글로벌 초우량 기업의 빛나는 미래
KT&G 가 만들어갑니다.

FY2011 1Q Presentation Earnings

상상하면 이루어지는 세상 KT&G
WWW.KTNG.COM

글로벌 초우량 기업의 빛나는 미래
KT&G 가 만들어갑니다.

FY2011 1Q
Earnings Presentation

CONTENTS

- Consolidated Results
- Separate Results
  - KT&G
  - KGC
- 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

상상하면 이루어지는 세상 KT&G
WWW.KTNG.COM

글로벌 초우량 기업의 빛나는 미래
KT&G 가 만들어갑니다.

FY2011 1Q
Earnings Presentation

Consolidated Results

- Sales
- Profit/Loss

상상하면 이루어지는 세상 KT&G
WWW.KTNG.COM

1-1. Consolidated Sales

상상하면 이루어지는 세상 KT&G WWW.KTNG.COM

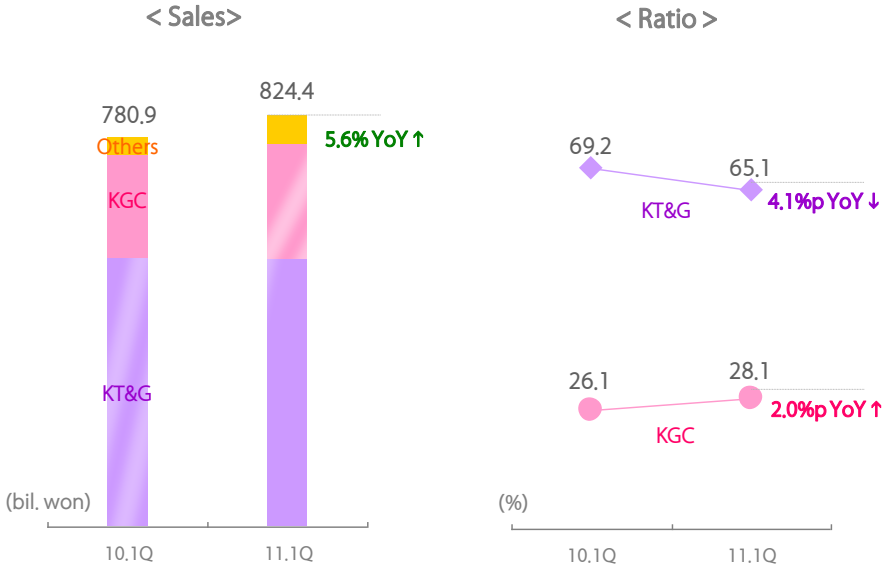
1Q Consolidated sales recorded 824.4 bil. won

Consolidated Sales

(bil. won)	1Q FY11		1Q FY10		YOY	
		Ratio(%)		Ratio(%)	Amt.	%
KT&G	537.0	65.1	540.4	69.2	-3.3	0.6% ↓
KGC	231.7	28.1	203.6	26.1	28.1	13.8% ↑
Others & Adjusted Amt.	55.7	6.8	37.0	4.7	18.7	50.6%↑
Total	824.4	100.0	780.9	100.0	43.5	5.6% ↑

- Sales of KT&G and KGC are the amounts before eliminating internal transactions
- Others and Adjusted Amount : Yungin Pharm., Tae-A Industry, KT&G overseas affiliates, KGC overseas affiliates and etc

Consolidated Sales & Sales Ratio



◉ 1Q Consolidated sales went up 5.6% yoy

- KT&G sales, down 0.6% yoy
- KGC sales, up 13.8% yoy

◉ KGC's contribution to consolidated sales enlarged due to its sales growth

- '10.1Q 26.1% → '11.1Q 28.1% (2.0%p ↑)

1-2. Consolidated Profit

상상하면 이루어지는 세상 KT&G WWW.KTNG.COM

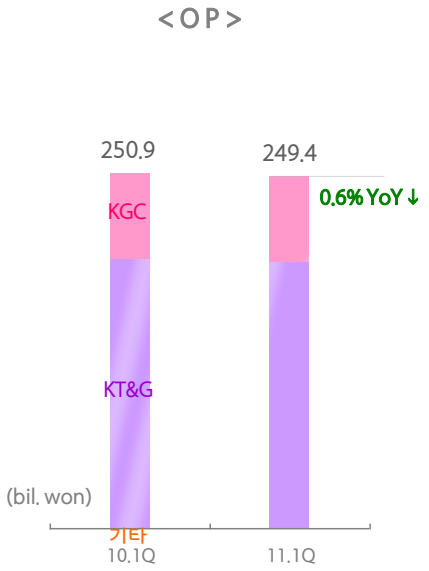
Consolidated OP for 1Q showed 249.4 bil. won

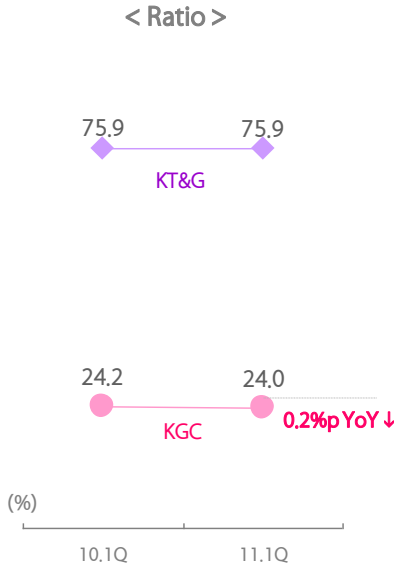
Consolidated Profit

(bil. won)		1Q FY11	Ratio(%)	1Q FY10	Ratio(%)	YOY Amt.	YOY %
OP	KT&G	189.3	75.9	190.5	75.9	-1.2	0.6% ↓
	KGC	59.8	24.0	60.7	24.2	-0.9	1.4% ↓
	Others & Adjusted Amt.	0.3	0.1	-0.3	-0.1	0.6	-
Total		**249.4**	**100.0**	**250.9**	**100.0**	**-1.5**	**0.6% ↓**
NI	KT&G	199.2	108.8	179.4	100.2	19.9	11.1%↑
	KGC	43.3	23.6	46.0	25.7	-2.8	6.0% ↓
	Others & Adjusted Amt.	-59.3	-32.4	-46.3	-25.9	-13.0	-
Total		**183.1**	**100.0**	**179.1**	**100.0**	**4.0**	**2.3 % ↑**
CI		**172.0**	**100.0**	**237.3**	**100.0**	**-65.3**	**27.5 % ↓**

