KT&G Kazakhstan LLP.

The Company plans to issue unregistered senior bonds in US Dollar in the first half of 2025 with the resolution of the Board of Directors on February 6, 2025 for enhancing corporate values and securing investment resources.

In February 20, 2025, the Company lent USD 245,364 thousand to PT Trisakti Purwosari Makmur with the resolution of the Board of Directors on February 6, 2025 to support facility funding.

In February 13, 2025, the Company retired 3,300,000 treasury shares with the resolution of the Board of Directors on February 6, 2025.

The Company disposed 17,453 treasury shares for the purpose of partially paying CEO's short-term performance bonus and executive compensations with the resolution of the Board of Directors on February 24, 2025.

In February 2025, the Company signed a financial support pledge letter for its subsidiaries, KT&G USA Corporation, Cosmocos Co., Ltd., and KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. to provide operating funds, debt repayments and other management-related business supports.

### **Audit opinion on internal control over financial reporting**

The accompanying independent auditor's report on internal control over financial reporting is attached as a result of auditing the internal control over financial reporting of KT&G Corporation ("the Company") and the separate financial statements of the Company for the year ended December 31, 2024 in accordance with the Article 8 of the *Act on External Audit of Stock Companies*.

#### **Attachments:**

1. Independent auditor's report on internal control over financial reporting
2. ICFR Operating Evaluation Report by CEO

## **Independent auditor's report on internal control over financial reporting**

(English translation of a report originally issued in Korean)

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

#### **Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting ("ICFR") of KT&G Corporation's (the "Company") based on the Conceptual Framework for Designing and Operation of ICFR established by the Operating Committee of ICFR in Korea(the "ICFR Committee") as of December 31, 2024.

In our opinion, the Company's ICFR has been effectively designed and operated, in all material respects, as of December 31, 2024, in accordance with the Conceptual Framework for Design and Operation of ICFR.

We also have audited, in accordance with Korean Standards on Auditing ("KSA"), the statement of financial position as of December 31, 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including material accounting policies, and our report dated March 4, 2025 expressed an unqualified opinion thereon.

#### **Basis for opinion on ICFR**

We conducted our audit in accordance with KSA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of ICFR section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of ICFR in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management and Those Charged with Governance for ICFR**

Management is responsible for designing, implementing and maintaining an effective ICFR, and for assessing the effectiveness of ICFR included in the accompanying ICFR Operating Evaluation Report by CEO.

Those charged with governance have the responsibilities for overseeing the Company's ICFR process.

### **Auditor's responsibilities for the audit of ICFR**

Our responsibility is to express opinion on the Company's ICFR based on our audit. We conducted our audit in accordance with KSA. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective ICFR was maintained in all material respects.

An audit of the ICFR involves performing procedures to obtain audit evidence as to whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit also includes testing and evaluating the design and operation of ICFR based on obtaining an understanding of ICFR and the assessed risk.

### **ICFR Definition and Inherent Limitations**

A company's ICFR is implemented by those charged with governance, management, and other employees and is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS"). A company's ICFR includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with KIFRS, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, ICFR may not prevent, or detect misstatements of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that ICFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The engagement partner on the audit resulting in this independent auditor's report is Jung-ik Park.



March 4, 2025

<p>This report is effective as of March 4, 2025, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the Company's ICFR and may result in modifications to this report.</p>
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## ICFR Operating Evaluation Report by CEO

### ICFR Operating Evaluation Report by CEO (Separate)

To the Shareholders, Board of Directors and Audit Committee of KT&G Company

We, as the Chief Executive Officer and the Internal Accounting Manager KT&G Company (the Company), evaluated the operating status of the Company's Internal Control over Financial Reporting (ICFR) for the year ending December 31, 2024.

Design and operation of ICFR is the responsibility of the Company's management, including the Chief Executive Officer and the Internal Accounting Manager.

We evaluated whether the Company effectively designed and operated its ICFR to prevent and detect errors or frauds which may cause a misstatement in financial statements to ensure preparation and disclosure of reliable financial information.

We used the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting' established by the Operating Committee of Internal Control over Financial Reporting in Korea (the ICFR Committee) as the criteria for design and operation of the Company's ICFR. And we conducted an evaluation of ICFR based on the 'Standards for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting' Appendix 6 under Enforcement detailed guidelines of the regulations on external audit of stock companies.

Based on our evaluation, we concluded that the Company's ICFR is designed and operated effectively as of December 31, 2024, in all material respects, in accordance with the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting'.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statements which might cause material misunderstandings of the readers, and we have reviewed and verified this report with sufficient care.

