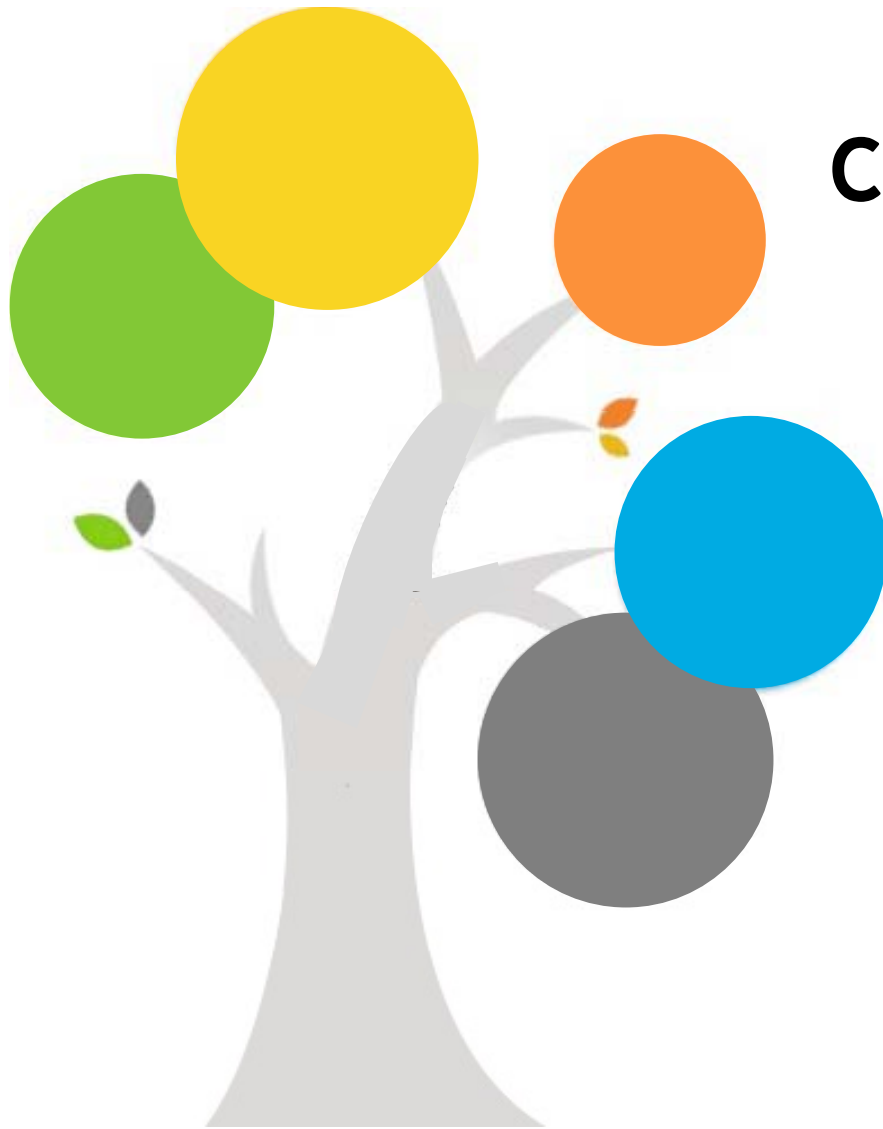


Investor Relations 2014

**FY2014 4Q**

**Earnings Presentation**





# Contents

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**Chapter 2. KT&G Separate Results**

**Chapter 3. KGC Separate Results**

**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**

# 1. FY14 4Q Consolidated Results Summary



**4Q Consolidated sales, OP and NI recorded 1 tril. 50.5 bil., 287.2 bil., 174.4 bil. won**

- 4Q Consolidated Sales and OP : up 6.4%, up 28.9% yoy
- 12M Consolidated Sales and OP : up 7.6%, up 15.6% yoy

## 4Q Consolidated Sales

(bil. KRW)

	YOY		
	4Q FY14	4Q FY13	Change
Net Sales	1,050.5	987.1	6.4%
Operating Profit	287.2	222.8	28.9%
Net Income	174.4	78.8	121.3%
Comprehensive Income	117.6	91.7	28.2%

## 12M Consolidated Sales

(bil. KRW)

	YOY		
	FY2014	FY2013	Change
Net Sales	4,112.9	3,821.7	7.6%
Operating Profit	1,171.9	1,013.3	15.6%
Net Income	813.8	559.3	45.5%
Comprehensive Income	745.4	572.1	30.3%



