

Investor Relations 2015

# FY2015 1Q Earnings Presentation





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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. FY15 1Q Consolidated Results Summary



**1Q Consolidated Sales, OP, NI recorded 1 tril. 136.9 bil., 428.5 bil., 308.8 bil. won**

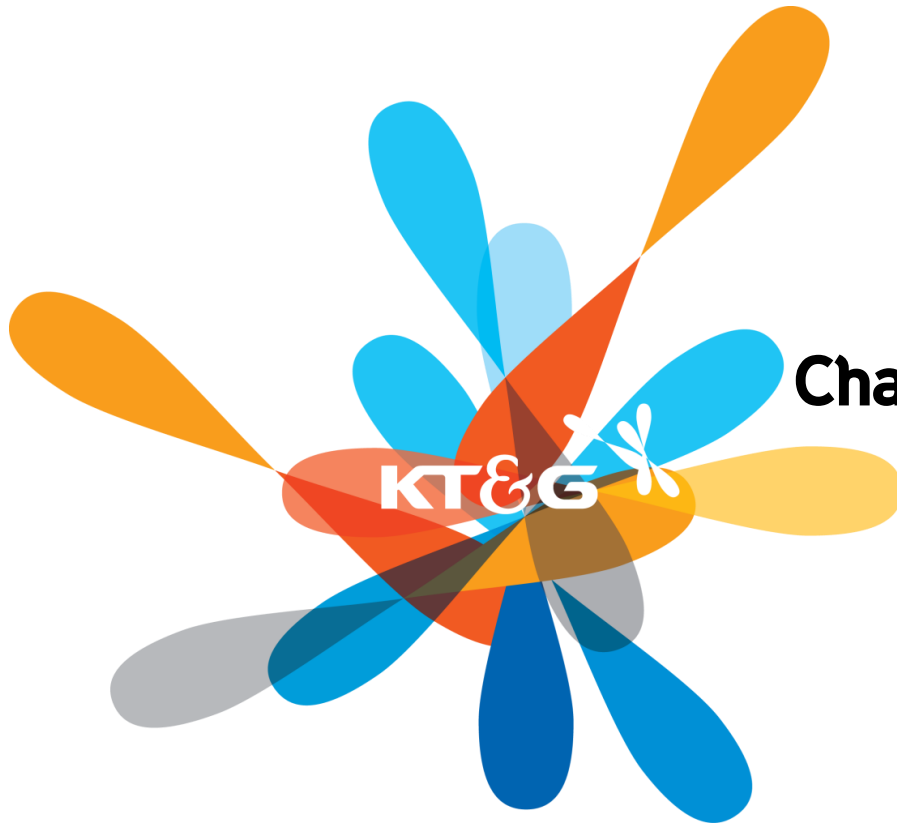
- 1Q Consolidated Sales increased 18.0% yoy : KT&G 22.0% ↑, KGC 15.7% ↑ yoy
- 1Q OP and NI increased 64.7%, 64.1% yoy each

## □ Consolidated Sales/Profit

(Unit : bil. KRW)

	1Q FY15	1Q FY14	Change
<b>Net Sales</b>	<b>1,136.9</b>	963.7	<b>18.0%</b>
- KT&G	769.8	631.1	22.0%
- KGC	238.9	206.6	15.7%
- Others and Adjustment	128.1	126.0	1.7%
<b>Operating Profit</b>	<b>428.5</b>	260.1	<b>64.7%</b>
<b>Net Income</b>	<b>308.8</b>	188.2	<b>64.1%</b>

- Sales of KT&G and KGC are the amounts before eliminating internal transactions.
- Others and adjusted amounts are the figures after adjusting or eliminating internal transactions among other subsidiaries sales.



