



# **KT&G Corporation**

Interim separate financial statements  
for each of the three-month periods ended March 31, 2025 and 2024  
with the independent auditor's review report

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

(English translation of a report originally issued in Korean)

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

We have reviewed the accompanying interim separate financial statements of KT&G Corporation (the “Company”), which comprise the interim separate statement of financial position as of March 31, 2025, and the related interim separate statements of comprehensive income, interim separate statements of changes in equity and interim separate statements of cash flows for each of the three-month periods ended March 31, 2025 and 2024 and a summary of material accounting policy information and other explanatory information.

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

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

### **Auditor’s responsibility**

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

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

### **Conclusion**

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

#### Other matter

We have audited the separate statement of financial position as of December 31, 2024, and the related separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended (not presented herein) in accordance with KSA, and our report dated March 4, 2025 expressed an unqualified opinion thereon. The accompanying separate statement of financial position as of December 31, 2024, presented for comparative purposes, is not different, in all material respects, from the above audited separate statement of financial position.

*Ernst & Young Han Young*

May 9, 2025

This review report is effective as of May 9, 2025, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's review report to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim separate financial statements and may result in modifications to this review report.

# **KT&G Corporation**

## **Interim separate financial statements** **for each of the three-month periods ended March 31, 2025 and 2024**

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

Kyung-Man Bang  
Chief Executive Officer  
KT&G Corporation

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# KT&G Corporation

## Interim separate statements of financial position

As of March 31, 2025 (unaudited) and December 31, 2024



(in millions of Korean won)

|  | Notes      |   | March 31, 2025    |   | December 31, 2024 |
|--|------------|---|-------------------|---|-------------------|
| <b>Assets</b>  |            |   |                   |   |                   |
| <b>Current assets</b>  |            |   |                   |   |                   |
| Cash and cash equivalents  | 23         | ₩ | 300,201           | ₩ | 588,812           |
| Current other financial assets   | 23,24      |   | 155,205           |   | 155,205           |
| Current financial assets measured at fair value through profit or loss                       | 23         |   | 231,717           |   | 244,941           |
| Trade and other receivables  | 5,17,22,23 |   | 1,738,975         |   | 1,621,550         |
| Inventories  | 6          |   | 1,327,056         |   | 1,316,201         |
| Refund assets and others   |            |   | 5,027             |   | 5,283             |
| Accrued tobacco excise and other taxes   |            |   | 184,538           |   | 194,309           |
| Advanced payments  |            |   | 1,365             |   | 573               |
| Prepaid expenses   |            |   | 50,651            |   | 40,005            |
| <b>Total current assets</b>  |            |   | <b>3,994,735</b>  |   | <b>4,166,879</b>  |
| <b>Non-current assets</b>  |            |   |                   |   |                   |
| Long-term other financial assets   | 23,24      |   | 68,582            |   | 30,702            |
| Long-term deposits in MSA Escrow Fund  | 23,24      |   | 1,721,419         |   | 1,705,504         |
| Long-term financial assets measured at fair value through profit or loss                     | 23,24      |   | 335,894           |   | 330,549           |
| Long-term trade and other receivables  | 5,22,23    |   | 275,129           |   | 212,897           |
| Long-term financial assets measured at fair value through other comprehensive income or loss | 23         |   | 183,236           |   | 185,461           |
| Investments in associates and joint ventures   | 7,22,24    |   | 458,970           |   | 458,970           |
| Investments in subsidiaries  | 8,22,24    |   | 1,659,022         |   | 1,591,674         |
| Property, plant and equipment  | 9,22,24    |   | 1,526,927         |   | 1,505,680         |
| Intangible assets  | 10         |   | 127,204           |   | 132,821           |
| Investment properties  | 11,24      |   | 720,423           |   | 741,435           |
| Right-of-use assets  | 12,22      |   | 20,079            |   | 21,440            |
| Long-term prepaid expenses   |            |   | 14,793            |   | 10,093            |
| Deferred income tax assets   | 21         |   | 1,881             |   | 317               |
| Net defined benefit assets   | 15         |   | 4,603             |   | 7,014             |
| <b>Total non-current assets</b>  |            |   | <b>7,118,162</b>  |   | <b>6,934,557</b>  |
| <b>Total assets</b>  |            | ₩ | <b>11,112,897</b> | ₩ | <b>11,101,436</b> |
| <b>Liabilities</b>   |            |   |                   |   |                   |
| <b>Current liabilities</b>   |            |   |                   |   |                   |
| Short-term borrowings  | 13,23      | ₩ | 130,000           | ₩ | 250,000           |
| Current portion of bonds   | 14,23      |   | 99,923            |   | 99,895            |
| Trade and other payables   | 22,23,24   |   | 1,692,394         |   | 1,295,134         |
| Derivative liabilities   | 23,24      |   | 12,119            |   | 32,801            |
| Current lease liabilities  | 22,23      |   | 6,374             |   | 6,903             |
| Advanced receipts  | 17         |   | 78,040            |   | 56,084            |
| Current refund liabilities and provisions  | 16         |   | 10,955            |   | 12,268            |
| Current income tax liabilities   | 21         |   | 153,429           |   | 171,051           |
| Tobacco excise and other taxes payables  |            |   | 538,408           |   | 561,198           |
| <b>Total current liabilities</b>   |            |   | <b>2,721,642</b>  |   | <b>2,485,334</b>  |
| <b>Non-current liabilities</b>   |            |   |                   |   |                   |
| Long-term bonds  | 14,23      |   | 808,165           |   | 808,039           |
| Long-term trade and other payables   | 22,23,24   |   | 95,976            |   | 73,399            |
| Long-term lease liabilities  | 22,23      |   | 12,869            |   | 14,357            |
| Long-term advance receipts   | 17         |   | 9,823             |   | 9,437             |
| Long-term refund liabilities and provisions  | 16         |   | 2,872             |   | 3,374             |
| <b>Total non-current liabilities</b>   |            |   | <b>929,705</b>    |   | <b>908,606</b>    |
| <b>Total liabilities</b>   |            | ₩ | <b>3,651,347</b>  | ₩ | <b>3,393,940</b>  |

# KT&G Corporation

## Interim separate statements of financial position, continued

As of March 31, 2025 (unaudited) and December 31, 2024



(in millions of Korean won)

|                                     | Notes | March 31, 2025    | December 31, 2024   |
|-------------------------------------|-------|-------------------|---------------------|
| <b>Equity</b>                       |       |                   |                     |
| Share capital                       | ₩     | 954,959           | ₩ 954,959           |
| Other capital surplus               |       | 4,115             | 5,028               |
| Treasury shares                     |       | (835,253)         | (1,030,541)         |
| Gain on disposal of treasury shares |       | 529,807           | 529,029             |
| Reserves                            |       | 6,794,314         | 7,146,110           |
| Retained earnings                   |       | 13,608            | 102,911             |
| <b>Total equity</b>                 | ₩     | <b>7,461,550</b>  | ₩ <b>7,707,496</b>  |
| <b>Total liabilities and equity</b> | ₩     | <b>11,112,897</b> | ₩ <b>11,101,436</b> |

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

# KT&G Corporation

## Interim separate statements of comprehensive income

For each of the three-month periods ended March 31, 2025 and 2024 (unaudited)



(in millions of Korean won)

|  | Notes    | March 31, 2025 | March 31, 2024 |
|--|----------|----------------|----------------|
| <b>Sales</b>   | 4,22     | W 917,225      | W 791,799      |
| Manufacture of tobacco   |          | 745,740        | 710,586        |
| Real estate  | 17       | 92,507         | 41,322         |
| Exports of leaf tobacco and others   |          | 78,978         | 39,891         |
| <b>Cost of sales</b>   | 22       | (459,593)      | (388,103)      |
| Manufacture of tobacco   |          | (341,876)      | (336,368)      |
| Real estate  | 17       | (65,001)       | (21,374)       |
| Exports of leaf tobacco and others   |          | (52,716)       | (30,361)       |
| <b>Gross profit</b>  |          | 457,632        | 403,696        |
| Selling, general and administrative expense  | 18,22    | (258,600)      | (195,040)      |
| <b>Operating profit</b>  |          | 199,032        | 208,656        |
| Other income   | 19,22,23 | 64,764         | 117,370        |
| Other expense  | 19,22,23 | (33,261)       | (22,254)       |
| Finance income   | 20,22,23 | 47,192         | 48,961         |
| Finance costs  | 20,22,23 | (13,286)       | (7,436)        |
| <b>Profit before income tax</b>  |          | 264,441        | 345,297        |
| Income tax expense   | 21       | (56,808)       | (67,154)       |
| <b>Profit for the period</b>   |          | W 207,633      | W 278,143      |
| <b>Other comprehensive income (loss) for the year after income tax</b>   |          |                |                |
| Items that will not be reclassified to profit or loss  |          |                |                |
| Re-measurements of net defined benefit liabilities   | W        | 234            | W (113)        |
| Gain (loss) on valuation of financial assets measured at fair value through other comprehensive income or loss |          | (1,639)        | 19,027         |
|  |          | (1,405)        | 18,914         |
| <b>Total comprehensive income for the period</b>   |          | W 206,228      | W 297,057      |
| <b>Earnings per share</b>  |          |                |                |
| Basic and diluted (in Korean won)  |          | W 1,925        | W 2,465        |

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



**Interim separate statements of changes in equity**  
For each of the three-month periods ended March 31, 2025 and 2024 (unaudited)

(In millions of Korean won)

|   | Share capital | Other capital surplus | Treasury shares | Gains on disposal of treasury shares | Reserves    | Retained earnings | Total equity |
|---|---------------|-----------------------|-----------------|--------------------------------------|-------------|-------------------|--------------|
| <b>Balance as of January 1, 2024</b>  | ₩ 954,959     | ₩ 4,030               | ₩ (1,236,933)   | ₩ 528,894                            | ₩ 7,238,475 | ₩ 343,100         | ₩ 7,832,525  |
| <b>Total comprehensive income (loss) for the period</b>   | -             | -                     | -               | -                                    | -           | -                 | 278,143      |
| Profit for the period   | -             | -                     | -               | -                                    | -           | -                 | 278,143      |
| <b>Other comprehensive income (loss) for the period:</b>  | -             | -                     | -               | -                                    | -           | -                 | (113)        |
| Re-measurements of net defined benefit liabilities  | -             | -                     | -               | -                                    | -           | -                 | (113)        |
| Gain on valuation of financial assets measured at fair value through other comprehensive income or loss | -             | -                     | -               | -                                    | 19,027      | -                 | 19,027       |
| <b>Subtotal other comprehensive income (loss) for the period</b>  | -             | -                     | -               | -                                    | 19,027      | -                 | 19,027       |
| <b>Total comprehensive income (loss) for the period</b>   | -             | -                     | -               | -                                    | 19,027      | -                 | 18,914       |
| <b>Transactions with owners of the Company:</b>   | -             | -                     | -               | -                                    | -           | 278,030           | 297,057      |
| Dividends   | -             | -                     | -               | -                                    | -           | -                 | -            |
| Transfer from other reserve   | -             | -                     | -               | -                                    | -           | -                 | -            |
| Retirement of treasury shares   | -             | -                     | -               | -                                    | (108,140)   | (451,240)         | (451,240)    |
| Share options   | -             | (304)                 | 360             | 135                                  | -           | -                 | 191          |
| <b>Total transactions with owners of the Company</b>  | -             | (304)                 | 206,392         | 135                                  | (108,140)   | -                 | 191          |
| <b>Balance as of March 31, 2024</b>   | ₩ 954,959     | ₩ 3,726               | ₩ (1,030,541)   | ₩ 529,029                            | ₩ 7,149,362 | ₩ 71,998          | ₩ 7,678,533  |
| <b>Balance as of January 1, 2025</b>  | ₩ 954,959     | ₩ 5,028               | ₩ (1,030,541)   | ₩ 529,029                            | ₩ 7,146,110 | ₩ 102,911         | ₩ 7,707,496  |
| <b>Total comprehensive income (loss) for the period</b>   | -             | -                     | -               | -                                    | -           | 207,633           | 207,633      |
| Profit for the period   | -             | -                     | -               | -                                    | -           | -                 | 207,633      |
| <b>Other comprehensive income (loss) for the period:</b>  | -             | -                     | -               | -                                    | -           | -                 | 234          |
| Re-measurements of net defined benefit liabilities  | -             | -                     | -               | -                                    | -           | -                 | 234          |
| Loss on valuation of financial assets measured at fair value through other comprehensive income or loss | -             | -                     | -               | -                                    | (1,639)     | -                 | (1,639)      |
| <b>Subtotal other comprehensive income (loss) for the period</b>  | -             | -                     | -               | -                                    | (1,639)     | 234               | (1,405)      |
| <b>Total comprehensive income (loss) for the period</b>   | -             | -                     | -               | -                                    | (1,639)     | 207,867           | 206,228      |
| <b>Transactions with owners of the Company:</b>   | -             | -                     | -               | -                                    | -           | -                 | (453,069)    |
| Dividends   | -             | -                     | -               | -                                    | -           | -                 | (453,069)    |
| Transfer from other reserve   | -             | -                     | -               | -                                    | -           | -                 | -            |
| Retirement of treasury shares   | -             | -                     | 194,258         | -                                    | (350,157)   | 350,157           | -            |
| Share options   | -             | (913)                 | 1,030           | 778                                  | -           | (194,258)         | -            |
| <b>Total transactions with owners of the Company</b>  | -             | (913)                 | 195,288         | 778                                  | (350,157)   | -                 | 895          |
| <b>Balance as of March 31, 2025</b>   | ₩ 954,959     | ₩ 4,115               | ₩ (835,253)     | ₩ 529,807                            | ₩ 6,794,314 | ₩ 13,608          | ₩ 7,461,550  |