## Chapter 2. KT&G Separate Results

## 2-1. FY14 4Q KT&G Results Summary



### 4Q Sales and OP went up 5.3% and 20.0% yoy each

- 4Q Sales recorded 717.7 bil. won, up 5.3% yoy
  - Domestic Cigarette 10.0%↑, Export Cigarette 17.3%↓, Others(Real Estate etc.) 30.1%↑
- 4Q OP and NI rose 20.0% and 186.7% yoy to 270.5 bil. and 109.7 bil. won respectively

#### 4Q Sales & Profit

(Unit : bil. KRW)

	4Q FY14	4Q FY13	Change
Net Sales	717.7	681.7	5.3%
- Domestic	516.1	469.2	10.0%
- Export	130.5	157.8	-17.3%
- Others(Real Estate etc.)	71.1	54.7	30.1%
Operating Profit	270.5	225.5	20.0%
Net Income	109.7	38.2	186.7%
Comprehensive Income	80.5	58.0	39.0%

#### 12M Sales & Profit

(Unit : bil. KRW)

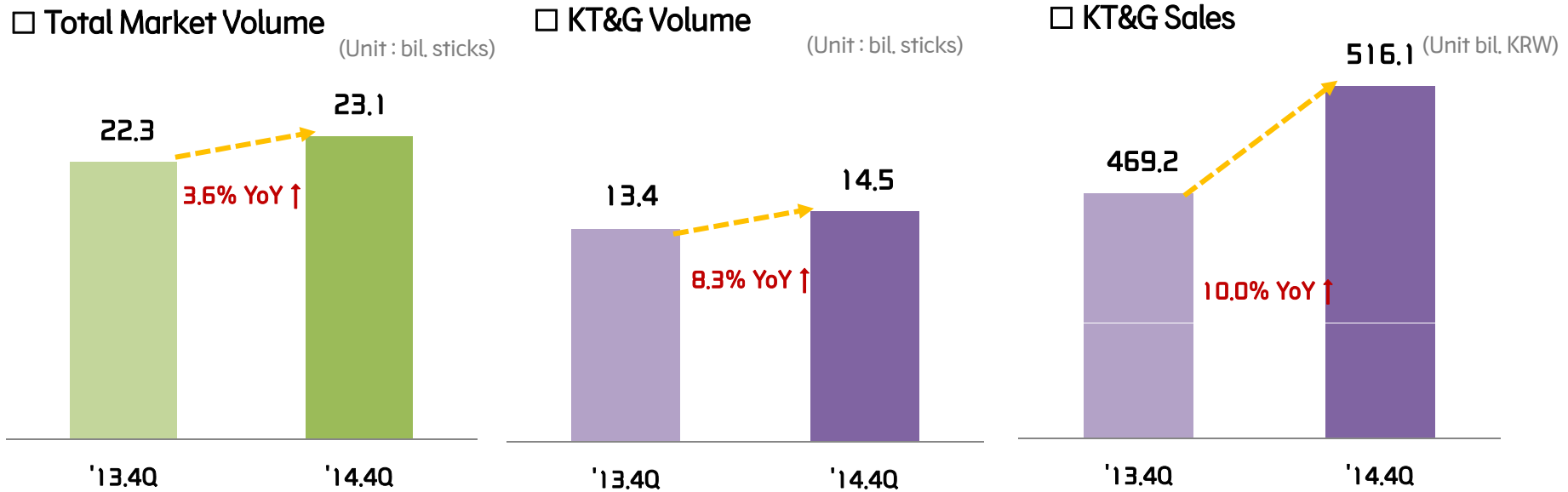
	FY2014	FY2013	Change
Net Sales	2,742.6	2,510.6	9.2%
- Domestic	1,966.9	1,889.6	4.1%
- Export	533.1	452.7	17.8%
- Others(Real Estate etc.)	242.6	168.4	44.0%
Operating Profit	1,054.6	923.5	14.2%
Net Income	747.1	501.3	49.0%
Comprehensive Income	712.2	532.0	33.9%

## 2-2. Domestic Cigarette(1)



**4Q Total market volume and KT&G volume rose 3.6%, 8.3% yoy respectively**

- Total Market Volume : '13.4Q 22.3 bil. sticks → '14.4Q 23.1 bil. sticks(up 0.8 bil. sticks)
- KT&G Volume : '13.4Q 13.4 bil. sticks → '14.4Q 14.5 bil. sticks(up 1.1 bil. sticks)

