LOTTE
CONFECTIONERY

ASIA No.1 CONFECTIONERY COMPANY

LOTTE CONFECTIONERY

INVESTOR RELATIONS

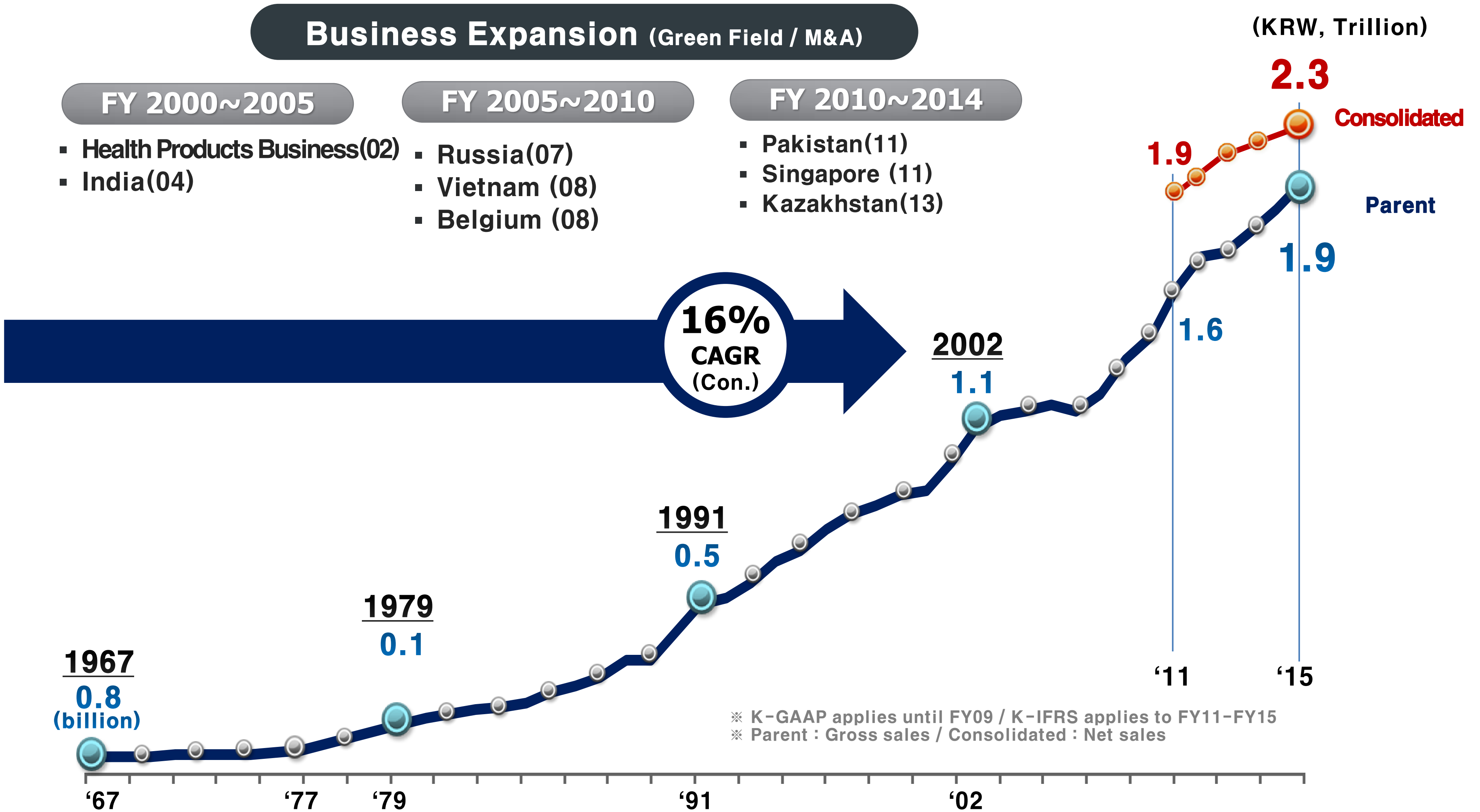
1ST Half of FY2016

Contents

Ⅰ. Overview

- History
- Business Expansion
- Sales & Profit (Consolidated)

