

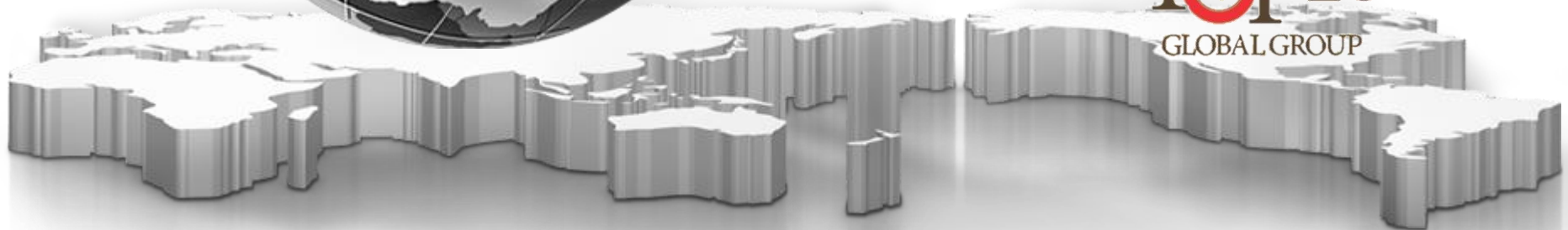
ASIA  
**No.1**  
CONFECTIONERY  
COMPANY



1<sup>st</sup> half of 2013

***INVESTOR  
RELATIONS***

ASIA  
**TOP10**  
GLOBAL GROUP



# Overview (Factories & Affiliates)

Running businesses over 8 geographies worldwide



## Domestic

### Headquarters & Factories

#### Head Office(Seoul)

- 2010 established
- 470 employees

#### Pyoung-taek Plant

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

#### Young-deung-po Plant

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

#### Tae-jon Plant

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

\* (Year of foundation), ①# of factories, ②# of employees, ③products

#### Kazakhstan(2013) \*acquired

#### Russia(2010)

- ①1 ②185 ③pie, chocolate

#### Belgium(2008)

- \*acquired
- ①1 ②229 ③chocolate

#### China(1994)

- ①4 ②2,958
- ③gum, pie, biscuit

#### Pakistan(2011)

- \*acquired
- ①6 ②1,651 ③snack, biscuit, pasta

#### Vietnam(2008)

- \*acquired
- ①3 ②1,960
- ③pie, candy, biscuit

#### India(2004)

- \*acquired
- ①2 ②638
- ③candy, pie, pasta

#### Singapore(2011)

- ①0 ②17 ③chocolate, pie

### Subsidiaries

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

# Domestic Operating Results (Sales)

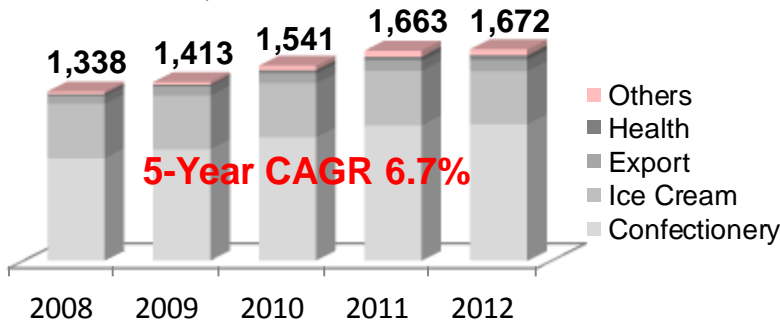
Earning a reputation for maintaining the No.1 confectionery company in Korea



## Domestic Sales Trend (2012)

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

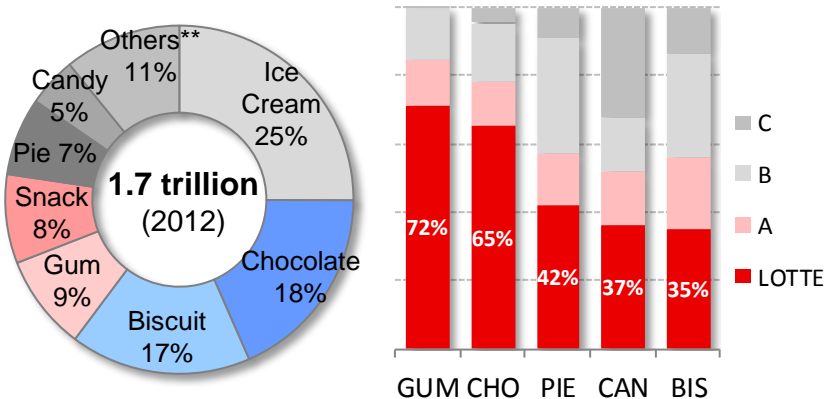
(Unit : billion KRW)



