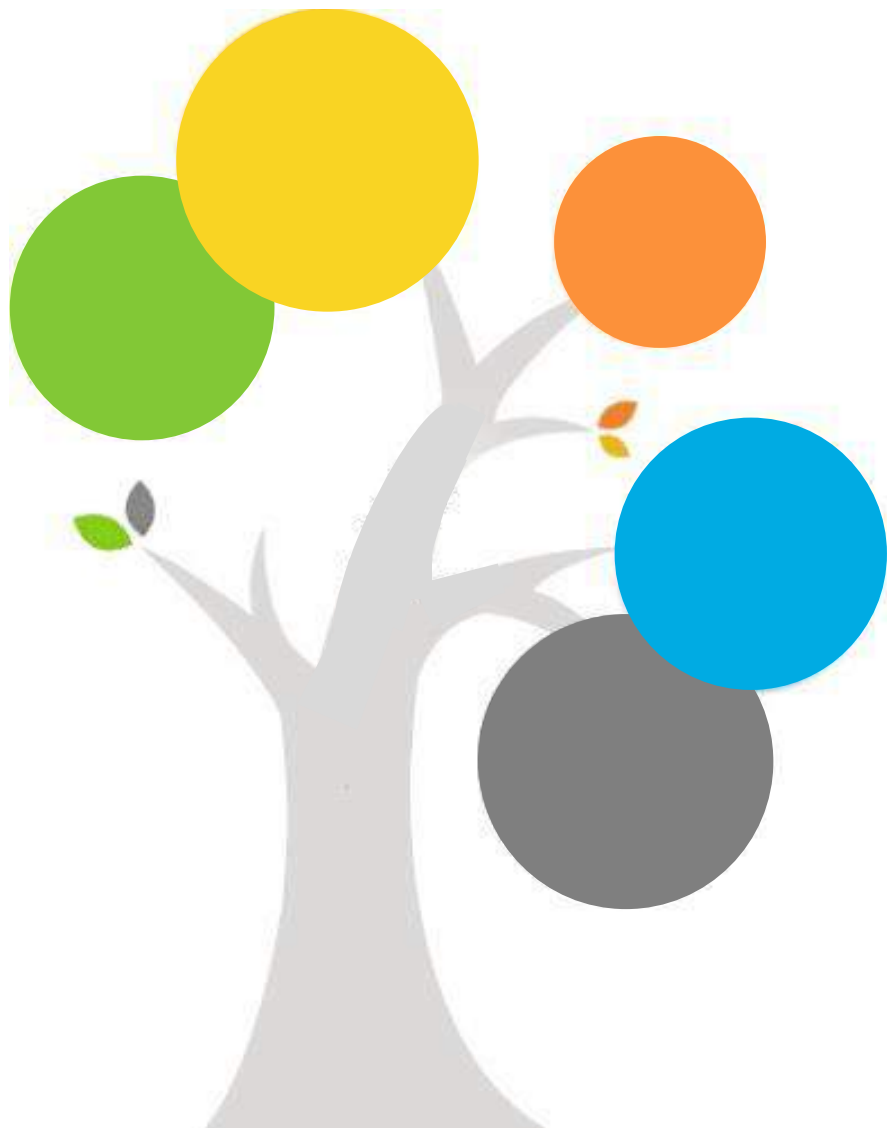


Investor Relations 2018

**FY2018 1Q**

**Earnings Presentation**





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**Chapter 4. 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 maybe subject to change and the company does not guarantee the correctness and completeness.



## **Chapter 1. Consolidated Results**

**- Sales/Profit**

# 1. FY18 1Q Consolidated Results Summary



**1Q Consolidated Sales, OP, NI recorded 1 tril. 67.6bil., 311.4bil., 249.4bil. won**

- 1Q Consolidated Sales decreased by 9.4% yoy : KT&G 21.2% ↓, KGC 15.1% ↑
- 1Q OP dropped by 21.2% / NI rose 6.1% yoy each

## □ 1Q Consolidated Sales/Profit

(Unit : bil. KRW)

	1Q FY18	1Q FY17	Change
<b>Net Sales</b>	1,067.6	1,178.7	△9.4%
- KT&G	572.3	726.0	△21.2%
- KGC	393.4	341.8	15.1%
- Others and Adjustment	101.9	110.9	△8.1%
<b>Operating Profit</b>	311.4	395.3	△21.2%
<b>Net Income</b>	249.4	235.0	6.1%

