

KT&G  Investor Relations 2015

FY2015 3Q Earnings Presentation





Contents

Chapter 1. Consolidated Results

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

1-1. FY15 3Q Consolidated Results Summary



3Q and 9M Consolidated sales recorded 1 tril. 134.4 bil. and 3 tril. 303.2 bil. won

- 3Q consolidated sales increased 2.5% yoy : KT&G 2.7%↓, KGC 16.7%↑ yoy
- 9M consolidated sales increased 7.9% yoy : KT&G 6.1%↑, KGC 15.7%↑ yoy

□ 3Q Consolidated Sales

(Unit : bil. KRW)

	YOY		
	3Q FY15	3Q FY14	Change
KT&G	702.8	722.4	△2.7%
KGC	283.3	242.8	16.7%
Others	148.3	141.3	4.9%
Total	1,134.4	1,106.5	2.5%

□ 9M Consolidated Sales

(Unit : bil. KRW)

	YOY		
	9M FY15	9M FY14	Change
KT&G	2,148.9	2,024.9	6.1%
KGC	737.0	637.1	15.7%
Others	417.3	400.4	4.2%
Total	3,303.2	3,062.4	7.9%

- 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.

1-2. FY15 3Q Consolidated Profit/Loss Summary



3Q Consolidated OP and NI achieved 370.5 bil. and 300.6 bil. won

- 3Q consolidated OP increased 9.6% yoy : KT&G 6.1% ↑, KGC 21.3%↑ yoy
- 3Q consolidated NI increased 12.6% yoy : KT&G 5.3%↑, KGC 20.0%↑ yoy

□ 3Q Consolidated Profit/Loss

(Unit : bil, KRW)

		YOY		
		3Q FY15	3Q FY14	Change
O P	KT&G	316.4	298.1	6.1%
	KGC	53.0	43.7	21.3%
	Others	1.2	△3.6	-
Total		370.5	338.2	9.6%
N I	KT&G	288.9	274.5	5.3%
	KGC	41.8	34.8	20.0%
	Others	△30.1	△42.4	-
Total		300.6	266.9	12.6%

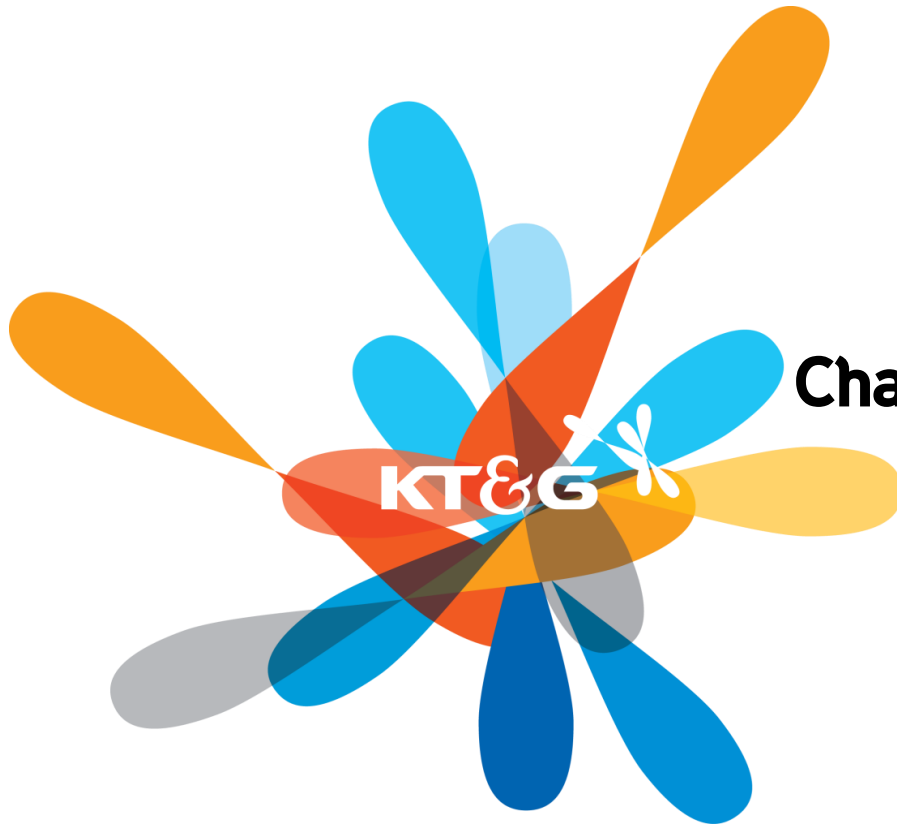
□ 9M Consolidated Profit/Loss

(Unit : bil, KRW)

