



# KT&G 2Q '22 Earnings Release



2022. 8. 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<sup>1)</sup>

(Unit : bil KRW)

	2Q '22	1Q '22	2Q '21	QoQ	YoY
<b>Sales</b>	<b>1,417.5</b>	<b>1,402.6</b>	<b>1,278.2</b>	<b>1.1%</b>	<b>10.9%</b>
KT&G <sup>2)</sup>	966.3	844.8	950.9	14.4%	1.6%
KGC <sup>2)</sup>	246.4	374.2	259.3	-34.2%	-5.0%
Others and adjustments <sup>3)</sup>	204.8	183.6	68.0	11.5%	201.2%
<b>Operating Profit</b>	<b>327.6</b>	<b>333.0</b>	<b>324.3</b>	<b>-1.6%</b>	<b>1.0%</b>
<b>Net Income</b>	<b>330.1</b>	<b>263.4</b>	<b>246.4</b>	<b>25.3%</b>	<b>34.0%</b>

- **(Sales) 1.42 tril KRW / YoY 10.9% ↑**
  - Driven by the growth of KT&G Tobacco business, overseas cigarette subsidiary and a real estate subsidiary
- **(OP) 327.6 bil KRW / YoY 1.0% ↑**
  - On the back of the solid growth of the overseas cigarette subsidiary
- **(NI) 330.1 bil KRW / YoY 34.0% ↑**
  - Mainly due to gain on foreign currency transaction

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)

	2Q '22	1Q '22	2Q '21	QoQ	YoY
<b>Sales</b>	<b>966.3</b>	<b>844.8</b>	<b>950.9</b>	<b>14.4%</b>	<b>1.6%</b>
Domestic	552.1	493.7	481.4	11.8%	14.7%
Export <sup>1)</sup>	258.6	236.6	222.0	9.3%	16.5%
Real Estate and Others	155.6	114.5	247.5	35.9%	-37.1%
<b>SG&amp;A</b>	<b>204.0</b>	<b>180.2</b>	<b>210.7</b>	<b>13.2%</b>	<b>-3.2%</b>
<b>Operating Profit</b>	<b>312.8</b>	<b>272.6</b>	<b>326.4</b>	<b>14.7%</b>	<b>-4.2%</b>
<b>Net Income</b>	<b>347.9</b>	<b>257.9</b>	<b>243.3</b>	<b>34.9%</b>	<b>43.0%</b>

□ **(Sales) 966.3 bil KRW / YoY 1.6% ↑**

- Strong growth of combustibles & HNB Business

□ **(OP) 312.8 bil KRW / YoY 4.2% ↓**

- Mainly due to a high base effect of Suwon development project

□ **(NI) 347.9 bil KRW / YoY 43.0% ↑**

- Driven by gain on foreign currency transaction

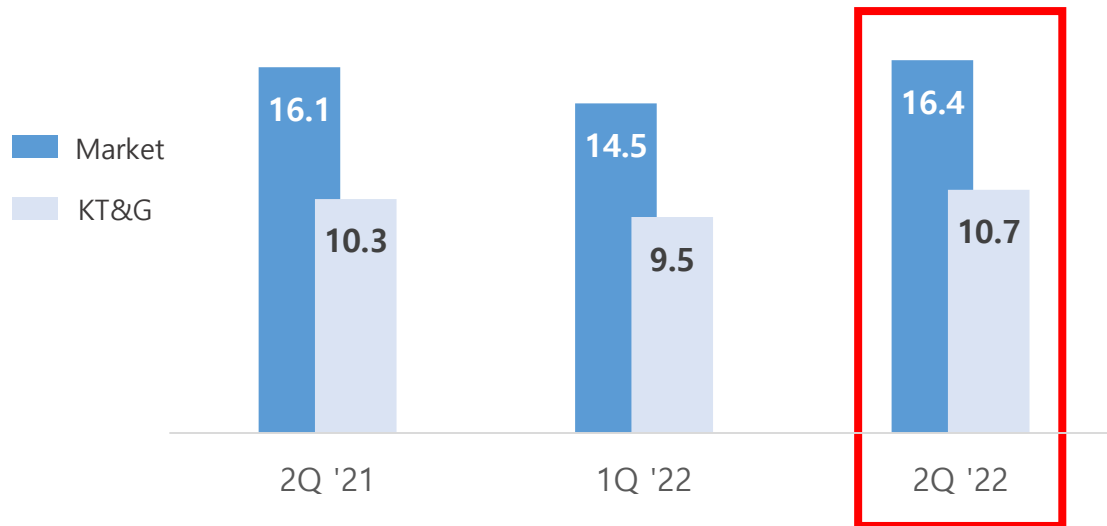
1) Export : Separate result standard, prior to the consolidation removal of US subsidiary sales

