



hite

Clean, Crisp and Fresh!

Hite-Jinro Investor Presentation

February 2009

'08 results of Hite Brewery

('08 of Hite Holdings + 2H of Hite Brewery after de-merger)



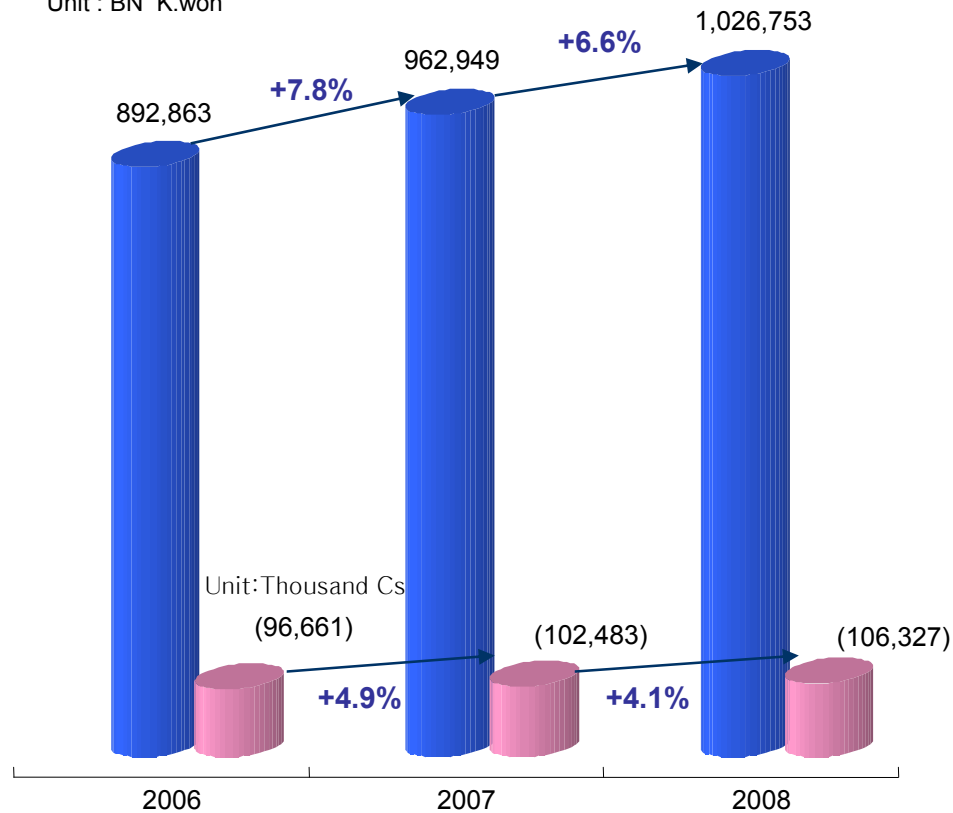
Trend in sales growth



■ '08 sales +6.6% y-y

■ Sales ■ Volume

Unit : BN K.won



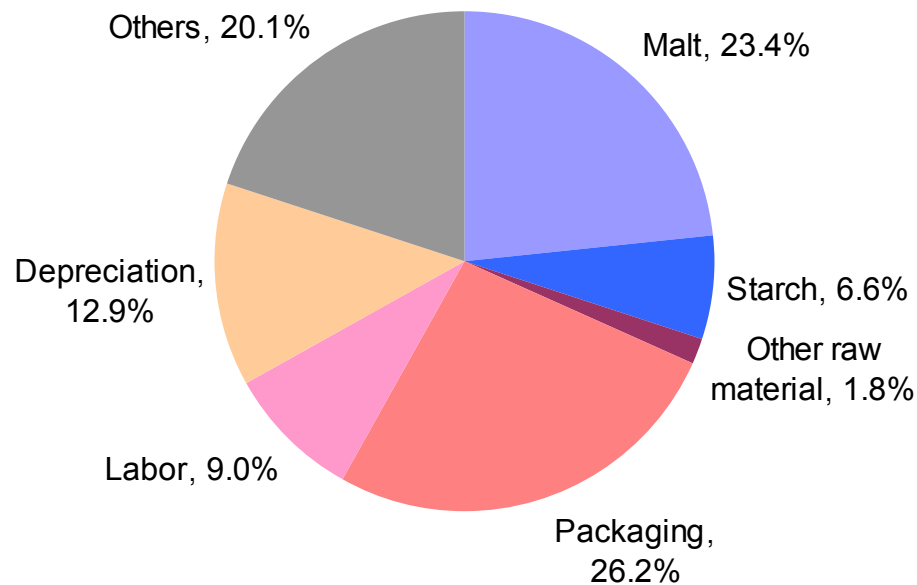
✓ Reasons for sales increase

- ① Sales volume increased by +3.7% y-y
- ② 5.6% price hike in July 2008 partly reflected
- ③ Other factors
 - Volume increase in high demand season (improvement by Olympic and long, hot summer, etc)
 - Consumption was not affected by economy stagnation
 - Max become 3rd brand instead of OB. (Brand ranking: Hite – Cass – Max – OB)

Cost Breakdown



- **Gross profit** ⇒ W536.4bn (+1.7% y-y, gross profit margin 52.2% → -2.6%p y-1hy)
- **Increased unit price of imported malt, currency, cornstarch, packing materials**