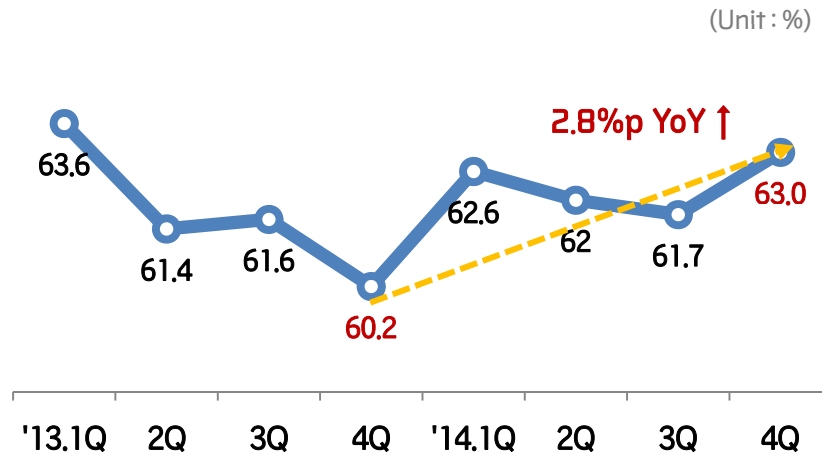


## 2-2. Domestic Cigarette (2)

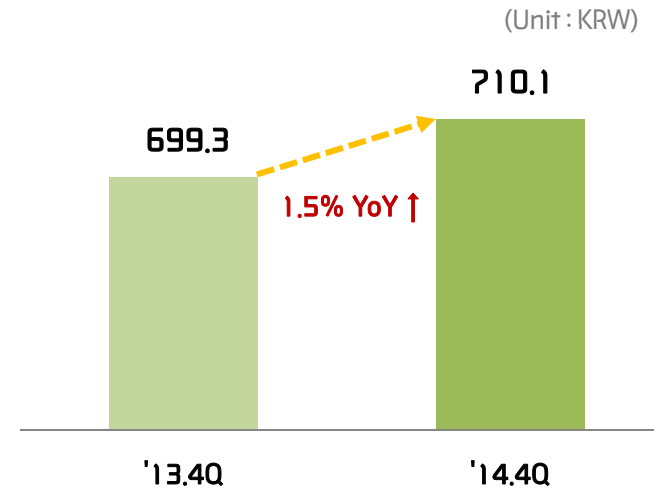


### 4Q KT&G M/S and net ASP continued to grow yoy

□ Quarterly KT&G M/S Trend



□ KT&G Net ASP



- KT&G M/S : '13. 4Q 60.2% → '14. 4Q 63.0%(2.8%p↑)
- \* Annual KT&G M/S : '13 61.7% → '14 62.3%(0.6%p↑)

- Net ASP : '13. 4Q 699.3 → '14. 4Q 710.1 KRW(1.5%↑)
- Improved product mix via expanding mid-premium (2,500 KRW/Pack and higher)portion



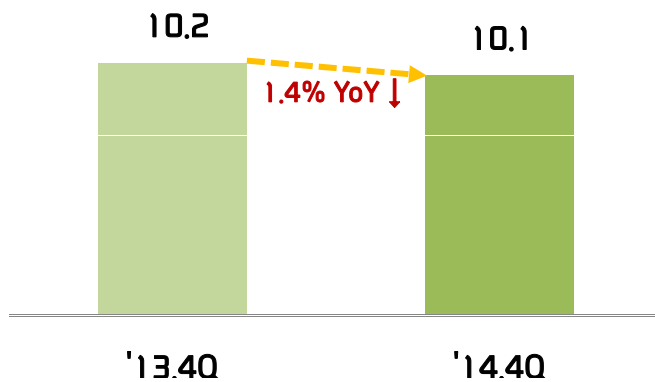
## 2-3. Overseas Tobacco (Export)



4Q Export volume and sales fell 1.4% and 17.3% yoy respectively

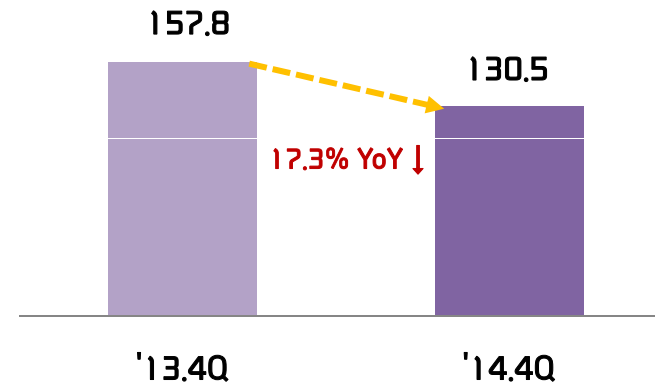
□ Export Cigarette Volume

(Unit : bil. sticks)



□ Export Cigarette Sales

(Unit : bil. KRW)



- Volume : '13. 4Q 10.2→'14. 4Q 10.1 bil. sticks(1.4%↓)
- \* Annual volume : '13 27.7→'14 36.1 bil. sticks(30.1%↑)

