

▣ The Cultural Iceberg



Easy to See

Language, Food, Clothing, Literature, Greetings, Holidays and festivals, Folklore etc

Not Easy to See

Beliefs, Manners, Family roles, Self-concept, Work ethic, Core values, Interpretations, Humor, Gender roles, Body languages, Gestures, Beauty ideals, Aesthetics, Attitude to education, Thought patterns etc



Characteristics of the Tobacco Industry

- Capital intensive equipment industry
- Monopoly and Oligopoly Market Structure

- Strong brand power and economies of scale are important
- Requires high technology and marketing, distribution, and sales capabilities

Raw material procurement

- Requires a large amount of raw material purchase and aging process
- Requires expertise in securing raw materials

R&D

- Technology becomes important due to consumer needs and strengthened regulations
- Organic collaboration with marketing is required

Production

- Requires large-scale facilities
- Requires high-level quality control capabilities

Marketing

- Marketing investment and brand management are important
- Brand growth takes a long time

Sales

- Requires strong distribution network and sales force
- Entails high costs

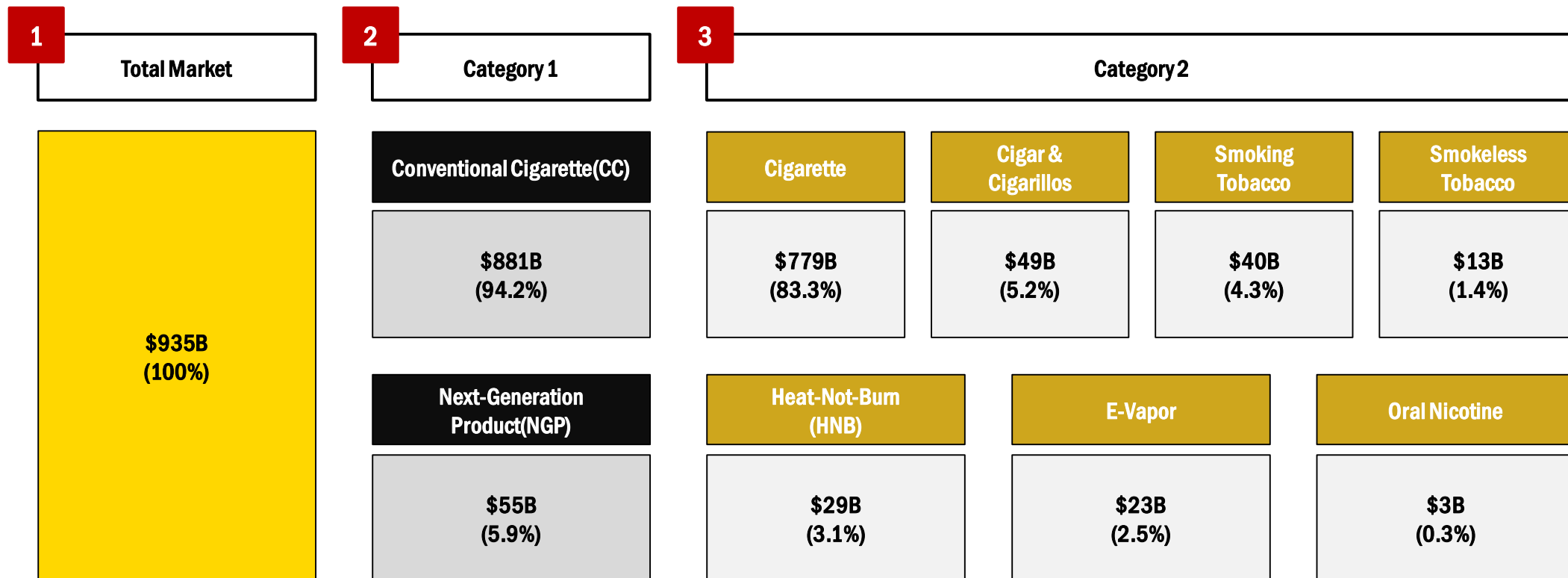
Service

- Responding to customer claims is very important
- Collaboration in each field is important



Global Smoking Population **1.3B(17%)** / Annual Global Market Value **\$965B(USD)**