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

# KT&G Corporation

## Interim separate statements of cash flows

For each of the three-month periods ended March 31, 2025 and 2024 (unaudited)



(in millions of Korean won)

|  | Notes | March 31, 2025 | March 31, 2024 |
|--|-------|----------------|----------------|
| <b>Net cash flows provided by operating activities</b>                               |       | ₩ 149,317      | ₩ 230,536      |
| Cash generated from operations   | 25    | 224,806        | 283,448        |
| Income taxes paid  |       | (75,489)       | (52,912)       |
| <b>Net cash flows used in investing activities</b>                                   |       | (298,124)      | (296,430)      |
| Interest received  |       | 8,540          | 28,576         |
| Dividends received   |       | 14,952         | 61,088         |
| Decrease in other financial assets   |       | -              | 36             |
| Decrease in current financial assets measured at fair value through profit or loss   |       | 19,969         | 17,010         |
| Decrease in long-term financial assets measured at fair value through profit or loss |       | 1,183          | 1,407          |
| Disposal of property, plant and equipment  |       | 371            | 1,170          |
| Disposal of intangible assets  |       | 3,652          | 10             |
| Disposal of investment properties  |       | 105            | 5,143          |
| Collection of loans  |       | 5,510          | 4,258          |
| Collection of guarantee deposits   |       | 45             | 72             |
| Increase in other financial assets   |       | (37,880)       | -              |
| Increase in current financial assets measured at fair value through profit or loss   |       | (4,294)        | (182,668)      |
| Increase in long-term financial assets measured at fair value through profit or loss |       | (9,219)        | (10,554)       |
| Acquisition of property, plant and equipment   |       | (48,014)       | (75,238)       |
| Acquisition of intangible assets   |       | (5,835)        | (8,364)        |
| Acquisition of investment properties   |       | (42)           | (1,671)        |
| Acquisition of investments in associates and joint ventures                          |       | -              | (15,000)       |
| Acquisition of investments in subsidiaries   |       | (67,348)       | (113,667)      |
| Increase in loans  |       | (179,770)      | (7,961)        |
| Increase in guarantee deposits   |       | (49)           | (77)           |
| <b>Net cash flows provided by (used in) financing activities</b>                     |       | (134,911)      | 43,305         |
| Interest paid  |       | (12,683)       | (4,569)        |
| Repayment of lease liabilities   |       | (2,228)        | (2,126)        |
| Proceeds in short-term borrowings  |       | 805,000        | 50,000         |
| Repayment of short-term borrowings   |       | (925,000)      | -              |
| <b>Net decrease in cash and cash equivalents</b>                                     |       | (283,718)      | (22,589)       |
| <b>Cash and cash equivalents at the beginning of the period</b>                      |       | 588,812        | 210,392        |
| Effect of exchange rate fluctuation on cash and cash equivalents                     |       | (4,893)        | 5,211          |
| <b>Cash and cash equivalents at the end of the period</b>                            |       | ₩ 300,201      | ₩ 193,014      |

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

**1. Overview of the Company**

KT&G Corporation (the “Company”) is engaged in manufacturing and selling tobaccos. As of March 31, 2025, the Company has three manufacturing plants, including the Daejeon plant, and 11 local headquarters and 101 branches for the sale of tobacco throughout the country. Also, the Company has the Gimcheon plant for fabrication of leaf tobacco and the Cheonan printing plant for manufacturing of packaging material. The headquarters of the Company is located at 71, Beotkkot-gil, Daedeok-gu, Daejeon.

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

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

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

## **2. Material Accounting Policies**

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

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

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

### **(2) New and Amended Standards and Interpretations Adopted by the Company**

The Company does not have a history of early adoption of new accounting standards and interpretations that have been published but are not mandatory for the reporting period. There are various amendments and interpretations which have been applied for the first time in the 2025 reporting period. As of March 31, 2025, these amendments and interpretations do not have a significant impact on the interim separate financial statements.

*(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 the related information.

### **(3) Material Accounting Policies**

Material accounting policies and method of computation used in the preparation of the interim separate financial statements are consistent with those of the separate financial statements for the year ended December 31, 2024, except for the changes due to the application of amendment and enactments of standards described in Note 2.(2) and the one described below.

#### **(a) Income Tax Expense**

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

### 3. Material Accounting Estimates and Assumptions

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

Material accounting estimates and assumptions applied in the preparation of these interim separate financial statements are the same as those applied to the separate financial statements for the year ended December 31, 2024, except for the estimates used to determine the income tax expense.

### 4. Operating Segment

The Company obtains revenue by transferring goods and services over a period or at a point in time in the major business lines. The categories of major business lines are consistent with the revenue disclosure information per reporting segment in accordance with KIFRS 1108.

(in millions of Korean won)

|   |        |                      |   | March 31, 2025 | March 31, 2024 |
|---|--------|----------------------|---|----------------|----------------|
| Revenue recognized at a point in time:                          |        |                      |   |                |                |
| Sales of tobacco/merchandise and service revenue and others     | Korea  | Wholesale and retail | ₩ | 511,080        | ₩ 511,571      |
|   | Korea  | Direct sales         |   | 1,055          | 1,439          |
|   | Export | Wholesale and retail |   | 233,605        | 197,576        |
| Sales of semifinished tobacco products/raw materials and others | Korea  | Direct sales         |   | 4,837          | 1,286          |
|   | Export | Direct sales         |   | 74,141         | 38,605         |
| Sales and rental of real estate                                 | Korea  | Sales                |   | 3,006          | 6,323          |
| Subtotal  |        |                      |   | 827,724        | 756,800        |
| Revenue recognized over time:                                   |        |                      |   |                |                |
| Sales and rental of real estate                                 | Korea  | Sales                |   | 69,049         | 12,591         |
|   | Korea  | Rental               |   | 20,452         | 22,408         |
| Subtotal  |        |                      |   | 89,501         | 34,999         |
| Total   |        |                      |   | ₩ 917,225      | ₩ 791,799      |

**5. Trade and Other Receivables**

(a) Details of trade and other receivables as of March 31, 2025 and December 31, 2024 are as follows:

(in millions of Korean won)

|                    | March 31, 2025 |             | December 31, 2024 |             |
|--------------------|----------------|-------------|-------------------|-------------|
|                    | Current        | Non-current | Current           | Non-current |
| Trade receivables  | ₩ 1,034,882    | ₩ 132,477   | ₩ 1,077,892       | ₩ 87,249    |
| Loans              | 614,517        | 82,108      | 449,733           | 74,275      |
| Other receivables  | 35,354         | 15,734      | 31,542            | 15,840      |
| Guarantee deposits | 30,740         | 42,320      | 37,358            | 33,547      |
| Accrued income     | 23,482         | 2,490       | 25,025            | 1,986       |
| Total              | ₩ 1,738,975    | ₩ 275,129   | ₩ 1,621,550       | ₩ 212,897   |

(b) Details of allowances for doubtful accounts of trade and other receivables (as a gross amount before deduction of allowances for doubtful accounts) as of March 31, 2025 and December 31, 2024 are as follows:

(in millions of Korean won)

|                                 | March 31, 2025 |             | December 31, 2024 |             |
|---------------------------------|----------------|-------------|-------------------|-------------|
|                                 | Current        | Non-current | Current           | Non-current |
| Total carrying amount           | ₩ 1,783,380    | ₩ 400,940   | ₩ 1,663,401       | ₩ 312,303   |
| Allowances:                     |                |             |                   |             |
| Trade receivables               | (41,464)       | (90,131)    | (39,006)          | (63,486)    |
| Other receivables               | (2,941)        | (35,680)    | (2,845)           | (35,920)    |
| Total allowances                | (44,405)       | (125,811)   | (41,851)          | (99,406)    |
| Net trade and other receivables | ₩ 1,738,975    | ₩ 275,129   | ₩ 1,621,550       | ₩ 212,897   |

(c) Changes in allowance for doubtful accounts of trade and other receivables for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

(in millions of Korean won)

|                   | March 31, 2025 | March 31, 2024 |
|-------------------|----------------|----------------|
| Beginning balance | ₩ 141,257      | ₩ 187,361      |
| Impairment loss   | 28,959         | 6,824          |
| Ending balance    | ₩ 170,216      | ₩ 194,185      |

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

**6. Inventories**

(a) Details of inventories as of March 31, 2025 and December 31, 2024 are as follows:

(in millions of Korean won)

|                                       | March 31, 2025   |                          |                 | December 31, 2024 |                          |                 |
|---------------------------------------|------------------|--------------------------|-----------------|-------------------|--------------------------|-----------------|
|                                       | Acquisition cost | Valuation loss allowance | Carrying amount | Acquisition cost  | Valuation loss allowance | Carrying amount |
| Merchandise                           | ₩ 23,162         | ₩ (4,350)                | ₩ 18,812        | ₩ 31,171          | ₩ (5,728)                | ₩ 25,443        |
| Finished goods                        | 121,187          | (25,548)                 | 95,639          | 127,261           | (29,050)                 | 98,211          |
| Half-finished goods                   | 49,046           | (872)                    | 48,174          | 46,610            | (890)                    | 45,720          |
| Work in progress                      | 2,205            | -                        | 2,205           | 3,875             | -                        | 3,875           |
| Raw materials                         | 693,805          | (552)                    | 693,253         | 683,630           | (363)                    | 683,267         |
| Materials                             | 46,042           | (1,614)                  | 44,428          | 41,048            | (1,776)                  | 39,272          |
| Supplies                              | 65,924           | -                        | 65,924          | 65,620            | -                        | 65,620          |
| By-products                           | 9,378            | -                        | 9,378           | 6,750             | -                        | 6,750           |
| Buildings under construction          | 88,302           | -                        | 88,302          | 82,015            | -                        | 82,015          |
| Completed buildings                   | 88,117           | -                        | 88,117          | 90,720            | -                        | 90,720          |
| Sites for construction of real estate | 115,770          | -                        | 115,770         | 124,713           | -                        | 124,713         |
| Goods in transit                      | 57,054           | -                        | 57,054          | 50,595            | -                        | 50,595          |
| Total                                 | ₩ 1,359,992      | ₩ (32,936)               | ₩ 1,327,056     | ₩ 1,354,008       | ₩ (37,807)               | ₩ 1,316,201     |

(b) The amounts of loss (reversal) on valuation and obsolescence of inventories recognized for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

(in millions of Korean won)

|  | March 31, 2025 |         | March 31, 2024 |       |
|--|----------------|---------|----------------|-------|
| Cost of sales:   |                |         |                |       |
| Impairment loss (reversal) on valuation of inventories | ₩              | (4,871) | ₩              | 429   |
| Loss on obsolescence of inventories                    |                | 1,908   |                | 2,177 |
| Total  | ₩              | (2,963) | ₩              | 2,606 |

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

Details of investments in associates and joint ventures as of March 31, 2025 and December 31, 2024, are as follows:

(in millions of Korean won)

| Type           | Name of entity                                    | Location | Principal operation                                     | March 31, 2025 |                 | December 31, 2024 |                 |
|----------------|---|----------|---|----------------|-----------------|-------------------|-----------------|
|                |   |          |   | Ownership (%)  | Carrying amount | Ownership (%)     | Carrying amount |
| Associates     | LitePharmTech Co., Ltd. <sup>1</sup>              | Korea    | Manufacturing medical supplies                          | 12.53          | ₩ 1,830         | 12.53             | ₩ 1,830         |
|                | KORAMCO Banpo PFV Co., Ltd. <sup>1,2</sup>        | Korea    | Real estate investment, development and rental business | 18.95          | 5,306           | 18.95             | 5,306           |
|                | KOCREF 36 REIT                                    | Korea    | Real estate investment, development and rental business | 21.01          | 15,000          | 21.01             | 15,000          |
|                | KOCREF 41 REIT                                    | Korea    | Real estate investment, development and rental business | 26.47          | 39,569          | 26.47             | 39,569          |
|                | Cheongna Medipolis PFV Co., Ltd. <sup>3</sup>     | Korea    | Real estate development and sales                       | 51.01          | 101,000         | 51.01             | 101,000         |
|                | INNODIS Co., Ltd. <sup>1</sup>                    | Korea    | Advertizing agency                                      | 19.64          | 55              | 19.64             | 55              |
|                | SJ BIO MED Co., Ltd. <sup>1,4</sup>               | Korea    | Manufacturing medical devices                           | 14.39          | -               | 14.39             | -               |
|                | LSK Global Pharma Service Co., Ltd.               | Korea    | New medicine development                                | 21.92          | -               | 21.92             | -               |
|                | Mirae Asset KT&G Investment Fund I                | Korea    | Healthcare, ESG, New growth industry                    | 45.00          | 13,500          | 45.00             | 13,500          |
|                | KB KT&G New Growth Fund 1 <sup>5</sup>            | Korea    | Healthcare, New growth industry                         | 66.67          | 3,000           | 66.67             | 3,000           |
| Joint ventures | KORAMCO Europe Private REIT 3-2 Fund <sup>6</sup> | Korea    | Renting of real estate                                  | 51.35          | 19,890          | 51.35             | 19,890          |
|                | Starfield Suwon Inc.                              | Korea    | Real estate development and rental business             | 50.00          | 259,500         | 50.00             | 259,500         |
|                | Sangsang Loft Co., Ltd.                           | Korea    | Real estate development and rental business             | 50.00          | 320             | 50.00             | 320             |
| Total          |   |          |   |                | ₩ 458,970       |                   | ₩ 458,970       |

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

<sup>2</sup>As of March 31, 2025, the Company's investment in KORAMCO Banpo PFV Co., Ltd. is pledged as a collateral for a PF loan (See Note 24.(c)).

