

KT&G Investor Relations 2016

FY2016 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. FY16 1Q Consolidated Results Summary



1Q Consolidated Sales, OP, NI recorded 1 tril. 91.3 bil., 393.0 bil., 284.7 bil. won

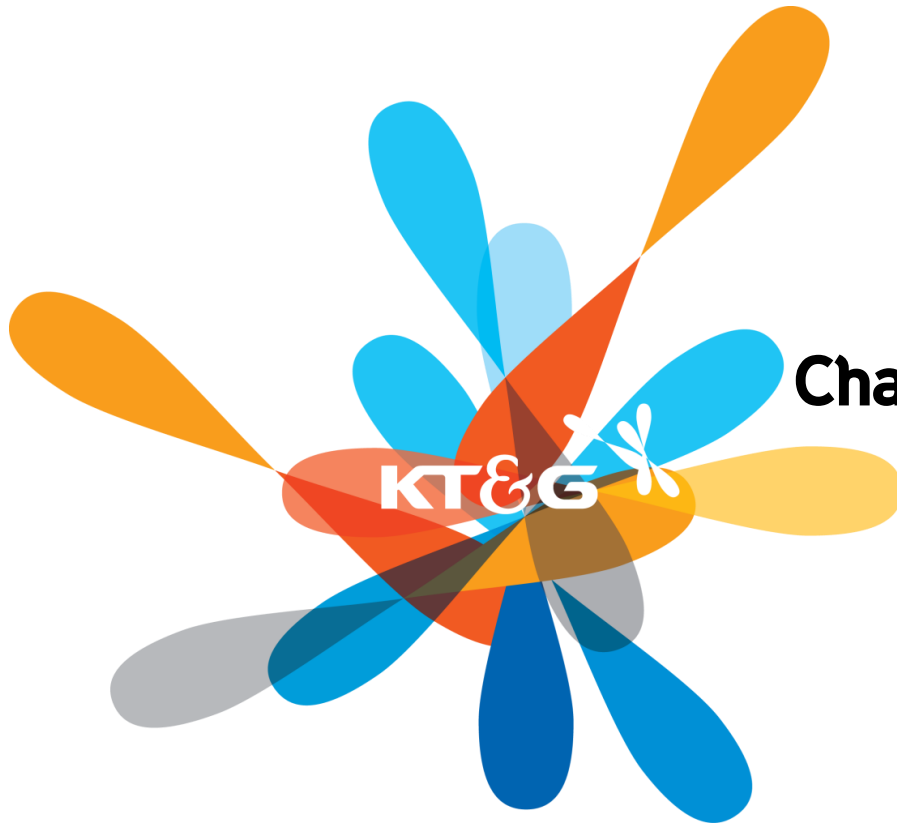
- 1Q Consolidated Sales dropped by 4.0% yoy : KT&G -8.9%, KGC +23.7% yoy
- 1Q OP and NI dropped by 8.3%, 7.8% yoy each

□ Consolidated Sales/Profit

(Unit : bil. KRW)

	1Q FY16	1Q FY15	Change
Net Sales	1,091.3	1,136.9	△4.0%
- KT&G	701.2	769.8	△8.9%
- KGC	295.6	238.9	23.7%
- Others and Adjustment	94.5	128.1	△26.3%
Operating Profit	393.0	428.5	△8.3%
Net Income	284.7	308.8	△7.8%

- 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. FY16 1Q KT&G Results Summary



FY16 1Q Sales and OP dropped by 8.9% and 13.8% yoy respectively

- 1Q Sales recorded 701.2 bil. won (dropped by 8.9% yoy)
 - Domestic Cigarette -25.5%, Export Cigarette +70.8%, Others(Real Estate etc.) -30.4%
- 1Q OP and NI recorded 327.4 bil. won(-13.8%) and 253.8 bil. won (-13.8%) each

□ Sales/Profit

(Unit : bil. KRW)

