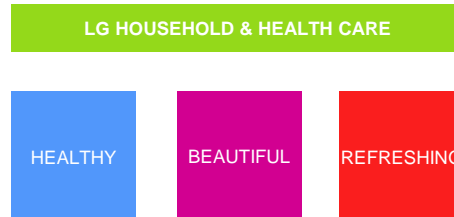


# LG Household & Health Care

Results for 2011



January 26, 2012

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Audit of these results is still in progress. Figures in this disclosure are subject to change during the auditing process.

# 4Q 2011 Sales and Operating Profit

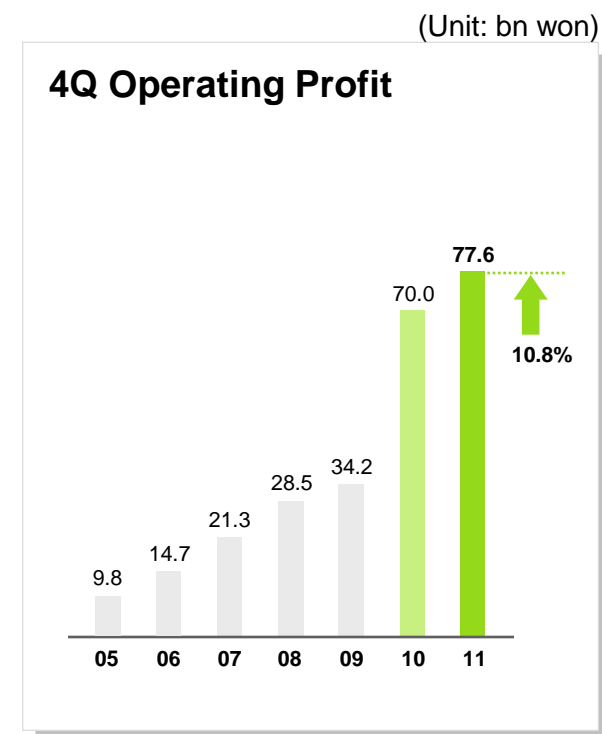
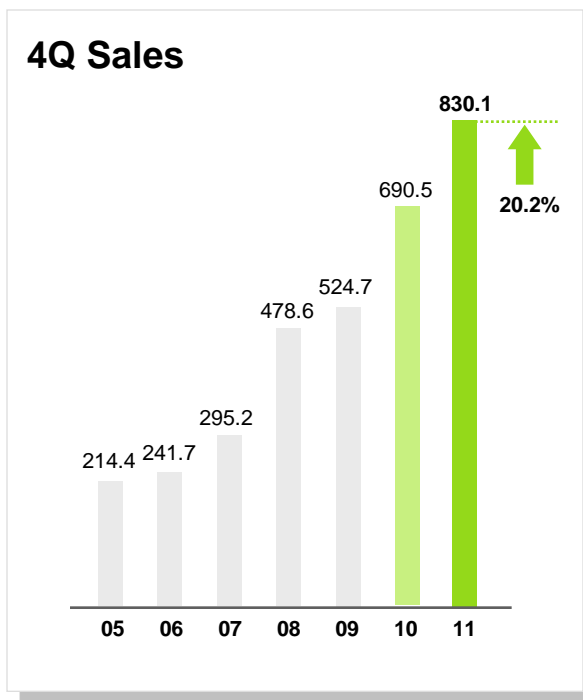
Total company in last quarter of 2011, 4Q, delivered 830.1 bn won in sales (20.2% growth yoy), 77.6 bn won in operating profit (10.8% growth yoy). These results in sales and operating profit each represent historic highs. Sales has increased for twenty-six consecutive quarters since 3Q 2005, and operating profit has increased for twenty-eight consecutive quarters since 1Q 2005; beating historic high results every quarter.

## 4Q 2011 Results (K-IFRS)

(Unit: bn won)	4Q 2010	4Q 2011	Increase
Sales	690.5	830.1	20.2%
Operating Profit	70.0	77.6	10.8%
Recurring Profit	63.6	69.8	9.8%
Net Profit	47.9	47.9	0.0% *

\* Government's plan to lower corporate tax rate from 24.2% to 22.0% from 2012 has been withdrawn. As a result, estimated deferred tax amount has gone up by 8.5 bn won. If the corporate tax rate decreased to 22.0% from 2012 as planned, 2011 4Q net profit would have been 56.3 bn won (18% growth yoy).

