



KT&G Corporation and its subsidiaries

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

KT&G Corporation and its subsidiaries

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Report on review of interim consolidated 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 consolidated financial statements of KT&G Corporation (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the interim consolidated statement of financial position as of March 31, 2025, and the related interim consolidated statements of comprehensive income, interim consolidated statements of changes in equity and interim consolidated 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 consolidated financial statements

Management is responsible for the preparation and presentation of these interim consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are not prepared, in all material respects, in accordance with KIFRS 1034 *Interim Financial Reporting*.

Other matter

We have audited the consolidated statement of financial position as of December 31, 2024, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 consolidated statement of financial position as of December 31, 2024, presented for comparative purposes, is not different, in all material respects, from the above audited consolidated statement of financial position.



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 consolidated financial statements and may result in modifications to this review report.

KT&G Corporation and its Subsidiaries

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

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

Kyung-Man Bang
Chief Executive Officer
KT&G Corporation

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

KT&G Corporation and its subsidiaries
Interim consolidated 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
Assets					
Current assets					
Cash and cash equivalents	22,23	₩	1,018,716	₩	1,135,968
Current other financial assets	22,23		436,846		463,317
Current financial assets measured at fair value through profit or loss	22,23		231,717		244,941
Trade and other receivables	5,21,22		1,522,660		1,561,652
Inventories	6,23		3,117,688		3,101,313
Refund assets and others			5,716		6,161
Accrued tobacco excise and other taxes			468,372		404,017
Advanced payments	23		204,889		124,642
Prepaid expenses			154,547		131,094
Current income tax assets			4,534		3,205
Total current assets			7,165,685		7,176,310
Non-current assets					
Long-term other financial assets	22,23		68,584		30,704
Long-term deposits in MSA Escrow Fund	22,23		1,721,419		1,705,504
Long-term financial assets measured at fair value through profit or loss	22,23		343,183		337,928
Long-term trade and other receivables	5,22		164,002		141,573
Long-term financial assets measured at fair value through other comprehensive income or loss	22,23		209,929		211,693
Investments in associates and joint ventures	4,7,21,23		477,280		482,349
Property, plant and equipment	8,23		2,778,070		2,664,382
Intangible assets	9		172,649		179,681
Investment properties	10,23		742,471		761,154
Right-of-use assets	11		50,911		50,498
Long-term advance payments	23		100,558		100,700
Long-term prepaid expenses			20,135		13,348
Deferred income tax assets	20		47,843		61,390
Net defined benefit assets	14		4,659		8,023
Total non-current assets			6,901,693		6,748,927
Total assets		₩	14,067,378	₩	13,925,237
Liabilities					
Current liabilities					
Short-term borrowings	12,22,23	₩	182,445	₩	287,975
Current portion of long-term borrowings	12,22,23		29,479		36,191
Current portion of bonds	13,22,23		99,923		99,895
Current portion of convertible bonds	13,22,23		28,478		27,388
Trade and other payables	21,22,23		2,078,613		1,680,023
Current lease liabilities	22		20,683		20,881
Derivative liabilities	22,23		12,119		32,801
Advanced receipts	16		95,695		65,312
Current refund liabilities and provisions	15,23		40,499		39,080
Current income tax liabilities	20		186,761		197,831
Tobacco excise and other taxes payables			646,985		655,511
Total current liabilities			3,421,680		3,142,888
Non-current liabilities					
Long-term borrowings	12,22,23		229,048		213,968
Long-term bonds	13,22,23		808,165		808,039
Long-term trade and other payables	22,23		109,069		81,836
Long-term lease liabilities	22		27,289		27,865
Long-term advance receipts	16		10,714		9,385
Net defined benefit liabilities	14		46,027		42,575
Long-term refund liabilities and provisions	15,23		7,103		7,623
Deferred income tax liabilities	20		213,798		225,521
Non-controlling interests liabilities	22		6,908		7,072
Total non-current liabilities			1,458,121		1,423,884
Total liabilities		₩	4,879,801	₩	4,566,772

KT&G Corporation and its subsidiaries
Interim consolidated 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
Equity			
Share capital	₩	954,959	₩ 954,959
Other capital surplus		5,031	5,944
Treasury shares		(835,253)	(1,030,541)
Gain on disposal of treasury shares		529,807	529,029
Reserves		6,848,765	7,175,263
Retained earnings		1,562,643	1,604,517
Equity attributable to owners of the Parent Company		<u>9,065,952</u>	<u>9,239,171</u>
Non-controlling interest		<u>121,625</u>	<u>119,294</u>
Total equity	₩	<u>9,187,577</u>	₩ <u>9,358,465</u>
 Total liabilities and equity	₩	<u>14,067,378</u>	₩ <u>13,925,237</u>

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

KT&G Corporation and its subsidiaries
Interim consolidated 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
Continuing operations			
Sales	4,16	₩ 1,491,108	₩ 1,292,261
Cost of sales		(737,425)	(648,053)
Gross profit		753,683	644,208
Selling, general and administrative expense	17,21	(468,123)	(407,638)
Operating profit	4	285,560	236,570
Other income	18,21,22	84,936	143,772
Other expense	18,21,22	(71,858)	(41,284)
Finance income	19,21,22	35,166	39,982
Finance costs	19,22	(16,545)	(12,954)
Share of net profit of associates and joint ventures	7	7,353	5,092
Profit (loss) arising from net monetary assets		12,811	(3,603)
Profit before income tax		337,423	367,575
Income tax expense	20	(77,242)	(79,923)
Profit from continuing operations		260,181	287,652
Discontinued operations			
Loss from discontinued operations	25	(2,252)	(2,039)
Profit for the period		₩ 257,929	₩ 285,613
Other comprehensive income (loss) for the period after income tax			
Items that will not be reclassified to profit or loss			
Re-measurements of net defined benefit liabilities		₩ (302)	₩ (219)
Gain (loss) on valuation of financial assets measured at fair value through other comprehensive income or loss	22	(1,283)	9,006
Capital changes in equity method	7	(8)	(8)
Items that will be reclassified to profit or loss			
Exchange differences on translating foreign operations		24,940	5,121
Capital changes in equity method	7	10	93
		23,357	13,993
Total comprehensive income for the period		₩ 281,286	₩ 299,606
Profit for the period is attributable to:			
Owners of the Parent Company			
Profit from continuing operations		₩ 257,868	₩ 288,385
Loss from discontinued operations	25	(2,252)	(2,039)
Profit attributable to owners of the Parent Company		255,616	286,346
Non-controlling interests			
Profit (loss) from continuing operations		2,313	(733)
Profit (loss) from discontinued operations	25	-	-
Profit (loss) attributable to non-controlling interests		2,313	(733)
Total		₩ 257,929	₩ 285,613
Total comprehensive income (loss) for the period attributable to:			
Owners of the Parent Company			
Profit from continuing operations		₩ 281,240	₩ 304,283
Loss from discontinued operations	25	(2,285)	(3,952)
Total comprehensive income attributable to owners of the Parent Company		278,955	300,331
Non-controlling interests			
Profit (loss) from continuing operations		2,331	(725)
Profit (loss) from discontinued operations	25	-	-
Total comprehensive income (loss) attributable to non-controlling interests		2,331	(725)
Total		₩ 281,286	₩ 299,606
Earnings (losses) per share			
Basic and diluted			
From continuing operations (in Korean won)		₩ 2,391	₩ 2,506
From discontinued operations (in Korean won)		(21)	(18)
		₩ 2,370	₩ 2,488

