

Disclaimer



This presentation is prepared and provided for the convenience of investors and shareholders prior to the completion of the external audit. Therefore certain contents are subject to change during the auditing process.

The financial information in this presentation is based on K-IFRS standards.

This presentation and related discussion contain certain forward-looking statements related to expected future business, financial performance and/or the industry forecasts which are uncertain. Therefore, the recipients of this presentation shall be aware of that the forward-looking statements set forth herein may not correspond to the actual results.

1 Consolidated Results

2 KT&G Performance

3 KGC Performance

4 Appendix

1. Consolidated Results



(Unit : bil KRW)

| | | | | QoQ | YoY |
|--------------------------------------|----------------|----------------|----------------|-------------|------------|
| Sales | 1,346.5 | 1,263.9 | 1,318.8 | 6.5% | 21% |
| KT&G ¹⁾ | 950.9 | 757.8 | 908.1 | 25.5% | 4.7% |
| KGC ¹⁾ | 259.3 | 380.2 | 277.6 | | |
| Others and adjustments ²⁾ | 136.3 | 125.9 | 133.1 | 8.3% | 2.4% |
| Operating Profit | 330.1 | 317.7 | 394.1 | 3.9% | |
| Net Income | 246.4 | 272.6 | 293.1 | | |

- **(Sales) 1.35 tril KRW / YoY 2.1% ↑**
 - Increase driven by the growth of KT&G and overseas cigarette subsidiaries

- **(OP) 330.1 bil KRW / YoY 16.2% ↓**
 - Impact of F/X drop & OP decline of non-tobacco subsidiaries

- **(NI) 246.4 bil KRW / YoY 15.9% ↓**

1) Sales of KT&G and KGC are the amounts before eliminating internal transactions
 2) Others and adjustments are the figures after adjusting or eliminating internal transactions among other subsidiaries sales

2. KT&G Performance ① Overview

(Unit : bil KRW)

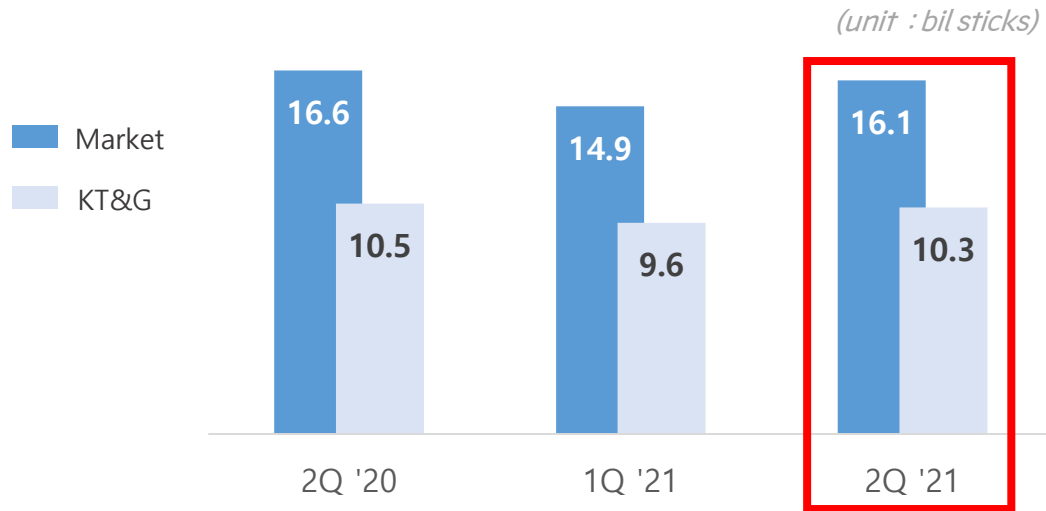
| | | | | QoQ | YoY |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| Sales | 950.9 | 757.8 | 908.1 | 25.5% | 4.7% |
| Domestic | 481.4 | 458.5 | 472.0 | 5.0% | 2.0% |
| Export ¹⁾ | 221.9 | 181.2 | 224.1 | 22.5% | |
| Real Estate and Others | 247.6 | 118.1 | 212.0 | 109.7% | 16.8% |
| SG&A | 210.7 | 177.7 | 178.7 | 18.6% | 17.9% |
| Operating Profit | 326.4 | 247.9 | 369.9 | 31.7% | |
| Net Income | 243.3 | 237.0 | 274.9 | 2.7% | |

