

# FY2015 2Q 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 2Q Consolidated Results Summary



**2Q and 1H Consolidated Sales recorded 1 tril. 31.9 bil., and 2tril. 168.8 bil. won**

- 2Q consolidated sales increased 4.0% yoy : KT&G 0.7%↑, KGC 14.3%↑ yoy
- 1H consolidated sales increased 10.9% yoy : KT&G 11.0%↑, KGC 15.0%↑ yoy

## □ 2Q Consolidated Sales

(Unit : bil. KRW)

	YOY		
	2Q FY15	2Q FY14	Change
KT&G	676.3	671.3	0.7%
KGC	214.7	187.8	14.3%
Others	140.9	133.1	5.8%
<b>Total</b>	<b>1,031.9</b>	<b>992.3</b>	<b>4.0%</b>

## □ 1H Consolidated Sales

(Unit : bil. KRW)

	YOY		
	1H FY15	1H FY14	Change
KT&G	1,446.1	1,302.5	11.0%
KGC	453.7	394.4	15.0%
Others	269.0	259.1	3.8%
<b>Total</b>	<b>2,168.8</b>	<b>1,956.0</b>	<b>10.9%</b>

- 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 2Q Consolidated Profit/Loss Summary



**2Q Consolidated OP and NI achieved 318.4 bil. And 267.8 bil. won**

2Q Consolidated OP rose 11.2% yoy : KT&G 8.4%↑, KGC 2.6%↓

• 2Q Consolidated NI rose 45.3% yoy : KT&G 35.2%↑, KGC 27.8%↑

## □ 2Q Consolidated Profit/Loss

(Unit : bil. KRW)

		YOY		
		2Q FY15	2Q FY14	Change
O P	KT&G	280.1	258.4	8.4%
	KGC	31.3	32.2	Δ2.6%
	Others	6.9	Δ4.4	-
Total		318.4	286.3	11.2%
N I	KT&G	237.1	175.4	35.2%
	KGC	27.9	21.9	27.8%
	Others	2.8	Δ12.9	-
Total		267.8	184.3	45.3%

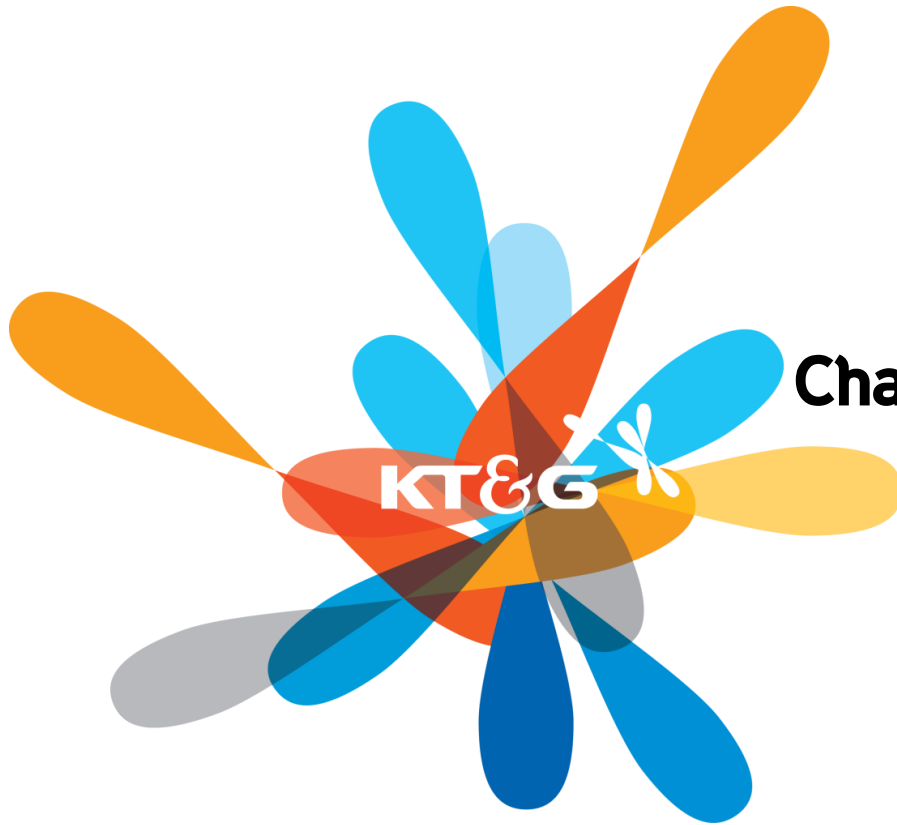
## □ 1H Consolidated Profit/Loss

(Unit : bil. KRW)

