



KT&G 2021

4Q and Annual Earnings Release



2022. 2. 10 | Investor Relations



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 2022 Business Target

5 Appendix

1. Consolidated Results¹⁾



(Unit : bil KRW)

	4Q 21	4Q 20	YoY	FY 21	FY 20	YoY
Sales	1,247.5	1,276.5	△2.3%	5,228.4	5,055.3	3.4%
KT&G ²⁾	851.3	957.2	△11.1%	3,490.5	3,435.4	1.6%
KGC ²⁾	235.6	242.5	△2.8%	1,292.8	1,333.6	△3.1%
Others and adjustments ³⁾	160.6	76.8	109.1%	445.1	286.3	55.5%
Operating Profit	264.9	351.0	△24.5%	1,319.5	1,473.2	△10.4%
Net Income	111.5	307.3	△63.7%	990.0	1,171.6	△15.5%

□ (Sales) 4Q 1,247.5bil KRW YoY -2.3% / FY 5,228.4 bil KRW YoY +3.4%

- Despite the decrease in real estate, export cigarette business and KGC, recorded the highest annual sales for 2 consecutive years thanks to the growth of domestic & global HNB business and overseas cigarette subsidiaries

□ (OP) 4Q 264.9bil KRW YoY -24.5% / FY 1,319.5 bil KRW YoY -10.4%

- Impacted by KT&G sales drop and increase in SG&A expenses on 4Q

□ (NI) 4Q 111.5bil KRW YoY -63.7% / FY 990.0 bil KRW YoY -15.5%

- YoY reverse base effect on disposal of assets held for sale

1) Due to the temporary suspension of US cigarette sales in '21. 4Q, the financial figures of last year have been rewritten for comparison

2) Sales of KT&G and KGC are the amounts before eliminating internal transactions

3) 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)

	4Q 21	4Q 20	YoY	FY 21	FY 20	YoY
Sales	851.3	957.2	Δ11.1%	3,490.5	3,435.4	1.6%
Domestic	488.9	445.5	9.7%	1,964.5	1,881.9	4.4%
Export ¹⁾	206.5	233.5	Δ11.6%	787.5	808.8	Δ2.6%
Real Estate and Others	155.9	278.2	Δ44.0%	738.5	744.7	Δ0.8%
SG&A	262.7	161.7	62.5%	822.8	689.2	19.4%
Operating Profit	174.2	363.7	Δ52.1%	1,072.8	1,337.0	Δ19.8%
Net Income	95.7	298.3	Δ67.9%	873.5	1,075.3	Δ18.8%

□ (Sales) 4Q 851.3 bil KRW YoY -11.1% / FY 3,490.5 bil KRW YoY +1.6%

- Despite the decrease in real estate & export cigarette business, recorded the highest annual sales for 2 consecutive years thanks to the growth of domestic & global HNB business