- (Sales) 950.9 bil KRW / YoY 4.7% ↑**
 - Growth in domestic & global HNB business and real estate business
- (OP) 326.4 bil KRW / YoY 11.8% ↓**
 - Impact of F/X drop & SG&A increase
- (NI) 243.3 bil KRW / YoY 11.5% ↓**

1) Export : Separate result standard, prior to the consolidation removal of US subsidiary sales

2. KT&G Performance ② Domestic Combustible Cigarette¹⁾

[Market/KT&G Volume]

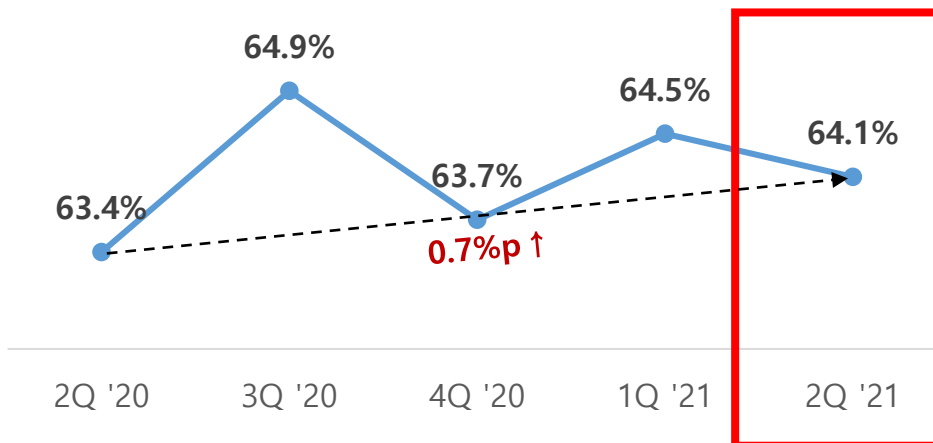


□ (Market Volume) 16.1 bil sticks / YoY 2.7% ↓

□ (KT&G Volume) 10.3 bil sticks / YoY 1.6% ↓

- Impacted by decrease in total market volume
- However, combined volume of cigarette & HNB sticks increase due to growth of HNB sales

[KT&G M/S]



□ (KT&G M/S) 64.1% / YoY 0.7%p ↑

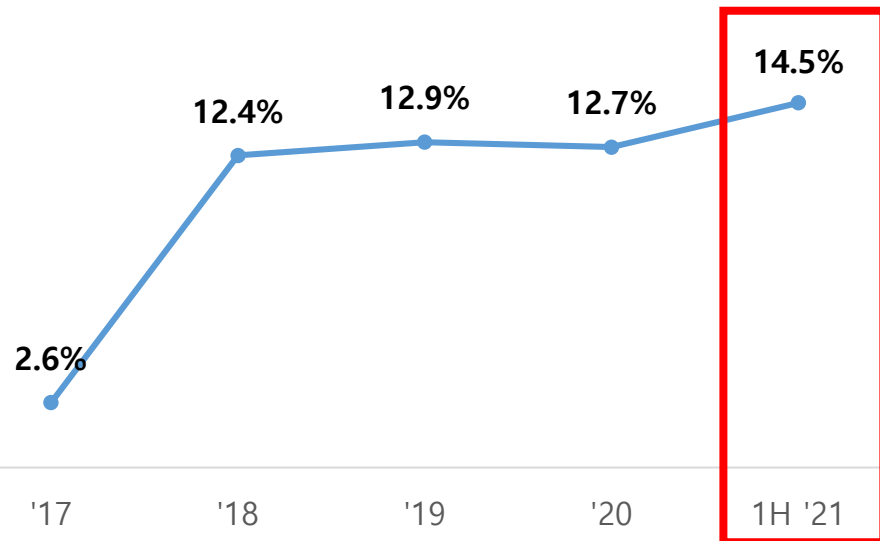
- Thanks to the launch of a new brand 'ESSE Change Double' and strong sales of 'Super Slim' Products

¹⁾ Resource : Korea Tobacco Association data based on shipment volumes to general store, centralized logistics, specialized channels, etc.