Strengthening domestic business and accelerating overseas expansion since 1967 with CAGR of 16%



※ K-GAAP applies until FY09 / K-IFRS applies to FY11-FY15
※ Parent : Gross sales / Consolidated : Net sales

Business Expansion (Overview)

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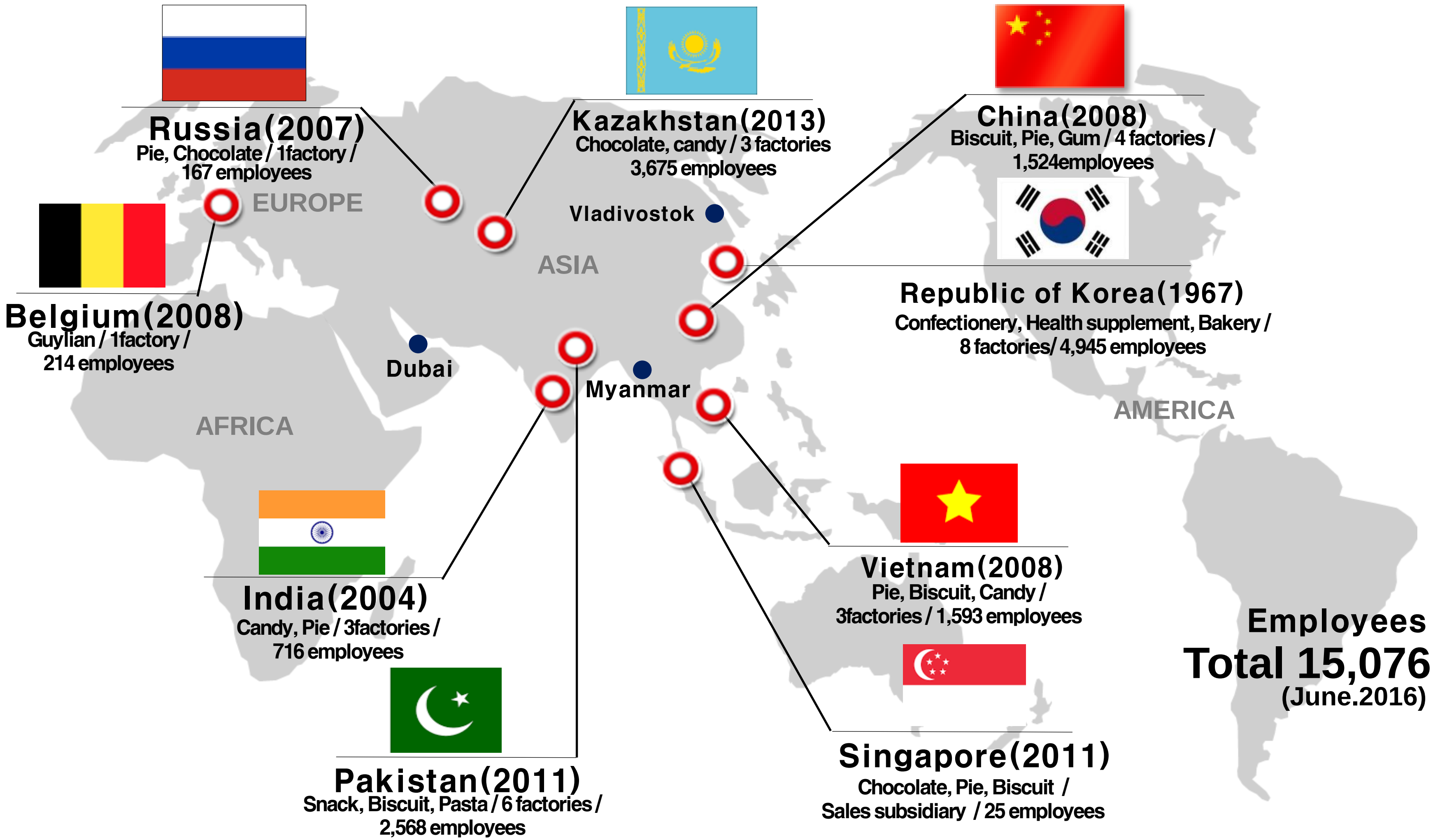
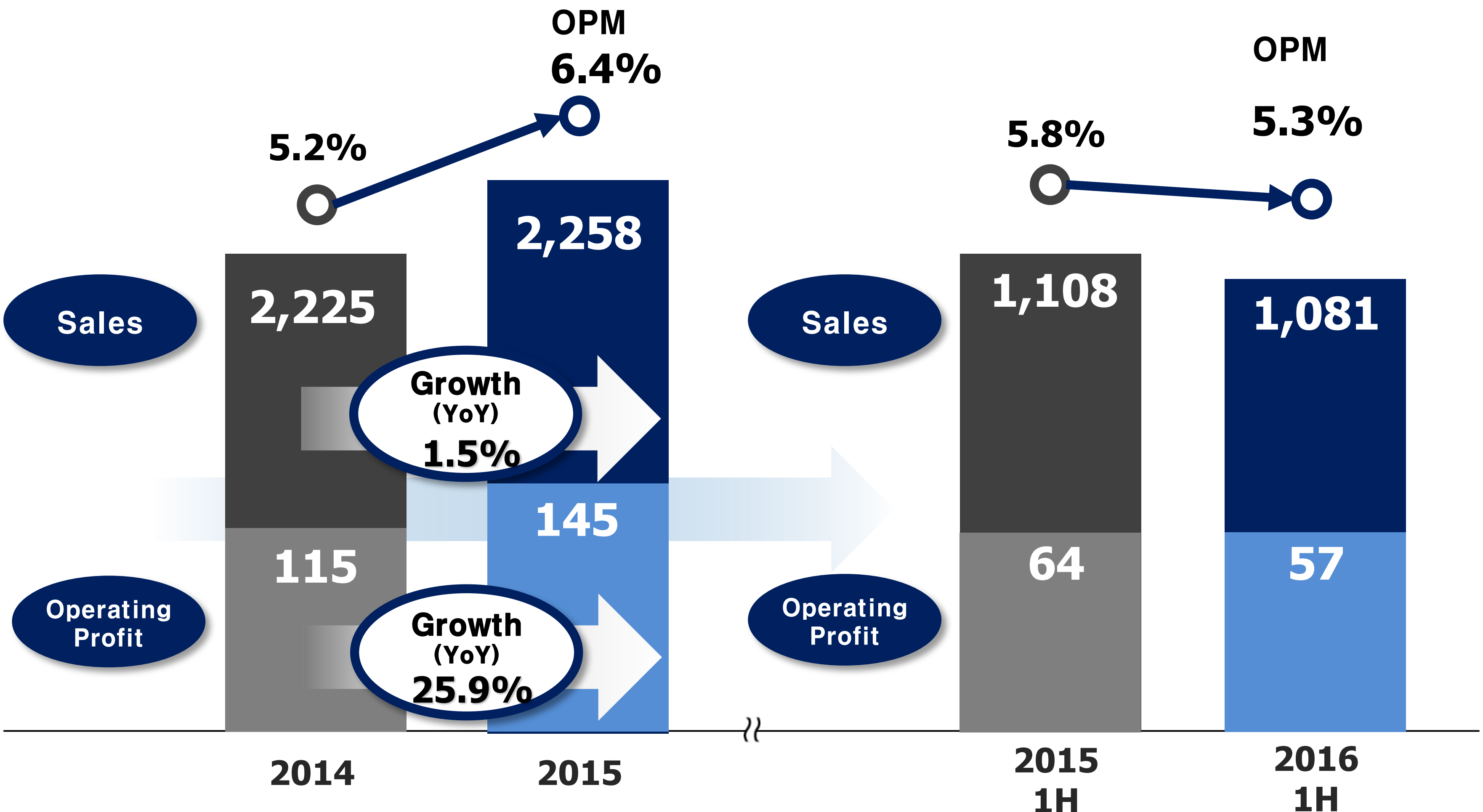
Running 4 divisions with 8 plants in ROK / Expanding business into 8 countries over Asia & emerging markets