□ (OP) 4Q 174.2 bil KRW YoY -52.1% / FY 1,072.8 bil KRW YoY -19.8%

- Impact of increase in global logistics cost and SG&A expenses

□ (NI) 4Q 95.7 bil KRW YoY -67.9% / FY 873.5 bil KRW YoY -18.8%

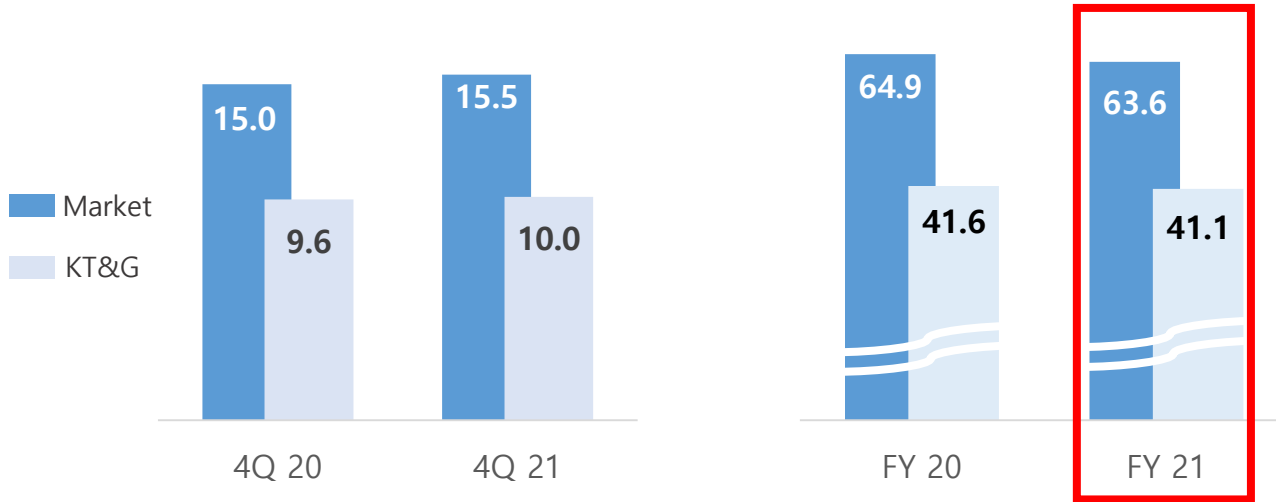
1) Export : Separate result standard(including Export to US)

2. KT&G Performance ② Domestic Combustible Cigarette



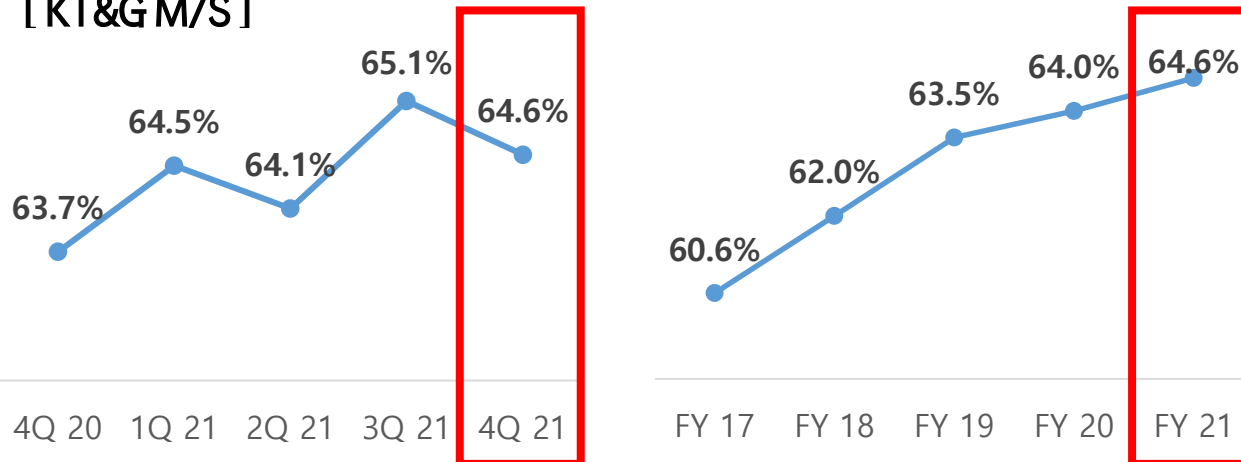
[Market/KT&G Volume]

(unit : bil sticks)



- (4Q) Market Volume 15.5 bil sticks YoY +2.8% / KT&G Volume 10.0 bil sticks YoY +4.3%
 - Base effect of difference in the number of working days
- (FY) Market Volume 63.6 bil sticks YoY -2.1% / KT&G Volume 41.1 bil sticks YoY -1.3%
 - Shift in consumer demand toward HNB

[KT&G M/S]