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

<sup>4</sup>As of March 31, 2025, the liquidation procedures are in progress.

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

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



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

For the year ended December 31, 2024, the Company disposed of KORAMCO Dongjak PFV Co., Ltd. and AndaStation Professional Investment Private REIT No.1, associates, and recognized gain on disposal of investment in associates of ₩ 394 million and ₩ 5,974 million, respectively.

For the year ended December 31, 2024, the Company additionally acquired equity securities of Mirae Asset KT&G Investment Fund I (45 shares for ₩ 4,500 million), an associate, through the issuance of new stocks.

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

For the year ended December 31, 2024, the Company additionally acquired ₩ 1,422 million in relation to KORAMCO Europe Private REIT 3-2 Fund, a joint venture, in accordance with a Capital call agreement (See Note 24.(d)).

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

**8. Investments in Subsidiaries**

(a) Details of investments in subsidiaries as of March 31, 2025 and December 31, 2024 are as follows:

(in millions of Korean won)

| Name of entity                              | Location   | Principal operation                        | March 31, 2025 |                 | December 31, 2024 |                 |
|---|------------|--|----------------|-----------------|-------------------|-----------------|
|   |            |  | Ownership (%)  | Carrying amount | Ownership (%)     | Carrying amount |
| Korea Ginseng Corporation                   | Korea      | Manufacturing and selling ginseng          | 100.00         | ₩ 762,130       | 100.00            | ₩ 762,130       |
| Yungjin Pharm. Co., Ltd.                    | Korea      | Manufacturing and selling pharmaceutical   | 52.45          | 73,299          | 52.45             | 73,299          |
| Tae-A Industrial Co., Ltd.                  | Korea      | Manufacturing reconstituted tobacco leaves | 100.00         | 60,029          | 100.00            | 60,029          |
| KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. | Türkiye    | Manufacturing and selling tobaccos         | 100.00         | 116,731         | 100.00            | 116,731         |
| Korea Tabacos do Brasil Ltda.               | Brazil     | Assistance with purchasing tobacco leaf    | 99.99          | 2,891           | 99.99             | 2,891           |
| KT&G Pars                                   | Iran       | Manufacturing and selling tobacco          | 99.99          | -               | 99.99             | -               |
| KT&G Rus L.L.C.                             | Russia     | Manufacturing and selling tobacco          | 100.00         | 68,947          | 100.00            | 68,947          |
| KT&G USA Corporation                        | USA        | Selling tobaccos                           | 100.00         | -               | 100.00            | -               |
| Cosmocos Co., Ltd.                          | Korea      | Manufacturing and selling cosmetics        | 98.56          | 22,759          | 98.56             | 22,759          |
| Renzoluc Pte., Ltd. <sup>1</sup>            | Singapore  | Holding Company                            | 100.00         | 163,104         | 100.00            | 163,104         |
| PT Trisakti Purwosari Makmur <sup>2</sup>   | Indonesia  | Manufacturing and selling tobacco          | 6.56           | 1,162           | 6.56              | 1,162           |
| SangSang Stay Inc.                          | Korea      | Hotel                                      | 100.00         | 32,068          | 100.00            | 32,068          |
| KT&G Global Rus L.L.C.                      | Russia     | Selling tobaccos                           | 100.00         | 936             | 100.00            | 936             |
| Gwacheon SangSang PFV. Inc                  | Korea      | Real estate development and sales business | 51.00          | 3,570           | 51.00             | 3,570           |
| KT&G Taiwan Corporation                     | Taiwan     | Selling tobaccos                           | 100.00         | 8,081           | 100.00            | 8,081           |
| Mastern No. 144 PFV Co., Ltd. <sup>3</sup>  | Korea      | Real estate development and sales business | 92.50          | 11,260          | 92.50             | 11,260          |
| KT&G Global Kazakhstan LLP                  | Kazakhstan | Selling tobaccos                           | 100.00         | 18,510          | 100.00            | 18,510          |
| KT&G Kazakhstan LLP                         | Kazakhstan | Manufacturing and selling tobacco          | 100.00         | 213,417         | 100.00            | 173,822         |
| DNC Deogeun Co., Ltd. <sup>4</sup>          | Korea      | Real estate development and sales business | 38.25          | 35,552          | 38.25             | 35,552          |
| Edn the pine central Seocho Co., Ltd.       | Korea      | Real estate development and sales business | 78.65          | 36,623          | 78.65             | 36,623          |
| Cheongna Medipolis Development Co., Ltd.    | Korea      | Real estate service business               | 66.67          | 200             | 66.67             | 200             |
| KT&G Global TAS FE LLC                      | Uzbekistan | Selling tobaccos                           | 100.00         | 27,753          | -                 | -               |
| Total                                       |            |  |                | ₩ 1,659,022     |                   | ₩ 1,591,674     |

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

<sup>2</sup>The consolidated percentage of ownership of PT Trisakti Purwosari Makmur is 99.99%, including shares held by Renzoluc Pte., Ltd. the subsidiary of the Company, as of March 31, 2025.

<sup>3</sup>As of March 31, 2025, the Company's holdings in Mastern No.144 PFV Co. Ltd. are pledged as a collateral for a loan of Gwacheon SangSang PFV. Inc (See Note 24.(c)).

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

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

For the three-month period ended March 31, 2025, the Company acquired ₩ 27,753 million of KT&G Global TAS FE LLC through investment establishment method.

For the three-month period ended March 31, 2025, the Company acquired additional equity securities of ₩ 39,595 million of KT&G Kazakhstan LLP through issuance of new stocks.

For the year ended December 31, 2024, the Company acquired 272,490,615 shares (₩ 59,692 million) of KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. through issuance of new stocks and additional equity securities of ₩ 137,912 million of KT&G Kazakhstan LLP.

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

**(b) Impairment**

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

There is no impairment losses recognized for its investments in subsidiaries as a result of impairment testing, where impairment indicators have been identified, such as the book value of net assets being lower than the book value of investments due to continuous accumulation of operating losses, etc.

## 9. Property, Plant and Equipment

Changes in property, plant and equipment for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

(in millions of Korean won)

|                               | March 31, 2025 |           | March 31, 2024 |           |
|-------------------------------|----------------|-----------|----------------|-----------|
| Beginning balance             | ₩              | 1,505,680 | ₩              | 1,282,113 |
| Acquisition <sup>1</sup>      |                | 48,471    |                | 58,997    |
| Disposal/Impairment           |                | (128)     |                | (719)     |
| Depreciation                  |                | (27,109)  |                | (25,567)  |
| Reclassification <sup>2</sup> |                | 13        |                | (140)     |
| Ending balance                | ₩              | 1,526,927 | ₩              | 1,314,684 |

<sup>1</sup>During the three-month period ended March 31, 2025, the Company has capitalized borrowing costs amounting to ₩ 3,756 million (During the three-month period ended March 31, 2024: ₩ 2,087 million) for property, plant and equipment that are qualifying assets. The rate used to calculate capitalizable borrowing costs is 3.9% to 4.0% (During the three-month period ended March 31, 2024: 4.4% to 4.5%).

<sup>2</sup>Consists of ₩ 13 million of transfers from investment properties for the three-month period ended March 31, 2025. And ₩ 140 million of transfers to investment properties for the three-month period ended March 31, 2024.

## 10. Intangible Assets

Changes in intangible assets for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

(in millions of Korean won)

|                     | March 31, 2025 |         | March 31, 2024 |         |
|---------------------|----------------|---------|----------------|---------|
| Beginning balance   | ₩              | 132,821 | ₩              | 133,920 |
| Acquisition         |                | 4,275   |                | 8,595   |
| Disposal/Impairment |                | (4,088) |                | (53)    |
| Amortization        |                | (5,804) |                | (5,703) |
| Ending balance      | ₩              | 127,204 | ₩              | 136,759 |

## 11. Investment Properties

Changes in investment properties for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

| <i>(in millions of Korean won)</i> | <b>March 31, 2025</b> |          | <b>March 31, 2024</b> |           |
|------------------------------------|-----------------------|----------|-----------------------|-----------|
| Beginning balance                  | ₩                     | 741,435  | ₩                     | 992,523   |
| Acquisition <sup>1</sup>           |                       | 42       |                       | 1,671     |
| Disposal/Impairment                |                       | -        |                       | (721)     |
| Depreciation                       |                       | (6,541)  |                       | (6,898)   |
| Reclassification <sup>2</sup>      |                       | (14,513) |                       | (135,513) |
| Ending balance                     | ₩                     | 720,423  | ₩                     | 851,062   |

<sup>1</sup>During the three-month period ended March 31, 2025, the Company has capitalized borrowing costs amounting to ₩ 31 million (During the three-month period ended March 31, 2024: ₩ 881 million) for investment properties that are qualifying assets. The rate used to calculate capitalizable borrowing costs is 3.9% to 4.0% (During the three-month period ended March 31, 2024: 4.4%~4.5%).

<sup>2</sup>Consists of ₩ 13 million of transfers to property, plant and equipment and ₩ 14,500 million of transfers to inventories for the three-month period ended March 31, 2025. And ₩ 140 million of transfers from property, plant and equipment and ₩ 135,653 million of transfers to inventories for the three-month period ended March 31, 2024.

## 12. Right-of-use Assets

Changes in right-of-use assets for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

| <i>(in millions of Korean won)</i> | <b>March 31, 2025</b> |         | <b>March 31, 2024</b> |         |
|------------------------------------|-----------------------|---------|-----------------------|---------|
| Beginning balance                  | ₩                     | 21,440  | ₩                     | 26,299  |
| Acquisition                        |                       | 1,666   |                       | 1,370   |
| Disposal                           |                       | (285)   |                       | (95)    |
| Depreciation                       |                       | (2,742) |                       | (2,685) |
| Ending balance                     | ₩                     | 20,079  | ₩                     | 24,889  |

## 13. Borrowings

Details of short-term borrowings as of March 31, 2025 and December 31, 2024 are as follows:

| <i>(in millions of Korean won)</i> | <b>Lender</b> | <b>Annual interest rate (%)</b> | <b>March 31, 2025</b> |         | <b>December 31, 2024</b> |         |
|------------------------------------|---------------|---------------------------------|-----------------------|---------|--------------------------|---------|
| Limit loan                         | Hana Bank     | FTP(6 months)+0.69              | ₩                     | 80,000  | ₩                        | 200,000 |
|                                    | Shinhan Bank  | MOR(6 months)+1.22              |                       | 50,000  |                          | 50,000  |
|                                    | Total         |                                 | ₩                     | 130,000 | ₩                        | 250,000 |

