

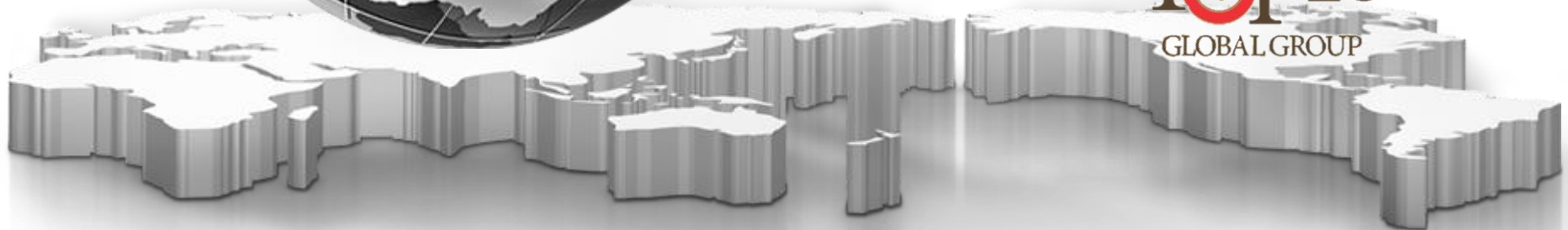
ASIA
No.1
CONFECTIONERY
COMPANY



4th quarter of 2014

***INVESTOR
RELATIONS***

ASIA
TOP10
GLOBAL GROUP



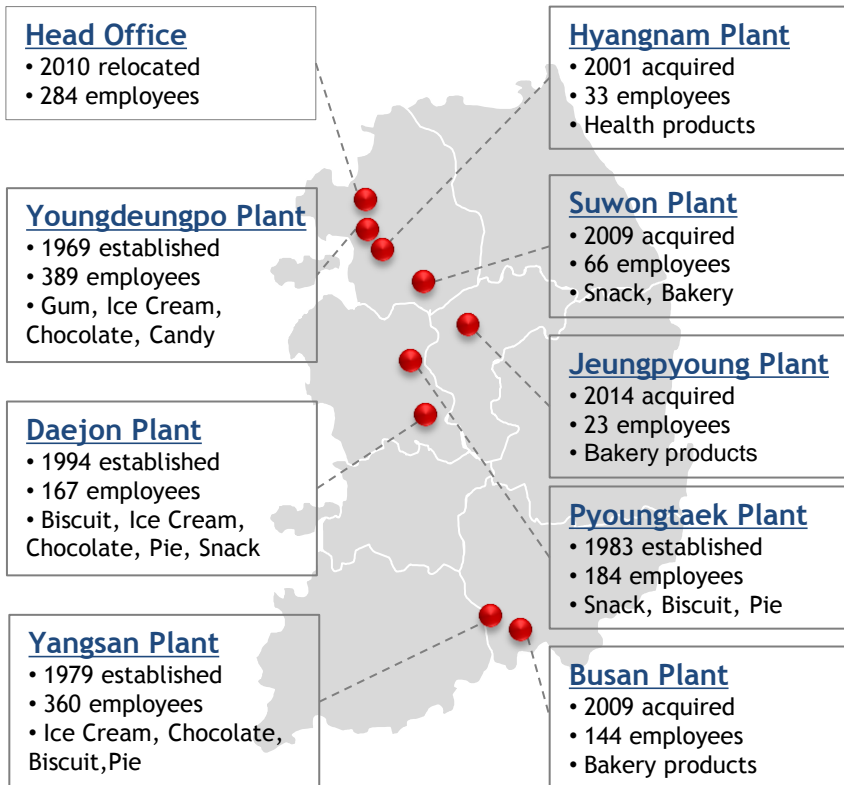
Overview (Factories & Affiliates)