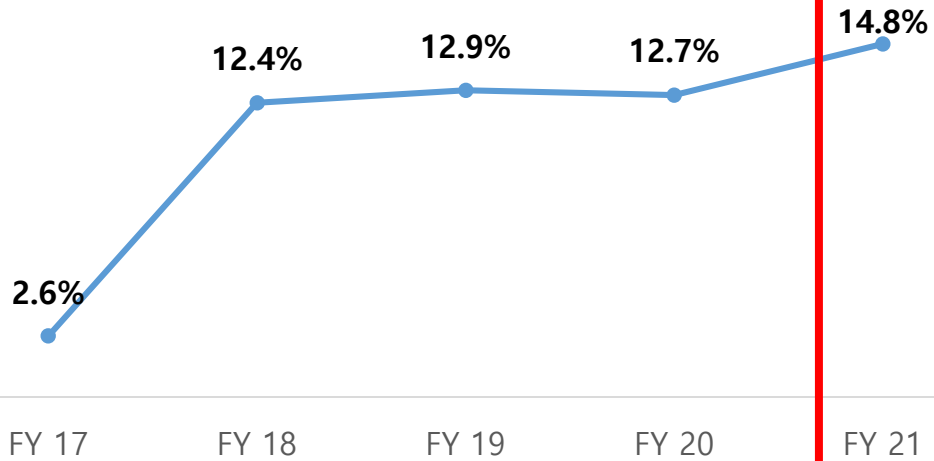
- (4Q) 64.6% YoY +0.9%p
 - Continued share gain by launching new type 'Micro Slim' products
- (FY) 64.6% YoY +0.6%p
 - Thanks to growing demands on 'less smell/low stimulus' and 'super slim' products

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

2. KT&G Performance ③ Domestic HNB



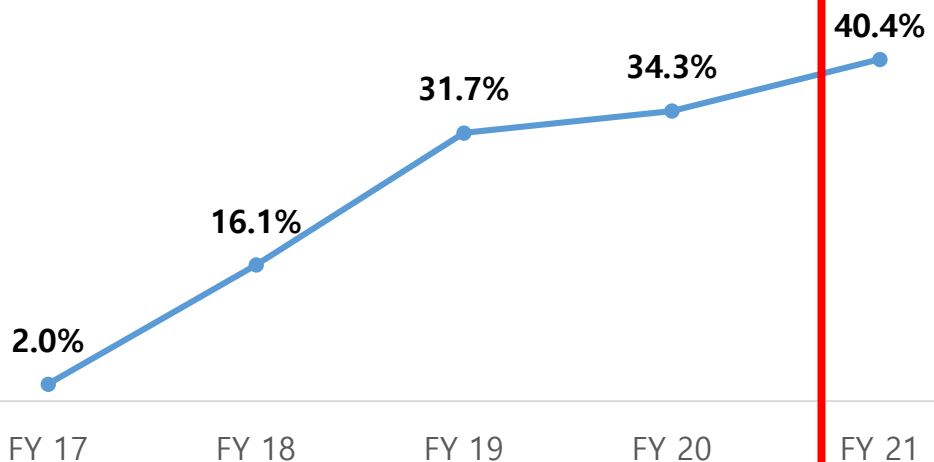
[Domestic HNB Market Penetration Rate¹⁾]



□ (Penetration Rate) 14.8% YoY +2.1%p

- Continuing increase in demand in line with the trend of more health-consciousness and preference of 'less smell/low stimulus' products

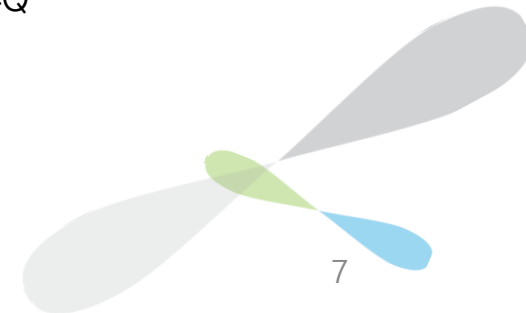
[KT&G M/S¹⁾]



□ (KT&G M/S) 40.4% YoY +6.1%p

- Continued stick M/S growth on the back of KT&G Device M/S Expansion, Especially led by KT&G unique platform 'lil hybrid'
- Record the highest quarterly M/S(42.5%) in 4Q

