



KT&G CORPORATION

**Separate Interim Financial Statements
First quarter of the 33rd fiscal year
from January 1, 2019 to March 31, 2019**

ATTACHMENT: INDEPENDENT AUDITOR'S REVIEW REPORT

KT&G CORPORATION

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KT&G CORPORATION

Independent auditor's review report

English Translation of Independent Auditors' Review Report Originally Issued in Korean on May 15, 2019

To the Shareholders and the Board of Directors of KT&G CORPORATION

Reviewed financial statements

We have reviewed the accompanying condensed separate financial statements of KT&G Corporation (the "Company"). The condensed separate financial statements consist of the condensed separate statement of financial position as of March 31, 2019, the related condensed separate statements of income and comprehensive income, changes in equity and cash flows for the three months ended March 31, 2019 and 2018 all expressed in Korean won, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the Separate financial statements

The Company's management is responsible for the preparation and fair presentation of the accompanying condensed separate financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express a conclusion on the accompanying condensed separate financial statements based on our reviews.

We conducted our reviews in accordance with standards for review of interim financial statements in the Republic of Korea. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data, and this provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review results

Based on our reviews and review results, nothing has come to our attention that causes us to believe that the accompanying condensed separate financial statements are not presented fairly, in all material respects, in accordance with K-IFRS 1034, 'Interim Financial Reporting'.

Other matters

The statement of financial position as of December 31, 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows (not included in this review) were audited in accordance with the Korean Auditing Standards, which expressed its unqualified opinion on the audit report dated March 21, 2019. The accompanying condensed separate statement of financial position as of December 31, 2018, presented for comparative purposes, does not differ from the above audited statement of financial position with respect to materiality.

10, Gukjegeumyung-ro, Yeongdeungpo-gu, Seoul
Hong Jong Sung, CEO of Anjin Deloitte LLC

Deloitte Anjin LLC

May 15, 2019

This report is effective as of May 15, 2019, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying condensed separate financial statements and may result in modifications to the auditors' report.

KT&G CORPORATION
Separate interim financial statements

First quarter of the 33rd fiscal year
from January 1, 2019 to March 31, 2019

First quarter of the 32nd fiscal year
from January 1, 2018 to March 31, 2018

"The separate interim financial statements attached have been prepared by our company."
CEO of KT&G Corporation, Baek Bok In

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(Telephone) 080-931-0399

KT&G CORPORATION

Separate interim statements of financial position

As of March 31, 2019 and December 31, 2018

<i>in Korean Won</i>	<i>Notes</i>	March 31, 2019	December 31, 2018
Assets:			
Current assets:			
Cash and cash equivalents	22,23	₩1,106,150,558,347	₩748,123,323,519
Current other financial assets	22,23	196,340,300,000	570,000,000,000
Current fair value through profit or loss	22,23	1,654,359,093,300	1,139,704,589,088
Financial derivatives	22	-	1,238,664,783
Trade and other receivables	5,21,22	799,691,952,302	730,894,507,798
Inventories	6	947,724,404,195	954,677,584,804
Refund asset		598,475,000	421,874,000
Accrued tobacco excise and other taxes		125,919,619,470	218,210,022,210
Advance payments		20,471,888,184	18,377,223,800
Prepaid expenses		9,774,302,171	9,190,208,637
Assets held for sale	12	33,921,888,925	27,793,765,475
Total current assets		4,894,952,481,894	4,418,631,764,114
Non-current assets:			
Other long-term financial assets	22,26	596,920,000	6,937,220,000
Long-term deposits in MSA Escrow Fund	22	650,240,512,556	615,527,896,771
Fair value through profit or loss	22	208,997,968,218	210,655,373,106
Long-term trade and other receivables	5,21,22	117,867,917,683	119,288,362,714
Fair value through other comprehensive income or loss	22	241,308,434,343	230,545,108,827
Investments in associates and joint ventures	7	77,430,010,000	77,430,010,000
Investments in subsidiaries	8	1,178,796,376,700	1,185,361,245,738
Property, plant and equipment	9	1,204,887,497,195	1,200,906,524,123
Intangible assets	10	32,327,826,745	31,328,960,084
Investment property	11	631,317,047,065	606,679,330,988
Right-of-use asset	28,29	17,036,240,026	-
Long-term advance payments		9,510,956,440	9,510,956,440
Long-term prepaid expenses		6,036,828,809	7,267,349,723
Deferred income tax assets		-	9,845,531,641
Total non-current assets		4,376,354,535,780	4,311,283,870,155
Total assets		₩9,271,307,017,674	₩8,729,915,634,269

KT&G CORPORATION

Separate interim statements of financial position, continued

As of March 31, 2019 and December 31, 2018

<i>in Korean Won</i>	<i>Notes</i>	March 31, 2019	December 31, 2018
Liabilities and equity:			
Liabilities:			
Current liabilities:			
Short-term borrowings	13,22,23	₩1,208,653,803	₩1,246,100,270
Trade and other payables	21,22	894,450,864,874	398,082,555,860
Derivative liabilities	22	3,851,560,749	460,667,312
Advance receipts		119,502,996,840	161,629,415,091
Current provisions	18	6,414,511,975	6,455,107,857
Current lease liabilities	22,28,29	6,005,777,733	-
Income tax payable		237,692,883,787	169,266,311,114
Tobacco excise and other taxes payable		824,724,277,317	551,877,758,317
Total current liabilities		2,093,851,527,078	1,289,017,915,821
Non-current liabilities:			
Long-term trade and other receipts	21,22	37,161,278,348	39,152,218,138
Long-term advance receipts		638,244,433	701,673,919
Net defined benefit liability	17	42,900,033,390	34,837,214,841
Long-term provisions	18	1,635,654,015	985,318,269
Long-term lease liabilities	22,28,29	10,315,764,615	-
Deferred income tax liabilities		3,247,276,473	-
Total non-current liabilities		95,898,251,274	75,676,425,167
Total liabilities		2,189,749,778,352	1,364,694,340,988
Equity:			
Ordinary shares		954,959,485,000	954,959,485,000
Other capital surplus		3,582,160,908	3,582,160,908
Treasury shares		(328,157,286,128)	(328,157,286,128)
Gain on sale of treasury shares		513,775,933,891	513,775,933,891
Reserve		5,723,803,902,609	5,430,034,290,488
Retained earnings	24	213,593,043,042	791,026,709,122
Total equity	23	7,081,557,239,322	7,365,221,293,281
Total liabilities and equity		₩9,271,307,017,674	₩8,729,915,634,269

“The accompanying notes are a part of the separate interim financial statements.”

KT&G CORPORATION

Separate interim statements of comprehensive income

For the first quarter ended March 31, 2019 and 2018

<i>in Korean Won</i>	<i>Notes</i>	1Q/2019	1Q/2018
Sales	4,19,21	₩658,670,699,624	₩572,315,586,763
Manufacture of tobacco		578,968,684,586	537,391,948,536
Real estate		63,901,800,482	13,963,601,727
Exports of leaf tobacco and others		15,800,214,556	20,960,036,500
Cost of sales	14,21	(251,299,619,452)	(205,836,785,678)
Manufacture of tobacco		(214,631,340,382)	(186,316,824,215)
Real estate		(24,467,638,604)	(2,635,631,147)
Exports of leaf tobacco and others		(12,200,640,466)	(16,884,330,316)
Gross profit		407,371,080,172	366,478,801,085
Selling, general and administrative expenses	14	(154,692,573,041)	(153,165,466,507)
Operating profit		252,678,507,131	213,313,334,578
Other income	15,21	30,189,463,647	30,710,133,477
Other expenses	15,21	(14,136,528,200)	(10,927,487,675)
Finance income	16,22	31,891,580,498	92,714,444,493
Cost of finance	16,22	(6,327,140,766)	(1,550,727,454)
Net finance income		25,564,439,732	91,163,717,039
Profit before income tax		294,295,882,310	324,259,697,419
Income tax expense	20	(80,216,168,282)	(67,328,565,154)
Profit for the quarter		214,079,714,028	256,931,132,265
Other comprehensive income (loss) after income tax:			
Items that will not be reclassified to profit or loss			
Remeasurements of net defined benefit liability		(486,670,986)	(877,748,998)
Gain or loss on valuation of fair value through other comprehensive income or loss		7,803,410,999	(6,897,330,649)
Other comprehensive income after income tax		7,316,740,013	(7,775,079,647)
Total comprehensive income for the quarter		₩221,396,454,041	₩249,156,052,618
Earnings per share:			
Basic and diluted	25	1,695	2,035

“The accompanying notes are a part of the separate interim financial statements.”



