

FY2015 4Q 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

1-1. FY15 4Q Consolidated Results Summary



4Q and 12M Consolidated sales recorded 866.7 bil. and 4 tril. 169.8 bil. won

- 4Q consolidated sales reduced 17.5% yoy: KT&G 6.3%↓, KGC 2.9%↑
 - The amt. of 159.5 bil. was deducted from 4Q FY15 sales due to KT&G USA sales recognition standard change
- 12M consolidated sales increased 1.4% yoy : KT&G 2.9%↑, KGC 12.9%↑

□ 4Q Consolidated Sales

(Unit : bil, KRW)

	YOY		
	4Q FY15	4Q FY14	Change
KT&G	672.8	717.7	△6.3%
KGC	180.8	175.7	2.9%
Others	13.1	157.1	△91.7%
Total	866.7	1,050.5	△17.5%

□ 12M Consolidated Sales

(Unit : bil, KRW)

	YOY		
	12M FY15	12M FY14	Change
KT&G	2,821.7	2,742.6	2.9%
KGC	917.8	812.8	12.9%
Others	430.4	557.5	△22.8%
Total	4,169.8	4,112.9	1.4%

• 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 4Q Consolidated Profit/Loss Summary



4Q Consolidated OP and NI recorded 263.9 bil. and 162.2 bil. won

- 4Q consolidated OP dropped 8.1% yoy : KT&G 0.1%↓, KGC 95.1%↓
- 4Q consolidated NI dropped 7.0% yoy: KT&G 59.3%↑, KGC(recorded loss)

□ 4Q Consolidated Profit/Loss

(Unit : bil. KRW)

		YOY		
		4Q FY15	4Q FY14	Change
O P	KT&G	270.3	270.5	Δ0.1%
	KGC	0.9	17.9	Δ95.1%
	Others	Δ7.3	Δ1.2	-
Total		263.9	287.2	Δ8.1%
N I	KT&G	174.7	109.7	59.3%
	KGC	Δ31.9	13.0	-
	Others	19.4	51.8	Δ62.5%
Total		162.2	174.4	Δ7.0%

□ 12M Consolidated Profit/Loss

(Unit : bil. KRW)

		YOY		
		12M FY15	12M FY14	Change
O P	KT&G	1,237.3	1,054.6	17.3%
	KGC	133.4	130.1	2.5%
	Others	Δ4.8	Δ12.8	-
Total		1,365.9	1,171.9	16.6%
N I	KT&G	987.9	747.1	32.2%
	KGC	69.3	93.2	Δ25.7%
	Others	Δ25.0	Δ26.4	-
Total		1,032.2	813.8	26.8%

- 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 4Q KT&G Results Summary



4Q sales and OP decreased 6.3% and 0.1% yoy each

- 4Q sales reduced 6.3% yoy to 672.8 bil. won
 - Domestic cigarette 16.0%↓, Export cigarette 34.1%↑, Others(Real Estate etc.) 9.5%↓
- 4Q OP and NI recorded 270.3 bil.(0.1%↓) and 174.7 bil.(59.3%↑)

□ 4Q Sales & Profit

(Unit : bil. KRW)

	4Q FY15	4Q FY14	Change
Net Sales	672.8	717.7	△6.3%
- Domestic	433.4	516.1	△16.0%
- Export	175.1	130.5	34.1%
- Others(Real Estate etc.)	64.3	71.1	△9.5%
Operating Profit	270.3	270.5	△0.1%
Net Income	174.7	109.7	59.3%

□ 12M Sales & Profit

(Unit : bil. KRW)

	12MFY15	12MFY14	Change
Net Sales	2,821.7	2,742.6	2.9%
- Domestic	1,926.6	1,966.9	△2.0%
- Export	681.0	533.1	27.8%
- Others(Real Estate etc.)	214.0	242.6	△11.8%
Operating Profit	1,237.3	1,054.6	17.3%
Net Income	987.9	747.1	32.2%