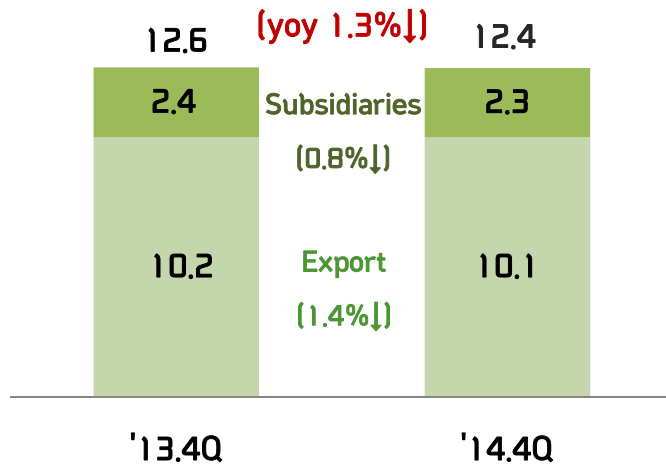
- Sales : '13. 4Q 157.8→'14. 4Q 130.5 bil. KRW(17.3%↓)
- \* Annual sales : '13 452.7→'14 533.1 bil. KRW(17.8%↑)

## 2-3. Overseas Tobacco (Export +Subsidiaries)



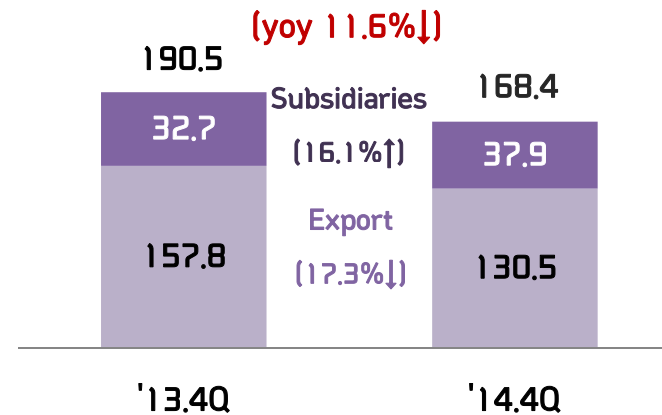
4Q Overseas volume and sales dropped 1.3% and 11.6% yoy each

□ Overseas Cigarette Volume (Unit : bil. sticks)



\* Subsidiaries : Russia, Turkey, Iran, Indonesia

□ Overseas Cigarette Sales (Unit : bil. KRW)



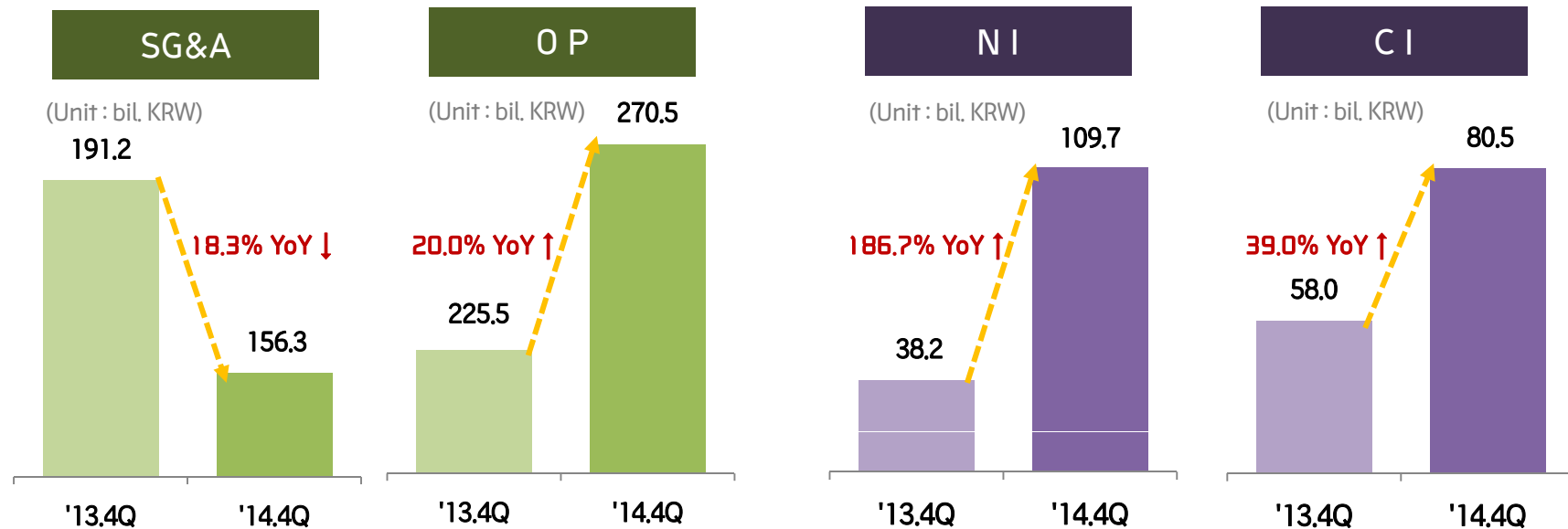
- Overseas Volume : '14. 4Q 12.4 bil. sticks(1.3%↓)
- Export : 1.4%↓, Subsidiaries 0.8%↓
- \* Annual Overseas Volume : '13 34.3→'14 43.3 bil. sticks(26.5%↑)