COGS breakdown

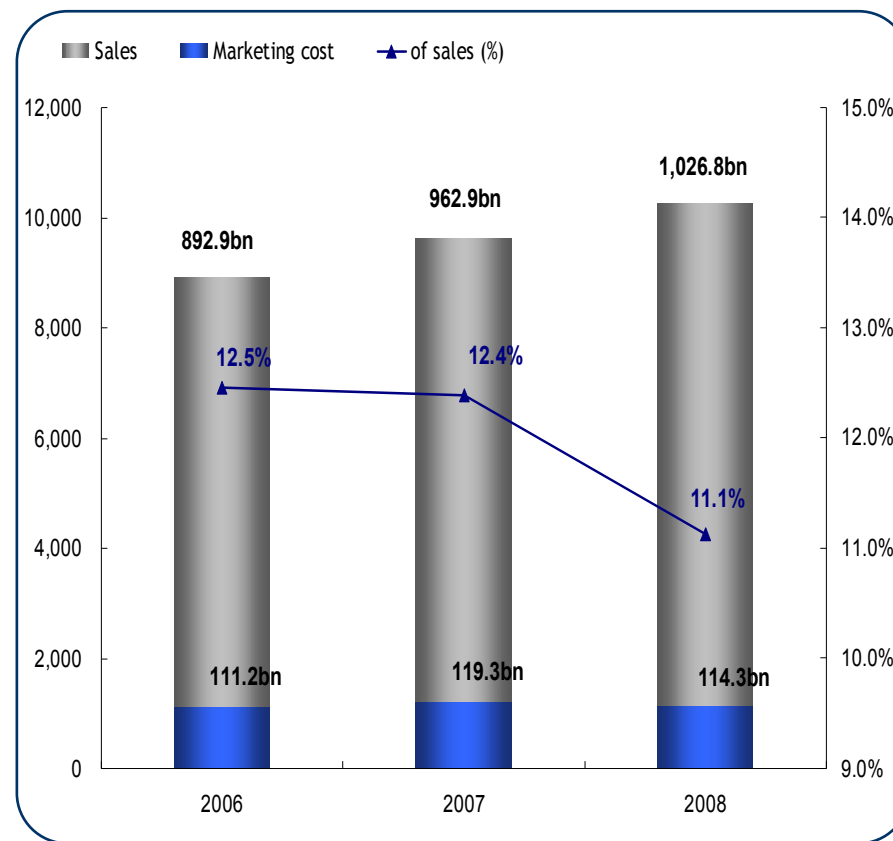
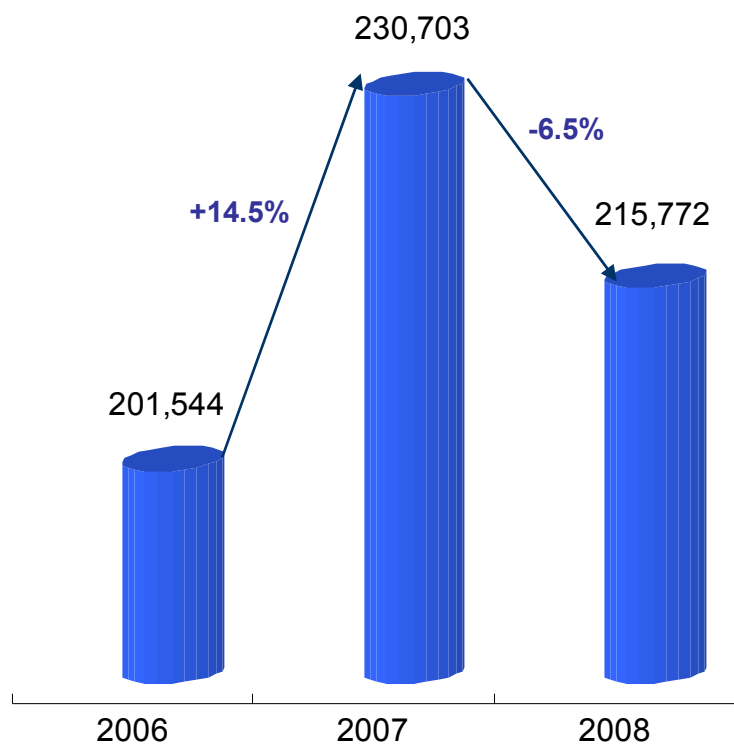
- ✓ **Malt**
 - Quantity consumed : domestic 25,891tons (19.3%), imported 108,538tons (80.7%)
- ✓ **Out of total malt cost of W115.6bn**
 - domestic W40.0bn(34.6%), imported W75.6bn(65.4%)
 - domestic -W0.5bn y-1hy / imported +W22.3bn
 - Totally increased W 22.7bn (compared to sales -2.2%)
- ✓ **Starch**
 - Quantity consumed : 47,159tons /
 - Cost : W32.6bn (Increased W12.1bn y-y)
 - Average unit cost increased 53% y-1hy.
- ✓ **Packing materials**
 - +W12.2bn y-1hy
 - Packing cost increased due to rose of PET and can product
- ✓ **Weaker Won currency**
 - Cost burden of 4Q is worst, because of average exchange rate(FX) for '08 is 1Q-957won, 2Q-1,018won, 3Q-1,066won, 4Q-1,364won.
 - However weak won effect had been partly offset by tariff cut of government in '08.
 - '09 import tariff 8% ('07 10% → '08 0%)

Competition and marketing strategy



- Operating profit : 215.8bn (-6.5% y-y, operating profit margin 21.0% → - 3.0%p y-y)
- Marketing Cost : 11.1% of Sales (-1.3%p y-y)

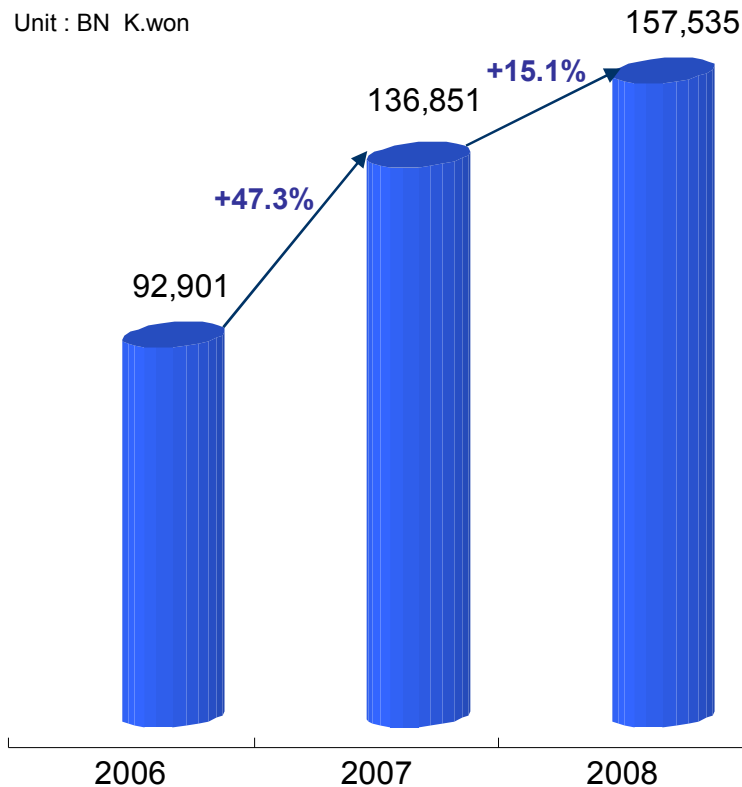
Unit : BN K.won



Earnings improvement



- '08 net profit : +15.1% y-y
- Subsidiary's equity method gain included to Hite holdings since 2H 2008, interest expenses increased.