【 Total Market Value by Product Type(2021) 】



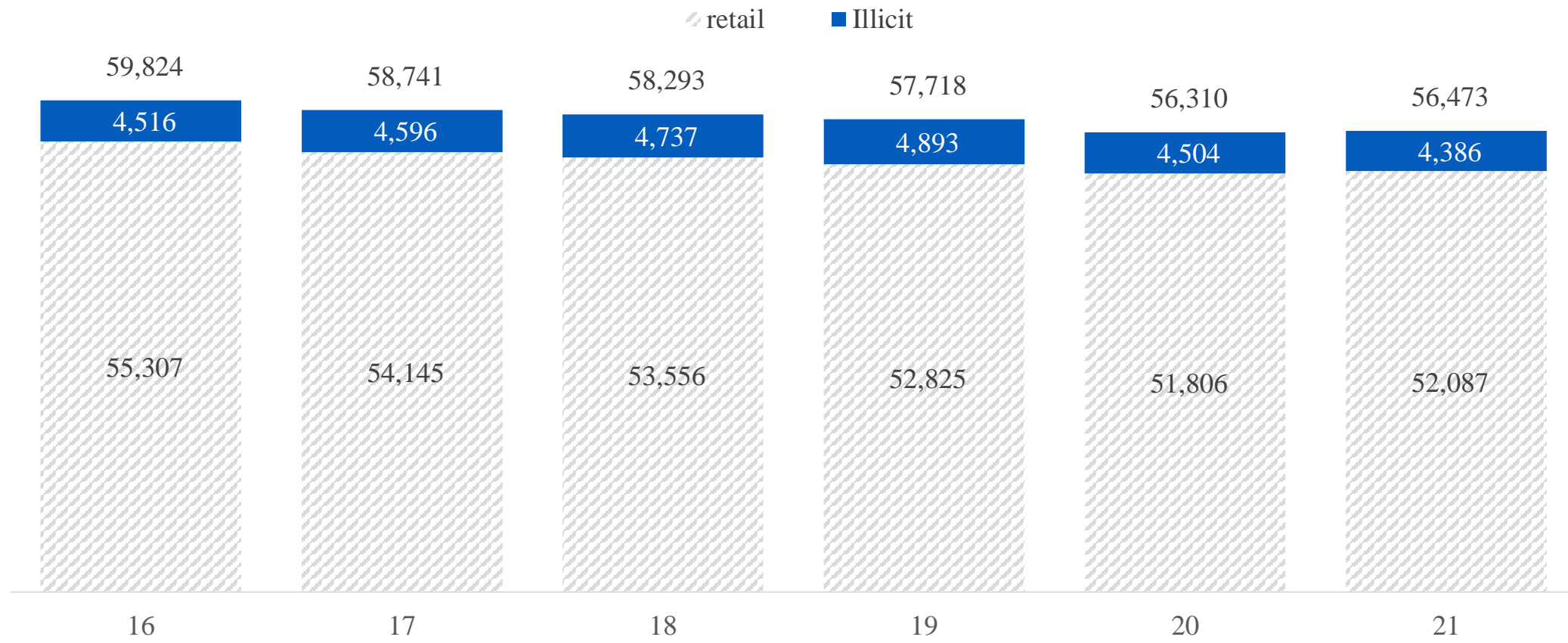
*Source : Euromonitor(2021)

*Smoking Tobacco : Pipe, RYO tobacco

*Smokeless Tobacco : Snuff, Chewing Tobacco

The total market size is about 5.6 trillion cigarettes
(declining trend after e-cigarettes)