- Overseas Sales : '14. 4Q 168.4 bil. KRW(11.6%↓)
- Export : 17.3% ↓, Subsidiaries 16.1%↑
- \* Annual Overseas Sales : '13 562.0→'14 658.1 bil. KRW(17.1%↑)

## 2-4. Profit/Loss



4Q OP and NI improved 20.0% and 186.7% yoy each



- OP Margin : '13. 4Q 33.1% → '14. 4Q 37.7%(4.6%p↑)  
- SG&A fell due to Ads. & bad debt expense drop
- SG&A Ratio : '13. 4Q 28.0% → '14. 4Q 21.8%(6.3%p↓)

- NI Margin : '13. 4Q 5.6% → '14. 4Q 15.3%(9.7%p↑)  
- FX related net gain(52.0 bil. ↑), other expense fell
- CI Margin : '13. 4Q 8.5% → '14. 4Q 11.2%(2.7%p↑)



## Chapter 3. KGC Separate Results

# 3-1. FY14 4Q KGC Results Summary



**4Q Sales and OP increased 6.1% and 127.5% yoy**

- 4Q sales recorded 175.7 bil. won, up 6.1% yoy(Domestic 11.5%↑, Export 21.3%↓)
- 4Q Operating Profit grew 127.5% yoy to 17.9 bil. won

## 4Q Sales & Profit

(bil. KRW)

	4Q FY14	4Q FY13	Change
Sales	175.7	165.6	6.1%
- Domestic	154.2	138.4	11.5%
- Export	21.5	27.3	-21.3%
Operating Profit	17.9	7.9	127.5%
Net Income	13.0	4.7	178.6%
Comprehensive Income	5.1	4.6	11.5%

## 12M Sales & Profit

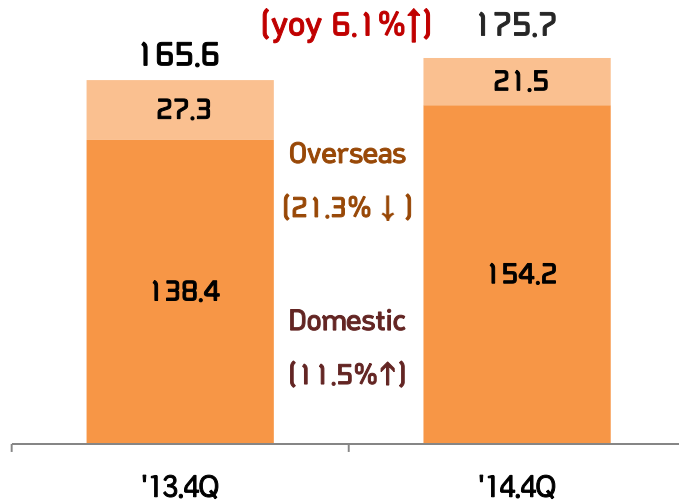
(bil. KRW)

	FY2014	FY2013	Change
Sales	812.8	784.8	3.6%
- Domestic	729.1	692.6	5.3%
- Export	83.7	92.2	-9.2%
Operating Profit	130.1	125.0	4.1%
Net Income	93.2	89.3	4.3%
Comprehensive Income	85.7	89.2	-4.0%

## 3-2. Sales Analysis

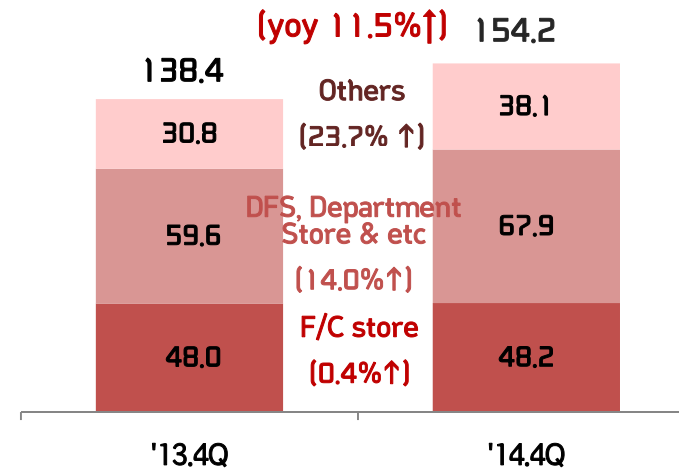
4Q domestic sales including DFS, Department store channel & etc sales rose