		YOY		
		1H FY15	1H FY14	Change
O P	KT&G	660.0	486.0	35.8%
	KGC	79.5	68.5	16.1%
	Others	1.3	Δ8.1	-
Total		740.9	546.4	35.6%
N I	KT&G	531.5	362.9	46.4%
	KGC	59.4	45.4	30.8%
	Others	Δ14.3	Δ35.8	-
Total		576.6	372.5	54.8%

• 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. FY15 2Q KT&G Results Summary



### 2Q Sales and OP grew 0.7% and 8.4% yoy

- 2Q Sales increased 0.7% yoy to 676.3 bil. won
  - Domestic cigarette 8.1%↓, Export Cigarette 53.2%↑, Others(Real Estate etc.) 28.8%↓
- 2Q OP and NI rose 8.4% and 35.2% yoy to 280.1 bil., 237.1 bil. won each

#### □ 2Q Sales & Profit

(Unit : bil. KRW)

	2Q FY15	2Q FY14	Change
Net Sales	676.3	671.3	0.7%
- Domestic	448.6	488.3	Δ8.1%
- Export	181.7	118.6	53.2%
- Others(Real Estate etc.)	45.9	64.4	Δ28.8%
Operating Profit	280.1	258.4	8.4%
Net Income	237.1	175.4	35.2%

#### □ 1H Sales & Profit

(Unit : bil. KRW)

	1HFY15	1HFY14	Change
Net Sales	1,446.1	1,302.5	11.0%
- Domestic	1,017.9	916.1	11.1%
- Export	317.7	267.8	18.6%
- Others(Real Estate etc.)	110.5	118.6	Δ6.9%
Operating Profit	660.1	486.0	35.8%
Net Income	531.5	362.9	46.4%

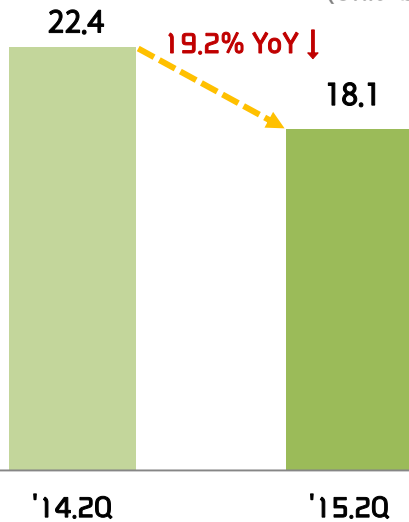
## 2-2. Domestic Cigarette

### Total market volume and KT&G volume in 2Q fell 19.2%, 23.8% yoy

- '15 2Q Total Market Volume: 18.1 bil. sticks, down by 4.3bil. sticks yoy
- '15 2Q KT&G Volume : 10.6bil. sticks, down by 3.3 bil. sticks yoy
- KT&G M/S : 58.5% down by 3.5%p yoy and up by 1.9%p qoq

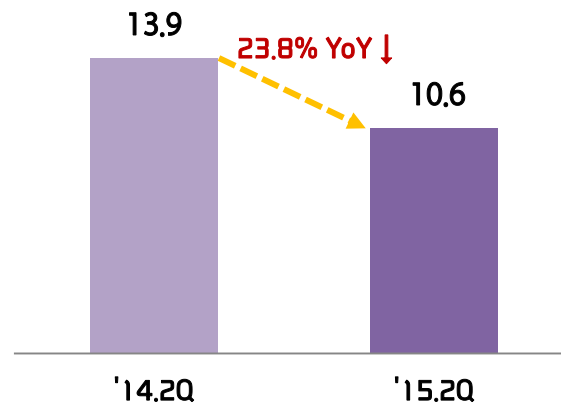
□ Total Market Volume

(Unit : bil. sticks)