## Chapter 2. KT&G Separate Results

## 2-1. FY15 1Q KT&G Results Summary



### FY15 1Q Sales and OP grew 22.0%, 67.0% yoy

- 1Q Sales increased 22.0% yoy to 769.8 bil. won
  - Domestic Cigarette 33.1% ↑, Export Cigarette 8.9% ↓, Others(Real Estate etc.) 19.2% ↑
- 1Q OP and NI recorded 380.0 bil. and 294.4 bil. won each, up 67.0% and 57.0% yoy

#### □ Sales/Profit

(Unit : bil. KRW)

	1Q FY15	1Q FY14	Change
<b>Net Sales</b>	<b>769.8</b>	631.1	<b>22.0%</b>
- Domestic	<b>569.3</b>	427.7	<b>33.1%</b>
- Export	<b>135.9</b>	149.2	<b>△8.9%</b>
- Others(Real Estate etc.)	<b>64.6</b>	54.2	<b>19.2%</b>
<b>Operating Profit</b>	<b>380.0</b>	227.5	<b>67.0%</b>
<b>Net Income</b>	<b>294.4</b>	187.5	<b>57.0%</b>

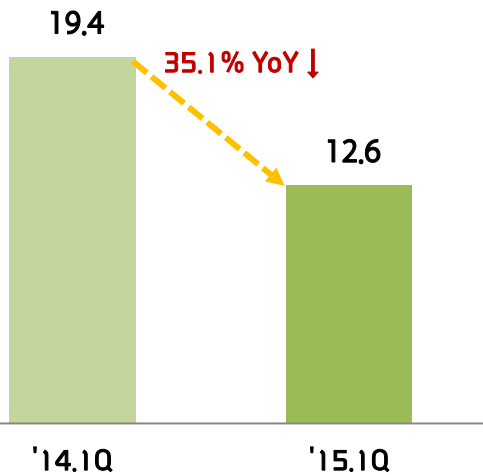
## 2-2. Domestic Cigarette

Total market volume and KT&G volume in 1Q fell 35.1%, 41.4% yoy due to cig. tax hike

- '15 1Q Total Market Volume: 12.6 bil. sticks, down by 6.8 bil. sticks yoy
- '15 1Q KT&G Volume : 7.1 bil. Sticks, down by 5.1 sticks yoy
- KT&G M/S : 56.6% down by 6.0%p yoy

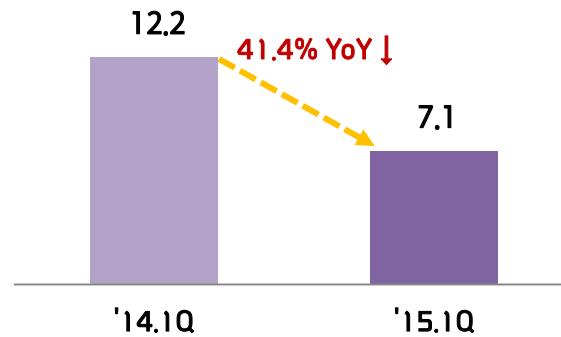
□ Total Market Volume

(Unit : bil. sticks)



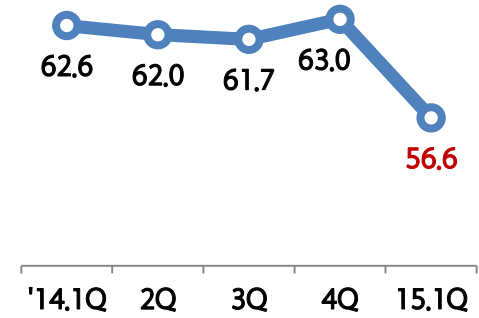
□ KT&G volume

(Unit : bil. sticks)



□ KT&G M/S Trend

(Unit : %)

