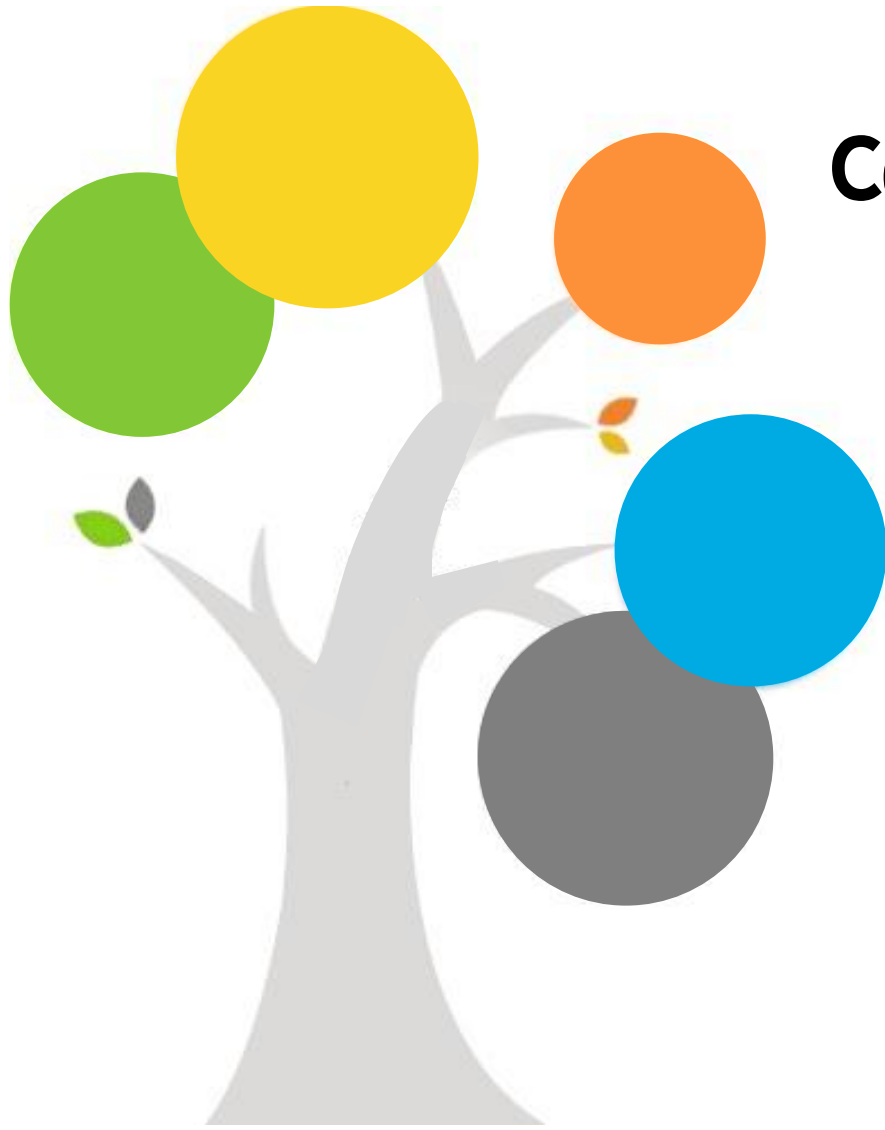


Investor Relations 2014

FY2014 3Q

Earnings Presentation





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Chapter 4. Appendix

This material has been produced to provide investors with various information in order for them to get more understanding about KT&G based on the objective facts as best as we can. However, the numbers and guidance in this material may be subject to change and the company does not guarantee the correctness and completeness.



Chapter 1. Consolidated Results

- Sales**
- Profit/Loss**

1-1. FY14 3Q Consolidated Sales Summary



3Q and 9M Consolidated Sales recorded 1,106.5 bil. and 3,062.4 bil. won each

- 3Q Consolidated Sales increased 8.0% yoy : KT&G 11.7%↑, KGC 2.7%↑ yoy
- 9M Consolidated Sales increased 8.0% yoy : KT&G 10.7%↑, KGC 2.9%↑ yoy

3Q Consolidated Sales

(bil. KRW)

	YOY		
	3Q FY14	3Q FY13	Change
KT&G	722.4	647.0	11.7%
KGC	242.8	236.3	2.7%
Others & Adjustment	141.3	140.8	0.4%
Total	1,106.5	1,024.0	8.0%

- Sales of KT&G and KGC are the amounts before eliminating internal transactions.
- Others and adjusted amounts are the figures after eliminating internal transactions among Yungjin Pharm., KT&G overseas subsidiaries, Somang Cosmetics and etc.

9M Consolidated Sales

(bil. KRW)

	YOY		
	9M FY14	9M FY13	Change
KT&G	2,024.9	1,828.9	10.7%
KGC	637.1	619.2	2.9%
Others & Adjustment	400.4	386.5	3.6%
Total	3,062.4	2,834.6	8.0%

- Sales of KT&G and KGC are the amounts before eliminating internal transactions.
- Others and adjusted amounts are the figures after eliminating internal transactions among Yungjin Pharm., KT&G overseas subsidiaries, Somang Cosmetics and etc.

