



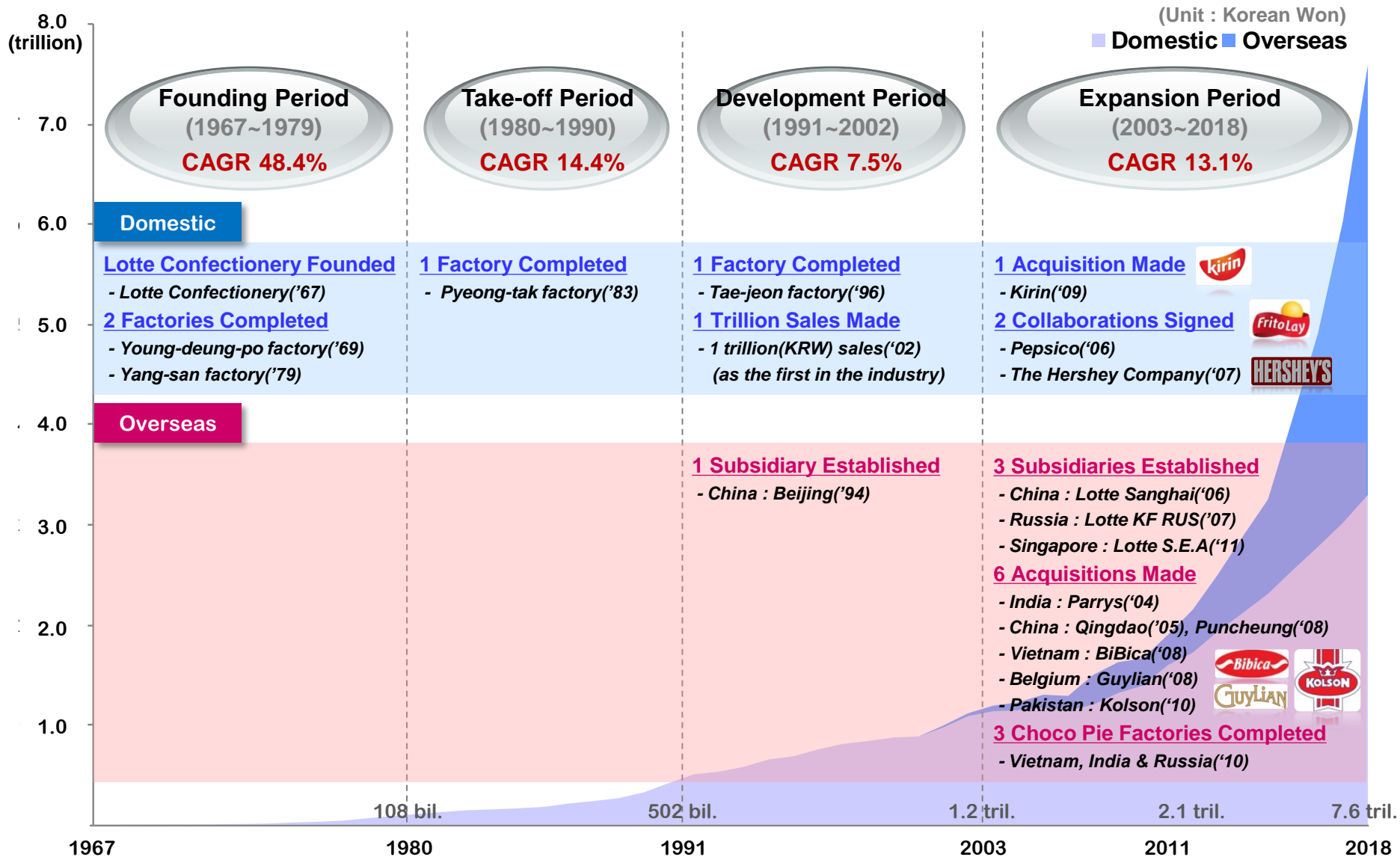
LOTTE CONFECTIONERY

2012 1Q INVESTOR RELATIONS



Growth History

Lotte Confectionery has grown to be the largest confectionery company in Korea since 1967



※ gross sales base

Factories & Affiliates

Lotte Confectionery is running businesses over 8 geographies worldwide

- Korea, China, Vietnam, India, Pakistan, Russia, Belgium(Europe), Singapore

Domestic



- **1 subsidiary**
 - Kirin Food
- **4 plants**
- **18 local branches**
 - confectionery 8, Ice cream 10
- **132 sales offices**
 - confectionery 82, Ice cream 50