**14. Bonds**

Details of bonds as of March 31, 2025 and December 31, 2024 are as follows:

| <i>(in millions of Korean won)</i>           | <b>Issuance Date</b> | <b>Maturity</b> | <b>Annual interest rate (%)</b> |   | <b>March 31, 2025</b> |   | <b>December 31, 2024</b> |
|--|----------------------|-----------------|---------------------------------|---|-----------------------|---|--------------------------|
| 2-1 <sup>st</sup> non-guarantee public bonds | 2023.09.13           | 2025.09.12      | 4.180                           | ₩ | 100,000               | ₩ | 100,000                  |
| 2-2 <sup>nd</sup> non-guarantee public bonds | 2023.09.13           | 2026.09.11      | 4.322                           |   | 200,000               |   | 200,000                  |
| 3-1 <sup>st</sup> non-guarantee public bonds | 2024.04.25           | 2026.04.24      | 3.624                           |   | 50,000                |   | 50,000                   |
| 3-2 <sup>nd</sup> non-guarantee public bonds | 2024.04.25           | 2027.04.23      | 3.763                           |   | 150,000               |   | 150,000                  |
| 3-3 <sup>rd</sup> non-guarantee public bonds | 2024.04.25           | 2029.04.25      | 3.808                           |   | 100,000               |   | 100,000                  |
| 4-1 <sup>st</sup> non-guarantee public bonds | 2024.10.08           | 2026.10.08      | 3.218                           |   | 80,000                |   | 80,000                   |
| 4-2 <sup>nd</sup> non-guarantee public bonds | 2024.10.08           | 2027.10.08      | 3.306                           |   | 160,000               |   | 160,000                  |
| 4-3 <sup>rd</sup> non-guarantee public bonds | 2024.10.08           | 2029.10.08      | 3.335                           |   | 70,000                |   | 70,000                   |
|  | Subtotal             |                 |                                 |   | 910,000               |   | 910,000                  |
|  | Discount             |                 |                                 |   | (1,912)               |   | (2,066)                  |
|  | Total                |                 |                                 | ₩ | 908,088               | ₩ | 907,934                  |
| Current                                      |                      |                 |                                 | ₩ | 99,923                | ₩ | 99,895                   |
| Non-current                                  |                      |                 |                                 |   | 808,165               |   | 808,039                  |
|  | Total                |                 |                                 | ₩ | 908,088               | ₩ | 907,934                  |

**15. Employee Benefits**

(a) Details of profit or loss recognized related to employee benefits for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

| <i>(in millions of Korean won)</i>              | <b>March 31, 2025</b> |        | <b>March 31, 2024</b> |        |
|---|-----------------------|--------|-----------------------|--------|
| Defined benefit plans:                          |                       |        |                       |        |
| Current service cost                            | ₩                     | 8,133  | ₩                     | 7,538  |
| Net interest on net defined benefit liabilities |                       | (67)   |                       | (464)  |
| Subtotal  |                       | 8,066  |                       | 7,074  |
| Defined contribution plan:                      |                       |        |                       |        |
| Contributions recognized as expense             |                       | 2,506  |                       | 1,974  |
| Other long-term employee benefits:              |                       |        |                       |        |
| Current service cost, etc.                      |                       | 1,479  |                       | 1,091  |
| Termination benefits:                           |                       |        |                       |        |
| Voluntary retirements, etc.                     |                       | 57,698 |                       | 1,543  |
| Total   | ₩                     | 69,749 | ₩                     | 11,682 |

(b) Details of net defined benefit liabilities (assets) as of March 31, 2025 and December 31, 2024 are as follows:

| <i>(in millions of Korean won)</i>           | <b>March 31, 2025</b> |           | <b>December 31, 2024</b> |           |
|--|-----------------------|-----------|--------------------------|-----------|
| Present value of defined benefit obligations | ₩                     | 411,002   | ₩                        | 422,357   |
| Fair value of plan assets                    |                       | (415,605) |                          | (429,371) |
| Total  | ₩                     | (4,603)   | ₩                        | (7,014)   |

**16. Refund Liabilities and Provisions**

(a) Details of refund liabilities and provisions as of March 31, 2025 and December 31, 2024 are as follows:

| <i>(in millions of Korean won)</i> | <b>March 31, 2025</b> |                    | <b>December 31, 2024</b> |                    |
|------------------------------------|-----------------------|--------------------|--------------------------|--------------------|
|                                    | <b>Current</b>        | <b>Non-current</b> | <b>Current</b>           | <b>Non-current</b> |
| Provision for product warranty     | ₩ 6,151               | ₩ -                | ₩ 6,194                  | ₩ -                |
| Refund liabilities                 | 4,723                 | 2,742              | 5,980                    | 3,239              |
| Provision for site restoration     | 59                    | 111                | 59                       | 111                |
| Provision for financial guarantee  | 22                    | 19                 | 22                       | 24                 |
| Provision for greenhouse gases     | -                     | -                  | 13                       | -                  |
| Total                              | ₩ 10,955              | ₩ 2,872            | ₩ 12,268                 | ₩ 3,374            |

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

(b) Changes in refund liabilities and provisions for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

(in millions of Korean won)

| (in millions of Korean won)       |   | March 31, 2025    |          |          |                |         |   |        |
|-----------------------------------|---|-------------------|----------|----------|----------------|---------|---|--------|
|                                   |   | Beginning balance | Increase | Decrease | Ending balance |         |   |        |
| Provision for product warranty    | ₩ | 6,194             | ₩        | 1,690    | ₩              | (1,733) | ₩ | 6,151  |
| Refund liabilities                |   | 9,219             |          | -        |                | (1,754) |   | 7,465  |
| Provision for site restoration    |   | 170               |          | -        |                | -       |   | 170    |
| Provision for financial guarantee |   | 46                |          | -        |                | (5)     |   | 41     |
| Provision for greenhouse gases    |   | 13                |          | 13       |                | (26)    |   | -      |
| Total                             | ₩ | 15,642            | ₩        | 1,703    | ₩              | (3,518) | ₩ | 13,827 |

(in millions of Korean won)

| (in millions of Korean won)       | March 31, 2024    |       |          |     |          |         |                |       |
|-----------------------------------|-------------------|-------|----------|-----|----------|---------|----------------|-------|
|                                   | Beginning balance |       | Increase |     | Decrease |         | Ending balance |       |
| Provision for product warranty    | ₩                 | 1,780 | ₩        | 812 | ₩        | (955)   | ₩              | 1,637 |
| Refund liabilities                |                   | 7,796 |          | -   |          | (268)   |                | 7,528 |
| Provision for site restoration    |                   | 195   |          | -   |          | -       |                | 195   |
| Provision for financial guarantee |                   | 44    |          | -   |          | (21)    |                | 23    |
| Provision for greenhouse gases    |                   | 51    |          | 8   |          | -       |                | 59    |
| Total                             | ₩                 | 9,866 | ₩        | 820 | ₩        | (1,244) | ₩              | 9,442 |



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

(a) Details of ongoing real estate pre-sale contracts for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

(in millions of Korean won)

| March 31, 2025                              |                             |                          |              |                                |                            |                                   |                               |                                |
|---|-----------------------------|--------------------------|--------------|--------------------------------|----------------------------|-----------------------------------|-------------------------------|--------------------------------|
| Construction project                        | Initial sales contract date | Expected completion date | Progress (%) | Total sales value <sup>1</sup> | Total sales contract value | Revenue (cumulative) <sup>2</sup> | Revenue (period) <sup>3</sup> | Cost (cumulative) <sup>4</sup> |
| Suwon Hwaseo Prugio Briciel                 | June 2020                   | September 2023           | 100.00       | ₩ 803,056                      | ₩ 747,970                  | ₩ 747,946                         | ₩ -                           | ₩ 338,101                      |
| ePyeonghansang Daejeon station Centum Vista | December 2022               | June 2026                | 64.98        | 226,951                        | 192,719                    | 124,756                           | 5,183                         | 105,513                        |
| Nokbeon-dong Mixed-use building             | April 2023                  | April 2025               | 96.23        | 29,720                         | 25,220                     | 24,269                            | 1,762                         | 15,949                         |
| Elif Mia station Complex 1                  | May 2023                    | August 2026              | 46.81        | 61,562                         | 44,907                     | 20,913                            | 2,264                         | 16,041                         |
| Elif Mia station Complex 2                  | May 2023                    | August 2026              | 43.87        | 155,141                        | 109,786                    | 48,009                            | 5,358                         | 35,993                         |
| ePyeonghansang Pyeongchon Urban Valley      | April 2024                  | October 2026             | 30.41        | 399,869                        | 397,970                    | 120,831                           | 19,899                        | 74,533                         |
| Digital Empire Pyeongchon Biz Valley        | April 2024                  | March 2027               | 31.09        | 352,769                        | 146,625                    | 38,825                            | 18,437                        | 32,276                         |
| Anyang-dong Mixed-use building              | January 2025                | May 2026                 | 38.84        | 42,044                         | 41,574                     | 16,145                            | 16,146                        | 14,377                         |
| Total                                       |                             |                          |              | ₩ 2,071,112                    | ₩ 1,706,771                | ₩ 1,141,694                       | ₩ 69,049                      | ₩ 632,783                      |

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

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

<sup>3</sup>Excludes the revenue of ₩ 3,006 million recognized as sales at a point in time when the construction is completed and control of the goods is transferred to the customer for the three-month period ended March 31, 2025.

<sup>4</sup>Excludes cumulative costs of ₩ 293,584 million for common infrastructure.

**17. Real Estate Pre-sales Contracts (cont'd)**
*(in millions of Korean won)*

| March 31, 2024                                |                             |                          |              |                                |                            |                                   |                               |                                |
|---|-----------------------------|--------------------------|--------------|--------------------------------|----------------------------|-----------------------------------|-------------------------------|--------------------------------|
| Construction project                          | Initial sales contract date | Expected completion date | Progress (%) | Total sales value <sup>1</sup> | Total sales contract value | Revenue (cumulative) <sup>2</sup> | Revenue (period) <sup>3</sup> | Cost (cumulative) <sup>4</sup> |
| Suwon Hwaseo Prugio Briciel                   | June 2020                   | September 2023           | 100.00       | ₩ 803,056                      | ₩ 747,970                  | ₩ 747,946                         | ₩ -                           | ₩ 338,101                      |
| ePyeonghansesang Daejeon station Centum Vista | December 2022               | June 2026                | 37.21        | 226,951                        | 193,218                    | 71,820                            | 7,437                         | 59,919                         |
| Nokbeon-dong Mixed-use building               | April 2023                  | April 2025               | 42.73        | 29,720                         | 25,220                     | 10,776                            | 1,894                         | 7,060                          |
| Elif Mia station Complex 1                    | May 2023                    | August 2026              | 20.95        | 61,562                         | 39,511                     | 8,247                             | 1,018                         | 6,098                          |
| Elif Mia station Complex 2                    | May 2023                    | August 2026              | 19.83        | 155,141                        | 102,705                    | 20,331                            | 2,242                         | 14,521                         |
| Total   |                             |                          |              | ₩ 1,276,430                    | ₩ 1,108,624                | ₩ 859,120                         | ₩ 12,591                      | ₩ 425,699                      |

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

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

<sup>3</sup>Excludes the revenue of ₩ 6,323 million recognized as sales at a point in time when the construction is completed and control of the goods is transferred to the customer for the three-month period ended March 31, 2024.

<sup>4</sup>Excludes cumulative costs of ₩ 227,438 million for common infrastructure.

(b) Details of receivables and payables for ongoing real estate pre-sale contracts as of March 31, 2025 and December 31, 2024 are as follows:

*(in millions of Korean won)*

| March 31, 2025                                |                      |                                   |   |   |
|---|----------------------|-----------------------------------|---|---|
| Construction project                          | Revenue (cumulative) | Cash collected, etc. (cumulative) | Trade receivables for sale in lots <sup>1</sup> | Advanced receipts for sale in lots <sup>2</sup> |
| Suwon Hwaseo Prugio Briciel                   | ₩ 747,946            | ₩ 747,361                         | ₩ 587   | ₩ 2   |
| ePyeonghansesang Daejeon station Centum Vista | 124,756              | 29,874                            | 95,595  | 713   |
| Nokbeon-dong Mixed-use building               | 24,269               | 12,610                            | 11,659  | -   |
| Elif Mia station Complex 1                    | 20,913               | 5,318                             | 15,681  | 86  |
| Elif Mia station Complex 2                    | 48,009               | 13,170                            | 35,056  | 217   |
| ePyeonghansesang Pyeongchon Urban Valley      | 120,831              | 67,598                            | 53,755  | 522   |
| Digital Empire Pyeongchon Biz Valley          | 38,825               | 7,896                             | 30,929  | -   |
| Anyang-dong Mixed-use building                | 16,145               | -                                 | 16,145  | -   |
| Total   | ₩ 1,141,694          | ₩ 883,827                         | ₩ 259,407                                       | ₩ 1,540   |

<sup>1</sup>As of March 31, 2025, due from customers for contract assets is ₩ 248,925 million, and it will be reclassified to receivables in accordance with the billing schedule on the contract.

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

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

(in millions of Korean won)

| Construction project                             | December 31, 2024       |                                      |  |  |
|--|-------------------------|--------------------------------------|--|--|
|  | Revenue<br>(cumulative) | Cash collected, etc.<br>(cumulative) | Trade receivables<br>for sale in lots <sup>1</sup> | Advanced receipts<br>for sale in lots <sup>2</sup> |
| Suwon Hwaseo Prugio Briciel                      | ₩ 747,946               | ₩ 747,361                            | ₩ 587  | ₩ 2  |
| ePyeonghangesang Daejeon<br>station Centum Vista | 119,573                 | 30,048                               | 90,240   | 715  |
| Nokbeon-dong Mixed-use 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  |
| ePyeonghangesang Pyeongchon<br>Urban Valley      | 100,933                 | 47,906                               | 53,284   | 257  |
| Digital Empire Pyeongchon Biz<br>Valley          | 20,388                  | 6,352                                | 14,036   | -  |
| Total  | ₩ 1,072,646             | ₩ 862,747                            | ₩ 211,176  | ₩ 1,277  |

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

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

(c) No material changes in estimated total contract revenues and total contract costs have occurred for the three-month period ended March 31, 2025. Estimated total contract revenue and total contract cost of the ongoing real estate pre-sale contracts are based on the circumstances that have occurred until March 31, 2025 and subject to change in the future.