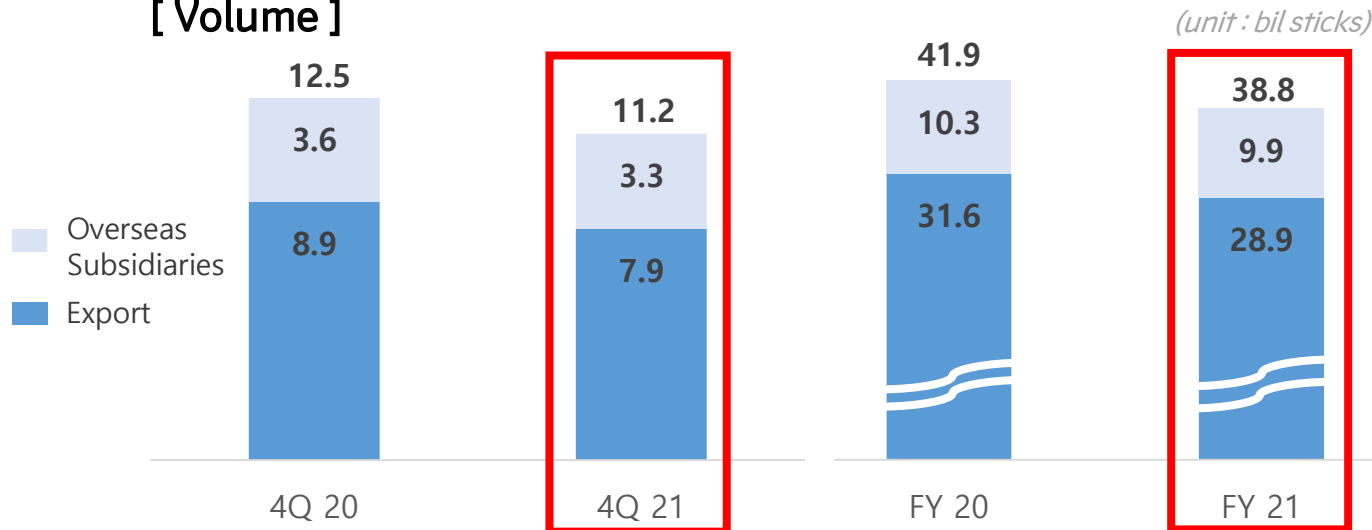
1) POS sales standard



2. KT&G Performance ④ Overseas Cigarette¹⁾ (Export and Overseas Subsidiaries²⁾)



[Volume]