unit: cigarette



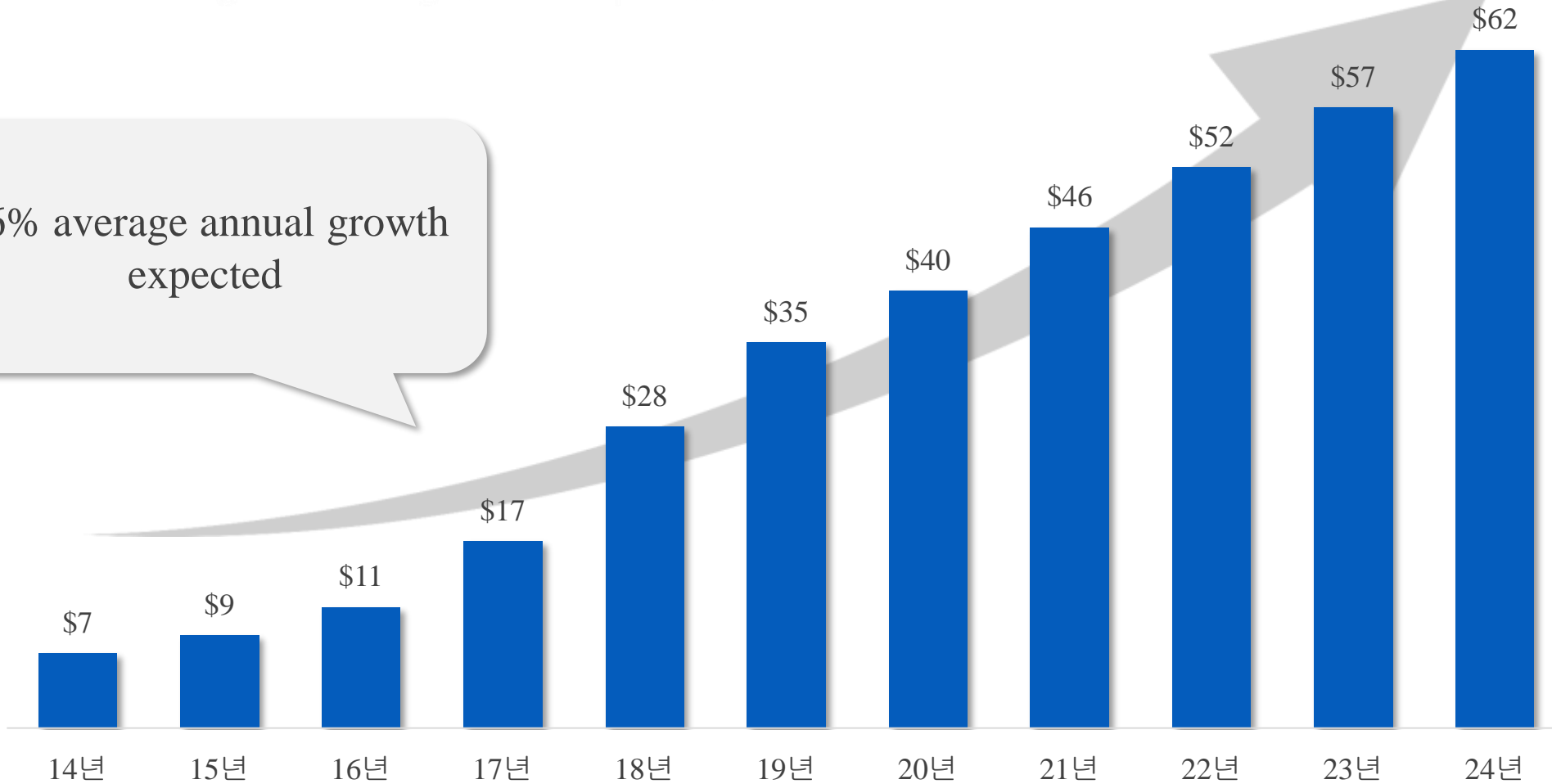


E-Cigarette(NGP) Market Trend

unit: \$B

26% average annual growth expected

26% average annual growth expected





Top 4 Tobacco Companies



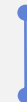
**Philip Morris
International**



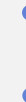
**British American
Tobacco**



**Japan Tobacco
International**



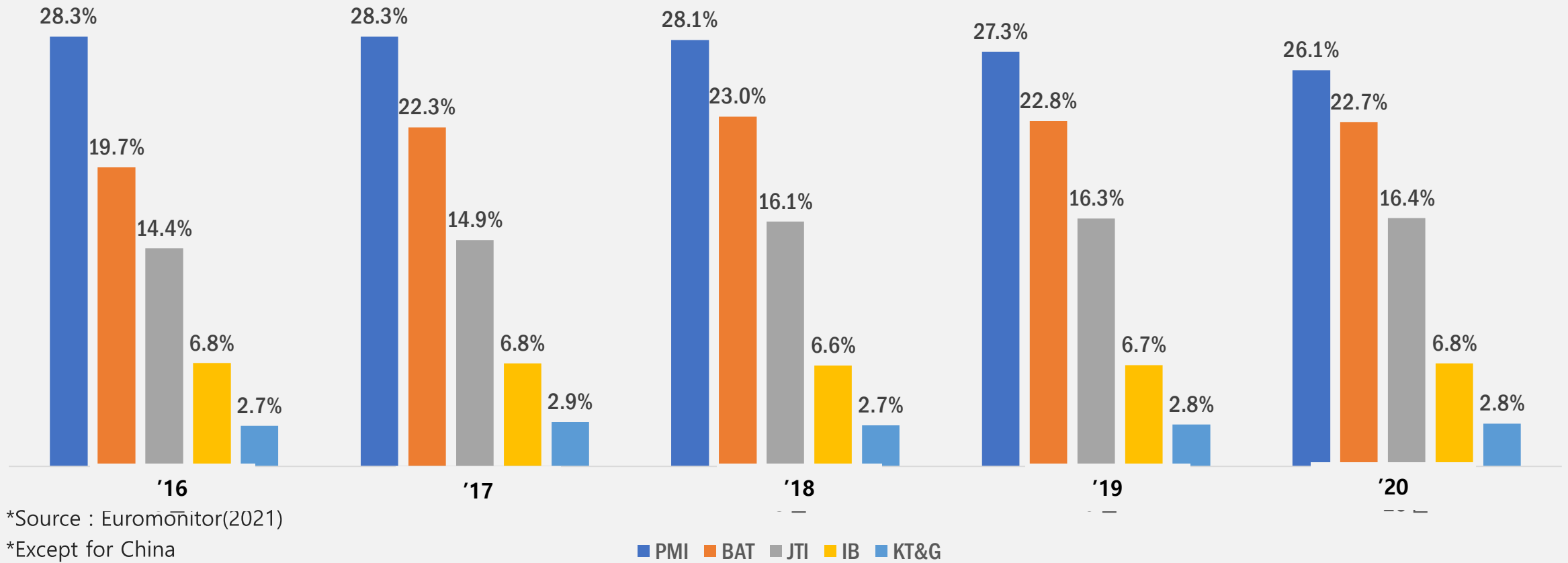
**Imperial
Brands**





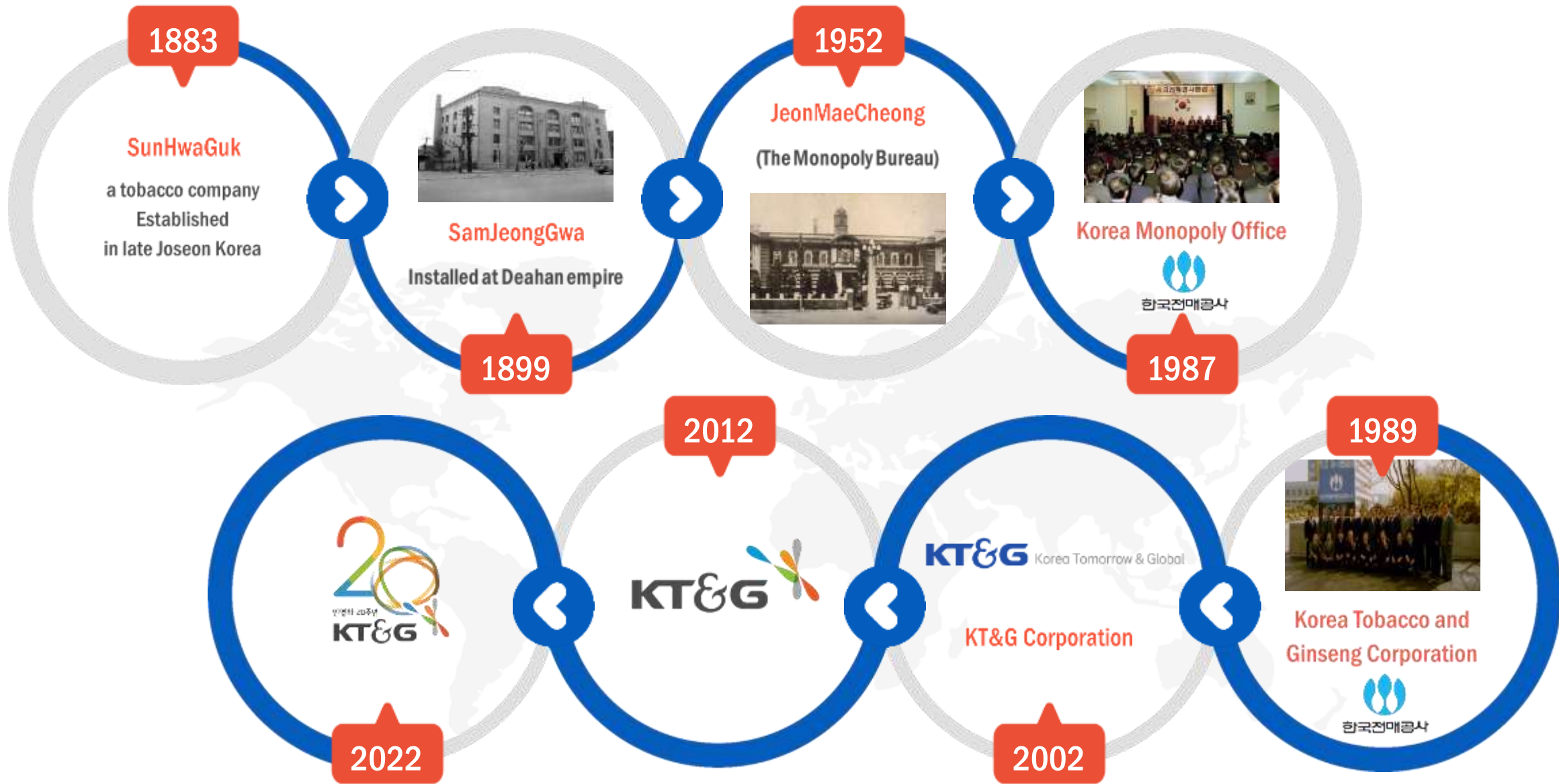
Market Trend - Market Share Trend by Manufacturer

[Market Share Trend by Manufacturer]



KT&G has about 3% of total market in Global cigarette market

1 History of KT&G – At a glance



1 History of KT&G

Step 01

Start of Korean Tobacco History



- 1883 Tobacco company Sunhwaguk established in late Joseon