(d) Receivables and payables in relation to real estate pre-sales contracts recognized at a point in time as of March 31, 2025 and December 31, 2024 are as follows:

(in millions of Korean won)

| Construction project                                 | March 31, 2025                        |  | December 31, 2024                     |  |
|--|---------------------------------------|--|---------------------------------------|--|
|  | Trade receivables<br>for sale in lots | Advanced receipts<br>for sale in lots <sup>1</sup> | Trade receivables<br>for sale in lots | Advanced receipts<br>for sale in lots <sup>1</sup> |
| Suwon Hwaseo Prugio Briciel                          | ₩ -                                   | ₩ 806  | ₩ -                                   | ₩ 806  |
| ePyeonghangesang Daejeon<br>station Centum Vista     | -                                     | 105  | -                                     | 105  |
| Elif Mia station Complex 1                           | -                                     | 673  | -                                     | 575  |
| Elif Mia station Complex 2                           | -                                     | 4,467  | -                                     | 4,332  |
| Sangbong station Ubora First Live<br>and Four Square | 9,549                                 | 208  | 9,549                                 | 131  |
| Total  | ₩ 9,549                               | ₩ 6,259  | ₩ 9,549                               | ₩ 5,949  |

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

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

Details of selling, general and administrative expenses for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

*(in millions of Korean won)*

|                                      | <b>March 31, 2025</b> | <b>March 31, 2024</b> |
|--------------------------------------|-----------------------|-----------------------|
| Salaries                             | ₩ 70,471              | ₩ 75,731              |
| Retirement and termination benefits  | 55,855                | 7,120                 |
| Employee welfare                     | 10,133                | 9,395                 |
| Travel expenses                      | 4,654                 | 2,789                 |
| Communication cost                   | 794                   | 753                   |
| Utilities                            | 3,922                 | 4,046                 |
| Taxes and dues                       | 2,326                 | 2,351                 |
| Supplies                             | 524                   | 365                   |
| Rent                                 | 842                   | 1,540                 |
| Depreciation                         | 7,952                 | 7,644                 |
| Amortization                         | 4,543                 | 4,104                 |
| Repairs and maintenance              | 884                   | 1,322                 |
| Vehicles                             | 805                   | 744                   |
| Insurance                            | 534                   | 527                   |
| Commissions                          | 29,573                | 37,003                |
| Freight and custody                  | 5,394                 | 4,823                 |
| Conferences                          | 842                   | 807                   |
| Advertising                          | 18,894                | 19,297                |
| Education and training               | 2,577                 | 1,263                 |
| Prizes and rewards                   | 560                   | 242                   |
| Research and development             | 7,419                 | 7,156                 |
| Impairment loss on trade receivables | 29,102                | 6,018                 |
| Total                                | ₩ 258,600             | ₩ 195,040             |

**19. Other Income and Expense**

(a) Details of other income for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

| <i>(in millions of Korean won)</i>                | <b>March 31, 2025</b> | <b>March 31, 2024</b> |
|---|-----------------------|-----------------------|
| Gain on foreign currency transaction              | ₩ 3,998               | ₩ 6,984               |
| Gain on foreign currency translation              | 51,603                | 103,072               |
| Gain on valuation of derivatives                  | 6,974                 | 35                    |
| Reversal of impairment loss on other receivables  | 143                   | -                     |
| Gain on disposal of property, plant and equipment | 25                    | 75                    |
| Gain on disposal of intangible assets             | 3                     | 2                     |
| Gain on disposal of investment properties         | -                     | 4,876                 |
| Gain on lease contract adjustments                | -                     | 22                    |
| Miscellaneous income                              | 2,018                 | 2,304                 |
| <b>Total</b>                                      | <b>₩ 64,764</b>       | <b>₩ 117,370</b>      |

(b) Details of other expense for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

| <i>(in millions of Korean won)</i>                | <b>March 31, 2025</b> | <b>March 31, 2024</b> |
|---|-----------------------|-----------------------|
| Loss on foreign currency transaction              | ₩ 8,931               | ₩ 4,517               |
| Loss on foreign currency translation              | 14,094                | 3,064                 |
| Loss on valuation of derivatives                  | 8,906                 | 13,053                |
| Loss on impairment of other receivables           | -                     | 805                   |
| Loss on disposal of property, plant and equipment | 122                   | 10                    |
| Loss on disposal of intangible assets             | 226                   | 4                     |
| Loss on impairment of intangible assets           | 213                   | 41                    |
| Loss on disposal of investment properties         | -                     | 55                    |
| Loss on lease contract adjustments                | 12                    | 1                     |
| Donations   | 345                   | 558                   |
| Miscellaneous loss                                | 412                   | 146                   |
| <b>Total</b>                                      | <b>₩ 33,261</b>       | <b>₩ 22,254</b>       |

**20. Finance Income and Costs**

Details of finance income and costs for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

(in millions of Korean won)

|   | March 31, 2025 |        | March 31, 2024 |        |
|---|----------------|--------|----------------|--------|
| Finance income:   |                |        |                |        |
| Interest income <sup>1</sup>  | ₩              | 28,114 | ₩              | 22,151 |
| Dividend income   |                | 15,245 |                | 16,505 |
| Gain on valuation of financial assets measured at fair value through profit or loss |                | 3,833  |                | 10,305 |
| Total finance income  | ₩              | 47,192 | ₩              | 48,961 |
| Finance costs:  |                |        |                |        |
| Interest expense  | ₩              | 9,212  | ₩              | 4,106  |
| Loss on valuation of financial assets measured at fair value through profit or loss |                | 4,074  |                | 3,330  |
| Total finance costs   | ₩              | 13,286 | ₩              | 7,436  |
| Net finance income  | ₩              | 33,906 | ₩              | 41,525 |

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

**21. Income Tax Expense and Deferred Tax Asset**

(a) Income tax expense is recognized based on the best estimate of weighted average annual effective income tax rate expected for the full financial year. The average effective tax rates for each of the three-month periods ended March 31, 2025 and 2024 are 21.48% and 19.45%, respectively.

(b) The Company is subject to Pillar Two income taxes. As of March 31, 2025, the Company estimates that the impact of Pillar Two income taxes on its consolidated financial statements will be immaterial, in accordance with its assessment result identified so far. The Company will apply the temporary exception to the recognition and disclosure of deferred income tax assets and liabilities related to Pillar Two legislation.

**22. Related Parties**

(a) Details of the Company's related parties as of March 31, 2025 and December 31, 2024 are as follows:

| Type           | Name of entity   | Location   | Percentage of ownership (%) |            |        |                   |            |        |
|----------------|--|------------|-----------------------------|------------|--------|-------------------|------------|--------|
|                |  |            | March 31, 2025              |            |        | December 31, 2024 |            |        |
|                |  |            | Parent                      | Subsidiary | Total  | Parent            | Subsidiary | Total  |
| Subsidiaries   | Korea Ginseng Corporation                                | Korea      | 100.00                      | -          | 100.00 | 100.00            | -          | 100.00 |
|                | Yungjin Pharm. Co., Ltd.                                 | Korea      | 52.45                       | -          | 52.45  | 52.45             | -          | 52.45  |
|                | Tae-a Industrial Co., Ltd.                               | Korea      | 100.00                      | -          | 100.00 | 100.00            | -          | 100.00 |
|                | KT&G Tuntun Mamulleri Sanyi ve Ticaret A.S. <sup>4</sup> | Turkiye    | 100.00                      | -          | 100.00 | 100.00            | -          | 100.00 |
|                | Korea Tabacos do Brasil Ltda.                            | Brazil     | 99.99                       | -          | 99.99  | 99.99             | -          | 99.99  |
|                | KT&G Pars  | Iran       | 99.99                       | -          | 99.99  | 99.99             | -          | 99.99  |
|                | KT&G Rus L.L.C.  | Russia     | 100.00                      | -          | 100.00 | 100.00            | -          | 100.00 |
|                | KT&G USA Corporation                                     | USA        | 100.00                      | -          | 100.00 | 100.00            | -          | 100.00 |
|                | Cosmocos Co., Ltd.                                       | Korea      | 98.56                       | -          | 98.56  | 98.56             | -          | 98.56  |
|                | Renzouluc Pte., Ltd. <sup>1</sup>                        | Singapore  | 100.00                      | -          | 100.00 | 100.00            | -          | 100.00 |
|                | PT Trisakti Purwosari Makmur <sup>2</sup>                | Indonesia  | 6.56                        | 93.43      | 99.99  | 6.56              | 93.43      | 99.99  |
|                | PT TSPM FLAVOR AND FRAGRANCE <sup>3</sup>                | Indonesia  | -                           | 99.99      | 99.99  | -                 | 99.99      | 99.99  |
|                | SangSang Stay Inc.                                       | Korea      | 100.00                      | -          | 100.00 | 100.00            | -          | 100.00 |
|                | KT&G Global Rus L.L.C                                    | Russia     | 100.00                      | -          | 100.00 | 100.00            | -          | 100.00 |
|                | Gwacheon SangSang PFV. Inc                               | Korea      | 51.00                       | -          | 51.00  | 51.00             | -          | 51.00  |
|                | KT&G Taiwan Corporation                                  | Taiwan     | 100.00                      | -          | 100.00 | 100.00            | -          | 100.00 |
|                | Mastern No.144 PFV Co., Ltd.                             | Korea      | 92.50                       | -          | 92.50  | 92.50             | -          | 92.50  |
|                | KT&G Global Kazakhstan LLP                               | Kazakhstan | 100.00                      | -          | 100.00 | 100.00            | -          | 100.00 |
|                | KT&G Kazakhstan LLP <sup>4</sup>                         | Kazakhstan | 100.00                      | -          | 100.00 | 100.00            | -          | 100.00 |
|                | DNC Deogeun Co., Ltd. <sup>5</sup>                       | Korea      | 38.25                       | -          | 38.25  | 38.25             | -          | 38.25  |
|                | Edn the pine central Seocho Co., Ltd.                    | Korea      | 78.65                       | -          | 78.65  | 78.65             | -          | 78.65  |
|                | Cheongna Medipolis Development Co., Ltd. <sup>6</sup>    | Korea      | 66.67                       | -          | 66.67  | 66.67             | -          | 66.67  |
|                | KT&G Global TAS FE LLC <sup>7</sup>                      | Uzbekistan | 100.00                      | -          | 100.00 | -                 | -          | -      |
|                | K&I China Co., Ltd.                                      | China      | -                           | 98.56      | 98.56  | -                 | 98.56      | 98.56  |
|                | KGCyebon Corporation                                     | Korea      | -                           | 100.00     | 100.00 | -                 | 100.00     | 100.00 |
|                | KGC Life & Gin Co., Ltd.                                 | Korea      | -                           | 100.00     | 100.00 | -                 | 100.00     | 100.00 |
|                | Jilin Hanzheng Ginseng Co., Ltd.                         | China      | -                           | 100.00     | 100.00 | -                 | 100.00     | 100.00 |
|                | Cheong Kwan Jang Taiwan Corporation                      | Taiwan     | -                           | 100.00     | 100.00 | -                 | 100.00     | 100.00 |
|                | Korea Red Ginseng Corp., Inc.                            | USA        | -                           | 100.00     | 100.00 | -                 | 100.00     | 100.00 |
|                | Korea Ginseng (China) Corp.                              | China      | -                           | 100.00     | 100.00 | -                 | 100.00     | 100.00 |
|                | Korea Ginseng Corp. Japan                                | Japan      | -                           | 100.00     | 100.00 | -                 | 100.00     | 100.00 |
|                | CENTRAL PHARM INC. <sup>8</sup>                          | Korea      | -                           | 50.01      | 50.01  | -                 | 50.01      | 50.01  |
|                | Pacific 365, Inc <sup>8</sup>                            | USA        | -                           | 50.01      | 50.01  | -                 | 50.01      | 50.01  |
|                | PT Nusantara Indah Makmur                                | Indonesia  | -                           | 99.96      | 99.96  | -                 | 99.96      | 99.96  |
| Associates     | LitePharmTech Co., Ltd. <sup>9</sup>                     | Korea      | 12.53                       | -          | 12.53  | 12.53             | -          | 12.53  |
|                | KORAMCO Banpo PFV Co., Ltd. <sup>9</sup>                 | Korea      | 18.95                       | -          | 18.95  | 18.95             | -          | 18.95  |
|                | KOCREF 36 REIT   | Korea      | 21.01                       | -          | 21.01  | 21.01             | -          | 21.01  |
|                | KOCREF 41 REIT   | Korea      | 26.47                       | -          | 26.47  | 26.47             | -          | 26.47  |
|                | Cheongna Medipolis PFV Co., Ltd. <sup>10</sup>           | Korea      | 51.01                       | -          | 51.01  | 51.01             | -          | 51.01  |
|                | INNODIS Co., Ltd. <sup>9</sup>                           | Korea      | 19.64                       | -          | 19.64  | 19.64             | -          | 19.64  |
|                | SJ BIO MED Co., Ltd. <sup>9,11</sup>                     | Korea      | 14.39                       | -          | 14.39  | 14.39             | -          | 14.39  |
|                | LSK Global Pharma Services Co., Ltd.                     | Korea      | 21.92                       | -          | 21.92  | 21.92             | -          | 21.92  |
|                | Mirae Asset KT&G Investment Fund I <sup>12</sup>         | Korea      | 45.00                       | 5.00       | 50.00  | 45.00             | 5.00       | 50.00  |
|                | JIELGWANGJIN CITY DEVELOPMENT Co., Ltd.                  | Korea      | -                           | 35.00      | 35.00  | -                 | 35.00      | 35.00  |
| Joint ventures | KB KT&G New Growth Fund <sup>13</sup>                    | Korea      | 66.67                       | -          | 66.67  | 66.67             | -          | 66.67  |
|                | KORAMCO Europe Private REIT 3-2 Fund <sup>14</sup>       | Korea      | 51.35                       | -          | 51.35  | 51.35             | -          | 51.35  |
|                | Starfield Suwon, Inc.                                    | Korea      | 50.00                       | -          | 50.00  | 50.00             | -          | 50.00  |
| Ohters         | Sangsang Loft Co.,Ltd. <sup>15</sup>                     | Korea      | 50.00                       | -          | 50.00  | 50.00             | -          | 50.00  |
|                | Others <sup>16</sup>                                     | Korea      | -                           | -          | -      | -                 | -          | -      |

