

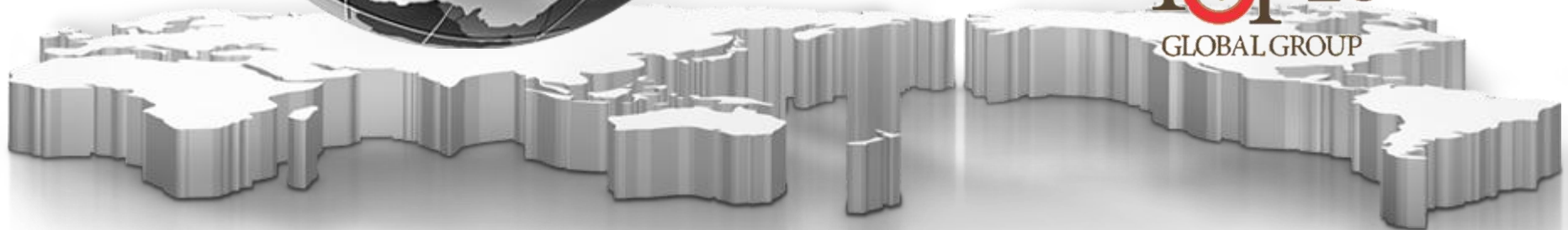
ASIA  
**No.1**  
CONFECTIONERY  
COMPANY



4<sup>th</sup> quarter of 2012

# ***INVESTOR RELATIONS***

ASIA  
**TOP10**  
GLOBAL GROUP

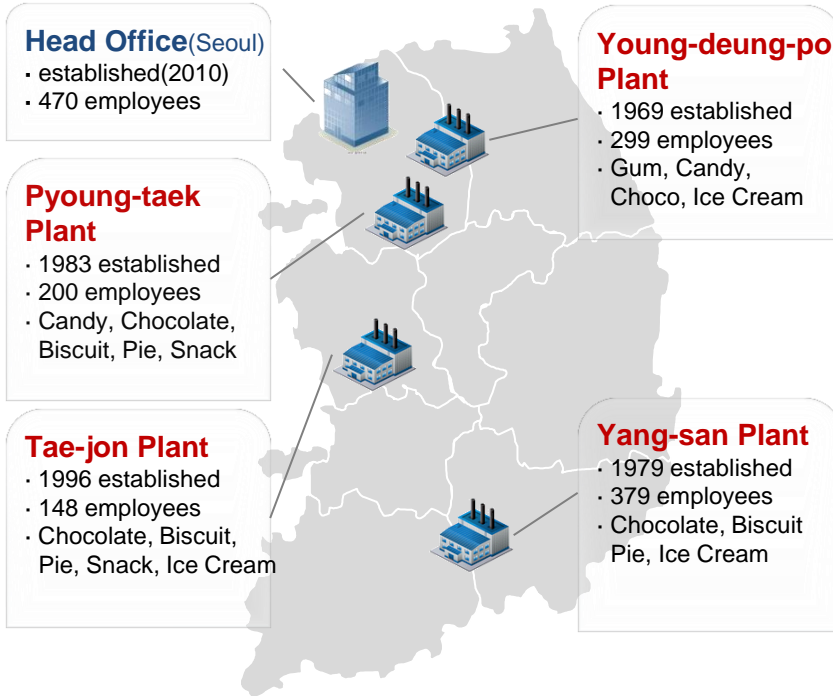


# Overview (Factories & Affiliates)

Running businesses over 8 geographies worldwide

## Domestic (at the end of 2012)

### Headquarters & Factories

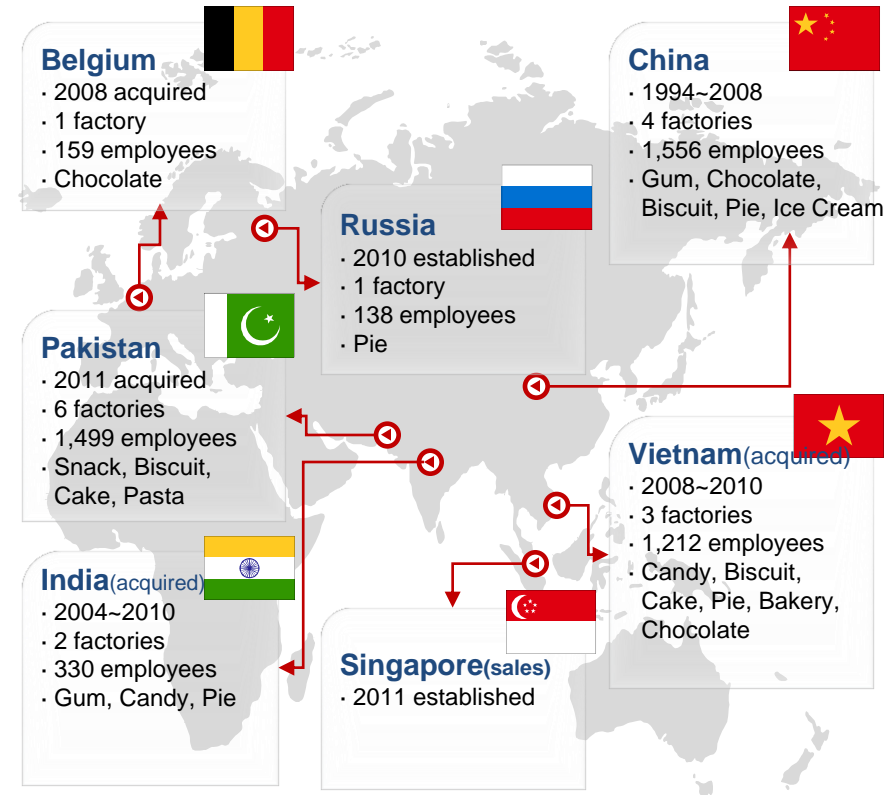


### Sales Branches & Offices

- **19 branches** – 9(confectionery), 10(ice cream)
- **140 sales offices** – 92(confectionery), 48(ice cream)