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



[Market/KT&G Volume]

(unit : bil sticks)



□ (Market Volume) 16.4 bil sticks / YoY 1.5% ↑

- Thanks to a recovery in demand since the lifting of social distancing measures in April

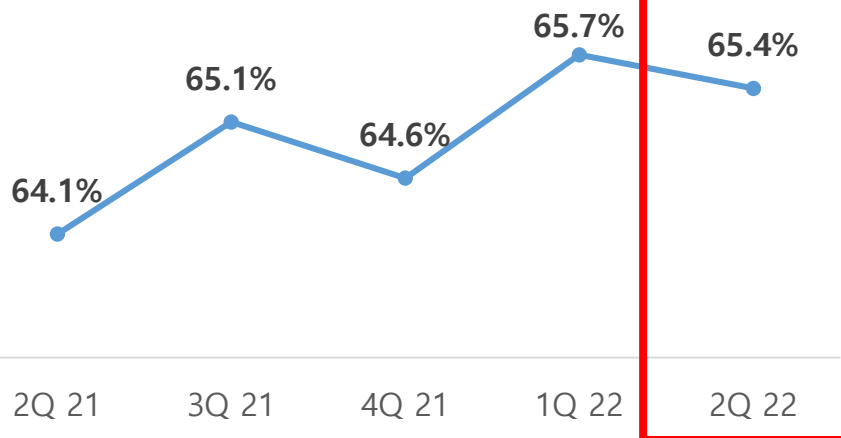
□ (KT&G Volume) 10.7 bil sticks / YoY 3.5% ↑

- Driven by market volume increase and Duty-free channel recovery

□ (KT&G M/S) 65.4% / YoY 1.3%p ↑

- On-going market share gains with the launching of new products and the continued expansion in 'super-slim' segment

[KT&G M/S]

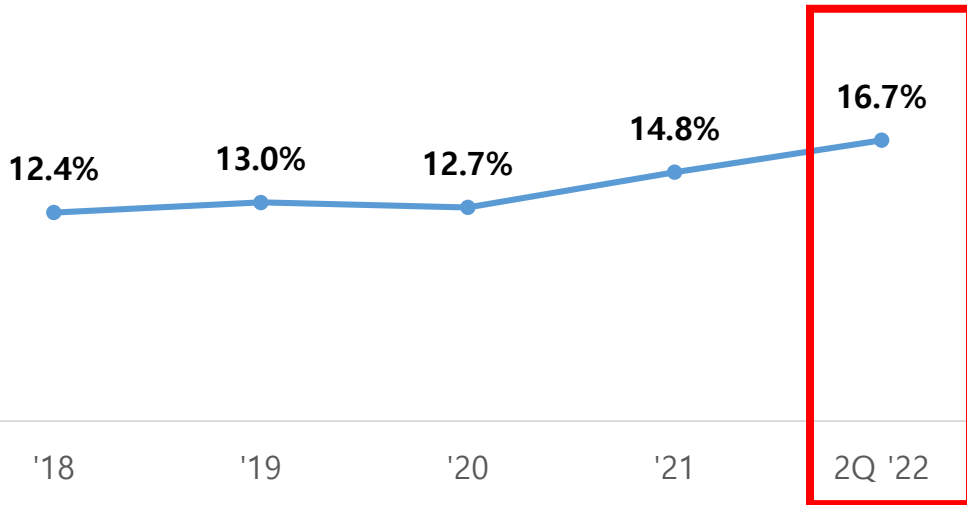


<sup>1)</sup> Resource : Korea Tobacco Association data based on shipment volumes to general store, centralized logistics, specialized channels, etc. (unit: bil sticks)