- Each profit figure of KT&G and KGC is based on sales amounts before eliminating internal transactions

Consolidated OP & OP Ratio





⦿ **1Q consolidated OP diminished 0.6% to 249.4 bil. won**

- Operating Profit : KT&G 0.6% ↓ , KGC 1.4% ↓
- Net Income : KT&G 11.1% ↑, KGC 6.0% ↓

⦿ **Each contribution to consolidated OP maintained similar to the same period last year**

- OP Ratio : KT&G 75.9%(-), KGC 24.0%(yoy 0.2%p ↓)

글로벌 초우량 기업의 빛나는 미래
KT&G 가 만들어갑니다.

FY2011 1Q
Earnings Presentation

Separate Results

- KT&G
- KGC

상상하면 이루어지는 세상 KT&G
WWW.KTNG.COM

2-1-1. KT&G - FY11 1Q Results Summary

상상하면 이루어지는 세상 KT&G WWW.KTNG.COM

1Q Sales and OP went down by 0.6% each

(bil. sticks/bil. won)	YOY		YOY	
	'11. 1Q	'10. 1Q	Amt.	Change
Sales Volume (Domestic)	19.6 (11.6)	18.3 (11.8)	1.3 (-0.2)	6.8% ↑ (1.5% ↓)
Net Sales	537.0	540.4	-3.4	0.6% ↓
Operating Expense	146.5	137.1	9.4	6.8% ↑
Operating Profit	189.3	190.5	-1.2	0.6% ↓
Net Income	199.2	179.4	19.8	11.1% ↑
Comprehensive Income	185.6	242.4	-56.8	23.4% ↓
Net ASP(won/pack)	672.6	662.7	9.9	1.5% ↑

◉ **Sales in 1Q reduced 0.6% to 537.0 bil . won**

- Domestic cig. showed the flat figure, export cig. increased 17.1% yoy
- Real estate sales decreased 81.4% by 26.9 bil. won yoy

◉ **OP recorded 189.3 bil. won, down 0.6% yoy**

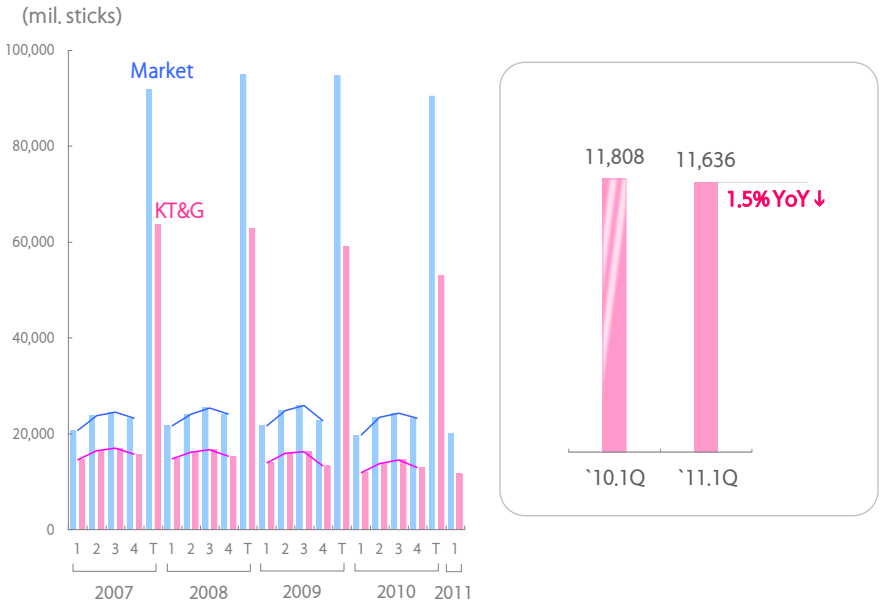
◉ **NI recorded 199.2 bil. won, up 11.1%**

- NI grew due to net financial gain increase

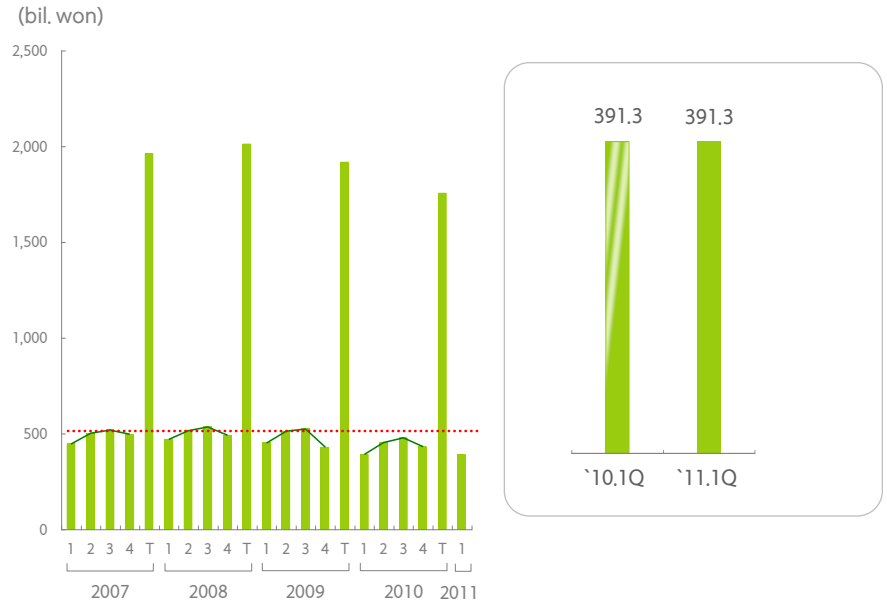
2-1-2. Sales Analysis - Domestic I

Sales volume shrank 1.5%, sales amount kept the same level of FY10 1Q

Quarterly Sales Volume Trend



Quarterly Sales Amount Trend



⦿ **Total market 2.3% ↑, KT&G sales volume 1.5% ↓**

- Total Market : '10.1Q 19.6 bil. sticks → '11.1Q 20.1 bil. sticks (2.3% ↑)
- KT&G : '10.1Q 11.8 bil. sticks → '11.1Q 11.6 bil. sticks (1.5% ↓)

