



# KT&G 3Q '21 Earnings Release



2021. 11. 4 | Investor Relations



# Disclaimer

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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.

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**1** Consolidated Results

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**2** KT&G Performance

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**3** KGC Performance

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**4** Appendix

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# 1. Consolidated Results



(Unit : bil KRW)

	3Q '21	2Q '21	3Q '20	QoQ	YoY
<b>Sales</b>	<b>1,568.4</b>	<b>1,346.5</b>	<b>1,463.4</b>	<b>16.5%</b>	<b>7.2%</b>
KT&G <sup>1)</sup>	930.4	950.9	908.8	△2.2%	2.4%
KGC <sup>1)</sup>	417.6	259.3	422.4	61.0%	△1.1%
Others and adjustments <sup>2)</sup>	220.4	136.3	132.2	61.7%	66.7%
<b>Operating Profit</b>	<b>423.9</b>	<b>330.1</b>	<b>434.0</b>	<b>28.4%</b>	<b>△2.3%</b>
<b>Net Income</b>	<b>359.2</b>	<b>246.4</b>	<b>277.7</b>	<b>45.8%</b>	<b>29.3%</b>

- **(Sales) 1.57 tril KRW / YoY 7.2% ↑**
  - Increase driven by the growth of HNB business and overseas cigarette subsidiaries
  
- **(OP) 423.9bil KRW / YoY 2.3% ↓**
  - Decrease in Export cigarettes and delayed recovery in non-tobacco subsidiaries
  
- **(NI) 359.2 bil KRW / YoY 29.3% ↑**
  - Increase in foreign currency translation gain

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)

	3Q '21	2Q '21	3Q '20	QoQ	YoY
<b>Sales</b>	<b>930.4</b>	<b>950.9</b>	<b>908.8</b>	<b>△2.2%</b>	<b>2.4%</b>
Domestic	535.7	481.4	529.4	11.3%	1.2%
Export <sup>1)</sup>	177.9	221.9	234.3	△19.8%	△24.1%
Real Estate and Others	216.8	247.6	145.1	△12.4%	49.4%
<b>SG&amp;A</b>	<b>171.7</b>	<b>210.7</b>	<b>184.5</b>	<b>△18.5%</b>	<b>△6.9%</b>
<b>Operating Profit</b>	<b>324.3</b>	<b>326.4</b>	<b>353.6</b>	<b>△0.6%</b>	<b>△8.3%</b>
<b>Net Income</b>	<b>297.6</b>	<b>243.3</b>	<b>241.3</b>	<b>22.3%</b>	<b>23.3%</b>

□ **(Sales) 930.4bil KRW / YoY 2.4% ↑**

- Growth in domestic & global HNB business and real estate business

□ **(OP) 324.3bil KRW / YoY 8.3% ↓**

- Impact of F/X drop & export cigarette sales decrease

□ **(NI) 297.6 bil KRW / YoY 23.3% ↑**

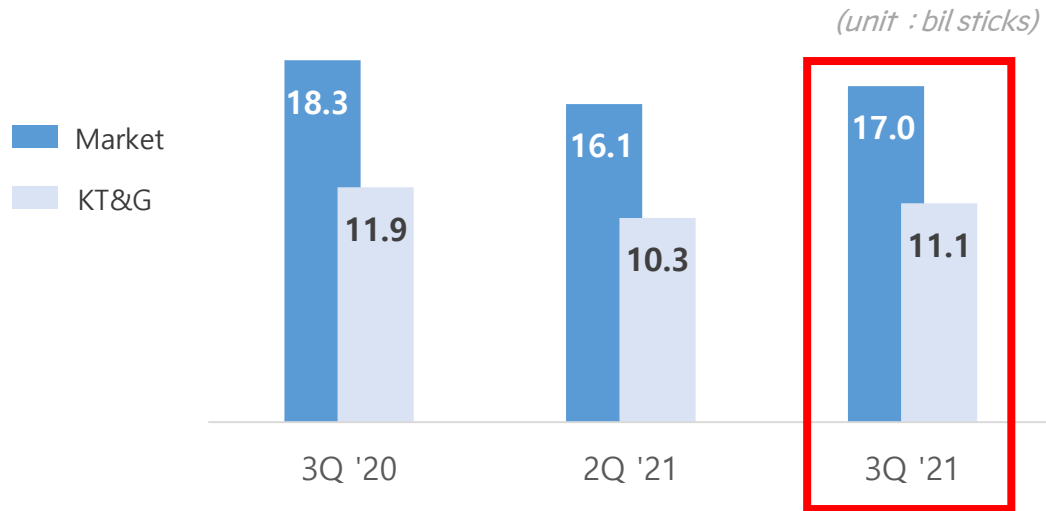
- Increase in foreign currency translation gain