\*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)



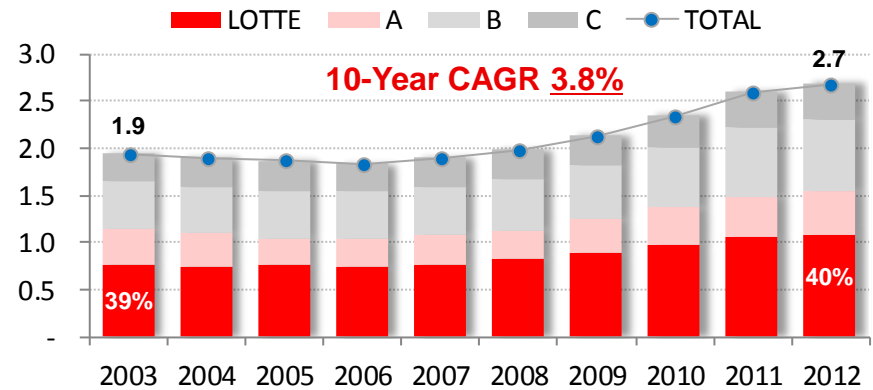
\*\* Others : exports, health supplement business, etc.



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

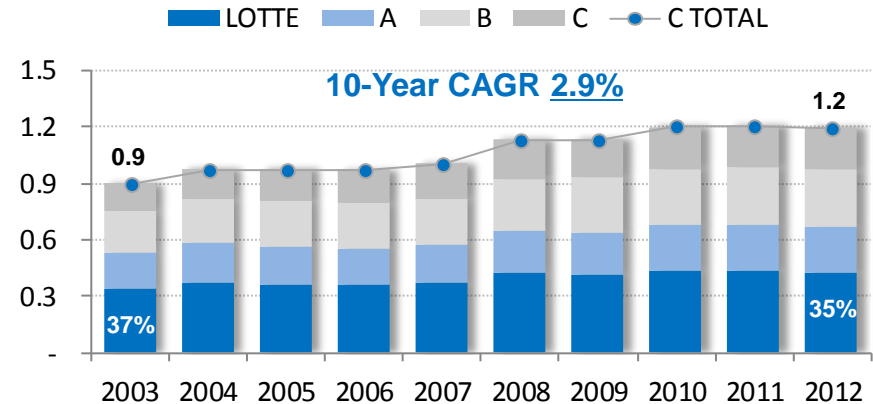
### Confectionery – Lotte as No. 1 player

(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)

For the 1H of 2013, sales increased by 4.2%, operating profit down by 21.2%

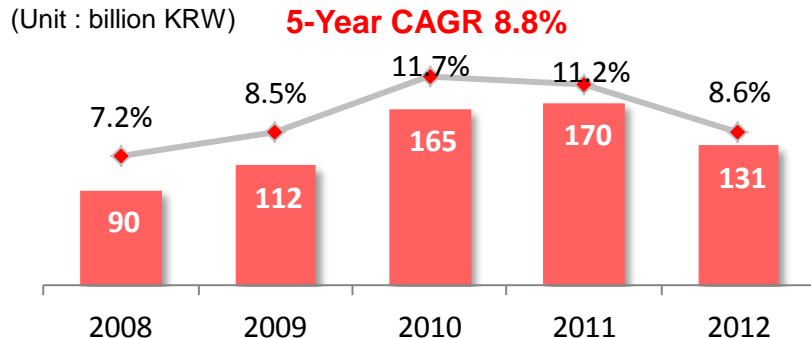
## Profits

(Unit : billion KRW)	2010	2011	2012	2012 1H	2013
<b>Net Sales</b>	1,412	1,522	1,524	757	788
<b>Gross Profit</b>	581	608	593	467	483
Gross Margin	41.1%	40.0%	38.9%	38.3%	38.8%
<b>Operating Profit</b>	165	170	131	69	54
Operating Margin	11.7%	11.2%	8.6%	9.1%	6.9%
<b>Recurring Profit</b>	158	181	134	74	63
Recurring Margin	11.2%	11.9%	8.8%	9.8%	8.0%
<b>Net Profit</b>	123	127	103	60	51
Net Margin	8.7%	8.4%	6.8%	7.9%	6.4%

\* Unconsolidated base results under K-IFRS standard

- Sales Change (YoY) : **0.1%↑** (FY12), **4.2%↑** (1H13)
- Operating Profit Change : **-23.1%** (FY12), **-21.2%** (1H13)
- Recurring Profit Change : **-26.4%** (FY12), **-15.4%** (1H13)
- Net Profit Change : **-19.1%** (FY12), **-15.3%** (1H13)