		YOY		
		9M FY15	9M FY14	Change
O P	KT&G	967.0	784.1	23.3%
	KGC	132.5	112.2	18.1%
	Others	2.5	△11.6	-
Total		1,102.1	884.6	24.6%
N I	KT&G	813.3	637.4	27.6%
	KGC	101.1	80.2	26.1%
	Others	△44.4	△78.2	-
Total		870.0	639.4	36.1%

• Figures 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 3Q KT&G Results Summary



3Q Sales dropped 2.7%, OP grew 6.1% yoy

- 3Q Sales decreased 2.7% yoy to 702.8 bil. won
 - Domestic cigarette 11.1%↓, Export Cigarette 39.7%↑, Others(Real Estate etc.) 25.8%↓
- 3Q OP and NI rose 6.1% and 5.3% yoy to 316.4 bil., 288.9 bil. won each

□ 3Q Sales & Profit

(Unit : bil. KRW)

	3Q FY15	3Q FY14	Change
Net Sales	702.8	722.4	Δ2.7%
- Domestic	475.4	534.8	Δ11.1%
- Export	188.3	134.9	39.7%
- Others(Real Estate etc.)	39.2	52.8	Δ25.8%
Operating Profit	316.4	298.1	6.1%
Net Income	288.9	274.5	5.3%

□ 9M Sales & Profit

(Unit : bil. KRW)

	9MFY15	9MFY14	Change
Net Sales	2,148.9	2,024.9	6.1%
- Domestic	1,493.3	1,450.9	2.9%
- Export	505.9	402.6	25.7%
- Others(Real Estate etc.)	149.7	171.4	Δ12.7%
Operating Profit	967.0	784.1	23.3%
Net Income	813.3	637.4	27.6%

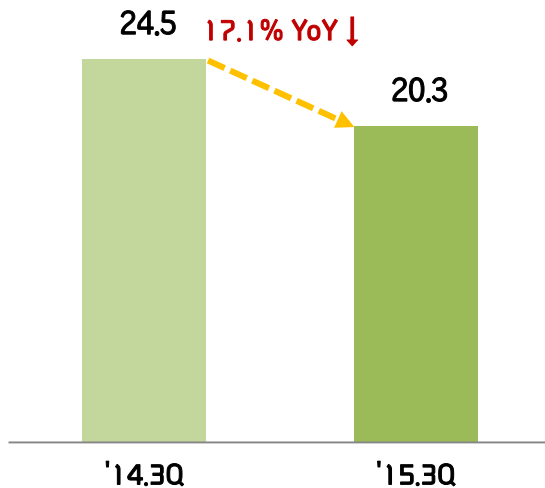
2-2. Domestic Cigarette

Total market volume and KT&G volume in 3Q fell 17.1%, 20.5% yoy

- 15 3Q Total Market Volume: 20.3 bil. sticks, down by 4.2 bil. sticks yoy
- 15 3Q KT&G Volume : 12.0 bil. sticks, down by 3.1 bil. sticks yoy
- KT&G M/S : 59.2% down by 2.5%p yoy(up 0.7%p qoq)

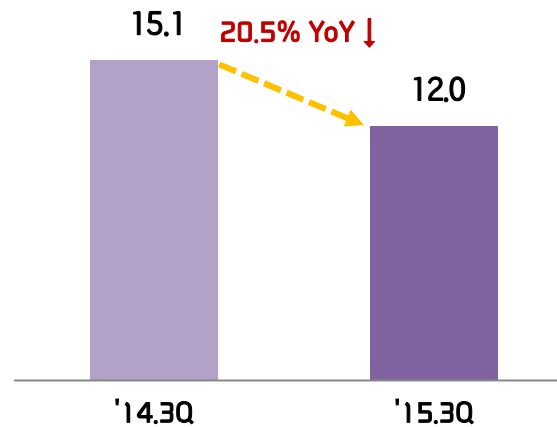
□ Total Market Volume

(Unit : bil. sticks)