- 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. FY18 1Q KT&G Results Summary



### FY18 1Q Sales and OP dropped by 21.2% and 33.3% yoy each

- 1Q Sales recorded 572.3 bil. won (dropped by 21.2% yoy)
  - Domestic Cigarette 5.0%↓, Export Cigarette 44.1%↓, Others(Real Estate etc.) 44.8% ↓
- 1Q OP decreased 33.3% yoy to 213.3 bil. won, NI increased 1.5% yoy to 256.9 bil. won

#### □ 1Q Consolidated Profit/Loss

(Unit : bil. KRW)

	1Q FY18	1Q FY17	Change
Net Sales	572.3	726.0	△21.2%
- Domestic	405.1	426.2	△5.0%
- Export	132.3	236.6	△44.1%
- Others(Real Estate etc.)	34.9	63.2	△44.8%
Operating Profit	213.3	319.9	△33.3%
Net Income	256.9	253.2	1.5%

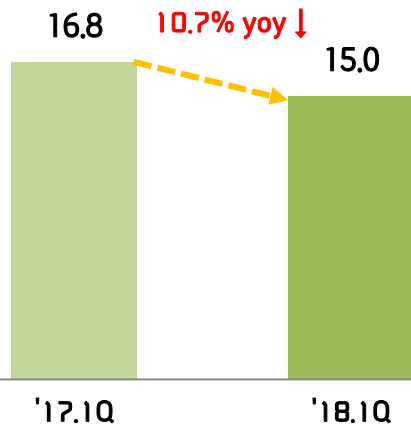
## 2-2. Domestic Cigarette

### Total market and KT&G volume in 1Q dropped by 10.7%, 10.7% yoy respectively

- 1Q Total Market Volume: decreased from 16.8 bil. sticks to 15.0 sticks
- 1Q KT&G Volume : decreased from 10.3 bil. sticks to 9.2 bil. sticks
- KT&G M/S : 61.7%, increased 0.5%p yoy (up 2.1%p qoq)

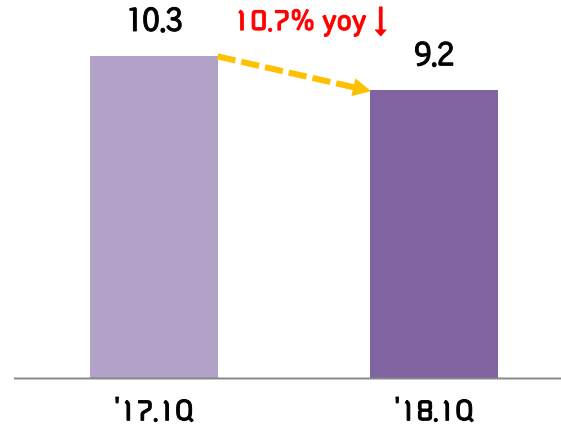
#### □ Total Market Volume

(unit : bil. sticks)



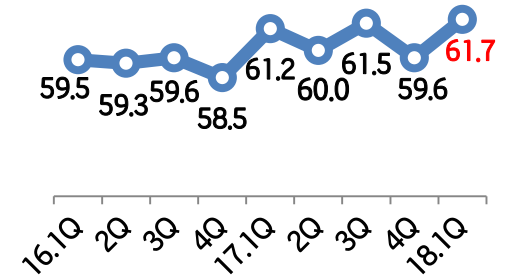
#### □ KT&G Volume

(unit : bil. sticks)



#### □ KT&G M/S Trend

(Unit : %)



