

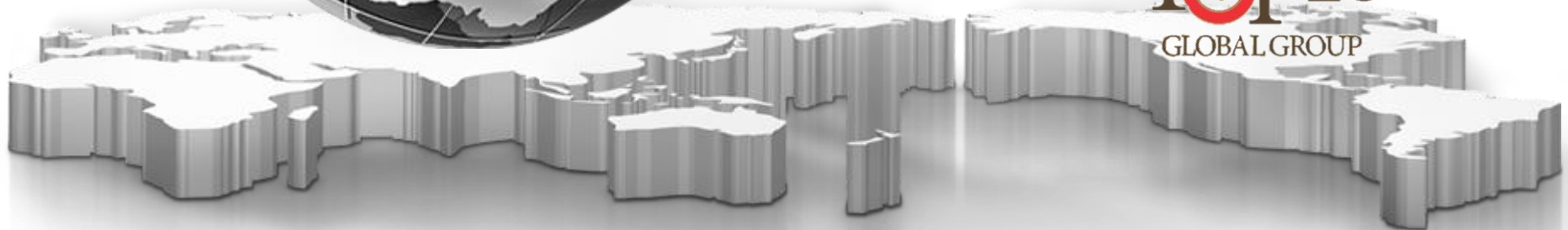
ASIA  
**No.1**  
CONFECTIONERY  
COMPANY



1<sup>st</sup> half of 2014

***INVESTOR  
RELATIONS***

ASIA  
**TOP10**  
GLOBAL GROUP



# Overview (Factories & Affiliates)

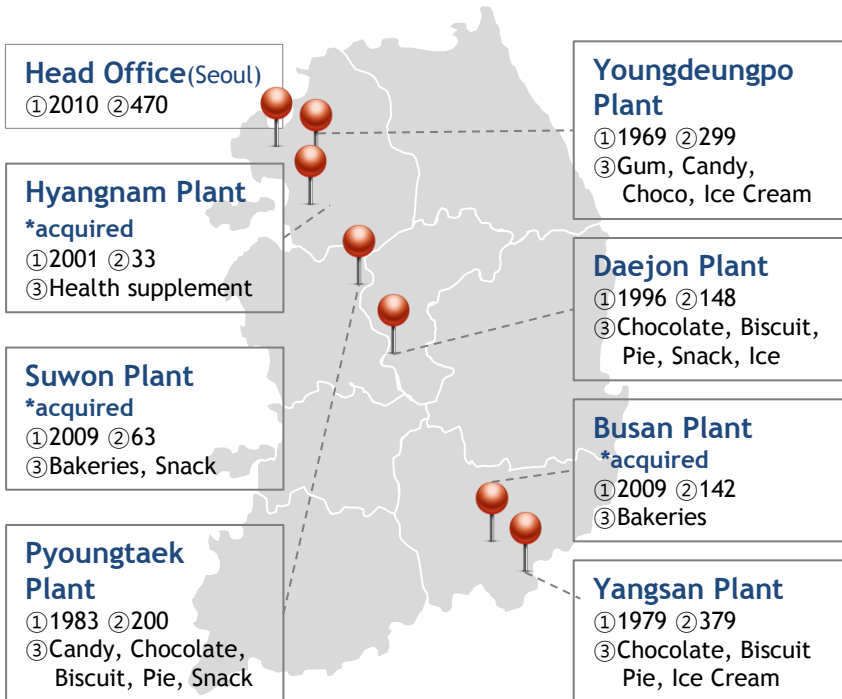
Running businesses over 9 geographies\* worldwide \*including Korea



## Domestic

### Headquarters & Factories as of June 30, 2014

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



### Sales Branches & Offices

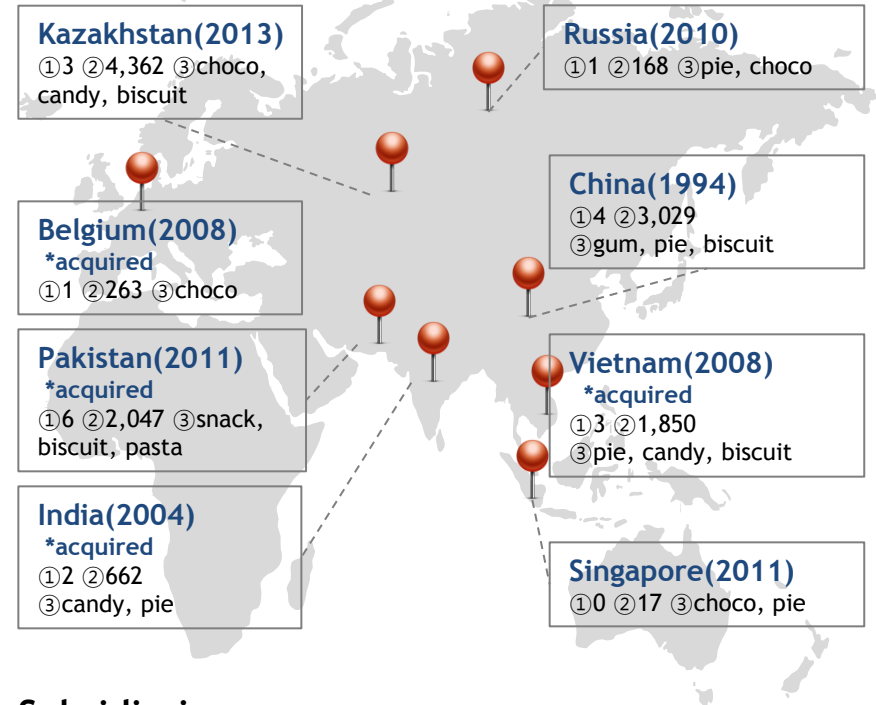
- 25 branches, 150 sales offices
- Confectionery
- Ice Cream
- Bakery