## Overseas (at the end of 2012)

### Factories



### Subsidiaries

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

# Domestic Operating Results (Sales)

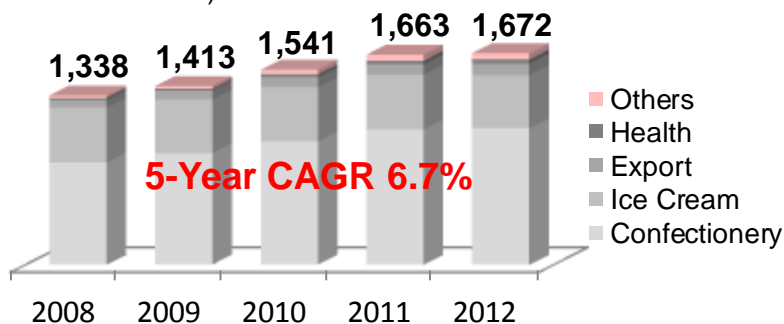
Earning a reputation for maintaining the No.1 confectionery company in Korea



## Domestic Sales Trend (2012)

### 5-year Sales\* Trend (2008~2012)

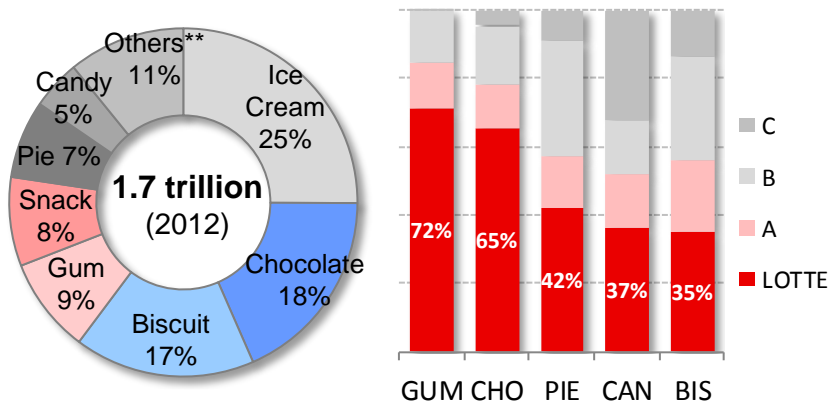
(Unit : billion KRW)



\*Gross sales base (before deducting sales commissions, etc.)  
2008~2009 K-GAAP, 2010~2012 K-IFRS

### Sales & M/S by product categories

(Unit : trillion KRW)



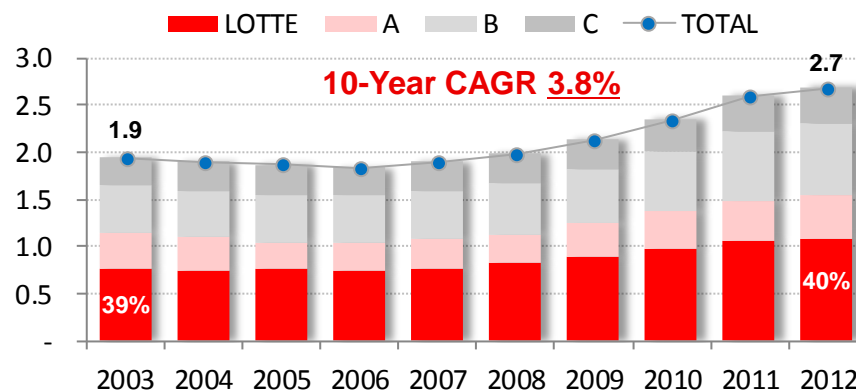
\*\* Others : exports, health supplement business, etc.



## Domestic Market & M/S Trend\* (2012)

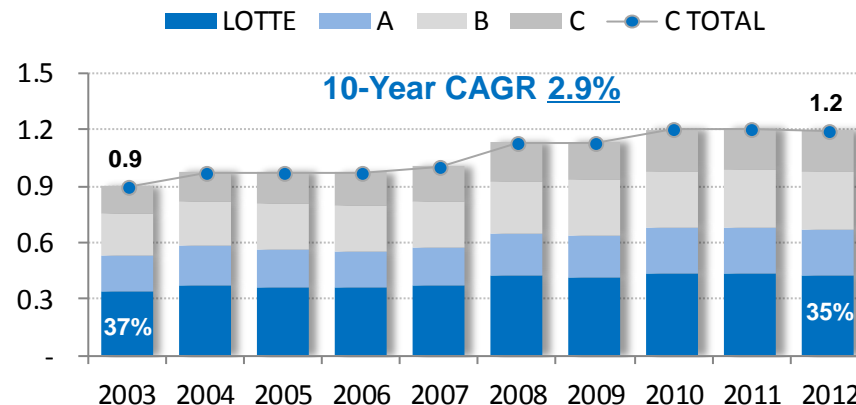
### Confectionery – Lotte as No. 1 player

(Unit : trillion KRW, %)



### Ice Cream – Lotte as No. 1 player

(Unit : trillion KRW, %)



