

ASIA  
**No.1**  
CONFECTIONERY  
COMPANY



3<sup>rd</sup> quarter of 2013

# ***INVESTOR RELATIONS***

ASIA  
**TOP10**  
GLOBAL GROUP

# Overview (Factories & Affiliates)

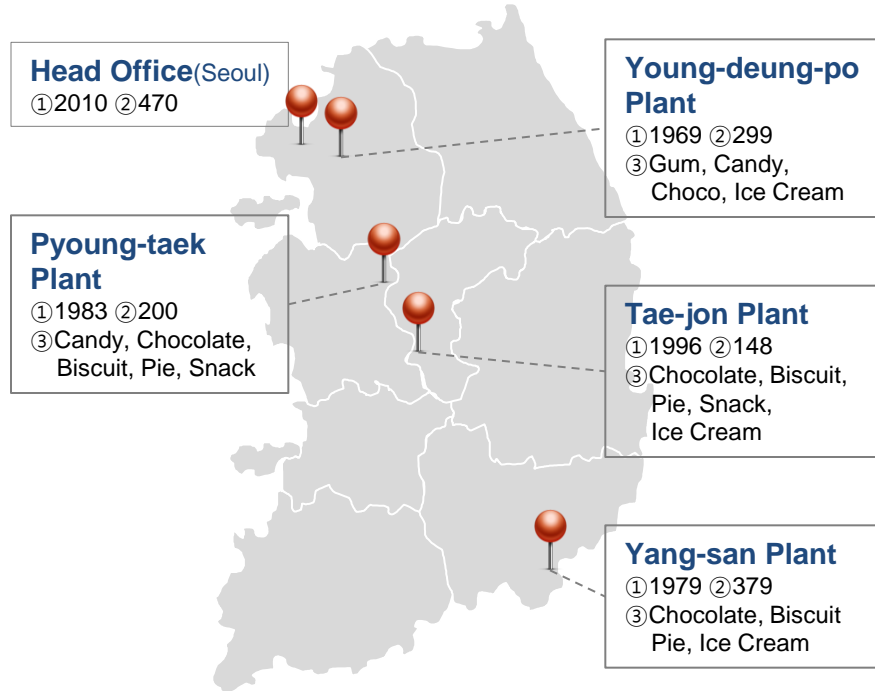
Running businesses over 9 geographies\* worldwide \*including Korea



## Domestic

### Headquarters & Factories at the end of 2012

① year of establishment, ② # of employees, ③ products



### Sales Branches & Offices

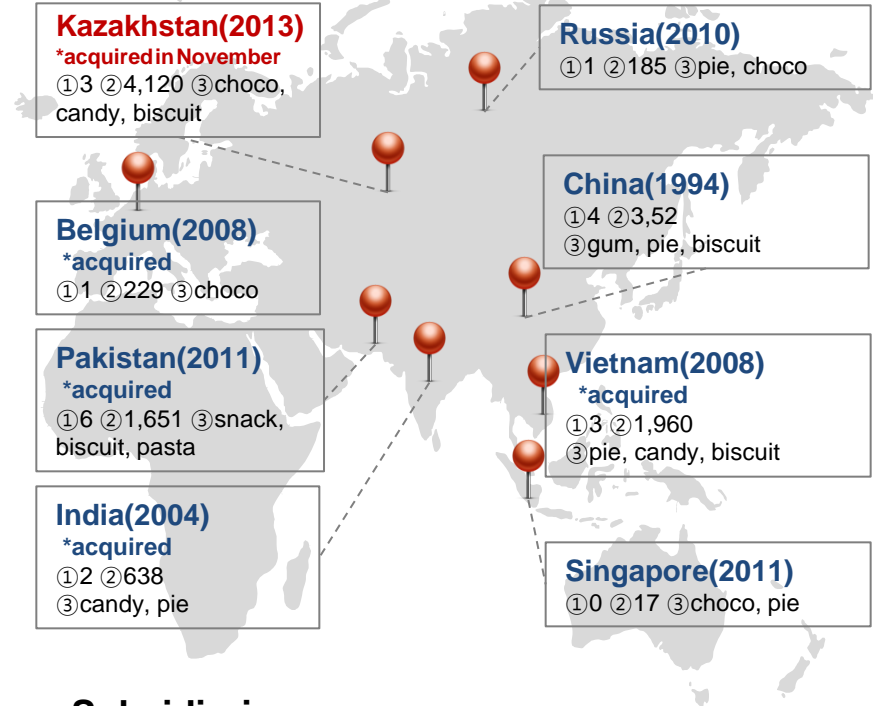
- 19 branches – 9(confectionery), 10(ice cream)
- 140 sales offices – 92(confectionery), 48(ice cream)



