



hite

Clean, Crisp and Fresh!

Hite-Jinro Investor Presentation

December 2008

3Q results of Hite Brewery

(1H before de-merger + 3Q of Hite Brewery)



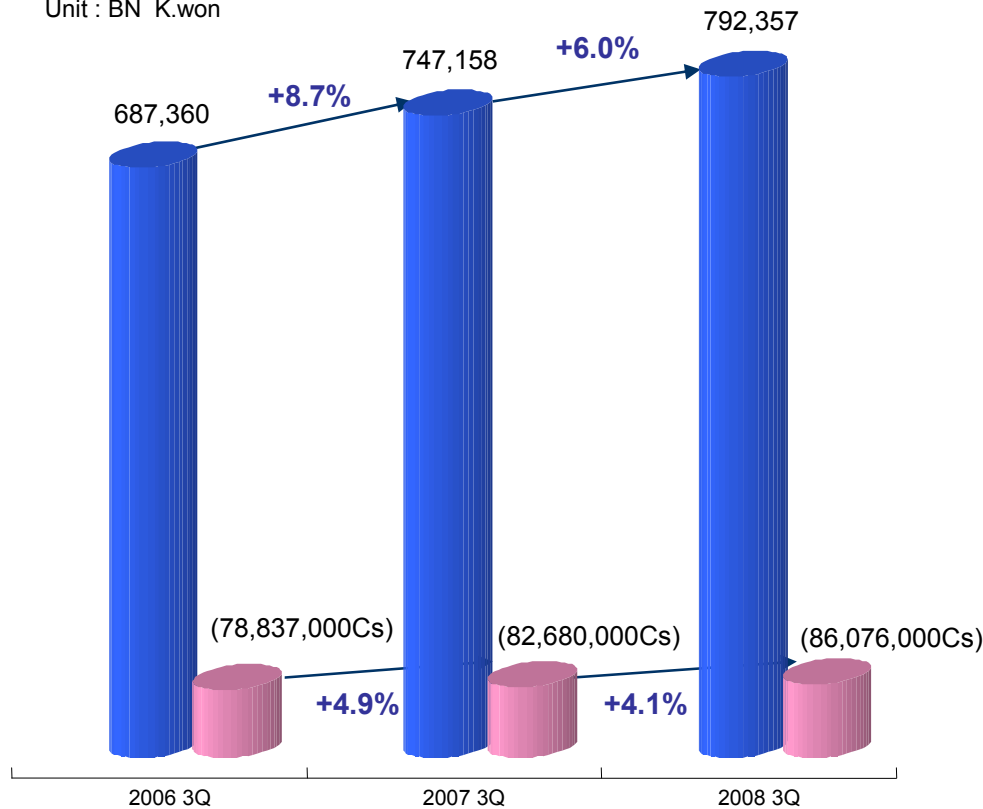
Trend in sales growth



■ 3Q08 sales +4.5% y-y (YTD 6% up)

■ Sales ■ Volume

Unit : BN K.won

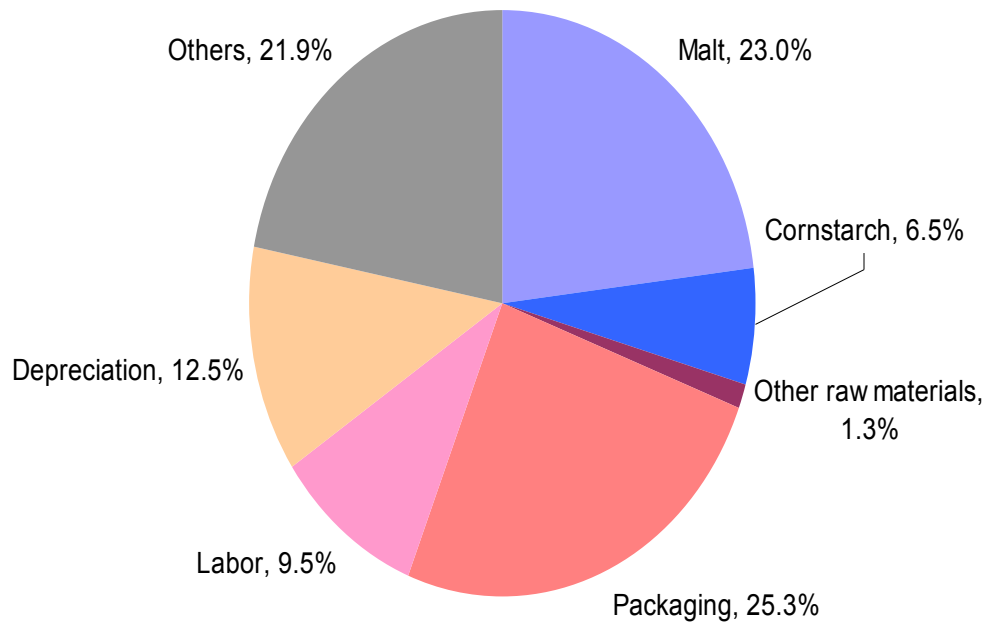


- ✓ Sales volume increased by +1.8% y-y (YTD 4.1% up)
- ✓ Reasons for sales increase
 - ① Sales volume increased by +1.8% y-y
Relatively low increase by speculative demand in 2Q
 - ② 5.6% price hike in July 2008 partly reflected
 - ③ Other factors
 - Sales improvement by Olympic (Aug) and Korean Thanksgiving Day (Sep)
 - Affected by long, hot summer lasted until September
 - Consumption was not affected by economy stagnation

Cost Breakdown



- 1H08+3Q08 Net Sales ⇒ W421.8bn (+2.0% y-y, gross profit margin 53.2% → -2.1%p y-1hy)
- Increased unit price of imported malt, currency, cornstarch, packing materials → solved with price hike and increasing sales volume



COGS breakdown

✓ Malt

- Quantity consumed : domestic 19,415tons (18.5%), imported 85,284tons (81.5%)

✓ Out of total malt cost of W81.5bn

domestic W20.3bn(35.4%), imported W85.7bn(67.6%)
 domestic -W1.4bn y-1hy / imported +W17.8bn
 Totally increased W 16.4bn (compared to sales -2.1%)

✓ Starch

- Quantity consumed : 36,882tons /
 Cost : W240.9bn (Increased W8.7bn y-y)
 - Caused by using Non-GMO starch from July, 2008 additional cost occurrence is expected.

