

KT&G Investor Day 2023

2023. 1. 26 | Investor Relations

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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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CHAPTER

01

Introduction

5-year Performance



1

Domestic NGP M/S
(as of '22)

31

Global NGP Footprint (# of countries)
(as of '22)

17 %

Global Health Functional Foods Segment
Annual Revenue Growth
(CAGR '18 ~ '22(e))

54 %

Global CC Direct Business
Revenue Growth
('18 vs '22(e))

33 %

Global Business
Revenue Contribution
(excl. real estate business, as of '22(e))

w **3.7** trn

Shareholder Return
('18~'22)

01 Advanced Governance Structure (ESG Management)



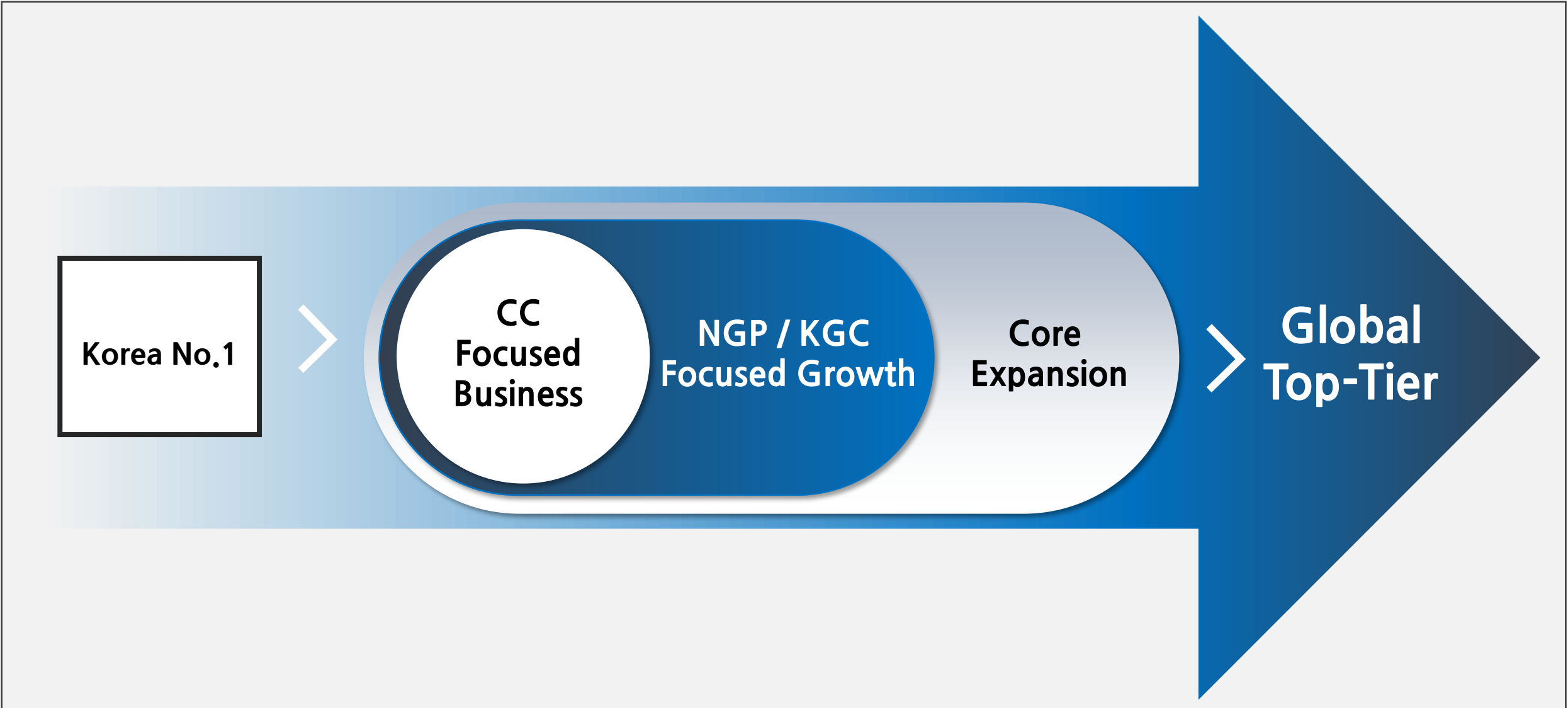
Global Standard Governance	Best-in-class Shareholder Protection	Implementation of Global Initiatives
75% of the board of directors composed of outside directors	AGM held away from concentration day	2019
Adopted Board Skill Matrix	Adopted electronic voting	2020
	Implemented cumulative voting system	2021
		2022

<p>Highest Industry Rating - AA, 2022</p>	<p>Top ESG Ratings, 2022</p>	<p>Corporate Governance Criteria - Grand Prize, 2019</p>
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CHAPTER

