



# **KT&G CORPORATION**

**Separate Financial Statements  
December 31, 2020 and 2019**

**(With Independent Auditor's Report Thereon)**

**KT&G CORPORATION**

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## KT&G CORPORATION

### Independent auditor's audit report

**English Translation of Independent Auditor's Audit report Originally Issued in Korean on March 11, 2021**

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

#### **Audit Opinion**

We have audited the separate financial statements of KT&G Corporation (the "Company"), which comprise the separate statements of financial position as of December 31, 2020 and 2019, respectively, and the separate statements of profit or loss, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows, for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and December 31, 2019, respectively, and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRSs").

We have also audited, in accordance with the Korean Standards on Auditing ("KSAs"), the internal control over financial reporting of the Company as of December 31, 2020, based on 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting', and our report dated March 11, 2021, expressed an unqualified opinion.

#### **Basis for Audit Opinion**

We conducted our audits in accordance with the KSAs. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the separate financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## **Key Audit Matters**

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment in the carrying amount of Investments in subsidiaries, which belongs to the cash generating unit("CGU") of the Indonesian tobacco business

As described in Note 3.(1), the carrying amount of Investments in subsidiaries, which belongs to the CGUs of the Indonesian tobacco business(Renzoluc Pte., Ltd. and PT KT&G Indonesia) is ₩150,074 million.

The Company reviews if there is any indication of impairment for Investments in subsidiaries, which belongs to the CGUs of the Indonesian tobacco business at the end of each reporting period. If indication of impairment is found, the Company estimates the value in use for the basis of determining recoverable amount, when estimated value in use is less than carrying amount, impairment loss is recognized.

Because the tobacco consumption tax in Indonesia is determined in conjunction with the expected output of the CGU, uncertainty exists in estimating the Company future operating profit or loss and management's significant assumptions are involved in estimating future cash flows. Considering that the carrying amount of Investments in subsidiaries, which belongs to the CGU of the Indonesian tobacco business is important and the management's significant assumptions are involved in the Impairment assessment, we decided Impairment assessment in the carrying amount of Investments in subsidiaries, which belongs to the CGU of the Indonesian tobacco business as a key audit matter.

The main audit procedures performed by the auditor to respond to the key audit matters include the following.

- ① Identifying any indication of impairment in the carrying amount of Investments in subsidiaries, which belongs to the CGU of the Indonesian tobacco business, reviewing the Impairment assessment process and evaluation results, and understanding the relevant internal control of the Company.
- ② Confirming whether the expected future cash flows used to measure the value in use have been approved by the board of directors and are consistent with basic financial information.
- ③ A retrospective review of the expected future cash flows of management used to measure value in use
- ④ Inquiring about key assumptions and methodologies used by management to estimate future cash flows and Verifying key assumptions and methodologies and results of value in use assessments by using the auditor's internal valuation expert.
- ⑤ Sensitivity analysis of key items used in measuring value in use such as expected future cash flows and discount rates.
- ⑥ Comparative analysis of value in use presented by management and relative value independently estimated by the auditors.
- ⑦ Evaluating the objectivity and competence of external experts used by the company to measure the value in use.

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## **Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements**

Management is responsible for the preparation of the accompanying separate financial statements in accordance with K-IFRSs, and for such internal control as they determine is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management of the Company is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audits resulting in this independent auditor's report is Kim, Dong Hwan.

*Deloitte Idnjin LLC*

March 11, 2021

Notice to Readers

This report is effective as of March 11, 2021, 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 Separate financial statements and may result in modifications to the auditors' report.

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KT&G CORPORATION(the “Company”)  
Separate financial statements

Full year of the 34<sup>th</sup>  
from January 1, 2020, to December 31, 2020

Full year of the 33<sup>rd</sup>  
from January 1, 2019, to December 31, 2019

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

Address of headquarters: (Road name address) 71, Beotkkot-gil, Daedeok-gu, Daejeon  
(Telephone) 080-931-0399

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## KT&G CORPORATION

### Separate statements of financial position

As of December 31, 2020 and 2019

<i>In Korean won</i>	<i>Notes</i>	December 31, 2020	December 31, 2019
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	5, 32, 33	₩ 1,076,113,853,748	₩ 656,775,412,332
Current other financial assets	5, 32, 33, 34	330,596,920,000	377,340,300,000
Current financial assets measured at fair value through profit or loss	6, 32, 33	914,423,857,131	1,239,263,067,528
Trade and other receivables	7, 31, 32	1,049,822,176,064	780,159,697,780
Derivative assets	32, 34	12,710,170,259	2,276,640,206
Inventories	8, 34	993,341,734,193	968,142,957,525
Refund assets and others	20	3,543,976	2,384,435,650
Accrued tobacco excise and other taxes		237,745,495,978	225,429,495,611
Advance payments		73,936,767,009	48,969,303,465
Prepaid expenses		17,536,265,109	8,771,908,090
Assets held for sale	15, 31	2,000,000,000	4,679,521,682
<b>Total current assets</b>		<b>₩ 4,708,230,783,467</b>	<b>₩ 4,314,192,739,869</b>
<b>Non-current assets:</b>			
Long-term other financial assets	5, 32, 34	₩ 8,540,300,000	₩ 2,796,920,000
Long-term deposits in MSA Escrow Fund	32, 34	909,793,848,086	751,437,124,245
Long-term financial assets measured at fair value through profit or loss	6, 32	248,604,519,223	248,925,690,016
Long-term trade and other receivables	7, 31, 32	121,173,935,824	111,083,161,207
Long-term financial assets measured at fair value through other comprehensive income or loss	9, 32	214,394,237,251	240,455,780,085
Investments in associates and joint ventures	10, 31	133,885,010,000	52,330,010,000
Investments in subsidiaries	11, 31	1,154,257,150,910	1,158,224,182,559
Property, plant and equipment	12, 31	1,139,629,710,585	1,116,325,197,480
Intangible assets	13, 31	66,322,853,919	58,861,433,763
Investment properties	14, 34	1,101,189,083,097	999,105,309,200
Right-of-use assets	16, 31	29,047,382,278	18,544,646,402
Long-term advance payments		-	9,510,956,440
Long-term prepaid expenses		8,594,020,771	6,745,851,182
Net deferred income tax assets	29	35,880,808,023	24,238,637,057
<b>Total non-current assets</b>		<b>₩ 5,171,312,859,967</b>	<b>₩ 4,798,584,899,636</b>
<b>Total assets</b>		<b>₩ 9,879,543,643,434</b>	<b>₩ 9,112,777,639,505</b>

"The accompanying notes are a part of the separate financial statements."

# KT&G CORPORATION

## Separate statements of financial position, continued

As of December 31, 2020 and 2019

<i>In Korean won</i>	<i>Notes</i>	December 31, 2020	December 31, 2019
<b>Liabilities and equity:</b>			
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Short-term borrowings	17, 32, 34	₩ 816,523,010	₩ 1,006,814,107
Trade and other payables	18, 31, 32	811,176,851,324	451,587,160,453
Current lease liabilities	31, 32	8,618,991,597	6,989,816,066
Derivative liabilities	32, 34	57,106,354	-
Advance receipts	31	96,211,657,084	68,025,054,995
Current refund liabilities and provisions	20, 34	15,303,322,149	15,051,873,544
Current income tax liabilities	29	211,379,530,801	175,146,660,143
Tobacco excise and other taxes payables		574,390,725,117	533,705,648,200
<b>Total current liabilities</b>		<b>₩ 1,717,954,707,436</b>	<b>₩ 1,251,513,027,508</b>
<b>Non-current liabilities:</b>			
Long-term trade and other payables	18, 31, 32	₩ 41,530,363,086	₩ 45,102,011,956
Long-term lease liabilities	31, 32	20,277,850,236	11,137,985,884
Long-term advance receipts		6,625,435,705	1,989,936,579
Net defined benefit liabilities	19	38,161,141,512	22,099,032,492
Long-term refund liabilities and provisions	20, 34	1,051,955,528	851,992,675
<b>Total non-current liabilities</b>		<b>₩ 107,646,746,067</b>	<b>₩ 81,180,959,586</b>
<b>Total liabilities</b>		<b>₩ 1,825,601,453,503</b>	<b>₩ 1,332,693,987,094</b>
<b>Equity:</b>			
Share capital	21	₩ 954,959,485,000	₩ 954,959,485,000
Other capital surplus	21	3,582,160,908	3,582,160,908
Treasury shares	22	(531,618,093,579)	(318,789,449,459)
Gain on sale of treasury shares	22	528,894,053,906	528,894,053,906
Reserves	23	6,037,903,146,578	5,723,185,728,271
Retained earnings	24	1,060,221,437,118	888,251,673,785
<b>Total equity</b>		<b>₩ 8,053,942,189,931</b>	<b>₩ 7,780,083,652,411</b>
<b>Total liabilities and equity</b>		<b>₩ 9,879,543,643,434</b>	<b>₩ 9,112,777,639,505</b>

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



## KT&G CORPORATION

### Separate statements of comprehensive income

For the years ended December 31, 2020 and 2019

<i>In Korean won</i>	<i>Notes</i>	2020	2019
<b>Sales</b>	4, 25, 31	₩3,435,384,229,940	₩2,942,618,858,461
Manufacture of tobacco		2,690,675,650,043	2,445,182,267,410
Real estate		654,578,109,827	419,450,174,804
Exports of leaf tobacco and others		90,130,470,070	77,986,416,247
<b>Cost of sales</b>	26, 31	(1,409,121,175,446)	(1,132,135,700,987)
Manufacture of tobacco		(1,038,116,213,288)	(906,795,923,614)
Real estate		(309,775,154,881)	(167,719,435,229)
Exports of leaf tobacco and others		(61,229,807,277)	(57,620,342,144)
<b>Gross profit</b>		2,026,263,054,494	1,810,483,157,474
Selling, general and administrative expenses	26, 31	(689,245,124,865)	(675,917,511,888)
<b>Operating profit</b>		1,337,017,929,629	1,134,565,645,586
Other income	27, 31	276,377,431,262	107,821,166,852
Other expenses	27, 31	(255,736,374,780)	(105,127,827,856)
Finance income	28, 31, 32	116,809,867,215	96,629,157,132
Finance cost	28, 31, 32	(8,990,540,125)	(8,341,644,092)
<b>Profit before income tax</b>		1,465,478,313,201	1,225,546,497,622
Income tax expense	29	(390,168,825,307)	(334,165,669,820)
<b>Profit for the year</b>		₩1,075,309,487,894	₩ 891,380,827,802
<b>Other comprehensive income (loss) after income tax:</b>		₩ (31,670,645,054)	₩ 5,588,449,567
<b>Items that will not be reclassified to Profit or loss</b>			
Re-measurements of net defined benefit liabilities	19	(15,088,050,776)	(1,596,787,094)
Gain (loss) on long-term financial assets measured at fair value through other comprehensive income or loss		(16,582,594,278)	7,185,236,661
<b>Total comprehensive income for the year</b>		₩1,043,638,842,840	₩ 896,969,277,369
<b>Earnings per share:</b>			
Basic and diluted	30	8,553	7,059

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

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# KT&G CORPORATION

## Separate statements of changes in equity

For the year ended December 31, 2019

<i>In Korean won</i>	Share capital	Other capital surplus	Treasury shares	Gain on sale of treasury shares	Reserve	Retained earnings	Total equity
<b>Balance at January 1, 2019 (before revision)</b>	₩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
Effect of change in accounting policy	-	-	-	-	-	(1,532,366,923)	(1,532,366,923)
<b>Balance at January 1, 2019 (after revision)</b>	954,959,485,000	3,582,160,908	(328,157,286,128)	513,775,933,891	5,430,034,290,488	789,494,342,199	7,363,688,926,358
<b>Total comprehensive income (loss) for the year</b>							
Profit for the year	-	-	-	-	-	891,380,827,802	891,380,827,802
<b>Other comprehensive income (loss) for the year:</b>							
Re-measurements of net defined benefit liabilities	-	-	-	-	-	(1,596,787,094)	(1,596,787,094)
Gain (loss) on long-term financial assets measured at fair value through other comprehensive income or loss	-	-	-	-	7,185,236,661	-	7,185,236,661
Sum of other comprehensive income (loss) for the year	-	-	-	-	7,185,236,661	(1,596,787,094)	5,588,449,567
<b>Total comprehensive income for the year</b>	-	-	-	-	7,185,236,661	889,784,040,708	896,969,277,369
<b>Transactions with owners of the Company:</b>							
Dividends	-	-	-	-	-	(505,060,508,000)	(505,060,508,000)
Transfer to other reserve	-	-	-	-	285,966,201,122	(285,966,201,122)	-
Donation of treasury shares	-	-	9,367,836,669	15,118,120,015	-	-	24,485,956,684
<b>Total transactions with owners of the Company</b>	-	-	9,367,836,669	15,118,120,015	285,966,201,122	(791,026,709,122)	(480,574,551,316)
<b>Balance at December 31, 2019</b>	₩954,959,485,000	₩3,582,160,908	₩(318,789,449,459)	₩528,894,053,906	₩5,723,185,728,271	₩888,251,673,785	₩7,780,083,652,411

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

# KT&G CORPORATION

## Separate statements of changes in equity, continued

For the year ended December 31, 2020

<i>In Korean won</i>	Share capital	Other capital surplus	Treasury shares	Gain on sale of treasury shares	Reserve	Retained earnings	Total equity
<b>Balance at January 1, 2020</b>	₩954,959,485,000	₩3,582,160,908	₩(318,789,449,459)	₩528,894,053,906	₩5,723,185,728,271	₩ 888,251,673,785	₩7,780,083,652,411
<b>Total comprehensive income (loss) for the year</b>							
Profit for the year	-	-	-	-	-	1,075,309,487,894	1,075,309,487,894
<b>Other comprehensive income (loss) for the year:</b>							
Re-measurements of net defined benefit liabilities	-	-	-	-	-	(15,088,050,776)	(15,088,050,776)
Gain (loss) on long-term financial assets measured at fair value through other comprehensive income or loss	-	-	-	-	(16,582,594,278)	-	(16,582,594,278)
Sum of other comprehensive income (loss) for the year	-	-	-	-	(16,582,594,278)	(15,088,050,776)	(31,670,645,054)
<b>Total comprehensive income for the year</b>	-	-	-	-	(16,582,594,278)	1,060,221,437,118	1,043,638,842,840
<b>Transactions with owners of the Company:</b>							
Dividends	-	-	-	-	-	(556,951,661,200)	(556,951,661,200)
Transfer to other reserve	-	-	-	-	331,300,012,585	(331,300,012,585)	-
Acquisition of treasury shares	-	-	(212,828,644,120)	-	-	-	(212,828,644,120)
<b>Total transactions with owners of the Company</b>	-	-	(212,828,644,120)	-	331,300,012,585	(888,251,673,785)	(769,780,305,320)
<b>Balance at December 31, 2020</b>	₩954,959,485,000	₩3,582,160,908	₩(531,618,093,579)	₩528,894,053,906	₩6,037,903,146,578	₩1,060,221,437,118	₩8,053,942,189,931

"The accompanying notes are a part of the separate financial statements."

## KT&G CORPORATION

### Separate statements of cash flows

For the years ended December 31, 2020 and 2019

<i>In Korean won</i>	<i>Notes</i>	2020	2019
<b>Cash flows from operating activities</b>		₩1,186,128,383,369	₩770,157,457,290
Cash generated from operations	35	1,539,693,505,685	1,122,222,466,470
Income taxes paid		(353,565,122,316)	(352,065,009,180)
<b>Cash flows from investing activities</b>		13,287,903,556	(349,260,247,140)
Interest received		16,179,752,431	15,632,158,640
Dividends received		26,056,275,636	24,525,647,030
Decrease in other financial assets		477,340,300,000	470,000,000,000
Decrease in current financial assets measured at fair value through profit or loss		340,375,065,790	-
Decrease in long-term financial assets measured at fair value through profit or loss		33,667,340,960	15,488,693,440
Decrease in long-term deposits in MSA Escrow Fund		30,190,725,542	-
Disposal of property, plant and equipment		4,114,858,147	5,631,098,245
Disposal of intangible assets		1,000,000,000	1,097,979,683
Disposal of investment properties		4,407,486,213	-
Disposal of assets held for sale		145,158,205,702	29,977,251,000
Decrease in financial assets measured at fair value through other comprehensive income or loss		3,134,000,000	-
Disposal of investments in associates and joint ventures		21,207,630,232	34,150,929,551
Collection of loans		12,272,638,534	12,087,640,260
Collection of guarantee deposits		100,000,000	358,500,000
Increase in other financial assets		(436,340,300,000)	(273,200,000,000)
Increase in current financial assets measured at fair value through profit or loss		-	(57,593,331,877)
Increase in long-term financial assets measured at fair value through profit or loss		(12,242,747,773)	(52,526,729,731)
Increase in long-term deposits in MSA Escrow Fund		(223,125,104,602)	(114,411,590,516)
Acquisition of property, plant and equipment		(162,635,660,044)	(167,589,367,281)
Acquisition of intangible assets		(28,696,399,787)	(26,269,767,331)
Acquisition of investment properties		(86,158,241,566)	(256,285,401,637)
Acquisition of assets held for sale		(3,282,946,350)	-
Acquisition of investment in associates and joint ventures		(101,500,000,000)	-
Acquisition of investments in subsidiaries		(20,000,000,000)	-
Increase in loans		(27,534,858,854)	(10,305,670,696)
Increase in guarantee deposits		(400,116,655)	(28,285,920)
<b>Cash flows from financing activities</b>		(778,477,470,287)	(511,118,172,419)
Dividends paid	24	(556,951,661,200)	(505,060,508,000)
Interest paid		(666,443,506)	(431,393,709)
Repayment of lease liabilities		(8,030,721,461)	(5,626,270,710)
Acquisition of treasury shares		(212,828,644,120)	-
<b>Net increase(decrease) in cash and cash equivalents</b>		420,938,816,638	(90,220,962,269)
<b>Cash and cash equivalents at January 1, 2020</b>		656,775,412,332	748,123,323,519
Effect of exchange rate fluctuation on cash and cash equivalents		(1,600,375,222)	(1,126,948,918)
<b>Cash and cash equivalents at December 31, 2020</b>		₩1,076,113,853,748	₩656,775,412,332

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

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# KT&G CORPORATION

## Notes to Separate financial statements

As of December 31, 2020 and 2019, and for the years ended December 31, 2020 and 2019

### 1. Overview of the Company

KT&G Corporation (the “Company”) is engaged in manufacturing and selling tobaccos. As of December 31, 2020, the Company has three manufacturing plants (including the Shintanjin plant), 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 Company's major shareholders as of December 31, 2020, are as follows:

<i>Unit : shares, %</i>	Number of shares	Percentage of ownership
National Pension Service	15,820,730	11.52
Industrial Bank of Korea	9,510,485	6.93
Employee Share Ownership Association	3,428,481	2.50
Treasury shares	13,212,574	9.62
Others	95,320,227	69.43
<b>Total</b>	<b>137,292,497</b>	<b>100.00</b>

## 2. Material Accounting Policies

### 2.1. Basis of Preparation

The Separate financial statements of the Company have been prepared in accordance with Korean International Financial Reporting Standards("K-IFRS"). These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

The Separate financial statements have been prepared based on historical cost except for the following:

- Certain financial assets and financial liabilities(including derivatives).
- Assets held for sale measured at fair value less cost to sell.
- Defined contribution plans and plan assets measured at fair value.