KT&G CORPORATION

Separate interim statements of changes in equity

For the first quarter ended March 31, 2018

<i>in Korean Won</i>	Ordinary shares	Other capital surplus (deficit)	Treasury shares	Gains on sale of treasury shares	Reserve	Retained earnings	Total equity
Balance at January 1, 2018 (before revision)	₩954,959,485,000	₩3,582,160,908	₩ (328,157,286,128)	₩513,775,933,891	₩5,009,300,640,505	₩990,096,015,256	₩7,143,556,949,432
Effect of change in accounting policy	-	-	-	-	(36,765,729,396)	(31,464,641,981)	(68,230,371,377)
Balance at January 1, 2018 (after revision)	₩954,959,485,000	₩3,582,160,908	₩ (328,157,286,128)	₩513,775,933,891	₩4,972,534,911,109	₩958,631,373,275	₩7,075,326,578,055
Total comprehensive income (loss) for the quarter:							
Profit for the quarter	-	-	-	-	-	256,931,132,265	256,931,132,265
Other comprehensive income (loss) for the quarter:							
Remeasurements of net defined benefit liability	-	-	-	-	-	(877,748,998)	(877,748,998)
Gain or loss on valuation of fair value through other comprehensive income or loss	-	-	-	-	(6,897,330,649)	-	(6,897,330,649)
Sum of other comprehensive income (loss) for the quarter	-	-	-	-	(6,897,330,649)	(877,748,998)	(7,775,079,647)
Total comprehensive income (loss) for the quarter	-	-	-	-	(6,897,330,649)	256,053,383,267	249,156,052,618
Transactions with owners, recognized directly in equity:							
Dividends	-	-	-	-	-	(505,060,508,000)	(505,060,508,000)
Transfer from reserve for research and human resource development	-	-	-	-	(10,000,000,000)	10,000,000,000	-
Transfer to unconditional reserve	-	-	-	-	495,035,507,256	(495,035,507,256)	-
Total transactions with owners of the Company	-	-	-	-	485,035,507,256	(990,096,015,256)	(505,060,508,000)
Balance at March 31, 2018	₩954,959,485,000	₩3,582,160,908	₩ (328,157,286,128)	₩513,775,933,891	₩5,450,673,087,716	₩224,588,741,286	₩6,819,422,122,673



KT&G CORPORATION

Separate interim statements of changes in equity, continued

For the first quarter ended March 31, 2019

<i>in Korean Won</i>	Ordinary shares	Other capital surplus (deficit)	Treasury shares	Gains on sale of treasury shares	Reserve	Retained earnings	Total equity
Balance at January 1, 2019	₩954,959,485,000	₩3,582,160,908	₩ (328,157,286,128)	₩513,775,933,891	₩5,430,034,290,488	₩791,026,709,122	₩7,365,221,293,281
Total comprehensive income (loss) for the quarter:							
Profit for the quarter	-	-	-	-	-	214,079,714,028	214,079,714,028
Other comprehensive income (loss) for the quarter:							
Remeasurements of net defined benefit liability	-	-	-	-	-	(486,670,986)	(486,670,986)
Gain or loss on valuation of fair value through other comprehensive income or loss	-	-	-	-	7,803,410,999	-	7,803,410,999
Sum of other comprehensive income (loss) for the quarter	-	-	-	-	7,803,410,999	(486,670,986)	7,316,740,013
Total comprehensive income (loss) for the quarter							
Transactions with owners, recognized directly in equity:							
Dividends	-	-	-	-	-	(505,060,508,000)	(505,060,508,000)
Transfer to unconditional reserve	-	-	-	-	285,966,201,122	(285,966,201,122)	-
Total transactions with owners of the Company							
Balance at March 31, 2019	₩954,959,485,000	₩3,582,160,908	₩ (328,157,286,128)	₩513,775,933,891	₩5,723,803,902,609	₩213,593,043,042	₩7,081,557,239,322

“The accompanying notes are a part of the separate interim financial statements.”

KT&G CORPORATION

Separate interim statements of cash flows

For the first quarter ended March 31, 2019 and 2018

<i>in Korean Won</i>	<i>Notes</i>	1Q/2019	1Q/2018
Net cash provided by operating activities		₩558,268,027,164	₩198,536,787,007
Cash generated from operations	27	559,740,129,836	200,133,346,567
Income tax paid		(1,472,102,672)	(1,596,559,560)
Net cash used in investing activities		(199,332,387,568)	(355,957,171,237)
Interest received		5,439,570,307	2,207,527,122
Dividends received		4,274,267,699	2,513,852,149
Proceeds from sale of property, plant and equipment		297,626,800	943,821,227
Proceeds from sales of intangible assets		92,687,683	484,000
Collection of loans		2,852,275,728	3,394,361,238
Withdrawal of guarantee deposits		30,000,000	8,569,000,000
Acquisition of property, plant and equipment		(31,602,168,504)	(50,309,005,883)
Acquisition of intangible assets		(1,108,445,996)	(1,453,405,075)
Acquisition of investment property		(30,068,909,248)	-
Increase in loans		(3,489,733,498)	-
Increase in guarantee deposits		-	(9,632,000,000)
Increase in long-term deposits in MSA Escrow Fund		(23,465,401,339)	(15,193,216,594)
Decrease(increase) in fair value through profit or loss, net		(502,584,157,200)	6,573,920,518
Decrease(increase) in other financial assets, net		380,000,000,000	(303,572,509,939)
Net cash used in financing activities		(1,556,180,495)	(565,069,800)
Payment of lease liabilities		(1,556,180,495)	-
Increase in guarantee deposits received		-	1,592,071,000
Decrease in guarantee deposits received		-	(2,157,140,800)
Net increase(decrease) in cash and cash equivalents		357,379,459,101	(157,985,454,030)
Cash and cash equivalents at January 1		748,123,323,519	589,765,862,776
Effect of exchange rate fluctuation on cash held		647,775,727	283,533,712
Cash and cash equivalents at March 31		₩1,106,150,558,347	₩432,063,942,458

“The accompanying notes are a part of the separate interim financial statements.”

KT&G CORPORATION

Notes to the separate interim financial statements

For the first quarter ended March 31, 2019 and 2018

1. Overview of the Company

KT&G Corporation (the “Company”) is engaged in manufacturing and selling tobaccos. As of March 31, 2019, the Company has three manufacturing plants, including Shintanjin plant, and 14 local headquarters and 123 branches for the sale of tobacco throughout the country. Also, the Company has the Gimcheon plant for fabrication of leaf tobacco and the Cheonan printing plant for manufacturing of packaging material. The headquarters of the Company is located at 71, Beotkkot-gil, Daedeok-gu, Daejeon.

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

The Korean government sold 28,650,000 shares of the Company to the public during 1999, and the Company listed its shares on the Korea Exchange on October 8, 1999. On October 17, 2002, and October 31, 2001, the Company listed 35,816,658 and 45,400,000 Global Depositary Receipts (“GDRs”), respectively, (each GDR representing the right to receive one-half share of an ordinary share of the Company) on the Luxembourg Stock Exchange pursuant to the Korean government’s privatization program. Also, on June 25, 2009, the listing market of the Company’s GDR was changed from the BdL market to the Euro MTF in the Luxembourg Stock Exchange.

The ownership of the Company’s ordinary shares as of March 31, 2019, is held as follows:

	Number of shares	Percentage of ownership
National Pension Service	13,737,927	10.01%
Industrial Bank of Korea	9,510,485	6.93%
Employee Share Ownership Association	2,916,039	2.12%
Treasury shares	11,027,370	8.03%
Others	100,100,676	72.91%
Total	137,292,497	100.00%

2. Significant Accounting Policies

2-1. Basis of Preparation

The separate interim financial statements of the Company are separate interim financial statements prepared in accordance with Korean International Financial Reporting Standard (“K-IFRS”) No. 1034 'Interim Financial Reporting.' These separate interim financial statements have been prepared in accordance with K-IFRS that are effective or early adopted as of March 31, 2019 at the end of the reporting period.

The separate interim financial statements of the Company were authorized for issue by the Board of Directors' meeting held on May 9, 2019.

2-2. Changes in Accounting Policies and Disclosures

(1) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2019.

- K-IFRS No. 1116 Leases

K-IFRS No. 1116 Leases replaces K-IFRS No. 1017 Leases. Under the new standard, with implementation of a single lease model, lessee is required to recognize assets and liabilities for all lease for which lease term is more than 12 months and underlying assets are not low value assets. A lessee is required to recognize a right-of-use asset and a lease liability representing its obligation to make lease payments.

The Company had revised the accounting policies as a result of application of K-IFRS No. 1116. The revised accounting policies were applied retrospectively in accordance with the transition provisions of K-IFRS No. 1116 and the cumulative effect of initial application was reflected on January 1, 2019, the date of initial application. The comparative separate interim financial statements are not restated. The impact of introducing the Lease Standard and the new accounting policy is described in Note 29.

- K-IFRS No. 1109 Financial Instruments

The narrow-scope amendments made to K-IFRS No. 1109 Financial Instruments enable entities to measure certain prepayable financial assets with negative compensation at amortized cost. When a modification of a financial liability measured at amortized cost does not result in the derecognition, a modification gain or loss shall be recognized in profit or loss. There is no material effect of the amendments made to K-IFRS No. 1109 on the separate interim financial statements.