2-2. Domestic Cigarette

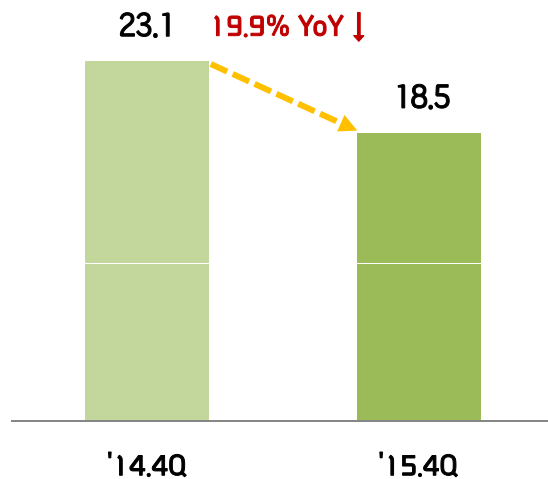


Total market and KT&G volume in 4Q reduced 19.9% and 24.8% yoy respectively

- 4Q Total Market Volume : 18.5 bil. sticks down by 4.6 bil. sticks
- 4Q KT&G Volume : 10.9 bil. sticks down by 3.6 bil. sticks
- 4Q KT&G M/S : 58.8% down by 4.2%p yoy(down by 0.4%p qoq)

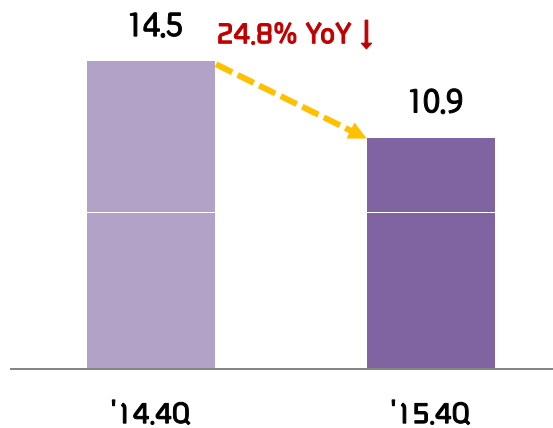
□ Total Market Volume

(Unit : bil. sticks)



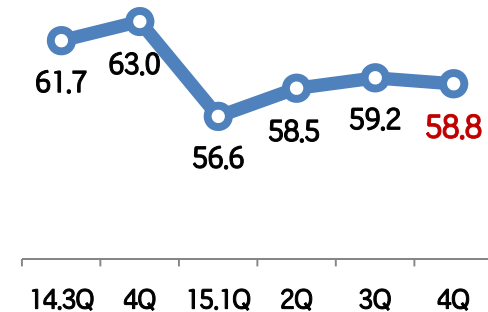
□ KT&G Volume

(Unit : bil. sticks)



□ KT&G M/S Trend

(Unit : %)



2-3. Overseas Cigarette (Export)

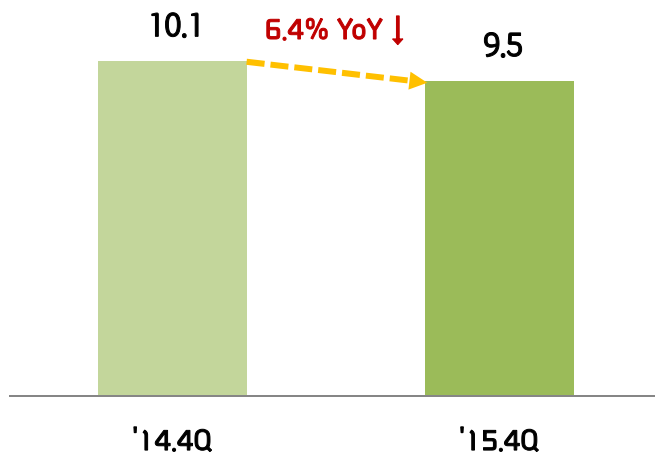


4Q Export volume fell 6.4%, but sales rose 34.1% yoy

- Export volume : 6.4% yoy↓ ('14. 4Q 10.1 bil. → '15. 4Q 9.5 bil. sticks)
- Export sales : 34.1% yoy↑ ('14. 4Q 130.5 bil. → '15. 4Q 175.1 bil. won)