2. KT&G Performance ③ Domestic HNB Sticks¹⁾



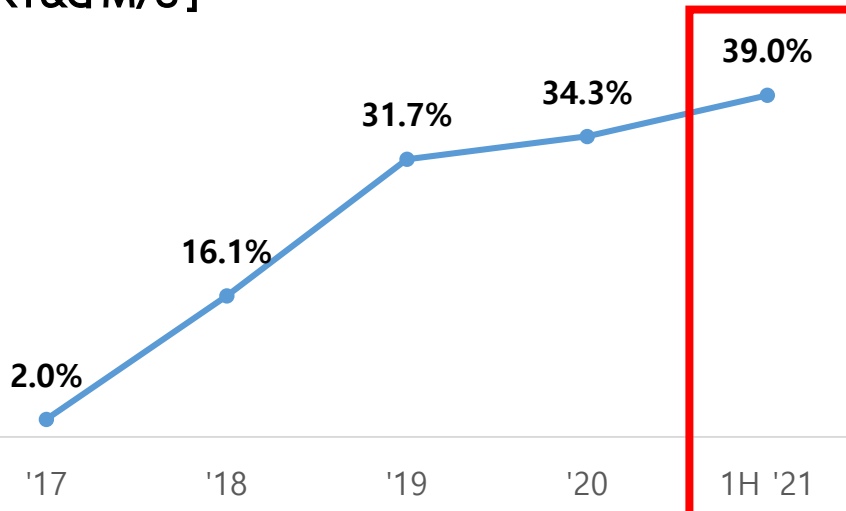
[Domestic HNB Market Penetration Rate]



□ (Penetration Rate) 14.5% (YTD)

- Continuously broadened consumer choice through diversification of HNB stick portfolio
- HNB consumption increase as a result of limited outdoor activities due to Covid19

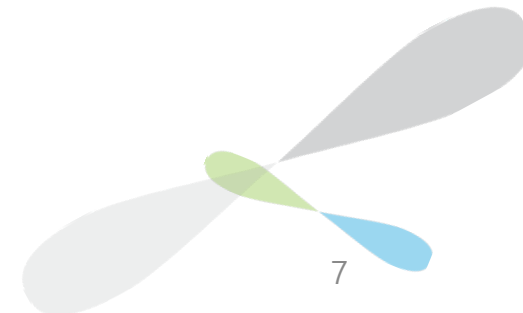
[KT&G M/S]



□ (KT&G M/S) 39.0% (YTD)

- Sequential M/S gain thanks to KT&G exclusive platform “lil HYBRID” & expansion of stick portfolio