	1Q FY16	1Q FY15	Change
Net Sales	701.2	769.8	△8.9%
- Domestic	424.0	569.3	△25.5%
- Export	232.2	135.9	70.8%
- Others(Real Estate etc.)	45.0	64.6	△30.4%
Operating Profit	327.4	380.0	△13.8%
Net Income	253.8	294.4	△13.8%
* Gross Sales	2,122.8	1,708.9	24.2%

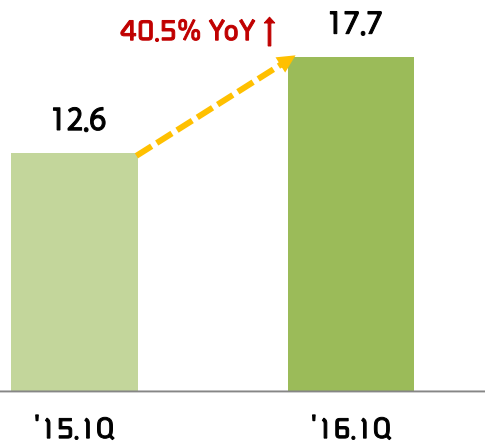
2-2. Domestic Cigarette

Total market volume and KT&G volume in 1Q grew by 40.5%, 47.9% yoy respectively

- 1Q Total Market Volume: Increased from 12.6 bil. sticks to 17.7 bil. sticks
- 1Q KT&G Volume : Increased from 7.1 bil. sticks to 10.5 bil. sticks
- KT&G Market share : 59.5% (+2.9%p yoy)

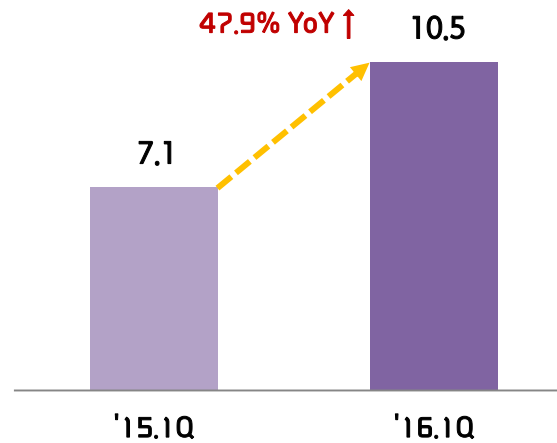
□ Total Market Volume

(Unit : bil. sticks)



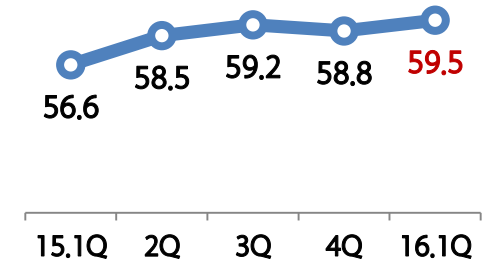
□ KT&G volume

(Unit : bil. sticks)



□ KT&G M/S Trend

(Unit : %)



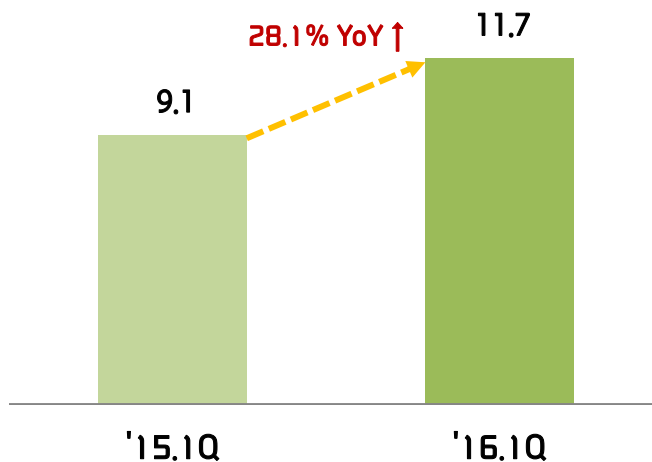
2-3. Overseas Cigarette (Export)