□ Sales by Regions (Unit : bil. KRW)



- Domestic sales rose, overseas sales fell
- Domestic sales in 4Q rose 11.5%yoy
- Overseas sales in 4Q fell 21.3%yoy

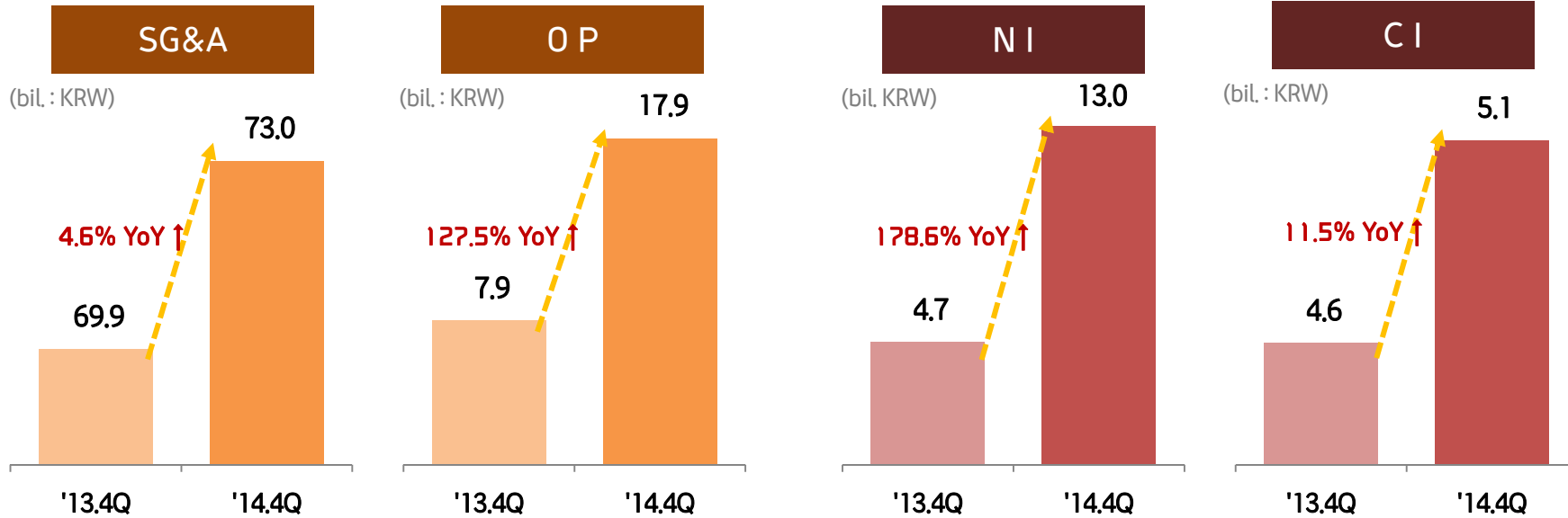
□ Domestic Sales by Channels (Unit : bil. KRW)



- DFS, Dep. stores and other channel sales rose
- Sales from DFS, DS & etc went up 14.0%yoy
- Sales from other channel went up 23.7%yoy

### 3-3. Profitability Analysis

4Q OP increased 127.5% and NI rose 178.6% yoy



- OP Margin : '13. 4Q 4.8% → '14. 4Q 10.2%(5.4%p↑)  
- Margin improved due to overall cost ratio drop
- SG&A Ratio : '13. 4Q 42.2% → '14. 4Q 41.6%(0.6%p↓)

- NI Margin : '13. 4Q 2.8% → '14. 4Q 7.4%(4.6%p↑)  
- FX related net gain(4.0 bil. ↑), other expense fell
- CI Margin : '13. 4Q 2.8% → '14. 4Q 2.9%(0.1%p↑)