Overseas

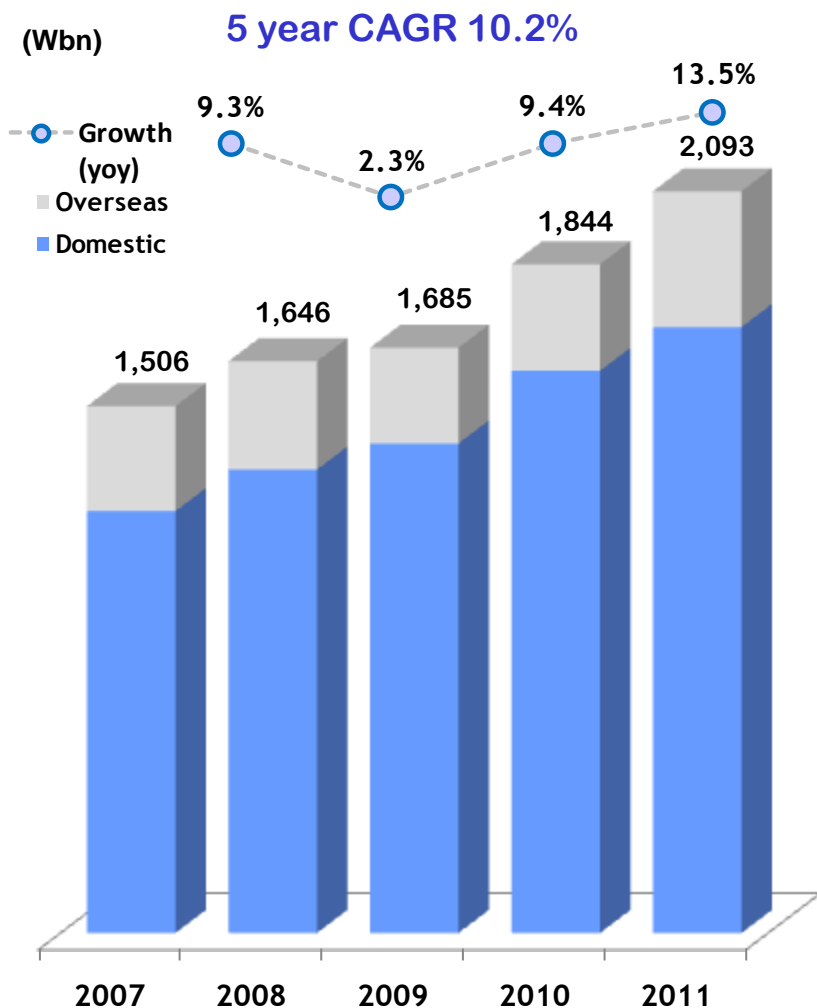


- **13 subsidiaries**
 - China(7), India(1), Pakistan(1), Vietnam(1), Belgium(1), Russia(1), Singapore(1)
- **17 plants**
 - China(4), India(2), Pakistan(6), Vietnam(3), Belgium(1), Russia(1)

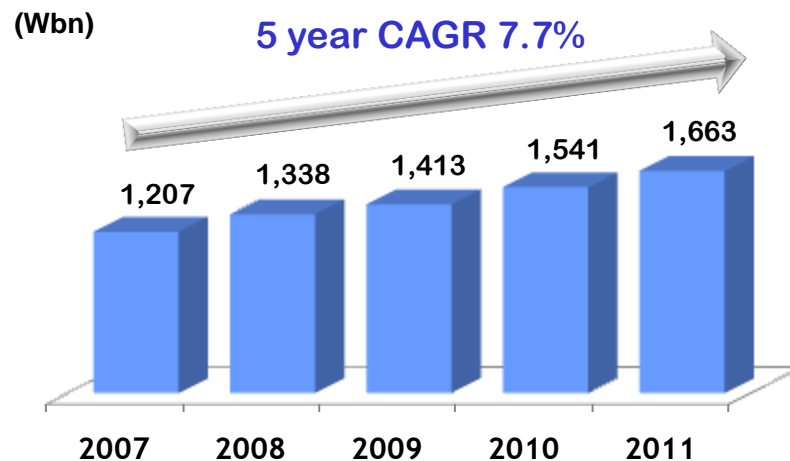
Revenue Breakdown(Domestic/Overseas)

CAGR of 10.2% on the back of robust domestic growth while expanding overseas business steadily