\* Market size & M/S : based on the estimate of top 4 companies' gross sales

# Domestic Business Performance (Profitability)

5-year operating income increased by 8.8%, net income decreased by 1.1%

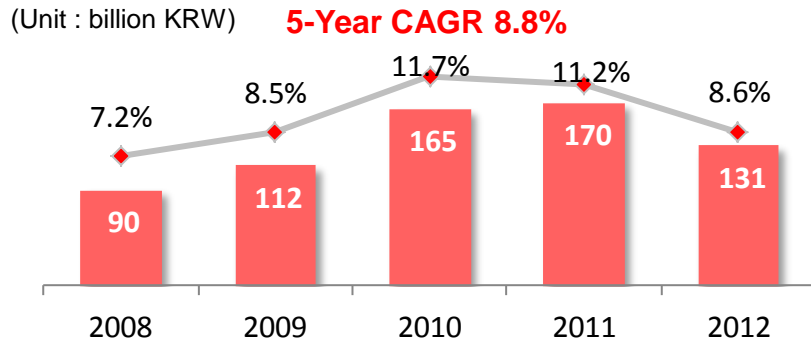
## Profits

(Unit : billion KRW)	2008	2009	2010	2011	2012
<b>Net Sales</b>	1,245	1,317	1,412	1,522	1,524
<b>Operating Profit</b>	90	112	165	170	131
Operating Margin	7.2%	8.5%	11.7%	11.2%	8.6%
<b>Recurring Profit</b>	158	141	158	181	134
Recurring Margin	12.7%	10.7%	11.2%	11.9%	8.8%
<b>Net Profit</b>	178	96	123	127	103
Net Margin	14.3%	7.3%	8.7%	8.4%	6.8%

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

- Operating Profit Change(YoY) : **-23.1%**
- Recurring Profit Change : **-26.4%**
- Net Profit Change : **-19.1%**

## 5-year Operating Income Trend



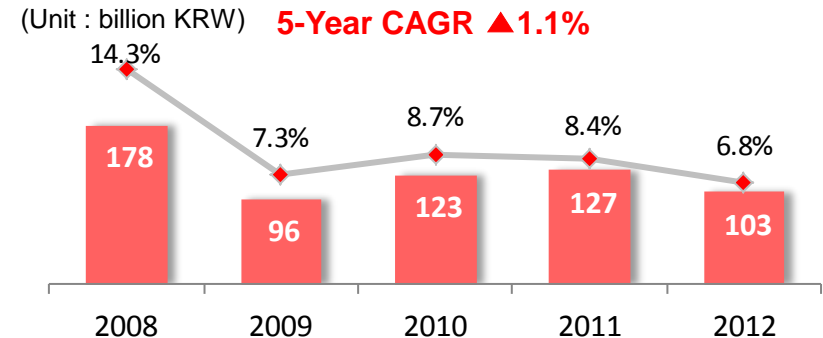
## COGS / SG&A

(Unit : billion KRW)	2008	2009	2010	2011	2012
<b>Net Sales</b>	1,245	1,317	1,412	1,522	1,524
<b>Cost of Goods Sold</b>	761	810	831	914	931
as % of Net Sales	61.1%	61.5%	58.9%	60.0%	61.1%
<b>SG&amp;A Expenses</b>	394	395	413	438	462
as % of Net Sales	31.7%	30.0%	29.3%	28.8%	30.3%

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

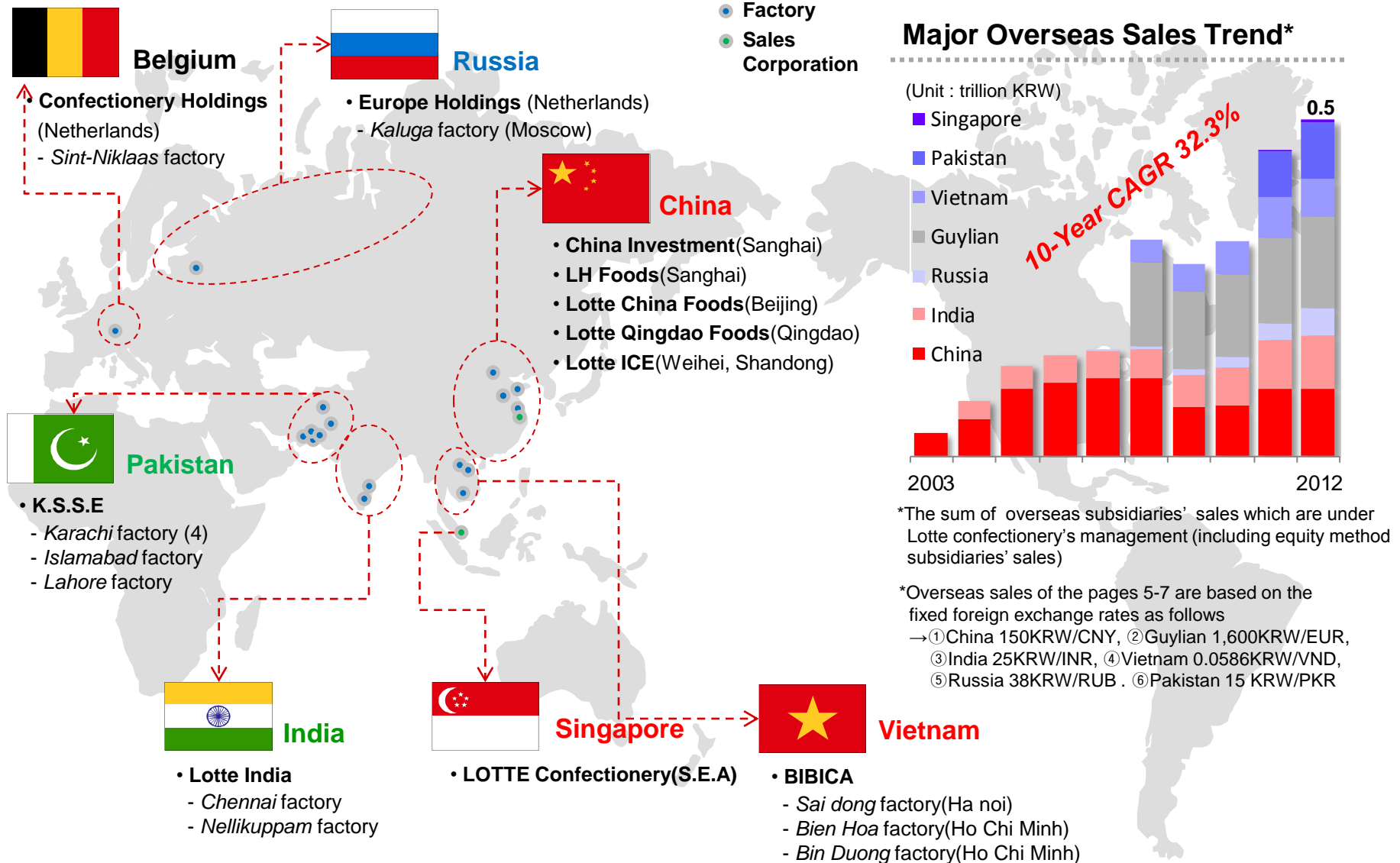
- COGS Change(YoY) : **+1.9%**
- SG&A Change : **+6.0%**