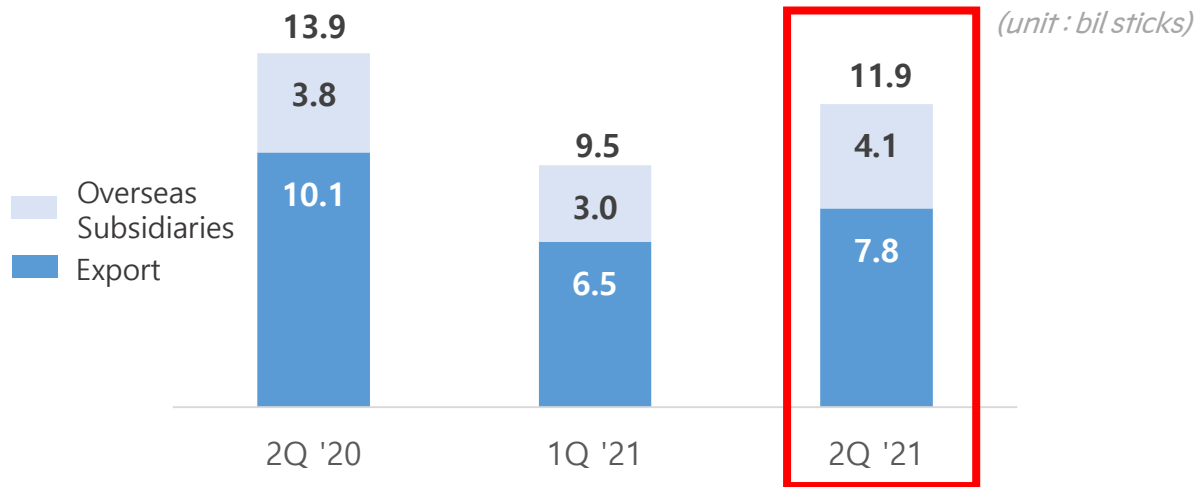
1) Resource : CVS POS data basis



2. KT&G Performance ④ Overseas Cigarette (Export¹⁾ and Overseas Subsidiaries²⁾



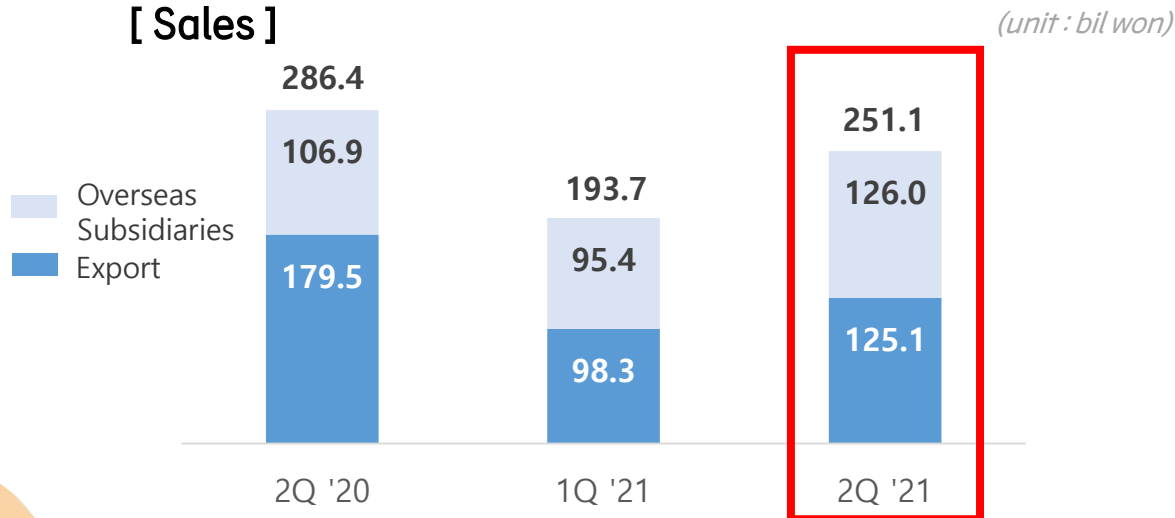
[Volume]



□ (Volume) 11.9 bil sticks / YoY 14.4% ↓

- Growth in overseas subsidiaries volume, but decline in Middle-East region

[Sales]



□ (Sales) 251.1 bil KRW / YoY 12.3% ↓

- Impact of F/X drop & Middle-East volume down

1) Export : KT&G US results excluded

2) Overseas subsidiaries : Indonesia, US, Russia, Turkey, Iran subsidiaries

3. KGC Performance ① Overview

(unit : bil won)

| | | | | QoQ | YoY |
|-------------------------|--------------|--------------|--------------|---------------|---------------|
| Sales | 259.3 | 380.3 | 277.6 | △31.8% | △6.6% |
| Domestic | 219.2 | 345.9 | 251.9 | △36.6% | △13.0% |
| Export | 40.1 | 34.4 | 25.7 | 16.6% | 56.0% |
| SG&A | 124.9 | 138.0 | 126.6 | △9.5% | △1.3% |
| Operating Profit | 6.5 | 53.3 | 20.1 | △87.8% | △67.5% |
| Net Income | 6.4 | 40.7 | 10.6 | △84.3% | △39.6% |