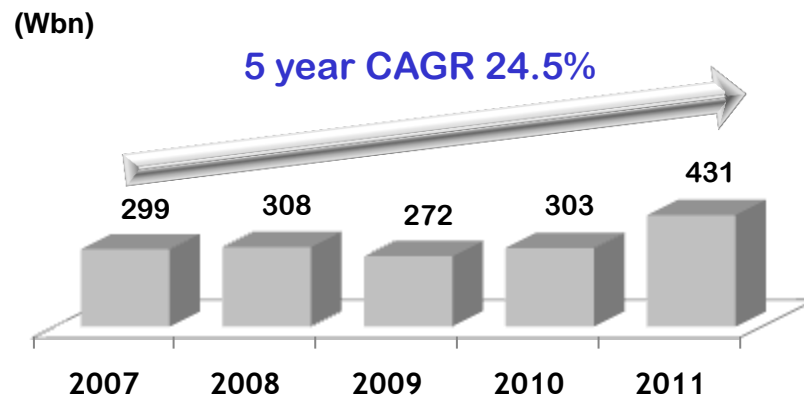
Revenue Break Down



Domestic Sales Trend



Overseas Sales Trend



※ Gross Sales base

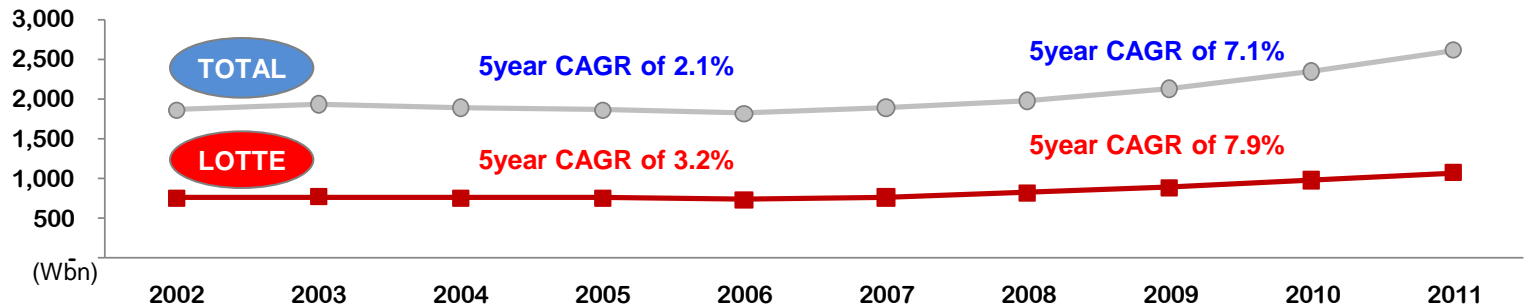
※ Sum of sales by subsidiaries (regarding overseas sales)

Domestic Market Trend

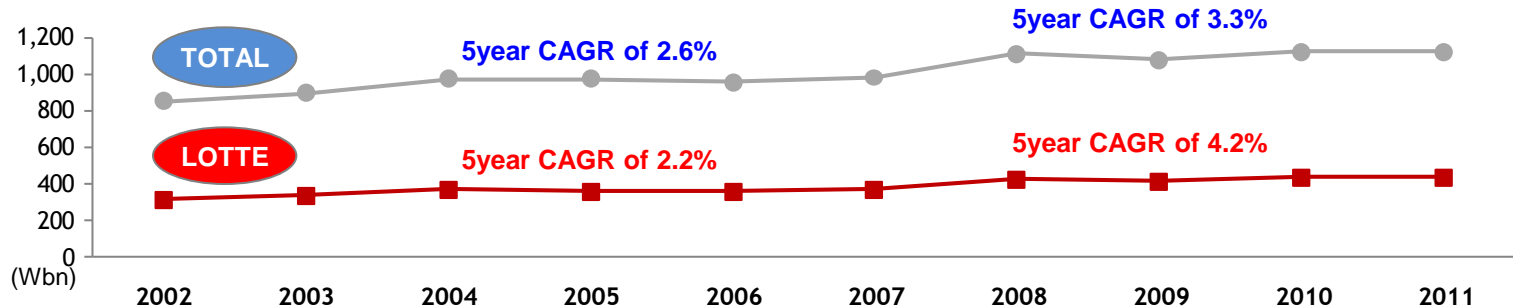
Average sales of 10yrs. surpasses market Index for Confectionery / Ice Cream sector

Market Trend

Confectionery
10-year CAGR
4.1%(Total)
5.6%(Lotte)

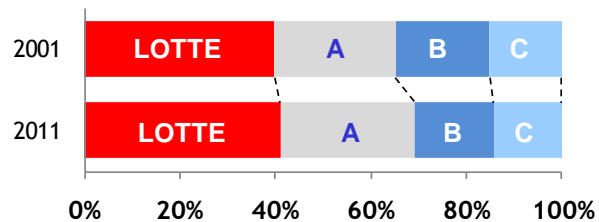


Ice Cream
10-year CAGR
2.9%(Total)
3.2%(Lotte)

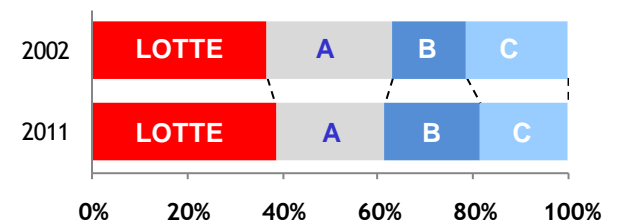


Market Share Trend

Confectionery
10-year
Change
+1.7%P



Ice Cream
10-year
Change
+1.8%P



※ Based on the estimates of 4 major companies (confectionery/Ice Cream)

