

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 Results¹⁾

(Unit : bil KRW)

	1Q '22	4Q '21	1Q '21	QoQ	YoY
Sales	1,402.6	1,247.5	1,208.0	12.4%	16.1%
KT&G ²⁾	844.8	851.3	757.8	-0.8%	11.5%
KGC ²⁾	374.2	235.6	380.2	58.8%	-1.6%
Others and adjustments ³⁾	183.6	160.6	70.0	14.3%	162.3%
Operating Profit	333.0	283.8	313.3	17.3%	6.3%
Net Income	263.4	93.2	272.6	182.6%	-3.4%

□ **(Sales) 1.40 tril KRW / YoY 16.1% ↑**

- Driven by growth of KT&G, overseas cigarette subsidiaries and real estate subsidiary

□ **(OP) 333.0 bil KRW / YoY 6.3% ↑**

- Driven by top-line growth of KT&G and other businesses

□ **(NI) 263.4 bil KRW / YoY 3.4% ↓**

- Mainly due to financial loss increase

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)

	1Q '22	4Q '21	1Q '21	QoQ	YoY
Sales	844.8	851.3	757.8	-0.8%	11.5%
Domestic	493.7	488.9	458.6	1.0%	7.7%
Export ¹⁾	236.6	206.5	181.1	14.6%	30.6%
Real Estate and Others	114.5	155.9	118.1	-26.6%	-3.0%
SG&A	180.2	256.8	177.7	-29.8%	1.4%
Operating Profit	272.6	184.8	247.9	47.5%	10.0%
Net Income	257.9	75.1	237.0	243.4%	8.8%

□ **(Sales) 844.8 bil KRW / YoY 11.5% ↑**

- Continued strong growth in domestic & global HNB Business and export cigarettes

□ **(OP) 272.6 bil KRW / YoY 10.0% ↑**

- Thanks to HNB and export cigarette growth with profitability improvement

□ **(NI) 257.9 bil KRW / YoY 8.8% ↑**

- finance gain increase

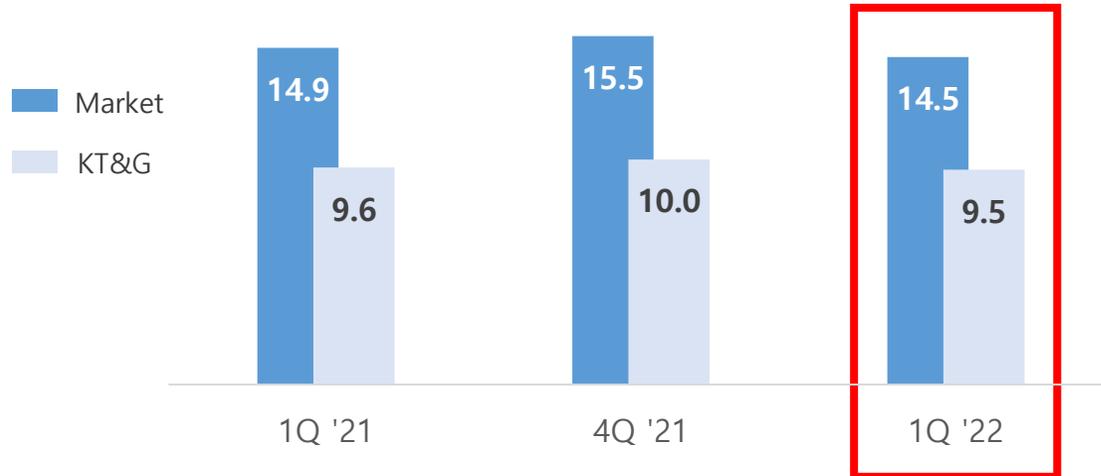
1) Export : Separate result standard, prior to the consolidation removal of US subsidiary sales

2. KT&G Performance ② Domestic Combustible Cigarette¹⁾



[Market/KT&G Volume]