FY14~FY15 sales increased by 1.5%, OP increased by 25.9%
16.1H sales & OP slightly deviated from 15.1H



(KRW, Billion, %)

※ Consolidated results under K-IFRS

Ⅱ. Domestic Business

- Business Portfolio
- Profitability
- Confectionery Business
- Ice Cream Business
- Bakery / Health Products Business

Domestic Business Portfolio (Parent)

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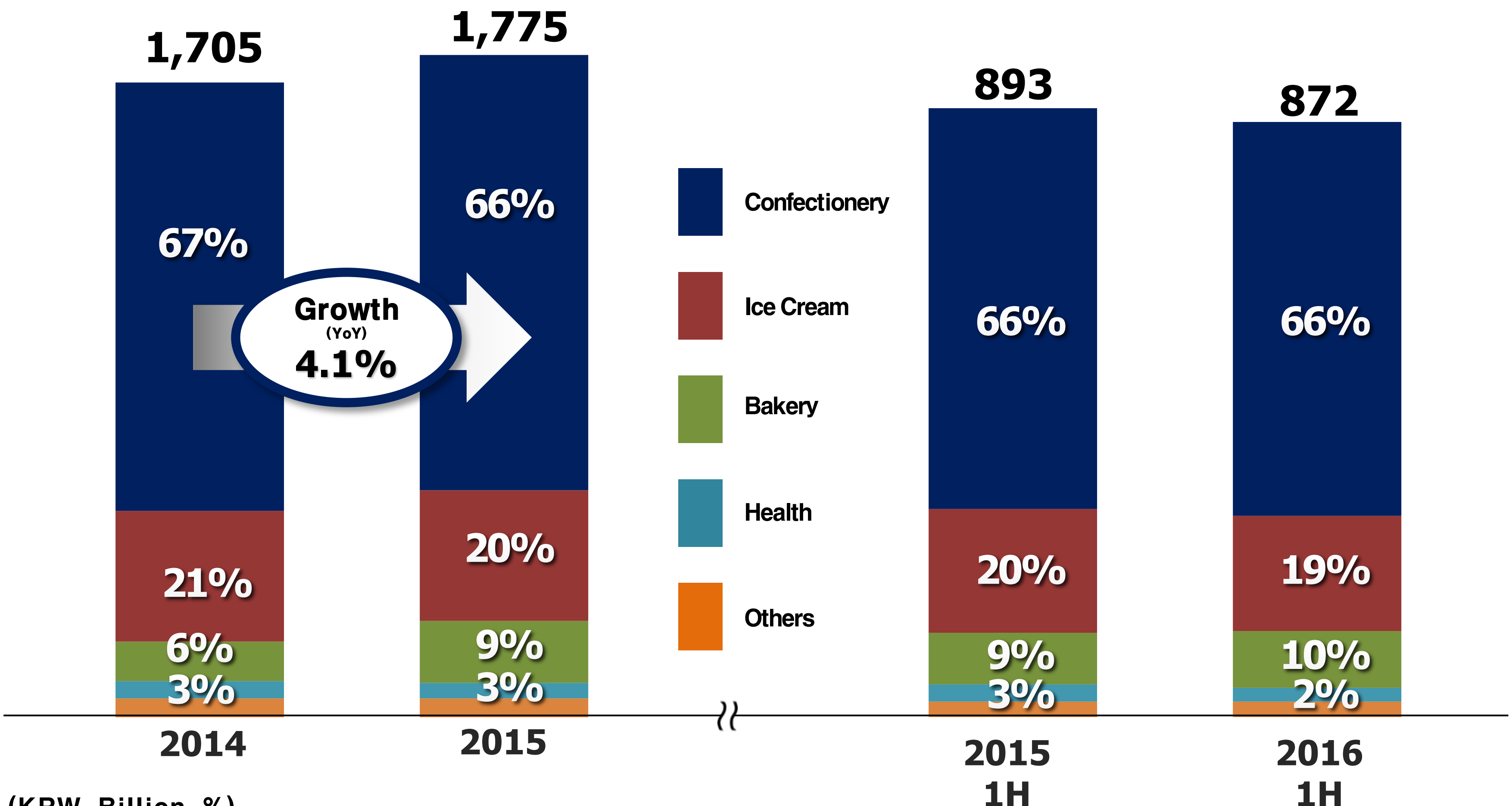
FY14~FY15 domestic sales increased by 4.1%
Strengthening main business & Expanding new business