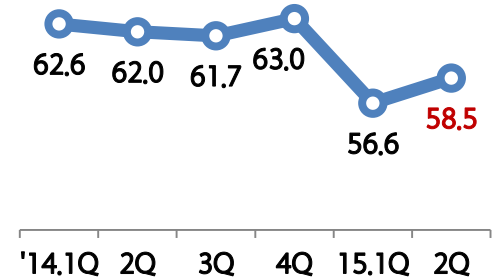
□ KT&G volume

(Unit : bil. sticks)



□ KT&G M/S Trend

(Unit : %)





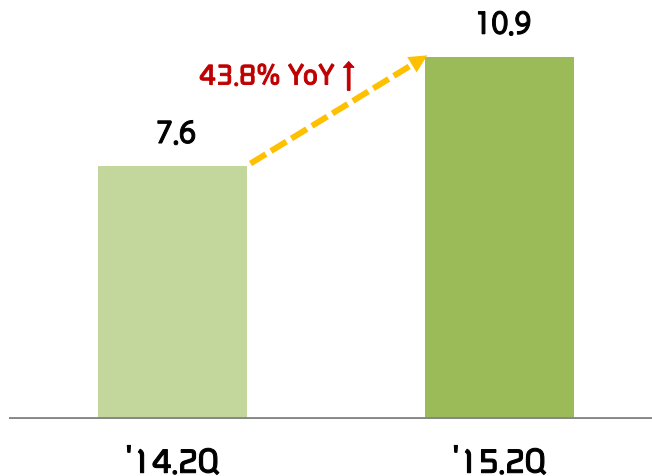
## 2-3. Overseas Cigarette (Export)

### 2Q Export volume and sales rose 43.8%, and 53.2% yoy

- Volume rose 43.8% yoy ('14. 2Q 7.6bil. sticks → '15. 2Q 10.9bil. sticks)
- Sales rose 53.2% yoy ('14. 2Q 118.6bil. won → '15. 2Q 181.7bil. won)

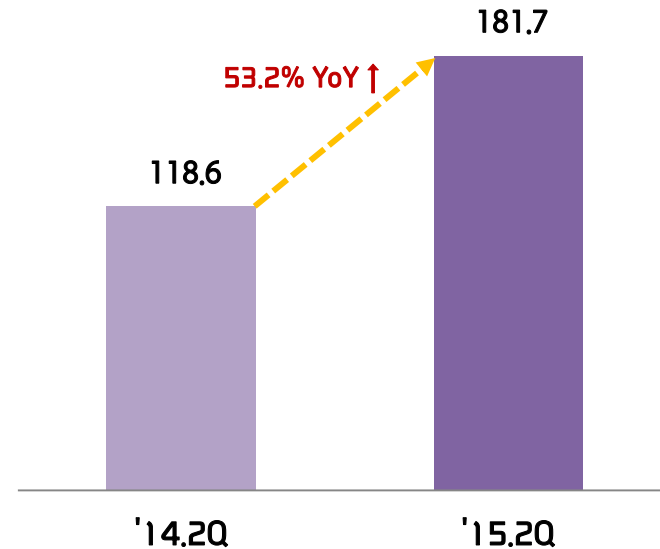
#### □ Export Cigarette Volume

(Unit : bil. sticks)



#### □ Export Cigarette Sales

(Unit : bil. KRW)