## Overseas

### Factories at the end of 2012

(Year of foundation / acquisition),  
① # of factories, ② # of employees, ③ product lines



### Subsidiaries

- 8 countries, 14 subsidiaries
- China(7), India(1), Pakistan(1), Vietnam(1), Belgium(1), Russia(1), Singapore(1), Kazakhstan(1)

# Domestic Operating Results (Sales)

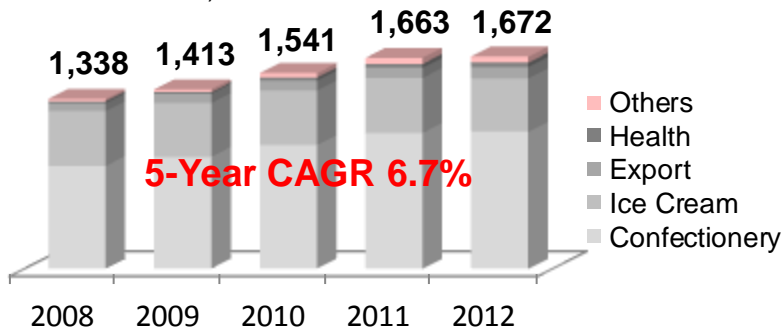
Earning a reputation for maintaining the No.1 confectionery company in Korea

## Domestic Sales Trend (2012)

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

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

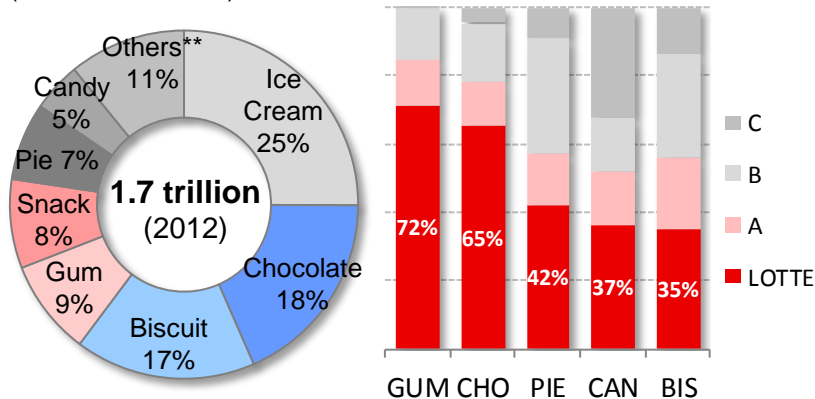
(Unit : billion KRW)



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

### Sales & M/S by product categories

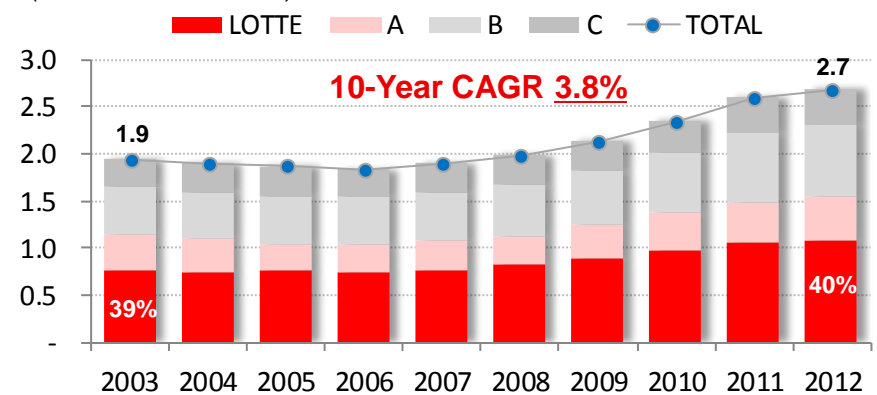
(Unit : trillion KRW)



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

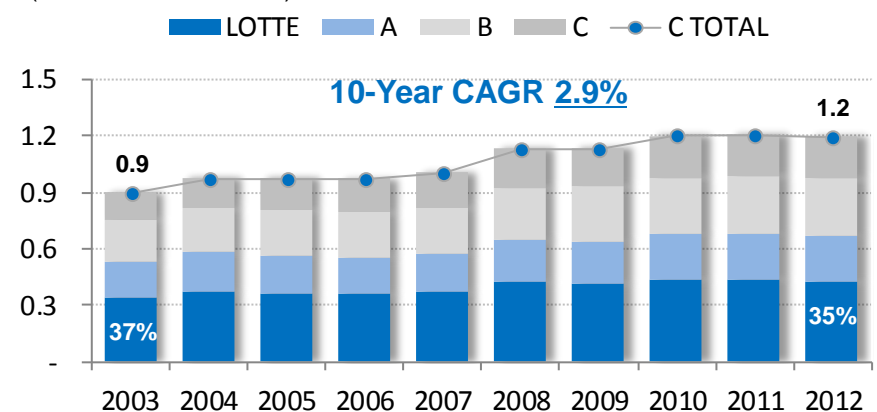
### Confectionery – Lotte as No. 1 player