□ **(Sales) 259.3 bil KRW / YoY 6.6% ↓**

- Despite export sales improvement, decline mainly due to high base effect of benefit from stimulus check in franchise channel, and home-shopping channel restructuring activities to enhance efficiency

□ **(OP) 6.5 bil KRW / YoY 67.5% ↓**

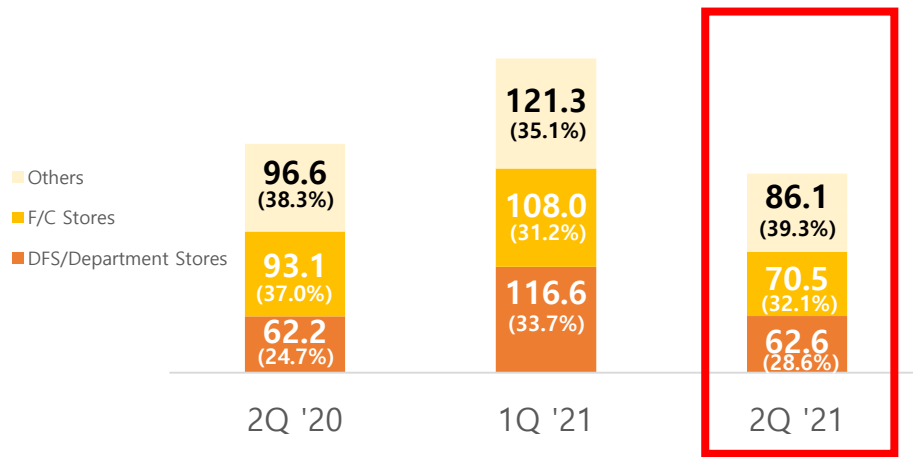
- Sales decline from high-margin channel such as franchise channel
- Increase of COGS ratio due to ASP decrease & higher sales commission rate against the sales

□ **(NI) 6.4 bil KRW / YoY 39.6% ↓**

3. KGC Performance ② Domestic Sales Analysis

[Sales by Channel]

(unit : bil won)

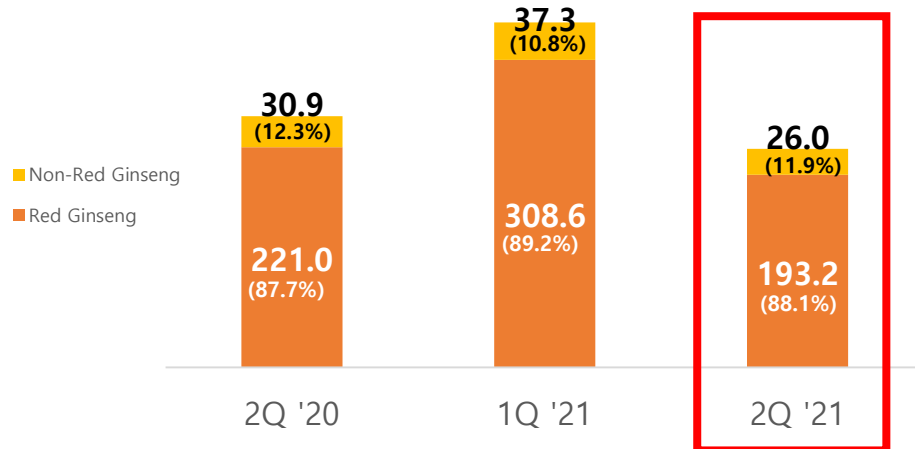


□ (Sales by Channel) 219.2 bil KRW / YoY 13.0% ↓

- (DFS/Department Stores) 62.6 bil KRW / YoY 0.6% ↑
 - Slightly growth due to increase of 'Revenge Spending' in Department stores
- (F/C Stores) 70.5 bil KRW / YoY 24.3% ↓
 - High base effect of benefit from stimulus check
- (Others¹⁾) 86.1 bil KRW / YoY 10.9% ↓
 - Home shopping channel restructuring activities to enhance efficiency