02

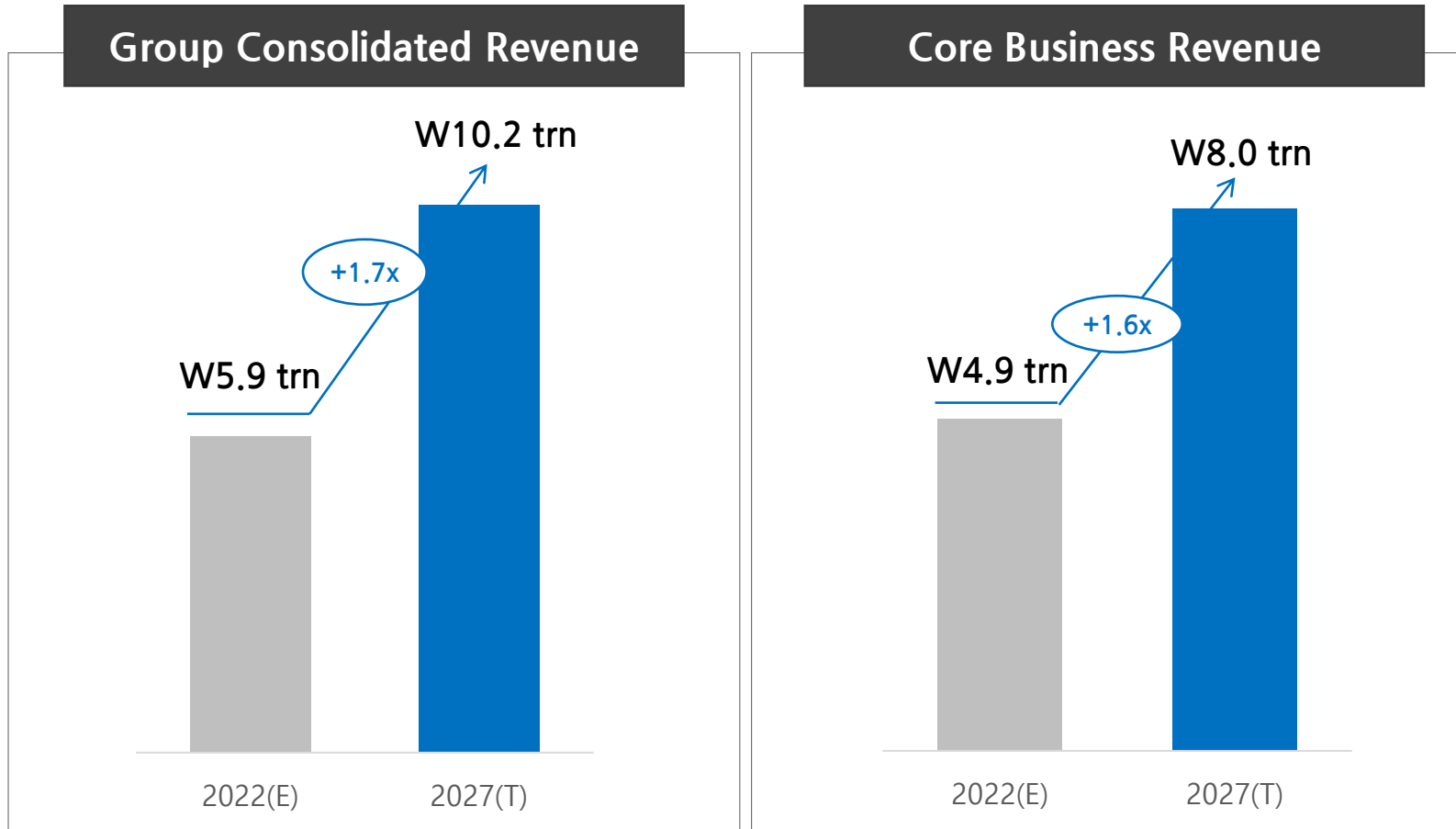
Medium to Long-term Growth Plan



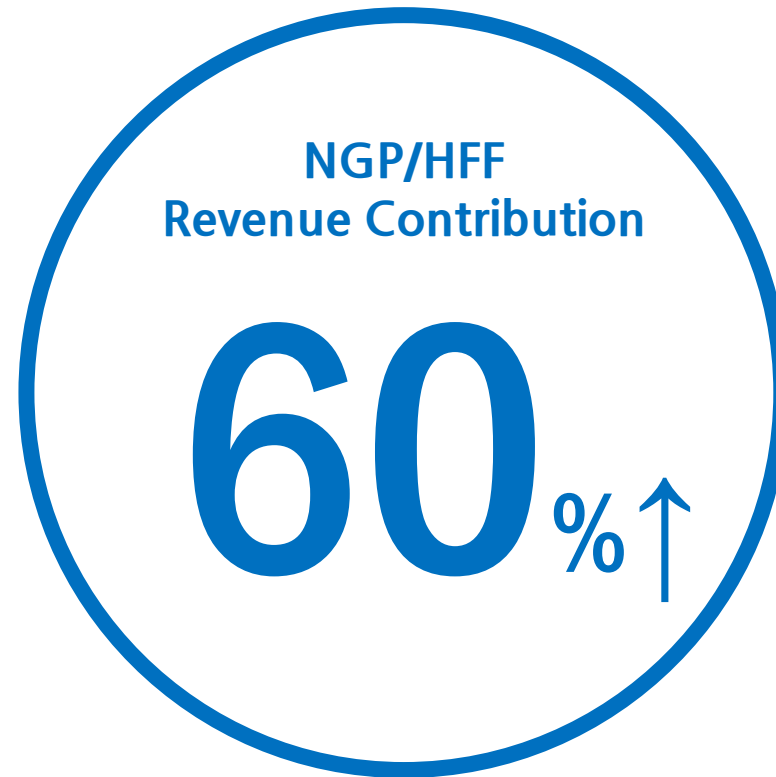
02 Medium to Long-term Growth Plan



Target Group Consolidated Revenue of W10 trn by 2027



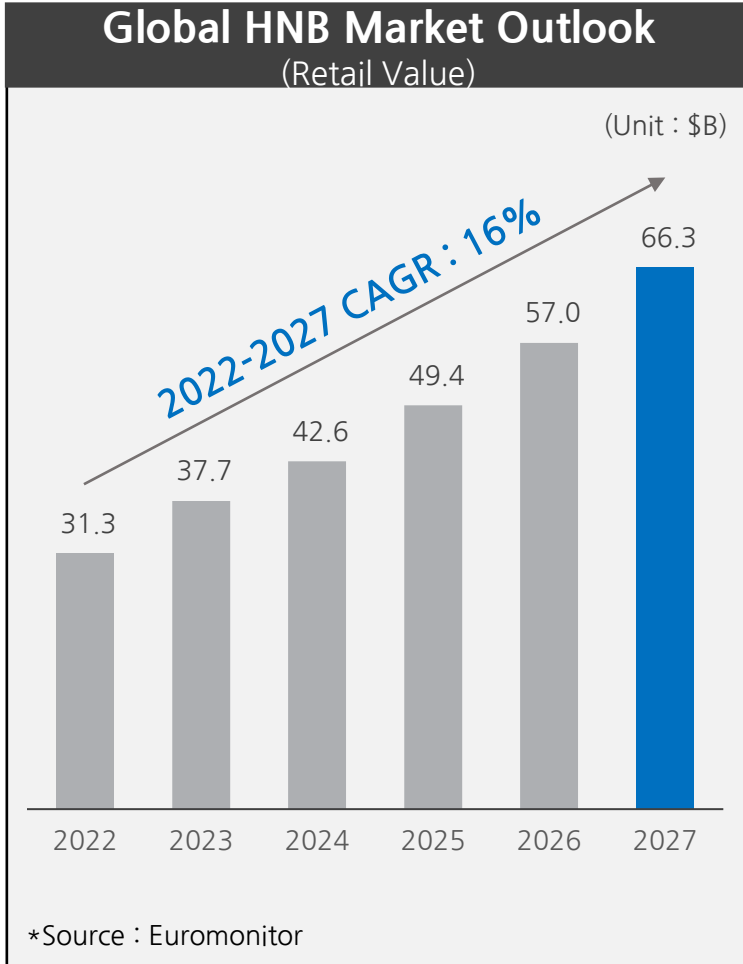
『Global Business + NGP/HFF 』 Focused Transformation
→ Strengthen Business Portfolio



CHAPTER

03

**Core Business
Growth Strategies**



NGP Market Key Success Factors + KT&G’s Competitiveness

Technological excellence is the key buying factor for customers choosing their HNB devices

- Vapor Production
- Battery
- Grip and Portability
- Durability

Being first-mover to capture **various consumer needs**

Proven track record of having developed and launched its **unique proprietary platform**

