



KT&G Corporation and its subsidiaries

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

KT&G Corporation and its subsidiaries

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated 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 Group'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 consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matter

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

Revenue recognition for the exported tobacco

The revenue from the exported tobacco for the year ended December 31, 2024 amounts to ₩ 941,864 million, accounting for 16% of the total revenue of the Group. As described in Note 2 to the consolidated financial statements, the Group 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 Group'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 Group 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, 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 Group'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 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 occurrence and appropriateness of period attribution 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 consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is 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 consolidated financial statements and may result in modifications to this report.

KT&G Corporation and its subsidiaries

Consolidated financial statements for each of the two years in the period ended December 31, 2024

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

Kyung-Man Bang
Chief Executive Officer
KT&G Corporation

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Phone: 080-931-0399

KT&G Corporation and its subsidiaries
Consolidated statements of financial position
As of December 31, 2024 and 2023



(in millions of Korean won)

	Notes	December 31, 2024	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents	5, 29, 30	₩ 1,135,968	₩ 1,031,953
Current other financial assets	5, 29, 30	463,317	294,103
Current financial assets at fair value through profit or loss	6, 29, 30	244,941	342,933
Trade and other receivables	7, 22, 28, 29	1,561,652	1,506,539
Derivative assets	29, 30	-	7,751
Inventories	8	3,101,313	2,763,769
Refund assets and others	18	6,161	820
Accrued tobacco excise and other taxes		404,017	324,366
Advance payments	30	124,642	79,451
Prepaid expenses		131,094	61,440
Current income tax assets	26	3,205	5,249
Total current assets		7,176,310	6,418,374
Non-current assets			
Long-term other financial assets	5, 29, 30	30,704	84,462
Long-term deposits in MSA Escrow Fund	29, 30	1,705,504	1,479,737
Long-term financial assets measured at fair value through profit or loss	6, 29	337,928	344,455
Long-term trade and other receivables	7, 28, 29	141,573	149,670
Long-term financial assets measured at fair value through other comprehensive income or loss	6, 29	211,693	233,058
Investments in associates and joint ventures	4, 9, 28, 30	482,349	471,327
Property, plant and equipment	4, 10, 30	2,664,382	2,096,467
Intangible assets	4, 11	179,681	175,028
Investment properties	4, 12, 30	761,154	1,018,434
Right-of-use assets	4, 13	50,498	49,029
Long-term advance payments	30	100,700	105,725
Long-term prepaid expenses		13,348	12,663
Deferred income tax assets	26	61,390	74,949
Net defined benefit assets	17	8,023	59,074
Total non-current assets		6,748,927	6,354,078
Total assets		₩ 13,925,237	₩ 12,772,452
Liabilities			
Current liabilities			
Short-term borrowings	14, 29, 30	₩ 287,975	₩ 61,576
Current portion of long-term borrowings	14, 29, 30	36,191	27,521
Current portion of bonds	15, 29	99,895	-
Current portion of convertible bonds	15, 29	27,388	-
Trade and other payables	16, 28, 29	1,680,023	1,684,673
Current lease liabilities	29, 31	20,881	18,702
Derivative liabilities		32,801	-
Advance receipts	22	65,312	17,203
Current refund liabilities and provisions	18, 31	39,080	33,213
Current income tax liabilities	26	197,831	191,016
Tobacco excise and other taxes payables		655,511	638,510
Total current liabilities		3,142,888	2,672,414
Non-current liabilities			
Long-term borrowings	14, 29, 30, 31	213,968	147,270
Long-term bonds	15, 29, 31	808,039	299,165
Long-term convertible bonds	15, 29, 31	-	23,378
Long-term trade and other payables	16, 17, 28, 29	81,836	58,390
Long-term lease liabilities	29, 31	27,865	27,776
Long-term advance receipts	22	9,385	4,177
Net defined benefit liabilities	17	42,575	36,038
Long-term refund liabilities and provisions	18, 31	7,623	5,117
Deferred income tax liabilities	26	225,521	185,971
Non-controlling interests liabilities	29	7,072	17,821
Total non-current liabilities		1,423,884	805,103
Total liabilities		₩ 4,566,772	₩ 3,477,517

KT&G Corporation and its subsidiaries
Consolidated 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>
Equity			
Share capital	19	₩ 954,959	₩ 954,959
Other capital surplus	19	5,944	4,946
Treasury shares	20	(1,030,541)	(1,236,933)
Gain on disposal of treasury shares	20	529,029	528,894
Reserves	19	7,175,263	7,230,300
Retained earnings	21	1,604,517	1,692,239
Equity attributable to owners of the Parent Company		<u>9,239,171</u>	<u>9,174,405</u>
Non-controlling interest	32	<u>119,294</u>	<u>120,530</u>
Total equity		<u>₩ 9,358,465</u>	<u>₩ 9,294,935</u>
Total liabilities and equity		<u>₩ 13,925,237</u>	<u>₩ 12,772,452</u>

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

KT&G Corporation and its subsidiaries
Consolidated 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
Continuing operations				
Sales	4, 22, 28	₩	5,908,792	₩ 5,862,608
Cost of sales	23, 28		(3,006,768)	(3,054,393)
Gross profit			2,902,024	2,808,215
Selling, general and administrative expense	23, 28		(1,713,210)	(1,640,879)
Operating profit			1,188,814	1,167,336
Other income	24, 28		573,737	201,551
Other expense	24, 28		(268,264)	(194,022)
Finance income	25, 29		165,266	138,936
Finance costs	25, 29		(91,635)	(67,814)
Share of net profit of associates and joint ventures	9		19,232	9,610
Loss arising from net monetary assets			(21,325)	(7,215)
Profit before income tax			1,565,825	1,248,382
Income tax expense	26		(393,689)	(318,836)
Profit from continuing operations			1,172,136	929,546
Discontinued operations				
Loss from discontinued operations	33		(7,137)	(7,185)
Profit for the year		₩	1,164,999	₩ 922,361
Other comprehensive income (loss) for the year after income tax				
Items that will not be reclassified to profit or loss				
Re-measurements of net defined benefit liabilities	17	₩	(35,596)	₩ (31,954)
Gain on valuation of financial assets measured at fair value through other comprehensive income or loss	6, 29		9,753	19,629
Capital changes in equity method	9		(90)	(69)
Items that will be reclassified to profit or loss				
Exchange differences on translating foreign operations			56,847	(8,755)
Capital changes in equity method	9		(415)	(393)
			30,499	(21,542)
Total comprehensive income for the year		₩	1,195,498	₩ 900,819
Profit for the year is attributable to:				
Owners of the Parent Company				
Profit from continuing operations		₩	1,172,864	₩ 909,847
Loss from discontinued operations	33		(7,137)	(7,185)
Profit attributable to owners of the Parent Company			1,165,727	902,662
Non-controlling interests				
Profit (loss) from continuing operations			(728)	19,699
Profit (loss) from discontinued operations	33		-	-
Profit (loss) attributable to non-controlling interests			(728)	19,699
Total		₩	1,164,999	₩ 922,361
Total comprehensive income (loss) for the year attributable to:				
Owners of the Parent Company				
Profit from continuing operations		₩	1,205,970	₩ 889,677
Loss from discontinued operations	33		(9,236)	(7,701)
Total comprehensive income attributable to owners of the Parent Company			1,196,734	881,976
Non-controlling interests				
Profit (loss) from continuing operations			(1,236)	18,843
Profit (loss) from discontinued operations	33		-	-
Total comprehensive income (loss) attributable to non-controlling interests			(1,236)	18,843
Total		₩	1,195,498	₩ 900,819
Earnings per share				
Basic and diluted				
From continuing operations	27	₩	11,383	₩ 7,905
From discontinued operations			(69)	(62)
		₩	11,314	₩ 7,843

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

KT&G Corporation and its subsidiaries

Consolidated 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 or loss
Exchange differences on translating foreign operations
Capital changes in equity method

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
Changes in non-controlling interest
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 (loss) 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 or loss
Transfer from gain (loss) on disposal of financial assets at fair
value through other comprehensive income to retained
earnings
Exchange differences on translating foreign operations
Capital changes in equity method

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
Changes in non-controlling interest
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	Owners of the Parent	Non-controlling interest	Total
₩	954,959	₩ 4,498	₩ (1,236,933)	₩ 528,894	₩ 6,812,286	₩ 2,251,940	₩ 9,315,644	₩ 42,936	₩ 9,358,580
	-	-	-	-	-	902,662	902,662	19,699	922,361
	-	-	-	-	-	(31,098)	(31,098)	(856)	(31,954)
	-	-	-	-	19,629	-	19,629	-	19,629
	-	-	-	-	(8,755)	-	(8,755)	-	(8,755)
	-	-	-	-	(462)	-	(462)	-	(462)
	-	-	-	-	10,412	(31,098)	(20,686)	(856)	(21,542)
	-	-	-	-	10,412	871,564	881,976	18,843	900,819
	-	-	-	-	-	(720,935)	(720,935)	-	(720,935)
	-	-	-	-	407,602	(407,602)	-	-	-
	-	-	(302,728)	-	-	(302,728)	(302,728)	-	(302,728)
	-	-	302,728	-	-	(302,728)	-	-	-
	-	-	-	-	-	-	-	58,751	58,751
	-	448	-	-	-	-	448	-	448
	-	448	-	-	407,602	(1,431,265)	(1,023,215)	58,751	(964,464)
₩	954,959	₩ 4,946	₩ (1,236,933)	₩ 528,894	₩ 7,230,300	₩ 1,692,239	₩ 9,174,405	₩ 120,530	₩ 9,294,935
₩	954,959	₩ 4,946	₩ (1,236,933)	₩ 528,894	₩ 7,230,300	₩ 1,692,239	₩ 9,174,405	₩ 120,530	₩ 9,294,935
	-	-	-	-	-	1,165,727	1,165,727	(728)	1,164,999
	-	-	-	-	-	(35,084)	(35,084)	(512)	(35,596)
	-	-	-	-	9,753	-	9,753	-	9,753
	-	-	-	-	(12,988)	12,988	-	-	-
	-	-	-	-	56,843	-	56,843	4	56,847
	-	-	-	-	(505)	-	(505)	-	(505)
	-	-	-	-	53,103	(22,096)	31,007	(508)	30,499
	-	-	-	-	53,103	1,143,631	1,196,734	(1,236)	1,195,498
	-	-	-	-	-	(586,620)	(586,620)	-	(586,620)
	-	-	-	-	(108,140)	108,140	-	-	-
	-	-	(546,841)	-	-	(546,841)	(546,841)	-	(546,841)
	-	-	752,873	-	-	(752,873)	-	-	-
	-	-	-	-	-	-	-	-	-
	-	998	360	135	-	-	1,493	-	1,493
	-	998	206,392	135	(108,140)	(1,231,353)	(1,131,968)	-	(1,131,968)
₩	954,959	₩ 5,944	₩ (1,030,541)	₩ 529,029	₩ 7,175,263	₩ 1,604,517	₩ 9,239,171	₩ 119,294	₩ 9,358,465

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

KT&G Corporation and its subsidiaries
Consolidated statements of cash flows
For each of the two years in the period ended December 31, 2024



(in millions of Korean won)

	Notes	2024	2023
Net cash flows provided by operating activities		₩ 822,275	₩ 1,265,993
Cash generated from operations	31	1,148,663	1,646,282
Income taxes paid		(326,388)	(380,289)
Net cash flows used in investing activities		(529,726)	(848,296)
Interest received		81,367	55,856
Dividends received		22,200	27,515
Decrease in other financial assets		387,825	138,975
Decrease in current financial assets measured at fair value through profit or loss		135,420	403,273
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		35,725	-
Disposal of property, plant and equipment		21,388	7,253
Disposal of intangible assets		1,991	1,035
Disposal of investment properties		22,029	9,526
Disposal of assets held for sale		137,169	372
Disposal of investments in associates and joint ventures		25,982	41
Receipt of government grant		-	332
Collection of loans		26,742	24,309
Collection of guarantee deposits		4,791	3,232
Increase in other financial assets		(502,494)	(276,186)
Increase in current financial assets measured at fair value through profit or loss		(37,224)	(300,950)
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		(767,537)	(472,769)
Acquisition of intangible assets		(29,656)	(40,613)
Acquisition of investment properties		(11,517)	(22,392)
Acquisition of right-of-use assets		(3,149)	(1,440)
Acquisition of investments in associates and joint ventures		(21,742)	(191,978)
Increase in loans		(34,342)	(106,880)
Increase in guarantee deposits		(6,263)	(4,201)
Net cash outflows due to changes in scope of consolidation		(6,255)	(47,298)
Other increase in relation to investment properties		-	3,279
Net cash flows used in financing activities		(293,438)	(775,827)
Dividends paid		(586,620)	(776,434)
Interest paid		(43,369)	(25,407)
Repayment of lease liabilities		(24,342)	(23,849)
Acquisition of treasury shares		(546,841)	(302,728)
Repayment of borrowings		(1,427,658)	(1,823,639)
Proceeds in borrowings		1,727,223	1,847,311
Proceeds from issuance of bond		608,069	328,919
Increase in non-controlling interest liabilities		100	-
Net decrease in cash and cash equivalents		(889)	(358,130)
Cash and cash equivalents at the beginning of the year		1,031,953	1,401,018
Effect of exchange rate fluctuation on cash and cash equivalents		104,904	(10,935)
Cash and cash equivalents at the end of the year		₩ 1,135,968	₩ 1,031,953

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

KT&G Corporation and its subsidiaries

Notes to the consolidated financial statements

December 31, 2024 and 2023



1. Reporting Entity

1.1 Overview of the Parent Company

KT&G Corporation (the “Parent Company”) is engaged in manufacturing and selling tobaccos. As of December 31, 2024, the Parent Company has three manufacturing plants, including the Daejeon plant, and 14 local headquarters and 101 branches for the sale of tobacco throughout the country. Also, the Parent Company has the Gimcheon plant for fabrication of leaf tobacco and the Cheonan printing plant for manufacturing of packaging material. The headquarters of the Parent Company is located at 71, Beotkkot-gil, Daedeok-gu, Daejeon.

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

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

On October 8, 1999, the Parent Company sold 28,650,000 shares of government-owned interest to the public and listed its shares on Korea Exchange. The Parent 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 Parent Company). Then on June 25, 2009, the Parent Company changed the trading market for its GDRs from BdL Market to Euro MTF, both within the Luxembourg Stock Exchange.



1.1 Overview of the Parent Company (cont'd)

The Parent 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

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1.2 Consolidated Subsidiaries

Details of the Group's consolidated subsidiaries as of December 31, 2024 are as follows:

Controlling Company	Subsidiary	Principal operation	Percentage of ownership (%) ¹	Reporting date	Location	
The Parent Company	Korea Ginseng Corporation	Manufacturing and selling ginseng	100.00	December 31, 2024	Korea	
	Yungjin Pharm. Co., Ltd.	Manufacturing and selling pharmaceuticals	52.45	December 31, 2024	Korea	
	Cosmocos Co., Ltd.	Manufacturing and selling cosmetics	98.56	December 31, 2024	Korea	
	Tae-A Industrial Co., Ltd.	Manufacturing reconstituted tobacco leaves	100.00	December 31, 2024	Korea	
	SangSang Stay Inc.	Hotel	100.00	December 31, 2024	Korea	
	Renzoluc Pte., Ltd.	Holding company	100.00	December 31, 2024	Singapore	
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	Manufacturing and selling tobaccos	100.00	December 31, 2024	Turkiye	
	KT&G Pars	Manufacturing and selling tobaccos	99.99	December 31, 2024	Iran	
	KT&G Rus L.L.C.	Manufacturing and selling tobaccos	100.00	December 31, 2024	Russia	
	KT&G Kazakhstan LLP	Manufacturing and selling tobaccos	100.00	December 31, 2024	Kazakhstan	
	KT&G USA Corporation	Selling tobaccos	100.00	December 31, 2024	USA	
	KT&G Global Rus L.L.C.	Selling tobaccos	100.00	December 31, 2024	Russia	
	KT&G Taiwan Corporation	Selling tobaccos	100.00	December 31, 2024	Taiwan	
	KT&G Global Kazakhstan LLP	Selling tobaccos	100.00	December 31, 2024	Kazakhstan	
	Korea Tabacos do Brasil Ltda.	Assistance with purchasing tobacco leaf	99.99	December 31, 2024	Brazil	
	Gwacheon SangSang PFV Inc.	Real estate development and sales business	51.00	December 31, 2024	Korea	
	Mastern No.144 PFV Co., Ltd.	Real estate development and sales business	92.50	December 31, 2024	Korea	
	DNC Deogeun Co., Ltd. ²	Real estate development and sales business	38.25	December 31, 2024	Korea	
	Edn the pine central Seocho Co., Ltd.	Real estate development and sales business	78.65	December 31, 2024	Korea	
	Cheongna Medipolis Development Co., Ltd	Real estate service business	66.67	December 31, 2024	Korea	
	Korea Ginseng Corporation	KGCyebon Corporation	Manufacturing and selling medical herbs	100.00	December 31, 2024	Korea
		KGC Life & Gin Co., Ltd.	Selling ginseng, etc.	100.00	December 31, 2024	Korea
		CENTRAL PHARM INC.	Selling health functional food	50.01	December 31, 2024	Korea
Jilin Hanzheng Ginseng Co., Ltd.		Manufacturing and selling ginseng, etc.	100.00	December 31, 2024	China	
Korea Ginseng (China) Corp.		Selling ginseng, etc.	100.00	December 31, 2024	China	
Korea Ginseng Corp. Japan		Selling ginseng, etc.	100.00	December 31, 2024	Japan	
Cheong Kwan Jang Taiwan Corporation		Selling ginseng, etc.	100.00	December 31, 2024	Taiwan	
Korean Red Ginseng Corp., Inc.		Selling ginseng, etc.	100.00	December 31, 2024	USA	
CENTRAL PHARM INC.	Pacific 365, Inc	Selling health functional food	50.01	December 31, 2024	USA	
Cosmocos Co., Ltd.	K&I China Co., Ltd.	Selling cosmetics, etc.	98.56	December 31, 2024	China	
Renzoluc Pte., Ltd.	PT Trisakti Purwosari Makmur ³	Manufacturing and selling tobaccos	99.99	December 31, 2024	Indonesia	
PT Trisakti Purwosari Makmur	PT Nusantara Indah Makmur	Selling tobaccos	99.96	December 31, 2024	Indonesia	
	PT TSPM FLAVOR AND FRAGRANCE	Selling tobaccos	99.99	December 31, 2024	Indonesia	

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

² The Parent 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 voting rights of DNC Deogeun Co., Ltd. The Parent Company classified the shares as investments in subsidiaries as the Parent Company holds substantial decision-making right over related activities that has significant impact on the profit or losses of the DNC Deogeun Co., Ltd. through the general shareholders' meeting and Board of Directors of DNC Deogeun Co., Ltd.

³ A portion of shares in PT Trisakti Purwosari Makmur is held by the Parent Company.

1.2 Consolidated Subsidiaries (cont'd)

For the year ended December 31, 2024, the Parent 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 ₩ 137,913 million of KT&G Kazakhstan LLP.