## 5-year Net Income Trend



# Overseas Business Expansion (overview)

Expanded through M&A and green field investment in 7 countries → **CAGR 32.3%**



※ Notes : Please refer to page 13 for more information on subsidiaries, associates and joint ventures (financial summary, ownership status, etc.)

# Overseas Business Overview (China, Guylian)

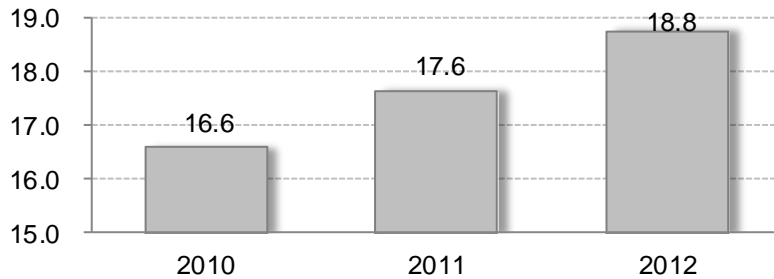
Increasing brand equity through intensive distribution in cities in Northern China(China)  
Expanding sales in emerging markets using Lotte global sales network(Guylian)

## China

### Market Trend\*

(Unit : trillion KRW)

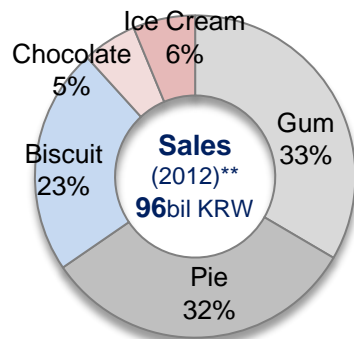
**3-Year CAGR 6.6%**



### Business Overview

#### - Sales Mix

: Gum > Pie > Biscuit



- **Growth Driver** : Biscuit, Pie

#### - Core Products



- **Northern China**(Beijing/Tianjin)
- **Core brands**
  - Koala's March, Chocopie, Xylitol, ID, Pepero
- **Optimizing marketing mix**

\*market trend data : Euro Monitor

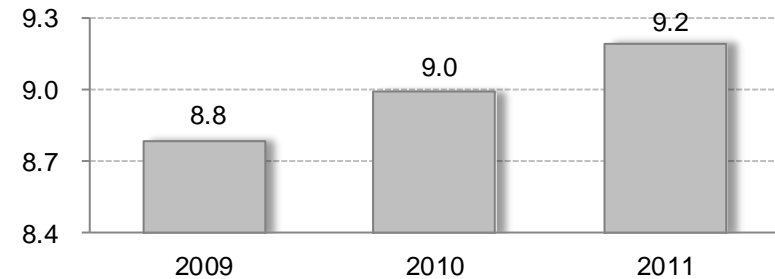
\*\*sales(China) : ① local sales(Confectionery + Ice Cream), ② export sales

## Guylian

### Market Trend\*

(Unit : trillion KRW)

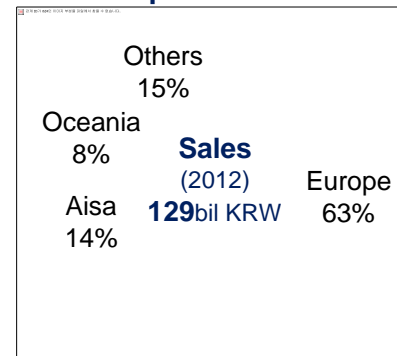
**3-Year CAGR 2.4%**



### Business Overview

#### - Sales Mix

: Europe > Asia > Oceania



- **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)

Expanding *Choco Pie* sales(India, Russia, Vietnam), while introducing other LOTTE brands

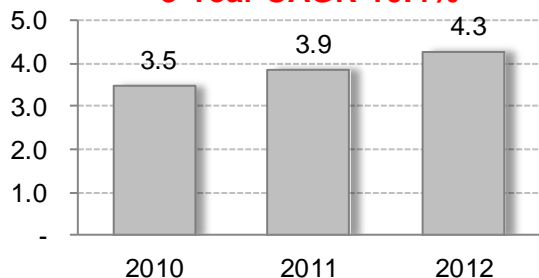


## India

### Market Trend\*

(Unit : trillion KRW)

