

KT&G  Investor Relations 2017

FY2017 3Q

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. FY17 3Q Consolidated Results Summary



3Q Consolidated Sales, OP, NI recorded 1 tril. 278.9 bil., 421.7 bil., 308.0 bil. won

- 3Q Consolidated Sales increased by 4.8% yoy : KT&G 4.7%↑, KGC 6.3%↑ yoy
- 3Q OP dropped by 1.1% / NI increased by 23.2% yoy each

□ 3Q Consolidated Sales/Profit

(Unit : bil. KRW)

	3Q FY17	3Q FY16	Change
Net Sales	1,278.9	1,220.2	4.8%
- KT&G	789.5	753.8	4.7%
- KGC	367.2	345.4	6.3%
- Others and Adjustment	122.2	121.0	1.0%
Operating Profit	421.7	426.3	△1.1%
Net Income	308.0	249.9	23.2%

□ 9M Consolidated Sales/Profit

(Unit : bil. KRW)

	9M FY17	9M FY16	Change
Net Sales	3,619.3	3,399.6	6.5%
- KT&G	2,316.7	2,200.6	5.3%
- KGC	963.3	894.6	7.7%
- Others and Adjustment	339.3	304.5	11.4%
Operating Profit	1,203.6	1,165.2	3.3%
Net Income	817.8	820.2	△0.3%

- 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. FY17 3Q KT&G Results Summary



FY17 3Q Sales increased by 4.7% and OP dropped by 3.1% yoy each

- 3Q Sales recorded 789.5 bil. won (up by 4.7% yoy)
 - Domestic Cigarette 1.8%↑, Export Cigarette 4.7%↑, Others(Real Estate etc.) 29.8%↑
- 3Q OP decreased 3.1% yoy to 338.5 bil. won and NI increased 29.6% yoy to 269.5 bil. won

□ 3Q Consolidated Profit/Loss

(Unit : bil. KRW)

	3Q FY17	3Q FY16	Change
Net Sales	789.5	753.8	4.7%
- Domestic	507.2	498.3	1.8%
- Export	206.1	196.8	4.7%
- Others (Real Estate etc.)	76.2	58.7	29.8%
Operating Profit	338.5	349.3	Δ3.1%
Net Income	269.5	208.0	29.6%

□ 9M Consolidated Profit/Loss

(Unit : bil. KRW)

	9M FY17	9M FY16	Change
Net Sales	2,316.7	2,200.6	5.3%
- Domestic	1,397.9	1,390.1	0.6%
- Export	671.5	622.7	7.8%
- Others (Real Estate etc.)	247.3	187.8	31.7%
Operating Profit	1,001.5	999.4	0.2%
Net Income	786.1	738.0	6.5%

2-2. Domestic Cigarette

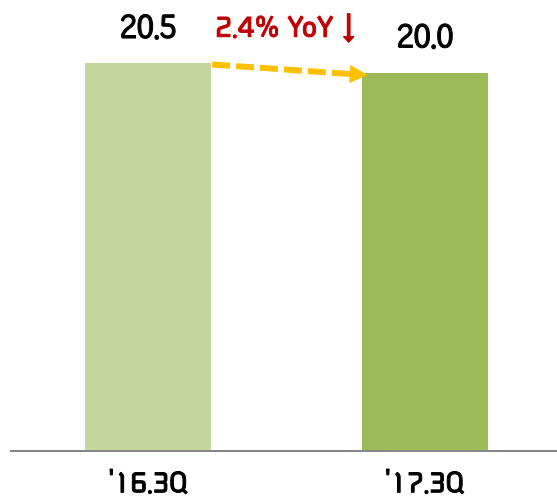


Total market volume and KT&G volume in 3Q dropped by 2.4%, rose by 0.8% yoy respectively

- 3Q Total Market Volume: decreased from 20.5 bil. sticks to 20.0 bil. sticks
- 3Q KT&G Volume : increased from 12.2 bil. sticks to 12.3 bil. sticks
- KT&G Market share : 61.5% up by 1.9%p yoy (up 1.5%p qoq)