- ✓ Subsidiary's equity method gain included to Hite holdings ('08 – W37.2bn)
- ✓ Interest bearing debt of Hite brewery
 - End of December 2007 : W953bn
 - End of June 2008 (Before de-merger) : W1143bn
 - End of December 2008(After de-merger) : W770bn
- Short-term loan : W420bn (interest rate : avr. 6.7%)
Bonds: W350bn (interest rate : avr. 5.7%)
- After de-merger, Hite holdings has taken W290bn and interest bearing debts of Hite Brewery is reduced, but interest expenses increased because of higher interest rate.

HITE financial statements



Balance sheet

Unit : Wmn

Items	2008	In/decrease	ratio	2007	2006
Assets	1,870,356	-32.4%	100.0%	2,766,797	2,674,500
1. Current Assets	490,910	0.6%	26.2%	488,038	437,886
(1) Cash and receivables	395,958	-5.0%	21.2%	416,613	368,249
(2) Inventories	94,952	32.9%	5.1%	71,425	69,637
2. Non-current Assets	1,379,446	-39.5%	73.8%	2,278,759	2,236,614
(1) Investmet	10,863	-98.9%	0.6%	961,278	992,473
(2) Property, Land & Equipment	1,287,243	3.3%	68.8%	1,246,210	1,243,534
(3) Goodwill, Industrial property rights		-100.0%	0.0%	544	607
(4) Other non-current Assets	81,341		4.3%	70,727	0
Liabilities	1,252,838	-13.3%	67.0%	1,444,363	1,448,604
1. Current Liabilities	872,549	-20.2%	46.7%	1,093,863	865,736
2. Non-current Liabilities	380,289	8.5%	20.3%	350,500	582,868
Shareholder's equity	617,518	-53.3%	33.0%	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%	27.6%	636,861	632,937
3. Capital adjustment	-806	-99.2%	0.0%	-100,584	-85,084
4. Unappropriated retained earnings	14	-99.9%	0.0%	13,159	19,085
5. Retained earnings	52,848	-92.0%	2.8%	662,794	548,753

Income statement

Unit : Wmn

Items	2008	In/decrease	ratio	2007	ratio	2006	ratio
Sales	1,026,753	6.6%	100.0%	962,949	100.0%	892,863	100.0%
(Volume thousand)	(110,291Cs)	3.5%		(106,600Cs)		(102,483Cs)	
COGS	490,309	12.6%	47.8%	435,472	45.2%	417,726	46.8%
Gross profits	536,444	1.7%	52.2%	527,477	54.8%	475,137	53.2%
SG&A	320,672	8.1%	31.2%	296,774	30.8%	273,593	30.6%
Marketing expenses	114,302	-4.2%	11.1%	119,327	12.4%	111,196	12.5%
Operating profits	215,772	-6.5%	21.0%	230,703	24.0%	201,544	22.6%
Non-operating profit	79,535	142.4%	7.7%	32,813	3.4%	88,445	9.9%
(Equity method gain)	(37,181)	179.8%	3.6%	(13,288)	1.4%	(9,551)	1.1%
Non-operating loss	92,302	35.3%	9.0%	68,224	7.1%	148,591	16.6%
(Interest expense)	(67,355)	24.2%	6.6%	(54,244)	5.6%	(68,688)	7.7%
Recurring profit	203,005	3.9%	19.8%	195,292	20.3%	141,398	15.8%
Special gain	-			-		-	0.0%
Special loss	-			-		-	0.0%
Profit before tax	203,005	3.9%	19.8%	195,292	20.3%	141,398	15.8%
Corporate tax	45,471	-22.2%	4.4%	58,441	6.1%	48,497	5.4%
Net profit	157,534	15.1%	15.3%	136,851	14.2%	92,901	10.4%

※ 2008 result is simple combination of '08 Hite Holdings and 2H '08 Hite Brewery. Refer to next page for details on Hite Holdings & Hite Brewery income statement.

HITE Brewery, Hite Holdings Income statement



Income statement

Unit : Wmn

	2008 Jan-Dec Hite Holdings	2008 Jul-Dec Hite Brewery	2008 Jan-Dec	Ratio	2007 Jan-Dec	Ratio
Net Sales	489,370	537,383	1,026,753	100.0%	962,949	100.0%
(Volume)	(53,645,944 Cs)	(56,645,472 Cs)	(110,291,416Cs)		(106,238,029 Cs)	
COGS	227,828	262,481	490,310	47.8%	435,472	45.2%
Gross Profit	261,541	274,902	536,444	52.2%	527,477	54.8%
SG&A	146,334	174,338	320,672	31.2%	296,774	30.8%
Marketing expenses	53,941	60,361	114,302	11.1%	119,327	
Operating Profit	115,207	100,564	215,772	21.0%	230,703	24.0%
Non Operating Profit	59,504	20,032	79,536	7.7%	32,813	3.4%
(Equity method gain)	37,181	0	37,181	3.6%	20,046	2.1%
Non Operating expense	50,524	41,778	92,303	9.0%	68,224	7.1%
(Interest expense)	40,486	26,870	67,355	6.6%	54,244	5.6%
Recurring Profit	124,187	78,818	203,005	19.8%	195,292	20.3%
Net profit before tax	124,187	78,818	203,005	19.8%	195,292	20.3%
Corporate Tax	19,501	25,970	45,471	4.4%	58,441	6.1%
Net Profit	104,686	52,848	157,534	15.3%	136,851	14.2%