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

For the year ended December 31, 2024, PT Trisakti Purwosari Makmur, a subsidiary of the Parent Company, acquired 217,372,000 shares (₩ 18,563 million) of PT TSPM FLAVOR AND FRAGRANCE through investment establishment method.

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

For the year ended December 31, 2023, the Parent 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 ₩ 19,722 million of KT&G Kazakhstan LLP.

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

For the year ended December 31, 2023, PT Trisakti Purwosari Makmur, a subsidiary of the Parent Company, set the merger date on January 1, 2023 for the purpose of establishing a foundation for mid- to long-term sustainable growth through efficient reinvestment of local profits in Indonesia. PT KT&G Indonesia, a subsidiary of the Parent Company, was absorbed and merged. There is no transaction gain or loss recognized as the transactions under the common control are accounted for based on the book value and assets, liabilities and equity are recognized and derecognized at the book value of the date of merger.

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1.3 Summarized Financial Information

Details of the summarized financial information¹ for consolidated subsidiaries as of and for the year ended December 31, 2024 are as follows:

(in millions of Korean won)

Subsidiary	2024					
	Total assets	Total liabilities	Revenue	Profit (loss) for year	Total comprehensive income (loss)	
Korea Ginseng Corporation	₩ 2,588,268	₩ 252,519	₩ 1,105,195	₩ 66,009	₩ 38,461	
Yungjin Pharm. Co., Ltd.	234,258	144,455	252,040	1,233	171	
Tae-A Industry Co., Ltd.	109,874	28,325	39,629	(34,529)	(35,431)	
KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	208,008	78,256	46,180	(16,594)	(66,400)	
Korea Tabacos do Brasil Ltda.	2,871	296	484	185	(107)	
KT&G Pars	6	53,292	-	-	-	
KT&G Rus L.L.C.	236,547	158,677	103,705	7,820	294	
KT&G USA Corporation ²	17,731	8,192	-	(7,137)	(9,236)	
Cosmocos Co., Ltd.	49,866	31,102	94,231	4,699	4,207	
Renzoluc Pte., Ltd.	138,906	42,104	293	(878)	(3,664)	
SangSang Stay, Inc.	77,181	37,071	32,736	4,200	4,060	
KT&G Global Rus L.L.C.	183,508	173,031	73,639	2,431	1,402	
Gwacheon SangSang PFV. INC	22,794	13,671	-	(1,379)	(1,379)	
KT&G Taiwan Corporation	32,309	17,438	30,039	3,212	4,113	
Master No. 144 PFV	62,132	48,384	2,979	(23,134)	(23,134)	
KT&G Global Kazakhstan LLP	69,319	40,952	73,996	10,752	10,088	
KT&G Kazakhstan LLP	232,065	62,610	-	685	(3,217)	
DNC Deogeun Co., Ltd.	122,897	13,454	4,246	2,542	2,542	
Edn the pine central Seocho Co., Ltd.	115,618	87,164	-	(8,819)	(8,819)	
Cheongna Medipolis Development Co., Ltd	742	409	633	39	39	
PT Trisakti Purwosari Makmur	939,748	685,442	504,425	55,800	73,950	
PT Nusantara Indah Makmur	88	-	-	(1)	6	
PT TSPM FLAVOR AND FRAGRANCE	42,736	7	-	143	2,191	
KGCyebon Corporation	52,331	4,019	18,828	877	663	
KGC Life & Gin Co., Ltd.	23,657	1,913	17,875	(1,305)	(1,293)	
CENTRAL PHARM INC.	7,080	5,024	-	-	-	
Jilin Hanzheng Ginseng Co., Ltd.	65,873	2,859	30,517	2,270	8,564	
Cheong Kwan Jang Taiwan Corporation	24,065	7,263	33,023	474	1,530	
Korean Red Ginseng Corp., Inc.	31,949	14,651	44,094	1,038	3,106	
Korea Ginseng (China) Corp.	89,439	64,706	187,890	8,219	10,367	
Korea Ginseng Corporation Japan	13,473	10,273	18,600	394	486	
Pacific 365, Inc	281	1,401	-	-	(104)	
K&I China Co., Ltd.	101	63	-	(191)	(456)	

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

² The above financial information has been adjusted to reflect the effects of inventory returns within the Group.

1.3 Summarized Financial Information (cont'd)

Details of the summarized financial information¹ for consolidated subsidiaries as of and for the year ended December 31, 2023 are as follows:

(in millions of Korean won)

Subsidiary	2023					
	Total assets	Total liabilities	Revenue	Profit (loss) for year	Total comprehensive income (loss)	
Korea Ginseng Corporation	₩ 2,523,634	₩ 226,347	₩ 1,223,362	₩ 81,582	₩ 75,040	
Yungjin Pharm. Co., Ltd.	226,601	136,968	234,902	(3,876)	(5,671)	
Tae-A Industry Co., Ltd.	129,682	12,702	34,809	1,165	975	
KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	92,500	39,436	36,238	4,161	676	
Korea Tabacos do Brasil Ltda.	2,904	221	326	173	421	
KT&G Pars	6	53,292	-	-	-	
KT&G Rus L.L.C.	192,279	114,702	78,398	6,807	(4,965)	
KT&G USA Corporation	22,583	64,923	-	(7,185)	(7,701)	
Cosmococ Co., Ltd.	43,551	28,994	75,610	230	67	
Renzoluc Pte., Ltd.	137,601	37,135	-	(1,573)	(2,469)	
SangSang Stay, Inc.	70,491	34,440	28,362	4,276	4,127	
KT&G Global Rus L.L.C.	132,521	123,447	65,243	2,911	1,730	
Gwacheon SangSang PFV. INC	85,743	58,495	71,000	16,746	16,746	
KT&G Taiwan Corporation	24,131	13,372	26,662	2,937	3,074	
Mastern No.144 PFV	79,929	43,047	3,721	(1,826)	(1,826)	
KT&G Global Kazakhstan LLP	42,436	24,157	36,059	(1,414)	(231)	
KT&G Kazakhstan LLP	37,254	3,519	-	(2,334)	(2,176)	
DNC Deogeun Co., Ltd.	138,700	26,724	93,965	26,880	26,880	
Edn the pine central Seocho Co., Ltd.	98,885	61,612	-	(949)	(949)	
PT Trisakti Purwosari Makmur	718,364	538,009	385,840	21,699	24,732	
PT Nusantara Indah Makmur	82	-	-	-	2	
KGCyebon Corporation	51,853	4,204	12,497	(1,252)	(1,303)	
KGC Life & Gin Co., Ltd.	29,533	6,495	31,294	(2,255)	(2,361)	
Jilin Hanzheng Ginseng Co., Ltd.	57,105	2,682	28,914	1,317	1,116	
Cheong Kwan Jang Taiwan Corporation	44,619	29,347	54,016	(96)	86	
Korean Red Ginseng Corp., Inc.	25,600	11,408	41,938	234	470	
Korea Ginseng (China) Corp.	76,457	62,091	138,684	1,913	1,837	
Korea Ginseng Corporation Japan	13,633	10,919	15,433	258	140	
K&I China Co., Ltd.	295	4,048	2,162	285	293	

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

2. Material Accounting Policies

2.1 Basis of Preparation

The Group 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 consolidated 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 Group’s financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements of the Group have been prepared in accordance with 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 consolidated financial statements have been prepared based on historical cost except for the following:

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

If the functional currency of a foreign operation is the currency of a hyperinflationary economy, it shall be restated in accordance with KIFRS 1029 *Financial Reporting in Hyperinflationary Economies* to reflect changes in the general pricing power of the functional currency and presented in units of the functional currency current as at the end of the reporting period. The statements of financial position and the statements of comprehensive income presented for comparative purposes are stated at the amount reported in the previous period that does not reflect the effects of changes in price or exchange rate subsequently occurred.

The Group translates all items (assets, liabilities, equity items, revenues and expenses) stated in the statements of financial position and the statements of comprehensive income (excluding those presented for comparative purposes) of foreign operation under the effect of hyperinflation at the currency spot rate at the end of the reporting period.

2.1 Basis of Preparation (cont'd)

Details of the price index used in the hyperinflationary economy where the Group's foreign operations are located as of December 31, 2024 are as follows:

(in percent)

Foreign operation	Country	Price Index	2024	2023
KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	Türkiye	TUIK CPI	44.37	64.78

Monetary assets and monetary liabilities have not been restated since they were already denominated in currency units current at the end of the reporting period. Non-monetary assets and liabilities were restated by applying a general price index of the Türkiye. The effect of hyperinflation on the Group's monetary assets and monetary liabilities is included in profit or loss resulting from the effect of translation pursuant to KIFRS 1029 *Financial Reporting in Hyperinflationary Economies* in the consolidated comprehensive income statement. If an entity holds more monetary assets than monetary liabilities when it operates in the hyperinflationary economy, loss on the net monetary position incurs due to decrease in purchasing power of the Group.

A gain or loss on the net monetary position arises from changes in the carrying amount of nonmonetary assets, non-monetary liabilities, equity and other items presented in the consolidated statements of comprehensive income due to the restatement.

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

2.2 Changes in Accounting Policies and Disclosures

(1) New and amended standards adopted by the Group

The Group does not have a history of early adoption of new accounting standards and interpretations that have been published but 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 consolidated 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.

2.2 Changes in Accounting Policies and Disclosures (cont'd)

(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 cryptographic assets.

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

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

(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 *Consolidated Financial Statements: Determination of a 'de facto agent'*
- KIFRS 1007 *Statement of Cash Flows: Cost method*

The Group 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 consolidated financial statements are consistent with those of the consolidated 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 Group considers the board of directors, which performs strategic decision making, as its chief operating decision maker.

(2) Consolidation

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

2.3 Material Accounting Policies (cont'd)

(a) Subsidiaries

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

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

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

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

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

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

2.3 Material Accounting Policies (cont'd)

(b) Associates

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

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

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

(c) Business combinations under common control

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

(3) Joint Arrangements

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

2.3 Material Accounting Policies (cont'd)

(4) Property, Plant and Equipment

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

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

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

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

Type	Estimated useful lives (years)
Land	Indefinite
Buildings	10 - 60
Structures	4 - 40
Machinery	1 - 30
Vehicles	3 - 10
Tools	4 - 5
Equipment	1 - 5
Others	1- 5 or indefinite

The Group 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)

(5) Borrowing Costs

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

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

(6) Government Subsidies

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

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

2.3 Material Accounting Policies (cont'd)

(7) Intangible Assets

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

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

Type	Estimated useful lives (years)
Industrial property rights	5 - 20 or indefinite
Facility usage rights	Indefinite
Intangible assets under development	Indefinite
Others	1 - 14 or indefinite

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)

(8) Investment Property

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

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

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

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

(9) Assets Held for Sale

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

(10) Inventories

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

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

Type	Determination method of unit cost price
Merchandise, finished goods, half-finished goods, work in progress, raw materials, supplies and byproducts	Weighted-average method or movingaverage 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.

(11) Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories, deferred tax assets, assets arising from employee benefits and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there 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 Group tests for signs which show that any impairment loss recognized in the past either no longer exists or there has been a reduction in the amount. Impairment losses are only reversed if changes occur to the estimates used to determine the recoverable amount since the period in which an impairment loss was last recognized.

2.3 Material Accounting Policies (cont'd)

(12) Financial Assets (Other than Derivative Instruments)

(a) Classification

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

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

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

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

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

(b) Measurement

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

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

- Debt instruments

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

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 consolidated statements of comprehensive income as 'finance income' or 'finance cost' in the period incurred.

- Equity instruments

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

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

(c) Impairment

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

(d) Recognition and derecognition

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

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

(e) Offsetting of financial instruments

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

2.3 Material Accounting Policies (cont'd)

(13) Financial Liabilities

(a) Classification and measurement

Financial liabilities of the Group measured at fair value through profit or loss are financial instruments held for trading. Financial liabilities assumed usually for repurchase in the short term are classified as financial liabilities held for trading. Derivative instruments which are not designated as a means of hedge accounting as well as embedded 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 consolidated statements of financial position. Exceptions to this are financial liabilities measured at fair value through profit or loss, financial guarantee contracts and cases where the transfer of financial assets do not satisfy conditions for derecognition.

(b) Derecognition

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

(14) Derivative Instruments

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

(15) Cash and Cash Equivalents

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

2.3 Material Accounting Policies (cont'd)

(16) Employee Benefits

(a) Short-term employee benefits

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

(b) Other long-term employee benefits

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

(c) Retirement benefits: Defined contribution plans

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

(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 consolidated financial statement of financial position in relation to defined benefit plans is the amount of deficit (or amount of surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling) as determined by deducting the present value of the defined benefit obligations from the fair value of plan assets as of the end of the reporting period. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. The present value of the defined benefit obligation is presented in the currency that the salary will be paid and is calculated by discounting the expected future cash outflow by the interest rate of a corporate 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 Group recognizes related restructuring costs or terminations benefits.

(e) Termination benefits

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

(17) Refund Liabilities and Provisions

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

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

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

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

(18) Paid-in Capital

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

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

2.3 Material Accounting Policies (cont'd)

(19) Revenue Recognition

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

(a) Sales of goods

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

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

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

(b) Rendering of services

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

2.3 Material Accounting Policies (cont'd)

(c) Sale of real estate

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

Therefore, revenue incurred from residential real estate is recognized based on the percentage-of completion method (in other words, actual cost to date as a proportion of the estimated total cost). Management has deemed the percentage-of-completion method to be an appropriate method for measuring the progress rate until performance obligations are satisfied in accordance with 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 Group pays sales commission in relation to the sales contract of residential real estate. When the Group estimates that such incremental cost would be recovered, the incremental cost is capitalized and amortized over the period in which the residential real estate is transferred to the customer.

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.

(20) Finance Income and Finance Cost

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

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

2.3 Material Accounting Policies (cont'd)

(21) Income Tax Expense

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

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

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

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

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

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

Deferred tax assets and liabilities are offset if and only if the Group 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)

(22) Functional and Presentation Currency

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

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

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

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

(23) Earnings per Share

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

2.3 Material Accounting Policies (cont'd)

(24) Lease

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

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

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group (the lessee) under residual value guarantees;
- the exercise price of a purchase option if the Group (the lessee) is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group (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 Group is exposed to the potential future risks of the variable lease payments not included in the lease liabilities whilst the indexes or rates are still valid. In such cases, the Group re-evaluates the lease liabilities whilst the changes in lease payments (due to indexes or rates) are still valid and make adjustments to the right-of-use asset.

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

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

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

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

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

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

2.3 Material Accounting Policies (cont'd)

(25) 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 Group has an emission liability, which is a present obligation of submitting emission rights to the government with regard to emission of greenhouse gases. Emission liability is recognized when it is probable that outflows of resources will be required to settle the obligation and the costs required to perform the obligation can be reliably estimated.

(26) Share-based Payments

Management executive of the Group receives remuneration in the form of share-based payments, whereby Management executive renders 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 Group'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.

(27) Going Concern

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

Following the resolution to liquidate its subsidiary KT&G Pars during 2019, the Group has prepared its consolidated financial statements by using the consolidated statements of financial position, comprehensive income, changes in equity and cash flows and the notes to consolidated financial statements under the assumption that KT&G Pars will be liquidated.

2.3 Material Accounting Policies (cont'd)

(28) Discontinued Operations

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

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

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

(29) Approval of Financial Statements

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

3. Material Accounting Estimates and Assumptions

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

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

(1) Impairment of CGUs

The Group determines whether to recognize an impairment loss on CGUs in accordance with KIFRS 1036 *Impairment of Assets*. When there is an indication of impairment of assets, the Group performs an impairment assessment by comparing the carrying amount of a CGU with the recoverable amount and the recoverable amount is affected by various assumptions used for the estimation as it is determined based on the estimation of the value-in-use or fair value less costs to sell (see Note 11).

(2) Total construction revenue and total construction cost

(a) Uncertainty of total contract revenue estimates

Total contract revenue is measured based on the initially agreed upon contract price, but measurement of contract revenue is affected by various uncertainties related to the outcome of future events, as it may increase or decrease depending on additional contracts, termination of the contract, etc. during the course of performing the contract. When the additional contract or contract termination is confirmed and the amount can be reliably measured, the Group includes it in contract revenue (see Note 22).

(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 22)

3. Material Accounting Estimates and Assumptions (cont'd)

(3) Climate-related risks

The Group considers climate-related risks in its estimates and assumptions. This assessment includes a wide range of possible on the Group due to both physical and transition risks. Even though the Group 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 Group 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 Group 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 Group's products.

(c) Fair value measurements

For investment properties and revalued office properties, the Group 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 Group's manufacturing facilities.

(e) Emission rights

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

4. Operating Segment

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

Operating Segments	Principal operation
Tobacco ¹	Manufacturing and selling tobaccos
Ginseng	Manufacturing and selling red ginseng, etc.
Real estate	Selling and renting real estate
Others ¹	Manufacturing and selling pharmaceuticals, cosmetics and others

¹During the year ended December 31, 2024, the Group reclassified Renzoluc Pte., Ltd. from Tobacco segment to Others and revised the comparable information.

(b) Details of segment information on sales and operating profit for each of two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)

	2024						
	Tobacco	Ginseng	Real estate	Others	Segment total	Adjustments	Consolidated
Total segment sales	₩ 4,242,122	₩ 1,456,022	₩ 375,385	₩ 346,565	₩ 6,420,094	₩ (511,302)	₩ 5,908,792
Intersegment sales	(336,494)	(154,387)	(14,133)	(6,288)	(511,302)	511,302	-
External sales	3,905,628	1,301,635	361,252	340,277	5,908,792	-	5,908,792
Operating profit (loss) ¹	1,090,212	80,658	(433)	11,386	1,181,823	6,991	1,188,814
Depreciation and amortization	173,652	47,064	31,071	10,816	262,603	(12,344)	250,259

¹Other income or expenses items not comprised in the operating profit (loss) are not separately disclosed because the Chief Operating Decision Maker does not review them by segment.

(in millions of Korean won)

	2023						
	Tobacco	Ginseng	Real estate	Others	Segment total	Adjustments	Consolidated
Total segment sales	₩ 3,848,097	₩ 1,546,138	₩ 599,222	₩ 312,674	₩ 6,306,131	₩ (443,523)	₩ 5,862,608
Intersegment sales	(235,821)	(152,613)	(49,112)	(5,977)	(443,523)	443,523	-
External sales	3,612,276	1,393,525	550,110	306,697	5,862,608	-	5,862,608
Operating profit ¹	957,812	85,836	77,889	4,328	1,125,865	41,471	1,167,336
Depreciation and amortization	162,224	48,653	29,961	10,672	251,510	(10,437)	241,073

¹Other income or expenses items not comprised in the operating profit (loss) are not separately disclosed because the Chief Operating Decision Maker does not review them by segment.