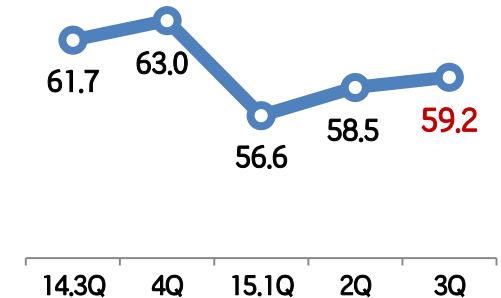
□ KT&G volume

(Unit : bil. sticks)



□ KT&G M/S Trend

(Unit : %)



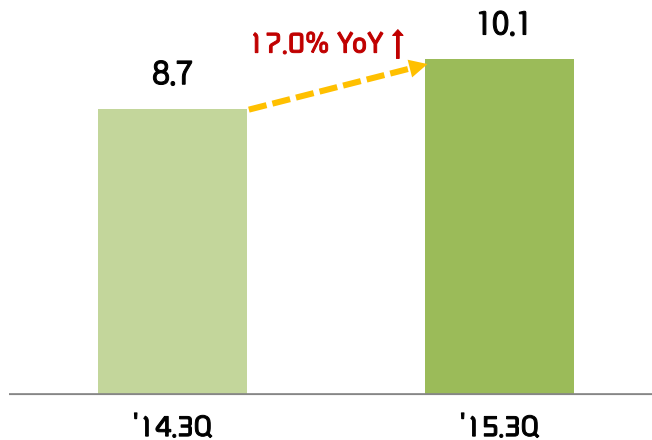
2-3. Overseas Cigarette (Export)

3Q Export volume and sales rose 17.0% and 39.7% yoy

- Volume rose 17.0% yoy ('14. 3Q 8.7 bil. sticks → '15. 3Q 10.1 bil. sticks)
- Sales rose 39.7% yoy ('14. 3Q 134.9 bil. won → '15. 3Q 188.3 bil. won)

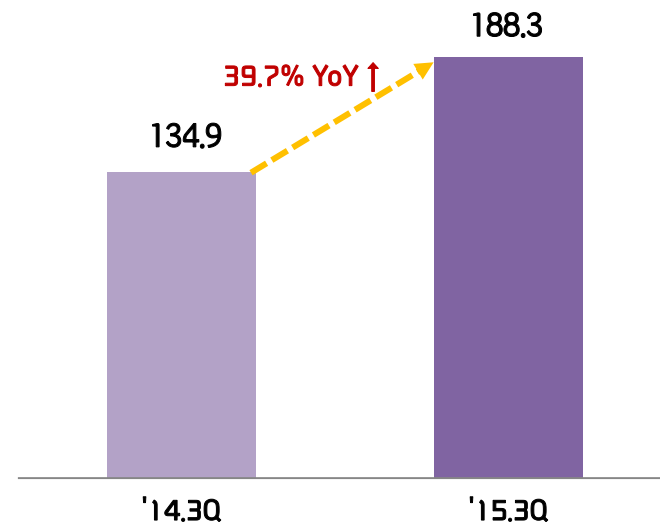
□ Export Cigarette Volume

(Unit : bil. sticks)



□ Export Cigarette Sales

(Unit : bil. KRW)

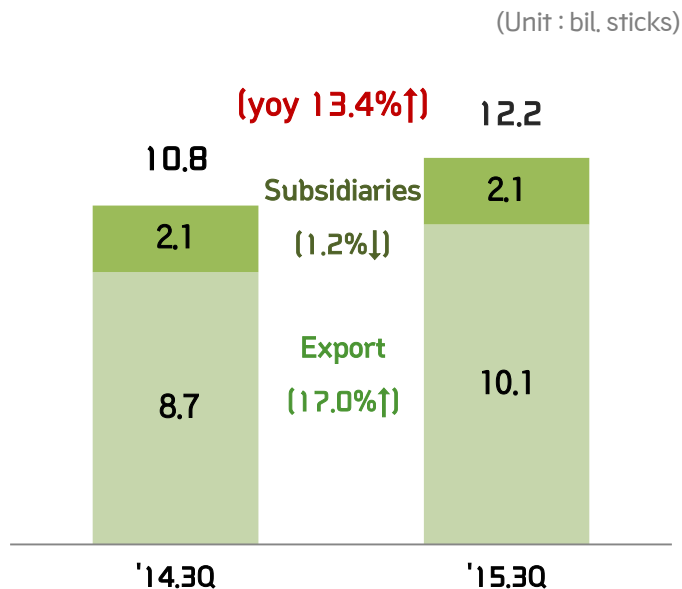


2-3. Overseas Cigarette (Export +Subsidiaries)