Running businesses over 9 geographies* worldwide *including Korea



Domestic

Headquarters & Factories at end-December 2014



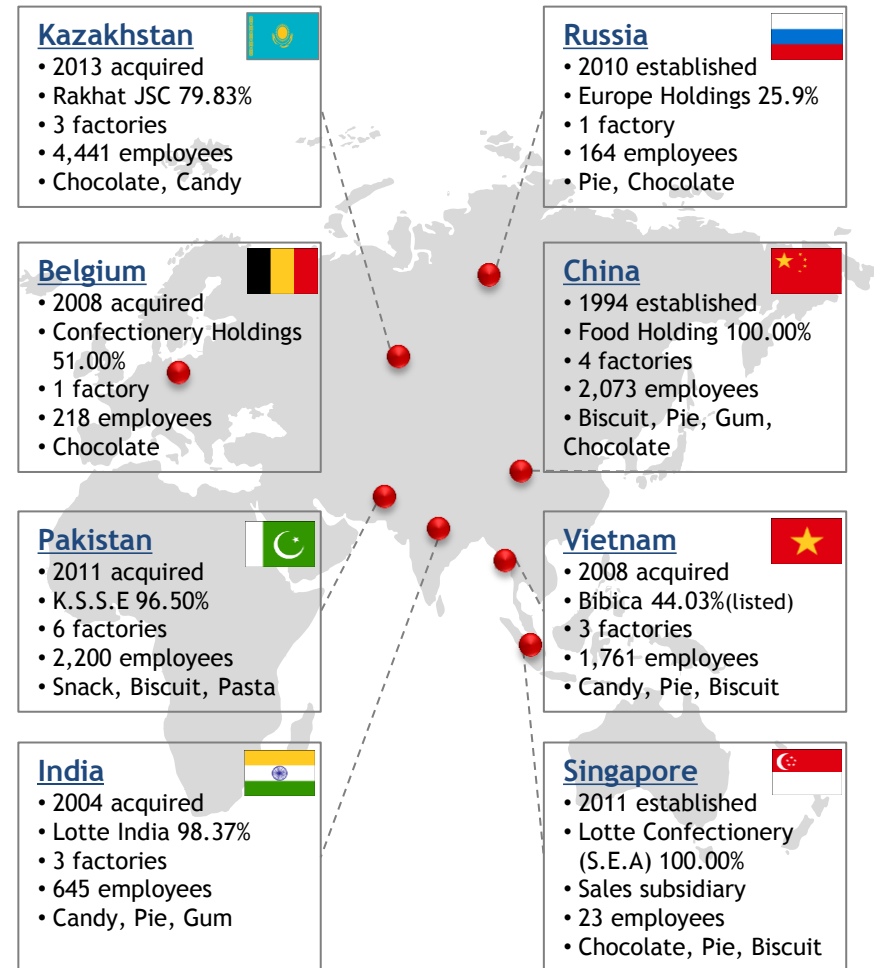
Sales Branches & Offices

Sells Confectionery / Ice Cream / Bakery products through 21 local branches & 148 sales offices nationwide



Overseas

Subsidiaries & Factories at end-December 2014



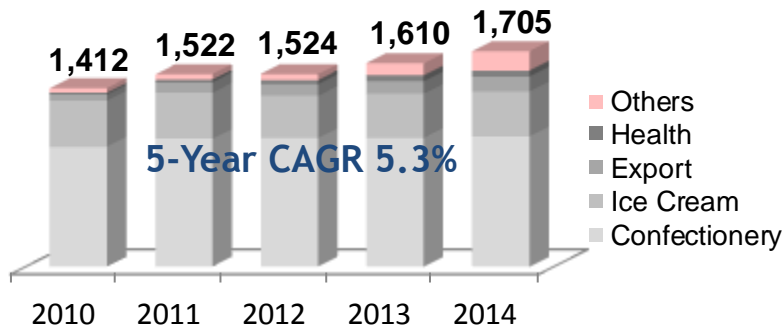
Domestic Operating Results (Sales)

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

Domestic Sales Trend (2014)

5-year Sales* Trend (2010-2014)

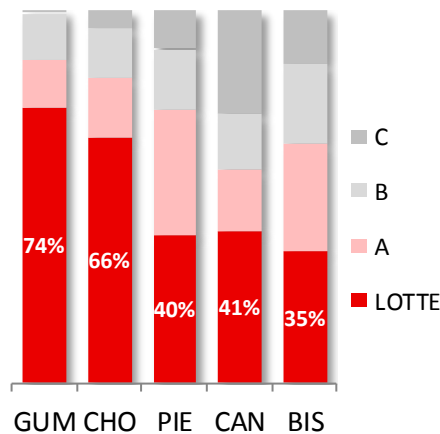
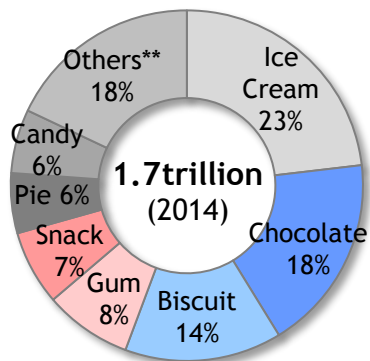
(Unit : billion KRW)



