

KT&G Corporation

Interim separate financial statements
for each of the six-month periods ended June 30, 2025 and 2024
with the independent auditor's review report



Table of contents

Report on review of interim separate financial statements

Interim separate financial statements	Page
Interim separate statements of financial position	1
Interim separate statements of comprehensive income	3
Interim separate statements of changes in equity	4
Interim separate statements of cash flows	5
Notes to the interim separate financial statements	6

Report on review of interim separate financial statements (English translation of a report originally issued in Korean)

The Shareholders and Board of Directors KT&G Corporation

We have reviewed the accompanying interim separate financial statements of KT&G Corporation (the “Company”), which comprise the interim separate statement of financial position as of June 30, 2025, and the related interim separate statements of comprehensive income for each of the three-month and six-month periods ended June 30, 2025 and 2024, interim separate statements of changes in equity and interim separate statements of cash flows for each of the six-month periods ended June 30, 2025 and 2024 and a summary of material accounting policy information and other explanatory information.

Management’s responsibility for the interim separate financial statements

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

Auditor’s responsibility

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

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

Conclusion

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

Other matter

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

Ernst & Young Han Young

August 8, 2025

This review report is effective as of August 8, 2025, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's review report to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim separate financial statements and may result in modifications to this review report.

KT&G Corporation

Interim separate financial statements
for each of the six-month periods ended June 30, 2025 and 2024

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

Kyung-Man Bang
Chief Executive Officer
KT&G Corporation

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KT&G Corporation

Interim separate statements of financial position as of June 30, 2025 (unaudited) and December 31, 2024



(in millions of Korean won)

	Notes		June 30, 2025		December 31, 2024
Assets					
Current assets					
Cash and cash equivalents	23	₩	464,876	₩	588,812
Current other financial assets	23,24		155,204		155,205
Current financial assets measured at fair value through profit or loss	23		211,901		244,941
Trade and other receivables	5,17,22,23		1,904,384		1,621,550
Derivative assets	23,24		18,127		-
Inventories	6		1,252,293		1,316,201
Refund assets and others			445		5,283
Accrued tobacco excise and other taxes			249,401		194,309
Advance payments			27,489		573
Prepaid expenses			56,004		40,005
Total current assets			4,340,124		4,166,879
Non-current assets					
Long-term other financial assets	23,24		68,582		30,702
Long-term deposits in MSA Escrow Fund	23,24		1,557,856		1,705,504
Long-term financial assets measured at fair value through profit or loss	23,24		356,916		330,549
Long-term trade and other receivables	5,22,23		283,296		212,897
Long-term financial assets measured at fair value through other comprehensive income or loss	23		236,451		185,461
Investments in associates and joint ventures	7,22,24		461,970		458,970
Investments in subsidiaries	8,22,24		1,623,470		1,591,674
Property, plant and equipment	9,22,24		1,539,931		1,505,680
Intangible assets	10		128,547		132,821
Investment properties	11,24		714,371		741,435
Right-of-use assets	12,22		21,853		21,440
Long-term prepaid expenses			17,636		10,093
Deferred tax assets	21		48,195		317
Net defined benefit assets	15		-		7,014
Total non-current assets			7,059,074		6,934,557
Total assets		₩	11,399,198	₩	11,101,436
Liabilities					
Current liabilities					
Short-term borrowings	13,23,24	₩	160,000	₩	250,000
Current portion of bonds	14,23		149,879		99,895
Trade and other payables	22,23		1,290,927		1,295,134
Derivative liabilities	23,24		123		32,801
Current lease liabilities	22,23		6,325		6,903
Advance receipts	17		53,366		56,084
Current refund liabilities and provisions	16		6,670		12,268
Current tax liabilities	21		153,194		171,051
Tobacco excise and other taxes payables			628,876		561,198
Total current liabilities			2,449,360		2,485,334
Non-current liabilities					
Long-term bonds	14,23		1,162,694		808,039
Long-term trade and other payables	22,23		97,024		73,399
Long-term lease liabilities	22,23		14,527		14,357
Long-term advance receipts	17		9,016		9,437
Long-term refund liabilities and provisions	16		3,327		3,374
Net defined benefit liabilities	15		11,845		-
Total non-current liabilities			1,298,433		908,606
Total liabilities		₩	3,747,793	₩	3,393,940

KT&G Corporation

Interim separate statements of financial position, continued as of June 30, 2025 (unaudited) and December 31, 2024



(in millions of Korean won)

	Notes	June 30, 2025	December 31, 2024
Equity			
Share capital	₩	954,959	₩ 954,959
Other capital surplus		4,634	5,028
Treasury shares		(835,255)	(1,030,541)
Gain on disposal of treasury shares		529,807	529,029
Reserves		6,833,481	7,146,110
Retained earnings		163,779	102,911
Total equity	₩	<u>7,651,405</u>	₩ <u>7,707,496</u>
Total liabilities and equity	₩	<u>11,399,198</u>	₩ <u>11,101,436</u>

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

KT&G Corporation

Interim separate statements of comprehensive income for each of the three-month and six-month periods ended June 30, 2025 and 2024 (unaudited)



(in millions of Korean won)

Notes	June 30, 2025		June 30, 2024	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Sales				
4,22 W	1,046,381	W 1,963,606	W 944,068	W 1,735,867
Manufacture of tobacco	829,798	1,575,538	822,589	1,533,175
Real estate	136,504	229,011	73,943	115,265
Exports of leaf tobacco and others	80,079	159,057	47,536	87,427
Cost of sales				
22	(560,080)	(1,019,673)	(462,589)	(850,692)
Manufacture of tobacco	(412,903)	(754,779)	(386,750)	(723,118)
Real estate	(94,740)	(159,741)	(44,447)	(65,821)
Exports of leaf tobacco and others	(52,437)	(105,153)	(31,392)	(61,753)
Gross profit	486,301	943,933	481,479	885,175
Selling, general and administrative expense	18,22 (198,850)	(457,450)	(199,923)	(394,963)
Operating profit	287,451	486,483	281,556	490,212
Other income	19,22,23 84,388	142,582	109,679	225,324
Other expense	19,22,23 (250,658)	(277,349)	(15,018)	(35,547)
Finance income	20,22,23 90,131	137,323	34,404	83,365
Finance costs	20,22,23 (20,506)	(33,792)	(11,971)	(19,407)
Profit before income tax	190,806	455,247	398,650	743,947
Income tax expense	21 (37,199)	(94,007)	(98,723)	(165,877)
Profit for the period	W 153,607	W 361,240	W 299,927	W 578,070
Other comprehensive income(loss) for the year after income tax				
Items that will not be reclassified to profit or loss				
Re-measurements of net defined benefit liabilities	W (3,437)	W (3,203)	W (4,195)	W (4,308)
Gain on valuation of financial assets measured at fair value through other comprehensive income or loss	39,165	37,528	9,435	28,462
Total comprehensive income for the period	W 189,335	W 395,565	W 305,167	W 602,224
Earnings per share				
Basic and diluted (in Korean won)	W 1,424	W 3,349	W 2,659	W 5,124

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

KT&G Corporation

Interim separate statements of changes in equity

for each of the six-month periods ended June 30, 2025 and 2024 (unaudited)



millions of Korean won)

	Share capital	Other capital surplus	Treasury shares	Gains on disposal of treasury shares	Reserves	Retained earnings	Total equity
Balance as of January 1, 2024	₩ 954,959	₩ 4,030	₩ (1,236,933)	₩ 528,894	₩ 7,238,475	₩ 343,100	₩ 7,832,525
Net comprehensive income (loss) for the period							
Profit for the period	-	-	-	-	-	578,070	578,070
Other comprehensive income (loss) for the period:							
Re-measurements of net defined benefit liabilities	-	-	-	-	-	(4,308)	(4,308)
Gain on valuation of financial assets measured at fair value through other comprehensive income or loss	-	-	-	-	28,462	-	28,462
Transfer from gain (loss) on disposal of financial assets measured at fair value through other comprehensive income or loss to retained earnings	-	-	-	-	(12,305)	12,305	-
Net other comprehensive income (loss) for the period	-	-	-	-	16,157	7,997	24,154
Net comprehensive income for the period	-	-	-	-	16,157	586,067	602,224
Transactions with owners of the Company:							
Dividends	-	-	-	-	-	(451,240)	(451,240)
Transfer from other reserve	-	-	-	-	(108,140)	108,140	-
Retirement of treasury shares	-	-	206,032	-	-	(206,032)	-
Share options	-	130	360	135	-	-	625
Net transactions with owners of the Company	-	130	206,392	135	(108,140)	(549,132)	(450,615)
Balance as of June 30, 2024	₩ 954,959	₩ 4,160	₩ (1,030,541)	₩ 529,029	₩ 7,146,492	₩ 380,035	₩ 7,984,134
Balance as of January 1, 2025	₩ 954,959	₩ 5,028	₩ (1,030,541)	₩ 529,029	₩ 7,146,110	₩ 102,911	₩ 7,707,496
Net comprehensive income (loss) for the period							
Profit for the period	-	-	-	-	-	361,240	361,240
Other comprehensive income (loss) for the period:							
Re-measurements of net defined benefit liabilities	-	-	-	-	-	(3,203)	(3,203)
Gain on valuation of financial assets measured at fair value through other comprehensive income or loss	-	-	-	-	37,528	-	37,528
Net other comprehensive income (loss) for the period	-	-	-	-	37,528	(3,203)	34,325
Net comprehensive income for the period	-	-	-	-	37,528	358,037	395,565
Transactions with owners of the Company:							
Dividends	-	-	-	-	-	(453,068)	(453,068)
Transfer from other reserve	-	-	-	-	(350,157)	350,157	-
Retirement of treasury shares	-	-	194,258	-	-	(194,258)	-
Share options	-	(394)	1,028	778	-	-	1,412
Net transactions with owners of the Company	-	(394)	195,286	778	(350,157)	(297,169)	(451,656)
Balance as of June 30, 2025	₩ 954,959	₩ 4,634	₩ (835,255)	₩ 529,807	₩ 6,833,481	₩ 163,779	₩ 7,651,405

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

KT&G Corporation

Interim separate statements of cash flows

for each of the six-month periods ended June 30, 2025 and 2024 (unaudited)



(in millions of Korean won)