(KRW, Billion, %)

※Parent results under K-IFRS

Profitability (Domestic)

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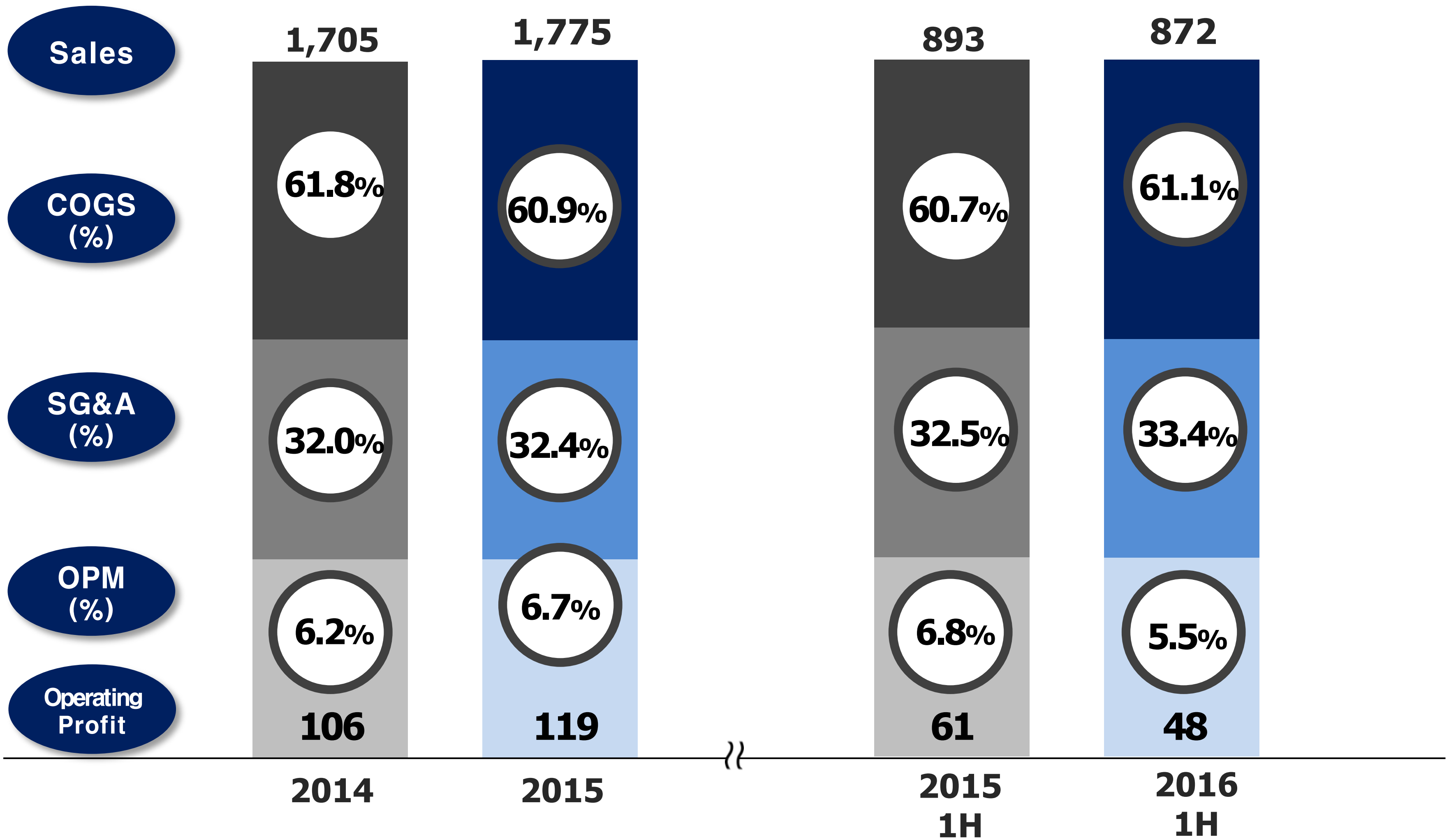
Focusing on improving profit structures – Targeting to achieve the global company level