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

KT&G Corporation and its subsidiaries



Interim consolidated 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	Owners of the parent	Non-controlling interest	Total equity
Balance as of January 1, 2024	₩ 954,959	₩ 4,946	₩ (1,236,933)	₩ 528,894	₩ 7,230,300	₩ 1,692,239	₩ 9,174,405	₩ 120,530	₩ 9,294,935
Total comprehensive income (loss) for the period									
Profit (loss) for the period	-	-	-	-	-	286,346	286,346	(733)	285,613
Other comprehensive income (loss) for the period:									
Re-measurements of net defined benefit liabilities	-	-	-	-	-	(228)	(228)	9	(219)
Gain on valuation of financial assets measured at fair value through other comprehensive income or loss	-	-	-	-	9,006	-	9,006	-	9,006
Exchange differences on translating foreign operations	-	-	-	-	5,122	-	5,122	(1)	5,121
Capital changes in equity method	-	-	-	-	85	-	85	-	85
Subtotal other comprehensive income (loss) for the period									
	-	-	-	-	14,213	(228)	13,985	8	13,993
Total comprehensive income (loss) for the period									
	-	-	-	-	14,213	286,118	300,331	(725)	299,606
Transactions with owners of the Parent Company:									
Dividends	-	-	-	-	-	(451,240)	(451,240)	-	(451,240)
Transfer from other reserve	-	-	-	-	(108,140)	108,140	-	-	-
Retirement of treasury shares	-	-	206,032	-	-	(206,032)	-	-	-
Share options	-	(304)	360	135	-	-	191	-	191
Total transactions with owners of the Parent Company									
	-	(304)	206,392	135	(108,140)	(549,132)	(451,049)	-	(451,049)
Balance as of March 31, 2024	₩ 954,959	₩ 4,642	₩ (1,030,541)	₩ 529,029	₩ 7,136,373	₩ 1,429,225	₩ 9,023,687	₩ 119,805	₩ 9,143,492
Balance as of January 1, 2025	₩ 954,959	₩ 5,944	₩ (1,030,541)	₩ 529,029	₩ 7,175,263	₩ 1,604,517	₩ 9,239,171	₩ 119,294	₩ 9,358,465
Total comprehensive income (loss) for the period									
Profit for the period	-	-	-	-	-	255,616	255,616	2,313	257,929
Other comprehensive income (loss) for the period:									
Re-measurements of net defined benefit liabilities	-	-	-	-	-	(320)	(320)	18	(302)
Loss on valuation of financial assets measured at fair value through other comprehensive income or loss	-	-	-	-	(1,283)	-	(1,283)	-	(1,283)
Exchange differences on translating foreign operations	-	-	-	-	24,940	-	24,940	-	24,940
Capital changes in equity method	-	-	-	-	2	-	2	-	2
Subtotal other comprehensive income (loss) for the period									
	-	-	-	-	23,659	(320)	23,339	18	23,357
Total comprehensive income (loss) for the period									
	-	-	-	-	23,659	255,296	278,955	2,331	281,286
Transactions with owners of the Parent Company:									
Dividends	-	-	-	-	-	(453,069)	(453,069)	-	(453,069)
Transfer from other reserve	-	-	-	-	(350,157)	350,157	-	-	-
Retirement of treasury shares	-	-	194,258	-	-	(194,258)	-	-	-
Share options	-	(913)	1,030	778	-	-	895	-	895
Total transactions with owners of the Parent Company									
	-	(913)	195,288	778	(350,157)	(297,170)	(452,174)	-	(452,174)
Balance as of March 31, 2025	₩ 954,959	₩ 5,031	₩ (835,253)	₩ 529,807	₩ 6,846,765	₩ 1,562,643	₩ 9,065,952	₩ 121,625	₩ 9,187,577

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

KT&G Corporation and its subsidiaries
Interim consolidated 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
Net cash flows provided by operating activities		₩ 99,708	₩ 347,187
Cash generated from operations	24	186,928	411,025
Income taxes paid		(87,220)	(63,838)
Net cash flows used in investing activities		(125,462)	(384,943)
Interest received		10,687	37,604
Dividends received		14,952	3,325
Decrease in other financial assets		59,746	72,036
Decrease in current financial assets measured at fair value through profit or loss		20,384	18,133
Decrease in long-term financial assets measured at fair value through profit or loss		1,183	1,407
Disposal of property, plant and equipment		323	6,036
Disposal of intangible assets		3,652	11
Disposal of investment properties		105	5,300
Collection of loans		8,615	5,844
Collection of guarantee deposits		1,555	462
Increase in other financial assets		(68,418)	(139,137)
Increase in current financial assets measured at fair value through profit or loss		(4,294)	(182,967)
Increase in long-term financial assets measured at fair value through profit or loss		(9,219)	(10,554)
Acquisition of property, plant and equipment		(119,269)	(163,864)
Acquisition of intangible assets		(6,676)	(9,398)
Acquisition of investment properties		(42)	(2,435)
Acquisition of right-of-use assets		(1,154)	(662)
Acquisition of investments in associates and joint ventures		-	(15,000)
Increase in loans		(36,044)	(10,764)
Increase in guarantee deposits		(1,548)	(320)
Net cash flows provided by (used in) financing activities		(122,643)	27,831
Interest paid		(16,520)	(17,178)
Repayment of lease liabilities		(6,874)	(6,088)
Repayment of borrowings		(952,761)	(8,399)
Proceeds in borrowings		853,512	59,496
Net decrease in cash and cash equivalents		(148,397)	(9,925)
Cash and cash equivalents at the beginning of the period		1,135,968	1,031,953
Effect of exchange rate fluctuation on cash and cash equivalents		31,145	22,939
Cash and cash equivalents at the end of the period		₩ 1,018,716	₩ 1,044,967

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

1. Reporting Entity

1.1 Overview of the Parent Company

KT&G Corporation (the “Parent Company”) is engaged in manufacturing and selling tobacco. As of March 31, 2025, the Parent 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 Parent Company has the Gimcheon plant for fabrication of leaf tobacco and the Cheonan printing plant for manufacturing of packaging material. The headquarters of the Parent Company is located at 71, Beotkkot-gil, Daedeok-gu, Daejeon.

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

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

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

1.2 Consolidated Subsidiaries

Details of the Group's consolidated subsidiaries as of March 31, 2025 are as follows:

Controlling Company	Subsidiary	Principal operation	Percentage of ownership (%) ¹	Reporting date	Location
The Parent Company	Korea Ginseng Corporation	Manufacturing and selling ginseng	100.00	March 31, 2025	Korea
	Yungjin Pharm. Co., Ltd.	Manufacturing and selling pharmaceuticals	52.45	March 31, 2025	Korea
	Cosmocos Co., Ltd.	Manufacturing and selling cosmetics	98.56	March 31, 2025	Korea
	Tae.A Industrial Co., Ltd.	Manufacturing reconstituted tobacco leaves	100.00	March 31, 2025	Korea
	SangSang Stay Inc.	Hotel	100.00	March 31, 2025	Korea
	Renzoluc Pte., Ltd.	Holding company	100.00	March 31, 2025	Singapore
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	Manufacturing and selling tobaccos	100.00	March 31, 2025	Turkiye
	KT&G Pars	Manufacturing and selling tobaccos	99.99	March 31, 2025	Iran
	KT&G Rus L.L.C.	Manufacturing and selling tobaccos	100.00	March 31, 2025	Russia
	KT&G Kazakhstan LLP	Manufacturing and selling tobaccos	100.00	March 31, 2025	Kazakhstan
	KT&G USA Corporation	Selling tobaccos	100.00	March 31, 2025	USA
	KT&G Global Rus L.L.C.	Selling tobaccos	100.00	March 31, 2025	Russia
	KT&G Taiwan Corporation	Selling tobaccos	100.00	March 31, 2025	Taiwan
	KT&G Global Kazakhstan LLP	Selling tobaccos	100.00	March 31, 2025	Kazakhstan
	KT&G Global TAS FE LLC	Selling tobaccos	100.00	March 31, 2025	Uzbekistan
	Korea Tabacos do Brasil Ltda.	Assistance with purchasing tobacco leaf	99.99	March 31, 2025	Brazil
	Gwacheon SangSang PFV Inc.	Real estate development and sales business	51.00	March 31, 2025	Korea
	Mastern No. 144 PFV Co., Ltd.	Real estate development and sales business	92.50	March 31, 2025	Korea
	DNC Deogeun Co., Ltd. ²	Real estate development and sales business	38.25	March 31, 2025	Korea
	Edn the pine central Seocho Co., Ltd.	Real estate development and sales business	78.65	March 31, 2025	Korea
	Cheongna Medipolis Development Co., Ltd.	Real estate service business	66.67	March 31, 2025	Korea
Korea Ginseng Corporation	KGcyebon Corporation	Manufacturing and selling medical herbs	100.00	March 31, 2025	Korea
	KGC Life & Gin Co., Ltd.	Selling ginseng, etc.	100.00	March 31, 2025	Korea
	CENTRAL PHARM INC.	Selling health functional food	50.01	March 31, 2025	Korea
	Jilin Hanzheng Ginseng Co., Ltd.	Manufacturing and selling ginseng, etc.	100.00	March 31, 2025	China
	Korea Ginseng (China) Corp.	Selling ginseng, etc.	100.00	March 31, 2025	China
	Korea Ginseng Corp. Japan	Selling ginseng, etc.	100.00	March 31, 2025	Japan
	Cheong Kwan Jang Taiwan Corporation	Selling ginseng, etc.	100.00	March 31, 2025	Taiwan
	Korean Red Ginseng Corp., Inc.	Selling ginseng, etc.	100.00	March 31, 2025	USA
CENTRAL PHARM INC.	Pacific 365, Inc	Selling health functional food	50.01	March 31, 2025	USA
Cosmocos Co., Ltd.	K&I China Co., Ltd.	Selling cosmetics, etc.	98.56	March 31, 2025	China
Renzoluc Pte., Ltd.	PT Trisakti Purwosari Makmur ³	Manufacturing and selling tobaccos	99.99	March 31, 2025	Indonesia
PT Trisakti Purwosari Makmur	PT Nusantara Indah Makmur	Selling tobaccos	99.96	March 31, 2025	Indonesia
	PT TSPM FLAVOR AND FRAGRANCE	Selling tobaccos	99.99	March 31, 2025	Indonesia