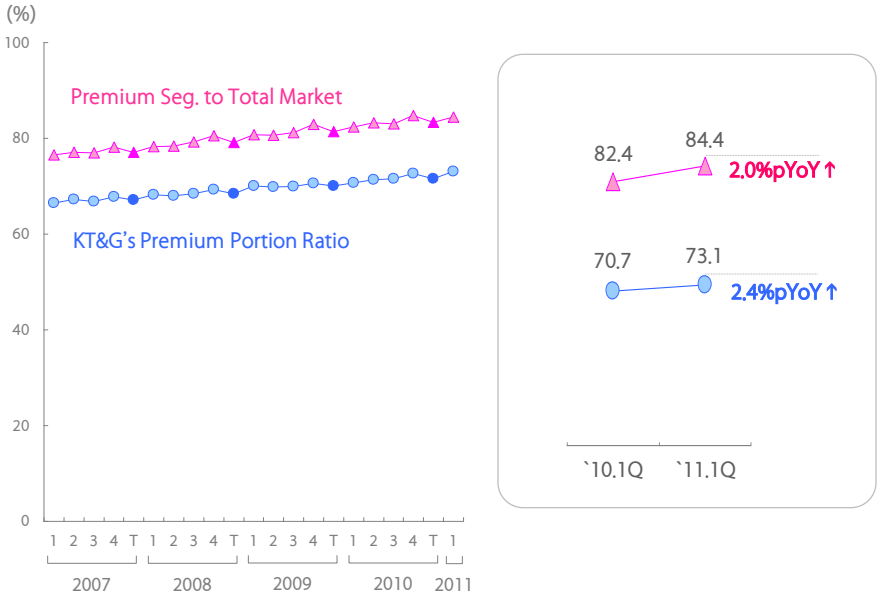
⦿ **Sales amount recorded flat yoy of 391.3 bil. won**

- Sales volume declined(1.5% ↓), Net ASP increased(1.5% ↑)
- Market share rebounded qoq
  - '10.1Q 60.2% → '10.4Q 55.7% → '11.1Q 58.0% (2.3%p ↑)

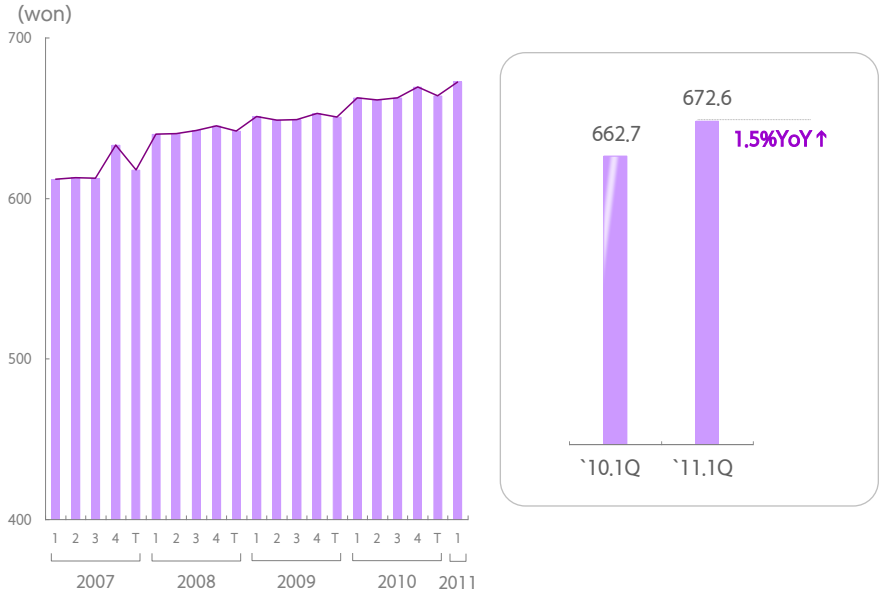
2-1-2. Sales Analysis - Domestic II

Both premium portion and net ASP enlarged in1Q

Premium Market Trend



Net ASP Trend



⦿ Premium market portion enlarged yoy

- Total market : up 2.0%p yoy
- KT&G : up 2.4%p yoy

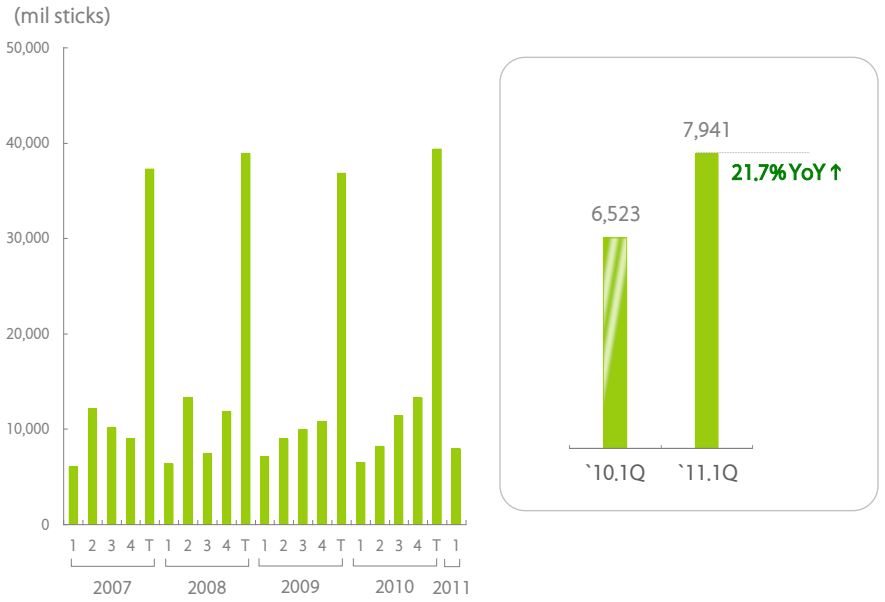
⦿ Net ASP upward trend has maintained

- Net ASP recorded 672.6 won, up by 0.5% qoq and 1.5% yoy
- Net ASP Trend : '10 1Q 662.7 → '10 4Q 669.2 → '11 1Q 672.6 won