## 2-3. Overseas Cigarette (KT&G Separate)

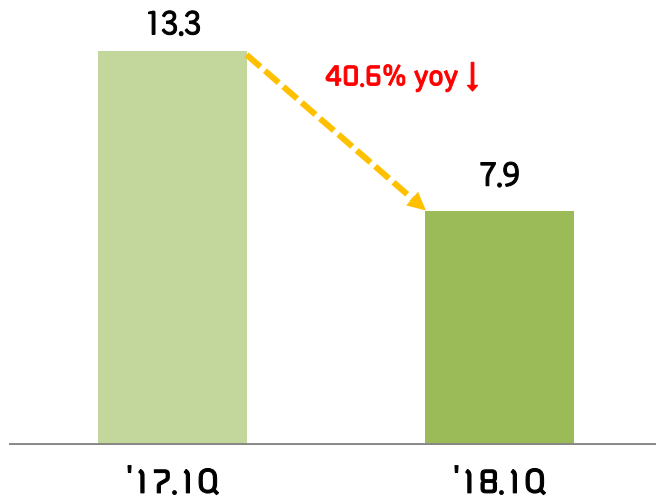


### 1Q Export volume and sales dropped by 40.6% and 44.1% yoy respectively

- Export volume : Volume dropped 5.4 bil. sticks(40.6%) yoy
- Export sales : Sales dropped 104.3bil. won(44.1%) yoy

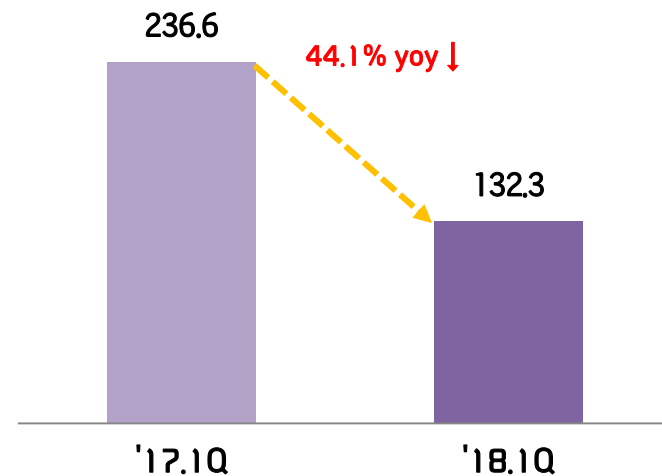
#### □ Export Cigarette Volume

(Unit : bil. sticks)



#### □ Export Cigarette Sales

(Unit : bil. sticks)



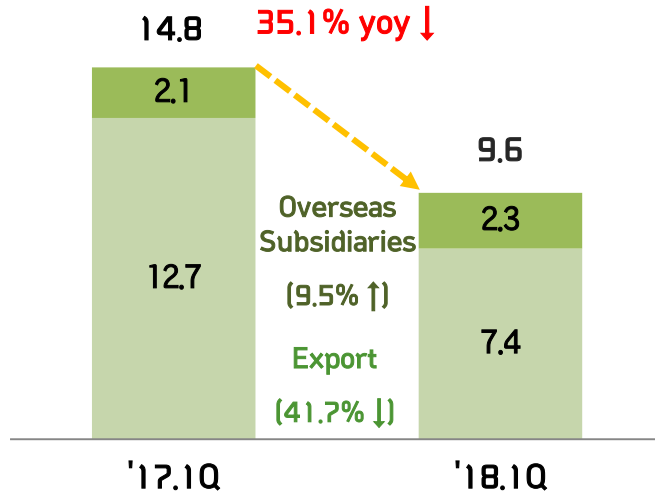


## 2-3. Overseas Cigarette (KT&G Consolidated)



**1 Q Export (Overseas subsidiaries included) volume and sales dropped 35.1% and 38.2% yoy respectively**

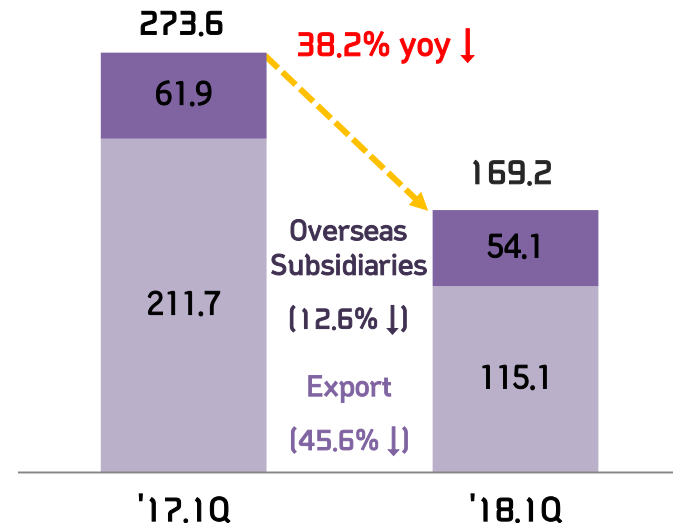
□ Overseas Cigarette Volume (Unit : bil. sticks)