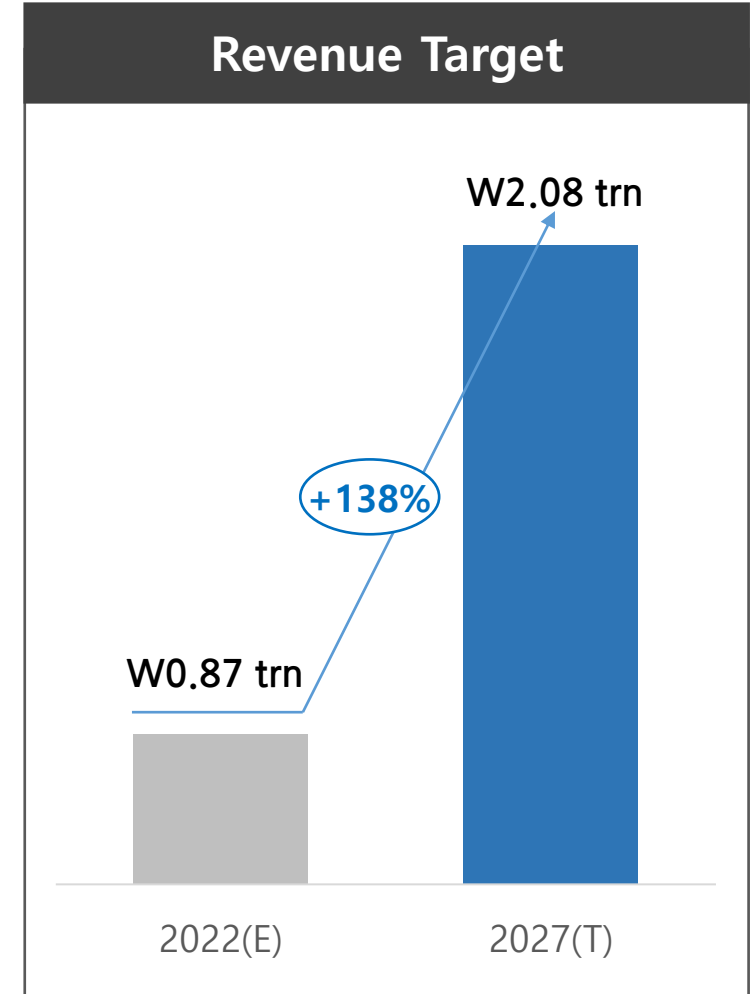
Ability to bring new models faster

Strategic Initiatives

	<p>Accelerate globalization</p>	<p>»</p> <ul style="list-style-type: none"> ✓ Establish production network ✓ Penetrate new markets
	<p>Increase portfolio competitiveness based on innovative platform</p>	<p>»</p> <ul style="list-style-type: none"> ✓ Internalize device development capability ✓ Develop and launch new platform
	<p>Establish R&D capabilities</p>	<p>»</p> <ul style="list-style-type: none"> ✓ Strengthen harmful substance reduction and verification technology ✓ Acquire US PMTA and MRTP