✓ Packing materials

- +W9.3bn y-1hy
 - Packing cost increased due to rose of PET and can product

✓ Weaker Won currency

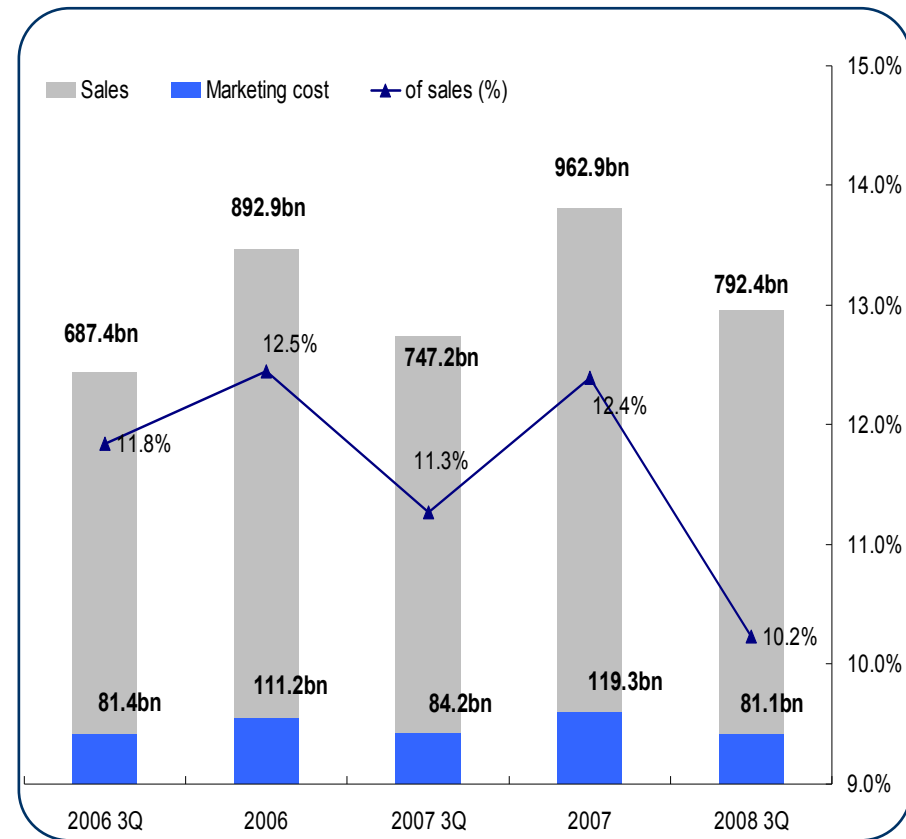
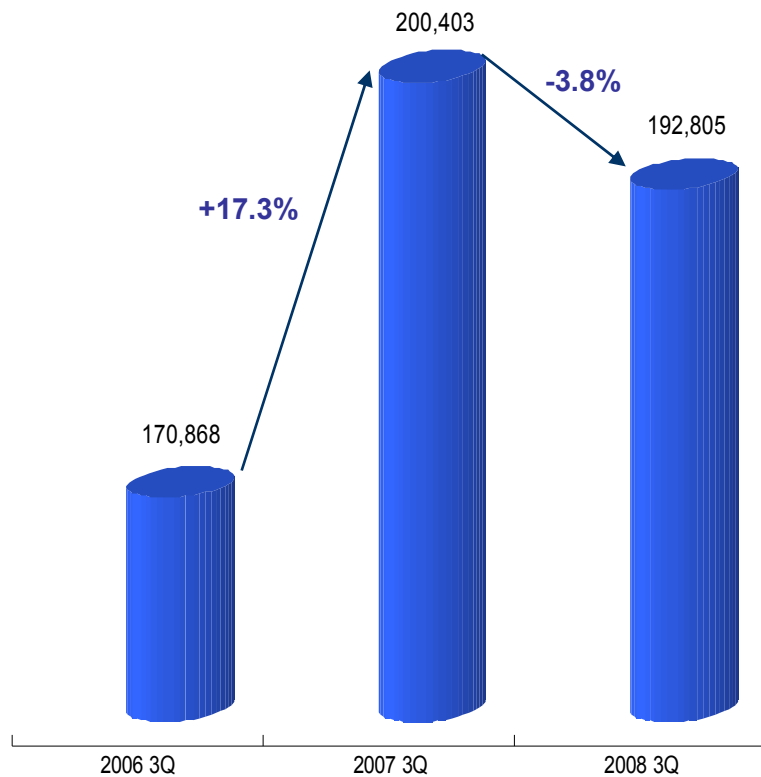
- When Korean won depreciates by 100 won versus US dollar, the company will incur additional cost of W3.8bn annually. However weak won effect will be partly offset by tariff cut of government

Competition and marketing strategy



- Operating profit : 193bn (-3.8% y-y, operating profit margin 24.3% → - 2.5%p y-y)
- Marketing Cost : 10.2% of Sales (-1.1%p y-y)

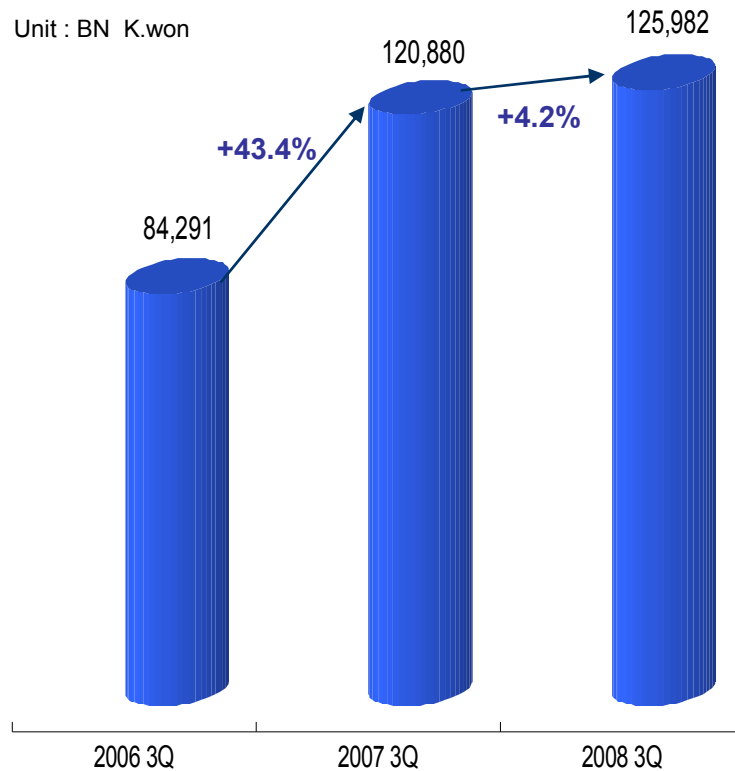
Unit : BN K.won



Earnings improvement



- 1H08 net profit : +4.2% y-y
- Improved Jinro equity method was reflected to Hite holdings from 2H 2008. Interest expenses increased.



