

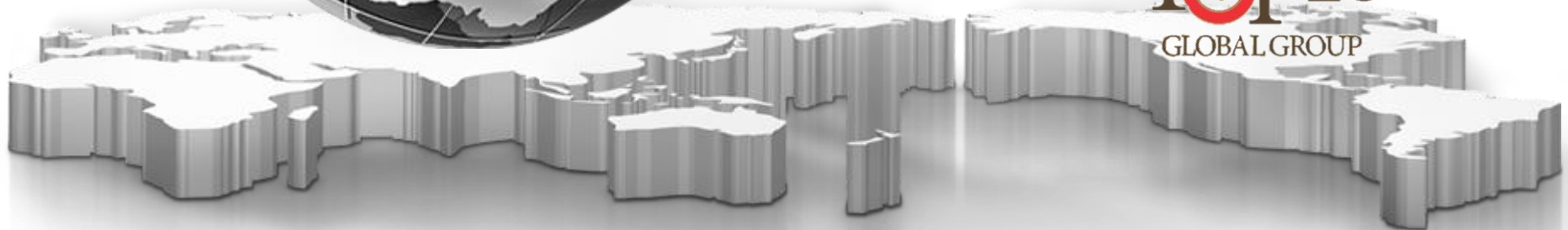
ASIA  
**No.1**  
CONFECTIONERY  
COMPANY