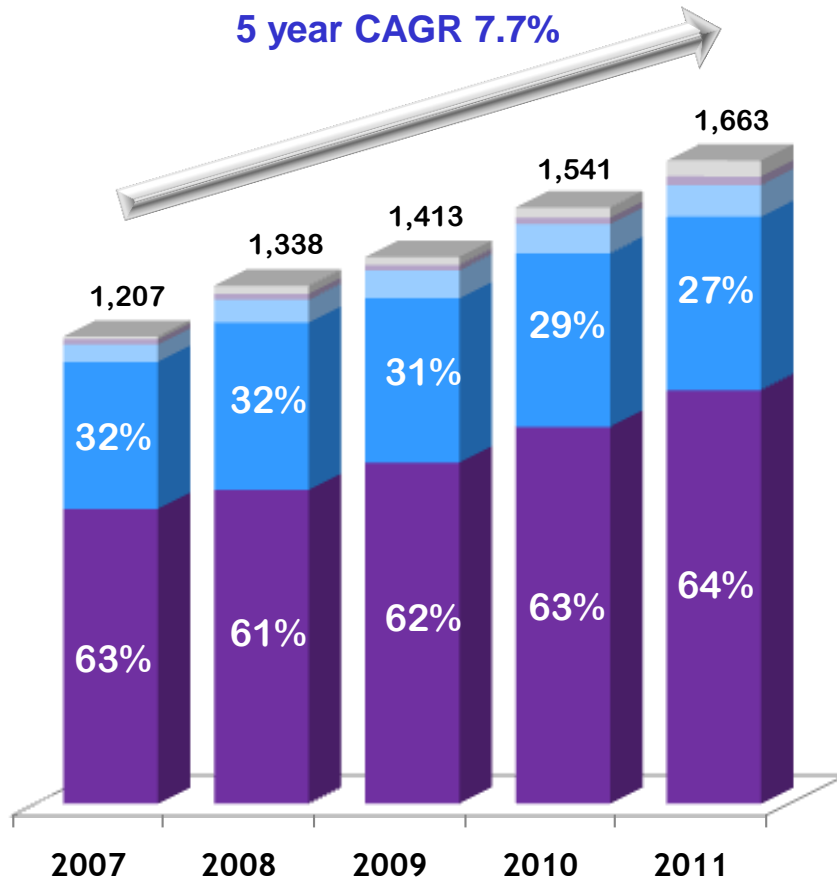
Domestic Business Performance – 1. Sales

10-year sales CAGR of Lotte Confectionery is above the domestic market index

Sales Growth (by Business Unit)

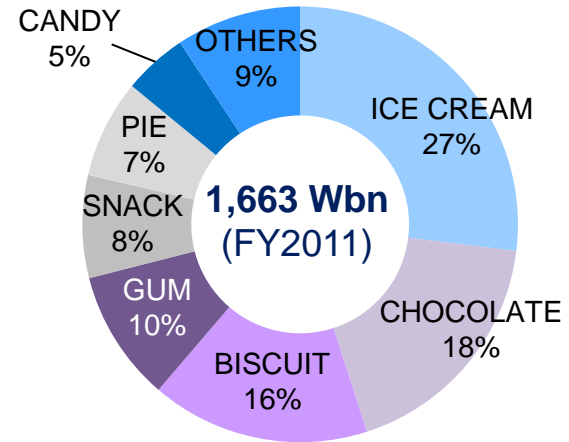
(Wbn)

■ Confectionery ■ Ice Cream ■ Export ■ Health ■ Others



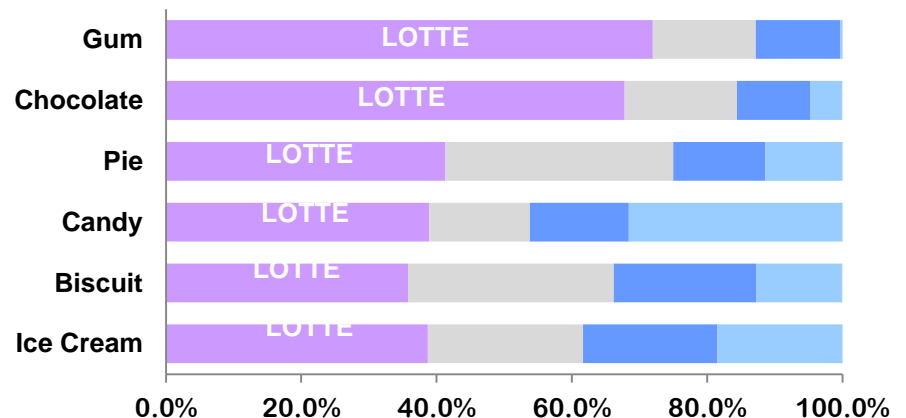
※ based on gross sales

Sales Breakdown (by Category)



※ based on gross sales, others including export, health product sales

Market Share of Main Products



※ based on 4 Major companies' estimate (confectionery/ice cream)

Domestic Business Performance – 2. Profitability

5yrs operating income and net income increased by 19.5%, 3.9% each

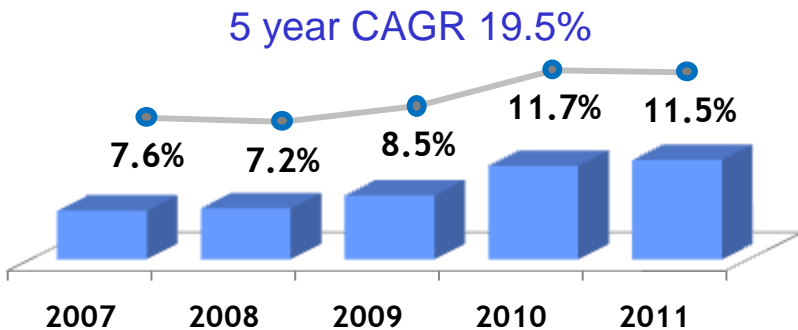
Profits

(Wbn)	2008	2009	2010	2011	1Q 2011	1Q 2012
Net Sales	1,245	1,317	1,412	1,522	344	362
Gross Profit	484	507	581	608	130	136
Gross Margin	38.9%	38.5%	41.1%	40.0%	37.8%	37.5%
Operating Profit	90	112	165	175	34	33
Operating Margin	7.2%	8.5%	11.7%	11.5%	9.8%	9.1%
Recurring Profit	158	141	158	181	37	38
Recurring Margin	12.7%	10.7%	11.2%	11.9%	10.7%	10.5%
Net Profit	178	96	123	127	26	34
Net Margin	14.3%	7.3%	8.7%	8.4%	20.1%	24.9%