'08 results of Jinro

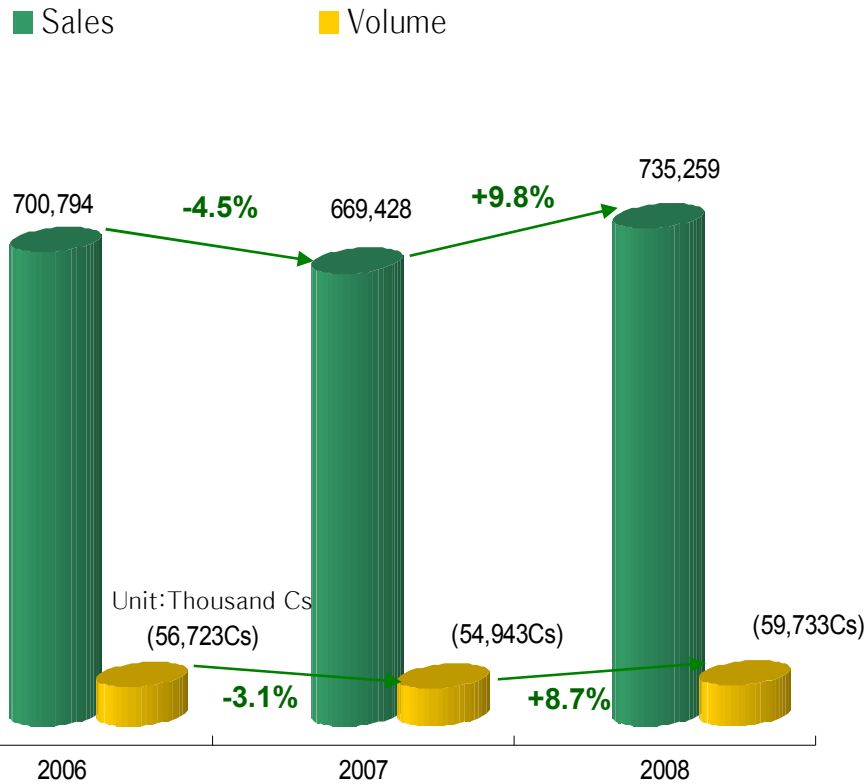


Sales growth trend



■ Sales increased 9.8%

Unit : BN K.won



✓ Sales volume grew 8.7% y-y

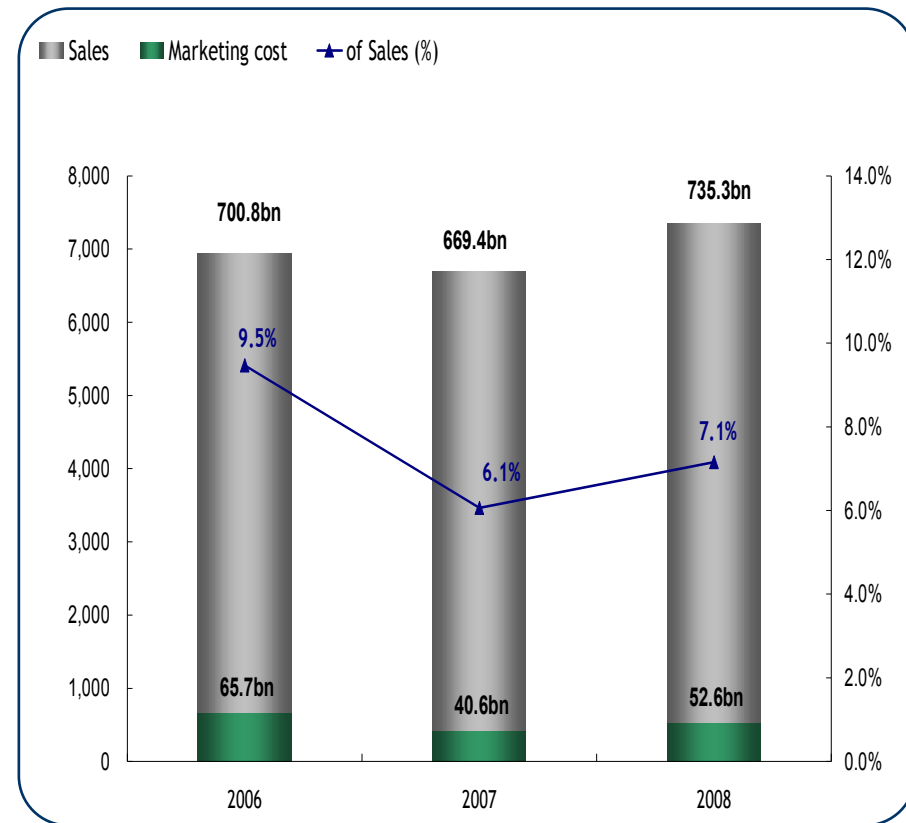
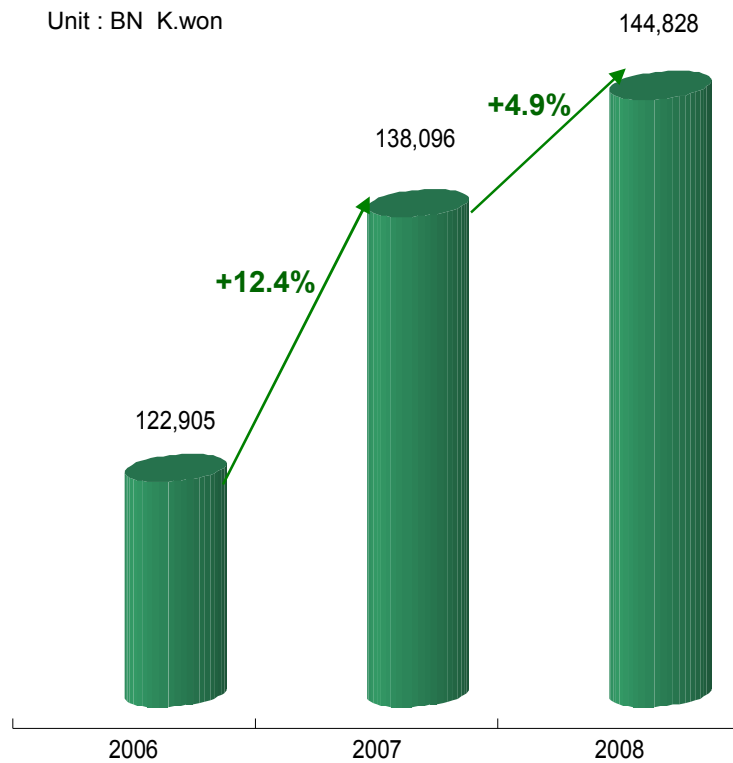
✓ Reason for sales increase

- ① Volume grew 8.7%, price hike of 5.9% in Dec. 2008
- ② Pre-demand before price hike in Dec.
- ③ Increased market share y-y
 - 2007 : 49.9%
 - 2008 : 51.4%