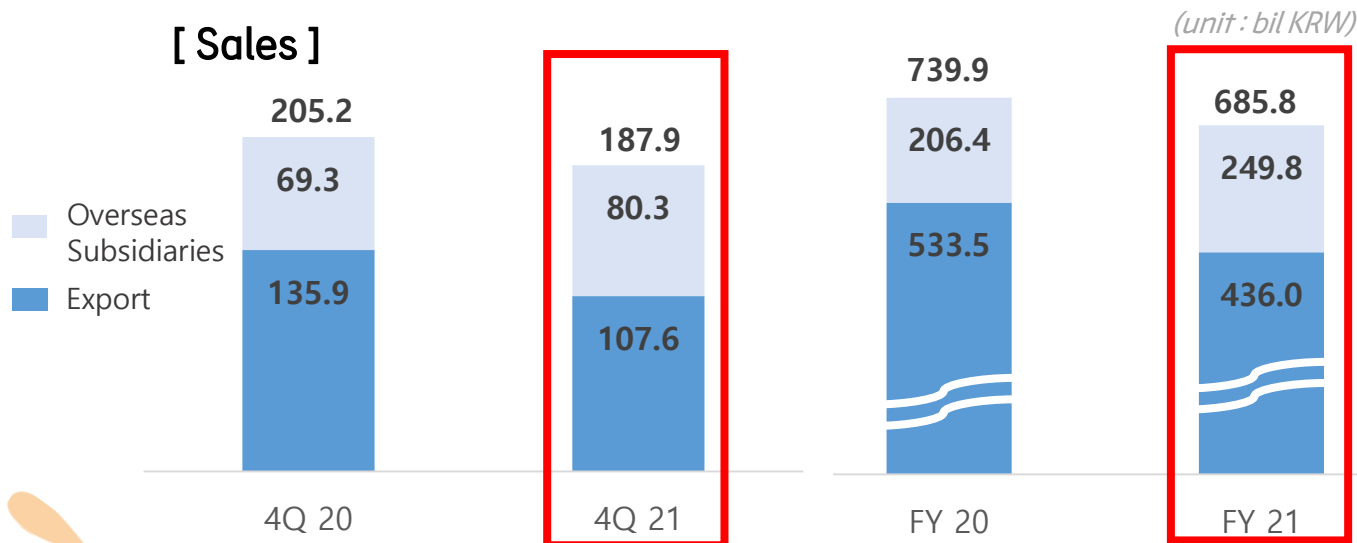


□ (4Q) 11.2bil sticks YoY -10.4%

□ (FY) 38.8 bil sticks YoY -7.4%

- Continued decline in demand of Middle East market due to prolonged COVID19
- Impacted by logistics and shipping restrictions in some countries in Asia-Pacific region

[Sales]



□ (4Q) 187.9 bil KRW YoY -8.4%

- Despite the growth in overseas subsidiaries, impacted by decline in export cigarette sales

□ (FY) 685.8 bil KRW YoY -7.3%

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

1) Due to the temporary suspension of US cigarette sales in '21. 4Q, the US financial figures are excluded for comparison

2) Overseas subsidiaries : excluding US

3. KGC Performance ① Overview



(unit : bil KRW)

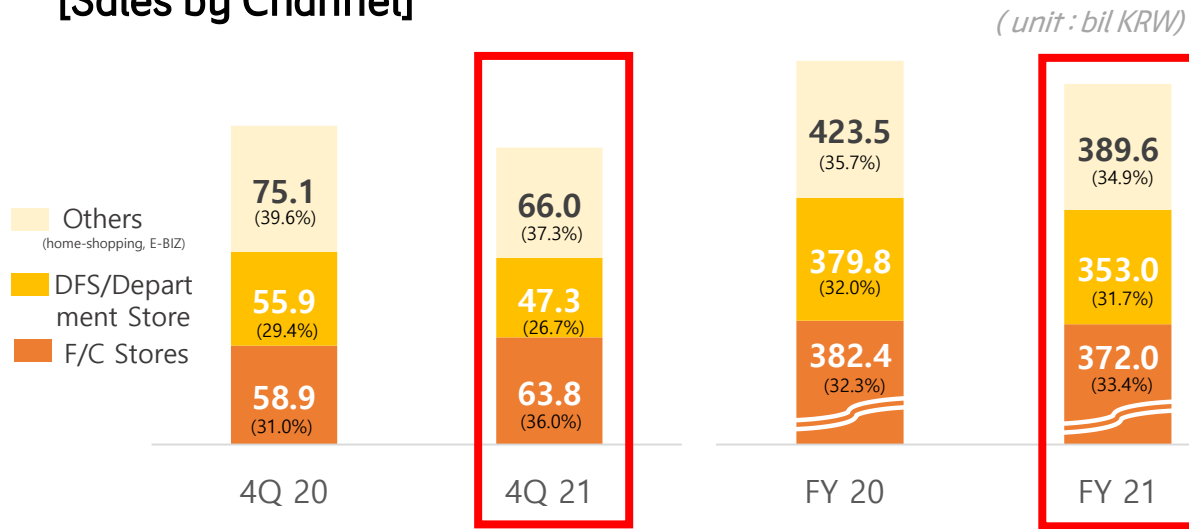
	4Q 21	4Q 20	YoY	FY 21	FY 20	YoY
Sales	235.6	242.5	Δ2.8%	1,292.8	1,333.6	Δ3.1%
Domestic	177.1	189.9	Δ6.7%	1,114.6	1,185.7	Δ6.0%
Export	58.5	52.6	11.2%	178.2	147.9	20.5%
SG&A	122.1	131.3	Δ7.0%	532.0	543.0	Δ2.0%
Operating Profit	(11.6)	(13.3)	-	116.8	159.2	Δ26.6%
Net Income	(11.0)	(14.8)	-	88.8	109.4	Δ18.8%

