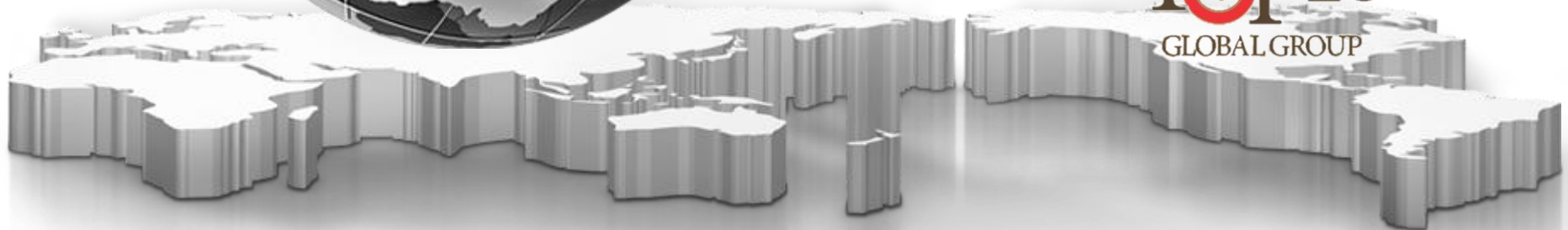


ASIA  
**No.1**  
CONFECTIONERY  
COMPANY



1<sup>th</sup> quarter of 2013  
***INVESTOR  
RELATIONS***

ASIA  
**TOP10**  
GLOBAL GROUP



# Overview (Factories & Affiliates)

Running businesses over 8 geographies worldwide



## Domestic

### Headquarters & Factories

#### Head Office (Seoul)

- established (2010)
- 470 employees

#### Pyong-taek Plant

- 1983 established
- 200 employees
- Candy, Chocolate, Biscuit, Pie, Snack

#### Tae-jon Plant

- 1996 established
- 148 employees
- Chocolate, Biscuit, Pie, Snack, Ice Cream

#### Young-deung-po Plant

- 1969 established
- 299 employees
- Gum, Candy, Choco, Ice Cream

#### Yang-san Plant

- 1979 established
- 379 employees
- Chocolate, Biscuit, Pie, Ice Cream

### Sales Branches & Offices

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



## Overseas

### Factories

#### Belgium

- 2008 acquired
- 1 factory
- 159 employees
- Chocolate

#### Russia

- 2010 established
- 1 factory
- 138 employees
- Pie

#### Pakistan

- 2011 acquired
- 6 factories
- 1,499 employees
- Snack, Biscuit, Cake, Pasta

#### India (acquired)

- 2004~2010
- 2 factories
- 330 employees
- Gum, Candy, Pie

#### Singapore (sales)

- 2011 established

#### China

- 1994~2008
- 4 factories
- 1,556 employees
- Gum, Chocolate, Biscuit, Pie, Ice Cream

#### Vietnam (acquired)

- 2008~2010
- 3 factories
- 1,212 employees
- Candy, Biscuit, Cake, Pie, Bakery, Chocolate

### Subsidiaries

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

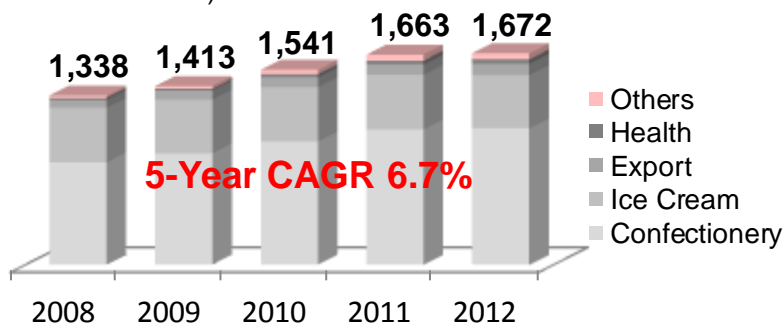
# Domestic Operating Results (Sales)

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

## Domestic Sales Trend (2012)

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

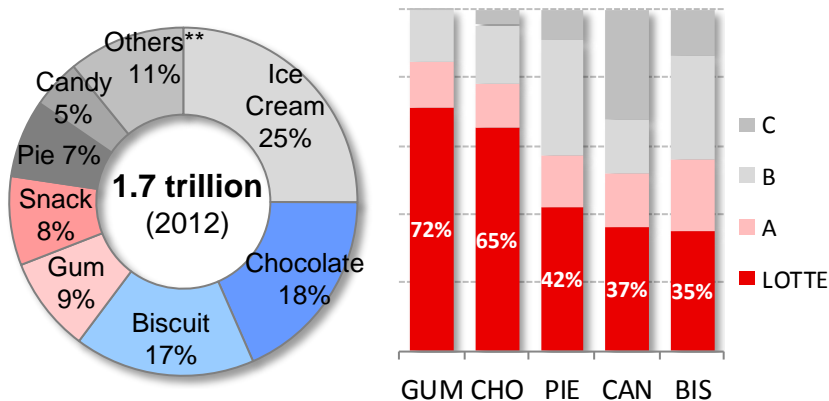
(Unit : billion KRW)