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

## 2. KT&G Performance ② Domestic Combustible Cigarette<sup>1)</sup>



[Market/KT&G Volume]



□ (Market Volume) 17.0 bil sticks / YoY 7.1% ↓

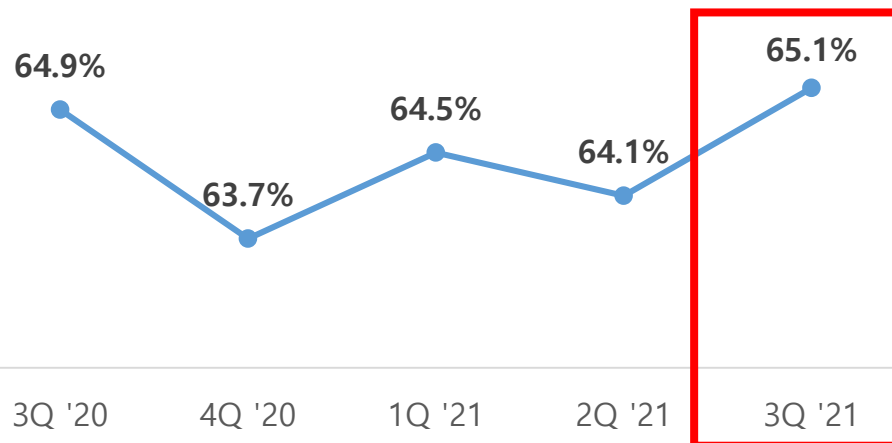
□ (KT&G Volume) 11.1 bil sticks / YoY 6.7% ↓

- Impacted by decrease in total market volume

□ (KT&G M/S) 65.1% / YoY 0.2%p ↑

- Thanks to the launch of new brands and the continued expansion of 'Super Slim' products
- Record the highest quarterly M/S since 2009

[KT&G M/S]

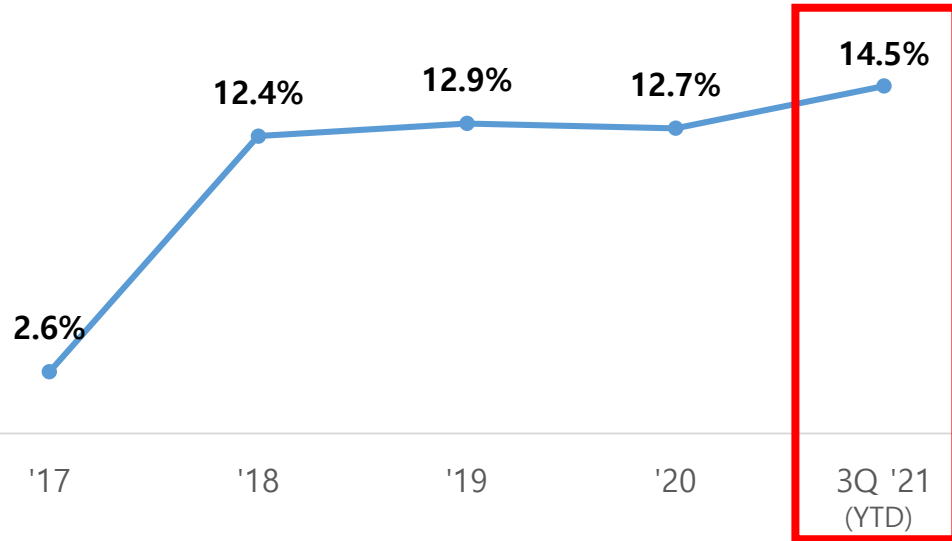


1) Resource : Korea Tobacco Association data based on shipment volumes to general store, centralized logistics, specialized channels, etc.