## 7-Year Trend

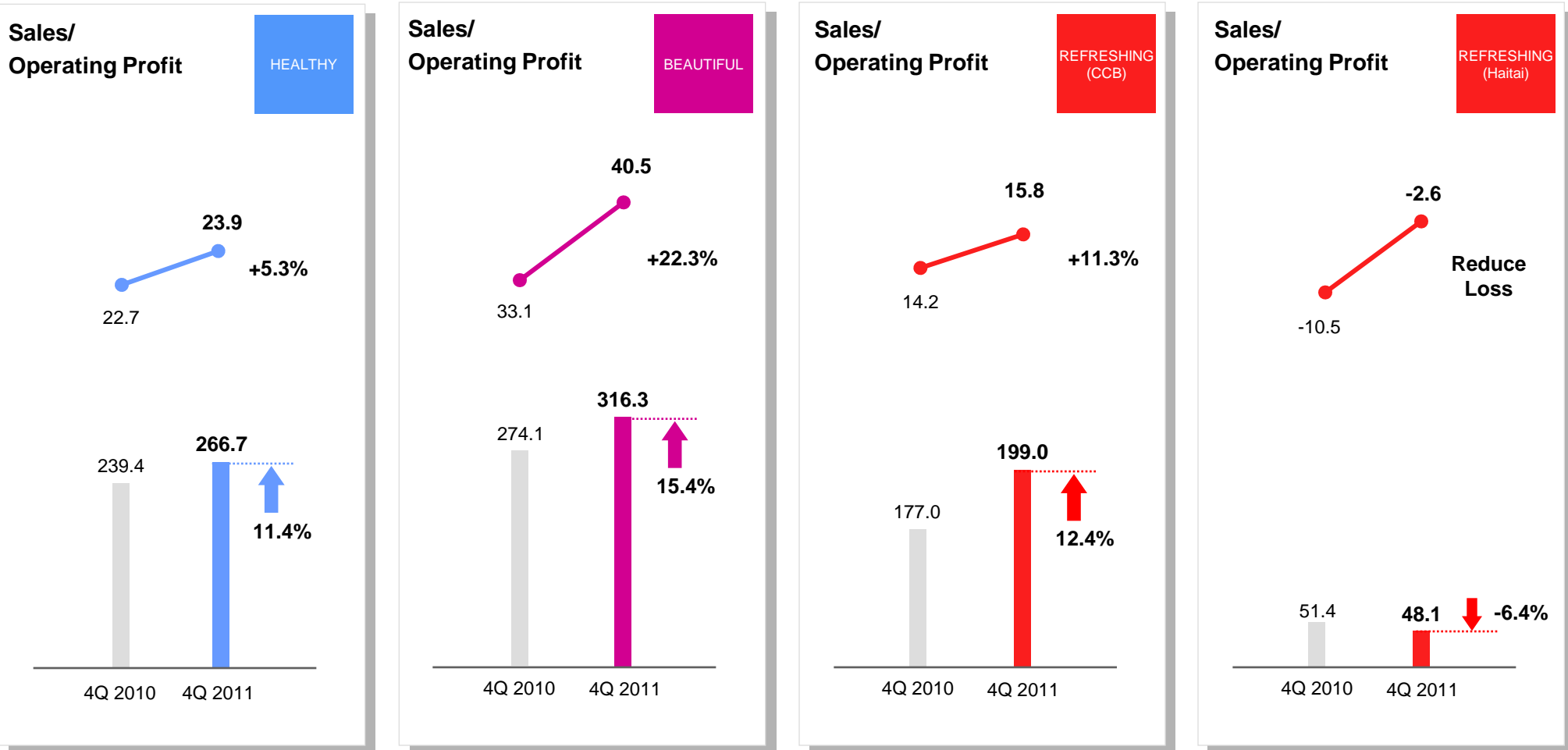


2005-2007: K-GAAP Non-Consolidated, 2008: K-GAAP Consolidated, 2009~2011: K-IFRS

# 4Q 2011 Sales and Operating Profit by Business

On a yoy basis, sales increased 11.4% in Healthy, 15.4% in Beautiful, 12.4% in CCB, and as a result of restructuring, such as brand rationalization, Haitai Beverage sales decreased by 6.4%. Operating profit increased 5.3% in Healthy, 22.3% in Beautiful, 11.3% in CCB, and significantly reduced Haitai Beverage's loss.