	Notes	June 30, 2025	June 30, 2024
Net cash flows provided by operating activities			
Cash generated from operations	25	₩ 337,306	₩ 489,472
Income taxes paid		(509,360)	(644,008)
		(172,054)	(154,536)
Net cash flows used in investing activities		(282,426)	(289,607)
Interest received		55,248	33,704
Dividends received		73,642	74,013
Decrease in other financial assets		-	633
Decrease in current financial assets measured at fair value through profit or loss		16,372	52,588
Decrease in long-term financial assets measured at fair value through profit or loss		3,061	15,976
Decrease in long-term financial assets measured at fair value through other comprehensive income or loss		-	18,774
Decrease in long-term deposits in MSA Escrow Fund		133	-
Disposal of property, plant and equipment		1,083	1,847
Disposal of intangible assets		3,652	22
Disposal of investment properties		8,065	5,561
Disposal of assets held for sale		175	181
Disposal of investments in associates and joint ventures		-	23,738
Disposal of investments in subsidiaries		35,000	-
Collection of loans		11,086	9,270
Collection of guarantee deposits		75	102
Increase in other financial assets		(37,880)	(597)
Increase in current financial assets measured at fair value through profit or loss		-	(165,263)
Increase in long-term financial assets measured at fair value through profit or loss		(16,116)	(21,437)
Acquisition of property, plant and equipment		(97,168)	(152,599)
Acquisition of intangible assets		(11,945)	(12,998)
Acquisition of investment properties		(1,132)	(4,611)
Acquisition of investments in associates and joint ventures		(3,000)	(15,000)
Acquisition of investments in subsidiaries		(67,348)	(136,600)
Increase in loans		(255,352)	(16,724)
Increase in guarantee deposits		(77)	(187)
Net cash flows used in financing activities		(150,003)	(151,172)
Interest paid		(27,829)	(4,695)
Dividends paid		(453,068)	(451,240)
Proceeds in short-term borrowings		1,725,000	130,000
Repayment of short-term borrowings		(1,815,000)	(120,000)
Proceeds from issuance of bond		425,260	298,990
Repayment of lease liabilities		(4,366)	(4,227)
Net increase (decrease) in cash and cash equivalents		(95,123)	48,693
Cash and cash equivalents at the beginning of the period		588,812	210,392
Effect of exchange rate fluctuation on cash and cash equivalents		(28,813)	10,314
Cash and cash equivalents at the end of the period		₩ 464,876	₩ 269,399

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

1. Overview of the Company

KT&G Corporation (the “Company”) is engaged in manufacturing and selling tobacco. As of June 30, 2025, the Company has three manufacturing plants, including the Daejeon plant, and 11 local headquarters and 101 branches for the sale of tobacco throughout the country. Also, the Company has the Gimcheon plant for fabrication of leaf tobacco and the Cheonan/Sejong printing plant for manufacturing of packaging material. The headquarters of the Company is located at 71, Beotkkot-gil, Daedeok-gu, Daejeon.

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

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

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

2. Material Accounting Policies

(1) Basis of Preparation

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

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

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

The Company does not have a history of early adoption of new accounting standards and interpretations that have been published but are not mandatory for the reporting period. There are various amendments and interpretations which have been applied for the first time in the 2025 reporting period. As of June 30, 2025, these amendments and interpretations do not have a material impact on the interim separate financial statements.

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

When an entity estimates a spot exchange rate because exchangeability between two currencies is lacking, the entity shall disclose the related information.

(3) Material Accounting Policies

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

(a) Income Tax Expense

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

3. Material Accounting Estimates and Assumptions

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

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

4. Operating Segment

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

(in millions of Korean won)

				June 30, 2025		June 30, 2024	
				Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Revenue recognized at a point in time:							
Sales of tobacco/merchandise and service revenue and others	Korea	Wholesale and retail	₩	547,864	₩ 1,058,944	₩ 565,214	₩ 1,076,785
	Korea	Direct sales		538	1,593	959	2,398
	Export	Wholesale and retail		281,396	515,001	256,416	453,992
Sales of semifinished tobacco products/raw materials and others	Korea	Direct sales		2,965	7,802	2,814	4,100
	Export	Direct sales		77,114	151,255	44,722	83,327
Sales and rental of real estate	Korea	Sales		5,261	8,267	3,524	9,847
Subtotal				915,138	1,742,862	873,649	1,630,449
Revenue recognized over time:							
Sales and rental of real estate	Korea	Sales		110,880	179,929	48,259	60,850
	Korea	Rental		20,363	40,815	22,160	44,568
Subtotal				131,243	220,744	70,419	105,418
Total				₩ 1,046,381	₩ 1,963,606	₩ 944,068	₩ 1,735,867

5. Trade and Other Receivables

(a) Details of trade and other receivables as of June 30, 2025 and December 31, 2024 are as follows:

(in millions of Korean won)

	June 30, 2025		December 31, 2024	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 1,162,981	₩ 141,989	₩ 1,077,892	₩ 87,249
Loans	627,888	89,434	449,733	74,275
Other receivables	40,174	15,145	31,542	15,840
Guarantee deposits	34,441	36,243	37,358	33,547
Accrued income	38,900	485	25,025	1,986
Total	₩ 1,904,384	₩ 283,296	₩ 1,621,550	₩ 212,897

(b) Details of allowances for doubtful accounts of trade and other receivables (as a gross amount before deduction of allowances for doubtful accounts) as of June 30, 2025 and December 31, 2024 are as follows:

(in millions of Korean won)

	June 30, 2025		December 31, 2024	
	Current	Non-current	Current	Non-current
Total carrying amount	₩ 1,942,658	₩ 409,199	₩ 1,663,401	₩ 312,303
Allowances:				
Trade receivables	(34,714)	(92,209)	(39,006)	(63,486)
Other receivables	(3,560)	(33,694)	(2,845)	(35,920)
Total allowances	(38,274)	(125,903)	(41,851)	(99,406)
Net trade and other receivables	₩ 1,904,384	₩ 283,296	₩ 1,621,550	₩ 212,897

(c) Changes in allowances for doubtful accounts of trade and other receivables for each of the six-month periods ended June 30, 2025 and 2024 are as follows:

(in millions of Korean won)

	June 30, 2025	June 30, 2024
Beginning balance	₩ 141,257	₩ 187,361
Impairment loss (Reversal of impairment loss)	22,920	(7,566)
Ending balance	₩ 164,177	₩ 179,795

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

6. Inventories

(a) Details of inventories as of June 30, 2025 and December 31, 2024 are as follows:

(in millions of Korean won)

	June 30, 2025			December 31, 2024		
	Acquisition cost	Valuation loss allowance	Carrying amount	Acquisition cost	Valuation loss allowance	Carrying amount
Merchandise	₩ 29,104	₩ (4,871)	₩ 24,233	₩ 31,171	₩ (5,728)	₩ 25,443
Finished goods	132,716	(23,928)	108,788	127,261	(29,050)	98,211
Half-finished goods	37,069	(867)	36,202	46,610	(890)	45,720
Work in progress	2,947	-	2,947	3,875	-	3,875
Raw materials	663,416	(75)	663,341	683,630	(363)	683,267
Materials	43,432	(1,509)	41,923	41,048	(1,776)	39,272
Supplies	68,804	-	68,804	65,620	-	65,620
By-products	9,214	-	9,214	6,750	-	6,750
Buildings under construction	86,244	-	86,244	82,015	-	82,015
Completed buildings	83,402	-	83,402	90,720	-	90,720
Sites for construction of real estate	99,174	-	99,174	124,713	-	124,713
Goods in transit	28,021	-	28,021	50,595	-	50,595
Total	₩ 1,283,543	₩ (31,250)	₩ 1,252,293	₩ 1,354,008	₩ (37,807)	₩ 1,316,201

(b) The amounts of loss (reversal) on valuation and obsolescence of inventories recognized for each of the three-month and six-month periods ended June 30, 2025 and 2024 are as follows:

(in millions of Korean won)

	June 30, 2025		June 30, 2024	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Cost of sales:				
Impairment loss (reversal) on valuation of inventories	₩ (1,686)	₩ (6,557)	₩ (321)	₩ 108
Loss on obsolescence of inventories	4,301	6,209	1,769	3,946
Total	₩ 2,615	₩ (348)	₩ 1,448	₩ 4,054

7. Investments in Associates and Joint Ventures

Details of investments in associates and joint ventures as of June 30, 2025 and December 31, 2024, are as follows:

(in millions of Korean won)

Type	Name of entity	Location	Principal operation	June 30, 2025		December 31, 2024	
				Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Associates	LitePharmTech Co., Ltd. ¹	Korea	Manufacturing medical supplies	12.53	₩ 1,830	12.53	₩ 1,830
	KORAMCO Banpo PFV Co., Ltd. ^{1,2}	Korea	Real estate investment, development and rental business	18.95	5,306	18.95	5,306
	KOCREF 36 REIT	Korea	Real estate investment, development and rental business	21.01	15,000	21.01	15,000
	KOCREF 41 REIT	Korea	Real estate investment, development and rental business	26.47	39,569	26.47	39,569
	Cheongna Medipolis PFV Co., Ltd. ³	Korea	Real estate development and sales	51.01	101,000	51.01	101,000
	INNODIS Co., Ltd. ¹	Korea	Advertising agency	19.64	55	19.64	55
	SJ BIO MED Co., Ltd. ^{1,4}	Korea	Manufacturing medical devices	14.39	-	14.39	-
	LSK Global Pharma Service Co., Ltd.	Korea	New medicine development	21.92	-	21.92	-
	Mirae Asset KT&G Investment Fund I	Korea	Healthcare, ESG, New growth industry	45.00	13,500	45.00	13,500
	KB KT&G New Growth Fund 1 ⁵	Korea	Healthcare, New growth industry	66.67	6,000	66.67	3,000
Joint ventures	KORAMCO Europe Private REIT 3-2 Fund ⁶	Korea	Renting of real estate	51.35	19,890	51.35	19,890
	Starfield Suwon Inc.	Korea	Real estate development and rental business	50.00	259,500	50.00	259,500
	Sangsang Loft Co., Ltd.	Korea	Real estate development and rental business	50.00	320	50.00	320
Total					₩ 461,970		₩ 458,970

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

²As of June 30, 2025, the Company's investment in KORAMCO Banpo PFV Co., Ltd. is pledged as a collateral for a PF loan (see Note 24 (c)).