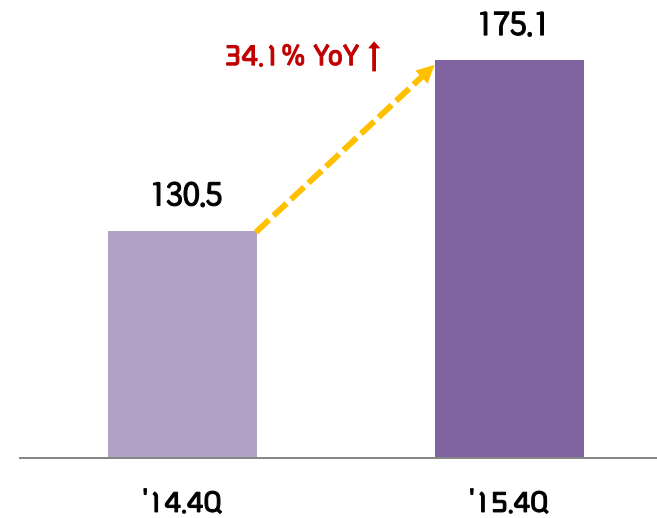
□ Export Cigarette Volume

(Unit : bil. sticks)



□ Export Cigarette Sales

(Unit : bil. KRW)



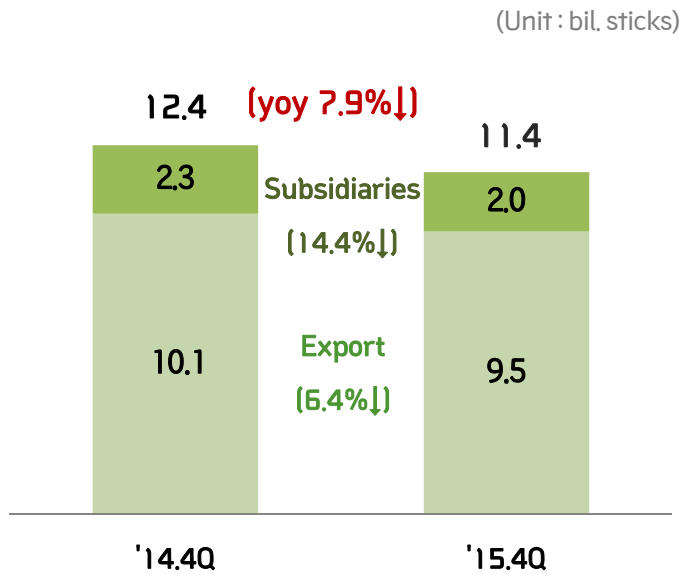
2-3. Overseas Cigarette (Export +Subsidiaries)



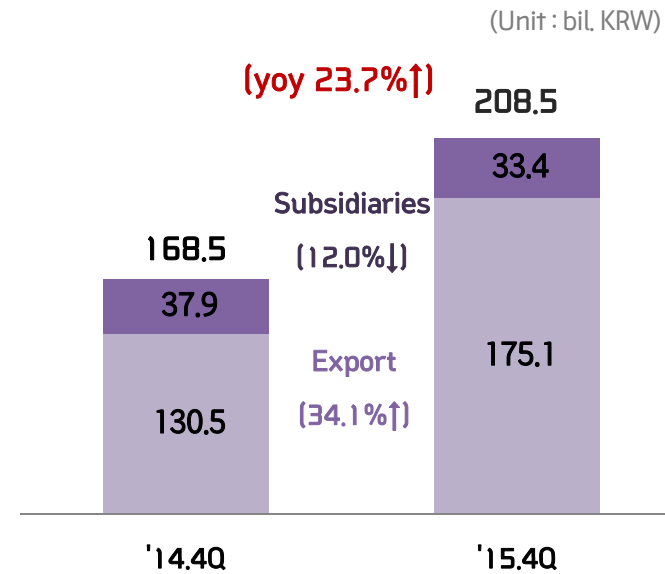
4Q Overseas volume fell 7.9% , but sales rose 23.7% yoy

- 4Q Overseas volume : 11.4 bil. sticks(7.9%↓) : Export 6.4%↓, Subsidiaries 14.4%↓
- 4Q Overseas sales : 208.5 bil. won(23.7%↑) : Export 34.1%↑, Subsidiaries 12.0%↓