(Unit: bn won)



# 2011 Sales and Operating Profit

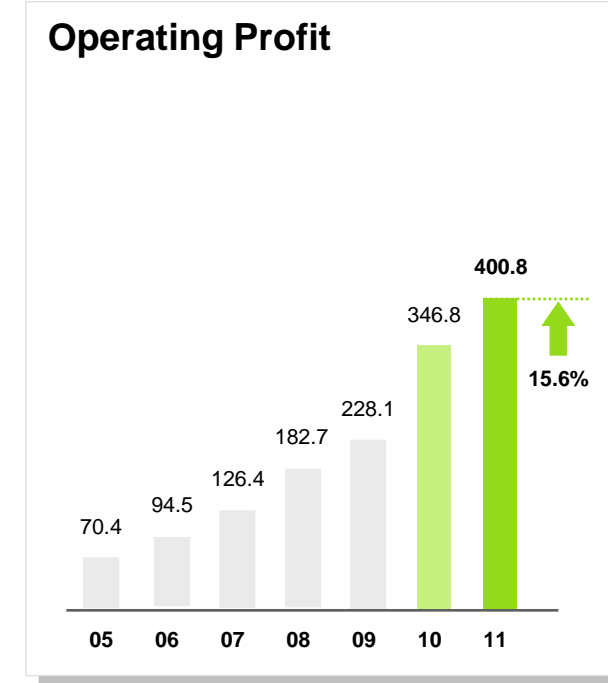
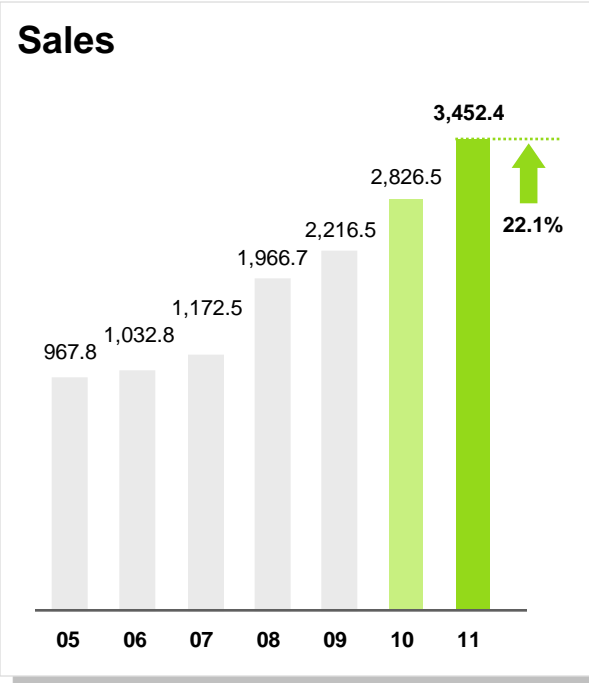
Total company in 2011 delivered 3.45 trillion won in sales (22.1% growth yoy), and 400.8 bn won in operating profit (15.6% growth yoy) as a result of well-balanced growth across all business units. As refreshing business unit also reached more than 1 trillion in sales in 2011, all business units reached more than 1 trillion won in sales each for the first time. Sales expanded to 3.6 times compared to 2005, and operating profit expanded to 5.7 times compared to 2005.

## 2011 Results (K-IFRS)

(Unit: bn won)	2010	2011	Increase
Sales	2,826.5	3,452.4	22.1%
Operating Profit	346.8	400.8	15.6%
Recurring Profit	318.6	372.1	16.8%
Net Profit	237.0	271.5	14.6%

## 7-Year Trend

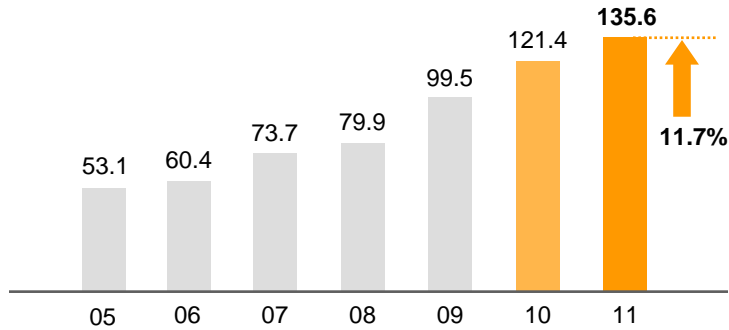
(Unit: bn won)



# 2011 Results by Business - Healthy

## Operating Profit

(Unit: bn won)



**Sales** increased 15.2% yoy to 1.18 trillion won, further widening the gap versus the number two player and expanding market control along with market share gain (32% at 2010 year-end to 34% at 2011 year-end).