1Q Export volume and sales grew by 28.1% and 70.8% yoy respectively

- Volume grew by 28.1% yoy ('15. 1Q 9.1 bil. sticks → '16. 1Q 11.7 bil. sticks)
- Sales grew by 70.8% yoy ('15. 1Q 135.9 bil. won → '16. 1Q 232.2 bil. won)

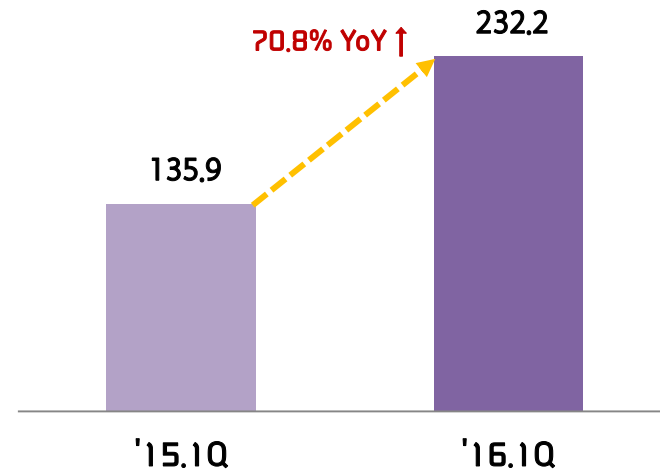
□ Export Cigarette Volume

(Unit : bil. sticks)



□ Export Cigarette Sales

(Unit : bil. KRW)



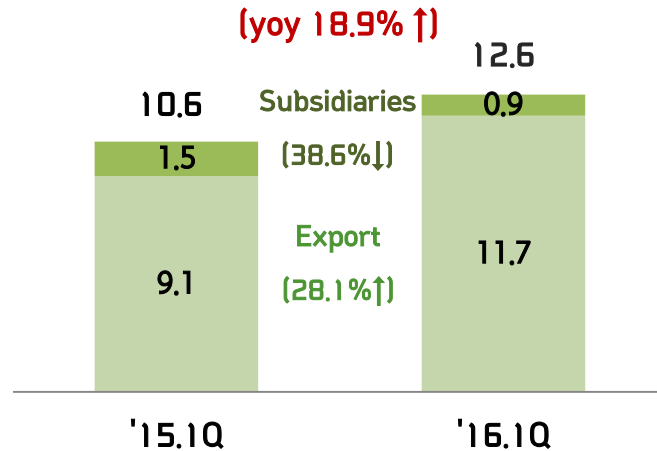
2-3. Overseas Cigarette (Export +Subsidiaries)



1 Q Overseas volume and sales grew by 18.9% and 51.5% yoy respectively

□ Overseas Cigarette Volume

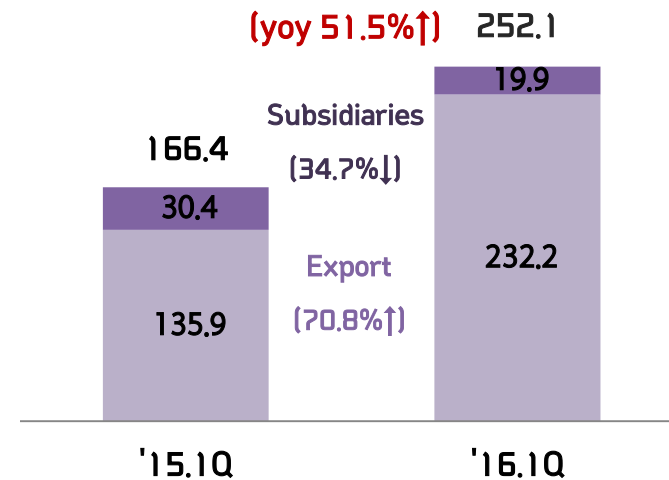
(Unit : bil. sticks)