\*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)

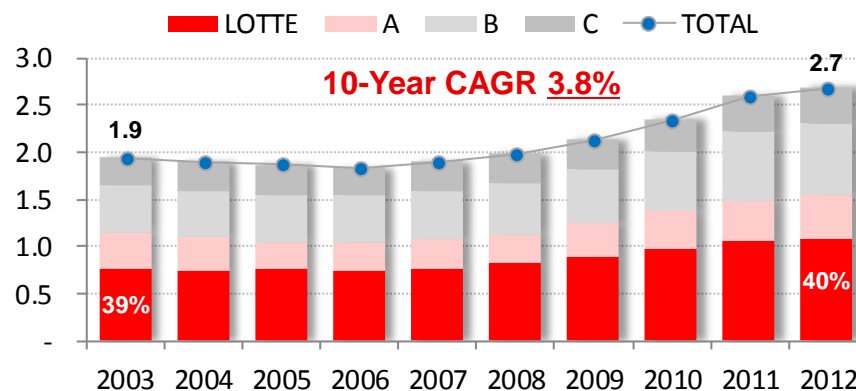


\*\* Others : exports, health supplement business, etc.

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

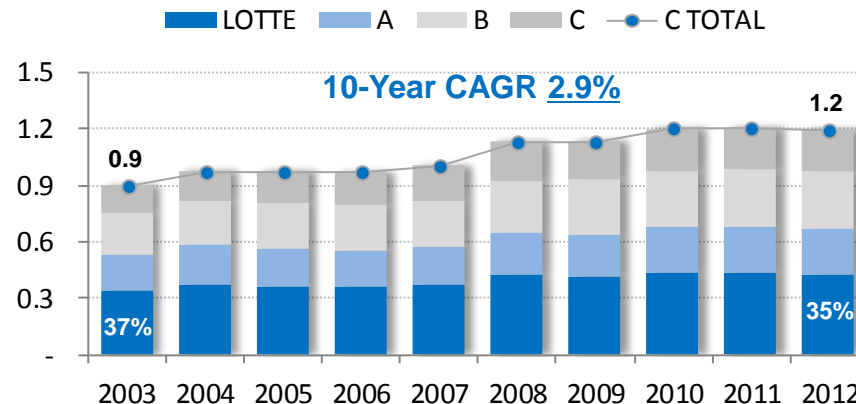
### Confectionery – Lotte as No. 1 player

(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 2

# Domestic Business Performance (Profitability)

Sales : W 375 bn(3.6%↑), Gross Profit : W 146 bn(7.8%↑), Operating Profit : W 26 bn(-17.6%)



## Profits

(Unit : billion KRW)	2010	2011	2012	2012 1Q	2013
<b>Net Sales</b>	1,412	1,522	1,524	362	375
<b>Gross Profit</b>	581	608	593	136	146
Gross Margin	41.1%	40.0%	38.9%	37.5%	39.0%
<b>Operating Profit</b>	165	170	131	32	26
Operating Margin	11.7%	11.2%	8.6%	8.7%	6.9%
<b>Recurring Profit</b>	158	181	134	38	40
Recurring Margin	11.2%	11.9%	8.8%	10.5%	10.7%
<b>Net Profit</b>	123	127	103	34	33
Net Margin	8.7%	8.4%	6.8%	9.3%	8.8%

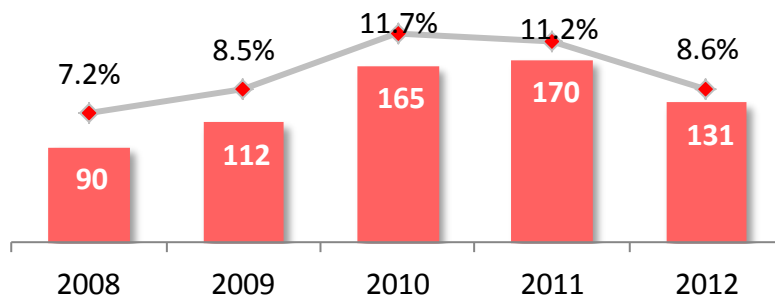
\* Unconsolidated base results under K-IFRS standard

- Sales Change (YoY) : **0.1%↑** (FY12), **3.6%↑** (1Q13)
- Operating Profit Change : **-23.1%** (FY12), **-17.6%** (1Q13)
- Recurring Profit Change : **-26.4%** (FY12), **5.7%↑** (1Q13)
- Net Profit Change : **-19.1%** (FY12), **-2.8%** (1Q13)

## 5-year Operating Income Trend

(Unit : billion KRW)