**Operating profit** increased 11.7% yoy to 135.6 bn won despite pressures from raw material price increases.

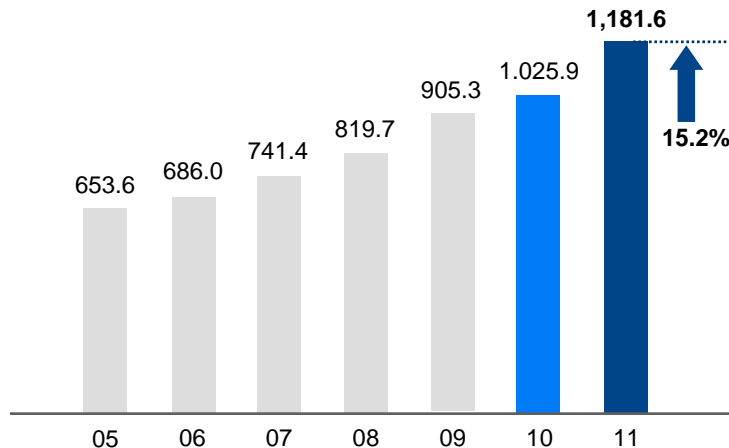
Further strengthened number one positions in toothpaste (43% MS\*), skin care (31% MS\*), laundry detergent (30% MS\*), and dishwashing detergent (38% MS\*) categories. Newly obtained number one position in fabric softener category (44% MS\*) with 40% sales growth yoy. Differentiated newly launched products, such as 'ON: THE BODY', successfully met growing demand for premium products in body care segment, delivering 29% sales growth yoy.

\*MS: Market Share

Two additions in household goods mega brands (over 100 bn won per annual sales in consumer price per brand) - fabric softener brand 'Saffron' and sanitary napkins brand 'Body Fit' - enabled the company to have the most number of mega brands in household goods industry as a single company; total five of them, including Elastine, Tech, and Perioe.

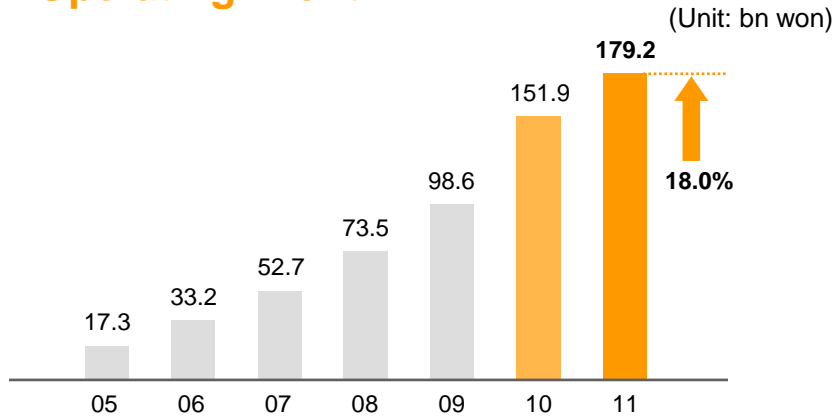
## Sales

(Unit: bn won)



# 2011 Results by Business - Beautiful

## Operating Profit



**Sales** increased 13.2% yoy to 1.23 trillion won as a result of: (1) strategic focus on prestige market that resulted in stable performance of 'Whoo' and 'Su:m' brands, and successful entry of 'Belif' brand, and (2) TheFaceShop overseas expansion.

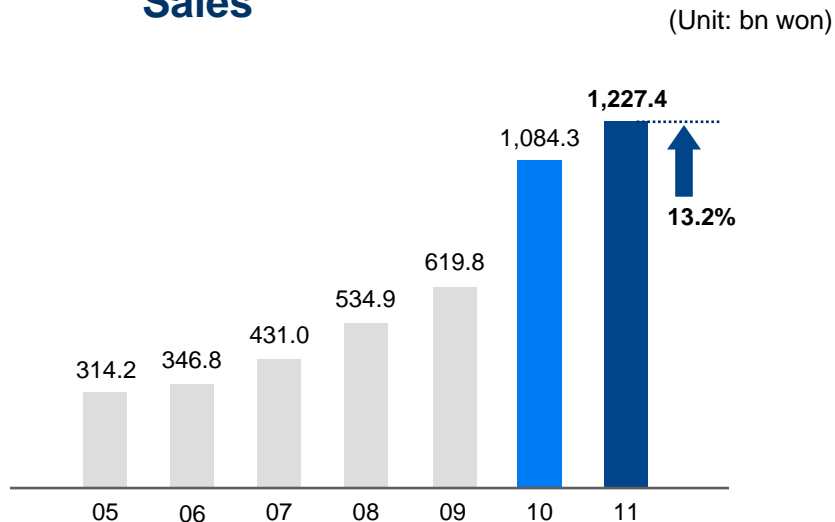
**Operating profit** increased 18.0% yoy to 179.2 bn won, and operating profit margin reached 14.6% with 0.6%p expansion.

Existing brands, 'OHUI' and 'Whoo' continued to show stable growth, and new brands delivered an outstanding growth in the **prestige segment**. Fermented concept brand 'Su:m' increased 48% yoy with rapid addition of department store counters (40 at 2010 year-end to 51 at 2011 year-end). Natural herbal brand 'Belif' expanded its department store counters to 19 (from 2 at 2010 year-end) as it is attracting consumers.