* Subsidiaries : Russia, Turkey, Iran, Indonesia (KT&G-I, Trisakti, MMM)

□ Overseas Cigarette Sales

(Unit : bil. KRW)

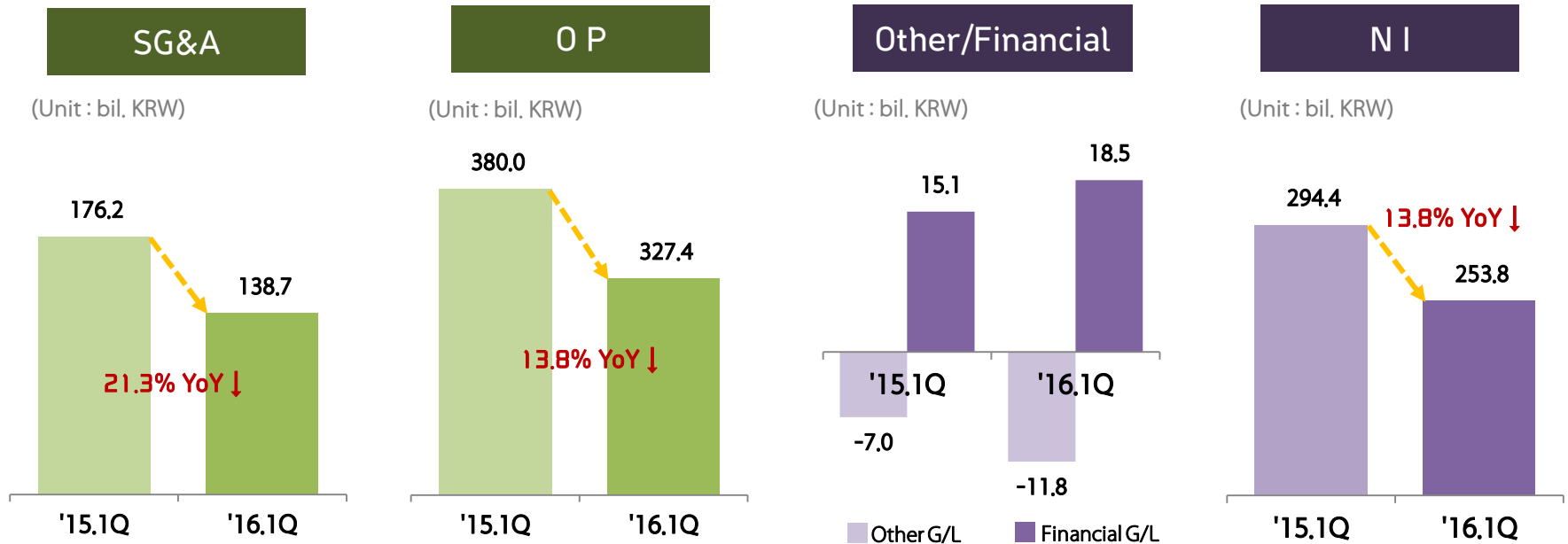


- Overseas Volume : '16. 1Q 12.6 bil. sticks (+18.9% yoy)
- Export : +28.1% yoy, Subsidiaries : -38.6% yoy

- Overseas Sales : '16. 1Q 252.1 bil. won (+51.5% yoy)
- Export : +70.8% yoy, Subsidiaries : -34.7% yoy

2-4. Profitability Analysis

FY16 1Q both OP and NI dropped by 13.8% yoy respectively



- OP Margin : '15. 1Q 49.4% → '16. 1Q 46.7% (-2.7%p)
- SG&A Ratio : '15. 1Q 22.9% → '16. 1Q 19.8% (-3.1%p)