Competition and marketing strategy



- Operating profit rose 4.9% y-y (Operating profit margin 19.7%)
- Market Share ('08): 51.4%
- Marketing cost : 7.1% of sales (Increased because of new product "J")

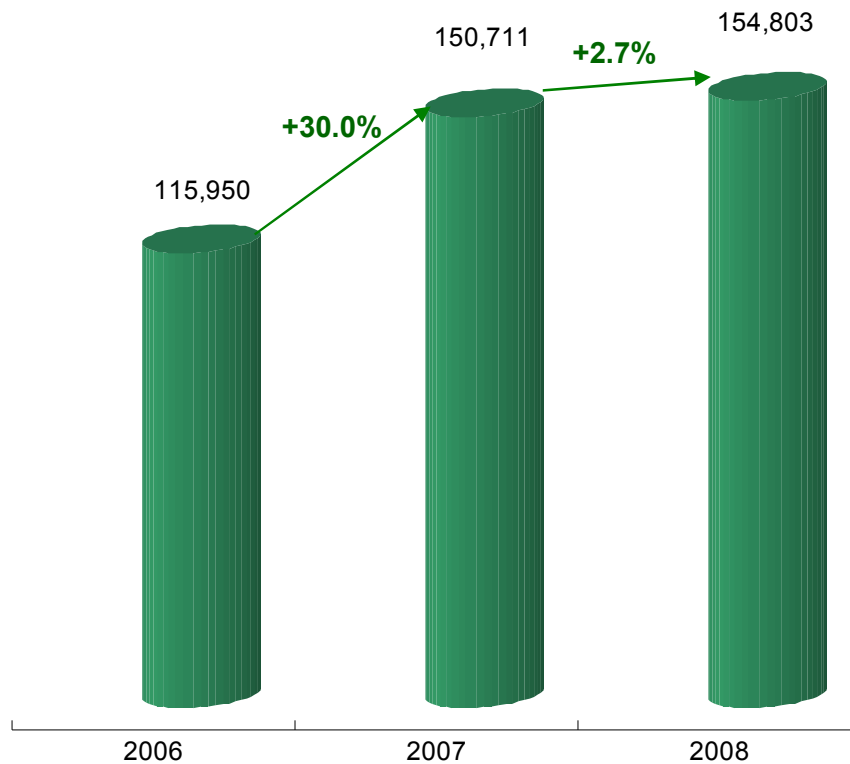


Earning improvement



- Net profit climbed 2.7% y-y
- Backed by higher OP, reduction of interest expenses, disposal of idle properties

Unit : BN K.won



- ✓ OP increase by 6.7bn
- ✓ Reduce interest expenses by W10.2bn y-y
 Interest bearing debt in 2006 : W600bn
 Interest bearing debt in 2007 : W450bn
 Interest bearing debt in 2008 : W350bn
 (Rate of interest CD + 0.7% (avr. 6%))
- ✓ Disposal of idle assets(2H 2008)

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

JINRO financial statements



Balance sheet

Items	Unit : Wmn				
	2008	In/decrease	ratio	2007	2006
Assets	1,319,975	0.7%	100.0%	1,310,206	1,469,103
1. Current Assets	358,172	12.0%	27.1%	319,863	281,588
(1) Cash and receivables	335,514	14.0%	25.4%	294,426	255,432
(2) Inventories	22,658	-10.9%	1.7%	25,437	26,156
2. Non-current Assets	961,803	-2.9%	72.9%	990,343	1,187,515
(1) Investment	334,979	-16.1%	25.4%	399,309	564,532
(2) Property, Land & Equipment	350,853	5.0%	26.6%	333,990	366,235
(3) Goodwill, Industrial property rights	1,270	24.6%	0.1%	1,019	788
(4) Other non-current Assets	274,701	7.3%	20.8%	256,025	255,960
Liabilities	845,191	-16.8%	64.0%	1,015,690	1,330,194
1. Current Liabilities	666,259	-18.2%	50.5%	814,982	346,116
2. Non-current Liabilities	178,933	-10.8%	13.6%	200,708	984,078
Shareholders' Equity	474,784	61.2%	36.0%	294,516	138,909
1. Shareholders' Equity	215,000	0.0%	16.3%	215,000	215,000
2. Capital surplus	619	#DIV/0!	0.0%	0	736,449
3. Capital adjustment	-15	2.7%	0.0%	-15	-15
4. Unappropriated retained earnings	18,129	-369.9%	1.4%	-6,717	-11,613
5. Retained losses	241,051	179.5%	18.3%	86,248	-800,912

Income statement

Items	Unit : Wmn						
	2008	In/decrease	ratio	2007	ratio	2006	ratio
Sales	735,259	9.8%	100.0%	669,428	100.0%	700,794	100.0%
(Volume thousand)	(59,734Cs)	8.7%		(54,943Cs)		(56,723Cs)	
COGS	408,710	9.4%	55.6%	373,593	55.8%	389,020	55.5%
Gross profit	326,549	10.4%	44.4%	295,835	44.2%	311,774	44.5%
SG&A	181,721	15.2%	24.7%	157,739	23.6%	188,869	27.0%
(Marketing expenses)	(52,555)	29.3%	7.1%	(40,635)	6.1%	(65,660)	9.4%
Operating profit	144,828	4.9%	19.7%	138,096	20.6%	122,905	17.5%
Non-operating profit	72,825	-20.3%	9.9%	91,369	13.6%	115,137	16.4%
Non-operating loss	68,848	-15.9%	9.4%	81,899	12.2%	185,456	26.5%
(Interest expense)	(24,023)	-29.7%	3.3%	(34,175)	5.1%	(56,904)	8.1%
Recurring profit	148,805	0.8%	20.2%	147,566	22.0%	52,586	7.5%
Special gain	-	-	-	-	-	-	-
Special loss	-	-	-	-	-	-	-
Profit before tax	148,805	0.8%	20.2%	147,566	22.0%	52,586	7.5%
Corporate tax	- 5,998	90.7%	-0.8%	3,145	-0.5%	-63,364	-9.0%
Net profit	154,803	2.7%	21.1%	150,711	22.5%	115,950	16.5%