## 2. KT&G Performance ③ Domestic HNB Sticks<sup>1)</sup>



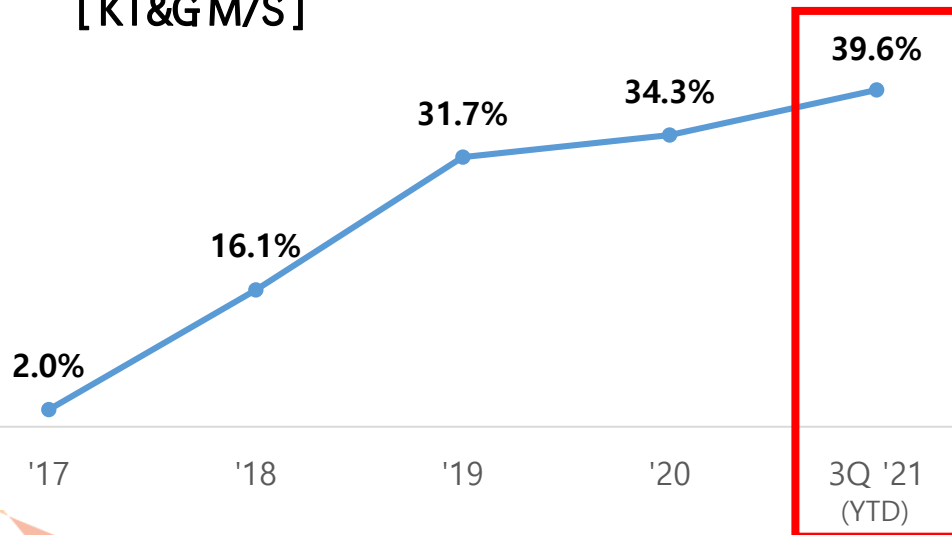
[Domestic HNB Market Penetration Rate]



□ (Penetration Rate) 14.5% (YTD)

- Continuing increase in demand in line with the trend of more health-consciousness and consumption behavior change

[KT&G M/S]



□ (KT&G M/S) 39.6% (YTD)

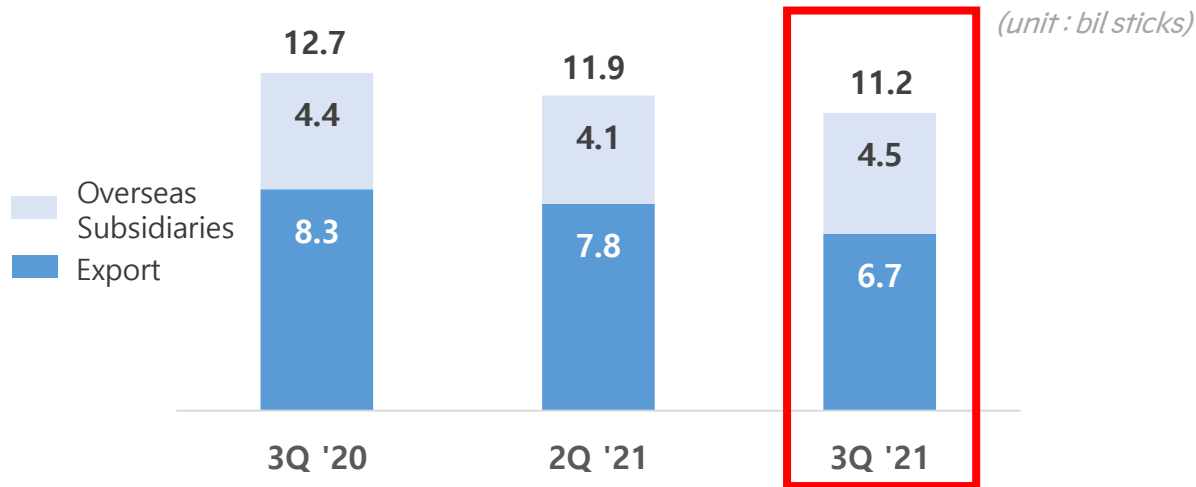
- Stick(Fiit/Miix) M/S continues to grow following device(lil solid/lil hybrid) M/S expansion
- Record the highest quarterly M/S(40.7%) ever