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

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

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

1.2 Consolidated Subsidiaries (cont'd)

For the three-month period ended March 31, 2025, the Parent 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 Parent 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, PT Trisakti Purwosari Makmur, a subsidiary of the Parent Company, acquired 217,372,000 shares (₩ 18,563 million) of PT TSPM FLAVOR AND FRAGRANCE through investment establishment method.

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

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

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

2. Material Accounting Policies**(1) Basis of Preparation**

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

(2) New and Amended Standards and Interpretations Adopted by the Group

The Group does not have a history of early adoption of new accounting standards and interpretations that have been published but are not mandatory for the reporting period. There are various amendments and interpretations which have been applied for the first time in the 2025 reporting period. As of March 31, 2025, these amendments and interpretations do not have a significant impact on the interim consolidated 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 consolidated financial statements are consistent with those of the consolidated 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 Group 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 consolidated financial statements are the same as those applied to the consolidated financial statements for the year ended December 31, 2024, except for the estimates used to determine the income tax expense.

4. Operating Segment

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

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

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

(b) Details of the segment information on sales and operating profit for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

(in millions of Korean won)

	March 31, 2025						
	Tobacco	Ginseng	Real estate	Others	Segment total	Adjustments	Consolidated
Total segment sales	₩ 1,118,017	₩ 364,177	₩ 104,100	₩ 89,745	₩ 1,676,039	₩ (184,931)	₩ 1,491,108
Intersegment sales	(129,940)	(49,797)	(3,722)	(1,472)	(184,931)	184,931	-
External sales	988,077	314,380	100,378	88,273	1,491,108	-	1,491,108
Operating profit ¹	241,309	21,999	11,644	4,295	279,247	6,313	285,560
Depreciation and amortization	48,796	12,468	7,874	2,754	71,892	(3,139)	68,753

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

(in millions of Korean won)

	March 31, 2024						
	Tobacco	Ginseng	Real estate	Others	Segment total	Adjustments	Consolidated
Total segment sales	₩ 922,723	₩ 334,717	₩ 48,740	₩ 83,709	₩ 1,389,889	₩ (97,628)	₩ 1,292,261
Intersegment sales	(66,113)	(26,297)	(3,575)	(1,643)	(97,628)	97,628	-
External sales	856,610	308,420	45,165	82,066	1,292,261	-	1,292,261
Operating profit (loss) ¹	214,112	17,453	3,622	5,139	240,326	(3,756)	236,570
Depreciation and amortization	41,687	11,771	7,789	2,668	63,915	(3,100)	60,815

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

4. Operating Segment (cont'd)

(c) The Group recognizes revenue by transferring goods and services over period or at a point in time in 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:					
Tobacco	Wholesale and retail	₩	971,788	₩	845,455
	Direct sales		16,289		11,155
Ginseng	Wholesale and retail		168,692		151,864
	Direct sales		145,688		156,556
Others	Wholesale and retail		87,724		81,459
	Direct sales		549		607
Real estate	Sales		7,332		6,747
	Subtotal		1,398,062		1,253,843
Revenue recognized over time:					
Real estate	Sales		69,049		12,591
	Rental		23,997		25,827
	Subtotal		93,046		38,418
	Total	₩	1,491,108	₩	1,292,261

(d) The segment information on assets and liabilities as of March 31, 2025 and December 31, 2024 is as follows:

(in millions of Korean won)		March 31, 2025													
		Tobacco		Ginseng		Real estate		Others		Segment total		Adjustments		Consolidated	
Assets:															
Segment assets		₩	8,570,837	₩	2,155,662	₩	1,263,316	₩	395,014	₩	12,384,829	₩	(3,187,560)	₩	9,197,269
Investments in associates and joint ventures			-		-		451,588		25,692		477,280		-		477,280
Subtotal		₩	8,570,837	₩	2,155,662	₩	1,714,904	₩	420,706	₩	12,862,109	₩	(3,187,560)	₩	9,674,549
Common assets															4,392,829
Total assets														₩	14,067,378
Acquisition of non.current assets		₩	150,843	₩	12,173	₩	32	₩	5,900	₩	168,948	₩	(4,589)	₩	164,359
Liabilities:															
Segment liabilities		₩	2,979,219	₩	227,574	₩	56,537	₩	120,253	₩	3,383,583	₩	(771,015)	₩	2,612,568
Common liabilities															2,267,233
Total liabilities														₩	4,879,801

(in millions of Korean won)		December 31, 2024													
		Tobacco		Ginseng		Real estate		Others		Segment total		Adjustments		Consolidated	
Assets:															
Segment assets		₩	8,011,681	₩	2,256,568	₩	1,282,788	₩	388,786	₩	11,939,823	₩	(2,994,042)	₩	8,945,781
Investments in associates and joint ventures			-		-		458,891		23,458		482,349		-		482,349
Subtotal		₩	8,011,681	₩	2,256,568	₩	1,741,679	₩	412,244	₩	12,422,172	₩	(2,994,042)	₩	9,428,130
Common assets															4,497,107
Total assets														₩	13,925,237
Acquisition of non current assets		₩	793,559	₩	36,046	₩	2,994	₩	24,865	₩	857,464	₩	16	₩	857,480
Liabilities:															
Segment liabilities		₩	2,842,050	₩	259,695	₩	56,918	₩	113,864	₩	3,272,527	₩	(639,058)	₩	2,633,469
Common liabilities															1,933,303
Total liabilities														₩	4,566,772

4. Operating Segment (cont'd)

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

(e) The segment information by region where a customer is located for each of the three-month periods ended March 31, 2025 and 2024 is as follows:

	March 31, 2025			March 31, 2024		
	Korea	Overseas	Total	Korea	Overseas	Total
Sales	₩ 938,303	₩ 552,805	₩ 1,491,108	₩ 864,339	₩ 427,922	₩ 1,292,261
Non-current assets	3,054,575	689,526	3,744,101	3,012,586	248,822	3,261,408

The segment information classified as the Overseas category above is not geographically disaggregated because sales or non-current assets attributable to a specific jurisdiction are not material.

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

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	₩ 1,336,739	₩ 8,941	₩ 1,363,208	₩ 8,451
Loans	74,406	99,940	70,215	84,080
Other receivables	30,698	-	27,036	2,031
Guarantee deposits	63,326	54,888	78,851	46,960
Accrued income	17,491	233	22,342	51
Total	₩ 1,522,660	₩ 164,002	₩ 1,561,652	₩ 141,573

(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	₩ 1,566,177	₩ 164,088	₩ 1,603,358	₩ 141,660
Allowances:				
Trade receivables	(36,950)	-	(35,174)	-
Other receivables	(6,567)	(86)	(6,532)	(87)
Total allowances	(43,517)	(86)	(41,706)	(87)
Net trade and other receivables	₩ 1,522,660	₩ 164,002	₩ 1,561,652	₩ 141,573

(c) Changes in allowances 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	₩ 41,793	₩ 64,172
Impairment loss	1,312	11,109
Write off	-	(448)
Net exchange difference and others	498	(162)
Ending balance	₩ 43,603	₩ 74,671