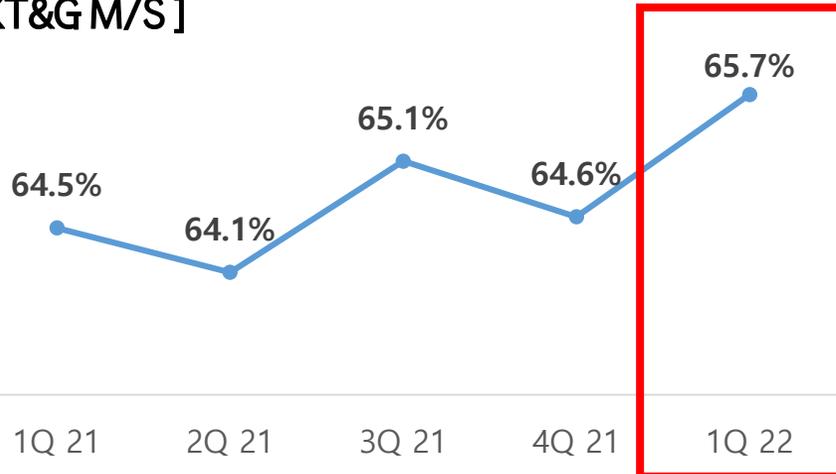
(unit : bil sticks)



- **(Market Volume) 14.5 bil sticks / YoY 2.7% ↓**
 - Due to a shift in consumer demand to HNB, organic decline and weak economy impact

- **(KT&G Volume) 9.5 bil sticks / YoY 0.9% ↓**
 - Due to decline in total market volume

[KT&G M/S]



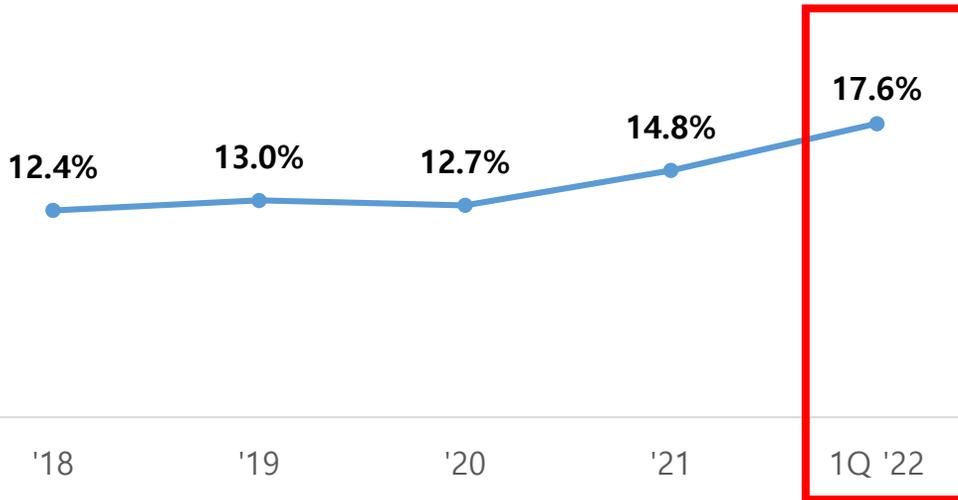
- **(KT&G M/S) 65.7% / YoY 1.2%p ↑**
 - On-going market share gains with new product launch and 'Super Slim' products growth