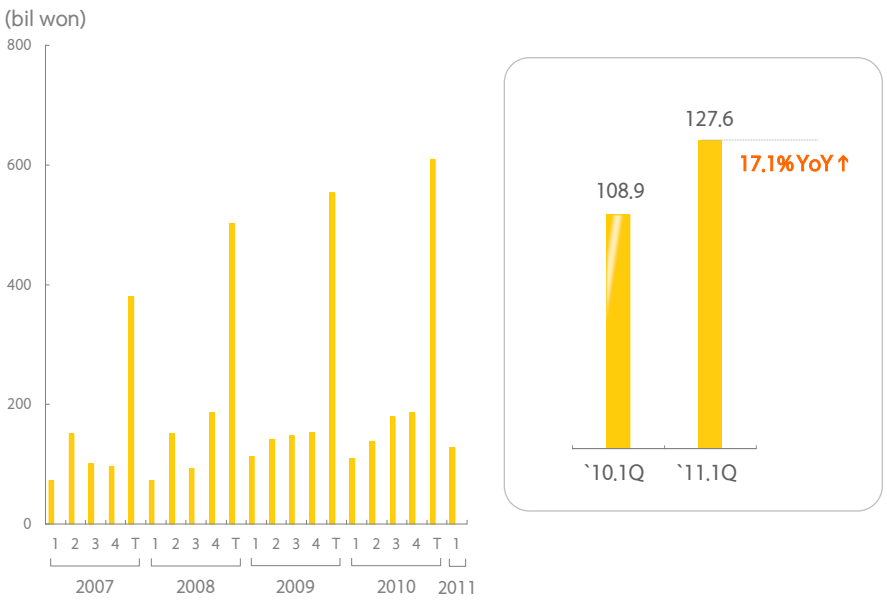
2-1-3. Sales Analysis - Export

1Q Export volume and sales enlarged 21.7% and 17.1% respectively

Export Volume Trend



Export Sales Amount Trend



⦿ **Export volume sharply increased yoy**

- Increased 21.7% to 7.94 bil. sticks
  - Main market 15.8% ↑, New market 56.6% ↑

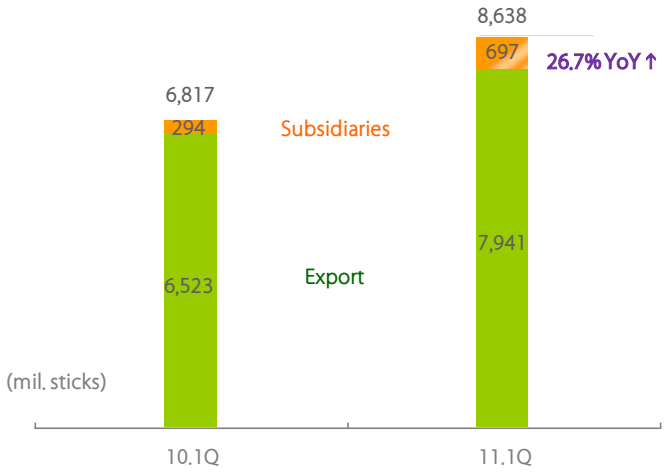
⦿ **Sales growth recorded lower than volume growth due to F/X effect, etc**

- Sales amt. grew 17.1% to127.6 bil. won yoy

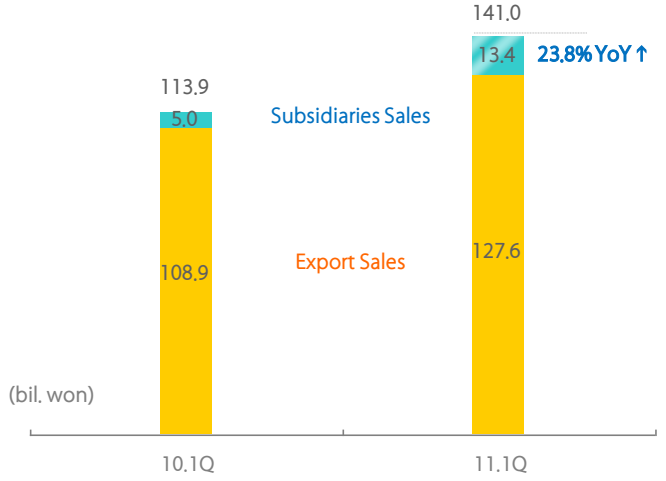
2-1-3. Sales Analysis - Overseas

Combined volume with subsidiaries and export enlarged 26.7%

Overseas Volume



Overseas Sales Amount



◉ **Overseas volume went up 26.7% to 8,638 mil. sticks**

- Due to the initiation of KT&G Rus(Russia Factory) full operation, in Feb 2011, overseas volume increased
- Subsidiaries sales volume : '10.1Q 294 mil. → '11.1Q 697 mil. (136.4% ↑)

◉ **Sales boosted by 23.8% to 141.0 bil. won, driven by subsidiaries' sharp sales increase**

- Premium portion enlargement and Russia Factory full-fledged operation
- Subsidiaries sales : '10.1Q 5.0 bil. → '11.1Q 13.4 bil. won (170.3% ↑)

