

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

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Report on review of interim 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.

Ernst Young Han Young

May 9, 2025

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

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

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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

Interim consolidated statements of financial position, continued As of March 31, 2025 (unaudited) and December 31, 2024



(in millions of Korean won)					
	Notes	Ma	arch 31, 2025	De	ecember 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	•		9,065,952		9,239,171
Non-controlling interest	•		121,625		119,294
Total equity	•	₩	9,187,577	₩	9,358,465
Total liabilities and equity		₩	14,067,378	₩	13,925,237

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

Interim consolidated statements of comprehensive income For each of the three-month periods ended March 31, 2025 and 2024 (unaudited)



Continuing operations Sales			
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	05	(0.050)	(0.000)
Loss from discontinued operations	25	(2,252) ₩ 257,929	(2,039) ₩ 285.613
Profit for the period		₩ 257,929	W 285,613
Other comprehensive income (loss) for the period after income tax			
Items that will not be reclassified to profit or loss		(000)	\\\\\
Re-measurements of net defined benefit liabilities Gain (loss) on valuation of financial assets measured at fair value through		₩ (302)	₩ (219)
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	23,357	93
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			(=00)
Profit (loss) from continuing operations	0.5	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		270,000	000,001
Profit (loss) from continuing operations	0.5	2,331	(725)
Profit (loss) from discontinued operations	25		
Total comprehensive income (loss) attributable to non-controlling interests Total		2,331 ₩ 281,286	(725) ₩ 299,606
		201,200	., 299,000
Earnings (losses) per share			
Basic and diluted			
From continuing operations (in Korean won)		₩ 2,391	₩ 2,506
		(21)	(18)
From discontinued operations (in Korean won)		₩ 2,370	₩ 2,488

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

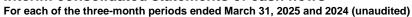


Interim consolidated statements of changes in equity For each of the three-month periods ended March 31, 2025 and 2024 (unaudited)

fir millipse of Korean wool		Share	Other capital surplus	Treasury	Gains on disposal of freasury shares	Reserves	Retained	Owners of the parent	Non-controlling interest	Total
(in this of Noted work				}			6			î
Balance as of January 1, 2024	*	954,959 W	4,946 W	(1,236,933) W	528,894 W	7,230,300 W	1,692,239 W	9,174,405 W	120,530 W	9,294,935
Total comprehensive income (loss) for the period Profit (loss) for the period						٠	286.346	286,346	(733)	285,613
Other comprehensive income (loss) for the period:										
Re-measurements of net defined benefit liabilities			•	•		•	(228)	(228)	6	(219)
Gain on valuation of financial assets measured at fair value through other comprehensive income or loss						900'6		900'6		900'6
Exchange differences on translating foreign operations				•		5,122	•	5,122	Ξ	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:						Ī				
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 W	4,642 W	(1,030,541) W	529,029 W	7,136,373 W	1,429,225 W	9,023,687 W	119,805 W	9,143,492
Balance as of January 1, 2025	≱	954,959 W	5,944 ₩	(1,030,541) W	% 629,029 W	7,175,263 W	1,604,517 W	9,239,171 W	119,294 W	9,358,465
Total comprehensive income for the period										
Profit for the period		'		1			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						(4)				. 600
through other comprehensive income or loss						(02,1)		(07,1)	•	(507,1)
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 for the period						23,659	255,296	278,955	2,331	281,286
Transactions with owners of the Parent Company:										
Dividends				•		•	(423,069)	(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 W	5,031 W	(835,253) W	529,807 W	6,848,765 W	1,562,643 W	9,065,952 W	121,625 W	9,187,577

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

Interim consolidated statements of cash flows





(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		0,030
Disposal of investment properties			3,032		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			(00,410)		(139,137)
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.

Notes to the interim consolidated financial statements
March 31, 2025 and 2024 (unaudited)



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.

Notes to the interim consolidated financial statements, continued March 31, 2025 and 2024 (unaudited)



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	PT Nusantara Indah Makmur	Selling tobaccos	99.96	March 31, 2025	Indonesia
Makmur	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.

Notes to the interim consolidated financial statements, continued March 31, 2025 and 2024 (unaudited)



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 (W 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 (\(\psi\) 200 million).