4. Operating Segment (cont'd)

(c) The Group recognizes revenue by transferring goods and services over 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:					
Tobacco	Wholesale, retail	₩	3,871,132	₩	3,561,539
	Direct sales		34,496		50,737
Ginseng	Wholesale, retail		811,719		831,939
	Direct sales		489,916		561,586
Others	Wholesale, retail		337,947		304,607
	Direct sales		2,330		2,090
Real estate	Sales		24,930		79,864
	Subtotal		5,572,470		5,392,362
Revenue recognized over time:					
Real estate	Sales		226,116		367,491
	Rental		110,206		102,755
	Subtotal		336,322		470,246
	Total	₩	5,908,792	₩	5,862,608

(d) The segment information on assets and liabilities as of December 31, 2024 and 2023 is as follows:

(in millions of Korean won)		2024													
		Tobacco		Ginseng		Real estate		Others		Segment total		Adjustments		Consolidated	
Assets:															
Segment assets		₩	8,011,681	₩	2,256,568	₩	1,282,788	₩	388,786	₩	11,939,823	₩	(2,994,042)	₩	8,945,781
Investments in associates and joint ventures			-		-		458,891		23,458		482,349		-		482,349
Subtotal		₩	8,011,681	₩	2,256,568	₩	1,741,679	₩	412,244	₩	12,422,172	₩	(2,994,042)	₩	9,428,130
Common assets															4,497,107
Total assets														₩	13,925,237
Acquisition of non-current assets		₩	793,559	₩	36,046	₩	2,994	₩	24,865	₩	857,464	₩	16	₩	857,480
Liabilities:															
Segment liabilities		₩	2,842,050	₩	259,695	₩	56,918	₩	113,864	₩	3,272,527	₩	(639,058)	₩	2,633,469
Common liabilities															1,933,303
Total liabilities														₩	4,566,772

(in millions of Korean won)		2023													
		Tobacco		Ginseng		Real estate		Others		Segment total		Adjustments		Consolidated	
Assets:															
Segment assets		₩	6,890,752	₩	2,227,057	₩	1,373,604	₩	374,070	₩	10,865,483	₩	(2,757,145)	₩	8,108,338
Investments in associates and joint ventures			-		-		453,340		17,987		471,327		-		471,327
Subtotal		₩	6,890,752	₩	2,227,057	₩	1,826,944	₩	392,057	₩	11,336,810	₩	(2,757,145)	₩	8,579,665
Common assets															4,192,787
Total assets														₩	12,772,452
Acquisition of non-current assets		₩	476,431	₩	80,202	₩	4,747	₩	13,665	₩	575,045	₩	(24,528)	₩	550,517
Liabilities:															
Segment liabilities		₩	2,618,694	₩	259,630	₩	51,775	₩	104,759	₩	3,034,858	₩	(532,461)	₩	2,502,397
Common liabilities															975,120
Total liabilities														₩	3,477,517

4. Operating Segment (cont'd)

Common assets include cash and cash equivalents, financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, deferred tax assets and others; common liabilities include borrowings, deferred tax liabilities and others.

(e) The segment information by region where a customer is located for each of the two years in the period ended December 31, 2024 is as follows:

(in millions of Korean won)

	2024			2023		
	Korea	Overseas	Total	Korea	Overseas	Total
Sales	₩ 3,835,686	₩ 2,073,106	₩ 5,908,792	₩ 4,066,574	₩ 1,796,034	₩ 5,862,608
Non-current assets	3,063,369	592,346	3,655,715	3,116,373	222,585	3,338,958

The segment information classified as the above Overseas category is not separately disclosed based on the immateriality of sales and non-current assets of each country.

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

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	₩	605	₩ 62
Demand deposits		915,914	848,899
Money Market trust		1	-
Others		219,448	182,992
Total	₩	1,135,968	₩ 1,031,953

(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	₩	333,315	₩ 702	₩ 264,103	₩ 4,035
Certificate of Deposit		80,000	-	30,000	-
Security deposits for checking accounts, etc.		50,002	30,002	-	80,427
Total	₩	463,317	₩ 30,704	₩ 294,103	₩ 84,462

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		223,352	-	295,258	-
Beneficiary certificate		21,589	334,997	47,675	340,075
Total	₩	244,941	₩ 337,928	₩ 342,933	₩ 344,455

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>		2024	2023
Listed:			
YTN Co. Ltd.	₩	25,727	₩ 50,447
Oscotech Inc.		-	12,170
Shinhan Financial Group Co., Ltd.		176,703	160,936
	Subtotal	202,430	223,553
Unlisted		9,263	9,505
	Total	₩ 211,693	₩ 233,058

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

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

(c) Changes in financial assets at measured fair value through profit or loss 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
Beginning balance	₩	687,388	₩ 713,535
Acquisition		76,693	357,988
Changes in fair value		(18,500)	19,191
Disposal		(162,712)	(403,326)
Ending balance	₩	582,869	₩ 687,388

(d) Changes in financial assets measured 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:

<i>(in millions of Korean won)</i>		2024	2023
Beginning balance	₩	233,058	₩ 206,494
Changes in fair value		14,360	26,564
Disposal, etc.		(35,725)	-
Ending balance	₩	211,693	₩ 233,058

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	₩ 1,363,208	₩ 8,451	₩ 1,328,580	₩ -
Loans	70,215	84,080	58,989	87,727
Other receivables	27,036	2,031	30,899	2,634
Guarantee deposits	78,851	46,960	72,146	59,201
Accrued income	22,342	51	15,925	108
Total	₩ 1,561,652	₩ 141,573	₩ 1,506,539	₩ 149,670

(b) Details of allowances for doubtful accounts 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	₩ 1,603,358	₩ 141,660	₩ 1,570,234	₩ 150,147
Allowances:				
Trade receivables	(35,174)	-	(59,446)	-
Other receivables	(6,532)	(87)	(4,249)	(477)
Total allowances	(41,706)	(87)	(63,695)	(477)
Net trade and other receivables	₩ 1,561,652	₩ 141,573	₩ 1,506,539	₩ 149,670

(c) Changes in allowance for doubtful accounts for 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	₩ 64,172	₩ 79,600
Reversal of impairment loss ¹	(22,069)	(13,202)
Write off	(4,690)	(387)
Net exchange differences	4,380	(1,839)
Ending balance	₩ 41,793	₩ 64,172

¹Impairment losses (reversal of impairment loss) classified as profit or loss from discontinued operations of ₩ 292 million and ₩ (250) million are included for each of two years in the period ended December 31, 2024 and 2023, respectively.

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 Group's consolidated 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	₩ 65,557	₩ (8,037)	₩ 57,520	₩ 69,582	₩ (1,963)	₩ 67,619
Finished goods	411,380	(36,048)	375,332	352,918	(39,634)	313,284
Half-finished goods and work in progress	1,123,108	(2,559)	1,120,549	1,043,034	(3,032)	1,040,002
Raw materials	958,832	(3,458)	955,374	900,339	(5,084)	895,255
Supplies	89,360	-	89,360	69,117	-	69,117
By-products	8,800	-	8,800	9,328	-	9,328
Buildings under construction	99,144	-	99,144	20,938	-	20,938
Completed buildings	112,069	-	112,069	129,941	-	129,941
Sites for construction of real estate	212,657	-	212,657	129,633	-	129,633
Goods in transit	70,939	(431)	70,508	88,652	-	88,652
Total	₩ 3,151,846	₩ (50,533)	₩ 3,101,313	₩ 2,813,482	₩ (49,713)	₩ 2,763,769

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

(in millions of Korean won)

	2024	2023
Cost of sales:		
Reversal of loss on valuation of inventories	₩ (1,461)	₩ (1,588)
Loss on obsolescence of inventories	13,162	7,805
Other expense:		
Loss on obsolescence of inventories	152	2,121
Total	₩ 11,853	₩ 8,338

9. Investments in Associates and Joint Ventures

(a) 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	Date of financial statements used	2024		2023	
					Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Associates	LitePharmTech Co., Ltd. ¹	Korea	Manufacturing medical supplies	Dec. 31. 2024	12.53	W 4,185	12.53	W 4,123
	KORAMCO Banpo PFV Co., Ltd. ^{1,2}	Korea	Real estate investment, development and rental business	Dec. 31. 2024	18.95	390	18.95	2,163
	KORAMCO Dongjak PFV Co., Ltd. ¹	Korea	Real estate investment, development and rental business	Dec. 31. 2024	-	-	19.47	1,455
	KOCREF 36 REIT	Korea	Real estate investment, development and rental business	Dec. 31. 2024	21.01	24,010	21.01	24,010
	KOCREF 41 REIT	Korea	Real estate investment, development and rental business	Dec. 31. 2024	26.47	45,659	26.47	46,025
	AndaStation Professional Investment Private REIT No.1	Korea	Real estate investment, development and rental business	Dec. 31. 2024	-	-	21.43	20,961
	Cheongna Medipolis PFV Co., Ltd. ³	Korea	Real estate development and sales	Dec. 31. 2024	51.01	118,685	51.01	107,512
	INNODIS CO., Ltd. ¹	Korea	Game, advertising agency	Dec. 31. 2024	19.64	408	19.64	393
	SJ BIO MED Co., Ltd. ^{1,4}	Korea	Manufacturing medical supplies	Dec. 31. 2024	14.39	-	14.39	-
	LSK Global Pharma Service Co., Ltd.	Korea	Research and development of New medicine	Dec. 31. 2024	21.92	-	21.92	-
	Mirae Asset KT&G Investment Fund I	Korea	Health Care, ESG, New business industry	Dec. 31. 2024	50.00	16,055	50.00	10,473
	JIELGWANGJIN CITY DEVELOPMENT Co., Ltd.	Korea	Real estate development and rental business	Dec. 31. 2024	35.00	108	35.00	104
Joint ventures	KB KT&G New Growth Fund 1 ⁵	Korea	Health Care, New business industry	Dec. 31. 2024	66.67	2,812	66.67	2,998
	KORAMCO Europe Private REIT 3-2 Fund ⁶	Korea	Renting of real estate	Dec. 31. 2024	51.35	9,122	51.35	10,568
	Starfield Suwon, Inc.	Korea	Real estate development and rental business	Dec. 31. 2024	50.00	260,693	50.00	240,542
	SangSang Loft Co., Ltd.	Korea	Real estate development and rental business	Dec. 31. 2024	50.00	222	-	-
Total						W 482,349	W 471,327	

¹The Group classified the ownership in the investees as investments in associate, notwithstanding its ownership percentage of less than 20%, as The Group 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.

²As of December 31, 2024, the Group's investment in KORAMCO Banpo PFV Co., Ltd. is pledged as a collateral for a PF loan (see Note 30 (c)).

³The Group classified the ownership in the investee as an investment in associate 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.

⁴As of December 31, 2024, the liquidation procedures are in progress.

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

⁶The Group 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.

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

(b) Details of financial information on the Group's associates and joint ventures are as follows:

(1) As of and for the year ended December 31, 2024

A. Summarized financial information

(in millions of Korean won)

(in millions of Korean won)	2024													
	Name of entity		Current assets		Non-current assets		Current liabilities		Non-current liabilities		Revenue		Total comprehensive income (loss)	
LitePharmTech Co., Ltd.	₩	19,744	₩	54,904	₩	30,329	₩	10,920	₩	53,819	₩	612		
KORAMCO Banpo PFV Co., Ltd.		8,468		173,277		109,371		71,200		-		(9,261)		
KOCREF 36 REIT		3,179		428,183		1,448		293,122		18,974		2,748		
KOCREF 41 REIT		11,698		373,199		1,614		210,787		18,825		6,491		
Cheongna Medipolis PFV Co.,Ltd.		155,167		16,695		4,088		-		-		(3,977)		
INNODIS CO., Ltd.		2,033		6,900		2,329		4,529		5,722		82		
Mirae Asset KT&G Investment Fund I		8,719		23,390		-		-		-		1,164		
JIELGWANGJIN CITY DEVELOPMENT Co., Ltd.		1,056		-		747		-		-		12		
KB KT&G New Growth Fund 1		4,294		-		77		-		27		(280)		
KORAMCO Europe Private REIT 3-2 Fund		3,576		111,940		5,917		91,259		6,296		(6,536)		
Starfield Suwon, Inc.		112,384		895,552		241,015		245,534		104,785		13,807		
SangSang Loft Co.,Ltd.		638		8		198		4		-		(196)		

B. Additional financial information on joint ventures

(in millions of Korean won)

(in millions of Korean won)			2024													
			Cash and cash equivalents		Current financial liabilities ¹		Non-current financial liabilities ¹		Depreciation expense		Interest income		Interest expense		Income tax	
Name of entity																
KORAMCO Europe Private REIT 3-2 Fund			W	2,619	W	1,137	W	89,902	W	3,608	W	178	W	4,240	W	(151)
Starfield Suwon, Inc.				105,228		195,000		193,620		27,694		2,418		21,846		821
SangSang Loft Co.,Ltd.				638		-		-		-		-		-		-

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

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

(2) As of and for the year ended December 31, 2023

A. Summarized financial information

(in millions of Korean won)

(in millions of Korean won)	2023												
	Name of entity		Current assets		Non-current assets		Current liabilities		Non-current liabilities		Revenue		Total comprehensive income (loss)
LitePharmTech Co., Ltd.	₩	14,958	₩	53,142	₩	17,404	₩	17,790	₩	47,899	₩	1,201	
KORAMCO Banpo PFV Co., Ltd.		4,003		129,966		40,736		82,700		-		(3,888)	
KORAMCO Dongjak PFV Co., Ltd.		1,745		27,227		21,837		-		658		(1,014)	
KOCREF 36 REIT		3,223		432,190		2,182		293,115		18,454		870	
KOCREF 41 REIT		11,093		375,318		5,099		207,434		18,858		6,098	
AndaStation Professional Investment Private REIT No.1		32,564		308,940		23,411		237,071		17,875		6,732	
Cheongna Medipolis PFV Co.,Ltd.		188,434		-		16,682		-		-		(6,966)	
INNODIS CO., Ltd.		2,253		6,739		3,351		3,641		6,161		(369)	
Mirae Asset KT&G Investment Fund I		7,112		14,040		207		-		-		1,068	
JIELGWANGJIN CITY DEVELOPMENT Co., Ltd.		297		-		-		-		-		(3)	
KB KT&G New Growth Fund 1		4,501		-		3		-		1		(3)	
KORAMCO Europe Private REIT 3-2 Fund		2,241		108,227		3,200		85,161		5,890		(2,685)	
Starfield Suwon, Inc.		99,334		847,178		27,740		437,690		375		(5,136)	

B. Additional financial information on joint ventures

(in millions of Korean won)

(in millions of Korean won)		2023													
Name of entity		Cash and cash equivalents		Current financial liabilities ¹		Non-current financial liabilities ¹		Depreciation expense		Interest income		Interest expense		Income tax	
KORAMCO Europe Private REIT 3-2 Fund		₩	1,108	₩	911	₩	83,895	₩	3,454	₩	160	₩	2,014	₩	7
Starfield Suwon, Inc.			84,223		-		386,919		246		-		1		-

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

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

(c) Changes in investments in associates and joint ventures for each of the two years in the period ended December 31, 2024 are as follows:

(1) For the year ended December 31, 2024

(in millions of Korean won)

Name of entity	2024						
	Beginning balance	Acquisition	Disposal	Share of net profit (loss)	Dividends	Capital changes	Ending balance
LitePharmTech Co., Ltd.	W 4,123	W -	W -	W 64	W -	W (2)	W 4,185
KORAMCO Banpo PFV Co., Ltd.	2,163	-	-	(1,773)	-	-	390
KORAMCO Dongjak PFV Co., Ltd.	1,455	-	(2,244)	789	-	-	-
KOCREF 36 REIT	24,010	-	-	1,200	(1,200)	-	24,010
KOCREF 41 REIT	46,025	-	-	1,718	(2,084)	-	45,659
AndaStation Professional Investment Private REIT No.1	20,961	-	(23,738)	2,777	-	-	-
Cheongna Medipolis PFV Co., Ltd.	107,512	-	-	11,173	-	-	118,685
INNODIS CO., Ltd.	393	-	-	15	-	-	408
Mirae Asset KT&G Investment Fund I	10,473	5,000	-	146	-	436	16,055
JIELGWANGJIN CITY DEVELOPMENT Co., Ltd.	104	-	-	4	-	-	108
KB KT&G New Growth Fund 1	2,998	-	-	(186)	-	-	2,812
KORAMCO Europe Private REIT 3-2 Fund	10,568	1,422	-	(1,869)	-	(999)	9,122
Starfield Suwon, Inc.	240,542	15,000	-	5,272	-	(121)	260,693
SangSang Loft Co., Ltd.	-	320	-	(98)	-	-	222
Total	W 471,327	W 21,742	W (25,982)	W 19,232	W (3,284)	W (686)	W 482,349

(2) For the year ended December 31, 2023

(in millions of Korean won)

Name of entity	2023						
	Beginning balance	Acquisition ¹	Disposal	Share of net profit (loss) ²	Dividends	Capital changes	Ending balance
LitePharmTech Co., Ltd.	W 3,997	W -	W -	W 134	W -	W (8)	W 4,123
KORAMCO Banpo PFV Co., Ltd.	2,964	-	-	(801)	-	-	2,163
KORAMCO Dongjak PFV Co., Ltd.	1,652	-	-	(197)	-	-	1,455
KOCREF 36 REIT	24,010	-	-	1,200	(1,200)	-	24,010
KOCREF 41 REIT	46,498	-	-	1,614	(2,087)	-	46,025
AndaStation Professional Investment Private REIT No.1	19,521	-	-	2,394	(954)	-	20,961
Cheongna Medipolis PFV Co., Ltd.	15,617	83,978	-	7,917	-	-	107,512
INNODIS CO., Ltd.	514	-	-	(20)	-	(101)	393
Mirae Asset KT&G Investment Fund I	4,939	5,000	-	605	-	(71)	10,473
JIELGWANGJIN CITY DEVELOPMENT Co., Ltd.	-	105	-	(1)	-	-	104
KB KT&G New Growth Fund 1	-	3,000	-	(2)	-	-	2,998
KORAMCO Europe Private REIT 3-2 Fund	11,712	-	(32)	(749)	-	(363)	10,568
Starfield Suwon, Inc.	143,110	100,000	-	(2,484)	-	(84)	240,542
Total	W 274,534	W 192,083	W (32)	W 9,610	W (4,241)	W (627)	W 471,327

¹W 105 million effect of changes in scope of consolidation is included.

²Profits or losses arising from the additional acquisition of investments in associates and joint ventures are included.