**5-Year CAGR 8.8%**



## COGS / SG&A

(Unit : billion KRW)	2010	2011	2012	2012 1Q	2013
<b>Net Sales</b>	1,412	1,522	1,524	362	375
<b>Cost of Goods Sold</b>	831	914	931	227	229
as % of Net Sales	58.9%	60.0%	61.1%	62.5%	61.0%
<b>SG&amp;A Expenses</b>	413	438	462	104	120
as % of Net Sales	29.3%	28.8%	30.3%	28.8%	32.0%

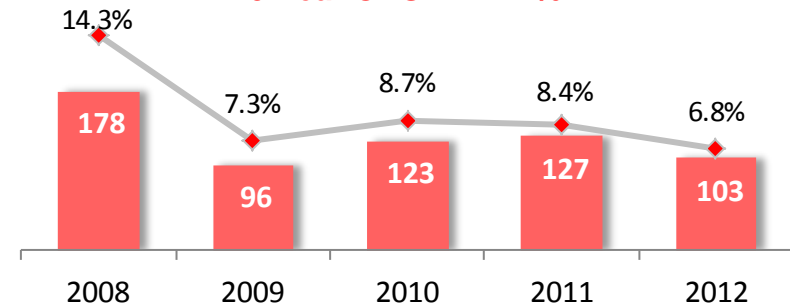
\* Unconsolidated base results under K-IFRS standard

- COGS Change (YoY) : **1.9%↑** (FY12), **1.1%↑** (1Q13)
- SG&A Change : **5.5%↑** (FY12), **15.4%↑** (1Q13)

## 5-year Net Income Trend

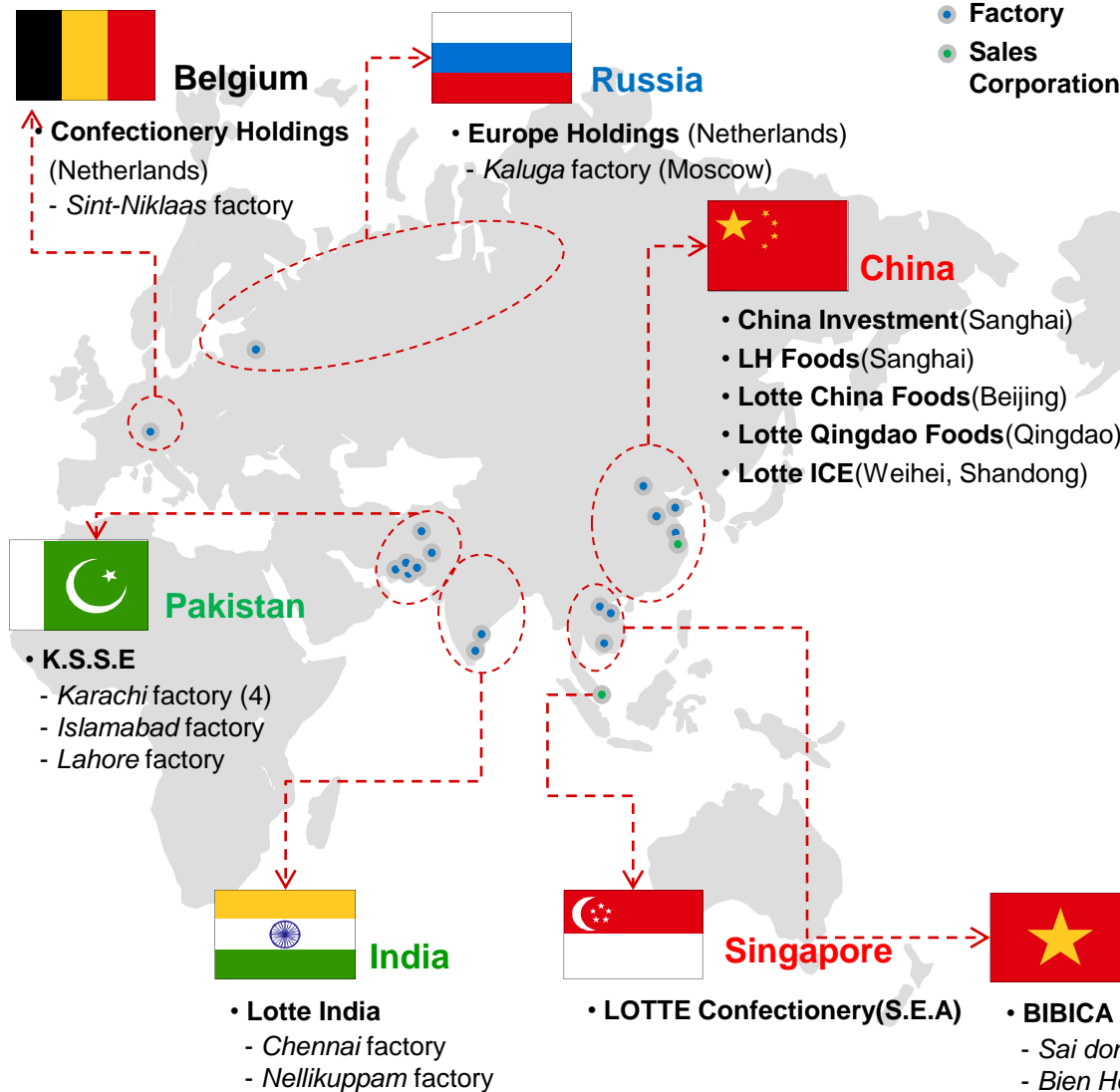
(Unit : billion KRW)