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

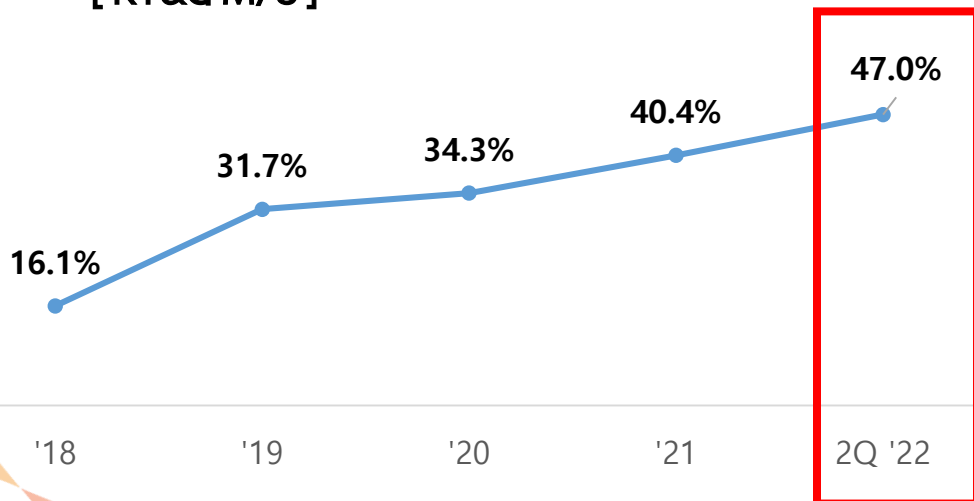


[ Domestic HNB Market Penetration Rate ]



□ (Penetration Rate) 16.7%

[ KT&G M/S ]



□ (KT&G M/S) 47.0%

- Maintaining the domestic HNB market leadership

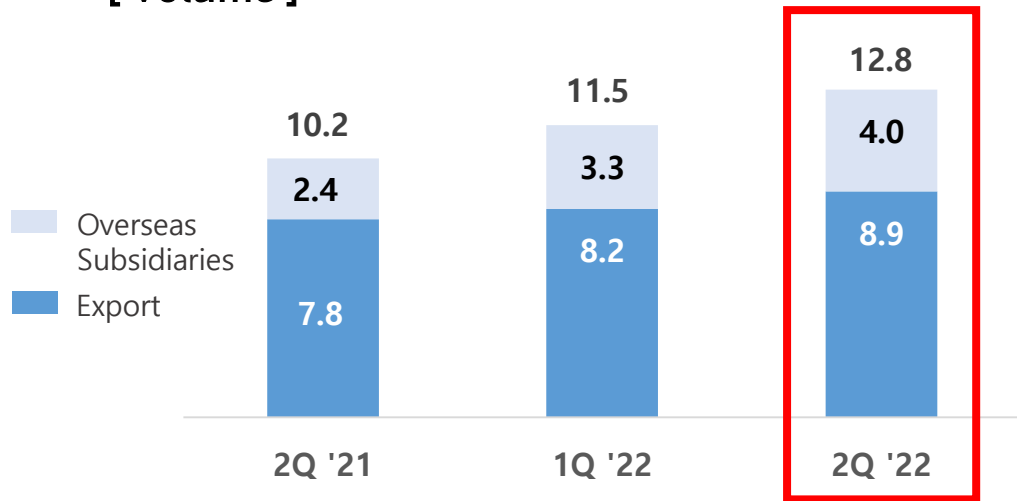
1) POS sales standard

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



### [ Volume ]

(unit : bil sticks)

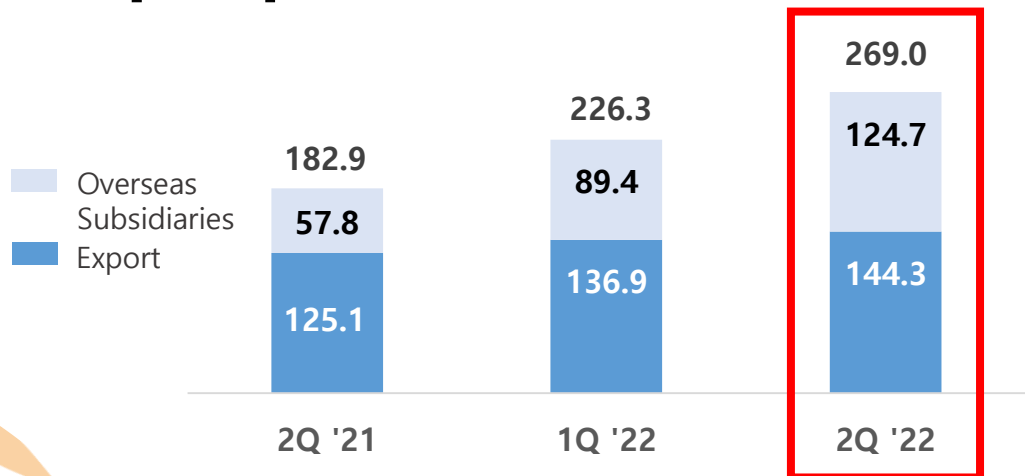


□ (Volume) 12.8 bil sticks / YoY 26.1% ↑

- Driven by the strong progression in the new markets mainly in Americas, and overseas subsidiaries primarily in Indonesia