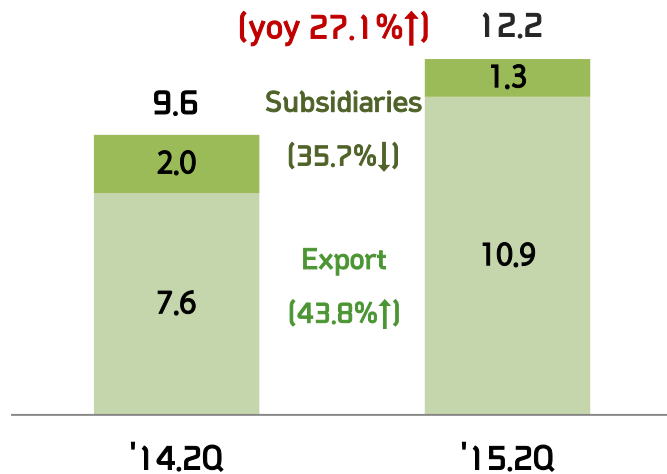


## 2-3. Overseas Cigarette (Export +Subsidiaries)

2Q Overseas volume and sales rose 27.1%, 33.6% yoy each

### □ Overseas Cigarette Volume

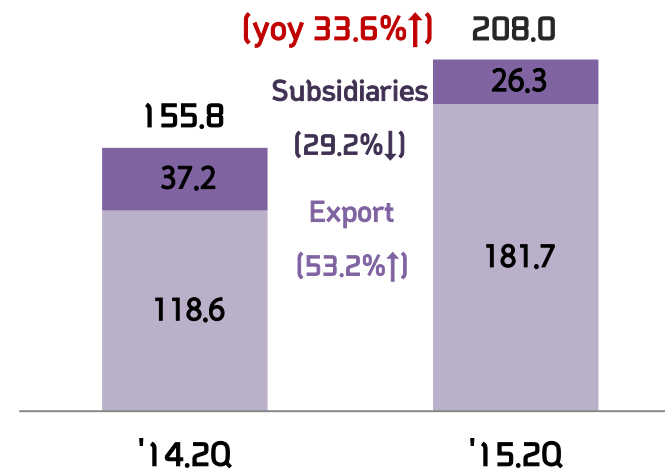
(Unit : bil. sticks)



\* Overseas : Russia, Turkey, Iran, Indonesia

### □ Overseas Cigarette Sales

(Unit : bil. KRW)

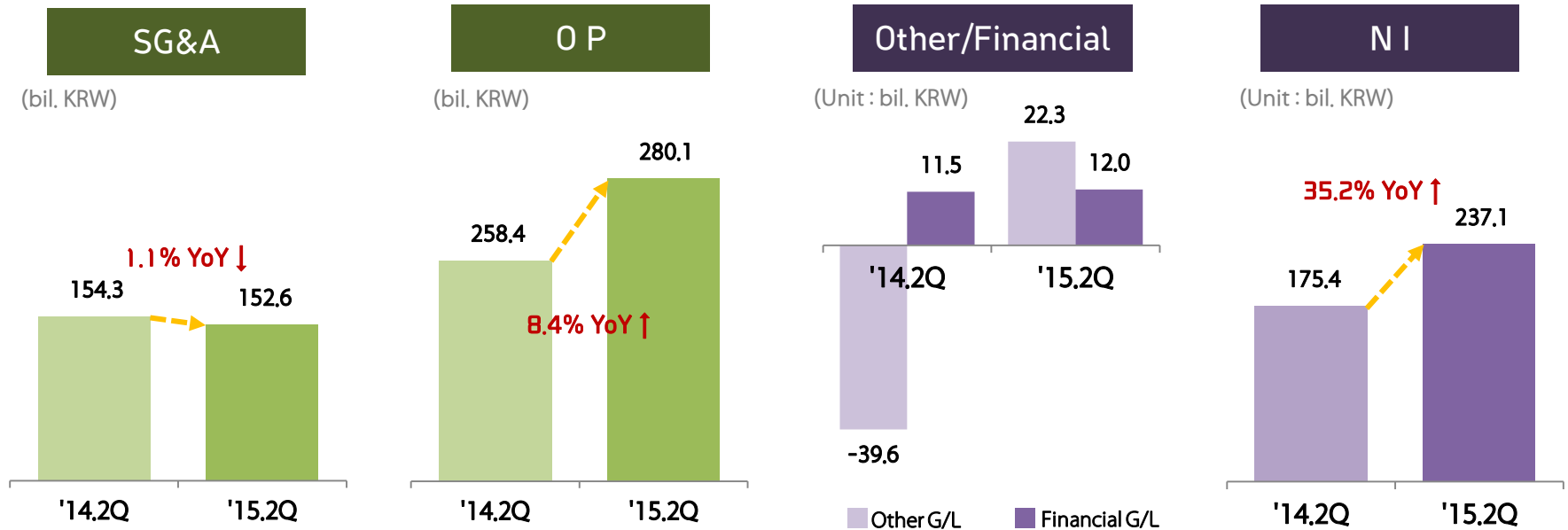


- Overseas Volume : '15. 2Q 12.2bil. sticks(27.1%↑)
- Export : 43.8%↑ , Subsidiaries : 35.7%↓

- Overseas Sales : '15. 2Q 208.0bil. won(33.6%↑)
- Export : 53.2%↑, Subsidiaries :29.2%↓