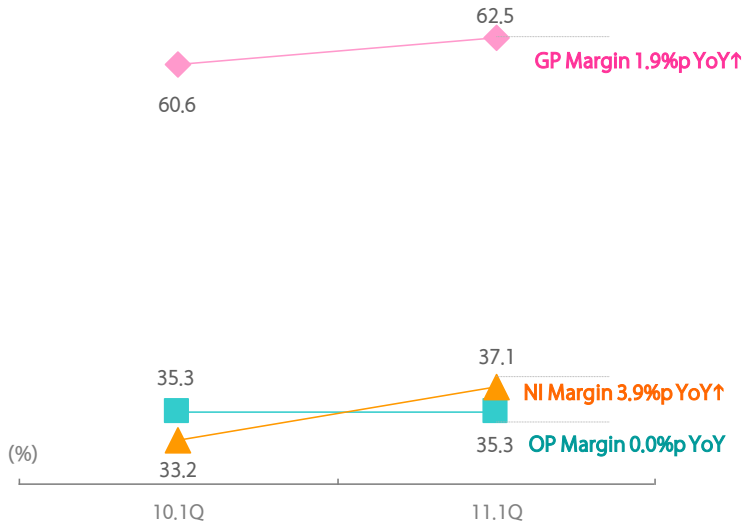
2-1-4. Profitability Analysis I

1Q GP up 2.5% , OP down 0.6%

Major Profitability Change

(bil. won)	1Q FY11	1Q FY10	Amt.	Change
Gross Profit	335.8	327.6	8.2	2.5% ↑
Operating Expense (SG&A) (Other Income/Expense)	146.5 (138.5) (-7.9)	137.1 (129.4) (-7.7)	9.3 (9.1) (-0.2)	6.8% ↑ (7.1% ↑) (-)
Operating Profit	189.3	190.5	-1.2	0.6% ↓
Net Income	199.2	179.4	19.9	11.1% ↑
Comprehensive Income	185.6	242.4	-56.8	23.4% ↓

Major Profitability Ratio Change



◉ Both GP and NI increased yoy, but OP slightly decreased

- GOGS Ratio Reduction : '10.1Q 39.4% → '11.1Q 37.5%
- GP and NI , up 2.5%, 11.1% yoy each, OP, down 0.6% yoy

◉ OP margin maintained, NI margin improved yoy

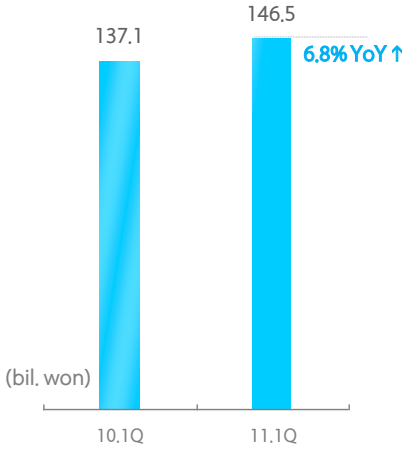
- OP Margin recorded 35.3%
- NI Margin rose by 3.9%p yoy to 37.1%

2-1-4. Profitability Analysis II

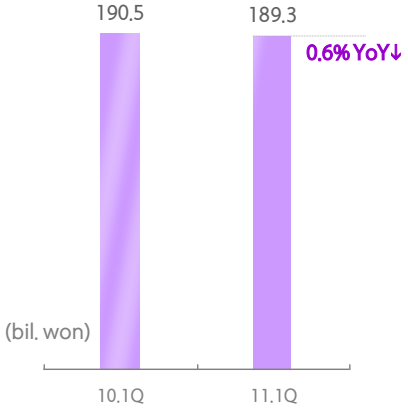
1Q Net income grew11.1% to 199.2 bil. won

Operating Expense & Operating Profit

< Operating Expense >



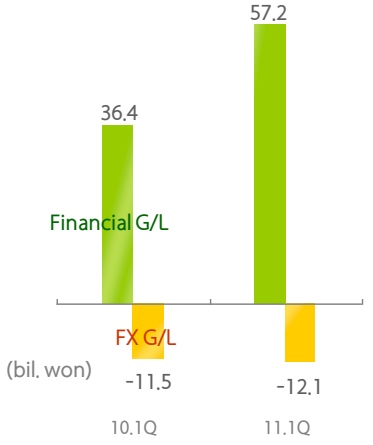
< Operating Profit >



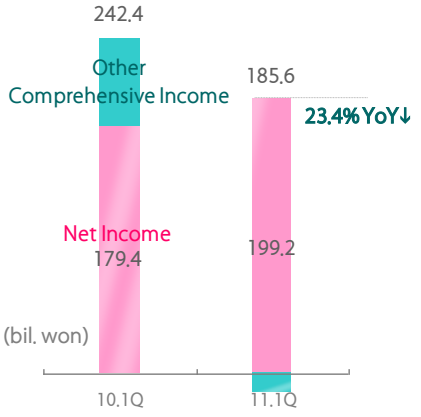
* Operating Expense = SG&A + Other Income - Other Expense

Financial Gain & Net Income

< Financial/FX Gain and Loss >



< N I / C I >



◉ **SG&A increased and other income decreased**

- OP dropped 0.6% yoy to 189.3 bil. won
  - SG&A were up 9.1 bil. won(7.1%) yoy
  - Other income such as FX related gains shrank 1.5bil. won(14.2%) yoy

◉ **NI growth rate was higher than OP growth rate due to net financial gain enhancement**

- Net Income : up11.1% yoy to 199.2 bil. won
  - Net financial gain, up 20.8 bil. won(57.2%)
- C I : down 23.4% yoy to185.6 bil. won