1-2. FY14 3Q Consolidated Profit/Loss Summary



3Q and 9M Consolidated OP recorded 338.2 bil. and 884.6 bil. won each

- 3Q Consolidated OP rose 15.4% yoy : KT&G 21.5%↑, KGC 11.3%↓ yoy
- 3Q Consolidated NI rose 198.3% yoy : KT&G 281.0%↑, KGC 2.5%↑ yoy

3Q Consolidated Profit/Loss

(bil. KRW)

		YOY		
		3Q FY14	3Q FY13	Change
O P	KT&G	298.1	245.4	21.5%
	KGC	43.7	49.3	-11.3%
	Others & Adjustment	-3.6	-1.7	-
Total		338.2	293.0	15.4%
N I	KT&G	274.5	72.0	281.0%
	KGC	34.8	33.9	2.5%
	Others & Adjustment	-42.4	-16.5	-
Total		266.9	89.5	198.3%
CI		263.2	85.9	206.3%

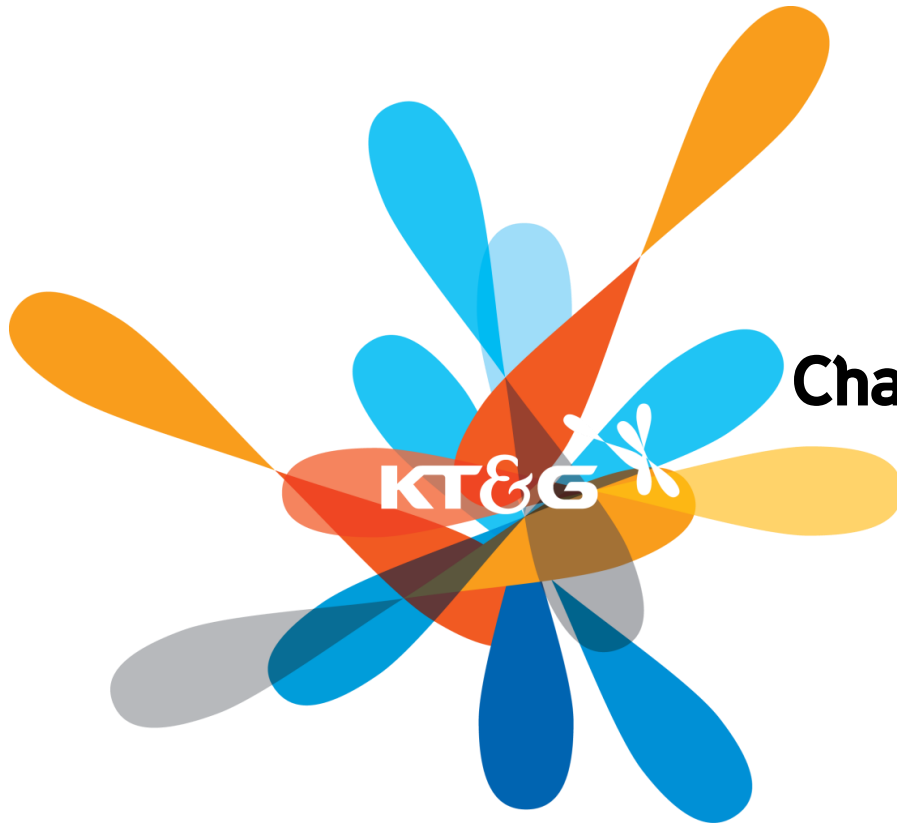
- OP and NI of KT&G and KGC are the amounts before eliminating internal transactions.
- Others and adjusted amounts are the figures after eliminating internal transactions among Yungjin Pharm., KT&G overseas subsidiaries, Somang Cosmetics and etc.

9M Consolidated Profit/Loss

(bil. KRW)

		YOY		
		9M FY14	9M FY13	Change
O P	KT&G	784.1	698.0	12.3%
	KGC	112.2	117.1	-4.2%
	Others & Adjustment	-11.6	-24.7	-
Total		884.6	790.5	11.9%
N I	KT&G	637.4	463.1	37.6%
	KGC	80.2	84.6	-5.3%
	Others & Adjustment	-78.2	-67.2	-
Total		639.4	480.5	33.1%
CI		627.9	480.4	30.7%

- OP and NI of KT&G and KGC are the amounts before eliminating internal transactions.
- Others and adjusted amounts are the figures after eliminating internal transactions among Yungjin Pharm., KT&G overseas subsidiaries, Somang Cosmetics and etc.



Chapter 2. KT&G Separate Results

2-1. FY14 3Q KT&G Results Summary



3Q Sales and OP went up 11.7% and 21.5% yoy each

- 3Q Sales recorded 722.4 bil. won, up 11.7% yoy
 - Domestic Cigarette 6.2%↑, Export Cigarette 37.5%↑, Others 16.0%↑
- 3Q OP and NI rose 21.5% and 281.0% yoy to 298.1 bil. and 274.5 bil. won respectively

3Q Sales & Profit

(Unit : bil. KRW)

	3Q FY14	3Q FY13	Change
Net Sales	722.4	647.0	11.7%
- Domestic	534.8	503.4	6.2%
- Export	134.8	98.1	37.5%
- Others(Real Estate etc.)	52.8	45.5	16.0%
Operating Profit	298.1	245.4	21.5%
Net Income	274.5	72.0	281.0%
Comprehensive Income	264.9	88.0	200.9%

9M Sales & Profit

(Unit : bil. KRW)