For the year ended December 31, 2024, Korea Ginseng Corporation, a subsidiary of the Parent Company, acquired 22,501 shares (\forall 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.

Notes to the interim consolidated financial statements, continued March 31, 2025 and 2024 (unaudited)



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 yearend 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.

Notes to the interim consolidated financial statements, continued March 31, 2025 and 2024 (unaudited)



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.

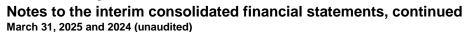
(b) Details of the segment information on sales and operating profit for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

(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)		M	arch 31, 2025		March 31, 2024
Revenue recognized at a point in time:					
Tobacco	Wholesale and retail	₩	971,788	₩	845,455
Tobacco	Direct sales		16,289		11,155
Cincona	Wholesale and retail		168,692		151,864
Ginseng	Direct sales		145,688		156,556
Others	Wholesale and retail		87,724		81,459
Others	Direct sales		549		607
Real estate	Sales		7,332		6,747
Subtota	I		1,398,062		1,253,843
Revenue recognized over time:					_
Real estate	Sales		69,049		12,591
Real estate	Rental		23,997		25,827
Subtota	I		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)							N	March 31, 202	25					
		Tobacco		Ginseng		Real estate		Others	5	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
// 'II'							_		•••					
(in millions of Korean won)				•			Dec	cember 31, 2						
,		Tobacco		Ginseng		Real estate	Dec	cember 31, 2 Others		Gegment total	_	Adjustments		Consolidated
Assets:								Others				<u> </u>	-	
Assets: Segment assets	₩	Tobacco 8,011,681	₩	Ginseng 2,256,568	₩	Real estate 1,282,788	Dec			11,939,823	₩	Adjustments (2,994,042)	₩	8,945,781
Assets:	₩		₩					Others				<u> </u>	₩	
Assets: Segment assets Investments in associates	₩		₩			1,282,788		Others 388,786		11,939,823	₩	<u> </u>	₩	8,945,781
Assets: Segment assets Investments in associates and joint ventures	_	8,011,681		2,256,568	₩	1,282,788 458,891	₩	Others 388,786 23,458	₩	11,939,823	₩	(2,994,042)	_	8,945,781 482,349
Assets: Segment assets Investments in associates and joint ventures Subtotal	_	8,011,681		2,256,568	₩	1,282,788 458,891	₩	Others 388,786 23,458	₩	11,939,823	₩	(2,994,042)	_	8,945,781 482,349 9,428,130
Assets: Segment assets Investments in associates and joint ventures Subtotal Common assets	_	8,011,681		2,256,568	₩	1,282,788 458,891	₩	Others 388,786 23,458	₩	11,939,823	₩	(2,994,042)	₩	8,945,781 482,349 9,428,130 4,497,107
Assets: Segment assets Investments in associates and joint ventures Subtotal Common assets Total assets	₩	8,011,681 8,011,681	₩	2,256,568	₩	1,282,788 458,891 1,741,679	₩	388,786 23,458 412,244	₩	11,939,823 482,349 12,422,172	₩	(2,994,042)	₩	8,945,781 482,349 9,428,130 4,497,107 13,925,237
Assets: Segment assets Investments in associates and joint ventures Subtotal Common assets Total assets Acquisition of non current assets	₩	8,011,681 8,011,681	₩	2,256,568	₩	1,282,788 458,891 1,741,679	₩	388,786 23,458 412,244	₩	11,939,823 482,349 12,422,172	₩	(2,994,042)	₩	8,945,781 482,349 9,428,130 4,497,107 13,925,237
Assets: Segment assets Investments in associates and joint ventures Subtotal Common assets Total assets Acquisition of non current assets Liabilities:	₩	8,011,681 8,011,681 793,559	₩	2,256,568	₩	1,282,788 458,891 1,741,679 2,994	₩	Others 388,786 23,458 412,244 24,865	₩ ₩	11,939,823 482,349 12,422,172 857,464	₩	(2,994,042)	₩ ₩	8,945,781 482,349 9,428,130 4,497,107 13,925,237 857,480

Notes to the interim consolidated financial statements, continued March 31, 2025 and 2024 (unaudited)



4. Operating Segment (cont'd)

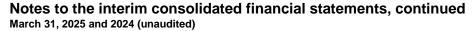
Common assets include cash and cash equivalents, financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, deferred tax assets and others; common liabilities include borrowings, deferred tax liabilities and others.

