

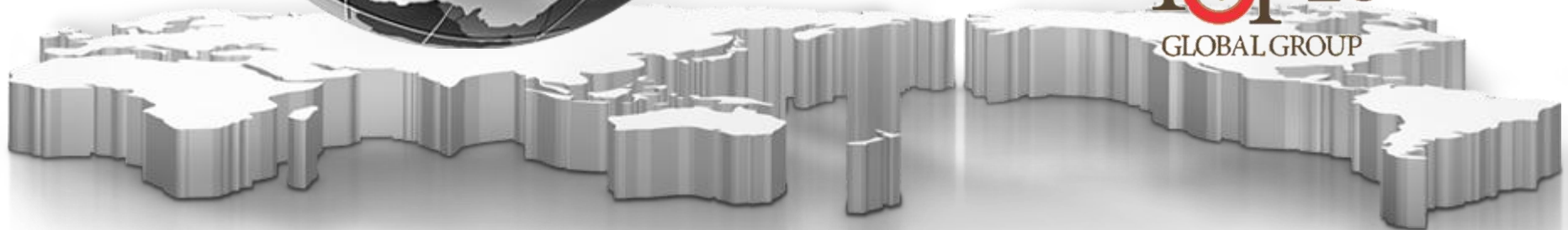
ASIA
No.1
CONFECTIONERY
COMPANY



1st Half of 2012

***INVESTOR
RELATIONS***

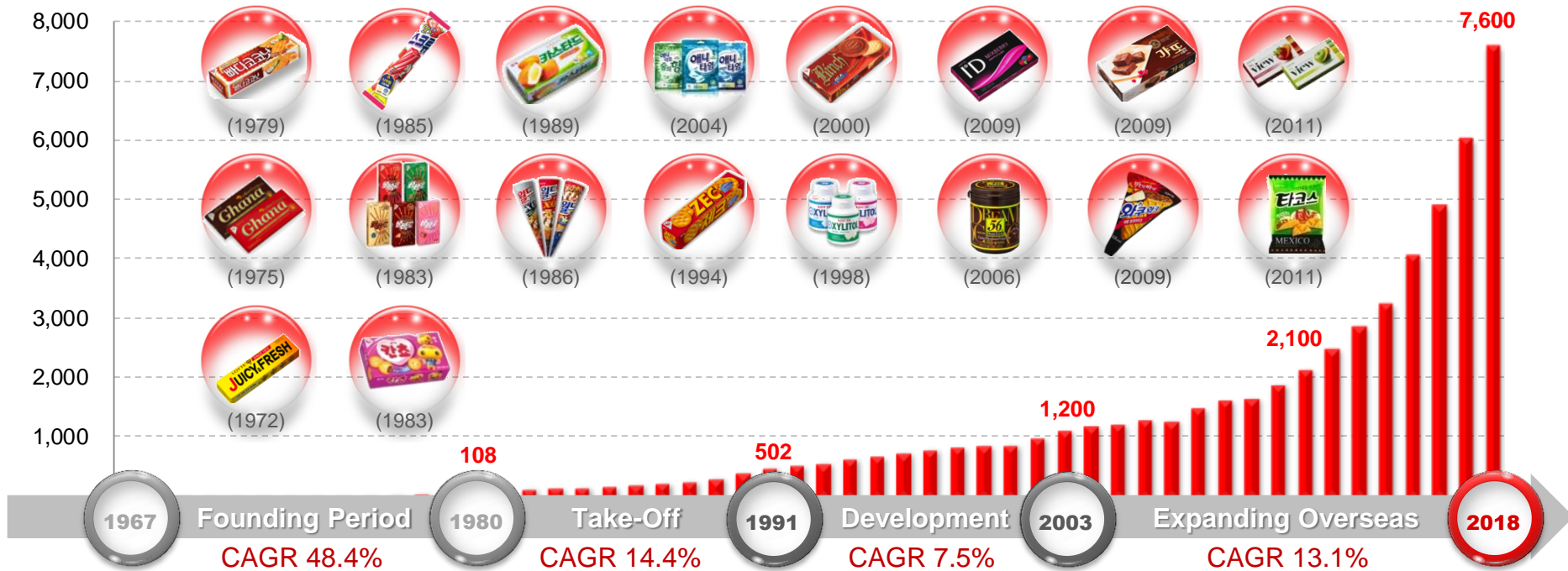
ASIA
TOP10
GLOBAL GROUP



Company History

Launching mega hit products, our business will sustain its growth trend continuously

(Unit : billion KRW)



Domestic

- Lotte Confectionery Founded (1967)
- 4 factories Completed (1969~1996)
 - ① Young-deung-po (1969), ② Yang-San (1979), ③ Pyeong-taek (1983), ④ Tae-Jeon (1996)

- Kirin Acquisition (2009)
- 2 Collaborations Signed (1969~1996)
 - ① Pepsico (2006), ② Hershey (2007)

Overseas

- Lotte Confectionery Founded (1967)
- 6 Acquisitions Made (2004~2011)
 - ① India, Parrys (2004), ② Vietnam, Bibica (2008), ③④ China, Qingdao/Pungcheung (2005, 2008), ⑤ Belgium, Guylian (2008), ⑥ Pakistan, Kolson (2011)

- Subsidiaries Established in 3 Countries (~2011)
 - ① China (~2007), ② Russia (2007), ③ Singapore (2009)
- 3 Choco Pie Factories Completed (2010)
 - ① Vietnam, ② Russia, ③ India

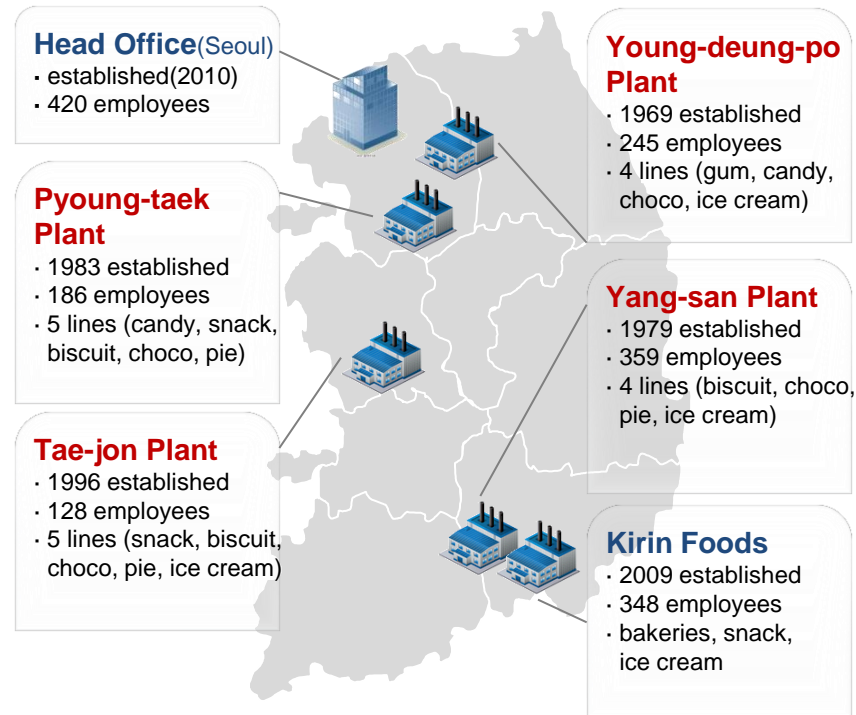
Overview(Factories & Affiliates)