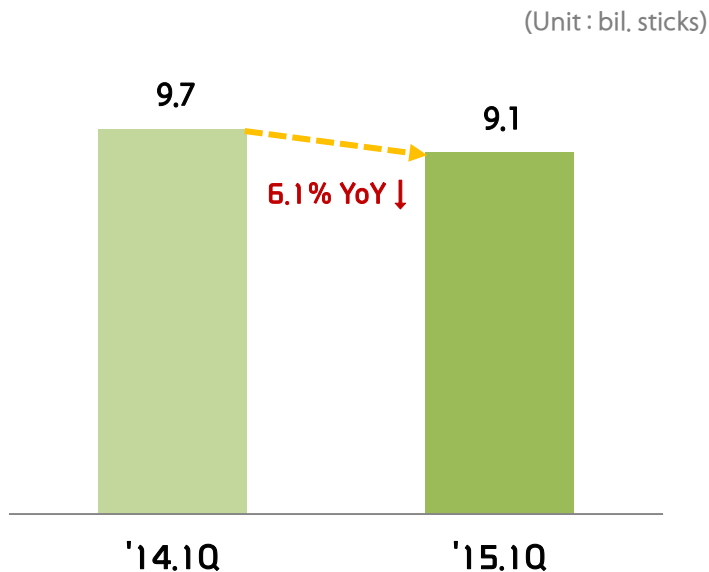


## 2-3. Overseas Cigarette (Export)

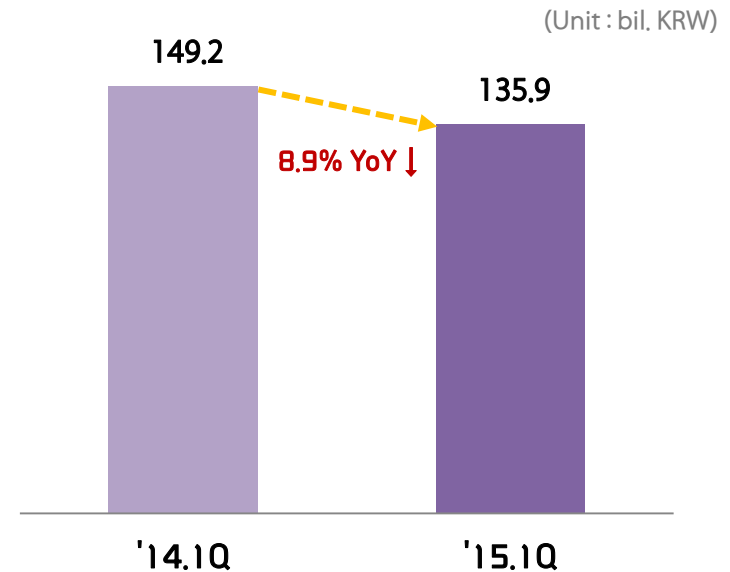
### 1Q Export volume and sales dropped 6.1%, and 8.9% yoy

- Volume fell 6.1% yoy ('14. 1Q 9.7 bil. sticks → '15. 1Q 9.1 bil. sticks)
- Sales dropped 8.9% yoy ('14. 1Q 149.2 bil. won → '15. 1Q 135.9 bil. won)

#### □ Export Cigarette Volume



#### □ Export Cigarette Sales





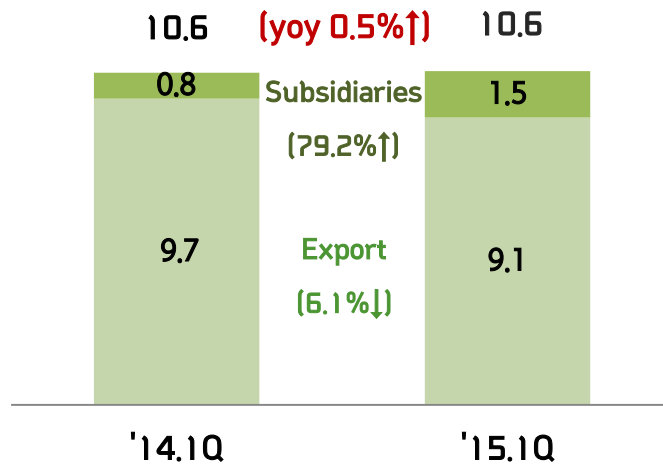
## 2-3. Overseas Cigarette (Export +Subsidiaries)



1Q Overseas volume and sales rose 0.5%, 1.6% yoy each

### □ Overseas Cigarette Volume

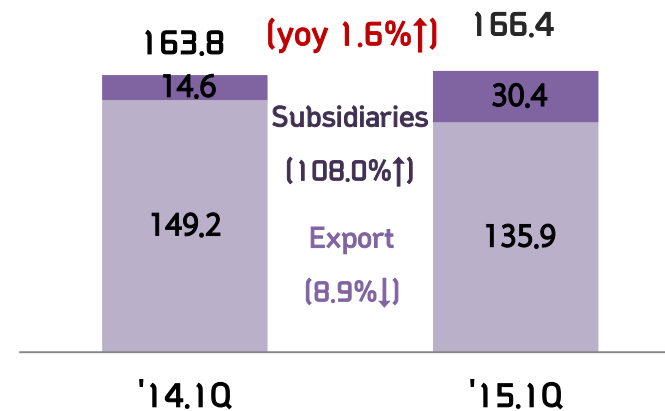
(Unit : bil. sticks)