(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 3Q of 2013(accumulated), sales increased by 4.9%, operating profit down by 19.5%

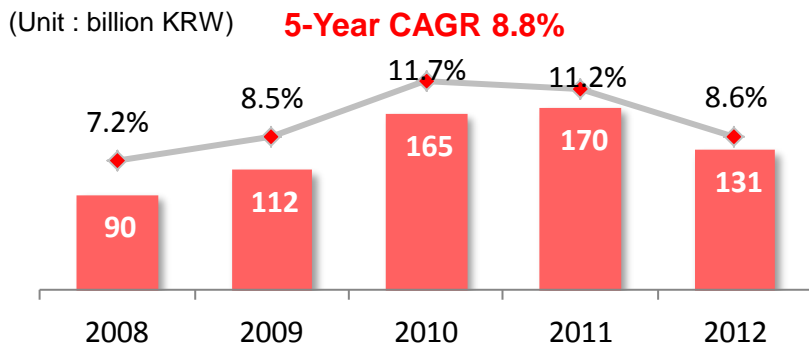
## Profits

(Unit : billion KRW)	2010	2011	2012	3Q*	
				2012	2013
<b>Net Sales</b>	1,412	1,522	1,524	1,174	1,232
<b>Gross Profit</b>	581	608	593	459	479
Gross Margin	41.1%	40.0%	38.9%	39.1%	38.9%
<b>Operating Profit</b>	165	170	131	115	92
Operating Margin	11.7%	11.2%	8.6%	9.8%	7.5%
<b>Recurring Profit</b>	158	181	134	135	101
Recurring Margin	11.2%	11.9%	8.8%	11.5%	8.2%
<b>Net Profit</b>	123	127	103	107	80
Net Margin	8.7%	8.4%	6.8%	9.1%	6.5%

\* Accumulated base. Unconsolidated results under K-IFRS standard

- Sales Change (YoY) : **0.1%↑** (FY12), **4.9%↑** (3Q13)
- Operating Profit Change : **-23.1%** (FY12), **-19.5%** (3Q13)
- Recurring Profit Change : **-26.4%** (FY12), **-25.1%** (3Q13)
- Net Profit Change : **-19.1%** (FY12), **-25.3%** (3Q13)

## 5-year Operating Income Trend



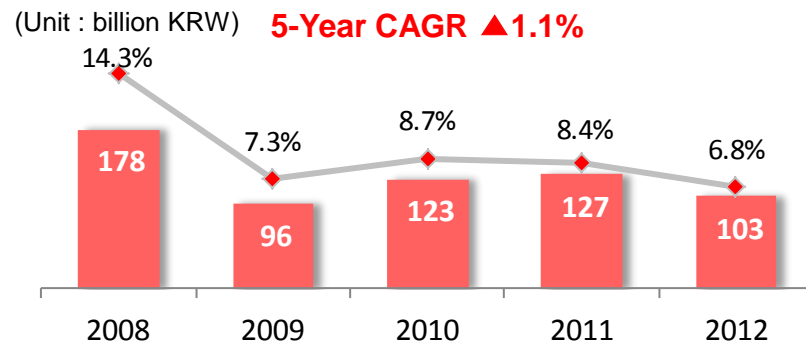
## COGS / SG&A

(Unit : billion KRW)	2010	2011	2012	3Q*	
				2012	2013
<b>Net Sales</b>	1,412	1,522	1,524	1,174	1,232
<b>Cost of Goods Sold</b>	831	914	931	715	753
as % of Net Sales	58.9%	60.0%	61.1%	60.9%	61.1%
<b>SG&amp;A Expenses</b>	413	438	462	345	387
as % of Net Sales	29.3%	28.8%	30.3%	29.3%	31.4%

\* Accumulated base. Unconsolidated results under K-IFRS standard

- COGS Change (YoY) : **1.9%↑** (FY12), **5.3%↑** (3Q13)
- SG&A Change : **5.5%↑** (FY12), **12.2%↑** (3Q13)