2-2-1. KGC - FY11 1Q Results Summary

(주)한국인삼공사

Sales grew 13.8% , OP declined 1.4% yoy

(bil. won)	YOY		YOY	
	'11. 1Q	'10. 1Q	Amt.	Change
Sales	231.7	203.6	28.1	13.8 % ↑
Gross Profit	124.5	113.2	11.3	10.0 % ↑
Operating Expense	64.7	52.5	12.2	23.2 % ↑
Operating Profit	59.8	60.7	-0.9	1.4 % ↓
Pre-tax Profit	60.7	61.2	-0.6	0.9 % ↓
Net Income	43.3	46.0	-2.8	6.0% ↓
Comprehensive Income	43.2	46.1	-2.9	6.3 % ↓

◉ **Sales achieved 231.7 bil. won, up 13.8% yoy**

- Domestic sales : 5.2%↑, Overseas sales : 97.5%↑

◉ **OP reduced 1.4% to 59.8 bil. won**

- Operating expense expanded due to increase in marketing expense and labor cost incurred by new recruiting

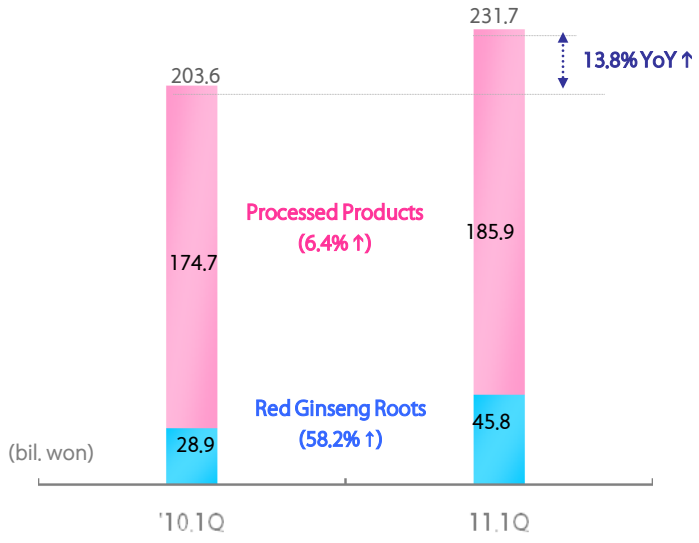
◉ **NI recorded 43.3 bil. won, down 6.0% yoy**

2-2-2. Sales Analysis

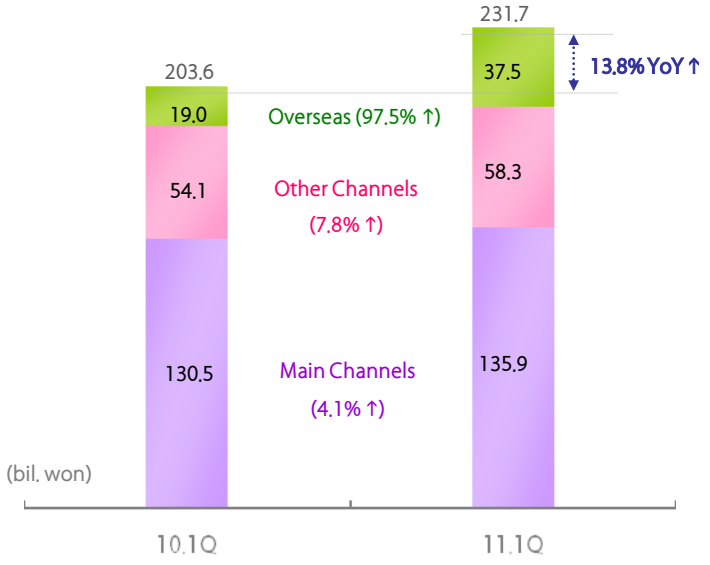
(주)한국인삼공사

Sales grew 13.8% to 231.7 bil. won

Sales



Sales by Distribution Channel



◉ **Ginseng roots ratio increased due to ginseng roots export and price hike**

- Red Ginseng Roots : '10.1Q (28.9 bil) vs '11.1Q (45.8 bil.) 58.2% ↑

◉ **Processed products sales growth slightly slowed**

- '10.1Q (174.7 bil.) vs '11.1Q (185.9 bil.) 6.4% ↑

◉ **Domestic : Sales increased through focusing on other channels such as discount retailers and online shopping mall**

- Main Channels : '10.1Q(130.5 bil.) vs. '11.1Q(135.9 bil.) 4.1% ↑
- Other Channels : '10.1Q(54.1 bil.) vs. '11.1(58.3 bil.) 7.8% ↑

◉ **Overseas : Sales skyrocketed through sales channel diversification**

- '10.1Q(19.0 bil.) vs. '11.1Q(37.5 bil.) 97.5% ↑

2-2-3. Profitability Analysis

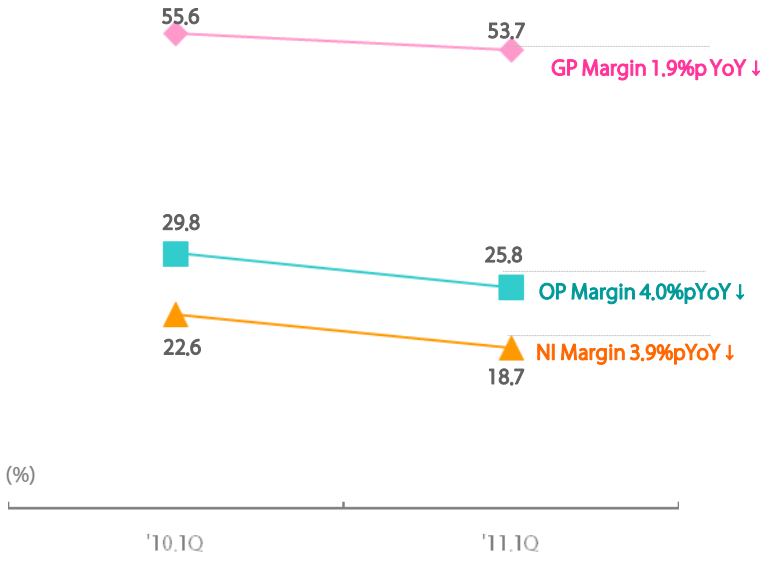
(주)한국인삼공사

1Q OP dropped 1.4% to 59.8 bil. won

Major Profit Change

(bil. won)	1Q FY11	1Q FY10	Amt.	Change
Gross Profit	124.5	113.2	11.3	10.0% ↑
Operating Expense (SG&A) (Other Income/Expense)	64.7 (64.7) (-0.1)	52.5 (50.6) (-1.9)	12.2 (14.0) (1.8)	23.2% ↑ (27.7% ↑) (-)
Operating Profit	59.8	60.7	-0.9	1.4% ↓
Net Income	43.3	46.0	-2.8	6.0% ↓
Comprehensive Income	43.2	46.1	-2.9	6.3% ↓

