

Agenda of Annual General Meeting of Shareholders for the 34th Fiscal Year

Date: Friday, March 19th, 2021, 10:00 a.m. (Korean Standard Time)

Place: Vision Hall, KT&G Human Resources Development Institute,
71, Beotkkot-Gil, Daedeok-gu, Daejeon-si, Republic of Korea

When an emergency occurs due to force majeure, such as COVID 19, the right to change time, location and other executions of Annual General Meeting will be delegated to the President, CEO, and if the matter happens, we will disclose the information.

KT&G Corporation

Matters for Approval

Agenda No.1 Approval of Financial Statements (Consolidated and Separate) and Statement of Appropriation of Retained Earnings for the 34th Fiscal Year

Agenda No.2 Appointment of President

Agenda No.3 Appointment of Inside Director

Agenda No.4 Appointment of Outside Director

Agenda No.5 Appointment of Outside Director for Audit Committee Member

Agenda No.6 Approval of the Ceiling Amount of Directors' Remuneration

Agenda No. 1

Approval of Financial Statements (Consolidated and Separate) and Statement of Appropriation of Retained Earnings for the 34th Fiscal Year

Pursuant to Article 449 of the Korean Commercial Act and Article 41 of the Articles of Incorporation of the Company, the Consolidated and Separate Financial Statements and Statement of Appropriation of Retained Earnings for the 34th Fiscal Year (2020. 1. 1 ~ 2020. 12. 31) are required to be approved.

- ※ The Financial Statements below have not yet been audited by the external auditor. In case any minor amendments are made to the Financial Statements below during the course of the external audit, the revised Financial Statements may be submitted to the General Meeting of Shareholders by the President. For further details, please refer to the disclosure on “Submission of Audit Report”.

KT&G CORPORATION AND SUBSIDIARIES
Consolidated 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
Assets:			
Current assets:			
Cash and cash equivalents	5,31,32	₩1,253,611,491,485	₩891,306,145,983
Current other financial assets	5,31,32,33	407,735,098,979	397,949,201,546
Current fair value through profit or loss	6,31,32	914,423,857,131	1,239,263,067,528
Trade and other receivables	7,31	1,215,049,112,141	1,023,385,660,122
Derivative assets	31,33	12,710,170,259	2,276,640,206
Inventories	8,33	2,535,032,331,643	2,447,243,499,482
Refund assets and others	19	1,055,336,156	3,027,268,752
Accrued tobacco excise and other taxes		271,576,536,047	291,481,567,634
Advance payments	33	96,525,759,106	83,696,244,207
Prepaid expenses		39,982,310,895	33,345,254,566
Assets held for sale	4,14	2,680,613,295	4,246,922,005
Total current assets		₩6,750,382,617,137	₩6,417,221,472,031
Non-current assets:			
Long-term other financial assets	5,31,33	₩10,129,160,820	₩4,480,027,000
Long-term deposits in MSA Escrow Fund	31,33	909,793,848,086	751,437,124,245
Long-term fair value through profit or loss	6,31	253,562,005,029	251,895,325,773
Long-term trade and other receivables	7,31	97,408,876,060	77,062,030,242
Fair value through other comprehensive income or loss	9,31	239,539,297,251	257,639,840,085
Investments in associates and joint ventures	4,10,30	132,186,631,034	49,393,336,819
Property, plant and equipment	11,33	1,718,412,218,663	1,753,739,293,657
Intangible assets	12	134,083,879,591	129,624,288,825
Investment properties	13,33	1,030,179,338,792	885,325,430,794
Right-of-use assets	15	49,088,378,254	45,483,777,486
Long-term advance payments	33	83,059,283,710	72,519,228,473
Long-term prepaid expenses		9,578,669,254	7,464,781,189
Deferred income tax assets	28	50,933,089,250	49,153,499,355
Defined benefit assets	18	45,859,229	-
Total non-current assets		₩4,718,000,535,023	₩4,335,217,983,943
Total assets		₩11,468,383,152,160	₩10,752,439,455,974

KT&G CORPORATION AND SUBSIDIARIES
Consolidated 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
Liabilities and equity:			
Liabilities:			
Current liabilities:			
Short-term borrowings	16,31,34	₩17,308,208,182	₩27,066,108,741
Current portion of long-term borrowings	16,31,34	37,506,480,000	5,284,509,248
Trade and other payables	17,30,31	969,201,720,579	656,582,586,262
Current lease liabilities	31,34	19,879,792,617	18,909,138,677
Derivative liabilities	31,33	57,106,354	-
Advance receipts		100,836,686,048	77,028,657,918
Current refund liabilities and provisions	19	27,508,655,465	26,666,515,900
Current income tax liabilities	28	234,566,275,361	212,538,102,130
Tobacco excise and other taxes payables		584,576,087,074	576,018,441,937
Liabilities held for sale	14	51,000,609	-
Total current liabilities		₩1,991,492,012,289	₩1,600,094,060,813
Non-current liabilities:			
Long-term borrowings	16,31,34	₩53,492,407,968	₩90,954,077,109
Long-term trade and other payables	17,30,31	49,479,702,490	59,638,008,450
Long-term lease liabilities	31,34	25,828,963,710	24,396,626,259
Long-term advance receipts		8,193,185,016	4,154,633,329
Net defined benefit liabilities	18	112,959,451,518	91,082,736,864
Long-term refund liabilities and provisions	19	3,192,103,226	3,090,174,123
Deferred income tax liabilities	28	130,558,400,937	136,607,939,923
Non-controlling interests liabilities	31	1,615,268,761	2,835,710,820
Total non-current liabilities		₩385,319,483,626	₩412,759,906,877
Total liabilities		₩2,376,811,495,915	₩2,012,853,967,690
Equity:			
Ordinary shares	20	₩954,959,485,000	₩954,959,485,000
Other capital surplus(deficit)	20	4,497,785,722	4,497,785,722
Treasury shares	21	(531,618,093,579)	(318,789,449,459)
Gain on sale of treasury shares	21	528,894,053,906	528,894,053,906
Reserves	22	5,977,643,096,280	5,680,008,923,230
Retained earnings	23	2,102,474,813,562	1,834,645,992,314
Equity attributable to owners of the Parent Company		₩9,036,851,140,891	₩8,684,216,790,713
Non-controlling interests	35	54,720,515,354	55,368,697,571
Total equity		₩9,091,571,656,245	₩8,739,585,488,284
Total liabilities and equity		₩11,468,383,152,160	₩10,752,439,455,974

KT&G CORPORATION AND SUBSIDIARIES
Consolidated statements of comprehensive income

For the years ended December 31, 2020, and 2019

<i>In Korean won</i>	<i>Notes</i>	2020	2019
Sales	4	₩5,301,617,653,949	₩4,963,202,297,002
Cost of sales	25,30	(2,331,515,447,366)	(2,088,576,007,282)
Gross profit		2,970,102,206,583	2,874,626,289,720
Selling, general and administrative expense	25,30	(1,489,051,054,326)	(1,495,035,711,781)
Operating profit		1,481,051,152,257	1,379,590,577,939
Other income	26	289,763,573,673	105,871,084,349
Other expense	26	(267,177,604,953)	(109,668,237,441)
Finance income	27,30,31	117,770,888,247	96,704,640,503
Finance cost	27,31	(13,409,221,027)	(13,795,983,837)
Share of net profit of associates and joint ventures	10	4,135,483,693	1,541,273,173
Profit before income tax		1,612,134,271,890	1,460,243,354,686
Income tax expense	28	(440,491,172,780)	(423,044,729,731)
Profit for the period		₩1,171,643,099,110	₩1,037,198,624,955
Other comprehensive income (loss) after income tax:		₩ (49,876,625,829)	₩19,463,620,906
Items that will not be reclassified to profit or loss			
Re-measurements of net defined benefit liabilities	18	(16,212,208,218)	(10,425,083,892)
Gain (loss) on valuation of fair value through other comprehensive income or loss	9,31	(10,548,156,278)	6,922,877,280
Capital changes in equity method	10	(42,122,768)	(100,070,393)
Items that will be reclassified to profit or loss			
Exchange differences on translating foreign operations		(23,240,850,194)	23,065,897,911
Capital changes in equity method	10	166,711,629	-
Total comprehensive income for the period		₩1,121,766,473,281	₩1,056,662,245,861
Profit attributable to:			
Owners of the Parent Company		₩1,171,734,472,593	₩1,035,003,181,191
Non-controlling interests		(91,373,483)	2,195,443,764
Total		₩1,171,643,099,110	₩1,037,198,624,955
Other comprehensive income for the period attributable to:			
Owners of the Parent Company		₩1,122,414,655,498	₩1,054,894,518,835
Non-controlling interests		(648,182,217)	1,767,727,026
Total		₩1,121,766,473,281	₩1,056,662,245,861
Earnings per share:			
Basic and diluted	29	₩9,320	₩8,196