## 5-year Operating Income Trend



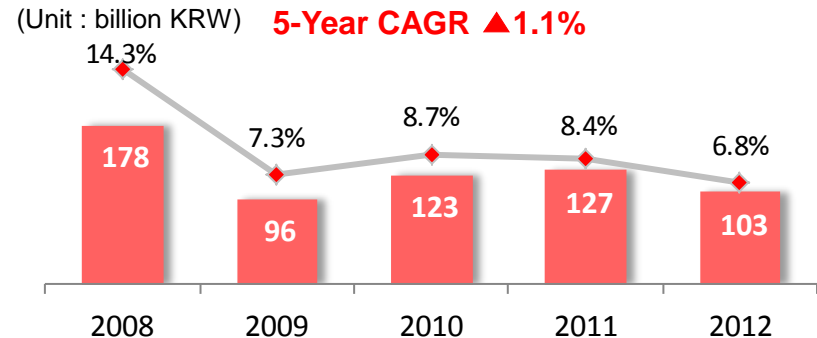
## COGS / SG&A

(Unit : billion KRW)	2010	2011	2012	2012 1H	2013
<b>Net Sales</b>	1,412	1,522	1,524	757	788
<b>Cost of Goods Sold</b>	831	914	931	467	482
as % of Net Sales	58.9%	60.0%	61.1%	61.7%	61.2%
<b>SG&amp;A Expenses</b>	413	438	462	221	252
as % of Net Sales	29.3%	28.8%	30.3%	29.2%	31.9%

\* Unconsolidated base results under K-IFRS standard

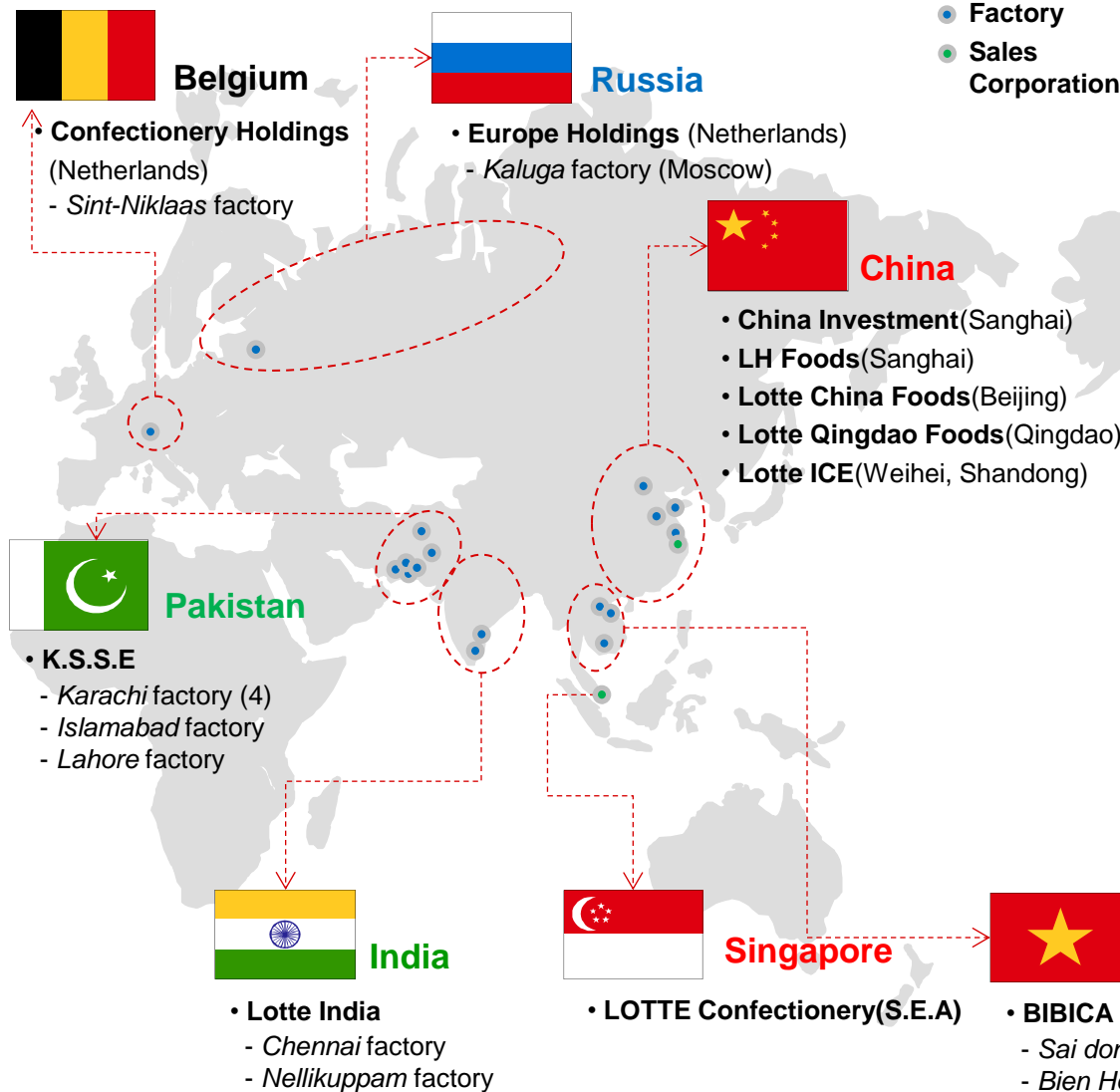
- COGS Change (YoY) : **1.9%↑** (FY12), **3.3%↑** (1H13)
- SG&A Change : **5.5%↑** (FY12), **13.8%↑** (1H13)