(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:

(in millions of Korean won)			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, 2	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, 2	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.

Notes to the interim consolidated financial statements, continued March 31, 2025 and 2024 (unaudited)



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

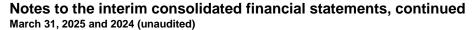
(b) The amounts of loss (reversal) on valuation and obsolescence of inventories recognized for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

(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:

(in millions of Korean won)	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%).

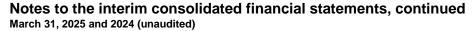
9. Intangible Assets

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

(in millions of Korean won)		March 31, 2025		March 31, 2024
Beginning balance	₩	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.

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.





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%).

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

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.

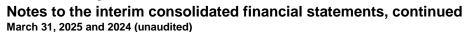




12. Borrowings

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

(in millions of Korean won)	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





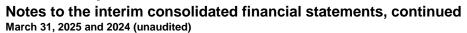
12. Borrowings (cont'd)

(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:

(in millions of Korean won)	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		1,250	2,500
		2025.12.02	(1 year)+0.66 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 financ	ial position:					
Current				₩	29,479	
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:

(in millions of Korean won)	Issuance Date	Maturity	Annual interest rate (%)	Mar	ch 31, 2025	Decen	nber 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
3-1st 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
4-1st 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

Notes to the interim consolidated financial statements, continued March 31, 2025 and 2024 (unaudited)



13. Bonds (cont'd)

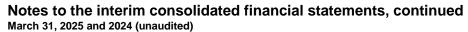
(b) Convertible bonds

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

(in millions of Korean won)		March 31, 2025	December 31, 202			
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	
Total issuance amount	2028.11.21
	₩ 30,300 million
Conversion price per share	₩ 2,305
Number of shares issued at conversion	13,145,336 shares
Condition for conversion price adjustment	(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 (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. (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. (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.
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	-





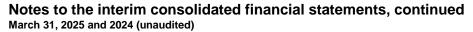
14. Employee Benefits

(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:

(in millions of Korean won)	Mar	ch 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:

(in millions of Korean won)		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

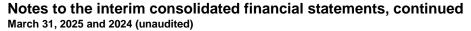
(a) Details of refund liabilities and provisions as of March 31, 2025 and December 31, 2024 are as follows:

(in millions of Korean won)		March 3	1, 20	025	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		<u>-</u>		(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)

				Mai	rch 31, 2025											
Construction project	Initial sales contract date	Expected completion date	Progress (%)	sa	Total sales value ¹				Total sales contract value		Revenue (cumulative) ²		Revenue (period) ³		Cost mulative) ⁴	
Suwon hwaseo prugio briciel	June 2020	September 2023	100.00	₩	803,056	₩	747,970	₩	747,946	₩	-	₩	338,101			
ePyeonhansesang 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			
ePyeonhansesang 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 constuction 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)

	March 31, 2024												
Construction project	Initial sales contract date	Expected completion date	Progress (%)	Total sales value ¹						Revenue (period) ³		Cost (cumulative) ⁴	
Suwon hwaseo prugio briciel	June 2020	September 2023	100.00	₩	803,056	₩	747,970	₩	747,946	₩	-	₩	338,101
ePyeonhansesang 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

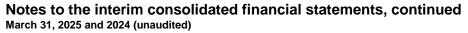
¹Includes the expected sales value for commercial buildings, efficiency apartments, and the Knowledge Industry Center that are scheduled to be recognized as sales at a point in time when the construction is completed and control of the goods is transferred to the customer.

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 constuction 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 orall 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.





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)	March 31, 2025								
Construction project	Revenue (cumulative)		Cash collected (cumulative)		Trade receivables for sale in lots ¹		Advanced receipts for sale in lots ²		
Suwon hwaseo prugio briciel	₩	747,946	₩	747,361	₩	587	₩	2	
ePyeonhansesang Daejeon Station Centum Vista		124,756		29,874		95,595		713	
Nokbeon-dong Mixed-Use apartment building		24,269		12,610		11,659		-	
Elif Mia Station Complex 1		20,913		5,318		15,681		86	
Elif Mia Station Complex 2		48,009		13,170		35,056		217	
ePyeonhansesang Pyeongchon Urban Valley		120,831		67,598		53,755		522	
Digital Empire Pyeongchon Biz Valley		38,825		7,896		30,929		-	
Anyang-dong Mixed-Use apartment building		16,145		-		16,145		-	
Goyang Hyangdong district knowledge industry center		482,560		482,560		-		-	
Total	₩	1,624,254	₩	1,366,387	₩	259,407	₩	1,540	

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.