* K-IFRS, unconsolidated base

Sales & M/S by product categories

(Unit : trillion KRW)

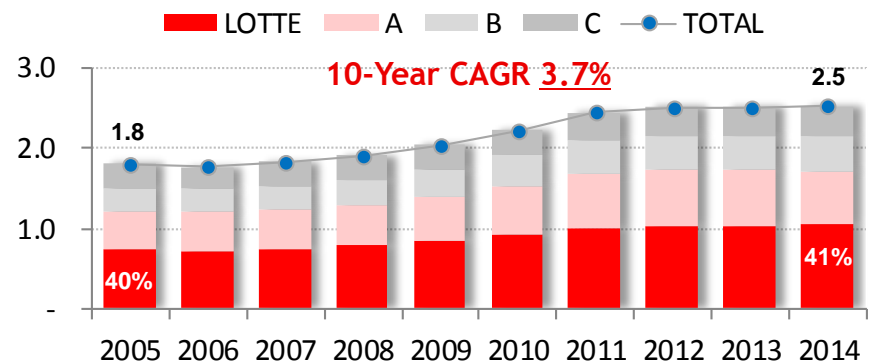


** Others : exports, bakery, health supplement business, etc.

Domestic Market & M/S Trend* (2014)

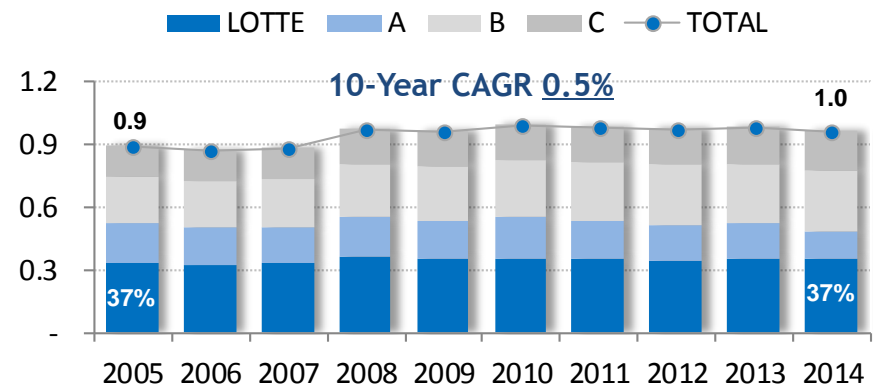
Confectionery - Lotte as No. 1 player

(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 year of 2014, sales increased by 5.9%, operating profit down by 3.1%

Profits

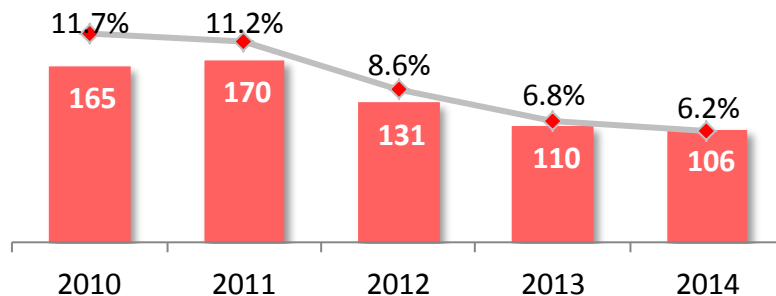
(Unit : billion KRW)	2012	2013	2014
Net Sales	1,524	1,610	1,705
Gross Profit	593	622	651
Gross Margin	38.9%	38.6%	38.2%
Operating Profit	131	110	106
Operating Margin	8.6%	6.8%	6.2%
Recurring Profit	134	102	48
Recurring Margin	8.8%	6.4%	2.8%
Net Profit	103	73	28
Net Margin	6.8%	4.5%	1.6%

* Accumulated base. Unconsolidated results under K-IFRS standard

- Sales Change (YoY) : 5.6%↑ (FY13), 5.9%↑ (FY14)
- Operating Profit Change : -16.3% (FY13), -3.1% (FY14)
- Recurring Profit Change : -23.4% (FY13), -52.9% (FY14)
- Net Profit Change : -28.9% (FY13), -62.3% (FY14)