※ Overseas subsidiaries : Russia, Turkey, Iran, Indonesia and USA

※ Export Volume and Sales do not include USA exports

□ Overseas Cigarette Sales (Unit : bil. sticks)

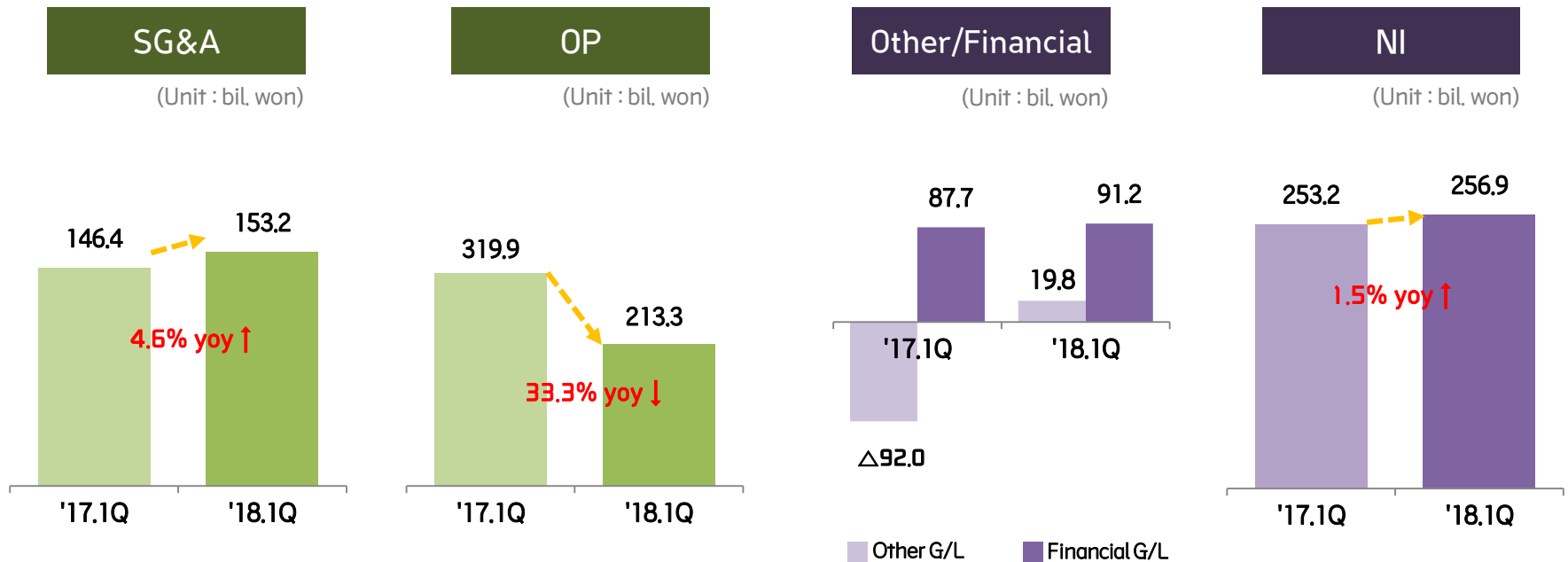


- Overseas cigarette volume : 1Q dropped 5.2 bil. sticks
  - Export dropped 41.7% yoy
  - Overseas subsidiaries rose 9.5% yoy

- Overseas cigarette sales : 1Q dropped 104.4 bil. won
  - Export dropped 45.6% yoy
  - Overseas subsidiaries dropped 12.6% yoy

## 2-4. Profitability Analysis

**FY18 1Q OP dropped by 33.3% yoy and NI rose by 1.5% yoy**



- SG&A Ratio : `17. 1Q 20.2% → `18. 1Q 26.8% (6.6%p ↑)
- OP Margin : `17. 1Q 44.1% → `18. 1Q 37.3% (6.8%p ↓)

- NI Margin : `17. 1Q 34.9% → `18. 1Q 44.9% (10.0%p ↑)
- Net FX gain increased 82.3 bil. won ↑