³The Company has classified the ownership in the investee 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 of the investee in accordance with the agreement with shareholders.

⁴As of June 30, 2025, the liquidation procedures are in progress.

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

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

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

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

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

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

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

For the year ended December 31, 2024, the Company and Zero To N Architects & Engineers General Construction Co., Ltd. established Sangsang Loft Co., Ltd. in a 50/50 capital contribution. The Company classified its interests in the entity as investment in joint ventures.

For the six-month period ended June 30, 2025, the Company additionally invested ₩ 3,000 million in KB KT&G New Growth Fund 1, an associate.

8. Investments in Subsidiaries

(a) Details of investments in subsidiaries as of June 30, 2025 and December 31, 2024 are as follows:

(in millions of Korean won)

Name of entity	Location	Principal operation	June 30, 2025		December 31, 2024	
			Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Korea Ginseng Corporation	Korea	Manufacturing and selling ginseng	100.00	₩ 762,130	100.00	₩ 762,130
Yungjin Pharm. Co., Ltd.	Korea	Manufacturing and selling pharmaceutical	52.45	73,299	52.45	73,299
Tae-A Industrial Co., Ltd.	Korea	Manufacturing reconstituted	100.00	60,029	100.00	60,029
KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	Türkiye	Manufacturing and selling tobacco	100.00	116,731	100.00	116,731
Korea Tabacos do Brasil Ltda.	Brazil	Assistance with purchasing tobacco leaf	99.99	2,891	99.99	2,891
KT&G Pars	Iran	Manufacturing and selling tobacco	99.99	-	99.99	-
KT&G Rus L.L.C.	Russia	Manufacturing and selling tobacco	100.00	68,947	100.00	68,947
KT&G USA Corporation	USA	Selling tobacco	100.00	-	100.00	-
Cosmococ Co., Ltd.	Korea	Manufacturing and selling cosmetics	98.56	22,759	98.56	22,759
Renzoluc Pte., Ltd. ¹	Singapore	Holding Company	100.00	163,104	100.00	163,104
PT Trisakti Purwosari Makmur ²	Indonesia	Manufacturing and selling tobacco	6.56	1,162	6.56	1,162
SangSang Stay Inc.	Korea	Hotel	100.00	32,068	100.00	32,068
KT&G Global Rus L.L.C.	Russia	Selling tobacco	100.00	936	100.00	936
Gwacheon SangSang PFV. Inc	Korea	Real estate development and sales business	51.00	3,570	51.00	3,570
KT&G Taiwan Corporation	Taiwan	Selling tobacco	100.00	8,081	100.00	8,081
Mastern No. 144 PFV Co., Ltd. ³	Korea	Real estate development and sales business	92.50	11,260	92.50	11,260
KT&G Global Kazakhstan LLP	Kazakhstan	Selling tobacco	100.00	18,510	100.00	18,510
KT&G Kazakhstan LLP	Kazakhstan	Manufacturing and selling tobacco	100.00	213,417	100.00	173,822
DNC Deogeun Co., Ltd. ⁴	Korea	Real estate development and sales business	-	-	38.25	35,552
Edn the pine central Seocho Co., Ltd.	Korea	Real estate development and sales business	78.65	36,623	78.65	36,623
Cheongna Medipolis Development Co., Ltd.	Korea	Real estate service business	66.67	200	66.67	200
KT&G Global TAS FE LLC	Uzbekistan	Selling tobacco	100.00	27,753	-	-
				₩ 1,623,470		₩ 1,591,674

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

²The consolidated percentage of ownership of PT Trisakti Purwosari Makmur is 99.99%, including shares held by Renzoluc Pte., Ltd., the subsidiary of the Company, as of June 30, 2025.

³As of June 30, 2025, the Company's holdings in Mastern No.144 PFV Co. Ltd. are pledged as a collateral for a loan of Gwacheon SangSang PFV. Inc (see Note 24 (c)).

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

8. Investments in Subsidiaries (cont'd)

For the six-month period ended June 30, 2025, the Company acquired additional equity securities of ₩ 39,595 million of KT&G Kazakhstan LLP through issuance of new stocks.

For the six-month period ended June 30, 2025, the Company disposed of its entire shareholding in DNC Deogeun Co., Ltd. and recognized loss on disposal of investments in subsidiaries of ₩ 552 million.

For the six-month period ended June 30, 2025, the Company acquired ₩ 27,753 million of KT&G Global TAS FE LLC through investment establishment method.

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

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

(b) Impairment

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

For each of the six-month periods ended June 30, 2025 and 2024, there is no impairment losses recognized for investments in subsidiaries as a result of impairment testing, where impairment indicators have been identified, such as the book value of net assets being lower than the book value of investments due to continuous accumulation of operating losses, etc.

9. Property, Plant and Equipment

Changes in property, plant and equipment for each of the six-month periods ended June 30, 2025 and 2024 are as follows:

<i>(in millions of Korean won)</i>	June 30, 2025		June 30, 2024	
Beginning balance	₩	1,505,680	₩	1,282,113
Acquisition ¹		92,935		168,752
Disposal/Impairment		(567)		(756)
Depreciation		(54,618)		(51,524)
Reclassification ²		(3,499)		3,160
Ending balance	₩	1,539,931	₩	1,401,745

¹During the six-month period ended June 30, 2025, the Company has capitalized borrowing costs amounting to ₩ 7,561 million (During the six-month period ended June 30, 2024: ₩ 4,767 million) are included for property, plant and equipment that are qualifying assets. The rate used to calculate capitalizable borrowing costs is 3.9%~4.2% (During the six-month period ended June 30, 2024: 4.1%~4.5%).

²Consists of ₩ 3,499 million of transfers to investment properties for the six-month period ended June 30, 2025, and ₩ 3,160 million of transfers from investment properties for the six-month period ended June 30, 2024.

10. Intangible Assets

Changes in intangible assets for each of the six-month periods ended June 30, 2025 and 2024 are as follows:

<i>(in millions of Korean won)</i>	June 30, 2025		June 30, 2024	
Beginning balance	₩	132,821	₩	133,920
Acquisition		11,727		13,870
Disposal/Impairment		(4,269)		(97)
Amortization		(11,732)		(11,480)
Ending balance	₩	128,547	₩	136,213

11. Investment Properties

Changes in investment properties for each of the six-month periods ended June 30, 2025 and 2024 are as follows:

(in millions of Korean won)

	June 30, 2025		June 30, 2024	
Beginning balance	₩	741,435	₩	992,523
Acquisition ¹		1,132		4,611
Disposal/Impairment		(3,615)		(721)
Depreciation		(13,087)		(13,778)
Reclassification ²		(11,494)		(138,817)
Ending balance	₩	714,371	₩	843,818

¹During the six-month period ended June 30, 2025, the Company has capitalized borrowing costs amounting to ₩ 58 million (During the six-month period ended June 30, 2024: ₩ 967 million) for investment properties that are qualifying assets. The rate used to calculate capitalizable borrowing costs is 3.9%~4.2% (During the six-month period ended June 30, 2024: 4.1%~4.5%).

²Consists of ₩ 3,499 million of transfers from property, plant and equipment and ₩ 14,993 million of transfers to inventories for the six-month period ended June 30, 2025, and ₩ 3,160 million of transfers to property, plant and equipment and ₩ 135,657 million of transfers to inventories for the six-month period ended June 30, 2024.

12. Right-of-use Assets

Changes in right-of-use assets for each of the six-month periods ended June 30, 2025 and 2024 are as follows:

(in millions of Korean won)

	June 30, 2025		June 30, 2024	
Beginning balance	₩	21,440	₩	26,299
Acquisition		6,274		4,970
Disposal		(398)		(116)
Depreciation		(5,463)		(5,510)
Ending balance	₩	21,853	₩	25,643

13. Borrowings

Details of short-term borrowings as of June 30, 2025 and December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>	Lender	Annual interest rate (%)	June 30, 2025	December 31, 2024
Limit loan	NH Nonghyup Bank	MOR(3M)+1.00	₩ 160,000	₩ -
	Hana Bank	FTP(6 months)+0.69	-	200,000
	Shinhan Bank	MOR(6 months)+1.22	-	50,000
	Total		₩ 160,000	₩ 250,000

14. Bonds

Details of bonds as of June 30, 2025 and December 31, 2024 are as follows:

<i>(in millions of Korean won)</i>	Issuance date	Maturity	Annual interest rate (%)	June 30, 2025	December 31, 2024
2-1 st non-guarantee public bonds	2023.09.13	2025.09.12	4.180	₩ 100,000	₩ 100,000
2-2 nd non-guarantee public bonds	2023.09.13	2026.09.11	4.322	200,000	200,000
3-1 st non-guarantee public bonds	2024.04.25	2026.04.24	3.624	50,000	50,000
3-2 nd non-guarantee public bonds	2024.04.25	2027.04.23	3.763	150,000	150,000
3-3 rd non-guarantee public bonds	2024.04.25	2029.04.25	3.808	100,000	100,000
4-1 st non-guarantee public bonds	2024.10.08	2026.10.08	3.218	80,000	80,000
4-2 nd non-guarantee public bonds	2024.10.08	2027.10.08	3.306	160,000	160,000
4-3 rd non-guarantee public bonds	2024.10.08	2029.10.08	3.335	70,000	70,000
Foreign Currency-Denominated Senior Unsecured Notes	2025.05.02	2028.05.02	5.000	406,920	-
	Subtotal			1,316,920	910,000
	Discount			(4,347)	(2,066)
	Total			₩ 1,312,573	₩ 907,934
Current				₩ 149,879	₩ 99,895
Non-current				1,162,694	808,039
	Total			₩ 1,312,573	₩ 907,934

15. Employee Benefits

(a) Details of profit or loss recognized related to employee benefits for each of the three-month and six-month periods ended June 30, 2025 and 2024 are as follows:

(in millions of Korean won)