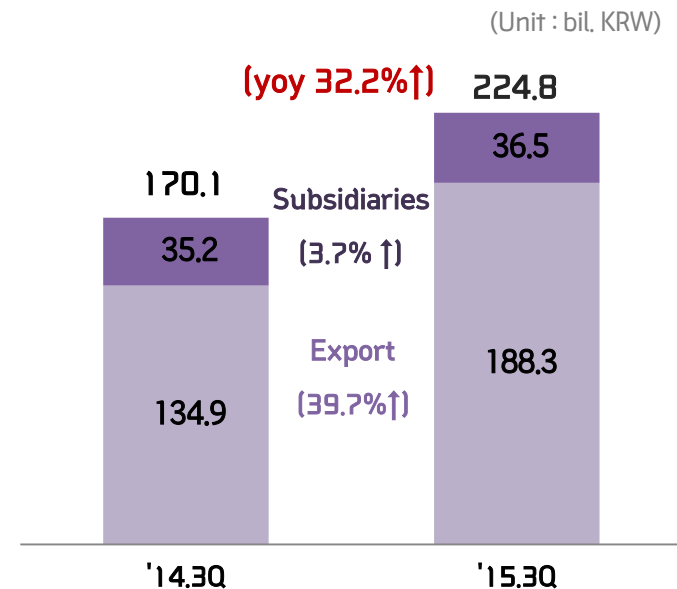
3Q Overseas volume and sales rose 13.4%, 32.2% yoy each

- 3Q Overseas volume, 12.2 bil. sticks(up 13.4% yoy) : Export 17.0%↑, Subsidiaries 1.2%↓
- 3Q Overseas sales, 224.8 bil. Won (up 32.2% yoy) : Export 39.7%↑, Subsidiaries 3.7%↑