## 5-year Net Income Trend



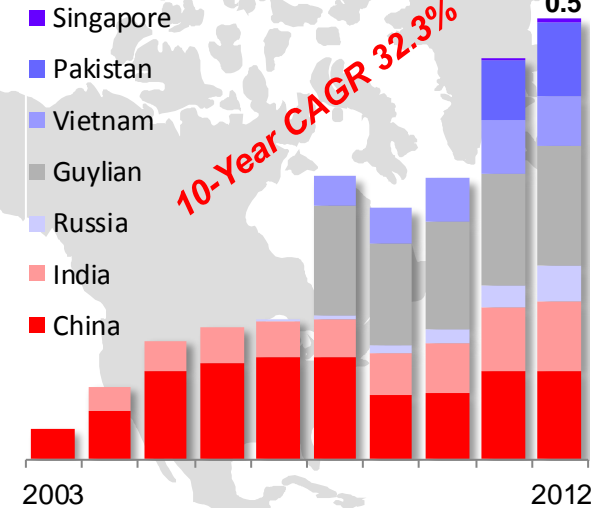
# Overseas Business Expansion (overview)

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)

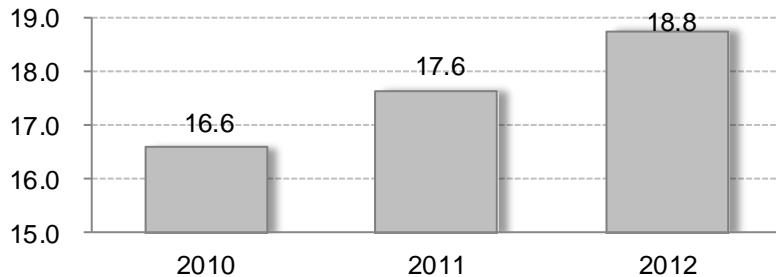


## China

### Market Trend\*

(Unit : trillion KRW)

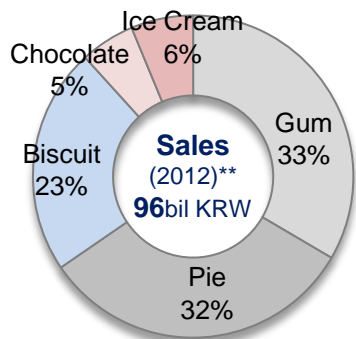
**3-Year CAGR 6.6%**



### 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

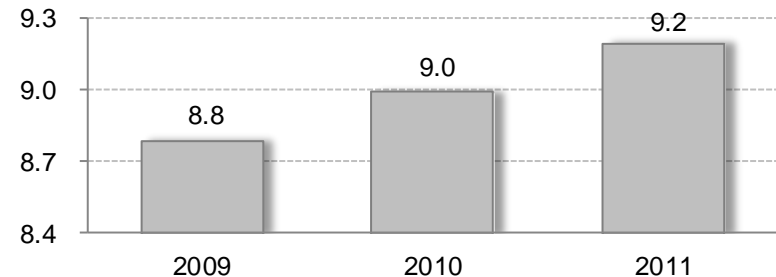


## Guylian

### Market Trend\*

(Unit : trillion KRW)