	June 30, 2025		June 30, 2024	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Defined benefit plans:				
Current service cost	₩ 8,133	₩ 16,266	₩ 7,539	₩ 15,077
Net interest on net defined benefit liabilities	(67)	(134)	(465)	(929)
Subtotal	8,066	16,132	7,074	14,148
Defined contribution plan:				
Contributions recognized as expense	1,361	3,867	1,121	3,095
Other long-term employee benefits:				
Current service cost, etc.	374	1,853	6,445	7,536
Termination benefits:				
Voluntary retirements, etc.	-	57,698	-	1,543
Total	₩ 9,801	₩ 79,550	₩ 14,640	₩ 26,322

(b) Details of net defined benefit liabilities (assets) as of June 30, 2025 and December 31, 2024 are as follows:

(in millions of Korean won)

	June 30, 2025	December 31, 2024
Present value of defined benefit obligations	₩ 415,511	₩ 422,357
Fair value of plan assets	(403,666)	(429,371)
Total	₩ 11,845	₩ (7,014)

16. Refund Liabilities and Provisions

(a) Details of refund liabilities and provisions as of June 30, 2025 and December 31, 2024 are as follows:

(in millions of Korean won)

	June 30, 2025		December 31, 2024	
	Current	Non-current	Current	Non-current
Provision for product warranty	₩ 1,343	₩ -	₩ 6,194	₩ -
Refund liabilities	5,246	3,065	5,980	3,239
Provision for site restoration	59	111	59	111
Provision for financial guarantee	22	151	22	24
Provision for greenhouse gases	-	-	13	-
Total	₩ 6,670	₩ 3,327	₩ 12,268	₩ 3,374

(b) Changes in refund liabilities and provisions for each of the six-month periods ended June 30, 2025 and 2024 are as follows:

(in millions of Korean won)

	June 30, 2025			
	Beginning balance	Increase	Decrease	Ending balance
Provision for product warranty	₩ 6,194	₩ 3,554	₩ (8,405)	₩ 1,343
Refund liabilities	9,219	2,576	(3,484)	8,311
Provision for site restoration	170	-	-	170
Provision for financial guarantee	46	141	(14)	173
Provision for greenhouse gases	13	13	(26)	-
Total	₩ 15,642	₩ 6,284	₩ (11,929)	₩ 9,997

(in millions of Korean won)

	June 30, 2024			
	Beginning balance	Increase	Decrease	Ending balance
Provision for product warranty	₩ 1,780	₩ 1,089	₩ (1,375)	₩ 1,494
Refund liabilities	7,796	1,173	(70)	8,899
Provision for site restoration	195	-	-	195
Provision for financial guarantee	44	-	(24)	20
Provision for greenhouse gases	51	42	-	93
Total	₩ 9,866	₩ 2,304	₩ (1,469)	₩ 10,701

17. Real Estate Pre-sales Contracts

(a) Details of ongoing real estate pre-sale contracts for each of the six-month periods ended June 30, 2025 and 2024 are as follows:

(in millions of Korean won)

June 30, 2025								
Construction project	Initial sales contract date	Expected completion date	Progress (%)	Total sales value ¹	Total sales contract value	Revenue (cumulative) ²	Revenue (period) ³	Cost (cumulative) ⁴
Suwon Hwaseo Prugio Briciel	June 2020	September 2023	100.00	₩ 803,056	₩ 747,970	₩ 747,946	₩ -	₩ 338,101
ePyeonghansesang Daejeon station Centum Vista	December 2022	June 2026	72.01	226,951	192,719	138,182	18,609	117,472
Nokbeon-dong Mixed-use apartment building	April 2023	April 2025	100.00	31,660	27,161	27,160	4,653	16,583
Elif Mia station Complex 1	May 2023	August 2026	55.69	61,562	44,907	24,877	6,229	19,271
Elif Mia station Complex 2	May 2023	August 2026	51.73	155,141	109,786	56,595	13,945	42,961
ePyeonghansesang Pyeongchon Urban Valley	April 2024	October 2026	40.89	399,869	397,970	162,302	61,369	100,256
Digital Empire Pyeongchon Biz Valley	April 2024	March 2027	39.66	352,769	223,836	75,662	55,275	64,334
Anyang-dong Mixed-use apartment building	January 2025	May 2026	47.75	42,044	41,574	19,851	19,849	17,694
Total				₩ 2,073,052	₩ 1,785,923	₩ 1,252,575	₩ 179,929	₩ 716,672

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

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

³Excludes the revenue of ₩ 8,267 million recognized as sales at a point in time when the construction is completed and control of the goods is transferred to the customer for the six-month period ended June 30, 2025.

⁴Excludes cumulative costs of ₩ 292,817 million for common infrastructure.

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

Construction project	Initial sales contract date	Expected completion date	Progress (%)	June 30, 2024				
				Total sales value ¹	Total sales contract value	Revenue (cumulative) ²	Revenue (period) ³	Cost (cumulative) ⁴
Suwon Hwaseo Prugio Briciel	June 2020	September 2023	100.00	₩ 803,056	₩ 747,970	₩ 747,946	₩ -	₩ 338,101
ePyeonghansesang Daejeon station Centum Vista	December 2022	June 2026	44.54	226,951	193,218	85,924	21,540	71,738
Nokbeon-dong Mixed-use apartment building	April 2023	February 2025	55.77	29,720	25,220	14,066	5,184	9,215
Elif Mia station Complex 1	May 2023	August 2026	26.33	61,562	39,512	10,357	3,128	7,704
Elif Mia station Complex 2	May 2023	August 2026	25.40	155,141	107,098	27,144	9,056	19,574
ePyeonghansesang Pyeongchon Urban Valley	April 2024	October 2026	6.15	399,856	348,757	21,462	21,462	12,937
Digital Empire Pyeongchon Biz Valley	April 2024	March 2027	8.31	352,768	5,778	480	480	325
Total				₩ 2,029,054	₩ 1,467,553	₩ 907,379	₩ 60,850	₩ 459,594

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

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

³Excludes the revenue of ₩ 9,847 million recognized as sales at a point in time when the construction is completed and control of the goods is transferred to the customer for the six-month period ended June 30, 2024.

⁴Excludes cumulative costs of ₩ 228,098 million for common infrastructure.

(b) Details of receivables and payables for ongoing real estate pre-sale contracts as of June 30, 2025 and December 31, 2024 are as follows:

(in millions of Korean won)

Construction project	June 30, 2025			
	Revenue (cumulative)	Cash collected, etc. (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
ePyeonghansesang Daejeon station Centum Vista	138,182	29,789	109,106	713
Nokbeon-dong Mixed-use apartment building	27,160	12,610	14,550	-
Elif Mia station Complex 1	24,877	5,406	19,557	86
Elif Mia station Complex 2	56,595	13,133	43,679	217
ePyeonghansesang Pyeongchon Urban Valley	162,302	67,541	95,379	618
Digital Empire Pyeongchon Biz Valley	75,662	17,776	57,886	-
Anyang-dong Mixed-use apartment building	19,851	-	19,851	-
Total	₩ 1,252,575	₩ 893,616	₩ 360,595	₩ 1,636

¹As of June 30, 2025, due from customers for contract assets is ₩ 349,657 million and it will be reclassified to receivables in accordance with the billing schedule on the contract.

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

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

Construction project	December 31, 2024			
	Revenue (cumulative)	Cash collected, etc. (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
ePyeonghangesang 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
ePyeonghangesang Pyeongchon Urban Valley	100,933	47,906	53,284	257
Digital Empire Pyeongchon Biz Valley	20,388	6,352	14,036	-
Total	₩ 1,072,646	₩ 862,747	₩ 211,176	₩ 1,277

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

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

(c) No material changes in estimated total contract revenues and total contract costs have occurred for the six-month period ended June 30, 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 June 30, 2025 and subject to probable change in the future.

(d) Details of receivables and payables in relation to real estate pre-sales contracts recognized at a point in time as of June 30, 2025 and December 31, 2024 are as follows:

(in millions of Korean won)

Construction project	June 30, 2025		December 31, 2024	
	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
ePyeonghangesang Daejeon station Centum Vista	-	105	-	105
Elif Mia station Complex 1	-	812	-	575
Elif Mia station Complex 2	-	4,467	-	4,332
Sangbong station Ubora First Live and Four Square	9,549	258	9,549	131
Total	₩ 9,549	₩ 6,448	₩ 9,549	₩ 5,949

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

18. Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for each of the three-month and six-month periods ended June 30, 2025 and 2024 are as follows:

(in millions of Korean won)

	June 30, 2025		June 30, 2024	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Salaries	₩ 70,299	₩ 140,770	₩ 73,352	₩ 149,083
Retirement and termination benefits	5,228	61,083	5,565	12,685
Employee welfare	14,000	24,133	15,004	24,399
Travel expenses	4,931	9,585	3,270	6,059
Communication cost	892	1,686	682	1,435
Utilities	2,683	6,605	2,901	6,947
Taxes and dues	22,165	24,491	19,992	22,343
Supplies	402	926	487	852
Rent	590	1,432	796	2,336
Depreciation	8,210	16,162	7,732	15,376
Amortization	3,415	7,958	4,143	8,247
Repairs and maintenance	1,953	2,837	1,324	2,646
Vehicles	815	1,620	769	1,513
Insurance	787	1,321	426	953
Commissions	36,946	66,519	41,355	78,358
Freight and custody	5,732	11,126	5,142	9,965
Conferences	770	1,612	733	1,540
Advertising	13,743	32,637	21,267	40,564
Education and training	1,081	3,658	1,304	2,567
Prizes and rewards	957	1,517	280	522
Research and development	7,922	15,341	6,229	13,385
Impairment loss (reversal of impairment loss) on trade receivables	(4,671)	24,431	(12,830)	(6,812)
Total	₩ 198,850	₩ 457,450	₩ 199,923	₩ 394,963

19. Other Income and Expense

(a) Details of other income for each of the three-month and six-month periods ended June 30, 2025 and 2024 are as follows:

(in millions of Korean won)

	June 30, 2025		June 30, 2024	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Gain on foreign currency transaction	₩ 14,828	₩ 18,826	₩ 16,128	₩ 23,112
Gain on foreign currency translation	16,557	68,160	81,382	183,535
Gain on valuation of derivatives	42,128	42,533	54	89
Reversal of impairment loss on other receivables	2,653	2,796	1,560	751
Gain on disposal of property, plant and equipment	983	1,008	220	295
Gain on disposal of intangible assets	-	3	2	4
Gain on disposal of investment properties	5,001	5,001	-	4,876
Gain on disposal of investment in associates	-	-	5,974	5,974
Gain on lease contract adjustments	6	6	97	119
Miscellaneous income	2,232	4,249	4,262	6,569
Total	₩ 84,388	₩ 142,582	₩ 109,679	₩ 225,324