- NI Margin : '15. 1Q 38.2% → '16. 1Q 36.2% (-2.0%p)
 - Net other gain reduction (Net FX Loss 17.0 bil., etc)
 - Net financial gain increase (Dividend income, etc)



Chapter 3. KGC Separate Results

3-1. FY16 1Q KGC Results Summary

1Q Sales and OP increased 23.7% and 42.9% yoy respectively

- 1Q Sales recorded 295.6 bil. won, grew by 23.7% yoy (Domestic +28.9%, Export -38.0%)
- 1Q OP and NI grew by 42.9% and 64.6% yoy to 68.9 bil. won and 51.7 bil. won each

□ 1Q Sales & Profit

(Unit : bil. KRW)

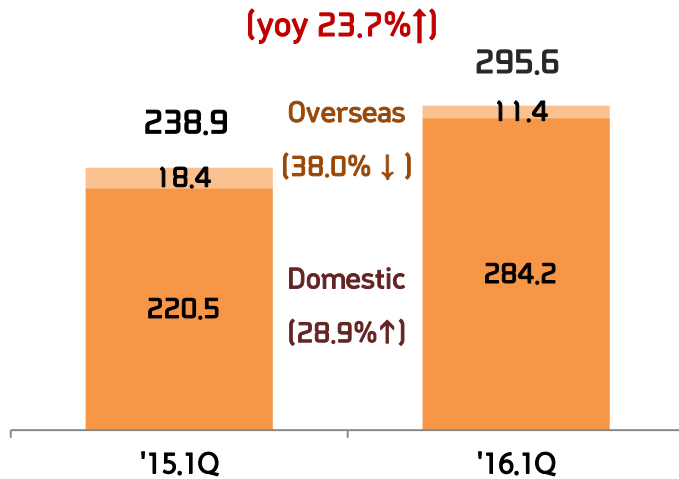
	1Q FY16	1Q FY15	Change
Net Sales	295.6	238.9	23.7%
- Domestic	284.2	220.5	28.9%
- Export	11.4	18.4	△38.0%
Operating Profit	68.9	48.2	42.9%
Net Income	51.7	31.4	64.6%

3-2. Sales Analysis

1Q Domestic sales grew through overall channels

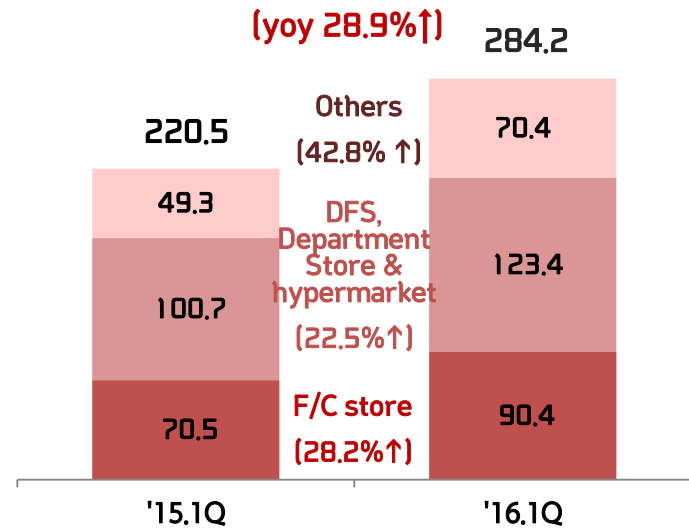
□ Sales by Regions

(Unit : bil. KRW)



□ Domestic Sales by Channels

(Unit : bil. KRW)