K-IFRS allows the use of critical accounting estimates in preparation of Separate financial statements and requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Separate financial statements are disclosed in Note 3.

### 2.2. Changes in Accounting Policies and Disclosures

#### (1) New or amended standards and interpretations adopted by the Company

The Company has applied the following new or amended standards and interpretations for the first time for its annual reporting period commencing on January 1, 2020.

- Reference to the Conceptual framework for K-IFRS (amendment)

This amendment requires that the amended accounting standards refer to the completely revised 'Conceptual Framework (2018)'. However, the amendment does not require that all phrases related to such references or quotations need to refer to the completely revised 'Conceptual Framework (2018)'. Several phrases have been amended to clearly distinguish whether the 'Conceptual Framework' being referred to is the 'Conceptual Framework for the Preparation and Presentation of Financial Statements (2007)', 'Conceptual Framework (2010)', or the newly amended 'Conceptual Framework (2018)'. Several other phrases have been amended in order to clarify that the definition in accounting standards has not been changed to the definition newly developed in the completely revised 'Conceptual Framework (2018)'. The amended accounting standards are K-IFRS No. 1102, K-IFRS No. 1103, K-IFRS No. 1106, K-IFRS No. 1114, K-IFRS No. 1001, K-IFRS No. 1008, K-IFRS No. 1034, K-IFRS No. 1037, K-IFRS No. 1038, K-IFRS No. 2112, K-IFRS No. 2119, K-IFRS No. 2120, K-IFRS No. 2122 and K-IFRS No. 2032.

- Amendments 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

Amendments have been made to K-IFRS No. 1001 and K-IFRS No. 1008 in accordance with the clarified "definition of materiality". For the determination of materiality, the Company takes into consideration the effects of material information omission, material misstatements and immaterial information, as well as the nature of information users regarding decisions on what information is disclosed.

- Amendment to K-IFRS No. 1103 'Business Combination' – Definition of business

Under the amended definition of business, in order for acquired assets and activities to be defined as a business, they must include inputs and practical processes which have the ability to significantly contribute towards the creation of output. The economic benefits of cost reduction have also been omitted under the amended definition of business.



In addition, a new selective focused testing method has been adopted whereby if a majority of the fair values of the total assets acquired are concentrated in either a single identifiable asset or a group of assets, the acquired group of assets and activities can be determined as an asset or a group of assets, rather than as a business.

- Amendments to K-IFRS No. 1109 'Financial Instruments', K-IFRS No. 1039 'Financial Instruments: Recognition and Measurement' and K-IFRS No. 1107 'Financial Instruments : Disclosures' – interest rate indicator reform

The amendment focuses on adding an exception rule so that risk hedge accounting can be applied even when uncertainty exists due to interest rate indicator reform. The amendments assume that the interest rate indicator based on cash flows will not be changed to reform when reviewing the likelihood of an expected transaction. When performing a forward assessment, the interest rate indicator, based on the hedged items, measures and risks to be avoided, assumes that interest rate index reform will not change.

- Amendment to K-IFRS No. 1116 'Leases' – practical expedient for COVID-19 related rent concessions

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification.

In accordance with the amendment to K-IFRS No. 1116, the Company has made changes to its accounting policy and retrospectively applied its modified accounting policy in accordance with the transitional provisions. There are no cumulative effects that need to be reflected to the Company's beginning balance for retained earnings as of January 1, 2020, from the retrospective application of this modified accounting policy. The comparative financial statements for the previous reporting period have also not been restated. The amount recognized through profit or loss to reflect changes in lease payments from rent concessions during the reporting period is ₩16 million.

There are no material effects of the above mentioned amendments made to K-IFRSs on the Separate financial statements of the Company as of December 31, 2020, except for the amendments made to K-IFRS No. 1116 'Leases'.

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

The following new or amended accounting standards and interpretations have been published but have not been early adopted by the Company in preparing these Separate financial statements since their adoption is not required for the annual reporting period commencing January 1, 2020.

- Amendments to K-IFRS No. 1109 'Financial Instruments', K-IFRS No. 1039 'Financial Instruments: Recognition and Measurement' and K-IFRS No. 1107 'Financial Instruments : Disclosures', K-IFRS No. 1104 'Insurance Contracts', K-IFRS No. 1116 'Leases' – interest rate indicator reform

In relation to the interest rate indicator reform, the amendments contain an exception rule so that an entity may adjust the effective interest rate of financial instruments measured at amortized cost rather than their book values. An entity may also continue to apply risk hedge accounting even when interest rate indicator reclassification in a risk hedge situation occurs. These amendments apply for annual reporting periods beginning on or after January 1, 2021, with earlier application permitted.

- Amendments to K-IFRS No. 1103 'Business Combinations' – Reference to the Conceptual Framework

Amendments have been made so that to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Conceptual Framework for Financial Reporting at the acquisition date. An exception rule exists for liabilities and contingent liabilities that fall within the scope of K-IFRS 1037 'Provisions, Contingent Liabilities and Contingent Assets' or Interpretations to Accounting Standards No. 2121 'Levies', which follow those standards and interpretations. The amendment has also made it clear that the acquirer shall not recognise a contingent asset at the acquisition date. These

amendments apply to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022, with earlier application permitted

- Amendments to K-IFRS No. 1016 ‘Property, Plant and Equipment’ - Proceeds before intended use

The amendments require an entity to recognize the proceeds from selling items produced before that asset is available for use (proceeds before intended use) as well as related costs in profit or loss. The amendments also prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use (proceeds before intended use). These amendments apply for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted.

- Amendments to K-IFRS No. 1037 ‘Provisions, Contingent Liabilities and Contingent Assets’ - Onerous contracts: cost of fulfilling a contract

The amendments have made clear that when identifying onerous contracts, the scope of costs of fulfilling a contract includes the allocation of incremental costs of fulfilling a contract as well as other costs directly related to fulfilling a contract. The amendments apply for annual reporting periods beginning on or after January 1 2022, and earlier application is permitted.

- Annual Improvements to K-IFRS Standards 2018-2020:

Annual Improvements to K-IFRS Standards 2018-2020 apply to annual reporting periods beginning on or after January 1, 2022, with earlier application permitted.

- Amendment to K-IFRS 1101 ‘First-time Adoption of K-IFRS’ : Subsidiary as a First-time Adopter
- Amendment to K-IFRS 1109 ‘Financial Instruments’ : Fees in the ‘10 percent’ Test for Derecognition of Financial Liabilities
- Amendment to K-IFRS 1116 ‘Leases’ : Lease Incentives
- Amendment to K-IFRS 1041 ‘Agriculture’ : Fair Value Measurements

- Amendments to K-IFRS 1001 ‘Presentation of Financial Statements’ – classification of Current/Non-Current Liabilities

Liabilities are classified as either current or non-current based on the rights of an entity to defer settlement of a liability. These rights must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by either management’s expectations or the likelihood that the entity will exercise its right to defer settlement of the liability. Settlement of the liability also includes the transfer of the entity’s own equity instruments. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments do not affect its classification as current or non-current if the option satisfies the definition of an equity instrument and is recognized separately from the liability as an equity component of a compound financial instrument. The amendment applies to annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

The Company is currently reviewing the effects of the above amendments on the Separate financial statements.

### 2.3. Significant Accounting Policies

The significant accounting policies and calculation methods applied in preparation of the Separate financial statements for the year ended December 31, 2020 are identical to those applied in preparation of the Separate financial statements for the year ended December 31, 2019, except for the amendments and enactments described in Note 2.2 as well as the descriptions of the paragraphs below.

### (1) Operating Segments

Information on operating segments are disclosed based on the method of internal reporting to the chief operating decision maker (see Note 4). The chief operating decision maker is responsible for the allocation of resources to and evaluating the performance of the operating segments. The Company considers the board of directors, which performs strategic decision making, as its chief operating decision maker.

### (2) Investments in Subsidiaries, Associates and Joint Ventures

The Company's financial statements are Separate financial statements pursuant to K-IFRS No. 1027. The Company accounts for investments in subsidiaries, associates and joint ventures using the cost method. Dividends received from subsidiaries, associates and joint ventures are recognized through profit or loss when the right to receive dividends is established.

### (3) Property, Plant and Equipment

All property, plant and equipment are stated at historical cost, less depreciation and accumulated impairment loss. Historical cost includes expenditures directly attributable to the acquisition of items.

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow into the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance costs are recognized as expenses in the period incurred.

No depreciation is recognized for land and certain other tangible assets (such as trees and paintings etc.) classified as property, plant and equipment. Property, plant and equipment, except for land and certain other tangible assets (such as trees and paintings etc.), are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which an asset's future economic benefits are expected to be consumed.

The estimated useful lives of the Company's assets are as follows:

Classification	Estimated useful life (years)
Land	Indefinite
Buildings	10-60
Structures	10-40
Machinery	10-12
Vehicles	4
Tools	4
Equipments	4
Other tangible assets	1-5 or indefinite

The Company reviews the residual values and useful lives of assets at the end of each fiscal year and adjusts them, if necessary. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gain or loss on disposals of assets are determined by comparing the proceeds with the carrying amount and are recognized through profit or loss.

### (4) Borrowing Costs

The Company capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period to get ready for its intended use or sale. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

To the extent that the Company borrows funds specifically for obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on those borrowings during the period less any investment income on the temporary investment of those borrowings. The Company immediately recognizes other borrowing costs as an expense. To the extent that the Company borrows funds generally and uses them for obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for obtaining a qualifying asset. The amount of borrowing costs that the Company capitalizes during a period does not exceed the amount of borrowing costs incurred during that period.

#### (5) Government Subsidies

Government subsidies are only recognized when there is a reasonable assurance that the Company will comply with the subsidies grant conditions and that the subsidies will be granted.

Asset related government subsidies are presented as deductions during the calculation of book value. Subsidies related to revenue are deferred and are presented as deductions from expenses related to the purpose government subsidies being granted.

#### (6) Intangible Assets

Intangible assets are measured initially at cost and subsequently are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the estimated useful lives of intangible assets from the date when they are available for use. The residual value of intangible assets is assumed to be zero. However, as there are no foreseeable limits to the periods over which some industrial property rights, facility usage rights and intangible assets under development are expected to be available for use, these intangible assets are regarded as having indefinite useful lives and not amortized.

Classification	Estimated useful life (years)
Industrial property rights	10-20 or indefinite
Facility usage rights	Indefinite
Intangible assets under development	Indefinite
Other intangible assets	4

Amortization periods and amortization methods for intangible assets with finite useful lives are reviewed at the end of each fiscal year. Intangible assets with indefinite lives are reviewed at the end of each reporting period to determine whether assessment of their useful lives as indefinite are still valid, and adjusted if appropriate. Such changes are accounted for as changes in accounting estimates.

#### (7) Investment Property

Property held for earning rentals or benefiting from capital appreciation is classified as investment property. Investment property is initially measured at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with an item will flow into the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Routine repair and maintenance costs are recognized through profit or loss as incurred.

No depreciation is recognized for land which is classified as investment property. Investment property, except for land, is depreciated on a straight-line basis over 10~60 years as estimated useful lives.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. Such changes are accounted for as changes in accounting estimates.

#### (8) Assets Held for Sale

Non-current assets, or disposal groups held for sale that are expected to be recovered primarily through sale, rather than through continuous use, are classified as assets held for sale. In order to be classified as assets held for sale, an asset (or a disposal groups) must be available for immediate sale in its present condition and its sale must be highly probable. The assets or disposal groups that are classified as non-current assets held for sale are measured at the lower of their carrying amount or fair value less cost to sell. For the asset that had been impaired on the initial reclassification, the impairment loss is recognized immediately in profit or loss if the fair value of the asset decreases, when the fair value increases the impairment loss will be reversed into profit or loss with the limit of accumulated impairment loss recognized so far. However, deferred tax assets, assets generated from employee benefits, and financial instruments which are subject to K-IFRS No. 1109 'Financial Instruments' are measured in accordance with the relevant standards.

If the non-current asset is classified as held for sale or is part of a disposal groups classified as held for sale, the asset is not amortized.

#### (9) Inventories

Inventories are measured at the lower of acquisition cost or net realizable value. The acquisition cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is determined as follows:

Type	Determination method of unit cost price
Merchandise, finished goods, work in progress, raw materials, supplies and by-products	Weighted-average method or moving-average method
Buildings under construction, completed buildings, sites for construction of real estate and goods in transit	Specific identification method

When inventories are sold, the carrying amount of those inventories are recognized as cost of goods sold in the period in which the related revenue is recognized. Any loss on valuation or loss from inventory shrinkage that reduces the value of inventories to net realizable value are recognized as an expense during the period in which the write-down or shrinkage occurs. Any reversal of inventory valuation losses due to increases in the net realizable value of inventories are deducted from expenses already recognized as cost of goods sold during the period in which the reversal occurs.

#### (10) Impairment of Non-Financial Assets

The carrying amounts of the Company non-financial assets, other than inventories, deferred tax assets, assets arising from employee benefits and assets held for sale, are reviewed at the end of the reporting period to determine whether there are any signs of impairment. If signs of impairment of exist, then the asset's recoverable amount is estimated. Intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount, regardless of whether there are any signs of impairment.

If it is impossible to measure the recoverable amounts of individual assets, the recoverable amount of an asset is determined as the higher value between: the value-in-use or the fair value less costs to sell for each Cash generating unit ("CGU") that the asset belongs to. An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized immediately in profit or loss. At the end of each reporting period, the Company tests for signs which show that any impairment loss recognized in the past either no

longer exists or there has been a reduction in the amount. Impairment losses are only reversed if changes occur to the estimates used to determine the recoverable amount since the period in which an impairment loss was last recognized.

#### (11) Financial Assets (Other than Derivative Instruments)

##### ① Classification

The Company classifies its financial assets in the following measurement categories:

- Those to be measured at fair value through profit or loss
- Those to be measured at fair value through other comprehensive income or loss
- Those to be measured at amortized cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income or loss. For investments in debt instruments, classification will depend on the business model in which the investment is held. The Company reclassifies debt investments when, and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value through other comprehensive income at the time of initial recognition. For equity instruments not held for trading where the Company has not made such an election subsequent changes in the investment's fair value are recognized through profit or loss.

##### ② Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recognized as an expense through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

##### - Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments into one of the following three measurement categories:

##### A. Financial assets measured at amortized cost:

Financial assets are measured at amortized cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized through profit or loss when the asset is derecognized or impaired. Interest income from these financial assets are included in 'finance income' using the effective interest rate method.

##### B. Financial assets measured at fair value through other comprehensive income or loss:

Financial assets are measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal



amount outstanding. Valuation gains or losses for financial assets measured at fair value are recognized through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized through profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other income or expenses' and impairment losses are presented in 'other expenses'.

#### C. Financial assets measured at fair value through profit or loss:

Debt instruments shall be measured at fair value through profit or loss unless they are financial assets measured at amortized cost or at fair value through other comprehensive income. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not subject to a risk hedging relationship is recognized through profit or loss. It is presented in the Separate statements of comprehensive income as 'finance income' or 'finance cost' in the period incurred.

#### - Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments (held for long-term investment or strategic purpose), in other comprehensive income or loss, there is no subsequent reclassification of fair value gains and losses to profit or loss following de-recognition of the investment. Gains and losses related to the disposal of such investments are recognized in retained earnings. Dividend income from such investments continue to be recognized as 'finance income' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are presented as 'finance income' or 'finance cost' in the Separate statements of comprehensive income. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income or loss is not reported separately from other changes in fair value.

### ③ Impairment

The Company assesses the expected credit losses associated with its debt instruments measured at amortized cost or measured at fair value through other comprehensive income based on information that projects the future. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and other receivables, the Company applies the simplified approach, which recognizes lifetime expected credit losses from initial recognition of the receivables.

### ④ Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Company classifies the financial liability as "borrowings" in the Separate statement of financial position.