(b) Details of other expense for each of the three-month and six-month periods ended June 30, 2025 and 2024 are as follows:

(in millions of Korean won)

	June 30, 2025		June 30, 2024	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Loss on foreign currency transaction	₩ 24,459	₩ 33,390	₩ 3,571	₩ 8,088
Loss on foreign currency translation	221,800	235,894	-	2,145
Loss on valuation of derivatives	-	2,337	10,980	24,033
Loss on impairment of other receivables	1,285	1,285	-	-
Loss on disposal of property, plant and equipment	37	159	-	11
Loss on impairment of property, plant and equipment	-	-	1	1
Loss on disposal of intangible assets	69	295	1	5
Loss on impairment of intangible assets	113	326	34	75
Loss on disposal of investment properties	250	250	-	55
Loss on disposal of investments in subsidiaries	552	552	-	-
Loss on lease contract adjustments	11	23	6	7
Donations	1,477	1,823	192	750
Miscellaneous loss	605	1,015	233	377
Total	₩ 250,658	₩ 277,349	₩ 15,018	₩ 35,547

20. Finance Income and Costs

Details of finance income and costs for each of the three-month and six-month periods ended June 30, 2025 and 2024 are as follows:

(in millions of Korean won)

	June 30, 2025		June 30, 2024	
	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Finance income:				
Interest income ¹	₩ 29,169	₩ 57,283	₩ 23,748	₩ 45,899
Dividend income	58,507	73,752	7,489	23,994
Gain on valuation of financial assets measured at fair value through profit or loss	2,455	6,288	3,167	13,472
Total finance income	₩ 90,131	₩ 137,323	₩ 34,404	₩ 83,365
Finance costs:				
Interest expense	₩ 14,934	₩ 24,146	₩ 4,651	₩ 8,757
Loss on valuation of financial assets measured at fair value through profit or loss	5,572	9,646	7,320	10,650
Total finance costs	₩ 20,506	₩ 33,792	₩ 11,971	₩ 19,407
Net finance income	₩ 69,625	₩ 103,531	₩ 22,433	₩ 63,958

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

21. Income Tax Expense and Deferred Tax Asset

(a) Income tax expense is recognized based on the best estimate of weighted average annual effective income tax rate expected for the full financial year. The average effective tax rates for each of the six-month periods ended June 30, 2025 and 2024 are 20.65% and 22.30%, respectively.

(b) The Company is subject to Pillar Two income taxes. As of June 30, 2025, the Company estimates that the impact of Pillar Two income taxes on its separate financial statements will be immaterial, in accordance with its assessment result identified so far. The Company will apply the temporary exception to the recognition and disclosure of deferred income tax assets and liabilities related to Pillar Two legislation.

22. Related Parties

(a) Details of the Company's related parties as of June 30, 2025 and December 31, 2024 are as follows:

Type	Name of entity	Location	Percentage of ownership (%)					
			June 30, 2025			December 31, 2024		
			Parent	Subsidiary	Total	Parent	Subsidiary	Total
Subsidiaries	Korea Ginseng Corporation	Korea	100.00	-	100.00	100.00	-	100.00
	Yungjin Pharm. Co., Ltd.	Korea	52.45	-	52.45	52.45	-	52.45
	Tae-A Industrial Co., Ltd.	Korea	100.00	-	100.00	100.00	-	100.00
	KT&G Tuntun Mamulleri Sanayi ve Ticaret A.S. ⁴	Türkiye	100.00	-	100.00	100.00	-	100.00
	Korea Tabacos do Brasil Ltda.	Brazil	99.99	-	99.99	99.99	-	99.99
	KT&G Pars	Iran	99.99	-	99.99	99.99	-	99.99
	KT&G Rus L.L.C.	Russia	100.00	-	100.00	100.00	-	100.00
	KT&G USA Corporation	USA	100.00	-	100.00	100.00	-	100.00
	Cosmococ Co., Ltd.	Korea	98.56	-	98.56	98.56	-	98.56
	Renzoluc Pte., Ltd. ¹	Singapore	100.00	-	100.00	100.00	-	100.00
	PT Trisakti Purwosari Makmur ²	Indonesia	6.56	93.43	99.99	6.56	93.43	99.99
	PT TSPM FLAVOR AND FRAGRANCE ³	Indonesia	-	99.99	99.99	-	99.99	99.99
	SangSang Stay Inc.	Korea	100.00	-	100.00	100.00	-	100.00
	KT&G Global Rus L.L.C.	Russia	100.00	-	100.00	100.00	-	100.00
	Gwacheon SangSang PFV. Inc	Korea	51.00	-	51.00	51.00	-	51.00
	KT&G Taiwan Corporation	Taiwan	100.00	-	100.00	100.00	-	100.00
	Mastern No.144 PFV Co. Ltd.	Korea	92.50	-	92.50	92.50	-	92.50
	KT&G Global Kazakhstan LLP	Kazakhstan	100.00	-	100.00	100.00	-	100.00
	KT&G Kazakhstan LLP ⁴	Kazakhstan	100.00	-	100.00	100.00	-	100.00
	Edn the pine central Seocho Co., Ltd.	Korea	78.65	-	78.65	78.65	-	78.65
	Cheongna Medipolis Development Co., Ltd. ⁵	Korea	66.67	-	66.67	66.67	-	66.67
	KT&G Global TAS FE LLC ⁵	Uzbekistan	100.00	-	100.00	-	-	-
	K&I China Co., Ltd.	China	-	98.56	98.56	-	98.56	98.56
	KGCyebon Corporation	Korea	-	100.00	100.00	-	100.00	100.00
	KGC Life & Gin Co., Ltd.	Korea	-	100.00	100.00	-	100.00	100.00
	Jilin Hanzheng Ginseng Co., Ltd.	China	-	100.00	100.00	-	100.00	100.00
	Cheong Kwan Jang Taiwan Corporation	Taiwan	-	100.00	100.00	-	100.00	100.00
	Korea Red Ginseng Corp., Inc.	USA	-	100.00	100.00	-	100.00	100.00
	Korea Ginseng (China) Corp.	China	-	100.00	100.00	-	100.00	100.00
	Korea Ginseng Corp. Japan	Japan	-	100.00	100.00	-	100.00	100.00
	CENTRAL PHARM INC. ⁷	Korea	-	50.01	50.01	-	50.01	50.01
	Pacific 365, Inc ⁷	USA	-	50.01	50.01	-	50.01	50.01
	PT Nusantara Indah Makmur	Indonesia	-	99.96	99.96	-	99.96	99.96
Associates	LitePharmTech, Co., Ltd. ⁸	Korea	12.53	-	12.53	12.53	-	12.53
	KORAMCO Banpo PFV Co., Ltd. ⁸	Korea	18.95	-	18.95	18.95	-	18.95
	KOCREF 36 REIT	Korea	21.01	-	21.01	21.01	-	21.01
	KOCREF 41 REIT	Korea	26.47	-	26.47	26.47	-	26.47
	Cheongna Medipolis PFV Co., Ltd. ⁹	Korea	51.01	-	51.01	51.01	-	51.01
	INNODIS CO., Ltd. ⁸	Korea	19.64	-	19.64	19.64	-	19.64
	SJ BIO MED Co., Ltd. ^{8,10}	Korea	14.39	-	14.39	14.39	-	14.39
	LSK Global Pharma Services Co., Ltd.	Korea	21.92	-	21.92	21.92	-	21.92
	Mirae Asset KT&G Investment Fund 1 ¹¹	Korea	45.00	5.00	50.00	45.00	5.00	50.00
	KB KT&G New Growth Fund 1 ¹²	Korea	66.67	-	66.67	66.67	-	66.67
Joint ventures	KORAMCO Europe Private REIT 3-2 Fund ¹³	Korea	51.35	-	51.35	51.35	-	51.35
	Starfield Suwon, Inc.	Korea	50.00	-	50.00	50.00	-	50.00
	SangSang Loft Co., Ltd. ¹⁴	Korea	50.00	-	50.00	50.00	-	50.00
Others	Others ^{15,16}	Korea	-	-	-	-	-	-
	DNC Deogeun Co., Ltd. ¹⁶	Korea	-	-	-	38.25	-	38.25
	JIELGWANGJIN CITY DEVELOPMENT Co., Ltd. ¹⁶	Korea	-	-	-	-	35.00	35.00

22. Related Parties (cont'd)

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

²The consolidated percentage of ownership of PT Trisakti Purwosari Makmur is 99.99%, including shares held by Renzoluc Pte., Ltd., the subsidiary of the Company, as of June 30, 2025.

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

⁴ For the six-month period ended June 30, 2025, the Company acquired additional equity securities of ₩ 39,595 million of KT&G Kazakhstan LLP through issuance of new stocks. For the year ended December 31, 2024, the Company acquired 272,490,615 shares (₩ 59,692 million) of KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. through issuance of new stocks and additional equity securities of ₩ 137,912 million of KT&G Kazakhstan LLP.

⁵ The Company newly acquired 66.67% of Cheongna Medipolis Development Co., Ltd. for the year ended December 31, 2024, and the Company has classified the shares as investments in subsidiaries.

⁶ For the six-month period ended June 30, 2025, the Company, acquired ₩ 27,753 million KT&G Global TAS FE LLC through investment establishment method.

⁷ For the year ended December 31, 2024, Korea Ginseng Corporation, the subsidiary of the Company, acquired 22,501 shares (₩ 9,000 million) of CENTRAL PHARM INC. through a business combination, and Pacific 365, Inc., the subsidiary of CENTRAL PHARM INC., has been included in related parties.

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

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

¹⁰ As of June 30, 2025, the liquidation procedures are in progress.

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

¹² Although the percentage of ownership in the investee exceeds 50%, the Company has classified the ownership as an investment in associates as the Company does not have control over related activities and has significant influence through participating on investment decision-making authority.