\* Subsidiaries : Russia, Turkey, Iran, Indonesia

### □ Overseas Cigarette Sales

(Unit : bil. KRW)

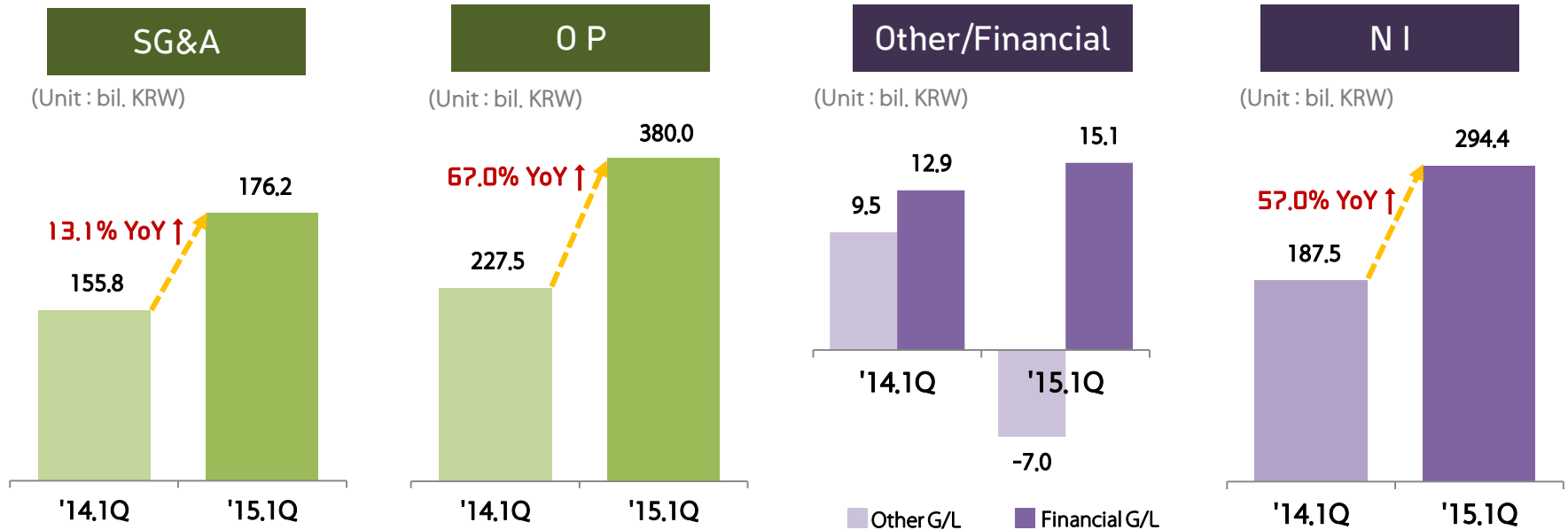


- Overseas Volume : '15. 1Q 10.6 bil. sticks(0.5%↑)
- Export : 6.1% ↓, Subsidiaries : 79.2% ↑

- Overseas Sales : '15. 1Q 166.4 bil. won(1.6%↑)
- Export : 8.9% ↓, Subsidiaries : 108.0% ↑

## 2-4. Profitability Analysis

FY15 1Q OP and NI grew 67.0% and 57.0% yoy respectively



- OP Margin : '14. 1Q 36.1% → '15. 1Q 49.4%(13.3%p↑)
- SG&A Ratio : '14. 1Q 24.7% → '15. 1Q 22.9%(1.8%p↓)

- NI Margin : '14. 1Q 29.7% → '15. 1Q 38.2%(8.5%p↑)
  - Net other gain reduction (Net FX Loss 13.0 bil., etc)
  - Net financial gain increase(Dividend income, etc)



## **Chapter 3. KGC Separate Results**

# 3-1. FY15 1Q KGC Results Summary

## 1Q Sales and OP increased 15.7% and 32.8% yoy

- 1Q Sales recorded 238.9 bil. won, up 15.7% yoy (Domestic 17.5% ↑, Export 2.6% ↓)
- 1Q OP and NI grew 32.8% and 33.6% yoy to 48.2 bil., 31.4 bil. won each