### ⑤ Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the Separate statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent

on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

## (12) Financial Liabilities

### ① Classification and measurement

Financial liabilities of the Company measured at fair value through profit or loss are financial instruments held for trading. Financial liabilities assumed usually for repurchase in the short term are classified as financial liabilities held for trading. Derivative instruments which are not designated as a means of hedge accounting as well as embedded derivative instruments which are separate from financial instruments are also classified as financial instruments held for trading.

All non-derivative financial liabilities are classified as financial liabilities measured at amortized cost and are presented as 'trade and other payables' or 'borrowings' or 'lease liabilities' in the Separate statements of financial position. Exceptions to this are financial liabilities measured at fair value through profit or loss, financial guarantee contracts and cases where the transfer of financial assets do not satisfy conditions for derecognition.

### ② Derecognition

Financial liabilities are derecognized from the Separate statements of financial position when either: the contractual obligations have been satisfied, cancelled or expired; or there has been a substantial change to the conditions of the existing financial liabilities. The difference between financial liabilities that have been expired or transferred to a third party, and the consideration paid (including non-cash assets transferred or liabilities assumed) are recognized through profit or loss.

## (13) Derivative Instruments

At initial recognition, derivative instruments are measured at their fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting valuation gains or losses arising from changes in fair value of derivative instruments are recognized through profit or loss.

## (14) Cash and Cash Equivalents

The Company classifies investment assets with maturities of three months or less from the acquisition date as cash and cash equivalents. Equity investments are excluded from cash equivalents, unless they are, in substance, cash equivalents, for example, in the case of preferred shares when they have a short maturity with a specified redemption date.

## (15) Employee Benefits

### ① Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

### ② Other long-term employee benefits

As for other long-term employee benefits that are not due to be settled within 12 months after the end of the period in which the employees rendered the related service, the future benefits acquired in return for the services provided in the current term and the past period are discounted as current value. Changes following re-measurements are



recognized as current term's profit or loss that have incurred in the period.

### ③ Retirement benefits: Defined contribution plans

The contribution payable to a defined contribution plan in exchange for services rendered by an employee to the Company during a period is recognized through profit or loss, except for cases where the contribution payable is included in the asset's cost. The contribution payable is recognized as a liability (accrued expense) after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Company recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

### ④ Retirement benefits: Defined benefit plans

Defined benefit pension plans are all pension plans excluding defined contribution pension plans. Generally the amount of retirement pension payable to employees at retirement are confirmed through factors such as age, number of years worked or salary level, etc. The net defined liability (asset) recognized on the Separate financial statement of financial position in relation to defined benefit plans is the amount of deficit (or amount of surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling) as determined by deducting the present value of the defined benefit obligations from the fair value of plan assets as of the end of the reporting period. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. The present value of the defined benefit obligation is presented in the currency that the salary will be paid and is calculated by discounting the expected future cash outflow by the interest rate of a corporate bond with a good credit rating with a maturity similar to the period when payment of the defined benefit obligation is due.

Changes in actuarial assumptions and actuarial gains or losses that arise from the difference between the actuarial assumptions and the actual results are recognized through other comprehensive income in the period incurred. Past service cost is recognized at the earlier of the following dates: when the plan amendment or curtailment occurs; and when the Company recognizes related restructuring costs or terminations benefits.

### ⑤ Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits or when the Company recognizes costs for a restructuring.

## (16) Refund Liabilities and Provisions

Refund liabilities and provisions are present obligations (legal obligation or constructive obligation) that exist as a result of past events. The Company recognizes refund liabilities and provisions when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount of refund liabilities and provisions recognized are the best estimates of the necessary expenditure required to fulfill the present obligations at the end of the reporting period, taking into account the unavoidable risks and uncertainties involved. Where the effect of the time value of money is material, refund liabilities and provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle refund liabilities or provisions are expected to be reimbursed by another party, the reimbursement shall be recognized only when it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Refund liabilities and provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the related refund liabilities and provisions are reversed.

## (17) Paid-in Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

When the Company repurchases its own equity instruments, the amount of the consideration paid is recognized as a contra-equity account and classified as treasury shares. The profits or losses from the purchase, disposal, reissue or retirement of treasury shares are not recognized as current profits or losses.

## (18) Revenue Recognition

The Company's revenue categories consist of revenue from goods sold, services and other income.

### ① Sales of goods

Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow into the Company and the costs incurred or to be incurred with respect to the transaction can be measured reliably.

Since the Company's contract with customers to supply goods allows customers a right of return, the amount of consideration that the Company receives can be variable. Variable consideration is estimated by using the expected value method, which the Company expects to better predict the amount of consideration to which it is entitled. The Company recognizes revenue by including in the transaction price variable consideration only up to the amount where it is highly probable that a significant portion of the accumulated revenue already recognized will not be reversed.

Refund liabilities are recognized at the amount of consideration received (or receivable) for which the Company does not expect to be entitled. When customers exercise their right of return, the Company has a right to recover its products from customers. The Company recognizes this right as a refund asset and makes a corresponding adjustment to the cost of sales. The Company's right to recover its products are measured by deducting the cost of retrieving the goods from customers from the previous book value of the product.

### ② Rendering of services

Revenue from rendering of services is recognized by reference to the stage of completion of the transaction at the end of the reporting period when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow into the Company, the stage of completion of the transaction at the end of the reporting period can be measured reliably and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

### ③ Sale of real estate

The Company sells residential real estate according to long-term contracts with customers. Such contracts are signed before construction of the residential real estate begins. According to the contract conditions, transferring the real estate to another customer is restricted and the Company has the right to claim for enforceable payment with regard to work performed up to that point. Therefore, revenue incurred from residential real estate is recognized based on the percentage-of-completion method (in other words, actual cost to date as a proportion of the estimated total cost). Management have deemed the percentage-of-completion method to be an appropriate method for measuring the progress rate until performance obligations are satisfied in accordance with K-IFRS No. 1115.

The Company pays sales commission in relation to the sales contract of residential real estate. When the Company estimates that such incremental cost would be recovered, the incremental cost is capitalized and amortized over the period in which the residential real estate is transferred to the customer.

#### ④ Lease of real estate

The profit from lease of investment property and others is recognized on a straight-line basis over the period of lease.

#### (19) Finance Income and Finance Cost

Finance income includes interest income, dividend income etc. from investments in financial assets. Interest income, as it accrues, is recognized through profit or loss using the effective interest method. Dividend income is recognized through profit or loss on the date the Company's right to receive the dividend as a shareholder is established. Finance cost includes interest expense on lease liabilities, amortization on trade and other payables etc. Interest expense, as it accrues, is recognized through profit or loss using the effective interest method.

#### (20) Income Tax Expense

Income tax expense consists of current tax and deferred tax. Income tax is usually recognized through profit or loss. Exceptions are income tax related to items which are recognized directly in other comprehensive income or loss. In such cases, income tax is also recognized directly in other comprehensive income or loss, respectively.

Income tax expense is measured based on tax laws that have either been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. the Company recognizes current income tax on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Separate financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Company recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, the Company recognizes a deferred tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis.

#### (21) Functional and Presentation Currency

The Company's Separate financial statements are prepared in Korean won, the currency of the main economic environment in which the Company operates (the "functional currency").

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the

transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized through profit or loss. They are deferred in other comprehensive income or loss if they relate to qualifying cash flow hedges and qualifying effective portion of net investment hedges, or are attributable to monetary part of the net investment in a foreign operation.

Foreign exchange gains and losses are presented in the Separate statement of comprehensive income within ‘other income or other expenses’.

Foreign exchange gains or losses arising from non-monetary financial assets and liabilities are considered a part of changes in fair value through profit or loss. Therefore, foreign exchange gains or losses arising from equity instruments measured at fair value through profit or loss are recognized through profit or loss. Foreign exchange gains or losses arising from equity instruments measured at fair value through other comprehensive income or loss are recognized through other comprehensive income or loss.

## (22) Earnings per Share

The Company presents basic and diluted earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

## (23) Lease

Lease income from operating leases where the Company is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the Separate statement of financial position based on their nature.

The Company leases various offices, accommodation for employees and vehicles etc. The terms of lease are negotiated individually and include various contractual conditions. There are no restrictions from lease contracts other than that the leased assets cannot be used as collateral for borrowings.

The Company determines the lease term as the non-cancellable period of a lease, together with both: periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In determining the lease term and assessing the length of the non-cancellable period of a lease, the Company applies the definition of a contract and determine the period for which the contract is enforceable. A lease is no longer enforceable when the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Company (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Company (the lessee) is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the Company (the lessee) exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

For variable lease payment terms that are linked to indexes or rates, the Company is exposed to the potential future risks of the variable lease payments not included in the lease liabilities whilst the indexes or rates are still valid. In such cases, the Company re-evaluates the lease liabilities whilst the changes in lease payments (due to indexes or rates) are still valid and make adjustments to the right-of-use asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Estimated restoration costs

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture. Payments associated with short-term leases of equipment and vehicles and leases of low-value assets are recognized on a straight-line basis through profit or loss.

#### (24) Emission Rights

Pursuant to the Act on Allocation and Trading of Greenhouse Gas Emission, the Company has an emission liability, which is a present obligation of submitting emission rights to the government with regard to emission of greenhouse gases. Emission liability is recognized when it is probable that outflows of resources will be required to settle the obligation and the costs required to perform the obligation can be reliably estimated.

#### (25) Going Concern

At the time of approving the financial statements, management has reasonable expectations that the Company has sufficient resources to continue as a going concern for the foreseeable future. Therefore, management has prepared the financial statements under the assumption that the Company will continue as a going concern, with the exception of the statement below.

#### (26) Approval of Financial Statements

The Separate financial statements of the Company has been approved by the Board of Directors on the February 4, 2021, and may be modified and approved at the Annual General Meeting of Shareholders.

### 3. Critical Accounting Estimates and Assumptions

The preparation of Separate 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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgement and assumptions of certain items is included in relevant notes.

#### (1) Impairment testing of the cash-generating unit of the Indonesian tobacco business

The recoverable amount of a CGU for impairment testing of the CGU of the Indonesian tobacco business is determined based on the calculation of value in use or fair value less cost of disposal.

In the case of the CGU of the Indonesian tobacco business, there is uncertainty about the feasibility of estimating future cash flows and business plans due to the increase in the tobacco consumption tax predicted by the Indonesian government, the competitive structure of the local domestic market that is expected to intensify generated by the tax increase, etc.

Value in use was assessed as the recoverable amount for impairment testing of the Indonesian tobacco business CGU. Estimation of the recoverable amount reflects management's assessment of the future trend of the relevant industry, and is based on internal and external historical data.

In this regard, value in use was used to measure the recoverable amount since the fair value of assets could not be reliably estimated. Future cash flows to measure value in use are estimated for the next five years based on the company's past operating performance and future business plans, and subsequent cash flows are estimated by applying a 1% permanent growth rate. This permanent growth rate does not exceed the estimated long-term average growth rates from relevant industry reports.

The discount rate applied for measuring value in use is the weighted average capital cost adjusted to reflect the specific risk of the asset, and the discount rates applied for measuring value in use during the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
CGU of the Indonesian tobacco business(%)	12.90	13.24

The most variable assumptions used for the calculation of value in use for the CGU of the Indonesian tobacco business are the discount rate and permanent growth rate, and the effects of changes to these variables are as follows. As a result of sensitivity analysis, the Company's management believes that the risk of impairment loss being recognized is low.

<i>In millions of Korean won</i>	1% increase	1% decrease
Discount rate		
Effect on value in use	₩(18,284)	₩21,954
Impairment loss to be recognized	(4,134)	-
Permanent growth rate		
Effect on value in use	16,495	(13,938)
Impairment loss to be recognized	-	-

## (2) Total construction revenue and total construction cost

### ① Uncertainty in total contract revenue estimates

The total contract revenue is measured based on the amount of the contract initially agreed upon, but the measurement of the contract return is affected by various uncertainties related to the outcome of the future event, as it may increase or decrease depending on additional contracts, termination of the contract, etc. in the course of performing the contract. When the additional contract or contract termination is confirmed and the amount can be reliably measured, the Company includes it in contract revenue (see Note 25).

### ② Estimated total construction cost

The amount of construction revenue is affected by progress based on the cumulative incurred contract cost, and the total contract cost is estimated based on future estimates such as material cost, labor cost and construction period and others (see Note 25).

## 4. Operating Segments

The Company obtains 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 K-IFRS No. 1108.

<i>In millions of Korean Won</i>			2020	2019
Revenue recognized at a point in time				
Manufacture and sales of tobacco	Korea	Wholesale, retail	₩1,815,177	₩1,828,503
		Direct sales	146	112
	Export	Wholesale, retail	741,345	535,192
Sales of tobacco Product	Korea	Wholesale, retail	63,121	78,601
		Direct sales	3,435	2,621
	Export	Wholesale, retail	65,698	153
Manufacture and sale of semifinished tobacco products	Export	Direct sales	62,128	63,307
Manufacture and sales of tobacco raw materials	Export	Direct sales	9,897	6,441
Others	Korea	Direct sales	3,125	3,019
	Export		16,734	5,220
Subtotal			2,780,806	2,523,169
Revenue recognized over time:				
Sale and rental of real estate	Korea	Sales	582,236	351,532
	Korea	Rental	72,342	67,918
Subtotal			654,578	419,450
Total			₩3,435,384	₩2,942,619



## 5. Cash and Cash Equivalents and Other Financial Assets

(1) Details of cash and cash equivalents as of December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	December 31, 2020	December 31, 2019
Cash on hand	₩128	₩188
Demand deposits	225,699	202,192
Money market trust	850,287	454,395
Total	₩1,076,114	₩656,775

(2) Details of other financial assets as of December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	December 31, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
Time deposits	₩310,597	₩8,540	₩377,340	₩2,797
Certificate of Deposit	20,000	-	-	-
Total	₩330,597	₩8,540	₩377,340	₩2,797

## 6. Financial Assets at Fair Value through Profit or Loss

Details of financial assets at fair value through profit or loss as of December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	December 31, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
Money Market Trust	₩914,344	₩18,297	₩1,239,263	₩-
Beneficiary certificate	80	230,308	-	248,926
Total	₩914,424	₩248,605	₩1,239,263	₩248,926

## 7. Trade and Other Receivables

(1) Trade and other receivables as of December 31, 2020, and December 31, 2019, are as follows:

<i>In millions of Korean won</i>	December 31, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
Trade receivables	₩974,705	₩18,253	₩710,365	₩25,345
Loans	15,042	61,465	10,116	51,536
Other receivables	31,112	13,213	28,862	8,617
Guarantee deposits	24,212	26,103	24,599	21,395
Accrued income	4,751	2,140	6,218	4,190
Total	₩1,049,822	₩121,174	₩780,160	₩111,083



(2) Allowances for doubtful accounts in relation to trade and other receivables (as a gross amount before deduction of allowances for doubtful accounts) as of December 31, 2020 and December 31, 2019, are as follows:

<i>In millions of Korean won</i>	December 31, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
Total carrying amount	₩1,118,926	₩196,018	₩877,023	₩180,731
Allowances:				
Trade receivables	(68,240)	(43,569)	(96,165)	(33,163)
Other receivables	(864)	(31,275)	(698)	(36,485)
Total allowances	(69,104)	(74,844)	(96,863)	(69,648)
Net trade and other receivables	₩1,049,822	₩121,174	₩780,160	₩111,083

(3) Changes in allowance for doubtful accounts in relation to trade and other receivables for the year ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Beginning balance	₩166,511	₩143,536
Impairment loss (reversal)	(19,751)	22,975
Write off, etc.	(2,812)	-
Ending balance	₩143,948	₩166,511

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 Separate statements of comprehensive income.

## 8. Inventories

(1) Inventories as of December 31, 2020, and December 31, 2019, are as follows:

<i>In millions of Korean won</i>	December 31, 2020			December 31, 2019		
	Acquisition cost	Valuation loss allowance	Carrying amount	Acquisition cost	Valuation loss allowance	Carrying amount
Merchandise	₩19,904	₩ (5,209)	₩14,695	₩33,336	₩(12,913)	₩20,423
Finished goods	114,936	(5,836)	109,100	103,025	(5,465)	97,560
Work in progress	13,252	-	13,252	11,929	-	11,929
Raw materials	736,865	(264)	736,601	739,464	-	739,464
Supplies	40,038	-	40,038	30,437	-	30,437
By-products	7,142	-	7,142	7,029	-	7,029
Buildings under construction	13,568	-	13,568	6,178	-	6,178
Completed buildings	1,490	-	1,490	2,215	-	2,215
Sites for construction of real estate	7,420	-	7,420	10,274	-	10,274
Goods in transit	50,036	-	50,036	42,634	-	42,634
Total	₩1,004,651	₩ (11,309)	₩993,342	₩986,521	₩ (18,378)	₩968,143

(2) The amount of loss on valuation and obsolescence of inventories recognized for the year ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Cost of sales:		
Loss on valuation of inventories(reversal)	₩(7,069)	₩17,359
Loss on obsolescence of inventories	10,155	5,326
Total	₩3,086	₩22,685

## 9. Financial Assets measured at Fair Value through Other Comprehensive Income

(1) Details of financial assets at fair value through other comprehensive income as of December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	December 31, 2020	December 31, 2019
Listed:		
Oscotech Inc.	34,637	12,725
Shinhan Financial Group Co., Ltd.	128,468	173,762
Ocuphire Pharma, Inc (Previously, Rexahn Pharmaceuticals, Inc.)	94	118
U&I Corporation	4,319	5,324
Subtotal	167,518	191,929
Unlisted:	46,876	48,527
Total	₩214,394	₩240,456

When assessing the fair value of financial assets measured at fair value through other comprehensive income, the Company used market prices traded in the active trading market for listed equity instruments and measured unlisted equity instruments using the discounted cash flow model, etc.