□ Overseas Cigarette Volume



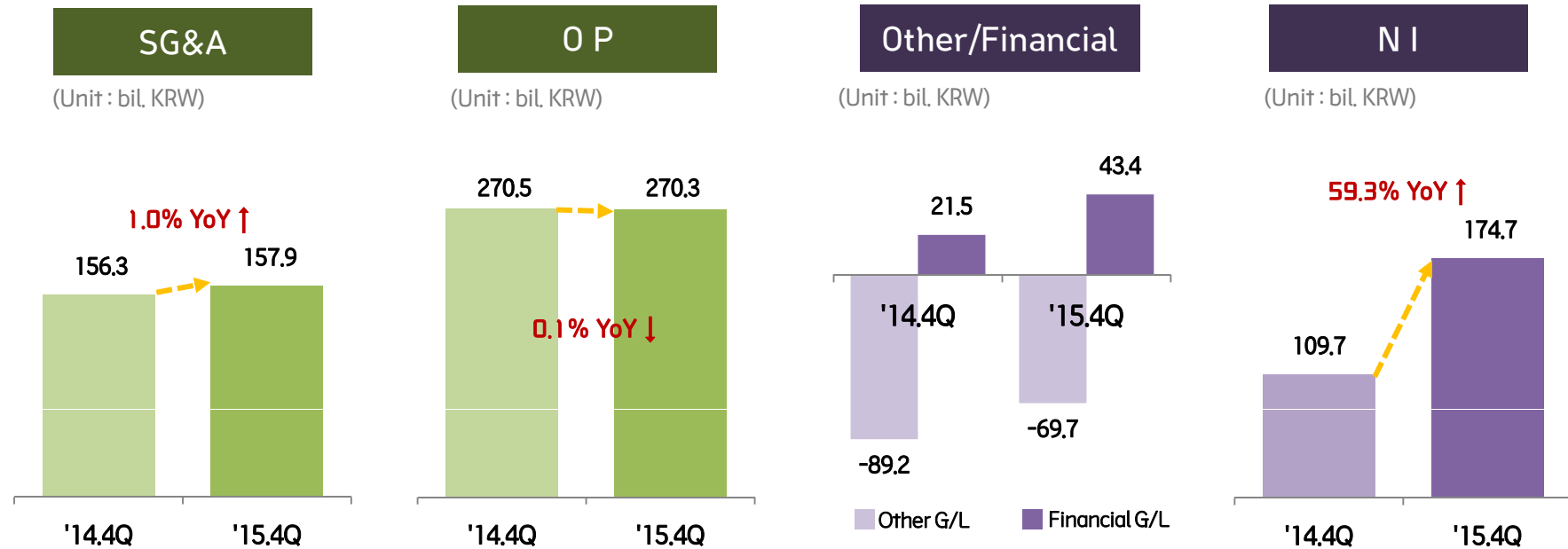
□ Overseas Cigarette Sales



* Subsidiaries : Russia, Turkey, Iran, Indonesia

2-4. Profitability Analysis

4Q OP fell 0.1% yoy, NI rose 59.3% yoy



- OP Margin : '14. 4Q 37.7% → '15. 4Q 40.2% (2.5%p ↑)
- SG&A Ratio : '14. 4Q 21.8% → '15. 4Q 23.5% (1.7%p ↑)

- NI Margin : '14. 4Q 15.3% → '15. 4Q 26.0% (10.7%p ↑)
- Other G/L improved due to other loss reduction



Chapter 3. KGC Separate Results

3-1. FY15 4Q KGC Results Summary



4Q Sales rose 2.9%, but OP dropped 95.1% yoy respectively

- 4Q Sales recorded 180.8 bil. won, up 2.9% yoy (Domestic 8.4%↑, Export 36.4%↓)
- 4Q OP and NI were 0.9 bil.(95.1%↓) and -31.9 bil. won

□ 4Q Sales & Profit

(Unit : bil. KRW)

	4Q FY15	4Q FY14	Change
Net Sales	180.8	175.7	2.9%
- Domestic	167.2	154.3	8.4%
- Export	13.6	21.4	△36.4%
Operating Profit	0.9	17.9	△95.1%
Net Income	△31.9	13.0	-

□ 12M Sales & Profit

(Unit : bil. KRW)

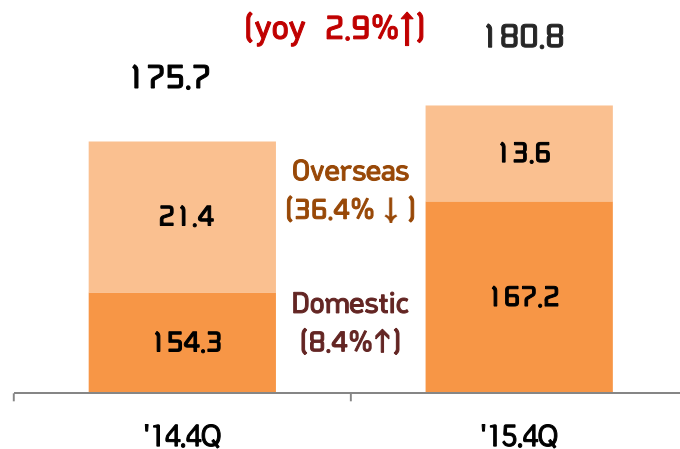
	12MFY15	12MFY14	Change
Net Sales	917.8	812.8	12.9%
- Domestic	836.1	729.1	14.7%
- Export	81.7	83.7	△2.4%
Operating Profit	133.4	130.1	2.5%
Net Income	69.3	93.2	△25.7%