5-year Operating Income Trend

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



COGS / SG&A

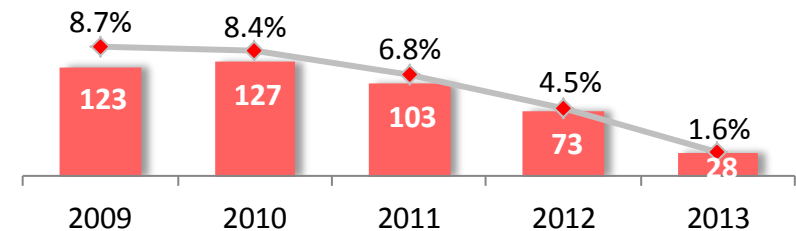
(Unit : billion KRW)	2012	2013	2014
Net Sales	1,524	1,610	1,705
Cost of Goods Sold	931	988	1,053
as % of Net Sales	61.1%	61.4%	61.8%
SG&A Expenses	462	512	545
as % of Net Sales	30.3%	31.8%	32.0%

* Accumulated base. Unconsolidated results under K-IFRS standard

- COGS Change (YoY) : 6.2%↑ (FY13), 6.6%↑ (FY14)
- SG&A Change : 10.8%↑ (FY13), 6.4%↑ (FY14)

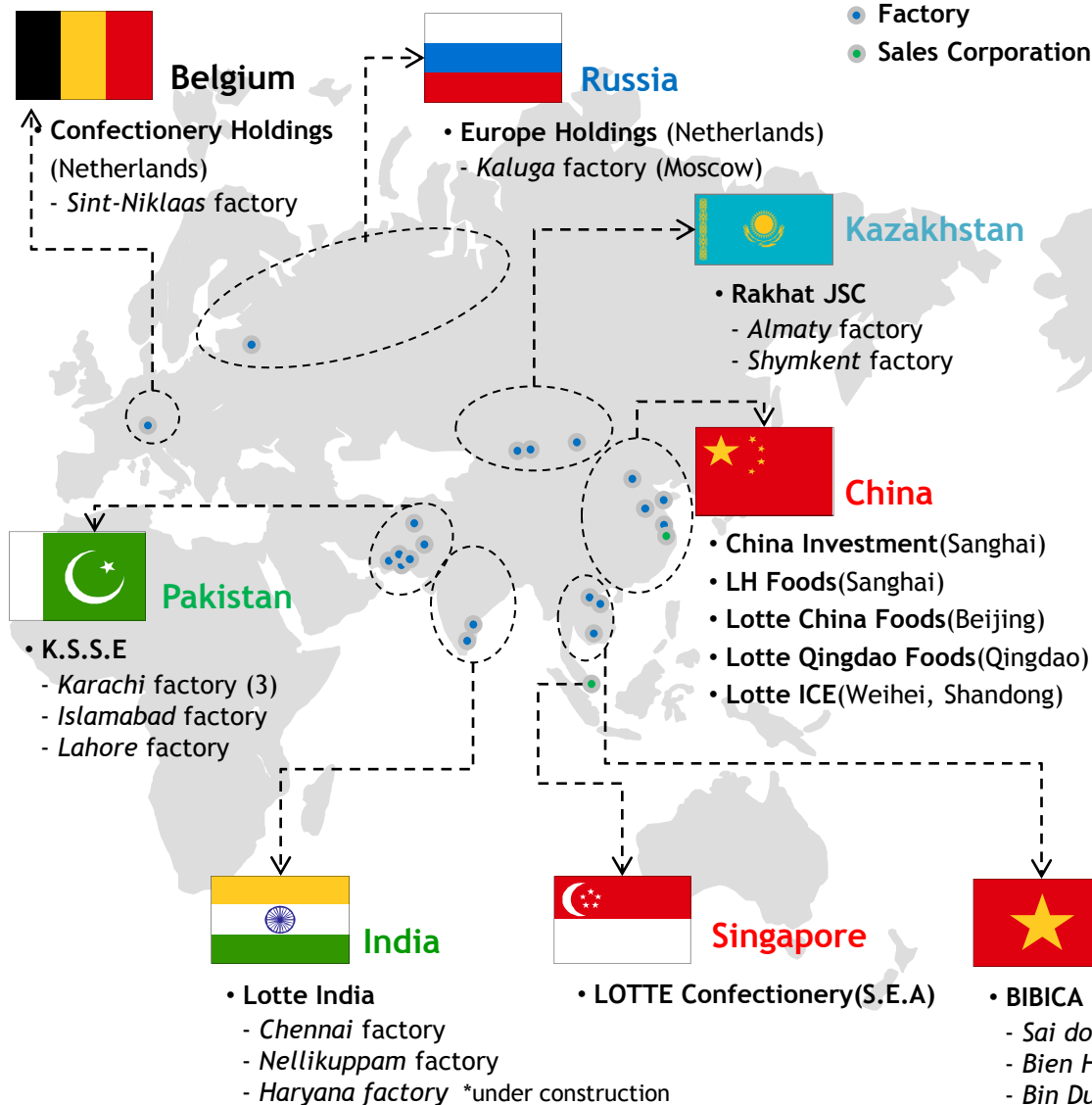
5-year Net Income Trend

(Unit : billion KRW) **5-Year CAGR -22.0%**



Overseas Business Expansion (overview)

Expanded through M&A and green field investment in 8 countries → CAGR 26.3%



Major Overseas Sales Trend*

(Unit : trillion KRW)

- Singapore
- Kazakhstan
- 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
- ⑦ Kazakhstan 7.5KRW/KZT

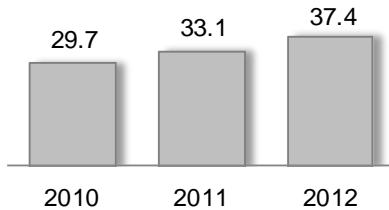
Overseas Business Overview

China

Market Trend*

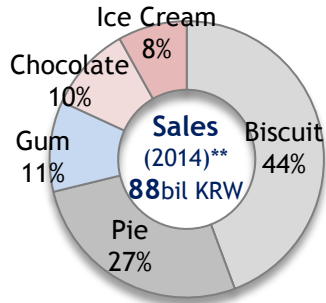