## 5-year Net Income Trend



# Overseas Business Expansion (overview)

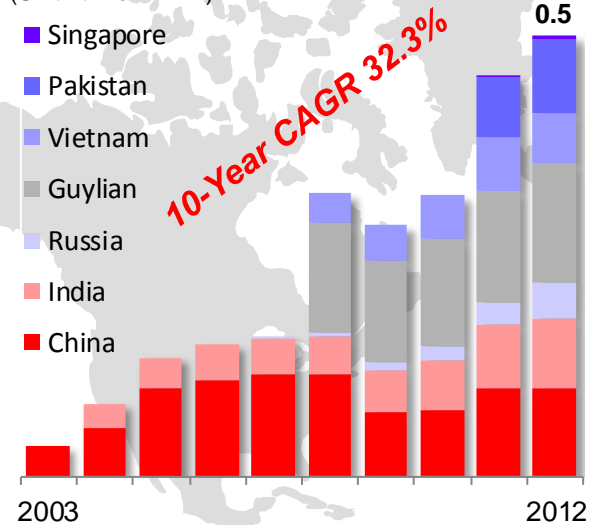
Expanded through M&A and green field investment in 8 countries → **CAGR 32.3%**



## Major Overseas Sales Trend\*

(Unit : trillion KRW)

- Singapore
- Pakistan
- Vietnam
- Guylian
- Russia
- India
- China



\*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)

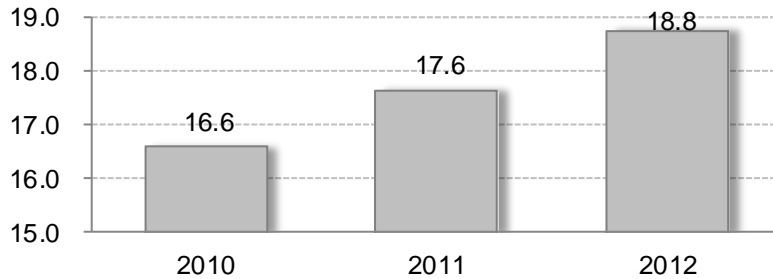
Increasing brand equity through intensive distribution in cities in Northern China(China)  
Expanding sales in emerging markets using Lotte global sales network(Guylian)

## China

### Market Trend\*

(Unit : trillion KRW)

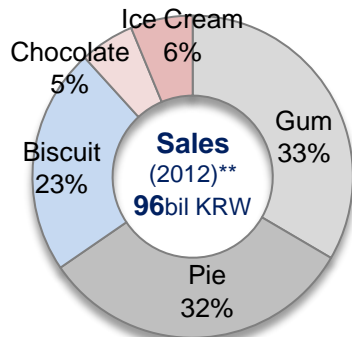
**3-Year CAGR 6.6%**



### 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

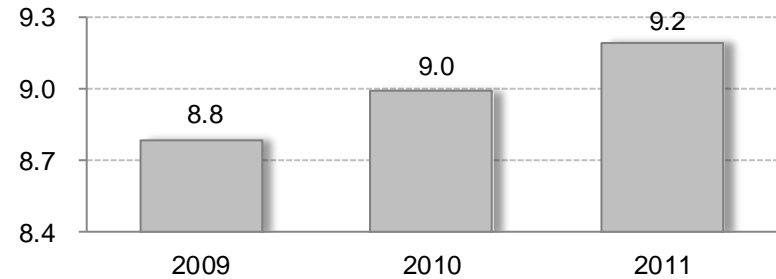
\*\*sales(China) : ① local sales(Confectionery + Ice Cream), ② export sales

## Guylian

### Market Trend\*

(Unit : trillion KRW)

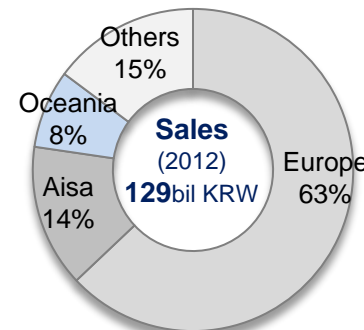
**3-Year CAGR 2.4%**



### 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

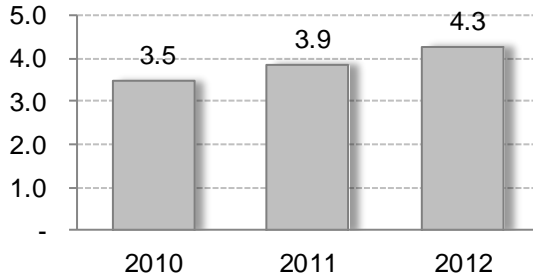


## India

### Market Trend\*

(Unit : trillion KRW)