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 Group's consolidated 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	₩ 60,926	₩ (9,484)	₩ 51,442	₩ 65,557	₩ (8,037)	₩ 57,520
Finished goods	412,033	(30,867)	381,166	411,380	(36,048)	375,332
Half-finished goods and work in progress	1,079,808	(2,027)	1,077,781	1,123,108	(2,559)	1,120,549
Raw materials	993,290	(3,523)	989,767	958,832	(3,458)	955,374
Supplies	91,827	-	91,827	89,360	-	89,360
By-products	11,021	-	11,021	8,800	-	8,800
Buildings under construction	110,621	-	110,621	99,144	-	99,144
Completed buildings	106,762	-	106,762	112,069	-	112,069
Sites for construction of real estate	203,714	-	203,714	212,657	-	212,657
Goods in transit	94,240	(653)	93,587	70,939	(431)	70,508
Total	₩ 3,164,242	₩ (46,554)	₩ 3,117,688	₩ 3,151,846	₩ (50,533)	₩ 3,101,313

(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	₩ (4,034)	₩ 823
Loss on obsolescence of inventories	4,055	3,700
Other expense:		
Loss on obsolescence of inventories	427	36
Total	₩ 448	₩ 4,559

7. Investments in Associates and Joint Ventures

Changes in investments in associates and joint ventures 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	₩ 482,349	₩ 471,327
Acquisition	-	15,000
Shares of net profit or loss	7,353	5,092
Dividends	(12,425)	-
Changes in equity	3	115
Ending balance	₩ 477,280	₩ 491,534

8. 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:

<i>(in millions of Korean won)</i>	March 31, 2025		March 31, 2024	
Beginning balance	₩	2,664,382	₩	2,096,467
Acquisition ¹		150,249		97,430
Disposal/Impairment		(336)		(781)
Depreciation		(46,901)		(40,241)
Reclassification, etc. ²		10,676		1,745
Ending balance	₩	2,778,070	₩	2,154,620

¹During the three-month period ended March 31, 2025, the Group has capitalized borrowings costs amounting to ₩ 6,205 million (During the three-month period ended March 31, 2024: ₩ 2,158 million) for property, plant and equipment that are qualifying assets. The rate used to calculate capitalizable borrowing costs is 3.6%~9.6% (During the three-month period ended March 31, 2024: 4.4%~5.7%).

²Consists of ₩ 1,348 million of transfers to investment properties and ₩ 19 million of transfers to intangible assets for the three-month period ended March 31, 2025. And ₩ 3,636 million of transfers to investment properties for the three-month period ended March 31, 2024.

9. Intangible Assets

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

<i>(in millions of Korean won)</i>	March 31, 2025		March 31, 2024	
Beginning balance	₩	179,681	₩	175,028
Acquisition		5,084		9,433
Disposal/Impairment		(4,088)		(210)
Amortization		(7,954)		(7,629)
Reclassification, etc. ¹		(74)		172
Ending balance	₩	172,649	₩	176,794

¹Consists of ₩ 19 million which was reclassified to intangible assets from property, plant and equipment for the three-month period ended March 31, 2025.

10. Investment Properties

Changes in investment properties 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	₩	761,154	₩	1,018,434
Acquisition ¹		42		2,435
Disposal/Impairment		-		(787)
Depreciation		(5,576)		(5,913)
Reclassification, etc. ²		(13,149)		(132,017)
Ending balance	₩	742,471	₩	882,152

¹During the three-month period ended March 31, 2025, the Group 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%~4.0% (During the three-month period ended March 31, 2024: 4.4%~4.5%).

²Consists of ₩ 1,348 million of transfers from property, plant and equipment and ₩ 14,500 million of transfers to inventories for the three-month period ended March 31, 2025. And ₩ 3,636 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.

11. 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:

(in millions of Korean won)

	March 31, 2025		March 31, 2024	
Beginning balance	₩	50,498	₩	49,029
Acquisition		8,984		5,672
Disposal		(1,493)		(237)
Depreciation		(8,322)		(7,032)
Reclassification, etc.		1,244		410
Ending balance	₩	50,911	₩	47,842

12. Borrowings

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

<i>(in millions of Korean won)</i>	Lender	Annual interest rate (%)	March 31, 2025		December 31, 2024	
Borrowings	Hana Bank	FTP(6 months)+0.612	₩	3,000	₩	3,000
		FTP(6 months)+0.69		80,000		200,000
	Hana Bank Shanghai branch	LPR(1 year)-0.50		2,017		6,539
	Citi Bank	2.40		16,563		-
		2.43		2,429		-
	Shinhan Bank	MOR(6 months)+1.22		50,000		50,000
		Bank Debenture (6 months)+0.25		10,000		10,000
	Woori Bank	5.97		4,000		4,000
	Korea Development Bank Cooperatives	3.66		14,000		14,000
	Subtotal			182,009		287,539
Others	Others	4.60~5.00		436		436
	Total		₩	182,445	₩	287,975

12. Borrowings (cont'd)

(b) Details of the current portion of long-term borrowings and long-term borrowings as of March 31, 2025 and December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>	Lender	Maturity	Annual interest rate (%)		March 31, 2025	December 31, 2024
Other financial loan for working capital ¹	NH Nonghyup Bank	2025.06.22~ 2027.06.20	-	₩	26,470	₩ 26,210
Financial agricultural mid.term loan ¹	NH Nonghyup Bank	2028.07.19~ 2029.07.24	-		32,849	32,377
Borrowings	NH Nonghyup Bank	2028.11.21	3.00		11,543	11,370
		2025.12.27~ 2028.12.27	3.00		9,793	9,646
	KB Kookmin Bank	2025.03.07	MOR(1 year)+1.67		-	10,000
		2026.05.07	MOR(3 months)+1.93		3,518	3,518
		2027.02.05	MOR(1 year)+1.85		980	-
	Korea Development Bank	2025.06.23	Industrial Financial Debenture (1 year)+0.66		1,250	2,500
		2025.12.02	Industrial Financial Debenture (1 year)+1.05		20,000	20,000
		2030.03.20	Industrial Financial Debenture (1 year)+1.36		10,000	-
	Mirae Asset Capital Co., Ltd.	2026.08.29	CP+1.41		45,940	45,843
	IM Bank	2027.05.30	MOR(6 months)+2.18		3,492	3,492
	Shinhan Bank	2026.05.21	6.50		13,868	11,292
	Shinhan Card Co., Ltd.	2026.05.21	Financial Debenture (3 years)+1.99		24,154	19,674
	NH Investment & Securities Co., Ltd.	2026.05.21	6.50		14,549	14,425
	OK Savings Bank	2026.05.21	9.00		8,245	8,174
	Korea Investment Savings Bank	2026.05.21	9.00		7,275	7,213
	JT Chinae Savings Bank	2026.05.21	9.00		6,790	6,732
	The.K Savings Bank	2026.05.21	9.00		4,850	4,808
	BNK Savings Bank	2026.05.21	9.00		4,850	4,808
	Choeun Savings Bank	2026.05.21	9.00		2,910	2,885
	Insung Savings Bank	2026.05.21	9.00		1,940	1,923
	Incheon Savings Bank	2026.05.21	9.00		1,940	1,923
Others	Korea SMEs And Startups Agency	2025.04.27~ 2027.09.27	2.82~3.07		250	275
	Others	2025.08.04~ 2025.10.30	4.60		1,071	1,071
	Total			₩	258,527	₩ 250,159
Consolidated statements of financial position:						
Current				₩	29,479	₩ 36,191
Non.current					229,048	213,968
	Total			₩	258,527	₩ 250,159

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

(c) As discussed in Note 23.(c) to the consolidated financial statements, the Group is providing collateral for the above borrowings.