- 1899 Gungnaebu Naejangwon Samjeonggwa installed at Daehan Empire (36th reign of King Gojong)
- 1952 Reorganized to Monopoly Bureau

Step 02

Innovation and Leap



- 1987 Korea Monopoly Office founded
- 1988 Tobacco market open
- 1989 KT&G founded
- 1997 Incorporated
- 1998 Red ginseng business separated
- 2002 Whole sale of share under privatization

Step 03

Superlative Global Company



- 2002 Rename (KT&G)
- 2004 Taeah Industry acquired
- 2006 Export \$300 million award
- 2008 Iran/Russia local corporation founded
- 2011 Somang Cosmetics and 3 companies acquired
- 2013 Capsule for low ignition tobacco filter developed
- 2015 SangSang Stay started
- 2016 Seoul Namedaemun Hotel open
- 2020 Sangsang Stay, Sangsang Madang Busan open
- 2022 Iii AIBLE launched
- 2023 KT&G-PMI Global Collaboration Contract

“

Korea's No.1 and global top 5 tobacco company
with 135 years of history

”

2 Identity of KT&G

- ☑ The only company that continues the legitimacy of the tobacco / red ginseng business, the Korean representative company with the symbolism as a successful case of privatization
- ☑ Company with unlimited potential based on high profitability, financial stability and transparent corporate culture

1 Representative company of Korea with long history

- More than 100 years of tobacco / red ginseng business
- Maintain domestic brand recognition
- Public Goods with DNA of Korea
- Exports to more than 40 countries

2 Company with the highest reliability and transparency

- Over 30% of operating profit margin
- Maintain good cash flow
- Complete separation of ownership ↔ dominance, simple investment structure, etc.
- Corporate culture that emphasizes
- ethics and transparency