<sup>1)</sup> Resource : CVS POS data basis

## 2. KT&G Performance ④ Overseas Cigarette (Export<sup>1)</sup> and Overseas Subsidiaries<sup>2)</sup>



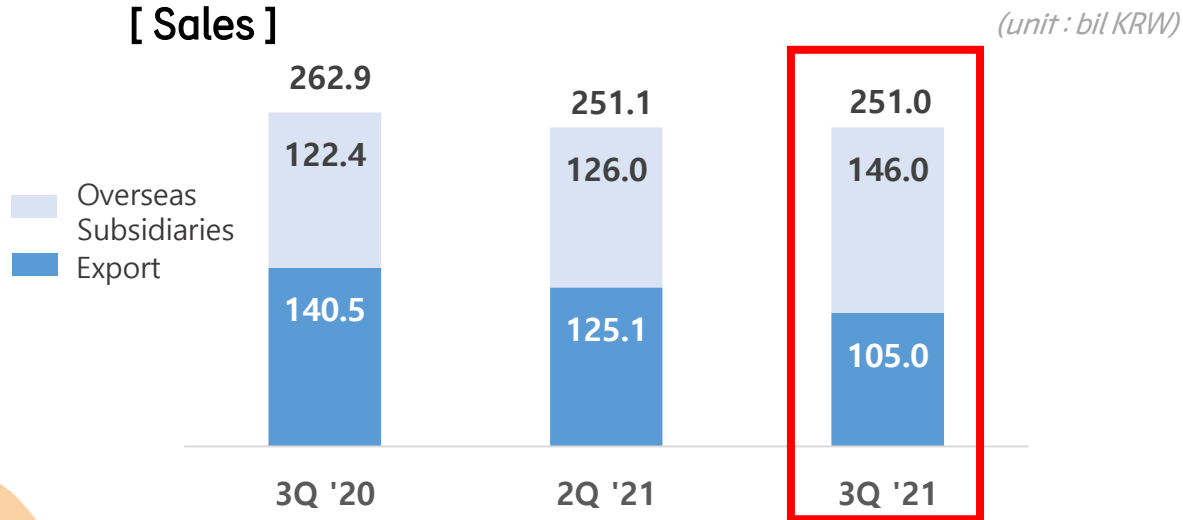
### [ Volume ]



□ (Volume) 11.2 bil sticks / YoY 11.8% ↓

- Despite growth in overseas subsidiaries, impacted by a decline in Middle-East region

### [ Sales ]



□ (Sales) 251.0 bil KRW / YoY 4.5% ↓

1) Export : KT&G US results excluded

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



### 3. KGC Performance ① Overview

(unit : bil KRW)

	3Q '21	2Q '21	3Q '20	QoQ	YoY
<b>Sales</b>	<b>417.6</b>	<b>259.3</b>	<b>422.4</b>	<b>61.0%</b>	<b>△1.1%</b>
Domestic	372.4	219.2	388.6	69.9%	△4.2%
Export	45.2	40.1	33.8	12.7%	33.7%
<b>SG&amp;A</b>	<b>147.0</b>	<b>124.9</b>	<b>146.0</b>	<b>17.7%</b>	<b>0.7%</b>
<b>Operating Profit</b>	<b>68.6</b>	<b>6.5</b>	<b>81.4</b>	<b>955.4%</b>	<b>△15.7%</b>
<b>Net Income</b>	<b>53.1</b>	<b>6.4</b>	<b>58.3</b>	<b>729.7%</b>	<b>△8.9%</b>