- ✓ Jinro equity method gain excluded
equity method gain of Jinro in 3Q08 : 3.8bn excluded
- ✓ Interest bearing debt
End of December 2007 : W953bn
End of June 2008 (Before de-merger) : W1143bn
July 1, 2008 (After de-merger) : W861bn
→ Short-term loan : W523bn (interest rate : avr. 6.5%)
Bonds: W330bn (interest rate : avr. 5.5%)
→ After de-merger, Hite holdings has taken W290bn.
Interest bearing debts of Hite Brewery is reduced.

HITE financial statements



Balance sheet

Unit : KWrm

Items	2008 3Q	In/decrease	ratio	2007	2006
Assets	1,878,069	-32.1%	100.0%	2,766,797	2,674,500
1. Current Assets	525,299	7.6%	28.0%	488,038	437,886
(1) Cash and receivables	442,181	6.1%	23.5%	416,613	368,249
(2) Inventories	83,118	16.4%	4.4%	71,425	69,637
2. Non-current Assets	1,352,770	-40.6%	72.0%	2,278,759	2,236,614
(1) Investment	866	-99.9%	0.0%	961,278	992,473
(2) Property, Land & Equipment	1,270,751	2.0%	67.7%	1,246,210	1,243,534
(3) Goodwill, Industrial property rights	0	-100.0%	0.0%	544	607
(4) Other non-current Assets	81,153	14.7%	4.3%	70,727	0
Liabilities	1,268,810	-12.2%	67.6%	1,444,363	1,448,604
1. Current Liabilities	939,878	-14.1%	50.0%	1,093,863	865,736
2. Non-current Liabilities	328,932	-6.2%	17.5%	350,500	582,868
Shareholder's equity	609,259	-53.9%	32.4%	1,322,435	1,225,896
1. Shareholders' Equity	48,711	-55.8%	2.6%	110,205	110,205
2. Capital surplus	516,751	-18.9%	27.5%	636,861	632,937
3. Capital adjustment	-806	-99.2%	0.0%	-100,584	-85,084
4. Unappropriated retained earnings	-42	-100.3%	0.0%	13,159	19,085
5. Retained earnings	44,645	-93.3%	2.4%	662,794	548,753

Income statement

Unit : KWrm

Items	2008 3Q	In/decrease	ratio	2007 3Q	ratio	2006 3Q	ratio
Sales	792,357	6.0%	100.0%	747,158	100.0%	687,360	100.0%
(Volume'000)	(32,430Cs)	1.8%		(31,860Cs)		(30,113Cs)	
COGS	370,601	11.1%	46.8%	333,672	44.7%	319,487	46.5%
Gross profits	421,756	2.0%	53.2%	413,486	55.3%	367,873	53.5%
SG&A	228,951	7.4%	28.9%	213,083	28.5%	197,005	28.7%
(Marketing cost)	53,213	-36.8%	6.7%	84,198	11.3%	81,362	11.8%
Operating profits	192,805	-3.8%	24.3%	200,403	26.8%	170,868	24.9%
Non-operating profit	46,839	177.5%	5.9%	16,877	2.3%	46,668	6.8%
(Equity method gain from Jinro)	0	100.0%	0.0%	8,179	1.1%	19,544	2.8%
Non-operating loss	61,006	32.9%	7.7%	45,898	6.1%	63,430	9.2%
(Interest expense)	42,018	2.7%	5.3%	40,927	5.5%	55,195	8.0%
Recurring profit	178,638	4.2%	22.5%	171,382	22.9%	154,106	22.4%
Special gain	-			-		-	0.0%
Special loss	-			-		-	0.0%
Profit before tax	178,638	4.2%	22.5%	171,382	22.9%	154,106	22.4%
Corporate tax	52,656	4.3%	6.6%	50,502	6.8%	69,815	10.2%
Net profit	125,982	4.2%	15.9%	120,880	16.2%	84,291	12.3%

HITE financial statements



Cash flow statement

Unit : KW m n

Items	2008 3Q	Increase /Decrease	2007 3Q	2006 3Q
Cash flow from operating activities	49,200	-61.9%	129,250	21,268
1. Net profit	125,953	4.2%	120,879	6,409
2. Adjustment to reconcile net profit to net cash provided by operating activities	82,188	8.1%	76,039	34,530
(Depreciation)	51,363	-0.3%	51,513	17,803
3. Loss from net profit provided by non cash items	(39,274)	237.4%	(11,640)	(1,777)
(Equity method gain)	23,225	184.0%	8,179	200
(Gain from asset disposal)	2,173	426.2%	413	715
4. Increase (Decrease) in liabilities	(119,667)	113.6%	(56,028)	(17,894)
(Accounts and notes payable trade)	(28,326)	-37.7%	(45,502)	(9,247)
Cash flow from investing activities	(218,433)	184.3%	(76,845)	(10,053)
1. Cash in-flow from investing activities	3,250	-14.8%	3,816	982
2. Cash out-flow from investing activities	(221,683)	174.8%	(80,661)	(11,035)
Cash flow from financing activities	142,384	-260.9%	(88,487)	(7,220)
1. Cash in-flow from financing activities	918,760	129.9%	399,682	34,878
2. Cash out-flow from financing activities	(776,376)	59.0%	(488,169)	(42,098)
Other cash loss	0	#DIV/0!	0	1,543
1. Cash flows from spin-off	0	#DIV/0!	0	1,543
Net increase in cash	(26,849)	-25.6%	(36,082)	2,453
Cash at beginning of year	76,216	60.4%	47,517	11,682
Cash at end of year	49,367	331.7%	11,435	14,135