3 Representative company with successful privatization

- Owned and distributed privatized Company with POSCO and KT
- The most successful cases of monopoly abolition and privatization
- Improved productivity and profitability after privatization
- Excellence at home and abroad with exemplary management

4 Company with high potential such as globalization and diversification

- Investment capability based on abundant liquidity and financial stability
- Tobacco and red ginseng export and establishment of local base
- Steady investment in health related fields such as bio-pharmaceuticals
- Promotion of real estate development / leasing and financial investment

9 World Class No.1 Superslim Cigarette Brand 'ESSE'

Brand overview

- ☑ 1st tobacco brand power in Korea
- ☑ 1st tobacco market brand power in Korea
- ☑ (K-BPI for 10 consecutive years, 1st in NBCI for 8 consecutive years) : Domestic tobacco market 27%, domestic super slim tobacco market 80%
- ☑ 'World Class No.1' super slim tobacco brand
- ☑ Exports to more than 50 countries including France and Italy
- ☑ Top in the world for Super slim Tobacco Category (1 out of 3 super slim tobacco ' selection)
- ☑ ESSE (ESSE) on November 1, 1996
- ☑ : A Niche brand that aims at professionals in their 20s and 30s → Nicely designed for smokers in their 40s who weigh decent taste and emotion

Representative product

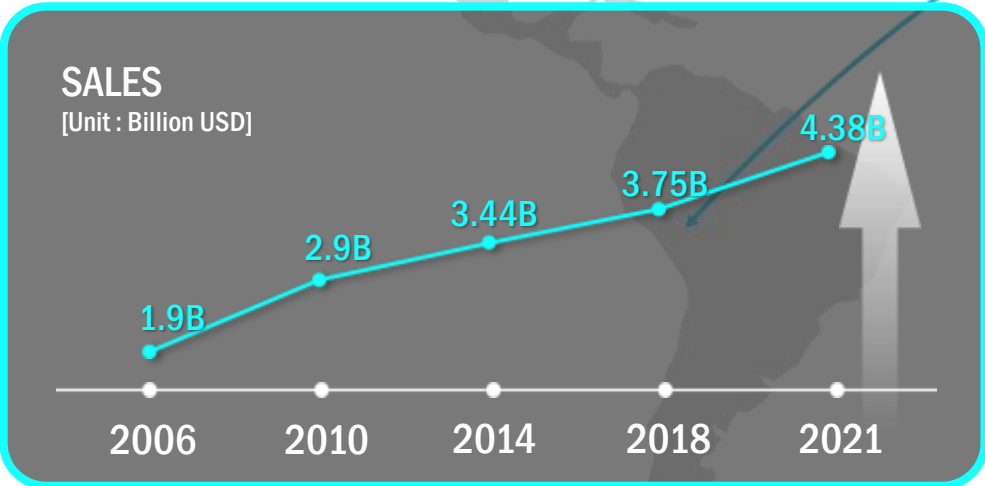
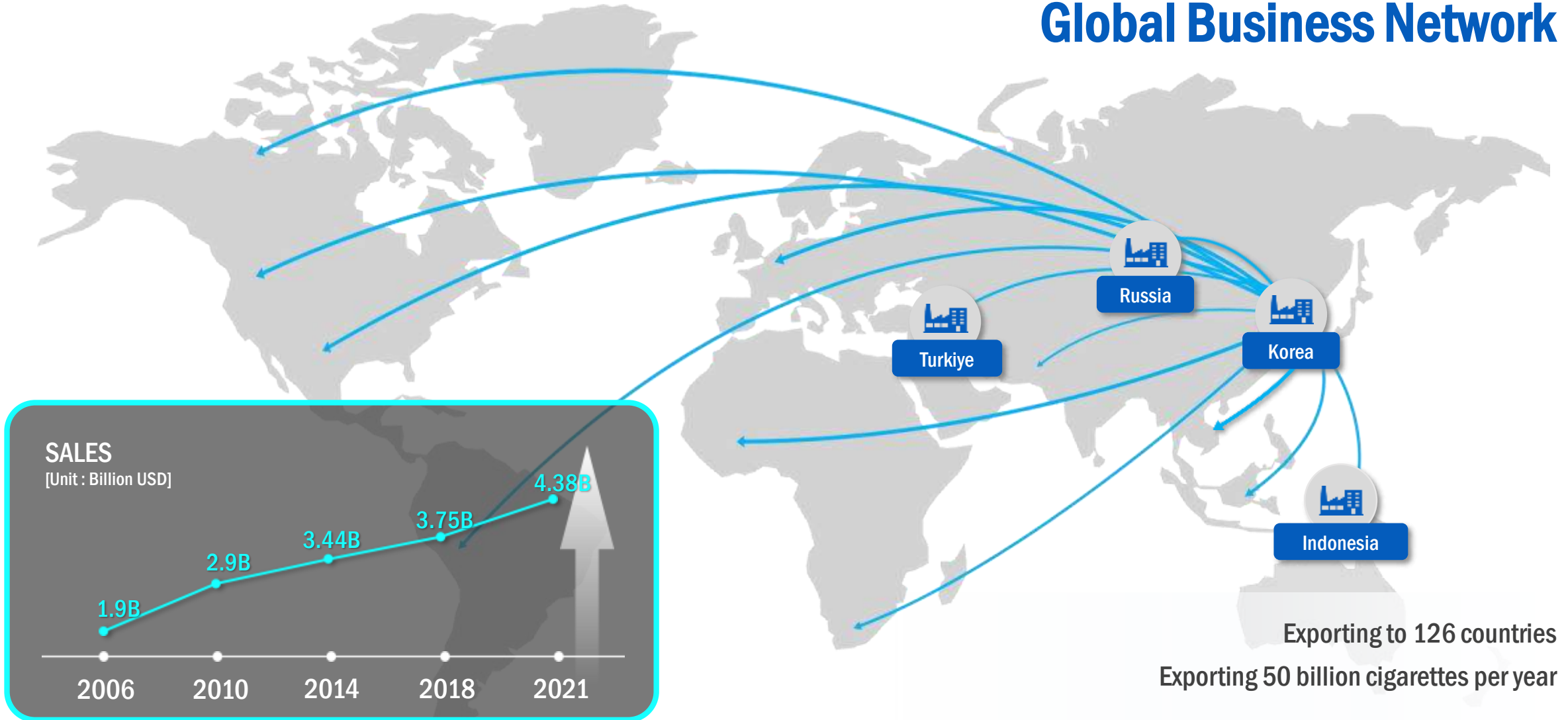
- ☑ ESSE PRIME, ESSE SOO, ESSE CHANGE 1mg, ESSE CHANGE LIN and ESSE SPECIAL GOLD