## 2-4. Profitability Analysis

FY15 2Q OP and NI grew 8.4% and 35.2% yoy respectively



- OP Margin : '14. 2Q 38.5% → '15. 2Q 41.4%(2.9%p↑)
- SG&A Ratio : '14. 2Q 23.0% → '15. 2Q 22.6%(0.4%p↓)

- NI Margin : '14. 2Q 26.1% → '15. 2Q 35.1%(9.0%p↑)
- Other gain increase(Net FX Gain 59.5bil.↑)



## **Chapter 3. KGC Separate Results**

# 3-1. FY15 2Q KGC Results Summary

## 2Q Sales rose 14.3%, OP fell 2.6% yoy

- 2Q Sales recorded 214.7bil. won, up 14.3% yoy (Domestic 15.0%↑, Export 9.7%↑)
- 2Q OP fell 2.6% yoy to 31.3bil., NI grew 27.8% yoy to 27.9bil. won each

### □ 2Q Sales & Profit

(Unit : bil. KRW)

	2Q FY15	2Q FY14	Change
Net Sales	214.7	187.8	14.3%
- Domestic	189.9	165.2	15.0%
- Export	24.8	22.6	9.7%
Operating Profit	31.3	32.2	△2.6%
Net Income	27.9	21.9	27.8%

### □ 1H Sales & Profit

(Unit : bil. KRW)

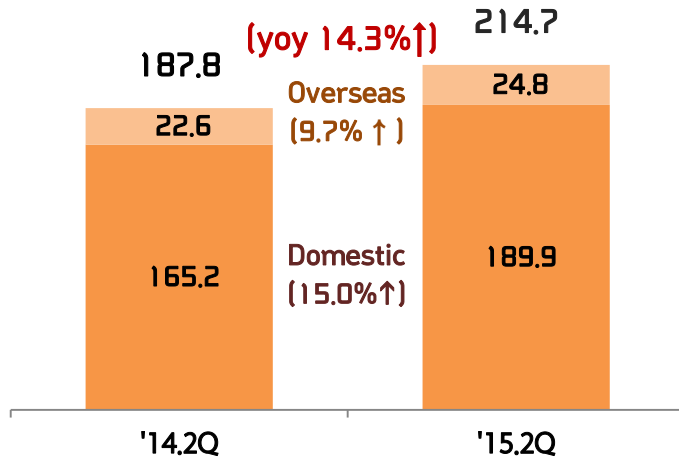
	1HFY15	1HFY14	Change
Net Sales	453.7	394.4	15.0%
- Domestic	410.5	352.9	16.3%
- Export	43.2	41.5	4.1%
Operating Profit	79.5	68.5	16.1%
Net Income	59.4	45.4	30.8%

# 3-2. Sales Analysis

## 2Q Domestic sales grew through overall channels

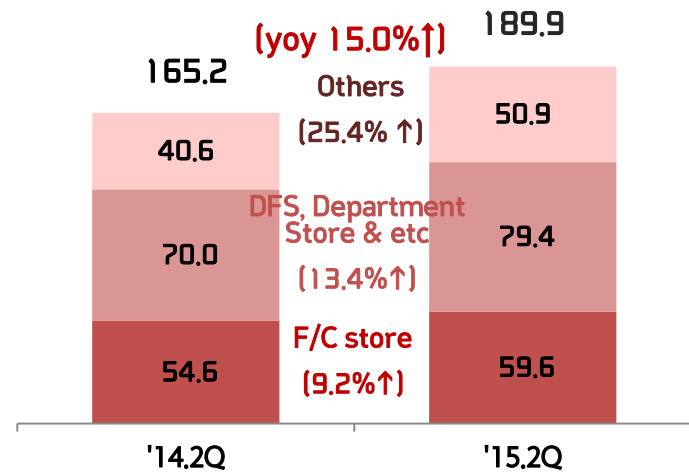
### □ Sales by Regions

(Unit : bil. KRW)



### □ Domestic Sales by Channels

(Unit : bil. KRW)