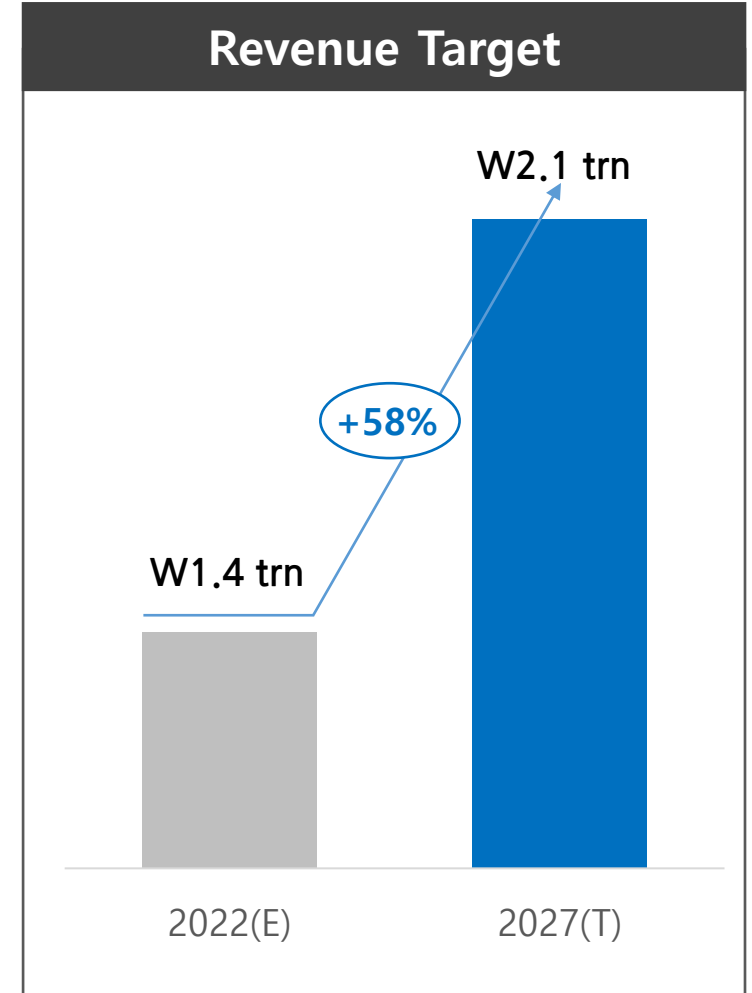
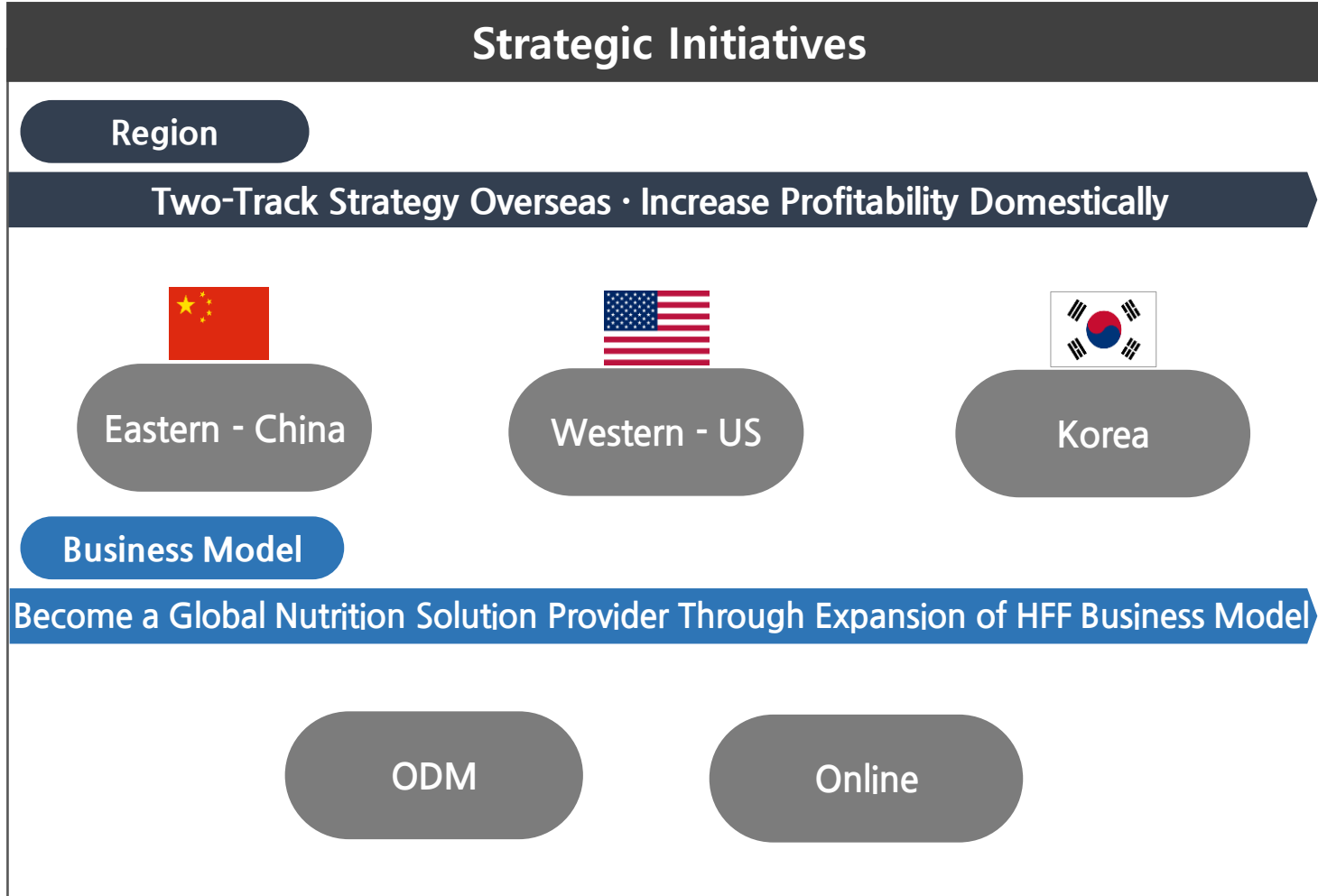
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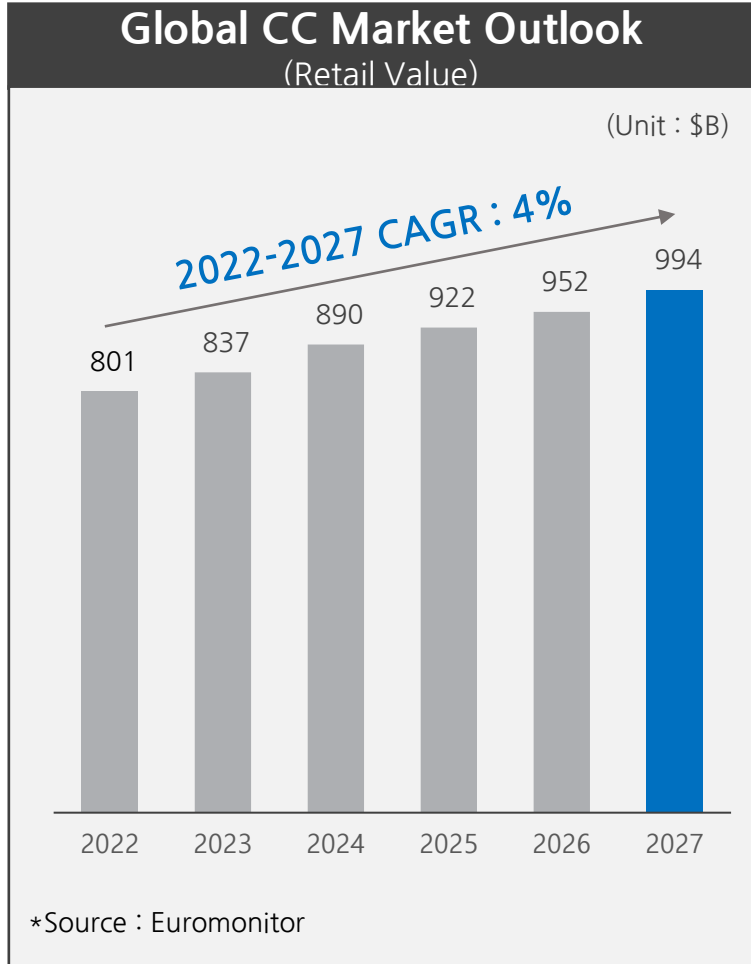
Strengthen and advance global partnership with PMI