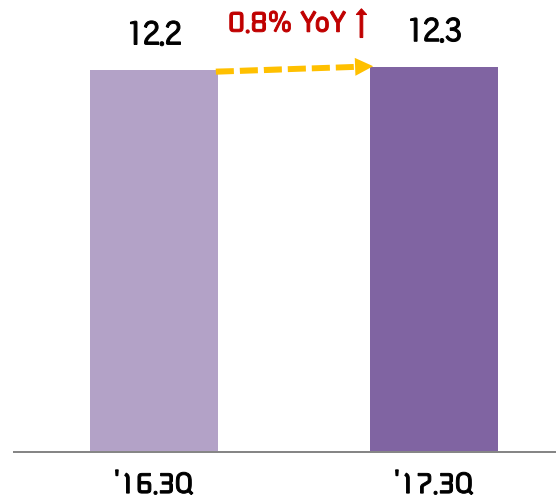
□ Total Market Volume

(Unit : bil. sticks)



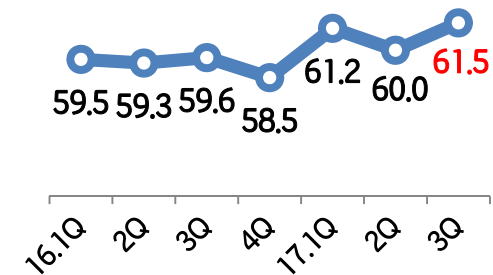
□ KT&G Volume

(Unit : bil. sticks)



□ KT&G M/S Trend

(Unit : %)



2-3. Overseas Cigarette (Export)

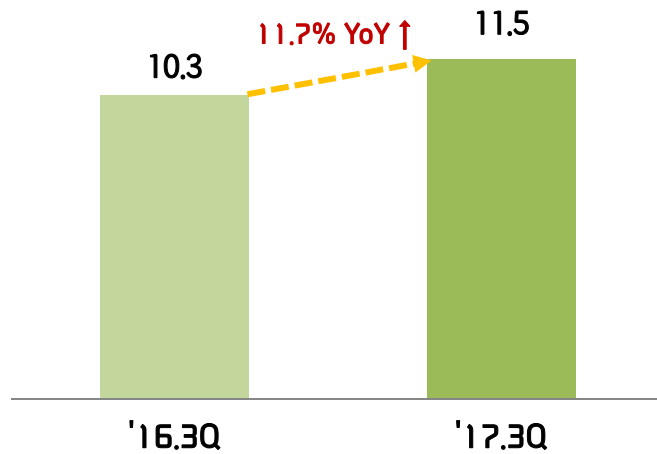


3Q Export volume and sales rose by 11.7% and 4.7% yoy respectively

- Volume rose by 11.7% yoy ('16. 3Q 10.3 bil. sticks → '17. 3Q 11.5 bil. sticks)
- Sales rose by 4.7% yoy ('16. 3Q 196.8 bil. won → '17. 3Q 206.1 bil. won)

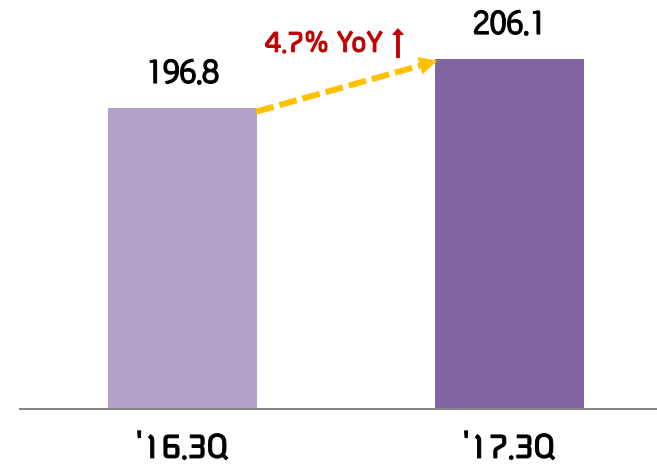
□ Export Cigarette Volume

(Unit : bil. sticks)