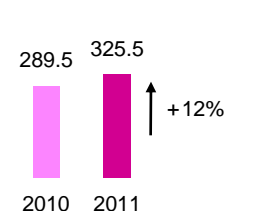
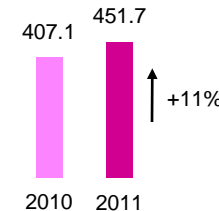
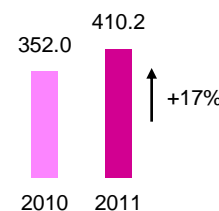
**In the masstige segment**, an upgraded version of Beautiplex, called 'BEAUTÉ de Beautiplex', opened 346 new 'BEAUTÉ' stores, reaching 1,130 stores total.

**TheFaceShop** sales increased 12.4% yoy, and store expansion has continued both domestically (+87 stores yoy, reaching 968 stores) and internationally (+576 stores yoy, reaching 889 stores). 412 sales locations were opened by AEON group in Japan, 215 store locations opened in China, and 262 store locations opened in other countries. Overall number of stores reached 1,857.

## Sales



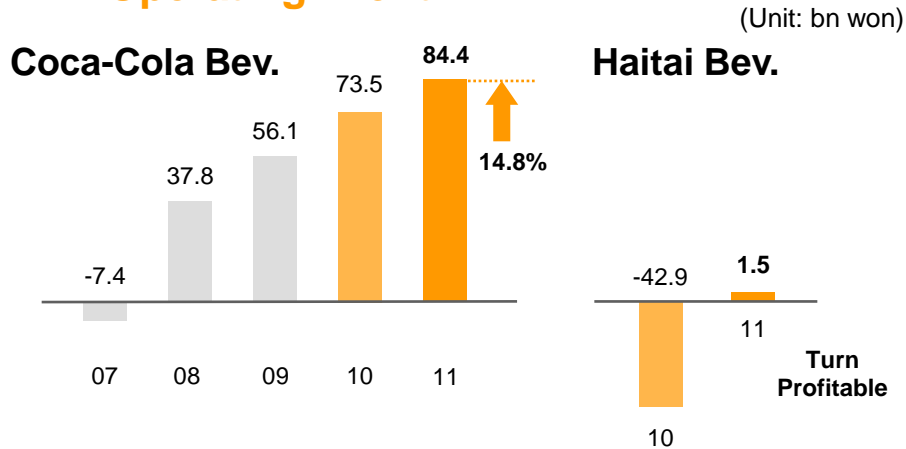
**Prestige Cosmetics Sales** (OHUI, Whoo, Su:m, Belif, Chungyunjin) | **Masstige Cosmetics Sales** (Isa Knox, LacVert, Sooryehan, Vonin, Beyond) | **Mass Cosmetics Sales** (TheFaceShop)



2005-2009: K-GAAP Non-Consolidated, 2010~2011: K-IFRS

# 2011 Results by Business - Refreshing

## Operating Profit



Refreshing business sales exceeded 1 trillion won for the first time with continuous growth from Coca-Cola Beverage and acquisition Haitai Beverage. Coca-Cola Beverage market share expanded 1%p to 25.1%, and total refreshing business exceeded 30% market share including Haitai Beverage.

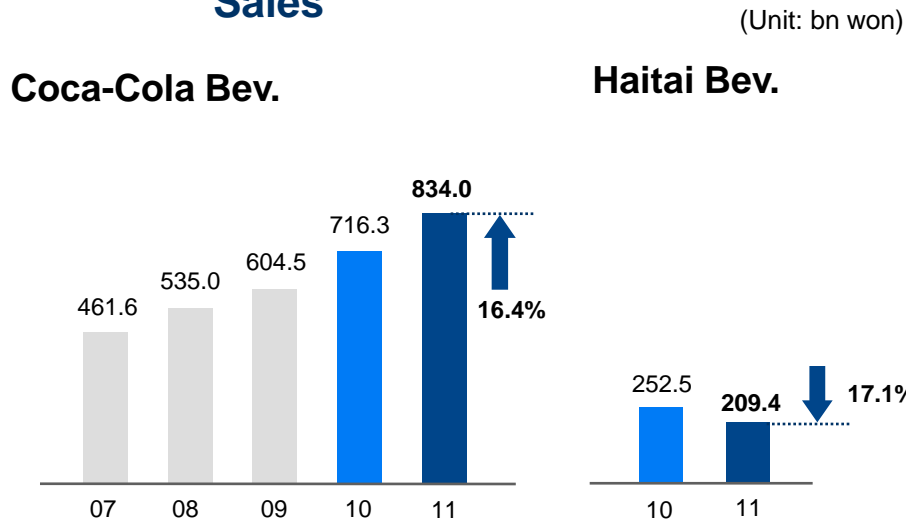
**Coca-Cola Beverage** sales increased 16.4% yoy to 834.0 bn won, and operating profit increased 14.8% yoy to 84.4 bn won.