3<sup>rd</sup> quarter of 2014

***INVESTOR  
RELATIONS***

ASIA  
**TOP10**  
GLOBAL GROUP

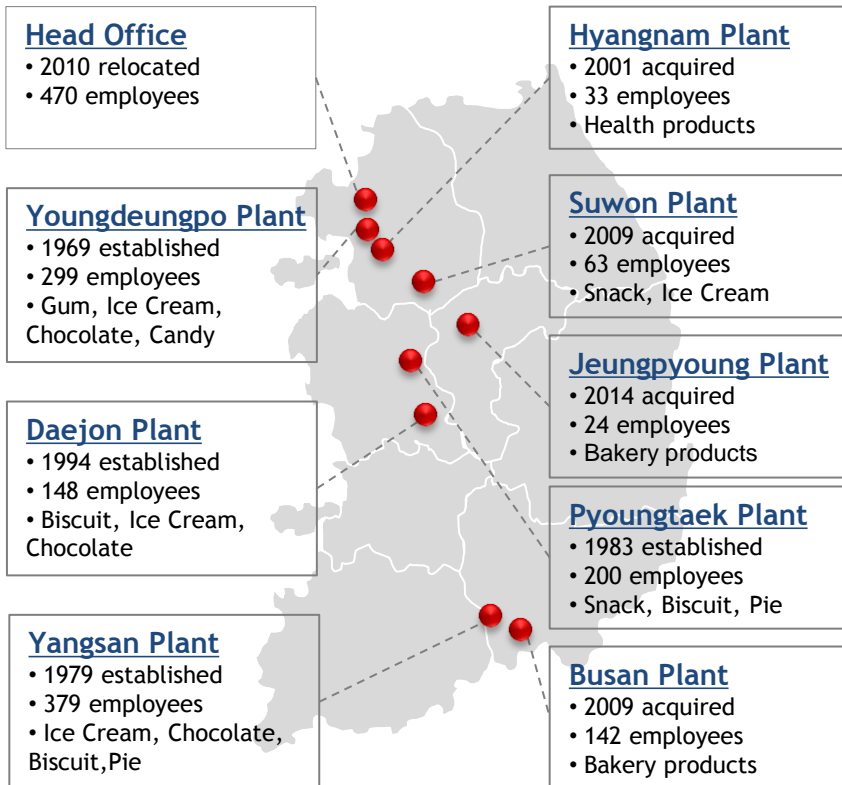


# Overview (Factories & Affiliates)

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

## Domestic

### Headquarters & Factories at end-September 2014

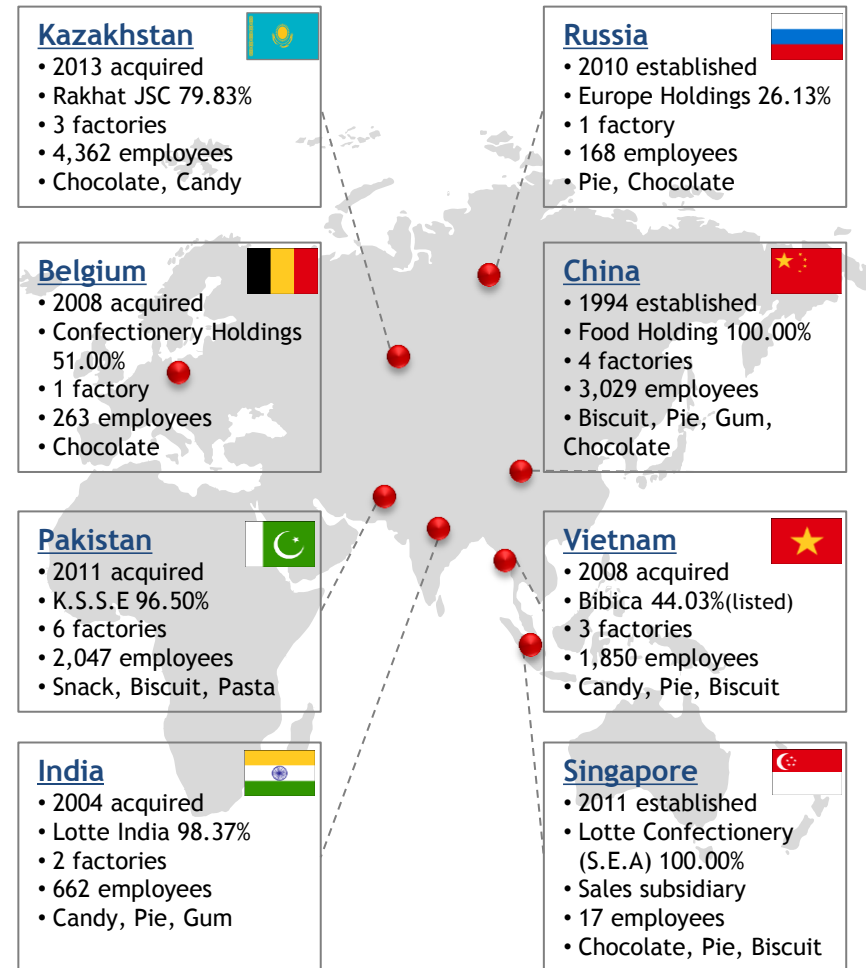


### Sales Branches & Offices

• Sells Confectionery / Ice Cream / Bakery products through 25 local branches & 150 sales offices nationwide

## Overseas

### Subsidiaries & Factories at end-September 2014



# Domestic Operating Results (Sales)

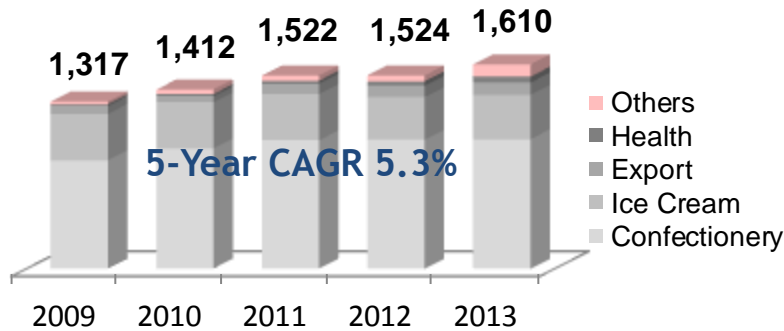
Earning a reputation for maintaining the No.1 confectionery company in Korea



## Domestic Sales Trend (2013)

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

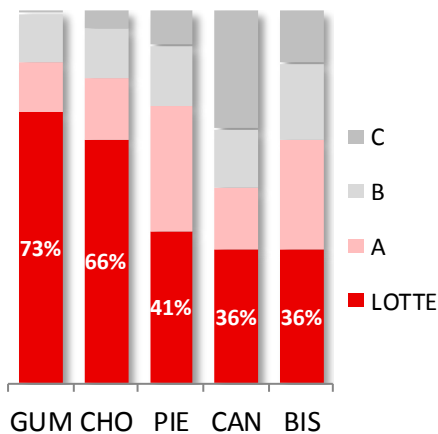
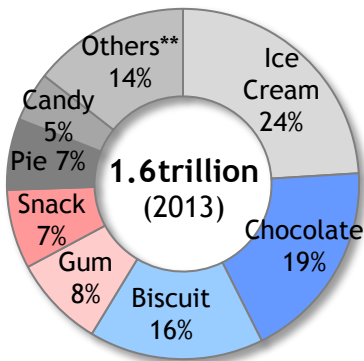
(Unit : billion KRW)



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

### Sales & M/S by product categories

(Unit : trillion KRW)