**5-Year CAGR ▲1.1%**



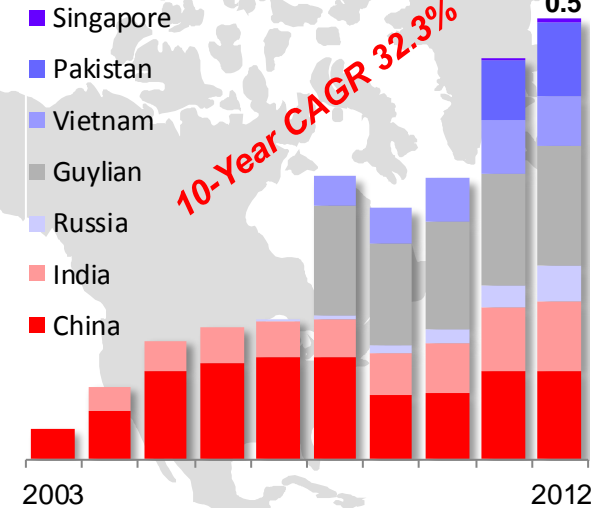
# Overseas Business Expansion (overview)

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



## Major Overseas Sales Trend\*

(Unit : trillion KRW)



\*The sum of overseas subsidiaries' sales which are under Lotte confectionery's management (including equity method subsidiaries' sales)

\*Overseas sales of the pages 5-7 are based on the fixed foreign exchange rates as follows  
 → ① China 150KRW/CNY, ② Guylian 1,600KRW/EUR, ③ India 25KRW/INR, ④ Vietnam 0.0586KRW/VND, ⑤ Russia 38KRW/RUB . ⑥ Pakistan 15 KRW/PKR

※ 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)

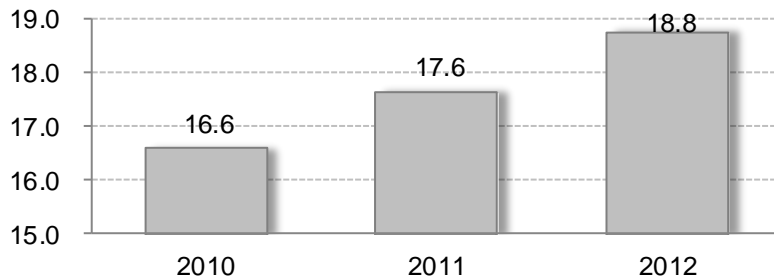
Increasing brand equity through intensive distribution in cities in Northern China(China)  
Expanding sales in emerging markets using Lotte global sales network(Guylian)

## China

### Market Trend\*

(Unit : trillion KRW)

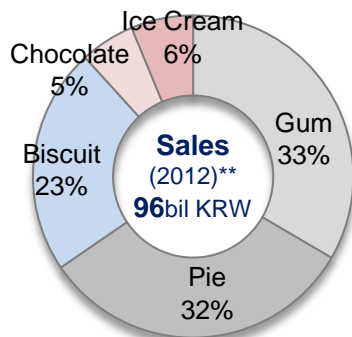
**3-Year CAGR 6.6%**



### 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

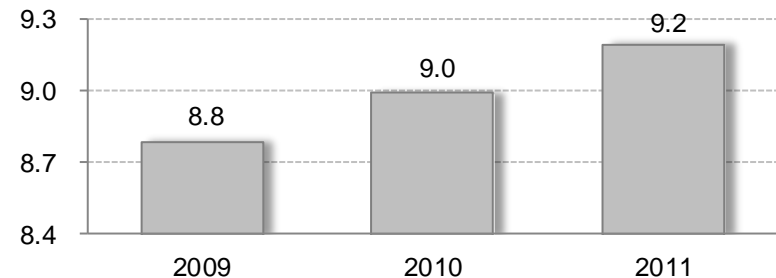
\*\*sales(China) : ① local sales(Confectionery + Ice Cream), ② export sales

## Guylian

### Market Trend\*

(Unit : trillion KRW)