□ Overseas Cigarette Volume



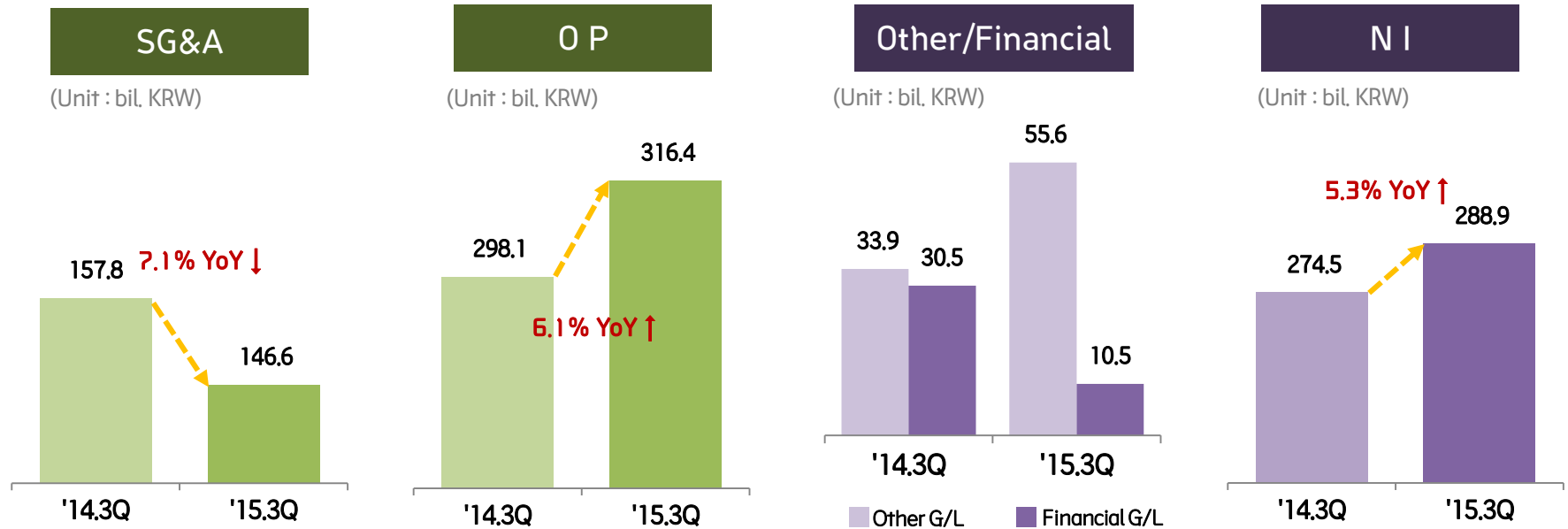
□ Overseas Cigarette Sales



* Subsidiaries : Russia, Turkey, Iran, Indonesia

2-4. Profitability Analysis

FY15 3Q OP and NI grew 6.1% and 5.3% yoy respectively



- OP Margin : '14. 3Q 41.3% → '15. 3Q 45.0%(3.7%p↑)
- SG&A Ratio : '14. 3Q 21.8% → '15. 3Q 20.9%(0.9%p↓)

- NI Margin : '14. 3Q 38.0% → '15. 3Q 41.3%(3.1%p↑)
- Other gain increased(Net FX Gain 27.4 bil.↑)



Chapter 3. KGC Separate Results

3-1. FY15 3Q KGC Results Summary

3Q Sales and OP rose 16.7% and 21.3% yoy

- 3Q Sales recorded 283.3bil. won, up 16.7% yoy (Domestic 16.4%↑, Export 19.7%↑)
- 3Q OP and NI grew 21.3% and 20.0% yoy to 53.0 bil. and 41.8 bil. won

□ 3Q Sales & Profit

(Unit : bil. KRW)

	3Q FY15	3Q FY14	Change
Net Sales	283.3	242.8	16.7%
- Domestic	258.4	222.0	16.4%
- Export	24.9	20.8	19.7%
Operating Profit	53.0	43.7	21.3%
Net Income	41.8	34.8	20.0%

□ 9M Sales & Profit

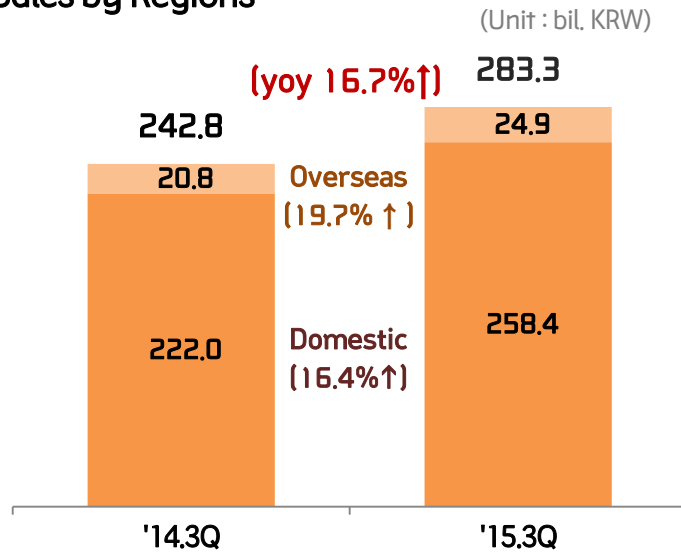
(Unit : bil. KRW)

	9MFY15	9MFY14	Change
Net Sales	737.0	637.1	15.7%
- Domestic	668.9	574.8	16.4%
- Export	68.1	62.3	9.3%
Operating Profit	132.5	112.2	18.1%
Net Income	101.1	80.2	26.1%