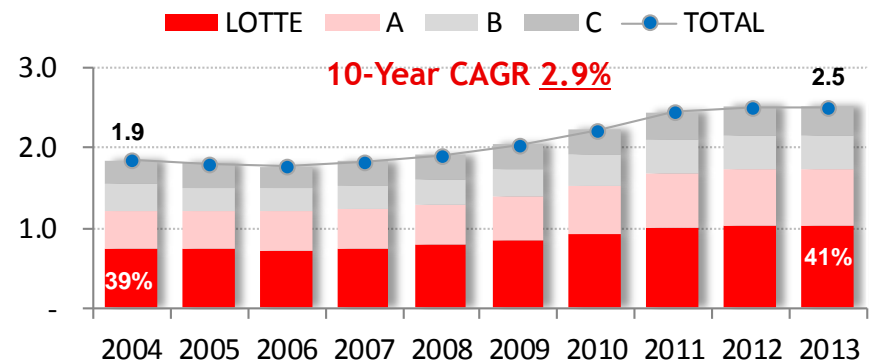
\*\* Others : exports, bakery, health supplement business, etc.



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

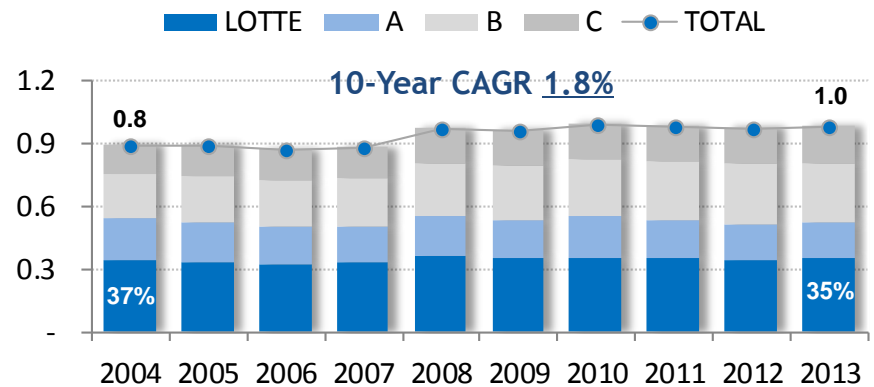
### Confectionery - Lotte as No. 1 player

(Unit : trillion KRW, %)



### Ice Cream - Lotte as No. 1 player

(Unit : trillion KRW, %)



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

# Domestic Operating Results (Profitability)

For the 3Q of 2014, sales increased by 4.3%, operating profit up by 1.1%

## Profits

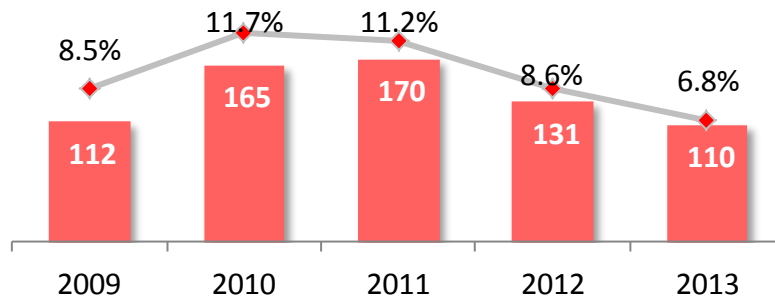
(Unit : billion KRW)	2012	2013	2013 3Q	2014
<b>Net Sales</b>	1,524	1,610	1,232	1,285
<b>Gross Profit</b>	593	622	479	494
Gross Margin	38.9%	38.6%	38.9%	38.4%
<b>Operating Profit</b>	131	110	92	93
Operating Margin	8.6%	6.8%	7.5%	7.3%
<b>Recurring Profit</b>	134	102	101	95
Recurring Margin	8.8%	6.4%	8.2%	7.4%
<b>Net Profit</b>	103	73	80	75
Net Margin	6.8%	4.5%	6.5%	5.9%

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

- Sales Change (YoY) : **5.6%↑** (FY13), **4.3%↑** (3Q14)
- Operating Profit Change : **-16.3%** (FY13), **1.1%↑** (3Q14)
- Recurring Profit Change : **-23.4%** (FY13), **-6.2%** (3Q14)
- Net Profit Change : **-28.9%** (FY13), **-5.7%** (3Q14)