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 Cigarette¹⁾



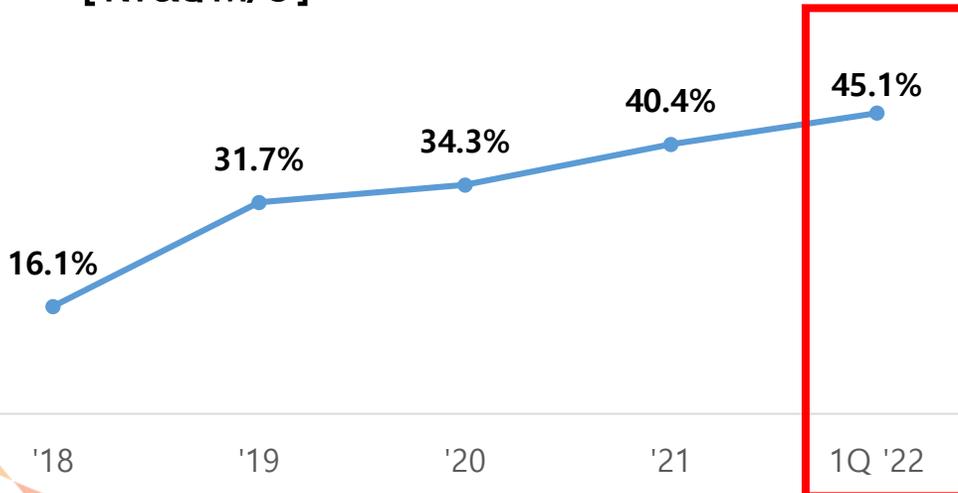
[Domestic HNB Market Penetration Rate]



□ (Penetration Rate) 17.6%

- Recorded a new, all-time quarterly high backed by changes in smoking pattern and the trend of more health consciousness

[KT&G M/S]



□ (KT&G M/S) 45.1%

- Achieved the domestic leading status on the back of overwhelming KT&G Device M/S expansion, especially led by KT&G exclusive platform 'lil hybrid'

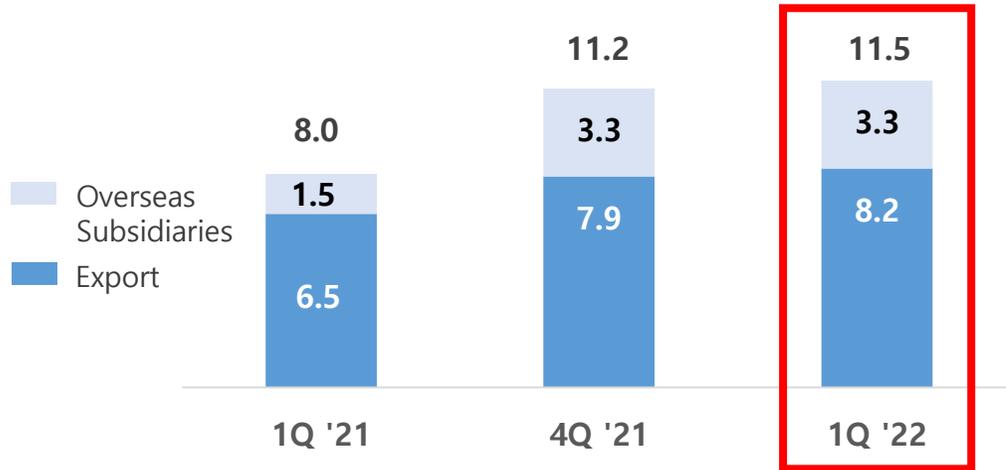
1) POS sales standard

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



[Volume]

(unit : bil sticks)