### [ Sales ]

(unit : bil won)



□ (Sales) 269.0 bil KRW / YoY 47.1% ↑

- Mainly led by pricing and volume growth in Indonesia

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 won)

	2Q '22	1Q '22	2Q '21	QoQ	YoY
<b>Sales</b>	<b>246.4</b>	<b>374.1</b>	<b>259.3</b>	<b>-34.1%</b>	<b>-5.0%</b>
Domestic	210.9	338.3	219.2	-37.7%	-3.8%
Export	35.5	35.8	40.1	-0.8%	-11.5%
<b>SG&amp;A</b>	<b>119.1</b>	<b>153.6</b>	<b>124.9</b>	<b>-22.5%</b>	<b>-4.6%</b>
<b>Operating Profit</b>	<b>3.0</b>	<b>34.2</b>	<b>6.5</b>	<b>-91.2%</b>	<b>-53.8%</b>
<b>Net Income</b>	<b>5.5</b>	<b>28.4</b>	<b>6.4</b>	<b>-80.6%</b>	<b>-14.1%</b>

□ **(Sales) 246.4 bil KRW / YoY 5.0% ↓**

- (Domestic) Shrinking demand in corporate special sales channel caused by the fear of recession, and continued restructuring in TV Home shopping channel
- (Export) Shanghai(China) lockdown and US inflation impact