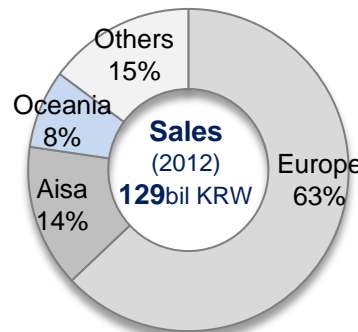
**3-Year CAGR 2.4%**



### 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(India, Vietnam, Russia)

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

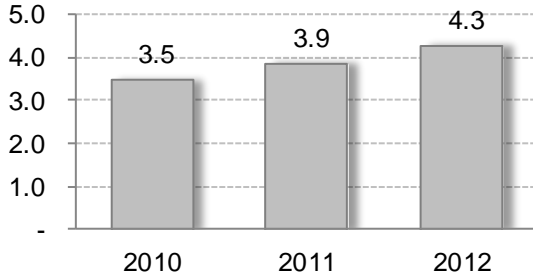


## India

### Market Trend\*

(Unit : trillion KRW)

3-Year CAGR 10.4%



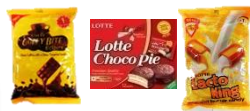
### Business Overview



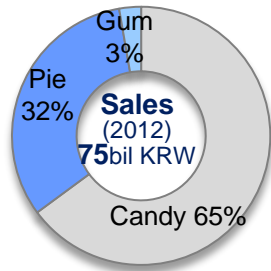
3 year CAGR 18.5%

Sales Mix : Candy > Pie > Gum

Core Products



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

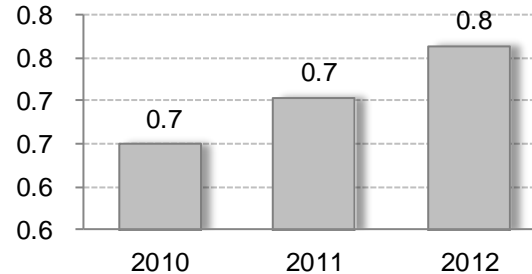


## Vietnam

### Market Trend\*

(Unit : trillion KRW)

3-Year CAGR 7.9%



### Business Overview



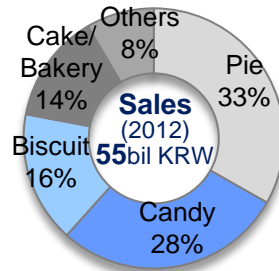
3 year CAGR 12.8%

Sales Mix : Candy > Cake > Biscuit > Pie

Core Products



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

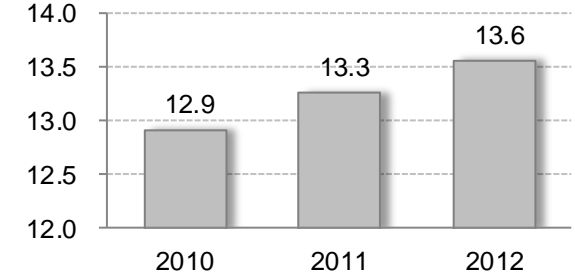


## Russia

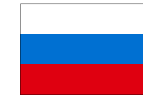
### Market Trend\*

(Unit : trillion KRW)

3-Year CAGR 2.6%



### Business Overview



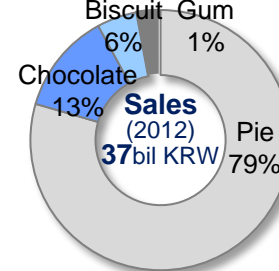
3 year CAGR 62.6%

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

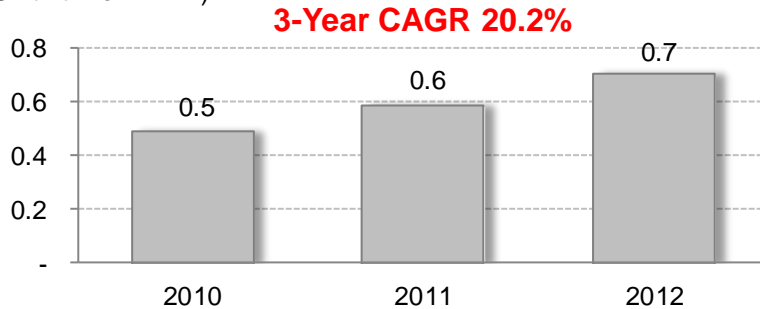
# Overseas Business Overview(Pakistan, Others)

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

## Pakistan

### Market Trend

(Unit : trillion KRW)