- Amendments to K-IFRS No. 1019 Employee Benefits

The amendments require that an entity shall calculate current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement based on updated actuarial assumptions from the date of the change. The amendments also require that a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling. There is no material effect of the amendments made to K-IFRS No. 1019 on the separate interim financial statements.

- Amendments to K-IFRS No. 1028 Investments in Associates and Joint Ventures

The amendments clarify that an entity shall apply K-IFRS No. 1109 to financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. There is no material effect of the amendments made to K-IFRS No. 1028 on the separate interim financial statements.

- Enactment to Interpretation of K-IFRS No. 2123 Uncertainty over Income Tax Treatments

The interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment, and includes guidance on how to determine whether each uncertain tax treatment is considered separately or together. It also presents examples of circumstances where a judgement or estimate is required to be reassessed. There is no material effect of the amendments made to K-IFRS No. 2123 on the separate interim financial statements.

- Amendments to K-IFRS No. 1115 Revenue from Contracts with Customers

These amendments focus on 'additional disclosure of contracts to apply the cost-based input method' by amending the meaning of 'contracts' referred to in paragraph Han129.1 to 'individual contracts' so that the scope of the disclosure cannot be reduced even if K-IFRS No. 1115 is applied. Furthermore, because K-IFRS No. 1115 does not distinguish between types of contracts, it is clarified that service contracts that were not subject to the application of paragraph Han 45.1 of K-IFRS No. 1011 may also be subject to the application of paragraph Han 129.1 of K-IFRS No. 1115 and therefore may broaden the scope of public contracts in accordance with paragraph Han 129.1 of K-IFRS compared to previous revenue Standards. There is no material effect of the amendments made to K-IFRS No. 1115 on the separate interim financial statements.

- Annual Improvements to K-IFRS No. 2015 – 2017 Cycle:

① K-IFRS No. 1103 Business Combination

The amendments clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. In such cases, the acquirer shall remeasure its entire previously held interest in the joint operation. There is no material effect of the amendments made to K-IFRS No. 1103 on the separate interim financial statements.

② K-IFRS No. 1111 Joint Agreements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business. In such cases, previously held interests in the joint operation are not remeasured. There is no material effect of the amendments made to K-IFRS No. 1111 on the separate interim financial statements.

③ K-IFRS No. 1012 Income Tax

The amendment is applied to all the income tax consequences of dividends and requires an entity to recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. There is no material effect of the amendments made to K-IFRS No. 1012 on the separate interim financial statements.

④ K-IFRS No. 1023 Borrowing Costs

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use (or sale), it becomes part of general borrowings. There is no material effect of the amendments made to K-IFRS No. 1023 on the separate interim financial statements.

(2) New standards and interpretations not yet adopted by the Company

Certain new accounting standards and interpretations that have been published that are not mandatory for annual reporting period commencing January 1, 2019 and have not been early adopted by the Company are set out below.

- Amendment to K-IFRS No. 1001 'Presentation of Financial Statements' and K-IFRS No. 1008 'Accounting Policies, Changes in Accounting Estimates and Errors' – Definition of materiality
- Amendment to K-IFRS No. 1103 'Business combination' – Definition of business
- Enactment to K-IFRS No. 1117 'Insurance contracts'

2.3. Accounting Policies

Accounting policies applied in presenting separate interim financial statements are identical to those applied in presenting the previous term financial statements, except for the amendments and enactments described in Note 2.2.

- Income tax

The median period income tax expense is calculated by applying the best weighted average annual income tax rate, or the estimated average annual effective income tax rate, to the pre-tax income of the interim period for the whole fiscal year.

2.4 Modification of comparative financial statements

To facilitate comparison with the financial statements of the current quarter, the Company revised its comparative statement of cash flows. This comparative presentation of financial statements does not affect the cash flows of operating, investing or financing activities in the previous quarter.

3. Critical Accounting Estimates and Assumptions

The preparation of the separate interim financial statements requires the Company to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Company's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

The critical accounting estimates and assumptions are identical to those applied in presenting the previous term financial statements, except for the method of estimations used to determine income tax and the accounting estimates and assumptions resulting from the adoption of K-IFRS No. 1116 stated in Note 2.2.

4. Operating Segments

The company is profitable by transferring goods and services over time or at a point in time in the following major business lines. The division of major business lines is consistent with the revenue disclosure information by reporting segment in accordance with K-IFRS No. 1108.

<i>In millions of Korean Won</i>			1Q/2019	1Q/2018
Revenue recognized at a point in time				
Manufacture and sales of tobacco	Korea	Wholesale, retail, etc.	₩363,482	₩340,855
		Special (duty free, etc.)	57,794	50,442
Sales of tobacco product	Korea	Wholesale, retail, etc.	23,930	12,798
		Special (duty free, etc.)	1,628	966
		Direct sales	780	-
Manufacture and sale of semifinished tobacco products	Export	Subsidiaries, etc.	11,936	18,329
Manufacture and sale of tobacco raw materials	Export	Direct sales	3,720	2,179
Others	Korea	Direct sales	145	453
Subtotal			594,769	558,353
Revenue recognized over time:				
Sale and rental of real estate	Korea	Sales	47,338	-
	Korea	Rental	16,564	13,963
Subtotal			63,902	13,963
Total			₩658,671	₩572,316

5. Trade and Other Receivables

5-1. Trade and other receivables as of March 31, 2019 and December 31, 2018, are summarized as follows:

<i>In millions of Korean Won</i>	March 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Loans to employees	₩18,018	₩27,958	₩16,816	₩28,428
Loans	2,458	17,857	2,477	16,688
Other receivables	24,770	8,868	17,039	9,829
Guarantee deposits	28,796	17,034	25,891	20,149
Accrued income	6,441	-	6,821	-
Trade receivables	719,209	46,151	661,851	44,194
Total	₩799,692	₩117,868	₩730,895	₩119,288

5-2. Trade and other receivables and allowance for doubtful accounts as of March 31, 2019 and December 31, 2018, are as follows:

<i>In millions of Korean Won</i>	March 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Total carrying amount	₩870,537	₩189,492	₩799,231	₩194,487
Allowances:				
Loans	(168)	(17,626)	(255)	(18,386)
Other receivables	(322)	(13,170)	(253)	(13,947)
Accrued income	(51)	(2,161)	(52)	(2,161)
Trade receivables	(70,304)	(38,667)	(67,776)	(40,705)
Total allowances	(70,845)	(71,624)	(68,336)	(75,199)
Net carrying amount	₩799,692	₩117,868	₩730,895	₩119,288

5-3. Changes in allowance for trade and other receivables for the quarters ended March 31, 2019 and 2018, are as follows:

<i>In millions of Korean Won</i>	1Q/2019	1Q/2018
Beginning balance	₩143,535	₩56,925
Change in accounting policy	-	86,149
Impairment loss (reversal) ¹⁾	₩ (1,066)	₩6,587
Write-off	-	(5,317)
Ending balance	₩142,469	₩144,344

¹⁾ Impairment loss (reversal of impairment loss) on trade and other receivables is included as part of selling, general and administrative expenses and other expense (income) in the separate interim statements of comprehensive income.

6. Inventories

6-1. Details of inventories as of March 31, 2019 and December 31, 2018, are summarized as follows:

<i>In millions of Korean Won</i>	March 31, 2019			December 31, 2018		
	Acquisition cost	Valuation loss allowance	Carrying amount	Acquisition cost	Valuation loss allowance	Carrying amount
Merchandise	₩31,834	₩ (1,642)	₩30,192	₩35,351	₩ (37)	₩35,314
Finished goods	76,158	(510)	75,648	80,840	(982)	79,858
Work in progress	14,804	-	14,804	14,053	-	14,053
Raw materials	726,909	-	726,909	727,089	-	727,089
Supplies	24,559	-	24,559	24,486	-	24,486
Byproducts	7,604	-	7,604	6,941	-	6,941
Buildings under construction	487	-	487	280	-	280
Completed buildings	3,069	-	3,069	3,069	-	3,069
Sites for construction of real estate	11,367	-	11,367	8,990	-	8,990
Goods in transit	53,085	-	53,085	54,598	-	54,598
Total	₩949,876	₩ (2,152)	₩947,724	₩955,697	₩ (1,019)	₩954,678

6-2. The amount of loss on valuation and disposals of inventories recognized as an expense for the quarters ended March 31, 2019 and 2018, is as follows

<i>In millions of Korean Won</i>	1Q/2019	1Q/2018
Loss on valuation of inventories (reversal)	₩ (373)	₩420
Loss on disposal of inventories	1,024	607

7. Investments in Associates and Joint Ventures

Investments in associates and joint ventures as of March 31, 2019 and December 31, 2018, are summarized as follows:

<i>In millions of Korean Won</i>	Location	Principal operation	March 31, 2019		December 31, 2018	
			Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount
Cosmo Tobacco Co., Ltd.	Mongolia	Manufacturing and sales of tobacco	40.00%	₩ -	40.00%	₩ -
Lite Pharm Tech, Inc.	Korea	Manufacturing medical supplies	20.24%	1,830	20.24%	1,830
JR REIT V Co., Ltd.	Korea	Real estate rental business	34.63%	5,600	34.63%	5,600
JR REIT VIII Co., Ltd.	Korea	Real estate rental business	21.74%	10,000	21.74%	10,000
LSK Global Pharma Services Co., Ltd.	Korea	Researching and developing medicine	23.15%	-	23.15%	-
JR REIT X Co., Ltd.	Korea	Real estate rental business	28.79%	9,500	28.79%	9,500
KB Gimpo Logistics CR REIT Co., Ltd. ¹⁾	Korea	Real estate rental business	12.00%	3,000	12.00%	3,000
KORAMCO Private REIT 50 Fund ²⁾	Korea	Real estate rental business	84.21%	16,000	84.21%	16,000
Yong In Jung Sim Co., Ltd.	Korea	Developing real estate	22.22%	1,000	22.22%	1,000
KORAMCO Europe Private REIT 3-2 Fund ²⁾	Germany	Real estate rental business	51.35%	18,500	51.35%	18,500
Starfield Suwon	Korea	Real estate development and rental business	50.00%	12,000	50.00%	12,000
Total				₩77,430		₩77,430

¹⁾ It is classified as a joint venture since decisions about the significant financial and operating policies of the investee cannot be made without unanimous consent of the parties, holding 12% shares each, as the voting power of 76% shares held by the collective investment business entity is not entitled to have an impact on a resolution of the investee by the Financial Investment Services and Capital Markets Act.

²⁾ It is classified as a joint venture since decisions about the significant financial and operating policies of the investee cannot be made without unanimous consent of the parties that control the arrangement collectively.

In the previous term, the Company had made an investment of ₩18,500 million in KORAMCO Europe Real Estate Investment Fund III-2, and ₩12,000 million in Starfield Suwon,

During the previous term, the Company received the remaining assets according to the liquidation procedure of JR REIT XIII Co., Ltd. and recognized ₩25 million in profit from the disposal of investments in associates and joint ventures.

8. Investments in subsidiaries

Investments in subsidiaries as of March 31, 2019 and December 31, 2018, are summarized as follows:

<i>In millions of Korean Won</i>	Location	Principal Operation	March 31, 2019		December 31, 2018	
			Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount
Korea Ginseng Corporation	Korea	Manufacturing and selling ginseng	100.00%	₩716,148	100.00%	₩716,148
Yungjin Pharm. Co., Ltd.	Korea	Manufacturing and selling pharmaceutical	52.45%	73,299	52.45%	73,299
Tae-a Industry Co., Ltd.	Korea	Manufacturing tobacco materials	100.00%	52,698	100.00%	52,698
KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	Turkey	Manufacturing and selling tobaccos	99.99%	1,927	99.99%	5,727
Korea Tabacos do Brasil Ltda.	Brazil	Processing leaf tobaccos	99.99%	2,891	99.99%	2,891
KT&G Pars	Iran	Manufacturing and selling tobaccos	99.99%	-	99.99%	-
KT&G Rus L.L.C.	Russia	Manufacturing and selling tobaccos	100.00%	89,296	100.00%	89,296
KT&G USA Corporation	USA	Selling tobaccos	100.00%	4,913	100.00%	4,913
Cosmococ Co., Ltd.	Korea	Manufacturing and selling cosmetics	98.56%	33,288	98.56%	34,459
Renzoluc Pte., Ltd. ¹⁾	Singapore	Holding Company	100.00%	148,834	100.00%	148,834
KGC Yebon Corporation	Korea	Manufacturing and selling medical herbs	100.00%	45,982	100.00%	45,982
PT KT&G Indonesia	Indonesia	Selling tobaccos	99.99%	1,240	99.99%	1,240
SangSang Stay, Inc.	Korea	Hotel	100.00%	3,498	100.00%	5,092
KT&G Global Rus L.L.C.	Russia	Selling tobaccos	100.00%	1,212	100.00%	1,212
Gwacheon SangSang P.F.V.	Korea	Real estate development and sales business	51.00%	3,570	51.00%	3,570
Total				₩1,178,796		₩1,185,361

¹⁾ The percentage of ownership does not include convertible preference shares, with 88.6% including preferred shares as of the end of the current term.

During the previous shares of Gwacheon Sangsang PFV(714,000 shares for ₩3,570 million), Tae-a Industry Co., Ltd.(691,356 shares for ₩37,000 million), and Sangsang Stay Inc.(800,000 shares for ₩4,000 million).

The Company is conducting a review of the signs of impairment on our investment in subsidiaries and, if any, situations that impairment seems necessary occurs, the Company estimates the recoverable amount and performs an impairment test.

As the carrying amount of the subsidiary's net assets is less than the carrying amount of the subsidiary's investment shares due to the accumulation of operating losses during the current term, the results of the impairment test for the subsidiaries are as follows:

<i>In millions of Korean Won</i>	Impairment amount	Method for evaluating recoverable amount
KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	₩3,800	Fair Value
Cosmococ Co., Ltd.	1,171	Fair Value
SangSang Stay, Inc.	1,594	Fair Value
Total	₩6,565	

The value of use and fair value of subsidiary investments were assessed as recoverable amount when carrying out the impairment test, and the estimate of recoverable amount reflects management's assessment of future trends in the industry and is based on internal and external historical data.

On the other hand, fair value has been assessed using the adjusted net asset method and is classified into Level 3 based on the inputs used in the valuation technique in the fair value hierarchy.

9. Property, Plant and Equipment:

Changes in property, plant and equipment for the quarters ended March 31, 2019 and 2018, are as follows:

<i>In millions of Korean Won</i>	1Q/2019	1Q/2018
Beginning balance	₩ 1,200,907	₩1,267,825
Acquisition and capital expenditure	29,890	56,301
Disposal/Impairment loss	(436)	(391)
Depreciation	(20,637)	(21,597)
Reclassification	(4,745)	-
Others	(92)	(120,181)
Ending balance	₩1,204,887	₩1,181,957

10. Intangible Assets

Changes in intangible assets for the quarters ended March 31, 2019 and 2018, are as follows:

<i>In millions of Korean Won</i>	1Q/2019	1Q/2018
Beginning balance	₩ 31,329	₩27,235
Acquisition and capital expenditure	1,108	1,453
Disposal/Impairment loss	(89)	(6)
Depreciation	(20)	(14)
Ending balance	₩32,328	₩28,668

11. Investment property

Changes in investment property for the quarters ended March 31, 2019 and 2018, are as follows:

<i>In millions of Korean Won</i>	1Q/2019	1Q/2018
Beginning balance	₩ 606,679	₩325,423
Acquisition and capital expenditure	30,069	-
Depreciation	(3,991)	(2,636)
Reclassification	(1,440)	110,884
Ending balance	₩631,317	₩433,671

12. Assets held-for-sale

Changes in assets held-for-sale for the quarters ended March 31, 2019 and 2018, are as follows:

<i>In millions of Korean Won</i>	1Q/2019	1Q/2018
Beginning balance	₩27,794	₩ -
Transfer from property, plant and equipment	6,128	-
Ending balance	₩33,922	₩ -

13. Borrowings

Short-term borrowings as of March 31, 2019, and December 31, 2018, are summarized as follows:

<i>In millions of Korean Won</i>	Annual interest rate	March 31, 2019	December 31, 2018
Nonghyup Bank	CD yield (91 days) + 4.5%	₩934	₩985
Hanacard	CD yield (91 days) + 2.5%	275	261
Total		₩1,209	₩1,246

- 1) The Company provides payment guarantees to financial institutions in accordance with the consumer financial agreement in connection with retail sales receivables, and receives related bonds from financial institutions and recognizes them as short-term borrowings.