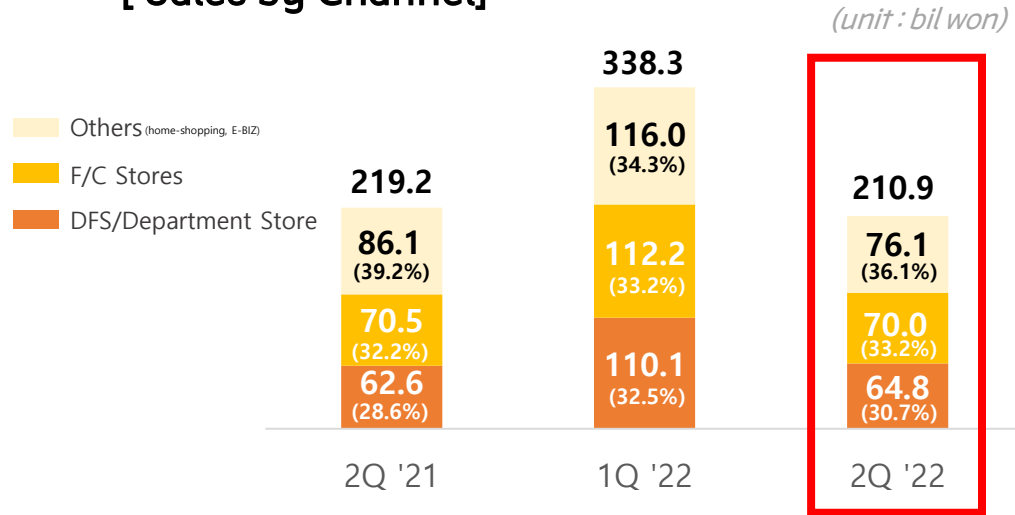
□ **(OP) 3.0 bil KRW / YoY 53.8% ↓**

- Increased cost burden per unit sales due to decrease in sales

□ **(NI) 5.5 bil KRW / YoY 14.1% ↓**

# 3. KGC Performance ② Domestic Sales Analysis

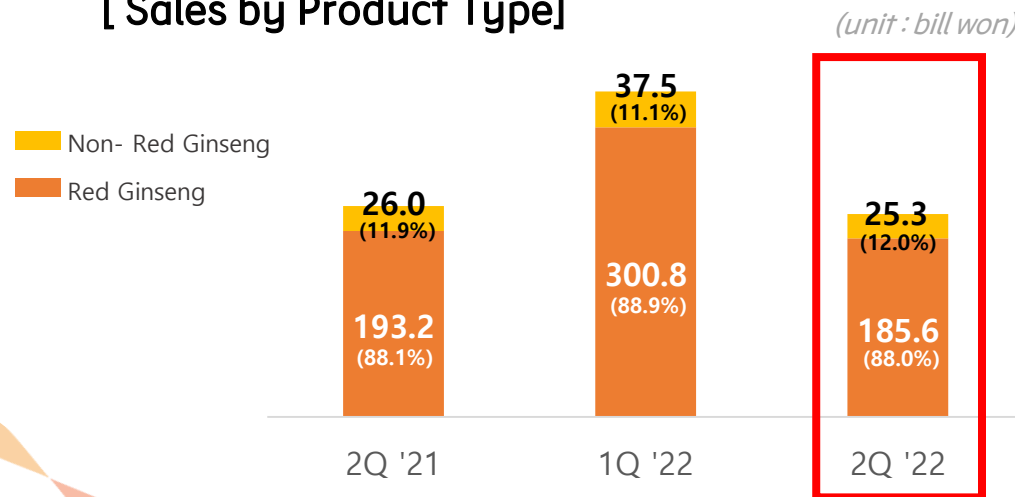
[ Sales by Channel ]



□ (Sales by Channel) 210.9 bil KRW / YoY 3.8% ↓

- (DFS/Department Store) 64.8 bil KRW YoY 3.5% ↑
  - Thanks to the increase in foot traffic and airline passenger traffic
- (F/C Stores) 70.0 bil KRW YoY 0.7% ↓
  - Due to the promotion reduction for efficiency of marketing resources
- (Others) 76.1 bil YoY 11.6% ↓
  - Caused by decline corporate special goods demand and restructuring activities in home shopping TV channel

[ Sales by Product Type ]



□ (Sales by Product Type) Red Ginseng 88.0% / YoY 0.1%p ↓

※ 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)	2Q '22	4Q '21
<b>Current Asset<sup>(a)</sup></b>	<b>63,471</b>	<b>62,559</b>
Cash and cash equivalents, Etc(*)	24,008	23,690
Trade and other receivables	13,522	10,127
Inventories	22,239	23,754
Others	3,702	4,988
<b>Non-current assets</b>	<b>56,158</b>	<b>53,814</b>
Property, plant, and equipment	17,124	17,410
Investment property	11,578	11,510
Others	27,456	24,894
<b>Total assets</b>	<b>119,629</b>	<b>116,373</b>
Current liabilities <sup>(b)</sup>	22,659	20,639
Non-current liabilities	4,023	3,645
<b>Total liabilities<sup>(c)</sup></b>	<b>26,682</b>	<b>24,284</b>
<b>Total equity<sup>(d)</sup></b>	<b>92,947</b>	<b>92,089</b>
Current ratio <sup>(a/b)</sup>	280.1%	303.1%
Debt ratio <sup>(c/d)</sup>	28.7%	26.4%

### [ Separate ]

Accounts (unit: hundred mil. KRW)	2Q '22	4Q '21
<b>Current Asset<sup>(a)</sup></b>	<b>39,986</b>	<b>40,090</b>
Cash and cash equivalents, Etc(*)	17,362	18,882
Trade and other receivables	11,537	7,888
Inventories	8,698	9,249
Others	2,389	4,071
<b>Non-current assets</b>	<b>59,400</b>	<b>57,727</b>
Property, plant, and equipment	10,812	11,290
Investment property	11,257	11,285
Others	37,331	35,152
<b>Total assets</b>	<b>99,386</b>	<b>97,817</b>
Current liabilities <sup>(b)</sup>	18,358	17,154
Non-current liabilities	746	662
<b>Total liabilities<sup>(c)</sup></b>	<b>19,104</b>	<b>17,816</b>
<b>Total equity<sup>(d)</sup></b>	<b>80,282</b>	<b>80,001</b>
Current ratio <sup>(a/b)</sup>	217.8%	233.7%
Debt ratio <sup>(c/d)</sup>	23.8%	22.3%

(\*) 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)	2Q '22	2Q '21
<b>Sales</b>	<b>14,175</b>	<b>12,782</b>
Cost of sales	6,912	5,576
<b>Gross profit</b>	<b>7,263</b>	<b>7,206</b>
Selling, general and administrative expense	3,987	3,963
<b>Operating profit</b>	<b>3,276</b>	<b>3,243</b>
Other income/expenses	1,441	(33)
Financial gain/loss	42	127
Net income from continuing operations	3,315	2,421
Net income from discontinued operations	(14)	43
<b>Net income</b>	<b>3,301</b>	<b>2,464</b>
Gross profit margin	51.2%	56.4%
Operating profit margin	23.1%	25.4%
Net income margin	23.3%	19.3%