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

# 3-1. FY18 1Q KGC Results Summary

## 1Q Sales and OP increased 15.1% and 16.0% yoy respectively

- 1Q Sales recorded 393.4 bil. won, up by 15.1% yoy (Domestic 12.9% ↑, Export 47.9% ↑)
- 1Q OP recorded 91.9 bil. won up by 16.0% yoy

### □ 1Q Sales & Profit

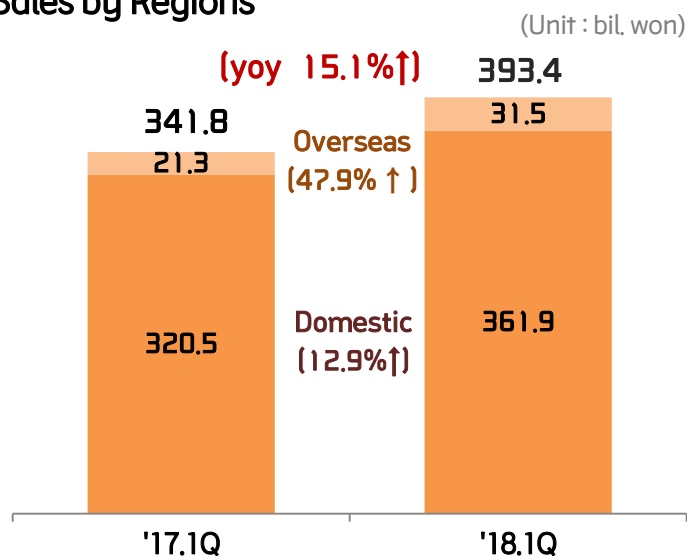
(Unit : bil. won)

	1Q FY18	1Q FY17	Change
Net Sales	393.4	341.8	15.1%
- Domestic	361.9	320.5	12.9%
- Export	31.5	21.3	47.9%
Operating Profit	91.9	79.2	16.0%
Net Income	68.8	58.3	18.0%