Running businesses over 8 geographies worldwide



Domestic

Headquarters, Factories(2011)



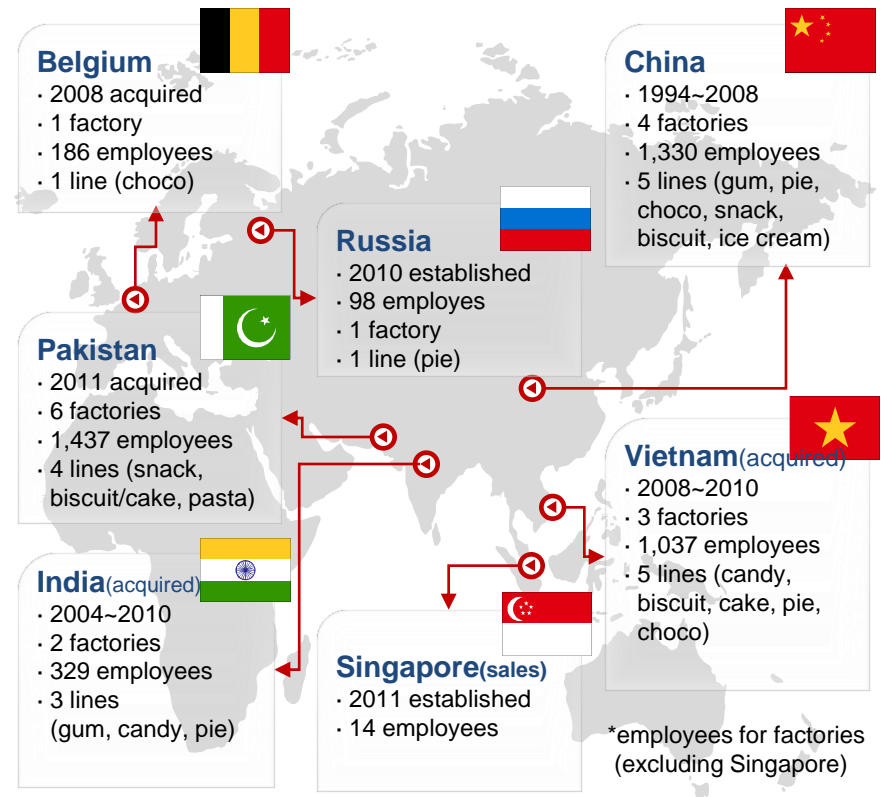
Sales Branches & Offcies (2011)

- 18 branches – 8(confectionery), 10(ice cream)
- 132 sales offices – 82(confectionery), 50(ice cream)



Overseas

Factories(2011)



Subsidiaries (2011)

- 7 countries, 13 subsidiaries
- China(7), India(1), Pakistan(1), Vietnam(1), Belgium(1), Russia(1), Singapore(1)

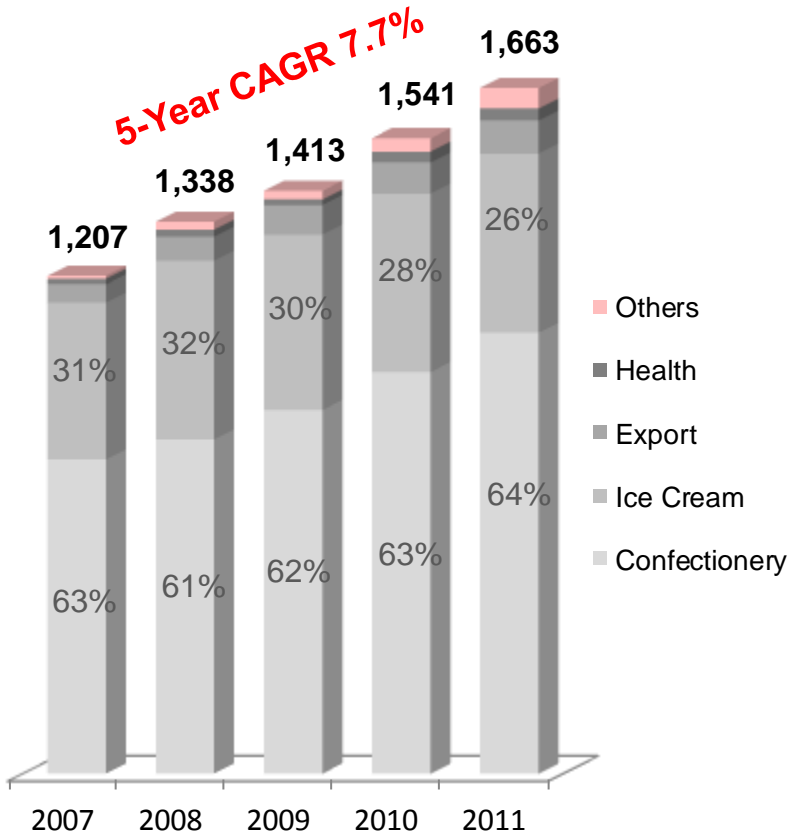
Domestic Operating Results(Sales)

Earning a reputation for maintaining the No.1 confectionery company in Korea



Sales Trend*(by business units)

(Unit : billion KRW)



*Gross sales base (before deducting sales commissions, etc.)