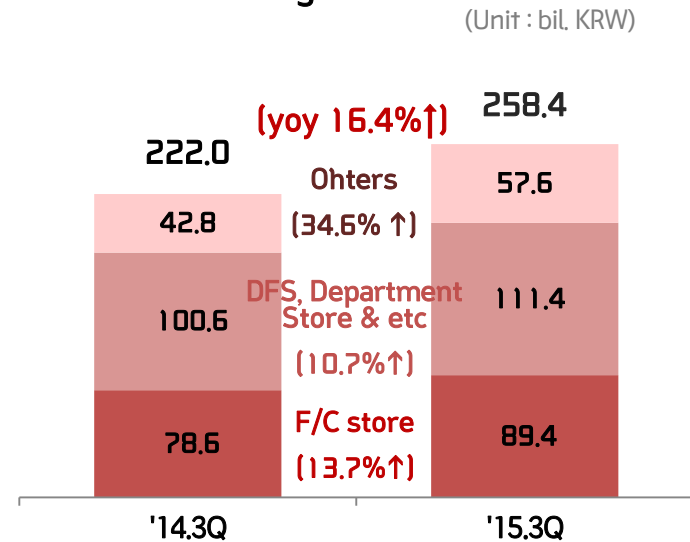
3-2. Sales Analysis

3Q Domestic sales grew through overall channels

□ Sales by Regions



□ Domestic Sales by Channels

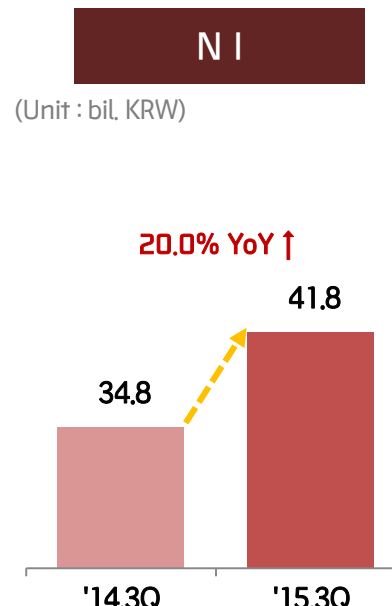
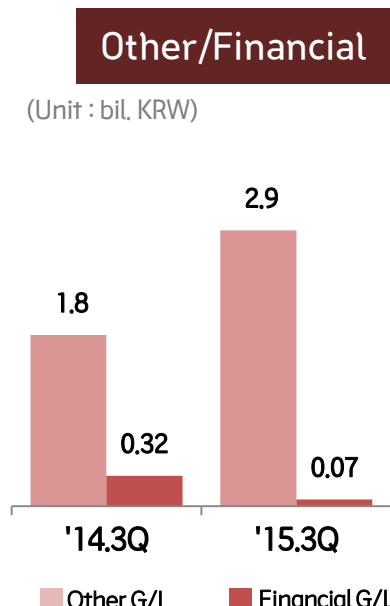
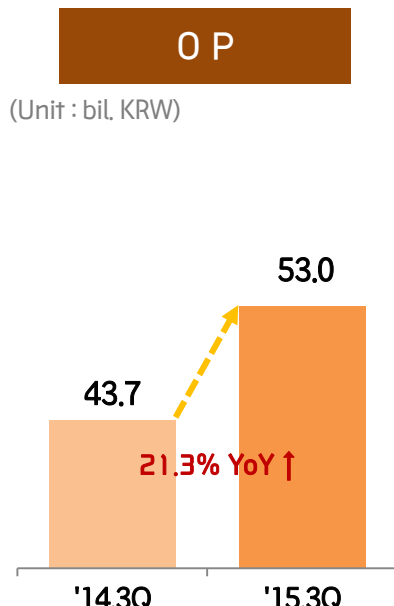
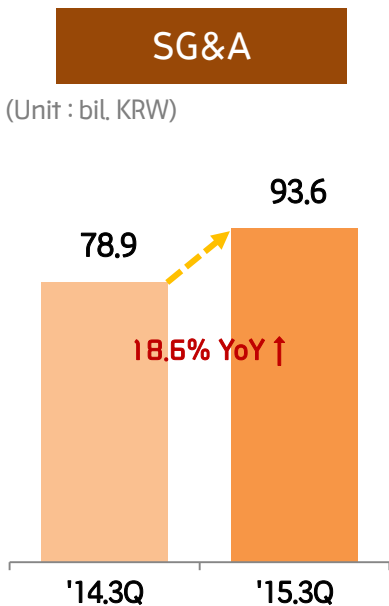


- Both domestic and overseas sales rose
 - Domestic sales in 3Q rose 16.4% yoy
 - Overseas sales in 3Q fell 19.7% yoy

- Overall channels showed growth
 - F/C store grew 13.7% yoy
 - DFS, Department Store & etc grew 10.7% yoy
 - Others grew 34.6% yoy

3-3. Profitability Analysis

3Q OP and NI increased 21.3% and 20.0% yoy respectively



- OP Margin : '14.3Q 18.0% → '15.3Q 18.7% (0.7%p↑)
- SG&A Ratio : '14.3Q 32.5% → '15.3Q 33.0% (0.5%p↑)

- NI Margin : '14.3Q 14.3% → '15.3Q 14.8% (0.5%p↑)
- Net other gain('14.3Q 1.8 bil. → '15.3Q 2.9 bil.)