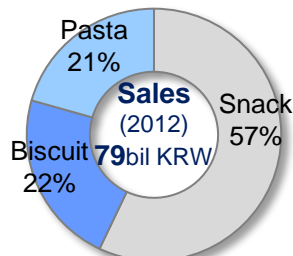


### Business Overview



• 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

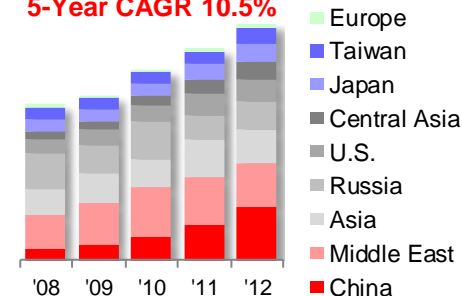
### South East Asia operations



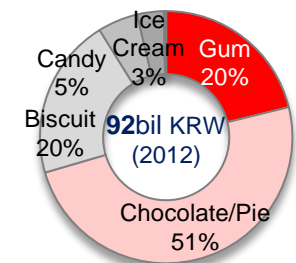
### Export Sales Mix

• 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

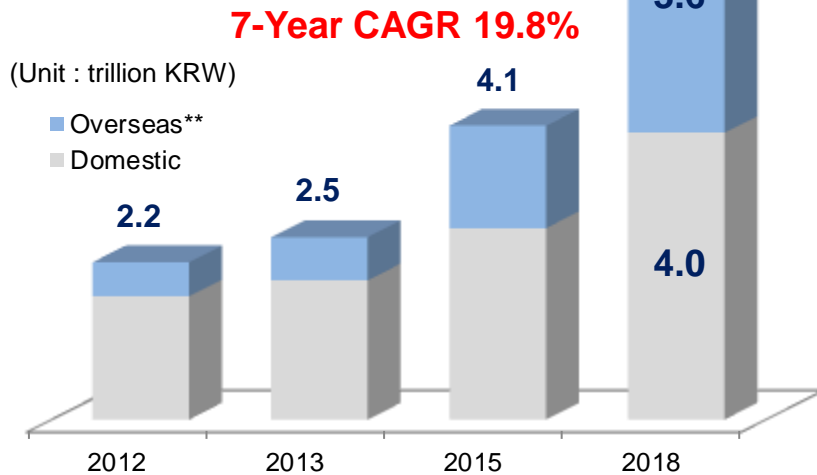
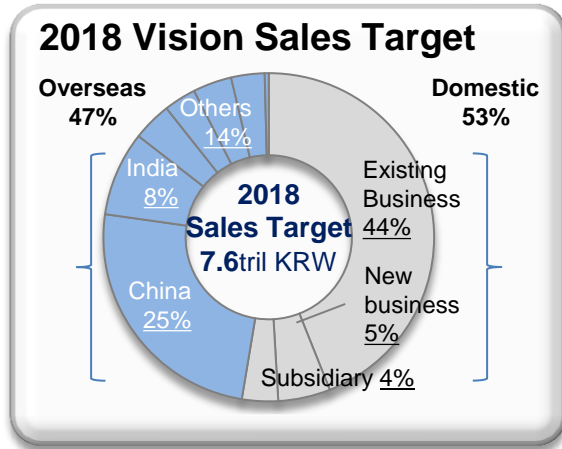
→ We will achieve our vision to become **ASIA No. 1 confectionery company** in 2018



## VISION 2018\* Project



## Key Strategy



(Unit : trillion KRW)

### Sales Target

	2013	2018	5yr CAGR
--	------	------	----------

**Domestic** 1.9 4.0 15.6%

**Existing Business** 1.8 3.3 12.7%

**New & Business** 0.1 0.7 45.9%

**Overseas** 0.6 3.6 42.9%

**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 1H	2013 1H
<b>Net Sales</b>	1,522	1,524	757	788
Growth rate ( % )	-	0.1%	-	4.2%
<b>COGS</b>	914	931	467	482
COGS (%)	60.0%	61.1%	61.7%	61.2%
<b>Gross Profit</b>	608	593	290	306
GP Margin (%)	40.0%	38.9%	38.3%	38.8%
<b>SG&amp;A</b>	438	462	221	252
SG&A (%)	28.8%	30.3%	29.2%	31.9%
<b>Operating Profit</b>	170	131	69	54
OP Margin (%)	11.2%	8.6%	9.1%	6.9%
<b>Recurring Profit</b>	181	134	74	63
RP Margin (%)	11.9%	8.8%	9.8%	8.0%
<b>Net Income</b>	127	103	60	51
Net Margin (%)	8.4%	6.8%	7.9%	6.4%
<b>EPS (Won)</b>	90,382	73,131	18,489	12,674



## Balance Sheet

(Unit : Billion KRW)	2012 1H	2013 1H
<b>Current Assets</b>	640	643
Cash/Cash equivalents	174	127
Receivables	219	234
Inventories	159	160
<b>Non-liquid Assets</b>	3,110	3,370
Investment & other assets	2,139	2,300
Tangible assets	971	1,070
<b>Total Assets</b>	3,750	4,013
Payables	220	238
Other Liabilities	945	1,011
<b>Total Liabilities</b>	1,165	1,249
Paid-in capital	7	7
Capital surplus	13	13
Retained earnings	1,597	1,673
Capital adjustment & Accumulated other comprehensive income	968	1,071
<b>Total Shareholder's Equity</b>	2,585	2,764
<b>D/E Ratio(%)</b>	45.1%	45.2%