HFF Market Key Success Factors	+	KT&G's Competitiveness
High quality raw materials		Best-in-class management of ginseng
Ability to cater to different customer needs based on life cycle, TPO, etc.		Proven track record of successful brand launch in Korea
Customers' understanding of the health benefits of raw materials		Well-established market understanding of the benefits of red ginseng based on various marketing activities

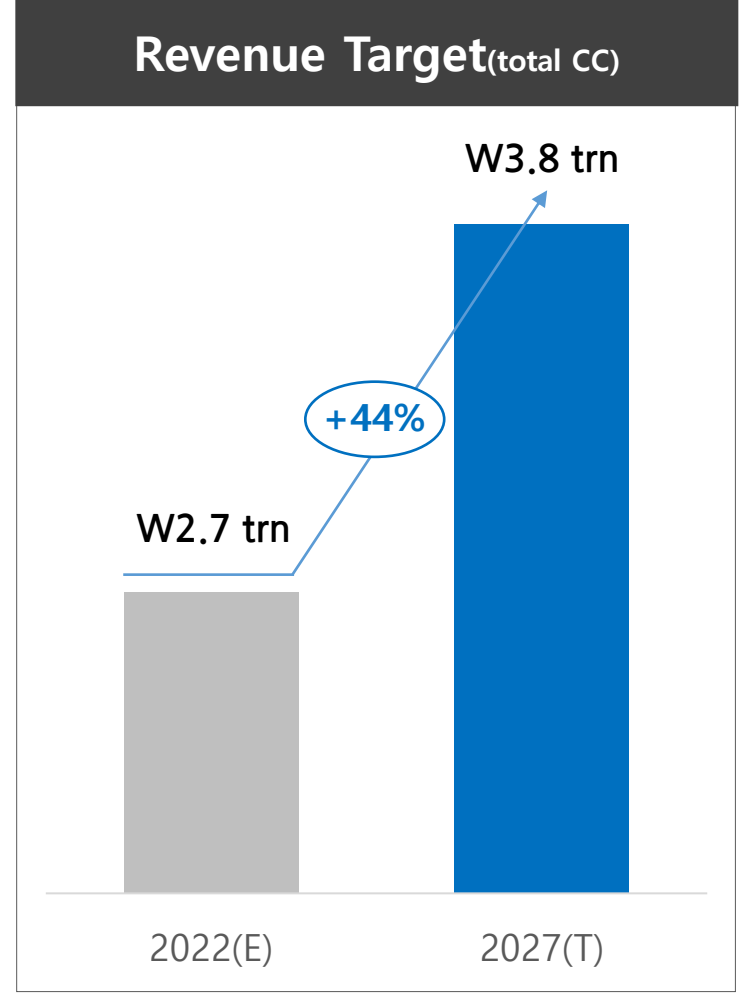




Global CC Trends	+	KT&G's Competitiveness
<p>Higher demand for low-tar, super-slim cigarettes as a result of growing trend towards milder products</p>		<p>Super quality products and brand power in low-tar, super-slim cigarettes (advantage vs. competitors)</p>
<p>Market maturity leading to micro segmentation and personalization of customer preference for taste/smell</p>		<p>Ability to rapidly develop and launch products globally (<u>clear</u> advantage vs. competitors)</p>

Strategic Initiatives

-  **Accelerate globalization** >>>
 - ✓ Increase **overseas branches**
 - ✓ Grow **direct business capability**
-  **Localize Value Chain** >>>
 - ✓ Establish **production network**
 - ✓ Advance **SCM capability**
-  **Secure new growth drivers through internalization of new biz model** >>>
 - ✓ Strengthen **partnership model**