(Unit : trillion KRW)

3-Year CAGR 12.2%



Business Overview

Sales Mix



Core Products



M/S Status*

- Gum 5%, Pie 4%

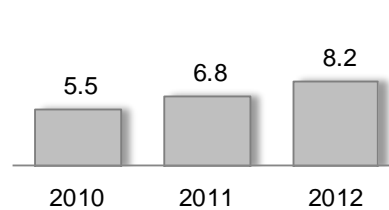
*data : "Euro Monitor"(2012)

India

Market Trend*

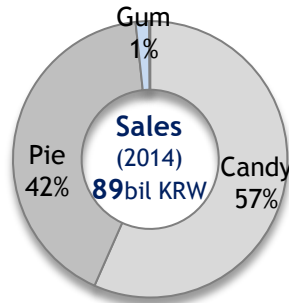
(Unit : trillion KRW)

3-Year CAGR 22.0%



Business Overview

Sales Mix



Core Products



M/S Status*

- Candy 6%

*data : "Euro Monitor"(2012)

Vietnam

Market Trend*

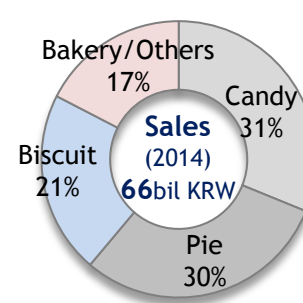
(Unit : trillion KRW)

3-Year CAGR 17.1%



Business Overview

Sales Mix



Core Products



M/S Status*

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

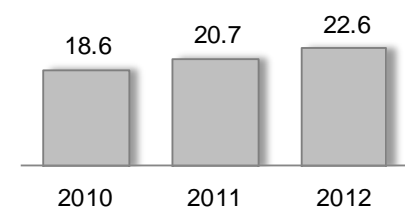
*data : "Euro Monitor"(2012)
M/S : including Lotte Vietnam

Russia

Market Trend*

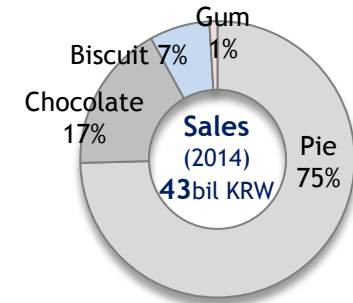
(Unit : trillion KRW)

3-Year CAGR 10.3%

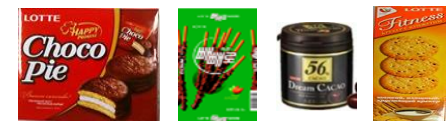


Business Overview

Sales Mix



Core Products



M/S Status*

- Choco Pie 42%

*data : "Nielsen Data"(2013)