### □ 1Q Sales & Profit

(Unit : bil. KRW)

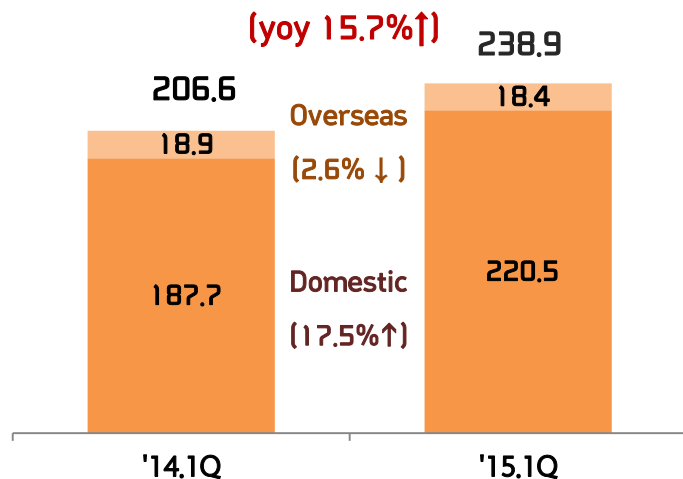
	1Q FY15	1Q FY14	Change
Net Sales	238.9	206.6	15.7%
- Domestic	220.5	187.7	17.5%
- Export	18.4	18.9	△2.6%
Operating Profit	48.2	36.3	32.8%
Net Income	31.4	23.5	33.6%

# 3-2. Sales Analysis

## 1Q Domestic sales grew through overall channels

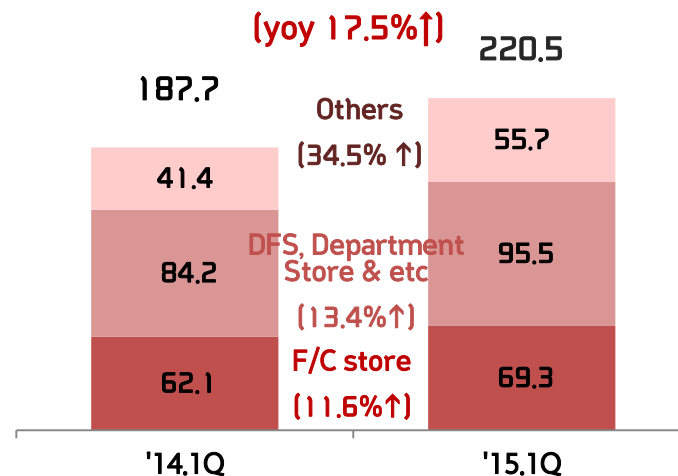
### □ Sales by Regions

(Unit : bil. KRW)



### □ Domestic Sales by Channels

(Unit : bil. KRW)