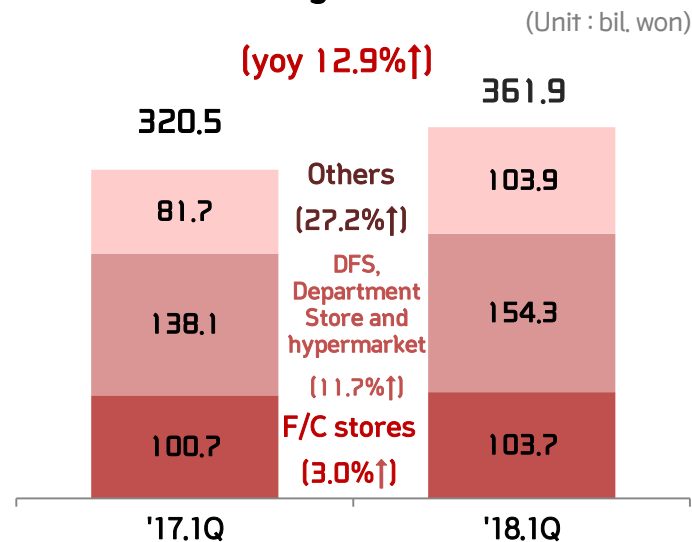
## 3-2. Sales Analysis

### 1Q Domestic and export sales increase, improvement in major domestic sales channels

#### □ Sales by Regions



#### □ Domestic Sales by Channels

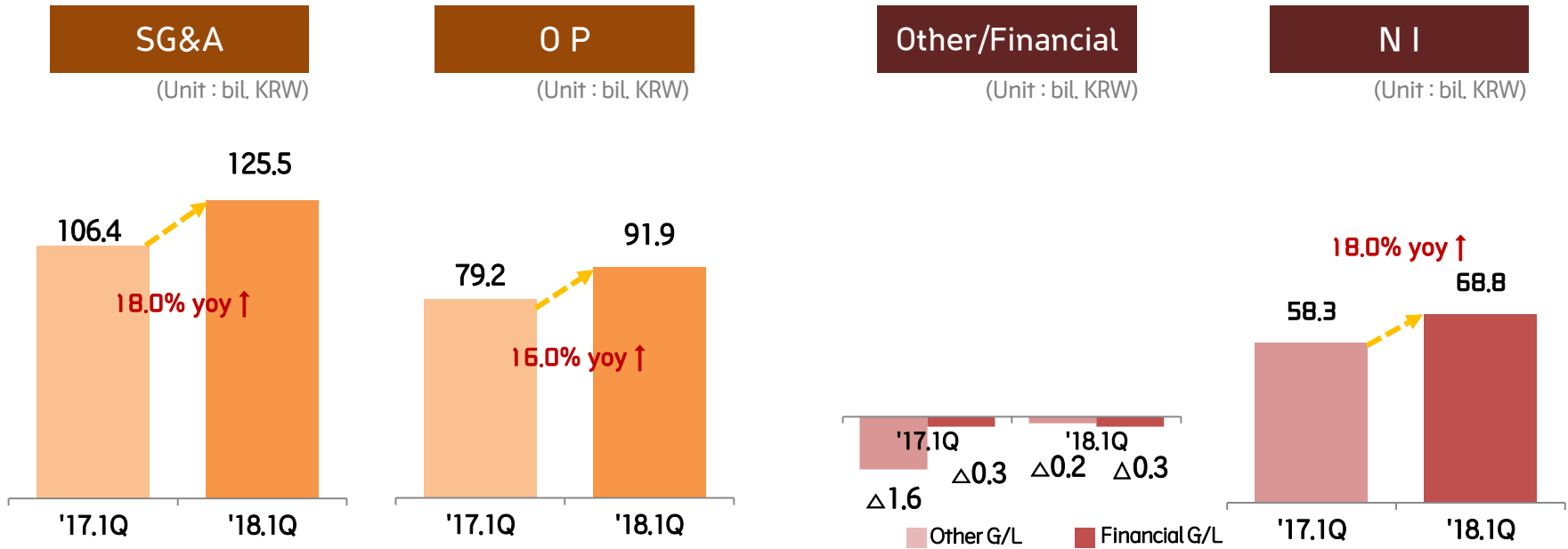


- Domestic sales in 1Q increased by 12.9%
- Overseas sales in 1Q increased by 47.9%

- Domestic channels showed increased
  - F/C store increased 3.0% yoy
  - DFS, Department Store & etc. increased 11.7% yoy
  - Others increased by 27.2% yoy

# 3-3. Profitability Analysis

1Q OP increased 16.0% yoy



- OP Margin : '17.1Q 23.2% → '18.1Q 23.4% (0.2%p ↑)
- SG&A Ratio: '17.1Q 31.1% → '18.1Q 31.9% (0.8%p ↑)

- NI Margin : '17.1Q 17.1% → '18.1Q 17.5% (0.4%p ↑)
- Decrease in Net FX loss and others



## **Chapter 4. Appendix**

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

# 4- 1. Consolidated Financial Statement



## □ Summarized Statement of Financial Position

(bil. KRW)	FY16	FY17	'18. 1Q
Non-Current Assets	3,196.6	3,390.5	3,423.8
- Property Plant Equipment	1,606.5	1,757.0	1,666.3
- Investment Properties	341.6	331.0	439.2
- Equity Accounted Investments	56.5	51.0	51.0
- Available-For-Sale Financial Assets	385.1	471.8	0
Current Assets	6,594.3	6,585.4	6,663.3
- Inventories	2,265.4	2,317.5	2,258.2
- Cash and Cash Equivalents	850.8	1,230.2	1,099.8
- Other Financial Assets	1,657.3	1,563.9	222.1
- Account Receivables and Others	1,283.6	1,126.9	1,078.7
- Prepaid Cig. Taxes and Others	439.4	261.5	248.4
Assets Held For Sale	21.2	0	0
<b>Total Assets</b>	<b>9,812.1</b>	<b>9,975.9</b>	<b>10,087.2</b>
Non-Current Liabilities	540.9	343.1	360.4
Current Liabilities	2,153.4	1,803.0	2,227.4
- Account Payables and Others	622.2	523.3	1,193.3
- Short Term Borrowings	136.6	174.7	50.2
<b>Total Liabilities</b>	<b>2,694.3</b>	<b>2,146.1</b>	<b>2,587.8</b>
Capital Stock	955.0	955.0	955.0
Treasury Stock	-328.2	-328.2	-328.2
Gain on Reissuance of Treasury Stock	513.8	513.8	513.8
Other Capital Surplus	-3.4	-29.7	-29.7
Reserves	4,296.5	4,927.3	5,358.9
Retained Earnings	1,611.5	1,733.9	971.5
<b>Total Equities</b>	<b>7,117.8</b>	<b>7,829.8</b>	<b>7,499.4</b>
<b>Total Liabilities and Equities</b>	<b>9,812.1</b>	<b>9,975.9</b>	<b>10,087.2</b>