## 5-year Operating Income Trend

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



## COGS / SG&A

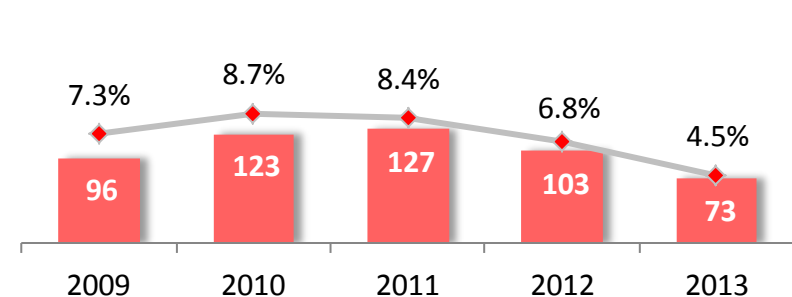
(Unit : billion KRW)	2012	2013	2013 3Q	2014
<b>Net Sales</b>	1,524	1,610	1,232	1,285
<b>Cost of Goods Sold</b>	931	988	753	791
as % of Net Sales	61.1%	61.4%	61.1%	61.6%
<b>SG&amp;A Expenses</b>	462	512	387	400
as % of Net Sales	30.3%	31.8%	31.4%	31.2%

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

- COGS Change (YoY) : **6.2%↑** (FY13), **5.0%↑** (3Q14)
- SG&A Change : **10.8%↑** (FY13), **3.6%↑** (3Q14)