13. Bonds

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

<i>(in millions of Korean won)</i>	Issuance Date	Maturity	Annual interest rate (%)		March 31, 2025		December 31, 2024
2-1 st non-guarantee public bonds	2023.09.13	2025.09.12	4.180	₩	100,000	₩	100,000
2-2 nd non-guarantee public bonds	2023.09.13	2026.09.11	4.322		200,000		200,000
3-1 st non-guarantee public bonds	2024.04.25	2026.04.24	3.624		50,000		50,000
3-2 nd non-guarantee public bonds	2024.04.25	2027.04.23	3.763		150,000		150,000
3-3 rd non-guarantee public bonds	2024.04.25	2029.04.25	3.808		100,000		100,000
4-1 st non-guarantee public bonds	2024.10.08	2026.10.08	3.218		80,000		80,000
4-2 nd non-guarantee public bonds	2024.10.08	2027.10.08	3.306		160,000		160,000
4-3 rd 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

13. Bonds (cont'd)

(b) Convertible bonds

Details of the book values of convertible bonds issued by the Group as of March 31, 2025 and December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>		March 31, 2025	December 31, 2024
Face value	₩	30,300	₩ 30,300
Redemption premium		1,233	1,233
Conversion right adjustment		(3,055)	(4,145)
Total	₩	28,478	₩ 27,388
Current	₩	28,478	₩ 27,388
Non-current		-	-
Total	₩	28,478	₩ 27,388

Details of issuance condition of convertible bonds issued by the Group as of March 31, 2025 are as follows:

Classification	Details
Type and name	1st unregistered non-guarantee private convertible bond
Underwriter	Korea Investment & Securities Co., Ltd. and 13 other underwriters
Issuing company	Yungjin Pharm. Co., Ltd.
Issuance date	2023. 11. 21
Maturity date	2028. 11. 21
Total issuance amount	₩ 30,300 million
Conversion price per share	₩ 2,305
Number of shares issued at conversion	13,145,336 shares
Condition for conversion price adjustment	<p>(a) In the case of issuance of new shares due to paid-in capital increase, capital increase without consideration, stock dividend, capital transfer of reserves at an issue price below the market price, or issuance of convertible bonds or bonds with warrants at a conversion price or exercise price below the market price, the conversion price is adjusted as follows. Conversion price after adjustment = Conversion price before adjustment × [(A+(B×C/D))/(A+B)] A: Number of outstanding shares, B: Number of newly issued shares, C: Issue price per share, D: Market price</p> <p>(b) In cases where the conversion price needs to be adjusted due to a merger, capital reduction, stock split or merger, etc., adjust to the same effect that the "bondholder" of the "bonds" could have had if the conversion right had been exercised immediately before these events and the entire amount had been acquired with stocks.</p> <p>(c) If reasons for an increase in stock value, such as capital reduction or stock merger, occur, the conversion price is adjusted on the condition that it is reflected upward by the adjustment ratio due to capital reduction, stock merger and others.</p> <p>(d) If the conversion price adjusted in accordance with the above (a), (b), (c) provisions is less than the par value of the stock, the par value shall be the conversion price, and the total issuance price of the stocks to be issued through the conversion of each convertible bond cannot exceed the issuance price of each convertible bond.</p>
Conversion period	From November 21, 2024 to October 21, 2028
Conversion ratio	100% of bond price
Early redemption right	On November 21, 2025, which is two years from the date of issuance of the bond, and every three months thereafter, bondholders of the bond may request early redemption before maturity for the entire amount calculated by multiplying the electronic registration amount by the early redemption rate (approximately 2% annual compound interest).
Yield to maturity	2.00%
Coupon rate	-

14. 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>	March 31, 2025		March 31, 2024	
Defined benefit plans:				
Current service cost	₩	13,146	₩	12,140
Net interest on net defined benefit liabilities (assets)		369		(206)
Past service cost and gain and loss on settlement		-		18
Subtotal		13,515		11,952
Defined contribution plan:				
Contributions recognized as expense		3,462		2,402
Other long-term employee benefits:				
Current service cost, etc.		1,914		1,504
Termination benefits:				
Voluntary retirements, etc.		57,792		1,584
Total	₩	76,683	₩	17,442

(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>	March 31, 2025		December 31, 2024	
Present value of defined benefit obligations	₩	619,423	₩	635,837
Fair value of plan assets		(578,055)		(601,285)
Total	₩	41,368	₩	34,552

15. Refund Liabilities and Provisions

(a) Details of refund liabilities and provisions 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
Provision for product warranty	₩ 6,151	₩ -	₩ 6,194	₩ -
Refund liabilities	15,112	6,450	13,925	6,917
Provision for site restoration	1,599	632	1,561	679
Provision for financial guarantee	7	19	7	25
Provision for greenhouse gases	-	-	13	-
Provision for others	17,630	2	17,380	2
Total	₩ 40,499	₩ 7,103	₩ 39,080	₩ 7,623

(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)

	March 31, 2025			
	Beginning balance	Increase	Decrease	Ending balance
Provision for product warranty	₩ 6,194	₩ 1,690	₩ (1,733)	₩ 6,151
Refund liabilities	20,842	8,851	(8,131)	21,562
Provision for site restoration	2,240	60	(69)	2,231
Provision for financial guarantee	32	12	(18)	26
Provision for greenhouse gases	13	13	(26)	-
Provision for others	17,382	1,047	(797)	17,632
Total	₩ 46,703	₩ 11,673	₩ (10,774)	₩ 47,602

(in millions of Korean won)

	March 31, 2024			
	Beginning balance	Increase	Decrease	Ending balance
Provision for product warranty	₩ 1,780	₩ 665	₩ (808)	₩ 1,637
Refund liabilities	17,310	1,099	(728)	17,681
Provision for site restoration	2,217	20	(40)	2,197
Provision for financial guarantee	44	-	(20)	24
Provision for greenhouse gases	51	8	-	59
Provision for others	16,928	-	(437)	16,491
Total	₩ 38,330	₩ 1,792	₩ (2,033)	₩ 38,089

16. 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)

Construction project	Initial sales contract date	Expected completion date	Progress (%)	March 31, 2025		Revenue (cumulative) ²	Revenue (period) ³	Cost (cumulative) ⁴
				Total sales value ¹	Total sales contract value			
Suwon hwaseo prugio brieiel	June 2020	September 2023	100.00	₩ 803,056	₩ 747,970	₩ 747,946	₩ -	₩ 338,101
ePyeonghansesang Daejeon Station Centum Vista	December 2022	June 2026	64.98	226,951	192,719	124,756	5,183	105,513
Nokbeon-dong Mixed-Use apartment 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
ePyeonghansesang 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 apartment building	January 2025	May 2026	38.84	42,044	41,574	16,145	16,146	14,377
Goyang Hyangdong district knowledge industry center ⁵	March 2021	July 2023	100.00	541,142	502,711	482,560	-	313,982
Total				₩ 2,612,254	₩ 2,209,482	₩ 1,624,254	₩ 69,049	₩ 946,765

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

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

³ Excludes the revenue of ₩ 7,332 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.

⁴ Excludes cumulative costs of ₩ 293,584 million for common infrastructure.

⁵As of March 31, 2025, the cumulative revenue and cost include the amount of revenues and costs incurred before the Group's acquisition of control over DNC Deogeun Co., Ltd.

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

(in millions of Korean won)

Construction project	Initial sales contract date	Expected completion date	Progress (%)	March 31, 2024		Revenue (cumulative) ²	Revenue (period) ³	Cost (cumulative) ⁴
				Total sales value ¹	Total sales contract value			
Suwon hwasoo prugio briel	June 2020	September 2023	100.00	₩ 803,056	₩ 747,970	₩ 747,946	₩ -	₩ 338,101
ePyeonghansang Daejeon Station Centum Vista	December 2022	June 2026	37.21	226,951	193,218	71,820	7,437	59,919
Nokbeon-dong Mixed-Use apartment 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
Gwacheon sangsang Xi tower B	January 2021	May 2023	100.00	266,691	239,568	232,962	-	138,460
Goyang Hyangdong district knowledge industry center ⁵	March 2021	July 2023	100.00	541,142	502,711	482,560	-	313,982
Total				₩ 2,084,263	₩ 1,850,903	₩ 1,574,642	₩ 12,591	₩ 878,141

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

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

³ Excludes the revenue of ₩ 6,747 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.

⁴ Excludes cumulative costs of ₩ 227,438 million for common infrastructure.

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

KT&G Corporation and its subsidiaries

Notes to the interim consolidated financial statements, continued

March 31, 2025 and 2024 (unaudited)



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

(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)

Construction project	March 31, 2025			
	Revenue (cumulative)		Cash collected (cumulative)	
Suwon hwaseo prugio briciel	₩	747,946	₩	747,361
ePyeonghansesang Daejeon Station Centum Vista		124,756		29,874
Nokbeon-dong Mixed-Use apartment building		24,269		12,610
Elif Mia Station Complex 1		20,913		5,318
Elif Mia Station Complex 2		48,009		13,170
ePyeonghansesang Pyeongchon Urban Valley		120,831		67,598
Digital Empire Pyeongchon Biz Valley		38,825		7,896
Anyang-dong Mixed-Use apartment building		16,145		-
Goyang Hyangdong district knowledge industry center		482,560		482,560
Total	₩	1,624,254	₩	1,366,387

¹As 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.