Major Profitability Ratio Change



◉ Both OP and NI slightly lowered yoy

- COGS went up due to raw material cost increase
- SG&A enlarged 27.7% due to labor cost and marketing expense increase, etc

◉ Profitability ratio reduced

- OP Margin : '10.1Q(29.8%) vs.'11.1Q(25.8%) 4.0%p ↓
- NI Margin : '10.1Q(22.6%) vs.'11.1Q(18.7%) 3.9%p ↓

글로벌 초우량 기업의 빛나는 미래
KT&G 가 만들어갑니다.

FY2011 1Q
Earnings Presentation

Appendix

- Consolidated F/S
- Separate F/S
  - KT&G
  - KGC

상상하면 이루어지는 세상 KT&G
WWW.KTNG.COM

3-1. Consolidated Financial Statement

Summarized Statement of Financial Position

(bil. won)25	FY09	FY10	FY11.1Q
Non-Current Assets	2,471.4	2,415.1	2,415.7
-Property Plant Equipment	1,471.6	1,510.8	1,500.7
-Account Recevables and Others	130.0	114.5	113.6
-Investment Properties	104.1	121.5	146.6
-Available-For-Sale Financial Assets	442.1	314.2	275.4
Current Assets	2,700.4	3,362.0	3,505.7
-Inventories	1,509.1	1,497.0	1,414.9
-Cash and Cash Equivalents	316.7	981.3	1,099.2
-Account Recevables and Others	600.8	626.4	645.1
-Prepaid Cig. Taxes and Others	169.4	177.0	222.8
Total Assets	**5,171.9**	**5,777.1**	**5,921.4**
Non-Current Liabilities	240.3	253.4	274.3
Current Liabilities	923.6	925.3	1,259.7
-Short Term Borrowings	94.5	66.5	57.7
-Account Payables and Others	326.6	301.2	811.7
Total Liabilities	**1,163.9**	**1,178.7**	**1,534.0**
Capital Stock	955.0	955.0	955.0
Treasury Stock	△226.9	△216.8	△216.8
Other Capital Surplus	5.3	5.3	5.3
Gain on Reissuance of Treasury Stock	468.3	482.1	482.1
Reserves	2,075.0	2,179.2	2,712.2
Retained Earnings	704.2	1,151.4	406.8
Non-Current Interest	27.1	42.1	42.8
Total Equities	**4,008.0**	**4,598.3**	**4,387.4**
Total Liabilities	**5,171.9**	**5,777.1**	**5,921.4**

Summarized Statement of Comprehensive Income

(bil. won)	FY09	FY10					FY10
		1Q	2Q	3Q	4Q	Total	1Q
Net Sales	**3,626.4**	**780.9**	**855.2**	**943.0**	**882.3**	**3,461.4**	**824.4**
COGS	1,553.3	321.8	357.9	391.6	375.4	1,446.7	346.8
Gross Profit	2,073.1	459.2	497.3	551.4	506.9	2,014.7	477.6
Operating Expense	917.4	208.3	142.1	236.8	287.3	874.7	228.2
Operating Profit	**1,155.7**	**250.9**	**355.1**	**314.6**	**219.5**	**1,140.0**	**249.4**
-Financial Gain(Loss)	6.3	6.2	247.9	7.0	4.7	265.9	7.8
-Share of Loss of Associates	0.2	0.1	0.1	-	0.1	0.3	-0.1
Pre-tax Income	**1,161.9**	**256.9**	**603.0**	**321.6**	**224.2**	**1,405.6**	**257.4**
-Income Tax	311.8	77.9	151.6	85.7	59.7	374.8	74.3
Net Income	**850.1**	**179.1**	**451.4**	**235.9**	**164.5**	**1,030.8**	**183.1**
-Other Comprehensive Income	118.5	58.2	△183.7	△11.4	11.9	△125.0	△11.1
Comprehensive Income	**968.6**	**237.3**	**267.7**	**224.4**	**176.4**	**905.8**	**172.0**

3-2. Separate Financial Statement - KT&G

Summarized Statement of Financial Position

(bil. won)	FY09	FY10	FY11.1Q
Non-Current Assets	2,752.0	2,721.1	2,719.9
-Property Plant Equipment	1,210.4	1,196.1	1,160.8
-Account Receivables and Others	106.6	84.6	106.7
-Investment Properties	101.9	98.1	123.3
-Investment in Subsidiaries	720.3	840.1	840.1
-Available-For-Sale Financial Assets	441.8	313.9	275.1
Current Assets	2,035.8	2,532.6	2,684.9
-Inventories	1,054.3	990.3	977.4
-Cash and Cash Equivalents	269.0	829.0	891.2
-Account Receivables and Others	505.7	527.8	577.7
-Prepaid Cig,. Taxes and Others	169.4	177.0	222.8
Total Assets	**4,787.8**	**5,253.8**	**5,404.8**
Non-Current Liabilities	165.2	145.5	154.2
Current Liabilities	769.6	770.6	1,110.3
-Short Term Borrowings	19.3	8.6	7.9
-Account Payables and Others	277.6	238.6	732.0
Total Liabilities	**934.8**	**916.1**	**1,264.5**
Capital Stock	955.0	955.0	955.0
Treasury Stock	△226.9	△216.8	△216.8
Other Capital Surplus	2.6	3.6	3.6
Gain on Reissuance of Treasury Stock	468.3	482.1	482.1
Reserves	2,074.1	2,184.7	2,715.0
Retained Earnings	580.0	929.1	201.4
Total Equities	**3,853.0**	**4,337.7**	**4,140.3**
Total Liabilities and Equities	**4,787.8**	**5,253.8**	**5,404.8**