□ Export Cigarette Sales

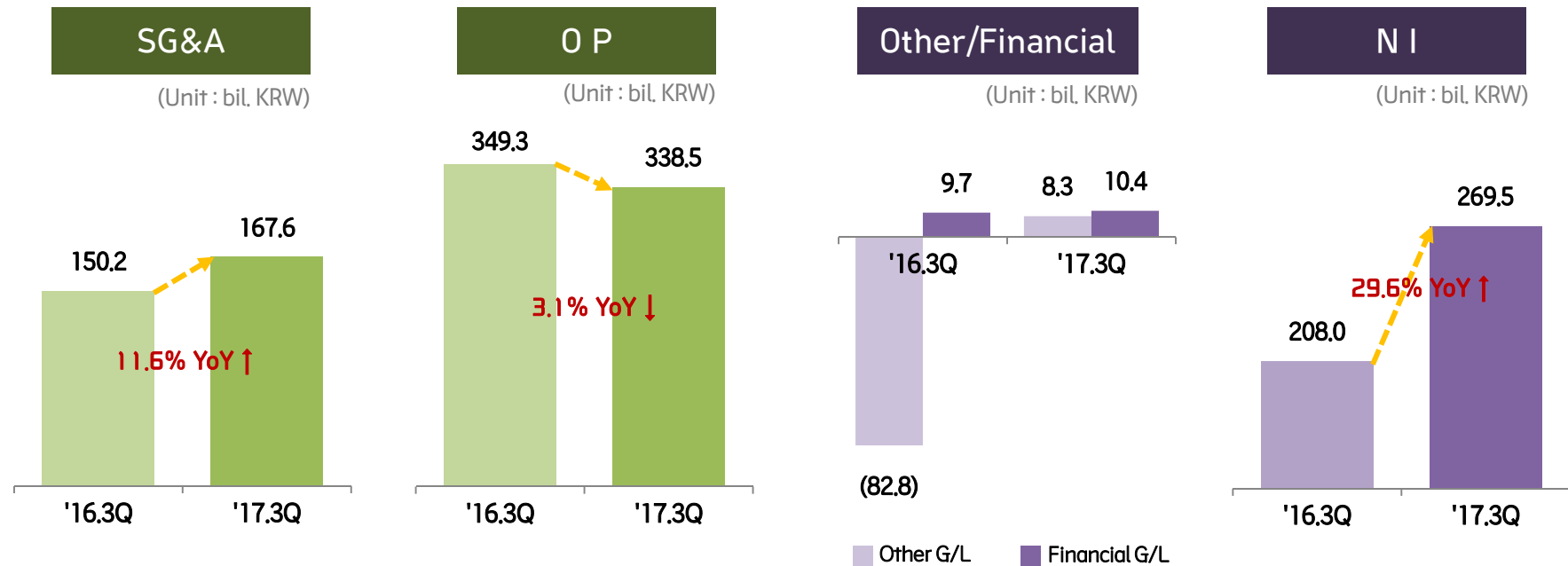
(Unit : bil. KRW)



2-4. Profitability Analysis



FY17 3Q OP dropped by 3.1% yoy and NI rose by 29.6% yoy



- SG&A Ratio : `16. 3Q 19.9% → `17. 3Q 21.2% (1.3%p ↑)
- OP Margin : `16. 3Q 46.3% → `17. 3Q 42.9% (3.4%p ↓)

- NI Margin : `16. 3Q 27.6% → `17. 3Q 34.1% (6.5%p ↑)
- Net FX increased 71.0 bil. won ↑



Chapter 3. KGC Separate Results

3-1. FY17 3Q KGC Results Summary



3Q Sales and OP increased 6.3% and 12.3% yoy respectively

- 3Q Sales recorded 367.2 bil. won, up by 6.3% yoy (Domestic 4.9% ↑, Export 38.4% ↑)
- 3Q OP recorded 77.0 bil. won, up by 12.3% yoy