22. Related Parties (cont'd)

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

¹⁴ For the year ended December 31, 2024, the Company and Zero To N Architects & Engineers General Construction Co., Ltd. established Sangsang Loft Co., Ltd. in a 50/50 capital contribution. The Company classified its interests in the entity as investment in joint ventures.

¹⁵ The Company has classified the related parties of DNC Deogeun Co., Ltd. as other related parties, following the acquisition of DNC Deogeun Co., Ltd. as its subsidiary for the year ended December 31, 2023.

¹⁶ The Company has acquired 38.25% of preferred stocks with voting rights of DNC Deogeun Co., Ltd. during the year ended December 31, 2023, securing 51.00% of the voting rights of DNC Deogeun Co., Ltd., and the Company classified the shares as investments in subsidiaries as it is considered that the Company holds substantial decision-making right over related activities that has significant impact on the profit or losses of DNC Deogeun Co., Ltd. through the general shareholders' meeting and Board of Directors of DNC Deogeun Co., Ltd. DNC Deogeun Co., Ltd. and its related parties were excluded from the scope of the Company's related parties, following the Company's disposal of its entire shareholdings in DNC Deogeun Co., Ltd. during the six-month period ended June 30, 2025.

22. Related Parties (cont'd)

(b) The Company carries out transactions with its related parties, such as sales of goods and provision of services, etc. Details of transactions with related parties for each of the three-month and six-month periods ended June 30, 2025 and 2024 are as follows:

① Sales and other income

(in millions of Korean won)

Type	Name of entity	June 30, 2025		June 30, 2024	
		Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Subsidiaries	Korea Ginseng Corporation	₩ 52,799	₩ 55,889	₩ 4,145	₩ 7,057
	Yungjin Pharm. Co., Ltd.	339	633	386	670
	Tae-A Industrial Co., Ltd.	247	841	235	444
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. ^{1,2}	13,546	38,566	7,316	9,223
	KT&G Rus L.L.C. ¹	24,315	59,253	16,103	28,606
	KT&G USA Corporation ¹	4	9	4	9
	Cosmococ Co., Ltd.	59	89	52	78
	PT Trisakti Purwosari Makmur ¹	37,618	71,231	28,413	52,293
	SangSang Stay Inc.	1,631	3,264	1,516	3,024
	KT&G Global Rus L.L.C. ¹	2,924	4,283	4,282	6,243
	Gwacheon Sangsang PFV. Inc	125	249	125	8,791
	KT&G Taiwan Corporation	5,004	11,141	3,423	7,814
	KT&G Kazakhstan LLP ¹	3,847	7,607	20	20
	KT&G Global Kazakhstan LLP	413	1,114	1,768	2,728
	KGCyebon Corporation	20	31	16	26
	KGC Life & Gin Co., Ltd.	17	29	17	29
	KT&G Global TAS FE LLC	216	216	-	-
	PT TSPM FLAVOR AND FRAGRANCE	351	351	-	-
Associates	KOCREF 36 REIT	600	600	600	600
	KOCREF 41 REIT	1,167	1,167	938	938
Joint ventures	Starfield Suwon, Inc.	4,095	16,520	-	-
	SangSang Loft Co., Ltd.	1	2	-	-
Others	DNC Deogeun Co., Ltd. ³	948	948	-	5,075
Total		₩ 150,286	₩ 274,033	₩ 69,359	₩ 133,668

¹Excludes impairment loss of ₩ 27,746 million and ₩ 3,633 million in relation to the related parties for each of the six-month periods ended June 30, 2025 and 2024.

²The amount of sales related to OEM transactions is presented before adjustment for subcontracting transactions.

³The Company excluded the entity from its related parties, as the entity was disposed during the six-month period ended June 30, 2025.

22. Related Parties (cont'd)

② Purchases and other expenses

(in millions of Korean won)

Type	Name of entity	June 30, 2025		June 30, 2024	
		Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Subsidiaries	Korea Ginseng Corporation	₩ 404	₩ 835	₩ 208	₩ 549
	Yungjin Pharm. Co., Ltd.	-	207	7	224
	Tae-A Industrial Co., Ltd.	10,601	22,274	10,209	18,374
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. ^{1,2}	43,400	60,862	4,529	5,225
	Cosmococ Co., Ltd.	45	46	6	13
	SangSang Stay Inc.	60	81	94	108
	KGCyebon Corporation	232	471	226	437
	KGC Life&Gin Co., Ltd.	-	-	3	3
	Renzoluc Pte., Ltd.	173	429	-	-
	Associate	-	25	73	147
Joint venture	Starfield Suwon, Inc.	643	670	26	48
	Total	₩ 55,558	₩ 85,900	₩ 15,381	₩ 25,128

¹Excludes impairment loss of ₩ 27,746 million and ₩ 3,633 million in relation to the related parties for each of the six-month periods ended June 30, 2025 and 2024.

²The amount of purchases related to OEM transactions is presented before adjustment for subcontracting transactions.

22. Related Parties (cont'd)

(c) Details of account balances of receivables and payables with the related parties as of June 30, 2025 and December 31, 2024 are as follows:

(in millions of Korean won)		June 30, 2025		December 31, 2024	
Type	Name of entity	Receivables	Payables	Receivables	Payables
Subsidiaries	Korea Ginseng Corporation	₩ 1,329	₩ 2,080	₩ 2,943	₩ 2,753
	Yungjin Pharm. Co., Ltd. ²	5,229	50	5,359	48
	Tae-A Industrial Co., Ltd.	-	9,832	-	6,423
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. ^{1,3}	92,908	33,815	61,753	9,144
	Korea Tabacos do Brasil Ltda. ^{1,2}	122	-	122	520
	KT&G Pars ^{1,2}	44,526	-	44,526	-
	KT&G Rus L.L.C. ¹	231,120	-	139,472	-
	KT&G USA Corporation ¹	4,013	339	4,004	540
	Cosmocos Co., Ltd.	41	-	30	-
	SangSang Stay Inc.	7	-	40	-
	PT Trisakti Purwosari Makmur ^{1,2}	646,165	-	471,345	-
	KT&G Global Rus L.L.C. ¹	21,035	-	19,819	-
	Gwacheon SangSang PFV. Inc ⁴	8,541	1,468	8,541	1,718
	KT&G Taiwan Corporation	2,297	-	131	-
	KT&G Kazakhstan LLP ¹	7,394	-	6,618	-
	KT&G Global Kazakhstan LLP ²	24,260	-	28,827	-
	KGCyebon Corporation	-	7,098	12	7,452
	KGC Life & Gin Co., Ltd.	-	-	13	-
	Renzoluc Pte., Ltd.	-	174	-	265
	KT&G Global TAS FE LLC	216	-	-	-
	PT TSPM FLAVOR AND FRAGRANCE	356	-	-	-
Associate	INNODIS Co., Ltd.	-	25	-	27
Joint venture	Starfield Suwon, Inc.	125	10	98	10
	Sangsang Loft Co., Ltd.	-	2	-	2
Total		₩ 1,089,684	₩ 54,893	₩ 793,653	₩ 28,902

¹Presented in total amount before deducting loss allowance of ₩ 138,551 million and ₩ 110,805 million as of June 30, 2025 and December 31, 2024.

²Includes loans receivable to related parties.

³The amounts of receivables and payables related to OEM transactions are presented before adjustment for subcontracting transactions.

⁴Includes other receivables in relation to dividends to related parties.

(d) Purchase and sale of property, plant and equipment, intangible assets and right-of-use assets with related parties for each of the six-month periods ended June 30, 2025 and 2024 are as follows:

(in millions of Korean won)		June 30, 2025		June 30, 2024	
Type	Name of entity	Sale of property, plant and equipment and intangible assets	Purchase of right-of-use assets	Purchase of property, plant and equipment	Sale of property, plant and equipment and intangible assets
Subsidiaries	PT Trisakti Purwosari Makmur	₩ 17	₩ -	₩ 372	₩ -
	KGCyebon Corporation	-	392	-	764
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	-	-	-	2
	KT&G Rus L.L.C.	1,382	-	-	-
	Total	₩ 1,399	₩ 392	₩ 372	₩ 766

22. Related Parties (cont'd)

(e) Details of fund transactions with the related parties for each of the six-month periods ended June 30, 2025 and 2024 are as follows:

(in millions of Korean won)

		June 30, 2025					June 30, 2024				
Type	Name of entity	Equity investment	Repayment of lease liabilities	Equity recovery	Loan of fund	Dividends	Equity investment	Repayment of lease liabilities	Equity recovery	Dividends	
Subsidiaries	Korea Ginseng Corporation	₩ -	₩ 99	₩ -	₩ -	₩ 49,900	₩ -	₩ -	₩ -	₩ -	
	KGCyebon Corporation	-	354	-	-	-	-	336	-	-	
	PT Trisakti Purwasari Makmur	-	-	-	215,318	-	-	-	-	-	
	Gwacheon SangSang PFV, Inc.	-	-	-	-	-	-	-	-	8,541	
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	-	-	-	-	-	59,692	-	-	-	
	KT&G Kazakhstan LLP	39,594	-	-	-	-	75,085	-	-	-	
	Edn the pine central Seocho Co., Ltd.	-	-	-	-	-	1,623	-	-	-	
	Cheongna Medipolis Development Co., Ltd.	-	-	-	-	-	200	-	-	-	
	KT&G Global TAS FE LLC	27,753	-	-	-	-	-	-	-	-	
	KOCREF 36 REIT	-	-	-	-	600	-	-	-	600	
Associates	KOCREF 41 REIT	-	-	-	-	1,167	-	-	-	938	
	KB KT&G New Growth Fund 1	3,000	-	-	-	-	-	-	-	-	
Joint venture	Starfield Suwon, Inc.	-	-	-	-	12,425	15,000	-	-	-	
Others	DNC Deogeun Co., Ltd. ¹	-	-	35,000	-	948	-	-	-	5,075	
	AndaStation Professional Investment Private REIT No.1	-	-	-	-	-	-	-	23,738	-	
Total		₩ 70,347	₩ 453	₩ 35,000	₩ 215,318	₩ 65,040	₩ 151,600	₩ 336	₩ 23,738	₩ 15,154	

¹The Company excluded the entity from its related parties, as the entity was disposed during the six-month period ended June 30, 2025.