At the disposal of the above equity instruments, the related accumulated other comprehensive income or loss is reclassified to retained earnings and is not reclassified to profit or loss.

(2) Changes in financial assets at fair value through other comprehensive income or loss for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Beginning balance	₩240,456	₩230,545
Changes in fair value	(22,873)	9,911
Disposal, etc.	(3,189)	-
Ending balance	₩214,394	₩240,456

## 10. Investments in Associates and Joint Ventures

Details of investments in associates and joint ventures as of December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>		Location	Principal Operation	December 31, 2020		December 31, 2019	
				Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount
Investments in Associates	LitePharmTech Co., Ltd. <sup>(*)</sup>	Korea	Manufacturing medical supplies	16.75	₩1,830	16.75	₩1,830
	Yong In Jung Sim Co., Ltd. <sup>(*)</sup>	Korea	Development of real estate	-	-	22.22	1,000
	KORAMCO Ocheon Project Financing Vehicle Co., Ltd. <sup>(*)</sup>	Korea	Real estate investment, development and rental business	18.95	5,685	-	-
	KORAMCO Banpo Project Financing Vehicle Co., Ltd. <sup>(*)</sup>	Korea	Real estate investment, development and rental business	18.95	5,306	-	-
	KORAMCO Dongjak Project Financing Vehicle Co., Ltd. <sup>(*)</sup>	Korea	Real estate investment, development and rental business	19.47	1,850	-	-
	KORAMCO Amsa Project Financing Vehicle Co., Ltd. <sup>(*)</sup>	Korea	Real estate investment, development and rental business	17.84	1,159	-	-
	Others				55		-
	KB Gimpo Logistics CR REIT Co., Ltd. <sup>(*)</sup>	Korea	Renting of real estate	-	-	12.00	3,000
	KORAMCO Private REIT 50 Fund <sup>(*)</sup>	Korea	Renting of real estate	-	-	84.21	16,000
	KORAMCO Europe Private REIT 3-2 Fund <sup>(*)</sup>	Germany	Renting of real estate	51.35	18,500	51.35	18,500
Joint Ventures	Starfield Suwon, Inc.	Korea	Developing & Renting of real estate	50.00	99,500	50.00	12,000
Total					₩133,885		₩52,330

<sup>(\*)</sup> The Company has classified its holdings as an investment in associates even though its holdings in the invested companies are less than 20%, respectively. Since it has the right to participate in the board of directors meeting of the invested companies according to the shareholder's agreement, the Company has judged that it has significant influence over the invested companies.

<sup>(\*)</sup> Due to Yong In Jung Sim Co., Ltd.'s capital increase with consideration through dilutive secondary offerings during the year ended December 31, 2020, the Company has lost its significant influence in the invested company. As of December 31, 2020, the Company has disposed of its entire holdings in Yong In Jung Sim Co., Ltd.

<sup>(\*)</sup> These are classified as investments in associates even though the Company's holdings in the invested companies are less than 20%, respectively. The Company has judged that it has significant influence over these invested companies since the Company has the right to nominate a member of the board of directors of each invested company. These investments have been newly acquired during the year ended December 31, 2020.

<sup>(\*)</sup> It was classified as a joint venture since decisions about the significant financial and operating policies of the investee could not be made without unanimous consent of the Company and the Korea Tobacco and Ginseng Benefit Association, holding 12% shares each, as the voting power of 76% shares held by the collective investment business entity was not entitled to have an impact on a resolution of the investee according to the Financial Investment Services and Capital Markets Act. According to the liquidation procedure for this equity investment, the Company has been allocated a portion of the remaining assets during the year ended December 31, 2020.

<sup>(\*)</sup> 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. According to the liquidation procedure for this equity investment, the Company was allocated a portion of the remaining assets during the year ended December 31, 2020.

<sup>(\*)</sup> 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.

According to the liquidation procedure of JR REIT 5, 8, 10 Co., Ltd., the Company has been allocated a portion of the remaining assets and a ₩9,051 million gain on disposal of investments in associates was recognized during the year ended December 31, 2019.

According to the liquidation procedure of KB Gimpo Logistics CR REIT Co., Ltd., and KORAMCO Private REIT 50 Fund during the year ended December 31, 2020, the Company has been allocated a portion of the remaining assets and has a recognized a ₩2,208 million gain on disposal of investment in joint ventures.

The Company participated in Starfield Suwon Inc.'s rights offering to existing shareholders and acquired 1,750,000 equity securities for ₩87,500 million during the year ended December 31, 2020.

The Company has acquired equity securities of the following companies during the year ended December 31, 2020 : KORAMCO Ocheon Project Financing Vehicle Co., Ltd.(284,250 shares for ₩5,685 million), KORAMCO Banpo Project Financing Vehicle Co., Ltd.(265,300 shares for ₩5,306 million), KORAMCO Dongjak Project Financing Vehicle Co., Ltd.(369,900 shares for ₩1,850 million) and KORAMCO Amsa Project Financing Vehicle Co., Ltd.(231,900 shares for ₩1,159 million).

## 11. Investments in subsidiaries

(1) Details of investments in subsidiaries as of December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	Location	Principal operation	2020		2019	
			Percentage of ownership(%)	Carrying amount	Percentage of 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 Industry Co., Ltd.	Korea	Manufacturing reconstituted Tobacco leaves	100.00	52,698	100.00	52,698
KT&G Tutun Mamulleri Sanayive Ticaret A.S.	Turkey	Manufacturing and selling tobaccos	99.99	-	99.99	1,414
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	79,670
KT&G USA Corporation	USA	Selling tobaccos	100.00	4,913	100.00	4,913
Cosmocos Co., Ltd.	Korea	Manufacturing and selling cosmetics	98.56	22,759	98.56	22,759
Renzoluc Pte., Ltd. (*)	Singapore	Holding Company	100.00	148,834	100.00	148,834
PT KT&G Indonesia	Indonesia	Selling tobaccos	99.99	1,240	99.99	1,240
SangSang Stay, Inc.	Korea	Hotel	100.00	12,040	100.00	3,724
KT&G Global Rus L.L.C.	Russia	Selling tobaccos	100.00	936	100.00	1,082
Gwacheon SangSang P.F.V.	Korea	Real estate development and sales business	51.00	3,570	51.00	3,570
Total				₩1,154,257		₩1,158,224

(\*) The percentage of ownership does not include convertible preference shares, with 88.60% including preferred shares as of December 31, 2020.

For the year ended December 31, 2019, the Company has made a capital contribution in kind of its 100%(book value : ₩45,982 million) equity holdings in KGC Yebon Corporation to its subsidiary, Korea Ginseng Corporation.

For the year ended December 31, 2020, the Company has acquired 4,000,000 shares(₩20,000 million) of its subsidiary, SangSang Stay, Inc.

## (2) Impairment

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

The Company has recognized impairment losses for its investment in subsidiaries where signs of impairment have been identified since the book value of net assets of the subsidiaries were lower than the book value of the investments in subsidiaries, due to the continuous accumulation of operating losses, etc. Details of such impairment losses recognized for the years ended December 31, 2020 and 2019 are as follows:

<i>In millions of Korean won</i>	2020	2019	Method for evaluating recoverable amount
KT&G Rus L.L.C.	₩10,723	₩9,626	Value of use
KT&G Global Rus L.L.C.	146	131	Value of use
KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	1,414	4,313	Fair value
Cosmocos Co., Ltd.	-	11,700	Fair value
SangSang Stay, Inc.	11,684	1,367	Fair value
			(As in December 31, 2019 : Value of use)
Total	₩23,967	₩27,137	

The value of use and fair value of investments in subsidiaries 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.

In relation to KT&G Rus L.L.C. and KT&G Global Rus L.L.C. recoverable amount was measured as value in use as the fair value of the asset cannot be reliably estimated. Future cash flows to measure value in use were estimated for the next five years based on the company's past operating performance and future business plans, and subsequent cash flows were estimated by applying a 1% permanent growth rate.

The discount rate for measuring value in use is the weighted average cost of capital adjusted to reflect the risks specific to the asset. The discount rates used for measuring value in use for each subsidiary as of December 31, 2020 and 2019, respectively, are as follows:

	2020	2019
KT&G Rus L.L.C.	14.40%	13.37%
KT&G Global Rus L.L.C.	14.40%	13.37%
SangSang Stay, Inc.	-	8.84%

## 12. Property, Plant and Equipment

(1) Composition of the carrying values of property, plant and equipment as of December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	December 31, 2020			December 31, 2019		
	Acquisition cost	Accumulated depreciation and impairment	Carrying amount	Acquisition cost	Accumulated depreciation and impairment	Carrying amount
Land	₩364,085	₩-	₩364,085	₩388,943	₩-	₩388,943
Buildings	688,973	(377,802)	311,171	700,589	(386,322)	314,267
Structures	43,912	(34,646)	9,266	45,471	(35,462)	10,009
Machinery	1,156,248	(832,810)	323,438	1,091,126	(835,690)	255,436
Vehicles	1,228	(1,108)	120	1,578	(1,363)	215
Tools	37,744	(29,502)	8,242	36,621	(29,565)	7,056
Equipment	118,934	(84,909)	34,025	95,974	(73,513)	22,461
Others	5,686	(1,131)	4,555	4,684	(504)	4,180
Construction in progress	84,728	-	84,728	113,758	-	113,758
Total	₩2,501,538	₩(1,361,908)	₩1,139,630	₩2,478,744	₩(1,362,419)	₩1,116,325

(2) Changes in property, plant and equipment for the years ended December 31, 2020 and 2019, are as follows:

① For the year ended December 31, 2020

<i>In millions of Korean won</i>	Beginning balance	Acquisition	Disposal	Depreciation	Impairment	Reclassification, etc. (*)	Ending balance
Land	₩388,943	₩432	₩(236)	₩-	₩-	₩(25,054)	₩364,085
Buildings	314,267	16,120	(1,206)	(23,155)	-	5,145	311,171
Structures	10,009	1,138	(157)	(1,640)	-	(84)	9,266
Machinery	255,436	40,423	(4,482)	(48,512)	-	80,573	323,438
Vehicles	215	39	-	(134)	-	-	120
Tools	7,056	4,435	(152)	(3,132)	-	35	8,242
Equipment	22,461	13,146	(307)	(15,324)	-	14,049	34,025
Others	4,180	610	-	(628)	-	393	4,555
Construction in progress	113,758	83,689	(1)	-	(185)	(112,533)	84,728
Total	₩1,116,325	₩160,032	₩(6,541)	₩(92,525)	₩(185)	₩(37,476)	₩1,139,630

(\*) Consists of ₩43,300 million which was reclassified to investment property, ₩3,752 million which was reclassified to assets held for sale, ₩4,465 million which was reclassified to inventories and ₩14,041 million which was reclassified from intangible assets (see Notes 13, 14, 15).

② For the year ended December 31, 2019

<i>In millions of Korean won</i>	Beginning balance	Acquisition	Disposal	Depreciation	Reclassification, etc. <sup>(*)</sup>	Ending balance
Land	₩497,249	₩166	₩(622)	₩-	₩(107,850)	₩388,943
Buildings	343,546	3,340	(1,048)	(23,449)	(8,122)	314,267
Structures	11,428	503	(50)	(1,760)	(112)	10,009
Machinery	185,330	8,390	(69)	(39,825)	101,610	255,436
Vehicles	367	29	-	(181)	-	215
Tools	4,368	4,871	-	(2,378)	195	7,056
Equipment	35,235	9,603	(2,736)	(15,201)	(4,440)	22,461
Others	3,751	854	(4)	(451)	30	4,180
Construction in progress	119,633	150,093	(446)	-	(155,522)	113,758
Total	₩1,200,907	₩177,849	₩(4,975)	₩(83,245)	₩(174,211)	₩1,116,325

<sup>(\*)</sup> Consists of ₩161,264 million which was reclassified to investment property, ₩6,264 million which was reclassified to intangible assets and ₩6,488 million which was reclassified to assets held for sale, etc (see Notes 13, 14, 15).

### 13. Intangible Assets

(1) Details of carrying value of intangible assets as of December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	December 31, 2020			December 31, 2019		
	Acquisition cost	Accumulated amortization and impairment	Carrying amount	Acquisition cost	Accumulated amortization and impairment	Carrying amount
Industrial property rights	₩4,732	₩(500)	₩4,232	₩2,763	₩(399)	₩2,364
Facility usage rights	28,425	-	28,425	25,669	-	25,669
Intangible assets under development	18,995	-	18,995	20,932	-	20,932
Other intangible assets	25,546	(10,875)	14,671	15,130	(5,234)	9,896
Total	₩77,698	₩(11,375)	₩66,323	₩64,494	₩(5,633)	₩58,861

(2) Changes in intangible assets for the years ended December 31, 2020 and 2019, are as follows:

① For the year ended December 31, 2020

<i>In millions of Korean won</i>	Beginning balance	Acquisition	Disposal	Amortization	Impairment	Reclassification <sup>(*)</sup>	Ending balance
Industrial property rights	₩2,364	₩281	₩-	₩(105)	₩(51)	₩1,743	₩4,232
Facility usage rights	25,669	3,778	(1,022)	-	-	-	28,425
Intangible assets under development	20,932	23,519	-	-	(276)	(25,180)	18,995
Other intangible assets	9,896	1,118	(98)	(5,641)	-	9,396	14,671
Total	₩58,861	₩28,696	₩(1,120)	₩(5,746)	₩(327)	₩(14,041)	₩66,323

<sup>(\*)</sup> Consists of ₩14,041 million which was reclassified to property, plant and equipment (see Note 12).



② For the year ended December 31, 2019

<i>In millions of Korean won</i>	Beginning balance	Acquisition	Disposal	Amortization	Impairment	Reclassification <sup>(*)</sup>	Ending balance
Industrial property rights	₩3,540	₩7	₩-	₩(90)	₩(2,293)	₩1,200	₩2,364
Facility usage rights	26,094	672	(1,097)	-	-	-	25,669
Intangible assets under development	1,695	23,254	-	-	(98)	(3,919)	20,932
Other intangible assets	-	2,337	-	(1,424)	-	8,983	9,896
<b>Total</b>	<b>₩31,329</b>	<b>₩26,270</b>	<b>₩(1,097)</b>	<b>₩(1,514)</b>	<b>₩(2,391)</b>	<b>₩6,264</b>	<b>₩58,861</b>

<sup>(\*)</sup> Consists of ₩6,264 million which was reclassified from property, plant and equipment (see Note 12).

(3) Research and development expenditures recognized as expenses for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Cost of sales	₩512	₩377
Selling, general and administrative expenses	25,804	23,024
<b>Total</b>	<b>₩26,316</b>	<b>₩23,401</b>

#### 14. Investment Properties

(1) Details of investment properties as of December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	December 31, 2020			December 31, 2019		
	Acquisition cost	Accumulated depreciation and impairment	Carrying amount	Acquisition cost	Accumulated depreciation and impairment	Carrying amount
Land	₩600,922	₩-	₩600,922	₩578,606	₩-	₩578,606
Buildings	646,679	(166,781)	479,898	454,907	(116,245)	338,662
Construction in progress	20,369	-	20,369	81,837	-	81,837
<b>Total</b>	<b>₩1,267,970</b>	<b>₩(166,781)</b>	<b>₩1,101,189</b>	<b>₩1,115,350</b>	<b>₩(116,245)</b>	<b>₩999,105</b>

(2) Changes in investment properties for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020				2019			
	Land	Buildings	Construction in progress	Total	Land	Buildings	Construction in progress	Total
Beginning balance	₩578,606	₩338,662	₩81,837	₩999,105	₩286,687	₩297,346	₩22,646	₩606,679
Acquisition	4	65,736	20,418	86,158	-	5,228	251,057	256,285
Disposal	(3,638)	(728)	-	(4,366)	-	-	-	-
Depreciation	-	(23,008)	-	(23,008)	-	(17,183)	-	(17,183)
Reclassification, etc. <sup>(*)</sup>	25,950	99,236	(81,886)	43,300	291,919	53,271	(191,866)	153,324
<b>Ending balance</b>	<b>₩600,922</b>	<b>₩479,898</b>	<b>₩20,369</b>	<b>₩1,101,189</b>	<b>₩578,606</b>	<b>₩338,662</b>	<b>₩81,837</b>	<b>₩999,105</b>

<sup>(\*)</sup> Consists of ₩43,300 million reclassified from property, plant and equipment (₩161,264 million reclassified from property, plant and equipment and ₩7,940 million which was reclassified to inventory for the year ended December 31, 2019) (see Note 12).



(3) Details of profit or loss recognized related to the investment properties for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Rental income	₩72,342	₩67,918
Operating expenses	(23,008)	(17,183)
Total	₩49,334	₩50,735

(4) The fair value and carrying amount of investment properties as of December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	December 31, 2020		December 31, 2019	
	Fair value	Carrying amount	Fair value	Carrying amount
Land	₩1,815,693	₩548,359	₩1,174,117	₩479,698
Buildings	687,194	479,898	440,392	338,662
Total	₩2,502,887	₩1,028,257	₩1,614,509	₩818,360

The fair value of the major investment property is determined by the value measured by an independent valuation agency using the return-value method, etc., and is classified as Level 3 based on the inputs used in the valuation technique in the fair value hierarchy.