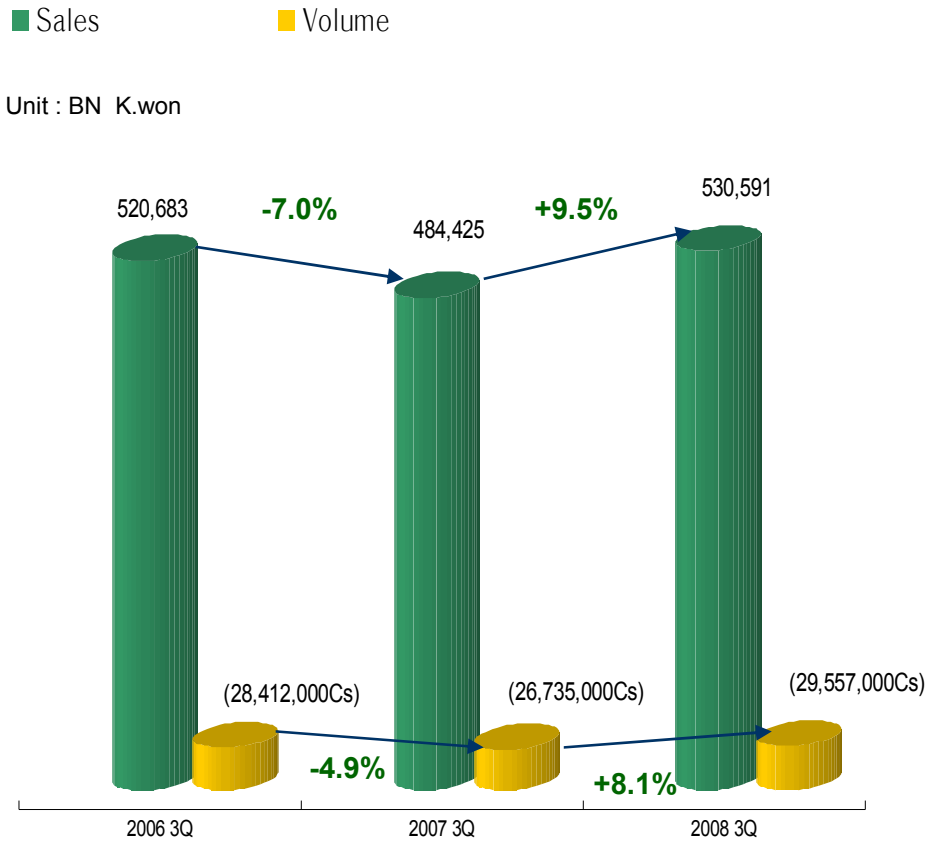
3Q results of Jinro



Sales growth trend



■ Sales increased 4.1% (YTD 9.5% up)



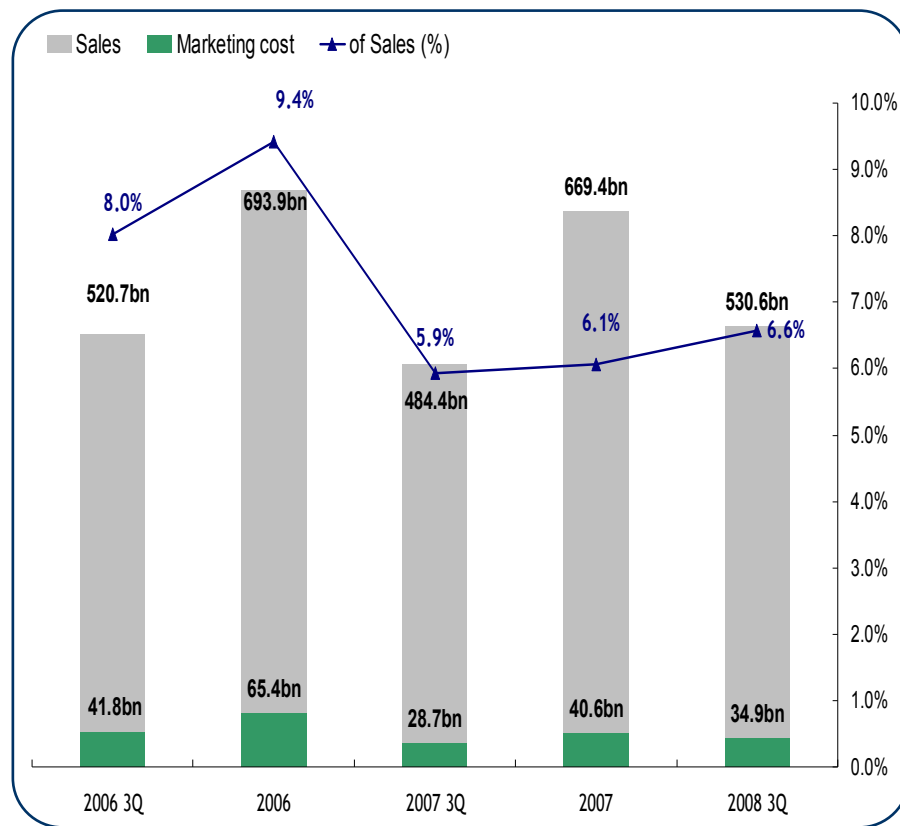
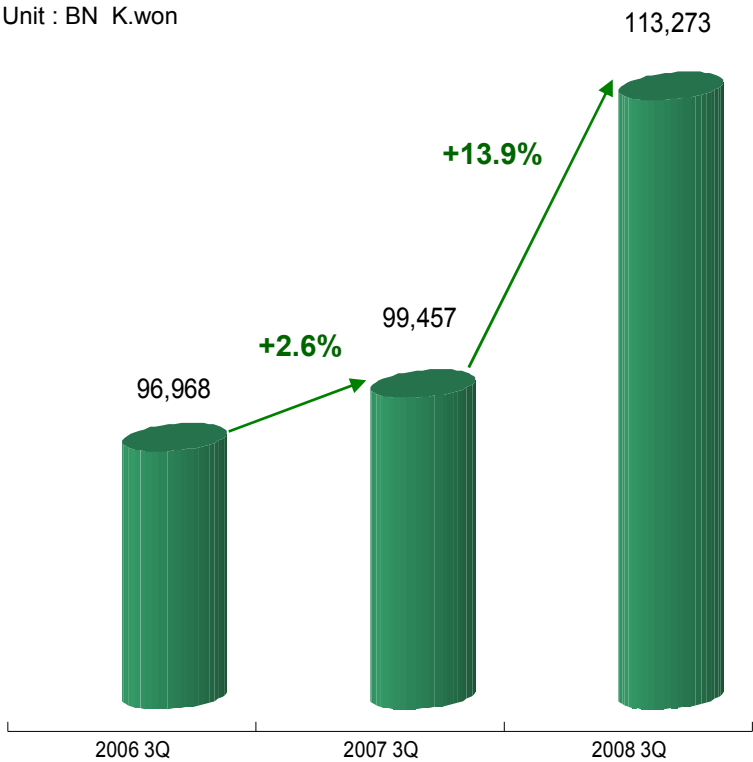
- ✓ Sales volume grew 3.1% y-y (YTD 8.1% grew)
- ✓ Reason for sales increase
 - ① Price hike of 4.92% reflected in May 2007
 - ② Increased market share y-y
 - 2007 1H3Q : 49.6%
 - 2008 1H3Q : 51.0%
- ✓ Others
 - Actual sales increased by 12.4% considering Jinro soju sales of W10.8bn (old Masan factory)