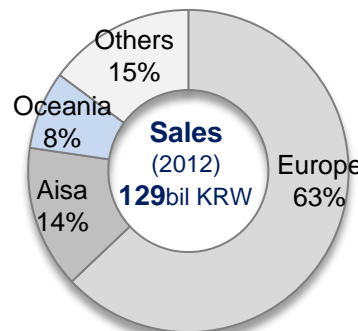
**3-Year CAGR 2.4%**



### 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)

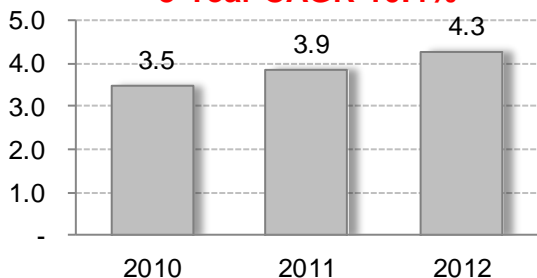
Expanding *Choco Pie* sales(India, Russia, Vietnam), while introducing other LOTTE brands

## India

### Market Trend\*

(Unit : trillion KRW)

3-Year CAGR 10.4%



### Business Overview



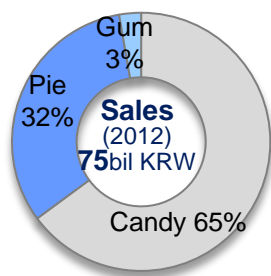
3 year CAGR 18.5%

Sales Mix : Candy > Pie > Gum

Core Products



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

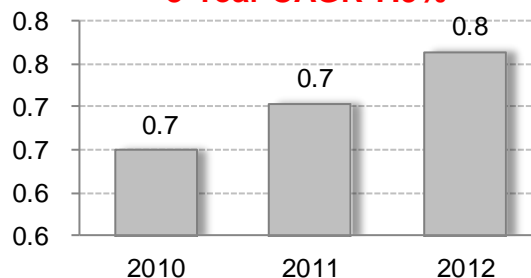


## Vietnam

### Market Trend\*

(Unit : trillion KRW)

3-Year CAGR 7.9%



### Business Overview



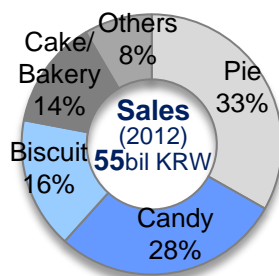
3 year CAGR 12.8%

Sales Mix : Candy > Cake > Biscuit > Pie

Core Products



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

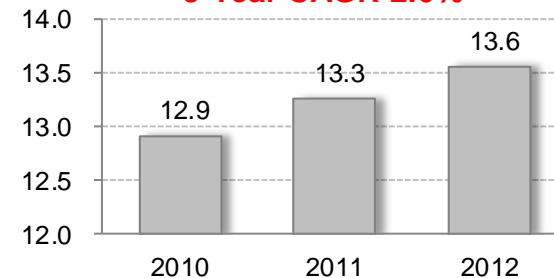


## Russia

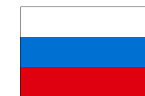
### Market Trend\*

(Unit : trillion KRW)

3-Year CAGR 2.6%



### Business Overview



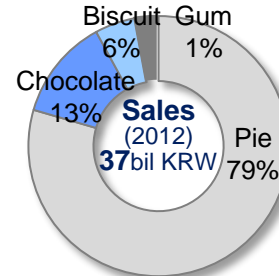
3 year CAGR 62.6%

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

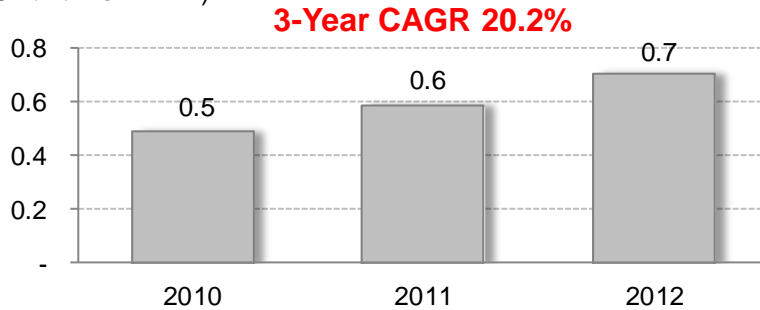
# Overseas Business Overview(Pakistan, Others)

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

## Pakistan

### Market Trend

(Unit : trillion KRW)

