

PROXY

The undersigned hereby makes, constitutes and appoints any one of the following persons: (1) Ki Sun Han, (2) Nam Kwon Kim, (3) Sun Woo Kim and (4) Seung Kyun Kwon, each an employee of KT&G Corporation (“KT&G”), his or her proxy (“Grantee”), granting full power and authority to exercise voting rights on behalf of the undersigned, at the 19th General Shareholders Meeting (including any adjournment or postponement thereof) of KT&G, scheduled for March 17, 2006, in the name and on behalf of the undersigned, and the undersigned directs that his or her proxy be voted as designated herein.

1. Number of Total Shares Held: _____ (Number) *

*If the number of shares is not indicated, then this “Number” will be deemed to be all of the shares held by the shareholder (as reflected in the Shareholders’ Registry).

2. Number of Shares to be voted via this Power of Attorney: _____ (Number)*

*If the number of shares is not indicated, then this “Number” will be deemed to be all of the shares held by the shareholder, as set forth in the paragraph 1. above.

3. Method of Exercising the Voting Rights

Item No.1 Approval of the Balance Sheet, Income Statement, and Statement of Appropriation of Retained Earnings for the 19th Fiscal Year

| FOR | AGAINST |
|-----|---------|
| | |

Item No.2 Appointment of Independent Non-executive directors

*Two (2) of the Five (5) candidates listed below to be elected.

| Name of Nominee | Name of Nominator | Mark here |
|------------------------|--|-----------|
| Yong Chan An | Independent Non-executive Director Nomination Committee | |
| Byong Kyun Kim | Independent Non-executive Director Nomination Committee | |
| Steven Wolosky | Shareholders (Steel Partners, L.P. and Icahn Partners, L.P., etc.) | |
| Howard M. Lorber | Shareholders (Steel Partners, L.P. and Icahn Partners, L.P., etc.) | |
| Warren G. Lichtenstein | Shareholders (Steel Partners, L.P. and Icahn Partners, L.P., etc.) | |

The undersigned hereby gives the Grantee the right to vote all its shares (up to a total maximum of the Total Number of Shares held, multiplied by two), in whole or a portion thereof, for the candidates for Independent non-executive directors marked above. (Any number that results in a fraction less than one shall not be counted). Nonetheless, if the undersigned specifies the number of shares to be allocated to one or more of the candidates, then the undersigned hereby gives the Grantee the right to vote accordingly.

Item No.3 Appointment of Independent Non-executive directors as Members of the Audit Committee

*Four (4) of the four (4) candidates listed below to be elected.

| Name of Nominee | Name of Nominator | Mark here |
|------------------------|---|------------------|
| Jin Hyun Kim | Independent Non-executive Director Nomination Committee | |
| Yoon Jae Lee | Independent Non-executive Director Nomination Committee | |
| Chang Woo Lee | Independent Non-executive Director Nomination Committee | |
| Soon Moo Soh | Independent Non-executive Director Nomination Committee | |

The undersigned hereby gives the Grantee the right to vote all its shares (up to a total maximum of the Total Number of Shares held, multiplied by four), in whole or a portion thereof, for the Independent Non-executive directors to serve as Members of the Audit Committee candidates marked above. (Any number that results in a fraction less than one shall not be counted). Nonetheless, if the undersigned specifies the number of shares to be allocated to one or more of the candidates, then the undersigned hereby gives the Grantee the right to vote accordingly.

Item No.4 Approval of a cap on Remuneration of Directors

| FOR | AGAINST |
|------------|----------------|
| | |

4. Other Matters (e.g., How to exercise voting rights on amendments or the withdrawal of a demand for cumulative voting, etc.)
 - Upon presentation of amendments of any of the aforementioned Agenda items, or where there is a question regarding the procedure, or where there is another method for deciding an agenda item other than voting for or against, then the Grantee shall have full power and authority to exercise voting rights, in accordance with the “Methods of Exercising Voting Rights” set forth in paragraph 3 of this proxy, as may reasonably be determined by the Grantee.

- If, as a result of a withdrawal of a demand for cumulative voting, Agenda Items 2 and/or 3 do not proceed on the basis of cumulative voting, then the undersigned gives the Grantee the right to vote in favor of those candidates marked, and against those candidates not marked.
- Nonetheless, the Grantee shall exercise voting rights in accordance with the following instruction noted below, unless an explicit instruction was provided before the commencement of the General Meeting of Shareholders:

| Item | Instruction |
|------|-------------|
| | |

5. Disposition of Multiple Proxies

If the undersigned has issued to a third party a proxy previously relating to the General Meeting of Shareholders that is the subject of this proxy, then the undersigned hereby revokes any proxy or proxies heretofore given to vote upon or act with respect thereto, and agrees that any such proxy will be deemed void, and that this proxy will be the final and determinative proxy.

※ Please be careful when preparing this Proxy:

In the case of an Agenda item calling for a “for” or “against” vote, please vote “for” or “against” in the appropriate line and only once. In the case of Agenda Items 2 and 3, please indicate in the appropriate line for only the candidate(s) for which you are voting “for.”

In order to prevent the possibility that a proxy form might be declared invalid, please be sure to indicate your intent in one of the following methods: , , , , , or a similarly appropriate manner, so that you can avoid an unclear position on any one of the Agenda items presented, or granting a blank proxy.

In respect of Agenda Item 2 and Agenda Item 3, cumulative voting will be applicable, as follows: when a shareholder elects multiple Independent Non-executive Directors or Independent Non-executive directors as Members of the Audit Committee, such shareholder shall have a number of votes that is equal to the number of Independent Non-executive Directors to be elected by the shareholder multiplied by the Number of Total Shares held by the shareholder, and the shareholder may cast the total voting rights (in the case of Agenda Item 2, the Number of Total Shares held multiplied by two, and in the case of Agenda Item 3, the Number of Total Shares held multiplied by four) for one or more of the candidates.

In respect of Agenda Item 3 (the appointment of Independent Non-executive directors as Members of the Audit Committee), shareholders may exercise their votes in an amount up to only three percent (3%) of the total issued and outstanding voting shares of KT&G, irrespective of the shareholder’s ownership of shares in excess thereof.

Date: _____, 2006

Shareholder: _____ (signature or seal)

Address: