

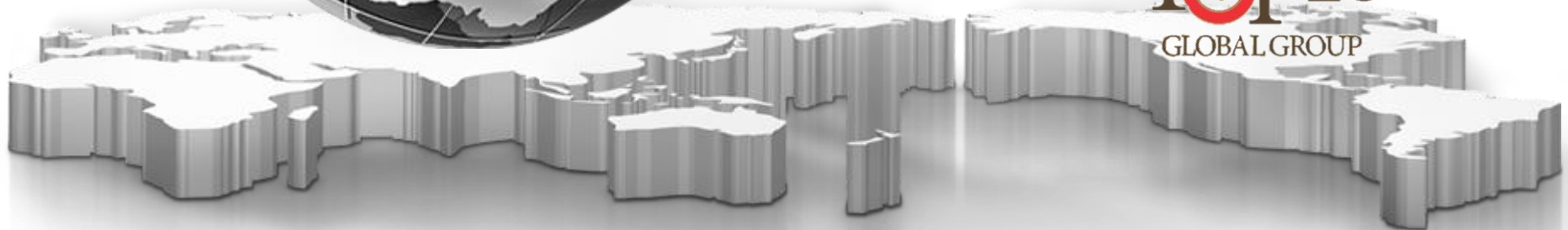
ASIA  
**No.1**  
CONFECTIONERY  
COMPANY



4<sup>th</sup> quarter of 2013

# ***INVESTOR RELATIONS***

ASIA  
**TOP10**  
GLOBAL GROUP



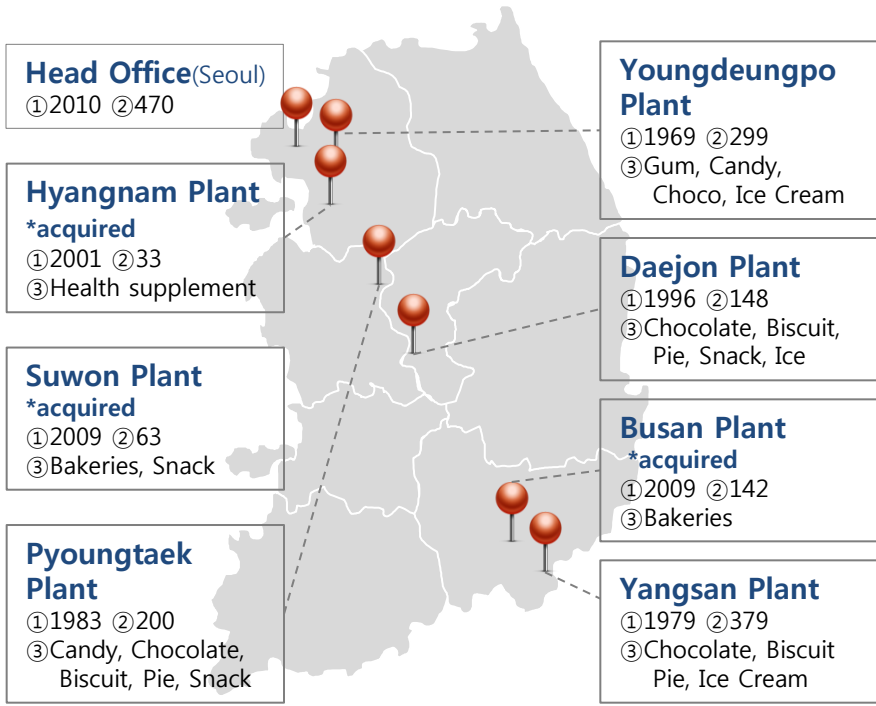
# Overview (Factories & Affiliates)

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

## Domestic

### Headquarters & Factories as of December 31, 2013

①Year of foundation / acquisition, ②# of employees, ③products



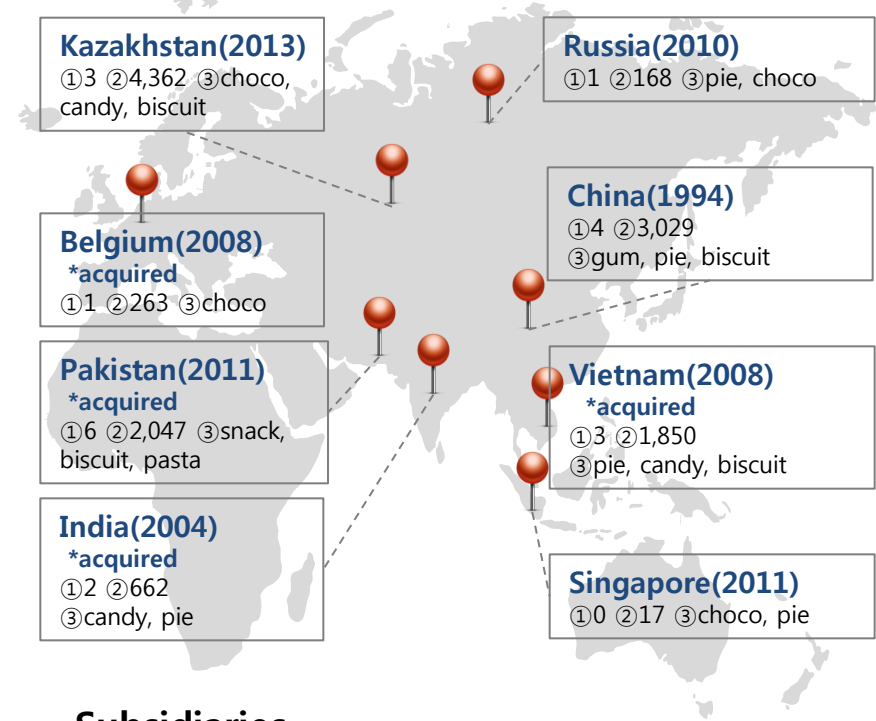
### Sales Branches & Offices

- 21 branches, 140 sales offices
- Confectionery
- Ice Cream

## Overseas

### Factories as of December 31, 2013

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



### Subsidiaries

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

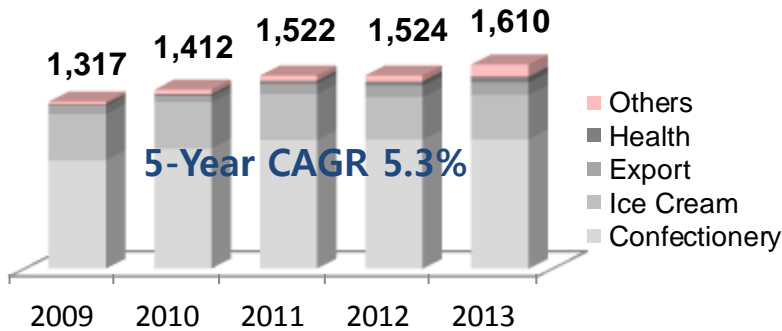
# Domestic Operating Results (Sales)

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

## Domestic Sales Trend (2013)

### 5-year Sales\* Trend (2009~2013)

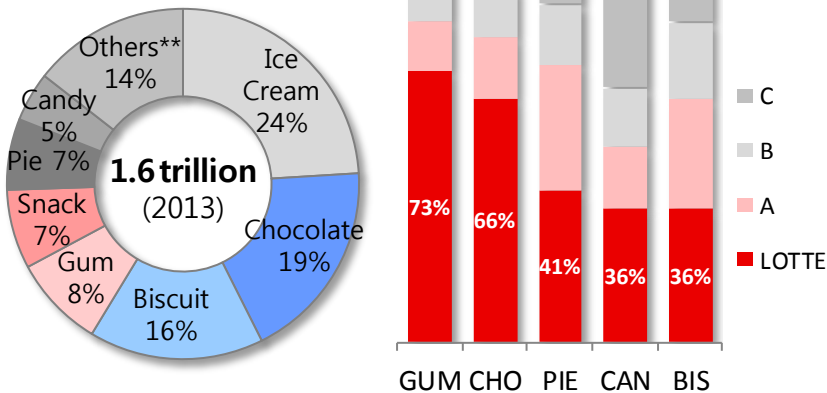
(Unit : billion KRW)



\* 2009 K-GAAP, 2010~ K-IFRS

### Sales & M/S by product categories

(Unit : trillion KRW)

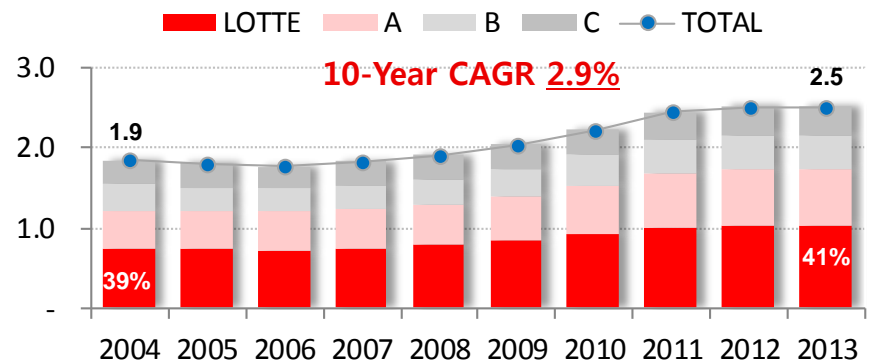


\*\* Others : exports, bakery, health supplement business, etc.

## Domestic Market & M/S Trend\* (2013)

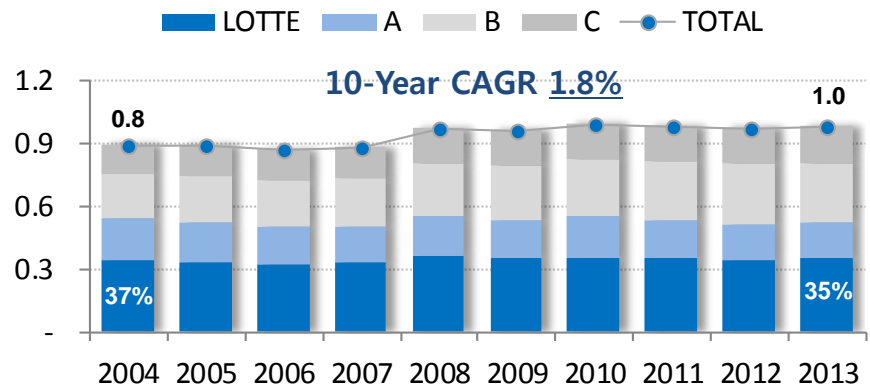
### Confectionery – Lotte as No. 1 player

(Unit : trillion KRW, %)



### Ice Cream – Lotte as No. 1 player

(Unit : trillion KRW, %)



\* Market size : the estimate of top 4 companies' sales

# Domestic Business Performance (Profitability)

For the year of 2013, sales increased by 5.6%, operating profit down by 16.3%



## Profits

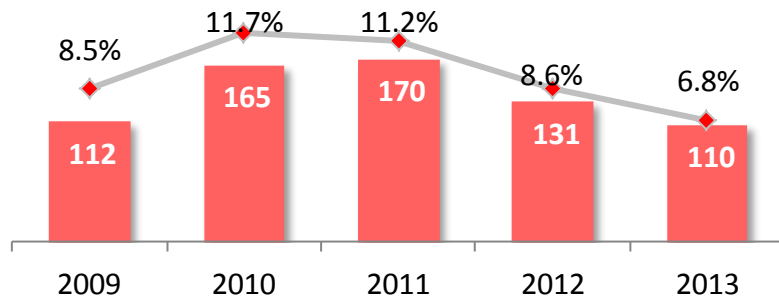
(Unit : billion KRW)	2010	2011	2012	2013
<b>Net Sales</b>	1,412	1,522	1,524	1,610
<b>Gross Profit</b>	581	608	593	622
Gross Margin	41.1%	40.0%	38.9%	38.6%
<b>Operating Profit</b>	165	170	131	110
Operating Margin	11.7%	11.2%	8.6%	6.8%
<b>Recurring Profit</b>	158	181	134	102
Recurring Margin	11.2%	11.9%	8.8%	6.4%
<b>Net Profit</b>	123	127	103	73
Net Margin	8.7%	8.4%	6.8%	4.5%

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

- Sales Change (YoY) : **5.6% ↑** (FY13)
- Operating Profit Change : **16.3% ↓** (FY13)
- Recurring Profit Change : **23.7% ↓** (FY13)
- Net Profit Change : **29.0% ↓** (FY13)

## 5-year Operating Income Trend

(Unit : billion KRW) **5-Year CAGR 4.1%**



## COGS / SG&A

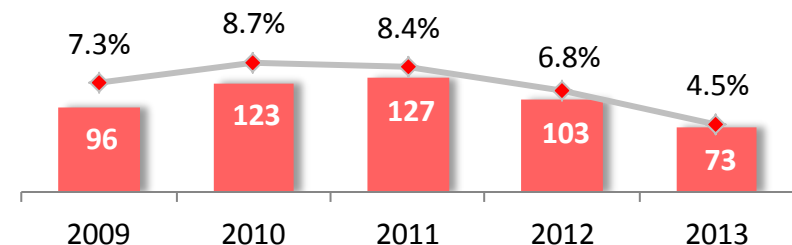
(Unit : billion KRW)	2010	2011	2012	2013
<b>Net Sales</b>	1,412	1,522	1,524	1,610
<b>Cost of Goods Sold</b>	831	914	931	988
as % of Net Sales	58.9%	60.0%	61.1%	61.4%
<b>SG&amp;A Expenses</b>	413	438	462	512
as % of Net Sales	29.3%	28.8%	30.3%	31.8%

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

- COGS Change (YoY) : **6.2% ↑** (FY13)
- SG&A Change : **10.9% ↑** (FY13)

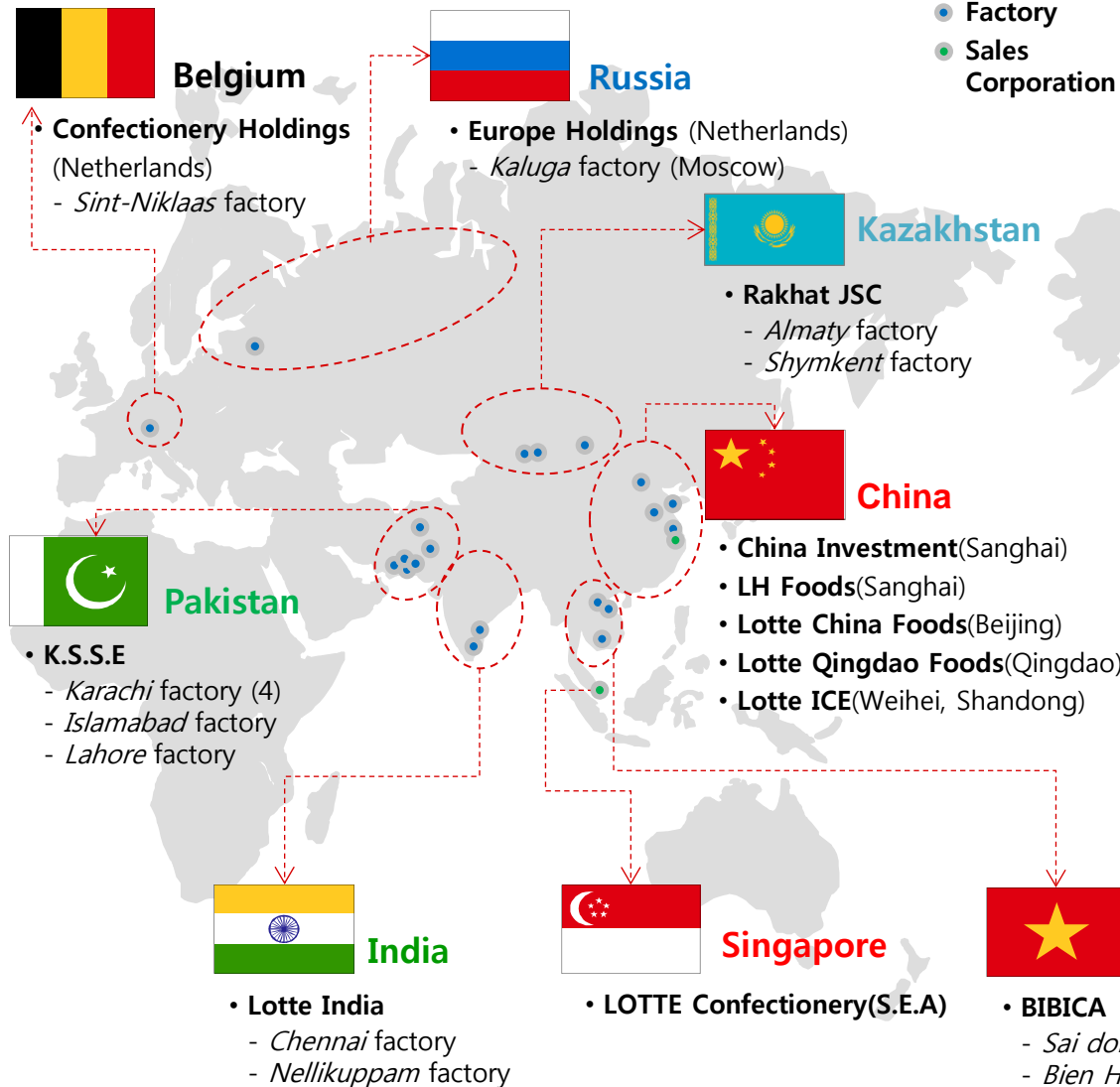
## 5-year Net Income Trend

(Unit : billion KRW) **5-Year CAGR ▲1.1%**



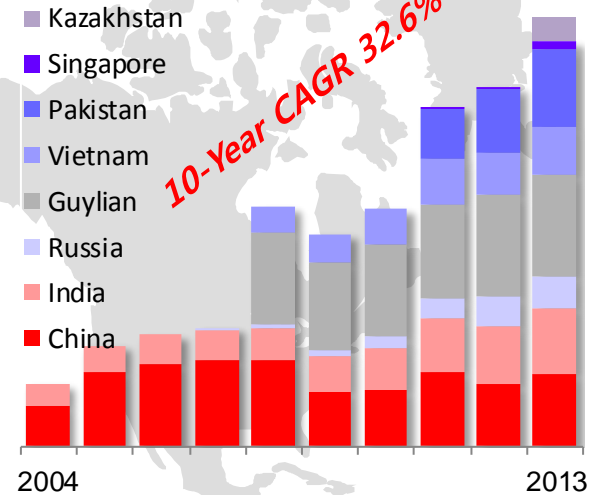
# Overseas Business Expansion (overview)

Expanded through M&A and green field investment in 8 countries → **CAGR 32.6%**



## 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  
 →①China 150KRW/CNY, ②Guylian 1,600KRW/EUR,  
 ③India 25KRW/INR, ④Vietnam 0.0586KRW/VND,  
 ⑤Russia 38KRW/RUB . ⑥Pakistan 15 KRW/PKR  
 ⑦Kazakhstan 7.5KRW/KZT

# Overseas Business Overview

## China

### Market Trend\*

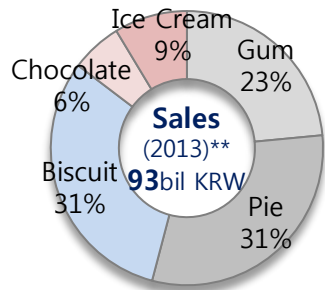
(Unit : trillion KRW)

**3-Year CAGR 12.2%**



### Business Overview

#### Sales Mix



#### Core Products



#### M/S Status\*

- Gum 5%, Pie 4%

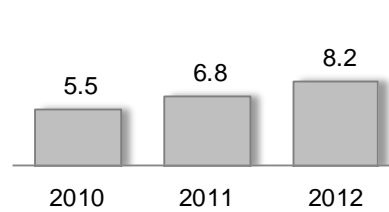
\*data : "Euro Monitor"(2012)

## India

### Market Trend\*

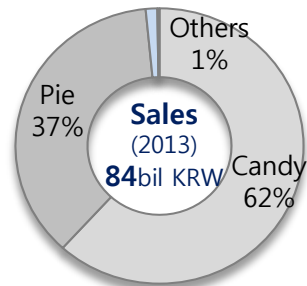
(Unit : trillion KRW)

**3-Year CAGR 22.0%**



### Business Overview

#### Sales Mix



#### Core Products



#### M/S Status\*

- Candy 6%

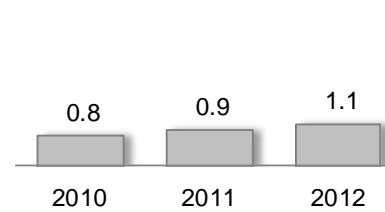
\*data : "Euro Monitor"(2012)

## Vietnam

### Market Trend\*

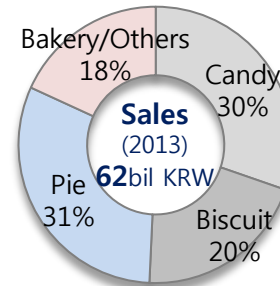
(Unit : trillion KRW)

**3-Year CAGR 17.1%**



### Business Overview

#### Sales Mix



#### Core Products



#### M/S Status\*

- Gum 30%, Candy 23%,  
Pie 21%, Chocolate 10%

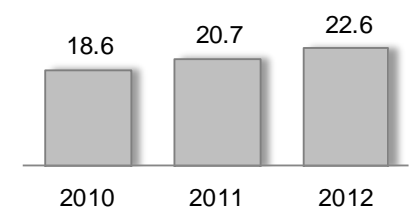
\*data : "Euro Monitor"(2012)  
M/S : including Lotte Vietnam

## Russia

### Market Trend\*

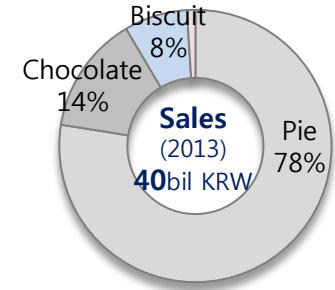
(Unit : trillion KRW)

**3-Year CAGR 10.3%**



### Business Overview

#### Sales Mix



#### Core Products



#### M/S Status\*

- Choco Pie 42%

\*data : "Nielsen Data"(2013)

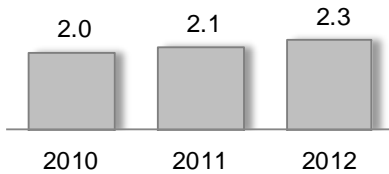
# Overseas Business Overview

## Kazakhstan

### Market Trend\*

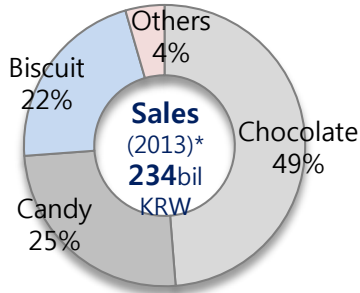
(Unit : trillion KRW)

**3-Year CAGR 7.7%**



### Business Overview

#### Sales Mix



#### Core Products



#### M/S Status\*\*

- Biscuit 7%, Chocolate 4%\*\*\*

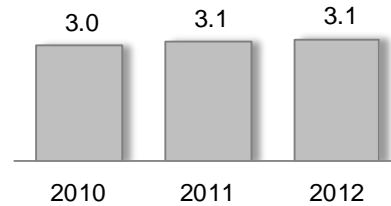
\*annual, \*\*data : "Euro Monitor"(2012)  
(market includes imported brands)

## Belgium

### Market Trend\*

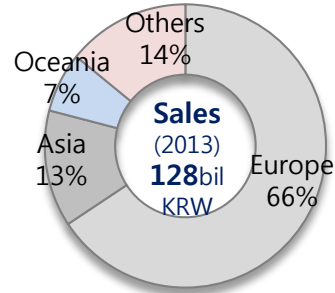
(Unit : trillion KRW)

**3-Year CAGR 7.7%**



### Business Overview

#### Sales Mix



#### Core Products



## Pakistan

### Market Trend\*

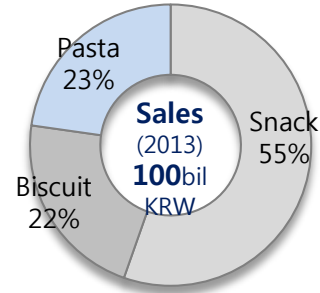
(Unit : trillion KRW)

**3-Year CAGR 19.7%**



### Business Overview

#### Sales Mix



#### Core Products



#### M/S Status\*\*

- Snack 25%

\*data : "Euro Monitor"(2012)

## Singapore

### Market Trend\*

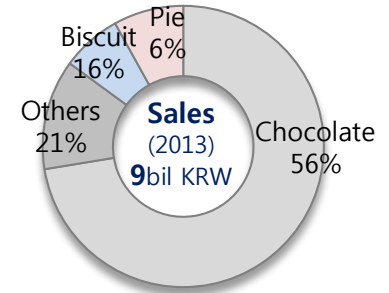
(Unit : trillion KRW)

**3-Year CAGR 4.3%**



### Business Overview

#### Sales Mix



#### Core Products



# Appendix – Summary Financial Statements (Unconsolidated)



## Income Statement

(Unit : Billion KRW)	2011	2012	2013
<b>Net Sales</b>	1,522	1,524	1,610
Growth rate ( % )	-	0.1%	5.6%
<b>COGS</b>	914	931	988
COGS (%)	60.0%	61.1%	61.4%
<b>Gross Profit</b>	608	593	622
GP Margin (%)	40.0%	38.9%	38.6%
<b>SG&amp;A</b>	438	462	512
SG&A (%)	28.8%	30.3%	31.8%
<b>Operating Profit</b>	170	131	110
OP Margin (%)	11.2%	8.6%	6.8%
<b>Recurring Profit</b>	181	134	102
RP Margin (%)	11.9%	8.8%	6.4%
<b>Net Income</b>	127	103	73
Net Margin (%)	8.4%	6.8%	4.5%
<b>EPS (Won)</b>	90,382	73,131	51,973



## Balance Sheet

(Unit : Billion KRW)	2012	2013
<b>Current Assets</b>	528	555
Cash/Cash equivalents	114	109
Receivables	187	215
Inventories	159	145
<b>Non-liquid Assets</b>	3,324	3,710
Investment & other assets	2,364	2,597
Tangible assets	960	1,113
<b>Total Assets</b>	3,853	4,265
Payables	155	199
Other Liabilities	913	1130
<b>Total Liabilities</b>	1,068	1,329
Paid-in capital	7	7
Capital surplus	13	13
Retained earnings	1,637	1,698
Capital adjustment & Accumulated other comprehensive income	1,127	1,218
<b>Total Shareholder's Equity</b>	2,784	2,936
<b>D/E Ratio(%)</b>	38.4%	45.3%

\* Unconsolidated base results under K-IFRS standard

# Appendix – Summary Financial Statements (Consolidated)



## Income Statement

(Unit : Billion KRW)	2011	2012	2013
<b>Net Sales</b>	1,854	1,865	1,976
Growth rate ( % )	-	0.6%	6.0%
<b>COGS</b>	1,140	1,182	1,254
COGS (%)	61.5%	63.4%	63.5%
<b>Gross Profit</b>	714	683	722
GP Margin (%)	38.5%	36.6%	36.5%
<b>SG&amp;A</b>	541	568	631
SG&A (%)	29.2%	30.4%	31.9%
<b>Operating Profit</b>	173	115	92
OP Margin (%)	9.3%	6.2%	4.6%
<b>Recurring Profit</b>	158	126	92
RP Margin (%)	8.5%	6.8%	4.7%
<b>Net Income</b>	100	90	55
Net Margin (%)	5.4%	4.8%	2.8%
<b>EPS (Won)</b>	69,402	65,102	36,044



## Balance Sheet

(Unit : Billion KRW)	2012	2013
<b>Current Assets</b>	713	785
Cash/Cash equivalents	180	184
Receivables	253	266
Inventories	194	230
<b>Non-liquid Assets</b>	3,311	3,647
Investment & other assets	2,087	2,295
Tangible assets	1,224	1,352
<b>Total Assets</b>	4,024	4,432
Payables	215	248
Other Liabilities	1,008	1,218
<b>Total Liabilities</b>	1,223	1,466
Paid-in capital	7	7
Capital surplus	11	13
Retained earnings	1,620	1,668
Capital adjustment & Accumulated other comprehensive income	1,163	1,279
<b>Total Shareholder's Equity</b>	2,801	2,967
<b>D/E Ratio(%)</b>	43.6%	49.4%

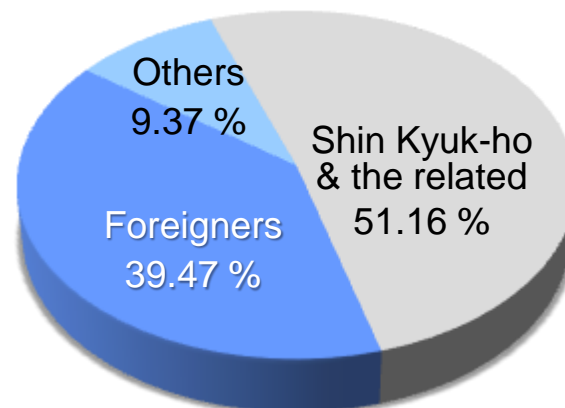
\* Consolidated base results under K-IFRS standard



## Principal Shareholder Status

Shareholder	Ownership (%)
Lotte Aluminium	15.29
Lotte Scholarship Foundation	8.69
Shin, Kyuk Ho	6.83
Shin, Dong Bin	5.34

※ Lotte Confectionery Shareholder's List (as of the December 31, 2013)



## Dividend / Payout Ratio

	2009	2010	2011	2012	2013
Share Price (₩million)	1,289,000	1,508,000	1,707,000	1,630,000	1,912,000
Cash Dividend (₩million)	4,926	5,630	5,630	5,630	5,630
Dividend Rate (Dividend/face value)	70.0%	80.0%	80.0%	80.0%	80.0%
Dividend Per Share	3,500	4,000	4,000	4,000	4,000
Dividend Yield (DPS/Share Price)	0.3%	0.3%	0.2%	0.3%	0.2%
Payout Ratio (Dividend/Net Profit)	5.2%	4.6%	4.4%	5.5%	7.7%

# Appendix – Shares in Related Companies

※ non-consolidated F/S base

(KRW mil., as of December 31, 2013)

		Company	Shares	%	Book Value	Category / Location of Business	Remark	
Domestic	Affiliated (LOTTE)	Lotte Giants	6,000	30.0	30	Professional Baseball Team	※Equity Method Affiliates	
		Lotte Shopping	2,474,543	7.9	999,715	Department Store		
		Lotte Chilsung Beverage(common)	218,949	17.7	333,897	Carbonated Drinks, Juice, Liquor		
		Lotte Chilsung Beverage(preferred)	9,660	8.1	4,434	Carbonated Drinks, Juice, Liquor		
		Lotte Food	127,677	9.3	95,247	Cooking Oils, Ice Cream		
		Korea Seven	5,977,672	16.5	104,406	Convenience Store		
		Lotteria	65,374	13.6	80,410	Fast-food Restaurant Franchise		
		Lotte Station Building	319,200	8.9	68,829	Department Store		
		Lotte Data Communication Company	523,760	6.1	37,209	Computer Software & Parts/Peripherals Business		※Available-for-Sale Securities (Equity Securities)
		Lotte Asset Development	2,177,458	7.2	10,887	Real estate development & financial consulting		
		Lotte Logistics	66,308	4.6	9,269	Distribution/Logistics Management & Consulting		
		Korea Fujifilm	1,250	0.9	6,777	Manufacturing & sales of digital cameras, printers		
		Lotte.com	523,548	11.3	5,789	Online commerce		
		Lotte Trading	12,187	1.4	4,739	International Trading Business		
	Others	Lotte Corporation	12,984	0.02	331	Tourist hotel, leisure, marine aquarium		
		BS Financial Group	5,536,479	2.9	88,584			
Shinhan Financial Group		458,111	0.1	21,669				
	Others			3,379	Cheil worldwide, Cosmo Investment Management, etc.			
		<b>Sub Total</b>			<b>1,875,601</b>			
Overseas	Affiliated (LOTTE)	Lotte India	9,404,693	98.4	88,000	India	※Consolidated Subsidiaries - Lotte China Investment 100% (held by Lotte Food Holding)	
		Lotte Qingdao Foods		100.0	22,714	China (10% held by LOTTE China investment)		
		Lotte Confectionery Holdings	56,100,000	51.0	74,418	Netherlands (including 7 subsidiaries consolidated)		
		Lotte Food Holding	115,000,000	100.0	91,596	China		
		Lotte Ice (Shandong)		71.4	8,759	China		
		K.S. SULEMANJI ESMALJI & SONS Limited	54,117,647	69.5	18,304	Pakistan (including 1 subsidiary consolidated)		
		Lotte Confectionery (S.E.A)		100.0	6,875	Singapore		
		Lotte China Foods		53.6	42,217	China		
		Rakhat JSC	2,744,867	76.3	127,131	Kazakhstan		
		Lotte Packaging (Beijing)		25.0	6,478	China		※Equity Method Affiliates - Lotte Shanghai Foods 10% (held by China Investment)
		Lotte Europe Holdings	182,186	26.1	112,538	Netherlands (holding company of Russian subsidiaries)		
		BIBICA CORPORATION	6,718,000	43.6	17,874	Vietnam		
		Lotte Vietnam		36.8	5,475	Vietnam		
		PT, Lotte Trade And Distribution	3,360	40.0	2,739	Indonesia		
		Lotte Taiwan	20,300,000	50.0	6,672	Taiwan		
		Lotte Confectionery Pilipinas	1,000,000	40.0	2,643	Philippines Sales corporation		
		Lotte Malaysia Sdn. Bhd		10.0	2,836	Malaysia		
		LH Foods		51.0	49,250	a joint venture in China	※Joint arrangements	
PT, Lotte Indonesia	8,910	1.5	738	Indonesia	※Available-for-Sale Securities			
Lotte China management	-	10.0	891	China				
		<b>Sub Total</b>			<b>688,148</b>			
		<b>Total</b>			<b>2,563,749</b>			

# Appendix – Subsidiaries, Associates and Joint Ventures

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

Subsidiaries	Ownership	Location	Category	Sales	Net Income	Share of or (loss) of associates
Lotte Food Holding Co., Ltd.	100.0			-	1,035	
Lotte Qingdao Foods Co., Ltd.	100.0			17,349	(276)	
Lotte Ice (Shandong) Co., Ltd.	71.4	China		4,691	(2,742)	
Lotte (China) Investment Co., Ltd.	100.0			52,631	(32,864)	
Lotte China Foods Co., Ltd.	53.6		Subsidiaries	50,276	(275)	
Lotte India Co., Ltd.	98.4	India		63,332	798	
K.S. SULEMANJI ESMAILJI & SONS (Private) Limited	69.5	Pakistan		70,116	2,540	
Lotte Confectionery Holdings B.V.*	51.0	Netherlands		124,946	7,112	
Lotte Confectionery (S.E.A) Pte., Ltd.	100.0	Singapore		4,267	(900)	
Rakhat JSC**	76.3	Kazakhstan		30,194	3,331	
LH Foods Co., Ltd.***	51.0	China	Joint Ventures	124,041	3,931	
Lotte Shanghai Foods., Ltd.****	10.0	China		124,041	3,936	234
Lotte Packaging(Beijing) Co., Ltd. <input checked="" type="checkbox"/>	25.0			18,723	(733)	(155)
BIBICA CORPORATION	43.6	Vietnam		54,850	3,524	1,935
Lotte Vietnam Co., Ltd. <input checked="" type="checkbox"/>	36.8			27,501	(2,113)	(806)
Lotte Taiwan Co., Ltd. <input checked="" type="checkbox"/>	50.0	Taiwan	Associates	28,175	1,601	756
Lotte Confectionery Pilipinas Co. <input checked="" type="checkbox"/>	40.0	Philippines		2,583	(2,088)	(398)
Lotte Malaysia Sdn. Bhd***** <input checked="" type="checkbox"/>	-	Malaysia				(367)
PT, Lotte Trade And Distribution <input checked="" type="checkbox"/>	40.0	Indonesia		15,913	(2,671)	
Lotte Europe Holdings B.V.*****	26.1	Netherlands		152,458	5,534	(13,511)
Lotte Giants <input checked="" type="checkbox"/>	30.0	Korea		34,530	(2,355)	(471)
<b>Total</b>				<b>1,000,617</b>	<b>(13,675)</b>	<b>(12,783)</b>
- Consolidated (before eliminating intercompany transactions)				417,802	(22,241)	(12,783)
- Unconsolidated				458,774	4,635	0

\*refers to holding company of Guylian in Belgium

\*\*newly included in the scope of consolidation due to the parent company's acquisition of 76.25% shares on November 27, 2013

\*\*\*The financial information of LH Foods Co., Ltd. has been prepared on the consolidated basis.

\*\*\*\*The 90% and 10% interests are held by LH Foods, a joint venture, and Lotte (China) Investment, a subsidiary, respectively.

\*\*\*\*\*Lotte Malaysia is excluded from the associates category due to sale of shares on December 30, 2013.

\*\*\*\*\*refers to holding company of business in Russia,  subsidiaries not under Lotte Confectionery's management

## Major Overseas % of Ownership Status (FY 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	43.6	foreign & local shareholders 56.4
	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.	26.1	Lotte Shopping 31.3, Lotte Hotel 22.2, 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	