	9M FY14	9M FY13	Change
Net Sales	2,024.9	1,828.9	10.7%
- Domestic	1,450.9	1,420.3	2.1%
- Export	402.6	294.9	36.5%
- Others(Real Estate etc.)	171.4	113.7	50.7%
Operating Profit	784.1	698.0	12.3%
Net Income	637.4	463.1	37.6%
Comprehensive Income	631.6	474.0	33.2%

2-2. Domestic Cigarette(1)

3Q Total market volume and KT&G volume rose 4.0%, 4.2% yoy respectively

- Total Market Volume : '13.3Q 23.6 bil. sticks → '14.3Q 24.6 bil. sticks
- KT&G Volume : '13.3Q 14.5 bil. sticks → '14.3Q 15.2 bil. sticks
- KT&G 3Q Market Share recorded 61.7% : '13.3Q 61.6% → '14.3Q 61.7%(up 10bp)

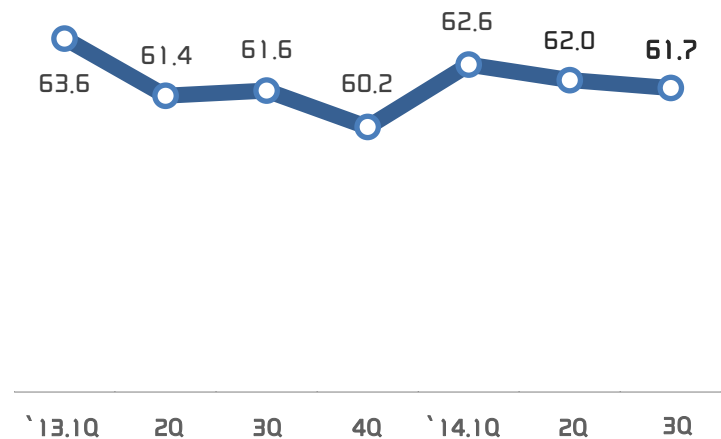
Quarterly Total Market Volume/KT&G Volume

(Unit : bil. sticks)



Quarterly M/S Trend

(Unit : %)

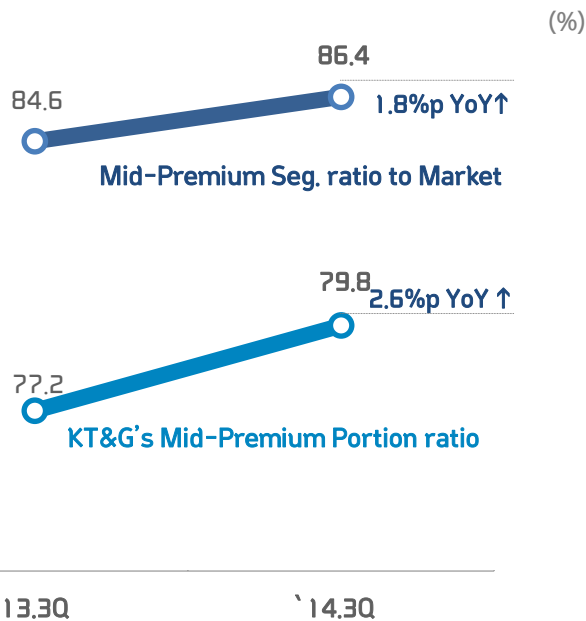


2-2. Domestic Cigarette (2)

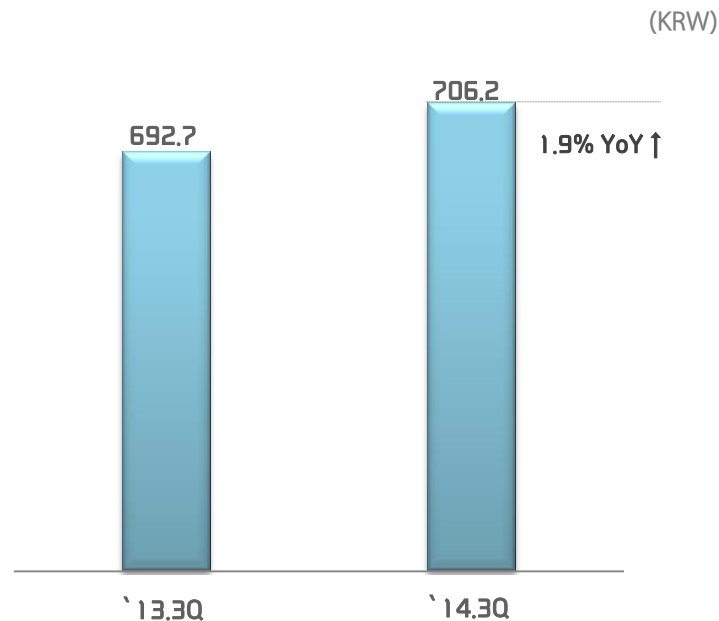
Both mid-premium portion and net ASP continued to grow

- Mid and Premium segments continued to expand : Total Market 180bp↑, KT&G 260bp↑
- Net ASP/Pack rose 1.9% yoy : '13 3Q 692.7 won → '14 3Q 706.2 won

Mid-Premium Market



Net ASP/Pack



* Mid-Premium : Retail Price Basis(2,500 KRW/Pack and Higher)