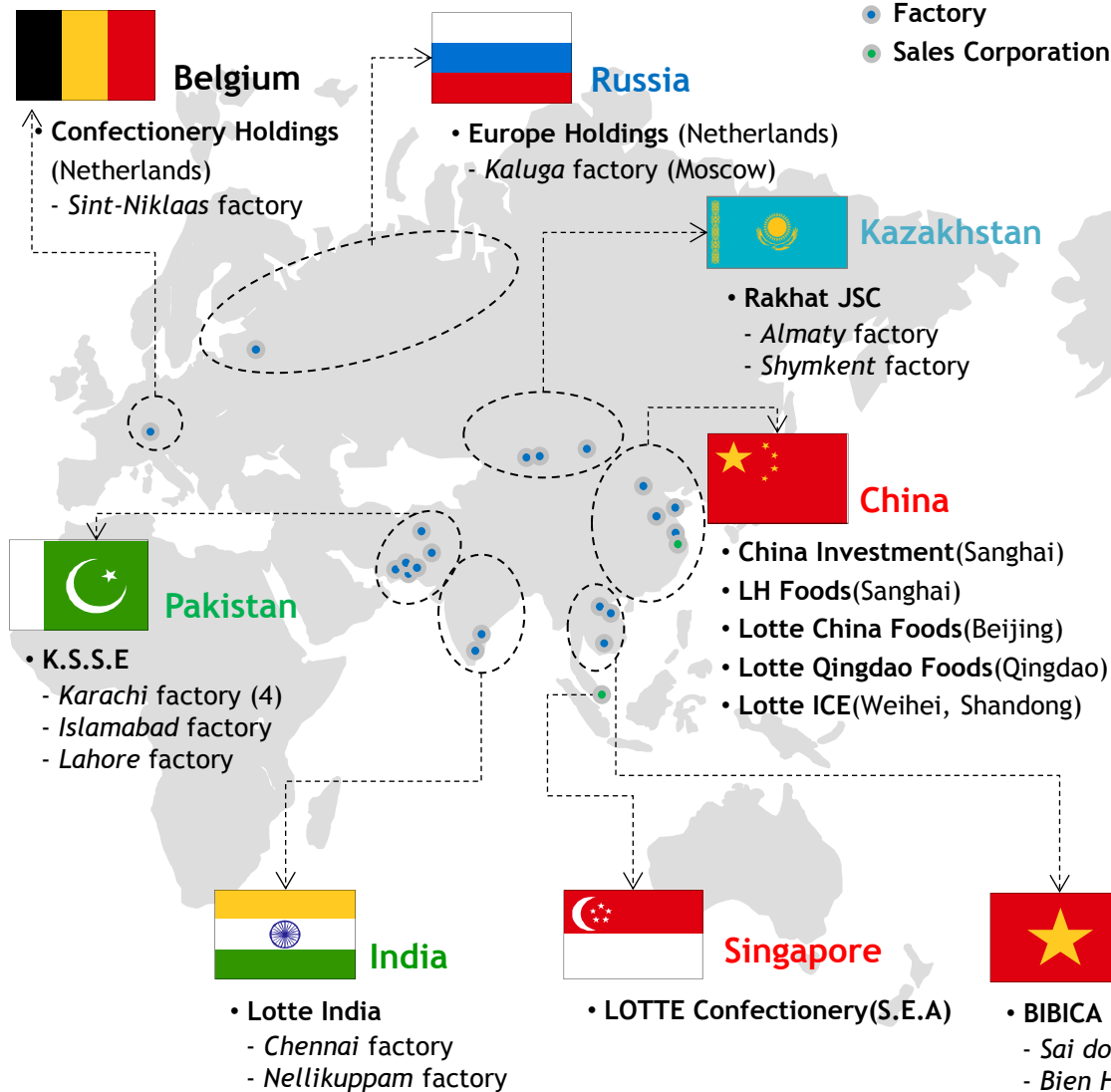
## 5-year Net Income Trend

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



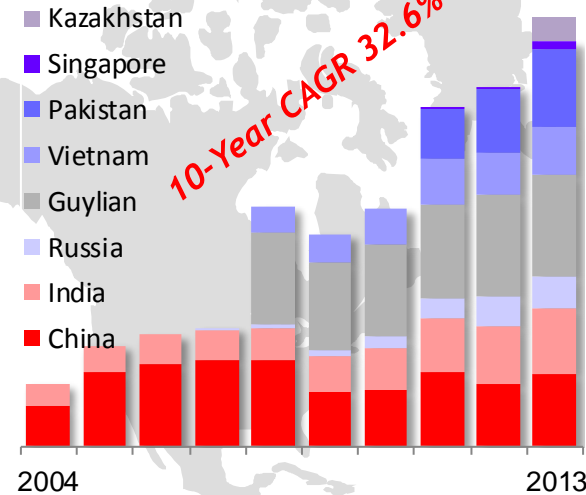
# Overseas Business Expansion (overview)

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

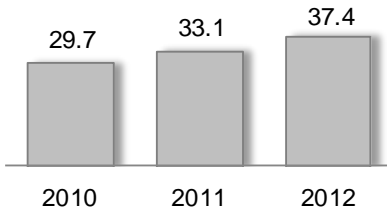
# Overseas Business Overview

## China

### Market Trend\*

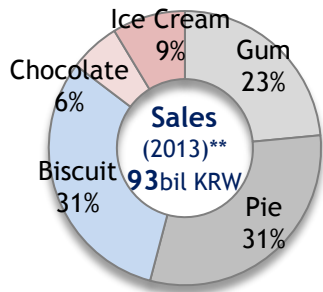
(Unit : trillion KRW)

**3-Year CAGR 12.2%**



### Business Overview

#### Sales Mix



#### Core Products



#### M/S Status\*

- Gum 5%, Pie 4%

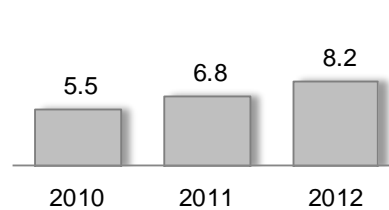
\*data : "Euro Monitor"(2012)

## India

### Market Trend\*

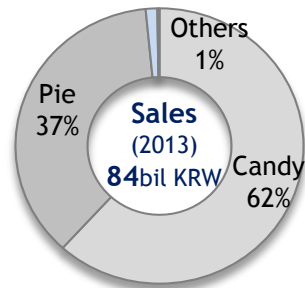
(Unit : trillion KRW)

**3-Year CAGR 22.0%**



### Business Overview

#### Sales Mix



#### Core Products



#### M/S Status\*

- Candy 6%

\*data : "Euro Monitor"(2012)

## Vietnam

### Market Trend\*

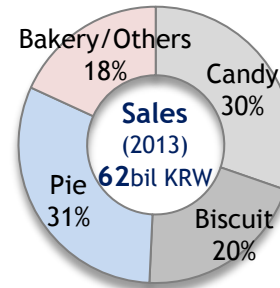
(Unit : trillion KRW)

**3-Year CAGR 17.1%**



### Business Overview

#### Sales Mix



#### Core Products



#### M/S Status\*

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

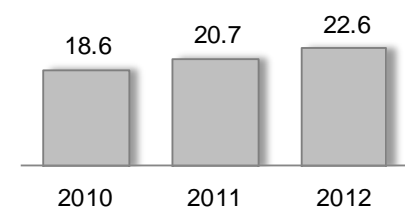
\*data : "Euro Monitor"(2012)  
M/S : including Lotte Vietnam

## Russia

### Market Trend\*

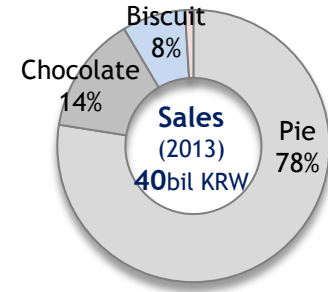
(Unit : trillion KRW)

**3-Year CAGR 10.3%**



### Business Overview

#### Sales Mix



#### Core Products



#### M/S Status\*

- Choco Pie 42%

\*data : "Nielsen Data"(2013)