## □ Summarized Statement of Comprehensive Income

(bil. KRW)	FY16	FY17	'17. 1Q	'18. 1Q
<b>Net Sales</b>	<b>4,503.3</b>	<b>4,667.2</b>	<b>1,178.7</b>	<b>1,067.6</b>
COGS	1,796.7	1,908.9	478.1	433.5
Gross Profit	2,706.6	2,758.3	700.6	634.1
SG&A	1,237.0	1,332.2	305.3	322.8
<b>Operating Profit</b>	<b>1,469.6</b>	<b>1,426.1</b>	<b>395.3</b>	<b>311.4</b>
Other Income & Expense	63.1	-127.7	-85.6	15.6
Financial Gain(Loss)	52.6	41.5	20.5	32.9
Share of Profit(Loss) of Associates	2.1	5.7	1.5	-0.1
<b>Pre-tax Income</b>	<b>1,587.3</b>	<b>1,345.6</b>	<b>331.7</b>	<b>359.8</b>
Income Tax	361.8	181.4	96.7	110.4
<b>Net Income</b>	<b>1,225.5</b>	<b>1,164.2</b>	<b>235.0</b>	<b>249.4</b>
Other Comprehensive Income	0.5	47.4	-0.6	-17.8
<b>Comprehensive Income</b>	<b>1,226.1</b>	<b>1,211.6</b>	<b>234.4</b>	<b>231.6</b>



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



### □ Summarized Statement of Financial Position

(bil KRW)	FY16	FY17	'18.1Q
Non-Current Assets	3,635.9	3,936.4	4,017.4
- Property Plant Equipment	1,117.3	1,267.8	1,182.0
- Investment Properties	335.2	325.4	433.7
- Equity Accounted Investments	1,154.9	1,208.2	1,208.2
- Available-For-Sale Financial Assets	364.3	454.1	0
Current Assets	4,833.0	4,738.6	4,805.1
- Inventories	914.7	872.1	884.5
- Cash and Cash Equivalents	688.7	1,104.8	947.1
- Other Financial Assets	1,620.0	1,530.0	190.0
- Account Receivables and Others	1,140.6	951.4	885.3
- Prepaid Cig. Taxes and Others	439.4	255.8	242.5
<b>Total Assets</b>	<b>8,468.8</b>	<b>8,675.0</b>	<b>8,822.5</b>
Non-Current Liabilities	127.6	80.4	68.9
Current Liabilities	1,762.3	1,451.0	1,934.2
- Account Payables and Others	436.3	386.6	1,002.7
- Short Term Borrowings	3.9	2.0	1.7
<b>Total Liabilities</b>	<b>1,889.9</b>	<b>1,531.4</b>	<b>2,003.1</b>
Capital Stock	955.0	955.0	955.0
Treasury Stock	-328.2	-328.2	-328.2
Gain on Reissuance of Treasury Stock	513.8	513.8	513.8
Other Capital Surplus	3.6	3.6	3.6
Reserves	4,366.3	5,009.3	5,450.7
Retained Earnings	1,068.5	990.1	224.6
<b>Total Equities</b>	<b>6,578.9</b>	<b>7,143.6</b>	<b>6,819.4</b>
<b>Total Liabilities and Equities</b>	<b>8,468.8</b>	<b>8,675.0</b>	<b>8,822.5</b>