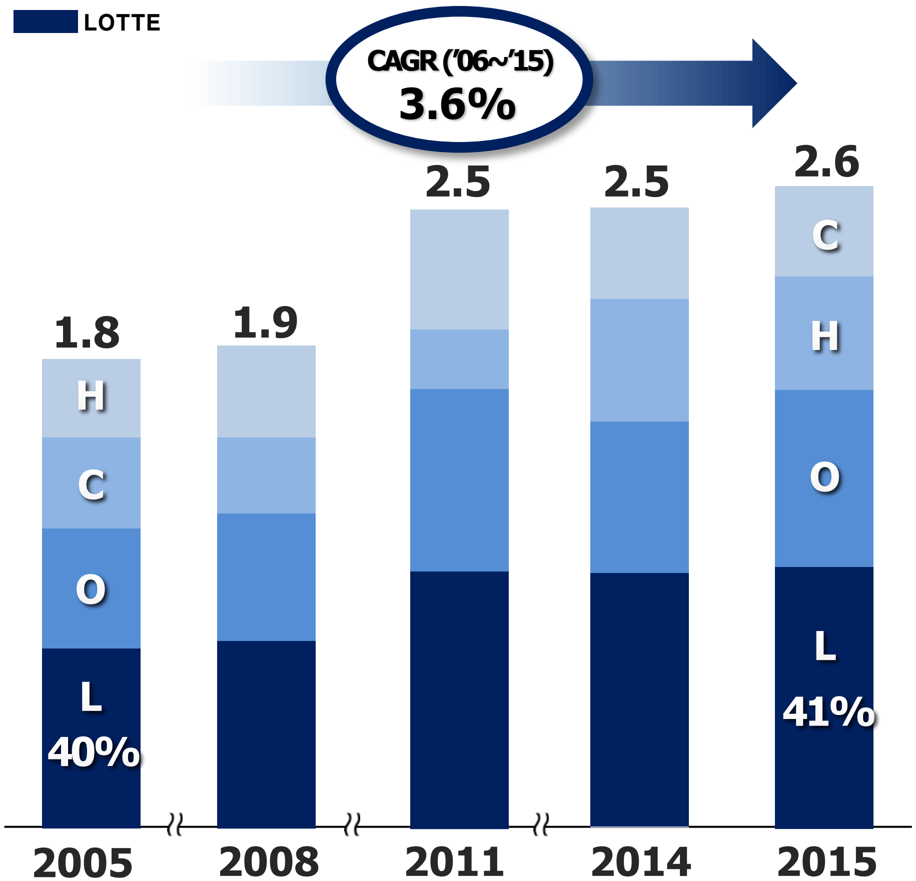
(KRW, Billion, %)