※ Warning picture omitted as it is AD to show brand image

11 KT&G global tobacco business overview

Global Business Network



12 KT&G global tobacco business network

Global network

KT&G operates total 8 overseas corporation and branches
Global brands such as ESSE and PINE are produced through ESSE and PINE Factories (Indonesia, Russia and Turkey).



KT&G Factory

- ▶ KT&G TSPM (Indonesia)
- ▶ KT&G Russia
- ▶ KT&G Turkiye

KT&G Sales Office

- ▶ KT&G Indonesia
- ▶ KT&G Russia
- ▶ KT&G Turkiye
- ▶ KT&G Kazakhstan
- ▶ KT&G Taiwan
- ▶ KT&G China
- ▶ KT&G Mongolia
- ▶ KT&G Uzbekistan

To satisfy various needs of customers

Differentiated and competitive Brand Portfolio operation

Based on its superior quality and competitive brand name

No. 1 in National Customer Satisfaction Index (NCSI) for the 6th consecutive year ('12~'17)

ESSE

Top sales global brand of super slim tobacco exported to more than 50 countries

TheOne

For the 14th consecutive year, the leading brand of regular tobacco sales of domestic tar less than 1mg

Raison

Creative emotion brand that is loved by young people with unique personality and differentiated taste

Bohem

Brand with deep and dense flavor and exotic and romantic brand of Cuba (South America) containing cigar leaf

Africa

Africa's unique fragrance leaf tobacco and space filter applied, delightful brand with a variety of flavors, aromas and fun