3-2. Sales Analysis

4Q Domestic sales grew through overall channels

□ Sales by Regions

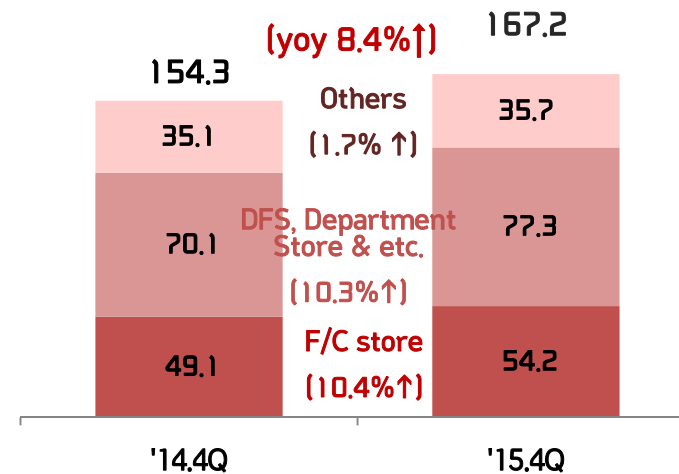
(Unit : bil. KRW)



- While Domestic increased, overseas dropped
 - Domestic sales increased 8.4% yoy
 - Overseas sales dropped 36.4% yoy

□ Domestic Sales by Channels

(Unit : bil. KRW)



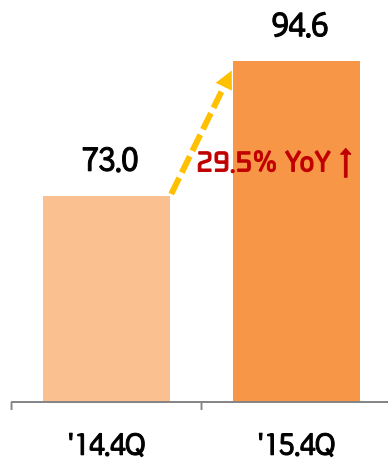
- Overall channels showed growth
 - F/C increased 10.4% yoy
 - DFS, Department Store & etc grew 10.3% yoy
 - Others(Home shopping, online & etc) grew 1.7% yoy

3-3. Profitability Analysis

4Q OP plunged 95.1% yoy, NI recorded loss

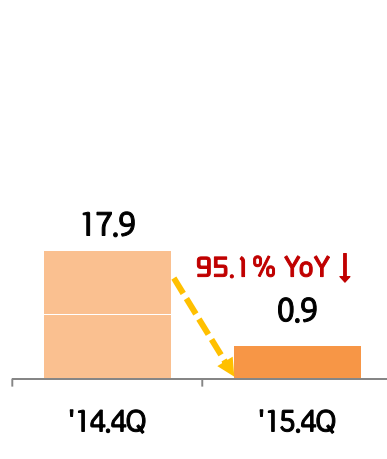
SG&A

(Unit : bil. KRW)



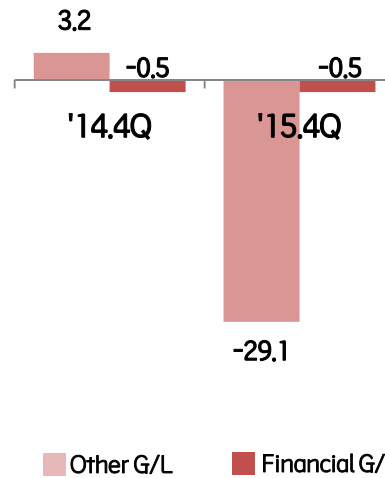
OP

(Unit : bil. KRW)