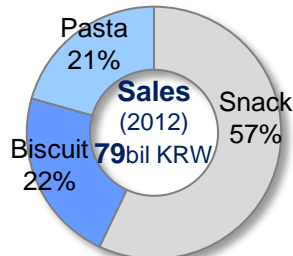


### Business Overview



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

※ Market trend, M/S : Euro Monitor

## South East Asia / Others

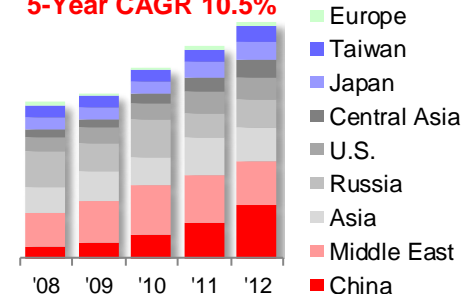
### South East Asia operations



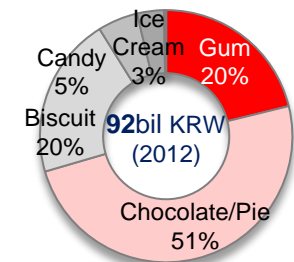
### Export Sales Mix

• 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

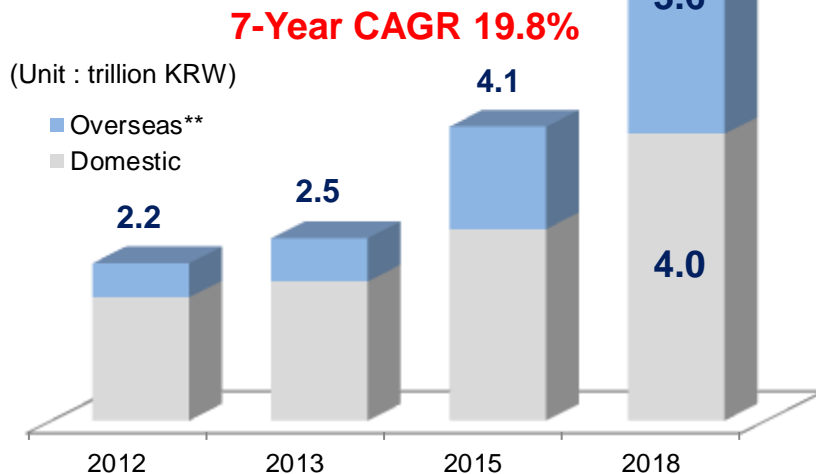
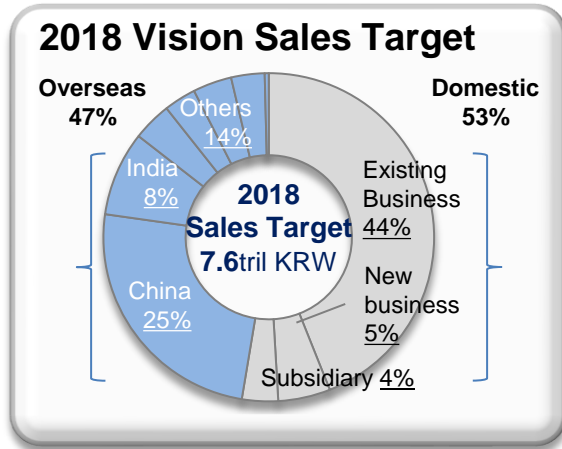
→ We will achieve our vision to become **ASIA No. 1 confectionery company** in 2018



## VISION 2018\* Project



## Key Strategy



(Unit : trillion KRW) **Sales Target**

	2013	2018	5yr CAGR
<b>Domestic</b>	<b>1.9</b>	<b>4.0</b>	<b>15.6%</b>
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>
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%

### Strategy

- Focus on core products
- New product launch
- Collaborations with global brands (Hershey, Fitoray)
- Expanding into adjacent businesses (Health Oriented food business)
- Narrowing the focus on core products
- Choco pie sales expansion
  - promotion & further production facility development
  - sales network expansion
- Introducing Lotte products
  - positioning Lotte products as premium
- Streamlining production
- Introducing Lotte products
- Regional sales diversification (Asia)
- Expanding presence in Southeast Asian market

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

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

# Appendix – Summary Financial Statements (Unconsolidated)



## Income Statement

(Unit : Billion KRW)	2011	2012	2012 1Q	2013 1Q
<b>Net Sales</b>	1,522	1,524	362	375
Growth rate ( % )	-	0.1%	-	3.6%
<b>COGS</b>	914	931	227	229
COGS (%)	60.0%	61.1%	62.5%	61.0%
<b>Gross Profit</b>	608	593	135	146
GP Margin (%)	40.0%	38.9%	37.5%	39.0%
<b>SG&amp;A</b>	438	462	104	120
SG&A (%)	28.8%	30.3%	28.8%	32.0%
<b>Operating Profit</b>	170	131	31	26
OP Margin (%)	11.2%	8.6%	8.7%	6.9%
<b>Recurring Profit</b>	181	134	38	40
RP Margin (%)	11.9%	8.8%	10.5%	10.7%
<b>Net Income</b>	127	103	34	33
Net Margin (%)	8.4%	6.8%	9.3%	8.8%
<b>EPS (Won)</b>	90,382	73,131	24,055	23,384