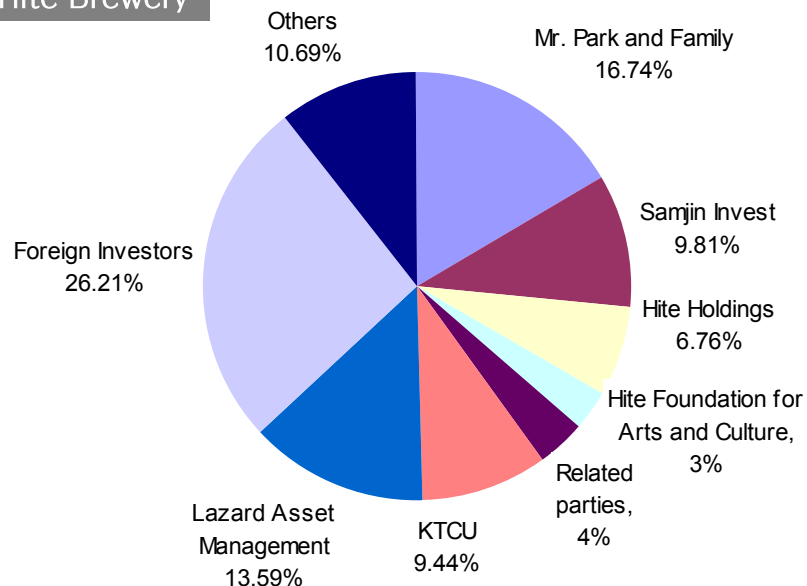
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Appendix

Equity status of Hite Brewery, Jinro

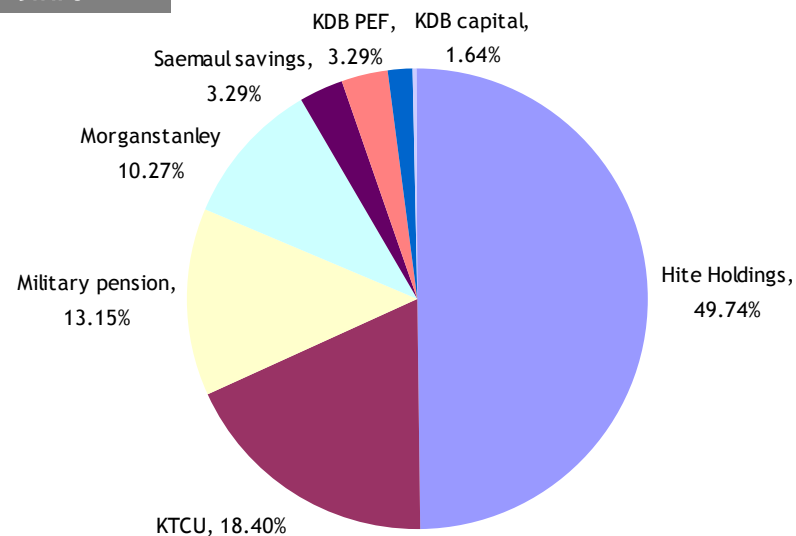


Hite Brewery



- ✓ Number of total shares : 9,742,101 shares
(common 9,369,166shares/preference 372,935shares)
- ✓ Major stockholder & friendly shares 40.07%
- ✓ Hite Holdings owns 6.76%
- ✓ KTCU owns 9.44%
- ✓ Lazard Asset Management owns 13.59%

Jinro

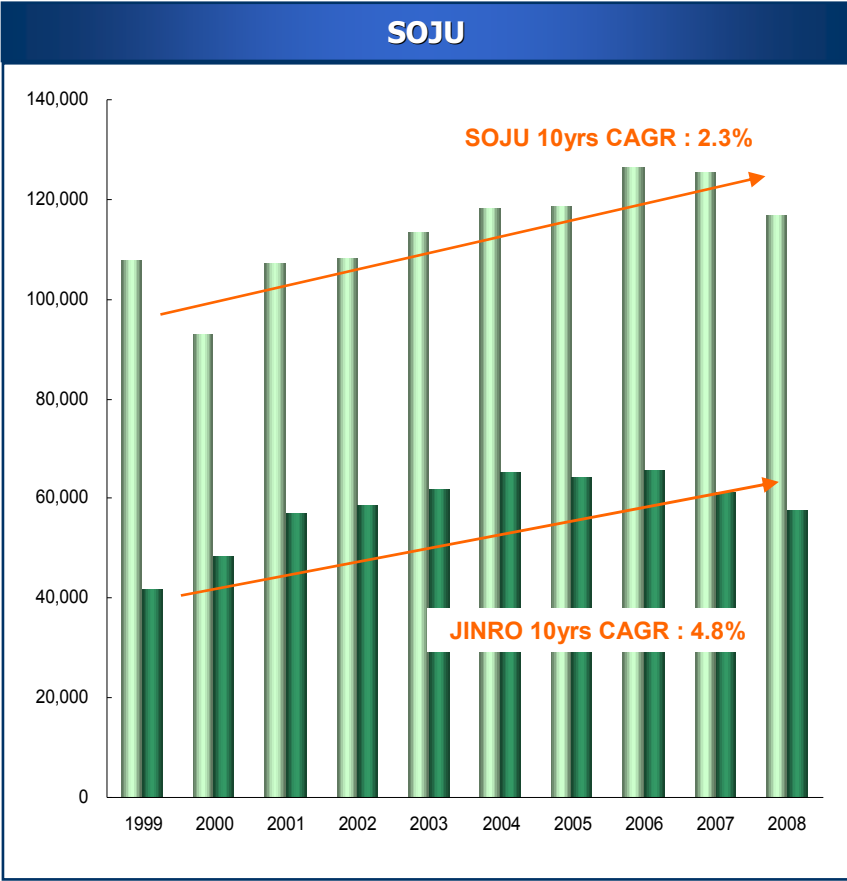
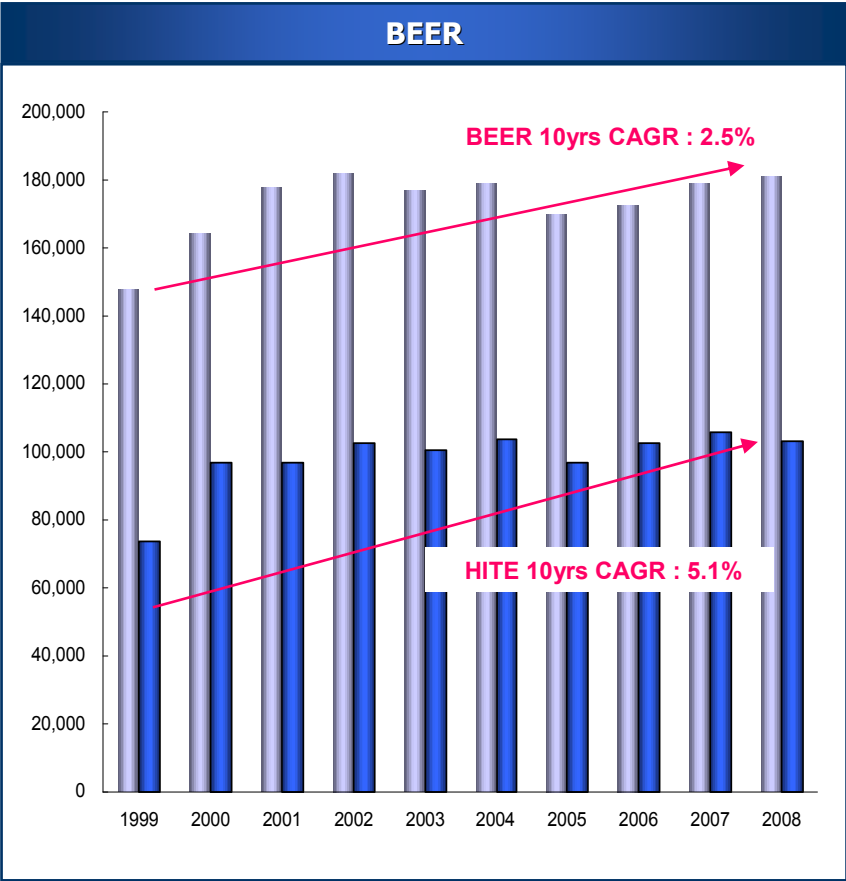