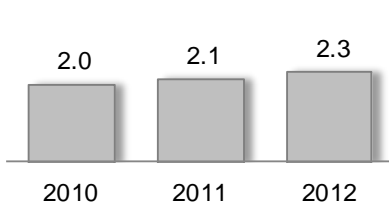
# Overseas Business Overview

## Kazakhstan

### Market Trend\*

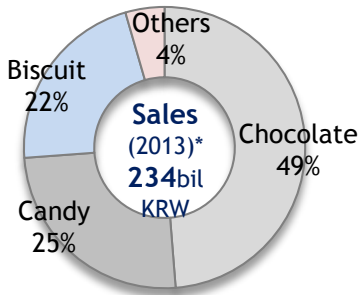
(Unit : trillion KRW)

**3-Year CAGR 7.7%**



### Business Overview

#### Sales Mix



#### Core Products



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

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

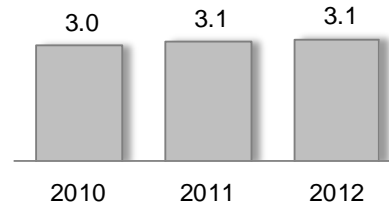
\*annual, \*\*data : "Euro Monitor"(2012)  
(market includes imported brands)

## Belgium

### Market Trend\*

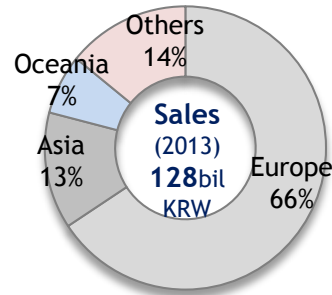
(Unit : trillion KRW)

**3-Year CAGR 7.7%**



### Business Overview

#### Sales Mix



#### Core Products

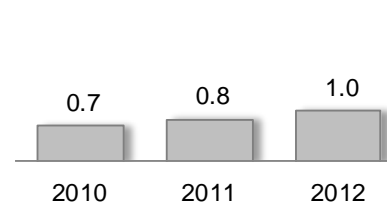


## Pakistan

### Market Trend\*

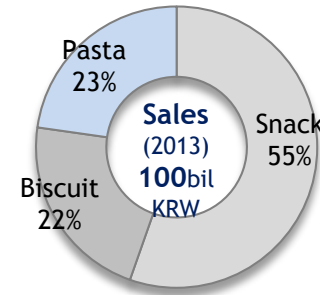
(Unit : trillion KRW)

**3-Year CAGR 19.7%**



### Business Overview

#### Sales Mix



#### Core Products



#### M/S Status\*

- Snack 25%

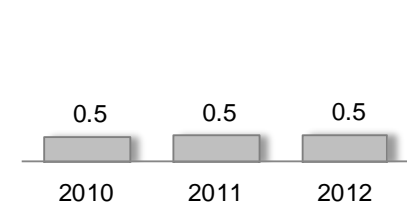
\*data : "Euro Monitor"(2012)

## Singapore

### Market Trend\*

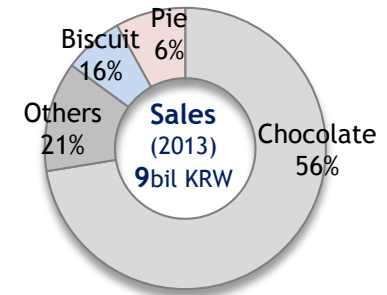
(Unit : trillion KRW)

**3-Year CAGR 4.3%**



### Business Overview

#### Sales Mix



#### Core Products



# Appendix - Summary Financial Statements (Unconsolidated)



## Income Statement

(Unit : Billion KRW)	2012	2013	3Q 2013	2014
<b>Net Sales</b>	<b>1,524</b>	<b>1,610</b>	<b>1,232</b>	<b>1,285</b>
Growth rate ( % )		5.6%		4.3%
<b>COGS</b>	<b>931</b>	<b>988</b>	<b>753</b>	<b>791</b>
COGS (%)	61.1%	61.4%	61.1%	61.6%
<b>Gross Profit</b>	<b>593</b>	<b>622</b>	<b>479</b>	<b>494</b>
GP Margin (%)	38.9%	38.6%	38.9%	38.4%
<b>SG&amp;A</b>	<b>462</b>	<b>512</b>	<b>387</b>	<b>400</b>
SG&A (%)	30.3%	31.8%	31.4%	31.2%
<b>Operating Profit</b>	<b>131</b>	<b>110</b>	<b>92</b>	<b>93</b>
OP Margin (%)	8.6%	6.8%	7.5%	7.3%
<b>Recurring Profit</b>	<b>134</b>	<b>102</b>	<b>101</b>	<b>95</b>
RP Margin (%)	8.8%	6.4%	8.2%	7.4%
<b>Net Income</b>	<b>103</b>	<b>73</b>	<b>80</b>	<b>75</b>
Net Margin (%)	6.8%	4.5%	6.5%	5.9%
<b>EPS (Won)</b>	<b>73,131</b>	<b>51,973</b>	<b>56,823</b>	<b>53,569</b>