3-Year CAGR 10.4%



### Business Overview



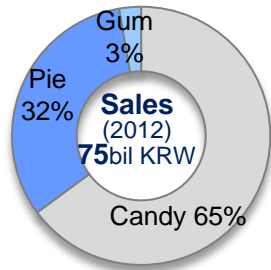
3 year CAGR 18.5%

Sales Mix : Candy > Pie > Gum

Core Products



M/S\*(2012)  
- Candy 9.5%

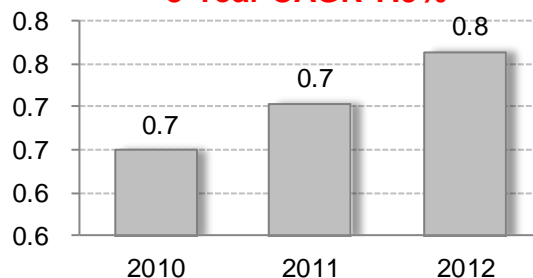


## Vietnam

### Market Trend\*

(Unit : trillion KRW)

3-Year CAGR 7.9%



### Business Overview



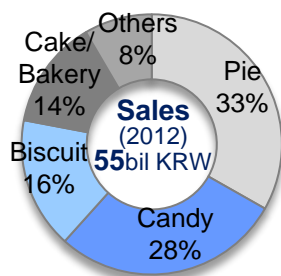
3 year CAGR 12.8%

Sales Mix : Candy > Cake > Biscuit > Pie

Core Products



M/S\*(2012)  
- Gum 24.7%,  
Candy 17.1%,  
Biscuit / Pie 8.4%

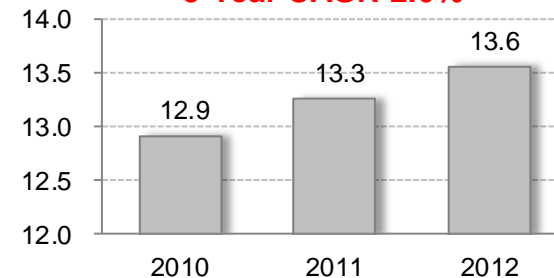


## Russia

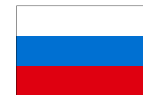
### Market Trend\*

(Unit : trillion KRW)

3-Year CAGR 2.6%



### Business Overview



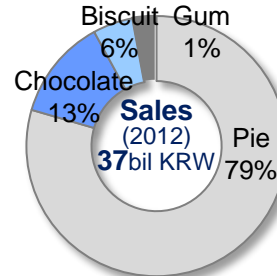
3 year CAGR 62.6%

Sales Mix : Pie > Chocolate > Biscuit > Gum

Core Products



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



\*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)

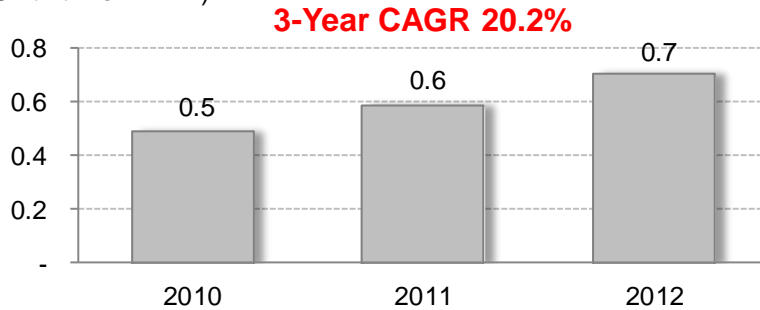
Building stronger product portfolio(Pakistan), Seizing opportunities for S.E.A(Singapore)



## Pakistan

### Market Trend

(Unit : trillion KRW)

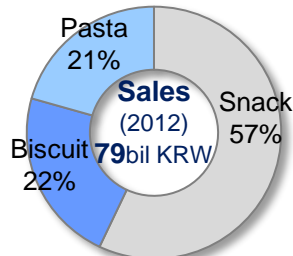


### Business Overview



• Sales Growth YoY 25.8%

• Sales Mix : Snack > Biscuit > Pasta



• Core Products



• M/S(2012)

- Total 11.2%  
Snack 39.9%, Biscuit / Pie 6.0%

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

※ Market trend, M/S : Euro Monitor



## South East Asia / Others

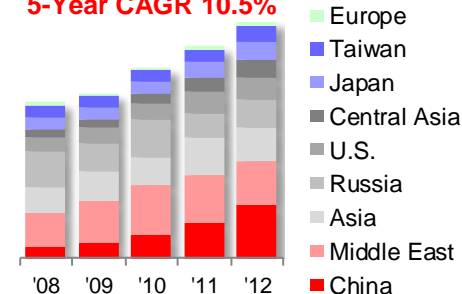
### South East Asia operations



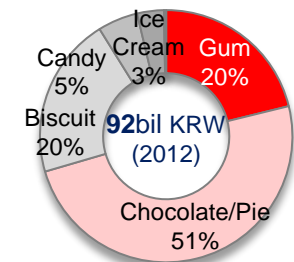
### Export Sales Mix

• Sales by Region

5-Year CAGR 10.5%



• Sales by Product



# Vision 2018 project & strategies

Strengthening existing business, Accelerating overseas expansion, Creating new growth engine