- (Sales) 4Q 235.6 bil KRW YoY -2.8% / FY 1,292.8 bil KRW YoY -3.1%
 - Increase in export sales by targeting Chinese online channels
 - Continued domestic channel restructuring activities to enhance mid-to-long term efficiency and to improve distribution soundness
- (OP) 4Q -11.6 bil KRW / FY 116.8 bil KRW YoY -26.6%
 - YoY improved by reducing SG&A expenses in 4Q, but FY OP declined due to a decrease in annual sales and increase in COGS
- (NI) 4Q -11.0 bil KRW / FY 88.8 bil KRW YoY -18.8%

3. KGC Performance ② Domestic Sales Analysis

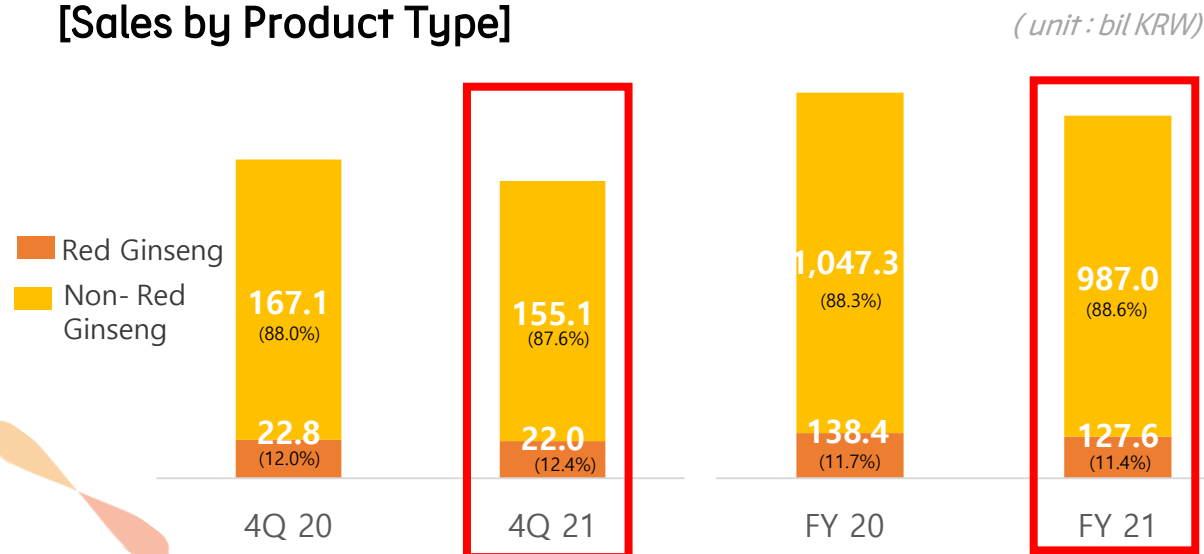


[Sales by Channel]



- (DFS/Department Store) 4Q 47.3 bil KRW YoY -15.4% / FY 372.0 bil KRW YoY -7.1%
 - Decrease mainly due to prolonged COVID19
- (F/C Stores) 4Q 63.8 bil KRW YoY +8.3% / FY 372.0 bil KRW YoY -2.7%
 - Increased 4Q sales due to the early Lunar New Year in 2022
- (Others) 4Q 66.0 bil KRW YoY -12.1% / FY 389.6 bil KRW YoY -8.0%
 - Decrease in demand for corporate special sales, and continued channel restructuring activities to enhance efficiency

[Sales by Product Type]