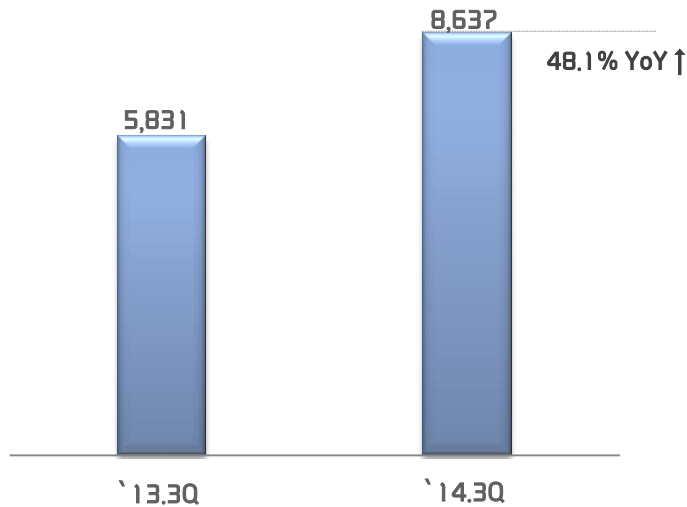
2-3. Overseas Tobacco (Export)

3Q Export volume and sales went up 48.1% and 37.5% yoy each

- Export volume achieved 8.6 bil. sticks : Main Market recovery and New Market growth
- Export sales recorded 134.8 bil. won : KRW ASP diluted due to KRW appreciation, etc

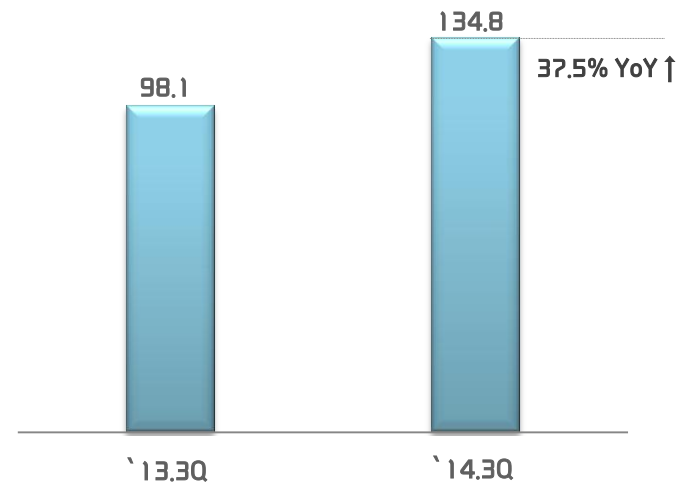
Export Volume

(mil. sticks)



Export Sales

(bil. KRW)



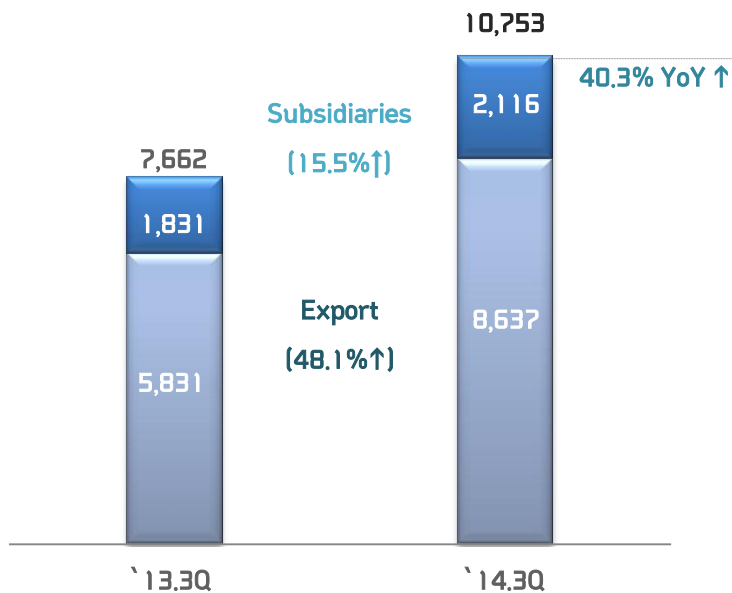
2-3. Overseas Tobacco (Export +Subsidiaries)

3Q Overseas volume and Sales increased 40.3% and 30.7% yoy each

- Overseas volume recorded 10.8 bil. sticks : Export and Subsidiaries increased 48.1%, 15.5% yoy
- Overseas Sales reached to 170.1 bil. won : Export and Subsidiaries increased 37.5%, 10.1% yoy

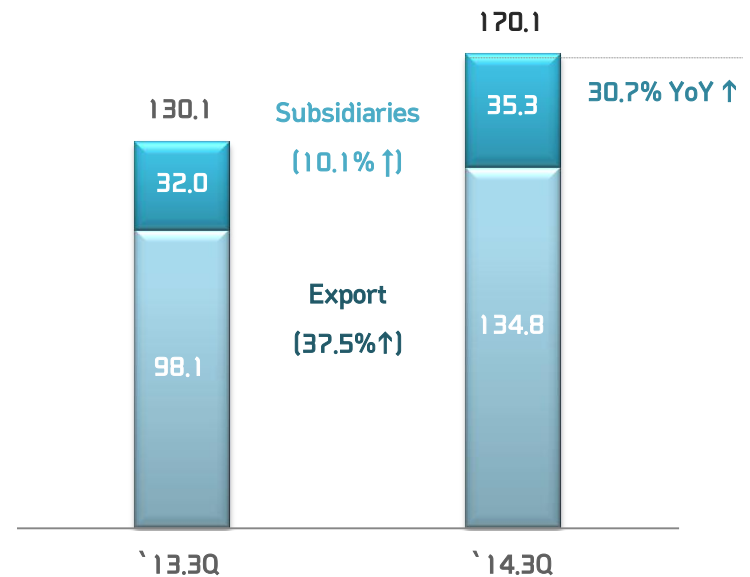
Overseas Volume

(mil. sticks)