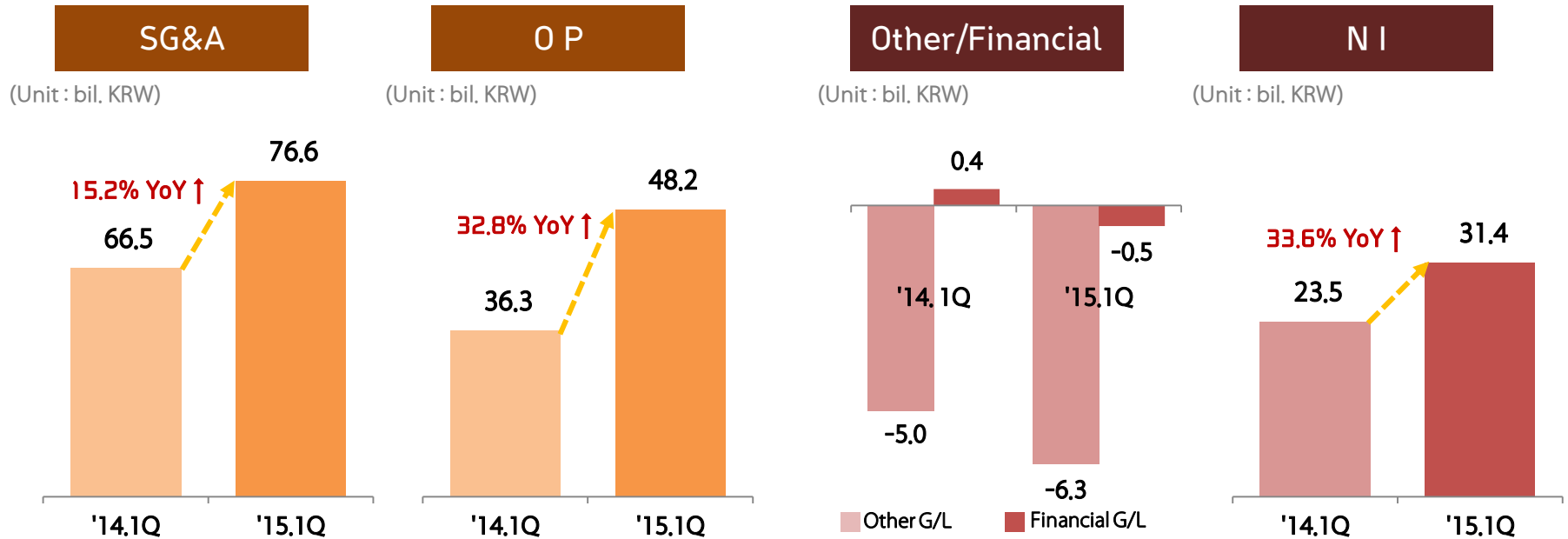


- Domestic sales rose, but overseas' fell
  - Domestic sales in 1Q rose 17.5% yoy
  - Overseas sales in 1Q fell 2.6% yoy

- Overall channels showed growth
  - F/C store grew 11.6% yoy
  - DFS, Department Store & etc grew 13.4% yoy
  - Others grew 34.5% yoy

# 3-3. Profitability Analysis

1Q OP and NI increased 32.8% and 33.6% yoy respectively



- OP Margin : '14.1Q 17.6% → '15. 1Q 20.2%(2.6%p↑)
  - Improved due to efficient spending for marketing
- SG&A Ratio : '14. 1Q 32.2% → '15. 1Q 32.1%(0.1%p↓)

- NI Margin : '14. 1Q 11.4% → '15. 1Q 13.1%(1.7%p↑)
  - Operating profit enhancement(11.9 bil. won)
  - Net financial gain(0.9 bil.↓), Net other gain(1.3 bil.↓)



## **Chapter 4. Appendix**

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

# 4-1. Consolidated Financial Statement



## □ Summarized Statement of Financial Position

(bil. KRW)	FY13	FY14	'15.1Q
Non-Current Assets	2,886.4	3,010.1	3,031.2
-Property Plant Equipment	1,622.3	1,753.4	1,762.2
-Investment Properties	174.0	168.0	169.1
-Equity Accounted Investments	58.1	57.9	58.2
-Available-For-Sale Financial Assets	296.6	325.8	321.0
Current Assets	4,188.4	4,408.2	4,382.2
-Inventories	1,893.9	1,982.5	1,929.8
-Cash and Cash Equivalents	347.9	416.4	396.0
-Other Financial Assets	684.1	668.4	317.9
-Account Receivables and Others	915.6	989.8	1,057.1
-Prepaid Cig. Taxes and Others	262.8	260.8	556.3
Assets Held For Sale	0.2	0.4	0.4
<b>Total Assets</b>	<b>7,075.0</b>	<b>7,418.7</b>	<b>7,413.8</b>
Non-Current Liabilities	<b>527.2</b>	<b>586.0</b>	<b>590.6</b>
Current Liabilities	1,182.2	1,124.6	1,238.9
-Account Payables and Others	542.9	982.7	1,107.5
-Short Term Borrowings	96.2	141.9	131.4
<b>Total Liabilities</b>	<b>1,709.5</b>	<b>1,710.6</b>	<b>1,829.5</b>
Capital Stock	955.0	955.0	955.0
Treasury Stock	-339.1	-339.1	-337.1
Gain on Reissuance of Treasury Stock	492.0	492.0	494.6
Other Capital Surplus	-4.6	-4.6	-4.6
Reserves	3,368.8	3,426.4	3,726.4
Retained Earnings	802.8	1,100.9	673.1
<b>Total Equities</b>	<b>5,365.5</b>	<b>5,708.1</b>	<b>5,584.3</b>
<b>Total Liabilities and Equities</b>	<b>7,075.0</b>	<b>7,418.7</b>	<b>7,413.8</b>