Competition and marketing strategy



- Operating profit rose 13.9% y-y (Operating profit margin 21.3%)
- Market Share (YTD): 51.0%
- Marketing cost : 6.6% of sales

Unit : BN K.won

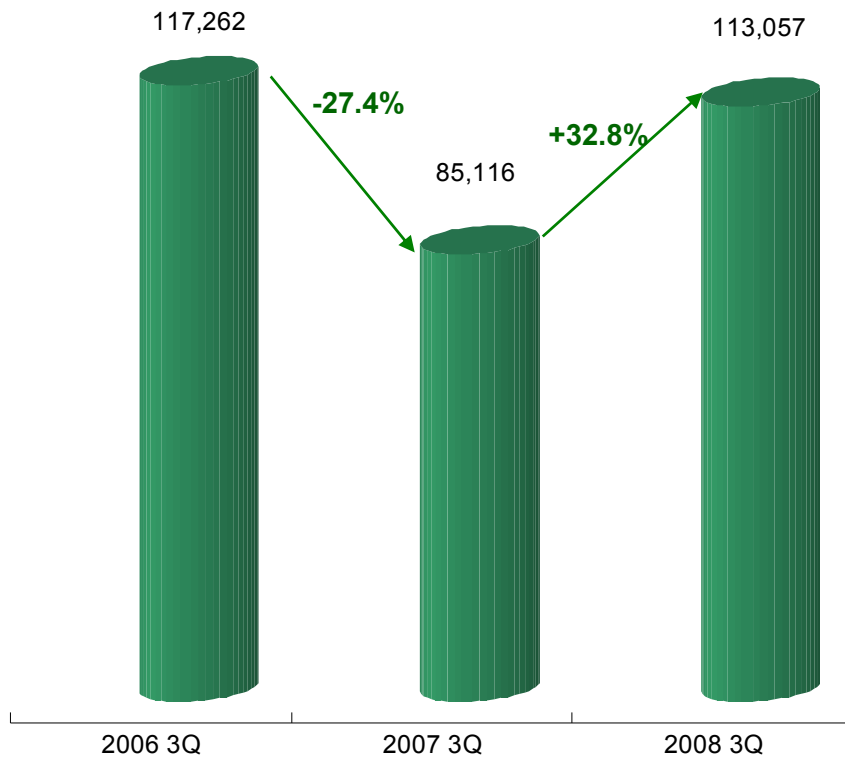


Earning improvement



- Net profit climbed 32.8% y-y
- Backed by higher OP, reduction of interest expenses, disposal of idle properties

Unit : BN K.won



- ✓ OP increase by 13.8bn
- ✓ Reduce interest expenses by W6.8bn y-y
Interest bearing debt in 2006 : W600bn
Interest bearing debt in 2007 : W450bn
Interest bearing debt in 2008 : W410bn
(Rate of interest CD + 0.7% (avr. 6.6%))

✓ Disposal of idle assets

	Goesan industrial complex	Ex-Daegu branch site
Book Value	W3.9bn	W2.2bn
Sale Value	W19.6bn	W3.5bn

- ✓ Reduction of net profit for 2007 is caused by disposable income W42bn
(Receive allowance for contingent liabilities W18bn, interest profit from loan W24bn)

Non-core assets



- Old headquarter building and land
- 30% stake of Jinro Ballantines

I . Real Estate

- **Old headquarter and its land banks**
- Location : near south bus terminal
- Land : 1,243 pyung, Building : 3.029 pyung
- Book value : KW 7bn
- Disposable price : KW 110bn

II . 30% stake of JBC

- **Buyer : Pernod Ricard(Allied Domecq)**
- Jinro Ballentines is the JV between Jinro and Allied Domecq
- Book value : KW 20bn
- Disposable price : not decided

JINRO financial statements



Balance sheet

Unit : KW/m

Items	2008 3Q	In/decrease	ratio	2007	2006
Assets	1,236,124	-1.8%	100.0%	1,310,206	1,469,103
1. Current Assets	258,038	-19.3%	20.1%	319,863	280,239
(1) Cash and receivables	230,493	-21.7%	17.9%	294,426	254,143
(2) Inventories	27,605	8.5%	2.1%	25,437	26,156
2. Non-current Assets	1,028,026	3.8%	79.9%	990,343	1,188,804
(1) Investment	437,028	9.4%	34.0%	399,309	565,820
(2) Property, Land & Equipment	341,036	2.1%	26.5%	333,930	366,235
(3) Goodwill, Industrial property right:	1,283	25.9%	0.1%	1,019	788
(4) Other non-current Assets	248,617	-2.9%	19.3%	256,025	255,960
Liabilities	849,451	-16.4%	66.0%	1,015,690	1,330,195
1. Current Liabilities	544,936	-33.1%	42.4%	814,982	346,116
2. Non-current Liabilities	304,455	51.7%	23.7%	200,708	984,079
Shareholders' Equity	436,673	50.5%	34.0%	290,219	138,909
1. Shareholders' Equity	215,000	0.0%	16.7%	215,000	215,000
2. Capital surplus	4,236	0.0%	0.3%	0	736,449
3. Capital adjustment	-15	0.0%	0.0%	-15	-15
4. Unappropriated retained earnings	18,087	-264.2%	1.4%	-11,014	-11,613
5. Retained losses	199,305	131.1%	15.5%	86,248	-800,912