14. Operating Profit

14-1. Details of expenses, classified by nature, incurred for the quarters ended March 31, 2019 and 2018, are as follows:

<i>In millions of Korean Won</i>	1Q/2019	1Q/2018
Changes in inventories	₩6,953	₩(12,376)
Raw materials and consumables purchased	166,664	180,404
Salaries	88,729	94,552
Retirement and termination benefits	13,205	11,252
Depreciation	26,298	24,233
Amortization	20	14
Employee welfare	10,589	10,228
Advertising	22,946	21,167
Commissions	33,630	28,424
Other expenses	36,958	1,104
Total	₩405,992	₩359,002

14-2. Details of selling, general and administrative expenses for the quarters ended March 31, 2019 and 2018, are as follows:

<i>In millions of Korean Won</i>	1Q/2019	1Q/2018
Salaries	₩61,665	₩64,029
Retirement and termination benefits	9,391	8,047
Employee welfare	7,433	7,514
Travel expenses	2,175	2,026
Communication cost	617	731
Utilities	2,894	3,034
Taxes and utilities	1,088	1,114
Supplies	454	460
Rent	2,083	3,506
Depreciation	7,863	8,251
Amortization	20	14
Depreciation on right-of-use assets	1,670	-
Repairs and maintenance	496	596
Vehicles	842	963
Insurance	490	495
Commissions	24,315	17,129
Freight and custody	2,207	2,410
Conferences	843	801
Advertising	22,923	21,143
Education and training	898	555
Prizes and rewards	396	638
Research and development	3,440	3,391
Impairment loss (reversal of impairment loss) on trade receivables	490	6,318
Total	₩154,693	₩153,165

15. Other Income and Expenses

15-1. Details of other income for the quarters ended March 31, 2019 and 2018, are as follows:

<i>In millions of Korean Won</i>	1Q/2019	1Q/2018
Foreign currency transaction gain	₩1,534	₩726
Foreign currency translation gain	25,145	945
Reversal of impairment loss of other receivables	1,625	-
Gain on sale of property, plant and equipment	-	129
Gain on sale of intangible assets	3	-
Gain on valuation of derivatives	-	6,006
Gain on derivatives transactions	-	824
Miscellaneous profit	1,882	22,080
Total	₩30,189	₩30,710

15-2. Details of other expenses for the quarters ended March 31, 2019 and 2018, are as follows:

<i>In millions of Korean Won</i>	1Q/2019	1Q/2018
Foreign currency transaction loss	₩680	₩733
Foreign currency translation loss	215	5,458
Impairment loss on other receivables	69	270
Donations	536	849
Loss on sale of property, plant and equipment	-	116
Impairment loss on property, plant and equipment	436	-
Loss on sale of intangible assets	-	6
Impairment loss on subsidiary investment	6,565	-
Losses on valuation of derivatives	3,975	-
Losses on derivative transactions	1,223	-
Miscellaneous loss	438	3,495
Total	₩14,137	₩10,927

16. Net Finance Income

Details of net finance income for the quarters ended March 31, 2019 and 2018, are as follows:

<i>In millions of Korean Won</i>	1Q/2019	1Q/2018
Finance income:		
Interest income	₩5,488	₩3,144
Dividend income	10,172	66,283
Current term's income-Gain in fair value financial assets	16,232	23,287
Total finance income	31,892	92,714
Finance cost:		
Interest expense	507	244
Current term's cost-Loss in fair value financial assets	5,820	1,307
Total finance cost	6,327	1,551
Net finance income	₩25,564	₩91,163

17. Retirement Benefit Plan

17-1. Details of profit or loss recognized related to retirement benefits for the quarters ended March 31, 2019 and 2018, are as follows:

<i>In millions of Korean Won</i>	1Q/2019	1Q/2018
Defined benefit plans:		
Current service cost	₩5,764	₩6,438
Net interest on net defined benefit liability	1,695	121
Subtotal	7,459	6,559
Defined contribution plan:		
Contributions recognized as expense	1,964	2,186
Other long-term employee benefits:		
Current service cost, etc.	498	538
Voluntary retirements:		
Termination benefits	3,782	2,507
Total	₩13,703	₩11,790

17-2. Net defined benefit liabilities as of March 31, 2019, and December 31, 2018, are summarized as follows:

<i>In millions of Korean Won</i>	March 31, 2019	December 31, 2018
Present value of defined benefit obligation	₩332,477	₩327,518
Fair value of plan assets	(289,577)	(292,681)
Total	₩42,900	₩34,837

18. Refund Liabilities and Provisions

18-1. The details of refund liabilities and provisions as of March 31, 2019, and December 31, 2018, are as follows:

<i>In millions of Korean Won</i>	March 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Provision for refund	₩3,068	₩863	₩2,958	₩181
Provision for site restoration	-	104	-	104
Provision for guarantee	3,347	-	3,497	-
Provision for financial guarantee	-	669	-	700
Total	₩6,415	₩1,636	₩6,455	₩985

18-2. Changes in refund liabilities and provisions for the quarter ended March 31, 2019, are as follows:

<i>In millions of Korean Won</i>	Beginning balance	Increase	Decrease	Ending balance
Provision for refund	₩3,139	₩942	₩(150)	₩3,931
Provision for site restoration	104	-	-	104
Provision for guarantee	3,497	1,951	(2,101)	3,347
Provision for financial guarantee	700	27	(58)	669
Total	₩7,440	₩2,920	₩(2,309)	₩8,051

Changes in refund liabilities and provisions for the quarter ended March 31, 2018, are as follows:

<i>In millions of Korean Won</i>	Beginning balance	Increase	Decrease	Ending balance
Provision for refund	₩3,086	₩700	₩ -	₩3,786
Provision for site restoration	-	-	-	-
Provision for guarantee	-	-	-	-
Provision for financial guarantee	-	-	-	-
Total	₩3,086	₩700	₩ -	₩3,786

19. Real Estate Sales Contract

19-1. Details of real estate sales contracts under construction as of March 31, 2019, are as follows:

<i>In millions of Korean Won</i>	Construction period	Total sales value	Total sales contract value
Suwon hwaseo park prugio(Apartment)	February 2018 ~ August 2020	₩1,188,870	₩1,187,006
Suwon hwaseo park prugio(Efficiency apartment)		112,060	106,762
Dae-gu central xi ¹⁾	-	3,818	-
Total		₩1,304,748	₩1,293,768

¹⁾ Construction and sale have been completed as of the end of the current term, but resale is underway due to the cancellation of the contract.

19-2. Changes in balance of contract amount for the quarters ended March 31, 2019 and 2018, are as follows:

<i>In millions of Korean Won</i>	1Q/2019	1Q/2018
Beginning balance	₩1,173,116	₩ -
Contract increase	-	-
Revenue recognition	(47,338)	-
Ending balance	₩1,125,778	₩ -

19-3. The details of cumulative cost of the sales contract under construction as of March 31, 2019, are as follows:

<i>In millions of Korean Won</i>	Progress	Accumulated revenue	Cumulative cost
Suwon hwaseo park prugio(Apartment)	13.15%	₩156,040	₩63,738
Suwon hwaseo park prugio(Efficiency apartment)	12.94%	13,813	8,277

19-4. No changes in estimated gross contract income and total contract cost occurred during the current term. The estimated gross contract income and total contract cost of an ongoing sales contract are based on the circumstances that occurred by the end of the current term and may vary over the future period.

20. Income Tax Expense

The income tax expense was calculated by adjusting the adjustment recognized in the current quarter and the previous quarter for current tax, deferred tax expense(income) due to the occurrence and disappearance of temporary differences, and income tax expense(income) related to items that are recognized outside profit or loss. The average effective tax rates for the current quarter and the previous quarter are 27.26% and 20.76%, respectively.

21. Related Parties

21-1. Details of parent and subsidiary relationships and related companies as of March 31, 2019, and December 31, 2018, are as follows:

	Location	March 31, 2019			December 31, 2018			
		Parent	Subsidiary	Total	Parent	Subsidiary	Total	
	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 Industry Co., Ltd.	Korea	100.00%	-	100.00%	100.00%	-	100.00%
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	Turkey	99.99%	-	99.99%	99.99%	-	99.99%
	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%
	KGC Yebon Corporation	Korea	100.00%	-	100.00%	100.00%	-	100.00%
	PT KT&G Indonesia	Indonesia	99.99%	-	99.99%	99.99%	-	99.99%
	K&I HK Co., Ltd.	HongKong	-	100.00%	100.00%	-	100.00%	100.00%
Subsidiaries	K&I China Co., Ltd.	China	-	100.00%	100.00%	-	100.00%	100.00%
	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%
	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%
	Korean 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 Corporation Japan	Japan	-	100.00%	100.00%	-	100.00%	100.00%
	PT Trisakti Purwosari Makmur	Indonesia	-	99.99%	99.99%	-	99.99%	99.99%
	PT Mandiri Maha Mulia	Indonesia	-	99.98%	99.98%	-	99.98%	99.98%
	PT Sentosa Ababi Purwosari	Indonesia	-	100.00%	100.00%	-	100.00%	100.00%
	PT Purindo Ilufa	Indonesia	-	100.00%	100.00%	-	100.00%	100.00%
	PT Nusantara Indah Makmur	Indonesia	-	100.00%	100.00%	-	100.00%	100.00%
	Gwacheon Sangsang PFV ²⁾	Korea	51.00%	-	51.00%	-	-	-
	Cosmo Tobacco Co., Ltd	Mongolia	40.00%	-	40.00%	40.00%	-	40.00%
	Lite Pharm Tech, Inc.	Korea	20.24%	-	20.24%	20.24%	-	20.24%
	JR REIT V Co., Ltd.	Korea	34.63%	-	34.63%	34.63%	-	34.63%
Investments in associates and joint ventures	JR REIT VIII Co., Ltd.	Korea	21.74%	-	21.74%	21.74%	-	21.74%
	LSK Global Pharma Services Co., Ltd.	Korea	23.15%	-	23.15%	23.15%	-	23.15%
	JR REIT X Co., Ltd.	Korea	28.79%	-	28.79%	28.79%	-	28.79%
	KB Gimpo Logistics CR REIT Co., Ltd.	Korea	12.00%	-	12.00%	12.00%	-	12.00%
	KORAMCO Private REIT 50 Fund	Korea	84.21%	-	84.21%	84.21%	-	84.21%
	Yong In Jung Sim Co., Ltd.	Korea	22.22%	-	22.22%	22.22%	-	22.22%
	Starfield Suwon ³⁾	Korea	50.00%	-	50.00%	50.00%	-	50.00%
	KORAMCO Europe Private REIT 3-2 Fund ⁴⁾	Germany	51.35%	-	51.35%	51.35%	-	51.35%

