

Lotte Confectionery and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2012 and 2011

(in millions of Korean won)

	2012	2011
Cash flows from operating activities		
Profit for the year	89,776	100,362
Income tax expense	36,225	57,239
Depreciation	73,646	69,168
Amortization	924	930
Severance benefits	17,508	16,711
Employee benefits	1,064	(850)
Interest expenses	17,244	21,148
Interest income	(7,610)	(8,045)
Gain on disposal of available-for-sale financial assets	(2,308)	(402)
Share of (loss)/profit of associates	3,764	28,535
Gain on disposal of investments in associates assets	(7,061)	-
Loss on disposal of investments in associates assets	1,131	2,144
Gain on disposal of investments in subsidiary assets	-	(13,659)
Gain on valuation of hedging derivative	(39)	(17,390)
Gain on derivative hedging transactions	(708)	(1,811)
Loss on derivative hedging transactions	28,936	275
Bad debts expense	5,379	1,324
Other bad debt expense	-	163
Reversal of allowance for doubtful accounts	-	(23)
Gain on disposal of property, plant and equipment	(1,225)	(2,836)
Loss on disposal of property, plant and equipment	2,482	227
Loss on impairment of property, plant and equipment	-	393
Gain on disposal of intangible assets	(3)	(3)
Impairment loss on intangible assets	8,186	-
Gain on disposal of investment property	(368)	-
Foreign exchange gains and losses	(2,605)	15,402
Dividends income	(25,249)	(6,536)
Other income, expense	(27,507)	715
Decrease (increase) in inventories	(6,370)	(36,579)
Decrease (increase) in trade receivables	(3,071)	(29,226)
Decrease (increase) in other receivables	43	354
Decrease (increase) in other current assets	792	(6,378)
Decrease (increase) in other non-current assets	963	(3,308)
Increase (decrease) in trade payables	(38,852)	10,445
Increase (decrease) other payables	(18,810)	13,763
Increase (decrease) in defined benefit liabilities	(12,524)	(18,935)
Increase (decrease) current other financial liabilities	(8,282)	(1,328)
Increase (decrease) in other current liabilities	7,889	(8,735)
Increase (decrease) in current other financial liabilities	(337)	2,014
Increase (decrease) in other non-current liabilities	(1,664)	(1,949)
Increase (decrease) in deferred revenue	351	(1,341)
Increase (decrease) in provisions	1,375	1,077
Income tax paid	(41,766)	(40,703)
Net cash generated from operating activities	91,319	142,352

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Cash flows from investing activities		
Increases in cash due to changes in scope of consolidation	-	604
Decrease in current financial instrument assets	14,189	3,090
Decrease in non-current financial instrument assets	6,634	5,710
Proceeds from disposal of available-for-sale financial assets	1,557	2,919
Proceeds from disposal of property, plant and equipment	1,509	16,250
Proceeds from disposal of intangible assets	3	7
Proceeds from disposal of investment property	1,157	-
Interest received	8,155	7,947
Dividends received	25,636	6,857
Decreases in cash due to changes in scope of consolidation	(1,765)	(1,325)
Acquisition of investments in associates	-	(23,295)
Increase in non-current financial instrument assets	(1,710)	(9,926)
Acquisition of available-for-sale financial assets	(891)	(1,650)
Acquisition of property, plant and equipment	(65,446)	(88,244)
Acquisition of intangible assets	(431)	(1,017)
Acquisition of investment property	(470)	-
Net cash used in investing activities	(11,873)	(82,075)
Cash flows from financing activities		
Proceeds from borrowings	24,866	17,442
Proceeds from issuance of debentures	199,335	99,542
Proceeds from disposal of hedging derivatives	8,784	40,986
Repayments of borrowings	(30,164)	(48,200)
Repayments of current portion of debentures	(261,543)	(153,794)
Interest paid	(17,865)	(20,554)
Dividends paid	(5,630)	(5,630)
Net cash used in financing activities	(82,217)	(70,208)
Net increase (decrease) in cash and cash equivalents	(164)	2
Cash and cash equivalents at the beginning of the year	182,610	192,539
Exchange gains(losses) on cash and cash equivalents	(2,771)	(9,931)
Cash and cash equivalents at the end of the year	179,675	182,610

The accompanying notes are an integral part of these consolidated financial statements.