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

(d) Reconciliations of the summarized financial information presented to the carrying amounts of the Group's investments in associates and joint ventures as of December 31, 2024 and 2023 are as follows:

(1) As of December 31, 2024

(in millions of Korean won)

Name of entity	2024					
	Net assets	Ownership (%)	Share of net assets ¹	Goodwill	Preferred stock effect	Carrying amount
LitePharmTech Co., Ltd.	₩ 33,399	12.53	₩ 4,185	₩ -	₩ -	₩ 4,185
KORAMCO Banpo PFV Co., Ltd.	1,174	18.95	223	167	-	390
KOCREF 36 REIT	136,792	21.01	28,740	-	(4,730)	24,010
KOCREF 41 REIT	172,496	26.47	45,659	-	-	45,659
Cheongna Medipolis PFV Co., Ltd.	167,774	51.01	85,582	382	32,721	118,685
INNODIS CO., Ltd.	2,075	19.64	408	-	-	408
Mirae Asset KT&G Investment Fund I	32,109	50.00	16,055	-	-	16,055
JIELGWANGJIN CITY DEVELOPMENT Co., Ltd.	309	35.00	108	-	-	108
KB KT&G New Growth Fund 1	4,217	66.67	2,812	-	-	2,812
KORAMCO Europe Private REIT 3-2 Fund	18,340	51.35	9,122	-	-	9,122
Starfield Suwon, Inc.	521,387	50.00	260,693	-	-	260,693
SangSang Loft Co., Ltd.	444	50.00	222	-	-	222

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

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

(2) As of December 31, 2023

(in millions of Korean won)

Name of entity	2023					
	Net assets	Ownership (%)	Share of net assets ¹	Goodwill	Preferred stock effect	Carrying amount
LitePharmTech Co., Ltd.	₩ 32,906	12.53	₩ 4,123	₩ -	₩ -	₩ 4,123
KORAMCO Banpo PFV Co., Ltd.	10,533	18.95	1,996	167	-	2,163
KORAMCO Dongjak PFV Co., Ltd.	7,135	19.47	1,390	65	-	1,455
KOCREF 36 REIT	140,116	21.01	29,438	-	(5,428)	24,010
KOCREF 41 REIT	173,878	26.47	46,025	-	-	46,025
AndaStation Professional Investment Private REIT No.1	81,022	21.43	17,363	270	3,328	20,961
Cheongna Medipolis PFV Co., Ltd.	171,752	51.01	87,611	382	19,519	107,512
INNODIS CO., Ltd.	2,000	19.64	393	-	-	393
Mirae Asset KT&G Investment Fund I	20,945	50.00	10,473	-	-	10,473
JIELGWANGJIN CITY DEVELOPMENT Co., Ltd.	297	35.00	104	-	-	104
KB KT&G New Growth Fund 1	4,498	66.67	2,998	-	-	2,998
KORAMCO Europe Private REIT 3-2 Fund	22,107	51.35	10,568	-	-	10,568
Starfield Suwon, Inc.	481,082	50.00	240,542	-	-	240,542

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

10. Property, Plant and Equipment

(a) Details of the carrying amount 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	₩ 556,616	₩ -	₩ 556,616	₩ 527,210	₩ -	₩ 527,210
Buildings	1,306,167	(678,986)	627,181	1,224,786	(639,512)	585,274
Structures	84,846	(52,012)	32,834	84,190	(48,393)	35,797
Machinery	2,043,483	(1,410,530)	632,953	1,846,915	(1,313,344)	533,571
Vehicles	13,132	(7,795)	5,337	8,858	(6,844)	2,014
Tools	112,549	(82,622)	29,927	100,690	(73,015)	27,675
Equipment	198,357	(134,654)	63,703	187,037	(140,579)	46,458
Others	6,800	(947)	5,853	6,165	(786)	5,379
Construction in progress	732,329	(22,351)	709,978	333,103	(14)	333,089
Total	₩ 5,054,279	₩ (2,389,897)	₩ 2,664,382	₩ 4,318,954	₩ (2,222,487)	₩ 2,096,467

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

(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 ¹	Disposal	Depreciation	Impairment ²	Reclassification, etc. ³	Ending balance			
Land	₩ 527,210	₩ 11,814	₩ (380)	₩ -	₩ -	₩ 17,972	₩ 556,616			
Buildings	585,274	42,894	(965)	(34,121)	(45)	34,144	627,181			
Structures	35,797	4,727	(35)	(3,385)	(29)	(4,241)	32,834			
Machinery	533,571	78,166	(180)	(94,514)	(14,586)	130,496	632,953			
Vehicles	2,014	4,372	(51)	(1,177)	-	179	5,337			
Tools	27,675	14,656	(28)	(11,945)	-	(431)	29,927			
Equipment	46,458	32,064	(281)	(21,275)	-	6,737	63,703			
Others	5,379	631	-	(193)	-	36	5,853			
Construction in progress	333,089	591,966	-	-	(22,351)	(192,726)	709,978			
Total	₩ 2,096,467	₩ 781,290	₩ (1,920)	₩ (166,610)	₩ (37,011)	₩ (7,834)	₩ 2,664,382			

¹For the year ended December 31, 2024, ₩ 17,353 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 3.7%~9.4%.

²The Parent Company's subsidiary, Tae-A Industrial Co., Ltd., recognized an impairment loss of ₩ 36,006 million for the year ended December 31, 2024 based on the impairment test of property, plant, and equipment having resulted in an indication of possible impairment.

³Consists of ₩ 8,090 million of transfer to investment properties for the year ended December 31, 2024 (see Note 12).

(in millions of Korean won)

	2023									
	Beginning balance	Acquisition ¹	Disposal	Depreciation	Impairment	Reclassification, etc. ²	Ending balance			
Land	₩ 490,691	₩ 12,914	₩ (64)	₩ -	₩ -	₩ 23,669	₩ 527,210			
Buildings	506,736	50,983	(431)	(33,655)	(1,492)	63,133	585,274			
Structures	29,055	6,873	(261)	(3,677)	-	3,807	35,797			
Machinery	495,694	68,650	(2,209)	(89,807)	(8,028)	69,271	533,571			
Vehicles	2,320	1,062	(573)	(824)	-	29	2,014			
Tools	21,488	13,629	(61)	(9,857)	(6)	2,482	27,675			
Equipment	41,580	26,441	(844)	(21,825)	-	1,106	46,458			
Others	4,710	429	(2)	(85)	-	327	5,379			
Construction in progress	244,767	268,475	-	-	(107)	(180,046)	333,089			
Total	₩ 1,837,041	₩ 449,456	₩ (4,445)	₩ (159,730)	₩ (9,633)	₩ (16,222)	₩ 2,096,467			

¹For the year ended December 31, 2023, ₩ 3,614 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 borrowing costs is 3.3%~5.4%.

²Consists of ₩ 33 million of transfers to inventories, ₩ 239 million of transfer to intangible assets and ₩ 13,722 million of transfers to investment properties for the year ended December 31, 2023 (see Notes 8, 11 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
Goodwill	₩ 111,393	₩ (108,093)	₩ 3,300	₩ 108,093	₩ (108,093)	₩ -
Industrial property rights	56,698	(16,944)	39,754	65,622	(37,121)	28,501
Facility usage rights	38,367	(138)	38,229	40,171	(395)	39,776
Intangible assets under development	35,650	(1,445)	34,205	34,145	(3,359)	30,786
Other intangible assets	263,391	(199,198)	64,193	245,689	(169,724)	75,965
Total	₩ 505,499	₩ (325,818)	₩ 179,681	₩ 493,720	₩ (318,692)	₩ 175,028

(b) Changes in intangible assets 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	Increase due to business combination ¹	Disposal	Amortization	Impairment	Reclassification, etc.	Ending balance
Goodwill	₩ -	₩ -	₩ 3,300	₩ -	₩ -	₩ -	₩ -	₩ 3,300
Industrial property rights	28,501	4,316	80	(508)	(1,022)	-	8,387	39,754
Facility usage rights	39,776	420	-	(1,894)	(35)	-	(38)	38,229
Intangible assets under development	30,786	16,542	-	(11)	-	(357)	(12,755)	34,205
Other intangible assets	75,965	9,509	4,795	(1,088)	(30,122)	-	5,134	64,193
Total	₩ 175,028	₩ 30,787	₩ 8,175	₩ (3,501)	₩ (31,179)	₩ (357)	₩ 728	₩ 179,681

¹Changes due to business combination are included (see Note 34).

(in millions of Korean won)

	2023						
	Beginning balance	Acquisition	Disposal	Amortization	Impairment	Reclassification, etc. ¹	Ending balance
Industrial property rights	₩ 22,253	₩ 1,895	₩ (117)	₩ (618)	₩ (226)	₩ 5,314	₩ 28,501
Facility usage rights	39,776	-	-	-	-	-	39,776
Intangible assets under development	30,213	16,483	(41)	-	(600)	(15,269)	30,786
Other intangible assets	75,609	20,494	(1,265)	(29,615)	-	10,742	75,965
Total	₩ 167,851	₩ 38,872	₩ (1,423)	₩ (30,233)	₩ (826)	₩ 787	₩ 175,028

¹Consists of ₩ 24 million which was reclassified to expense and ₩ 239 million which was reclassified from property, plant and equipment (see Note 10).

11. Intangible Assets (cont'd)

(c) Research and development expenditures recognized as expenses 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
Cost of sales	₩ 2,171	₩ 3,793
Selling, general and administrative expenses	59,954	50,655
Total	₩ 62,125	₩ 54,448

(d) Impairment assessment on CGUs (including goodwill)

The Group reviews if there is any indication of impairment for the CGUs, and if an indication of impairment is found, the Group estimates the recoverable amount and performs an impairment assessment. As a result of the impairment assessment of the CGUs of Indonesian tobacco business that had an indication of impairment, there were no impairment loss recognized for the year ended December 31, 2023.

During the year ended December 31, 2023, future cash flows to measure value-in-use are estimated for the next five years based on the Group's past operating performance and future business plans, and subsequent cash flows are estimated by applying a 1% permanent growth rate. This permanent growth rate does not exceed the estimated long-term average growth rates from relevant industry reports.

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

<i>(in percent)</i>	2023
Sales growth rate	12.44
Gross margin (% of revenue)	37.03
Operating income rate	8.87

¹ Annual average rate over the five-year forecast period.

Discount rate used for value-in-use calculation is weight 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 the year ended December 31, 2023 are as follows:

<i>(in percent)</i>	2023
CGUs of the Indonesian tobacco business	11.70

11. Intangible Assets (cont'd)

The recoverable amount and impairment loss recognized on CGUs of Indonesian tobacco business for the year ended December 31, 2023 are as follows:

<i>(in millions of Korean won)</i>	2023
Recoverable amount	206,989
Impairment loss recognized	-

The assumptions that are most sensitive to the value-in-use of tobacco business in CGUs of Indonesian tobacco business are the discount rate and permanent growth rate, and the effects of changes in the assumptions for the year ended December 31, 2023 are as follows:

<i>(in millions of Korean won)</i>	2023	
	Increase by 1%	Decrease by 1%
Discount rate		
Impact on value in use	₩ (74,750)	₩ 91,903
Impairment loss recognized	(544)	-
Permanent growth rate		
Impact on value in use	72,045	(59,730)
Impairment loss recognized	-	-

(e) 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>		Useful life	2024	2023
SAP system development	Intangible assets under development	-	₩ 249	₩ 134
	Other intangible assets	4 years	29,844	45,893
	Total		₩ 30,093	₩ 46,027

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	₩ 391,940	₩ (14,350)	₩ 377,590	₩ 449,549	₩ (1,029)	₩ 448,520
Buildings	606,785	(250,099)	356,686	655,624	(240,853)	414,771
Right-of-use assets	130	(96)	34	79	(46)	33
Construction in progress	26,844	-	26,844	155,110	-	155,110
Total	₩ 1,025,699	₩ (264,545)	₩ 761,154	₩ 1,260,362	₩ (241,928)	₩ 1,018,434

(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 ¹	Disposal	Depreciation	Impairment	Reclassification, etc. ²	Ending balance
Land	₩ 448,520	₩ 806	₩ (5,089)	₩ -	₩ (13,321)	₩ (53,326)	₩ 377,590
Buildings	414,771	764	(1,329)	(23,131)	(20,514)	(13,875)	356,686
Right-of-use assets	33	-	-	(50)	-	51	34
Construction in progress	155,110	10,711	-	-	-	(138,977)	26,844
Total	₩ 1,018,434	₩ 12,281	₩ (6,418)	₩ (23,181)	₩ (33,835)	₩ (206,127)	₩ 761,154

¹For 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 borrowings costs is 4.0%~4.5%

²Consists of ₩ 135,657 million of transfers to inventories, ₩ 8,090 million of transfers from 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 33).

(in millions of Korean won)

	2023						
	Beginning balance	Acquisition ¹	Disposal	Depreciation	Impairment	Reclassification, etc. ²	Ending balance
Land	₩ 616,806	₩ 19	₩ (870)	₩ -	₩ -	₩ (167,435)	₩ 448,520
Buildings	438,779	-	(1,109)	(23,512)	-	613	414,771
Right-of-use assets	1	-	-	(18)	-	50	33
Construction in progress	15,877	20,317	-	-	-	118,916	155,110
Total	₩ 1,071,463	₩ 20,336	₩ (1,979)	₩ (23,530)	₩ -	₩ (47,856)	₩ 1,018,434

¹For the year ended December 31, 2023, ₩ 1,992 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 4.4~4.8%.

²Consists of ₩ 56,959 million of transfers to inventories and ₩ 13,722 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>		2024	2023
Rental income	₩	77,962	₩ 75,721
Operating expenses		(29,306)	(24,511)
Total	₩	48,656	₩ 51,210

(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>		2024		2023	
		Fair value	Carrying amount	Fair value	Carrying amount
Land	₩	1,128,639	₩ 377,590	₩ 1,213,219	₩ 447,273
Buildings		493,034	356,686	536,375	414,771
Right-of-use asset		34	34	33	33
Total	₩	1,621,707	₩ 734,310	₩ 1,749,627	₩ 862,077

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>		Carrying amount		Reason why fair value cannot be measured reliably
Type		2024	2023	
Hogye-dong development site ¹	Construction in progress	₩ -	₩ 134,847	Construction in progress
Donggwang-dong development site	Construction in progress	7,933	7,627	
Anyang-dong development site	Construction in progress	14,083	6,007	
Seongjeong-dong development site	Construction in progress	4,074	-	
Seoicheon development site	Construction in progress	754	754	
Gwacheon Sangsang Xi Tower	Land	-	1,247	
	Construction in progress	-	5,875	
		₩ 26,844	₩ 156,357	

¹For 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 Group is exposed to the risk of changes in residual value at the end of the lease term, it would not realize the residual value immediately at the end of the lease term because it generally commits to a new operating lease contract. Expectations of future residual value will be reflected on the fair value of the investment property.

Details of future minimum lease payments that the Group expects to receive from operating lease contracts for the investment properties described above as of December 31, 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	₩ 57,076	₩ 41,554	₩ 960	₩ 99,590

13. 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 and impairment	Carrying amount	Acquisition cost	Accumulated depreciation and impairment	Carrying amount
Land	₩ 7,455	₩ (2,004)	₩ 5,451	₩ 6,688	₩ (1,673)	₩ 5,015
Buildings	77,214	(44,251)	32,963	63,673	(32,911)	30,762
Vehicles	25,316	(13,308)	12,008	28,489	(15,237)	13,252
Others	93	(17)	76	-	-	-
Total	₩ 110,078	₩ (59,580)	₩ 50,498	₩ 98,850	₩ (49,821)	₩ 49,029

(b) Changes in right-of-use assets 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	Disposal	Depreciation	Impairment	Ending balance
Land	₩ 5,015	₩ 21	₩ -	₩ (144)	₩ -	₩ 5,451
Buildings	30,762	25,243	(1,403)	(20,472)	(2,067)	32,963
Machinery	-	59	-	(59)	-	-
Vehicles	13,252	7,610	(224)	(8,598)	-	12,008
Others	-	93	-	(17)	-	76
Total	₩ 49,029	₩ 33,026	₩ (1,627)	₩ (29,290)	₩ (2,067)	₩ 50,498

(in millions of Korean won)

	2023					
	Beginning balance	Acquisition	Disposal	Depreciation	Others	Ending balance
Land	₩ 5,169	₩ -	₩ -	₩ (140)	₩ (14)	₩ 5,015
Buildings	23,243	30,657	(2,554)	(18,113)	(2,471)	30,762
Machinery	58	-	-	(58)	-	-
Vehicles	11,774	11,196	(446)	(9,269)	(3)	13,252
Total	₩ 40,244	₩ 41,853	₩ (3,000)	₩ (27,580)	₩ (2,488)	₩ 49,029

13. Right-of-use Assets (cont'd)

(c) The amounts recognized on the consolidated statements of comprehensive income related to lease 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	
Depreciation expense	₩	29,290	₩	27,580
Interest expense		2,097		1,477
Short-term lease expense		1,407		2,490
Lease payment for low-value assets		918		951
Variable lease expense		51,994		71,876
Loss on impairment of right-of-use assets		2,067		-
Loss (gain) on lease contract adjustments		587		(359)
Total	₩	88,360	₩	104,015

For the year ended December 31, 2024, total cash outflows related to leases amount to ₩ 80,758 million (₩ 100,644 million for the year ended December 31, 2023).

(d) Sale and leaseback

For the year ended December 31, 2024, the Group made a transaction for sale and leaseback of knowledge industry center in Gwacheon knowledge information town and rented the right-of-use assets to a third party for asset-backed securitization and to improve financial structure.

The key conditions for sale and leaseback transactions are as follows:

Classification	Details
Transaction type	Sale and leaseback
Transaction party	Knowledge industry center
Transaction amount	₩ 27,124 million
Object	Knowledge industry center in Gwacheon knowledge information town
Period	5 years

13. Right-of-use Assets (cont'd)

Details of amount recognized from sale and leaseback transaction 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
Increase in right-of-use assets	₩	-	₩ 3,483
Increase in lease liabilities		-	5,522
Decrease in inventories		-	15,191
Gain arising from sale and leaseback ¹		-	9,504
Recognizing loss on impairment of right-of-use assets		2,067	-

¹ Gain arising from sale and leaseback transactions has been reflected in sales for the year ended December 31, 2023.

Meanwhile, the Group has provided right-of-use assets which was recognized as sale and leaseback as sublease to third party 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.

For each of the two years in the period ended December 31, 2024, the Group has recognized, because of sublease, ₩ 118 million and ₩ 20 million of lease revenue, respectively.