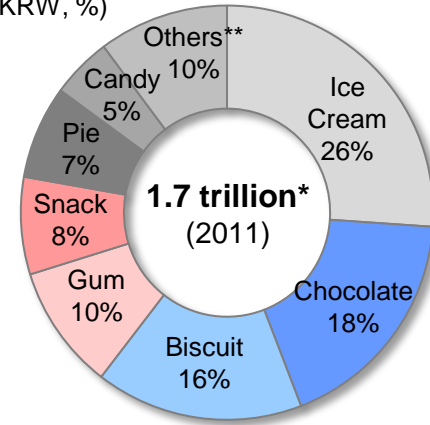
*2007~2009 K-GAAP, 2010~2011 K-IFRS



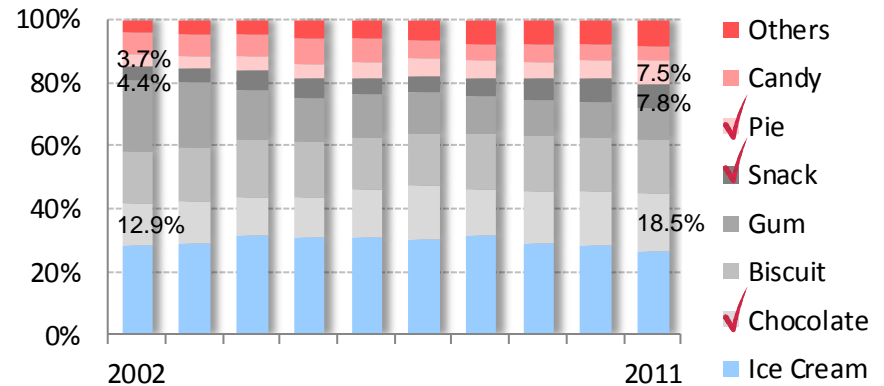
Sales breakdown(by categories)

Sales Breakdown(2011)

(Unit : trillion KRW, %)



Sales Trend by categories(10 years) ✓ high growth



*Gross sales base (before deducting sales commissions, etc.)

** Others : exports, health supplement business, etc.

Domestic Market Trend

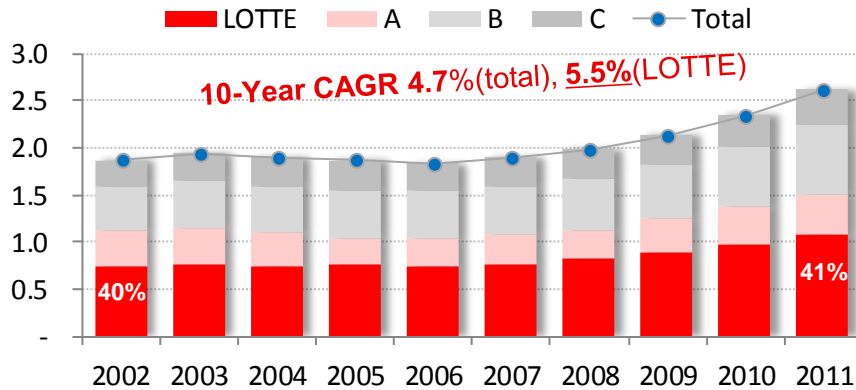
Average sales of 10years surpasses market Index for Confectionery / Ice Cream sector



10-year Market Trend*

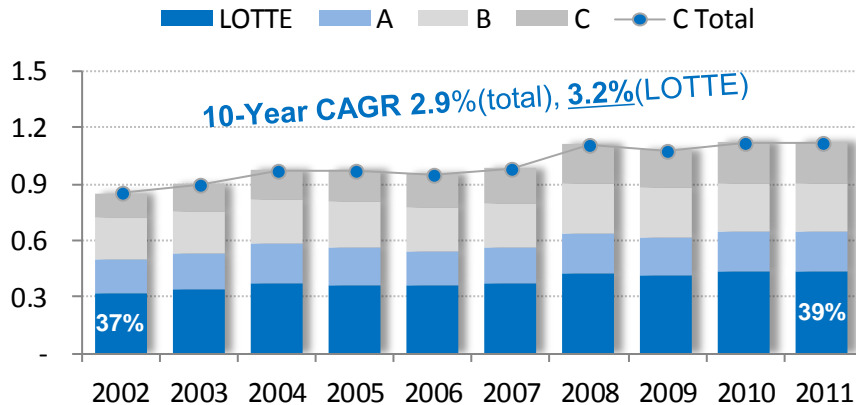
Confectionery – Lotte as No. 1 player

(Unit : trillion KRW)



Ice Cream – Lotte as No. 1 player

(Unit : trillion KRW)

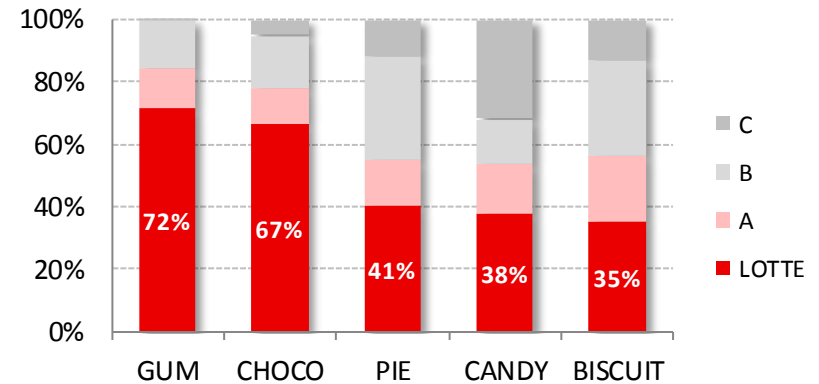


* Market size & M/S : based on the top 4 companies' sales(gross sales base)



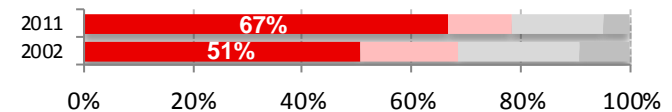
M/S Trend*(by categories)

M/S Trend (2011) – Strong overall category position

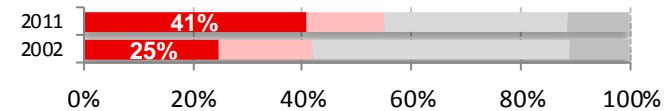


10-year M/S Trend – Building strong product portfolio

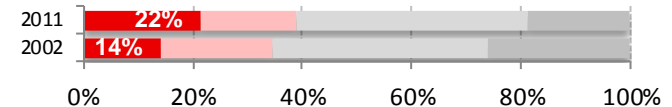
chocolate



pie



snack



Domestic Business Performance(Profitability)