## Overseas

### Factories as of June 30, 2014

(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)

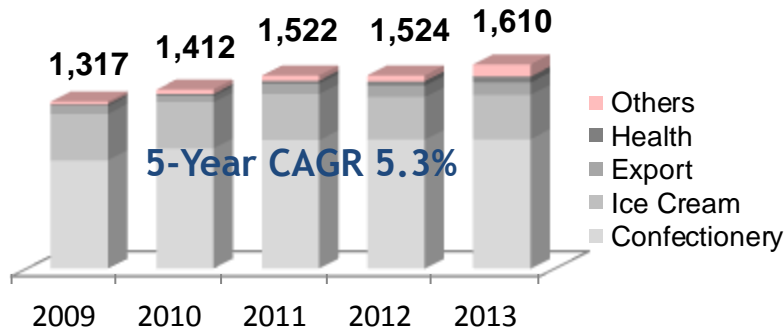
Earning a reputation for maintaining the No.1 confectionery company in Korea



## Domestic Sales Trend (2013)

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

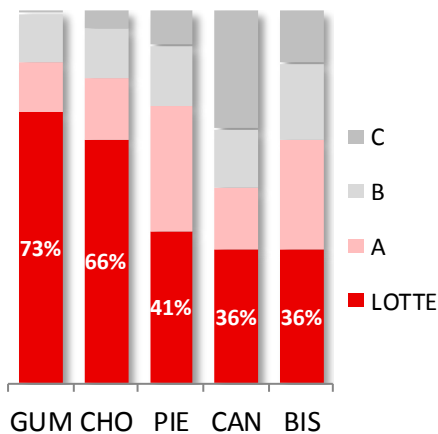
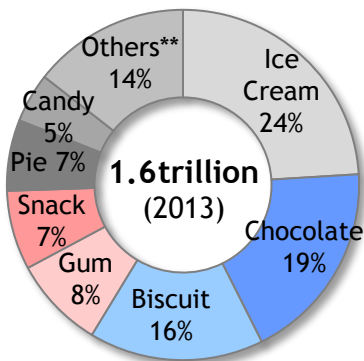
(Unit : billion KRW)



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

### Sales & M/S by product categories

(Unit : trillion KRW)



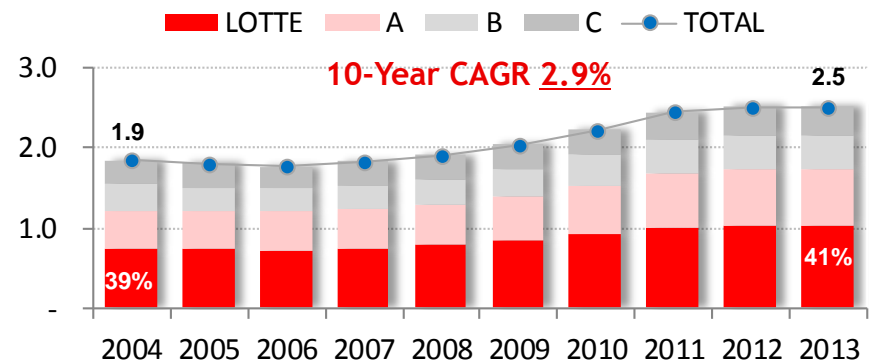
\*\* Others : exports, bakery, health supplement business, etc.



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

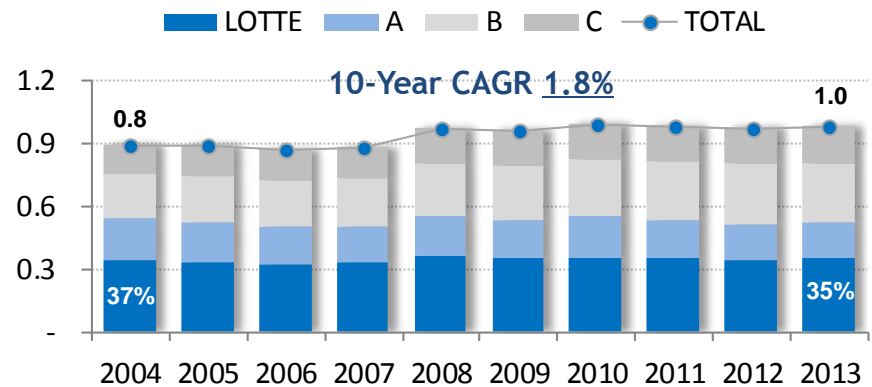
### Confectionery - Lotte as No. 1 player

(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 1H of 2014, sales increased by 3.9%, operating profit up by 2.3%

## Profits

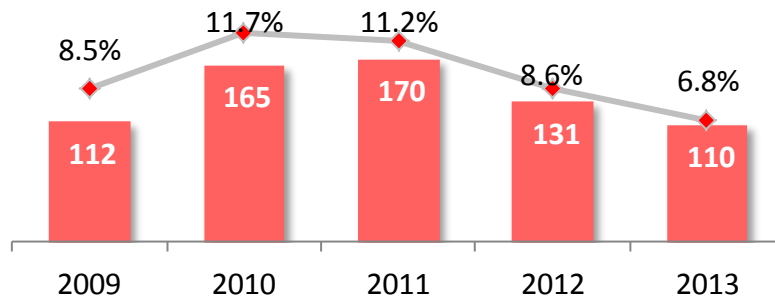
(Unit : billion KRW)	2012	2013	1H	
			2013	2014
<b>Net Sales</b>	1,524	1,610	788	819
<b>Gross Profit</b>	593	622	306	313
Gross Margin	38.9%	38.6%	38.8%	38.1%
<b>Operating Profit</b>	131	110	54	55
Operating Margin	8.6%	6.8%	6.9%	6.8%
<b>Recurring Profit</b>	134	102	63	63
Recurring Margin	8.8%	6.4%	8.0%	7.7%
<b>Net Profit</b>	103	73	51	51
Net Margin	6.8%	4.5%	6.4%	6.2%

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

- Sales Change (YoY) : 5.6%↑ (FY13), 3.9%↑ (1H14)
- Operating Profit Change : -16.3% (FY13), 2.3%↑ (1H14)
- Recurring Profit Change : -23.4% (FY13), 0.7%↑ (1H14)
- Net Profit Change : -28.9% (FY13), 0.6%↑ (1H14)

## 5-year Operating Income Trend

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



## COGS / SG&A

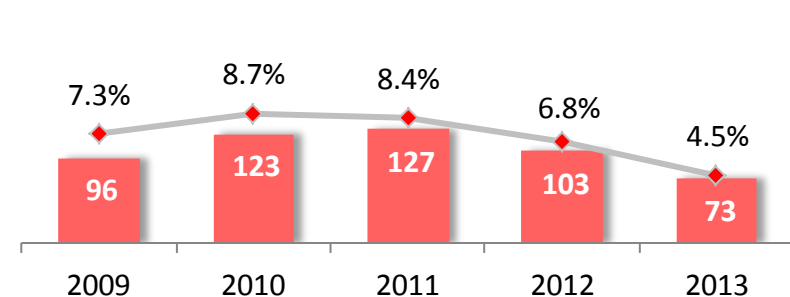
(Unit : billion KRW)	2012	2013	1H	
			2013	2014
<b>Net Sales</b>	1,524	1,610	788	819
<b>Cost of Goods Sold</b>	931	988	482	507
as % of Net Sales	61.1%	61.4%	61.2%	61.9%
<b>SG&amp;A Expenses</b>	462	512	252	257
as % of Net Sales	30.3%	31.8%	31.9%	31.3%

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

- COGS Change (YoY) : 6.2%↑ (FY13), 5.1%↑ (1H14)
- SG&A Change : 10.8%↑ (FY13), 2.1%↑ (1H14)

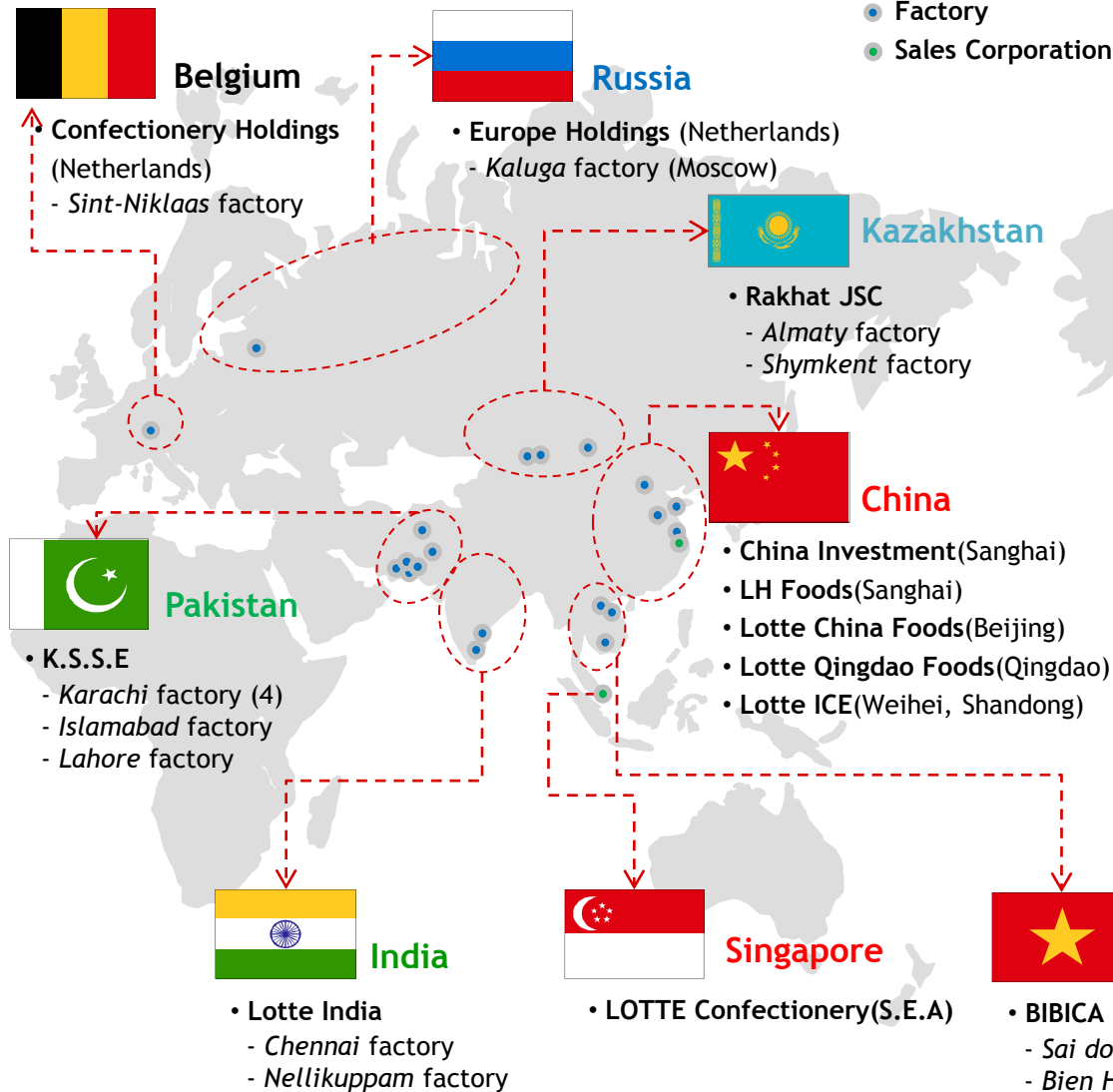
## 5-year Net Income Trend

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



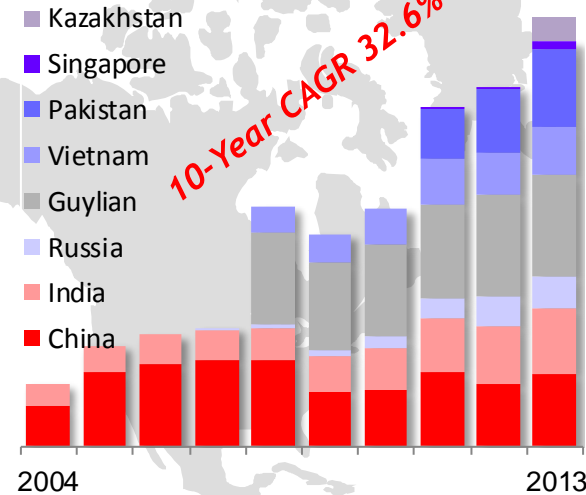
# Overseas Business Expansion (overview)

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

- 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
- ⑦ Kazakhstan 7.5KRW/KZT

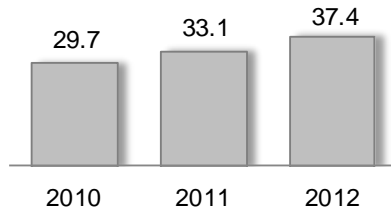
# Overseas Business Overview

## China

### Market Trend\*

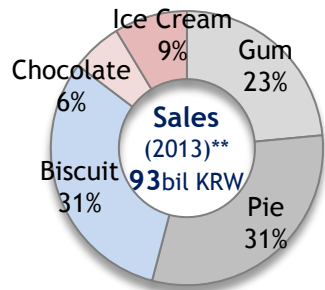
(Unit : trillion KRW)

**3-Year CAGR 12.2%**



### Business Overview

#### Sales Mix



#### Core Products



#### M/S Status\*

- Gum 5%, Pie 4%

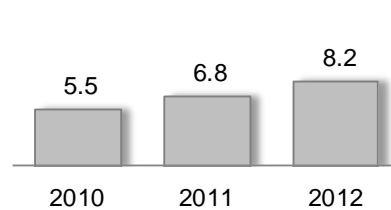
\*data : "Euro Monitor"(2012)

## India

### Market Trend\*

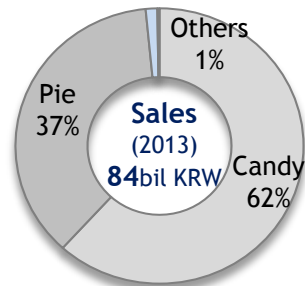
(Unit : trillion KRW)

**3-Year CAGR 22.0%**



### Business Overview

#### Sales Mix



#### Core Products



#### M/S Status\*

- Candy 6%

\*data : "Euro Monitor"(2012)

## Vietnam

### Market Trend\*

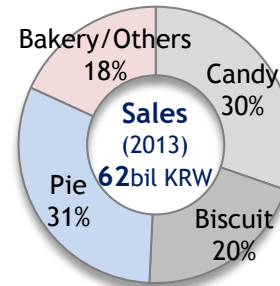
(Unit : trillion KRW)

**3-Year CAGR 17.1%**



### Business Overview

#### Sales Mix



#### Core Products



#### M/S Status\*

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

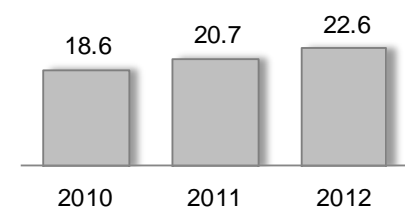
\*data : "Euro Monitor"(2012)  
M/S : including Lotte Vietnam

## Russia

### Market Trend\*

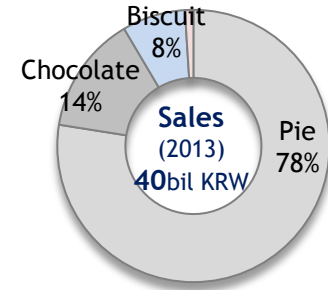
(Unit : trillion KRW)

**3-Year CAGR 10.3%**



### Business Overview

#### Sales Mix



#### Core Products



#### M/S Status\*

- Choco Pie 42%

\*data : "Nielsen Data"(2013)

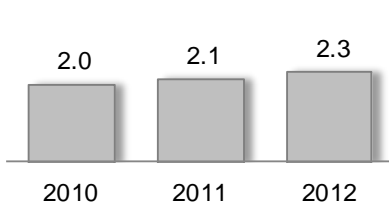
# Overseas Business Overview

## Kazakhstan

### Market Trend\*

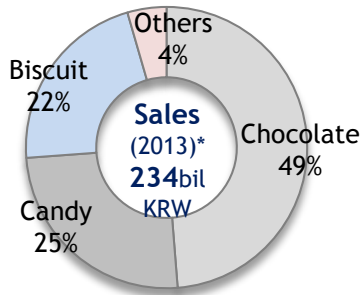
(Unit : trillion KRW)

**3-Year CAGR 7.7%**



### Business Overview

#### Sales Mix



#### Core Products



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

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

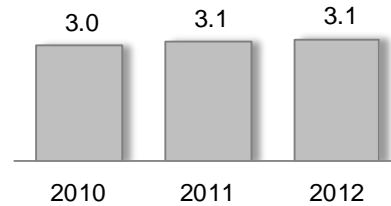
\*annual, \*\*data : "Euro Monitor"(2012)  
(market includes imported brands)

## Belgium

### Market Trend\*

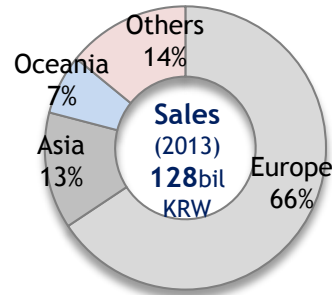
(Unit : trillion KRW)

**3-Year CAGR 7.7%**



### Business Overview

#### Sales Mix



#### Core Products

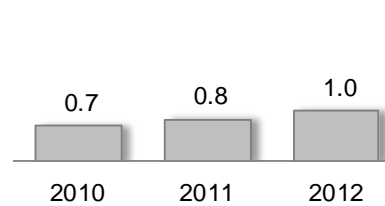


## Pakistan

### Market Trend\*

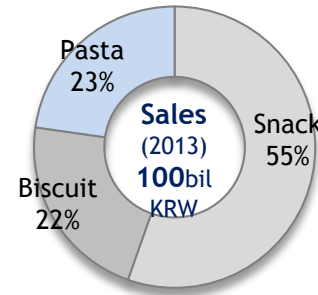
(Unit : trillion KRW)

**3-Year CAGR 19.7%**



### Business Overview

#### Sales Mix



#### Core Products



#### M/S Status\*

- Snack 25%

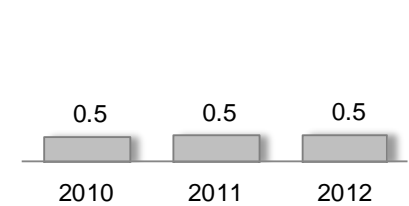
\*data : "Euro Monitor"(2012)

## Singapore

### Market Trend\*

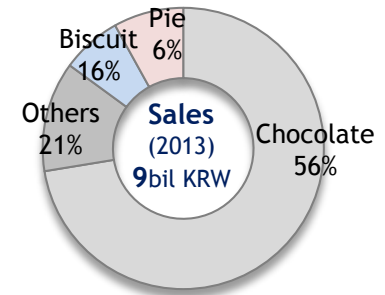
(Unit : trillion KRW)

**3-Year CAGR 4.3%**



### Business Overview

#### Sales Mix



#### Core Products



# Appendix - Summary Financial Statements (Unconsolidated)



## Income Statement

(Unit : Billion KRW)	2012	2013	1H	
			2013	2014
<b>Net Sales</b>	<b>1,524</b>	<b>1,610</b>	<b>788</b>	<b>819</b>
Growth rate ( % )		5.6%		3.9%
<b>COGS</b>	<b>931</b>	<b>988</b>	<b>482</b>	<b>507</b>
COGS (%)	61.1%	61.4%	61.2%	61.9%
<b>Gross Profit</b>	<b>593</b>	<b>622</b>	<b>306</b>	<b>313</b>
GP Margin (%)	38.9%	38.6%	38.8%	38.1%
<b>SG&amp;A</b>	<b>462</b>	<b>512</b>	<b>252</b>	<b>257</b>
SG&A (%)	30.3%	31.8%	31.9%	31.4%
<b>Operating Profit</b>	<b>131</b>	<b>110</b>	<b>54</b>	<b>55</b>
OP Margin (%)	8.6%	6.8%	6.9%	6.8%
<b>Recurring Profit</b>	<b>134</b>	<b>102</b>	<b>63</b>	<b>63</b>
RP Margin (%)	8.8%	6.4%	8.0%	7.7%
<b>Net Income</b>	<b>103</b>	<b>73</b>	<b>51</b>	<b>51</b>
Net Margin (%)	6.8%	4.5%	6.4%	6.2%
<b>EPS (Won)</b>	<b>73,131</b>	<b>51,973</b>	<b>36,058</b>	<b>36,269</b>



## Balance Sheet

(Unit : Billion KRW)	1H	
	2013	2014
<b>Current Assets</b>	<b>555</b>	<b>591</b>
Cash/Cash equivalents	109	110
Receivables	215	242
Inventories	145	155
<b>Non-liquid Assets</b>	<b>3,710</b>	<b>3,561</b>
Investment & other assets	2,597	2,435
Tangible assets	1,113	1,126
<b>Total Assets</b>	<b>4,265</b>	<b>4,152</b>
Payables	199	228
Other Liabilities	1,130	1,093
<b>Total Liabilities</b>	<b>1,329</b>	<b>1,321</b>
Paid-in capital	7	7
Capital surplus	13	13
Retained earnings	1,698	1,737
Capital adjustment & Accumulated other comprehensive income	1,218	1,074
<b>Total Shareholder's Equity</b>	<b>2,936</b>	<b>2,831</b>
<b>D/E Ratio(%)</b>	<b>45.3%</b>	<b>46.7%</b>