## □ Summarized Statement of Comprehensive Income

(bil. KRW)	FY13	FY14	'14. 1Q	'15. 1Q
<b>Net Sales</b>	<b>3,821.7</b>	<b>4,112.9</b>	<b>963.7</b>	<b>1,136.9</b>
COGS	1,688.6	1,840.8	434.2	410.3
Gross Profit	2,133.1	2,272.0	529.5	726.7
SG&A	1,119.7	1,100.2	269.3	298.1
<b>Operating Profit</b>	<b>1,013.3</b>	<b>1,171.9</b>	<b>260.1</b>	<b>428.5</b>
Other Income & Expense	-148.7	-61.3	-1.8	-20.6
Financial Gain(Loss)	15.7	44.1	10.6	10.8
Share of Profit(Loss) of Associates	1.6	3.2	0.7	0.7
<b>Pre-tax Income</b>	<b>881.9</b>	<b>1,157.9</b>	<b>269.6</b>	<b>419.4</b>
Income Tax	322.6	344.1	81.4	110.6
<b>Net Income</b>	<b>559.3</b>	<b>813.8</b>	<b>188.2</b>	<b>308.8</b>
Other Comprehensive Income	12.8	-68.4	0.3	-9.1
<b>Comprehensive Income</b>	<b>572.1</b>	<b>745.4</b>	<b>188.5</b>	<b>299.7</b>



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



### □ Summarized Statement of Financial Position

(bil. KRW)	FY13	FY14	'15. 1Q
Non-Current Assets	3,232.1	3,311.6	3,332.7
-Property Plant Equipment	1,182.8	1,279.7	1,287.3
-Investment Properties	146.0	140.1	141.3
-Investment in Subsidiaries	1,166.5	1,081.8	1,081.8
-Available-For-Sale Financial Assets	296.4	303.4	296.8
Current Assets	2,850.2	2,982.9	2,958.2
-Inventories	939.7	910.4	920.9
-Cash and Cash Equivalents	245.8	321.6	276.4
-Other Financial Assets	660.0	640.0	290.0
-Account Receivables and Others	721.5	824.9	892.0
-Prepaid Cig., Taxes and Others	262.8	260.8	556.3
Assets Held for Sale	0.0	0.0	0.4
<b>Total Assets</b>	<b>6,082.3</b>	<b>6,294.9</b>	<b>6,291.3</b>
Non-Current Liabilities	146.0	167.1	176.9
Current Liabilities	903.8	786.1	907.7
-Account Payables and Others	402.4	347.2	903.6
-Short Term Borrowings	4.9	5.6	4.1
<b>Total Liabilities</b>	<b>1,049.9</b>	<b>1,128.7</b>	<b>1,084.7</b>
Capital Stock	955.0	955.0	955.0
Treasury Stock	-339.1	-339.1	-337.1
Gain on Reissuance of Treasury Stock	492.0	492.0	494.6
Other Capital Surplus	3.6	3.6	3.6
Reserves	3,411.1	3,493.8	3,796.3
Retained Earnings	509.8	736.5	602.9
<b>Total Equities</b>	<b>5,032.4</b>	<b>5,341.7</b>	<b>5,206.6</b>
<b>Total Liabilities and Equities</b>	<b>6,082.3</b>	<b>6,294.9</b>	<b>6,291.3</b>