□ (Volume) 11.5 bil sticks / YoY 43.8% ↑

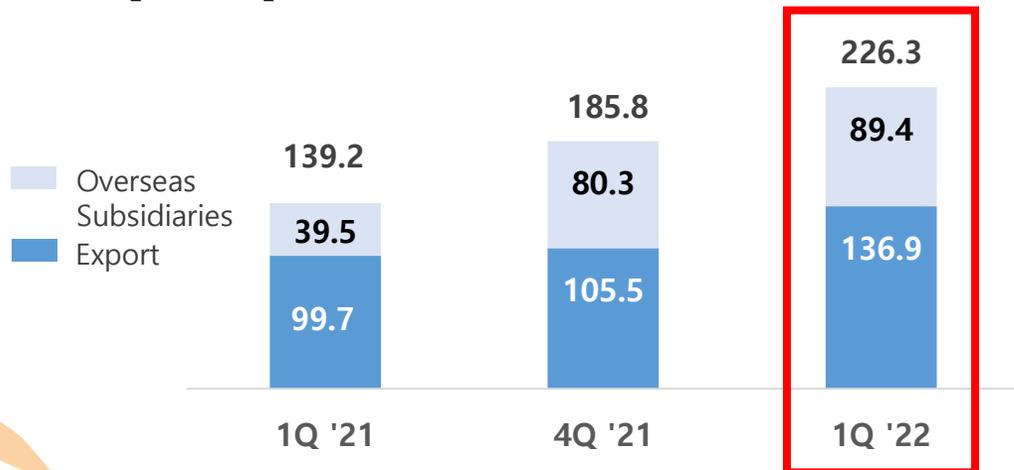
- Driven by increased demand mainly in the Middle East, Asia Pacific and Indonesia regions

□ (Sales) 226.3 bil KRW / YoY 62.6% ↑

- Thanks to volume increases in high ASP regions such as Middle East, Asia Pacific and Indonesia market

[Sales]

(unit : bil won)



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)

	1Q '22	4Q '21	1Q '21	QoQ	YoY
Sales	374.1	235.6	380.3	58.8%	-1.6%
Domestic	338.3	177.1	345.9	91.0%	-2.2%
Export	35.8	58.5	34.4	-38.8%	4.1%
SG&A	153.6	122.4	138	25.5%	11.3%
Operating Profit	34.2	-11.9	53.3	-	-35.8%
Net Income	28.4	-13.5	40.7	-	-30.2%

□ **(Sales) 374.1 bil KRW / YoY 1.6% ↓**

- (Export) Sales growth in major markets mainly the US and Japan
- (Domestic) Slight decreased impacted by channel restructuring activities and surge of Covid variants

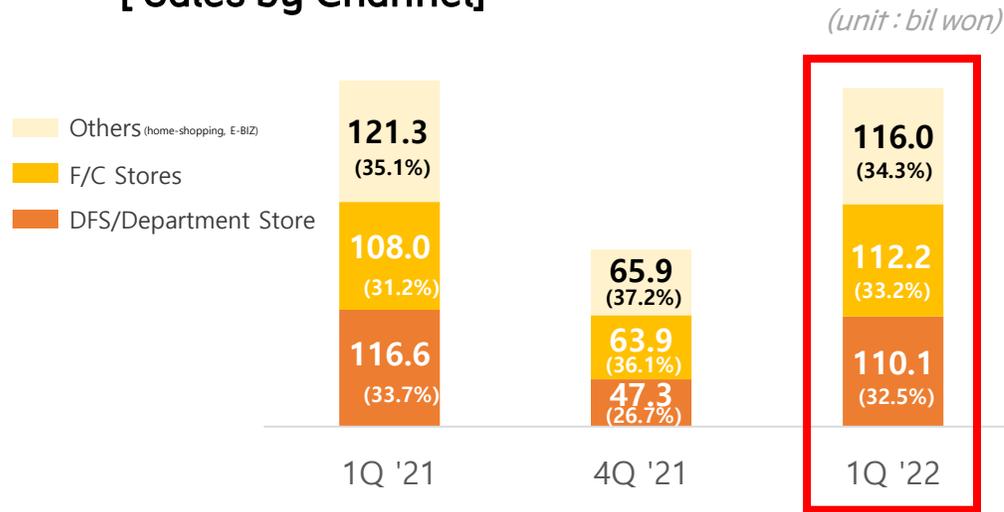
□ **(OP) 34.2 bil KRW / YoY 35.8% ↓**

- Expansion of preemptive marketing investments for the mid- to long-term growth strategy