14. Borrowings

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

(in millions of Korean won)		Lender	Annual interest rate (%)	2024	2023
Borrowings			FTP(1 year)+1.08	₩ -	₩ 3,000
		Hana Bank	FTP(6 months)+0.612	3,000	-
			FTP(6 months)+0.69	200,000	-
		Hana Bank Bahrain branch	CME Term SOFR (3 months)+1.2	-	5,764
		Hana Bank Shanghai branch	LPR(1 year)-0.50	6,539	-
		KB Kookmin Bank	5.50	-	37,504
			MOR (6 months)+1.22	50,000	-
			Financial Debenture (6 months)+0.25	10,000	-
			Financial Debenture (1 year)+1.05	-	10,000
		Woori Bank	5.97	4,000	-
		The JoEun MG Community Credit Cooperatives	5.50	-	4,808
		Korea Development Bank	3.66	14,000	-
		Subtotal		287,539	61,076
	Others	Others	4.60~18.00	436	500
		Total		₩ 287,975	₩ 61,576

14. Borrowings (cont'd)

(b) The current portion of long-term borrowings and long-term borrowings as of December 31, 2024 and 2023 is as follows:

<i>(in millions of Korean won)</i>	Lender	Maturity	Annual interest rate (%)		2024		2023
Other financial loan for working capital ¹	NH Nonghyup Bank	2025.06.22~ 2027.06.20	-	W	26,210	W	38,990
Financial agricultural mid-term loan ¹	NH Nonghyup Bank	2028.07.19~ 2029.07.24	-		32,377		14,162
Borrowings	NH Nonghyup Bank	2028.11.21 2028.12.27	3.00 3.00		11,370 9,646		11,060 11,891
	KB Kookmin Bank	2025.03.07 2026.05.07	MOR(1 year) +1.67 MOR(3 months) +1.93		10,000 3,518		10,000 -
	Korea Development Bank	2025.06.23 2025.12.02	Industrial Financial Debenture (1 year)+0.66 Industrial Financial Debenture (6 months)+1.44		2,500 20,000		7,500 20,000
	Hana Bank	2026.12.31	CD+1.881		-		10
	Mirae Asset Capital Co., Ltd.	2026.08.29	CP+1.41		45,843		-
	IM Bank	2027.05.30	MOR(6 months) +2.18		3,492		-
	Shinhan Bank	2026.05.21	6.50		11,292		3,708
	Shinhan Card Co., Ltd.	2026.05.21	Financial Debenture (3 years)+1.99		19,674		6,488
	NH Investment & Securities Co., Ltd.	2026.05.21	6.50		14,425		13,904
	OK Savings Bank	2026.05.21	9.00		8,174		7,879
	Korea Investment Savings Bank	2026.05.21	9.00		7,213		6,952
	JT Chinae Savings Bank	2026.05.21	9.00		6,732		6,488
	The-K Savings Bank	2026.05.21	9.00		4,808		4,635
	BNK Savings Bank	2026.05.21	9.00		4,808		4,635
	Choeun Savings Bank	2026.05.21	9.00		2,885		2,781
	Insung Savings Bank	2026.05.21	9.00		1,923		1,854
	Incheon savings bank	2026.05.21	9.00		1,923		1,854
	Woori Bank	2027.09.27	2.82		275		-
Others	Others	2025.10.04~ 2025.10.30	4.60		1,071		-
	Total			W	250,159	W	174,791
Consolidated statements of financial position:							
Current					36,191		27,521
Non-current					213,968		147,270
	Total			W	250,159	W	174,791

¹The above loans are Contractual Cultivation Fund for Ginseng-Integration Project provided as the policy fund for facilitating agriculture, forestry and fisheries sector by the Ministry of Agriculture, Food and Rural Affairs of the Republic of Korea. Therefore, the interest rate on the loan is 0%, and the amount of present value discounts is recognized as Government grants after calculating the present value.

14. Borrowings (cont'd)

(c) As discussed in Note 30 to the consolidated financial statements, the Group is providing collateral for the above borrowings.

15. Bond

(a) 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 st non-guarantee public bonds	2023.09.13	2025.09.12	4.180	₩	100,000	₩	100,000
2-2 nd non-guarantee public bonds	2023.09.13	2026.09.11	4.322		200,000		200,000
3-1 st non-guarantee public bonds	2024.04.25	2026.04.24	3.624		50,000		-
3-2 nd non-guarantee public bonds	2024.04.25	2027.04.23	3.763		150,000		-
3-3 rd non-guarantee public bonds	2024.04.25	2029.04.25	3.808		100,000		-
4-1 st non-guarantee public bonds	2024.10.08	2026.10.08	3.218		80,000		-
4-2 nd non-guarantee public bonds	2024.10.08	2027.10.08	3.306		160,000		-
4-3 rd 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

(b) Convertible bonds

The book values of convertible bonds issued by the Group as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Korean won)</i>	2024		2023	
Face value	₩	30,300	₩	30,300
Redemption premium		1,233		1,234
Conversion right adjustment		(4,145)		(8,156)
Total	₩	27,388	₩	23,378
Current	₩	27,388	₩	-
Non-current		-		23,378
Total	₩	27,388	₩	23,378

15. Bond (cont'd)

Details of issuance condition of convertible bonds issued by the Group as of December 31, 2024 are as follows:

Classification	Details
Type and name	1st unregistered non-guarantee private convertible bond
Underwriter	Korea Investment & Securities Co., Ltd. and 13 other underwriters
Issuing company	Yungjin Pharm. Co., Ltd.
Issuance date	2023.11.21
Maturity date	2028.11.21
Total issuance amount	₩ 30,300 million
Conversion price per share	₩ 2,305
Number of shares issued at conversion	13,145,336 shares
Condition for conversion price adjustment	<p>(a) In the case of issuance of new shares due to paid-in capital increase, capital increase without consideration, stock dividend, capital transfer of reserves at an issue price below the market price, or issuance of convertible bonds or bonds with warrants at a conversion price or exercise price below the market price, the conversion price is adjusted as follows. Conversion price after adjustment = Conversion price before adjustment × $\{[A+(B \times C/D)]/(A+B)\}$ A: Number of outstanding shares, B: Number of newly issued shares, C: Issue price per share, D: Market price</p> <p>(b) In cases where the conversion price needs to be adjusted due to a merger, capital reduction, stock split or merger, etc., adjust to the same effect that the "bondholder" of the "bonds" could have had if the conversion right had been exercised immediately before these events and the entire amount had been acquired with stocks.</p> <p>(c) If reasons for an increase in stock value, such as capital reduction or stock merger, occur, the conversion price is adjusted on the condition that it is reflected upward by the adjustment ratio due to capital reduction, stock merger and others.</p> <p>(d) If the conversion price adjusted in accordance with the above (a), (b), (c) provisions is less than the par value of the stock, the par value shall be the conversion price, and the total issuance price of the stocks to be issued through the conversion of each convertible bond cannot exceed the issuance price of each convertible bond.</p>
Conversion period	From November 21, 2024 to October 21, 2028
Conversion ratio	100% of bond price
Early redemption right	On November 21, 2025, which is two years from the date of issuance of the bond, and every three months thereafter, bondholders of the bond may request early redemption before maturity for the entire amount calculated by multiplying the electronic registration amount by the early redemption rate (approximately 2% annual compound interest).
Yield to maturity	2.00%
Coupon rate	-

16. 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	₩ 24,800	₩ 11,695	₩ 24,582	₩ 14,642
Trade payables	352,239	-	260,725	-
Withholdings	13,263	-	11,412	-
Value-added deposit	172,283	-	196,110	-
Accrued expenses	429,855	63,457	374,267	43,748
Other payables	687,583	6,684	817,577	-
Total	₩ 1,680,023	₩ 81,836	₩ 1,684,673	₩ 58,390

17. 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	₩ 49,006	₩ 45,547
Net interest on net defined benefit liabilities (assets)	(478)	(2,343)
Past service cost and loss on settlement	4,395	(204)
Subtotal	52,923	43,000
Defined contribution plan:		
Contributions recognized as expense	8,482	6,653
Other long-term employee benefits:		
Current service cost, etc.	22,489	10,019
Termination benefits:		
Voluntary retirements, etc.	3,374	2,448
Total	₩ 87,268	₩ 62,120

17. 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:

<i>(in millions of Korean won)</i>	2024		2023	
Beginning balance	₩	(23,036)	₩	(77,210)
Current service cost		49,006		45,547
Net interest on net defined benefit assets		(478)		(2,343)
Past service cost and any loss on settlement		4,395		(204)
Remeasurment of net defined liabilities (assets), before taxes		47,605		42,504
Payment amount		(10,101)		(2,817)
Payment of plan assets		(33,805)		(28,616)
Increase due to business combination		15		-
Net exchange differences		951		103
Ending balance	₩	34,552	₩	(23,036)
Consolidated statements of financial positions:				
Present value of defined benefit obligations	₩	635,837	₩	580,538
Fair value of plan assets		(601,285)		(603,574)
Total	₩	34,552	₩	(23,036)

(c) Changes in the present value of defined benefit obligation 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	
Beginning balance	₩	580,538	₩	520,980
Current service cost		49,006		45,547
Interest expenses		23,490		26,256
Past service cost and any loss on settlement		4,395		(204)
Remeasurement before taxes		49,796		43,474
Payment amount		(72,354)		(55,617)
Increase due to business combination		15		-
Net exchange differences		951		102
Ending balance	₩	635,837	₩	580,538

17. Employee Benefits (cont'd)

(d) Changes in fair value 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>	2024		2023	
Beginning balance	₩	603,574	₩	598,190
Interest income		23,968		28,599
Remeasurement before taxes		2,191		969
Payment amount		(62,253)		(52,800)
Payment of plan assets		33,805		28,616
Ending balance	₩	601,285	₩	603,574

The actual amount of interest income arising from plan assets for each of the two years in the period ended December 31, 2024 is ₩ 26,159 million and ₩ 29,568 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>	2024		2023	
Beginning balance	₩	45,686	₩	38,458
Current service cost		4,717		4,128
Past service cost		9,528		2,805
Interest cost		1,875		1,854
Remeasurement element		6,368		1,232
Payment amount		(4,453)		(2,795)
Net exchange differences		36		4
Ending balance	₩	63,757	₩	45,686

17. Employee Benefits (cont'd)

(f) Detail of remeasurements recognized in other comprehensive income or loss 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
Actuarial gains and losses on defined benefit obligations:		
Changes in demographic assumptions	₩ 414	₩ 359
Changes in financial assumptions	(35,402)	(33,444)
Experience adjustments	(14,808)	(10,388)
	₩ (49,796)	₩ (43,473)
Revenue from plan assets, excluding amounts included in net interest	₩ 2,191	₩ 969
Remeasurement of net defined liabilities (assets), before taxes	(47,605)	(42,504)
Tax effect	12,009	10,550
Remeasurement of net defined liabilities (assets), after taxes	₩ (35,596)	₩ (31,954)

(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>	2024	2023
Regular deposits and cash equivalents	₩ 192,768	₩ 169,012
Principal and interest guarantee financial assets, etc.	408,517	434,562
Total	₩ 601,285	₩ 603,574

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

<i>(in percentage)</i>	2024	2023
Discount rate	3.33 ~ 23.00	3.96 ~ 25.05
Expected wage increase rate	3.00 ~ 20.00	3.00 ~ 20.82

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

17. 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>	Increase by 1%	Decrease by 1%
Changes in discount rate	(54,898)	63,236
Changes in expected wage increase rate	63,429	(55,736)

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

A reasonable estimate of the expected contribution related to the defined benefit plan during the year 2025 is ₩ 49,307 million.

The weighted average maturities of the defined benefit obligation as of December 31, 2024 and 2023 are 7.41 years and 7.32 years, respectively.

18. 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	13,925	6,917	12,901	4,409
Provision for site restoration	1,561	679	1,537	680
Provision for financial guarantee	7	25	18	26
Provision for greenhouse gases	13	-	51	-
Provision for others	17,380	2	16,926	2
Total	₩ 39,080	₩ 7,623	₩ 33,213	₩ 5,117

(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	17,310	19,839	(16,307)	20,842
Provision for site restoration	2,217	305	(282)	2,240
Provision for financial guarantee	44	87	(99)	32
Provision for greenhouse gases	51	-	(38)	13
Provision for others	16,928	1,194	(740)	17,382
Total	₩ 38,330	₩ 31,614	₩ (23,241)	₩ 46,703

(in millions of Korean won)

	2023			
	Beginning balance	Increase	Decrease	Ending balance
Provision for product warranty	₩ 4,172	₩ 3,436	₩ (5,828)	₩ 1,780
Refund liabilities	18,309	5,349	(6,348)	17,310
Provision for site restoration	2,301	321	(405)	2,217
Provision for financial guarantee	134	30	(120)	44
Provision for greenhouse gases	194	-	(143)	51
Provision for others	15,407	2,146	(625)	16,928
Total	₩ 40,517	₩ 11,282	₩ (13,469)	₩ 38,330

18. Refund Liabilities and Provisions (cont'd)

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

<i>(in millions of Korean won)</i>	2024	2023
Refund assets	₩ 1,273	₩ 820

(d) The Group 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 ₩ 4,888 million.

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

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

(g) In relation to greenhouse gas emissions, the Group 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 Group as a result of emissions exceeding the greenhouse gas emission rights for that year.

19. 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>	2024	2023
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	5,944	4,946

As 65,629,400 shares (including 8,460,000 shares for the year ended December 31, 2024) of the Parent 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.

(b) Share-based payments

As of December 31, 2024, the Group has share-based payments agreements that grants shares to its directors and selected employees based on a 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:

	2021.03.20 Performance condition share-based payments	2024.03.28 Performance condition share-based payments	2024.03.28 Restricted Stock Units ("RSU")
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 ¹	6,120 shares	15,157 shares	11,906 shares
Amount of shares granted (in won) ²	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

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

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

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

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

<i>(in shares)</i>	2024	2023
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 the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>	2024	2023
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>	2024	2023
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	5,972,199
Loss on valuation of financial assets measured at fair value through other comprehensive income or loss	(16,878)	(13,643)
Exchange differences on translating foreign operations	14,457	(42,387)
Capital changes in equity method	(1,043)	(538)
Total	₩ 7,175,263	₩ 7,230,300

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

① Profit reserve

The commercial law stipulates that The Group 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 Parent Company's share capital is ₩ 125,457 million.

② Reserve for business rationalization

Until 2002, the Parent 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 Parent Company can reserve for business expansion and unconditionally with no particular purpose. These reserves can be used for other purposes according to the resolutions of the shareholders' meeting.

(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 measured at fair value through other comprehensive income or loss before tax	₩ (23,692)	₩	(20,405)
Tax effect	6,814		6,762
Loss on valuation of financial assets measured at fair value through other comprehensive income or loss after tax	₩ (16,878)	₩	(13,643)

20. Treasury Shares and Gain on disposal of Treasury Shares

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>	2024	2023
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

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

<i>(in shares)</i>	2024	2023
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 Group 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 the all treasury shares acquired, with a profit.

21. Retained Earnings

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

(in millions of Korean won)

	2024		2023	
Beginning balance	₩	1,692,239	₩	2,251,940
Dividends		(586,620)		(720,935)
Transfer to (from) other reserve		108,140		(407,602)
Retirement of treasury shares		(752,873)		(302,728)
Profit for the year		1,164,999		922,361
Less: Non-controlling interests		728		(19,699)
Transfer of gain on disposal of financial assets measured at fair value through other comprehensive income or loss to retained earnings		12,988		-
Remeasurements of net defined benefit liabilities (after tax)		(35,596)		(31,954)
Less: non-controlling interests (after tax)		512		856
Ending balance	₩	1,604,517	₩	1,692,239

22. Real Estate Pre-sales Contract

(a) Details of ongoing real estate pre-sales contracts for each of the 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 ¹	Total sales contract value	Revenue (cumulative) ²	Revenue (period) ³	Cost (cumulative) ⁴
Suwon hwaseo prugio briel	June 2020	September 2023	100.00	₩ 803,056	₩ 747,970	₩ 747,946	₩ -	₩ 338,101
ePyeonhansang 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
ePyeonhansang 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
Gwacheon sangsang Xi tower B	January 2021	May 2023	100.00	266,691	239,568	232,962	-	138,460
Goyang Hyangdong district knowledge industry center ⁵	March 2021	July 2023	100.00	541,142	502,711	482,560	-	313,982
Total				₩ 2,836,900	₩ 2,358,727	₩ 1,788,168	₩ 226,116	₩ 1,029,954

¹Includes the expected sales value for commercial buildings, efficiency apartments, and the Knowledge Industry Center that are scheduled to be recognized as sales at a point when the construction is completed and control of the goods is transferred to the customer.

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

³Excludes the revenue of ₩ 24,930 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.

⁴Excludes cumulative costs of ₩ 293,284 million for common infrastructure (see Note 30 (d)).

⁵As of December 31, 2024, the cumulative revenue and cost include the amount of revenues and costs incurred before the Group's acquisition of control over DNC Deogeun Co., Ltd.

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

(in millions of Korean won)

Construction project	Initial sales contract date	Expected completion date	Progress (%)	2023				
				Total sales value ¹	Total sales contract value	Revenue (cumulative) ²	Revenue (period)	Cost (cumulative) ³
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
Gwacheon sangsang Xi tower B	January 2021	May 2023	100.00	266,691	239,568	232,962	26,633	138,460
Goyang Hyangdong district knowledge industry center ⁴	March 2021	July 2023	100.00	541,142	502,255	482,560	93,965	313,982
Total				₩ 2,111,843	₩ 1,878,027	₩ 1,589,631	₩ 367,491	₩ 870,066

¹Includes the expected sales value for commercial buildings, efficiency apartments and the Knowledge Industry Center that are scheduled to be recognized as sales at a point when the construction is completed and control of the goods is transferred to the customer.

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

³Excludes cumulative costs of ₩ 227,608 million for common infrastructure (see Note 30 (d)).

⁴Revenue for the year ended December 31, 2023 excludes the amount of revenues incurred before the Group's acquisition of control over DNC Deogeun Co., Ltd.

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

(b) Details of 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 ¹	Advanced receipts for sale in lots ²
Suwon hwaseo prugio briel	₩ 747,946	₩ 747,361	₩ 587	₩ 2
ePyeonhansesang 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
ePyeonhansesang Pyeongchon Urban Valley	100,933	47,906	53,284	257
Digital Empire Pyeongchon Biz Valley	20,388	6,352	14,036	-
Gwacheon sangsang Xi tower B	232,962	232,962	-	-
Goyang Hyangdong district knowledge industry center	482,560	482,560	-	-
Total	₩ 1,788,168	₩ 1,578,269	₩ 211,176	₩ 1,277

¹As 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.

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

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

(in millions of Korean won)

Construction project	2023			
	Revenue (cumulative)	Cash collected (cumulative)	Trade receivables for sale in lots ¹	Advanced receipts for sale in lots ²
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	-	-
Gwacheon sangsang Xi tower B	232,962	232,918	44	-
Goyang Hyangdong district knowledge industry center	482,560	481,579	981	-
Total	₩ 1,589,631	₩ 1,491,960	₩ 98,944	₩ 1,273

¹As 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.

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

(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) Details of 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 ¹	Trade receivables for sale in lots	Advanced receipts for sale in lots ¹
Suwon hwaseo prugio briel	₩ -	₩ 806	₩ -	₩ 1,465
ePyeonghansang Daejeon Station Centum Vista	-	105	-	93
Elif Mia Station Complex 1	-	575	-	322
Elif Mia Station Complex 2	-	4,332	-	666
Sangbong Station Ubori First Live and Four Square	9,549	131	6,626	774
Goyang Hyangdong district knowledge industry center	-	433	-	-
Total	₩ 9,549	₩ 6,382	₩ 6,626	₩ 3,320

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

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

(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.