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



Profits

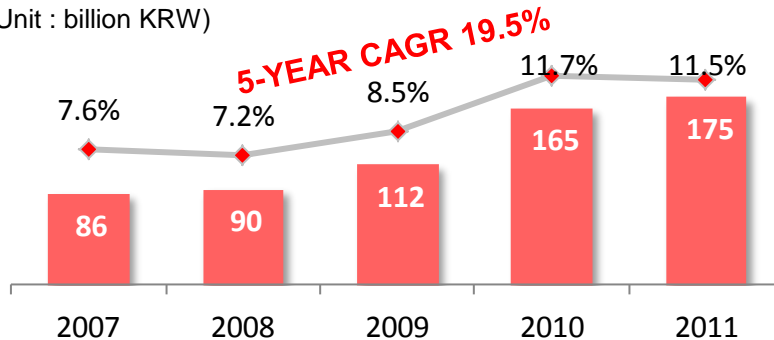
(Unit : billion KRW)	2008	2009	2010	2011	1H 2011	1H 2012
Net Sales	1,245	1,317	1,412	1,522	739	757
Gross Profit	484	507	581	608	297	290
Gross Margin	38.9%	38.5%	41.1%	40.0%	40.2%	38.3%
Operating Profit	90	112	165	175	92	72
Operating Margin	7.2%	8.5%	11.7%	11.5%	12.5%	9.4%
Recurring Profit	158	141	158	181	93	74
Recurring Margin	12.7%	10.7%	11.2%	11.9%	12.6%	9.8%
Net Profit	178	96	123	127	70	60
Net Margin	14.3%	7.3%	8.7%	8.4%	9.4%	7.9%

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

- Gross Profit Change : **+4.8% (FY11), -2.5% (1H12)** yoy
- Operating Profit Change : **+6.2% (FY11), -22.4% (1H12)**
- Recurring Profit Change : **+14.8% (FY11), -19.9% (1H12)**
- Net Profit Change : **+3.7% (FY11), -14.0% (1H12)**

5-year Operating Income Trend

(Unit : billion KRW)



COGS / SG&A

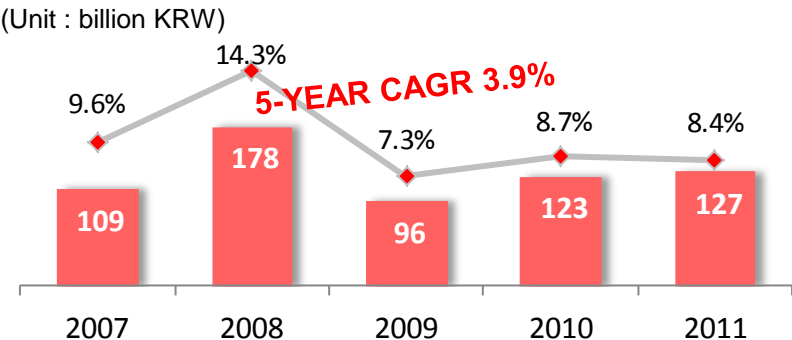
(Unit : billion KRW)	2008	2009	2010	2011	1H 2011	1H 2012
Net Sales	1,245	1,317	1,412	1,522	739	757
Cost of Goods Sold	761	810	831	914	441	467
as % of Net Sales	61.1%	61.5%	58.9%	60.0%	59.8%	61.7%
SG&A Expenses	394	395	413	438	209	221
as % of Net Sales	31.7%	30.0%	29.3%	28.8%	28.2%	29.2%

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

- COGS Change : **+9.9% (FY11), +5.8% (1H12)** yoy
- SG&A Change : **+6.0% (FY11), +6.0% (1H12)**

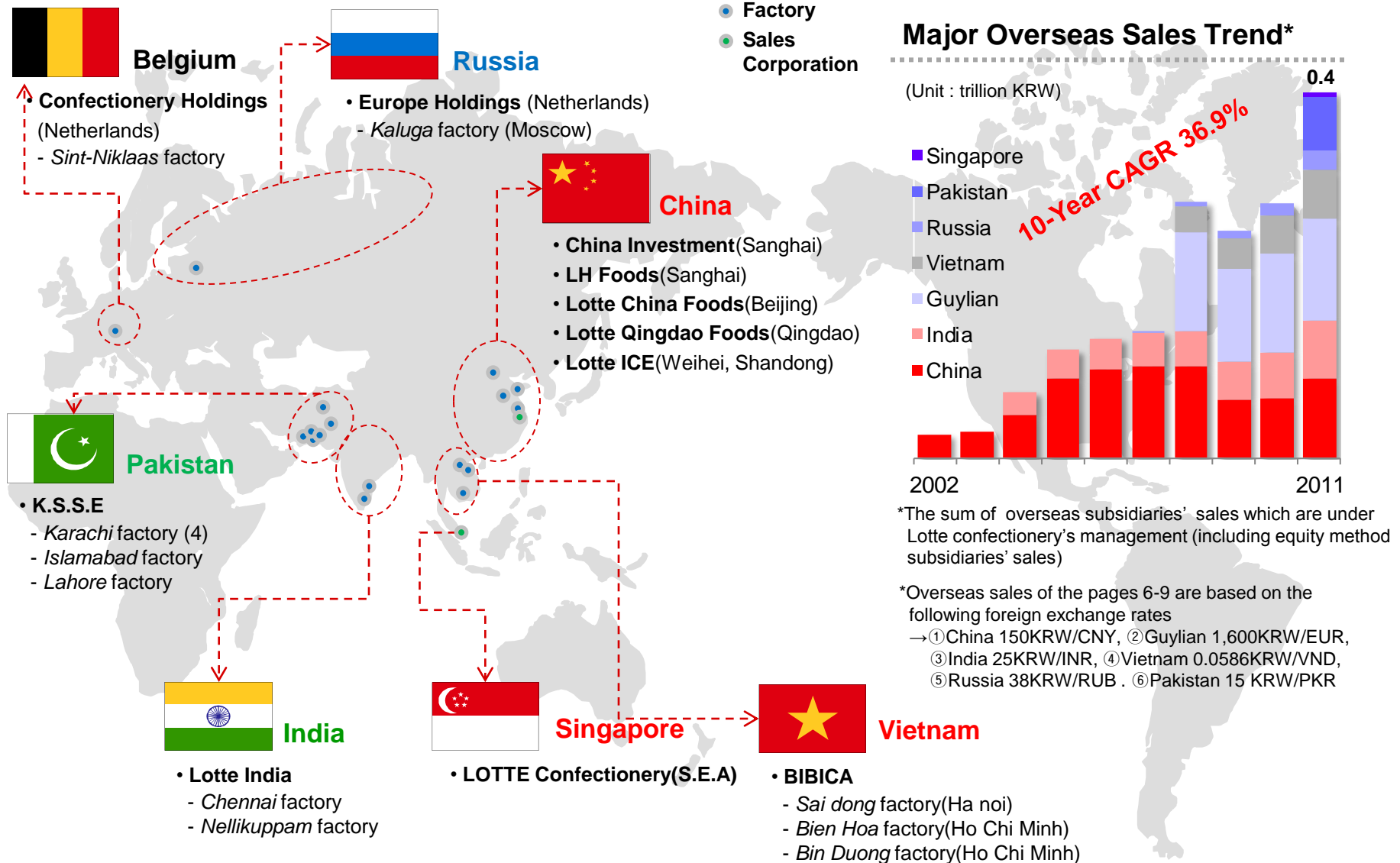
5-year Net Income Trend

(Unit : billion KRW)