□ **(NI) 28.4 bil KRW / YoY 30.2% ↓**

3. KGC Performance ② Domestic Sales Analysis

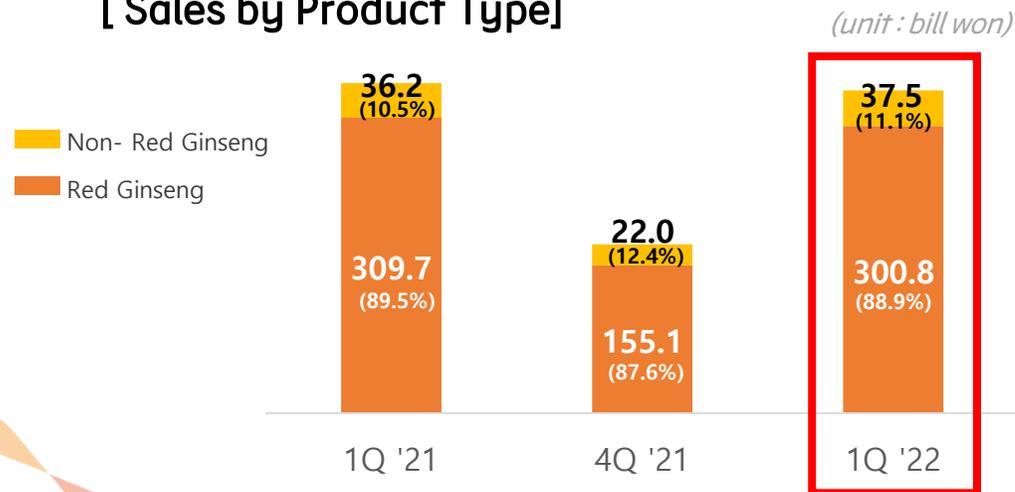
[Sales by Channel]



□ (Sales by Channel) 338.3 bil KRW / YoY 2.2% ↓

- (DFS/Department Store) 110.1 bil KRW YoY 5.6% ↓
 - Due to surge of Covid variants
- (F/C Stores) 112.2 bil KRW YoY 3.9% ↑
 - On the back of F/C store expansion and increased demand for lunar new year holiday season
- (Others) 116.0 bil YoY 4.4% ↓
 - Impact of restructuring activities to enhance efficiency for home shopping TV channel and reorganization of online mall pricing policies

[Sales by Product Type]



□ (Sales by Product Type) Red Ginseng 88.9% / YoY 0.6%p ↓

- Slight sales increase of non-ginseng products like cosmetics and Cheon Nok

※ 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)	1Q '22	4Q '21
Current Asset^(a)	63,707	62,559
Cash and cash equivalents, Etc(*)	25,586	23,690
Trade and other receivables	12,213	10,127
Inventories	22,604	23,754
Others	3,304	4,988
Non-current assets	54,413	53,814
Property, plant, and equipment	17,672	17,410
Investment property	10,856	11,510
Others	25,885	24,894
Total assets	118,120	116,373
Current liabilities ^(b)	25,050	20,639
Non-current liabilities	3,939	3,645
Total liabilities^(c)	28,989	24,284
Total equity^(d)	89,131	92,089
Current ratio^(a/b)	254.3%	303.1%
Debt ratio^(c/d)	32.5%	26.4%

[Separate]

Accounts (unit: hundred mil. KRW)	1Q '22	4Q '21
Current Asset^(a)	40,554	40,090
Cash and cash equivalents, Etc(*)	19,551	18,882
Trade and other receivables	9,900	7,888
Inventories	8,956	9,249
Others	2,147	4,071
Non-current assets	58,346	57,727
Property, plant, and equipment	11,145	11,290
Investment property	11,023	11,285
Others	36,178	35,152
Total assets	98,900	97,817
Current liabilities ^(b)	21,273	17,154
Non-current liabilities	691	661
Total liabilities^(c)	21,964	17,815
Total equity^(d)	76,936	80,002
Current ratio^(a/b)	190.6%	233.7%
Debt ratio^(c/d)	28.5%	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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5. Appendix ② KT&G Condensed Income Statement