□ 3Q Sales & Profit

(Unit : bil. KRW)

	3Q FY17	3Q FY16	Change
Net Sales	367.2	345.4	6.3%
- Domestic	347.0	330.9	4.9%
- Export	20.2	14.6	38.4%
Operating Profit	77.0	68.6	12.3%
Net Income	53.0	50.7	4.7%

□ 9M Sales & Profit

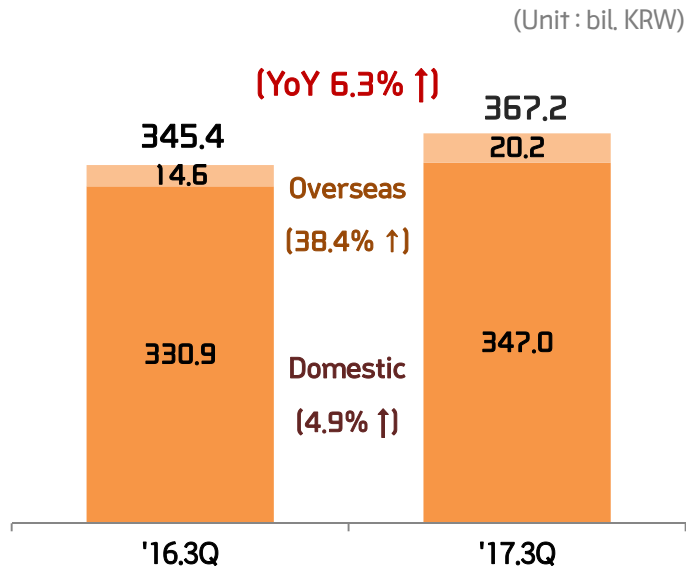
(Unit : bil. KRW)

	9M FY17	9M FY16	Change
Net Sales	963.3	894.6	7.7%
- Domestic	908.1	856.2	6.1%
- Export	55.2	38.4	43.8%
Operating Profit	194.8	172.6	12.9%
Net Income	148.4	129.2	14.9%