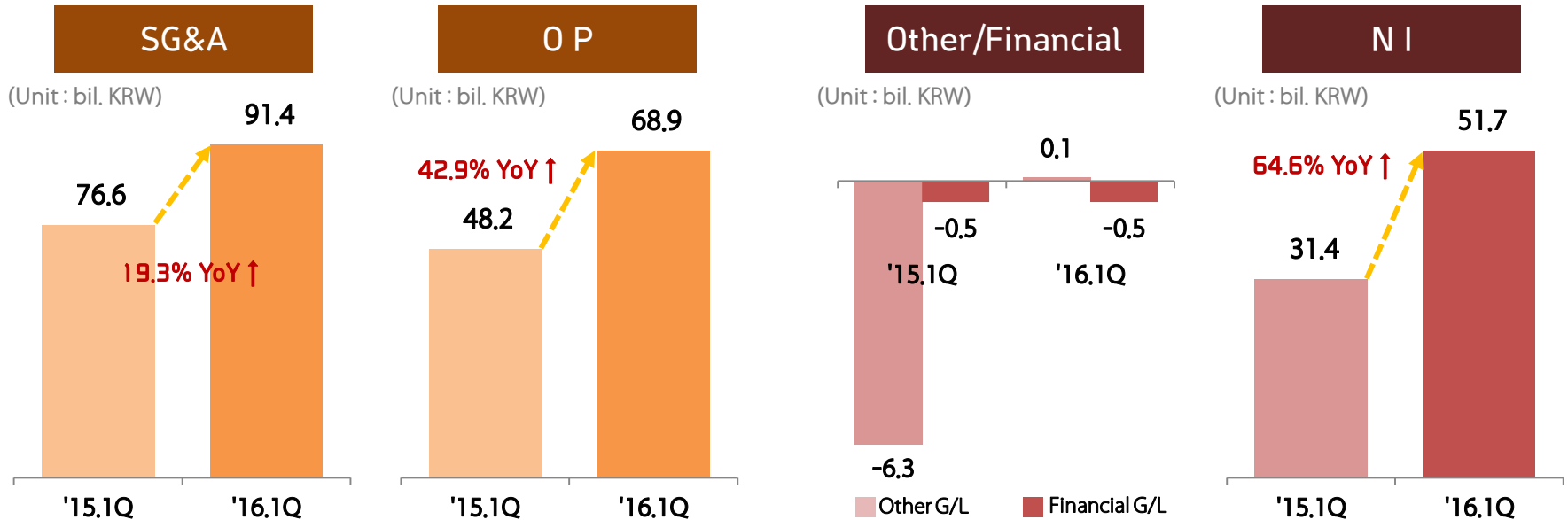
- Domestic sales in 1Q grew up 28.9% yoy
- Overseas sales in 1Q dropped by 38.0% yoy

- Overall channels showed growth
 - F/C store grew up 28.2% yoy
 - DFS, Department Store & etc grew up 22.5% yoy
 - Others grew up 42.8% yoy

• F/C Store: Franchise Store Channel, Others : home shopping, on-line store and beverage, etc.

3-3. Profitability Analysis

1Q OP and NI grew up 42.9% and 64.6% yoy respectively



- OP Margin : '15.1Q 20.2% → '16. 1Q 23.3% (+3.1%p)
 - Sales improvement of high value-added products
- SG&A Ratio : '15. 1Q 32.1% → '16. 1Q 30.9% (-1.2%p)

- NI Margin : '15. 1Q 13.2% → '16. 1Q 17.5% (+4.3%p)
 - Operating profit enhancement (20.7 bil. won)
 - Net financial gain (-0.03 bil.), Net other gain (+6.3 bil.)