- (Red Ginseng) 4Q 155.1 bil KRW YoY -7.2% / FY 987.0 bil KRW YoY -5.8%
- (Non-Red Ginseng) 4Q 22.0 bil KRW YoY -3.5% / FY 127.6 bil KRW YoY -7.8%

4. 2022 Business Target ① KT&G



◆ (Separate) Sales 3,424.1 bil KRW / OP 1,022.0 bil KRW

Guidance

Domestic Combustible Cigarette	Overseas Combustible Cigarette (Export and Overseas Subsidiaries)	Real Estate
<ul style="list-style-type: none"> ✓ (Volume) 40.8 bil sticks (※ Total Market volume assumption 62.8 bil sticks) ✓ (M/S) 65.0% 	<ul style="list-style-type: none"> ✓ (Volume) 46.9bil sticks ✓ (Sales) 896.8 bil KRW 	<ul style="list-style-type: none"> ✓ (Sales) 492.7 bil KRW ✓ (Project Suwon) 376.3 bil KRW

Key Strategy

<ul style="list-style-type: none"> ✓ Maximize competitiveness in the market through launching differentiated new products 	<ul style="list-style-type: none"> ✓ Expansion of high-margin market and advancement of profit structure 	<ul style="list-style-type: none"> ✓ Sustainable value creation through the new project
+	+	+
<ul style="list-style-type: none"> ✓ Enhance profitability through management of ASP and cost 	<ul style="list-style-type: none"> ✓ Expansion of direct business investment to increase the role of overseas subsidiaries 	<ul style="list-style-type: none"> ✓ Stabilize profitable assets and build a well-balanced business portfolio

4. 2022 Business Target ② KGC



◆ (Separate) Sales 1,437.1 bil KRW / OP 154.1 bil KRW

Domestic

Export

✔ (Sales) 1,230 bil KRW

✔ (Sales) 207.1 bil KRW

Guidance

✔ (Product) Re-establishment of efficacy-based product portfolio and expansion of new product launches in line with the trends



✔ (Channel Distribution) Securing differentiated competitiveness of 'KGC shop' by strategic expansion of online platform



✔ (Investment) Investment in health functional food, cosmetic and other new business for sustainable business foundation

✔ Strengthen marketing based on scientific efficacy and vitalize consumer communication for the Chinese and US markets



✔ Enhance the portfolio of local customized products based on consumer research



✔ Expansion of global distribution coverage through on-line platform innovation and discovering large-scale distributor

Key Strategy

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

5. Appendix ① KT&G Condensed Balance Sheet



[Consolidated]

Accounts (unit: hundred mil. KRW)	FY 21	FY 20
Current Asset^(a)	62,766	67,504
Cash and cash equivalents, Etc ^(*)	23,891	25,758
Trade and other receivables	10,131	12,150
Inventories	23,732	25,350
Others	5,012	4,246
Non-current assets	53,632	47,180
Property, plant, and equipment	17,410	17,184
Investment property	11,510	10,302
Others	24,712	19,694
Total assets	116,398	114,684
Current liabilities ^(b)	20,411	19,915
Non-current liabilities	3,716	3,853
Total liabilities^(c)	24,127	23,768
Total equity^(d)	92,271	90,916
Current ratio^(a/b)	307.5%	339.0%
Debt ratio^(c/d)	26.1%	26.1%

[Separate]

Accounts (unit: hundred mil. KRW)	FY 21	FY 20
Current Asset^(a)	40,091	47,082
Cash and cash equivalents, Etc ^(*)	18,882	23,211
Trade and other receivables	7,889	10,498
Inventories	9,249	9,933
Others	4,071	3,440
Non-current assets	57,745	51,713
Property, plant, and equipment	11,290	11,396
Investment property	11,285	11,012
Others	35,170	29,305
Total assets	97,836	98,795
Current liabilities ^(b)	16,966	17,180
Non-current liabilities	663	1,076
Total liabilities^(c)	17,629	18,256
Total equity^(d)	80,207	80,539
Current ratio^(a/b)	236.3%	274.1%
Debt ratio^(c/d)	22.0%	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.