□ **(Sales) 417.6 bil KRW / YoY 1.1% ↓**

- Export sales improved due to increase in local sales in major markets
- However, domestic sales decreased impacted by domestic channel restructuring activities to enhance mid-to-long term efficiency and to improve distribution soundness

□ **(OP) 68.6 bil KRW / YoY 15.7% ↓**

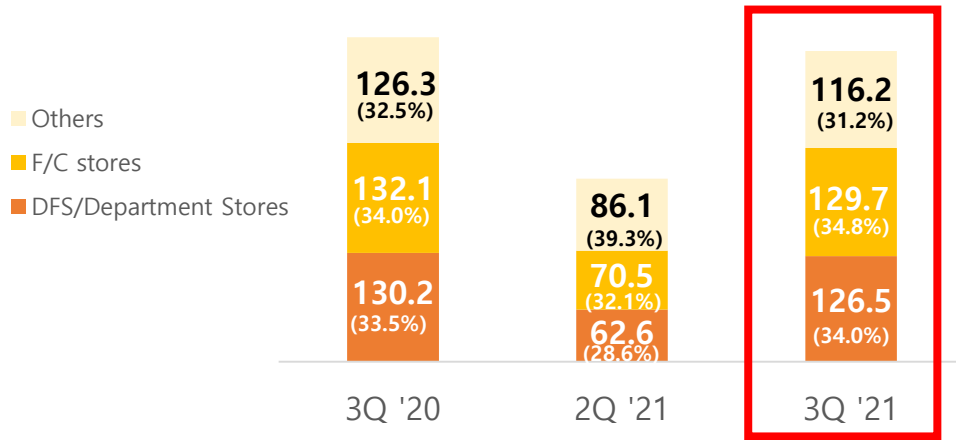
- Sales decline in high-margin channels such as franchise and duty-free
- COGS Increase caused by export sales growth, mainly root ginseng products with a high-cost ratio

□ **(NI) 53.1 bil KRW / YoY 8.9% ↓**

# 3. KGC Performance ② Domestic Sales Analysis

## [Sales by Channel]

(unit : bil KRW)

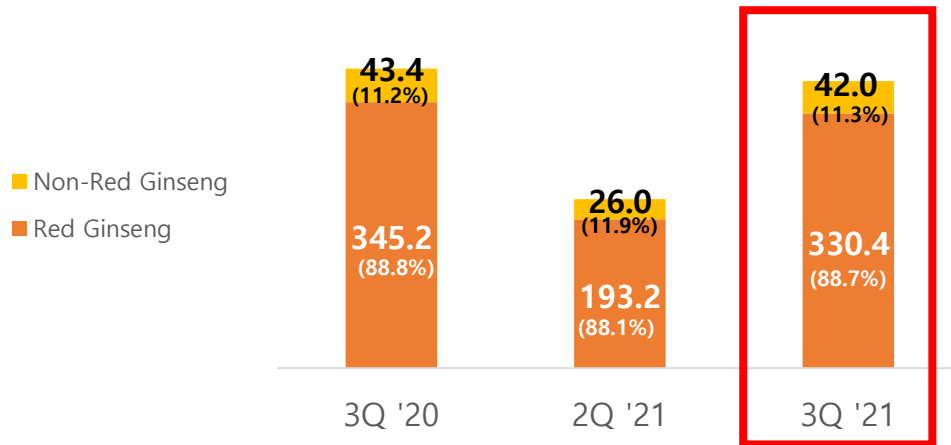


□ (Sales by Channel) 372.4 bil KRW / YoY 4.2% ↓

- (DFS/Department Stores) 126.5bil KRW / YoY 2.8% ↓
  - Department stores sales increased, while DFS and hypermarket sales declined
- (F/C Stores) 129.7bil KRW / YoY 1.8% ↓
  - High base effect of benefit from 2020 stimulus check
- (Others<sup>1)</sup>) 116.2bil KRW / YoY 8.0% ↓
  - Online channels are continuously growing, but Home shopping declined due to channel restructuring activities to enhance efficiency