(f) As of June 30, 2025, KT&G Taiwan Corporation receives a payment guarantee from Citi Bank Taiwan (executed amount: TWD 375,000 thousand), for import clearance. The Company has a recourse liability up to the limit of TWD 1,261,000 thousand to Citi Bank Taiwan (Note 24 (c)).

(g) During the six-month period ended June 30, 2025, the Company signed a financial support letter for its subsidiaries, KT&G USA Corporation, Cosmococs Co., Ltd. and KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. to provide operating funds and other management-related business support.

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

(i) The Company has entered into a contribution agreement in relation to equity instruments of Cheongna Medipolis PFV Co., Ltd., an associate, with the ceiling of ₩ 101,000 million. As of June 30, 2025, a capital contribution has been completed. Furthermore, the equity shares shall not be transferred without the approval of Incheon Free Economic Zone and all the shareholders. In addition, when transferring the equity shares of Cheongna Medipolis PFV Co., Ltd., the equity shares of Cheongna Medipolis Development Co., Ltd., a subsidiary of the Company, shall also be transferred.

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

(k) As of June 30, 2025, the Company has entered into a capital call agreement in relation to KORAMCO Europe Private REIT 3-2 Fund. The agreement may incur a payment obligation if the maturity exchange rate rises compared to the contractual exchange rate.

22. Related Parties (cont'd)

(l) The Company has entered into a capital contribution agreement in relation to Mirae Asset KT&G Investment Fund I and KB KT&G New Growth Fund 1, with the ceiling of ₩ 28,000 million. As of June 30, 2025, the remaining contribution amount is ₩ 8,500 million, and the detailed timeline for contribution is yet to be determined (see Note 24 (d)).

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

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

(o) As of June 30, 2025, the Company's holdings in KORAMCO Banpo PFV Co., Ltd. are pledged as a collateral for a PF loan of KORAMCO Banpo PFV Co., Ltd (Notes 7 and 24 (c)).

(p) As of June 30, 2025, the Company's holdings in Mastern No. 144 PFV Co. Ltd. are pledged as a collateral for a loan of Gwacheon Sangsang PFV. Inc (Notes 8 and 24 (c)).

(q) Key management personnel compensation for each of the six-month periods ended June 30, 2025 and 2024 are as follows:

(in millions of Korean won)

	June 30, 2025		June 30, 2024	
Long and short-term employee benefits	₩	12,459	₩	13,798
Retirement benefits		1,232		1,188
Total	₩	13,691	₩	14,986

23. Risk Management and Fair Value of Financial Instruments

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

(a) Market risk

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

① Currency risk

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

② Price risk

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

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

The Company is exposed to interest rate fluctuation risk in relation to the trade payables and other payables, bonds, borrowings, and lease liabilities. The management of the Company regularly measures the risk of changes in the fair value or future cash flows of the financial instrument due to changes in the market interest rate, maintaining an appropriate balance between fixed and variable interest borrowings. Considering the size of the interest bearing liabilities of the Company as of June 30, 2025, the effect of changes in interest rates on the fair values of financial liabilities or future cash flows is immaterial.

(b) Credit risk

The Company is exposed to credit risk in which one of the contracting parties to the financial instrument may incur financial losses to the other party due to the failure of performing its obligations. To manage such credit risk, the Company management only transacts with parties with over certain level of creditworthiness, and establishes and manages the credit enhancement policies and procedures for financial assets. The Company evaluates the creditworthiness of new transaction parties using the financial information disclosed upon entering into a contract and the information provided by the credit rating agency, which provides the basis for determining credit limits; the Company then receives collaterals and/or payment guarantees as necessary. In addition, the Company periodically reassesses the credit limits and readjusts the collaterals by reassessing the contraction 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 June 30, 2025 and December 31, 2024, the carrying amount of financial assets is the maximum exposure to credit risk.

(c) Liquidity risk

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

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

(d) Details of the carrying amounts of each category of financial instrument as of June 30, 2025 and December 31, 2024 are as follows:

(in millions of Korean won)

	June 30, 2025	December 31, 2024
Financial assets:		
Financial assets measured at fair value through profit or loss	₩ 568,817	₩ 575,490
Financial assets measured at fair value through other comprehensive income or loss	236,451	185,461
Derivative assets	18,127	-
Financial assets measured at amortized cost		
Cash and cash equivalents	464,876	588,812
Other financial assets	223,786	185,907
Trade and other receivables	2,187,680	1,834,447
Long-term deposits	1,557,856	1,705,504
Subtotal	4,434,198	4,314,670
Total financial assets	₩ 5,257,593	₩ 5,075,621
Financial liabilities:		
Derivative liabilities	₩ 123	₩ 32,801
Financial liabilities measured at amortized cost		
Short-term borrowings	160,000	250,000
Bonds	1,312,573	907,934
Trade and other payables	1,011,333	1,002,778
Lease liabilities	20,852	21,260
Subtotal	2,504,758	2,181,972
Total financial liabilities	₩ 2,504,881	₩ 2,214,773

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

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

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

Details of the fair values measurements classified by fair value hierarchy as of June 30, 2025 and December 31, 2024 are as follows::

(in millions of Korean won)

(in millions of Korean won)		June 30, 2025			
		Carrying amount	Fair value		
			Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss	₩	568,817	₩ -	₩ 219,746	₩ 349,071
Financial assets measured at fair value through other comprehensive income or loss		236,451	227,693	-	8,758
Derivative assets		18,127	-	18,127	-
Total financial assets	₩	823,395	₩ 227,693	₩ 237,873	₩ 357,829
Derivative liabilities	₩	123	₩ -	₩ 123	

(in millions of Korean won)

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

There was no movement between the levels of fair value hierarchy for the six-month period ended June 30, 2025 and the year ended December 31, 2024.

As of June 30, 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, and was classified as Level 3 fair value based on the inputs used in the valuation technique.

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

Changes in Level 3 fair value for each of the six-month periods ended June 30, 2025 and 2024 are as follows:

(in millions of Korean won)

	June 30, 2025		June 30, 2024	
Beginning balance	₩	352,924	₩	389,510
Acquisition		16,116		21,437
Disposal		(2,333)		(32,930)
Changes in fair value		(8,878)		(995)
Others		-		(4,959)
Ending balance	₩	357,829	₩	372,063

(f) Details of net gains or losses by category of financial instrument for each of the six-month periods ended June 30, 2025 and 2024 are as follows:

(in millions of Korean won)

	June 30, 2025					
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income or loss	Derivatives	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total
Profit for the period:						
Interest income	₩ -	₩ -	₩ -	₩ 57,283	₩ -	₩ 57,283
Dividend income	4,596	4,117	-	-	-	8,713
Loss on valuation	(3,358)	-	40,196	-	-	36,838
Loss on lease contract adjustments	-	-	-	-	(17)	(17)
Interest expense	-	-	-	-	(24,146)	(24,146)
Impairment loss	-	-	-	(22,920)	-	(22,920)
Total	₩ 1,238	₩ 4,117	₩ 40,196	₩ 34,363	₩ (24,163)	₩ 55,751
Other comprehensive income before tax:						
Net change in fair value	₩ -	₩ 50,990	₩ -	₩ -	₩ -	₩ 50,990

(in millions of Korean won)

	June 30, 2024					
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income or loss	Derivatives	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total
Profit for the period:						
Interest income	₩ -	₩ -	₩ -	₩ 45,899	₩ -	₩ 45,899
Dividend income	4,571	4,269	-	-	-	8,840
Gain or loss on valuation	2,822	-	(23,944)	-	-	(21,122)
Gain on lease contract adjustments	-	-	-	-	112	112
Interest expense	-	-	-	-	(8,757)	(8,757)
Reversal of impairment loss	-	-	-	7,566	-	7,566
Total	₩ 7,393	₩ 4,269	₩ (23,944)	₩ 53,465	₩ (8,645)	₩ 32,538
Other comprehensive loss before tax:						
Net change in fair value	₩ -	₩ 38,671	₩ -	₩ -	₩ -	₩ 38,671

24. Contingent Liabilities and Commitments

(a) Litigation cases

As of June 30, 2025, the Company has 9 cases of pending litigations under progress where the Company is the defendant and the litigation amounts are ₩ 156,015 million. It is not possible to reasonably predict the impact of the outcome of pending litigation on the separate financial statements of the Company as of June 30, 2025.

(b) Commitments with financial institutions

Details of the Company's major arrangements with financial institutions as of June 30, 2025 are as follows:

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

Type	Financial institutions	Currency	Limit	Execution
Opening import letter of credits	Hana Bank	USD	200,000	74,515
Derivatives trading ¹	Hana Bank and five others	USD	244,085	23,027
Limit loan	NH Bank and three others	KRW	800,000	160,000

¹Derivatives are composed of foreign exchange forward contracts and are held for trading as of June 30, 2025.

As of June 30, 2025, the Company has a short-term export credit insurance contract with Korea Trade Insurance Corporation (covered amount: USD 172,023 thousand, EUR 1,800 thousand) related to the overseas export of manufactured cigarettes and other products.

(c) Payment guarantees and collaterals

Details of payment guarantees and collaterals provided by other parties to the Company as of June 30, 2025 are as follows:

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

Provider	Currency	Limit	Details
Korea Housing & Urban Guarantee Corporation	KRW	238,332	Housing distribution guarantee, etc.
Seoul Guarantee Insurance	KRW	9,925	License guarantee, etc.
Hana Bank	USD	2,000	Performance and tender guarantee related to exporting reconstituted tobacco leaves
Hana Bank	KRW	31,000	Payment guarantee for tobacco consumption tax

As of June 30, 2025, KT&G Taiwan Corporation receives a payment guarantee from Citi Bank Taiwan (executed amount: TWD 375,000 thousand) for import clearance. The Company has a recourse liability up to the limit of TWD 1,261,000 thousand to Citi Bank Taiwan.