Overseas Business Expansion (overview)

Expanded through M&A and green field investment in 7 countries → **CAGR 36.9%**



Overseas Business Overview (China, Guylian)

Increasing brand equity through intensive distribution in T1 cities(China)

Expanding sales in emerging markets using Lotte global sales network(Guylian)

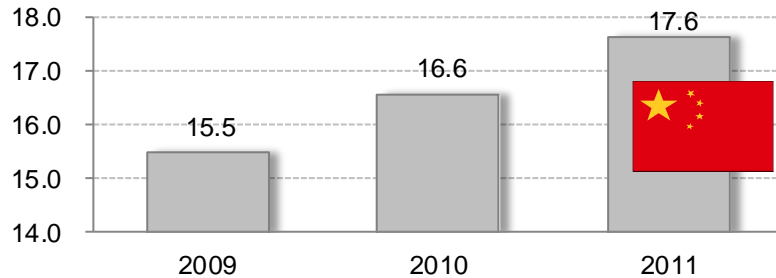


China

Market Trend*

(Unit : trillion KRW)

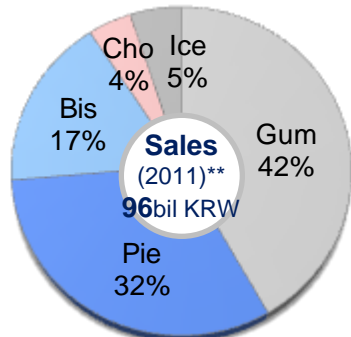
3-Year CAGR 6.4%



Business Overview

- Sales Mix

: Gum > Pie > Biscuit



- **Growth Driver** : Biscuit, Pie

- Core Products



- **T1 cities**(Beijing/Sanghai)
- **Core brands**
- Koala's March, Chocopie, Xylitol, ID, Pepero
- **Optimizing marketing mix**

*market trend data : Euro Monitor

**sales(China) : ① local sales(Confectionery + Ice Cream), ② export sales

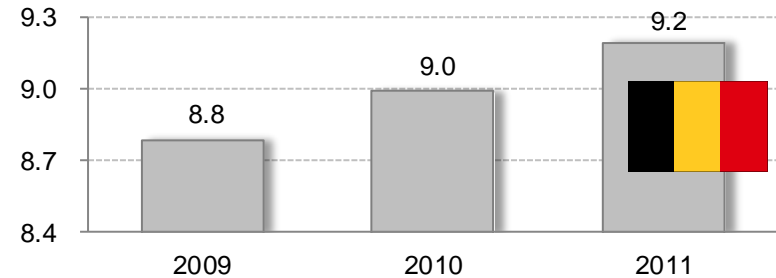


Guylian

Market Trend*

(Unit : trillion KRW)

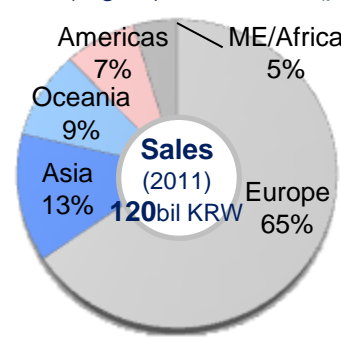
3-Year CAGR 2.4%



Business Overview

- Sales Mix

: Asia(region), Gift boxes(product)



- **Growth Driver**

: emerging markets(Asia etc.)

- Core Products



- **Season excellence**
- **Rolling out products across international**
- **Making best of Lotte sales network worldwide**

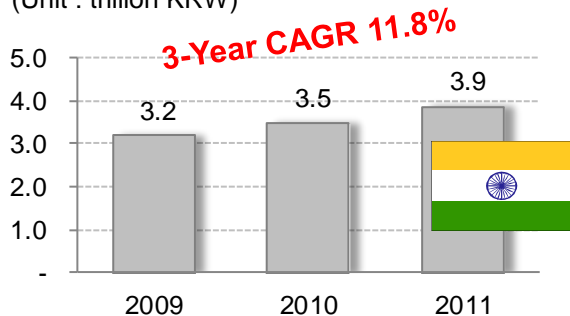
Overseas Business Overview(China, Guylian)

Choco Pie sales expansion(India, Russia, Vietnam), while fostering strong, local brands

India

Market Trend*

(Unit : trillion KRW)



Business Overview

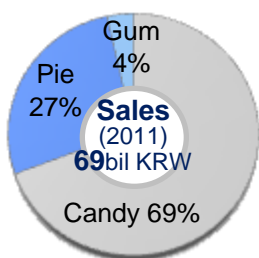


• Sales Mix : Candy > Pie > Gum

• Core Products



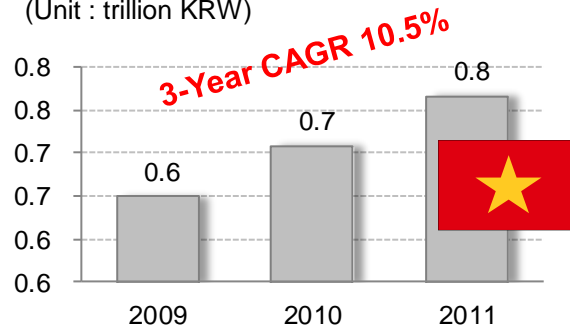
• M/S*(2011)
- Candy 9.6%



Vietnam

Market Trend*

(Unit : trillion KRW)



Business Overview

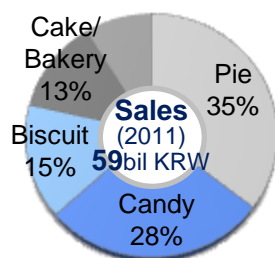


• Sales Mix : Candy > Cake > Biscuit > Pie

• Core Products



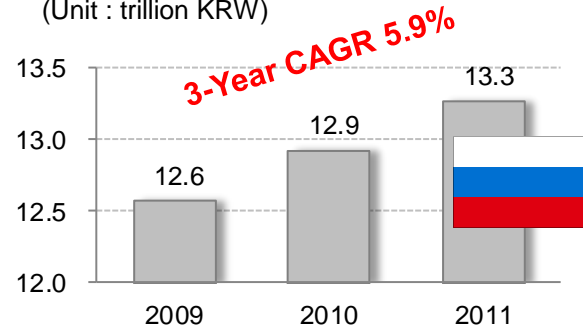
• M/S*(2011)
- Gum 24.7%,
Candy 20.4%,
Biscuit / Pie 8.7%