**Carbonated beverage** sales grew 12% yoy with well-balanced performance of major brands, Coca-Cola, Sprite, and Fanta. **Non-carbonated beverage** grew 31% yoy. In particular, creation of new demand with Glaceau Vitamine Water was accepted by consumers very well, and delivered 75% yoy growth. Also, Georgia Coffee grew 64% yoy, and Powerade grew 16% yoy.

**Haitai Beverage** sales decreased 17.1% yoy from restructuring and reduction in channel inventory. Operating profit turned-around from fixed cost efficiency, such as consolidation of back office.

Also, brand and channel plans were redrawn. Haitai Beverage is fully prepared to accelerate synergies with Coca-Cola Beverage.

## Sales



# Summary Financial Statements (K-IFRS)

## Income Statement

(Unit: bn won)	4Q		Full Year	
	2010	2011	2010	2011
<b>Sales</b>	690	830	2,826	3,452
COGS	324	408	1,334	1,736
<b>Gross Profit</b>	366	422	1,493	1,716
SG&A and Others	296	344	1,146	1,315
<b>Operating Profit</b>	70	78	347	401
Non-Operating Loss	6	8	28	29
<b>Recurring Profit</b>	64	70	319	372
Income Tax	16	22	82	101
<b>Net Profit</b>	48	48	237	272

## Balance Sheets

(Unit: bn won)	2010 Year-end		2011 Year-end	
<b>Assets</b>	1,945	100%	2,369	100%
Cash & Cash Equivalent	44	2%	92	4%
Accounts Receivable	266	14%	327	14%
Inventories	233	12%	306	13%
PPE	1,366	70%	1,602	68%
Tangible Asset	629	32%	855	36%
Intangible Asset	664	34%	664	28%
<b>Liabilities</b>	1,100	57%	1,308	55%
Accounts Payable	186	10%	231	10%
Other Payables	132	7%	151	6%
Borrowings	505	26%	565	24%
Short Term Borrowings	156	8%	183	8%
Long Term Borrowings	349	18%	382	16%
<b>Total Shareholders' Equity</b>	845	43%	1,061	45%
Shareholders' Equity	89	5%	89	4%
Capital Surplus	97	5%	97	4%
Accumulated Other Comprehensive Income	-1	0%	0	0%
Retained Earnings	675	35%	884	37%
Other Capital	-72	-4%	-72	-3%
Minority Interest	57	3%	63	3%
Debt-to-equity Ratio	130%		123%	

# 2012 Business Plan

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With addition of future growth driver on top of current businesses, 2012 sales guidance for total company is 3.8 trillion won, and operating profit guidance for total company is 450.0 bn won.

**1. Further expand presence with new and differentiated approaches to become number 1 in domestic cosmetics market**

Build firm position in competitive prestige cosmetics market by: (1) strengthening 'OHUI' and 'Whoo' brands, (2) expanding prestige fermented concept brand 'Su:m' and natural herbal brand 'Belif', and (3) launching new and differentiated brands. Also, move into almost untapped segment for the company, which is color cosmetics, by utilizing newly acquired VOV's know-how and LGH&H's cosmetics business capabilities.

**2. Pioneer new segments and areas to strengthen all-time number 1 position in domestic household goods market**

To outgrow the stagnant household market and to prepare for new environmentally friendly consumption trend, lead the creation of environmentally friendly premium segment.

**3. Step towards becoming number 1 in domestic beverage market by maximizing synergies between Coca-Cola Beverage and newly acquired Haitai Beverage**

Successfully finish restructuring Haitai Beverage in all functions to turn profitable. Maximize synergies between Coca-Cola Beverage and Haitai Beverage by: (1) utilizing manufacturing and sales capabilities, and (2) strengthening brand portfolio to become number 1 in beverage market.

**4. Accelerate profitable expansion into global market with strong domestic cosmetics and household goods businesses**

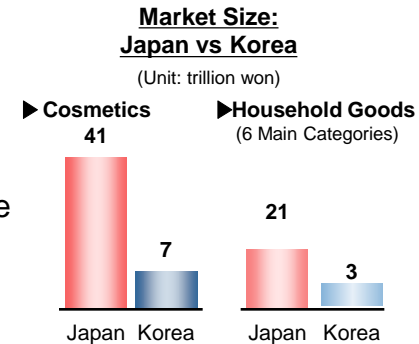
With focus on Asian market - China/Taiwan, Japan, and Southeast Asian countries, globalization will be accelerated. In China and Taiwan, focus will be on: (1) growing 'Whoo' and 'Sooryehan' brands, and (2) further expanding 'TheFaceShop' that converted to a new model in 2011. In Japan, growing newly launched 'TheFaceShop' and 'Su:m' brands will be the focus, along with establishment of local entity to expand cosmetics and household goods products.