- 1) The Company's percentage of ownership, shown above, excludes redeemable convertible preferred shares. As of the end of the current term, the Company's percentage of ownership would be 88.60% if preferred shares are included.
- 2) During the previous term, the Company had made investment on 51.00% share of Gwacheon Sangsang PFV.
- 3) During the previous term, the Company had made investment on 50.00% share of Starfield Suwon.
- 4) During the previous term, the Company had made investment on 51.35% share of KORAMCO Europe Private REIT 3-2 Fund.

21-2. Details of transactions with related parties, such as the sale of goods and the provision of services, for the quarters ended March 31, 2019 and 2018 are as follows:

<i>In millions of Korean Won</i>	1Q/2019		1Q/2018	
	Sales and other revenues	Purchases and other expenses	Sales and other revenues	Purchases and other expenses
Korea Ginseng Corporation	₩1,848	₩806	₩1,362	₩529
Yungjin Pharm. Co., Ltd.	40	210	39	6
Tae-a Industry Co., Ltd.	3	3,401	1	3,538
KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	856	-	727	952
KT&G Pars	-	-	-	714
KT&G Rus L.L.C.	3,833	-	12,195	162
KGC Life & Gin Co., Ltd.	24	1	7	-
Subsidiary KT&G USA Corporation	14,540	-	17,251	-
Cosmococ Co., Ltd.	9	474	5	278
KGC Yebon Corporation	5	53	1	53
PT KT&G Indonesia	248	-	249	-
SangSang Stay, Inc.	1,519	9	1,553	-
PT Mandiri Maha Mulia	4,145	-	1,224	290
PT Sentosa Ababi Purwosari	15	-	-	-
Korea Tabacos do Brasil Ltda.	1	-	-	-
Investments in associates and joint ventures				
KB Gimpo Logistics CR REIT Co., Ltd.	-	-	45	-
KORAMCO Private REIT 50 Fund	-	-	220	-
Total	₩27,086	₩4,954	₩34,879	₩6,522

21-3. Details of transactions of purchase and sales of Property, Plant and Equipment with related parties, for the quarters ended March 31, 2019 and 2018 are as follows:

<i>In millions of Korean Won</i>	1Q/2019		1Q/2018	
	Purchase	Sales	Purchase	Sales
KT&G Rus L.L.C.	₩ -	₩ -	₩ -	₩164
PT Sentosa Ababi Purwosari	-	31	521	-
Total	₩ -	₩31	₩521	₩164

21-4. Details of receivables and payables with related parties, as of March 31, 2019 and December 31, 2018 are as follows:

<i>In millions of Korean Won</i>	March 31, 2019		December 31, 2018	
	Receivables	Payables	Receivables	Payables
Korea Ginseng Corporation	₩35	₩1,894	₩14	₩1,850
Yungjin Pharm. Co., Ltd.	15	30	11	30
Tae-a Industry Co., Ltd.	1	1,447	-	3
KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	32,228	-	32,050	-
Korea Tabacos do Brasil Ltda.	107	-	106	-
KT&G Pars ¹⁾	44,434	-	44,531	-
KT&G Rus L.L.C. ¹⁾	77,190	-	78,395	-
Subsidiary				
KT&G USA Corporation	25,883	629	28,911	618
Cosmococ Co., Ltd.	5	2	5	2
KGC Yebon Corporation	5	-	-	-
PT KT&G Indonesia ¹⁾	29,752	-	28,991	-
KGC Life & Gin Co., Ltd.	12	120	-	120
PT Trisakti Purwosari Makmur	-	-	16	-
PT Mandiri Maha Mulia	13,386	-	13,375	-
PT Purindo Ilufa	-	-	15	-
PT Sentosa Ababi Purwosari	-	-	67	-
Investments				
in associates				
and joint				
ventures				
LSK Global Pharma Services Co., Ltd.	-	-	150	-
KB Gimpo Logistics CR REIT Co., Ltd.	696	-	697	-
KORAMCO Private REIT 50 Fund	135	-	136	-
Starfield Suwon	-	16,020	-	16,052
Total	₩223,884	₩20,142	₩227,470	₩18,675

¹⁾ As of March 31, 2019 and December 31, 2018, it is stated as the total amount before deducting the loss allowance of ₩74,133 million and ₩77,923 million.

21-5. Details of capital transactions with related parties as of March 31, 2019 and 2018, are as follows:

<i>In millions of Korean Won</i>		Repayment of funds	
		1Q/2019	1Q/2018
Investments in associates and joint ventures	LSK Global Pharma Services Co., Ltd.	₩150	₩300

21-6. As of the end of current term, the Company is providing payment guarantees in order to open an import credit for imports and customs clearance of KT&G US corporations, and the Company is obliged to observe the executed part of the guarantee amount (Note 26-3). During the previous term, the Company had made a land contract with the related party, Starfield Suwon and had received a down payment of ₩16,020 million from the total ₩160,200 million. The ownership of this land will be transited upon the payment of the balance, which will be on the date of the commencement of the construction work (Notes 12 and 26-4)

21-7. Details of key management personnel compensation for the quarters ended March 31, 2019 and 2018, are summarized as follows:

<i>In millions of Korean Won</i>	1Q/2019	1Q/2018
Short-term employee benefits	₩3,929	₩5,207
Retirement benefits	478	1,076
Total	₩4,407	₩6,283

22. 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 reduce, eliminate and avoid them to an acceptable level. The Company prepares and operates the Company-wide risk management policies and procedures, and is responsible for the overall responsibility for risk management in the separate interim financial statements of the subsidiaries. The Financial Department of the Company is responsible for monitoring and managing the financial risks associated with the operations of the subsidiaries in accordance with the risk management policies and procedures approved by the Board of Directors, and periodically analyzes the nature and exposure of the financial risks. In addition, the Company's Audit Committee continuously reviews compliance with risk management policies and procedures and limits on risk exposure. The Company's overall financial risk management strategy is the same as the previous one.

22-1. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its financial instruments. The purpose of market risk management is to manage and control market risk exposures within acceptable limits, while optimizing the revenue.

(1) Currency risk

The Company has exposure to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates arising from the export and import of tobacco. The Company's management has measured the currency risk internally and regularly and has entered into foreign currency forward contracts to hedge foreign currency risk, if necessary.

(2) Equity price risk

The Company is exposed to the fair value of the financial instrument or to other price changes in future cash flows due to changes in market prices in relation to its fair value measurement financial assets and listed equity instruments. The management of the Company regularly measures the risk of changes in the fair value or future cash flows of the listed equity instruments due to changes in market prices. Management of important investments within the portfolio is performed individually and acquisition and disposal are approved by the management of the Company.

(3) Interest rate risk

The Company is exposed to interest rate fluctuation risk in relation to the borrowings. 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 loans. Considering the size of the variable interest rate borrowings of the Company as of the end of the current term, the effect of changes in interest rates on the fair value of the financial liability or future cash flows is not important.

22-2. Credit risk

The Company is exposed to credit risk that will cause financial losses to the other party because one of the parties to the financial instrument fails to perform its obligations. To manage credit risk, the management of the Company deals with customers with a certain level of creditworthiness or higher, and prepares and operates policies and procedures for credit enhancement of financial assets. The Company evaluates the creditworthiness of the client using financial information disclosed at the time of contract with the new client and information provided by the credit rating agency, and determines the credit limit on the basis of this, and is provided with collateral or payment guarantee. In addition, the Company periodically reassesses the credit limit and readjusts the collateral level by reassessing the client's creditworthiness, and reports the delayed recovery status and recovery measures on a quarterly basis for financial assets that are delayed, and takes appropriate measures according to the reason for the delay.