## [Sales by Product Type]

(unit : bil KRW)



□ (Sales by Product Type) Red Ginseng 88.7% / YoY 0.1%p ↓

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

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## 4. Appendix ① KT&G Condensed Balance Sheet



### [ Consolidated ]

Accounts (unit: hundred mil. KRW)	'21. 3Q	'20. 4Q
<b>Current Asset<sup>(a)</sup></b>	<b>67,764</b>	<b>67,504</b>
Cash and cash equivalents, Etc <sup>(*)</sup>	27,497	25,758
Trade and other receivables	12,537	12,150
Inventories	22,945	25,350
Others	4,785	4,246
<b>Non-current assets</b>	<b>51,724</b>	<b>47,180</b>
Property, plant, and equipment	17,264	17,184
Investment property	10,612	10,302
Others	23,848	19,694
<b>Total assets</b>	<b>119,488</b>	<b>114,684</b>
Current liabilities <sup>(b)</sup>	20,895	19,915
Non-current liabilities	4,347	3,853
<b>Total liabilities<sup>(c)</sup></b>	<b>25,242</b>	<b>23,768</b>
<b>Total equity<sup>(d)</sup></b>	<b>94,246</b>	<b>90,916</b>
<b>Current ratio<sup>(a/b)</sup></b>	<b>324.3%</b>	<b>339.0%</b>
<b>Debt ratio<sup>(c/d)</sup></b>	<b>26.8%</b>	<b>26.1%</b>

### [ Separate ]

Accounts (unit: hundred mil. KRW)	'21. 3Q	'20. 4Q
<b>Current Asset<sup>(a)</sup></b>	<b>45,145</b>	<b>47,082</b>
Cash and cash equivalents, Etc <sup>(*)</sup>	22,942	23,211
Trade and other receivables	9,759	10,498
Inventories	8,931	9,933
Others	3,513	3,440
<b>Non-current assets</b>	<b>55,475</b>	<b>51,713</b>
Property, plant, and equipment	11,230	11,396
Investment property	11,244	11,012
Others	33,001	29,305
<b>Total assets</b>	<b>100,620</b>	<b>98,795</b>
Current liabilities <sup>(b)</sup>	16,837	17,180
Non-current liabilities	1,207	1,076
<b>Total liabilities<sup>(c)</sup></b>	<b>18,044</b>	<b>18,256</b>
<b>Total equity<sup>(d)</sup></b>	<b>82,576</b>	<b>80,539</b>
<b>Current ratio<sup>(a/b)</sup></b>	<b>268.1%</b>	<b>274.1%</b>
<b>Debt ratio<sup>(c/d)</sup></b>	<b>21.9%</b>	<b>22.7%</b>

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

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## 4. Appendix ② KT&G Condensed Income Statement



[ Consolidated ]

Accounts (unit: hundred mil. KRW)	3Q '21	3Q '20
<b>Sales</b>	<b>15,684</b>	<b>14,634</b>
Cost of sales	7,451	6,353
<b>Gross profit</b>	<b>8,233</b>	<b>8,281</b>
SG&A	3,994	3,941
<b>Operating profit</b>	<b>4,239</b>	<b>4,340</b>
Other income/expenses	778	(482)
Financial gain/loss and others	(5)	90
<b>Net income</b>	<b>3,592</b>	<b>2,777</b>
Gross profit margin	52.5%	56.6%
Operating profit margin	27.0%	29.7%
Net income margin	22.9%	19.0%

[ Separate ]