5. Appendix ② KT&G Condensed Income Statement



[Consolidated]

Accounts (unit: hundred mil. KRW)	FY 21	FY 20
Sales	52,284	50,553
Cost of sales	23,568	21,271
Gross profit	28,716	29,282
Selling, general and administrative expense	15,521	14,550
Operating profit	13,195	14,732
Other income/expenses	460	230
Financial gain/loss	498	1,046
Net income from continuing operations	10,414	11,664
Net income from discontinued operations	(514)	52
Net income	9,900	11,716
Gross profit margin	54.9%	57.9%
Operating profit margin	25.2%	29.1%
Net income margin	18.9%	23.2%

[Separate]

Accounts (unit: hundred mil. KRW)	FY 21	FY 20
Sales	34,905	34,354
Cost of sales	15,949	14,091
Gross profit	18,956	20,263
Selling, general and administrative expense	8,228	6,893
Operating profit	10,728	13,370
Other income/expenses	627	206
Financial gain/loss	560	1,078
Net income	8,735	10,753
Gross profit margin	54.3%	59.0%
Operating profit margin	30.7%	38.9%
Net income margin	25.0%	31.3%

(* Due to the temporary suspension of US cigarette sales in '21. 4Q, the financial figures of last year have been rewritten for comparison

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

5. Appendix ③ KT&G Condensed Cash Flow



[Consolidated]

Accounts (unit: hundred mil. KRW)	FY 21	FY 20
Cash flows from operating activities	13,559	12,617
Cash generated from operations	17,687	16,856
Income tax paid	(4,128)	(4,239)
Cash flows from investing activities	(7,393)	(858)
Acquisition of property, plant and equipment	(1,833)	(2,161)
Cash flows from financing activities	(8,997)	(8,089)
Net increase in cash and cash equivalents	(2,831)	3,669
Cash and cash equivalents at Jan, 1	12,536	8,919
Effect of exchange rate fluctuation and others and others	(40)	(46)
Cash and cash equivalents at Dec, 31	9,666	12,536

[Separate]

Accounts (unit: hundred mil. KRW)	FY 21	FY 20
Cash flows from operating activities	11,031	11,861
Cash generated from operations	14,810	15,397
Income tax paid	(3,779)	(3,536)
Cash flows from investing activities	(6,351)	133
Acquisition of property, plant and equipment	(1,361)	(1,626)
Cash flows from financing activities	(9,536)	(7,785)
Net increase in cash and cash equivalents	(4,856)	4,209
Cash and cash equivalents at Jan, 1	10,761	6,568
Effect of exchange rate fluctuation and others and others	1	(16)
Cash and cash equivalents at December, 31	5,906	10,761

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

5. Appendix ④ KGC Condensed Financial Statement



[Condensed Balance Sheet]

Accounts (unit: hundred mil. KRW)	FY 21	FY 20
Current Assets	15,454	15,837
Property, plant and equipment	11,818	12,735
Intangible assets	753	216
Others	2,883	2,886
Non-current assets	7,621	6,205
Inventories	3,438	2,311
Cash and cash equivalents	277	286
Others	3,906	3,608
Total assets	23,075	22,042
Current liabilities	1,149	1,025
Non-current liabilities	767	882
Total liabilities	1,916	1,907
Total equities	21,159	20,135
Total liabilities and equities	23,075	22,042

[Condensed Income Statement]

Accounts (unit: hundred mil. KRW)	FY 21	FY 20
Sales	12,928	13,336
Red ginseng roots	692	683
Red ginseng products	12,219	12,634
(Ratio)	(94.5%)	(94.7%)
Others	17	19
Cost of sales	6,440	6,314
Gross profit	6,488	7,022
Selling, general and administrative expense	5,320	5,430
Operating profit	1,168	1,592
Other income/expenses	0	-116
Financial gain/loss	41	10
Net income	888	1,094

Thank You



20F, KT&G Tower, 416,
Yeongdong-daero, Gangnam-gu, Seoul
www.ktnng.com