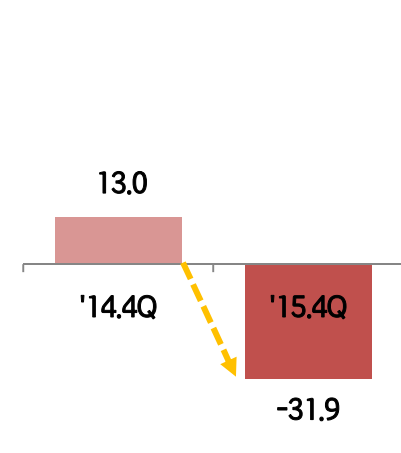
Other/Financial

(Unit : bil. KRW)



NI

(Unit : bil. KRW)



- OP Margin : '14.4Q 10.2% → '15.4Q 0.5% (9.7%p ↓)
- SG&A Ratio : '14.4Q 41.5% → '15.4Q 52.3% (10.8%p ↑)

- NI Margin : '14.4Q 7.4% → '15.4Q △17.6%
- Other G/L reduced due to impairment loss



Chapter 4. Appendix

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

4-1. Consolidated Financial Statement



□ Summarized Statement of Financial Position

(bil. KRW)	FY13	FY14	FY15
Non-Current Assets	2,886.4	3,010.1	3,102.5
-Property Plant Equipment	1,622.3	1,753.4	1,789.8
-Investment Properties	174.0	168.0	164.5
-Equity Accounted Investments	58.1	57.9	51.5
-Available-For-Sale Financial Assets	296.6	325.8	364.7
Current Assets	4,188.4	4,408.2	5,564.2
-Inventories	1,893.9	1,982.5	2,119.1
-Cash and Cash Equivalents	347.9	416.4	546.2
-Other Financial Assets	684.1	668.4	1,136.9
-Account Receivables and Others	915.6	989.8	1,217.9
-Prepaid Cig. Taxes and Others	262.8	260.8	447.8
Assets Held For Sale	0.2	0.4	6.7
Total Assets	7,075.0	7,418.7	8,673.4
Non-Current Liabilities	527.2	586.0	526.2
Current Liabilities	1,182.2	1,124.6	1,871.7
-Account Payables and Others	542.9	982.7	606.4
-Short Term Borrowings	96.2	141.9	206.4
Total Liabilities	1,709.5	1,710.6	2,397.9
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	3,704.3
Retained Earnings	802.8	1,100.9	1,402.0
Total Equities	5,365.5	5,708.1	6,275.5
Total Liabilities and Equities	7,075.0	7,418.7	8,673.4

□ Summarized Statement of Comprehensive Income

(bil. KRW)	FY14	FY15	'14. 4Q	'15. 4Q
Net Sales	4,112.9	4,169.8	1,050.5	866.7
COGS	1,840.8	1,630.6	478.7	293.9
Gross Profit	2,272.0	2,539.2	571.7	572.8
SG&A	1,100.2	1,173.3	284.5	309.0
Operating Profit	1,171.9	1,365.9	287.2	263.9
Other Income & Expense	-61.3	-41.4	-44.0	-88.5
Financial Gain(Loss)	44.1	74.8	17.2	36.9
Share of Profit(Loss) of Associates	3.2	15.1	0.8	8.0
Pre-tax Income	1,157.9	1,414.4	261.3	220.2
Income Tax	344.1	382.2	86.9	58.0
Net Income	813.8	1,032.2	174.4	162.2
Other Comprehensive Income	-68.4	-30.8	-56.9	-14.7
Comprehensive Income	745.4	1,001.4	117.6	147.5

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



□ Summarized Statement of Financial Position

(bil. KRW)	FY13	FY14	FY15
Non-Current Assets	3,232.1	3,311.6	3,469.0
-Property Plant Equipment	1,182.8	1,279.7	1,309.6
-Investment Properties	146.0	140.1	136.8
-Investment in Subsidiaries	1,166.5	1,081.8	1,124.4
-Available-For-Sale Financial Assets	296.4	303.4	340.1
Current Assets	2,850.2	2,982.9	3,978.7
-Inventories	939.7	910.4	889.0
-Cash and Cash Equivalents	245.8	321.6	444.4
-Other Financial Assets	660.0	640.0	1,092.0
-Account Receivables and Others	721.5	824.9	1,074.9
-Prepaid Cig., Taxes and Others	262.8	260.8	447.8
Assets Held for Sale	0.0	0.4	1.5
Total Assets	6,082.3	6,294.9	7,449.2
Non-Current Liabilities	146.0	167.1	123.0
Current Liabilities	903.8	786.1	1,429.8
-Account Payables and Others	402.4	347.2	433.8
-Short Term Borrowings	4.9	5.6	5.0
Total Liabilities	1,049.9	953.2	1,552.7
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	3.6	3.6	3.6
Reserves	3,411.1	3,493.8	3,784.5
Retained Earnings	509.8	736.5	995.9
Total Equities	5,032.4	5,341.7	5,896.5
Total Liabilities and Equities	6,082.3	6,294.9	7,449.2