3-Year CAGR 10.4%



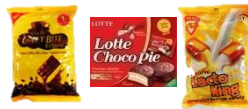
### Business Overview



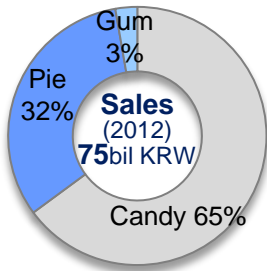
3 year CAGR 18.5%

Sales Mix : Candy > Pie > Gum

Core Products



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

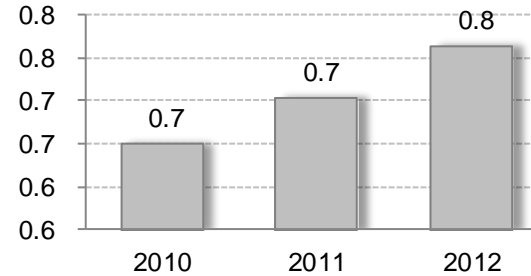


## Vietnam

### Market Trend\*

(Unit : trillion KRW)

3-Year CAGR 7.9%



### Business Overview



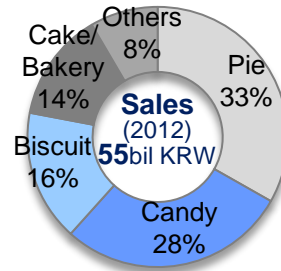
3 year CAGR 12.8%

Sales Mix : Candy > Cake > Biscuit > Pie

Core Products



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

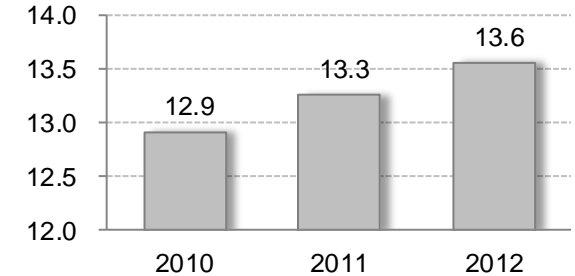


## Russia

### Market Trend\*

(Unit : trillion KRW)

3-Year CAGR 2.6%



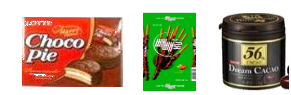
### Business Overview



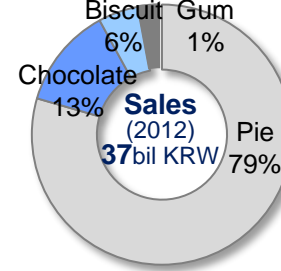
3 year CAGR 62.6%

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

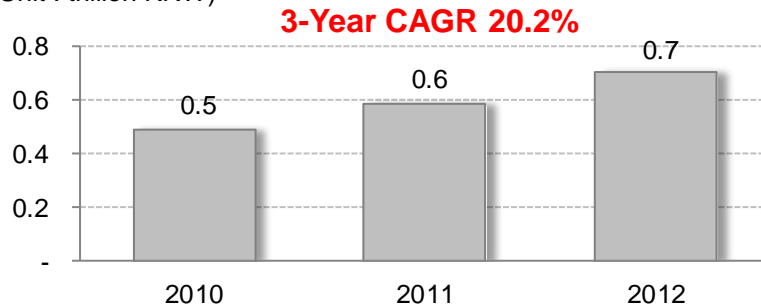
# Overseas Business Overview(Pakistan, Others)

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

## Pakistan

### Market Trend

(Unit : trillion KRW)