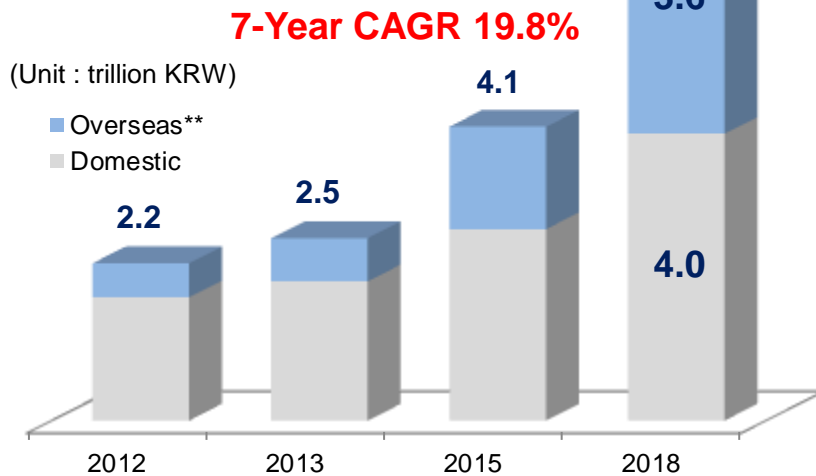
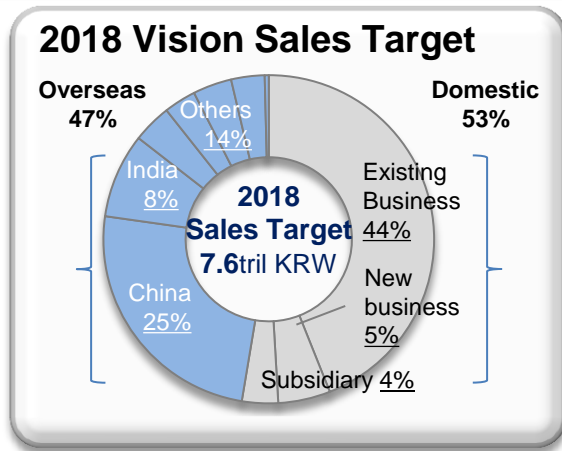
→ We will achieve our vision to become **ASIA No. 1 confectionery company** in 2018



## VISION 2018\* Project



## Key Strategy



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

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

	Sales Target			Strategy	
	(Unit : trillion KRW)	2013	2018		5yr CAGR
<b>Domestic</b>		<b>1.9</b>	<b>4.0</b>	<b>15.6%</b>	<ul style="list-style-type: none"> <li>Focus on core products</li> <li>New product launch</li> <li>Collaborations with global brands (Hershey, Fitoray)</li> </ul>
Existing Business	1.8	3.3	12.7%		
New & Business	0.1	0.7	45.9%		
<b>Overseas</b>		<b>0.6</b>	<b>3.6</b>	<b>42.9%</b>	<ul style="list-style-type: none"> <li>Expanding into adjacent businesses (Health Oriented food business)</li> <li>Narrowing the focus on core products</li> <li>Choco pie sales expansion                             <ul style="list-style-type: none"> <li>- promotion &amp; further production facility development</li> <li>- sales network expansion</li> </ul> </li> <li>Introducing Lotte products                             <ul style="list-style-type: none"> <li>- positioning Lotte products as premium</li> </ul> </li> <li>Streamlining production</li> <li>Introducing Lotte products</li> <li>Regional sales diversification (Asia)</li> <li>Expanding presence in Southeast Asian market</li> </ul>
China	0.1	1.9	69.7%		
India	0.1	0.6	44.5%		
Vietnam	0.1	0.3	32.0%		
Russia	0.1	0.2	36.9%		
Pakistan	0.1	0.3	15.7%		
Guylian	0.1	0.3	20.1%		
Singapore	-	-	30.3%		

# Appendix – Summary Financial Statements (Separate)



## Income Statement

(Unit : Billion KRW)	2010	2011	1Q-4Q 2011	1Q-4Q 2012
<b>Net Sales</b>	<b>1,412</b>	<b>1,522</b>	<b>1,522</b>	<b>1,524</b>
Growth rate (%)	-	7.8%	-	0.1%
<b>COGS</b>	<b>831</b>	<b>914</b>	<b>914</b>	<b>931</b>
<b>Gross Profit</b>	<b>581</b>	<b>608</b>	<b>608</b>	<b>593</b>
GP Margin (%)	41.1%	40.0%	40.0%	38.9%
<b>SG&amp;A</b>	<b>413</b>	<b>438</b>	<b>438</b>	<b>462</b>
SG&A (%)	29.3%	28.8%	28.8%	30.3%
<b>Operating Profit</b>	<b>165</b>	<b>170</b>	<b>170</b>	<b>131</b>
OP Margin (%)	11.7%	11.2%	11.2%	8.6%
<b>Recurring Profit</b>	<b>158</b>	<b>181</b>	<b>181</b>	<b>134</b>
RP Margin (%)	11.2%	11.9%	11.9%	8.8%
<b>Net Income</b>	<b>123</b>	<b>127</b>	<b>127</b>	<b>103</b>
Net Margin (%)	8.7%	8.4%	8.4%	6.8%
<b>EPS (Won)</b>	<b>87,170</b>	<b>90,382</b>	<b>90,382</b>	<b>73,131</b>



## Balance Sheet

(Unit : Billion KRW)	4Q 2011	4Q 2012
<b>Current Assets</b>	<b>587</b>	<b>528</b>
Cash/Cash equivalents	139	114
Receivables	181	187
Inventories	148	159
<b>Non-liquid Assets</b>	<b>3,146</b>	<b>3,325</b>
Investment & other assets	2,181	2,365
Tangible assets	965	960
<b>Total Assets</b>	<b>3,733</b>	<b>3,852</b>
Payables	202	155
Other Liabilities	966	913
<b>Total Liabilities</b>	<b>1,168</b>	<b>1,068</b>
Paid-in capital	7	7
Capital surplus	13	13
Retained earnings	1,543	1,637
Capital adjustment & Accumulated other comprehensive income	1,002	1,127
<b>Total Shareholder's Equity</b>	<b>2,565</b>	<b>2,784</b>
<b>D/E Ratio(%)</b>	<b>45.5%</b>	<b>38.4%</b>