Russia

Market Trend*

(Unit : trillion KRW)



Business Overview

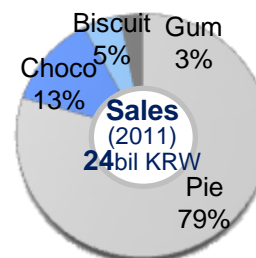


• Sales Mix : Pie > Chocolate > Biscuit > Gum

• Core Products



• M/S expansion(Choco Pie)***
- 34%(2010)
→ 42%(2011)
→ 51%(2012 March)



*Market trend, M/S : Euro Monitor
(Vietnam M/S : Bibica & Lotte Vietnam)

**Vietnam sale : Bibica(excluding Lotte Vietnam)

*** Russia M/S : Nielsen data

Overseas Business Overview(Pakistan, Others)

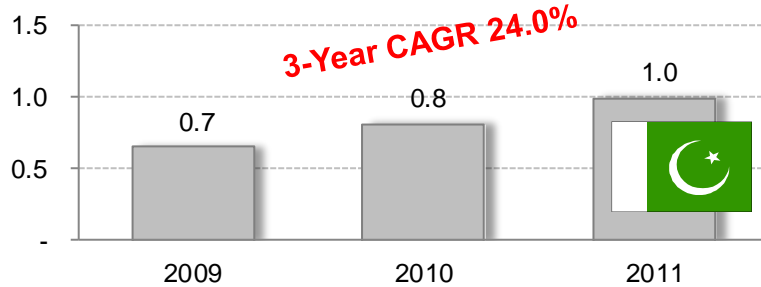
Building stronger product portfolio(Pakistan), Seizing opportunities for S.E.A(Singapore)



Pakistan

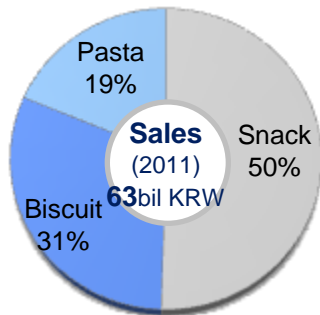
Market Trend

(Unit : trillion KRW)



Business Overview

- Sales Mix : Snack > Biscuit > Pasta



- Core Products



- M/S(2011)

- Total 6.9%, Snack 10.7%(No.2)
- Gum 9.2%, Biscuit / Pie 4.3%

Expanding *Kolson's* core brand & introducing *Lotte's* successful products → stronger portfolio

※ Market trend, M/S : Euro Monitor



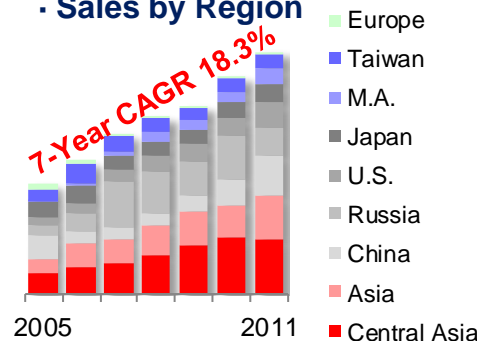
South East Asia / Others

South East Asia operations



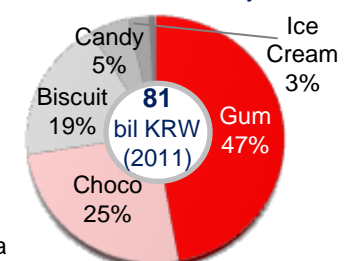
Export Sales Mix

- Sales by Region



- Sales by Product

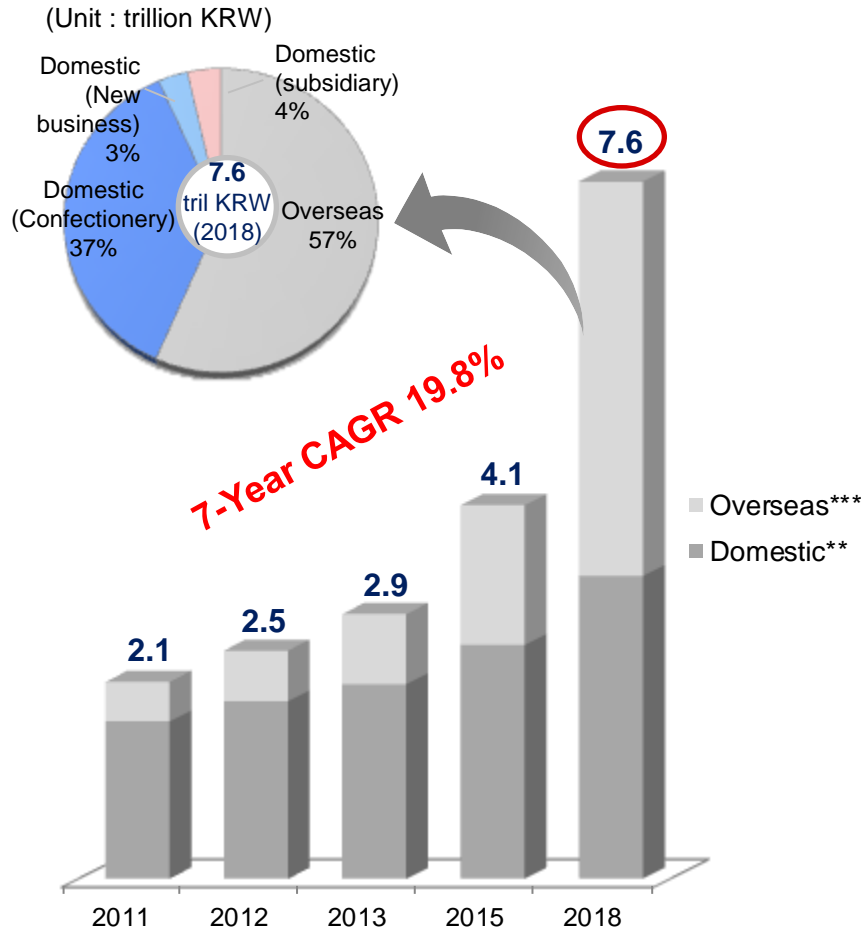
Gum > Chocolate > Biscuit(mix)
Ice Cream > Candy > Gum(growth)



Vision 2018 project & strategies

Strengthening existing business, Accelerating overseas expansion, Creating new growth engine
→ We will achieve our vision to become **ASIA No. 1 confectionery company** in 2018

VISION 2018*



*Gross sales base (before deducting sales commissions, etc.)