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

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

<sup>2</sup> The consolidated percentage of ownership of PT Trisakti Purwosari Makmur is 99.99%, including shares held by Renzoluc Pte., Ltd., the subsidiary of the Company, as of March 31, 2025.

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

<sup>4</sup> During the three-month period ended March 31, 2025, the Company acquired additional equity securities of ₩ 39,595 million of KT&G Kazakhstan LLP through issuance of new stocks. For the year ended December 31, 2024, the Company acquired 272,490,615 shares (₩ 59,692 million) of KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. through issuance of new stocks and additional equity securities of ₩ 137,912 million of KT&G Kazakhstan LLP.

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

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

<sup>7</sup> During the three-month period ended March 31, 2025, the Company, acquired ₩ 27,753 million KT&G Global TAS FE LLC through investment establishment method.

<sup>8</sup> For the year ended December 31, 2024, Korea Ginseng Corporation, the subsidiary of the Company, acquired 22,501 shares (₩ 9,000 million) of CENTRAL PHARM INC. through a business combination, and Pacific 365, Inc., the subsidiary of CENTRAL PHARM INC., has been included in related parties.

<sup>9</sup> The Company has classified the ownership as investment in associates, notwithstanding its ownership percentage of less than 20%, as the Company determined it has a significant influence over the investee with its right to participate in the investee's Board of Directors meetings in accordance with the agreement with shareholders.

<sup>10</sup> The Company has classified the ownership in the investee as an investment in associates as the three-fourths of the Board of Directors' consent is required in making decisions on material financial and operational policies of the investee in accordance with the agreement with shareholders.

<sup>11</sup> As of March 31, 2025, the liquidation procedures are in progress.

<sup>12</sup> The Company classified the ownership as investment in associates, as there are no arrangements that incur joint control among the partners, notwithstanding its consolidated ownership percentage of 50%.

<sup>13</sup> Although the percentage of ownership in the investee exceeds 50%, the Company has classified the ownership as an investment in associates as the Company does not have control over related activities and has significant influence through participating in investment decision-making authority.



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

<sup>14</sup> The Company has classified the ownership in the investee as an investment in joint ventures as the Board of Directors' unanimous consent is required in making decisions on material financial and operational policies in accordance with the agreement with shareholders.

<sup>15</sup> For the year ended December 31, 2024, the Company established Sangsang Loft Co., Ltd. Jointly with Zero TO N at 50:50 ratio. The Company classified its interests in the entity as investment in joint ventures.

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

(b) The Company carries out transactions with its related parties such as sales of goods and provision of services, etc. Details of transactions with the related parties for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

**① Sales and other income**

(in millions of Korean won)

| Type           | Name of entity   | March 31, 2025 | March 31, 2024 |
|----------------|--|----------------|----------------|
| Subsidiaries   | Korea Ginseng Corporation                                  | ₩ 3,090        | ₩ 2,912        |
|                | Youngjin Pharm. Co., Ltd.                                  | 294            | 284            |
|                | Tae-a Industrial Co., Ltd.                                 | 594            | 209            |
|                | KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. <sup>1,2</sup> | 25,020         | 1,907          |
|                | KT&G Rus L.L.C. <sup>1</sup>                               | 34,938         | 12,503         |
|                | KT&G USA Corporation <sup>1</sup>                          | 5              | 5              |
|                | Cosmocos Co., Ltd.   | 30             | 26             |
|                | PT Trisakti Purwosari Makmur <sup>1</sup>                  | 33,613         | 23,880         |
|                | SangSang Stay Inc.   | 1,633          | 1,508          |
|                | KT&G Global Rus L.L.C. <sup>1</sup>                        | 1,359          | 1,961          |
|                | Gwacheon SangSang PFV. Inc                                 | 124            | 8,666          |
|                | KGCyebon Corporation                                       | 11             | 10             |
|                | KGC Life & Gin Co., Ltd.                                   | 12             | 12             |
|                | KT&G Global Kazakhstan LLP                                 | 701            | 960            |
|                | KT&G Kazakhstan LLP  | 3,760          | -              |
|                | KT&G Taiwan Corporation                                    | 6,137          | 4,391          |
|                | DNC Deogeun Co., Ltd.                                      | -              | 5,075          |
| Joint ventures | Starfield Suwon Inc.                                       | 12,425         | -              |
|                | Sangsang Loft Co., Ltd.                                    | 1              | -              |
| Total          |  | ₩ 123,747      | ₩ 64,309       |

<sup>1</sup>Excludes impairment loss of ₩ 27,869 million and ₩ 312 million in relation to the related parties for each of the three-month periods ended March 31, 2025 and 2024.

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

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

| Type          | Name of entity   | March 31, 2025 |        | March 31, 2024 |       |
|---------------|--|----------------|--------|----------------|-------|
| Subsidiaries  | Korea Ginseng Corporation                                  | ₩              | 431    | ₩              | 341   |
|               | Youngjin Pharm. Co., Ltd.                                  |                | 207    |                | 217   |
|               | Tae-a Industrial Co., Ltd.                                 |                | 11,673 |                | 8,165 |
|               | KT&G Tuntun Mamulleri Sanyı ve Ticaret A.S. <sup>1,2</sup> |                | 17,462 |                | 696   |
|               | KT&G USA Corporation <sup>1</sup>                          |                | 136    |                | -     |
|               | Cosmocos Co., Ltd.   |                | 1      |                | 7     |
|               | SangSang Stay Inc.   |                | 21     |                | 14    |
|               | KGCyebon Corporation                                       |                | 239    |                | 211   |
|               | Renzoluc Pte., Ltd.  |                | 256    |                | -     |
|               | Associate  |                | 25     |                | 74    |
| Joint venture | Starfield Suwon, Inc.                                      |                | 27     |                | 22    |
|               | Total  | ₩              | 30,478 | ₩              | 9,747 |

<sup>1</sup>Excludes impairment loss of ₩ 27,869 million and ₩ 312 million in relation to the related parties for each of the three-month periods ended March 31, 2025 and 2024.

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

(c) Details of account balances of receivables and payables with the related parties as of March 31, 2025 and December 31, 2024 are as follows:

*(in millions of Korean won)*

| (in millions of Korean won) |  | March 31, 2025    |           |          |        | December 31, 2024 |         |          |        |
|-----------------------------|--|-------------------|-----------|----------|--------|-------------------|---------|----------|--------|
| Type                        | Name of entity   | Receivables       |           | Payables |        | Receivables       |         | Payables |        |
| Subsidiaries                | Korea Ginseng Corporation                                  | ₩                 | 2,818     | ₩        | 2,103  | ₩                 | 2,943   | ₩        | 2,753  |
|                             | Youngjin Pharm. Co., Ltd. <sup>2</sup>                     |                   | 5,434     |          | 50     |                   | 5,359   |          | 48     |
|                             | Tae-a Industrial Co., Ltd.                                 |                   | 199       |          | 10,015 |                   | -       |          | 6,423  |
|                             | KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. <sup>1,3</sup> |                   | 85,060    |          | 13,148 |                   | 61,753  |          | 9,144  |
|                             | Korea Tabacos do Brasil Ltda. <sup>1,2</sup>               |                   | 122       |          | -      |                   | 122     |          | 520    |
|                             | KT&G Pars <sup>1,2</sup>                                   |                   | 44,526    |          | -      |                   | 44,526  |          | -      |
|                             | KT&G Rus L.L.C. <sup>1</sup>                               |                   | 214,793   |          | -      |                   | 139,472 |          | -      |
|                             | KT&G USA Corporation <sup>1</sup>                          |                   | 4,009     |          | 484    |                   | 4,004   |          | 540    |
|                             | Cosmocos Co., Ltd.   |                   | 30        |          | 1      |                   | 30      |          | -      |
|                             | SangSang Stay Inc.   |                   | 43        |          | -      |                   | 40      |          | -      |
|                             | PT Trisakti Purwosari Makmur <sup>1,2</sup>                |                   | 630,752   |          | -      |                   | 471,345 |          | -      |
|                             | KT&G Global Rus L.L.C. <sup>1</sup>                        |                   | 19,465    |          | -      |                   | 19,819  |          | -      |
|                             | Gwacheon SangSang PFV. Inc <sup>4</sup>                    |                   | 8,541     |          | 1,594  |                   | 8,541   |          | 1,718  |
|                             | KT&G Taiwan Corporation                                    |                   | 5,432     |          | -      |                   | 131     |          | -      |
|                             | KT&G Kazakhstan LLP  |                   | 8,141     |          | -      |                   | 6,618   |          | -      |
|                             | KT&G Global Kazakhstan LLP <sup>2</sup>                    |                   | 27,045    |          | -      |                   | 28,827  |          | -      |
|                             | KGCyebon Corporation                                       |                   | -         |          | 7,276  |                   | 12      |          | 7,452  |
|                             | KGC Life & Gin Co., Ltd.                                   |                   | -         |          | -      |                   | 13      |          | -      |
|                             | Renzoluc Pte., Ltd.  |                   | -         |          | 256    |                   | -       |          | 265    |
|                             | Associate  | INNODIS Co., Ltd. |           | -        |        | 25                |         | -        |        |
| Joint venture               | Starfield Suwon, Inc.                                      |                   | 37        |          | 10     |                   | 98      |          | 10     |
|                             | Sangsang Loft Co.,Ltd.                                     |                   | -         |          | 2      |                   | -       |          | 2      |
|                             | Total  | ₩                 | 1,056,447 | ₩        | 34,964 | ₩                 | 793,653 | ₩        | 28,902 |

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

<sup>1</sup>Presented in total amount before deducting loss allowance of ₩ 138,674 million and ₩ 110,805 million as of March 31, 2025 and as of December 31, 2024.