\* Unconsolidated base results under K-IFRS standard

# Appendix - Summary Financial Statements (Consolidated)



## Income Statement

(Unit : Billion KRW)	2012	2013	1H	
			2013	2014
<b>Net Sales</b>	<b>1,865</b>	<b>1,976</b>	<b>939</b>	<b>1,053</b>
Growth rate ( % )		6.0%		12.1%
<b>COGS</b>	<b>1,182</b>	<b>1,254</b>	<b>593</b>	<b>686</b>
COGS (%)	63.4%	63.5%	63.2%	65.1%
<b>Gross Profit</b>	<b>683</b>	<b>722</b>	<b>346</b>	<b>367</b>
GP Margin (%)	36.6%	36.5%	36.8%	34.9%
<b>SG&amp;A</b>	<b>568</b>	<b>631</b>	<b>307</b>	<b>312</b>
SG&A (%)	30.4%	31.9%	32.7%	29.6%
<b>Operating Profit</b>	<b>115</b>	<b>91</b>	<b>39</b>	<b>55</b>
OP Margin (%)	6.2%	4.6%	4.2%	5.2%
<b>Recurring Profit</b>	<b>126</b>	<b>92</b>	<b>39</b>	<b>55</b>
RP Margin (%)	6.8%	4.7%	4.2%	5.2%
<b>Net Income</b>	<b>90</b>	<b>55</b>	<b>25</b>	<b>36</b>
Net Margin (%)	4.8%	2.8%	2.6%	3.5%
<b>EPS (Won)</b>	<b>65,102</b>	<b>36,044</b>	<b>17,580</b>	<b>26,117</b>

\* Consolidated base results under K-IFRS standard



## Balance Sheet

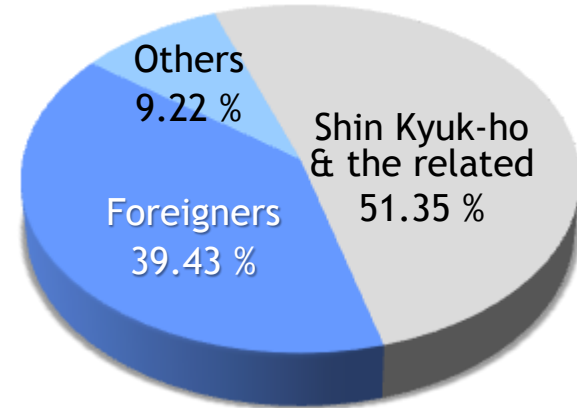
(Unit : Billion KRW)	1H	
	2013	2014
<b>Current Assets</b>	<b>785</b>	<b>799</b>
Cash/Cash equivalents	184	172
Receivables	266	274
Inventories	230	252
<b>Non-liquid Assets</b>	<b>3,647</b>	<b>3,444</b>
Investment & other assets	2,295	2,079
Tangible assets	1,352	1,365
<b>Total Assets</b>	<b>4,432</b>	<b>4,243</b>
Payables	248	279
Other Liabilities	1,218	1,196
<b>Total Liabilities</b>	<b>1,466</b>	<b>1,475</b>
Paid-in capital	7	7
Capital surplus	13	13
Retained earnings	1,668	1,693
Capital adjustment & Accumulated other comprehensive income	1,279	1,055
<b>Total Shareholder's Equity</b>	<b>2,967</b>	<b>2,768</b>
<b>D/E Ratio(%)</b>	<b>49.4%</b>	<b>53.3%</b>



## 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 June 30, 2014)



## 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 June 30, 2014)

	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	763,397	Department Store	
		Lotte Chilsung Beverage(common)	218,949	17.7	384,912	Carbonated Drinks, Juice, Liquor	
		Lotte Chilsung Beverage(preferred)	9,660	8.1	7,612	Carbonated Drinks, Juice, Liquor	
		Lotte Food	127,677	9.3	96,651	Cooking Oils, Ice Cream	
		Korea Seven	5,977,672	16.5	98,596	Convenience Store	
		Lotteria	65,374	13.6	80,854	Fast-food Restaurant Franchise	
		Lotte Station Building	319,200	8.9	70,491	Department Store	
		Lotte Data Communication Company	523,760	6.1	39,365	Computer Software & Parts/Peripherals Business	
		Lotte Asset Development	2,177,458	7.2	10,887	Real estate development & financial consulting	※ Available-for-Sale Securities (Equity Securities)
		Lotte Logistics	66,308	4.6	9,574	Distribution/Logistics Management & Consulting	
		Korea Fujifilm	1,250	0.9	5,958	Manufacturing & sales of digital cameras, printers	
		Lotte.com	523,548	11.3	6,178	Online commerce	
		Lotte Trading	12,187	1.4	4,522	International Trading Business	
		Others	Lotte Corporation	12,984	0.02	301	Tourist hotel, leisure, marine aquarium
Lotte Boulangerie	4,440,222		100.0	181	Bakery, pizza		
BS Financial Group	5,536,479		2.9	82,494			
	Shinhan Financial Group	458,111	0.1	21,463			
	Others			3,073	Cheil worldwide, Cosmo Investment Management, etc.		
	<b>Sub Total</b>			<b>1,686,539</b>			
Overseas	Affiliated (LOTTE)	Lotte India	9,404,693	98.4	88,000	India	
		Lotte Qingdao Foods	-	90.0	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	※ Consolidated Subsidiaries
		Lotte Ice (Shandong)	-	65.0	8,759	China (6.4% held by LOTTE China Investement)	- Lotte China Investment 100% (held by Lotte Food Holding)
		K.S. SULEMANJI ESMALJI & SONS Limited	75,190,647	96.5	40,688	Pakistan (including 1 subsidiary consolidated)	
		Lotte Confectionery (S.E.A.)	-	100.0	6,875	Singapore	
		Lotte China Foods	-	47.2	42,217	China (6.5% held by LOTTE China Investement)	
		Rakhat JSC	2,873,705	79.8	133,056	Kazakhstan	
		Lotte Packaging (Beijing)	-	25.0	6,478	China	
		Lotte Europe Holdings	182,186	26.1	112,538	Netherlands (holding company of Russian subsidiaries)	
		BIBICA CORPORATION	6,718,000	43.6	20,014	Vietnam	※ Equity Method Affiliates
		Lotte Vietnam	-	36.8	5,475	Vietnam	- Lotte Shanghai Foods 10% (held by China Investment)
		PT, Lotte Trade And Distribution	-	40.0	-	Indonesia	
		Lotte Taiwan	20,300,000	50.0	6,672	Taiwan	
LH Foods	-	50.0	44,389	a joint venture in China	※ Joint arrangements		
PT, Lotte Indonesia	8,910	1.5	622	Indonesia			
Lotte China management	-	10.0	891	China	※ Available-for-Sale Securities		
	<b>Sub Total</b>			<b>705,402</b>			
	<b>Total</b>			<b>2,391,941</b>			