Details of investment properties where book values are deemed to be fair values since their fair values cannot be measured reliably are as follows:

<i>In millions of Korean won</i>	Type	Carrying amount		Reason why fair value cannot be measured reliably
		2020	2019	
Sejong 1-5, P2	Land	₩-	₩33,528	Construction in progress
	Construction in progress	-	70,764	
Ssangmun-dong new development site	Land	1,495	1,495	
	Construction in progress	11,391	2,640	
Sangbong-dong new development site	Land	51,068	50,747	
	Construction in progress	8,978	1,668	
Youth Start-up Support Center	Land	-	13,138	
	Construction in progress	-	6,765	
Total		₩72,932	₩180,745	

(5) Details of operating lease

Investment properties were leased to lessees as an operating lease with contractual terms of monthly lease payments. For the year ended December 31, 2020, variable lease payment that is based on an index or a rate was ₩ 778 million. Even though the Company is exposed to the risk of changes in residual value at the end of the lease term, it would not realize the residual value immediately at the end of the lease term because it generally commits to a new operating lease contract. Expectations of future residual value will be reflected on the fair value of the investment property.

Details of future minimum lease payments that the Company expects to receive from operating lease contracts for the investment properties described above as of December 31, 2020, are as follows:

<i>In millions of Korean won</i>	Within 1 year	More than 1 year ~ Within 5 years	More than 5 years	Total
Minimum lease payment	₩46,982	₩44,800	₩35,598	₩127,380

## 15. Assets Held for Sale

Changes in assets held for sale for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Beginning balance	₩4,680	₩27,794
Acquisition	3,283	-
Impairment	(424)	-
Reclassification <sup>(*)</sup>	3,770	6,488
Disposal	(9,309)	(29,602)
Ending balance	₩2,000	₩4,680

<sup>(\*)</sup> Consists of ₩3,752 million reclassified from property, plant and equipment and ₩18 million which was reclassified from inventory (₩6,488 million reclassified from property, plant and equipment for the year ended December 31, 2019) (see Note 12).

For the year ended December 31, 2020, the Company has reclassified ₩2,424 million of land and buildings in Gapyung Culture and Arts School as asset held for sale and recognized ₩424 million as impairment loss from assets held for sale.

For the year ended December 31, 2020, in accordance with its contract with the joint venture, Starfield Suwon, Inc, the Company has acquired an additional ₩3,283 of land and then disposed of ₩7,530 million of land. The Company has recognized gains from disposal of assets held for sale of ₩153,188 million.

For the year ended December 31, 2020, the Company has reclassified as assets held for sale and disposed of ₩1,346 million, including machinery, etc. to be sold to its subsidiary, PT Trisakti Purwosari Makmur. The Company has recognized gains on disposal of assets held for sale of ₩664 million.

For the year ended December 31, 2020, the Company has transferred ₩433 million (for the year ended December 31, 2019: ₩29,602 million) worth of slurry reconstituted tobacco factory machinery, etc. to its subsidiary, Tae-a Industry Co., Ltd., and recognized a loss on disposal of assets held for sale of ₩1 million (for the year ended December 31, 2019: gain on disposal of assets held for sale ₩375 million).

## 16. Right-of-Use Assets

(1) Details of carrying value of right-of-use asset as of December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	December 31, 2020			December 31, 2019		
	Acquisition Cost	Accumulated depreciation	Carrying value	Acquisition cost	Accumulated depreciation	Carrying value
Land	₩27,336	₩(7,641)	₩19,695	₩11,848	₩(3,504)	₩8,344
Machinery	270	(205)	65	-	-	-
Vehicles	16,259	(6,972)	9,287	13,811	(3,610)	10,201
Total	₩43,865	₩ (14,818)	₩29,047	₩25,659	₩(7,114)	₩18,545

(2) Changes in right-of-use assets for years ended December 31, 2020 and 2019, are as follows:

① For the year ended December 31, 2020

<i>In millions of Korean won</i>	Beginning balance	Acquisition	Disposal	Depreciation	Ending balance
Land	₩8,344	₩15,980	₩(18)	₩(4,611)	₩19,695
Machinery	-	270	-	(205)	65
Vehicles	10,201	4,465	(569)	(4,810)	9,287
Total	₩18,545	₩20,715	₩(587)	₩(9,626)	₩29,047

② For the year ended December 31, 2019

<i>In millions of Korean won</i>	Beginning balance	Change in accounting policy	Acquisition	Depreciation	Ending balance
Land	₩-	₩10,149	₩1,699	₩(3,504)	₩8,344
Vehicles	-	7,981	5,830	(3,610)	10,201
Total	₩-	₩18,130	₩7,529	₩(7,114)	₩18,545

(3) The amount recognized on the Separate statements of comprehensive income related to lease during the year ended December 31, 2020 and 2019, is as follows:

<i>In millions of Korean won</i>	2020	2019
Depreciation expense	₩9,626	₩7,114
Interest expense	666	431
Short-term lease expense	270	347
Lease payment for low-value assets	514	452
Variable lease expense	1,155	257
Gain on lease contract adjustments	(70)	-
Total	₩12,161	₩8,601

For the year ended December 31, 2020, total cash outflows related to lease is ₩10,613 million (₩7,113 million for the year ended December 31, 2019).

## 17. Borrowings

Details of Short-term borrowings as of December 31, 2020, and 2019, are as follows:

<i>In millions of Korean Won</i>	December 31, 2020	December 31, 2019
Nonghyup Bank	₩633	₩763
Hanacard	184	244
Total	₩817	₩1,007

The Company provides payment guarantees to financial institutions in accordance with the consumer credit agreement in connection with retail sales receivables, and receives the related receivables from financial institutions through payment by proxy and recognizes them as short-term borrowings. No interest expenses are incurred related to these payment guarantees.

## 18. Trade and Other Payables

Details of trade and other payables as of December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	December 31, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
Leasehold deposits received	₩25,739	₩19,365	₩22,672	₩21,022
Trade payables	34,150	-	30,100	-
Withholdings	5,017	-	6,583	-
Value-added deposit	162,464	-	157,252	-
Accrued expenses	125,371	19,301	120,753	19,128
Other payables	458,436	2,864	114,227	4,952
<b>Total</b>	<b>₩811,177</b>	<b>₩41,530</b>	<b>₩451,587</b>	<b>₩45,102</b>

## 19. Employee Benefits

(1) Profit or loss recognized related to employee benefits for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Defined benefit plans:		
Current service cost	₩31,294	₩30,208
Net interest on net defined benefit liabilities	564	1,020
<b>Subtotal</b>	<b>31,858</b>	<b>31,228</b>
Defined contribution plan:		
Contributions recognized as expense	5,517	5,836
Other long-term employee benefits:		
Current service cost, etc.	2,694	2,056
Termination benefits:		
Voluntary retirements, etc.	2,325	4,251
<b>Total</b>	<b>₩42,394</b>	<b>₩43,371</b>

(2) Changes in net defined benefit liabilities for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Beginning balance	₩22,099	₩34,837
Current service cost	31,294	30,208
Net interest on net defined benefit liabilities	564	1,020
Re-measurement element of net defined benefit liabilities(before tax)	20,811	2,202
Payment amount	(607)	(1,168)
Payment of plan assets	(36,000)	(45,000)
Ending balance	₩38,161	₩22,099
Separate statements of financial position:		
Present value of defined benefit obligations	₩396,703	₩352,428
Fair value of plan assets	(358,542)	(330,329)
<b>Total</b>	<b>₩38,161</b>	<b>₩22,099</b>

(3) Changes in the present value of the defined benefit obligation for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Beginning balance	₩352,428	₩327,518
Current service cost	31,294	30,208
Interest expenses	6,784	7,054
Re-measurement element (before tax)	21,227	2,029
Payment amount	(15,030)	(14,381)
Ending balance	₩396,703	₩352,428

(4) Changes in the fair value of plan assets for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Beginning balance	₩330,329	₩292,681
Interest income	6,220	6,034
Re-measurement element (before tax)	416	(173)
Payment amount	(14,423)	(13,213)
Payment of plan assets	36,000	45,000
Ending balance	₩358,542	₩330,329

The actual interest income from plan assets for the years ended December 31, 2020 and 2019, are ₩6,636 million and ₩5,861 million, respectively.

(5) Changes in the present value of other long-term employee benefits for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Beginning balance	₩19,128	₩18,179
Current service cost	2,334	1,985
Interest cost	355	406
Re-measurement element	5	(335)
Payment amount	(1,015)	(1,107)
Ending balance	₩20,807	₩19,128

(6) Re-measurements recognized in other comprehensive income or loss for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Actuarial gains and losses on defined benefit obligations:		
Changes in demographic assumptions	₩-	₩(46)
Changes in financial assumptions	(11,538)	8,500
Experience adjustments	(9,689)	(10,483)
Subtotal	(21,227)	(2,029)
Revenue from plan assets, excluding amounts included in net interest	416	(173)
Re-measurement element of net defined benefit liabilities (before tax)	(20,811)	(2,202)
Tax effect	5,723	605
Re-measurement element of net defined benefit liabilities (after tax)	₩(15,088)	₩(1,597)

(7) The fair value of each of the major types included in the fair value of plan assets as of December 31, 2020 and 2019, is as follows:

<i>In millions of Korean won</i>	2020	2019
Regular deposits and cash equivalents	₩74,230	₩31,209
Principal and interest guarantee financial assets	284,312	299,120
<b>Total</b>	<b>₩358,542</b>	<b>₩330,329</b>

(8) The major assumptions used for actuarial evaluation as of December 31, 2020 and 2019, are as follows:

<i>Unit : %</i>	2020	2019
Discount rate	2.04	2.03
Expected wage increase rate	4.27	3.95

To calculate the present value of the defined benefit obligation, the Company decided the discount rate by referring to the market rate of return on high-quality corporate bonds consistent with the currency and the expected payment period of the defined benefit obligation as of December 31, 2020.

(9) The results of the analysis of the sensitivity of the defined benefit obligations to the major actuarial assumptions as of December 31, 2020, are as follows:

<i>In millions of Korean won</i>	Increase by 1%	Decrease by 1%
Changes in discount rate	₩(34,484)	₩40,076
Changes in expected wage increase rate	39,599	(34,754)

The increase (decrease) of the defined benefit obligations was calculated based on the present value of the defined benefit obligations as of December 31, 2020.

(10) Effect of defined benefit plan on future cash flow

The Company maintains its policy of reviewing the level of contribution in the pension fund at the end of each fiscal year and making up any losses that may occur in the fund.

The expected contributions for the fiscal year ended December 31, 2021 (the next annual reporting period) are ₩73,112 million.

The weighted average maturities of the defined benefit obligation as of December 31, 2020 and 2019, are 9.59 years and 9.63 years, respectively.

## 20. Refund Liabilities and Provisions

(1) Refund liabilities and provisions as of December 31, 2020, and December 31, 2019, are as follows:

<i>In millions of Korean won</i>	December 31, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
Provision for product warranty	₩4,464	₩-	₩3,694	₩-
Refund liabilities	1,979	305	4,758	265
Provision for site restoration	8,682	125	6,600	95
Provision for financial guarantee	-	622	-	492
Provision for greenhouse gases	178	-	-	-
Total	₩15,303	₩1,052	₩15,052	₩852

(2) Changes in refund liabilities and provisions for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020				2019			
	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance
Provision for product warranty	₩3,694	₩5,781	₩(5,011)	₩4,464	₩3,497	₩13,850	₩(13,653)	₩3,694
Refund liabilities	5,023	-	(2,739)	2,284	3,139	4,596	(2,712)	5,023
Provision for site restoration	6,695	8,391	(6,279)	8,807	104	6,591	-	6,695
Provision for financial guarantee	492	130	-	622	700	-	(208)	492
Provision for greenhouse gases	-	276	(98)	178	-	-	-	-
Total	₩15,904	₩14,578	₩(14,127)	₩16,355	₩7,440	₩25,037	₩(16,573)	₩15,904

(3) For returnable sales, the Company sets up refund liabilities and refund assets by estimating the expected returnable amount at the time of sales, deducting the sales and cost of sales of the parts expected to be returned.

(4) The Company sets up provision for product warranties by estimating the expected warranty amount at the time of sales and sets up the rights to be reimbursed by the manufacturer in the future due to the manufacturer's fault as warranty reimbursement assets. The value of warranty reimbursement assets as of December 31, 2020, is ₩4 million (₩2,384 million as of December 31, 2019).

(5) The Company's provision for site restoration is established by estimating the expected future recovery cost of the leased assets and land. The Company includes the recovery cost of leased assets to the acquisition cost of right-of-use assets, and such expenditure is expected to occur at the end of the contract term for the leased asset. The Company also recognizes the expected recovery cost related to land pollution as costs of goods sold. Such expenditure is expected to occur at a point in time when the purification of pollution is complete.

(6) The Company's provision for financial guarantee is recognized by estimating the amount of joint guarantees for mid-payment loan provided to the buyer related to the off-plan sales construction of Suwon hwaseo.

(7) In relation to greenhouse gas emissions, the Company recognizes provision for greenhouse gases by estimating the book value of the greenhouse gas emission rights that are exercised during the year as well as future expenses expected to be burdened by the Company as a result of emissions exceeding the greenhouse gas emission rights for that year.

## 21. Share Capital and Other Capital Surplus

(1) There have been no changes to share capital and other capital surplus during the years ended December 31, 2020 and 2019. Details of share capital and other capital surplus as of December 31, 2020 and 2019, are as follows:

Classification	Details of paid-in capital	
	December 31, 2020	December 31, 2019
Number of Authorized shares	800,000,000 shares	800,000,000 shares
Amount per share	₩5,000	₩5,000
Issued	137,292,497 shares	137,292,497 shares
Share capital	₩954,959 million	₩954,959 million
Other capital surplus	₩3,582 million	₩3,582 million

As 53,699,400 shares of the Company have been written off in profit, there is a difference of ₩268,497 million between the total face value of the equity and the issued shares.

## 22. Treasury Shares and Gain on disposal of Treasury Shares

(1) Details of treasury shares and gain on disposal of treasury shares as of December 31, 2020 and 2019, are as follows:

Classification	December 31, 2020	December 31, 2019
Number of treasury shares	13,212,574 shares	10,712,574 shares
Treasury shares	₩(531,618) million	₩(318,789) million
Gain on disposal of treasury shares	₩528,894 million	₩528,894 million

(2) Changes in the number of treasury shares for the years ended December 31, 2020 and 2019, are as follows:

Classification	2020	2019
Beginning balance	10,712,574 shares	11,027,370 shares
Acquisition of treasury shares	2,500,000 shares	- shares
Donation of treasury shares	- shares	(314,796) shares
Ending balance	13,212,574 shares	10,712,574 shares

The Company has acquired 2,500,000 treasury shares through a transaction on exchange during the year ended December 31, 2020.

During the year ended December 31, 2019, the Company donated treasury shares(314,796 shares, Fair value: ₩30,220 million) to the Employee Welfare Funds of the Tobacco and Ginseng mutual benefit association Co., Ltd. and Gong-young enterprise Co., respectively, to raise funds for employee benefits and accompanied growth. And the Company recognized ₩15,118 million as gain on disposal of treasury shares (after tax).



## 23. Reserves

(1) Details of reserves as of December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	December 31, 2020	December 31, 2019
Profit reserve	₩602,937	₩602,937
Reserve for business rationalization	12,851	12,851
Reserve for business expansion	698,881	698,881
Other reserve	4,798,745	4,467,445
Gain (loss) on long-term financial assets measured at fair value through other comprehensive income or loss	(75,511)	(58,928)
<b>Total</b>	<b>₩6,037,903</b>	<b>₩5,723,186</b>

### ① Profit reserve

The commercial law stipulates that the Company shall set aside more than 10% of the profit dividends from the money as profit reserve at every settlement of accounts until it reaches 50% of the capital. The profit reserve cannot be distributed in cash and can be used only for the maintenance of carrying forward losses and capital transfer by resolution at the general meeting of shareholders. As of the December 31, 2020 and 2019, the profit reserve set aside in excess of 50% of the Company's share capital is ₩125,458 million.

### ② Reserve for business rationalization

Until 2002, the Company had put the tax deduction amount under the Tax Specialization Act as the corporate rationalized reserve, which could only be used to preserve and transfer capital losses. However, the Act on Restriction of Special Taxes was amended on December 11, 2002, and the relevant provisions were deleted at the time of the amendment.

### ③ Reserve for business expansion and other reserve

In addition to the above-mentioned reserves, the Company can reserve for business expansion and unconditionally with no particular purpose. These reserves can be used for other purposes according to the resolutions of the shareholders' meeting.

(2) Details of gain or loss on long-term financial assets measured at fair value through other comprehensive income or loss as of December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	December 31, 2020	December 31, 2019
Gain or loss on valuation of financial assets at fair value through other comprehensive income or loss (before tax)	₩(104,154)	₩(81,281)
Tax effect	28,643	22,353
<b>Gain or loss on valuation of financial assets at fair value through other comprehensive income or loss (after tax)</b>	<b>(75,511)</b>	<b>(58,928)</b>

## 24. Retained Earnings

(1) Changes in retained earnings for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Beginning balance	₩888,252	₩791,027
Change in accounting policy	-	(1,532)
Dividends	(556,952)	(505,061)
Transfer to other reserve	(331,300)	(285,966)
Profit for the year	1,075,309	891,381
Re-measurements of net defined benefit liabilities(after tax)	(15,088)	(1,597)
Ending balance	₩1,060,221	₩888,252

(2) The Separate statement of appropriation of retained earnings of the Company for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
	Expected appropriation schedule : March 19, 2021	Appropriation fixed date : March 31, 2020
I . Unappropriated retained earnings	₩1,060,221	₩888,252
Unappropriated retained earnings carried over from prior year	₩-	₩-
Changes in accounting policy	-	(1,532)
Profit for the year	1,075,309	891,381
Re-measurements of net defined benefit liabilities(after tax)	(15,088)	(1,597)
II . Appropriation of retained earnings	(1,060,221)	(888,252)
Dividends (Cash dividend (%):	₩(595,584)	₩(556,952)
Ordinary share		
: Current term: ₩4,800(96%),		
: Prior term: ₩4,400(88%)		
Transfer to other reserve <sup>(*)</sup>	-	(1,000)
(Reserve for compensation of damages related to personal information)		
Transfer to other reserve	(464,637)	(330,300)
III. Unappropriated retained earnings to be carried forward	₩-	₩-

<sup>(\*)</sup> For the year ended December 31, 2019, the Company had transferred ₩1,000 million to other reserves in order to fulfill its obligations in accordance with the “Personal Information Protection Act” Article 39-9.