**Domestic sales : including Kirin Foods

***Overseas sales : sum of the major 7 countries business sales

Key Strategy

Domestic

- **Increasing core products sales**
(promotion/product mix optimization)
- **New products to meet consumer needs**
- Premium brand launch / Target segmentation
- **Collaborations with global brands strengthening our competitiveness**
- Brand extension (Hershey / Fritoray)
- Rolling out another brands (Chocolate / Snack)

New biz

- **Developing a new growth engine utilizing existing Infra** (M&A, JV, collaborations)
- **Expanding health oriented food business through synergy between Confectionery & Health business**
- stronger brand portfolio & channel mix (online)

Overseas

- **Existing business revitalization**
(customized strategy, catering to different markets)
- **intensive distribution in T1 cities**(China)
- **growth poles strategy**(India)
- **sales network expansion**(Russia, Vietnam)
- **premium products introduction**(Pakistan)
- **Promising local company acquisition**
- **Coverage expansion in emerging markets**
(ASEAN, Middle East, etc.)

Appendix – Summary Financial Statements (Separate)



Income Statement

(Unit : Billion KRW)	2010	2011	1H 2011	1H 2012
Net Sales	1,412	1,522	739	757
Growth rate (%)	-	7.8%	-	2.5%
COGS	831	914	441	467
Gross Profit	581	608	297	290
GP Margin (%)	41.1%	40.0%	40.2%	38.3%
SG&A	413	438	209	221
SG&A (%)	29.3%	28.8%	28.2%	29.2%
Operating Profit	165	175	92	72
OP Margin (%)	11.7%	11.5%	12.5%	9.4%
Recurring Profit	158	181	93	74
RP Margin (%)	11.2%	11.9%	12.6%	9.8%
Net Income	123	127	70	60
Net Margin (%)	8.7%	8.4%	9.4%	7.9%
EPS (Won)	87,170	90,382	49,491	42,552

※ K-IFRS applies to 2010~



Balance Sheet

(Unit : Billion KRW)	4Q 2011	1H 2012
Current Assets	587	640
Cash/Cash equivalents	139	174
Receivables	181	219
Inventories	148	159
Non-liquid Assets	3,146	3,110
Investment & other assets	2,182	2,140
Tangible assets	965	971
Total Assets	3,733	3,750
Payables	202	220
Other Liabilities	966	945
Total Liabilities	1,168	1,165
Paid-in capital	7	7
Capital surplus	13	13
Retained earnings	1,543	1,597
Capital adjustment & Accumulated other comprehensive income	1,002	949
Total Shareholder's Equity	2,565	2,566
D/E Ratio(%)	45.5%	45.4%

Appendix – Summary Financial Statements(consolidated)



Income Statement

(Unit : Billion KRW)	2010	2011	1Q 2011	1H 2012
Net Sales	1,651	1,854	879	901
Growth rate (%)	-	12.3%	-	2.5%
COGS	979	1,140	537	575
Gross Profit	672	714	342	325
GP Margin (%)	40.7%	38.5%	37.2%	36.1%
SG&A	504	541	254	263
SG&A (%)	30.5%	29.2%	28.8%	29.2%
Operating Profit	171	179	92	66
OP Margin (%)	10.4%	9.7%	10.5%	7.3%
Recurring Profit	131	158	88	64
RP Margin (%)	7.9%	8.5%	10.0%	7.1%
Net Income	94	100	66	47
Net Margin (%)	5.7%	5.4%	7.5%	5.2%
EPS (Won)	66,461	69,402	47,933	33,257

※ K-IFRS applies to 2010~



Balance Sheet

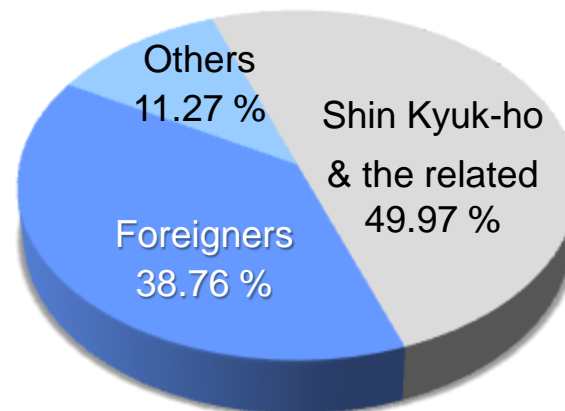
(Unit : Billion KRW)	4Q2011	1H 2012
Current Assets	741	774
Cash/Cash equivalents	183	221
Receivables	247	255
Inventories	181	194
Non-liquid Assets	3,160	3,089
Investment & other assets	1,929	1,866
Tangible assets	1,232	1,223
Total Assets	3,901	3,864
Payables	260	257
Other Liabilities	1,026	1,002
Total Liabilities	1,286	1,259
Paid-in capital	7	7
Capital surplus	13	13
Retained earnings	1,537	1,578
Capital adjustment & Accumulated other comprehensive income	1,058	1,007
Total Shareholder's Equity	2,615	2,605
D/E Ratio(%)	49.2%	48.3%



Principal Shareholder Status

Shareholder	Ownership (%)
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 June 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 June 2012)