KT&G CORPORATION AND SUBSIDIARIES

Consolidated statements of changes in equity

For the year ended December 31, 2019

<i>In Korean won</i>	Ordinary shares	Other capital surplus	Treasury shares	Gains on sale of treasury shares	Reserve	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
Balance at January 1, 2019 (before revision)	₩954,959,485,000	₩4,334,267,530	₩ (328,157,286,128)	513,775,933,891	5,364,156,557,142	1,605,334,484,861	8,114,403,442,296	53,800,373,739	8,168,203,816,035
Effect of changes in accounting policy	-	-	-	-	-	(4,670,137,294)	(4,670,137,294)	-	(4,670,137,294)
Balance at January 1, 2019 (after revision)	954,959,485,000	4,334,267,530	(328,157,286,128)	513,775,933,891	5,364,156,557,142	1,600,664,347,567	8,109,733,305,002	53,800,373,739	8,163,533,678,741
Total comprehensive income (loss) for the period:									
Profit for the period	-	-	-	-	-	1,035,003,181,191	1,035,003,181,191	2,195,443,764	1,037,198,624,955
Other comprehensive income (loss) for the period:									
Re-measurements of net defined benefit liabilities	-	-	-	-	-	(9,994,827,322)	(9,994,827,322)	(430,256,570)	(10,425,083,892)
Gain (loss) on valuation of fair value through other comprehensive income or loss	-	-	-	-	6,922,877,280	-	6,922,877,280	-	6,922,877,280
Exchange differences on translating foreign operations	-	-	-	-	23,063,358,079	-	23,063,358,079	2,539,832	23,065,897,911
Capital changes in equity method	-	-	-	-	(100,070,393)	-	(100,070,393)	-	(100,070,393)
Sum of other comprehensive income (loss) for the period	-	-	-	-	29,886,164,966	(9,994,827,322)	19,891,337,644	(427,716,738)	19,463,620,906
Total comprehensive income for the period	-	-	-	-	29,886,164,966	1,025,008,353,869	1,054,894,518,835	1,767,727,026	1,056,662,245,861
Transactions with owners of the Parent Company:									
Dividends	-	-	-	-	-	(505,060,508,000)	(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	-	24,485,956,684
Changes in non-controlling interests, etc	-	163,518,192	-	-	-	-	163,518,192	(199,403,194)	(35,885,002)
Total transactions with owners of the Parent Company	-	163,518,192	9,367,836,669	15,118,120,015	285,966,201,122	(791,026,709,122)	(480,411,033,124)	(199,403,194)	(480,610,436,318)
Balance at December 31, 2019	₩954,959,485,000	₩4,497,785,722	₩ (318,789,449,459)	₩528,894,053,906	₩5,680,008,923,230	₩1,834,645,992,314	₩8,684,216,790,713	₩55,368,697,571	₩8,739,585,488,284

KT&G CORPORATION AND SUBSIDIARIES

Consolidated statements of changes in equity, continued

For the year ended December 31, 2020

<i>In Korean won</i>	Ordinary shares	Other capital surplus	Treasury shares	Gains on sale of treasury shares	Reserve	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
Balance at January 1, 2020	₩954,959,485,000	₩4,497,785,722	₩ (318,789,449,459)	₩528,894,053,906	₩5,680,008,923,230	₩1,834,645,992,314	₩8,684,216,790,713	₩55,368,697,571	₩8,739,585,488,284
Total comprehensive income (loss) for the period:									
Profit for the period	-	-	-	-	-	1,171,734,472,593	1,171,734,472,593	(91,373,483)	1,169,203,223,599
Other comprehensive income (loss) for the period:									
Re-measurements of net defined benefit liabilities	-	-	-	-	-	(15,653,977,560)	(15,653,977,560)	(558,230,658)	(15,416,019,512)
Gain (loss) on valuation of fair value through other comprehensive income or loss	-	-	-	-	(10,548,156,278)	-	(10,548,156,278)	-	(10,548,156,278)
Exchange differences on translating foreign operations	-	-	-	-	(23,242,272,118)	-	(23,242,272,118)	1,421,924	(15,527,793,081)
Capital changes in equity method	-	-	-	-	124,588,861	-	124,588,861	-	63,251,521
Sum of other comprehensive income (loss) for the period	-	-	-	-	(33,665,839,535)	(15,653,977,560)	(49,319,817,095)	(556,808,734)	(41,428,717,350)
Total comprehensive income (loss) for the period	-	-	-	-	-	1,156,080,495,033	1,122,414,655,498	(648,182,217)	1,127,774,506,249
Transactions with owners of the Parent Company:									
Dividends	-	-	-	-	-	(556,951,661,200)	(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)	-	(212,828,644,120)
Total transactions with owners of the Parent Company	-	-	(212,828,644,120)	-	331,300,012,585	(888,251,673,785)	(769,780,305,320)	-	(769,780,305,320)
Balance at December 31, 2020	₩954,959,485,000	₩4,497,785,722	₩ (531,618,093,579)	₩528,894,053,906	₩5,977,643,096,280	₩2,102,474,813,562	₩9,036,851,140,891	₩54,720,515,354	₩9,097,579,689,213