# Appendix - Subsidiaries, Associates and Joint Ventures

## Summary of Relevant Information of Subsidiaries, Associates and Joint Ventures (2014 1H)

							(unit : million KRW)
Subsidiaries	Ownership	Location	Category	Sales	Net Income	Share of profit (loss) of associates	
Lotte Food Holding Co., Ltd.	100.0			-	(909)		
Lotte Qingdao Foods Co., Ltd.	100.0			6,807	119		
Lotte Ice (Shandong) Co., Ltd.	71.4	China		1,924	(764)		
Lotte (China) Investment Co., Ltd.	100.0			17,536	(6,843)		
Lotte China Foods Co., Ltd.	53.6			15,563	(605)		
Lotte India Co., Ltd.	98.4	India	Subsidiaries	28,561	(117)		
K.S. SULEMANJI ESMAILJI & SONS (Private) Limited*	96.5	Pakistan		37,820	222		
Lotte Confectionery Holdings B.V.**	51.0	Netherlands		44,587	981		
Lotte Confectionery (S.E.A) Pte., Ltd.	100.0	Singapore		8,382	333		
Rakhat JSC**	79.8	Kazakhstan		95,487	5,315		
Lotte Boulangerie	100.0	Korea		6,317	(126)		
LH Foods Co., Ltd.***	50.0	China	Joint Ventures	50,564	(2,032)	430	
Lotte Shanghai Foods., Ltd.****	5.0	China		50,564	(2,031)	(1,445)	
Lotte Packaging(Beijing) Co., Ltd. <input checked="" type="checkbox"/>	25.0			6,754	(755)	(189)	
BIBICA CORPORATION	43.6	Vietnam	Associates	21,430	1,142	556	
Lotte Vietnam Co., Ltd. <input checked="" type="checkbox"/>	36.8			14,209	(330)	(122)	
Lotte Taiwan Co., Ltd. <input checked="" type="checkbox"/>	50.0	Taiwan		13,236	498	115	
Lotte Europe Holdings B.V.*****	26.1	Netherlands		70,378	(18,933)	(4,948)	
Lotte Giants <input checked="" type="checkbox"/>	30.0	Korea		18,726	(51)	(15)	
<b>Total</b>				<b>458,281</b>	<b>(22,854)</b>	<b>(5,618)</b>	
- Consolidated (before eliminating intercompany transactions)				256,667	(2,268)	(5,618)	
- Unconsolidated				195,297	(20,460)	0	

\*acquisition of 27% additional interest in K.S.S.E

\*\*refers to holding company of Gyuilian in Belgium

\*\*\*acquisition of 4% additional interest in Rakhat

\*\*\*\*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.

## Major Overseas % of Ownership Status (2014 1H)

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.	50.0	Hershey Company 50.0
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	96.5	existing shareholders 3.5
Russia	Lotte Europe Holdings B.V.	26.1	Lotte Shopping 31.3, Lotte Hotel 22.2, Lotte Chilsung 6.9
Gyuilian	Lotte Confectionery Holdings B.V.	51.0	Lotte Japan etc. 49.0
Singapore	Lotte Confectionery (S.E.A) Pte., Ltd.	100.0	