※ K-GAAP applies to 2007~2009 / K-IFRS applies to 2010~

- Gross Profit Change : +4.8% (FY11), +4.3% (1Q12) yoy
- Operating Profit Change : +6.2% (FY11), -2.5% (1Q12) yoy
- Recurring Profit Change : +14.8% (FY11), +2.9% (1Q12) yoy
- Net Profit Change : +3.7% (FY11), +29.6% (1Q12) yoy

5-year Operating Income Trend



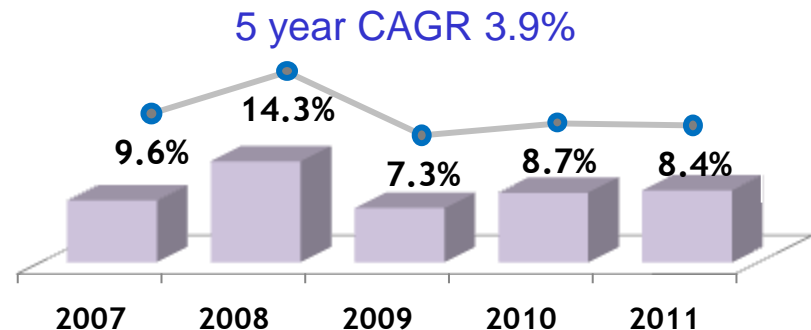
COGS / SG&A

(Wbn)	FY 2008	FY 2009	FY 2010	FY 2011	1Q 2011	1Q 2012
Net Sales	1,245	1,317	1,412	1,522	344	362
Cost of Goods Sold	761	810	831	914	214	227
as % of Net Sales	61.1%	61.5%	58.9%	60.0%	62.2%	62.5%
SG&A Expenses	394	395	413	438	100	104
as % of Net Sales	31.7%	30.0%	29.3%	28.8%	28.9%	28.8%

※ K-GAAP applies to 2007~2009 / K-IFRS applies to 2010~

- COGS Change : +9.9% (FY11), +5.7% (1Q12) yoy
- SG&A Change : +6.0% (FY11), +4.7% (1Q12) yoy

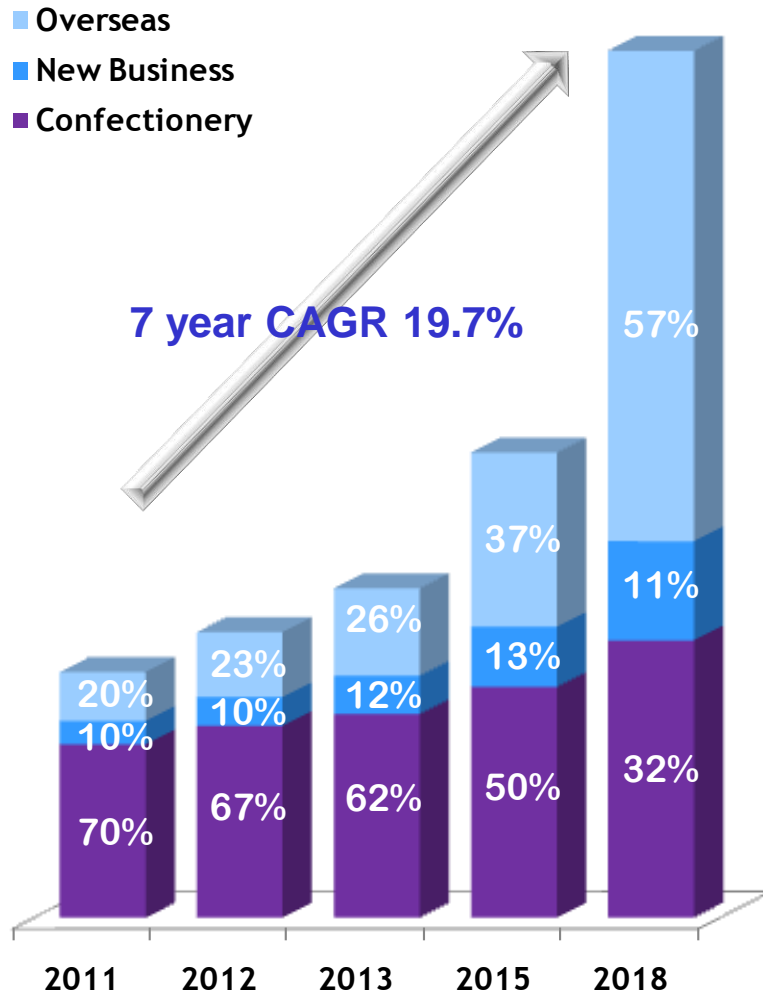
5-year Net Income Trend



Vision 2018

Lotte Confectionery holds the vision to become an 'ASIA No. 1 confectionery company'

VISION 2018



Key Strategies

Domestic

- **Expanding Sales of Core Products**
- **Launching New Products to meet consumer needs**
 - New categories / Premium products
- **Strengthen Competitiveness by JV**
 - Hershey(Chocolate)/ Fitoray(Snack)