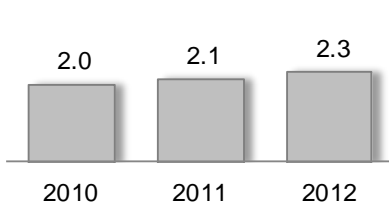
Overseas Business Overview

Kazakhstan

Market Trend*

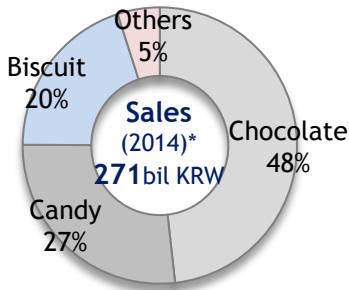
(Unit : trillion KRW)

3-Year CAGR 7.7%



Business Overview

Sales Mix



Core Products



M/S Status**

- Biscuit 7%, Chocolate 4%***

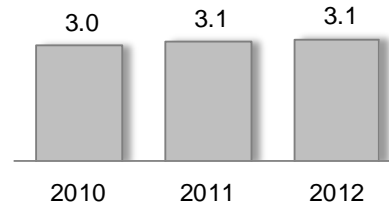
*annual, **data : "Euro Monitor"(2012)
(market includes imported brands)

Belgium

Market Trend*

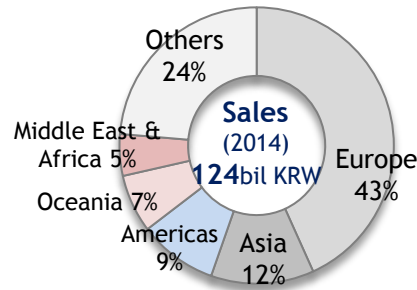
(Unit : trillion KRW)

3-Year CAGR 7.7%



Business Overview

Sales Mix



Core Products

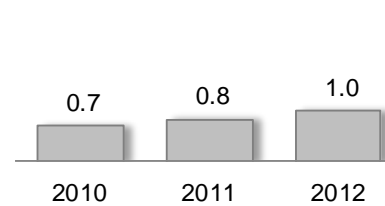


Pakistan

Market Trend*

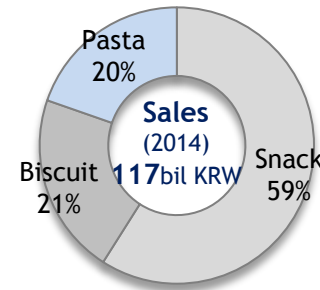
(Unit : trillion KRW)

3-Year CAGR 19.7%



Business Overview

Sales Mix



Core Products



M/S Status*

- Snack 25%

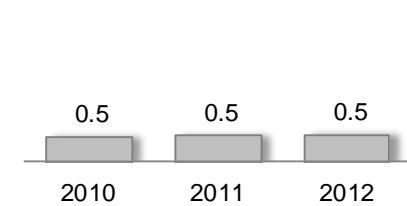
*data : "Euro Monitor"(2012)

Singapore

Market Trend*

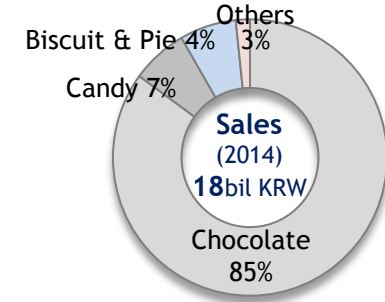
(Unit : trillion KRW)

3-Year CAGR 4.3%



Business Overview

Sales Mix



Core Products



Appendix - Summary Financial Statements (Unconsolidated)



Income Statement

(Unit : Billion KRW)	2012	Annual 2013	2014
Net Sales	1,524	1,610	1,705
Growth rate (%)		5.6%	5.9%
COGS	931	988	1,053
COGS (%)	61.1%	61.4%	61.8%
Gross Profit	593	622	651
GP Margin (%)	38.9%	38.6%	38.2%
SG&A	462	512	545
SG&A (%)	30.3%	31.8%	32.0%
Operating Profit	131	110	106
OP Margin (%)	8.6%	6.8%	6.2%
Recurring Profit	134	102	48
RP Margin (%)	8.8%	6.4%	2.8%
Net Income	103	73	28
Net Margin (%)	6.8%	4.5%	1.6%
EPS (Won)	73,131	51,973	19,568