※Parent results under K-IFRS

Lotte as No.1 player, Strengthening premium & market-leading products

Market & M/S Trend



(KRW, Trillion, %)

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

Elaborating Premium Brands

- Farm On the Road / Charlotte(Chocolate)

Staying on Top of Trends

- Fortifying new type & concept products

Introducing Global Brands

- Allying with the global companies

Ice Cream

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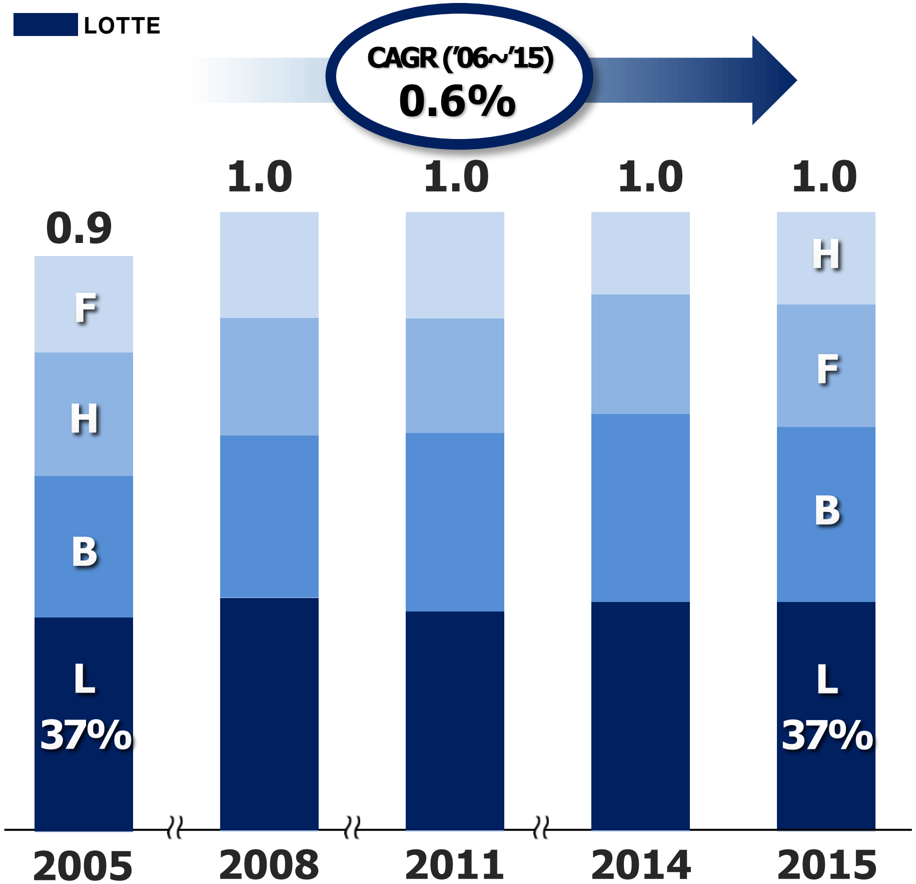
Lotte as No.1 player, launching premium & trendy products

Market & M/S Trend



(KRW, Trillion, %)

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

Developing Premium Brand

- Premium Brand 'Buon Gelato' Renewal ('14)

Diversifying Trendy Products

- Developing trend-leading products

Enhancing Core Brand

- Enhancing core brand LINE-UP & marketing

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New growth engines– Bakery & Health supplement