Chapter 4. Appendix

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

4-1. Consolidated Financial Statement



□ Summarized Statement of Financial Position

(bil. KRW)	FY13	FY14	'15.3Q
Non-Current Assets	2,886.4	3,010.1	3,176.6
-Property Plant Equipment	1,622.3	1,753.4	1,793.2
-Investment Properties	174.0	168.0	166.1
-Equity Accounted Investments	58.1	57.9	62.6
-Available-For-Sale Financial Assets	296.6	325.8	343.4
Current Assets	4,188.4	4,408.2	5,170.6
-Inventories	1,893.9	1,982.5	1,795.9
-Cash and Cash Equivalents	347.9	416.4	479.9
-Other Financial Assets	684.1	668.4	1,064.1
-Account Receivables and Others	915.6	989.8	1,295.0
-Prepaid Cig. Taxes and Others	262.8	260.8	406.1
Assets Held For Sale	0.2	0.4	1.5
Total Assets	7,075.0	7,418.7	8,348.7
Non-Current Liabilities	527.2	586.0	608.7
Current Liabilities	1,182.2	1,124.6	1,612.0
-Account Payables and Others	542.9	982.7	583.5
-Short Term Borrowings	96.2	141.9	154.3
Total Liabilities	1,709.5	1,710.6	2,220.7
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	-9.9
Reserves	3,368.8	3,426.4	3,719.6
Retained Earnings	802.8	1,100.9	1,237.1
Total Equities	5,365.5	5,708.1	6,128.0
Total Liabilities and Equities	7,075.0	7,418.7	8,348.7

□ Summarized Statement of Comprehensive Income

(bil. KRW)	FY13	FY14	'14. 3Q	'15. 3Q
Net Sales	3,821.7	4,112.9	1,106.5	1,134.4
COGS	1,688.6	1,840.8	484.9	476.6
Gross Profit	2,133.1	2,272.0	621.6	657.7
SG&A	1,119.7	1,100.2	283.3	287.2
Operating Profit	1,013.3	1,171.9	338.2	370.5
Other Income & Expense	-148.7	-61.3	29.7	38.4
Financial Gain(Loss)	15.7	44.1	8.2	7.1
Share of Profit(Loss) of Associates	1.6	3.2	0.7	4.4
Pre-tax Income	881.9	1,157.9	376.9	420.4
Income Tax	322.6	344.1	110.1	119.8
Net Income	559.3	813.8	266.9	300.6
Other Comprehensive Income	12.8	-68.4	-3.7	-7.9
Comprehensive Income	572.1	745.4	263.2	292.7

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



□ Summarized Statement of Financial Position

(bil. KRW)	FY13	FY14	'15. 3Q
Non-Current Assets	3,232.1	3,311.6	3,492.6
-Property Plant Equipment	1,182.8	1,279.7	1,301.9
-Investment Properties	146.0	140.1	138.3
-Investment in Subsidiaries	1,166.5	1,081.8	1,136.7
-Available-For-Sale Financial Assets	296.4	303.4	322.6
Current Assets	2,850.2	2,982.9	3,649.2
-Inventories	939.7	910.4	798.4
-Cash and Cash Equivalents	245.8	321.6	342.2
-Other Financial Assets	660.0	640.0	1,011.3
-Account Receivables and Others	721.5	824.9	1,041.4
-Prepaid Cig., Taxes and Others	262.8	260.8	406.1
Assets Held for Sale	0.0	0.4	1.5
Total Assets	6,082.3	6,294.9	7,143.4
Non-Current Liabilities	146.0	167.1	179.0
Current Liabilities	903.8	786.1	1,240.5
-Account Payables and Others	402.4	347.2	416.6
-Short Term Borrowings	4.9	5.6	5.6
Total Liabilities	1,049.9	953.2	1,419.4
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	3,794.6
Retained Earnings	509.8	736.5	813.2
Total Equities	5,032.4	5,341.7	5,723.9
Total Liabilities and Equities	6,082.3	6,294.9	7,143.4