## Balance Sheet

(Unit : Billion KRW)	2013	3Q 2014
<b>Current Assets</b>	<b>615</b>	<b>532</b>
Cash/Cash equivalents	111	63
Receivables	244	277
Inventories	142	152
<b>Non-liquid Assets</b>	<b>3,538</b>	<b>3,783</b>
Investment & other assets	2,442	2,627
Tangible assets	1,096	1,156
<b>Total Assets</b>	<b>4,153</b>	<b>4,315</b>
Payables	226	226
Other Liabilities	1,016	1,134
<b>Total Liabilities</b>	<b>1,242</b>	<b>1,360</b>
Paid-in capital	7	7
Capital surplus	13	13
Retained earnings	1,701	1,759
Capital adjustment & Accumulated other comprehensive income	1,190	1,176
<b>Total Shareholder's Equity</b>	<b>2,911</b>	<b>2,955</b>
<b>D/E Ratio(%)</b>	<b>42.7%</b>	<b>46.0%</b>

\* Unconsolidated base results under K-IFRS standard

# Appendix - Summary Financial Statements (Consolidated)



## Income Statement

(Unit : Billion KRW)	2012	2013	3Q 2013	2014
<b>Net Sales</b>	<b>1,865</b>	<b>1,976</b>	<b>1,455</b>	<b>1,645</b>
Growth rate ( % )		6.0%		13.0%
<b>COGS</b>	<b>1,182</b>	<b>1,254</b>	<b>910</b>	<b>1,066</b>
COGS (%)	63.4%	63.5%	62.5%	64.8%
<b>Gross Profit</b>	<b>683</b>	<b>722</b>	<b>545</b>	<b>579</b>
GP Margin (%)	36.6%	36.5%	37.4%	35.2%
<b>SG&amp;A</b>	<b>568</b>	<b>631</b>	<b>468</b>	<b>481</b>
SG&A (%)	30.4%	31.9%	32.1%	29.3%
<b>Operating Profit</b>	<b>115</b>	<b>91</b>	<b>77</b>	<b>98</b>
OP Margin (%)	6.2%	4.6%	5.3%	6.0%
<b>Recurring Profit</b>	<b>126</b>	<b>92</b>	<b>86</b>	<b>78</b>
RP Margin (%)	6.8%	4.7%	5.9%	4.7%
<b>Net Income</b>	<b>90</b>	<b>55</b>	<b>60</b>	<b>48</b>
Net Margin (%)	4.8%	2.8%	4.1%	2.9%
<b>EPS (Won)</b>	<b>65,102</b>	<b>36,044</b>	<b>41,313</b>	<b>32,883</b>



## Balance Sheet

(Unit : Billion KRW)	2013	3Q 2014
<b>Current Assets</b>	<b>762</b>	<b>745</b>
Cash/Cash equivalents	158	116
Receivables	275	309
Inventories	184	258
<b>Non-liquid Assets</b>	<b>3,501</b>	<b>3,623</b>
Investment & other assets	2,244	2,251
Tangible assets	1,257	1,372
<b>Total Assets</b>	<b>4,263</b>	<b>4,368</b>
Payables	268	262
Other Liabilities	1,087	1,225
<b>Total Liabilities</b>	<b>1,355</b>	<b>1,487</b>
Paid-in capital	7	7
Capital surplus	13	13
Retained earnings	1,673	1,702
Capital adjustment & Accumulated other comprehensive income	1,215	1,160
<b>Total Shareholder's Equity</b>	<b>2,908</b>	<b>2,882</b>
<b>D/E Ratio(%)</b>	<b>46.6%</b>	<b>51.6%</b>

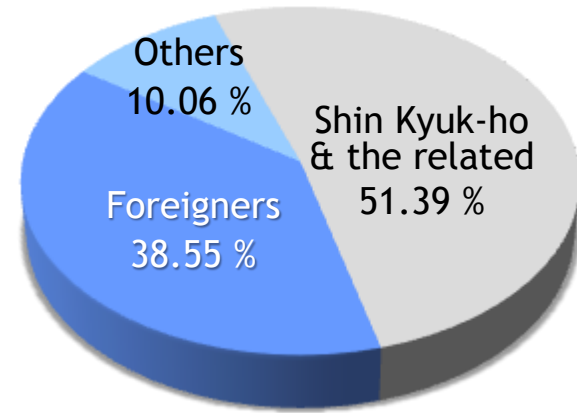
\* Consolidated base results under K-IFRS standard