New

- **Creating New Engine for growth Utilizing Existing Infra**
 - M&As, JV, Collaboration, etc.
- **Reinforcing Health Related Business**
 - Building Mega Brands
 - Widening Product Portfolio

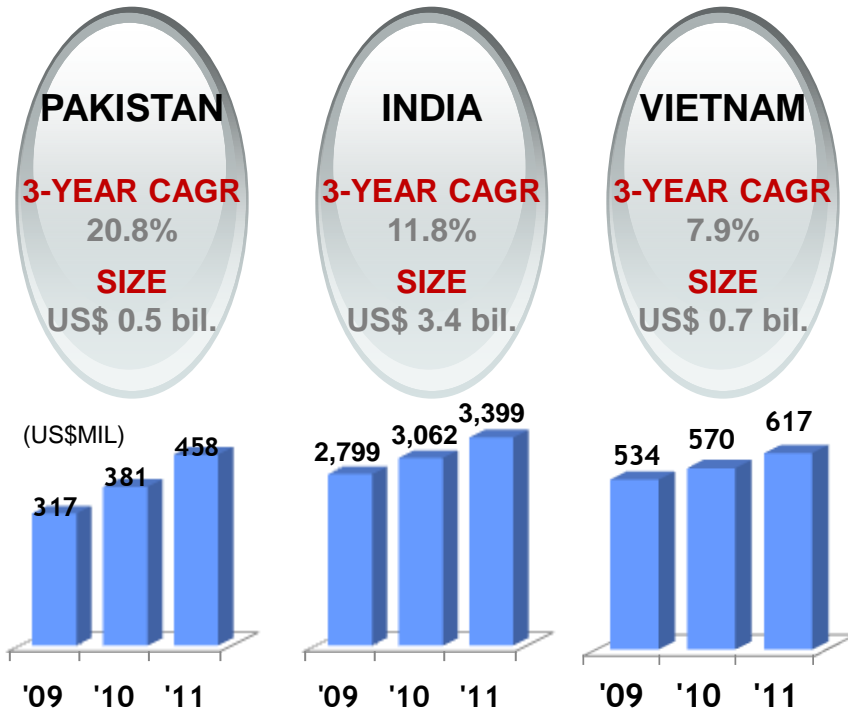
Overseas

- **Concentrating on Fast Growing Markets**
 - Expanding our Presence in ASIA (VRICs, ASEAN, Pan India, etc.)
- **Strengthening the existing business**
 - Sales Channel Management & MKT
 - Product Portfolio Expansion, M&As
- **Accelerating New Geography Expansion**

Overseas Market Trend

Lotte Confectionery is accelerating globalization focusing on global confectionery markets with high future growth potential

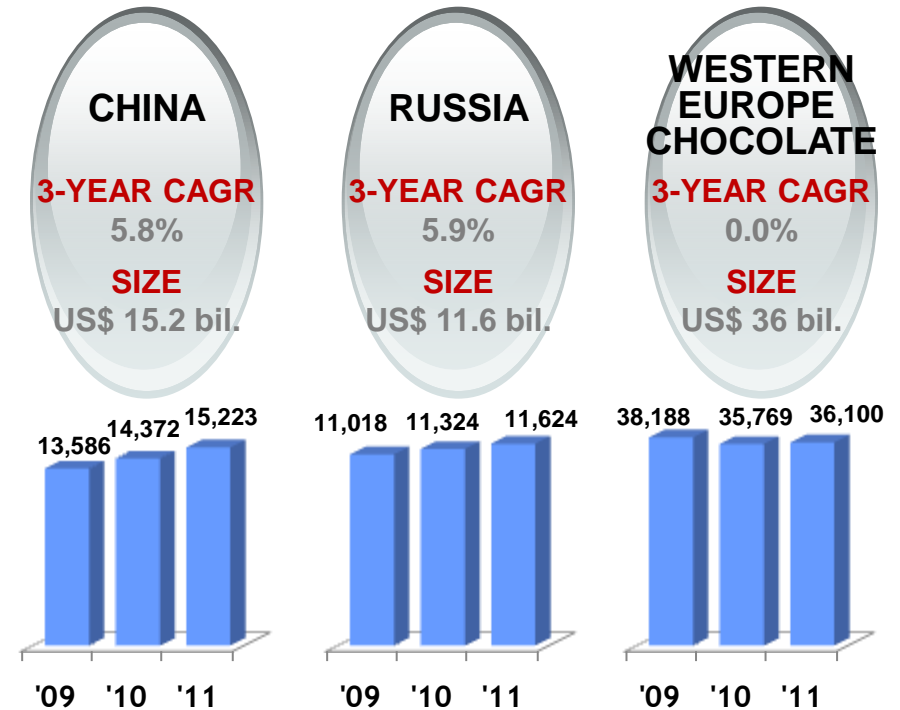
Fast-Growing Markets



Lotte Confectionery entered into fast-growing markets such as

- INDIA ('04)
 - VIETNAM ('08)
 - PAKISTAN ('11)
- Through M&A

Major Markets



Lotte Confectionery entered into major confectionery markets such as

- CHINA ('07)
 - RUSSIA ('94)
 - WESTERN EUROPE ('08)
- through acquisitions & green field expansion