□ Summarized Statement of Comprehensive Income

(bil. KRW)	FY14	FY15	'14. 4Q	'15. 4Q
Net Sales	2,742.6	2,821.7	717.7	672.8
-Cigarettes	2,500.0	2,607.7	646.6	608.5
-Real Estate	160.3	142.8	49.4	43.6
-Others	82.2	71.2	21.8	20.7
COGS	1,063.8	946.6	290.9	244.6
-Cigarettes	914.4	813.6	245.6	203.9
-Real Estate	96.1	84.9	31.3	27.3
-Others	53.4	48.1	14.1	13.4
Gross Profit	1,678.8	1,875.0	426.8	428.2
SG&A	624.2	637.7	156.3	157.9
Operating Profit	1,054.6	1,237.3	270.5	270.3
Other Income & Expense	-85.4	1.1	-89.2	-69.7
-Other Income	71.9	104.5	44.7	18.3
FX related Gain	46.0	67.0	37.8	8.9
Others	25.9	37.5	6.9	9.3
-Other Expense	157.3	103.4	133.9	88.0
FX related Loss	13.9	12.9	1.8	25.0
Others	143.4	90.4	132.1	62.9
Financial Gain(Loss)	76.3	81.0	21.5	43.4
Pre-tax Income	1,045.5	1,319.4	202.7	243.9
-Income Tax	298.4	331.5	93.1	69.3
Net Income	747.1	987.9	109.7	174.7
Comprehensive Income	712.2	978.2	80.5	172.6

4-3. Separate Financial Statement (KGC)



□ Summarized Statement of Financial Position

(bil. KRW)	FY13	FY14	FY15
Non-Current Assets	436.4	543.1	521.8
-Tangible Assets	206.4	261.1	291.1
-Intangible Assets	11.9	10.4	9.2
-Others	218.1	271.6	221.5
Current Assets	978.6	1,094.3	1,240.1
-Inventories	772.7	892.6	1,059.4
-Cash and Cash Equivalents	5.7	4.5	3.4
-Others	200.2	197.2	177.2
Total Assets	1,415.0	1,637.4	1,761.9
Non-Current Liabilities	45.2	63.2	77.1
Current Liabilities	124.4	179.7	222.5
-Short Term Borrowings	60.0	102.9	141.0
-Others	64.4	76.8	81.4
Total Liabilities	169.6	242.9	299.6
Capital Stock	66.3	69.1	69.1
Capital Surplus	33.4	93.9	93.9
Reserves	1,056.5	1,143.4	1,233.1
Retained Earnings	89.2	88.1	66.3
Other Comprehensive Income	0.0	0.0	0.0
Total Equities	1,245.5	1,394.5	1,462.4
Total Liabilities and Equities	1,415.0	1,637.4	1,761.9

□ Summarized Statement of Comprehensive Income

(bil. KRW)	FY14	FY15	'14. 4Q	'15. 4Q
Sales	812.8	917.8	175.7	180.8
- Red Ginseng Roots	123.8	104.3	28.7	17.5
- Red Ginseng Products	687.6	811.8	146.6	162.9
(Ratio)	(84.6)	(88.4)	(83.5)	(90.1)
- Others	1.4	1.7	0.4	0.4
COGS	401.7	438.6	84.7	85.3
Gross Profit	411.1	479.2	91.0	95.4
SG&A	281.0	345.8	73.0	94.6
Operating Profit	130.1	133.4	17.9	0.9
Other Income & Expense	-3.2	-26.8	3.2	-29.1
- Other Income	8.0	7.4	4.8	2.8
- Other Expense	11.2	34.2	1.6	31.8
Financial Gain(Loss)	0.5	-0.9	-0.5	-0.5
Pre-tax Income	127.4	105.7	20.6	-28.7
- Income Tax	34.2	36.4	7.7	3.2
Net Income	93.2	69.3	13.0	-31.9
Comprehensive Income	85.7	67.9	5.1	-32.1



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