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

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

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

(d) Purchase and sale of property, plant and equipment and right-of-use assets with related parties for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

(in millions of Korean won)

| Type         | Name of entity               | March 31, 2025                        |                                 | March 31, 2024                            |                                       |
|--------------|------------------------------|---------------------------------------|---------------------------------|---|---------------------------------------|
|              |                              | Sale of property, plant and equipment | Purchase of right-of-use assets | Purchase of property, plant and equipment | Sale of property, plant and equipment |
| Subsidiaries | PT Trisakti Purwosari Makmur | ₩ 17                                  | ₩ -                             | ₩ 372                                     | ₩ -                                   |
|              | KGCyebon Corporation         | -                                     | 392                             | -   | 764                                   |
|              | Total                        | ₩ 17                                  | ₩ 392                           | ₩ 372                                     | ₩ 764                                 |

(e) Details of fund transactions with the related parties for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

(in millions of Korean won)

| Type          | Name of entity                              | March 31, 2025    |                                |              |           | March 31, 2024    |                                |
|---------------|---|-------------------|--------------------------------|--------------|-----------|-------------------|--------------------------------|
|               |   | Equity investment | Repayment of lease liabilities | Loan of fund | Dividends | Equity investment | Repayment of lease liabilities |
| Subsidiaries  | Korea Ginseng Corporation                   | ₩ -               | ₩ 49                           | ₩ -          | ₩ -       | ₩ -               | ₩ -                            |
|               | KGCyebon Corporation                        | -                 | 177                            | -            | -         | -                 | 161                            |
|               | PT Trisakti Purwosari Makmur                | -                 | -                              | 156,899      | -         | -                 | -                              |
|               | KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. | -                 | -                              | -            | -         | 59,692            | -                              |
|               | KT&G Kazakhstan LLP                         | 39,595            | -                              | -            | -         | 52,352            | -                              |
|               | Edn the pine central Seocho Co., Ltd.       | -                 | -                              | -            | -         | 1,623             | -                              |
|               | KT&G Global TAS FE LLC                      | 27,753            | -                              | -            | -         | -                 | -                              |
| Joint venture | Starfield Suwon, Inc.                       | -                 | -                              | -            | 12,425    | 15,000            | -                              |
|               | Total                                       | ₩ 67,348          | ₩ 226                          | ₩ 156,899    | ₩ 12,425  | ₩ 128,667         | ₩ 161                          |

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

(f) As of March 31, 2025, KT&G Taiwan Corporation receives a payment guarantee from Citi Bank Taiwan (executed amount: TWD 629,612 thousand), for import clearance. The Company has a recourse liability up to the limit of TWD 1,261,000 thousand to Citi Bank Taiwan (Note 24.(c)).

(g) During the three-month period ended March 31, 2025, the Company signed a financial support letter for its subsidiaries, KT&G USA Corporation, Cosmocos Co., Ltd. and KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. to provide operating funds and other management-related business support.

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

(i) The Company has entered into a contribution agreement in relation to equity instruments of Cheongna Medipolis PFV Co., Ltd., an associate, with the ceiling of ₩ 101,000 million. As of March 31, 2025, a capital contribution has been completed. Furthermore, the equity shares shall not be transferred without the approval of Incheon Free Economic Zone and all the shareholders. In addition, when transferring the equity shares of Cheongna Medipolis PFV Co., Ltd., the equity shares of Cheongna Medipolis Development Co., Ltd., a subsidiary of the Company, shall also be transferred.

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

(k) As of March 31, 2025, the Company has entered into a capital call agreement in relation to KORAMCO Europe Private REIT 3-2 Fund. The agreement may incur a payment obligation if the maturity exchange rate rises compared to the contractual exchange rate.

(l) The Company has entered into a capital contribution agreement in relation to Mirae Asset KT&G Investment Fund I and KB KT&G New Growth Fund 1, with the ceiling of ₩ 28,000 million. As of March 31, 2025, the remaining contribution amount is ₩ 11,500 million, and the detailed timeline for contribution is yet to be determined (See Note 24.(d)).

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

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

(n) The Company has entered into an agreement to extend the maturity of loans to KT&G Global Kazakhstan LLP worth at USD 7,000 thousand and PT Trisakti Purwosari Makmur worth at USD 270,256 thousand during the year ended December 31, 2024.

(o) As of March 31, 2025, the Company's holdings in KORAMCO Banpo PFV Co., Ltd. are pledged as a collateral for a PF loan of KORAMCO Banpo PFV Co., Ltd.(Notes 7 and 24.(c)).

(p) As of March 31, 2025, the Company's holdings in Mastern No.144 PFV Co., Ltd. are pledged as a collateral for a loan of Gwacheon Sangsang PFV. Inc.(Notes 8 and 24.(c)).

(q) Key management personnel compensation for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

*(in millions of Korean won)*

|                                       | <b>March 31, 2025</b> |       | <b>March 31, 2024</b> |       |
|---------------------------------------|-----------------------|-------|-----------------------|-------|
| Long and short-term employee benefits | ₩                     | 6,423 | ₩                     | 7,702 |
| Retirement benefits                   |                       | 620   |                       | 617   |
| Total                                 | ₩                     | 7,043 | ₩                     | 8,319 |

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

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

**(a) Market risk**

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

**① Currency risk**

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

**② Price risk**

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

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

The Company is exposed to interest rate fluctuation risk in relation to the borrowings, trade payables and other payables, bonds and lease liabilities. The management of the Company regularly measures the risk of changes in the fair value or future cash flows of the financial instrument due to changes in the market interest rate, maintaining an appropriate balance between fixed and variable interest borrowings. Considering the size of the interest bearing liabilities of the Company as of March 31, 2025, the effect of changes in interest rates on the fair values of financial liabilities or future cash flows is immaterial.

**(b) Credit risk**

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

As of March 31, 2025 and December 31, 2024, the carrying amount of financial assets is the maximum exposure to credit risk.

**(c) Liquidity risk**

The Company is exposed to liquidity risk in which it will face difficulty in meeting its obligations related to financial liabilities that are settled by delivering cash etc., or other financial assets. To manage liquidity risk, the management of the Company establishes short and mid-to-long term financial management plan and continuously analyzes and reviews the cash outflow budget and actual cash outflows to respond to the maturity of financial liabilities and financial assets. Management of the Company determines that it can repay the financial liabilities using cash flows from operating activities and cash inflows from financial assets.

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

(d) Details of the carrying amounts of financial instruments by category as of March 31, 2025 and December 31, 2024 are as follows:

| <i>(in millions of Korean won)</i>   | <b>March 31, 2025</b> |           | <b>December 31, 2024</b> |           |
|--|-----------------------|-----------|--------------------------|-----------|
| Financial assets:  |                       |           |                          |           |
| Financial assets measured at fair value through profit or loss                     | ₩                     | 567,611   | ₩                        | 575,490   |
| Financial assets measured at fair value through other comprehensive income or loss |                       | 183,236   |                          | 185,461   |
| Financial assets measured at amortized cost  |                       |           |                          |           |
| Cash and cash equivalents  |                       | 300,201   |                          | 588,812   |
| Other financial assets   |                       | 223,787   |                          | 185,907   |
| Trade and other receivables  |                       | 2,014,104 |                          | 1,834,447 |
| Long-term deposits   |                       | 1,721,419 |                          | 1,705,504 |
| Subtotal   |                       | 4,259,511 |                          | 4,314,670 |
| Total financial assets   | ₩                     | 5,010,358 | ₩                        | 5,075,621 |
| Financial liabilities:   |                       |           |                          |           |
| Derivative liabilities   | ₩                     | 12,119    | ₩                        | 32,801    |
| Financial liabilities measured at amortized cost                                   |                       |           |                          |           |
| Short-term borrowings  |                       | 130,000   |                          | 250,000   |
| Bonds  |                       | 908,088   |                          | 907,934   |
| Trade and other payables   |                       | 1,469,047 |                          | 1,002,778 |
| Lease liabilities  |                       | 19,243    |                          | 21,260    |
| Subtotal   |                       | 2,526,378 |                          | 2,181,972 |
| Total financial liabilities  | ₩                     | 2,538,497 | ₩                        | 2,214,773 |

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

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



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

Details of the fair values measurements classified by the fair value hierarchy as of March 31, 2025 and December 31, 2024 are as follows:

(in millions of Korean won)

|  | March 31, 2025  |            |           |           |
|--|-----------------|------------|-----------|-----------|
|  | Carrying amount | Fair value |           |           |
|  |                 | Level 1    | Level 2   | Level 3   |
| Financial assets measured at fair value through profit or loss                     | ₩ 567,611       | ₩ -        | ₩ 213,303 | ₩ 354,308 |
| Financial assets measured at fair value through other comprehensive income or loss | 183,236         | 174,478    | -         | 8,758     |
| Total financial assets   | ₩ 750,847       | ₩ 174,478  | ₩ 213,303 | ₩ 363,066 |
| Derivative liabilities   | ₩ 12,119        | ₩ -        | ₩ 12,119  | -         |

(in millions of Korean won)

|  | December 31, 2024 |            |           |           |
|--|-------------------|------------|-----------|-----------|
|  | Carrying amount   | Fair value |           |           |
|  |                   | Level 1    | Level 2   | Level 3   |
| Financial assets measured at fair value through profit or loss                     | ₩ 575,490         | ₩ -        | ₩ 231,324 | ₩ 344,166 |
| Financial assets measured at fair value through other comprehensive income or loss | 185,461           | 176,703    | -         | 8,758     |
| Total financial assets   | ₩ 760,951         | ₩ 176,703  | ₩ 231,324 | ₩ 352,924 |
| Derivative liabilities   | ₩ 32,801          | ₩ -        | ₩ 32,801  | -         |

There was no movement between the levels of fair value hierarchy for the three-month period ended March 31, 2025 and the year ended December 31, 2024.

As of March 31, 2025 and December 31, 2024, the fair value of investment trust's equity securities classified as financial assets at fair value through profit or loss (other comprehensive income or loss) was measured using the adjusted net asset method and the discounted cash flow method and was classified as Level 3 fair value based on the inputs used in the valuation technique.

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

Changes in Level 3 fair value for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

(in millions of Korean won)

|                       | March 31, 2025 |         | March 31, 2024 |          |
|-----------------------|----------------|---------|----------------|----------|
| Beginning balance     | ₩              | 352,924 | ₩              | 389,510  |
| Acquisition           |                | 13,514  |                | 10,554   |
| Disposal              |                | (606)   |                | (18,134) |
| Changes in fair value |                | (2,766) |                | 5,252    |
| Ending balance        | ₩              | 363,066 | ₩              | 387,182  |

(f) Details of net gains or losses by category of financial instrument for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

(in millions of Korean won)

|  | March 31, 2025   |   |             |  |   |           |
|--|--|---|-------------|--|---|-----------|
|  | Financial assets<br>measured at fair<br>value<br>through profit<br>or loss | Financial assets<br>measured at fair<br>value<br>through other<br>comprehensive<br>income or loss | Derivatives | Financial<br>assets<br>measured at<br>amortized cost | Financial<br>liabilities<br>measured at<br>amortized cost | Total     |
| Profit for the period:                 |  |   |             |  |   |           |
| Interest income                        | ₩ -  | ₩ -   | ₩ -         | ₩ 28,114   | ₩ -   | ₩ 28,114  |
| Dividend income                        | 818  | 2,003   | -           | -  | -   | 2,821     |
| Loss on valuation                      | (241)  | -   | (1,932)     | -  | -   | (2,173)   |
| Loss on lease contract adjustments     | -  | -   | -           | -  | (12)  | (12)      |
| Interest expense                       | -  | -   | -           | -  | (9,212)   | (9,212)   |
| Impairment loss                        | -  | -   | -           | (28,960)   | -   | (28,960)  |
| Total                                  | ₩ 577  | ₩ 2,003   | ₩ (1,932)   | ₩ (846)  | ₩ (9,224)   | ₩ (9,422) |
| Other comprehensive income before tax: |  |   |             |  |   |           |
| Net change in fair value               | ₩ -  | ₩ (2,225)   | ₩ -         | ₩ -  | ₩ -   | ₩ (2,225) |

(in millions of Korean won)

|                                      | March 31, 2024   |   |             |  |   |          |
|--------------------------------------|--|---|-------------|--|---|----------|
|                                      | Financial assets<br>measured at fair<br>value<br>through profit<br>or loss | Financial assets<br>measured at fair<br>value<br>through other<br>comprehensive<br>income or loss | Derivatives | Financial<br>assets<br>measured at<br>amortized cost | Financial<br>liabilities<br>measured at<br>amortized cost | Total    |
| Profit for the period:               |  |   |             |  |   |          |
| Interest income                      | ₩ -  | ₩ -   | ₩ -         | ₩ 22,151   | ₩ -   | ₩ 22,151 |
| Dividend income                      | 785  | 2,104   | -           | -  | -   | 2,889    |
| Gain or loss on valuation            | 6,975  | -   | (13,018)    | -  | -   | (6,043)  |
| Gain on lease contract adjustments   | -  | -   | -           | -  | 21  | 21       |
| Interest expense                     | -  | -   | -           | -  | (4,106)   | (4,106)  |
| Impairment loss                      | -  | -   | -           | (6,824)  | -   | (6,824)  |
| Total                                | ₩ 7,760  | ₩ 2,104   | ₩ (13,018)  | ₩ 15,327   | ₩ (4,085)   | ₩ 8,088  |
| Other comprehensive loss before tax: |  |   |             |  |   |          |
| Net change in fair value             | ₩ -  | ₩ 25,851  | ₩ -         | ₩ -  | ₩ -   | ₩ 25,851 |

## 24. Contingent Liabilities and Commitments

### (a) Litigation cases

As of March 31, 2025, the Company has 10 cases of pending litigations under progress where the Company is the defendant and the litigation amounts are ₩ 156,045 million. It is not possible to reasonably predict the impact of the outcome of pending litigations on the separate financial statements of the Company as of March 31, 2025.