**LGH&H has established local entities in China, Taiwan, and Vietnam as a footstep for globalization in Asia. However, in the biggest Asian market, Japan, the company relies only on export through local distributors. Going forward, the company plans to build strength in Japan through an acquisition of a local company.**

### Japanese Market

Japanese cosmetics market is about 41 trillion won, 6 times bigger than Korea, and household goods market(6 major categories) is about 21 trillion won, 7 times bigger than Korea. Both cosmetics and household goods market are second biggest in the world, after the US. The Japanese market is transparent and stable, hence business risk is relatively low compared to other emerging Asian markets. However, as local Japanese brands, such as Shiseido, Kanebo, Kose, and Kao, are well-established, Korean companies have struggled to penetrate into the market.

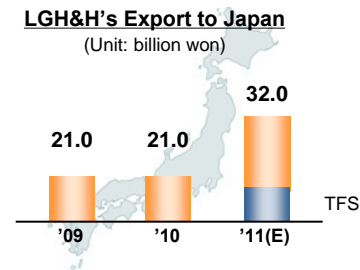
Recently, many years of recession has changed Japanese consumers' behavior, such as: (1) rise in willingness to try new brands, and (2) growth of interest in Korean products as a result of Korean wave.



### LGH&H's Presence in Japan

In Japan, LGH&H has been establishing presence of household goods in certain categories, such as laundry detergent, fabric softener, and oral care products, through TJI (exclusive distributor to LGH&H) and AEON group. Last June, door for cosmetics business has opened with a new partnership between AEON group and TheFaceShop (TFS). There are already more than 400 TFS sales locations, and further expansion through opening TheGoldenShop for middle age group is in plan as well. Also, fermented cosmetics brand, 'Su:m', in response to Japanese consumers demand, has started to sell on Japanese Lotte's online store.

Export to Japan in 2011 marked 32.0 bn won – household goods 28.0 bn won and TFS 4.0 bn won.

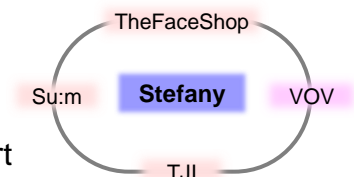


### Business Strategy in Japan

The scale of export to Japan is growing, but there is a limit if we only sell through distributors. Direct marketing through LGH&H's Japanese subsidiary is crucial for further business expansion to increase sales and strengthen brands.

Ginza Stefany, a cosmetics company started in Tokyo in 1992, will function as a headquarters in Japan, centralizing LGH&H's various businesses with its know-how and infrastructure in the local market. With its support to build solid foundation, expansion of 'TFS' and 'Su:m' will accelerate, and natural herbal brand 'Belif' and color cosmetics brand 'VOV' will be newly introduced.

### Japan Business Structure



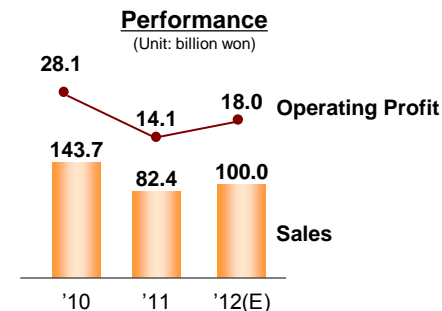
### Summary

Ginza Stefany will be the key in building LGH&H's presence in Japan. As Japanese M&A market is quite closed, and Japanese cosmetics companies are rarely up for sale, this opportunity is vital for LGH&H.

### Company Description

Ginza Stefany is a cosmetics company located in Tokyo, Japan, focused on selling 'anti-aging' products through consultation. Main sales strategy is utilizing its consumer database - samples are sent to consumers and specialized consultant will contact the consumer via phone afterwards. The company in 2010 delivered 143.7 bn won in sales, 28.1 bn won in operating profit, and 20% in operating profit margin. As a result of earthquake, tsunami, and nuclear crisis in 2011, the company only delivered 82.4 bn won in sales, and 14.1 bn won in operating profit. As earthquake affected Tokyo the most, impact to Tokyo-based Ginza Stefany was significant. Yet, 2012 results show the trend towards recovery; delivering 100.0 bn won in sales and 18.0 bn won in operating profit.