## 25. Real Estate Sales Contract

(1) Ongoing real estate sales contracts for the year ended December 31, 2020 and 2019 are as follows:

① For the year ended December 31, 2020

*In millions of Korean won*

Construction project	Initial sales contract date	Expected completion date	Progress (%)	Total sales value	Total sales contract value	Revenue (cumulative)	Revenue (period) <sup>(*)</sup>	Cost (cumulative) <sup>(*)</sup>
Suwon hwaseo park prugio (Apartment)	June 2018	August 2021	76.86	₩1,188,449	₩1,186,585	₩911,985	₩477,684	₩379,683
Suwon hwaseo park prugio (Efficiency apartment)	October 2018	August 2021	76.10	112,056	106,493	80,109	41,425	48,728
Suwon hwaseo prugio briel	June 2020	September 2023	8.29	791,447	751,030	62,225	62,225	27,854
Total				₩2,091,952	₩2,044,108	₩1,054,319	₩581,334	₩456,265

<sup>(\*)</sup> Excludes sales revenue for Dae-gu central Xi of ₩902 million for the year ended December 31, 2020 (construction has been completed as of December 31, 2020, but resale is underway due to cancellation of the sales contract).

<sup>(\*)</sup> Excludes cumulative costs of ₩30,999 million for common infrastructure.

② For the year ended December 31, 2019

*In millions of Korean won*

Construction project	Initial sales contract date	Expected completion date	Progress (%)	Total sales value	Total sales contract value	Revenue (cumulative)	Revenue (period) <sup>(*)</sup>	Cost (cumulative)
Suwon hwaseo park prugio (Apartment)	June 2018	August 2021	36.59	₩1,188,870	₩1,187,006	₩434,301	₩321,712	₩177,933
Suwon hwaseo park prugio (Efficiency apartment)	October 2018	August 2021	36.23	112,060	106,762	38,684	28,757	23,288
Total				₩1,300,930	₩1,293,768	₩472,985	₩350,469	₩201,221

<sup>(\*)</sup> Excludes sales revenue for Dae-gu central Xi of ₩1,063 million for the year ended December 31, 2019 (construction has been completed as of December 31, 2019, but resale is underway due to cancellation of the sales contract).

(2) Receivables and payables for on-going sales contracts as of December 31, 2020, and December 31, 2019, are as follows:

① As of December 31, 2020

*In millions of Korean won*

Construction project	Revenue (cumulative)	Cash collected (cumulative)	Trade receivables for sale in lots	Advanced receipts for sale in lots
Suwon hwaseo park prugio (Apartment)	₩911,985	₩721,871	₩190,114	₩-
Suwon hwaseo park prugio (Efficiency apartment)	80,109	43,926	36,183	-
Suwon hwaseo prugio briel	62,225	151,136	-	88,911
Total	₩1,054,319	₩916,933	₩226,297	₩88,911

② As of December 31, 2019

*In millions of Korean won*

Construction project	Revenue (cumulative)	Cash collected (cumulative)	Trade receivables for sale in lots	Advanced receipts for sale in lots
Suwon hwaseo park prugio (Apartment)	₩434,301	₩480,394	₩-	₩46,093
Suwon hwaseo park prugio (Efficiency apartment)	38,684	33,542	5,142	-
Total	₩472,985	₩513,936	₩5,142	₩46,093

(3) No material changes in estimated total contract revenues and total contract costs have occurred during the year end December 31, 2020. Estimated total contract revenue and total contract cost of the ongoing sales contracts are based on the circumstances that have occurred till December 31, 2020, and can be subject to change in the future.

## 26. Operating Expenses

(1) Expenses, classified by nature, incurred for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Changes in inventories	₩(25,199)	₩ (13,465)
Raw materials etc. used and merchandise purchased	851,032	828,672
Salaries	392,179	363,080
Retirement and termination benefits	39,700	41,315
Depreciation	125,159	107,542
Amortization	5,746	1,514
Employee welfare	50,063	45,926
Advertising	92,024	92,784
Commissions	185,288	149,534
Other expenses	382,374	191,151
<b>Total</b>	<b>₩2,098,366</b>	<b>₩1,808,053</b>

(2) Selling, general and administrative expenses for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Salaries	₩265,983	₩245,588
Retirement and termination benefits	28,042	28,521
Employee welfare	34,771	31,788
Travel expenses	3,389	9,930
Communication cost	2,748	2,714
Utilities	10,121	9,783
Taxes and dues	23,233	24,928
Supplies	2,811	2,000
Rent	6,181	8,087
Depreciation	36,999	35,240
Amortization	5,738	1,512
Repairs and maintenance	5,619	4,674
Vehicles	3,274	3,613
Insurance	1,314	581
Commissions	140,580	110,093
Freight and custody	11,004	9,837
Conferences	2,275	3,324
Advertising	91,946	92,660
Education and training	3,484	4,936
Prizes and rewards	2,267	2,239
Research and development	25,804	23,024
Impairment loss (reversal of impairment loss) on trade receivables	(18,338)	20,846
<b>Total</b>	<b>₩689,245</b>	<b>₩675,918</b>

## 27. Other Income and Expenses

(1) Other income for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Gain on foreign currency transaction	₩67,897	₩21,074
Gain on foreign currency translation	779	35,459
Gain on valuation of derivatives	33,358	6,705
Reversal of impairment loss on other receivables	2,308	1,884
Gain on disposal of property, plant and equipment	2,498	5,400
Gain on disposal of intangible assets	-	1
Gain on disposal of investment property	534	-
Gain on lease contract adjustments	71	-
Gain on disposal of assets held for sale	153,852	375
Gain on disposal of investments in associates and joint ventures	2,208	9,051
Miscellaneous income	12,872	27,872
<b>Total</b>	<b>₩276,377</b>	<b>₩107,821</b>

(2) Other expenses for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Loss on foreign currency transaction	₩46,895	₩6,787
Loss on foreign currency translation	154,320	1,370
Loss on valuation of derivatives	17,421	19,591
Loss on impairment of other receivables	895	4,013
Loss on disposal of property, plant and equipment	3,180	3,822
Loss on impairment of property, plant and equipment	185	-
Loss on disposal of intangible assets	22	-
Loss on impairment of intangible assets	327	2,391
Loss on disposal of investment properties	493	-
Loss on disposal of assets held for sale	1	-
Loss on impairment of assets held for sale	424	-
Loss on impairment of investment in subsidiaries subsidiary investment	23,967	27,137
Donations	5,085	36,803
Miscellaneous loss	2,521	3,214
<b>Total</b>	<b>₩255,736</b>	<b>₩105,128</b>

## 28. Finance Income and Cost

Finance income and cost for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Finance income:		
Interest income <sup>(*)</sup>	₩17,584	₩22,512
Dividend income	26,027	24,322
Gain on adjustment of debt	15	68
Gain on valuation of financial assets at fair value through profit or loss	43,881	49,727
Gain on disposal of long-term deposits in MSA Escrow Fund	29,303	-
Total finance income	116,810	96,629
Finance cost:		
Interest expense	1,749	1,812
Loss on valuation of financial assets at fair value through profit or loss	7,242	6,530
Total finance cost	8,991	8,342
Net finance income	₩107,819	₩88,287

<sup>(\*)</sup> The interest income is from financial instruments measured at amortized cost.

(2) Details of interest income included in finance income for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Deposits	₩4,883	₩6,620
Trade and other receivables	6,588	6,589
Long-term deposits in MSA Escrow Fund	6,113	9,095
Reversal of financial guarantee provisions	-	208
Total	₩17,584	₩22,512

(3) Details of interest expense included in finance cost for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Trade and other payables	₩1,083	₩1,173
Lease liabilities	666	431
Amortization of prepaid expense	-	208
Total	₩1,749	₩1,812

## 29. Income Tax Expense and Deferred Tax

(1) Details of income tax expenses elements for the years ended December 31, 2020 and December 31, 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Current tax on profits for the year	₩396,745	₩349,214
Adjustments on the past income tax, etc.	(6,947)	-
Effects of change in accounting policy <sup>(*)</sup>	-	1,465
Increase/decrease from temporary differences, etc.	371	(16,513)
<b>Income tax</b>	<b>₩390,169</b>	<b>₩334,166</b>

<sup>(\*)</sup> For the year ended December 31, 2019, income tax expense has increased by ₩1,465 million and the beginning balance of retained earnings has decreased by ₩1,532 million due to the effects of changes in accounting policy from the enactment of interpretation for K-IFRS 2123 Uncertainty over Income Tax Treatments.

(2) Details of the relationship between income tax expenses and accounting profit for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Profit before income tax expense	₩1,465,478	₩1,225,546
Tax rate (%)	26.79	26.65
Tax amount according to applicable tax rate	₩392,645	₩326,663
Adjustments:		
Non-taxable income	(909)	(622)
Expenses not deductible for tax purposes	1,518	2,933
Changes in unrecognized amount of deferred tax due to temporary differences	5,657	4,543
Tax credit	(1,944)	(1,067)
Adjustments on the past income tax	(6,947)	-
Effects of change in accounting policy	-	1,465
Others	149	251
<b>Income tax expense</b>	<b>₩390,169</b>	<b>₩334,166</b>
<b>Average effective tax rate (%)</b>	<b>26.62</b>	<b>27.27</b>

(3) Details of current and deferred income tax related to items recognized outside profit or loss for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Current tax:		
Gain on disposal of treasury shares	₩-	₩(5,734)
Deferred tax:		
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	6,290	(2,725)
Re-measurement element of net defined benefit liabilities	5,723	605
Subtotal	12,013	(2,120)
<b>Total</b>	<b>₩12,013</b>	<b>₩(7,854)</b>

(4) Changes in deferred income tax assets (liabilities) for the years ended December 31, 2020 and 2019, are as follows:

① For the year ended December 31, 2020

<i>In millions of Korean won</i>	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Accumulated depreciation	₩9,844	₩593	₩-	₩10,437
Allowance	43,223	(6,915)	-	36,308
Financial asset measured at fair value through other comprehensive income or loss (profit or loss)	14,324	(34)	6,290	20,580
Accrued expenses	33,102	3,156	-	36,258
Defined benefit liabilities	2,017	(1,641)	5,723	6,099
Treasury shares	(9,411)	-	-	(9,411)
Investments in subsidiaries	(71,692)	542	-	(71,150)
Advanced depreciation provision	(10,004)	-	-	(10,004)
Others	12,836	3,928	-	16,764
<b>Total</b>	<b>₩24,239</b>	<b>₩(371)</b>	<b>₩12,013</b>	<b>₩35,881</b>

② For the year ended December 31, 2019

<i>In millions of Korean won</i>	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Accumulated depreciation	₩8,086	₩1,758	₩-	₩9,844
Allowance	37,068	6,155	-	43,223
Financial asset measured at fair value through other comprehensive income or loss (profit or loss)	17,158	(109)	(2,725)	14,324
Accrued expenses	32,332	770	-	33,102
Defined benefit liabilities	4,696	(3,284)	605	2,017
Treasury shares	(9,687)	276	-	(9,411)
Investments in subsidiaries	(72,034)	342	-	(71,692)
Advanced depreciation provision	(13,518)	3,514	-	(10,004)
Others	5,745	7,091	-	12,836
<b>Total</b>	<b>₩9,846</b>	<b>₩16,513</b>	<b>₩(2,120)</b>	<b>₩24,239</b>

(5) Temporary differences related to investment in subsidiaries etc. which are deductible (taxable) as of December 31, 2020 and 2019 are as follows. They have not been recognized as deferred tax assets (liabilities) since it does not seem probable in the foreseeable future that they will not be realized:

<i>In millions of Korean won</i>	December 31, 2020	December 31, 2019
Deductible temporary differences	₩374,610	₩353,407
Taxable temporary differences	(280,079)	(280,079)
<b>Total</b>	<b>₩94,531</b>	<b>₩73,328</b>

### 30. EPS

(1) The relationship between EPS and accounting profit for the years ended December 31, 2020 and 2019, are as follows:

	2020	2019
Profit for the period attributable to owners of the Company (in millions of Korean won)	1,075,309	891,381
Weighted-average number of ordinary shares outstanding (shares)	125,719,943	126,278,926
Basic and diluted EPS (in Korean won)	8,553	7,059



(2) The basis for calculating the weighted average number of ordinary shares for the years ended December 31, 2020 and 2019, is as follows:

① For the year ended December 31, 2020

	Date	Number of shares (shares)	Days	Weighted Shares
Beginning balance for outstanding shares	Jan 1 ~ December 31	137,292,497	366	50,249,053,902
Beginning balance for treasury shares	Jan 1 ~ December 31	(10,712,574)	366	(3,920,802,084)
Acquisition of treasury shares	August 7 etc. ~ December 31	(2,500,000)	108~147	(314,752,806)
Total				46,013,499,012
Days in circulation (days)				366
Weighted average number of ordinary shares outstanding (Ordinary shares outstanding for the accumulated number of days / days in circulation)				125,719,943 shares

② For the year ended December 31, 2019

	Date	Number of shares (shares)	Days	Weighted Shares
Beginning balance for outstanding shares	Jan 1 ~ December 31	137,292,497	365	50,111,761,405
Beginning balance for treasury shares	Jan 1 ~ December 31	(11,027,370)	365	(4,024,990,050)
Disposal of treasury shares	December 16 ~ December 31	314,796	16	5,036,736
Total				46,091,808,091
Days in circulation (days)				365
Weighted average number of ordinary shares outstanding (Ordinary shares outstanding for the accumulated number of days / days in circulation)				126,278,926 shares

The weighted average number of ordinary shares is the number of ordinary shares acquired and disposed of during the period or the number of newly issued ordinary shares, adjusted to take into account the weighting of each period.

### 31. Related Parties

(1) Details of companies and related parties in which the Company has a parent-subsidary relationship with as of December 31, 2020, and December 31, 2019, are as follows:

Unit : %	Notes	Location	2020			2019		
			Parent	Subsidiary	Total	Parent	Subsidiary	Total
Subsidiaries		Korea Ginseng Corporation	100.00	-	100.00	100.00	-	100.00
		Yungjin Pharm. Co., Ltd.	52.45	-	52.45	52.45	-	52.45
		Tae-a Industry Co., Ltd.	100.00	-	100.00	100.00	-	100.00
		KT&G Tutun Mamulleri Sanayi ve Ticaret A.S.	99.99	-	99.99	99.99	-	99.99
		Korea Tabacos do Brasil Ltda.	99.99	-	99.99	99.99	-	99.99
		KT&G Pars	99.99	-	99.99	99.99	-	99.99
		KT&G Rus L.L.C.	100.00	-	100.00	100.00	-	100.00
		KT&G USA Corporation	100.00	-	100.00	100.00	-	100.00
		Cosmococos Co., Ltd.	98.56	-	98.56	98.56	-	98.56
	(*)	Renzoluc Pte., Ltd.	100.00	-	100.00	100.00	-	100.00
		PT KT&G Indonesia	99.99	-	99.99	99.99	-	99.99
		SangSang Stay, Inc.	100.00	-	100.00	100.00	-	100.00
		KT&G Global Rus L.L.C.	100.00	-	100.00	100.00	-	100.00
		Gwacheon Sangsang PFV	51.00	-	51.00	51.00	-	51.00
		K&I HK Co., Ltd.		98.56	98.56		98.56	98.56
		K&I China Co., Ltd.		98.56	98.56		98.56	98.56
	(*)	KGC Yebon Corporation	-	100.00	100.00	-	100.00	100.00
		KGC Life & Gin Co., Ltd.	-	100.00	100.00	-	100.00	100.00
		Jilin Hanzheng Ginseng Co., Ltd.	-	100.00	100.00	-	100.00	100.00
		Cheong Kwan Jang Taiwan Corporation	-	100.00	100.00	-	100.00	100.00
		Korean Red Ginseng Corp., Inc.	-	100.00	100.00	-	100.00	100.00
		Korea Ginseng (China) Corp.	-	100.00	100.00	-	100.00	100.00
		Korea Ginseng Corporation Japan	-	100.00	100.00	-	100.00	100.00
	(*)	PT Trisakti Purwosari Makmur	-	99.99	99.99	-	99.99	99.99
		PT Nusantara Indah Makmur	-	99.99	99.99	-	99.99	99.99
Associates	(*)	Lite Pharm Tech, Inc.	16.75	-	16.75	16.75	-	16.75
	(*)	Yong In Jung Sim Co., Ltd.	-	-	-	22.22	-	22.22
	(*)	KORAMCO Ocheon Project Financing Vehicle Co., Ltd.	18.95	-	18.95	-	-	-
	(*)	KORAMCO Banpo Project Financing Vehicle Co., Ltd.	18.95	-	18.95	-	-	-
	(*)	KORAMCO Dongjak Project Financing Vehicle Co., Ltd.	19.47	-	19.47	-	-	-
	(*)	KORAMCO Amsa Project Financing Vehicle Co., Ltd.	17.84	-	17.84	-	-	-
		Others						
Joint ventures	(*)	KB Gimpo Logistics CR REIT Co., Ltd.	-	-	-	12.00	-	12.00
	(*)	KORAMCO Private REIT 50 Fund	-	-	-	84.21	-	84.21
	(*)	KORAMCO Europe Private REIT 3-2 Fund	51.35	-	51.35	51.35	-	51.35
		Starfield Suwon, Inc	50.00	-	50.00	50.00	-	50.00

(\*) The percentage of ownership does not include convertible preference shares, with 88.60% including preferred shares as of December 31, 2020.