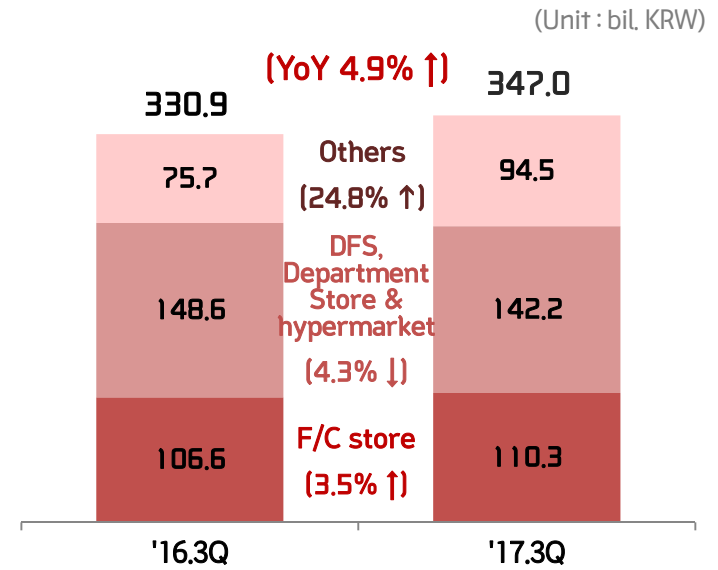
3-2. Sales Analysis

3Q Domestic sales and Overseas sales grew

□ Sales by Regions



□ Domestic Sales by Channels



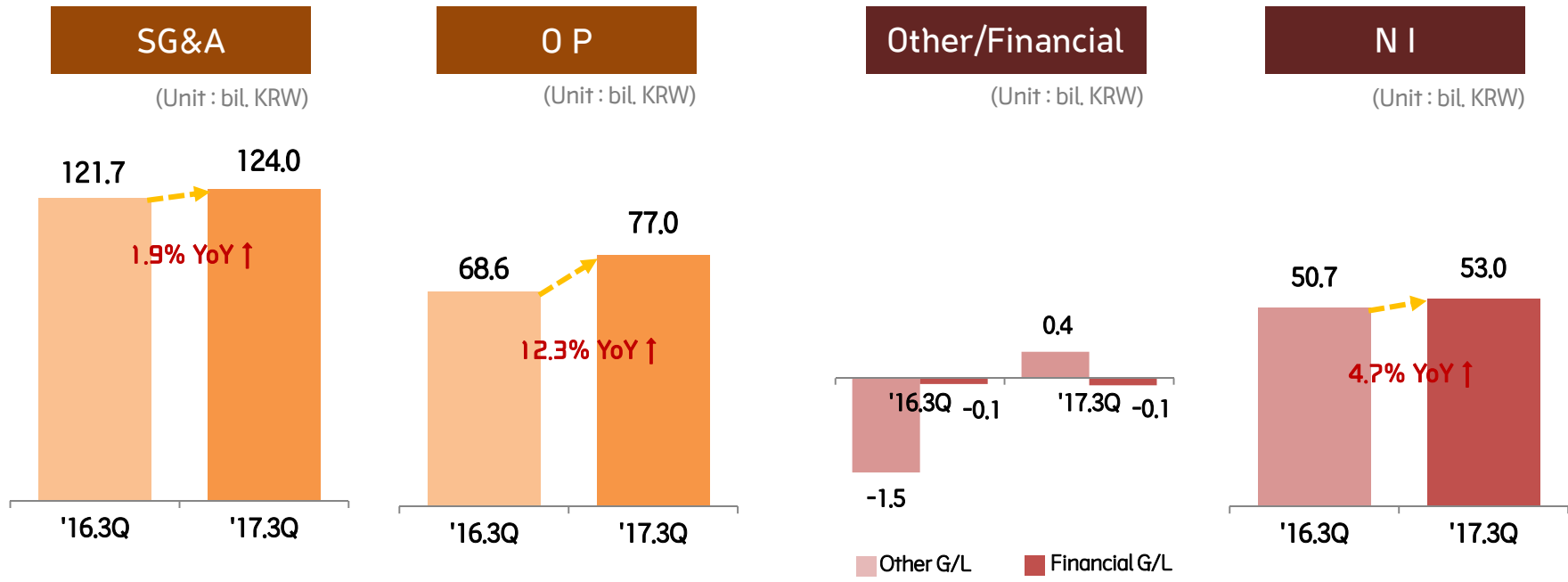
- Domestic sales in 3Q rose by 4.9% yoy
- Overseas sales in 3Q rose by 38.4% yoy

- Overall channels showed growth except DFS/Department Store & etc.
 - F/C store increased by 3.5% yoy
 - DFS, Department Store & etc. decreased by 4.3% yoy
 - Others increased by 24.8% yoy

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

3-3. Profitability Analysis

3Q OP grew up 12.3% yoy



- OP Margin : `16. 3Q 35.2% → `17. 3Q 33.8% (1.4%p ↓)
- SG&A Ratio : `16. 3Q 19.9% → `17. 3Q 21.0% (1.1%p ↑)