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 briciel	₩	747,946	₩	747,361	₩	587	₩	2	
ePyeonhansesang Daejeon Station Centum Vista		119,573		30,048		90,240		715	
Nokbeon-dong Mixed-Use apartment building		22,507		12,610		9,897		-	
Elif Mia Station Complex 1		18,649		5,339		13,396		86	
Elif Mia Station Complex 2		42,650		13,131		29,736		217	
ePyeonhansesang Pyeongchon Urban Valley		100,933		47,906		53,284		257	
Digital Empire Pyeongchon Biz Valley		20,388		6,352		14,036		-	
Gwacheon sangsang Xi tower B		232,962		232,962		-		-	
Goyang Hyangdong district knowledge industry center		482,560		482,560					
Total	₩	1,788,168	₩	1,578,269	₩	211,176	₩	1,277	

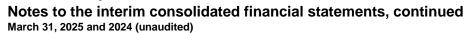
¹As of December 31, 2024, due from customers for contract assets is ₩ 200,870 million, and it will be reclassified to receivables in accordance with the billing schedule on the contract.

- (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 briciel	₩	-	₩	806	₩	-	₩	806	
ePyeonhansesang Daejeon Station Centum Vista		-		105		-		105	
Elif Mia Station Complex 1		-		673		-		575	
Elif Mia Station Complex 2		-		4,467		-		4,332	
Sangbong Station Ubora First Live 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.

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

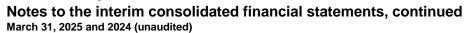




17. Selling, General and Administrative Expenses

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





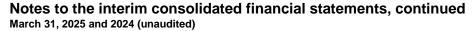
18. Other Income and Expense

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

(in millions of Korean won)	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:

March 31, 2025			March 31, 2024		
₩	14,380	₩	7,874		
	45,073		16,371		
	8,906		13,053		
	181		-		
	274		68		
	-		-		
	226		160		
	213		41		
	-		55		
	887		1,146		
	13		5		
	1,705		2,511		
₩	71,858	₩	41,284		
		₩ 14,380 45,073 8,906 181 274 - 226 213 - 887 13 1,705	₩ 14,380 ₩ 45,073 8,906 181 274 - 226 213 - 887 13 1,705		





19. Finance Income and Costs

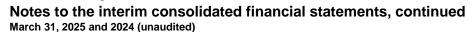
Details of finance income and costs for each of the three-month periods ended March 31, 2025 and 2024 are as follows:

(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:

T	Name of outity	Location	Percentage of ownership (%)			
Туре	Name of entity	Location	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 15	Korea	66.67	66.67		
Joint ventures	KORAMCO Europe Private REIT 3-2 Fund ⁶	Korea	51.35	51.35		
	Starfield Suwon Inc.	Korea	50.00	50.00		
	Sangsang Loft Co.,Ltd. ⁷	Korea	50.00	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.

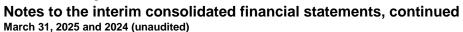
⁴The Group classified its interest in the entity as investment in associates, as there are no arrangements that incur joint control among the partners, notwithstanding its consolidated ownership percentage of 50%.

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)			March 3	31, 2025		March 31, 2024			
Туре	Name of entity	Sales and other revenue		Purchase and other expenses		Sales and other revenue		Purchase and other expenses	
Associates	INNODIS CO., LTD. Cheongna Medipolis PFV	₩	- 379	₩	25	₩	-	₩	74
	Co.,Ltd.		0/0						
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)			March 31, 2025				December 31, 2024			
Туре	Name of entity	Rec	eivables		Payables	Re	eceivables		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 Korea	March 31, 2025							March 31, 2024	
Туре	Name of entity	Dividends		Loans		Recovery		Equity investment	
Joint venture Others	Starfield Suwon, Inc.	₩	12,425	₩	4.702	₩	- 1.217	₩	15,000
0.11010	Outers	₩	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)).