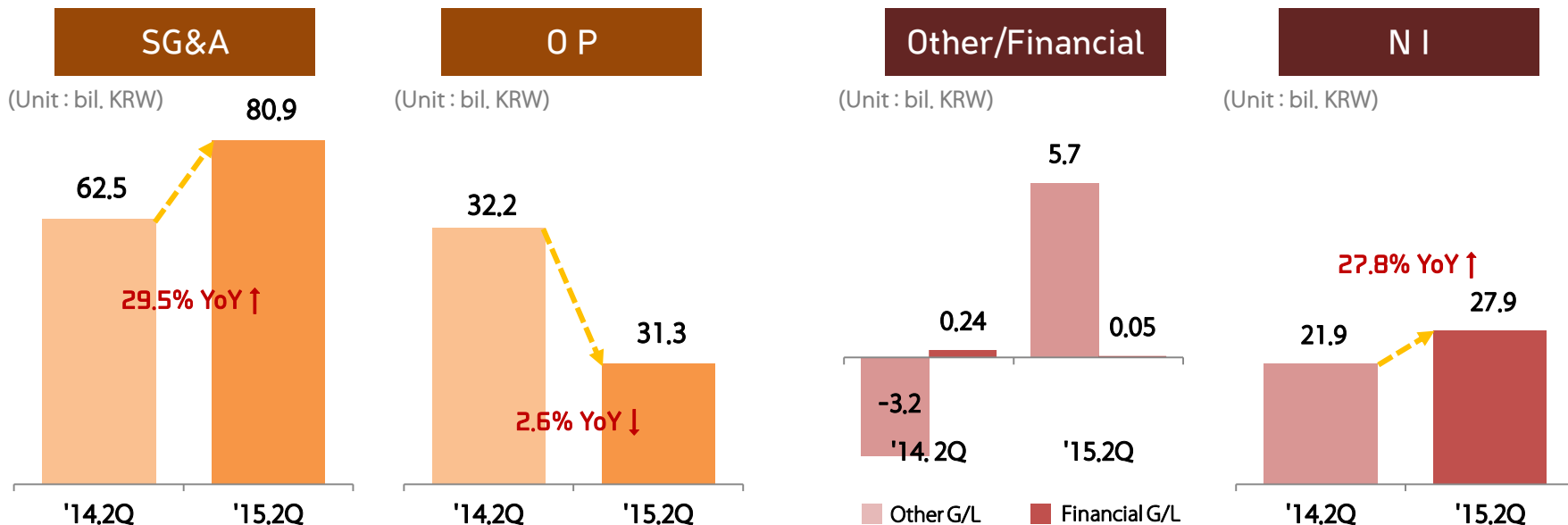


- Domestic sales and overseas sales rose
  - Domestic sales in 2Q rose 15.0% yoy
  - Overseas sales in 2Q fell 9.7% yoy

- Overall channels showed growth
  - F/C store grew 9.2% yoy
  - DFS, Department Store & etc grew 13.4% yoy
  - Others grew 25.4% yoy

# 3-3. Profitability Analysis

**2Q OP fell 2.6% yoy, NI rose 27.8% yoy respectively**



- OP Margin : '14.2Q 17.1% → '15.2Q 14.6% ( 2.5%p↓)
- SG&A Ratio : '14.2Q 33.3% → '15.2Q 37.7% (4.4%p↑)

- NI Margin : '14.2Q 11.6% → '15.2Q 13.0% (1.4%p↑)
- Net other gain increased 8.9 bil won



## **Chapter 4. Appendix**

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



# 4-1. Consolidated Financial Statement



## □ Summarized Statement of Financial Position

(bil. KRW)	FY13	FY14	'15.2Q
Non-Current Assets	2,886.4	3,010.1	3,086.6
-Property Plant Equipment	1,622.3	1,753.4	1,786.3
-Investment Properties	174.0	168.0	167.6
-Equity Accounted Investments	58.1	57.9	58.6
-Available-For-Sale Financial Assets	296.6	325.8	317.5
Current Assets	4,188.4	4,408.2	4,778.7
-Inventories	1,893.9	1,982.5	1,841.3
-Cash and Cash Equivalents	347.9	416.4	443.9
-Other Financial Assets	684.1	668.4	799.4
-Account Receivables and Others	915.6	989.8	1,087.9
-Prepaid Cig. Taxes and Others	262.8	260.8	445.5
Assets Held For Sale	0.2	0.4	1.5
<b>Total Assets</b>	<b>7,075.0</b>	<b>7,418.7</b>	<b>7,868.9</b>
Non-Current Liabilities	<b>527.2</b>	<b>586.0</b>	<b>577.0</b>
Current Liabilities	1,182.2	1,124.6	1,449.6
-Account Payables and Others	542.9	982.7	1,346.1
-Short Term Borrowings	96.2	141.9	103.9
<b>Total Liabilities</b>	<b>1,709.5</b>	<b>1,710.6</b>	<b>2,026.7</b>
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	-10.1
Reserves	3,368.8	3,426.4	3,727.2
Retained Earnings	802.8	1,100.9	941.5
<b>Total Equities</b>	<b>5,365.5</b>	<b>5,708.1</b>	<b>5,842.2</b>
<b>Total Liabilities and Equities</b>	<b>7,075.0</b>	<b>7,418.7</b>	<b>7,868.9</b>