23. 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:

<i>(in millions of Korean won)</i>	2024	2023
Changes in inventories	₩ (337,544)	₩ (82,018)
Raw materials etc. used and merchandise purchased	1,915,128	1,697,321
Salaries	794,688	740,091
Retirement and termination benefits	64,779	52,101
Depreciation	219,080	210,840
Amortization	31,179	30,233
Employee welfare	153,983	124,438
Advertising	341,302	307,481
Commissions	599,612	615,619
Other expenses	937,771	999,166
Total	₩ 4,719,978	₩ 4,695,272

23. 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:

<i>(in millions of Korean won)</i>	2024	2023
Salaries	₩ 518,273	₩ 492,341
Retirement and termination benefits	42,691	33,940
Employee welfare	107,301	82,767
Travel expenses	25,078	23,222
Communication cost	6,437	5,899
Utilities	15,429	15,536
Taxes and dues	34,328	28,225
Supplies	6,473	6,811
Rent	17,397	18,669
Depreciation	62,120	59,996
Amortization	23,517	24,801
Repairs and maintenance	11,296	9,867
Vehicles	7,379	7,112
Insurance	3,807	3,589
Commissions	363,094	402,082
Freight and custody	72,992	68,232
Conferences	5,686	5,070
Advertising	341,229	307,362
Education and training	8,061	7,964
Prizes and rewards	3,125	2,501
Cooperation	1,436	1,265
Research and development	59,954	50,655
Reversal of impairment loss on trade receivables	(23,893)	(17,027)
Total	₩ 1,713,210	₩ 1,640,879

24. 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>	2024		2023	
Gain on foreign currency transaction	₩	91,934	₩	65,319
Gain on foreign currency translation		377,205		94,191
Gain on valuation of derivatives		4,545		13,901
Gain on disposal of property, plant and equipment		3,727		4,515
Gain on disposal of intangible assets		31		3
Gain on disposal of investment property		16,114		7,333
Gain on lease contract adjustments		240		367
Gain on disposal of equity method investments		-		9
Gain on disposal of assets held for sale		58,394		-
Gain on disposal of right-of-use assets		-		2
Miscellaneous income		21,547		15,911
Total	₩	573,737	₩	201,551

(b) Details of 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>	2024		2023	
Loss on foreign currency transaction	₩	55,285	₩	37,246
Loss on foreign currency translation		50,158		98,696
Loss on valuation of derivatives		65,904		21,214
Loss on impairment of other receivables		2,116		3,576
Loss on disposal of property, plant and equipment		587		3,230
Loss on impairment of property, plant and equipment		37,012		9,633
Loss on disposal of right-of-use assets		-		167
Loss on impairment of right-of-use assets		2,067		-
Loss on disposal of intangible assets		634		392
Loss on impairment of intangible assets		357		826
Loss on impairment of investment properties		33,835		-
Loss on disposal of investment properties		403		86
Loss on disposal of assets held for sale		196		-
Donations		9,886		7,062
Loss on lease contract adjustments		145		25
Miscellaneous loss		9,679		11,869
Total	₩	268,264	₩	194,022

25. 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>		2024		2023
Finance income:				
Interest income ¹	₩	115,584	₩	74,685
Dividend income		18,566		23,092
Gain on valuation of financial assets at fair value through profit or loss		31,047		41,126
Gain on disposal of financial instruments		69		33
Total finance income	₩	165,266	₩	138,936
Finance costs:				
Interest expense	₩	42,089	₩	45,706
Loss on valuation of financial assets at fair value through profit or loss		49,546		21,936
Other finance costs		-		172
Total finance costs	₩	91,635	₩	67,814
Net finance income	₩	73,631	₩	71,122

¹The interest income generated from financial instruments 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>		2024		2023
Deposits	₩	54,092	₩	35,555
Trade and other receivables		7,776		4,192
Long-term deposits		53,679		34,863
Others		37		75
Total	₩	115,584	₩	74,685

25. 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>	2024		2023	
Borrowings and debentures	₩	23,349	₩	8,995
Trade and other payables		11,363		6,189
Lease liabilities		2,097		1,477
Others		5,280		29,045
Total ¹	₩	42,089	₩	45,706

¹ ₩ 14,119 million and ₩ 5,606 million of capitalized borrowing costs on qualifying assets are excluded from interest expense for each of the two years in the period ended December 31, 2024, respectively.

26. Income Tax Expense and Deferred Tax Asset

(a) Details of income tax expenses elements 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	
Current tax on profits for the year	₩	348,396	₩	343,242
Adjustments with respect to past income taxes, etc.		(21,056)		(5,464)
Increase/decrease from temporary differences		65,170		(12,341)
Effects of income tax on non-recirculation income		1,293		(6,601)
Income tax	₩	393,803	₩	318,836
Income tax expense from continuing operations	₩	393,689		318,836
Income tax expense from discontinued operations		114		-

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

(b) Details of the relationship between income tax expenses and accounting profit 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 before income tax expense	₩	1,565,825	₩	1,234,012
Tax rate (%)		24.18		25.97
Tax expense at domestic rates applicable to profits in the respective countries		378,644		320,457
Adjustments:				
Non-taxable income		(5,294)		(3,604)
Expenses not deductible for tax purposes		8,851		2,230
Changes in unrecognized amount of deferred tax due to temporary differences, etc.		30,597		17,176
Tax credit		(729)		(16,309)
Adjustments with respect to past income taxes		(21,056)		(5,464)
Effects of corporate earnings circulation tax		1,293		(6,601)
Others		1,383		10,951
Income tax expense from continuing operations	₩	393,689	₩	318,836
Average effective tax rate (%)		25.14		25.84

(c) Details of current and deferred income tax related to items recognized outside profit or loss 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	
Current tax:				
Capital changes in equity method	₩	181	₩	166
Consideration for conversion right		-		(1,436)
Subtotal	₩	181	₩	(1,270)
Deferred tax:				
Gain (loss) on valuation of financial assets measured at fair value through other comprehensive income or loss	₩	52	₩	(6,936)
Remeasurement of net defined liabilities (assets)		12,009		10,550
Subtotal	₩	12,061	₩	3,614
Total	₩	12,242	₩	2,344

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

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

(in millions of Korean won)

		2024			
		Beginning balance	Profit or loss	Other comprehensive income(loss) and others	Ending balance
Accumulated depreciation	₩	33,266	₩ (5,711)	₩ -	₩ 27,555
Loss allowance		52,135	(17,967)	-	34,168
Financial assets measured at fair value through other comprehensive income (profit or loss)		6,520	3,090	52	9,662
Accrued expenses		66,031	135	-	66,166
Defined benefit liabilities		23,255	2,873	12,009	38,137
Treasury shares		(9,034)	-	-	(9,034)
Investments in subsidiaries		(280,470)	1,782	-	(278,688)
Advanced depreciation provision		(9,603)	-	-	(9,603)
Others		6,878	(49,372)	-	(42,494)
Total	₩	(111,022)	₩ (65,170)	₩ 12,061	₩ (164,131)

(in millions of Korean won)

		2023			
		Beginning balance	Profit or loss	Other comprehensive income(loss) and others	Ending balance
Accumulated depreciation	₩	29,780	₩ 3,486	₩ -	₩ 33,266
Loss allowance		51,971	164	-	52,135
Financial assets measured at fair value through other comprehensive income (profit or loss)		10,062	3,394	(6,936)	6,520
Accrued expenses		61,685	4,346	-	66,031
Defined benefit liabilities		9,786	2,919	10,550	23,255
Treasury shares		(9,068)	34	-	(9,034)
Investments in subsidiaries		(276,833)	(3,637)	-	(280,470)
Advanced depreciation provision		(9,640)	37	-	(9,603)
Others		6,716	1,598	(1,436)	6,878
Total	₩	(125,541)	₩ 12,341	₩ 2,178	₩ (111,022)

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

(e) Details of deductible temporary differences, unused tax losses, and unused tax credit not recognized as deferred tax assets as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Korean won)</i>		2024		2023	
Deductible temporary differences	₩	667,442	₩	561,818	
Unused tax losses		111,622		121,745	
Unused tax credit		3,664		3,185	
Total	₩	782,728	₩	686,748	

(f) The expiry periods for net operating losses not recognized as deferred tax assets as of December 31, 2024 and 2023 are as follows:

<i>(in millions of Korean won)</i>		2024		2023	
		Unused tax losses	Unused tax credits	Unused tax losses	Unused tax credits
Within 1 year	₩	10,521	₩ 303	₩ 19,032	₩ 251
1 ~ 2 years		16,462	255	6,990	52
2 ~ 3 years		18,455	-	17,473	161
Over 3 years		66,184	3,106	78,250	2,721
Total	₩	111,622	₩ 3,664	₩ 121,745	₩ 3,185

(g) As of December 31, 2024 and 2023, temporary differences to be added in relation to investments in subsidiaries and associates, and equity investments in joint ventures that are not recognized as deferred tax liabilities is ₩ 1,399,500 million as of December 31, 2024 (₩ 1,053,219 million as of December 31, 2023).

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

(h) Global anti-base erosion model rules

If the Group'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 KIRFS 1012 *Income taxes - International tax reform - Pillar Two Model Rules* were issued, and the amendments clarified that KIRFS 1012 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules. The Group 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; and
- 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 of Korea at the end of 2023 and has come into effect since January 1, 2024. Under the rules, the Group is an MNE 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 Group operates, starting from the annual reporting period commencing on January 1, 2024.

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

If the Group's consolidated revenue exceeds EUR 750 million and is (substantially) established in some or all of the jurisdictions implementing the Pillar Two Model Rules, the following information is included to meet the disclosure requirements.

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

27. Earnings Per Share (EPS)

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

<i>(in millions of Korean won, Korean won, and shares)</i>	2024		2023	
Profit for the year from continuing operations attributable to owners of the Parent Company	₩	1,172,864	₩	909,847
Loss for the year from discontinued operation attributable to owners of the Parent Company		(7,137)		(7,185)
Total	₩	1,165,727	₩	902,662
Weighted average number of ordinary shares outstanding (shares)		103,038,223		115,096,170
Basic and diluted EPS for continuing operations (in Korean won)		11,383		7,905
Basic and diluted losses for discontinued operation (in Korean won)		(69)		(62)
Total	₩	11,314	₩	7,843

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

<i>(in shares)</i>		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

27. Earnings Per Share (EPS) (cont'd)

(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 and retirement 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

28. Related Parties

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

Type	Name of entity	Location	Percentage of ownership (%)	
			2024	2023
Associates	Lite Pharm Tech, Inc. ¹	Korea	12.53	12.53
	KORAMCO Banpo PFV Co., Ltd. ¹	Korea	18.95	18.95
	KOCREF 36 REIT	Korea	21.01	21.01
	KOCREF 41 REIT	Korea	26.47	26.47
	Cheongna Medipolis PFV Co., Ltd. ²	Korea	51.01	51.01
	INNODIS CO., Ltd. ¹	Korea	19.64	19.64
	SJ BIO MED Co., Ltd. ^{1,3}	Korea	14.39	14.39
	LSK Global Pharma Service Co., Ltd.	Korea	21.92	21.92
	Mirae Asset KT&G Investment Fund I ⁴	Korea	50.00	50.00
	JIELGWANGJIN CITY DEVELOPMENT Co., Ltd.	Korea	35.00	35.00
Joint ventures	KB KT&G New Growth Fund 1 ⁵	Korea	66.67	66.67
	KORAMCO Europe Private REIT 3-2 Fund ⁶	Korea	51.35	51.35
	Starfield Suwon, Inc	Korea	50.00	50.00
	SangSang Loft Co., Ltd. ⁷	Korea	50.00	-
Others	AndaStation Professional Investment Private REIT No.1 ⁸	Korea	-	21.43
	KORAMCO Dongjak PFV Co., Ltd. ⁸	Korea	-	19.47
	Others ⁹	Korea	-	-

¹The Group classified its interests in the entities as investment in associates, as The Group is deemed to have significant influence over such entities its right to participate in the entities' Board of Directors meetings in accordance with the agreement with shareholders, notwithstanding its ownership percentage is less than 20%.

²The Group 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.

³As of December 31, 2024, liquidation procedures are in progress.

⁴The Group classified its interest in the entity as investment in associates, as there are no arrangements that incur joint control among the partners, notwithstanding its consolidated ownership percentage is 50%.

28. Related Parties (cont'd)

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

⁶The Group classified its interest in the entity as investment in joint ventures, since unanimous consent from all shareholders is required for making decisions on material financial and operational policies in accordance with the agreement with shareholders.

⁷For the year ended December 31, 2024, the Group established SangSang Loft Co., Ltd. with Zero to N Co., Ltd. under 50:50 ratio. The Group classified its interests in the entity as investments in joint ventures.

⁸The Group excluded the entity from its related parties, as the entity was disposed during the year ended December 31, 2024.

⁹The Group classified the subsidiary of DNC Deogeun Co., Ltd. as other related party, as the Group acquired DNC Deogeun Co., Ltd. as its subsidiary for the year ended December 31, 2023.

(b) The Group 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 the two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)

Type	Name of entity	2024		2023	
		Sales and other revenue	Purchase and other expenses	Sales and other revenue	Purchase and other expenses
Associates	KOCREF 36 REIT	₩ 1,200	₩ -	₩ 1,200	₩ -
	KOCREF 41 REIT	2,084	-	2,087	-
	INNODIS CO.,Ltd.	-	294	-	270
	LSK Global Pharma Service Co., Ltd.	-	64	-	128
	Cheongna Medipolis PFV Co.,Ltd.	633	-	-	-
Joint ventures	Starfield Suwon, Inc.	147	104	7	-
Others	AndaStation Professional				
	Investment Private REIT No.18 ¹	-	-	954	-
	Others	4,994	-	467	-
Total		₩ 9,058	₩ 462	₩ 4,715	₩ 398

¹The Group excluded the entity from related parties, as the entity was disposed for the year ended December 31, 2024.

28. Related Parties (cont'd)

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

(in millions of Korean won)

Type	Name of entity	2024		2023	
		Receivables	Payables	Receivables	Payables
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.18 ¹	-	-	481	-
	Others ²	51,259	113	39,000	775
Total		₩ 51,357	₩ 152	₩ 39,489	₩ 812

¹The Group excluded the entity from related parties, as the entity was disposed during the year ended December 31, 2024.

²Presented in the gross amount before deducting loss allowance of ₩ 4,971 million as of December 31, 2024 (2023: ₩ 3,483 million).

(d) Details of fund transactions with the related parties for each of the 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	Loan	Equity recovery	Equity investment	Loan	Equity recovery
Associates	Cheongna Medipolis PFV Co.,Ltd.	₩ -	₩ -	₩ -	₩ 83,978	₩ -	₩ -
	Mirae Asset KT&G Investment Fund I	5,000	-	-	5,000	-	-
	KB KT&G New Growth Fund 1	-	-	-	3,000	-	-
Joint ventures	JIELGWANGJIN CITY DEVELOPMENT Co., Ltd.	-	-	-	105	-	-
	KORAMCO Europe Private REIT 3-2 Fund	1,422	-	-	-	-	32
	Starfield Suwon, Inc.	15,000	-	-	100,000	-	-
	Others	320	-	-	-	-	-
Others	SangSang Loft Co.,Ltd.	-	-	-	-	-	-
	AndaStation Professional Investment Private REIT No.18 ¹	-	-	23,738	-	-	-
	KORAMCO Dongjak PFV Co., Ltd. ¹	-	-	2,244	-	-	-
	Others	-	11,870	-	-	39,000	-
Total		₩ 21,742	₩ 11,870	₩ 25,982	₩ 192,083	₩ 39,000	₩ 32

¹The Group excluded the entity from related parties, as the entity was disposed for the year ended December 31, 2024.

(e) The Group is provided with a joint guarantee from GL Industrial Development Co., Ltd. in relation to the ₩ 39,000 million loaned to related parties of DNC Deogeun Co., Ltd. (see Note 30 (c)).

(f) The Group 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 Group 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.

28. Related Parties (cont'd)

(g) The Group has entered into a contribution agreement in relations to equity instrument 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 transfer of equity shares in Cheongna Medipolis PFV Co., Ltd., the equity shares of Cheongna Medipolis Development Co., Ltd., a subsidiary of the Parent Company, should also be transferred.

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

(i) As of December 31, 2024, the Group 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.

(j) The Group 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 ₩ 30,000 million. As of December 31, 2024, the remaining contribution amount is ₩ 12,000 million, and the detailed timeline for contribution is yet to be determined (see Note 30 (d)).

(k) The Parent Company has a joint disposal right to require other investors to dispose their ownership under the same condition of the Parent Company's disposal of Mastern No.144 PFV Co., Ltd.'s shares. Also, if the shareholders other than the Parent Company dispose the shares by obtaining the approvals from the Board of Directors and Shareholders, the Parent 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 the shares, to the Parent Company.

(l) As of December 31, 2024, the Group's holdings in KORAMCO Banpo PFV Co., Ltd. are pledged as a collateral for a PF loan of KORAMCO Banpo PFV Co., Ltd. (see Note 30 (c)).

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

(in millions of Korean won)

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

29. Risk Management and Fair Value of Financial Instruments and Capital Management

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

(a) Market risk

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

① Currency risk

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

The carrying 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	₩	2,277,914	₩ 141,405	₩ 2,482,127	₩ 136,464
EUR		29,847	26,664	4,255	34,121
Others		9,603	30,393	52,043	15,788
Total	₩	2,317,364	₩ 198,462	₩ 2,538,425	₩ 186,373

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	₩	211,890	₩ (211,890)	₩ 235,205	₩ (235,205)

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

② Price risk

The Group 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, which would be caused by changes in market prices of listed stocks the Group invests in. The Group's management regularly measures the risk of fluctuations in the fair values or future cash flows that would fluctuate due to the changes in market prices of the listed stocks the Group invests in. Material investments in the Group's portfolio are individually managed, acquisitions and disposals of which require the approval of the Group's 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	₩ 1,262	₩ (1,262)	₩ (822)	₩ 822

③ Interest rate risk

The Group is exposed to the risk of interest rate fluctuation related to its borrowings, trade payables and other payables, and lease liabilities. The Group's management maintains an appropriate balance between the fixed and variable interest borrowings by regularly measuring the risk of fluctuations in fair values or future cash flows of financial instruments due to the changes in market interest rate. The effect of interest rate change on fair values or future cash flows of financial liabilities is immaterial considering the volume of the variable interest rate liability as of December 31, 2024.

(b) Credit risk

The Group is exposed to credit risk that one of contracting parties to a financial instrument may incur financial loss to the other party due to the failure to perform its obligations. In order to manage credit risk, the Group's management only transacts with parties having credit rating over certain level and establishes and manages the credit enhancement policies and procedures for financial assets. The Group evaluates the credit rating of new transacting party using the financial information disclosed at the point of contract conclusion and the information provided by the credit rating agency, which provides the basis for determining credit limits; the Group then receives collaterals and/or payment guarantees as necessary. In addition, the Group periodically reassesses the credit limits and readjusts the collaterals by reassessing the contracting party's credit rating, and when the collection of financial assets is delayed, status of such assets and collection strategies are reported quarterly and appropriate measures are taken depending on the reason of delay.