## **Chapter 4. Appendix**

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



# 4- 1. Consolidated Financial Statement



## Summarized Statement of Financial Position

(bil. won)	FY12	FY13	FY14
Non-Current Assets	2,838.2	2,886.4	3,010.1
-Property Plant Equipment	1,631.4	1,622.3	1,753.4
-Account Receivables and Others	121.8	108.9	86.7
-Investment Properties	182.0	174.0	168.0
-Equity Accounted Investments	55.8	58.1	57.9
-Available-For-Sale Financial Assets	263.9	296.6	325.8
Current Assets	3,957.0	4,188.4	4,408.2
-Inventories	1,706.8	1,893.9	1,982.5
-Cash and Cash Equivalents	372.3	347.9	416.4
-Other Financial Assets	649.2	684.1	668.4
-Account Receivables and Others	883.8	915.6	989.8
-Prepaid Cig. Taxes and Others	257.2	262.8	260.8
Assets Held For Sale	0.8	0.2	0.4
<b>Total Assets</b>	<b>6,796.0</b>	<b>7,075.0</b>	<b>7,418.7</b>
Non-Current Liabilities	<b>503.8</b>	<b>527.2</b>	<b>586.0</b>
Current Liabilities	1,097.7	1,182.2	1,124.6
-Account Payables and Others	410.2	542.9	503.9
-Short Term Borrowings	91.9	96.2	141.9
<b>Total Liabilities</b>	<b>1,601.5</b>	<b>1,709.5</b>	<b>1,710.6</b>
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	3,426.4
Retained Earnings	976.4	802.8	1,100.9
Equity Attributable to Equity Holders of the Parent Company	5,090.9	5,275.0	5,630.6
Non-Controlling Interest	103.5	90.5	77.5
<b>Total Equities</b>	<b>5,194.4</b>	<b>5,365.5</b>	<b>5,708.1</b>
<b>Total Liabilities and Equities</b>	<b>6,796.0</b>	<b>7,075.0</b>	<b>7,418.7</b>

## Summarized Statement of Comprehensive Income

(bil. won)	FY12	FY13	'13. 4Q	'14. 4Q
<b>Net Sales</b>	<b>3,984.7</b>	<b>3,821.7</b>	<b>987.1</b>	<b>10,505</b>
COGS	1,740.8	1,688.6	452.2	478.7
Gross Profit	2,243.9	2,133.1	534.9	571.7
SG&A	1,207.9	1,119.7	312.1	284.5
<b>Operating Profit</b>	<b>1,035.9</b>	<b>1,013.3</b>	<b>222.8</b>	<b>287.2</b>
Other Income & Expense	-48.0	-148.7	-93.7	-44.0
Financial Gain(Loss)	32.5	15.7	7.8	17.2
Share of Profit(Loss) of Associates	2.0	1.6	0.4	0.8
<b>Pre-tax Income</b>	<b>1,022.4</b>	<b>881.9</b>	<b>137.3</b>	<b>261.3</b>
Income Tax	297.3	322.6	58.5	86.9
<b>Net Income</b>	<b>725.1</b>	<b>559.3</b>	<b>78.8</b>	<b>174.4</b>
Other Comprehensive Income	-29.8	12.8	12.9	-56.9
<b>Comprehensive Income</b>	<b>695.3</b>	<b>572.1</b>	<b>91.7</b>	<b>117.6</b>

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



### Summarized Statement of Financial Position

(bil. won)	FY12	FY13	FY14
Non-Current Assets	3,155.9	3,232.1	3,311.6
-Property Plant Equipment	1,163.2	1,182.8	1,279.7
-Account Receivables and Others	146.2	134.5	120.7
-Investment Properties	153.9	146.0	140.1
-Investment in Subsidiaries	1,178.6	1,166.5	1,081.8
-Available-For-Sale Financial Assets	263.5	296.4	303.4
Current Assets	2,761.2	2,850.2	2,982.9
-Inventories	872.8	939.7	910.4
-Cash and Cash Equivalents	266.7	245.8	321.6
-Other Financial Assets	620.0	660.0	640.0
-Account Receivables and Others	726.4	721.5	824.9
-Prepaid Cig., Taxes and Others	254.6	262.8	260.8
Assets Held for Sale	0.8	0.0	0.0
<b>Total Assets</b>	<b>5,917.9</b>	<b>6,082.3</b>	<b>6,294.9</b>
Non-Current Liabilities	179.4	146.0	167.1
Current Liabilities	835.2	903.8	786.1
-Account Payables and Others	266.8	402.4	347.2
-Short Term Borrowings	5.5	4.9	5.6
<b>Total Liabilities</b>	<b>1,014.6</b>	<b>1,049.9</b>	<b>1,128.7</b>
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	3,493.8
Retained Earnings	752.8	509.8	736.5
<b>Total Equities</b>	<b>4,903.3</b>	<b>5,032.4</b>	<b>5,341.7</b>
<b>Total Liabilities and Equities</b>	<b>5,917.9</b>	<b>6,082.3</b>	<b>6,294.9</b>