□ Summarized Statement of Comprehensive Income

(bil. KRW)	FY13	FY14	'14. 3Q	'15. 3Q
Net Sales	2,510.6	2,742.6	722.4	702.8
-Cigarettes	2,342.2	2,500.0	669.6	663.6
-Real Estate	109.2	160.3	29.7	19.9
-Others	59.2	82.2	23.1	19.3
COGS	936.1	1,063.8	266.5	239.8
-Cigarettes	841.4	914.4	235.4	218.4
-Real Estate	57.3	96.1	16.1	8.7
-Others	37.3	53.4	14.9	12.7
Gross Profit	1,574.6	1,678.8	455.9	463.0
SG&A	651.1	624.2	157.8	146.6
Operating Profit	923.5	1,054.6	298.1	316.4
Other Income & Expense	-198.4	-85.4	33.9	55.6
-Other Income	47.9	71.9	39.9	61.6
FX related Gain	13.2	46.0	29.5	55.4
Others	34.7	25.9	10.3	6.2
-Other Expense	246.4	157.3	6.0	6.0
FX related Loss	40.9	13.9	3.0	1.5
Others	205.5	143.4	3.0	4.5
Financial Gain(Loss)	31.7	76.3	30.5	10.5
Pre-tax Income	756.8	1,045.5	362.5	382.5
-Income Tax	255.5	298.4	88.1	93.6
Net Income	501.3	747.1	274.5	288.9
Comprehensive Income	532.0	712.2	264.9	288.8

4-3. Separate Financial Statement (KGC)



□ Summarized Statement of Financial Position

(bil. KRW)	FY13	FY14	FY15 3Q
Non-Current Assets	436.4	543.1	610.3
-Tangible Assets	206.4	261.1	291.3
-Intangible Assets	11.9	10.4	9.6
-Others	218.1	271.6	309.4
Current Assets	978.6	1,094.3	1,119.3
-Inventories	772.7	892.6	811.5
-Cash and Cash Equivalents	5.7	4.5	35.8
-Others	200.2	197.2	272.0
Total Assets	1,415.0	1,637.4	1,729.6
Non-Current Liabilities	45.2	63.2	81.3
Current Liabilities	124.4	179.7	153.9
-Short Term Borrowings	60.0	102.9	69.6
-Others	64.4	76.8	84.3
Total Liabilities	169.6	242.9	235.2
Capital Stock	66.3	69.1	69.1
Capital Surplus	33.4	93.9	93.9
Reserves	1,056.5	1,143.4	1,230.3
Retained Earnings	89.2	88.1	101.1
Other Comprehensive Income	0.0	0.0	0.0
Total Equities	1,245.5	1,394.5	1,494.4
Total Liabilities and Equities	1,415.0	1,637.4	1,729.6

□ Summarized Statement of Comprehensive Income

(bil. KRW)	FY13	FY14	'14. 3Q	'15. 3Q
Sales	784.8	8128	242.8	283.3
- Red Ginseng Roots	122.1	123.8	30.3	23.6
- Red Ginseng Products	661.0	687.6	212.2	259.3
(Ratio)	(84.2)	(84.6)	(87.4)	(91.5)
- Others	1.7	1.4	0.3	0.4
COGS	390.9	401.7	120.1	136.7
Gross Profit	393.9	411.1	122.6	146.6
SG&A	268.9	281.0	78.9	93.7
Operating Profit	125.0	130.1	43.7	53.0
Other Income & Expense	-7.5	-3.2	1.8	2.9
- Other Income	7.6	8.0	3.4	3.6
- Other Expense	15.1	11.2	1.7	0.7
Financial Gain(Loss)	0.6	0.5	0.3	0.1
Pre-tax Income	118.1	127.4	45.8	55.9
- Income Tax	28.8	34.2	11.0	14.2
Net Income	89.3	93.2	34.8	41.8
Comprehensive Income	89.2	85.7	35.3	40.4



20F, KT&G Tower, 416,
Yeongdong-daero, Gangnam-gu, Seoul
www.ktng.com