ICFR may not be able to detect or prevent material misstatements of financial statements that may arise due to intentional fraud due to inherent limitations of ICFR. Attachment of ICFR Operating Evaluation Report additionally describes the important internal controls that the company has designed and operated respond to the risks identified as fraud risks in the company's funds processes.

(Attachment)

- o Internal control activities carried out by the company to respond to funds fraud risks such as embezzlement(Separate)

February 5, 2025

Kyung Man Bang

Chief Executive Officer

Yong Bum Kim

Internal Accounting Manager



**(Attachment) Internal control activities carried out by the company to respond to funds fraud risks such as embezzlement(Separate)**

The internal control activities disclosed in the attachment include only internal control activities related to direct deposits, withdrawals, and management of funds designed and operated to respond to the risk of fund fraud identified through the fraud risk assessment conducted by the company, and do not include all fund-related controls for financial reporting purposes.

Category	Control Activities performed by the Company	Design & Operational Evaluation Results (responsible department, inspection period, etc.)
Entity Level Control	<Operation of Whistleblowing System > The Management establishes and operates an official system that allows company employees and external stakeholders to report fraud, such as embezzlement.	No material weaknesses were found. (F) ICFR Team, Dec '24
	<Supervision through Internal Audit Department> The Audit Committee supervises the ICFR system and employee misconduct through the internal audit department.	No material weaknesses were found. (F) ICFR Team, Dec '24
	<Risk Assessment through Regular Change Management> The ICFR organization identifies and assesses potential fraud risks and appropriately reflects them in the design of controls during the annual change management. In addition, it considers the design of controls when a fraud incident occurs.	No material weaknesses were found. (F) ICFR Team, Dec '24
	<Establishment of Segregation of Duties Standards> The ICFR organization establishes standards for segregation of duties to define appropriate authority and responsibilities, and assesses the adequacy of operations.	No material weaknesses were found. (F) ICFR Team, Dec '24
Treasury Control	<System Setting for Fund Transfers> SAP Firm Banking and Internet Banking transfers are set up in the system to be processed with the approval of the Treasury manager.	No material weaknesses were found. (F) ICFR Team, Nov '24
	<Vendor Account Registration and Modification Approval> The bank account reviewer verifies and approves the information requested for registration/ modification in the system matches the details.	No material weaknesses were found. (F) ICFR Team, Sep/ Nov '24, Jan '25
	<System Setting to Restrict Bank Account Entry> When preparing an expenditure slip, the system is configured to allow only pre-registered accounts to be entered.	No material weaknesses were found. (F) ICFR Team, Jan '25
	<Automatic Slips Generation for Deposit/ Withdrawal> The system is configured to automatically generate deposit/ withdrawal slips for bank account transactions.	No material weaknesses were found. (F) ICFR Team, Nov '24

Category	Control Activities performed by the Company	Design & Operational Evaluation Results (responsible department, inspection period, etc.)
Treasury Control	<Bank Account Balance Reconciliation and Approval > The Treasury manager reconciles the daily system balance with the balance on the supporting documents received from the bank and approves it.	No material weaknesses were found. (F) ICFR Team, Sep/ Nov '24
	<Approval of Financial Product Subscription/ Termination> The Treasury manager verifies and approves whether the slip and electronic approval documents match the details.	No material weaknesses were found. (F) ICFR Team, Sep/ Nov '24
	<Long-term Unused Bank Accounts Monitoring> The Treasury manager checks the usage status of accounts held by the company that have no transactions in the current period and approves the results of the review.	No material weaknesses were found. (F) ICFR Team, Jan '25
	<Physical Control/ Approval of Authorized Seal Stamping> The Treasury manager reviews the official document request for an authorized seal stamping from the relevant department and signs the usage details on the authorized seal management ledger, and the authorized seal is physically stored separately.	No material weaknesses were found. (F) ICFR Team, Jan '25
	<Physical Control / Approval of Corporate Seal Stamping> The HR manager reviews and approves the request for a corporate seal stamping registered in the HR system, and accordingly, the ledger is automatically generated. and the corporate seal is physically stored separately.	No material weaknesses were found. (F) ICFR Team, Sep/ Dec '24
	<Approval of the Loan Agreement and Execution> The Treasury manager verifies and approves whether the slip and electronic approval documents match the details, and obtains approval from the Board of Directors if necessary.	No material weaknesses were found. (F) ICFR Team, Sep/ Nov '24
	<Approval of Corporate Bond Issuance Plan> The Head of the Finance Center reviews the scale and timing of financing through corporate bonds and obtains approval from the Board of Directors.	No material weaknesses were found. (F) ICFR Team, Sep/ Nov '24
	<Approval of Corporate Bond Issuance> The (F)Financial product Team manager verifies and approves whether the slip and electronic approval documents match the details.	No material weaknesses were found. (F) ICFR Team, Sep/ Nov '24