Accounts (unit: hundred mil. KRW)	3Q '21	3Q '20
<b>Sales</b>	<b>9,304</b>	<b>9,088</b>
Cost of sales	4,344	3,706
<b>Gross profit</b>	<b>4,960</b>	<b>5,381</b>
SG&A	1,717	1,845
<b>Operating profit</b>	<b>3,243</b>	<b>3,536</b>
Other income/expenses	754	(344)
Financial gain/loss and others	66	100
<b>Net income</b>	<b>2,976</b>	<b>2,413</b>
Gross profit margin	53.3%	59.2%
Operating profit margin	34.9%	38.9%
Net income margin	32.0%	26.6%

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## 4. Appendix ③ KT&G Condensed Cash Flow



[ Consolidated ]

Accounts (unit: hundred mil. KRW)	3Q '21 (accumulated)	3Q '20 (accumulated)
<b>Cash flows from operating activities</b>	<b>12,038</b>	<b>12,080</b>
Cash generated from operations	16,125	15,351
Income tax paid	(4,087)	(3,271)
<b>Cash flows from investing activities</b>	<b>(4,772)</b>	<b>(2,561)</b>
Acquisition of property, plant and equipment	(1,261)	(1,521)
<b>Cash flows from financing activities</b>	<b>(5,996)</b>	<b>(7,795)</b>
Net increase in cash and cash equivalents	1,270	1,724
<b>Cash and cash equivalents at Jan, 1</b>	<b>12,536</b>	<b>8,913</b>
Effect of exchange rate fluctuation	(197)	5
<b>Cash and cash equivalents at Sep, 30</b>	<b>13,609</b>	<b>10,642</b>

[ Separate ]

Accounts (unit: hundred mil. KRW)	3Q '21 (accumulated)	3Q '20 (accumulated)
<b>Cash flows from operating activities</b>	<b>9,453</b>	<b>10,906</b>
Cash generated from operations	13,213	13,588
Income tax paid	(3,760)	(2,682)
<b>Cash flows from investing activities</b>	<b>(4,198)</b>	<b>(1,358)</b>
Acquisition of property, plant and equipment	(941)	(1,144)
<b>Cash flows from financing activities</b>	<b>(6,029)</b>	<b>(7,762)</b>
Net increase in cash and cash equivalents	(774)	1,786
<b>Cash and cash equivalents at Jan, 1</b>	<b>10,761</b>	<b>6,568</b>
Effect of exchange rate fluctuation	15	(4)
<b>Cash and cash equivalents at Sep, 30</b>	<b>10,002</b>	<b>8,350</b>

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## 4. Appendix ④ KGC Condensed Financial Statement



[Condensed Balance Sheet ]

Accounts (unit: hundred mil. KRW)	3Q '21	4Q '20
<b>Current assets</b>	<b>15,704</b>	<b>15,837</b>
Inventories	10,799	12,735
Cash and cash equivalents	1,070	216
Others	3,835	2,886
<b>Non-current Assets</b>	<b>7,893</b>	<b>6,205</b>
Property, plant and equipment	3,490	2,311
Intangible assets	279	286
Others	4,124	3,608
<b>Total assets</b>	<b>23,597</b>	<b>22,042</b>
Current liabilities	1,476	1,025
Non-current liabilities	954	882
<b>Total liabilities</b>	<b>2,430</b>	<b>1,907</b>
<b>Total equities</b>	<b>21,167</b>	<b>20,135</b>

[Condensed Statement of Comprehensive Income ]

Accounts (unit: hundred mil. KRW)	3Q '21	3Q '20
<b>Sales</b>	<b>4,176</b>	<b>4,224</b>
Red ginseng roots	180	125
Red ginseng products	3,992	4,095
(Ratio)	(95.6%)	(96.9%)
Others	4	4
COGS	2,020	1,950
<b>Gross profit</b>	<b>2,156</b>	<b>2,274</b>
SG&A	1,470	1,460
<b>Operating profit</b>	<b>686</b>	<b>814</b>
Other Income and expense	21	(22)
Financial gain/loss	14	2
<b>Net income</b>	<b>531</b>	<b>583</b>

# Thank You



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