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

KT&G Corporation and its subsidiaries

Notes to the interim consolidated financial statements, continued

March 31, 2025 and 2024 (unaudited)



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

(in millions of Korean won)

December 31, 2024

Construction project	Revenue (cumulative)	Cash collected (cumulative)	Trade receivables for sale in lots ¹	Advanced receipts for sale in lots ²
Suwon hwaseo prugio briel	₩ 747,946	₩ 747,361	₩ 587	₩ 2
ePyeonghansesang Daejeon Station Centum Vista	119,573	30,048	90,240	715
Nokbeon-dong Mixed-Use apartment building	22,507	12,610	9,897	-
Elif Mia Station Complex 1	18,649	5,339	13,396	86
Elif Mia Station Complex 2	42,650	13,131	29,736	217
ePyeonghansesang Pyeongchon Urban Valley	100,933	47,906	53,284	257
Digital Empire Pyeongchon Biz Valley	20,388	6,352	14,036	-
Gwacheon sangsang Xi tower B	232,962	232,962	-	-
Goyang Hyangdong district knowledge industry center	482,560	482,560	-	-
Total	₩ 1,788,168	₩ 1,578,269	₩ 211,176	₩ 1,277

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

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

(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 are subject to probable changes in the future.

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

(in millions of Korean won)

March 31, 2025

December 31, 2024

Construction project	Trade receivables for sale in lots	Advanced receipts for sale in lots ¹	Trade receivables for sale in lots	Advanced receipts for sale in lots ¹
Suwon hwaseo prugio briel	₩ -	₩ 806	₩ -	₩ 806
ePyeonghansesang Daejeon Station Centum Vista	-	105	-	105
Elif Mia Station Complex 1	-	673	-	575
Elif Mia Station Complex 2	-	4,467	-	4,332
Sangbong Station Ubori First Live and Four Square	9,549	208	9,549	131
Goyang Hyangdong district knowledge industry center	-	39	-	433
Total	₩ 9,549	₩ 6,298	₩ 9,549	₩ 6,382

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

17. 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)

	March 31, 2025		March 31, 2024	
Salaries	₩	130,912	₩	129,430
Retirement and termination benefits		59,967		10,365
Employee welfare		19,548		17,984
Travel expenses		7,100		4,649
Communication cost		1,666		1,557
Utilities		4,233		4,569
Taxes and dues		3,864		6,600
Supplies		1,717		1,156
Rent		5,026		4,717
Depreciation		17,832		14,716
Amortization		6,581		5,927
Repairs and maintenance		1,871		2,022
Vehicles		1,850		1,613
Insurance		1,014		956
Commissions		90,633		98,359
Freight and custody		18,821		17,170
Conferences		1,410		1,476
Advertising		75,736		58,867
Education and training		2,863		1,563
Prizes and rewards		645		533
Cooperation		329		240
Research and development		13,232		11,947
Impairment loss on trade receivables		1,273		11,222
Total	₩	468,123	₩	407,638

18. 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>	March 31, 2025	March 31, 2024
Gain on foreign currency transaction	₩ 7,814	₩ 12,803
Gain on foreign currency translation	64,780	119,526
Gain on valuation of derivatives	6,974	35
Reversal of impairment loss on other receivables	143	113
Gain on disposal of property, plant and equipment	313	137
Gain on disposal of intangible assets	4	2
Gain on disposal of investment properties	-	4,968
Gain on lease contract adjustments	431	58
Gain on disposal of right-of-use assets	257	2
Miscellaneous income	4,220	6,128
Total	₩ 84,936	₩ 143,772

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

<i>(in millions of Korean won)</i>	March 31, 2025	March 31, 2024
Loss on foreign currency transaction	₩ 14,380	₩ 7,874
Loss on foreign currency translation	45,073	16,371
Loss on valuation of derivatives	8,906	13,053
Loss on impairment of other receivables	181	-
Loss on disposal of property, plant and equipment	274	68
Loss on impairment of property, plant and equipment	-	-
Loss on disposal of intangible assets	226	160
Loss on impairment of intangible assets	213	41
Loss on disposal of investment properties	-	55
Donations	887	1,146
Loss on lease contract adjustments	13	5
Miscellaneous loss	1,705	2,511
Total	₩ 71,858	₩ 41,284

19. 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 ¹	₩	28,188	₩	26,788
Dividend income		2,821		2,889
Gain on valuation of financial assets measured at fair value through profit or loss		3,833		10,305
Gain on disposal of financial instruments		324		-
Total finance income	₩	35,166	₩	39,982
Finance costs:				
Interest expense	₩	12,471	₩	9,624
Loss on valuation of financial assets measured at fair value through profit or loss		4,074		3,330
Total finance costs	₩	16,545	₩	12,954
Net finance income	₩	18,621	₩	27,028

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

20. Income Tax Expense and Deferred Tax Asset

(a) Income tax expense is recognized based on the best estimate of weighted average annual effective income tax rate expected for the full financial year. The average effective tax rates for each of the three-month periods ended March 31, 2025 and 2024 are 22.89% and 21.74%, respectively.

(b) The Group is subject to Pillar Two income taxes. As of March 31, 2025, the Group 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 Group will apply the temporary exception to the recognition and disclosure of deferred income tax assets and liabilities related to Pillar Two legislation.

21. Related Parties

(a) Details of the Group'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
Associates	LitePharmTech Co., Ltd. ¹	Korea	12.53	12.53
	KORAMCO Banpo PFV Co., Ltd. ¹	Korea	18.95	18.95
	KOCREF 36 REIT	Korea	21.01	21.01
	KOCREF 41 REIT	Korea	26.47	26.47
	Cheongna Medipolis PFV Co., Ltd. ²	Korea	51.01	51.01
	INNODIS CO., Ltd. ¹	Korea	19.64	19.64
	SJ BIO MED Co., Ltd. ^{1,3}	Korea	14.39	14.39
	LSK Global Pharma Services Co., Ltd.	Korea	21.92	21.92
	Mirae Asset KT&G Investment Fund I ⁴	Korea	50.00	50.00
	JIELGWANGJIN CITY DEVELOPMENT Co., Ltd.	Korea	35.00	35.00
	KB KT&G New Growth Fund 1 ⁵	Korea	66.67	66.67
	KORAMCO Europe Private REIT 3-2 Fund ⁶	Korea	51.35	51.35
Joint ventures	Starfield Suwon Inc.	Korea	50.00	50.00
	Sangsang Loft Co., Ltd. ⁷	Korea	50.00	50.00
Others	Others ⁸	Korea	-	-

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

²The Group has classified the ownership as investment in associates, as the three-fourths of the Board of Directors' consent is required in making decisions on material financial and operational policies in accordance with the agreement with shareholders.

³As of March 31, 2025, the liquidation procedures are in progress.

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

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

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

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

⁸ The Group classified the related parties of DNC Deogeun Co., Ltd. as other related parties as the Group acquired DNC Deogeun Co., Ltd. as subsidiary for the year ended December 31, 2023.

21. Related Parties (cont'd)

(b) The Group carries out transactions with its related parties, such as sales of goods and provision of services, etc. Details of the transactions with the related parties for each of the 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	
		Sales and other revenue	Purchase and other expenses	Sales and other revenue	Purchase and other expenses
Associates	INNODIS CO., LTD.	₩ -	₩ 25	₩ -	₩ 74
	Cheongna Medipolis PFV Co.,Ltd.	379	-	-	-
Joint ventures	Starfield Suwon, Inc.	-	27	-	22
	Sangsang Loft Co.,Ltd.	1	-	-	-
Others	Others	1,546	-	1,108	-
	Total	₩ 1,926	₩ 52	₩ 1,108	₩ 96

(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)

Type	Name of entity	March 31, 2025		December 31, 2024	
		Receivables	Payables	Receivables	Payables
Associate	INNODIS CO., LTD.	₩ -	₩ 25	₩ -	₩ 27
Joint venture	Starfield Suwon, Inc.	37	10	98	10
	Sangsang Loft Co.,Ltd.	-	2	-	2
Others	Others ¹	54,791	121	51,259	113
	Total	₩ 54,828	₩ 158	₩ 51,357	₩ 152

¹ Presented in the gross amount before deducting loss allowance of ₩ 5,006 million as of March 31, 2025 (December 31, 2024: ₩ 4,971 million).

(d) 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	
		Dividends	Loans	Recovery	Equity investment
Joint venture	Starfield Suwon, Inc.	₩ 12,425	₩ -	₩ -	₩ 15,000
Others	Others	-	4,702	1,217	-
		₩ 12,425	₩ 4,702	₩ 1,217	₩ 15,000

(e) The Group is provided with a joint guarantee from GL Industrial Development Co., Ltd. in relation to the ₩ 39,000 million loaned to related parties of DNC Deogeun Co., Ltd (See Note 23.(c)).