(\*) For the year ended December 31, 2019, the Company has made a capital contribution in kind of its 100% equity holdings in KGC Yebon Corporation to its subsidiary, Korea Ginseng Corporation.

- (\*) For the year ended December 31, 2019, the Company has merged its four manufacturing corporations in Indonesia (PT Trisakti Purwosari Makmur, PT Mandiri Maha Mulia, PT Sentosa Ababi Purowosari, PT Purindo Ilufa) into one, with its second-tier subsidiary PT Trisakti Purwosari Makmur being the remaining corporation after the merger.
- (\*) It is classified as an investment in associates even though the Company's holdings in the invested company is less than 20%. Since it has the right to participate in the invested company's board of directors meeting according to the shareholder's agreement, the Company has judged that it has significant influence over the invested company.
- (\*) Due to Yong In Jung Sim Co., Ltd's capital increase with consideration through dilutive secondary offerings during the year ended December 31, 2020, the Group has lost its significant influence in the invested company. Since the Company has disposed of its entire holdings in Yong In Jung Sim Co., Ltd as of December 31, 2020, it has been excluded from the scope of the Company's related parties.
- (\*) These are classified as investments in associates even though the Company's holdings in the invested companies are less than 20%, respectively. The Company has judged that it has significant influence over these invested companies since the Company has the right to nominate a member of the board of directors of each invested company. These investments have been newly acquired during the year ended December 31, 2020.
- (\*) It was classified as a joint venture since decisions about the significant financial and operating policies of the investee could not be made without unanimous consent of the Company and the Korea Tobacco and Ginseng Benefit Association, holding 12% shares each, as the voting power of 76% shares held by the collective investment business entity was not entitled to have an impact on a resolution of the investee according to the Financial Investment Services and Capital Markets Act. It has been excluded from the scope of the Company's related parties according to the liquidation of this equity investment during the year ended December 31, 2020..
- (\*) It was classified as a joint venture since decisions about the significant financial and operating policies of the investee could not be made without the unanimous consent of the parties that control the arrangement collectively. Since the Company has disposed of its entire holdings in KORAMCO Private REIT 50 Fund as of December 31, 2020, it has been excluded from the scope of the Company's related parties.
- (\*) 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.

(2) The Company carries out transactions with related parties such as sales of goods and services, the details of transactions with related parties for year ended December 31, 2020, and 2019, are as follows:

① Sales and other income

<i>In millions of Korean won</i>		2020	2019
Subsidiaries	Korea Ginseng Corporation	₩9,982	₩7,676
	Yungjin Pharm. Co., Ltd.	598	253
	Tae-A Industry Co., Ltd.	406	267
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. (*)	9,124	12,525
	Korea Tobacos do Brasil Ltda.	4	3
	KT&G Rus L.L.C. (*)	31,147	29,678
	KT&G USA Corporation	205,875	75,815
	Cosmococ Co., Ltd.	119	85
	PT KT&G Indonesia (*)	1,133	1,190
	SangSang Stay, Inc.	5,443	5,919
	KT&G Global Rus L.L.C.	29	-
	KGC Yebon Corporation	18	23
	KGC Life & Gin Co., Ltd.	464	319
	PT Trisakti Purwosari Makmur (*)	20,799	19,537
Associates	JR REIT 5 Co., Ltd. (*)	-	130
	JR REIT 8 Co., Ltd. (*)	-	108
	JR REIT 10 Co., Ltd. (*)	-	559
	Others	-	1
Joint ventures	KORAMCO Europe Private REIT 3-2 Fund	1,227	1,191
Total		₩286,368	₩155,279

(\*) These figures exclude impairment loss (reversal of impairment loss) for related parties which are ₩5,607 million for the year ended December 31, 2020 (₩4,125 million for the year ended December 31, 2019).

(\*) According to the liquidation procedure for these equity investments, the Company was allocated a portion of the remaining assets during the December 31, 2019.

② Purchases and other expenses

<i>In millions of Korean won</i>		2020	2019
Subsidiaries	Korea Ginseng Corporation	₩1,556	₩1,940
	Yungjin Pharm. Co., Ltd.	213	214
	Tae-A Industry Co., Ltd.	21,791	19,229
	Korea Tobacos do Brasil Ltda.	260	-
	KT&G Rus L.L.C.	1	-
	Cosmococ Co., Ltd.	611	1,003
	SangSang Stay, Inc.	67	118
	KGC Yebon Corporation	154	214
	KGC Life & Gin Co., Ltd.	57	34
Associates	Others	2,149	-
Total		₩26,859	₩22,752

(3) Account balances of receivables and payables with related parties as of December 31, 2020, and December 31, 2019, are as follows:

<i>In millions of Korean won</i>		December 31, 2020		December 31, 2019	
		Receivables	Payables	Receivables	Payables
Subsidiaries	Korea Ginseng Corporation	₩543	₩1,894	₩608	₩1,898
	Yungjin Pharm. Co., Ltd.	81	58	175	58
	Tae-a Industry Co., Ltd.	-	4,408	-	4,420
	KT&G Tutun Mamulleri Sanayi ve Ticaret A.S. <sup>(*)</sup>	43,349	-	39,797	-
	Korea Tabacos do Brasil Ltda. <sup>(*)</sup>	113	-	109	-
	KT&G Pars <sup>(*)</sup>	44,525	-	44,525	-
	KT&G Rus L.L.C. <sup>(*)</sup>	29,205	-	65,474	-
	KT&G USA Corporation	80,993	272	16,350	290
	Cosmococ Co., Ltd.	5	-	33	2
	PT KT&G Indonesia <sup>(*)</sup>	28,353	-	31,204	-
	KT&G Global Rus L.L.C.	27	-	-	-
	KGC Yebon Corporation	-	9,596	-	-
	KGC Life & Gin Co., Ltd.	-	135	-	120
	PT Trisakti Purwosari Makmur <sup>(*)</sup>	36,444	-	21,626	-
Associates	Others	-	32	-	-
Joint ventures	KB Gimpo Logistics CR REIT Co., Ltd.	-	-	99	-
	KORAMCO Private REIT 50 Fund	-	-	523	-
	Starfield Suwon, Inc	-	-	-	16,020
Total		₩263,638	₩16,395	₩220,523	₩22,808

<sup>(\*)</sup> These figures are gross amounts before the deduction of allowance for doubtful accounts. Allowance for doubtful accounts as of December 31, 2020, and 2019, were ₩77,069 million and ₩73,598 million respectively.

<sup>(\*)</sup> Amount includes loans to related parties.

(4) Transactions of purchase and sales of property, plant and equipment and intangible assets (including assets held for sale) and right-of-use assets with related parties for the year ended December 31, 2020 and 2019, are as follows:

		2020			2019		
		Purchase of right-of-use assets	Purchase of intangible assets	Sale of property, plant and equipment	Sale of assets held for sale	Sale of property, plant and equipment	Sale of assets held for sale
<i>In millions of Korean won</i>							
Subsidiaries	Tae-A Industry Co., Ltd.	₩-	₩-	₩-	₩432	₩-	₩29,977
	KGC Yebon Corporation	10,162	-	-	-	-	-
	PT Trisakti Purwosari Makmur	-	-	4,181	2,009	3,368	-
Associates	Others	-	160	-	-	-	-
Joint ventures	Starfield Suwon, Inc	-	-	-	160,718	-	-
Total		₩10,162	₩160	₩4,181	₩163,159	₩3,368	₩29,977

(5) Details of fund transactions with related parties for the year ended December 31, 2020 and 2019, are as follows:

		2020			2019		
		Equity investment	Repayment of lease liabilities	Equity recovery	Contribution in kind	Collection of loans	Equity recovery
<i>In millions of Korean won</i>							
Subsidiaries	Korea Ginseng Corporation <sup>(*)</sup>	₩-	₩-	₩-	₩45,982	₩-	₩-
	SangSang Stay, Inc.	20,000	-	-	-	-	-
	KGC Yebon Corporation <sup>(*)</sup>	-	566	-	(45,982)	-	-
Associates	JR REIT 5 Co., Ltd. <sup>(*)</sup>	-	-	-	-	-	11,125
	JR REIT 8 Co., Ltd. <sup>(*)</sup>	-	-	-	-	-	13,526
	JR REIT 10 Co., Ltd. <sup>(*)</sup>	-	-	-	-	-	9,500
	KORAMCO Ocheon Project Financing Vehicle Co., Ltd.	5,685	-	-	-	-	-
	KORAMCO Banpo Project Financing Vehicle Co., Ltd.	5,306	-	-	-	-	-
	KORAMCO Dongjak Project Financing Vehicle Co., Ltd.	1,850	-	-	-	-	-
	KORAMCO Amsa Project Financing Vehicle Co., Ltd.	1,159	-	-	-	-	-
	Others	-	-	-	-	150	-
	KB Gimpo Logistics CR REIT Co., Ltd. <sup>(*)</sup>	-	-	3,356	-	-	-
Joint ventures	KORAMCO Private REIT 50 Fund <sup>(*)</sup>	-	-	17,852	-	-	-
	Starfield Suwon, Inc	87,500	-	-	-	-	-
Total		₩121,500	₩566	₩21,208	₩-	₩150	₩34,151

(\*) According to the liquidation procedure for these equity investments, the Company was allocated a portion of the remaining assets during the years ended December 31, 2020 and 2019.

(\*) For the year ended December 31, 2019, the Company has made a capital contribution in kind of its 100% equity holdings in KGC Yebon Corporation to its subsidiary, Korea Ginseng Corporation.

(6) During the year ended December 31, 2020, the Company has renewed a contract which extends the maturity of its loan to PT KT&G Indonesia of USD 22,975 thousand (for the year ended December 31, 2019, contract renewals to extend the respective maturities of loans to: USD 22,975 thousand for PT KT&G Indonesia, USD 10,620 thousand for KT&G Pars, and ₩94 million for Korea Tabacos do Brasil Ltda.).

(7) As of December 31, 2020, KT&G USA Corporation is being provided with a payment guarantee from the Federal Insurance Company up to USD 35,000 thousand in relation to import clearance. The Company has a recourse responsibility up to a limit of USD 125,000 thousand, which includes the amount of payment guarantee executed, to the Federal Insurance Company and others (see Note 34 (3)).

(8) Details of key management personnel compensation for the years ended December 31, 2020, and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Long(short)-term employee benefits	₩23,107	₩17,703
Retirement benefits	2,354	1,902
Total	₩25,461	₩19,605

## 32. 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 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 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 fiscal year.

### (1) 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 flow 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 currency risk of fluctuations to the Korean won on a regular basis.

The carrying amount of monetary assets and liabilities denominated in a foreign currency other than the functional currency as of December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	December 31, 2020		December 31, 2019	
	Monetary assets	Monetary liabilities	Monetary assets	Monetary liabilities
USD	₩1,610,925	₩33,168	₩1,156,423	₩ 30,843
IDR	2,307	-	1,905	-
EUR	29,433	11,753	30,897	9,301
Others	26,260	1,112	59,700	681
Total	₩1,668,925	₩46,033	₩ 1,248,925	₩ 40,825

The effects of a 10% change in the Korean won-foreign currency exchange rate on profit before tax as of December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020		2019	
	10% increase	10% decrease	10% increase	10% decrease
Increase(decrease) in profit before tax	₩162,289	₩(162,289)	₩120,810	₩(120,810)

## ② Price risk

The Company is exposed to other price fluctuation risks in relation to its listed equity instruments in fair value through other comprehensive income or loss such that the fair value of the financial instruments or the future cash flows will change due to factors such as changes in market price. 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.

The effects of a 5% fluctuation in the price index of stocks on comprehensive income or loss before tax (gain or loss on valuation of financial assets at fair value through other comprehensive income or loss) for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020		2019	
	5% increase	5% decrease	5% increase	5% decrease
Increase(decrease) in comprehensive income or loss (before tax)	₩3,640	₩(3,640)	₩5,090	₩(5,090)

## ③ Interest rate risk

The Company is exposed to interest rate fluctuation risk in relation to the trade payables and other payables 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 liabilities. Considering the size of the variable interest bearing liabilities of the Company as of December 31, 2020, the effect of changes in interest rates on the fair values of financial liabilities or future cash flows is not important.

## (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 certain level of creditworthiness or higher, and prepares and operates policies and procedures for credit enhancement of the 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, readjusts the collateral level by reassessing the client's creditworthiness, 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 December 31, 2020, and December 31, 2019 are as follows:

<i>In millions of Korean won</i>	December 31, 2020	December 31, 2019
Cash and cash equivalents (excluding cash on hand) <sup>(*)</sup>	₩225,699	₩202,192
Other financial assets	339,137	380,137
Financial assets measured at fair value through profit or loss <sup>(*)</sup>	2,013,316	1,942,584
Trade and other receivables	1,170,996	891,243
Long-term deposits in MSA Escrow Fund	909,794	751,437
Derivative assets	12,710	2,277
Total	₩4,671,652	₩4,169,870

<sup>(\*)</sup> As of December 31, 2020, money market trust worth ₩850,287 million (as of December 31, 2019: ₩454,395 million) classified as cash equivalents are included in the financial assets measured at fair value through profit or loss.



### (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 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 the financial liabilities are redeemable through cash flows from operating activities and cash inflows from financial assets.

The maturity analysis according to the remaining maturity of the financial liabilities as of December 31, 2020 and 2019, is as follows:

#### ① As of December 31, 2020

<i>In millions of Korean won</i>	Carrying value	Contractual cash flow	Remaining maturity of contract			
			Less than 3 months	3 months ~ 1 year	1 year ~ 5 years	More than 5 years
Short term borrowings	₩817	₩817	₩817	₩-	₩-	₩-
Trade and other payables	549,848	552,256	497,695	30,365	19,240	4,956
Derivative liabilities	57	57	57	-	-	-
Lease liabilities	28,897	30,765	2,430	6,312	15,023	7,000
Total	₩579,619	₩583,895	₩500,999	₩36,677	₩34,263	₩11,956

#### ② As of December 31, 2019

<i>In millions of Korean won</i>	Carrying value	Contractual cash flow	Remaining maturity of contract		
			Less than 3 months	3 months ~ 1 year	1 year ~ 5 years
Short term borrowings	₩1,007	₩1,007	₩1,007	₩-	₩-
Trade and other payables	209,223	211,878	160,777	22,956	28,145
Lease liabilities	18,128	18,875	₩1,933	5,154	11,788
Total	₩228,358	₩231,760	₩163,717	₩28,110	₩39,933

The cash flows of financial liabilities per maturity remaining, as stated above, are undiscounted nominal values. The above cash flows have been calculated by using the earliest date from the period of time that the Company can be requested to make payment, and includes cash flows for interest.

As of December 31, 2020, the Company provides joint-guarantees for mid-payment loan provided to the buyer related to the real estate sales contract of Suwon hwaseo prugio (guarantee limit: ₩225,600 million, remaining contract maturity: 1 ~ 5years) and has recognized a financial guarantee provision liability of ₩622 million (as of December 31, 2019: 492 million) (see Notes 20, 34).



(4) The carrying amounts of each category of financial instruments as of December 31, 2020, and December 31, 2019, are summarized as follows:

<i>In millions of Korean won</i>	December 31, 2020	December 31, 2019
Financial assets:		
Financial assets measured at fair value through profit or loss <sup>(*)</sup>	₩2,013,316	₩1,942,584
Financial assets measured at fair value through other comprehensive income or loss	214,394	240,456
Derivative assets	12,710	2,277
Financial assets measured at amortized cost		
- Cash and cash equivalents <sup>1)</sup>	225,827	202,380
- Other financial assets	339,137	380,137
- Trade and other receivables	1,170,996	891,243
- Long-term deposits in MSA Escrow Fund	909,794	751,437
Subtotal	2,645,754	2,225,197
Total financial assets	₩4,886,174	₩4,410,514
Financial liabilities:		
Derivative liabilities	₩57	₩-
Financial liabilities measured at amortized cost		
- Short-term borrowings	817	1,007
- Trade and other payables	549,848	209,223
- Lease liabilities	28,897	18,128
Subtotal	579,562	228,358
Total financial liabilities	₩579,619	₩228,358

<sup>(\*)</sup> As of December 31, 2020, money market trust worth ₩850,287 million (as of December 31, 2019: ₩454,395 million) classified as cash equivalents are included in the financial assets measured at fair value through profit or loss.

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

The fair value measurements classified by fair value hierarchy as of December 31, 2020, and December 31, 2019, are as follows:

① As of December 31, 2020

<i>In millions of Korean won</i>	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss <sup>(*)</sup>	₩2,013,316	₩-	₩1,782,928	₩230,388
Financial assets measured at fair value through other comprehensive income or loss	214,394	167,518	-	46,876
Derivative assets	12,710	-	12,710	-
Total financial assets	₩2,240,420	₩167,518	₩1,795,638	₩277,264
Derivative liabilities	₩57	₩-	₩57	₩-

<sup>(\*)</sup> As of December 31, 2020, money market trust worth ₩850,287 million classified as cash equivalents are included in the financial assets measured at fair value through profit or loss.

② As of December 31, 2019

<i>In millions of Korean won</i>	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss <sup>(*)</sup>	₩1,942,584	₩-	₩1,693,658	₩248,926
Financial assets measured at fair value through other comprehensive income or loss	240,456	191,929	-	48,527
Derivative assets	2,277	-	2,277	-
Total	₩2,185,317	₩191,929	₩1,695,935	₩297,453

<sup>(\*)</sup> As of December 31, 2019, money market trust worth ₩454,395 million classified as cash equivalents are included in the financial assets measured at fair value through profit or loss.