[Consolidated]

Accounts (unit: hundred mil. KRW)	1Q '22	1Q '21
Sales	14,026	12,080
Cost of sales	6,738	5,292
Gross profit	7,288	6,788
Selling, general and administrative expense	3,958	3,655
Operating profit	3,330	3,133
Other income/expenses	474	504
Financial gain/loss	18	147
Net income from continuing operations	2,677	2,693
Net income from discontinued operations	(44)	33
Net income	2,634	2,726
Gross profit margin	52.0%	56.2%
Operating profit margin	23.7%	25.9%
Net income margin	18.8%	22.6%

[Separate]

Accounts (unit: hundred mil. KRW)	1Q '22	1Q '21
Sales	8,448	7,578
Cost of sales	3,920	3,322
Gross profit	4,528	4,256
Selling, general and administrative expense	1,802	1,777
Operating profit	2,726	2,479
Other income/expenses	546	557
Financial gain/loss	301	162
Net income	2,579	2,370
Gross profit margin	53.6%	56.2%
Operating profit margin	32.3%	32.7%
Net income margin	30.5%	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

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5. Appendix ③ KT&G Condensed Cash Flow



[Consolidated]

Accounts (unit: hundred mil. KRW)	1Q '22	1Q '21
Cash flows from operating activities	2,028	1,372
Cash generated from operations	2,926	2,325
Income tax paid	(898)	(953)
Cash flows from investing activities	(2,616)	(586)
Acquisition of property, plant and equipment	(225)	(558)
Cash flows from financing activities	98	(6)
Net increase in cash and cash equivalents	(490)	780
Cash and cash equivalents at Jan, 1	9,466	12,536
Effect of exchange rate fluctuation	(10)	(173)
Cash and cash equivalents at March, 31	8,966	13,143

[Separate]

Accounts (unit: hundred mil. KRW)	1Q '22	1Q '21
Cash flows from operating activities	787	(529)
Cash generated from operations	1,560	336
Income tax paid	(773)	(865)
Cash flows from investing activities	(1,413)	(346)
Acquisition of property, plant and equipment	(85)	(479)
Cash flows from financing activities	(21)	(25)
Net increase in cash and cash equivalents	(647)	(900)
Cash and cash equivalents at Jan, 1	5,906	10,761
Effect of exchange rate fluctuation	11	16
Cash and cash equivalents at March, 31	5,270	9,877

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5. Appendix ④ KGC Condensed Financial Statement



[Condensed Balance Sheet]

Accounts (unit: hundred mil. KRW)	1Q '22	4Q '21
Non-current Assets	15,604	15,454
Property, plant and equipment	10,860	11,818
Intangible assets	967	753
Others	3,777	2,883
Current assets	7,628	7,621
Inventories	3,386	3,438
Cash and cash equivalents	281	277
Others	3,961	3,906
Total assets	23,232	23,075
Non-current liabilities	979	1,174
Current liabilities	797	767
Total liabilities	1,776	1,941
Total equities	21,456	21,134

[Condensed Statement of Comprehensive Income]

Accounts (unit: hundred mil. KRW)	1Q '22	1Q '21
Sales	3,741	3,803
Red ginseng roots	197	149
Red ginseng products	3,540	3,649
(Ratio)	(94.6%)	(96.0%)
Others	4	4
Cost of sales	1,863	1,890
Gross profit	1,878	1,913
Selling, General and administrative expense	1,536	1,380
Operating profit	342	533
Other income/expenses	31	15
Financial gain/loss	17	12
Net income	284	407

Thank You



20F, KT&G Tower, 416 Yeongdong-daero
Gangnam-Gu, Seoul, 06176, Korea
www.ktng.com