Overseas Sales

(bil. KRW)



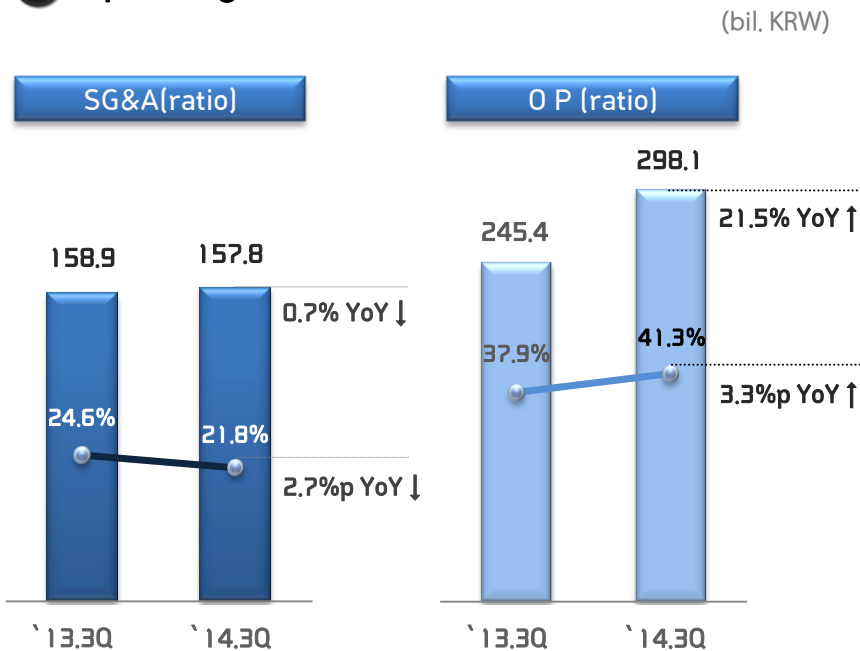
* Subsidiaries : Russia, Turkey, Iran, Indonesia

2-4. Profit/Loss

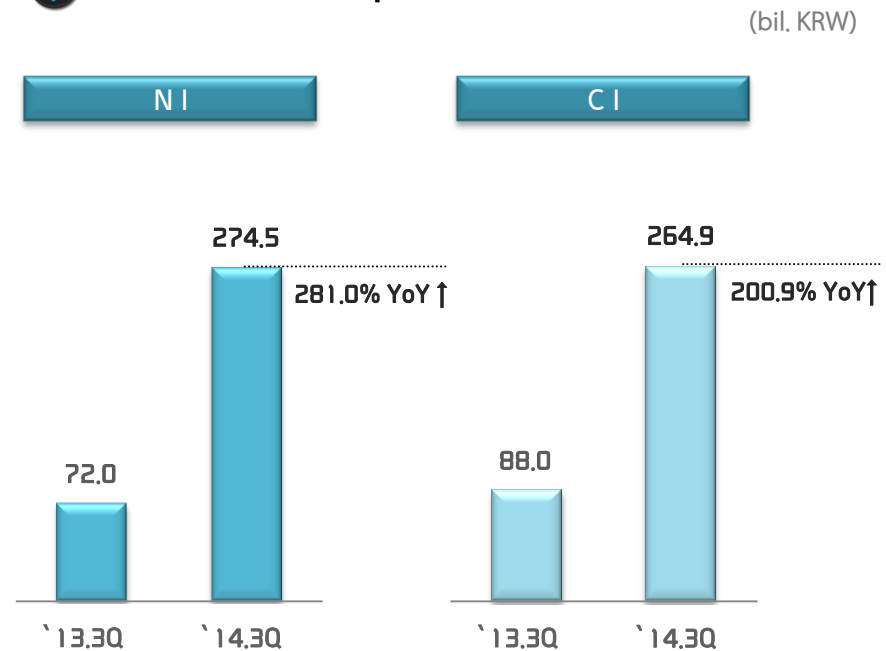
Both 3Q OP and NI went up 21.5% and 281.0% yoy each

- OP recorded 298.1 bil. won, up 21.5% : SG&A Ratio 270bp↓
- NI recorded 274.5 bil. won, up 281.0%
 - FX related gain rose 26.5 bil. won, FX related loss plunged by 56.8 bil. won, Other losses reduced

Operating Profit



Net Income/ Comprehensive Income





Chapter 3. KGC Separate Results

3-1. FY14 3Q KGC Results Summary

3Q Sales grew 2.7% while OP shrank 11.3% yoy

- 3Q sales recorded 242.8 bil. won, up 2.7% yoy (Domestic 4.2%↑, Export 10.7%↓)
- 3Q OP decreased 11.3% yoy to 43.7 bil. won

3Q Sales & Profit

(bil. KRW)

	3Q FY14	3Q FY13	Change
Sales	242.8	236.3	2.7%
- Domestic	222.0	213.0	4.2%
- Export	20.8	23.3	-10.7%
Operating Profit	43.7	49.3	-11.3%
Net Income	34.8	33.9	2.5%
Comprehensive Income	35.3	34.0	4.0%