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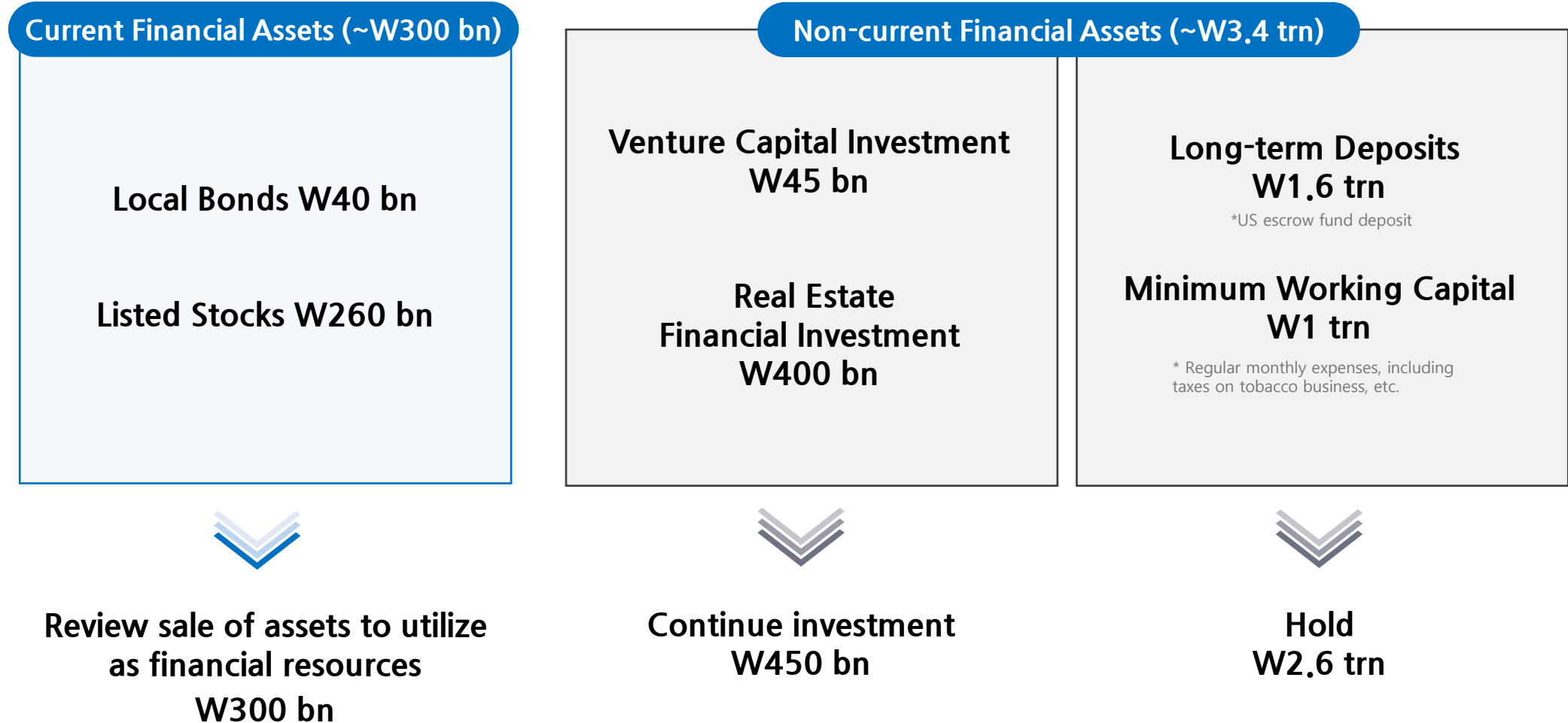
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Asset Management Strategy

04 Real Estate Management Strategy



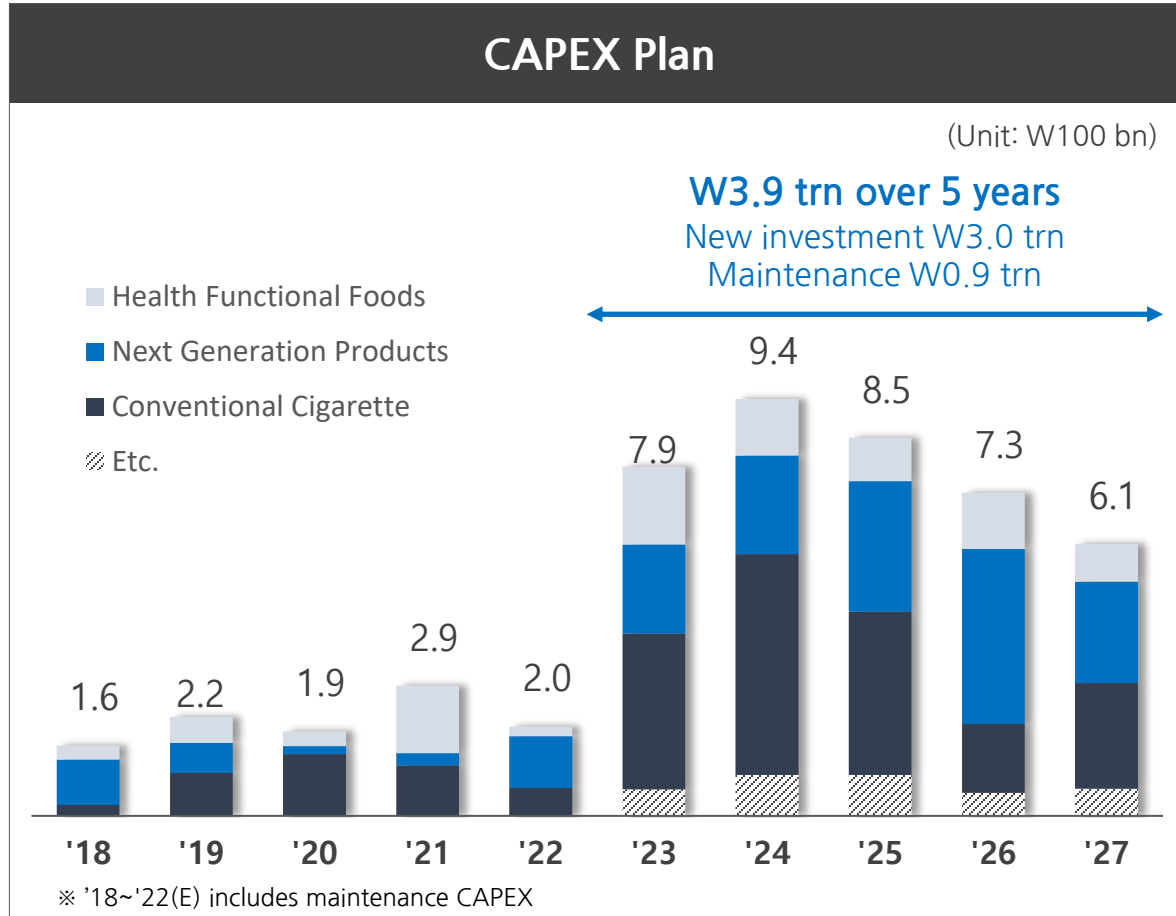
	Short to Mid-term			Mid to Long-term
	Development	Hold and Develop	Sale	Evaluate Asset Securitization
Criteria	Development Value > Sale Value (Sites that can be developed in a short period)	Development Value > Sale Value (Sites that require prior steps such as purchase of adjacent land)	Sale Value > Development Value (Sites with low potential for future development)	Rental profit generating properties in wider Seoul area
Target Assets	~11 sites (50,385 pyeong)	~5 sites (4,443 pyeong)	~6 sites (17,128 pyeong)	~5 sites
Timeline	Begin construction in '23~'26	Commercialize if needed	Target sale in '23	Review after normalization of real estate market