[Sales by Product Type]

(unit : bil won)



□ (Sales by Product Type) Red Ginseng 88.1% / YoY 0.4%p ↑

- Intensified competition in 'mid-low priced' multiple health function food market

1) Others : Home Shopping, E-biz, etc

※ The results below are still under audit by the outside auditors and may be subject to change.

4. Appendix ① KT&G Condensed Balance Sheet



[Consolidated]

| Accounts (unit: hundred mil. KRW) | '21. 2Q | '20. 4Q |
|---|----------------|----------------|
| Current Asset^(a) | 63,576 | 67,504 |
| Cash and cash equivalents, Etc ^(*) | 21,199 | 25,758 |
| Trade and other receivables | 14,089 | 12,150 |
| Inventories | 23,951 | 25,350 |
| Non-current assets | 49,988 | 47,180 |
| Property, plant, and equipment | 17,121 | 17,184 |
| Investment property | 10,596 | 10,302 |
| Total assets | 113,563 | 114,684 |
| Current liabilities ^(b) | 19,130 | 19,915 |
| Non-current liabilities | 3,885 | 3,853 |
| Total liabilities^(c) | 23,015 | 23,768 |
| Total equity^(d) | 90,548 | 90,916 |
| Current ratio^(a/b) | 332.3% | 339.0% |
| Debt ratio^(c/d) | 25.4% | 26.1% |

[Separate]

| Accounts (unit: hundred mil. KRW) | '21. 2Q | '20. 4Q |
|---|---------------|---------------|
| Current Asset^(a) | 42,185 | 47,082 |
| Cash and cash equivalents, Etc ^(*) | 16,814 | 23,211 |
| Trade and other receivables | 12,945 | 10,498 |
| Inventories | 9,551 | 9,933 |
| Non-current assets | 53,907 | 51,713 |
| Property, plant, and equipment | 11,226 | 11,396 |
| Investment property | 11,256 | 11,012 |
| Total assets | 96,092 | 98,795 |
| Current liabilities ^(b) | 15,331 | 17,180 |
| Non-current liabilities | 1,128 | 1,076 |
| Total liabilities^(c) | 16,459 | 18,256 |
| Total equity^(d) | 79,633 | 80,539 |
| Current ratio^(a/b) | 275.2% | 274.1% |
| Debt ratio^(c/d) | 20.7% | 22.7% |

(*) Cash and cash equivalents, Etc : Cash and cash equivalents, current other financial assets, current fair value through profit or loss

※ The results below are still under audit by the outside auditors and may be subject to change.

4. Appendix ② KT&G Condensed Income Statement



[Consolidated]

| Accounts (unit: hundred mil. KRW) | 2Q '21 | 2Q '20 |
|---|---------------|---------------|
| Sales | 13,465 | 13,188 |
| Cost of sales | 6,089 | 5,614 |
| Gross profit | 7,376 | 7,575 |
| Selling, general and administrative expense | 4,074 | 3,633 |
| Operating profit | 3,301 | 3,941 |
| Other income/expenses | (32) | (166) |
| Financial gain/loss | 126 | 237 |
| Net income | 2,464 | 2,931 |
| Gross profit margin | 54.8% | 57.4% |
| Operating profit margin | 24.5% | 29.9% |
| Net income margin | 18.3% | 22.2% |