9M Sales & Profit

(bil. KRW)

	9M FY14	9M FY13	Change
Sales	637.1	619.2	2.9%
- Domestic	574.8	554.2	3.7%
- Export	62.3	65.0	-4.2%
Operating Profit	112.2	117.1	-4.2%
Net Income	80.2	84.6	-5.3%
Comprehensive Income	80.6	84.6	-4.8%

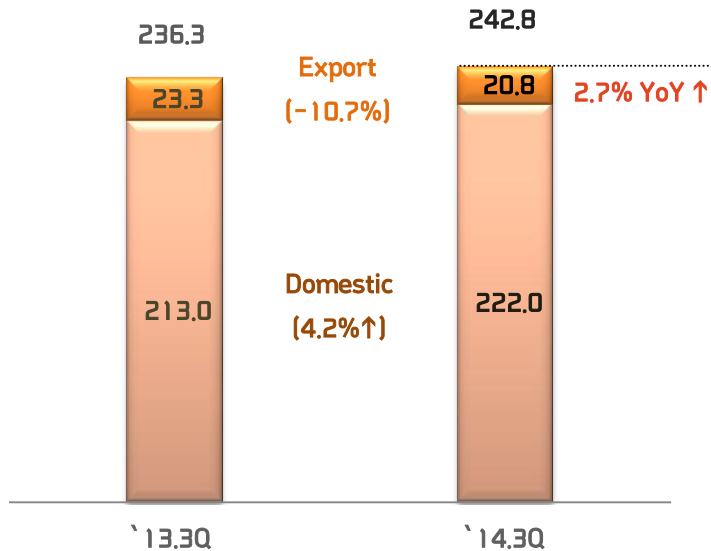
3-2. Sales Analysis

3Q domestic sales improvement and red ginseng roots sales enhancement

- Domestic sale rose 4.2% to 222.0 bil. won, Export sales fell 10.7% yoy to 20.8 bil. won
- DFS & Department channel portion rose 5.6% and Other channels grew 8.3% due to beverage sales hike

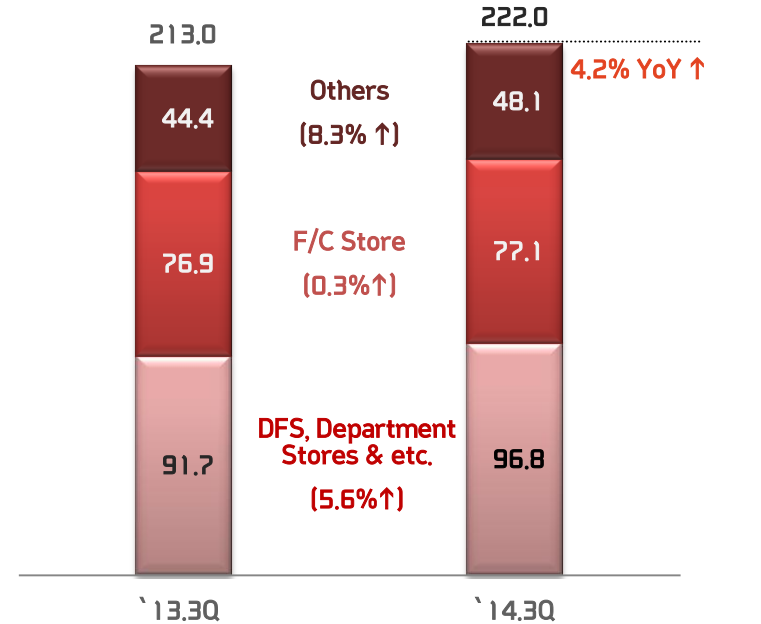
Sales by Region

(Unit : bil. KRW)



Sales by Domestic Channel

(Unit : bil. KRW)



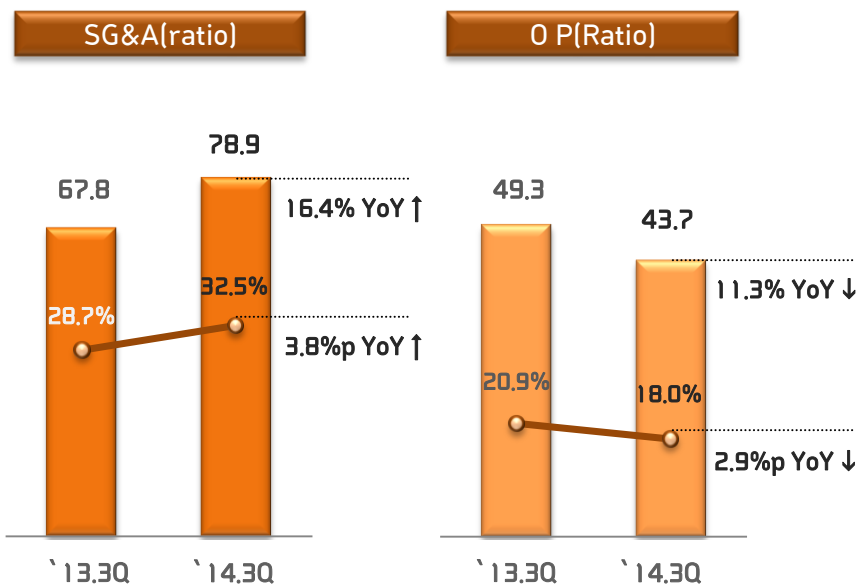
3-3. Profitability Analysis

3Q OP dropped 11.3%, but NI rose 2.5% yoy

- OP recorded 43.7 bil won, down 11.3% : SG&A expense rose 16.4% due to temporal expense hike
- NI recorded 34.8 bil won, up 2.5% : FX related gains, up 2.4 bil, FX related loss, down 4.0 bil. won