- ✓ Number of total shares : 43,000,000 shares
(common 42,995,303shares/preference 4,697shares)
- ✓ Hite Holdings owns 49.74%
- ✓ Result from call option event occurred May to August in 2008, equity rate augmented from 41.86% to 49.74%
- ✓ Total investment of Hite and Consortium
⇒ Approximately W1.8tr

Proven track record for growth

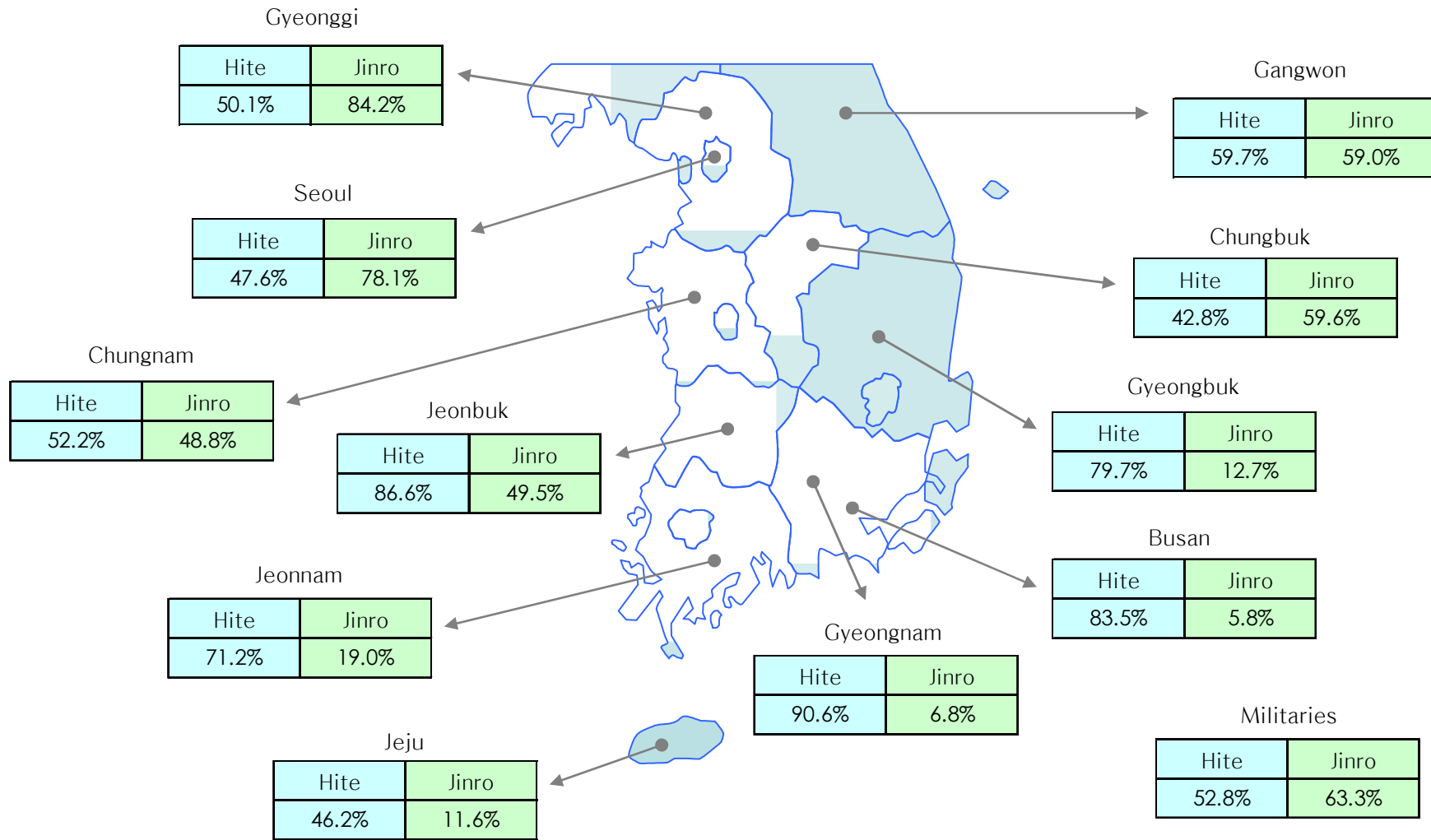


- In whole liquor market, Beer and Soju are occupying 60% and 30% each.(National Tax office on May 7 2008)
- CAGR of Beer and Soju is about 2.5%.