\* Unconsolidated base results under K-IFRS standard

# Appendix – Summary Financial Statements (Consolidated)



## Income Statement

(Unit : Billion KRW)	2011	2012	2012 1H	2013 1H
<b>Net Sales</b>	1,854	1,865	900	939
Growth rate ( % )	-	0.6%	-	4.3%
<b>COGS</b>	1,140	1,182	575	593
COGS (%)	61.5%	63.4%	63.9%	63.2%
<b>Gross Profit</b>	714	683	325	346
GP Margin (%)	38.5%	36.6%	36.1%	36.8%
<b>SG&amp;A</b>	541	568	263	307
SG&A (%)	29.2%	30.4%	29.2%	32.7%
<b>Operating Profit</b>	173	115	62	39
OP Margin (%)	9.3%	6.2%	6.9%	4.2%
<b>Recurring Profit</b>	158	126	64	39
RP Margin (%)	8.5%	6.8%	7.1%	4.2%
<b>Net Income</b>	100	90	47	25
Net Margin (%)	5.4%	4.8%	5.2%	2.6%
<b>EPS (Won)</b>	69,402	65,102	33,257	17,580



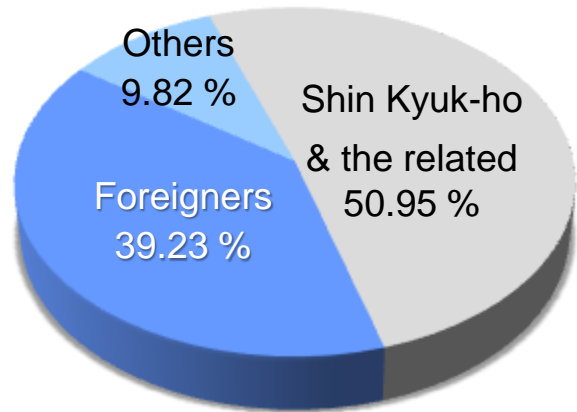
## Balance Sheet

(Unit : Billion KRW)	2012 1H	2013 1H
<b>Current Assets</b>	640	786
Cash/Cash equivalents	174	184
Receivables	219	254
Inventories	159	201
<b>Non-liquid Assets</b>	3,110	3,355
Investment & other assets	2,139	2,107
Tangible assets	971	1,248
<b>Total Assets</b>	3,750	4,141
Payables	220	274
Other Liabilities	945	1,084
<b>Total Liabilities</b>	1,165	1,358
Paid-in capital	7	7
Capital surplus	13	13
Retained earnings	1,597	1,640
Capital adjustment & Accumulated other comprehensive income	10,022	9,676
<b>Total Shareholder's Equity</b>	2,585	2,783
<b>D/E Ratio(%)</b>	45.1%	48.8%

\* 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 June 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 F/S base

(KRW mil., the end of June 2013)