Chapter 4. Appendix

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

4-1. Consolidated Financial Statement



□ Summarized Statement of Financial Position

(bil. KRW)	FY14	FY15	'16.1Q
Non-Current Assets	3,010.1	3,102.5	3,094.8
-Property Plant Equipment	1,753.4	1,789.8	1,779.0
-Investment Properties	168.0	164.5	164.8
-Equity Accounted Investments	57.9	51.5	38.6
-Available-For-Sale Financial Assets	325.8	364.7	371.1
Current Assets	4,408.2	5,564.2	5,579.8
-Inventories	1,982.5	2,119.1	2,038.8
-Cash and Cash Equivalents	416.4	546.2	745.0
-Other Financial Assets	668.4	1,136.9	997.6
-Account Receivables and Others	989.8	1,217.9	1,235.4
-Prepaid Cig. Taxes and Others	260.8	447.8	444.4
Assets Held For Sale	0.4	6.7	6.7
Total Assets	7,418.7	8,673.4	8,681.3
Non-Current Liabilities	586.0	526.2	551.1
Current Liabilities	1,124.6	1,871.7	1,970.1
-Account Payables and Others	982.7	606.4	1,087.9
-Short Term Borrowings	141.9	206.4	100.2
Total Liabilities	1,710.6	2,397.9	2,521.2
Capital Stock	955.0	955.0	955.0
Treasury Stock	-339.1	-337.1	-331.8
Gain on Reissuance of Treasury Stock	492.0	494.6	505.2
Other Capital Surplus	-4.6	-9.9	-10.1
Reserves	3,426.4	3,704.3	4,284.2
Retained Earnings	1,100.9	1,402.0	690.3
Total Equities	5,708.1	6,275.5	6,160.1
Total Liabilities and Equities	7,418.7	8,673.4	8,681.3

□ Summarized Statement of Comprehensive Income

(bil. KRW)	FY14	FY15	'15. 1Q	'16. 1Q
Net Sales	4,112.9	4,169.8	1,136.9	1,091.3
COGS	1,840.8	1,630.6	410.3	424.1
Gross Profit	2,272.0	2,539.2	726.7	667.3
SG&A	1,100.2	1,173.3	298.1	274.3
Operating Profit	1,171.9	1,365.9	428.5	393.0
Other Income & Expense	-61.3	-41.4	-20.6	-16.9
Financial Gain(Loss)	44.1	16.0	10.8	16.0
Share of Profit(Loss) of Associates	3.2	0.5	0.7	0.5
Pre-tax Income	1,157.9	392.6	419.4	392.6
Income Tax	344.1	107.8	110.6	107.8
Net Income	813.8	284.7	308.8	284.7
Other Comprehensive Income	-68.4	12.3	-9.1	12.3
Comprehensive Income	745.4	297.0	299.7	297.0

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



□ Summarized Statement of Financial Position

(bil. KRW)	FY14	FY15	'16. 1Q
Non-Current Assets	3,311.6	3,469.0	3,502.1
-Property Plant Equipment	1,279.7	1,309.6	1,303.6
-Investment Properties	140.1	136.8	137.1
-Investment in Subsidiaries	1,081.8	1,124.4	1,151.9
-Available-For-Sale Financial Assets	303.4	340.1	344.4
Current Assets	2,982.9	3,978.7	4,027.4
-Inventories	910.4	889.0	866.9
-Cash and Cash Equivalents	321.6	444.4	640.9
-Other Financial Assets	640.0	1,092.0	950.0
-Account Receivables and Others	824.9	1,074.9	1,099.5
-Prepaid Cig., Taxes and Others	260.8	447.8	444.4
Assets Held for Sale	0	1.5	15
Total Assets	6,294.9	7,449.2	7,531.0
Non-Current Liabilities	167.1	123.0	135.6
Current Liabilities	786.1	1,429.8	1,653.3
-Account Payables and Others	347.2	433.8	913.3
-Short Term Borrowings	5.6	5.0	4.6
Total Liabilities	1,128.7	1,552.7	1,788.9
Capital Stock	955.0	955.0	955.0
Treasury Stock	-339.1	-337.1	-331.8
Gain on Reissuance of Treasury Stock	492.0	494.6	505.2
Other Capital Surplus	3.6	3.6	3.6
Reserves	3,493.8	3,784.5	4,356.4
Retained Earnings	736.5	995.9	253.7
Total Equities	5,341.7	5,896.5	5,742.1
Total Liabilities and Equities	6,294.9	7,449.2	7,531.0