## 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 September 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

※ Consolidated base

(KRW mil., as of September 30, 2014)

	Company	Shares	%	Book Value	Category / Location of Business	Remark		
Domestic	Affiliated (LOTTE)	Lotte Giants	6,000	30.0	5,415	Professional Baseball Team	※ Equity Method Affiliates	
		Lotte Shopping	2,474,543	7.9	781,956	Department Store		
		Lotte Chilsung Beverage(common)	238,681	19.3	518,654	Carbonated Drinks, Juice, Liquor		
		Lotte Chilsung Beverage(preferred)	10,045	8.4	9,884	Carbonated Drinks, Juice, Liquor		
		Lotte Food	127,677	9.3	97,290	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	※ 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	9,574	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		
		Others	BS Financial Group	6,906,913	3.0	116,727		
			Shinhan Financial Group	458,111	0.1	22,264		
		Others			10,003	Cheil worldwide, Cosmo Investment Management, etc.		
Sub Total				1,884,096				
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 Investment)	- 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 Investment)		
		Rakhat JSC	2,873,705	79.8	133,055	Kazakhstan		
		Lotte Packaging (Beijing)	-	25.0	5,126	China		
		Lotte Europe Holdings	182,186	26.1	48,714	Netherlands (holding company of Russian subsidiaries)		
		BIBICA CORPORATION	6,789,730	44.0	17,663	Vietnam	※ Equity Method Affiliates	
		Lotte Vietnam	-	36.8	3,731	Vietnam	- Lotte Shanghai Foods 10% (held by China Investment)	
		PT, Lotte Trade And Distribution	3,360	40.0	-	Indonesia		
		Lotte Taiwan	20,300,000	50.0	8,236	Taiwan		
		LH Foods	-	50.0	52,973	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		
Sub Total				646,278				
Total				2,530,374				

# Appendix - Subsidiaries, Associates and Joint Ventures

## Summary of Relevant Information of Subsidiaries, Associates and Joint Ventures (2014 3Q)

							(unit : million KRW)
Subsidiaries	Ownership	Location	Category	Sales	Net Income	Share of profit(loss) of associates	
Lotte Food Holding Co., Ltd.	100.0			-	(373)		
Lotte Qingdao Foods Co., Ltd.	100.0			10,979	311		
Lotte Ice (Shandong) Co., Ltd.	71.4	China		2,841	(1,284)		
Lotte (China) Investment Co., Ltd.	100.0			26,341	(14,428)		
Lotte China Foods Co., Ltd.	53.6			22,938	221		
Lotte India Co., Ltd.	98.4	India	Subsidiaries	44,440	119		
K.S. SULEMANJI ESMAILJI & SONS (Private) Limited	96.5	Pakistan		57,509	1,538		
Lotte Confectionery Holdings B.V.*	51.0	Netherlands		73,116	5,120		
Lotte Confectionery (S.E.A) Pte., Ltd.	100.0	Singapore		12,804	341		
Rakhat JSC	79.8	Kazakhstan		143,006	9,320		
LH Foods Co., Ltd.**	50.0	China	Joint Ventures	102,316	(834)	921	
Lotte Shanghai Foods., Ltd.***	5.0	China		102,316	(832)	(1,338)	
Lotte Packaging(Beijing) Co., Ltd. <input checked="" type="checkbox"/>	25.0			10,360	(1,118)	(280)	
BIBICA CORPORATION	44.0	Vietnam	Associates	35,295	2,983	1,305	
Lotte Vietnam Co., Ltd. <input checked="" type="checkbox"/>	36.8			20,956	(577)	(212)	
Lotte Taiwan Co., Ltd. <input checked="" type="checkbox"/>	50.0	Taiwan		20,577	662	219	
Lotte Europe Holdings B.V.****	26.1	Netherlands		103,169	(82,489)	(21,557)	
Lotte Giants <input checked="" type="checkbox"/>	30.0	Korea		31,369	2,701	810	
<b>Total</b>				<b>718,016</b>	<b>(77,787)</b>	<b>(20,132)</b>	
- Consolidated (before eliminating intercompany transactions)				393,974	885	0	
- Unconsolidated				324,042	(78,672)	(20,132)	

\*refers to holding company of Guylian in Belgium

\*\*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.

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

## Major Overseas % of Ownership Status (2014 3Q)

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	44.0	foreign & local shareholders 56.0
	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 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	
Kazakhstan	Rakhat JSC	79.8	existing shareholders 20.2