Overseas Business Expansion

Lotte Confectionery is creating synergies by joint overseas expansion with affiliates
(running adjacent business)

※ () Lotte Confectionery's stake (end of March 2012),
(consolidated subsidiaries) (equity method subsidiaries)



CHINA

Gum, Biscuit, Choco, Pie, Ice

- Lotte Food Holding (100.0%)
- LH Foods (51.0%)
- Lotte Qingdao Foods (90.0%)
- Lotte Ice (Shandong) (65.0%)
- Lotte China Foods (47.2%)
- Lotte Packaging(Beijing) (25.0%)
- Lotte (China) Investment (43.5%)

Vietnam

Candy, Pie, Biscuit, Gum

- BIBICA CORPORATION (38.6%)
- Lotte Vietnam (36.8%)

India

Candy, Pie, Gum

- Lotte India (98.4%)

Pakistan

Snack, Biscuit, Pasta

- K.S.S.E (69.5%)

Russia

Pie

- Lotte Europe Holdings (31.7%)

Guylian

Chocolate

- Lotte Confectionery Holdings (51.0%)

South East Asia

Gum, Biscuit, Choco, Candy

- Lotte Confectionery (S.E.A) (85.0%)
- Lotte Taiwan (50.0%)
- PT, Lotte Trade And Distribution (40.0%)
- Lotte Confectionery Pilipinas (40.0%)
- Lotte Malaysia (40.0%)

Overseas Business Strategy

Strengthening the existing business while penetrating further into the new geography



 : potential candidate countries for expansion

Appendix – Summary of Financial Statements(Non-Consolidated)

Income Statement

	(Wbn)			
	2010	2011	1Q 2011	1Q 2012
Net Sales	1,412	1,522	344	362
Growth rate (%)	-	7.8%	-	5.2%
COGS	831	914	214	227
Gross Profit	581	608	130	136
GP Margin (%)	41.1%	40.0%	37.8%	37.5%
SG&A	413	438	100	104
SG&A (%)	29.3%	28.8%	28.9%	28.8%
Operating Profit	165	175	34	33
OP Margin (%)	11.7%	11.5%	9.8%	9.1%
Recurring Profit	158	181	37	38
RP Margin (%)	11.2%	11.9%	10.7%	10.5%
Net Income	123	127	26	34
Net Margin (%)	8.7%	8.4%	20.1%	24.9%
EPS (Won)	87,170	90,382	-	-

Balance Sheet

	(Wbn)	
	4Q 2011	1Q 2012
Current Assets	587	589
Cash/Cash equivalents	139	139
Receivables	181	204
Inventories	148	141
Non-liquid Assets	3,146	3,172
Investment & other assets	2,181	2,205
Tangible assets	965	967
Total Assets	3,733	3,762
Payables	202	206
Other Liabilities	966	943
Total Liabilities	1,168	1,149
Paid-in capital	7	7
Capital surplus	13	13
Retained earnings	1,543	1,572
Capital adjustment & Accumulated other comprehensive income	1,002	1,021
Total Shareholder's Equity	2,565	2,613
D/E Ratio(%)	45.5%	44.0%

Appendix – Summary of Financial Statements(Consolidated)

Income Statement

	(Wbn)			
	2010	2011	1Q 2011	1Q 2012
Net Sales	1,651	1,854	417	436
Growth rate (%)	-	12.3%	-	4.7%
COGS	979	1,140	262	282
Gross Profit	672	714	155	155
GP Margin (%)	40.7%	38.5%	37.2%	35.5%
SG&A	504	541	123	124
SG&A (%)	30.5%	29.2%	29.4%	28.4%
Operating Profit	171	179	36	33
OP Margin (%)	10.4%	9.7%	8.6%	7.6%
Recurring Profit	131	158	49	46
RP Margin (%)	7.9%	8.5%	11.8%	10.5%
Net Income	94	100	36	41
Net Margin (%)	5.7%	5.4%	8.7%	9.3%
EPS (Won)	66,461	69,402	25,942	28,660

Balance Sheet

	(Wbn)	
	4Q2011	1Q 2012
Current Assets	741	733
Cash/Cash equivalents	183	188
Receivables	247	250
Inventories	181	174
Non-liquid Assets	3,160	3,193
Investment & other assets	1,928	1,962
Tangible assets	1,232	1,231
Total Assets	3,901	3,926
Payables	260	242
Other Liabilities	1,026	1,006
Total Liabilities	1,286	1,248
Paid-in capital	7	7
Capital surplus	13	13
Retained earnings	1,537	1,573
Capital adjustment & Accumulated other comprehensive income	1,058	1,085
Total Shareholder's Equity	2,615	2,677
D/E Ratio(%)	49.2%	46.6%

