

IR conference 2004

# KT&G

## 2004 Capital Management Policy

### Challenge & Vision

인생의 주인공은 바로 당신입니다.  
KT&G와 함께 더 크고 더 넓게 당신의 꿈을 펼쳐세요.





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## 2004 Capital Management Policy

- Free cash flow forecast
- Policy on shareholder value maximization
- CAPEX plan

[www.ktng.com](http://www.ktng.com)

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## ● 2004 Result Forecast

Total Sales Volume	Net Sales	Operating Profit	Net Income	Net ASP (Domestic)
113~115 bn sticks	2,500~2,600 bn won	850~950 bn won	450~500 bn won	550 won/pack

## ● Free cash flow forecast

Major cash inflow	
Net Income	450~500 bn won
Loss on conversion of CBs	140 bn won
Depreciation	100 bn won
Disposal of foreign bonds	300 bn won
Total	990 ~ 1,040 bn won

VS

Free cash flow forecast	
CAPEX	210.8 bn won
Dividend('03)	220 bn won
Free cash flow	560 ~ 610 bn won

## Maintain current policy

“To place priority on maximizing shareholder value in utilizing excess cash”

- +++ **Policy I** Intend to maintain high dividend policy  
 : Intend to pay **1,600 won per share for FY2004**
- +++ **Policy II** Intend to continue buyback and cancellation of treasury shares  
 : **Buy back additional 24% of shares by the end of 2008**  
 (14% for cancellation, 10% for holding in the form of treasury shares)  
 : **In FY2004, 3 million shares are already under buyback process**  
**In total, intend to buyback 300bn won worth of treasury shares**

### ● Buyback and cancellation of treasury shares

(KRW billion, thousand shares)		2002	2003	2004
Dividend per share (won)		1,400	1,600	1,600
Share buyback	Volume	11,428	0	<b>Volume : ?</b> <b>Amount : 300</b>
	Amount	169.3	0	
Cancellation	Volume	9,549	3,000	- Shares bought back will be cancelled except 3million shares
	Amount	168.3	67.1	

## ● Investment Policy

- **Tobacco Business** : Continue to invest to enhance growth and competitiveness
- **Biz Diversification** : Maintain policy of investing within 10% of net income  
Conservative decision making based on profitability and synergies

## ● CAPEX plan for FY 2004

(KRW billion)		FY03	FY04(E) (before)	FY04(E) (revised)	BAL	
Tobacco	Domestic	Youngjoo new plant	39.6	0	0	-
		Equipment	46.4	88.6	88.6	-
		Buildings	25.4	22.9	22.9	-
		Others	49.8	79.5	66.5	-13.0
	Sub-total	161.2	191.0	178.0	-13.0	
	Overseas	-	4.0	4.0	-	
Total		161.2	195.0	182.0	-13.0	
Business Diversification		4.4	15.8	28.8	+13.0	
<b>Grand Total</b>		<b>165.6</b>	<b>210.8</b>	<b>210.8</b>	-	

• **KT&G's participation in right offering of Yungjin Pharm. has already been reflected on initial CAPEX plan in provisional budget.**

• Now, this item was reclassified into revised CAPEX plan as the investment decision has been made recently.



Thank you.

**KT&G**