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

Regional M/S



※ Source of data : Hite Brewery – Internal data, Jinro – Korea Alcohol & Liquor Industry Association

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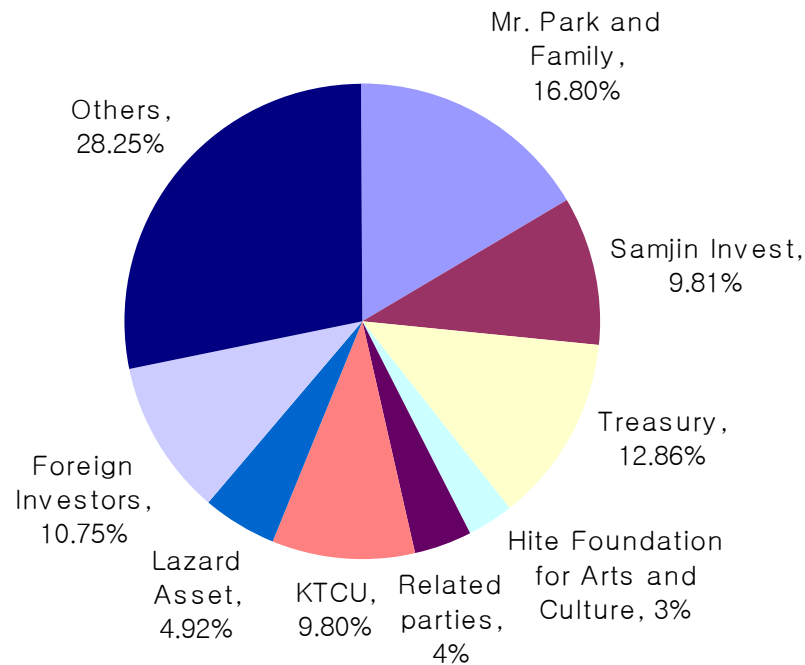
Holding company

The image features a stylized logo for 'hite' in a light blue, italicized font. A yellow swoosh underline is positioned below the letters. The text 'Holding company' is written in a bold, dark blue font, centered over the 'hite' logo.

Equity status of Hite Holdings



- Major shareholder & friendly shares : 46.29%
- Shareholders with more than 5% : KTCU



✓ Number of total shares : 12,298,852 shares
(common 11,828,042 shares / preference 470,810 shares)

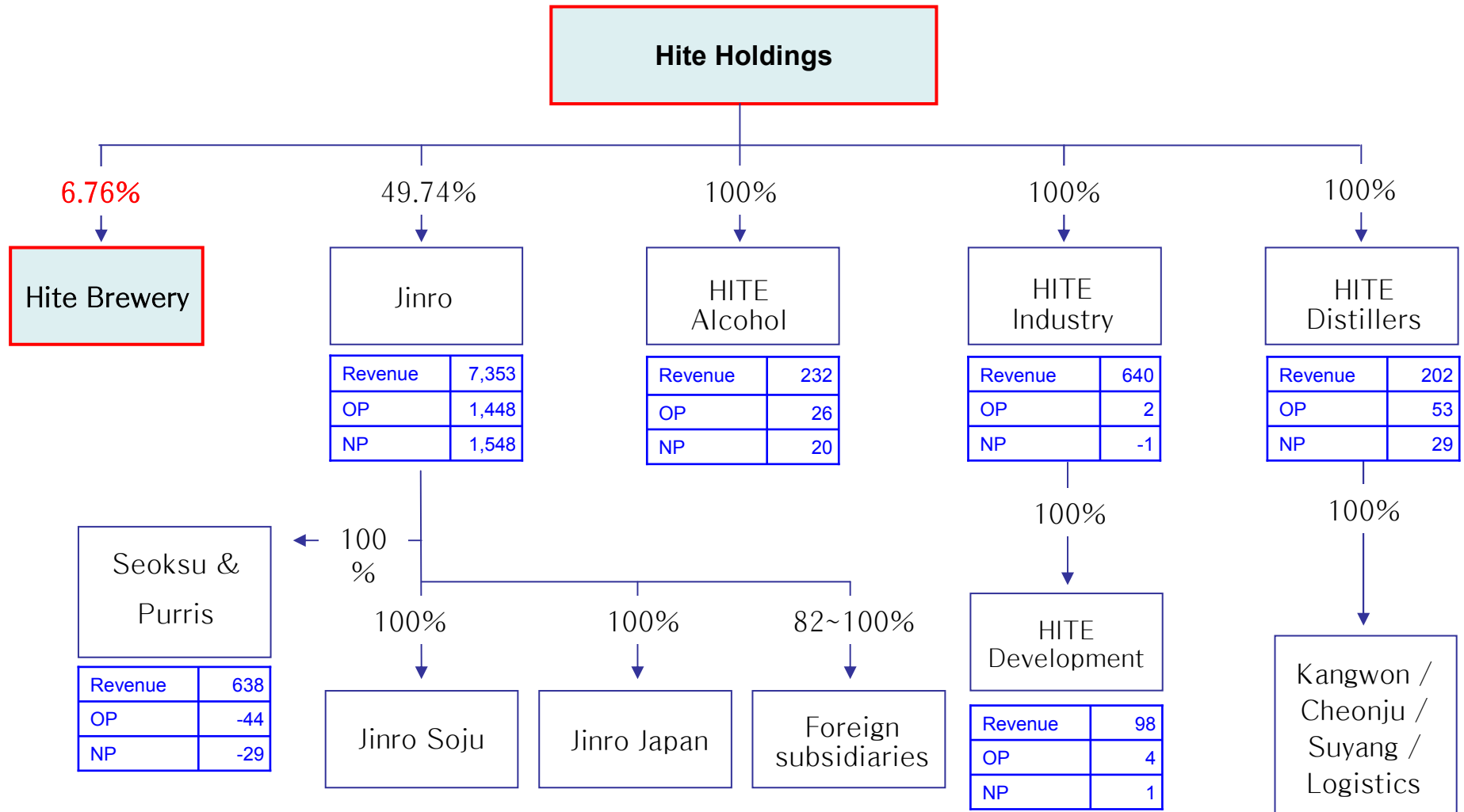
✓ Treasury 12.86%

✓ KTCU owns 9.80%

✓ Foreign investors 15.67%
(Lazard Asset Management owns 4.92%)

Equity status (common shares)

Holdings structure after de-merger



* 2008 financial figures (before audit), Unit : KW bn