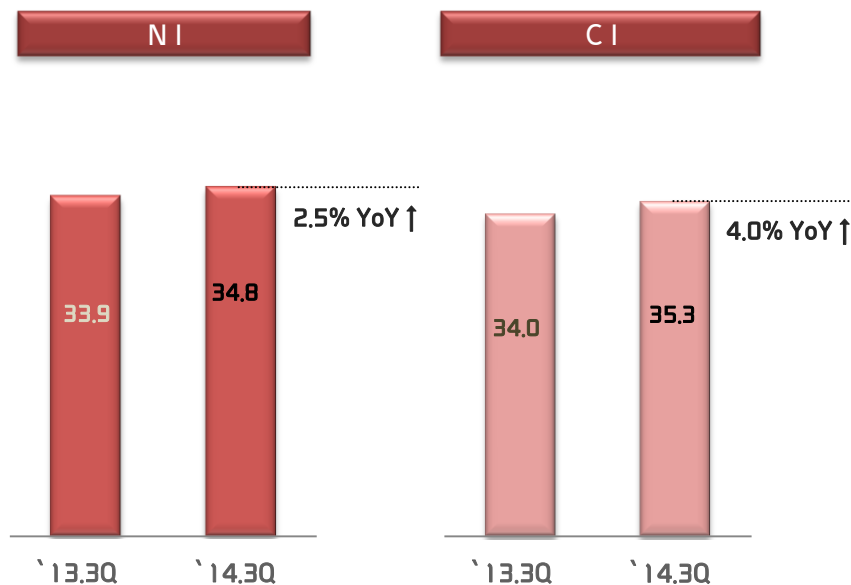
Operating Profit

(Unit : bil. KRW)



Net Income/Comprehensive Income

(Unit : bil. KRW)





Chapter 4. Appendix

- Consolidated F/S**
- Separate F/S**

4-1. Consolidated Financial Statement



Summarized Statement of Financial Position

(bil. won)	FY12	FY13	'14. 3Q
Non-Current Assets	2,838.2	2,886.4	3,014.6
-Property Plant Equipment	1,631.4	1,622.3	1,657.3
-Account Receivables and Others	121.8	108.9	98.0
-Investment Properties	182.0	174.0	169.4
-Equity Accounted Investments	55.8	58.1	58.4
-Available-For-Sale Financial Assets	263.9	296.6	330.3
Current Assets	3,957.0	4,188.4	4,390.4
-Inventories	1,706.8	1,893.9	1,683.8
-Cash and Cash Equivalents	372.3	347.9	486.2
-Other Financial Assets	649.2	684.1	665.7
-Account Receivables and Others	883.8	915.6	1,053.5
-Prepaid Cig. Taxes and Others	257.2	262.8	378.5
Assets Held For Sale	0.8	0.2	0.0
Total Assets	6,796.0	7,075.0	7,405.0
Non-Current Liabilities	503.8	527.2	596.8
Current Liabilities	1,097.7	1,182.2	1,217.7
-Account Payables and Others	410.2	542.9	515.8
-Short Term Borrowings	91.9	96.2	65.0
Total Liabilities	1,601.5	1,709.5	1,814.5
Capital Stock	955.0	955.0	955.0
Treasury Stock	-339.1	-339.1	-339.1
Gain on Reissuance of Treasury Stock	492.0	492.0	492.0
Other Capital Surplus	-4.6	-4.6	-4.6
Reserves	3,011.1	3,368.8	3,462.6
Retained Earnings	976.4	802.8	942.7
Equity Attributable to Equity Holders of the Parent Company	5,090.9	5,275.0	5,508.7
Non-Controlling Interest	103.5	90.5	81.9
Total Equities	5,194.4	5,365.5	5,590.5
Total Liabilities and Equities	6,796.0	7,075.0	7,405.0

Summarized Statement of Comprehensive Income

(bil. won)	FY12	FY13	'13. 3Q	'14. 3Q
Net Sales	3,984.7	3,821.7	1,024.0	1,106.5
COGS	1,740.8	1,688.6	458.7	484.9
Gross Profit	2,243.9	2,133.1	565.4	621.6
SG&A	1,207.9	1,119.7	272.4	283.3
Operating Profit	1,035.9	1,013.3	293.0	338.2
Other Income & Expense	-48.0	-148.7	-103.9	29.7
Financial Gain(Loss)	32.5	15.7	7.3	8.2
Share of Profit(Loss) of Associates	2.0	1.6	1.2	0.7
Pre-tax Income	1,022.4	881.9	197.7	376.9
Income Tax	297.3	322.6	108.2	110.1
Net Income	725.1	559.3	89.5	266.9
Other Comprehensive Income	-29.8	12.8	-3.5	-3.7
Comprehensive Income	695.3	572.1	85.9	263.2

4-2. Separate Financial Statement (KT&G)