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

As of December 31, 2024 and 2023, the carrying amounts of financial assets present the maximum exposure to credit risk and details thereof are as follows:

(in millions of Korean won)		2024		2023	
Cash and cash equivalents (excluding cash on hand) ¹	₩	1,135,362	₩	1,031,893	
Other financial assets		494,021		378,565	
Financial assets at fair value through profit or loss ¹		582,870		687,388	
Trade and other receivables		1,703,225		1,656,209	
Long-term deposits		1,705,504		1,479,737	
Derivative assets		-		7,751	
Total	₩	5,620,982	₩	5,241,543	

¹As of December 31, 2024, money market trust amounting to ₩ 1 million classified as cash equivalents are included in the financial assets at fair value through profit or loss.

(c) Liquidity risk

The Group is exposed to liquidity risk caused by difficulties in meeting its obligations related to financial liabilities that are settled by transferring financial assets such as cash. In order to manage liquidity risk, the Group's management establishes short and mid-to-long term financial management plans and continuously analyzes and reviews the budgeted and actual cash outflows, in order to counterpose the maturities of financial liabilities and assets. The Group's management deems the financial liabilities are redeemable by the cash flows from operating activities and cash inflows from financial assets.

Details 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	₩	287,975	₩	289,143	₩	250,804	₩	38,339	₩	-	₩	-
Long-term borrowings		250,159		280,435		13,372		31,703		235,360		-
Bond		907,934		994,810		8,572		124,667		861,571		-
Convertible bonds		27,388		31,533		-		31,533		-		-
Trade and other payables		1,308,373		1,318,457		1,240,481		17,633		37,733		22,610
Derivative liabilities		32,801		32,801		32,801		-		-		-
Lease liabilities		48,746		53,656		7,199		16,517		29,289		651
Non-controlling interest liability		7,072		7,072		-		-		4,470		2,602
Total	₩	2,870,448	₩	3,007,907	₩	1,553,229	₩	260,392	₩	1,168,423	₩	25,863

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

(in millions of Korean won)

(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
Short-term borrowings	₩ 61,576	₩ 79,522	₩ 157	₩ 79,365	₩ -	₩ -	₩ -	₩ -	
Long-term borrowings	174,791	207,740	3,209	31,689	172,842	-	-	-	
Bond	299,165	331,086	3,206	9,618	318,262	-	-	-	
Convertible bonds	23,378	31,533	-	-	31,533	-	-	-	
Trade and other payables	1,284,892	1,321,538	1,252,384	27,013	27,562	14,579	-	-	
Lease liabilities	46,478	48,868	5,848	14,189	27,861	970	-	-	
Non-controlling interest liability	17,821	17,821	-	-	14,783	3,038	-	-	
Total	₩ 1,908,101	₩ 2,038,108	₩ 1,264,804	₩ 161,874	₩ 592,843	₩ 18,587	-	-	

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

As of December 31, 2024, the Group 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 ₩ 47 million (2023: ₩ 44 million) (see Notes 18 (f) and 30 (c)).

In addition, the Group provides contribution commitment for debt/equity instruments, Capital call agreement for overseas property fund and others. Maximum exposure of liquidity risk in relation to such agreements are equal to the agreed amount (see Note 30 (d)).

29. 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 at fair value through profit or loss ¹	₩	582,870	₩	687,388
Financial assets at fair value through other comprehensive income or loss		211,693		233,058
Derivative assets		-		7,751
Financial assets measured at amortized cost				
Cash and cash equivalents ¹		1,135,967		1,031,953
Other financial assets		494,021		378,565
Trade and other receivables		1,703,225		1,656,209
Long-term deposits		1,705,504		1,479,737
Subtotal		5,038,717		4,546,464
Total financial assets	₩	5,833,280	₩	5,474,661
Financial liabilities:				
Derivative liabilities	₩	32,801	₩	-
Financial liabilities measured at amortized cost				
Short-term borrowings		287,975		61,576
Long-term borrowings		250,159		174,791
Bond		907,934		299,165
Convertible bonds		27,388		23,378
Trade and other payables		1,308,373		1,284,893
Lease liabilities		48,746		46,478
Liabilities for non-controlling interests		7,072		17,821
Subtotal		2,837,647		1,908,102
Total financial liabilities	₩	2,870,448	₩	1,908,102

¹As of December 31, 2024, money market trust amounting to ₩ 1 million classified as cash equivalents are included in the financial assets at fair value through profit or loss.

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

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

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

Details of the fair values of financial instruments measured by each 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
Fair value through profit or loss	₩	582,870	₩ -	₩ 231,324	₩ 351,546
Fair value through other comprehensive income or loss		211,693	202,430	-	9,263
Total financial assets	₩	794,563	₩ 202,430	₩ 231,324	₩ 360,809
Derivative liabilities	₩	32,801	₩ -	₩ 32,801	₩ -

(in millions of Korean won)		2023			
		Carrying amount	Fair value		
			Level 1	Level 2	Level 3
Fair value through profit or loss ¹	₩	687,388	₩ -	₩ 299,638	₩ 387,750
Fair value through other comprehensive income or loss		233,058	223,553	-	9,505
Derivative assets		7,751	-	7751	-
Total financial assets	₩	928,197	₩ 223,553	₩ 307,389	₩ 397,255

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

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

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 the two years in the period ended December 31, 2024 are as follows:

(in millions of Korean won)

	2024		2023	
Beginning balance	₩	397,255	₩	367,456
Acquisition		40,403		64,931
Disposal		(45,244)		(28,915)
Changes in fair value		(26,646)		(6,217)
Others		(4,959)		-
Ending balance	₩	360,809	₩	397,255

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

(in millions of Korean won)

	2024					
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income or loss	Derivatives	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total
Profit for the period:						
Interest income	₩ -	₩ -	₩ -	₩ 115,584	₩ -	₩ 115,584
Dividend income	10,057	8,509	-	-	-	18,566
Loss on valuation	(18,500)	-	(61,359)	-	-	(79,859)
Gain on disposal	69	-	-	-	-	69
Gain on lease contract adjustments	-	-	-	-	95	95
Interest expense	-	-	-	-	(42,089)	(42,089)
Reversal of impairment loss	-	-	-	21,777	-	21,777
Total	₩ (8,374)	₩ 8,509	₩ (61,359)	₩ 137,361	₩ (41,994)	₩ 34,143
Other comprehensive income before tax:						
Net change in fair value	₩ -	₩ 14,360	₩ -	₩ -	₩ -	₩ 14,360
Total	₩ -	₩ 14,360	₩ -	₩ -	₩ -	₩ 14,360

(in millions of Korean won)

	2023					
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income or loss	Derivatives	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total
Profit for the period:						
Interest income	₩ -	₩ -	₩ -	₩ 74,685	₩ -	₩ 74,685
Dividend income	12,809	10,283	-	-	-	23,092
Gain or loss on valuation	19,191	-	(7,312)	-	-	11,879
Gain on disposal	33	-	-	-	-	33
Gain on lease contract adjustments	-	-	-	-	342	342
Interest expense	-	-	-	-	(45,706)	(45,706)
Reversal of impairment loss	-	-	-	13,450	-	13,450
Other financial expense	-	-	-	-	(172)	(172)
Total	₩ 32,033	₩ 10,283	₩ (7,312)	₩ 88,135	₩ (45,536)	₩ 77,603
Other comprehensive income before tax:						
Net change in fair value	₩ -	₩ 26,565	₩ -	₩ -	₩ -	₩ 26,565
Total	₩ -	₩ 26,565	₩ -	₩ -	₩ -	₩ 26,565

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

(g) Capital Management

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

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

<i>(in millions of Korean won)</i>		2024	2023
Total borrowings and bonds	₩	1,473,456	₩ 558,910
Less: Cash and cash equivalents		(1,135,968)	(1,031,953)
Less: Current other financial assets		(463,317)	(294,103)
Less: Current financial instruments measured at fair value through profit or loss		(244,941)	(342,933)
Net assets	₩	(370,770)	₩ (1,110,079)
Total equity	₩	9,358,465	₩ 9,294,935

30. Contingent Liabilities and Commitments

(a) Litigation cases

As of December 31, 2024, the Group has 25 cases of pending litigations under progress where the Group is the defendant and the litigation amounts are ₩ 174,971 million. It is not possible to reasonably predict the impact of the outcome of pending litigation on the consolidated financial statements of the Group as of December 31, 2024.

(b) Commitments with financial institutions

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

(in millions of Korean won or thousands of US dollars and thousands of Chinese Yuan)

Type	Financial institutions	Currency	Limit	Execution
Opening import letter of credits	Hana Bank and one other	USD	211,200	70,476
Derivatives trading ¹	Hana Bank and five others	USD	218,015	31,273
Trade receivables factoring agreement	Hana Bank	KRW	5,000	298
Insurance Contract for Compensation of Consumer damages in Sponsored Door-to-Door Sales	Korea Special Sales Financial Cooperative Association	KRW	507	-
Others	Korea Development Bank and six others	KRW	1,034,050	449,425
	Hana Bank Shanghai branch	CNY	32,490	32,490

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

As of December 31, 2024, the Group 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 collaterals provided by other parties to the Group as of December 31, 2024 are as follows:

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

Provider	Currency	Limit	Details
Korea Housing & Urban Guarantee Corporation	KRW	238,332	Housing distribution guarantee, etc.
Seoul Guarantee Insurance	KRW	31,058	License guarantee, etc.
GL Industrial Development Co., Ltd. and one individual	KRW	49,800	Joint guarantee
One individual	KRW	4,800	Joint guarantee
Korea SMEs And Startups Agency and one other	KRW	597	Loan agreements payment guarantee
ARCH	USD	79	Payment guarantees on license bond
America Bank	USD	500	Trade receivables payment guarantee
Garanti Bank and one other	TRY	29,000	Payment guarantee on customs, etc.
Hana Bank	USD	2,000	Performance and tender guarantee related to exporting reconstituted tobacco leaves
Alfa Bank and two others	RUB	5,248,034	Trade receivables payment guarantee

30. Contingent Liabilities and Commitments (cont'd)

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 Group has a recourse liability up to the limit of TWD 1,261,000 thousand to Citi Bank Taiwan.

Details of payment guarantees provided by the Group 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	W	-	76,720	9,160	Loan guarantee for the intermediate payment of off-plan sales construction ¹
Buyer of ePyeonghansesang Daejeon station Centum Vista	Hana Bank	W	8,000	8,000	515	
Buyer of Digital Empire Pyeongchon Biz Valley	Hana Bank	W	9,960	-	-	Loan guarantee for the contract deposit
Agency registered in Korea Special Sales Financial Cooperative Association	Korea Special Sales Financial Cooperative Association	W	-	502	-	Payment guarantee for deductibles and others of branch
Buyer of Goyang Hyangdong district knowledge industry center ²	Kookmin Bank and one other	W	-	6,343	5,286	Loan guarantee for the intermediate payment of off-plan sales construction
Marisana Enterprises Limited	Alfa Bank	RUB	-	14,384	14,384	Payment guarantee for rent

¹The amount guaranteed by Korea Housing & Urban Guarantee Corporation (80%) from the guarantee limit as described in the intermediate payment loan agreement is excluded from the amount.

²The above intermediate payment loan was not repaid by the loan maturity date, resulting in trigger clause in accordance with the intermediate payment loan business agreement with the financial institution. Financial institutions may request cancellation, termination, or subrogation of loan debt for sales contracts in which the above reasons for trigger clause have occurred, and the joint guarantor has the obligation to repay the sales contract holder's interim payment loan obligation with top priority. The above loan guarantee was terminated during the year ended December 31, 2024.

30. Contingent Liabilities and Commitments (cont'd)

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

(in millions of Korean won)	Carrying amount	Debt amount	Collateralized amount	Collateral holder	Type
Property, plant and equipment	₩ 22,742	₩ 10,000	₩ 15,600	KB Kookmin Bank	Long-term borrowings
	44,130	22,500	44,400	Korea Development Bank	Current portion of long-term and long-term borrowings
	19,270	27,000	40,800	Shinhan Bank and two others	Short-term borrowings
	29,154	-	2,400	Korea Development Bank	Collateral for limit loan agreement
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
	56,392	46,500	55,800	Mirae Asset Capital Co., Ltd.	Long-term borrowings ¹
Inventories	12,481	11,010	13,212	iM Bank and two others	Provision of preferential rights through real estate collateral trust contract
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
Pledge of profit rights	-	152,100	182,520	Shinhan Bank and two others (1st tier), OK Savings Bank and seven others (2nd tier), Daesang Construction Co., Ltd. (3rd tier)	Collateral for project financing ²
Investments in Associates	390	-	5,306	Hyundai Marine & Fire Insurance, NH Bank	Collateral for PF Loan of KORAMCO Banpo Project PFV Co., Ltd. ³
Total	₩ 426,520	₩ 288,318	₩ 392,947		

¹As of December 31, 2024, the Group has provided investment properties under real estate collateral trust agreements and insurance claim rights under insurance claim pledge agreements as collateral for borrowings.

²As of December 31, 2024, the Group has provided preferential beneficiary certificates under managed land trust agreements as collateral for borrowings. The amount of debts consists of a PF loan limit of ₩ 118,000 million and the initial estimated cost of the contract construction of ₩ 34,100 million.

³Equity holdings of all equity 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
Cash and cash equivalents	Establishment of a pledge to savings	₩ -	₩ 4,765
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, etc.	4	424
	Innergim Mall payment guarantee	-	110
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	₩ 110,947	₩ 116,659

As of December 31, 2024, cash and cash equivalents and short-term financial instruments of ₩ 21,891 million held by the Group are deposited in a trust account in accordance with the managed land trust contract and fund management business entrustment contract.

The contracted amount for the acquisition of major items of property, plant and equipment that have not yet been incurred as of December 31, 2024 is ₩ 165,240 million.

30. Contingent Liabilities and Commitments (cont'd)

(d) Others

Each year, the Group 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 Group inflicts damage on tobacco consumers due to any illegal activities committed by the Group 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 Group, in whole, after 25 years from each date of deposit. The Group 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 Group has entered into a contract with agronomists for green ginseng, where the Group is to purchase a determined volume of ginseng after 6 years from the date of contract; as of December 31, 2024, the Group recognizes the initial contract payment as long-term advance payments and current portion of long-term advance payment, in the amount of ₩ 100,605 million and ₩ 35,206 million, respectively (as of December 31, 2023: ₩ 105,725 million and ₩ 37,295 million, respectively)

As of December 31, 2024, the Group has a management trust agreement in place with Marriott International Management Company B.V., and has been provided with the international public relations services by Global Hospitality Licensing S.A.R.L. Furthermore, the Group has been provided with the technical advice by Marriott International Design & Construction Services, Inc.

The Group 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 Group 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 Group has entered into currency hedge capital call agreement in relations to the Group'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 nine-month period ended December 31, 2024 is ₩ 17,564 million.

The Group 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 and Smilegate New Deal Fund, etc., with the ceiling of ₩ 150,131 million and USD 15,000 thousand. As of December 31, 2024, the remaining contribution amount is ₩ 48,728 million and USD 760 thousand, and the detailed timeline for contribution is yet to be determined.

30. Contingent Liabilities and Commitments (cont'd)

The Group has entered into a contribution agreement in relations to equity instrument 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 transfer of equity shares in Cheongna Medipolis PFV Co., Ltd., the equity shares of Cheongna Medipolis Development Co., Ltd., a subsidiary of the Parent Company, should also be transferred.

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

The Group has entered into a land-sales contract during the year ended December 31, 2018 and completed the balance payment during the year ended December 31, 2020. The land should be used for constructing a building in accordance with the business plan submitted to the authority of Gwacheon City and a certain part of the building should be used for designated purposes stated in the business plan for 10 years from the date of registration of preservation of ownership.

The Parent Company has a joint disposal right to demand other investors to dispose their ownership under the same condition of the Parent Company's disposal of Mastern No.144 PFV Co., Ltd.'s shares. Also, if the shareholders other than the Parent Company dispose the shares by obtaining the approvals from the Board of Directors and Shareholders, the Parent 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 the shares, to the Parent Company.

As of December 31, 2024, the Group is being provided with a commitment to complete the construction and guarantee from contractors and mutual aid associations for the sale contract of (ePyeonhangesang Daejeon Station Centum Vista, etc.) proceeded by the Group.

As of December 31, 2024, in relation to construction of mixed-use building at Nokbeon-dong performed by the Group, 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 Group is obligated to return infrastructure such as roads and neighborhood 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 the years ended December 31, 2024 and 2023 (see Note 22).

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

30. Contingent Liabilities and Commitments (cont'd)

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

As of December 31, 2024, in relation to the ePyeonhangesang Daejeon Station Centum Vista sales project, the Group has agreed with the constructor (DL Construction Co., Ltd.) to compensate for the liabilities incurred by the contractor due to termination of the contract with the sub-subsidiary for the amount of ₩ 6,028 million loaned to the sub-subsidiary and problems related to the loan contract such as non-repayment of the loan.

During the year ended December 31, 2022, in relation to the construction of residential and commercial complexes in Sangbong-dong, the Group 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 Group also promised to pay ₩ 10 billion to Bando Engineering & Construction Co., Ltd. in instalment 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.

During the year ended December 31, 2024, the Parent Company signed a financial support letter for its subsidiaries, KT&G USA Corporation, Yungjin Pharm. Co., Ltd., and Cosmococ Co., Ltd., to provide operating funds, debt repayment and other management-related business support.

As of December 31, 2024, the Parent 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 Parent Company and KT&G USA Corporation cannot predict the ultimate outcome of the investigation and its impact as of December 31, 2024.

The Group is 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 Group's business in Russia and its financial position therein cannot be reasonably estimated as of December 31, 2024.

According to the project finance loan agreement for the Gangnam Station business complex development project as of December 31, 2024, in the event of trigger clause, such as failure to pay the loan principal and interest, the Parent Company's subsidiaries may lose all rights related to the project and take any action, including transferring all rights related to the project to a person designated by the agent financial institution.