The carrying amount of a financial asset indicates the maximum exposure to credit risk. The maximum exposure to credit risk as of March 31, 2019, and December 31, 2018, is as follows:

<i>In millions of Korean Won</i>	March 31, 2019	December 31, 2018
Cash and cash equivalents (excluding cash on hand) ¹⁾	₩229,560	₩246,310
Other financial assets	196,937	576,937
Fair value through profit or loss ¹⁾	2,739,695	1,851,922
Trade and other receivables	917,560	850,183
Long-term deposits in MSA Escrow Fund	650,241	615,528
Derivative assets	-	1,239
Total	₩4,733,993	₩4,142,119

- ¹⁾ Of the cash equivalents as of the end of the current term, the Money Market Trust is included in the financial assets at fair value through profit or loss.

22-3. Liquidity risk

The Company is exposed to liquidity risk that will be difficult to meet its obligations related to financial liabilities that are settled by delivering cash or other financial assets. To manage liquidity risk, the management of the Company 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 the financial liability is redeemable through cash flows from operating activities and cash inflows from financial assets.

22-4 The carrying amounts of each category of financial assets and liabilities as of March 31, 2019, and December 31, 2018, are summarized as follows:

<i>In millions of Korean Won</i>	March 31, 2019	December 31, 2018
Financial assets:		
Fair value through profit or loss ¹⁾	₩2,739,695	₩1,851,922
Fair value through other comprehensive income or loss	241,308	230,545
Derivative assets	-	1,239
Financial assets measured at amortized cost		
- Trade and other receivables	917,560	850,183
- Long-term deposits in MSA Escrow Fund	650,241	615,528
- Other financial assets	196,937	576,937
- Cash and cash equivalents	229,813	246,562
Subtotal	1,994,551	2,289,210
Total financial assets	₩4,975,554	₩4,372,916
Financial liabilities:		
Derivative liability	₩3,852	₩461
Financial liabilities measured at amortized cost		
- Trade and other payables	774,614	276,921
- Short-term borrowings	1,209	1,246
- Lease liabilities	16,322	-
Total financial liabilities	₩795,997	₩278,628

- ¹⁾ Of the cash equivalents at the end of the current term, ₩876,338 million (the prior term end ₩501,562 million) of the Money Market Trust is classified as at fair value through profit or loss.

22-5. The fair value measurements classified by fair value hierarchy as of March 31, 2019, and December 31, 2018, are as follows:

<i>In millions of Korean Won</i>	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
March 31, 2019:				
Fair value through profit or loss ¹⁾	₩2,739,695	₩ -	₩2,530,697	₩208,998
Fair value through other comprehensive income or loss	241,308	191,368	-	49,940
Derivative liability	3,852	-	3,852	-
Total	₩2,984,855	₩191,368	₩2,534,549	₩258,938
December 31, 2018:				
Fair value through profit or loss ¹⁾	₩1,851,922	₩ -	₩1,641,267	₩210,655
Fair value through other comprehensive income or loss	230,545	180,605	-	49,940
Derivative assets	1,239	-	1,239	-
Derivative liability	461	-	461	-
Total	₩2,084,167	₩180,605	₩1,642,967	₩260,595

¹⁾ Of the cash equivalents at the end of the current term, ₩876,338 million (the prior term end ₩501,562 million) of the Money Market Trust is classified as at fair value through profit or loss.

There is no movement between levels of the fair value hierarchy during the current term and the prior term.

As of the end of the current term, the fair value of real estate investment trusts and equity securities classified as at fair value through profit or loss was measured using the Net Asset Value Adjustment Act, Discounted Cash Flow and were classified as Level 3 fair value based on the inputs used in the valuation technique. The changes in Level 3 fair value for the quarters ended March 31, 2019 and 2018, are as follows:

<i>In millions of Korean Won</i>	1Q/2019	1Q/2018
Beginning balance	₩260,595	₩233,891
Disposal	-	(5,239)
Changes in fair value	(1,657)	(19)
Ending balance	₩258,938	₩228,633

22-6. Details of finance income (costs) by categories for the quarters ended March 31, 2019 and 2018, are as follows:

(1) For the quarter ended March 31, 2019

<i>In millions of Korean Won</i>	Profit or loss- financial assets at fair value	Other comprehensive income (loss)- financial assets at fair value	Derivative assets	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total
Profit for the quarter:						
Interest income	₩ -	₩ -	₩ -	₩5,488	₩ -	₩5,488
Dividend income	3,336	6,835	-	-	-	10,171
Gain or loss on valuation	10,413	-	(3,975)	-	-	6,438
Gain or loss on disposal	-	-	(1,223)	-	-	(1,223)
Interest expense	-	-	-	-	(507)	(507)
Reversal of impairment loss	-	-	-	1,066	-	1,066
Total	₩13,749	₩6,835	₩(5,198)	₩6,554	₩(507)	₩21,433
Other comprehensive income (loss) before tax:						
Net change in fair value	-	₩10,763	₩ -	₩ -	₩ -	₩10,763
Total	₩ -	₩10,763	₩ -	₩ -	₩ -	₩10,763

(2) For the quarter ended March 31, 2018

<i>In millions of Korean Won</i>	Profit or loss- financial assets at fair value	Other comprehensive income (loss)- financial assets at fair value	Derivative assets	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total
Profit for the quarter:						
Interest income	₩ -	₩ -	₩ -	₩3,144	₩ -	₩3,144
Dividend income	1,544	6,474	-	-	-	8,018
Gain or loss on valuation	21,979	-	6,006	-	-	27,985
Gain or loss on disposal	-	-	824	-	-	824
Interest expense	-	-	-	-	(244)	(244)
Impairment loss	-	-	-	(6,587)	-	(6,587)
Total	₩23,523	₩6,474	₩6,830	₩(3,443)	₩(244)	₩33,140
Other comprehensive income (loss) before tax:						
Net change in fair value	₩ -	₩(6,897)	₩ -	₩ -	₩ -	₩(6,897)
Total	₩ -	₩(6,897)	₩ -	₩ -	₩ -	₩(6,897)

23. Capital Management

The purpose of capital management of the Company is to maintain its viability as a continuous company and maximize shareholder profits by maintaining a sound capital structure and minimizing capital procurement costs. The Board of Directors is striving to balance the return on higher borrowing with sound financial position.

The Company manages capital on a capital basis with net liabilities (net assets) deducting cash and cash equivalents from the borrowings, and the overall capital management policy is the same as the previous term.

Details on the Company's capital structure as of March 31, 2019 and December 31, 2018, are as follows:

<i>In millions of Korean Won</i>	March 31, 2019	December 31, 2018
Debt	₩1,209	₩1,246
Less: Cash and cash equivalents	(1,106,151)	(748,123)
Less: Current other financial asset	(196,340)	(570,000)
Less: Fair value through profit or loss	(1,654,359)	(1,139,705)
Net debt (asset)	(2,955,641)	(2,456,582)
Total equity	₩7,081,557	₩7,365,221

24. Retained Earnings

Changes in retained earnings for the quarters ended March 31, 2019 and 2018, are as follows:

<i>In millions of Korean Won</i>	1Q/2019	1Q/2018
Beginning balance	₩791,027	₩990,096
Change in accounting policy	-	(31,465)
Profit for the quarter	214,080	256,931
Remeasurements of net defined benefit liability(net of tax)	(487)	(878)
Dividends	(505,061)	(505,061)
Transfer from reserve for research and human resource development	-	10,000
Accumulation of unconditional reserve	(285,966)	(495,036)
Ending balance	₩213,593	₩224,589

25. EPS(Earnings Per Share)

Details of EPS and accounting profit for the quarters ended March 31, 2019 and 2018, are as follows:

	1Q/2019	1Q/2018
Profit for the period attributable to owners of the Company	₩214,080 million	₩256,931 million
Weighted-average number of ordinary shares outstanding	126,265,127 shares	126,265,127 shares
Basic and diluted EPS	₩1,695	₩2,035

26. Contingent Liabilities and Commitments

26-1. Litigation cases

As of March 31, 2019, the Company has total 5 cases of pending litigations under progress and the litigation value is ₩54,104 million. It is not possible to reasonably predict the impact of the final outcome of pending litigation as of the end of the current term on the separate interim financial statements of the Company.