CHAPTER

05

CAPEX and
Shareholder
Return



Expand Core Business (New Investment)

NGP (W1.2 trn) Expansion of global production capacity to respond to mid to long-term NGP demand

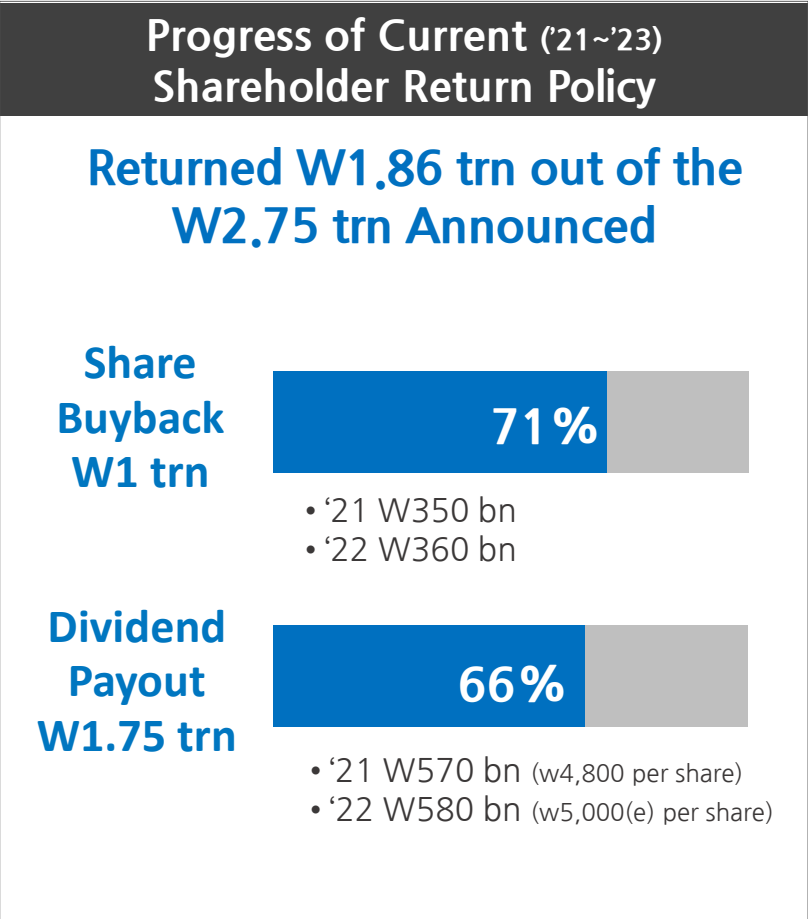
HFF (W0.6 trn) Investment in R&D capability and value chain localization

Increase Competitiveness of Existing Business (New Investment)

CC (W0.9 trn) Mapping export sales with production capacity by each region and expansion of capacity to respond to demand

Etc. (W0.3 trn) Relocation of a printing plant for process / logistics automation, etc.

05 Shareholder Return



Thank you