### Summarized Statement of Comprehensive Income

(bil. won)	FY12	FY13	'13. 4Q	'14. 4Q
<b>Net Sales</b>	<b>2,637.6</b>	<b>2,510.6</b>	<b>681.7</b>	<b>717.7</b>
-Cigarettes	2,523.9	2,342.2	627.1	646.6
-Real Estate	43.5	109.2	38.2	49.4
-Others	70.2	59.2	16.5	21.8
COGS	982.1	936.1	265.0	290.9
-Cigarettes	926.0	841.4	232.3	245.6
-Real Estate	7.3	57.3	22.7	31.3
-Others	48.8	37.3	10.0	14.1
<b>Gross Profit</b>	<b>1,655.5</b>	<b>1,574.6</b>	<b>416.7</b>	<b>426.8</b>
SG&A	682.8	651.1	191.2	156.3
<b>Operating Profit</b>	<b>972.7</b>	<b>923.5</b>	<b>225.5</b>	<b>270.5</b>
Other Income & Expense	1.6	-198.4	-162.3	-89.2
-Other Income	92.7	47.9	9.0	44.7
FX Translation and Transaction Gain	5.7	13.2	1.1	37.8
Others	87.0	34.7	7.9	6.9
-Other Expense	91.0	246.4	171.4	133.9
FX Translation and Transaction Loss	57.2	40.9	17.2	1.8
Others	33.8	205.5	154.1	132.1
Financial Gain(Loss)	44.2	31.7	14.3	21.5
<b>Pre-tax Income</b>	<b>1,018.5</b>	<b>756.8</b>	<b>77.4</b>	<b>202.7</b>
-Income Tax	250.0	255.5	39.1	93.1
<b>Net Income</b>	<b>768.4</b>	<b>501.3</b>	<b>38.2</b>	<b>109.7</b>
<b>Comprehensive Income</b>	<b>751.6</b>	<b>532.0</b>	<b>58.0</b>	<b>80.5</b>

## 4-2. Separate Financial Statement (KGC)



### Summarized Statement of Financial Position

(bil. won)	FY12	FY13	FY14
Non-Current Assets	462.4	436.4	543.1
-Tangible Assets	215.4	206.4	261.1
-Intangible Assets	13.6	11.9	10.4
-Others	233.4	218.1	271.6
Current Assets	820.9	978.6	1,094.3
-Inventories	635.1	772.7	892.6
-Cash and Cash Equivalents	9.5	5.7	4.5
-Others	176.3	200.2	197.2
<b>Total Assets</b>	<b>1,283.3</b>	<b>1,415.0</b>	<b>1,637.4</b>
Non-Current Liabilities	30.6	45.2	63.2
Current Liabilities	96.4	124.4	179.7
-Short Term Borrowings	50.2	60.0	102.9
-Others	46.2	64.4	76.8
<b>Total Liabilities</b>	<b>127.0</b>	<b>169.6</b>	<b>242.9</b>
Capital Stock	66.3	66.3	69.1
Capital Surplus	33.4	33.4	93.9
Reserves	957.0	1,056.5	1,143.4
Retained Earnings	99.6	89.2	88.1
Other Comprehensive Income	0.0	0.0	0.0
<b>Total Equities</b>	<b>1,156.2</b>	<b>1,245.5</b>	<b>1,394.5</b>
<b>Total Liabilities and Equities</b>	<b>1,283.3</b>	<b>1,415.0</b>	<b>1,637.4</b>

### Summarized Statement of Comprehensive Income

(bil. won)	FY12	FY13	'13. 4Q	'14. 4Q
<b>Sales</b>	<b>831.9</b>	<b>784.8</b>	<b>165.6</b>	<b>175.7</b>
- Red Ginseng Roots	121.3	122.1	33.1	28.7
- Red Ginseng Products	708.2	661.0	131.7	146.6
(Ratio)	(85.1)	(84.2)	(79.5)	(83.5)
- Others	2.4	1.7	0.8	0.4
COGS	412.7	390.9	87.9	84.7
<b>Gross Profit</b>	<b>419.2</b>	<b>393.9</b>	<b>77.7</b>	<b>91.0</b>
SG&A	286.1	268.9	69.9	73.0
<b>Operating Profit</b>	<b>133.1</b>	<b>125.0</b>	<b>7.9</b>	<b>17.9</b>
Other Income & Expense	-4.2	-7.5	-1.7	3.2
- Other Income	9.2	7.6	2.3	4.8
- Other Expense	13.4	15.1	4.0	1.6
Financial Gain(Loss)	2.4	0.6	-0.2	-0.5
<b>Pre-tax Income</b>	<b>131.4</b>	<b>118.1</b>	<b>6.0</b>	<b>20.6</b>
- Income Tax	31.6	28.8	1.3	7.7
<b>Net Income</b>	<b>99.7</b>	<b>89.3</b>	<b>4.7</b>	<b>13.0</b>
<b>Comprehensive Income</b>	<b>99.6</b>	<b>89.2</b>	<b>4.6</b>	<b>5.1</b>



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