24. Contingent Liabilities and Commitments (cont'd)

Details of payment guarantees provided by the Company to other parties as of June 30, 2025 and December 31, 2024 are as follows:

(in millions of Korean won)

Guarantee user	Guaranteed by	June 30, 2025		December 31, 2024		Details of guarantee
		Limit amount	Execution amount	Limit amount	Execution amount	
Buyer of ePyeonghansang Daejeon station Centum Vista	Hana Bank	₩ 8,000	₩ 1,766	₩ 8,000	₩ 1,774	Loan guarantee for the intermediate payment of off-plan sales construction ¹
Buyer of Digital Empire Pyeongchon Biz Valley	Hana Bank	66,960	19,512	9,960	4,046	Loan guarantee for the contract deposit

¹The limit amount of the loan guarantee for the intermediate payment of off-plan sales construction excludes the portion of guarantees provided by Korea Housing & Urban Guarantee Corporation.

Details of assets pledged as collaterals as of June 30, 2025 are as follows:

(in millions of Korean won)

	Carrying amount	Debt amount	Collateralized amount	Collateral holder	Type
Investment properties	₩ 281,147	₩ 18,809	₩ 21,059	CJ Foodville Co., Ltd., etc.	Establishment of right to collateral security on rent deposits/ Establishment of lease contracts
Other financial assets	5,203	-	5,203	Korea Land & Housing Corporation	Establishment of a pledge for property development
	600	-	720	Suhyup Bank	Establishment of pledge related to loan arrangement for Elif Mia contract deposit
	100	100	100	Kyobo Book Center Co., Ltd.	Establishment of a pledge for leasehold deposits
	37,880	36,070	37,880	Suwon City	Establishment of a pledge for suwon Daeyupyeong district underpass
Financial assets measured at fair value through profit or loss	5,090	-	5,280	Suhyup Bank	Establishment of pledge related to loan arrangement for Elif Mia contract deposit
Investments in associates	5,306	-	5,306	Hyundai Marine & Fire Insurance, NH Bank	Collateral for PF Loan of KORAMCO Banpo PFV Co., Ltd. ¹
Investments in subsidiaries	11,260	-	3,250	Gwacheon SangSang PFV, Inc	Collateral for PF Loan of of Mastern No. 144 PFV Co., Ltd.
Total	₩ 346,586	₩ 54,979	₩ 78,798		

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

Details of restricted financial assets as of June 30, 2025 and December 31, 2024 are as follows:

(in millions of Korean won)

		June 30, 2025	December 31, 2024
Other financial assets	Establishment of a pledge for property development	₩ 5,203	₩ 5,203
	Establishment of a pledge for leasehold deposits	100	100
	Establishment of a pledge for suwon Daeyupyeong district underpass	37,880	-
	Deposit in the Accompanied Growth Cooperation Loan Fund	100,000	100,000
	Establishment of pledge related to loan arrangement for Elif Mia contract deposit	600	600
	Security deposits for checking accounts	2	2
Financial assets measured at fair value through profit or loss	Establishment of pledge related to loan arrangement for Elif Mia contract deposit	5,090	5,040
Total		₩ 148,875	₩ 110,945

The contracted amount for the acquisition of major items of property, plant and equipment that has not yet been incurred as of June 30, 2025 is ₩ 140,368 million.

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

Each year, the Company deposits a certain proportion of the United States bound tobacco sales proceeds into the US state government in accordance with the Tobacco Master Settlement Agreement ("MSA") legislated under the Escrow Statute of the US. According to the Escrow Statute, if the Company inflicts damage on tobacco consumers due to any illegal activities committed by the Company and leads the US state government to spend medical expenditure accordingly, the deposits in the MSA Escrow Fund may be used for the state government's medical expenditures. Otherwise, the fund shall be refunded to the Company, in whole, after 25 years from each date of deposit. The Company recognized ₩ 1,557,856 million in long-term deposits for MSA Escrow Fund as of June 30, 2025 (December 31, 2024: ₩ 1,705,504 million), and they consist of US treasury bonds, and demand deposits. For the six-month period ended June 30, 2025, refund of the funds that have been deposited for 25 years from the date of deposit was initiated.

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

As of June 30, 2025, the Company has entered into currency hedge capital call agreement in relation to the Company's overseas real estate funds. The agreement might have a payment obligation if the maturity exchange rate rises compared to the contractual exchange rate. The amount of payment obligation during the six-month period ended June 30, 2025 is ₩ 11,170 million.

The Company has entered into a capital contribution agreement in relation to the debt instruments and associates of Mirae Asset KT&G Investment Fund I, KB KT&G New Growth Fund 1 and Smilegate New Deal Fund, etc., with the ceiling of ₩ 119,000 million and USD 37,000 thousand. As of June 30, 2025, the remaining contribution amount is ₩ 20,806 million and USD 15,838 thousand, and the detailed timeline for contribution is yet to be determined.

The Company has entered into a contribution agreement in relation to equity instruments of Cheongna Medipolis PFV Co., Ltd., an associate, with the ceiling of ₩ 101,000 million. As of June 30, 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, in the event of 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 Company is required to obtain the unanimous consent of other shareholders for disposal of the equity shares of Gwacheon Sangsang PFV. Inc and Sangsang Loft Co., Ltd.

24. Contingent Liabilities and Commitments (cont'd)

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

As of June 30, 2025, the Company is being provided with a commitment to complete the construction and guarantee from contractors and mutual aid associations for the sale contracts (ePyeonhangesang Daejeon Station Centum Vista, etc.) proceeded by the Company.

As of June 30, 2025, in relation to new construction of Nokbeon-dong Mixed-use building by the Company, the land and accompanying buildings are pledged as collateral and superficies for the land by Korea Land & Housing Corporation and the maximum claim amount is ₩ 15,341 million.

The Company is obligated to return infrastructure such as roads and neighboring 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 were completed in September 2023, additional expected costs due to fulfilment of infrastructure-related obligations were reflected in construction costs for the year ended December 31, 2024 (Note 17).

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

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

As of June 30, 2025, in relation to the ePyeonhangesang Daejeon Station Centum Vista sales project, the Company has agreed with the constructor (DL Construction Co., LTD.) to compensate for the debts incurred by the purchaser due to termination of the contract for reasons attributable to purchaser and failure to repay borrowings amounting to ₩ 5,954 million.

During the year ended December 31, 2022 in relation to the construction of residential and commercial complexes in Sangbong-dong, the Company has reached an agreement with Bando Engineering & Construction Co., Ltd. to resolve the dispute over increase in construction costs related to the permission for change through arbitration judgement ordered by Korea Commercial Arbitration Board. For the progress of the construction, the Company also promised to pay ₩ 10 billion to Bando Engineering & Construction Co., Ltd. in installment according to the completion rate until the point of completion. The construction was completed during the year ended December 31, 2023, however, the arbitration is in progress and the ultimate outcome of the arbitration is unpredictable as of June 30, 2025.

24. Contingent Liabilities and Commitments (cont'd)

During the six-month period ended June 30, 2025, the Company signed a financial support letter for its subsidiaries, KT&G USA Corporation, Cosmocos Co., Ltd. and KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. to provide operating funds and other management-related business support.

As of June 30, 2025, the Company and KT&G USA Corporation received a notification from the US Department of Justice ("DOJ") to submit a comprehensive document on the regulatory compliance status of tobacco products sold in the US, for which the investigation is underway. The Company and KT&G USA Corporation cannot predict the ultimate outcome of the investigation and its impact as of June 30, 2025.

The Company's subsidiaries are engaged in manufacturing and selling tobacco in Russia. As of June 30, 2025, the US and other countries have imposed the economic sanctions on Russia, including restrictions on SWIFT international payment network. The ultimate impact of such sanctions on the Company's business in Russia and its financial position therein cannot be reasonably estimated as of June 30, 2025.

25. Cash Flows

Details of cash generated from operations for each of the six-month periods ended June 30, 2025 and 2024 are as follows:

(in millions of Korean won)

	June 30, 2025	June 30, 2024
Profit for the period	₩ 361,240	₩ 578,070
Adjustments:		
Employee welfare	2,546	8,110
Retirement benefits and termination benefits	43,286	14,148
Loss (reversal of loss) on valuation or obsolescence of inventories	(348)	4,054
Depreciation	73,168	70,812
Amortization	11,732	11,480
Impairment loss (reversal of impairment loss) on trade and other receivables	22,920	(7,566)
Loss on foreign currency translation	235,894	2,145
Loss on valuation of derivatives	2,337	24,033
Loss on disposal of property, plant and equipment	159	11
Loss on impairment of property, plant and equipment	-	1
Loss on disposal of intangible assets	295	5
Loss on impairment of intangible assets	326	75
Loss on disposal of investment properties	250	55
Loss on disposal of investments in subsidiaries	552	-
Other expenses, etc.	6,531	2,380
Finance cost	33,792	19,407
Share-based payment expenses	1,412	625
Income tax expense	94,007	165,877
Gain on foreign currency translation	(68,160)	(183,535)
Gain on valuation of derivatives	(42,533)	(89)
Gain on disposal of property, plant and equipment	(1,008)	(295)
Gain on disposal of intangible assets	(3)	(4)
Gain on disposal of investment properties	(5,001)	(4,876)
Gain on disposal of investments in associates and joint ventures	-	(5,974)
Other income, etc.	(8,238)	(3,150)
Finance income	(137,323)	(83,365)
Changes in working capital:		
Increase in trade and other receivables	(155,279)	(30,745)
Increase in derivatives	(10,609)	(10,380)
Decrease in inventories	79,248	59,320
Increase in accrued tobacco excise and other taxes	(55,091)	(10,233)
Increase in advance payments	(26,917)	(30,744)
Increase in prepaid expenses	(14,739)	(11,685)
Increase in trade and other payables	1,485	35,324
Increase (decrease) in advance receipts	(2,623)	16,114
Increase in tobacco excise and other taxes payable	67,678	23,327
Decrease in net defined benefit liabilities	(1,626)	(8,724)
Cash generated from operations	₩ 509,360	₩ 644,008

26. Events After the Reporting Period

The Company decided to pay interim dividend of ₩ 149,903 million (₩ 1,400 per share) as of August 22, 2025, which is scheduled to be paid on September 8, 2025 based on resolution of the Board of Directors on August 7, 2025. The interim separate financial statements for the six-month period ended June 30, 2025, do not reflect such dividend payables.

The Company plans to acquire and retire 2,135,231 shares of its treasury stock (₩ 300,000 million) in 2025 through trading on the floor with the resolution of the Board of Directors on August 7, 2025.

The Company plans to sell the KT&G Euljiro Tower with the resolution of the Board of Directors on August 7, 2025.