Balance Sheet

(Unit : Billion KRW)	Annual 2013	2014
Current Assets	555	473
Cash/Cash equivalents	109	43
Receivables	215	246
Inventories	145	165
Non-liquid Assets	3,710	3,431
Investment & other assets	2,597	2,276
Tangible assets	1,113	1,155
Total Assets	4,265	3,904
Payables	199	184
Other Liabilities	1,130	1,044
Total Liabilities	1,329	1,228
Paid-in capital	7	7
Capital surplus	13	13
Retained earnings	1,698	1,711
Capital adjustment & Accumulated other comprehensive income	1,218	945
Total Shareholder's Equity	2,936	2,676
D/E Ratio(%)	45.3%	45.9%

* Unconsolidated base results under K-IFRS standard

Appendix - Summary Financial Statements (Consolidated)



Income Statement

(Unit : Billion KRW)	2012	Annual 2013	2014
Net Sales	1,865	1,976	2,225
Growth rate (%)		6.0%	12.6%
COGS	1,182	1,254	1,445
COGS (%)	63.4%	63.5%	64.9%
Gross Profit	683	722	780
GP Margin (%)	36.6%	36.5%	35.1%
SG&A	568	631	665
SG&A (%)	30.4%	31.9%	29.9%
Operating Profit	115	91	115
OP Margin (%)	6.2%	4.6%	5.2%
Recurring Profit	126	92	37
RP Margin (%)	6.8%	4.7%	1.7%
Net Income	90	55	2
Net Margin (%)	4.8%	2.8%	0.1%
EPS (Won)	65,102	36,044	(2,026)



Balance Sheet

(Unit : Billion KRW)	2013	Annual 2014
Current Assets	785	690
Cash/Cash equivalents	184	109
Receivables	266	289
Inventories	230	252
Non-liquid Assets	3,647	3,308
Investment & other assets	2,295	1,920
Tangible assets	1,352	1,388
Total Assets	4,432	3,998
Payables	248	227
Other Liabilities	1,218	1,151
Total Liabilities	1,466	1,378
Paid-in capital	7	7
Capital surplus	13	13
Retained earnings	1,668	1,653
Capital adjustment & Accumulated other comprehensive income	1,278	947
Total Shareholder's Equity	2,966	2,620
D/E Ratio(%)	49.4%	52.6%

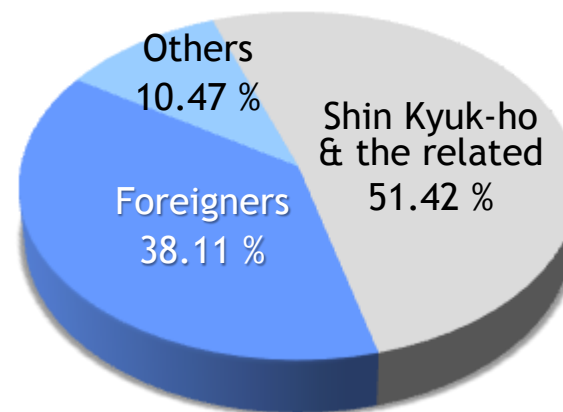
* Consolidated base results under K-IFRS standard



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 December 31, 2014)



Dividend / Payout Ratio

	2010	2011	2012	2013	2014
Share Price (₩)	1,508,000	1,707,000	1,630,000	1,912,000	1,780,000
Cash Dividend (₩million)	5,630	5,630	5,630	5,630	7,318
Dividend Rate (Dividend/face value)	80.0%	80.0%	80.0%	80.0%	104.0%
Dividend Per Share	4,000	4,000	4,000	4,000	5,200
Dividend Yield (DPS/Share Price)	0.3%	0.2%	0.2%	0.2%	0.3%
Payout Ratio (Dividend/Net Profit)	6.0%	5.6%	6.3%	10.2%	439.0%

※ Consolidated base(as of December 31, 2014)

Appendix - Shares in Related Companies

※ Consolidated base

(KRW mil., as of December 31, 2014)