### (b) Commitments with financial institutions

Details of the Company's major arrangements with financial institutions as of March 31, 2025 are as follows:

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

| Type                             | Financial institutions       | Currency | Limit   | Execution |
|----------------------------------|------------------------------|----------|---------|-----------|
| Opening import letter of credits | Hana Bank                    | USD      | 200,000 | 69,432    |
| Derivatives trading <sup>1</sup> | Hana Bank<br>and five others | USD      | 218,040 | 30,043    |
| Limit loan                       | NH Bank<br>and three others  | KRW      | 800,000 | 130,000   |

<sup>1</sup>Derivatives are composed of foreign exchange forward contracts and are held for trading as of March 31, 2025.

As of March 31, 2025, the Company has a short-term export credit insurance contract with Korea Trade Insurance Corporation (covered amount: USD 177,723 thousand, EUR 1,800 thousand) related to the overseas export of manufactured cigarettes and other products.

### (c) Payment guarantees and collaterals

Details of payment guarantees and collaterals provided by other parties to the Company as of March 31, 2025 are as follows:

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

| Provider                                       | Currency | Limit   | Details   |
|--|----------|---------|---|
| Korea Housing & Urban<br>Guarantee Corporation | KRW      | 238,332 | Housing distribution guarantee, etc.  |
| Seoul Guarantee Insurance                      | KRW      | 9,330   | License guarantee, etc.   |
| Hana Bank                                      | USD      | 2,000   | Performance and tender guarantee related to<br>exporting reconstituted tobacco leaves |

As of March 31, 2025, KT&G Taiwan Corporation receives a payment guarantee from Citi Bank Taiwan (executed amount: TWD 629,612 thousand) for import clearance. The Company has a recourse liability up to the limit of TWD 1,261,000 thousand to Citi Bank Taiwan.

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

Details of payment guarantees provided by the Company to other parties as of March 31, 2025 and December 31, 2024 are as follows:

(in millions of Korean won)

| Guarantee user   | Guaranteed by | March 31, 2025 |                  | December 31, 2024 |                  | Details of guarantee   |
|--|---------------|----------------|------------------|-------------------|------------------|--|
|  |               | Limit amount   | Execution amount | Limit amount      | Execution amount |  |
| Buyer of ePyeonghansesang Daejeon station Centum Vista | Hana Bank     | ₩ 8,000        | ₩ 1,772          | ₩ 8,000           | ₩ 1,774          | Loan guarantee for the intermediate payment of off-plan sales construction <sup>1</sup><br>Loan guarantee for the contract deposit |
| Buyer of Digital Empire Pyeongchon Biz Valley          | Hana Bank     | 9,960          | 6,483            | 9,960             | 4,046            |  |

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

Details of assets pledged as collaterals as of March 31, 2025 are as follows:

(in millions of Korean won)

|  | Carrying amount | Debt amount | Collateralized amount | Collateral holder                        | Type  |
|--|-----------------|-------------|-----------------------|--|---|
| Investment properties  | ₩ 228,949       | ₩ 19,357    | ₩ 21,544              | CJ Foodville Co., Ltd., etc.             | Establishment of right to collateral security on rent deposits/<br>Establishment of lease contracts |
| Other financial assets   | 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  |
|  | 37,880          | 36,584      | 37,880                | Suwon City                               | Establishment of a pledge for suwon Daeyupyeong district underpass                                  |
| Financial assets measured at fair value through profit or loss | 5,065           | -           | 5,280                 | Suhyup Bank                              | Establishment of pledge related to loan arrangement for Elif Mia contract deposit                   |
| Investments in associates                                      | 5,306           | -           | 5,306                 | Hyundai Marine & Fire Insurance, NH Bank | Collateral for PF Loan of KORAMCO Banpo PFV Co., Ltd. <sup>1</sup>                                  |
| Investments in subsidiaries                                    | 11,260          | -           | 3,250                 | Gwacheon SangSang PFV. INC               | Collateral for PF Loan of Mastern No. 144 PFV Co., Ltd.   |
| Total  | ₩ 294,363       | ₩ 56,041    | ₩ 79,283              |  |   |

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

Details of restricted financial assets as of March 31, 2025 and December 31, 2024 are as follows:

(in millions of Korean won)

|  |   | March 31, 2025 | December 31, 2024 |
|--|---|----------------|-------------------|
| Other financial assets   | Establishment of a pledge for property development                                | ₩ 5,203        | ₩ 5,203           |
|  | Establishment of a pledge for leasehold deposits                                  | 100            | 100               |
|  | Establishment of a pledge for suwon Daeyupyeong district underpass                | 37,880         | -                 |
|  | Deposit in the Accompanied Growth Cooperation Loan Fund                           | 100,000        | 100,000           |
|  | Establishment of pledge related to loan arrangement for Elif Mia contract deposit | 600            | 600               |
|  | Security deposits for checking accounts   | 2              | 2                 |
| Financial assets measured at fair value through profit or loss | Establishment of pledge related to loan arrangement for Elif Mia contract deposit | 5,065          | 5,040             |
|  | Total   | ₩ 148,850      | ₩ 110,945         |

The contracted amount for the acquisition of major items of property, plant and equipment that has not yet been incurred as of March 31, 2025, is ₩ 161,552 million.

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

Each year, the Company deposits a certain proportion of the United States bound tobacco sales proceeds into the US state government in accordance with the Tobacco Master Settlement Agreement ("MSA") legislated under the Escrow Statute of the US. According to the Escrow Statute, if the Company inflicts damage on tobacco consumers due to any illegal activities committed by the Company and leads the US state government to spend medical expenditure accordingly, the deposits in the MSA Escrow Fund may be classified to the state government's medical expenditures. Otherwise, the fund shall be refunded to the Company, in whole, after 25 years from each date of deposit. The Company recognized ₩ 1,721,419 million in long-term deposits for MSA Escrow Fund as of March 31, 2025 (December 31, 2024: ₩ 1,705,504 million), and they consist of US treasury bonds, and demand deposits.

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

As of March 31, 2025, the Company has entered into currency hedge capital call agreement in relation to the Company's overseas real estate funds. The agreement might have a payment obligation if the maturity exchange rate rises compared to the contractual exchange rate. The amount of payment obligation during the three-month period ended March 31, 2025 is ₩ 11,170 million.

The Company has entered into a capital contribution agreement in relation to the debt instruments and associates of Mirae Asset KT&G Investment Fund I, KB KT&G New Growth Fund 1, Smilegate New Deal Fund, etc., with the ceiling of ₩ 119,000 million and USD 37,000 thousand. As of March 31, 2025, the remaining contribution amount is ₩ 24,686 million and USD 17,027 thousand, and the detailed timeline for contribution is yet to be determined.

The Company has entered into a contribution agreement in relation to equity instruments of Cheongna Medipolis PFV Co., Ltd., an associate, with the ceiling of ₩ 101,000 million. As of March 31, 2025, 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 Company, should also be transferred.

The Company is required to obtain the unanimous consent of other shareholders for disposal of the equity shares of Gwacheon Sangsang PFV. Inc., and Sangsang Loft Co., Ltd.

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

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

As of March 31, 2025, the Company is being provided with a commitment to complete the construction and guarantee from contractors and mutual aid associations for the sale contract (ePyeonhansesang Daejeon Station Centum Vista, etc.) proceeded by the Company.

As of March 31, 2025, in relation to new construction of Nokbeon-dong mixed-use building by the Company, the land and accompanying buildings are pledged as collateral and superficieses for the land by Korea Land & Housing Corporation and the maximum claim amount is ₩ 15,341 million.

The Company is obligated to return infrastructure such as roads and neighbourhood parks to Suwon City for free related to sales project in Suwon Daeyupyeong district. And as blocks 1, 2, and 3 of Suwon Daeyupyeong district are completed in September 2023, additional expected costs due to fulfillment of infrastructure-related obligations are being reflected in construction costs for the year ended December 31, 2024 (See Note 17).

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

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

As of March 31, 2025, in relation to the ePyeonhansesang Daejeon Station Centum Vista sales project, the Company has agreed with the constructor (DL Construction Co., Ltd.) to compensate for the debts incurred by the purchaser due to termination of the contract for reasons attributable to purchaser and failure to repay borrowings amounting to ₩ 5,978 million.

During the year ended December 31, 2022, in relation to the construction of residential and commercial complexes in Sangbong-dong, the Company has reached an agreement with Bando Engineering & Construction Co., Ltd. to resolve the dispute over increase in construction costs due to the permission for change through arbitration judgement ordered by Korea Commercial Arbitration Board. For the progress of the construction, the Company also promised to pay ₩ 10 billion to Bando Engineering & Construction Co., Ltd. in installment according to the completion rate until the point of completion. The construction was completed during the year ended December 31, 2023, however, the arbitration is in progress and the ultimate outcome of the arbitration is unpredictable as of March 31, 2025.

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

During the three-month period ended March 31, 2025, the Company signed a financial support letter for its subsidiaries, KT&G USA Corporation, Cosmocos Co., Ltd. and KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. to provide operating funds and other management-related business support.

As of March 31, 2025, the Company and KT&G USA Corporation received a notification from the US Department of Justice ("DOJ") to submit a comprehensive document on the regulatory compliance status of tobacco products sold in the US, for which the investigation is underway. The Company and KT&G USA Corporation cannot predict the ultimate outcome of the investigation and its impact as of March 31, 2025.

The Company's subsidiaries are engaged in manufacturing and selling tobacco in Russia. As of March 31, 2025, the US and other countries have imposed the economic sanctions on Russia, including restrictions on SWIFT international payment network. The ultimate impact of such sanctions on the Company's business in Russia and its financial position therein cannot be reasonably estimated as of March 31, 2025.

**25. Cash Flows**

Details of cash generated from operations for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

(in millions of Korean won)

|   | March 31, 2025 |          | March 31, 2024 |           |
|---|----------------|----------|----------------|-----------|
| Profit for the three-month period ended March 31              | ₩              | 207,633  | ₩              | 278,143   |
| Adjustments:  |                |          |                |           |
| Employee welfare  |                | 1,843    |                | 1,392     |
| Retirement benefits and termination benefits                  |                | 35,220   |                | 7,074     |
| Loss on valuation or obsolescence of inventories              |                | (2,963)  |                | 2,606     |
| Depreciation  |                | 36,392   |                | 35,150    |
| Amortization  |                | 5,804    |                | 5,703     |
| Impairment loss on trade and other receivables                |                | 28,959   |                | 6,824     |
| Loss on foreign currency translation                          |                | 14,094   |                | 3,064     |
| Loss on valuation of derivatives                              |                | 8,906    |                | 13,053    |
| Loss on disposal of property, plant and equipment             |                | 122      |                | 10        |
| Loss on disposal of intangible assets                         |                | 226      |                | 4         |
| Loss on impairment of intangible assets                       |                | 213      |                | 41        |
| Loss on disposal of investment properties                     |                | -        |                | 55        |
| Other expenses, etc.  |                | 1,946    |                | 749       |
| Finance cost  |                | 13,286   |                | 7,436     |
| Stock compensation expense                                    |                | 895      |                | 192       |
| Income tax expense  |                | 56,808   |                | 67,154    |
| Gain on foreign currency translation                          |                | (51,603) |                | (103,072) |
| Gain on valuation of derivatives                              |                | (6,974)  |                | (35)      |
| Gain on disposal of property, plant and equipment             |                | (25)     |                | (75)      |
| Gain on disposal of intangible assets                         |                | (3)      |                | (2)       |
| Gain on disposal of investment properties                     |                | -        |                | (4,876)   |
| Other income, etc.  |                | (3,989)  |                | (1,876)   |
| Finance income  |                | (47,192) |                | (48,961)  |
| Changes in working capital:                                   |                |          |                |           |
| Decrease in trade and other receivables                       |                | 6,563    |                | 31,128    |
| Increase in derivatives                                       |                | (22,615) |                | (933)     |
| Decrease in inventories                                       |                | 6,608    |                | 2,749     |
| Decrease (increase) in accrued tobacco excise and other taxes |                | 9,771    |                | (7,738)   |
| Increase in advance payments                                  |                | (793)    |                | (8,010)   |
| Increase in prepaid expenses                                  |                | (10,271) |                | (1,220)   |
| Increase (decrease) in trade and other payables               |                | (58,162) |                | 35,664    |
| Increase in advance receipts                                  |                | 22,234   |                | 963       |
| Decrease in tobacco excise and other taxes payable            |                | (22,789) |                | (30,445)  |
| Decrease in net defined benefit liabilities                   |                | (5,338)  |                | (8,463)   |
| Cash generated from operations                                | ₩              | 224,806  | ₩              | 283,448   |



**26. Events After the Reporting Period**

The Company plans to provide a joint guarantee of ₩ 67 billion to Hana Bank for a loan limit of ₩ 55.8 billion for contract deposits and interim payments to be made by the purchasers of the Digital Empire Pyeongchon Biz Valley project, pursuant to the resolution of the Board of Directors on April 16, 2025.

On April 21, 2025, the Company disposed of all of its equity investments in DNC Deogeun Co., Ltd.

On May 2, 2025, the Company issued USD 300 million in unsecured senior bonds to enhance corporate value and to secure investment funds.