There was no movement between levels of the fair value hierarchy for the years ended December 31, 2020, and 2019.

As of December 31, 2020, and December 31, 2019, 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 discounted cash flow and was classified as Level 3 fair value based on the inputs used in the valuation technique. The changes in Level 3 fair value for the years ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Beginning balance	₩297,453	₩260,595
Acquisition	12,242	52,527
Disposal	(36,801)	(14,655)
Reclassification	945	-
Changes in fair value	3,425	(1,014)
Ending balance	₩277,264	₩297,453

(6) Net gains or losses by category of financial instruments for the years ended December 31, 2020 and 2019, are as follows:

① For the year ended December 31, 2020

<i>In millions of Korean won</i>	Fair value through profit or loss	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 year:						
Interest income	₩-	₩-	₩-	₩17,584	₩-	₩17,584
Dividend income	14,260	10,541	-	-	-	24,801
Gain or loss on valuation	36,639	-	15,937	-	15	52,591
Gain on disposal	-	-	-	29,303	71	29,374
Interest expense	-	-	-	-	(1,749)	(1,749)
Impairment loss(reversal)	-	-	-	19,751	-	19,751
Total	₩50,899	₩10,541	₩15,937	₩66,638	₩(1,663)	₩142,352
Other comprehensive income (loss) before tax:						
Net change in fair value	₩-	₩(22,873)	₩-	₩-	₩-	₩(22,873)

② For the year ended December 31, 2019

<i>In millions of Korean won</i>	Fair value through profit or loss	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 year:						
Interest income	₩-	₩-	₩-	₩22,512	₩-	₩22,512
Dividend income	13,230	9,104	-	-	-	22,334
Gain or loss on valuation	43,197	-	(12,886)	-	68	30,379
Interest expense	-	-	-	-	(1,812)	(1,812)
Impairment loss(reversal)	-	-	-	(22,975)	-	(22,975)
Total	₩56,427	₩9,104	₩(12,886)	₩ (463)	₩ (1,744)	₩50,438
Other comprehensive income (loss) before tax:						
Net change in fair value	₩-	₩9,911	₩-	₩-	₩-	₩9,911

### 33. 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 fiscal year. Details on the Company's capital structure as of December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Total borrowings	₩817	₩1,007
Less: Cash and cash equivalents	(1,076,114)	(656,775)
Less: Current other financial assets	(330,597)	(377,340)
Less: Current financial instruments measured at fair value through profit or loss	(914,424)	(1,239,263)
Net liabilities (net assets)	₩(2,320,318)	₩(2,272,371)
Total equity	₩8,053,942	₩7,780,084

### 34. Contingent Liabilities and Commitments

(1) Litigation cases

As of December 31, 2020, the Company has 5 cases of pending litigations under progress where the Company is the defendant and the litigation value is ₩55,809 million. It is not possible to reasonably predict the impact of the outcome of pending litigation as of December 31, 2020, on the Separate financial statements of the Company.

## (2) Commitments with financial institutions

Major commitments of the Company with financial institutions as of December 31, 2020, are as follows:

*In thousands of US dollars*

Type	Financial institutions	Currency	Limit
Opening import letter of credits	KEB Hana Bank and one other	USD	110,000
Derivatives trading <sup>(*)</sup>	KEB Hana Bank and five others	USD	374,700

<sup>(\*)</sup> Derivatives are composed of foreign exchange forward contracts and are held for trading as of December 31, 2020.

As of December 31, 2020, the Company has a short-term export credit insurance contract with the Korea Trade Insurance Corporation (covered amount: \$85,290 thousand) related to the overseas export of manufactured cigarettes etc.

## (3) Payment guarantees and collateral

Payment guarantees and collateral provided by other parties to the Company as of December 31, 2020, are as follows:

*In millions of Korean won or thousands of US dollars*

Provider	Currency	Limit	Details
Korea Housing & Urban Guarantee Corporation	KRW	1,433,352	Housing distribution guarantee, etc.
Seoul Guarantee Insurance	KRW	2,273	License guarantee, etc.
Travelers Casualty and Surety Company of America	USD	24,840	Escrow deposit guarantee
KEB Hana Bank	USD	2,000	Performance and tender guarantee related to exporting reconstituted tobacco leaves

As of December 31, 2020, KT&G USA Corporation is being provided with a payment guarantee from the Federal Insurance Company up to a limit of \$35,000 thousand in relation to import clearance. The Company has a recourse responsibility up to a limit of \$125,000 thousand, which includes the amount of payment guarantee executed, to the Federal Insurance Company and others.

Payment guarantees provided by the Company for other parties as of December 31, 2020, are as follows:

*In millions of Korean won*

Guarantee user	Limit amount	Execution amount	Details of guarantee
Shinhan Bank	₩156,120	₩63,262	Loan guarantee for the mid payment of off-plan sales construction
KEB Hana Bank	60,000	41,069	
Suhyup Bank	9,480	6,723	
Total	₩225,600	₩111,054	

The Company provides payment guarantees to financial institutions in accordance with the consumer financial agreement related to retail trade receivables and receives related bonds from financial institutions and recognizes them as short-term borrowings (see Note 17).

Assets pledged as collateral as of December 31, 2020, are as follows:

<i>In millions of Korean won</i>	Carrying amount	Debt amount	Collateralized amount	Collateral holder	Type
Investment property	₩481,597	₩25,604	₩28,822	CJ Foodville Co., Ltd., etc.	Establishment of right to collateral security and leasehold rights for leasehold deposits
	8,540	-	8,540	Korea Land & Housing Corporation	Establishment of a pledge to guarantee real estate development
Other financial assets	597	597	597	Samsung Fire & Marine Insurance	Establishment of a pledge for leasehold deposits
Total	₩490,734	₩26,201	₩37,959		

Financial assets with restricted use as of December 31, 2020 and 2019, are summarized as follows:

<i>In millions of Korean won</i>	December 31, 2020	December 31, 2019
Other financial assets		
Establishment of a pledge to guarantee real estate development	₩8,540	₩8,540
Establishment of a pledge for leasehold deposits	597	597
Reserves for compensation of damages related to personal information	-	1,000
Deposit in the Accompanied Growth Cooperation Loan Fund	100,000	100,000
Total	₩109,137	₩110,137

#### (4) Others

Each year, the Company deposits a proportion of sales of tobacco products sold in the United States in accordance with the Tobacco Master Settlement Agreement (“MSA”) under the Escrow Statute of the US state government. In accordance with the Escrow Statute, in the event that tobacco consumers suffer adverse damages as a result of illegal activities by the Company, which in turn lead to the medical finances of US state governments being used, the deposit in the MSA Escrow Fund may be incorporated into the state government's medical finances. The unused portion of the fund will be refunded to the Company after 25 years from the date of each deposit. The Company has recognized ₩909,794 million as of December 31, 2020 (₩751,437 million as of December 31, 2019), as long-term deposits in MSA Escrow Fund and they are composed of T-Notes, T-bills and demand deposits.

As of March 17, 2011, the Company signed a memorandum of understanding 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.

The Company is currently operating Starfield Suwon, Inc. Corporation after establishing the joint venture under 50:50 ratio with Shinsegae Property. The disposal of such share is limited for five years from the approval for use of the multi-shopping mall. In the event that the Company or the joint venture intend to transfer all of its shares, the other party shall have the pre-emptive right to purchase the shares and selectively exercise its joint put-option rights.

As of December 31, 2020, there is a capital call agreement for overseas real estate funds invested by the Company. However, the Company expects that the arrangement will be substantially less practicable as it will only be executed if the trustee defaults on the currency swap/forward contract.

In relation to the IGIS global professional investment type private fund real estate investment trust No. 378-2 acquired by the Company during the year ended December 31, 2020, there is an agreement in which the Company has an obligation to acquire additional equities that may be generated at the time of completion of the real estate by the investment trust.

As of December 31, 2020, the Company is being provided with a commitment from Daewoo Engineering & Construction Co., Ltd. to complete the construction of public housing, efficiency apartments, and sales facilities in the Daeyupyeong District Unit Planning Zone located in 111, Jeongja-dong, Jangan-gu, Suwon-si. In addition, Daewoo Engineering & Construction Co., Ltd. is being provided with a guarantee from the Construction Guarantee

Cooperative in connection with the above mentioned construction.

In October 2019, in preparation of the second phase of liquid e-cigarette safety management countermeasures jointly with the relevant departments, the Ministry of Health and Welfare recommended discontinuing the use of liquid e-cigarettes until the safety management system improvement and hazard verification are complete. Accordingly, CVS (convenience store) companies (the Company's buyers), have announced that they will stop selling or placing new orders for two of the Company's products (SiiD Tundra and SiiD Toba). The Company has discussed and processed sales returns for the two products(SiiD Tundra and SiiD Toba) as well as three other products in the same category(SiiD Ice, SiiD Ice Up, Lil Vapor) with the CVS companies, etc. As of December 31, 2020, the Company has recognized, in relation to the above event, inventory valuation loss allowance of ₩1,719 million.

In December 2019, the United States Department of Commerce and the United States International Trade Commission began an investigation into export dumping and industrial damages in relation to the cigarettes the Company has manufactured and exported to the United States. In January 2021, the United States Department of Commerce made a final decision that the '4th tier Cigarettes' exported by the Company did not damage United States industry, and all investigations were closed.

On January 29, 2020, Philip Morris Products S.A.(“PMI”) has signed a contract with the Company. The contract enables PMI to exclusively sell the Company’s smoke-free products in all overseas countries, excluding the Republic of Korea. In accordance with the contract, PMI has the right to market, distribute and sell the Company’s smoke-free products overseas for the duration of the contract (three years starting from a previous agreed-upon date), and the smoke-free products include the Company’s HNB (Heat Not Burn) and E-Vapor (device, exclusive sticks, exclusive liquid cartridges and accessories for Lil Plus, Lil Mini, Lil Hybrid and Lil Vapor) product lines.

On February 26, 2020, the Company signed a distributorship agreement with Alokozay International Limited (“AIL,” a regional importer with which the Company had existing business relations), giving AIL the rights to sell the Company’s manufactured cigarettes in the Middle East and CIS countries. In accordance with the contract, AIL has the right to market, distribute and sell the Company’s products in the regions concerned. Commencing on the contract date, the duration of the contract is until June 30, 2027. In accordance with the contract, the minimum quantity that AIL needs to purchase from the Company is two million boxes of cigarettes from the contract date to June 30, 2021. From June 30, 2021, AIL needs to purchase one and one half million boxes of cigarettes from the Company every year. In accordance with this contract, AIL’s trade receivable balance against the Company will be reduced by USD 50 million from the contract date to June 30, 2020. From then on, AIL’s trade receivable balance against the Company will gradually be reduced by USD 25 million every year and will be maintained at around USD 67 million by June 30, 2027.

### 35. Cash Flows

(1) Details of cash generated from operations for the year ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Profit for the year	₩1,075,309	₩891,381
Adjustments:		
Employee welfare	3,102	1,657
Retirement benefits	31,858	31,228
Loss on valuation or obsolescence of inventories	3,086	22,685
Depreciation	125,159	107,542
Amortization	5,746	1,514
Donation of treasury shares	-	30,220
Impairment loss(reversal of impairment loss) on trade and other receivables	(19,751)	22,975
Loss on foreign currency translation	154,320	1,370
Loss on valuation of derivatives	17,421	19,591
Loss on disposal of property, plant and equipment	3,180	3,822
Loss on impairment of property, plant and equipment	185	-
Loss on disposal of intangible assets	22	-
Loss on impairment of intangible assets	327	2,391
Loss on disposal of investment properties	493	-
Loss on disposal of assets held for sale	1	-
Impairment loss on assets held for sale	424	-
Loss on impairment of investments in subsidiaries	23,967	27,137
Other expenses, etc.	21,400	8,700
Finance cost	8,991	8,342
Income tax expense	390,169	334,166
Gain on foreign currency translation	(779)	(35,459)
Gain on valuation of derivatives	(33,358)	(6,705)
Gain on disposal of property, plant and equipment	(2,498)	(5,400)
Gain on disposal of intangible assets	-	(1)
Gain on disposal of investment property	(534)	-
Gain on disposal of assets held for sale	(153,852)	(375)
Gain on disposal of investments in associates and joint ventures	(2,208)	(9,051)
Other income, etc.	(44,600)	(8)
Finance income	(116,810)	(96,629)
Changes in working capital:		
Increase in trade and other receivables	(288,284)	(48,556)
Decrease(increase) in derivatives	5,561	(14,384)
Decrease(increase) in inventories	4,968	(28,782)
Increase in accrued tobacco excise and other taxes	(12,316)	(7,219)
Decrease(increase) in advance payments	289	(290)
Decrease(increase) in prepaid expenses	(9,755)	556
Increase in trade and other payables	3,147	18,029
Increase(decrease) in advance receipts	48,974	(94,608)
Increase(decrease) in tobacco excise and other taxes payable	338,656	(18,172)
Decrease in provision for site restoration	(6,279)	-
Decrease in net defined benefit liabilities	(36,037)	(45,445)
Cash generated from operations	₩1,539,694	₩1,122,222

(2) Material transactions without cash inflow and outflow for the year ended December 31, 2020 and 2019, are as follows:

<i>In millions of Korean won</i>	2020	2019
Reclassification of property, plant and equipment to investment properties	₩43,300	₩161,264
Reclassification of other payables related to the payment of tobacco excise payables by credit card	297,971	-
Reclassification of construction-in-progress assets (property, plant and equipment, intangible assets and investment properties) upon completion	219,600	336,787

(3) Changes in liabilities due to financing activities for the years ended December 31, 2020 and 2019, are as follows:

① For the year ended December 31, 2020

<i>In millions of Korean won</i>	Beginning balance	Cash flow from financing activities	Others	Ending balance
Dividends payable	₩-	₩(556,952)	₩556,952	₩-
Short-term borrowings	1,007	-	(190)	817
Lease liabilities	18,128	(8,697)	19,466	28,897
Total	₩19,135	₩(565,649)	₩576,228	₩29,714

② For the year ended December 31, 2019

<i>In millions of Korean won</i>	Beginning balance	Cash flow from financing activities	Others	Ending balance
Dividends payable	₩-	₩(505,061)	₩505,061	₩-
Short-term borrowings	1,246	-	(239)	1,007
Lease liabilities	-	(6,058)	24,186	18,128
Total	₩1,246	₩(511,119)	₩529,008	₩19,135

(4) The Company has presented the inflows and outflows from cash equivalents and financial assets measured at fair value through profit or loss that have large total amounts and short maturities due to frequent transactions as a net increase/decrease amount.



## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

English Translation of Independent Auditors' Report on Internal Control over Financial Reporting Originally Issued in Korean on March 11, 2021.

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

### Audit Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of KT&G CORPORATION (the "Company") as of December 31, 2020, based on 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting'.

In our opinion, the Company's internal control over financial reporting is designed and operated effectively as of December 31, 2020, in all material respects, in accordance with the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting'.

We have also audited, in accordance with the Korean Standards on Auditing ("KSAs"), the separate financial statements of the Company, which comprise the separate statement of financial position as of December 31, 2020, and the separate statement of profit or loss, separate statement of comprehensive income, separate statement of changes in shareholders' equity and separate statement of cash flows, for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies, and our report dated March 11, 2021, expressed an unqualified opinion.

### Basis for Audit Opinion

We conducted our audits in accordance with the KSAs. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Internal Control over Financial Reporting section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the internal control over financial reporting in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Internal Control over Financial Reporting

Management is responsible for designing, operating and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Operating Status Report on Internal Control over Financial Reporting.

Those Charged with Governance is responsible for the oversight of internal control over financial reporting of the Company.

### Auditor's Responsibilities for the Audit of the Internal Control over Financial Reporting

Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We conducted our audit in accordance with the KSAs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

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The audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditors' judgment, including the assessment of the risks of that a material weakness exists. The audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risks.

### **Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Korean International Financial Reporting Standards ("K-IFRSs"). A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The engagement partner on the audit resulting in this independent auditor's report is Kim, Dong Hwan.

A handwritten signature in black ink that reads "Deloitte Dojin LLC".

March 11, 2021

#### Notice to Readers

This report is effective as of March 11, 2021, 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 Company's internal control over financial reporting and may result in modifications to the auditors' report.

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## Report on the Effectiveness of Internal Control over Financial reporting

(English Translation of a Report Originally Issued in Korean)

To the Shareholders, Board of Directors and Audit Committee of KT&G Corporation

We, as the Chief Executive Officer (CEO) and the Internal Control over Financial Reporting Officer of KT&G Corporation (the Company), assessed the effectiveness of the design and operation of the Company's Internal Control over Financial Reporting (ICFR) for the year ended December 31, 2020.

The Company's management, including ourselves, is responsible for designing and operating ICFR. We assessed the design and operating effectiveness of ICFR in the prevention and detection of an error or fraud which may cause material misstatements in the preparation and disclosure of reliable financial statements. We designed and operated ICFR in accordance with *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting* established by the Operating Committee of Internal Control over Financial Reporting in Korea (the ICFR Committee). And, we conducted an evaluation of ICFR based on *Best Practice Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting* established by the ICFR Committee.

Based on the assessment results, we believe that the Company's ICFR, as at December 31, 2020, is designed and operating effectively, in all material respects, in accordance with *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statement which cause material misunderstandings, and we have reviewed and verified this report with sufficient due care.

February 3, 2021

Bok In Baek  
Chief Executive Officer

Yong Bum Kim  
Internal Control over Financial Reporting Officer

  


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