Summarized Statement of Financial Position

(bil. won)	FY12	FY13	'14. 3Q
Non-Current Assets	3,155.9	3,232.1	3,318.2
-Property Plant Equipment	1,163.2	1,182.8	1,191.5
-Account Receivables and Others	146.2	134.5	122.7
-Investment Properties	153.9	146.0	141.5
-Investment in Subsidiaries	1,178.6	1,166.5	1,200.9
-Available-For-Sale Financial Assets	263.5	296.4	304.2
Current Assets	2,761.2	2,850.2	3,071.7
-Inventories	872.8	939.7	815.1
-Cash and Cash Equivalents	266.7	245.8	333.8
-Other Financial Assets	620.0	660.0	640.0
-Account Receivables and Others	726.4	721.5	860.5
-Prepaid Cig., Taxes and Others	254.6	262.8	378.5
Assets Held for Sale	0.8	0.0	0.0
Total Assets	5,917.9	6,082.3	6,389.9
Non-Current Liabilities	179.4	146.0	170.0
Current Liabilities	835.2	903.8	958.7
-Account Payables and Others	266.8	402.4	367.1
-Short Term Borrowings	5.5	4.9	4.8
Total Liabilities	1,014.6	1,049.9	1,128.7
Capital Stock	955.0	955.0	955.0
Treasury Stock	-339.1	-339.1	-339.1
Gain on Reissuance of Treasury Stock	492.0	492.0	492.0
Other Capital Surplus	3.6	3.6	3.6
Reserves	3,039.0	3,411.1	3,510.5
Retained Earnings	752.8	509.8	639.2
Total Equities	4,903.3	5,032.4	5,261.2
Total Liabilities and Equities	5,917.9	6,082.3	6,389.9

Summarized Statement of Comprehensive Income

(bil. won)	FY12	FY13	'13. 3Q	'14. 3Q
Net Sales	2,637.6	2,510.6	647.0	722.4
-Cigarettes	2,523.9	2,342.2	601.4	669.6
-Real Estate	43.5	109.2	32.7	29.7
-Others	70.2	59.2	12.8	23.1
COGS	982.1	936.1	242.6	266.5
-Cigarettes	926.0	841.4	215.2	235.4
-Real Estate	7.3	57.3	18.6	16.1
-Others	48.8	37.3	8.8	14.9
Gross Profit	1,655.5	1,574.6	404.4	455.9
SG&A	682.8	651.1	158.9	157.8
Operating Profit	972.7	923.5	245.4	298.1
Other Income & Expense	1.6	-198.4	-94.7	33.9
-Other Income	92.7	47.9	11.6	39.9
FX Translation and Transaction Gain	5.7	13.2	3.0	29.6
Others	87.0	34.7	8.6	10.3
-Other Expense	91.0	246.4	106.2	6.0
FX Translation and Transaction Loss	57.2	40.9	59.8	3.0
Others	33.8	205.5	46.4	3.0
Financial Gain(Loss)	44.2	31.7	9.7	30.5
Pre-tax Income	1,018.5	756.8	160.5	362.5
-Income Tax	250.0	255.5	88.5	881.0
Net Income	768.4	501.3	72.0	274.5
Comprehensive Income	751.6	532.0	88.0	264.9

4-2. Separate Financial Statement (KGC)

Summarized Statement of Financial Position

(bil. won)	FY12	FY13	'14.3Q
Non-Current Assets	462.4	436.4	576.3
-Tangible Assets	215.4	206.4	246.4
-Intangible Assets	13.6	11.9	10.7
-Others	233.4	218.1	319.2
Current Assets	820.9	978.6	989.3
-Inventories	635.1	772.7	678.5
-Cash and Cash Equivalents	9.5	5.7	77.0
-Others	176.3	200.2	233.7
Total Assets	1,283.3	1,415.0	1,565.5
Non-Current Liabilities	30.6	45.2	63.1
Current Liabilities	96.4	124.4	113.1
-Short Term Borrowings	50.2	60.0	24.9
-Others	46.2	64.4	88.1
Total Liabilities	127.0	169.6	176.2
Capital Stock	66.3	66.3	69.1
Capital Surplus	33.4	33.4	93.9
Reserves	957.0	1,056.5	1,146.3
Retained Earnings	99.6	89.2	80.1
Other Comprehensive Income	0.0	0.0	0.0
Total Equities	1,156.2	1,245.5	1,389.4
Total Liabilities and Equities	1,283.3	1,415.0	1,565.5

Summarized Statement of Comprehensive Income

(bil. won)	FY12	FY13	'13. 3Q	'14. 3Q
Sales	831.9	784.8	236.3	242.8
- Red Ginseng Roots	121.3	122.1	32.6	30.3
- Red Ginseng Products	708.2	661.0	203.3	212.2
(Ratio)	(85.1)	(84.2)	(86.0)	(87.4)
- Others	2.4	1.7	0.4	0.3
COGS	412.7	390.9	119.2	120.1
Gross Profit	419.2	393.9	117.1	122.6
SG&A	286.1	268.9	67.8	78.9
Operating Profit	133.1	125.0	49.3	43.7
Other Income & Expense	-4.2	-7.5	-4.4	1.8
- Other Income	9.2	7.6	0.9	3.4
- Other Expense	13.4	15.1	5.3	1.6
Financial Gain(Loss)	2.4	0.6	0.5	0.3
Pre-tax Income	131.4	118.1	45.3	45.8
- Income Tax	31.6	28.8	11.4	11.0
Net Income	99.7	89.3	33.9	34.8
Comprehensive Income	99.6	89.2	34.0	35.3



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