- NI Margin : `16. 3Q 14.7% → `17. 3Q 14.4% (0.3%p ↓)
- Corporate Tax increase



Chapter 4. Appendix

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

4- 1. Consolidated Financial Statement



□ Summarized Statement of Financial Position

(bil. KRW)	FY15	FY16	`17. 3Q
Non-Current Assets	3,102.5	3,191.9	3,394.7
-Property Plant Equipment	1,789.8	1,601.9	1,710.9
-Investment Properties	164.5	341.6	333.6
-Equity Accounted Investments	51.5	56.5	51.9
-Available-For-Sale Financial Assets	364.7	385.1	453.0
Current Assets	5,564.2	6,594.3	6,712.7
-Inventories	2,119.1	2,265.4	2,094.9
-Cash and Cash Equivalents	546.2	850.8	1,273.2
-Other Financial Assets	1,136.9	1,657.3	1,295.4
-Account Receivables and Others	1,217.9	1,283.6	1,571.4
-Prepaid Cig. Taxes and Others	447.8	439.4	353.3
Assets Held For Sale	6.7	26.3	0
Total Assets	8,673.4	9,812.6	10,107.4
Non-Current Liabilities	526.2	540.9	601.1
Current Liabilities	1,871.7	2,153.4	2,038.9
-Account Payables and Others	606.4	622.2	610.9
-Short Term Borrowings	206.4	136.6	74.3
Total Liabilities	2,397.9	2,694.3	2,640.0
Capital Stock	955.0	955.0	955.0
Treasury Stock	-337.1	-328.2	-328.2
Gain on Reissuance of Treasury Stock	494.6	513.8	513.8
Other Capital Surplus	-9.9	-3.4	-30.2
Reserves	3,704.3	4,296.5	4,939.7
Retained Earnings	1,402.0	1,612.0	1,359.6
Total Equities	6,275.5	7,118.3	7,467.4
Total Liabilities and Equities	8,673.4	9,812.6	10,107.4

□ Summarized Statement of Comprehensive Income

(bil. KRW)	FY15	FY16	`16. 3Q	`17. 3Q
Net Sales	4,169.8	4,503.3	1,220.2	1,278.9
COGS	1,630.6	1,796.7	477.2	517.7
Gross Profit	2,539.2	2,706.6	743.0	761.2
SG&A	1,173.3	1,236.5	316.6	339.5
Operating Profit	1,365.9	1,470.1	426.3	421.7
Other Income & Expense	-41.1	-63.1	-83.3	3.8
Financial Gain(Loss)	74.8	52.6	8.5	7.6
Share of Profit(Loss) of Associates	15.1	2.1	0.6	0.2
Pre-tax Income	1,414.4	1,587.8	352.1	433.3
Income Tax	382.2	361.8	102.2	125.3
Net Income	1,032.2	1,226.0	249.9	308.0
Other Comprehensive Income	-30.8	0.5	-3.4	7.1
Comprehensive Income	1,001.4	1,226.6	246.5	315.1

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



□ Summarized Statement of Financial Position

(bil. KRW)	FY15	FY16	`17. 3Q
Non-Current Assets	3,469.0	3,635.9	3,935.6
-Property Plant Equipment	1,309.6	1,117.3	1,216.6
-Investment Properties	136.8	335.2	328.0
-Investment in Subsidiaries	1,124.4	1,154.9	1,272.9
-Available-For-Sale Financial Assets	340.1	364.3	435.2
Current Assets	3,978.7	4,833.0	4,838.2
-Inventories	889.0	914.7	756.2
-Cash and Cash Equivalents	444.4	688.7	1,143.4
-Other Financial Assets	1,092.0	1,620.0	1,260.0
-Account Receivables and Others	1,074.9	1,140.6	1,278.1
-Prepaid Cig., Taxes and Others	447.8	439.4	353.3
Assets Held for Sale	1.5	0	0
Total Assets	7,449.2	8,468.8	8,773.8
Non-Current Liabilities	123.0	127.6	154.0
Current Liabilities	1,429.8	1,762.3	1,680.2
-Account Payables and Others	433.8	436.3	392.8
-Short Term Borrowings	5.0	3.9	2.8
Total Liabilities	1,552.7	1,889.9	1,834.1
Capital Stock	955.0	955.0	955.0
Treasury Stock	-337.1	-328.2	-328.2
Gain on Reissuance of Treasury Stock	494.6	513.8	513.8
Other Capital Surplus	3.6	3.6	3.6
Reserves	3,784.5	4,366.3	5,009.8
Retained Earnings	995.9	1,068.5	785.7
Total Equities	5,896.5	6,578.9	6,939.7
Total Liabilities and Equities	7,449.2	8,468.8	8,773.8