Summarized Statement of Comprehensive Income

(bil. won)	FY09	FY10					FY11
		1Q	2Q	3Q	4Q	Total	1Q
Net Sales	**2,776.4**	**540.4**	**613.2**	**681.7**	**664.6**	**2,499.9**	**537.0**
-Cigarettes	2,472.1	500.2	592.0	656.6	617.5	2,366.2	518.9
-Real Estate	258.0	33.1	14.0	18.4	35.0	100.5	6.1
-Others	46.3	7.0	7.2	6.8	12.2	33.2	12.0
COGS	1,154.9	212.7	244.5	272.4	272.5	1,002.2	201.2
-Cigarettes	960.2	189.3	233.6	258.5	244.4	925.8	191.9
-Real Estate	165.8	19.7	6.8	9.6	20.3	56.4	1.0
-Others	28.9	3.7	4.1	4.3	7.8	19.9	8.3
Gross Profit	1,621.5	327.6	368.7	409.3	392.2	1,497.7	335.8
Operating Expense	674.9	137.1	77.1	158.8	199.7	572.7	146.5
-SG&A	621.2	129.4	161.7	134.2	215.4	640.6	138.5
-Other Income	51.4	10.7	90.9	9.7	50.8	130.2	9.2
FX Translation and Transaction Gain	27.0	3.0	31.0	5.0	8.1	15.1	1.0
Others	24.4	7.7	60.0	4.8	42.7	115.1	8.2
-Other Expense	105.1	18.5	6.3	34.4	35.2	62.3	17.1
FX Translation and Transaction Loss	51.8	14.5	4.4	27.2	8.4	22.5	13.1
Others	53.3	3.9	1.9	7.2	26.8	39.8	4.0
Operating Profit	**946.5**	**190.5**	**291.5**	**250.5**	**192.5**	**925.0**	**189.3**
-Financial Gain(Loss)	38.8	36.4	248.1	6.4	4.2	295.1	57.2
Pre-tax Income	**985.3**	**226.9**	**539.6**	**256.9**	**196.6**	**1,220.1**	**246.5**
-Income Tax	240.4	47.5	129.9	62.1	49.4	289.0	47.3
Net Income	**744.9**	**179.4**	**409.7**	**194.8**	**147.3**	**931.1**	**199.2**
Comprehensive Income	**862.9**	**242.4**	**224.2**	**183.4**	**165.9**	**815.9**	**185.6**

3-2. Separate Financial Statement - KGC

(주)한국인삼공사

Summarized Statement of Financial Position

(bil. won)	FY09	FY10	FY11.1Q
Non-Current Assets	315.4	343.2	360.9
-Tangible Assets	128.3	129.1	148.0
-Intangible Assets	6.8	11.0	10.9
-Account Receivables and Others	180.3	203.1	202.0
Current Assets	554.8	685.2	710.1
-Inventories	407.6	434.8	365.2
-Account Receivables and Others	114.7	160.8	204.8
-Cash and Cash Equivalents	32.5	89.6	140.1
Total Assets	**870.1**	**1,028.4**	**1,071.0**
Non-Current Liabilities	11.6	12.7	15.2
-Account Payables and Others	11.6	12.7	15.2
Current Liabilities	84.3	102.0	148.9
-Accrued Liabilities and Others	54.7	67.6	43.3
-Account Payables and Others	29.6	34.4	105.6
Total Liabilities	**95.9**	**114.7**	**164.1**
Capital Stock	64.9	64.9	64.9
Reserves	551.0	674.8	798.8
Retained Earning and Others	158.3	174.0	43.2
Total Equities	**774.2**	**913.7**	**906.9**
Total Liabilities and Equities	**870.1**	**1,028.4**	**1,071.0**

Summarized Statement of Comprehensive Income

(bil. won)	FY09	FY10					FY11
		1Q	2Q	3Q	4Q	Total	1Q
Sales	**746.7**	**203.6**	**202.5**	**232.5**	**204.2**	**842.8**	**231.7**
Red Ginseng Roots	114.5	29.0	33.3	27.9	33.2	123.4	45.8
Red Ginseng Products	628.8	173.1	167.9	203.4	170.1	714.5	185.2
(Ratio)	(84.2)	(85.0)	(82.9)	(87.5)	(83.3)	(84.8)	(79.9)
Others	3.4	1.5	1.3	1.2	0.9	4.9	0.7
COGS	336.3	90.4	90.6	104.0	97.2	382.2	107.2
Gross Profit	410.5	113.2	111.9	128.5	107.0	460.6	124.5
Operating Expense	201.3	52.5	49.0	62.0	69.2	232.7	64.7
SG&A	192.0	50.6	53.7	58.2	69.6	232.1	64.7
Other Income	5.1	0.7	5.2	0.4	1.0	7.2	1.5
Other Expense	14.4	2.6	0.4	4.2	0.6	7.8	1.6
Operating Profit	**209.2**	**60.7**	**63.0**	**66.4**	**37.8**	**227.9**	**59.8**
Financial Gain(Loss)	2.8	0.5	0.9	1.4	1.0	3.8	0.9
Pre-tax Income	**212.0**	**61.2**	**63.8**	**67.8**	**38.8**	**231.7**	**60.7**
Income Tax	50.0	15.2	15.7	16.6	8.5	56.1	17.4
Net Income	**162.1**	**46.0**	**48.2**	**51.2**	**30.3**	**175.6**	**43.3**
Comprehensive Income	**164.0**	**46.1**	**48.2**	**51.2**	**28.5**	**173.9**	**43.2**

Korea Tomorrow & Global KT&G

20th fl. KOSMO Tower, Daechi-dong, Gangnam-gu Seoul, S. Korea
http://www.ktng.com