[Separate]

| Accounts (unit: hundred mil. KRW) | 2Q '21 | 2Q '20 |
|---|--------------|--------------|
| Sales | 9,509 | 9,081 |
| Cost of sales | 4,138 | 3,595 |
| Gross profit | 5,371 | 5,486 |
| Selling, general and administrative expense | 2,107 | 1,787 |
| Operating profit | 3,264 | 3,699 |
| Other income/expenses | (68) | (177) |
| Financial gain/loss | 147 | 239 |
| Net income | 2,433 | 2,749 |
| Gross profit margin | 56.5% | 60.4% |
| Operating profit margin | 34.3% | 40.7% |
| Net income margin | 25.6% | 30.3% |

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4. Appendix ③ KT&G Condensed Cash Flow



[Consolidated]

| Accounts (unit: hundred mil. KRW) | 2Q '21 (accumulated) | 2Q '20 (accumulated) |
|--|-------------------------|-------------------------|
| Cash flows from operating activities | 4,057 | 10,192 |
| Cash generated from operations | 6,376 | 12,385 |
| Income tax paid | (2,319) | (2,193) |
| Cash flows from investing activities | (998) | (1,606) |
| Acquisition of property, plant and equipment | (850) | (904) |
| Cash flows from financing activities | (6,036) | (5,587) |
| Net increase in cash and cash equivalents | (2,977) | 2,999 |
| Cash and cash equivalents at Jan, 1 | 12,536 | 8,913 |
| Effect of exchange rate fluctuation | (175) | 22 |
| Cash and cash equivalents at June, 30 | 9,384 | 11,934 |

[Separate]

| Accounts (unit: hundred mil. KRW) | 2Q '21 (accumulated) | 2Q '20 (accumulated) |
|--|-------------------------|-------------------------|
| Cash flows from operating activities | 1,733 | 8,170 |
| Cash generated from operations | 3,840 | 9,938 |
| Income tax paid | (2,107) | (1,769) |
| Cash flows from investing activities | (427) | (356) |
| Acquisition of property, plant and equipment | (682) | (691) |
| Cash flows from financing activities | (6,004) | (5,610) |
| Net increase in cash and cash equivalents | (4,698) | 2,204 |
| Cash and cash equivalents at Jan, 1 | 10,761 | 6,568 |
| Effect of exchange rate fluctuation | 5 | (6) |
| Cash and cash equivalents at June, 30 | 6,068 | 8,766 |

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4. Appendix ④ KGC Condensed Financial Statement



[Condensed Balance Sheet]

| Accounts (unit: hundred mil. KRW) | 2Q '21 | 4Q '20 |
|---------------------------------------|---------------|---------------|
| Non-current Assets | 14,489 | 15,837 |
| Property, plant and equipment | 11,366 | 12,735 |
| Intangible assets | 690 | 216 |
| Others | 2,433 | 2,886 |
| Current assets | 7,915 | 6,205 |
| Inventories | 3,498 | 2,311 |
| Cash and cash equivalents | 283 | 286 |
| Others | 4,134 | 3,608 |
| Total assets | 22,404 | 22,042 |
| Non-current liabilities | 995 | 1,025 |
| Current liabilities | 742 | 882 |
| Total liabilities | 1,737 | 1,907 |
| Total equities | 20,667 | 20,135 |
| Total liabilities and equities | 22,404 | 22,042 |

[Condensed Statement of Comprehensive Income]

| Accounts (unit: hundred mil. KRW) | 2Q '21 | 2Q '20 |
|--------------------------------------|--------------|--------------|
| Net sales | 2,593 | 2,776 |
| Red ginseng roots | 186 | 139 |
| Red ginseng products | 2,403 | 2,633 |
| (Ratio) | (92.7%) | (94.8%) |
| Others | 4 | 4 |
| COGS | 1,279 | 1,309 |
| Gross profit | 1,314 | 1,467 |
| SG&A | 1,249 | 1,266 |
| Operating profit | 65 | 201 |
| Other Income and expense | 1 | (46) |
| Financial gain/loss | 10 | 2 |
| Net income | 76 | 157 |
| Comprehensive income | 12 | 51 |
| Net sales | 64 | 106 |

Thank You



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