# Appendix – Summary Financial Statements (consolidated)



## Income Statement

(Unit : Billion KRW)	2010	2011	1Q-4Q 2011	1Q-4Q 2012
<b>Net Sales</b>	1,651	1,854	1,854	1,864
Growth rate ( % )	-	12.3%	-	0.6%
<b>COGS</b>	979	1,140	1,140	1,182
<b>Gross Profit</b>	672	714	714	683
GP Margin (%)	40.7%	38.5%	38.5%	36.6%
<b>SG&amp;A</b>	504	541	541	567
SG&A (%)	30.5%	29.2%	29.2%	30.4%
<b>Operating Profit</b>	171	173	173	115
OP Margin (%)	10.4%	9.3%	9.3%	6.2%
<b>Recurring Profit</b>	131	158	158	126
RP Margin (%)	7.9%	8.5%	8.5%	6.8%
<b>Net Income</b>	94	100	100	90
Net Margin (%)	5.7%	5.4%	5.4%	4.8%
<b>EPS (Won)</b>	66,461	69,402	69,402	65,102

※ K-IFRS applies to 2010~



## Balance Sheet

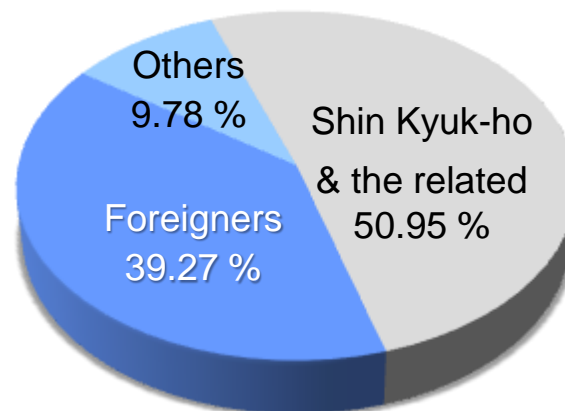
(Unit : Billion KRW)	4Q 2011	4Q 2012
<b>Current Assets</b>	741	713
Cash/Cash equivalents	183	180
Receivables	247	253
Inventories	181	194
<b>Non-liquid Assets</b>	3,160	3,312
Investment & other assets	1,928	2,088
Tangible assets	1,232	1,224
<b>Total Assets</b>	3,901	4,024
Payables	260	215
Other Liabilities	1,026	1,008
<b>Total Liabilities</b>	1,286	1,223
Paid-in capital	7	7
Capital surplus	13	11
Retained earnings	1,537	1,620
Capital adjustment & Accumulated other comprehensive income	1,058	1,164
<b>Total Shareholder's Equity</b>	2,615	2,802
<b>D/E Ratio(%)</b>	49.2%	43.6%



## 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 Dec 2012)



## Dividend / Payout Ratio

	2008	2009	2010	2011	2012
Share Price (₩million)	1,305,000	1,289,000	1,508,000	1,707,000	1,630,000
Cash Dividend (₩million)	4,222	4,926	5,630	5,630	5,630
Dividend Rate (Dividend/face value)	60.0%	70.0%	80.0%	80.0%	80.0%
Dividend Per Share	3,000	3,500	4,000	4,000	4,000
Dividend Yield (DPS/Share Price)	0.2%	0.3%	0.3%	0.2%	0.3%
Payout Ratio (Dividend/Net Profit)	2.4%	5.2%	4.6%	4.4%	5.5%

# Appendix – Shares in Related Companies

※ Separate (KRW mil., the end of December 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	6,000	30.0	30	Professional Baseball Team	※ Equity Method Affiliates
	Lotte Shopping	2,474,543	8.5	932,903	Department Store	
	Lotte Chilsung Beverage(common)	145,237	11.7	220,034	Carbonated Drinks, Juice, Liquor	
	Lotte Chilsung Beverage(preferred)	9,660	8.1	3,115	Carbonated Drinks, Juice, Liquor	
	Lotte Samkang	127,677	9.8	84,011	Cooking Oils, Ice Cream	
	Korea Seven	5,977,672	16.6	107,712	Convenience Store	
	Lotteria	65,374	13.6	73,731	Fast-food Restaurant Franchise	
	Lotte Station Building	319,200	8.9	64,442	Department Store	※ Available-for-Sale Securities (Excluding Debt Securities)
	Lotte Data Communication Company	52,376	6.1	39,661	Computer Software & Parts/Peripherals Business	
	Lotte Logistics	66,308	4.6	8,455	Distribution/Logistics Management & Consulting	
	Lotte.com	523,548	11.3	5,595	On-line Shopping Mall	
	Lotte Trading	12,187	1.4	4,157	International Trading Business	
	Others	4,858,359	-	31,039	Lotte Asset Management, Korea Fuji Film, etc.	
Domestic (unaffiliated)	BS Financial Group	5,536,479	2.9	73,082		
	Shinhan Financial Group	458,111	0.1	17,798		
	Others	4,668	-	3,101	Cosmo Investment Management, etc.	
<b>Sub Total</b>		<b>20,833,199</b>		<b>1,766,942</b>		
Overseas	Lotte India Co., Ltd.	9,404,693	98.4	10,079	India	※ Consolidated Subsidiaries
	Lotte Food Holding Co., Ltd.	95,000,000	100.0	78,744	China	
	Lotte Qingdao Foods Co., Ltd.	-	90.0	22,713	China	
	Lotte China Foods Co., Ltd.(* )	-	47.2	42,217	China	
	Lotte Ice (Shandong) Co., Ltd.	-	65.0	8,759	China	
	Lotte Confectionery Holdings B.V.	56,100,000	51.0	74,418	Netherlands (including 8 subsidiaries consolidated)	
	K.S. SULEMANJI ESMALJI & SONS Limited	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 Packaging(Beijing) Co., Ltd.	-	25.0	6,478	China	※ Equity Method Affiliates
	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	
	Lotte Taiwan Co., Ltd.	20,300,000	50.0	6,672	Taiwan	
	Lotte Malaysia Sdn. Bhd	8,000,000	40.0	2,837	Malaysia Sales corporation	
	Lotte Confectionery Pilipinas Co.	1,000,000	40.0	2,643	Philippines Sales corporation	
	PT, Lotte Trade And Distribution	3,360	40.0	2,739	Indonesia	
	Lotte(China) Management	-	10.0	891	China	
	Lotte Huabang(Beijing) Beverage Co., Ltd.	-	6.0	871	China	
	PT, Lotte Indonesia	8,910	7.6	989	Indonesia	※ Available-for-Sale Securities
<b>Sub Total</b>		<b>250,069,796</b>		<b>422,116</b>		
<b>Total</b>		<b>270,902,995</b>		<b>2,189,058</b>		