### □ Summarized Statement of Comprehensive Income

(bil. KRW)	FY13	FY14	'14. 1Q	'15. 1Q
<b>Net Sales</b>	<b>2,510.6</b>	<b>2,742.6</b>	<b>631.1</b>	<b>769.8</b>
-Cigarettes	2,342.2	2,500.0	576.9	705.2
-Real Estate	109.2	160.3	38.5	51.9
-Others	59.2	82.2	15.8	12.7
COGS	936.1	1,063.8	247.8	213.6
-Cigarettes	841.4	914.4	216.0	168.2
-Real Estate	57.3	96.1	23.3	35.3
-Others	37.3	53.4	9.5	10.1
<b>Gross Profit</b>	<b>1,574.6</b>	<b>1,678.8</b>	<b>383.4</b>	<b>556.2</b>
SG&A	651.1	624.2	155.8	176.2
<b>Operating Profit</b>	<b>923.5</b>	<b>1,054.6</b>	<b>227.5</b>	<b>380.0</b>
Other Income & Expense	-198.4	-85.4	9.5	-7.0
-Other Income	47.9	71.9	17.4	24.0
FX related Gain	13.2	46.0	13.8	7.5
Others	34.7	25.9	3.6	16.5
-Other Expense	246.4	157.3	7.9	31.0
FX related Loss	40.9	13.9	1.1	7.8
Others	205.5	143.4	6.8	23.2
Financial Gain(Loss)	31.7	76.3	12.9	15.1
<b>Pre-tax Income</b>	<b>756.8</b>	<b>1,045.5</b>	<b>249.9</b>	<b>388.1</b>
-Income Tax	255.5	298.4	62.4	93.6
<b>Net Income</b>	<b>501.3</b>	<b>747.1</b>	<b>187.5</b>	<b>294.4</b>
<b>Comprehensive Income</b>	<b>532.0</b>	<b>712.2</b>	<b>194.0</b>	<b>288.3</b>

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



### □ Summarized Statement of Financial Position

(bil. KRW)	FY13	FY14	FY15 1Q
Non-Current Assets	436.4	543.1	548.1
-Tangible Assets	206.4	261.1	266.9
-Intangible Assets	11.9	10.4	9.9
-Others	218.1	271.6	271.3
Current Assets	978.6	1,094.3	1,072.3
-Inventories	772.7	892.6	836.1
-Cash and Cash Equivalents	5.7	4.5	6.1
-Others	200.2	197.2	230.1
<b>Total Assets</b>	<b>1,415.0</b>	<b>1,637.4</b>	<b>1,620.4</b>
Non-Current Liabilities	45.2	63.2	65.5
Current Liabilities	124.4	179.7	127.6
-Short Term Borrowings	60.0	102.9	57.1
-Others	64.4	76.8	70.5
<b>Total Liabilities</b>	<b>169.6</b>	<b>242.9</b>	<b>193.1</b>
Capital Stock	66.3	69.1	69.1
Capital Surplus	33.4	93.9	93.9
Reserves	1,056.5	1,143.4	1,232.9
Retained Earnings	89.2	88.1	31.4
Other Comprehensive Income	0.0	0.0	0
<b>Total Equities</b>	<b>1,245.5</b>	<b>1,394.5</b>	<b>1,427.3</b>
<b>Total Liabilities and Equities</b>	<b>1,415.0</b>	<b>1,637.4</b>	<b>1,620.4</b>

### □ Summarized Statement of Comprehensive Income

(bil. KRW)	FY13	FY14	'14. 1Q	'15. 1Q
<b>Sales</b>	<b>784.8</b>	<b>812.8</b>	<b>206.6</b>	<b>238.9</b>
- Red Ginseng Roots	122.1	123.8	32.0	30.1
- Red Ginseng Products	661.0	687.6	174.3	208.4
(Ratio)	(84.2)	(84.6)	(84.4)	(87.2)
- Others	1.7	1.4	0.3	0.4
COGS	390.9	401.7	103.8	114.1
<b>Gross Profit</b>	<b>393.9</b>	<b>411.1</b>	<b>102.8</b>	<b>124.8</b>
SG&A	268.9	281.0	66.5	76.6
<b>Operating Profit</b>	<b>125.0</b>	<b>130.1</b>	<b>36.3</b>	<b>48.2</b>
Other Income & Expense	-7.5	-3.2	-5.0	-6.3
- Other Income	7.6	8.0	1.6	1.0
- Other Expense	15.1	11.2	6.6	7.3
Financial Gain(Loss)	0.6	0.5	0.4	-0.5
<b>Pre-tax Income</b>	<b>118.1</b>	<b>127.4</b>	<b>31.7</b>	<b>41.4</b>
- Income Tax	28.8	34.2	8.2	10.0
<b>Net Income</b>	<b>89.3</b>	<b>93.2</b>	<b>23.5</b>	<b>31.4</b>
<b>Comprehensive Income</b>	<b>89.2</b>	<b>85.7</b>	<b>23.5</b>	<b>32.8</b>



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