□ Summarized Statement of Comprehensive Income

(bil. KRW)	FY14	FY15	'15. 1Q	'16. 1Q
Net Sales	2,742.6	2,821.7	769.8	701.2
-Cigarettes	2,500.0	2,607.7	705.2	656.3
-Real Estate	160.3	142.8	51.9	20.0
-Others	82.2	71.2	12.7	25.0
COGS	1,063.8	946.6	213.6	235.1
-Cigarettes	914.4	813.6	168.2	212.7
-Real Estate	96.1	84.9	35.3	8.1
-Others	53.4	48.1	10.1	14.3
Gross Profit	1,678.8	1,875.0	556.2	466.1
SG&A	624.2	637.7	176.2	138.7
Operating Profit	1,054.6	1,237.3	380.0	327.4
Other Income & Expense	-85.4	1.1	-7.0	-11.8
-Other Income	71.9	104.5	24.0	18.6
FX related Gain	46.0	66.9	7.5	9.5
Others	25.9	37.5	16.5	9.1
-Other Expense	157.3	103.4	31.0	30.4
FX related Loss	13.9	12.9	7.8	26.7
Others	143.4	90.4	23.2	3.7
Financial Gain(Loss)	76.3	81.0	15.1	18.5
Pre-tax Income	1,045.5	1,319.4	388.1	334.0
-Income Tax	298.4	331.5	93.6	80.2
Net Income	747.1	987.9	294.4	253.8
Comprehensive Income	712.2	978.2	288.3	258.0

4-2. Separate Financial Statement (KGC)



□ Summarized Statement of Financial Position

(bil. KRW)	FY14	FY15	FY16 1 Q
Non-Current Assets	543.1	521.8	517.1
-Tangible Assets	261.1	291.1	287.7
-Intangible Assets	10.4	9.2	9.1
-Others	271.6	221.5	220.3
Current Assets	1,094.3	1,240.1	1,209.7
-Inventories	892.6	1,059.4	992.0
-Cash and Cash Equivalents	4.5	3.4	4.3
-Others	197.2	177.2	213.4
Total Assets	1,637.4	1,761.9	1,726.8
Non-Current Liabilities	63.2	77.1	80.2
Current Liabilities	179.7	222.5	130.8
-Short Term Borrowings	102.9	141.0	37.9
-Others	76.8	81.4	92.9
Total Liabilities	242.9	299.6	211.1
Capital Stock	69.1	69.1	69.1
Capital Surplus	93.9	93.9	93.9
Reserves	1,143.4	1,233.1	1,301.1
Retained Earnings	88.0	66.3	51.6
Other Comprehensive Income	0	0	0
Total Equities	1,394.5	1,462.4	1,515.7
Total Liabilities and Equities	1,637.4	1,761.9	1,726.8

□ Summarized Statement of Comprehensive Income

(bil. KRW)	FY14	FY15	'15. 1Q	'16. 1Q
Sales	812.8	917.8	238.9	295.6
- Red Ginseng Roots	123.8	104.3	30.1	20.5
- Red Ginseng Products	687.6	811.8	208.4	274.3
(Ratio)	(84.6)	(88.4)	(87.2)	(92.8)
- Others	1.4	1.7	0.4	0.8
COGS	401.7	438.6	114.1	135.3
Gross Profit	411.1	479.2	124.8	160.3
SG&A	281.0	345.8	76.6	91.4
Operating Profit	130.1	133.4	48.2	68.9
Other Income & Expense	-3.2	-26.8	-6.3	0.07
- Other Income	8.0	7.4	1.0	1.7
- Other Expense	11.2	34.2	7.3	1.6
Financial Gain(Loss)	0.5	-0.9	-0.5	-0.5
Pre-tax Income	127.4	105.7	41.4	68.4
- Income Tax	34.2	36.4	10.0	16.7
Net Income	93.2	69.3	31.4	51.7
Comprehensive Income	85.7	67.9	32.8	53.3



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