Notes to the interim consolidated financial statements, continued March 31, 2025 and 2024 (unaudited)



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.
- (I) 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)).

Notes to the interim consolidated financial statements, continued March 31, 2025 and 2024 (unaudited)



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:

(in millions of Korean won)		March 31, 2025		March 31, 2024
Long and short-term employee benefits Retirement benefits	₩	6,423 620	₩	7,702 617
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.

Notes to the interim consolidated financial statements, continued March 31, 2025 and 2024 (unaudited)



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.

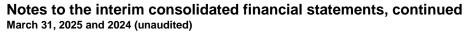
(b) Credit risk

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:

(in millions of Korean won)		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			Fa	air value				
		amount		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)				Decembe	r 31, 202	4				
		Carrying		Fair value						
		amount		Level 1		Level 2		Level 3		

Financial assets measured at fair value 582,870 ₩ 231,324 ₩ 351,546 through profit or loss Financial assets measured at fair value through 9,263 211.693 202.430 other comprehensive income or loss Total financial assets 794,563 ₩ 202,430 ₩ 231,324 ₩ 360,809 Derivative liabilities ₩ 32,801 ₩ ₩ 32,801 ₩

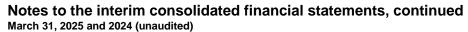
There was no movement between the levels of fair value hierarchy for the three-month period ended March 31, 2025 and the year ended December 31, 2024.

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		
Positiving helphon	₩	360,809	₩	397,255	
Beginning balance	VV	300,009	VV	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	

(in millions of Korean won)





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:

	measur va throug	ial assets red at fair alue gh profit	measu throu comp	cial assets ured at fair value ugh other rehensive ne or loss	De	erivatives	a: mea:	nancial issets isured at tized cost	lia mea	nancial abilities asured at tized 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)
			₩	(1,764)	₩	_	₩	_	₩	-	₩	(1,764)
Total (in millions of Korean won)	₩		-44	(1,704)		March 3	1 2024					
Total (in millions of Korean won)	Financi measur va throu	ial assets red at fair alue gh profit	Financ measu throu comp	cial assets ired at fair value ugh other rehensive ne or loss		March 3 erivatives	Fir a: mea:	nancial Issets Isured at tized cost	lia mea	nancial abilities asured at tized cost		Total
	Financi measur va throu	red at fair alue gh profit	Financ measu throu comp	cial assets ared at fair value agh other rehensive			Fir a: mea:	issets isured at	lia mea	abilities asured at		Total
(in millions of Korean won)	Financi measur va throu	red at fair alue gh profit	Financ measu throu comp	cial assets ared at fair value agh other rehensive			Fir a: mea:	issets isured at	lia mea	abilities asured at	**	Total 26,788
(in millions of Korean won) Profit for the period:	Financi measur vi throug or	red at fair alue gh profit loss	Financ measu throu comp incon	cial assets ared at fair value agh other rehensive	De		Fir a: mea: amort	essets esured at tized cost	lia mea amor	abilities asured at	**	
(in millions of Korean won) Profit for the period: Interest income	Financi measur vi throug or	red at fair alue gh profit loss	Financ measu throu comp incon	cial assets ired at fair value igh other rehensive ne or loss	De		Fir a: mea: amort	essets esured at tized cost	lia mea amor	abilities asured at	₩	26,788
(in millions of Korean won) Profit for the period: Interest income Dividend income	Financi measur vi throug or	red at fair alue gh profit loss	Financ measu throu comp incon	cial assets ired at fair value igh other rehensive ne or loss	De	erivatives - -	Fir a: mea: amort	essets esured at tized cost	lia mea amor	abilities asured at	₩	26,788 2,889
(in millions of Korean won) Profit for the period: Interest income Dividend income Gain or loss on valuation	Financi measur vi throug or	red at fair alue gh profit loss	Financ measu throu comp incon	cial assets ired at fair value igh other rehensive ne or loss	De	erivatives - -	Fir a: mea: amort	essets esured at tized cost	lia mea amor	abilities asured at tized cost	**	26,788 2,889 (6,043)
(in millions of Korean won) Profit for the period: Interest income Dividend income Gain or loss on valuation Interest expense	Financi measur vi throug or	red at fair alue gh profit loss	Financ measu throu comp incon	cial assets ired at fair value igh other rehensive ne or loss	De	erivatives - -	Fir a: mea: amort	assets asured at tized cost 26,788	lia mea amor	abilities asured at tized cost	₩	26,788 2,889 (6,043) (9,624)
Profit for the period: Interest income Dividend income Gain or loss on valuation Interest expense Reversal of impairment loss	Financi measur vi throug or	red at fair alue gh profit loss	Financ measu throu comp incon	cial assets ired at fair value igh other rehensive ne or loss	De	erivatives - -	Fir a: mea: amort	assets asured at tized cost 26,788	lia mea amor	abilities asured at tized cost	₩	26,788 2,889 (6,043) (9,624) (11,109)
Profit for the period: Interest income Dividend income Gain or loss on valuation Interest expense Reversal of impairment loss Gain on lease contract adjustments	Financi measur vi throug or	red at fair alue gh profit loss - 785 6,975	Finance measure through the compine on the compine	cial assets red at fair value ugh other rehensive ne or loss	De	(13,018)	Fir a: mea: amort	26,788	lia mea amor ₩	abilities asured at tized cost (9,624) - 53		26,788 2,889 (6,043) (9,624) (11,109)
Profit for the period: Interest income Dividend income Gain or loss on valuation Interest expense Reversal of impairment loss Gain on lease contract adjustments Total	Financi measur vi throug or	red at fair alue gh profit loss - 785 6,975	Finance measure through the compine on the compine	cial assets red at fair value ugh other rehensive ne or loss	De	(13,018)	Fir a: mea: amort	26,788	lia mea amor ₩	abilities asured at tized cost (9,624) - 53		26,788 2,889 (6,043) (9,624) (11,109)