### □ Summarized Statement of Comprehensive Income

(bil KRW)	FY16	FY17	'17.1Q	'18.1Q
<b>Net Sales</b>	<b>2,968.2</b>	<b>3,000.1</b>	<b>726.0</b>	<b>572.3</b>
- Cigarettes	2,670.3	2,672.3	662.8	537.4
- Real Estate	184.7	190.0	33.3	14.0
- Others	113.1	137.8	29.9	21.0
COGS	1,048.1	1,098.6	259.7	205.8
- Cigarettes	861.3	883.9	221.7	186.3
- Real Estate	118.4	123.1	19.2	2.6
- Others	68.4	91.6	18.8	16.9
<b>Gross Profit</b>	<b>1,920.1</b>	<b>1,901.5</b>	<b>466.3</b>	<b>366.5</b>
SG&A	615.0	656.7	146.4	153.2
<b>Operating Profit</b>	<b>1,305.1</b>	<b>1,244.8</b>	<b>319.9</b>	<b>213.3</b>
Other Income & Expense	34.7	-123.5	-92.0	19.8
- Other Income	126.6	118.4	9.7	30.7
FX related gain	64.6	9.5	3.8	1.7
Others	62.0	108.9	5.9	29.0
- Other Expenses	91.8	241.9	101.7	10.9
FX related loss	29.7	138.5	90.6	6.2
Other	62.1	103.4	11.1	4.7
Financial Gain(Loss)	60.6	117.5	87.7	91.2
<b>Pre-tax Income</b>	<b>1,400.4</b>	<b>1,238.9</b>	<b>315.6</b>	<b>324.3</b>
Income Tax	313.0	264.0	62.4	67.3
<b>Net Income</b>	<b>1,087.3</b>	<b>974.9</b>	<b>253.2</b>	<b>256.9</b>
<b>Comprehensive Income</b>	<b>1,082.7</b>	<b>1,019.2</b>	<b>257.7</b>	<b>249.2</b>

## 4-3. Separate Financial Statement (KGC)



### □ Summarized Statement of Financial Position

(bil. KRW)	FY16	FY17	'18. 1Q
Non-Current Assets	548.3	520.3	514.7
- Property Plant Equipment	286.5	296.1	292.7
- Intangible Assets	11.2	13.1	13.1
- Others	250.6	211.1	208.9
Current Assets	1,319.6	1,435.4	1,416.9
- Inventories	1,146.3	1,250.8	1,160.7
- Cash and Cash Equivalents	9.5	7.6	30.3
- Others	163.8	176.9	225.8
<b>Total Assets</b>	<b>1,867.9</b>	<b>1,955.6</b>	<b>1,931.6</b>
Non-Current Liabilities	82.2	77.0	77.5
Current Liabilities	228.7	248.0	212.9
- Short Term Borrowings	112.2	150.4	32.0
- Others	116.5	97.6	180.9
<b>Total Liabilities</b>	<b>311.0</b>	<b>325.0</b>	<b>290.4</b>
Capital Stock	70.1	70.1	70.1
Capital Surplus	111.6	111.6	111.6
Reserves	1,296.6	1,313.0	1,385.0
Retained Earnings	78.6	136.0	74.6
<b>Total Equities</b>	<b>1,556.9</b>	<b>1,630.6</b>	<b>1,641.2</b>
<b>Total Liabilities and Equities</b>	<b>1,867.9</b>	<b>1,955.6</b>	<b>1,931.6</b>

### □ Summarized Statement of Comprehensive Income

(bil. KRW)	FY16	FY17	'17. 1Q	'18. 1Q
<b>Net Sales</b>	<b>1,107.6</b>	<b>1,200.0</b>	<b>341.8</b>	<b>393.4</b>
- Red Ginseng Roots	76.3	81.6	28.4	29.9
- Red Ginseng Products	1,028.6	1,114.2	308.4	360.3
(Ratio)	(92.9)	(92.8)	(90.2)	(91.6)
- Others	2.7	4.2	5.0	3.2
COGS	509.3	541.7	156.3	176.0
<b>Gross Profit</b>	<b>598.3</b>	<b>658.3</b>	<b>185.5</b>	<b>217.4</b>
SG&A	423.4	472.9	106.4	125.5
<b>Operating Profit</b>	<b>174.9</b>	<b>185.4</b>	<b>79.2</b>	<b>91.9</b>
Other Income & Expense	-42.0	-14.5	-1.6	-0.2
- Other Income	5.7	4.7	1.2	1.2
- Other Expenses	47.7	19.2	2.7	1.4
Financial Gain(Loss)	-1.0	-8.8	-0.3	-0.3
<b>Pre-tax Income</b>	<b>131.9</b>	<b>162.2</b>	<b>77.3</b>	<b>91.3</b>
- Income Tax	46.7	36.8	19.0	22.5
<b>Net Income</b>	<b>85.2</b>	<b>125.4</b>	<b>58.3</b>	<b>68.8</b>
<b>Comprehensive Income</b>	<b>75.9</b>	<b>139.4</b>	<b>58.2</b>	<b>68.6</b>



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