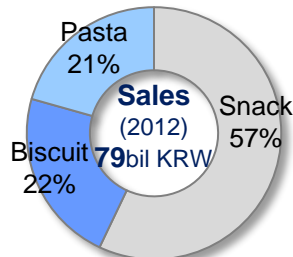


### Business Overview



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

※ Market trend, M/S : Euro Monitor

## South East Asia / Others

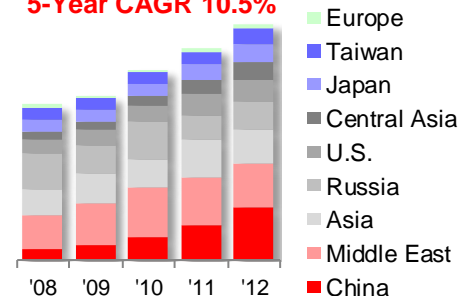
### South East Asia operations



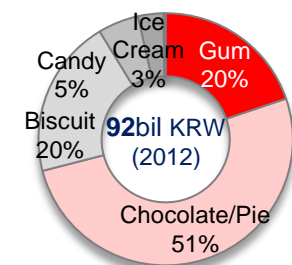
### Export Sales Mix

• 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

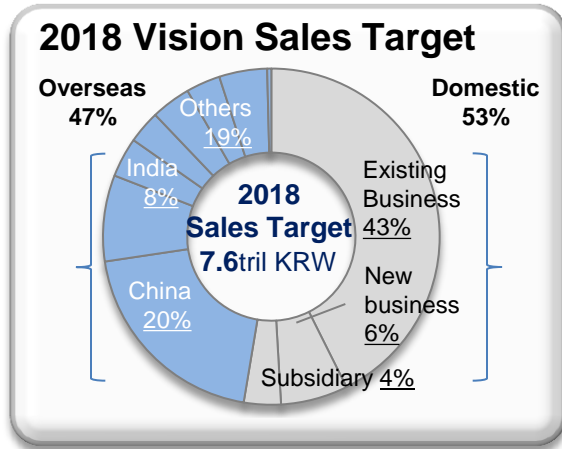
→ We will achieve our vision to become **ASIA No. 1 confectionery company** in 2018



## VISION 2018\* Project

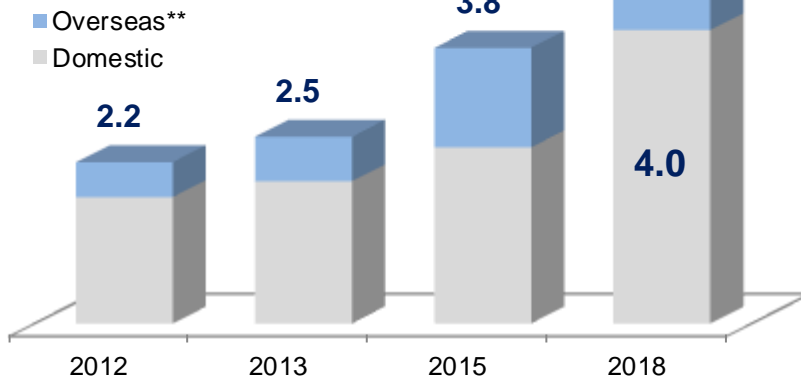


## Key Strategy



**6-Year CAGR 23.0%**

(Unit : trillion KRW)



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

\*\*Overseas sales : sum of the major 8 countries business sales

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

	2014	2018	4yr CAGR
<b>Domestic</b>	<b>2.1</b>	<b>4.0</b>	<b>18%</b>
Existing Business	1.9	3.2	15%
New Business	0.2	0.8	43%
<b>Overseas*</b>	<b>0.9</b>	<b>3.6</b>	<b>41%</b>
China	0.1	1.5	88%
India	0.1	0.6	54%
Vietnam	0.1	0.3	40%
Russia	0.1	0.2	48%
Pakistan	0.1	0.3	17%
Guylian	0.1	0.3	20%
Singapore	-	-	21%

### 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

\* Including Kazakhstan

# Appendix – Summary Financial Statements (Unconsolidated)



## Income Statement

(Unit : Billion KRW)	2011	2012	2012 3Q (accum.)	2013 3Q (accum.)
<b>Net Sales</b>	1,522	1,524	1,174	1,232
Growth rate ( % )	-	0.1%	-	4.9%
<b>COGS</b>	914	931	715	753
COGS (%)	60.0%	61.1%	60.9%	61.1%
<b>Gross Profit</b>	608	593	459	479
GP Margin (%)	40.0%	38.9%	39.1%	38.9%
<b>SG&amp;A</b>	438	462	345	387
SG&A (%)	28.8%	30.3%	29.3%	31.4%
<b>Operating Profit</b>	170	131	115	92
OP Margin (%)	11.2%	8.6%	9.8%	7.5%
<b>Recurring Profit</b>	181	134	135	101
RP Margin (%)	11.9%	8.8%	11.5%	8.2%
<b>Net Income</b>	127	103	107	80
Net Margin (%)	8.4%	6.8%	9.1%	6.5%
<b>EPS (Won)</b>	90,382	73,131	76,033	56,823