31. Cash Flows

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

<i>(in millions of Korean won)</i>	2024		2023	
Profit for the year	₩	1,164,999	₩	922,361
Operating profit from continuing operations		1,172,136		929,546
Operating loss from discontinued operation		(7,137)		(7,185)
Adjustments:				
Employee welfare		21,343		10,540
Retirement benefits		52,922		43,000
Loss on valuation or obsolescence of inventories		11,853		8,338
Depreciation		219,080		210,840
Amortization		31,179		30,233
impairment loss (Reversal of impairment loss) on trade and other receivables		(22,069)		(13,202)
Loss on foreign currency translation		50,158		98,696
Loss on valuation of derivatives		65,904		21,214
Loss on disposal of property, plant and equipment		587		3,230
Loss on impairment of property, plant and equipment		37,012		9,633
Loss on disposal of intangible assets		634		392
Loss on impairment of intangible assets		357		826
Loss on disposal of investment properties		403		86
Loss on impairment of investment properties		33,835		-
Loss on disposal of right-of-use assets		-		167
Loss on impairment of right-of-use assets		2,067		-
Loss on disposal of assets held for sale		196		-
Other expenses, etc.		18,673		4,958
Finance cost		91,635		67,641
Share based payment expense		1,493		158
Income tax expense		393,803		318,836
Gain on foreign currency translation		(377,205)		(94,191)
Gain on valuation of derivatives		(4,545)		(13,901)
Gain on disposal of property, plant and equipment		(3,727)		(4,515)
Gain on disposal of intangible assets		(31)		(3)
Gain on disposal of investment property		(16,114)		(7,333)
Gain on disposal of assets held for sale		(58,394)		-
Gain on disposal of investments in associates and joint ventures		-		(9)
Other income, etc.		(17,489)		(8,354)
Finance income		(165,266)		(139,103)
Increase of investments in associates and joint ventures due to share of net gain/loss		(19,232)		(9,610)

31. Cash Flows (cont'd)

<i>(in millions of Korean won)</i>	2024	2023
Changes in working capital:		
Decrease (increase) in trade and other receivables	(12,835)	8,711
Decrease (increase) in derivatives	(20,807)	8,006
Decrease (increase) in inventories	(175,531)	18,985
Increase in accrued tobacco excise and other taxes	(84,462)	(54,045)
Increase in advance payments	(65,398)	(88,946)
Decrease (increase) in prepaid expenses	(61,063)	20,485
Increase in trade and other payables	32,866	338,069
Increase (decrease) in advance receipts	53,936	(5,840)
Increase (decrease) in tobacco excise and other taxes payable	12,220	(28,357)
Decrease in provision for site restoration	(103)	(84)
Decrease in net defined benefit liabilities	(44,221)	(31,630)
Cash flows from operations	₩ 1,148,663	₩ 1,646,282

(b) Material transactions without cash inflows and outflows 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
Reclassification of property, plant and equipment to investment properties	₩ 8,090	₩ 13,722
Reclassification of construction-in-progress assets (property, plant and equipment, intangible assets and investment properties) upon completion	311,913	194,478
Increase or decrease in other payable related to the acquisition of property, plant and equipment	(13,754)	22,766
Reclassification of investment properties to inventories	135,657	56,959

31. 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)

	2024			
	Beginning balance	Cash flow from financing activities	Others	Ending balance
Dividends payable	₩ -	₩ (586,620)	₩ 586,620	₩ -
Short-term borrowings (including current portion of long-term borrowings)	89,097	203,150	31,918	324,165
Long-term borrowings	147,671	96,415	(30,118)	213,968
Bonds	299,165	589,612	19,157	907,934
Convertible bonds ¹	22,977	-	-	22,977
Lease liabilities	46,478	(26,439)	28,707	48,746
Total	₩ 605,388	₩ 276,118	₩ 636,284	₩ 1,517,790

¹The amount excludes consideration for conversion right.

(in millions of Korean won)

	2023			
	Beginning balance	Cash flow from financing activities	Others	Ending balance
Dividends payable	₩ 20,008	₩ (776,434)	₩ 756,426	₩ -
Short-term borrowings (including current portion of long-term borrowings)	76,755	(26,670)	39,012	89,097
Long-term borrowings	78,808	60,417	8,446	147,671
Bonds	-	295,867	3,298	299,165
Convertible bonds ¹	-	22,977	-	22,977
Lease liabilities	37,609	(25,326)	34,195	46,478
Total	₩ 213,180	₩ (449,169)	₩ 841,377	₩ 605,388

¹The amount excludes the consideration for conversion right.

(d) The Group 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.

32. Non-Controlling Interests

(a) For subsidiaries in which the Group holds a material portion of non-controlling interests, details of their profit or loss and net profit and accumulated non-controlling interests allocated to the Group's non-controlling interests for each of the two years in the period ended December 31, 2024 are as follows:

2024						
(in millions of Korean won)	Share of non-controlling interest (%)	Beginning balance of accumulated non-controlling interests	Changes in scope of consolidation	Net profit or loss distributed to non-controlling interests	Others	Ending balance of accumulated non-controlling interests
Yungjin Pharm. Co., Ltd.	47.55	₩ 45,470	₩ -	₩ 586	₩ (505)	₩ 45,551
Cosmocos Co., Ltd.	1.44	209	-	65	(3)	271
DNC Deogeun Co., Ltd.	61.75	73,027	-	446	-	73,473
Ednthepinecentral Seocho	21.35	1,824	-	(1,824)	-	-
Total		₩ 120,530	₩ -	₩ (727)	₩ (508)	₩ 119,295

2023						
(in millions of Korean won)	Share of non-controlling interest (%)	Beginning balance of accumulated non-controlling interests	Changes in scope of consolidation	Net profit or loss distributed to non-controlling interests	Others	Ending balance of accumulated non-controlling interests
Yungjin Pharm. Co., Ltd.	47.55	₩ 42,733	₩ -	₩ (1,842)	₩ 4,579	₩ 45,470
Cosmocos Co., Ltd.	1.44	203	-	8	(2)	209
DNC Deogeun Co., Ltd.	61.75	-	50,096	22,931	-	73,027
Ednthepinecentral Seocho	21.35	-	3,760	(1,398)	(538)	1,824
Total		₩ 42,936	₩ 53,856	₩ 19,699	₩ 4,039	₩ 120,530

(b) The condensed information on cash flows for subsidiaries in which the Group holds a material portion of non-controlling interests for each of the two years in the period ended December 31, 2024 is as follows:

2024				
(in millions of Korean won)	Yungjin Pharm. Co., Ltd.	Cosmocos Co., Ltd.	DNC Deogeun Co., Ltd.	Ednthepinecentral Seocho
Cash flows from (used in) operating activities	₩ 21,741	₩ 8,372	₩ (20,872)	₩ (15,391)
Cash flows from (used in) investing activities	(18,302)	(2,212)	4,380	-
Cash flows from (used in) financing activities	(7,212)	(1,469)	5,520	15,317
Net increase (decrease) in cash and cash equivalents	₩ (3,773)	₩ 4,691	₩ (10,972)	₩ (74)
Cash and cash equivalents at January 1	7,208	2,962	27,230	139
Effect of exchange rate fluctuations on cash and cash equivalents denominated in foreign currency	1	15	-	-
Cash and cash equivalents at December 31	₩ 3,436	₩ 7,668	₩ 16,258	₩ 65

2023				
(in millions of Korean won)	Yungjin Pharm. Co., Ltd.	Cosmocos Co., Ltd.	Yungjin Pharm. Co., Ltd.	Cosmocos Co., Ltd.
Cash flows from (used in) operating activities	₩ (10,224)	₩ 3,229	₩ 90,534	₩ (286)
Cash flows used in operating activities	(13,017)	(1,358)	(84,327)	-
Cash flows from (used in) operating activities	29,766	(1,619)	(12)	(1,243)
Net increase (decrease) in cash and cash equivalents	₩ 6,525	₩ 252	₩ 6,195	₩ (1,529)
Cash and cash equivalents at January 1	683	2,713	-	-
Changes in scope of consolidation	-	-	21,035	1,668
Effect of exchange rate fluctuations on cash and cash equivalents denominated in foreign currency	-	(3)	-	-
Cash and cash equivalents at December 31	₩ 7,208	₩ 2,962	₩ 27,230	₩ 139

32. Non-Controlling Interests (cont'd)

(c) The Group has presented non-controlling interests of 49% and 7.5% in Gwacheon Sangsang PFV and Mastern No.144 PFV Co. Ltd., its subsidiaries, as non-controlling interest liabilities in its consolidated financial statements, and gains and losses related thereto are recognized as interest expense, since the survival period of such subsidiaries is limited and the Group cannot exercise its control over the period as well.

33. Assets Held for Sale and Discontinued Operations

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

(in millions of Korean won)

	2024	2023
Beginning balance	₩ -	₩ -
Transfer and others ¹	78,612	-
Disposal	(78,612)	-
Ending balance	₩ -	₩ -

¹Consists of ₩ 78,612 million which was reclassified from investment properties (see Note 12).

As of December 14, 2021, the Group has discontinued KT&G USA Corporation business as the Group determined it necessary to revisit the entire global business strategy, following the enhanced US tobacco regulations and growing market competition which warrant reconsideration of conducting the US business segment.

33. Assets Held for Sale and Discontinued Operations (cont'd)

(b) Details of profit or loss from discontinued operation for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>	2024 ¹	2023
Sales	₩ -	₩ -
Cost of sales	-	-
Selling, general and administrative expense	(6,497)	(6,848)
Operating loss	(6,497)	(6,848)
Other income	1	267
Other expense	(682)	(770)
Finance income	155	166
Finance costs	-	-
Loss on discontinued operation, before tax	(7,023)	(7,185)
Income tax expense	(114)	-
Loss on discontinued operation, after tax	(7,137)	(7,185)
Exchange differences on translating foreign operations	(2,099)	(516)
Total comprehensive loss on discontinued operation	₩ (9,236)	₩ (7,701)

¹Profits or losses from discontinued operation for the year ended December 31, 2024 are the amount after adjusting the effects of inventory returns within the Group.

Profits or loss from discontinued operation for each of the two years in the period ended December 31, 2024 are entirely attributed to the Parent Company.

(c) Details of cash flows from discontinued operation 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
Cash flows used in operating activities	₩ (4,782)	₩ (4,468)
Cash flows from investing activities	125	118
Cash flows used in financing activities	(971)	(949)
Differences arising from changes in exchange rates on cash and cash equivalents presented in foreign currency	1,433	384
	₩ (4,195)	₩ (4,915)

34. Business Combination

(a) The Parent Company acquired 50% + 1 share of the issued share capital of CENTRAL PHARM INC. and obtained the control on November 1, 2024, to generate revenue from strengthening the distribution and sales of health functional foods.

In relation to the business combination above, the consideration paid, the carrying amount of assets acquired, and liabilities assumed at the acquisition date are as follows:

<i>(in millions of Korean won)</i>	Amount
Consideration transferred	
Cash	₩ 9,000
Assets acquired	12,230
Cash and cash equivalents	2,746
Trade and other receivables	495
Inventories	2,961
Intangible assets	4,875
Other assets	1,153
Liabilities assumed	6,530
Borrowings	1,780
Trade and other payables	2,464
Income tax liabilities	-
Other liabilities	2,286
Fair value of identifiable net assets	₩ 5,700
Non-controlling interest ¹	₩ -
Goodwill	3,300

¹The non-controlling shareholders have the right to exercise the disposal of their shares for ten years from the date when one year has elapsed from the grant date of the option and the Group is obliged to purchase these shares accordingly. Therefore, the present value of the exercise price is measured as financial liabilities, and the non-controlling interest is derecognized.

Sales and profits recognized for the year ended December 31, 2024 do not include amounts incurred prior to the business combination. Had the business combination occurred from January 1, 2024, the Group's sales would have increased by ₩ 6,402 million and its profit would have decreased by ₩ 3,553 million.

35. Events After the Reporting Period

In January 2025, the Parent Company newly established KT&G GLOBALTAS with the resolution of the Board of Directors on November 1, 2024 and establishment contribution of USD 19,000 thousand was completed.

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

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

On February 20, 2025, the Parent 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.

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

The Parent Company disposed 17,453 treasury shares for the purpose of paying CEO's short-term performance bonus and partial treasury share payment as executive compensation with the resolution of the board of directors on February 24, 2025.

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

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 and its subsidiaries (collectively referred to as the "Group") and the consolidated financial statements of the Group 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 ("ICFR")
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 and its subsidiaries (collectively referred to as the "Group") based on the Conceptual Framework for Design 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 Group'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 consolidated statement of financial position as of December 31, 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including material accounting policy information, of the Group, 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 Group 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 Group's ICFR process.

Auditor's responsibilities for the audit of ICFR

Our responsibility is to express opinion on the Group'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

The ICFR of a company and its subsidiaries 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 consolidated financial statements for external purposes in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS"). The ICFR of a company and its subsidiaries 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 and its subsidiaries; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with KIFRS, and that receipts and expenditures of the company and its subsidiaries are being made only in accordance with authorizations of management and directors of the company and its subsidiaries; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company and its subsidiaries' assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, ICFR may not prevent, or detect misstatements of the consolidated 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 Group's ICFR and may result in modifications to this report.</p>

ICFR Operating Evaluation Report by CEO

ICFR Operating Evaluation Report by CEO (Consolidated)

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 Consolidated 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 Consolidated 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)

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

February 5, 2025

Kyung Man Bang (Signature)

Chief Executive Officer

Yong Bum Kim (Signature)

Internal Accounting Manager

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

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	Related Companies	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.	KT&G Corporation, Korea Ginseng Corporation and 5 other companies	No material weaknesses were found. KT&G Corporation and 6 other companies' ICFR Teams, Aug. '24, Jan '25
	<Supervision through Internal Audit Department> The Audit Committee supervises the ICFR system and employee misconduct through the internal audit department.	KT&G Corporation, Korea Ginseng Corporation and 5 other companies	No material weaknesses were found. KT&G Corporation and 6 other companies' ICFR Teams, Aug. '24, Jan '25
	<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.	KT&G Corporation, Korea Ginseng Corporation and 5 other companies	No material weaknesses were found. KT&G Corporation and 5 other companies' ICFR Teams, Korea Ginseng Corporation China's Finance Team, Dec '24, Jan '25
	<Establishment 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.	KT&G Corporation, Korea Ginseng Corporation and 5 other companies	No material weaknesses were found. KT&G Corporation and 5 other companies' ICFR Teams, Korea Ginseng Corporation China's Finance Team, Dec '24, Jan '25
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, etc.	KT&G Corporation, Korea Ginseng Corporation and 4 other companies	No material weaknesses were found. KT&G Corporation and 4 other companies' ICFR Teams, Korea Ginseng Corporation China's Finance Team, Aug. Nov~Dec '24, Jan '25
	<Review and Approval of Funds Transfers> SAP Firm Banking and Internet Banking transfers are processed through review and approval by the Treasury manager. (*)Edn the pine central Seocho : by the Director of KT&G Real Estate Biz. Division	KT&G Global Rus, Edn the pine central Seocho Co., Ltd.	No material weaknesses were found. KT&G Global Rus's ICFR team, Edn the pine central Seocho Co., Ltd.'s Advisory firm, Sep, Nov '24, Jan '25

Category	Control Activities performed by the Company	Related Companies	Design & Operational Evaluation Results (responsible department, inspection period, etc.)
Treasury Control	<p><Vendor Account Registration and Modification Approval></p> <p>The Bank Account Reviewer(Finance/ Treasury manager) verifies and approves the information requested for registration/ modification in the system matches the details.</p>	KT&G Corporation, Korea Ginseng Corporation and 4 other companies	<p>No material weaknesses were found.</p> <p>KT&G Corporation and 4 other companies' ICFR Teams, Korea Ginseng Corporation China's Finance Team, Aug~Sep, Nov~Dec '24, Jan '25</p>
	<p>< System Setting to Restrict Bank Account Entry ></p> <p>When preparing an expenditure slip, the system is configured to allow only pre-registered accounts to be entered.</p>	KT&G Corporation, Korea Ginseng Corporation and 4 other companies	<p>No material weaknesses were found.</p> <p>KT&G Corporation and 4 other companies' ICFR Teams, Korea Ginseng Corporation China's Finance Team, Aug, Dec '24, Jan '25</p>
	<p><Automatic Slips Generation for Deposit/ Withdrawal></p> <p>The system is configured to automatically generate deposit/ withdrawal slips for bank account transactions.</p>	KT&G Corporation, Korea Ginseng Corporation and 4 other companies	<p>No material weaknesses were found.</p> <p>KT&G Corporation and 4 other companies' ICFR Teams, Korea Ginseng Corporation China's Finance Team, Aug, Nov~Dec '24, Jan '25</p>
	<p><Bank Account Balance Reconciliation and Approval ></p> <p>The Treasury(Finance) manager reconciles the system balance with the balance on the supporting documents received from the bank and approves it.</p> <p>(*)Edn the pine central Seocho : by the Finance manager of KT&G Real Estate Biz. Division</p>	KT&G Corporation, Korea Ginseng Corporation and 6 other companies	<p>No material weaknesses were found.</p> <p>KT&G Corporation and 5 other companies' ICFR Teams, Korea Ginseng Corporation China's Finance Team, Edn the pine central Seocho Co, Ltd.'s Advisory firm, Aug~Sep, Nov~Dec '24, Jan '25</p>
	<p><Approval of Financial Product Subscription / Termination></p> <p>The Treasury(Finance) manager verifies and approves whether the slip and electronic approval documents match the details.</p>	KT&G Corporation, Korea Ginseng Corporation and 3 other companies	<p>No material weaknesses were found.</p> <p>KT&G Corporation and 4 other companies' ICFR Teams, Aug~Sep, Nov~Dec '24, Jan '25</p>
	<p><Long-term Unused Bank Accounts Monitoring></p> <p>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.</p> <p>(*)Edn the pine central Seocho : by the Director of KT&G Real Estate Biz. Division</p>	KT&G Corporation, Korea Ginseng Corporation and 6 other companies	<p>No material weaknesses were found.</p> <p>KT&G Corporation and 5 other companies' ICFR Teams, Korea Ginseng Corporation China's Finance Team, Edn the pine central Seocho Co, Ltd.'s Advisory firm, Dec '24, Jan '25</p>

Category	Control Activities performed by the Company	Related Companies	Design & Operational Evaluation Results (responsible department, inspection period, etc.)
Treasury Control	<p><Physical Control and Approval of Seal Stamping> The general Affairs Team Leader(Treasury manager) reviews the official document request for the corporate/ authorized seal stamping from the relevant department and signs the usage details on the seal management ledger. and the corporate/ authorized seal is physically stored separately. (*)Edn the pine central Seocho : reviewed by the PIC of KT&G Real Estate Biz. Division</p>	KT&G Corporation, Korea Ginseng Corporation and 4 other companies	<p>No material weaknesses were found.</p> <p>KT&G Corporation and 3 other companies' ICFR Teams, Korea Ginseng Corporation China's Finance Team, Edn the pine central Seocho Co., Ltd.'s Advisory firm, Aug~Sep, Nov~Dec '24, Jan '25</p>
	<p><Approval of the Loan Agreement and Execution> The Treasury(Finance) manager verifies and approves whether the slip and electronic approval documents match the details, and obtains approval from the Board of Directors if necessary. (*)Edn the pine central Seocho : by the Director of KT&G Real Estate Biz. Division</p>	KT&G Corporation, Korea Ginseng Corporation and 4 other companies	<p>No material weaknesses were found.</p> <p>KT&G Corporation and 3 other companies' ICFR Teams, Korea Ginseng Corporation China's Finance Team, Edn the pine central Seocho Co., Ltd.'s Advisory firm, Aug~Sep, Nov '24, Jan '25</p>
	<p><Approval of Corporate Bond Issuance Plan> The Head of the Finance Center(Treasury manager) reviews the scale and timing of financing through corporate bonds and obtains approval from the Board of Directors.</p>	KT&G Corporation, Youngjin Pharm. Co., Ltd.	<p>No material weaknesses were found.</p> <p>KT&G Corporation and 1 other company's ICFR Teams, Aug, Sep, Nov '24</p>
	<p><Approval of Corporate Bond Issuance> The Treasury manager verifies and approves whether the slip and electronic approval documents match the details.</p>	KT&G Corporation, Youngjin Pharm. Co., Ltd.	<p>No material weaknesses were found.</p> <p>KT&G Corporation and 1 other company's ICFR Teams, Aug, Sep, Nov '24</p>