## Balance Sheet

(Unit : Billion KRW)	4Q 2012	1Q 2013
<b>Current Assets</b>	527	570
Cash/Cash equivalents	114	106
Receivables	187	241
Inventories	159	143
<b>Non-liquid Assets</b>	3,325	3,464
Investment & other assets	2,365	2,500
Tangible assets	960	964
<b>Total Assets</b>	3,852	4,034
Payables	155	191
Other Liabilities	913	946
<b>Total Liabilities</b>	1,068	1,137
Paid-in capital	7	7
Capital surplus	13	13
Retained earnings	1,637	1,665
Capital adjustment & Accumulated other comprehensive income	1,127	1,212
<b>Total Shareholder's Equity</b>	2,784	2,897
<b>D/E Ratio(%)</b>	38.4%	39.3%

\* Unconsolidated base results under K-IFRS standard

# Appendix – Summary Financial Statements (Consolidated)



## Income Statement

(Unit : Billion KRW)	2011	2012	2012 1Q	2013 1Q
<b>Net Sales</b>	1,854	1,865	436	466
Growth rate ( % )	-	0.6%	-	6.9%
<b>COGS</b>	1,140	1,182	281	294
COGS (%)	61.5%	63.4%	64.5%	63.2%
<b>Gross Profit</b>	714	683	155	172
GP Margin (%)	38.5%	36.6%	35.5%	36.8%
<b>SG&amp;A</b>	541	568	124	150
SG&A (%)	29.2%	30.4%	28.4%	32.1%
<b>Operating Profit</b>	173	115	31	22
OP Margin (%)	9.3%	6.2%	7.0%	4.7%
<b>Recurring Profit</b>	158	126	46	28
RP Margin (%)	8.5%	6.8%	10.5%	6.1%
<b>Net Income</b>	100	90	41	19
Net Margin (%)	5.4%	4.8%	9.3%	4.1%
<b>EPS (Won)</b>	69,402	65,102	28,660	13,175



## Balance Sheet

(Unit : Billion KRW)	4Q 2012	1Q 2013
<b>Current Assets</b>	712	744
Cash/Cash equivalents	180	171
Receivables	253	286
Inventories	194	182
<b>Non-liquid Assets</b>	3,312	3,431
Investment & other assets	2,088	2,204
Tangible assets	1,224	1,227
<b>Total Assets</b>	4,024	4,175
Payables	215	231
Other Liabilities	1,008	1,034
<b>Total Liabilities</b>	1,223	1,265
Paid-in capital	7	7
Capital surplus	11	11
Retained earnings	1,620	1,633
Capital adjustment & Accumulated other comprehensive income	1,163	1,259
<b>Total Shareholder's Equity</b>	2,801	2,910
<b>D/E Ratio(%)</b>	43.6%	43.4%

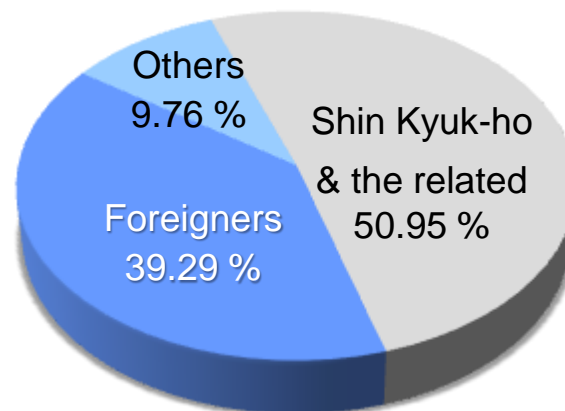
\* Consolidated base results under K-IFRS standard



## 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 March 2013)



## 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

※ Consolidated base

(KRW mil., the end of March 2013)