KT&G CORPORATION AND SUBSIDIARIES

Consolidated statements of cash flows

For the years ended December 31, 2020, and 2019

<i>In Korean won</i>	<i>Notes</i>	2020	2019
Cash flows from operating activities		₩1,266,785,518,324	₩1,042,489,387,291
Cash generated from operations	34	1,690,723,536,797	1,464,082,565,855
Income taxes paid		(423,938,018,473)	(421,593,178,564)
Cash flows from investing activities		(85,751,523,573)	(459,190,546,007)
Interest received		19,803,031,984	19,146,302,725
Dividends received		26,140,194,806	24,693,247,030
Decrease in other financial assets		562,840,300,000	534,003,000,000
Decrease in current fair value through profit or loss		346,404,223,599	-
Decrease in long-term fair value through profit or loss		33,667,340,960	15,891,652,285
Decrease in long-term deposits in MSA Escrow Fund		30,190,725,542	-
Disposal of property, plant and equipment		7,017,890,938	3,737,771,098
Disposal of intangible assets		2,639,090,910	1,100,235,184
Disposal of investment properties		4,407,486,213	-
Disposal of assets held for sale		142,715,879,635	-
Decrease in 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		14,369,002,250	12,320,759,758
Collection of guarantee deposits		693,760,171	1,212,076,715
Collection of finance lease receivables		487,506,006	75,372,723
Increase in other financial assets		(578,456,040,188)	(343,222,644,000)
Increase in current fair value through profit or loss		(8,180,000,000)	(57,593,331,877)
Increase in long-term fair value through profit or loss		(12,242,747,773)	(54,676,729,731)
Increase in long-term deposits in MSA Escrow Fund		(223,125,104,602)	(114,411,590,516)
Acquisition of property, plant and equipment		(216,059,141,375)	(222,247,997,603)
Acquisition of intangible assets		(35,743,635,276)	(34,947,578,247)
Acquisition of investment properties		(86,158,241,566)	(256,285,401,637)
Acquisition of right-of-use assets		(522,118,555)	-
Acquisition of assets held for sale		(3,282,946,350)	-
Acquisition of investments in associates and joint ventures		(101,500,000,000)	-
Increase in loans		(35,243,127,682)	(19,004,079,477)
Increase in guarantee deposits		(956,483,452)	(3,132,539,988)
Cash flows from financing activities		(813,885,198,925)	(632,146,267,814)
Dividends paid	23	(556,951,661,200)	(505,060,508,000)
Interest paid		(8,368,753,082)	(3,581,102,372)
Repayment of lease liabilities		(21,186,506,323)	(18,604,269,893)
Repayment of borrowings		(165,163,114,746)	(307,060,602,681)
Acquisition of treasury shares		(212,828,644,120)	-
Capital increase with share premium		813,000	-
Increase in borrowings		150,612,667,546	202,160,215,132
Net increase(decrease) in cash and cash equivalents		367,148,795,826	(48,847,426,530)
Cash and cash equivalents at January 1		891,306,145,983	932,969,110,015
Effect of exchange rate fluctuation on cash and cash equivalents		(4,843,450,324)	7,184,462,498
Cash and cash equivalents at December 31		₩1,253,611,491,485	₩891,306,145,983

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
Assets:			
Current assets:			
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 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, 34	2,000,000,000	4,679,521,682
Total current assets		₩ 4,708,230,783,467	₩ 4,314,192,739,869
Non-current assets:			
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 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
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, 34	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
Deferred income tax assets	29	35,880,808,023	24,238,637,057
Total non-current assets		₩ 5,171,312,859,967	₩ 4,798,584,899,636
Total assets		₩ 9,879,543,643,434	₩ 9,112,777,639,505