	Company	Shares	%	Book Value	Category / Location of Business	Remark	
Affiliated (LOTTE)	Lotte Giants	6,000	30.0	7,100	Professional Baseball Team	※ Equity Method Affiliates	
	Lotte Shopping	2,474,543	7.9	878,463	Department Store		
	Lotte Chilsung Beverage(common)	218,949	17.7	302,150	Carbonated Drinks, Juice, Liquor		
	Lotte Chilsung Beverage(preferred)	9,660	8.1	3,391	Carbonated Drinks, Juice, Liquor		
	Lotte Food	127,677	9.3	74,946	Cooking Oils, Ice Cream		
	Korea Seven	5,977,672	16.5	102,983	Convenience Store		
	Lotteria	65,374	13.6	75,757	Fast-food Restaurant Franchise		
	Lotte Station Building	319,200	8.9	66,703	Department Store		
	Lotte Data Communication Company	52,376	6.1	38,251	Computer Software & Parts/Peripherals Business		※ Available-for-Sale Securities (Excluding Debt Securities)
	Lotte Asset Development	2,177,458	7.2	10,887	Real estate development & financial consulting		
	Lotte Logistics	66,308	4.6	8,893	Distribution/Logistics Management & Consulting		
	Korea Fujifilm	1,250	0.9	6,378	Manufacturing & sales of digital cameras, printers		
	Lotte.com	523,548	11.3	5,668	Online commerce		
	Lotte Trading	12,187	1.4	4,316	International Trading Business		
	Others			13,652	Lotte Buyeo Resort, Lotte Jeju Resort, Lotte Corporation		
Others	BS Financial Group	5,536,479	2.9	80,002			
	Shinhan Financial Group	458,111	0.1	17,225			
	Others			3,609	Cheil worldwide, Cosmo Investment Management, etc.		
<b>Sub Total</b>				<b>1,700,374</b>			
Overseas	Lotte Food Holding	115,000,000	100.0	101,021	China	※ Consolidated Subsidiaries	
	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 (10% held by LOTTE China investment)		
	K.S. SULEMANJI ESMALJI & SONS Limited	54,117,647	69.5	18,304	Pakistan (including 1 subsidiary consolidated)		
	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	82,900	Netherlands (holding company of Russian subsidiaries)		※ Equity Method Affiliates
	LH Foods	44,591	51.0	51,636	a joint venture in China		
	BIBICA CORPORATION	5,953,000	38.6	13,621	Vietnam		
	Lotte Shanghai Foods	11,811	10.0	13,433	90% held by LH Foods, 10% by Lotte (China) Investment		
	Lotte Taiwan	20,300,000	50.0	7,850	Taiwan		
	Lotte Packaging (Beijing)	-	25.0	6,032	China		
	Lotte Vietnam	-	36.8	4,802	Vietnam		
	Lotte Malaysia Sdn. Bhd	8,000,000	40.0	534	Malaysia Sales corporation		
	Lotte Confectionery Pilipinas	1,000,000	40.0	-	Philippines Sales corporation		
	PT, Lotte Trade And Distribution	3,360	40.0	-	Indonesia		
	PT, Lotte Indonesia	8,910	1.5	934	Indonesia	※ Available-for-Sale Securities	
Lotte Huabang(Beijing) Beverage	-	6.0	947	China			
Lotte China management	-	10.0	891	China			
<b>Sub Total</b>			<b>467,966</b>				
<b>Total</b>				<b>2,168,340</b>			

# Appendix – Subsidiaries, Associates and Joint Ventures

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

Subsidiaries	Ownership	Location	Category	Sales		Net Income	Share of profit of associates
				Separate	Consolidated		
Lotte Food Holding Co., Ltd.	100.0	China	Subsidiaries	-		(130)	
Lotte (China) Investment Co., Ltd.*	100.0	China	Subsidiaries	27,968		(14,387)	
Lotte China Foods Co., Ltd.*	53.6	China	Subsidiaries	20,165	26,704	(1,284)	
Lotte Qingdao Foods Co., Ltd.	100.0	China	Subsidiaries	7,922		(196)	
Lotte Ice (Shandong) Co., Ltd.	71.4	China	Subsidiaries	2,497		(1,035)	
Lotte Confectionery Holdings B.V.**	51.0	Netherlands	Subsidiaries	44,933	44,078	512	
Lotte India Co., Ltd.	98.4	India	Subsidiaries	31,329	30,909	499	
K.S. SULEMANJI ESMAILJI & SONS (Private) Ltd.	69.5	Pakistan	Subsidiaries	32,777		1,902	
Lotte Confectionery (S.E.A) Pte., Ltd.	100.0	Singapore	Subsidiaries	3,209	35,986	(362)	
Lotte Europe Holdings B.V.***	30.1	Netherlands	Associates	73,123		(29,816)	(8,970)
LH Foods Co., Ltd.(JV with Hershey)	51.0	China	Associates	41,907		(438)	(154)
Lotte Packaging(Beijing) Co., Ltd. <input checked="" type="checkbox"/>	25.0	China	Associates	9,046		(294)	(73)
BIBICA CORPORATION	38.6	Vietnam	Associates	19,809		214	(162)
Lotte Vietnam Co., Ltd. <input checked="" type="checkbox"/>	36.8	Vietnam	Associates	12,766		(564)	(206)
Lotte Taiwan Co., Ltd. <input checked="" type="checkbox"/>	50.0	Taiwan	Associates	12,757		815	31
PT, Lotte Trade And Distribution <input checked="" type="checkbox"/>	40.0	Indonesia	Associates	7,681		(1,184)	
Lotte Confectionery Pilipinas Co. <input checked="" type="checkbox"/>	40.0	Philippines	Associates	1,061		(1,016)	(397)
Lotte Malaysia Sdn. Bhd <input checked="" type="checkbox"/>	40.0	Malaysia	Associates	570		(563)	(226)
Lotte Giants <input checked="" type="checkbox"/>	30.0	Korea	Associates	24,430		6,875	2,062
Total(19 Companies)				373,950		(40,452)	(8,095)
- Consolidated (before eliminating intercompany transactions)				170,800	137,677	(14,481)	(8,095)
- Unconsolidated				203,150		(25,971)	-

\*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 (1H 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	