21. Related Parties (cont'd)

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

(g) The Group has entered into a contribution agreement in relation to equity instrument 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 Parent Company, should also be transferred.

(h) The Parent 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.

(i) As of March 31, 2025, the Group 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.

(j) The Group 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 ₩ 30,000 million. As of March 31, 2025, the remaining contribution amount is ₩ 12,000 million, and the detailed timeline for contribution is yet to be determined (See Note 23.(d)).

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

(l) As of March 31, 2025, the Group's holdings in KORAMCO Banpo PFV Co., Ltd. are pledged as a collateral for a PF loan of KORAMCO Banpo PFV Co., Ltd (See Note 23.(c)).

21. Related Parties (cont'd)

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

<i>(in millions of Korean won)</i>	March 31, 2025		March 31, 2024	
Long and short-term employee benefits	₩	6,423	₩	7,702
Retirement benefits		620		617
Total	₩	7,043	₩	8,319

22. Risk Management and Fair Value of Financial Instruments

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

① Currency risk

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

② Price risk

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

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

The Group 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 Group 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 Group 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 Group 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 Group's 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 Group 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 Group then receives collaterals and/or payment guarantees as necessary. In addition, the Group periodically reassesses the credit limits and readjusts the collaterals by reassessing the contracting party's 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.

(b) Liquidity risk

The Group 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 Group 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 Group determines that it can repay the financial liabilities using cash flows from operating activities and cash inflows from financial assets.

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

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

<i>(in millions of Korean won)</i>	March 31, 2025		December 31, 2024	
Financial assets:				
Financial assets measured at fair value through profit or loss ¹	₩	574,901	₩	582,870
Financial assets measured at fair value through other comprehensive income or loss		209,929		211,693
Financial assets measured at amortized cost				
Cash and cash equivalents ¹		1,018,715		1,135,967
Other financial assets		505,430		494,021
Trade and other receivables		1,686,662		1,703,225
Long-term deposits		1,721,419		1,705,504
Subtotal		4,932,226		5,038,717
Total financial assets	₩	5,717,056	₩	5,833,280
Financial liabilities:				
Derivative liabilities	₩	12,119	₩	32,801
Financial liabilities measured at amortized cost				
Short-term borrowings		182,445		287,975
Long-term borrowings		258,527		250,159
Bonds		908,088		907,934
Convertible bonds		28,478		27,388
Trade and other payables		1,804,915		1,308,373
Lease liabilities		47,972		48,746
Liabilities for non-controlling interests		6,908		7,072
Subtotal		3,237,333		2,837,647
Total financial liabilities	₩	3,249,452	₩	2,870,448

¹As of March 31, 2025, money market trust amounting ₩ 1 million classified as cash equivalents are included in the financial assets measured at fair value through profit or loss (December 31, 2024: ₩ 1 million).

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

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

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

Details of the fair 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	₩ 574,901	₩ -	₩ 213,304	₩ 361,597		
Financial assets measured at fair value through other comprehensive income or loss	209,929	200,666	-	9,263		
Total financial assets	₩ 784,830	₩ 200,666	₩ 213,304	₩ 370,860		
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	₩ 582,870	₩ -	₩ 231,324	₩ 351,546		
Financial assets measured at fair value through other comprehensive income or loss	211,693	202,430	-	9,263		
Total financial assets	₩ 794,563	₩ 202,430	₩ 231,324	₩ 360,809		
Derivative liabilities	₩ 32,801	₩ -	₩ 32,801	₩ -		

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.

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	₩	360,809	₩	397,255
Acquisition		13,514		10,853
Disposal		(697)		(19,257)
Changes in fair value		(2,766)		5,252
Ending balance	₩	370,860	₩	394,103

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

(f) Details of net gains or losses by each financial instrument category 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 measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income or loss	Derivatives	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total
Profit for the period:						
Interest income	₩ -	₩ -	₩ -	₩ 28,188	₩ -	₩ 28,188
Dividend income	818	2,003	-	-	-	2,821
Loss on valuation	(241)	-	(1,932)	-	-	(2,173)
Gain on disposal	324	-	-	-	-	324
Interest expense	-	-	-	-	(12,471)	(12,471)
Impairment loss	-	-	-	(1,312)	-	(1,312)
Gain on lease contract adjustments	-	-	-	-	418	418
Total	₩ 901	₩ 2,003	₩ (1,932)	₩ 26,876	₩ (12,053)	₩ 15,795
Other comprehensive income(loss) before tax:						
Net change in fair value	₩ -	₩ (1,764)	₩ -	₩ -	₩ -	₩ (1,764)
Total	₩ -	₩ (1,764)	₩ -	₩ -	₩ -	₩ (1,764)

(in millions of Korean won)

		March 31, 2024				
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income or loss	Derivatives	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total
Profit for the period:						
Interest income	₩ -	₩ -	₩ -	₩ 26,788	₩ -	₩ 26,788
Dividend income	785	2,104	-	-	-	2,889
Gain or loss on valuation	6,975	-	(13,018)	-	-	(6,043)
Interest expense	-	-	-	-	(9,624)	(9,624)
Reversal of impairment loss	-	-	-	(11,109)	-	(11,109)
Gain on lease contract adjustments	-	-	-	-	53	53
Total	₩ 7,760	₩ 2,104	₩ (13,018)	₩ 15,679	₩ (9,571)	₩ 2,954
Other comprehensive income(loss) before tax:						
Net change in fair value	₩ -	₩ 12,820	₩ -	₩ -	₩ -	₩ 12,820
Total	₩ -	₩ 12,820	₩ -	₩ -	₩ -	₩ 12,820

23. Contingent Liabilities and Commitments

(a) Litigation cases

As of March 31, 2025, the Group has 22 cases of pending litigations under progress where the Group is the defendant and the litigation amounts are ₩ 175,258 million. It is not possible to reasonably predict the impact of the outcome of the pending litigations on the consolidated financial statements of the Group as of March 31, 2025.

(b) Commitments with financial institutions

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

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

Type	Financial institutions	Currency	Limit	Execution
Opening import letter of credits	Hana Bank and one other	USD	211,200	70,179
Derivatives trading ¹	Hana Bank and five other	USD	218,040	30,043
Trade receivables factoring agreement	Hana Bank	KRW	5,000	98
Insurance Contract for Compensation of Consumer Damages in Sponsored Door-to-Door Sales	Korea Special Sales Financial Cooperative Association	KRW	507	-
Others	Korea Development Bank and six others	KRW	1,032,772	328,122
	Hana Bank Shanghai branch	CNY	10,000	10,000

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

As of March 31, 2025, the Group 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 Group as of March 31, 2025 are as follows:

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

Provider	Currency	Limit	Details
Korea Housing & Urban Guarantee Corporation	KRW	238,332	Housing distribution guarantee, etc.
Seoul Guarantee Insurance	KRW	31,073	License guarantee, etc.
GL Industrial Development Co., Ltd. and one individual	KRW	49,800	Joint guarantee
One individual	USD	4,800	Joint guarantee
ARCH	USD	79	License bond payment guarantee
Garanti Bank and one other	TRY	265,000	Payment guarantee on customs, etc.
Hana Bank	USD	2,000	Performance and tender guarantee related to exporting reconstituted tobacco leaves
Alfa Bank	RUB	2,200,000	Trade receivables payment guarantee, etc.