Income statement

Unit : KW/m

Items	2008 3Q	In/decrease	ratio	2007 3Q	ratio	2006 3Q	ratio
Sales	530,591	9.5%	100.0%	484,425	100.0%	520,683	100.0%
(Volume000')	(43,139Cs)	8.1%		(39,906Cs)		(41,947Cs)	
COGS	292,806	7.3%	55.2%	272,993	56.4%	290,863	55.9%
Gross profit	237,785	12.5%	44.8%	211,432	43.6%	229,820	44.1%
SG&A	124,511	11.2%	23.5%	111,975	23.1%	132,852	25.5%
(Marketing expenses)	34,884	21.0%	6.6%	28,826	6.0%	41,797	8.0%
Operating profit	113,274	13.9%	21.3%	99,457	20.5%	96,968	18.6%
Non-operating profit	49,558	5.1%	9.3%	47,135	9.7%	107,219	20.6%
Non-operating loss	42,746	-30.5%	8.1%	61,476	12.7%	86,925	16.7%
(Interest expense)	18,418	-27.1%	3.5%	25,256	5.2%	47,513	9.1%
Recurring profit	120,086	41.1%	22.6%	85,116	17.6%	117,262	22.5%
Special gain	-	-	-	-	-	-	-
Special loss	-	-	-	-	-	-	-
Profit before tax	120,085	41.1%	22.6%	85,116	17.6%	117,262	22.5%
Corporate tax	7,028			-		-	0.0%
Net profit	113,057	32.8%	21.3%	85,116	17.6%	117,262	22.5%

JINRO financial statements



Cash flow statement

Unit : K W m n

Items	2008 3Q	Increase /Decrease	2007 3Q	2006 1Q
Cash flow from operating activities	(9,612)	-107.1%	135,798	80,256
1. Net profit	113,057	32.8%	85,115	21,536
2. Adjustment to reconcile net profit to net cash provided by operating activities	43,902	-27.9%	60,917	15,687
(Depreciation)	16,159	-11.2%	18,202	6,019
3. Loss from net profit provided by non cash items	(33,866)	17.0%	(28,934)	(3,963)
(Equity method gain)	(13,619)	16.5%	(11,689)	(4,091)
(Gain from asset disposal)	(18,047)	54.4%	(11,689)	(392)
4. Increase (Decrease) in liabilities	(132,705)	-609.7%	18,700	46,996
(Accounts and notes payable trade)	(3,824)	81.8%	20,983	(10,610)
Cash flow from investing activities	(16,528)	-111.2%	148,129	133,339
1. Cash in-flow from investing activities	44,396	-78.5%	206,055	190,206
2. Cash out-flow from investing activities	(60,924)	5.2%	(57,926)	(56,867)
Cash flow from financing activities	(36,950)	-85.8%	(259,453)	(149,040)
1. Cash in-flow from financing activities	413,352	#DIV/0!	0	(48,754)
2. Cash out-flow from financing activities	(450,302)	73.6%	(259,453)	(100,286)
Other cash loss	0		0	0
1. Cash flows from spin-off	0		0	0
Net increase in cash	(63,090)	-357.8%	24,474	64,555
Cash at beginning of year	144,265	64.7%	87,574	869,716
Cash at end of year	81,175	-27.6%	112,048	934,271