	Company	Shares	%	Book Value	Category / Location of Business	Remark	
Domestic	Affiliated (LOTTE)	Kirin Foods	195,800	100.0	98,076	Bakery, Snack, Ice cream	※ Consolidated Subsidiaries
		Lotte Giants	6,000	30.0	3,824	Professional Baseball Team	※ Equity Method Affiliates
		Lotte Shopping	2,474,543	8.5	1,012,088	Department Store	
		Lotte Chilsung Beverage(common)	145,237	11.7	215,967	Carbonated Drinks, Juice, Liquor	
		Lotte Chilsung Beverage(preferred)	9,660	8.1	3,381	Carbonated Drinks, Juice, Liquor	
		Lotte Food	127,677	9.8	109,292	Cooking Oils, Ice Cream	
		Korea Seven	5,977,672	16.6	107,712	Convenience Store	
		Lotteria	65,374	13.6	73,730	Fast-food Restaurant Franchise	
		Lotte Station Building	319,200	8.9	64,442	Department Store	
		Lotte Data Communication Company	52,376	6.1	39,661	Computer Software & Parts/Peripherals Business	※ Available-for-Sale Securities
		Lotte Asset Development	2,177,458	7.2	10,887	Real estate development & financial consulting	(Excluding Debt Securities)
		Lotte Logistics	66,308	4.6	8,455	Distribution/Logistics Management & Consulting	
		Korea Fujifilm	1,250	0.9	6,545	Manufacturing & sales of digital cameras, printers	
		Lotte.com	523,548	11.3	5,595	Online commerce	
		Lotte Trading	12,187	1.4	4,157	International Trading Business	
		Others	2,679,651	-	13,607	Lotte Buyeo Resort, Lotte Jeju Resort, Lotte Corporation	
	Others		BS Financial Group	5,536,479	2.9	84,708	
		Shinhan Financial Group	458,111	0.1	18,508		
		Others	128,918	-	3,273	Cheil worldwide, Cosmo Investment Management, etc.	
Sub Total		20,957,449	-	1,883,908			
Overseas	Affiliated (LOTTE)	Lotte Food Holding	115,000,000	100.0	101,021	China	
		Lotte Confectionery Holdings	56,100,000	51.0	74,418	Netherlands (including 8 subsidiaries consolidated)	
		Lotte China Foods	-	53.6	42,217	China	
		Lotte Qingdao Foods	-	100.0	22,713	China	
		K.S. SULEMANJI ESMALJI & SONS Limited	54,117,647	69.5	18,304	Pakistan (including 1 subsidiary consolidated)	※ Consolidated Subsidiaries
		Lotte India	9,404,693	98.4	10,079	India	
		Lotte Ice (Shandong)	-	71.4	8,759	China	
		Lotte Confectionery (S.E.A)	-	100.0	6,875	Singapore	
		Lotte (China) Investment	-	100.0	-	The shares are held by Lotte Food Holding	
		Lotte Europe Holdings	182,186	30.1	88,830	Netherlands (holding company of Russian subsidiaries)	
		LH Foods	-	51.0	49,339	a joint venture in China	
		BIBICA CORPORATION	5,953,000	38.6	13,570	Vietnam	
		Lotte Shanghai Foods	-	10.0	12,840	90% held by LH Foods, 10% by Lotte (China) Investment	
		Lotte Taiwan	20,300,000	50.0	7,949	Taiwan	
		Lotte Packaging (Beijing)	-	25.0	5,826	China	※ Equity Method Affiliates
		Lotte Vietnam	-	36.8	4,795	Vietnam	
		Lotte Malaysia Sdn. Bhd	8,000,000	40.0	682	Malaysia Sales corporation	
		Lotte Confectionery Pilipinas	1,000,000	40.0	221	Philippines Sales corporation	
		PT, Lotte Trade And Distribution	3,360	40.0	-	Indonesia	
		PT, Lotte Indonesia	8,910	7.6	989	Indonesia	
	Lotte Huabang(Beijing) Beverage	-	6.0	906	China	※ Available-for-Sale Securities	
	Lotte China management	-	10.0	891	China		
Sub Total		270,069,796		471,224			
Total		291,027,245		2,355,132			

# Appendix – Subsidiaries, Associates and Joint Ventures

## Summary of Relevant Information of Subsidiaries, Associates and Joint Ventures (1Q 2013)

Subsidiaries	Ownership	Location	Category	Sales	Net Income	Share of (loss)/profit of associates
Lotte Food Holding Co., Ltd.	100.0	China	Subsidiaries	-	(204)	
Lotte (China) Investment Co., Ltd.*	100.0	China	Subsidiaries	14,971	(5,161)	
Lotte China Foods Co., Ltd.*	53.6	China	Subsidiaries	10,361	(480)	
Lotte Qingdao Foods Co., Ltd.	100.0	China	Subsidiaries	4,013	(16)	
Lotte Ice (Shandong) Co., Ltd.	71.4	China	Subsidiaries	3,963	(2,708)	
Lotte Confectionery Holdings B.V.**	51.0	Netherlands	Subsidiaries	27,406	1,620	
Kirin Foods Co., Ltd.	100.0	Korea	Subsidiaries	19,725	(2,726)	
Lotte India Co., Ltd.	98.4	India	Subsidiaries	16,374	146	
K.S. SULEMANJI ESMAILJI & SONS (Private) Limited	69.5	Pakistan	Subsidiaries	15,383	897	
Lotte Confectionery (S.E.A) Pte., Ltd.	100.0	Singapore	Subsidiaries	1,422	(328)	
Lotte Europe Holdings B.V.***	30.1	Netherlands	Associates	35,099	(10,987)	(3,305)
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
PT, Lotte Trade And Distribution <input checked="" type="checkbox"/>	40.0	Indonesia	Associates	3,601	(599)	
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 Giants <input checked="" type="checkbox"/>	30.0	Korea	Associates	3,098	(4,088)	(1,226)
<b>Total</b>				<b>206,547</b>	<b>(25,745)</b>	<b>(4,831)</b>
- Consolidated (before eliminating intercompany transactions)				113,618	(8,960)	(4,831)
- Unconsolidated				57,830	(5,798)	-

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

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

## Major Overseas % of Ownership Status (1Q 2013)

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.	100.0	
	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	