		Company	Shares	%	Book Value	Category / Location of Business	Remark
Domestic	Affiliated (LOTTE)	Lotte Giants	6,000	30.0	4,354	Professional Baseball Team	※ Equity Method Affiliates
		Lotte Shopping	2,474,543	7.9	675,550	Department Store	
		Lotte Chilsung Beverage(common)	238,681	19.3	354,441	Carbonated Drinks, Juice, Liquor	
		Lotte Chilsung Beverage(preferred)	10,045	8.4	6,971	Carbonated Drinks, Juice, Liquor	
		Lotte Food	127,677	9.3	74,053	Cooking Oils, Ice Cream	
		Korea Seven	5,977,672	16.5	101,686	Convenience Store	
		Lotteria	65,374	13.6	84,842	Fast-food Restaurant Franchise	
		Lotte Station Building	319,200	8.9	74,109	Department Store	
		Lotte Data Communication Company	523,760	6.1	37,347	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	10,278	Distribution/Logistics Management & Consulting	
		Korea Fujifilm	1,250	0.9	6,255	Manufacturing & sales of digital cameras, printers	
		Lotte.com	523,548	11.3	6,650	Online commerce	
	Others						
		BS Financial Group	6,906,913	3.0	100,150		
	Shinhan Financial Group	458,111	0.1	20,363			
	Others			9,697	Cheil worldwide, Cosmo Investment Management, etc.		
		Sub Total			1,577,633		
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	81,732	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	4,807	China	
		Lotte Europe Holdings	182,186	25.9	8,163	Netherlands (holding company of Russian subsidiaries)	※ Equity Method Affiliates
		BIBICA CORPORATION	6,789,730	44.0	19,119	Vietnam	- Lotte Shanghai Foods 10% (held by China Investment)
		Lotte Vietnam	-	36.8	3,865	Vietnam	
		Lotte Taiwan	20,300,000	50.0	8,333	Taiwan	
		LH Foods	-	50.0	56,409	a joint venture in China	※ Joint arrangements
PT, Lotte Indonesia	8,910	1.5	650	Indonesia	※ Available-for-Sale Securities		
Lotte China management	-	10.0	891	China			
		Sub Total			600,695		
		Total			2,178,328		

Appendix - Subsidiaries, Associates and Joint Ventures

Summary of Relevant Information of Subsidiaries, Associates and Joint Ventures (2014 4Q)

Subsidiaries	Ownership	Location	Category	Sales	Net Income	Share of profit (loss) of associates
Lotte Food Holding Co., Ltd.	100.0			-	625	
Lotte Qingdao Foods Co., Ltd.	100.0			14,619	184	
Lotte Ice (Shandong) Co., Ltd.	71.4	China		2,928	(1,714)	
Lotte (China) Investment Co., Ltd.	100.0			34,333	(16,693)	
Lotte China Foods Co., Ltd.	53.6		Subsidiaries	30,142	(409)	
Lotte India Co., Ltd.	98.4	India		60,768	(59)	
Lotte Kolson(Private) Limited	96.5	Pakistan		79,047	2,405	
Lotte Confectionery Holdings B.V.*	51.0	Netherlands		118,387	7,319	
Lotte Confectionery (S.E.A) Pte., Ltd.	100.0	Singapore		17,015	14	
Rakhat JSC	79.8	Kazakhstan		213,093	11,067	
LH Foods Co., Ltd.**	50.0	China	Joint Ventures	154,156	1,450	1,964
Lotte Shanghai Foods., Ltd.***	5.0	China		154,156	1,453	(1,239)
Lotte Packaging(Beijing) Co., Ltd. <input checked="" type="checkbox"/>	25.0			13,704	(3,201)	(800)
BIBICA CORPORATION	44.0			55,998	5,233	2,311
Lotte Vietnam Co., Ltd. <input checked="" type="checkbox"/>	36.8	Vietnam	Associates	28,571	(424)	(156)
Lotte Taiwan Co., Ltd. <input checked="" type="checkbox"/>	50.0	Taiwan		28,183	881	280
Lotte Europe Holdings B.V. ****	25.9	Netherlands		136,100	(263,955)	(68,981)
Lotte Giants <input checked="" type="checkbox"/>	30.0	Korea		36,568	(879)	(267)
Total				869,456	(259,606)	(66,888)
- Consolidated (before eliminating intercompany transactions)				570,332	2,739	0
- Unconsolidated				299,124	(262,345)	(66,888)

*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 4Q)

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	Lotte Kolson(Private) Limited	96.5	existing shareholders 3.5
Russia	Lotte Europe Holdings B.V.	25.9	Lotte Shopping 31.0, Lotte Hotel 22.9, Lotte Chilsung 6.8 Lotteria 2.6
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