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
Liabilities and equity:			
Liabilities:			
Current liabilities:			
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
Total current liabilities		₩ 1,717,954,707,436	₩ 1,251,513,027,508
Non-current liabilities:			
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
Total non-current liabilities		₩ 107,646,746,067	₩ 81,180,959,586
Total liabilities		₩ 1,825,601,453,503	₩ 1,332,693,987,094
Equity:			
Ordinary shares	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
Total equity		₩ 8,053,942,189,931	₩ 7,780,083,652,411
Total liabilities and equity		₩ 9,879,543,643,434	₩ 9,112,777,639,505

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
Sales	4, 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
Cost of sales	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)
Gross profit		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)
Operating profit		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)
Profit before income tax		1,465,478,313,201	1,225,546,497,622
Income tax expense	29	(390,168,825,307)	(334,165,669,820)
Profit for the year		₩1,075,309,487,894	₩ 891,380,827,802
Other comprehensive income (loss) after income tax:		₩ (31,670,645,054)	₩ 5,588,449,567
Items that will not be reclassified to Profit or loss			
Re-measurements of net defined benefit liabilities	19	(15,088,050,776)	(1,596,787,094)
Gain (loss) on valuation of fair value through other comprehensive income or loss		(16,582,594,278)	7,185,236,661
Total comprehensive income for the year		₩1,043,638,842,840	₩ 896,969,277,369
Earnings per share:			
Basic and diluted	30	8,553	7,059

KT&G CORPORATION

Separate statements of changes in equity

For the year ended December 31, 2019

<i>In Korean won</i>	Ordinary shares	Other capital surplus	Treasury shares	Gain on sale of treasury shares	Reserve	Retained earnings	Total equity
Balance at January 1, 2019 (before revision)	₩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)
Balance at January 1, 2019 (after revision)	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
Total comprehensive income (loss) for the year							
Profit for the year	-	-	-	-	-	891,380,827,802	891,380,827,802
Other comprehensive income (loss) for the year:							
Re-measurements of net defined benefit liabilities	-	-	-	-	-	(1,596,787,094)	(1,596,787,094)
Gain (loss) on valuation of 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
Total comprehensive income for the year	-	-	-	-	7,185,236,661	889,784,040,708	896,969,277,369
Transactions with owners of the Company:							
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
Total transactions with owners of the Company	-	-	9,367,836,669	15,118,120,015	285,966,201,122	(791,026,709,122)	(480,574,551,316)
Balance at December 31, 2019	₩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

KT&G CORPORATION

Separate statements of changes in equity, continued

For the year ended December 31, 2020

<i>In Korean won</i>	Ordinary shares	Other capital surplus	Treasury shares	Gain on sale of treasury shares	Reserve	Retained earnings	Total equity
Balance at January 1, 2020	₩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
Total comprehensive income (loss) for the year							
Profit for the year	-	-	-	-	-	1,075,309,487,894	1,075,309,487,894
Other comprehensive income (loss) for the year:							
Re-measurements of net defined benefit liabilities	-	-	-	-	-	(15,088,050,776)	(15,088,050,776)
Gain (loss) on valuation of 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)
Total comprehensive income for the year	-	-	-	-	(16,582,594,278)	1,060,221,437,118	1,043,638,842,840
Transactions with owners of the Company:							
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)
Total transactions with owners of the Company	-	-	(212,828,644,120)	-	331,300,012,585	(888,251,673,785)	(769,780,305,320)
Balance at December 31, 2020	₩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

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
Cash flows from operating activities		₩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)
Cash flows from investing activities		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 fair value through profit or loss		340,375,065,790	-
Decrease in long-term 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 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 fair value through profit or loss		-	(57,593,331,877)
Increase in long-term 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)
Cash flows from financing activities		(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)	-
Net increase(decrease) in cash and cash equivalents		420,938,816,638	(90,220,962,269)
Cash and cash equivalents at January 1, 2020		656,775,412,332	748,123,323,519
Effect of exchange rate fluctuation on cash and cash equivalents		(1,600,375,222)	(11,269,489,18)
Cash and cash equivalents at December 31, 2020		₩1,076,113,853,748	₩656,775,412,332

Agenda No. 2

Appointment of President

Pursuant to Article 382 of the Korean Commercial Act and Article 26 of the Articles of Incorporation of the Company, the Company intends to appoint President as follows:

A. Name, Date of Birth, Nominator, Relationship with the Largest Shareholder and whether they are a Candidate to become an Outside Director

Name	Date of Birth	Candidate to become an Outside Director	Separate election as an Audit Committee Outside Director	Term of Office	Relationship with the Largest Shareholder	Nominator
Bok-In, Baek	Sep. 21, 1965	Inside Director	-	The next day of 2021 AGM ~ The date of 2024 AGM	N/A	KT&G President Candidates Recommendation Committee

B. The Candidate's Main Occupation, Profile and Details of Recent Three-year Deals with the Corporation

Name	Main Occupation	Profile		Details of Recent Three-year deals With the Corporation
		Period	Contents	
Bok-In, Baek	President of KT&G	Oct. 2015~Present	(Present) KT&G President(CEO)	N/A
		Feb. 2015~Oct. 2015	(Former) Chief Production and R&D Officer(CPO)/Chief Strategy Officer(CSO) of KT&G	
		Mar. 2013~Feb. 2015	(Former) Chief Strategy Officer(CSO) of KT&G	
		Feb. 2011~ Feb. 2013	(Former) Chief Marketing Officer (CMO) of KT&G	

C. The Candidate's Taxes in Arrears, Management of Insolvent Companies and Statutory Reasons for Disqualification

Name	Taxes in Arrears	Management of Insolvent Companies	Statutory Reasons for Disqualification
Bok-In, Baek	N/A	N/A	N/A

D. Purpose of Nomination by the Board of Directors

The committee hereby recommends Bok-In, Baek as a candidate for the President(CEO) of KT&G for he is a professional manager with a deep understanding and insight of the core businesses of the corporation and thus is determined to be the qualified person to enhance KT&G's corporate value and shareholder value amid rapid paradigm shifts in the industry and uncertainties in the external management environment.

Since he joined KT&G in 1993, Mr. Baek has taken on multiple major roles in the core businesses, gaining rich work experience and reinforcing his expertise. After taking office as the CEO in October 2015, he executed a management strategy centered on global growth, and achieved outstanding management performance as the group reached its record-high revenue and operating profit in 2020. Under Mr. Baek's leadership, KT&G consolidated its strong position in both the e-cigarette business, a new driving force, and the long-standing conventional cigarette business, and established a strong future-oriented foothold for mid-to-long term growth in health functional foods and biopharmaceuticals with continued efforts to diversify the business portfolio.

KT&G's non-financial values were also reinforced during Mr. Baek's time in the office as the corporation established an ESG management system that fits the global standard, winning 'Best Corporation Award' in the private sector for internal audits by operating an internal audit system that demonstrates transparency in management activities, and receiving a top-tier rating in the industry from ESG rating agencies home and abroad.

With his expertise and insight in the business, Bok-In, Baek is expected to provide a clear vision and strategic direction that revolves around reinforcing KT&G's global competitiveness and to drive the corporation's capacity for long-term sustainable growth going forward.

Agenda No. 3

Appointment of Inside Director

Pursuant to Article 382 of the Korean Commercial Act and Article 26 of the Articles of Incorporation of the Company, the Company intends to appoint Inside Director as follows:

A. Name, Date of Birth, Nominator, Relationship with the Largest Shareholder and whether they are a Candidate to become an Outside Director

Name	Date of Birth	Candidate to become an Outside Director	Separate election as an Audit Committee Outside Director	Term of Office	Relationship with the Largest Shareholder	Nominator
Kyung-Man, Bang	Jan. 28, 1971	Inside Director	-	The next day of 2021 AGM ~ The date of 2024 AGM	N/A	KT&G President

B. The Candidate's Main Occupation, Profile and Details of Recent Three-year Deals with the Corporation

Name	Main Occupation	Profile		Details of Recent Three-year deals With the Corporation
		Period	Contents	
Kyung-Man, Bang	Chief Financial Officer(CFO)/ Chief Strategy Officer(CSO)/ Chief Global Headquarters of KT&G	Apr. 2020~Present	(Present) Chief Financial Officer(CFO)/ Chief Strategy Officer(CSO)/ Chief Global Headquarters of KT&G	N/A
		Feb. 2015~Mar. 2020	(Former) Chief Global Headquarters of KT&G	
		Mar. 2013~Feb. 2015	(Former) Head of Marketing Headquarters of KT&G	
		Feb. 2011~Feb. 2013	(Former) Chief of Secretary Office of KT&G	

C. The Candidate's Taxes in Arrears, Management of Insolvent Companies and Statutory Reasons for Disqualification

Name	Taxes in Arrears	Management of Insolvent Companies	Statutory Reasons for Disqualification
Kyung-Man, Bang	N/A	N/A	N/A

D. Purpose of Nomination by the Board of Directors

Since joining KT&G in 1998, Kyung Man, Bang has taken on major roles in marketing, global business and strategy to cultivate a wide range of experience and expertise in the nature of the industry and a deep understanding of the essence, the corporation and its core businesses.