### [ Separate ]

Accounts (unit: hundred mil. KRW)	2Q '22	2Q '21
<b>Sales</b>	<b>9,663</b>	<b>9,509</b>
Cost of sales	4,495	4,138
<b>Gross profit</b>	<b>5,168</b>	<b>5,371</b>
Selling, general and administrative expense	2,040	2,107
<b>Operating profit</b>	<b>3,128</b>	<b>3,264</b>
Other income/expenses	1,534	(68)
Financial gain/loss	115	147
<b>Net income</b>	<b>3,479</b>	<b>2,433</b>
Gross profit margin	53.5%	56.5%
Operating profit margin	32.4%	34.3%
Net income margin	36.0%	25.6%

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

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



### [ Consolidated ]

Accounts (unit: hundred mil. KRW)	2Q '22 (accumulated)	2Q '21 (accumulated)
<b>Cash flows from operating activities</b>	<b>6,275</b>	<b>4,057</b>
Cash generated from operations	8,482	6,376
Income tax paid	(2,207)	(2,319)
<b>Cash flows from investing activities</b>	<b>1,530</b>	<b>(998)</b>
Acquisition of property, plant and equipment	(599)	(850)
<b>Cash flows from financing activities</b>	<b>(5,861)</b>	<b>(6,036)</b>
Net increase in cash and cash equivalents	1,944	(2,977)
<b>Cash and cash equivalents at Jan, 1</b>	<b>9,466</b>	<b>12,536</b>
Effect of exchange rate fluctuation	361	(175)
<b>Cash and cash equivalents at June, 30</b>	<b>11,771</b>	<b>9,384</b>

### [ Separate ]

Accounts (unit: hundred mil. KRW)	2Q '22 (accumulated)	2Q '21 (accumulated)
<b>Cash flows from operating activities</b>	<b>4,647</b>	<b>1,733</b>
Cash generated from operations	6,511	3,840
Income tax paid	(1,864)	(2,107)
<b>Cash flows from investing activities</b>	<b>2,879</b>	<b>(427)</b>
Acquisition of property, plant and equipment	(345)	(682)
<b>Cash flows from financing activities</b>	<b>(5,801)</b>	<b>(6,004)</b>
Net increase in cash and cash equivalents	1,725	(4,698)
<b>Cash and cash equivalents at Jan, 1</b>	<b>5,906</b>	<b>10,761</b>
Effect of exchange rate fluctuation	41	5
<b>Cash and cash equivalents at June, 30</b>	<b>7,672</b>	<b>6,068</b>

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## 4. Appendix ④ KGC Condensed Financial Statement



[Condensed Balance Sheet ]

Accounts (unit: hundred mil. KRW)	2Q '22	4Q '21
<b>Current assets</b>	<b>15,395</b>	<b>15,454</b>
Inventories	10,574	11,818
Cash and cash equivalents	682	753
Others	4,139	2,883
<b>Non-current Assets</b>	<b>8,044</b>	<b>7,621</b>
Property, plant and equipment	3,891	3,438
Intangible assets	278	277
Others	3,875	3,906
<b>Total assets</b>	<b>23,439</b>	<b>23,075</b>
Current liabilities	1,224	1,174
Non-current liabilities	700	767
<b>Total liabilities</b>	<b>1,924</b>	<b>1,941</b>
<b>Total equities</b>	<b>21,515</b>	<b>21,134</b>

[Condensed Statement of Comprehensive Income ]

Accounts (unit: hundred mil. KRW)	2Q '22	2Q '21
<b>Sales</b>	<b>2,464</b>	<b>2,593</b>
Red ginseng roots	140	186
Red ginseng products	2,319	2,403
(Ratio)	(94.1%)	(92.7%)
Others	5	4
Cost of sales	1,243	1,279
<b>Gross profit</b>	<b>1,221</b>	<b>1,314</b>
Selling, general and administrative expense	1,191	1,249
<b>Operating profit</b>	<b>30</b>	<b>65</b>
Other income/expenses	33	2
Financial gain/loss	19	10
<b>Net income</b>	<b>55</b>	<b>64</b>

# Thank You



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