Notes to the interim consolidated financial statements, continued March 31, 2025 and 2024 (unaudited)



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 \forall 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)

Туре	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	Korea Special			
Compensation of Consumer Damages in Sponsored Door-to-Door Sales	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)		March 31, 2025		December	31, 2024	
Guarantee user	Guaranteed by	Limit amount	Execution amount	Limit amount	Execution amount	Details of guarantee
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 Vallev	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:

	•	0					,	
(in millions of Korean won)	Carr	ying amount		Debt amount	_	Collateralized amount	Collateral holder	Туре
Property, plant and	₩	66,433	₩	31,250	₩	60,000	Korea Development Bank	Long term borrowings and limit loan
equipment		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 pledge 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 W 90,000 million.

Notes to the interim consolidated financial statements, continued March 31, 2025 and 2024 (unaudited)



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 \forall 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 \times 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 W 1,721,419 million in long-term deposits for MSA Escrow Fund as of March 31, 2025 (as of December 31, 2024: W 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 \forall 100,463 million and \forall 57,801 million, respectively (as of December 31, 2024: \forall 100,605 million and \forall 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.

Notes to the interim consolidated financial statements, continued March 31, 2025 and 2024 (unaudited)



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 \times 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 \forall 121,000 million and USD 37,000 thousand. As of March 31, 2025, the remaining contribution amount is \forall 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 \forall 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.

Notes to the interim consolidated financial statements, continued March 31, 2025 and 2024 (unaudited)



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.

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 $\forall 5,978$ 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 \forall 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, Cosmocos Co., Ltd. and KT&G Tutun Mamulleri Sanayi ve Ticaret A.S to provide operating funds and other management-related business support.

Notes to the interim consolidated financial statements, continued March 31, 2025 and 2024 (unaudited)



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.

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 ments period ended March 21	₩ 257,929	₩ 285,613	
Profit for the three-month period ended March 31 Operating profit from continuing operations	260,181	287,652	
Operating loss from discontinued operation	(2,252)	(2,039)	
Adjustments:	(2,232)	(2,039)	
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	213	55	
	- - 040		
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	(48,682)	(97.464)	
and other taxes	(40,002)	(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	(11,473)	36,851	
payable		50,001	
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)	Ma	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)	N	March 31, 2025	Ma	arch 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)

Notes to the interim consolidated financial statements, continued March 31, 2025 and 2024 (unaudited)



26. Events After the Reporting Period

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.