23. Contingent Liabilities and Commitments (cont'd)

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

Details of payment guarantees provided by the Group to other parties as of 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 ePyeonhansesang 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 ¹
Buyer of Digital Empire Pyeongchon Biz Valley	Hana Bank	9,960	6,483	9,960	4,046	Loan guarantee for the contract deposit

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

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
Property, plant and equipment	₩	66,433	₩	31,250	₩	60,000	Korea Development Bank	Long term borrowings and limit loan
		19,193		27,000		40,800	Shinhan Bank and two other	Short-term borrowings
		28,897		-		2,400	Korea Development Bank	Collateral for limit loan agreement
Investment properties		228,949		19,357		21,544	CJ Foodville Co., Ltd., etc.	Establishment of right to collateral security on rent deposits /Establishment of lease contracts
		56,252		46,500		55,800	Mirae Asset Capital Co.,Ltd.	Long-term borrowings ¹
Inventories		18,645		11,990		24,388	iM Bank and four others	Provision of preferential rights through real estate collateral trust contract
Other financial assets		5,203		-		5,203	Korea Land & Housing Corporation	Establishment of a pledge for property development
		37,880		36,584		37,880	Suwon City	Establishment of a pledge for suwon daeyupyeong district underpass
		600		-		720	Suhyup Bank	Establishment of pledge related to loan arrangement for Elif Mia
		100		100		100	Kyobo Book Center Co.,Ltd.	Establishment of a pledge for leasehold deposits
Financial assets measured at fair value through profit or loss		5,065		-		5,280	Suhyup Bank	Establishment of pledge related to loan arrangement for Elif Mia
Pledge of profit rights		-		152,100		182,520	Shinhan Bank and two others (1st tier), OK Savings Bank and seven others (2nd tier), Daesang Construction Co., Ltd. (3rd tier)	Collateral for project financing ²
Investments in associates		-		-		5,306	Hyundai Marine & Fire Insurance, NH Bank	Collateral for PF Loan of KORAMCO Banpo Project Financing Vehicle Co., Ltd. ³
Total	₩	467,217	₩	324,881	₩	441,941		

¹ As of March 31, 2025, the Group has provided investment properties under real estate collateral trust agreements and insurance claim rights under insurance claim pledged agreements as collateral for borrowings.

² As of March 31, 2025, the Group has provided preferential beneficiary certificates under managed land trust agreements as collateral for borrowings. The amount of debts consists of a PF loan limit of ₩ 118,000 million and the initial estimated cost of the contract construction of ₩ 34,100 million.

³ Equity holdings of all equity investors in KORAMCO Banpo PFV Co., Ltd. are pledged as collaterals for a PF loan amounting to ₩ 90,000 million.

23. Contingent Liabilities and Commitments (cont'd)

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, etc.	4	4
	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	₩ 148,852	₩ 110,947

As of March 31, 2025, cash and cash equivalents and short-term financial instruments of ₩ 22,269 million held by the Group are deposited in a trust account in accordance with the managed land trust contract and fund management business entrustment contract.

The contracted amount for the acquisition of major items of property, plant and equipment that has not yet been incurred as of March 31, 2025 is ₩ 370,788 million.

(d) Others

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

The Group has entered into a contract with agronomists for green ginseng, where the Group is to purchase a determined volume of ginseng after 6 years from the date of contract; as of March 31, 2025, the Group recognizes the initial contract payment as long-term advance payments and current portion of long-term advance payment, in the amount of ₩ 100,463 million and ₩ 57,801 million, respectively (as of December 31, 2024: ₩ 100,605 million and ₩ 35,206 million, respectively).

As of March 31, 2025, the Group has a management trust agreement in place with Marriott International Management Company B.V., and has been provided with the international public relations services by Global Hospitality Licensing S.A.R.L. Furthermore, the Group has been provided with the technical advice by Marriott International Design & Construction Services, Inc.

23. Contingent Liabilities and Commitments (cont'd)

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

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

The Group 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 and Smilegate New Deal Fund, etc., with the ceiling of ₩ 121,000 million and USD 37,000 thousand. As of March 31, 2025, the remaining contribution amount is ₩ 25,186 million and USD 17,027 thousand, and the detailed timeline for contribution is yet to be determined.

The Group has entered into a contribution agreement in relation to equity instrument 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 Parent Company, should also be transferred.

The Parent 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.

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

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

23. Contingent Liabilities and Commitments (cont'd)

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

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

The Group is obligated to return infrastructure such as roads and neighborhood parks to Suwon City for free related to sales project in Suwon Daeyupyeong district. And as blocks 1, 2, and 3 of Suwon Daeyupyeong district are completed in September 2023, additional expected costs due to fulfilment of infrastructure-related obligations are being reflected in construction costs for the year ended December 31, 2024 (See Note 16).

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

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

As of March 31, 2025, in relation to the ePyeonhansesang Daejeon Station Centum Vista sales project, the Group 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 Group has reached an agreement with Bando Engineering & Construction Co., Ltd. to resolve the dispute over increase in construction costs due to the permission for change through arbitration judgement ordered by Korea Commercial Arbitration Board. For the progress of the construction, the Group also promised to pay ₩ 10 billion to Bando Engineering & Construction Co., Ltd. in instalment according to the completion rate until the point of completion. The construction was completed during the year ended December 31, 2023, however, the arbitration is in progress and the ultimate outcome of the arbitration is unpredictable as of March 31, 2025.

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

23. Contingent Liabilities and Commitments (cont'd)

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

The Group is 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 Group's business in Russia and its financial position therein cannot be reasonably estimated as of March 31, 2025.

According to the project finance loan agreement for the Gangnam Station business complex development project as of March 31, 2025, in the event of trigger clause, such as failure to pay the loan principal and interest, the Parent Company's subsidiaries may lose all rights related to the project and may be subject to measures such as transferring all rights related to the project to a person designated by the agent financial institution.

KT&G Corporation and its subsidiaries

Notes to the interim consolidated financial statements, continued

March 31, 2025 and 2024 (unaudited)



24. 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		257,929	285,613
Operating profit from continuing operations		260,181	287,652
Operating loss from discontinued operation		(2,252)	(2,039)
Adjustments:			
Employee welfare		2,288	1,720
Retirement benefits and termination benefits		40,668	11,952
Loss on valuation or obsolescence of inventories		448	4,559
Depreciation		60,799	53,186
Amortization		7,954	7,629
Impairment loss on trade and other receivables		1,312	11,109
Loss on foreign currency translation		45,073	16,371
Loss on valuation of derivatives		8,906	13,053
Loss on disposal of property, plant and equipment		274	68
Loss on disposal of intangible assets		226	160
Loss on impairment of intangible assets		213	41
Loss on disposal of investment properties		-	55
Other expenses, etc		5,040	1,109
Finance cost		16,545	12,954
Share based payment expense		895	191
Income tax expense		77,242	79,923
Gain on foreign currency translation		(64,780)	(119,526)
Gain on valuation of derivatives		(6,974)	(35)
Gain on disposal of property, plant and equipment		(313)	(137)
Gain on disposal of intangible assets		(4)	(2)
Gain on disposal of investment properties		-	(4,968)
Gain on disposal of right-of-use assets		(257)	(2)
Other income, etc.		(4,193)	(2,131)
Finance income		(35,242)	(40,018)
Increase of investments in associates and joint ventures due to share of net gain/loss		(7,353)	(5,092)
Changes in working capital:			
Decrease in trade and other receivables		116,056	78,019
Increase in derivatives		(22,615)	(933)
Decrease in inventories		8,083	5,130
Increase in accrued tobacco excise and other taxes		(48,682)	(87,464)
Increase in advance payments		(116,887)	(20,966)
Increase in prepaid expenses		(14,375)	(759)
Increase (decrease) in trade and other payables		(155,221)	79,388
Increase in advance receipts		32,031	2,976
Increase (decrease) in tobacco excise and other taxes payable		(11,473)	36,851
Increase in provision for site restoration		22	-
Decrease in net defined benefit liabilities		(6,707)	(8,999)
Cash generated from operations	₩	186,928	₩ 411,025

25. Discontinued Operations

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

(a) Details of profit or loss from discontinued operation for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

(in millions of Korean won)

	March 31, 2025 ¹	March 31, 2024
Sales	₩ -	₩ -
Cost of sales	-	-
Selling, general and administrative expense	(1,948)	(2,075)
Operating loss	(1,948)	(2,075)
Other income	2	-
Other expense	(382)	-
Finance income	76	36
Finance costs	-	-
Loss on discontinued operation, before tax	(2,252)	(2,039)
Income tax expense	-	-
Loss on discontinued operation, after tax	(2,252)	(2,039)
Exchange differences on translating foreign operations	(33)	(1,913)
Total comprehensive loss on discontinued operation	₩ (2,285)	₩ (3,952)

¹ Profits or losses from discontinued operations for the three-month period ended March 31, 2025 are presented after eliminating the effects of intra-group transactions.

Profit or loss from discontinued operations for each of the three-month periods ended March 31, 2025 and 2024 is entirely attributed to the Parent Company.

(b) Details of cash flows from discontinued operation 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
Cash flows from operating activities	₩ (1,939)	₩ (1,957)
Cash flows from investing activities	76	36
Cash flows from financing activities	(267)	(231)
Differences arising from changes in exchange rates on cash and cash equivalents presented in foreign currency	(42)	564
	₩ (2,172)	₩ (1,588)

26. Events After the Reporting Period

The Group 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 Parent Company disposed of all of its equity investments in DNC Deogeun Co., Ltd.

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