## □ Summarized Statement of Comprehensive Income

(bil. KRW)	FY13	FY14	'14. 2Q	'15. 2Q
<b>Net Sales</b>	<b>3,821.7</b>	<b>4,112.9</b>	<b>992.3</b>	<b>1,031.9</b>
COGS	1,688.6	1,840.8	443.0	444.8
Gross Profit	2,133.1	2,272.0	549.3	587.1
SG&A	1,119.7	1,100.2	263.0	268.7
<b>Operating Profit</b>	<b>1,013.3</b>	<b>1,171.9</b>	<b>286.3</b>	<b>318.4</b>
Other Income & Expense	-148.7	-61.3	-45.3	23.3
Financial Gain(Loss)	15.7	44.1	8.2	20.0
Share of Profit(Loss) of Associates	1.6	3.2	0.9	2.1
<b>Pre-tax Income</b>	<b>881.9</b>	<b>1,157.9</b>	<b>250.1</b>	<b>363.8</b>
Income Tax	322.6	344.1	65.7	96.0
<b>Net Income</b>	<b>559.3</b>	<b>813.8</b>	<b>184.3</b>	<b>267.8</b>
Other Comprehensive Income	12.8	-68.4	-8.2	0.9
<b>Comprehensive Income</b>	<b>572.1</b>	<b>745.4</b>	<b>176.2</b>	<b>268.7</b>

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



### □ Summarized Statement of Financial Position

(bil. KRW)	FY13	FY14	'15. 2Q
Non-Current Assets	3,232.1	3,311.6	3,367.0
-Property Plant Equipment	1,182.8	1,279.7	1,293.9
-Investment Properties	146.0	140.1	139.8
-Investment in Subsidiaries	1,166.5	1,081.8	1,081.8
-Available-For-Sale Financial Assets	296.4	303.4	294.9
Current Assets	2,850.2	2,982.9	3,399.4
-Inventories	939.7	910.4	864.4
-Cash and Cash Equivalents	245.8	321.6	320.6
-Other Financial Assets	660.0	640.0	780.9
-Account Receivables and Others	721.5	824.9	932.1
-Prepaid Cig., Taxes and Others	262.8	260.8	445.5
Assets Held for Sale	0.0	0.4	1.5
<b>Total Assets</b>	<b>6,082.3</b>	<b>6,294.9</b>	<b>6,767.9</b>
Non-Current Liabilities	146.0	167.1	171.8
Current Liabilities	903.8	786.1	1,153.8
-Account Payables and Others	402.4	347.2	407.4
-Short Term Borrowings	4.9	5.6	5.3
<b>Total Liabilities</b>	<b>1,049.9</b>	<b>1,128.7</b>	<b>1,325.6</b>
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	3,794.8
Retained Earnings	509.8	736.5	531.4
<b>Total Equities</b>	<b>5,032.4</b>	<b>5,341.7</b>	<b>5,442.3</b>
<b>Total Liabilities and Equities</b>	<b>6,082.3</b>	<b>6,294.9</b>	<b>6,767.9</b>