# Appendix – Subsidiaries, Associates and Joint Ventures

## Summary of Relevant Information of Subsidiaries, Associates and Joint Ventures (1-4Q 2012)

Subsidiaries	Ownership	Location	Category	Sales	Net Income	Share of (loss)/profit of associates
Lotte Food Holding Co., Ltd.	100.0	China	Subsidiaries	-	(22,573)	
Lotte Qingdao Foods Co., Ltd.	100.0	China	Subsidiaries	16,824	107	
Lotte Ice (Shandong) Co., Ltd.	71.4	China	Subsidiaries	3,963	(2,708)	
Lotte (China) Investment Co., Ltd.*	54.8	China	Associates	60,936	(34,006)	
Lotte China Foods Co., Ltd.**	53.6	China	Associates	50,276	(275)	
Kirin Foods Co., Ltd.	100.0	Korea	Subsidiaries	81,541	(13,954)	
Lotte India Co., Ltd.	98.4	India	Subsidiaries	63,804	491	
K.S. SULEMANJI ESMAILJI & SONS (Private) Limited	69.5	Pakistan	Subsidiaries	63,692	614	
Lotte Confectionery Holdings B.V.***	51.0	Netherlands	Subsidiaries	127,550	8,458	
Lotte Confectionery (S.E.A) Pte., Ltd.	100.0	Singapore	Subsidiaries	4,267	(900)	
LH Foods Co., Ltd. (JV with Hershey)	51.0	China	Associates	22,281	(586)	(204)
Lotte Packaging (Beijing) Co., Ltd. <input checked="" type="checkbox"/>	25.0	China	Associates	4,610	(82)	(21)
BIBICA CORPORATION	38.6	Vietnam	Associates	11,266	45	17
Lotte Vietnam Co., Ltd. <input checked="" type="checkbox"/>	36.8	Vietnam	Associates	5,889	(354)	(130)
Lotte Taiwan Co., Ltd. <input checked="" type="checkbox"/>	50.0	Taiwan	Associates	6,311	563	282
Lotte Confectionery Pilipinas Co. <input checked="" type="checkbox"/>	40.0	Philippines	Associates	485	(511)	(170)
Lotte Malaysia Sdn. Bhd <input checked="" type="checkbox"/>	40.0	Malaysia	Associates	289	(186)	(74)
Lotte Europe Holdings B.V.****	30.1	Netherlands	Associates	35,099	(10,987)	(3,305)
Lotte Giants <input checked="" type="checkbox"/>	30.0	Korea	Associates	3,098	(4,088)	(1,226)
<b>Total</b>				<b>562,181</b>	<b>(80,932)</b>	<b>(4,831)</b>
- Consolidated (before eliminating intercompany transactions)				472,853	(64,746)	(4,831)
- Unconsolidated				89,328	(16,186)	0

\*newly included in the scope of consolidation for the year ended 31, 2012 due to the parent company's acquisition of 11.3% interest

\*\*newly included in the scope of consolidation due to the parent company's ownership of 6.48% interest in Lotte (China) Investment

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

## Major Overseas % of Ownership Status (1-4Q 2012)

Location	Subsidiaries/Associates/Joint Ventures	Ownership	Relevant information
China	Lotte Food Holding Co., Ltd.	100.0	
	Lotte Qingdao Foods Co., Ltd.	100.0	
	Lotte Ice (Shandong) Co., Ltd.	71.4	Lotte Samkang 22.0, Peungcheung Foods 6.6
	Lotte (China) Investment Co., Ltd.	54.8	Lotte Chilsung 24.8, Lotte Japan 20.4
	Lotte China Foods Co., Ltd.	53.6	Lotte Japan 46.4
	LH Foods Co., Ltd.	51.0	Hershey Company 49.0
India	Lotte India Co., Ltd.	98.4	minority shareholders 1.6
Vietnam	BIBICA CORPORATION	38.6	foreign & local shareholders 61.4
	Lotte Vietnam Co., Ltd.	36.8	Lotte Japan 63.2
Pakistan	K.S. SULEMANJI ESMAILJI & SONS (Private) Limited	69.5	existing shareholders 30.5
Russia	Lotte Europe Holdings B.V.	30.1	Lotte Shopping 34.3, Lotte Hotel 12.2, Lotte Chilsung 7.9 Lotteria 3.1, Lotte E&C 0.2
Guylian	Lotte Confectionery Holdings B.V.	51.0	Lotte Japan etc. 49.0
Singapore	Lotte Confectionery (S.E.A) Pte., Ltd.	100.0	