□ Summarized Statement of Comprehensive Income

(bil. KRW)	FY15	FY16	`16. 3Q	`17. 3Q
Net Sales	2,821.7	2,968.2	753.8	789.5
-Cigarettes	2,607.7	2,670.3	695.0	713.3
-Real Estate	142.8	184.7	32.4	41.2
-Others	71.2	113.1	26.4	35.0
COGS	946.6	1,048.1	254.3	283.4
-Cigarettes	813.6	861.3	220.5	234.8
-Real Estate	84.9	118.4	18.3	25.0
-Others	48.1	68.4	15.5	23.6
Gross Profit	1,875.0	1,920.1	499.5	506.1
SG&A	637.7	615.0	150.2	167.6
Operating Profit	1,237.3	1,305.1	349.3	338.5
Other Income & Expense	1.1	34.7	-82.9	8.3
-Other Income	104.5	126.6	7.0	20.9
FX related Gain	67.0	64.6	1.8	15.4
Others	37.5	62.0	5.2	5.5
-Other Expense	103.4	91.8	89.8	12.6
FX related Loss	12.9	29.7	65.1	7.8
Others	90.4	62.1	24.7	4.8
Financial Gain(Loss)	81.0	60.6	9.7	10.3
Pre-tax Income	1,319.4	1,400.4	276.1	357.1
Income Tax	331.5	313.0	68.1	87.6
Net Income	987.9	1,087.3	208.0	269.5
Comprehensive Income	978.2	1,082.7	214.9	271.2

4-3. Separate Financial Statement (KGC)



□ Summarized Statement of Financial Position

(bil. KRW)	FY15	FY16	`17. 3Q
Non-Current Assets	521.8	548.3	563.4
-Tangible Assets	291.1	286.5	291.5
-Intangible Assets	9.2	11.2	12.9
-Others	221.5	250.6	259.0
Current Assets	1,240.1	1,319.6	1,375.5
-Inventories	1,059.4	1,146.3	1,073.3
-Cash and Cash Equivalents	3.4	9.5	10.3
-Others	177.2	163.8	291.9
Total Assets	1,761.9	1,867.9	1,938.9
Non-Current Liabilities	77.1	82.2	99.1
Current Liabilities	222.5	228.7	202.6
-Short Term Borrowings	141.0	112.2	57.7
-Others	81.4	116.5	144.9
Total Liabilities	299.6	311.0	301.8
Capital Stock	69.1	70.1	70.1
Capital Surplus	93.9	111.6	111.6
Reserves	1,233.1	1,296.6	1,307.3
Retained Earnings	66.3	78.6	148.2
Other Comprehensive Income	0	0	0
Total Equities	1,462.4	1,556.9	1,637.1
Total Liabilities and Equities	1,761.9	1,867.9	1,938.9

□ Summarized Statement of Comprehensive Income

(bil. KRW)	FY15	FY16	`16. 3Q	`17. 3Q
Sales	917.8	1,107.6	345.4	367.2
- Red Ginseng Roots	104.3	76.3	22.7	20.3
- Red Ginseng Products	811.8	1,028.6	322.0	345.7
(Ratio)	(88.5)	(92.9)	(93.2)	(94.1)
- Others	1.7	2.7	0.7	1.3
COGS	438.6	509.3	155.2	166.2
Gross Profit	479.2	598.3	190.3	201.0
SG&A	345.8	423.4	121.7	124.0
Operating Profit	133.4	174.9	68.6	77.0
Other Income & Expense	-26.8	-42.0	-1.5	0.4
- Other Income	7.4	5.7	0.6	0.9
- Other Expense	34.2	47.7	2.0	0.5
Financial Gain(Loss)	-0.9	-1.0	-0.1	-0.1
Pre-tax Income	105.7	131.9	67.0	77.3
- Income Tax	36.4	46.7	16.4	24.2
Net Income	69.3	85.2	50.7	53.0
Comprehensive Income	67.9	75.9	52.1	50.6



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