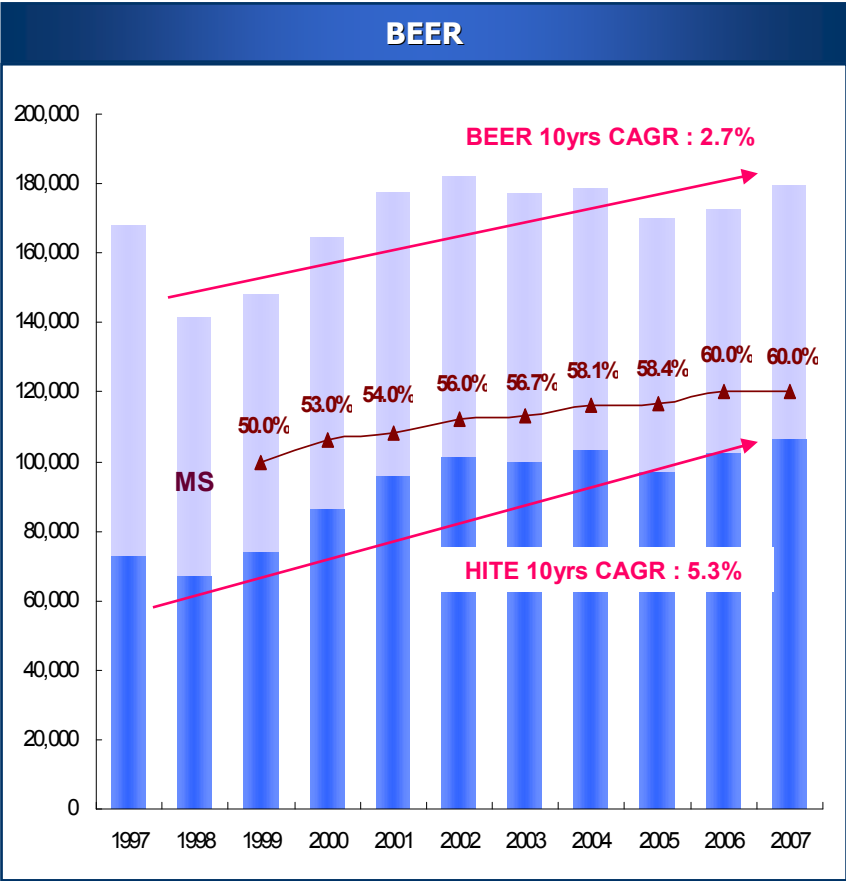
hite

Appendix

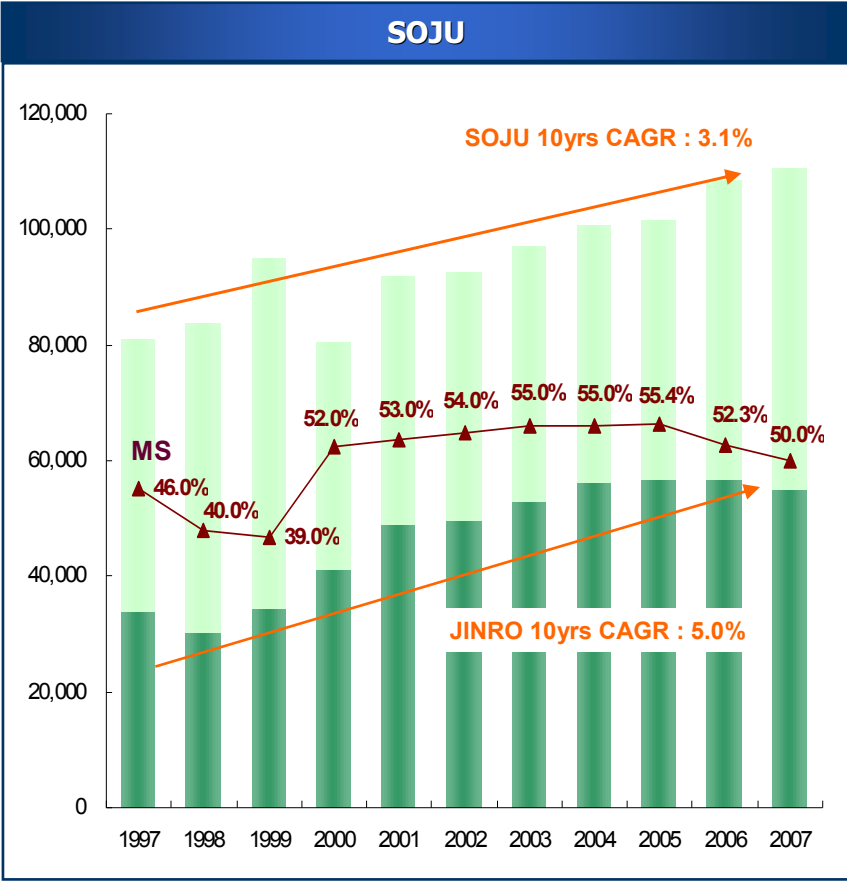
Proven track record for growth



- In whole liquor market, Beer and Soju are occupying 60% and 30% each.(National Tax office on May 7 2008)
- CAGR of Beer and Soju is about 3%.



•Based on delivery numbers from Korea Alcohol & Liquor Industry Association and Hite sales volume



•Based on delivery numbers from Korea Alcohol & Liquor Industry Association and Jinro sales volume(domestic)

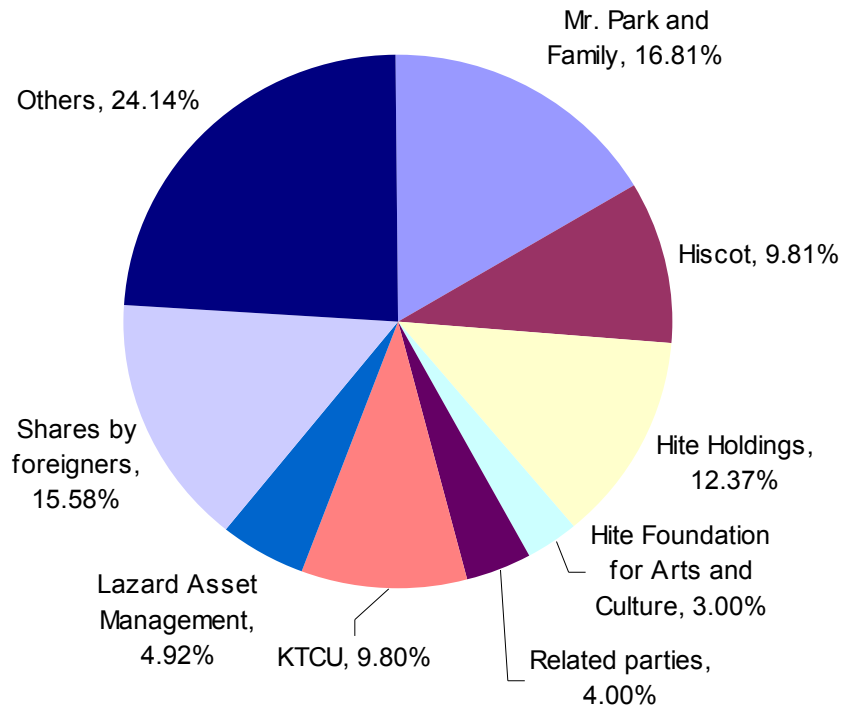
hite

Holding company

A yellow swoosh underline that starts under the 'h' and extends to the right, ending under the 'e'.



1. Equity Status



- Total stocks : 12,298,852 shares
(Common 11,828,042 shares, Preference 470,810 shares)
- Acquired treasury shares on 3Q (440,000shares)
Treasury increased by 3.7%

2. Income Resources

Rent for building

Lessor : Hite holdings / Leaseholder : Hite brewery
Rent deposit ⇒ Total W8.4bn (2years contract)

Rental fee for right of trademark

Hite brewery provides to Hite holdings 1.3% of net income for rental fee of trademark annually.
(Net sales W1000bn ⇒ Rental fee W13bn)

Rent for Advertisement board

Receive 15million won monthly for rent fee of Advertisement board which belong to Hite holdings and located top of the Hite building from Hite brewery.