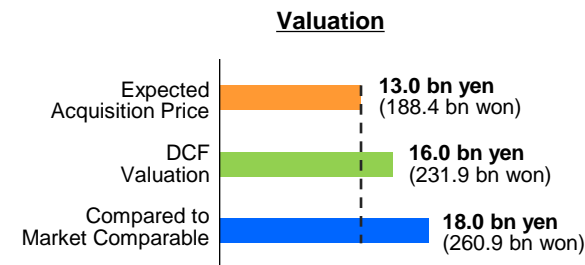
As a result of continuous profitable performance, the company accumulated more than 3.4 bn yen (49.3 bn won) cash at 2011 year-end, and owns a ten-floor-high building at Ginza Tokyo, which can later be used for LGH&H's cosmetics brands' store location.



### Valuation

Based on 6x operating profit of 1.15 bn yen in 2012, the Enterprise Value of Ginza Stefany is 6.9 bn yen. LGH&H has executed a share purchase agreement to acquire 100% of Ginza Stefany, including 2.7 bn yen real estate assets in Ginza and Narita and 3.4 bn yen cash. 70% of the company, 9.1 bn yen, will be acquired immediately, and the remaining 30% will be acquired in three years at adjusted price based on earn-out payment method.

Under DCF model ran by advisors, Locus Capital Partners and Samil PricewaterhouseCoopers, the Enterprise Value of Ginza Stefany is 16.0 bn yen (including real estate and cash). Using listed Japanese cosmetics companies as comparable, the suggested Enterprise Value is 18.0 bn yen - 9.8x market cap/operating profit and 30% management premium.



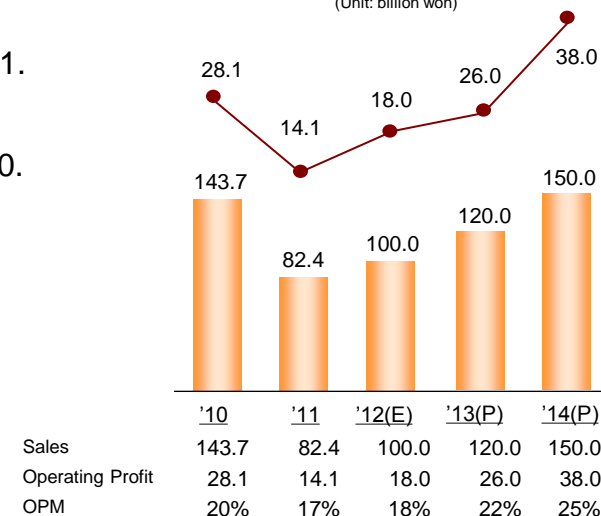
**With synergies from LGH&H's cosmetics business capabilities and Ginza Stefany's local know-how, cosmetics business for both LGH&H and Ginza Stefany will expand in Japan. This acquisition is the key in expanding presence in Japanese market for LGH&H's cosmetics and household goods.**

### Ginza Stefany: Long Term Growth Strategy

- Normalize its sales and operating profit that was negatively impacted by the earthquake in 2011.
- Actively and efficiently utilize consumer database (of which only 100,000 out of 4.5 million are actual consumers for Ginza Stefany products) to increase active consumers by 50% to 150,000. Strengthen marketing through: (1) development of new differentiated products, (2) more segmented and specialized consumer consultation, and (3) more effective sampling.
- Replicate differentiated consultation-focused sales via telephone model and specialized 'anti-aging' cosmetics products of Ginza Stefany in Korea. Further build LGH&H's cosmetics strength in Korea by utilizing superior and unique ingredients from Japanese cosmetics market to Korean market.
- Prepare and target for aging population through Ginza Stefany's unique concierge\* model in Korea.

**Ginza Stefany Performance**

(Unit: billion won)



### Key Role for expansion in Japan

In order to expand LGH&H's presence in Japanese household goods and cosmetics markets, a firm base to execute strategies directly is vital. Ginza Stefany will serve this role for LGH&H in Japan with local expertise and experience. By utilizing well-established database with more than 300 local talents, Ginza Stefany will enable LGH&H to minimize risk and execute efficiently.

Moreover, Ginza Stefany will play a critical role by: (1) strengthening current household goods exclusive distributor, TJI, (2) further expanding 'Su:m' and 'TheFaceShop' brands, and (3) seeking most efficient way to launch new brands such as 'Belif' and 'VOV'.

\* Concierge: Consultants who build special trust-based relationship with consumers by not only selling cosmetics products via telephone, but also by providing total service that consumers inquire (starting from consulting skin-related problems to recommending restaurants and hospitals).



Headquarters in Ginza, Tokyo

### World One

WORLD  
ONE



### Pure'D 100

PURE'D 100



### Beautiful Stefany

美肌ステファニー



### Others