\* Unconsolidated base results under K-IFRS standard



## Balance Sheet

(Unit : Billion KRW)	FY 2012	2013 3Q
<b>Current Assets</b>	528	615
Cash/Cash equivalents	114	111
Receivables	187	244
Inventories	159	142
<b>Non-liquid Assets</b>	3,324	3,538
Investment & other assets	2,364	2,442
Tangible assets	960	1,096
<b>Total Assets</b>	3,853	4,153
Payables	155	226
Other Liabilities	913	1,016
<b>Total Liabilities</b>	1,068	1,242
Paid-in capital	7	7
Capital surplus	13	13
Retained earnings	1,637	1,701
Capital adjustment & Accumulated other comprehensive income	1,127	1,189
<b>Total Shareholder's Equity</b>	2,784	2,910
<b>D/E Ratio(%)</b>	38.4%	42.7%

# Appendix – Summary Financial Statements (Consolidated)



## Income Statement

(Unit : Billion KRW)	2011	2012	2012 3Q (accum.)	2013 3Q (accum.)
<b>Net Sales</b>	1,854	1,865	1,403	1,455
Growth rate ( % )	-	0.6%	-	3.8%
<b>COGS</b>	1,140	1,182	885	911
COGS (%)	61.5%	63.4%	63.1%	62.6%
<b>Gross Profit</b>	714	683	518	545
GP Margin (%)	38.5%	36.6%	36.9%	37.4%
<b>SG&amp;A</b>	541	568	406	468
SG&A (%)	29.2%	30.4%	28.9%	32.1%
<b>Operating Profit</b>	173	115	112	77
OP Margin (%)	9.3%	6.2%	8.0%	5.3%
<b>Recurring Profit</b>	158	126	138	86
RP Margin (%)	8.5%	6.8%	9.9%	5.9%
<b>Net Income</b>	100	90	104	60
Net Margin (%)	5.4%	4.8%	7.4%	4.1%
<b>EPS (Won)</b>	69,402	65,102	72,712	41,313



## Balance Sheet

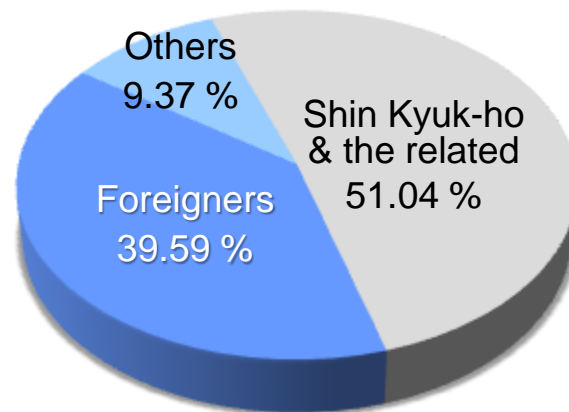
(Unit : Billion KRW)	FY 2012	2013 3Q
<b>Current Assets</b>	713	762
Cash/Cash equivalents	180	158
Receivables	253	275
Inventories	194	184
<b>Non-liquid Assets</b>	3,311	3,501
Investment & other assets	2,087	2,244
Tangible assets	1,224	1,257
<b>Total Assets</b>	4,024	4,263
Payables	215	268
Other Liabilities	1,008	1,087
<b>Total Liabilities</b>	1,223	1,355
Paid-in capital	7	7
Capital surplus	11	13
Retained earnings	1,620	1,673
Capital adjustment & Accumulated other comprehensive income	1,163	1,215
<b>Total Shareholder's Equity</b>	2,801	2,908
<b>D/E Ratio(%)</b>	43.6%	46.6%

\* 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	5.34

※ Lotte Confectionery Shareholder's List (End of September 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 September 2013)

	Company	Shares	%	Book Value	Category / Location of Business	Remark	
Affiliated (LOTTE)	Lotte Giants	6,000	30.0	7,015	Professional Baseball Team	※ Equity Method Affiliates	
	Lotte Shopping	2,474,543	7.9	941,564	Department Store		
	Lotte Chilsung Beverage(common)	218,949	17.7	371,556	Carbonated Drinks, Juice, Liquor		
	Lotte Chilsung Beverage(preferred)	9,660	8.1	3,743	Carbonated Drinks, Juice, Liquor		
	Lotte Food	127,677	9.3	85,927	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	66,704	Department Store		
	Lotte Data Communication Company	52,376	6.1	38,251	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	8,893	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		
	Lotte Corporation	12,984	0.0	319	Tourist hotel, leisure, marine aquarium		
Others	BS Financial Group	5,536,479	2.9	88,860			
	Shinhan Financial Group	458,111	0.1	19,997			
	Others			3,204	Cheil worldwide, Cosmo Investment Management, etc.		
<b>Sub Total</b>				<b>1,842,022</b>			
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 (10% held by LOTTE China investment)	※ Consolidated Subsidiaries (*Book value, unconsolidated)
		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	26.5	86,266	Netherlands (holding company of Russian subsidiaries)	
		LH Foods		51.0	48,769	a joint venture in China	
		BIBICA CORPORATION	5,953,000	38.6	14,539	Vietnam	
		Lotte Shanghai Foods		10.0	12,678	90% held by LH Foods, 10% by Lotte (China) Investment	
		Lotte Taiwan	20,300,000	50.0	7,937	Taiwan	※ Equity Method Affiliates
		Lotte Packaging (Beijing)		25.0	5,670	China	
		Lotte Vietnam		36.8	4,444	Vietnam	
		Lotte Malaysia Sdn. Bhd	8,000,000	40.0	370	Malaysia Sales corporation	
		Lotte Confectionery Pilipinas	1,000,000	40.0		Philippines Sales corporation	
		PT, Lotte Trade And Distribution		40.0		Indonesia	
		PT, Lotte Indonesia	8,910	1.5	934	Indonesia	
		Lotte Huabang(Beijing) Beverage		6.0	890	China	※ Available-for-Sale Securities
Lotte China management		10.0	891	China			
<b>Sub Total</b>				<b>467,774</b>			
<b>Total</b>				<b>2,309,796</b>			