	Company	Shares	%	Book Value	Category / Location of Business	Remark
Domestic (affiliated)	Kirin Foods	195,800	100.0	98,076	Chewing gum, Confectioneries, Ice cream	※Consolidated Subsidiaries
	Lotte Giants	5,874	30.0	5,874	Professional Baseball Team	※Equity Method Affiliates
	Lotte Shopping	2,474,543	8.5	770,820	Department Store	
	Lotte Chilsung Beverage(common)	145,237	11.7	213,063	Carbonated Drinks, Juice, Liquor	
	Lotte Chilsung Beverage(preferred)	9,660	8.1	3,004	Carbonated Drinks, Juice, Liquor	
	Lotte Samkang	123,226	9.8	65,310	Cooking Oils, Ice Cream	
	Korea Seven	5,977,672	16.6	93,843	Convenience Store	
	Lotteria	65,374	13.6	72,622	Fast-food Restaurant Franchise	
	Lotte Station Building	319,200	8.9	65,170	Department Store	
	Lotte Data Communication Company	52,376	6.1	37,320	Computer Software & Parts/Peripherals Business	※ Available-for-Sale Securities (Excluding Debt Securities)
	Lotte Logistics	66,308	4.6	7,692	Distribution/Logistics Management & Consulting	
	Lotte.com	523,548	11.3	5,538	On-line Shopping Mall	
	Lotte Trading	12,187	1.4	4,237	International Trading Business	
	Lotte Fresh Delica	340,000	9.0	1,901	Fresh Food Manufacturing	
Others	4,858,359	-	30,302	Lotte Asset Management, Korea Fuji Film, etc.		
Domestic (unaffiliated)	BS Financial Group	5,536,479	2.9	70,036		
	Shinhan Financial Group	458,111	0.1	18,187		
	Others	4,668	-	3,085	Cosmo Investment Management, etc.	
	Sub Total	21,168,622		1,566,080		
Overseas	Lotte India Co., Ltd.	9,404,693	98.4	88,000	India	
	Lotte Qingdao Foods Co., Ltd.	-	90.0	22,713	China	
	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	※Consolidated Subsidiaries
	Lotte Ice (Shandong) Co., Ltd.	-	65.0	8,759	China	
	K.S.S.E., Ltd.	54,117,647	69.5	18,304	Pakistan (including 1 subsidiary consolidated)	
	Lotte Confectionery (S.E.A) Pte., Ltd.	-	100.0	6,875	Singapore	
	Lotte China Foods Co., Ltd.	-	47.2	42,217	China	
	Lotte Packaging(Beijing) Co., Ltd.	-	25.0	6,478	China	
	Lotte Europe Holdings B.V.	182,186	30.8	112,538	Netherlands	
	BIBICA CORPORATION	5,953,000	38.6	17,874	Vietnam	
	Lotte Vietnam Co., Ltd.	-	36.8	5,475	Vietnam	
	PT, Lotte Trade And Distribution	3,360	40.0	-	Indonesia Sales corporation	※Equity Method Affiliates
	Lotte Taiwan Co., Ltd.	20,300,000	50.0	6,672	Taiwan	
	Lotte Confectionery Pilipinas Co.	1,000,000	40.0	2,643	Philippines Sales corporation	
	Lotte Malaysia Sdn. Bhd	8,000,000	40.0	2,837	Malaysia Sales corporation	
	Lotte (China) Investment Co., Ltd.	-	43.5	-	China (holding company)	
	LH Foods Co., Ltd.	-	51.0	48,137	China (Joint Venture with Hershey Company)	
PT, Lotte Indonesia	8,910	7.6	642	Indonesia		
Lotte(China) Management Co., Ltd.	-	10.0	891	China	※ Available-for-Sale Securities	
	Sub Total	230,069,796		536,044		
	Total	251,238,418	-	2,102,124		

Appendix – Subsidiaries, Associates and Joint Ventures

Summary of Relevant Information of Subsidiaries, Associates and Joint Ventures (1H 2012)

	Subsidiaries	Ownership	Location	Category	Sales	Net Income	(unit : million KRW) Share of loss/ profit of associates
	Lotte Food Holding Co., Ltd.	100.0	China	Subsidiaries	-	-251	
	Lotte Qingdao Foods Co., Ltd.	90.0	China	Subsidiaries	8,035	-1	
	Lotte Ice (Shandong) Co., Ltd.	65.0	China	Subsidiaries	2,110	-1,124	
	Kirin Foods Co., Ltd.	100.0	Korea	Subsidiaries	38,561	-7,275	
	Lotte India Co., Ltd.	98.4	India	Subsidiaries	31,088	73	
	K.S. SULEMANJI ESMAILJI & SONS (Private) Limited	69.5	Pakistan	Subsidiaries	31,391	114	
	Lotte Confectionery Holdings B.V.	51.0	Netherlands*	Subsidiaries	30,584	1,462	
	Lotte Confectionery (S.E.A) Pte., Ltd.	100.0	Singapore	Subsidiaries	1,300	-444	
	LH Foods Co., Ltd.	51.0	China	Associates	34,487	-80	-
	Lotte China Foods Co., Ltd.	47.2	China	Associates	24,165	-1,414	-570
	Lotte (China) Investment Co., Ltd.	43.5	China	Associates	31,666	-12,516	-249
	Lotte Packaging(Beijing) Co., Ltd. <input checked="" type="checkbox"/>	25.0	China	Associates	8,852	-534	-318
	BIBICA CORPORATION	38.6	Vietnam	Associates	1,845	-722	236
	Lotte Vietnam Co., Ltd. <input checked="" type="checkbox"/>	36.8	Vietnam	Associates	14,568	240	84
	Lotte Taiwan Co., Ltd. <input checked="" type="checkbox"/>	50.0	Taiwan	Associates	10,270	181	229
	PT, Lotte Trade And Distribution <input checked="" type="checkbox"/>	40.0	Indonesia	Associates	6,963	-1,013	-
	Lotte Confectionery Pilipinas Co. <input checked="" type="checkbox"/>	40.0	Philippines	Associates	1,294	-935	-733
	Lotte Malaysia Sdn. Bhd <input checked="" type="checkbox"/>	40.0	Malaysia	Associates	677	-566	-328
	Lotte Europe Holdings B.V.	30.8	Netherlands**	Associates	74,870	-15,166	-6,924
	Lotte Giants <input checked="" type="checkbox"/>	30.0	Korea	Associates	29,171	12,309	3,655
Total					381,897	-27,662	-4,918
Consolidated					143,069	-7,446	-4,918
Unconsolidated					238,828	-20,216	-

*Guylian(Belgium), **holding company in Russia, subsidiaries not under Lotte Confectionery's management

Major Overseas % of Ownership Status (1H 2012)

Location	Subsidiaries/Associates/Joint Ventures	Ownership	Relevant information
China	Lotte Food Holding Co., Ltd.	100.0	
	Lotte Qingdao Foods Co., Ltd.	90.0	Lotte China Investments 10
	Lotte Ice (Shandong) Co., Ltd.	65.0	Lotte Samkang 22, China Foods 6.4, Peungcheung Foods 6.6
	LH Foods Co., Ltd.	51.0	Hershey Company 49
	Lotte China Foods Co., Ltd.	47.2	China Investments 6.4, Lotte Japan 46.4
	LH Foods Co., Ltd.	43.5	Lotte Chilsung 31, Lotte Japan 25.5
	Lotte Packaging(Beijing) Co., Ltd.	25.0	
India	Lotte India Co., Ltd.	98.4	other shareholders 1.6
Vietnam	BIBICA CORPORATION	38.6	
	Lotte Vietnam Co., Ltd.	36.8	Lotte Japan 60.7
Pakistan	K.S. SULEMANJI ESMAILJI & SONS (Private) Limited	69.5	existing shareholders 30.5
Russia	Lotte Europe Holdings B.V.	30.8	Lotte Hottel, etc. 56.5, Lotte Japan 12.7
Guylian	Lotte Confectionery Holdings B.V.	51.0	Lotte Japan etc. 49.0
Singapore	Lotte Confectionery (S.E.A) Pte., Ltd.	100.0	