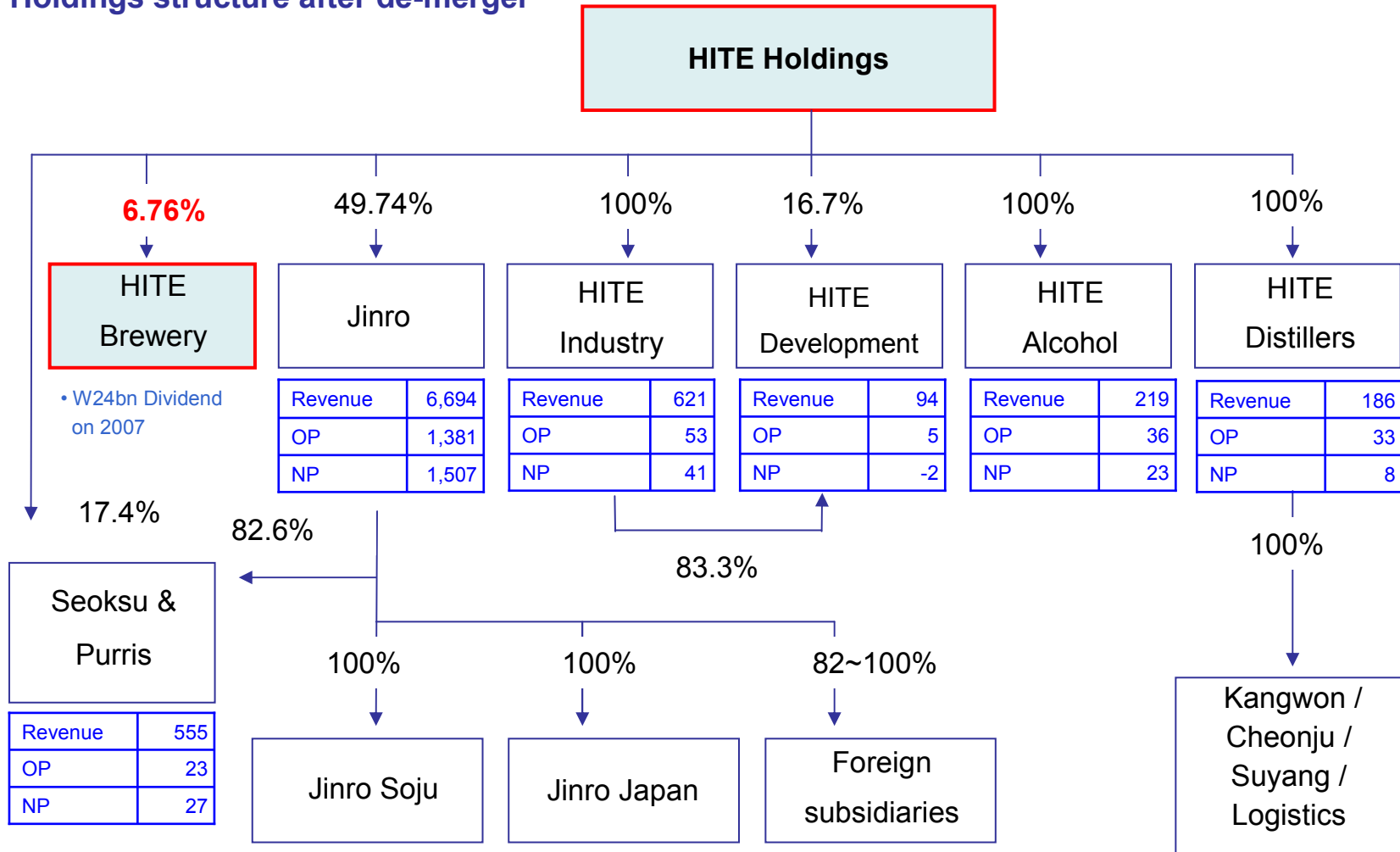
Cash dividends for affiliated company

Including Hite brewery and Jinro, subsidiary which was not pay a dividend is expected to be participated a share.

Holdings structure



3. Holdings structure after de-merger



* 2007 financial figures, Unit : KW bn

Hite Holdings financial statements



Balance sheet

Unit : KWm

Items	2008 3Q	In/decrease	ratio	2007	2006
Assets	1,878,069	-32.1%	100.0%	2,766,797	2,674,500
1. Current Assets	525,299	7.6%	28.0%	488,038	437,886
(1) Cash and receivables	442,181	6.1%	23.5%	416,613	368,249
(2) Inventories	83,118	16.4%	4.4%	71,425	69,637
2. Non-current Assets	1,352,770	-40.6%	72.0%	2,278,759	2,236,614
(1) Investmet	866	-99.9%	0.0%	961,278	992,473
(2) Property, Land & Equipment	1,270,751	2.0%	67.7%	1,246,210	1,243,534
(3) Goodwill, Industrial property rights	0	-100.0%	0.0%	544	607
(4) Other non-current Assets	81,153	14.7%	4.3%	70,727	0
Liabilities	1,268,810	-12.2%	67.6%	1,444,363	1,448,604
1. Current Liabilities	939,878	-14.1%	50.0%	1,093,863	865,736
2. Non-current Liabilities	328,932	-6.2%	17.5%	350,500	582,868
Shareholder's equity	609,259	-53.9%	32.4%	1,322,435	1,225,896
1. Shareholders' Equity	48,711	-55.8%	2.6%	110,205	110,205
2. Capital surplus	516,751	-18.9%	27.5%	636,861	632,937
3. Capital adjustment	-806	-99.2%	0.0%	-100,584	-85,084
4. Unappropriated retained earnings	-42	-100.3%	0.0%	13,159	19,085
5. Retained earnings	44,645	-93.3%	2.4%	662,794	548,753

Income statement

Unit :KWmn

Items	2008 3Q	in /decrease	ratio	2007 3Q	ratio
Sales	7,661	25.7%	100.0%	6,094	100.0%
Equity method gain	3,809	-37.5%	49.7%	6,094	100.0%
Loyalty gain	3,852	#DIV/0!	50.3%	-	0.0%
Operating Expenses	730	70.2%	9.5%	429	7.0%
Equity method loss	66	#DIV/0!	0.9%	-	0.0%
SG&A	664	54.8%	8.7%	429	7.0%
Operating profits	6,931	22.3%	90.5%	5,665	93.0%
Non-operating profit	1,944	1085.4%	25.4%	164	2.7%
Non-operating expense	5,204	58.9%	67.9%	3,275	53.7%
Recurring profit	3,671	43.7%	47.9%	2,554	41.9%
Special gain	-		0.0%	-	0.0%
Special loss	-		0.0%	-	0.0%
Profit before tax	3,671	43.7%	47.9%	2,554	41.9%
Corporate tax	- 12,076	-872.1%	-157.6%	1,564	25.7%
Discontinuance business profit	-		0.0%	52,242	857.3%
Net profit	15,747	-70.4%	205.5%	53,232	873.5%

Hite Holdings financial statements



Cash flow statement

Unit : KW m n

Items	2008 3Q	In / decrease	2007 3Q	2006 3Q
Cash flow from operating activities	(24,153)	-110.0%	241,482	251,571
1. Net profit	97,055	-19.7%	120,879	136,851
2. Adjustment to reconcile net profit to net cash provided by operating activities	51,020	-32.9%	76,039	98,968
(Depreciation)	34,157	-33.7%	51,513	69,048
3. Loss from net profit provided by non cash items	(37,216)	219.7%	(11,640)	(25,891)
(Equity method gain)	27,034	230.5%	8,179	20,281
(Gain from asset disposal)	2,901	602.4%	413	476
4. Increase (Decrease) in liabilities	(135,012)	-340.2%	56,204	41,643
(Accounts and notes payable trade)	(17,038)	-62.6%	(45,502)	(17,767)
Cash flow from investing activities	(240,626)	212.4%	(77,021)	(94,385)
1. Cash in-flow from investing activities	7,726	112.3%	3,640	4,719
2. Cash out-flow from investing activities	(248,352)	207.9%	(80,661)	(99,104)
Cash flow from financing activities	220,349	-349.0%	(88,487)	(128,487)
1. Cash in-flow from financing activities	432,871	8.3%	399,682	422,682
2. Cash out-flow from financing activities	(212,522)	-56.5%	(488,169)	(551,169)
Other cash loss	31,784	# DIV/0!	0	0
1. Cash flows from spin-off	0	# DIV/0!	0	0
Net increase in cash	(76,214)	-200.3%	75,974	28,698
Cash at beginning of year	76,215	60.4%	47,517	47,517
Cash at end of year	1	-100.0%	123,491	76,215