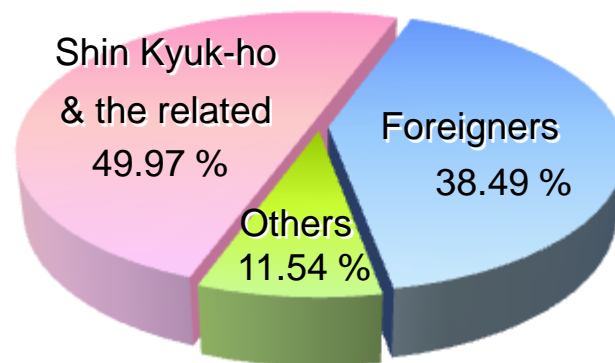
※ K-IFRS applies to 2010-

Appendix – Shareholder Information

Principal Shareholder Status

Major Share Holders	(%)
Lotte Aluminum	15.29
Lotte Scholarship Foundation	8.69
Shin, Kyuk Ho	6.83
Shin, Dong Bin	4.88

※ Lotte Confectionery Shareholder's List (End of March 2011)



Dividend / Payout Ratio

	2007	2008	2009	2010	2011
Share Price (₩million)	1,690,000	1,305,000	1,289,000	1,508,000	1,707,000
Cash Dividend (₩million)	4,222	4,222	4,926	5,630	5,630
Dividend Rate (Dividend/face value)	60.0%	60.0%	70.0%	80.0%	80.0%
Dividend Per Share	3,000	3,000	3,500	4,000	4,000
Dividend Yield (DPS/Share Price)	0.2%	0.2%	0.3%	0.3%	0.2%
Payout Ratio (Dividend/Net Profit)	3.9%	2.4%	5.2%	4.6%	4.4%

Appendix – Shares in Related Companies

(KRW mil., the end of March 2012)

	Company	Shares	%	Book Value	Category / Location of Business	Remark
Domestic (affiliated)	Kirin Foods	195,800	0.0	98,076	Chewing gum, Confectioneries, Ice cream	※ Consolidated Subsidiaries
	Lotte Giants	6,000	30.0	30	Professional Baseball Team	※ Equity Method Affiliates
	Lotte Shopping	2,474,543	8.5	878,463	Department Store	
	Lotte Chilsung Beverage(common)	145,237	11.7	176,608	Carbonated Drinks, Juice, Liquor	
	Lotte Chilsung Beverage(preferred)	9,660	8.1	3,284	Carbonated Drinks, Juice, Liquor	
	Lotte Samkang	123,226	9.8	58,409	Cooking Oils, Ice Cream	
	Korea Seven	5,977,672	16.6	95,027	Convenience Store	
	Lotteria	65,374	13.6	70,662	Fast-food Restaurant Franchise	
	Lotte Station Building	319,200	8.9	63,284	Department Store	
	Lotte Data Communication Company	52,376	6.1	37,528	Computer Software & Parts/Peripherals Business	※ Available-for-Sale Securities (Excluding Debt Securities)
	Lotte Logistics	66,308	4.6	7,060	Distribution/Logistics Management & Consulting	
	Lotte.com	523,548	11.3	5,596	On-line Shopping Mall	
	Lotte Trading	12,187	1.4	4,525	International Trading Business	
	Lotte Fresh Delica	340,000	9.0	1,804	Fresh Food Manufacturing	
	Others	4,858,359	-	30,647	Lotte Asset Management, Korea Fuji Film, etc.	
Domestic (unaffiliated)	BS Financial Group	5,536,479	2.9	73,635		
	Shinhan Financial Group	458,111	0.1	20,042		
	Others	158,281	0.6	3,072	Cosmo Investment Management, etc.	
	Sub Total	21,322,361		1,627,752		
Overseas	Lotte India Co., Ltd.	9,404,693	98.4	88,000	India	
	Lotte Confectionery Holdings B.V.	56,100,000	51.0	74,418	Netherlands (including 8 subsidiaries consolidated)	
	Lotte Food Holding Co., Ltd.	75,000,000	100.0	70,571	China	
	Lotte Qingdao Foods Co., Ltd.	-	90.0	22,714	China	※ Consolidated Subsidiaries
	K.S.S.E., Ltd.	54,117,647	69.5	18,304	Pakistan (including 1 subsidiary consolidated)	
	Lotte Ice (Shandong) Co., Ltd.	-	65.0	8,759	China	
	Lotte Confectionery (S.E.A) Pte., Ltd.	-	100.0	6,875	Singapore	
	Lotte Europe Holdings B.V.	182,186	31.7	112,538	Netherlands	
	Lotte China Foods Co., Ltd.	-	47.2	42,216	China	
	BIBICA CORPORATION	5,953,000	38.6	17,874	Vietnam	
	Lotte Packaging(Beijing) Co., Ltd.	-	25.0	6,478	China	
	Lotte Vietnam Co., Ltd.	-	36.8	5,475	Vietnam	※ Equity Method Affiliates
	PT, Lotte Trade And Distribution	3,360	40.0	2,739	Indonesia	
	Lotte Taiwan Co., Ltd.	20,300,000	50.0	6,672	Taiwan	
	Lotte Confectionery Pilipinas Co.	1,000,000	40.0	2,643	Philippines	
	Lotte Malaysia Sdn. Bhd	8,000,000	40.0	2,837	Malaysia	
	PT, Lotte Indonesia	8,910	7.6	680	Indonesia	※ Available-for-Sale Securities
Lotte(China) Management Co., Ltd.	-	10.0	892	China		
	Sub Total	230,069,796		490,685		
	Total	251,392,157		2,118,437		

※ Non-consolidated base (excluding indirect subsidiaries)