26-2. Major commitments

Details of major commitments of the Company with financial institutions as of March 31, 2019 are as follows:

In millions of Korean Won, thousands of US dollar

Type	Financial institutions	Currency	Limit	Execution amount
Opening an import credit	Hana bank and one other	USD	177,000	52,411
Derivatives trading	Hana bank and one other	USD	153,700	14,335
Group loans	Hana bank	KRW	300,000	41,102

26-3. Payment guarantee and collateral details

Details of the payment guarantees the Company is provided as of March 31, 2019 are as follows:

In millions of Korean Won, thousands of US dollar

Provider	Currency	Limit	Details
Korea Housing & Urban Guarantee Corporation	KRW	948,291	housing distribution guarantee
Korea Trade Insurance Corporation	USD	42,890	export guarantee insurance
Seoul Guarantee Insurance	KRW	3,808	license guarantee, etc.
KEB Hana Bank	USD	20,000	foreign currency payment guarantee
Westchester Fire Insurance Company	USD	20,000	Import duty payment guarantee
Travelers Casualty and Surety Company of America	USD	6,670	Escrow deposit guarantee

The details of payment guarantees provided by the Company for other people (excluding related parties) as of March 31, 2019 are as follows:

<i>In millions of Korean Won</i>	Guarantee user	Limit	Execution amount
Loan guarantee for the payment	Shinhan bank	₩79,400	₩10,015
	KEB Hana bank	60,000	8,212
	Suhyup bank	9,494	2,153
	Total	₩148,894	₩20,380

Assets pledged as collateral for short-term borrowings, etc. as of March 31, 2019 are summarized as follows:

<i>In millions of Korean Won</i>	Carrying amount	Type	Debt amount	Collateralized amount	Collateral holder
Investment Property	₩337,393	Leasehold deposits received	₩18,566	₩19,826	Seoul Guarantee Insurance
Property, Plant and Equipment	22,949	Right to collateral security and lease	3,081	3,493	Korea Workers' Compensation & Welfare Service, etc.
Other financial assets	6,340	Business performance guarantee ¹⁾	-	6,340	Korea Land & Housing Corporation
	597	Right of pledge for rental deposit	597	597	Samsung Fire
Total	₩367,279		₩22,244	₩30,256	

¹⁾ As of the end of the current quarter, the Company deposited ₩6,340 million won in NH Nonghyup Bank and classified it as other financial assets to guarantee its business performance in connection with the project to create a central commercial area in the administrative city. This amount has been set up as of the end of the current term.

26-4. Others

Payment of long-term deposits (MSA Escrow Fund)

Each year, the Company deposits a proportion of sales of tobacco products in the United States in accordance with the Tobacco Master Settlement Agreement (MSA) under the Escrow Statute of the U.S. government. The MSA Escrow Fund is maintained to pay the medical expenses of tobacco purchasers who have suffered health effects as a result of smoking. The unused portion of this fund will be refunded to the Company 25 years from the date of each annual funding. The Company recorded as long-term deposits the amounts paid into the MSA Escrow Funds of state governments in the United States against potential litigation and damages related to the export of tobacco to the United States.

As of March 17, 2011, the Company, signed a Memorandum of understanding (“MOU”) with the National Pension Service on a global investment partnership that calls for the joint investment of less than ₩800,000 million in total into overseas assets.

As a result of merger of Youngjin Pharmaceutical Co., Ltd. and KT&G Life Sciences Corporation, the Company, KT&G, has entered into a shareholders’ agreement with Gwak, Tae-Hwan (“Individual Shareholder”) who is a former owner of KT&G Life Sciences Corporation. Details of the agreement are as follows:

Details

Restrictions on the disposal of shares by individual shareholders	Individual shareholders are not permitted to dispose of their shares for one year from the date they are listed or have the same effect on the shares held as of the date of the signing of the contract.
Preferred purchase off by KT&G	If an individual shareholder transfers all or part of the shares held to a third party, KT&G holds the right to buy the shares first.
Tag-along right held by the Individual Shareholder	If the Company proposes to enter into a transaction or a series of related transactions with a third-party purchaser to dispose of its shares, then the Individual Shareholder shall elect to participate in such disposition upon the terms and conditions no less favorable than those applicable to the Company.

The Company had established Starfield Suwon under 50:50 ratio with Shinsaegae Property (“Joint Investment Party”). The disposal of such share is limited for five years from the approval for use of the multi-shopping mall. Also, upon the decision of either the Company or the Joint Investment Party to transfer all of the shares owned, the other party is obliged to exercise the right of pre-emption preference or the joint selling right selectively.

The Company had made a land contract with Starfield Suwon and Gwacheon city(land contract value : ₩160,200 million), and the ownership of the land will be transited upon the payment of balance when the construction for the Starfield Suwon begins(expected to be in 2020).

The Company has a contract with Gwacheon Sangsang PFV, a subsidiary company, to purchase the land for the development of Gwacheon Knowledge and Information Town at the time the Company's internal management decision is completed.

As of March 31, 2019, there is a Capital Call agreement for overseas real estate funds invested by the Company. However, we expect that the arrangement will be substantially less practicable as it will only be executed if the trustee defaults on the currency swap/forward contract.

The Company has the first priority in the supply of logistics facilities developed by the Yongin Jungsim. Also, the Company has the right to transfer shares to SpaceG if they do not receive the sale.

27. Cash flows

27-1. Details of cash generated from operations for the quarters ended March 31, 2019 and 2018, are as follows:

<i>In millions of Korean Won</i>	1Q/2019	1Q/2018
Profit for the quarter	₩214,080	₩256,931
Adjustments:		
Employee welfare	498	494
Retirement and termination benefits	13,205	11,252
Depreciation	26,298	24,233
Amortization	20	14
Impairment loss (reversal) on trade and other receivables	(1,066)	6,587
Foreign currency translation loss	215	5,458
Other expenses	8,434	4,214
Loss on sales of property, plant and equipment	-	116
Impairment loss on property, plant and equipment	436	-
Loss on disposal of intangible assets	-	6
Impairment loss of investment in subsidiaries	6,565	-
Finance cost	6,327	1,551
Loss (reversal) on valuation of inventories	(373)	420
Income tax expense	80,216	67,329
Finance income	(31,892)	(92,714)
Foreign currency translation gain	(25,145)	(945)
Other income	-	(6,006)
Gain on sale of property, plant and equipment	-	(129)
Gain on sale of intangible assets	(3)	-
Changes in working capital:		
Increase in trade and other receivables	(47,464)	(11,931)
Increase derivatives	(569)	-
Decrease(increase) in inventories	4,797	(7,014)
Decrease in accrued tobacco excise and other taxes	92,290	13,296
Decrease(increase) in advance payments	(2,095)	20,181
Decrease in prepaid expenses	44	890
Decrease in trade and other payables	(14,716)	(45,992)
Decrease in advance receipts	(42,375)	(308)
Decrease in provisions	(150)	-
Decrease(increase) in tobacco excise and other taxes payable	272,846	(45,619)
Payment of retirement and termination	(683)	(2,181)
Cash generated from operation	₩559,740	₩200,133

27-2. Details of material transactions without cash inflow and outflow for the quarters ended March 31, 2019 and 2018, are as follows:

<i>In millions of Korean Won</i>	1Q/2019	1Q/2018
Reclassification of retained earnings to unpaid dividends	₩505,061	₩505,061
Reclassification of assets under construction to the main account	5,618	23,993
Appropriate right-of-use assets and lease liability	17,643	-

27-3. The Company had indicated some other items of inflow and outflow of financial instruments that have been marked as net increase and decrease as those are frequently traded and have a large total and short-term maturity.

28. Right-of-use asset

28-1. Changes in right-of-use asset for the quarter ended March 31, 2019 are as follows:

<i>In millions of Korean Won</i>	1Q/2019
Beginning balance	₩ -
Changes in accounting policies	18,596
Acquisition	110
Depreciation	(1,670)
Ending balance	₩17,036

28-2. Total cash outflows, interest costs, present value of lease liabilities are as follows:

<i>In millions of Korean Won</i>	Total cash outflows	Interest costs	Present value
Within 1 year	₩6,213	₩207	₩6,006
1 year to 5 years	11,328	1,180	10,148
More than 5 years	205	37	168
Total	₩17,746	₩1,424	₩16,322

28-3. The maturity analysis of lease liabilities as of March 31, 2019 are as follows:

<i>In millions of Korean Won</i>	~ 1 year	1~5 years	5 years~	Total
Lease liabilities	₩6,006	₩10,148	₩168	₩16,322

29. Changes in Accounting Policies

As discussed in Note. 2, the Company had applied K-IFRS No. 1116 from the beginning of this term. Under the transitional provisions, the cumulative effect of applying K-IFRS No. 1116 is adjusted on the balance of retained earnings at the date of initial application, and the comparative presentation of the separate interim financial statements of the prior term has not been restated.

Financial effect resulting from initial application of K-IFRS No. 1116 is as follows:

The total sum of the minimum lease payments before discounting the present value of the assets used by the Company as of the end of the current quarter is ₩17,746 million, and ₩16,322 million when discounted at the intrinsic interest rate and the incremental borrowing rate of the lessee.

As of January 1, 2019, license assets, liquidity lease liabilities and long-term lease liabilities increased by ₩18,596 million, ₩6,080 million and ₩11,454 million, respectively. As of March 31, 2019, operating lease payments decreased by ₩1,755 million, depreciation expense for licensed assets and interest expense for lease liabilities increased by ₩1,670 million and ₩234 million, respectively.

30. Subsequent events

Through the resolution of the board of directors held on March 14, 2019, the Company had made a capital contribution in kind to KGC Yebon Corporation of 100% of the shares (amount of investment ₩41,138 million) which is held by the Company, as a subsidiary of Korea Ginseng Corporation, as of April 25, 2019.