While he was the head of the Brand Management Office, Mr. Bang provided a springboard for a new leap in the domestic cigarette business by leading the market trend with the development and rollout of new products with innovative concepts. As Chief of Global Headquarters, he created an unparalleled performance in the corporation's global business as he led the rigorous global expansion and greatly increased coverage from approximately 40 countries to over 100, as well as achieved record-high revenues in our global business. After assuming the role of Chief of Strategy and Planning Headquarters(CFO), he beefed up the transparency and efficiency of corporate management by establishing a preemptive risk management system, and enhanced the corporation's dynamism and capacity for sustained growth by leading a reorganization to uncover a new growth engine.

Mr. Bang's insight on the industry, ability to carry forward projects at a swift pace and his professional knowledge on the company's strategy and financial status as demonstrated above are expected to contribute greatly to the corporation in actively responding to the changes in the global market environment and in continuing growth, and thereby the committee recommends Kyung Man, Bang as a candidate for Inside Director of KT&G.

Agenda No. 4

Appointment of Outside Director

Pursuant to Article 382 of the Korean Commercial Act and Article 26 of the Articles of Incorporation of the Company, the Company intends to appoint Outside Directors as follows:

A. Name, Date of Birth, Nominator, Relationship with the Largest Shareholder and whether they are a Candidate to become an Outside Director

Name	Date of Birth	Candidate to become an Outside Director	Separate election as an Audit Committee Outside Director	Term of Office	Relationship with the Largest Shareholder	Nominator
Min-Kyu, Lim	Apr. 27, 1955	Outside Director	-	The next day of 2021 AGM ~ The date of 2024 AGM	N/A	KT&G Outside Director Recommendation Committee

B. The Candidate's Main Occupation, Profile and Details of Recent Three-year Deals with the Corporation

Name	Main Occupation	Profile		Details of Recent Three-year deals With the Corporation
		Period	Contents	
Min-Kyu, Lim	-	Jan. 2018~Dec. 2020	(Former) SK Materials Advisor	N/A
		Feb. 2016~ Dec.2017	(Former) SK Materials President(CEO)	
		Mar. 2014~Feb. 2016	(Former) OCI Materials President(CEO)	
		Oct. 2013~Mar. 2014	(Former) OCI Materials President	
		Dec. 2010~Oct. 2013	(Former) OCI RE Business Division Vice President	

C. The Candidate's Taxes in Arrears, Management of Insolvent Companies and Statutory Reasons for Disqualification

Name	Taxes in Arrears	Management of Insolvent Companies	Statutory Reasons for Disqualification
Min-Kyu, Lim	N/A	N/A	N/A

D. Duty Performance Plan of Nominee

Working at a major Korean energy firm for over 30 years, I was able to build my capabilities as a global manager, and I strived for safe management as I engaged in capital investment at a global level based on a management philosophy that emphasizes safety. Based on my experience and expertise in the respective field I will contribute to continued growth of KT&G through decision-making and productive consultation that can create value for the company.

I will also duly fulfill my responsibilities and obligations as a director by devoting my time and efforts to the activities as a board member and meticulously reviewing the relevant agenda and materials.

Lastly, I am aware of and will fully comply with my legal duties as an outside director including duty of care, duty of good faith, duty to monitor and duty of confidentiality.

E. Purpose of Nomination by the Board of Directors

Min-Kyu, Lim is a professional global manager with extensive experience in the global market as he have engaged in overseas business and in collaboration with global firms, and he is evaluated to have gained deep trust from relevant parties and to have demonstrated excellent management performance.

With his many years of experience in corporate management, Mr. Lim also has a firm grasp of company management in general, and he is equipped with comprehensive experience and knowledge in risk management and safe management at a global level.

As it is determined that Min-Kyu, Lim will not only contribute greatly to the establishment of the company's global strategy, but also to the enhancement of ESG management, the committee recommends Min-Kyu, Lim as a candidate for an outside director of KT&G.