### □ Summarized Statement of Comprehensive Income

(bil. KRW)	FY13	FY14	'14. 2Q	'15. 2Q
<b>Net Sales</b>	<b>2,510.6</b>	<b>2,742.6</b>	<b>671.3</b>	<b>676.3</b>
-Cigarettes	2,342.2	2,500.0	606.9	630.4
-Real Estate	109.2	160.3	42.8	27.5
-Others	59.2	82.2	21.6	18.4
COGS	936.1	1,063.8	258.6	243.5
-Cigarettes	841.4	914.4	217.4	218.1
-Real Estate	57.3	96.1	26.3	13.6
-Others	37.3	53.4	14.9	11.8
<b>Gross Profit</b>	<b>1,574.6</b>	<b>1,678.8</b>	<b>412.7</b>	<b>432.7</b>
SG&A	651.1	624.2	154.3	152.6
<b>Operating Profit</b>	<b>923.5</b>	<b>1,054.6</b>	<b>258.4</b>	<b>280.1</b>
Other Income & Expense	-198.4	-85.4	-39.6	22.3
-Other Income	47.9	71.9	7.4	29.2
FX related Gain	13.2	46.0	1.3	19.2
Others	34.7	25.9	6.1	10.0
-Other Expense	246.4	157.3	47.0	7.0
FX related Loss	40.9	13.9	44.4	2.8
Others	205.5	143.4	2.6	4.2
Financial Gain(Loss)	31.7	76.3	11.5	12.0
<b>Pre-tax Income</b>	<b>756.8</b>	<b>1,045.5</b>	<b>230.3</b>	<b>314.4</b>
-Income Tax	255.5	298.4	54.9	77.3
<b>Net Income</b>	<b>501.3</b>	<b>747.1</b>	<b>175.4</b>	<b>237.1</b>
<b>Comprehensive Income</b>	<b>532.0</b>	<b>712.2</b>	<b>172.8</b>	<b>235.7</b>

## 4-2. Separate Financial Statement (KGC)



### □ Summarized Statement of Financial Position

(bil. KRW)	FY13	FY14	FY15 2Q
Non-Current Assets	436.4	543.1	579.9
-Tangible Assets	206.4	261.1	285.7
-Intangible Assets	11.9	10.4	9.7
-Others	218.1	271.6	284.5
Current Assets	978.6	1,094.3	1,043.9
-Inventories	772.7	892.6	786.7
-Cash and Cash Equivalents	5.7	4.5	46.9
-Others	200.2	197.2	210.3
<b>Total Assets</b>	<b>1,415.0</b>	<b>1,637.4</b>	<b>1,623.8</b>
Non-Current Liabilities	45.2	63.2	74.9
Current Liabilities	124.4	179.7	94.9
-Short Term Borrowings	60.0	102.9	20.6
-Others	64.4	76.8	74.3
<b>Total Liabilities</b>	<b>169.6</b>	<b>242.9</b>	<b>169.8</b>
Capital Stock	66.3	69.1	69.1
Capital Surplus	33.4	93.9	93.9
Reserves	1,056.5	1,143.4	1,231.7
Retained Earnings	89.2	88.1	59.3
Other Comprehensive Income	0.0	0.0	0.0
<b>Total Equities</b>	<b>1,245.5</b>	<b>1,394.5</b>	<b>1,454.0</b>
<b>Total Liabilities and Equities</b>	<b>1,415.0</b>	<b>1,637.4</b>	<b>1,623.8</b>

### □ Summarized Statement of Comprehensive Income

(bil. KRW)	FY13	FY14	'14. 2Q	'15. 2Q
<b>Sales</b>	<b>784.8</b>	<b>812.8</b>	<b>187.8</b>	<b>214.7</b>
- Red Ginseng Roots	122.1	123.8	32.9	33.1
- Red Ginseng Products	661.0	687.6	153.5	179.2
(Ratio)	(84.2)	(84.6)	(81.8)	(83.5)
- Others	1.7	1.4	1.4	2.4
COGS	390.9	401.7	93.1	102.5
<b>Gross Profit</b>	<b>393.9</b>	<b>411.1</b>	<b>94.7</b>	<b>112.3</b>
SG&A	268.9	281.0	62.5	80.9
<b>Operating Profit</b>	<b>125.0</b>	<b>130.1</b>	<b>32.2</b>	<b>31.3</b>
Other Income & Expense	-7.5	-3.2	-3.2	5.7
- Other Income	7.6	8.0	0.8	1.7
- Other Expense	15.1	11.2	4.0	-4.0
Financial Gain(Loss)	0.6	0.5	0.2	0.1
<b>Pre-tax Income</b>	<b>118.1</b>	<b>127.4</b>	<b>29.3</b>	<b>37.1</b>
- Income Tax	28.8	34.2	7.4	9.2
<b>Net Income</b>	<b>89.3</b>	<b>93.2</b>	<b>21.9</b>	<b>27.9</b>
<b>Comprehensive Income</b>	<b>89.2</b>	<b>85.7</b>	<b>21.8</b>	<b>26.7</b>



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