# Appendix – Subsidiaries, Associates and Joint Ventures

## Summary of Relevant Information of Subsidiaries, Associates and Joint Ventures (1~3Q 2013)

(unit : million KRW)

Subsidiaries	Ownership	Location	Category	Sales Separate	Consolidated	Net Income	Share of profit of associates
Lotte Food Holding Co., Ltd.	100.0	China	Subsidiaries	-	-	103	
Lotte (China) Investment Co., Ltd.*	100.0	China	Subsidiaries	41,158		(22,510)	
Lotte China Foods Co., Ltd.*	53.6	China	Subsidiaries	32,230	38,774	(1,880)	
Lotte Qingdao Foods Co., Ltd.	100.0	China	Subsidiaries	12,659		(118)	
Lotte Ice (Shandong) Co., Ltd.	71.4	China	Subsidiaries	4,571		(1,306)	
Lotte Confectionery Holdings B.V.**	51.0	Netherlands	Subsidiaries	75,574	73,642	4,920	
Lotte India Co., Ltd.	98.4	India	Subsidiaries	49,226	46,511	892	
K.S. SULEMANJI ESMAILJI & SONS (Private) Ltd.	69.5	Pakistan	Subsidiaries	51,544		2,586	
Lotte Confectionery (S.E.A) Pte., Ltd.	100.0	Singapore	Subsidiaries	5,216	56,144	(595)	
Lotte Europe Holdings B.V.**	26.5	Netherlands	Associates	110,978		(26,572)	(8,103)
LH Foods Co., Ltd.(JV with Hershey)	51.0	China	Associates	75,893		235	108
Lotte Packaging(Beijing) Co., Ltd. <input checked="" type="checkbox"/>	25.0	China	Associates	14,300		(297)	(73)
BIBICA CORPORATION	38.6	Vietnam	Associates	34,712		1,469	1,399
Lotte Vietnam Co., Ltd. <input checked="" type="checkbox"/>	36.8	Vietnam	Associates	19,541		(985)	(361)
Lotte Taiwan Co., Ltd. <input checked="" type="checkbox"/>	50.0	Taiwan	Associates	20,355		1,595	391
PT, Lotte Trade And Distribution <input checked="" type="checkbox"/>	40.0	Indonesia	Associates	12,435		(2,025)	
Lotte Confectionery Pilipinas Co. <input checked="" type="checkbox"/>	40.0	Philippines	Associates	1,750		(1,794)	(431)
Lotte Malaysia Sdn. Bhd <input checked="" type="checkbox"/>	40.0	Malaysia	Associates	803		(902)	(367)
Lotte Giants <input checked="" type="checkbox"/>	30.0	Korea	Associates	32,000		6,561	1,968
<b>Total</b>				<b>594,945</b>		<b>(40,623)</b>	<b>(5,469)</b>
- Consolidated (before eliminating intercompany transactions)				272,178	215,071	(17,908)	(5,469)
- Unconsolidated				322,767		(22,715)	-

\*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 (3Q 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
	BIBICA CORPORATION	38.6	foreign & local shareholders 61.4
Vietnam	Lotte Vietnam Co., Ltd.	36.8	Lotte Japan 63.2
	BIBICA CORPORATION	38.6	foreign & local shareholders 61.4
Pakistan	K.S. SULEMANJI ESMAILJI & SONS (Private) Limited	69.5	existing shareholders 30.5
Russia	Lotte Europe Holdings B.V.	26.5	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	