Agenda No. 5

Appointment of Outside Director for Audit Committee Member

Pursuant to Articles 542-11 and 542-12 of the Korean Commercial Act and Article 34-3 of the Articles of Incorporation of the Company, the Company intends to appoint an Outside Director for Audit Committee Member as follows:

A. Name, Date of Birth, Nominator, Relationship with the Largest Shareholder and whether they are a Candidate to become an Outside Director

Name	Date of Birth	Candidate to become an Outside Director	Separate election as an Audit Committee Outside Director	Term of Office	Relationship with the Largest Shareholder	Nominator
Jong-Soo, Baek	Nov. 26 1960	Outside Director	Yes	The next day of 2021 AGM ~ The date of 2024 AGM	N/A	KT&G Outside Director Recommendation Committee

B. The Candidate's Main Occupation, Profile and Details of Recent Three-year Deals with the Corporation

Name	Main Occupation	Profile		Details of Recent Three-year deals With the Corporation
		Period	Contents	
Jong-Soo, Baek	Attorney (Partner), Dongin Law Group	Mar. 2018~Present	(Present) Outside Director of KT&G	N/A
		Mar. 2015~Present	(Present) Attorney(Partner), Dongin Law Group	
		Dec. 2013~Feb. 2015	(Former) Chief Prosecutor, Busan District Public Prosecutors' Office	
		Apr. 2013~Dec. 2013	(Former) Chief Prosecutor, Seoul Northern District Public Prosecutors' Office	
		July 2012~Apr. 2013	(Former) Chief Prosecutor, Jeju District Public Prosecutors' Office	
		Apr. 2012~July 2012	(Former) Head of Criminal Department/Head of Criminal Trial and Civil Litigation Department, Supreme Prosecutors' Office	
		Aug. 2011~Apr. 2012	(Former) Deputy Chief Prosecutor, Gwangju High Prosecutors' Office	
		July 2010~Aug. 2011	(Former) 1st Deputy Chief Prosecutor, Daegu District Public Prosecutors' Office	

C. The Candidate's Taxes in Arrears, Management of Insolvent Companies and Statutory Reasons for Disqualification

Name	Taxes in Arrears	Management of Insolvent Companies	Statutory Reasons for Disqualification
Jong-Soo, Baek	N/A	N/A	N/A

D. Duty Performance Plan of Nominee

I am currently a partner at DongIn Law Group, and I served as a prosecutor with fairness and integrity since 1991 at many major posts in the prosecutor's office, contributing to the resolution of fair trade, public welfare and economic offense cases. With my experience and expertise in the legal field, I will strive to mitigate legal risks for the organization and provide fair and reasonable counsel to guide the company to make the right decisions.

Based on my experience in activities as a board member and understanding of the organization that I have gained in my 3 years as an outside director at KT&G, I will not only serve as an adviser for management, but also as a monitor as I perform my independent tasks as an outside director for all the various stakeholders not being bogged down in individual interests.

Lastly, I am aware of and will fully comply with my legal duties as an independent outside director including duty of care, duty of good faith, duty to monitor and duty of confidentiality.

E. Purpose of Nomination by the Board of Directors

Jong-Soo, Baek is a member of the legal circle, currently a partner at DongIn Law Group after retiring as the chief prosecutor of the Busan District Public Prosecutor's Office. He is not only evaluated to possess comprehensive knowledge in the legal profession, but also to have nurtured an extensive understanding of corporate management and the economy in general as he took on many corporate cases in his time as a prosecutor.

Also, during his 3 years as an outside director at KT&G, Mr. Baek duly performed his role as an outside director by providing constructive and effective solutions to the major management activities through his review of the legality of important items on the board's agenda and active communication with the management of the company.

Agenda No. 6

Approval of the Ceiling Amount of Directors' Remuneration

Pursuant to Article 388 of the Korean Commercial Act and Article 30 of the Articles of Incorporation of the Company, we intend to obtain Approval of the Ceiling Amount of Directors' Remuneration as follows:

(For the 35th Fiscal Year (2021))

Number of Directors (Number of Outside Directors)	8 (6)
Ceiling Amount of Directors' Remuneration	5,000 million won

(For the 34th Fiscal Year (2020))

Number of Directors (Number of Outside Directors)	7 (5)
Total Amount Paid	2,330 million won
Ceiling Amount of Directors' Remuneration	5,000 million won