BAKERY

- Strengthening mass produced bread

- Renewing in-store bakery stores

FRANGAST BAKERY
Department Store

PAMU BAKERY MUSEUM
Mart

- Nurturing representative products

Natural Yeast Bread

Rice Bread

HEALTH PRODUCTS

- Developing new materials

- Diversifying sales channels

Department Store

Mart

CVS

Home Shopping

Internet

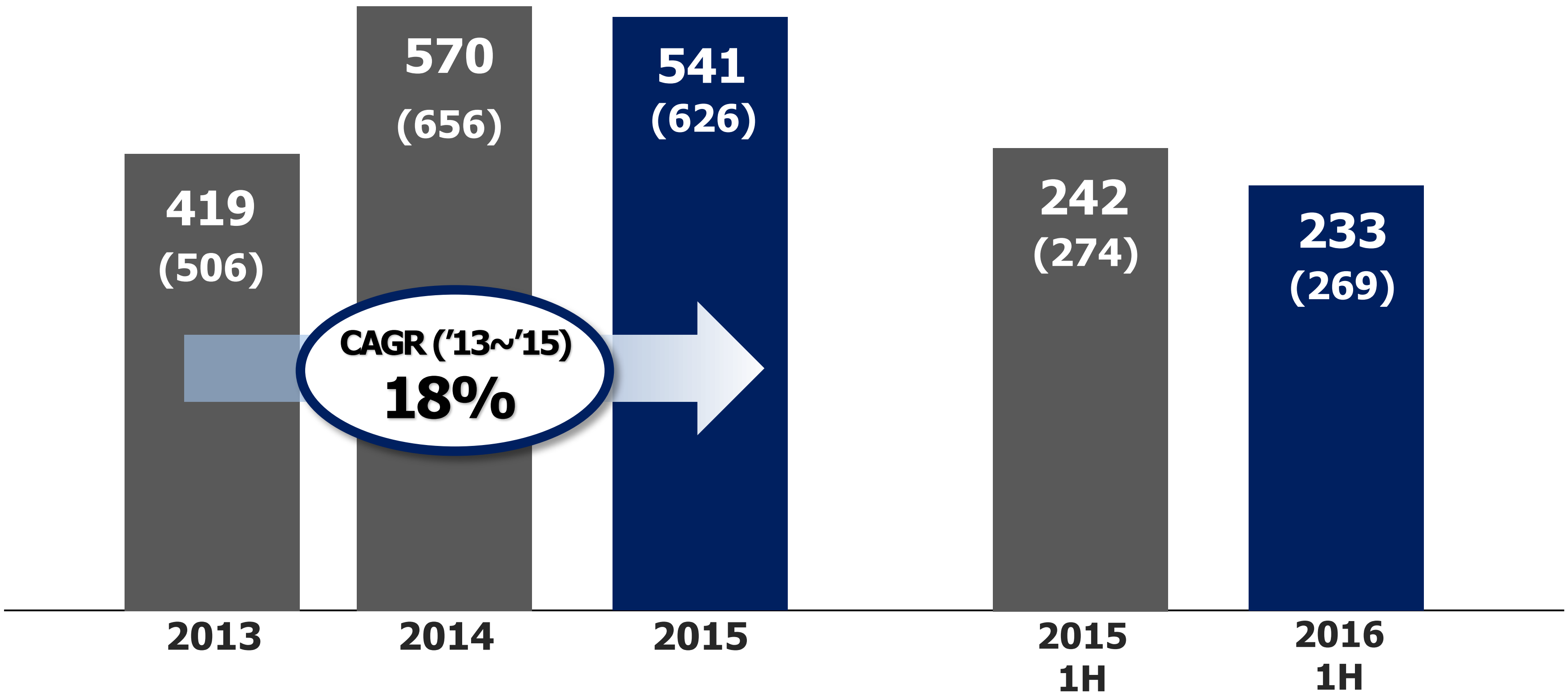
- Reinforcing each brand

마테 (MATE)

NATURE'S BOUNTY

Ⅲ. Overseas Business

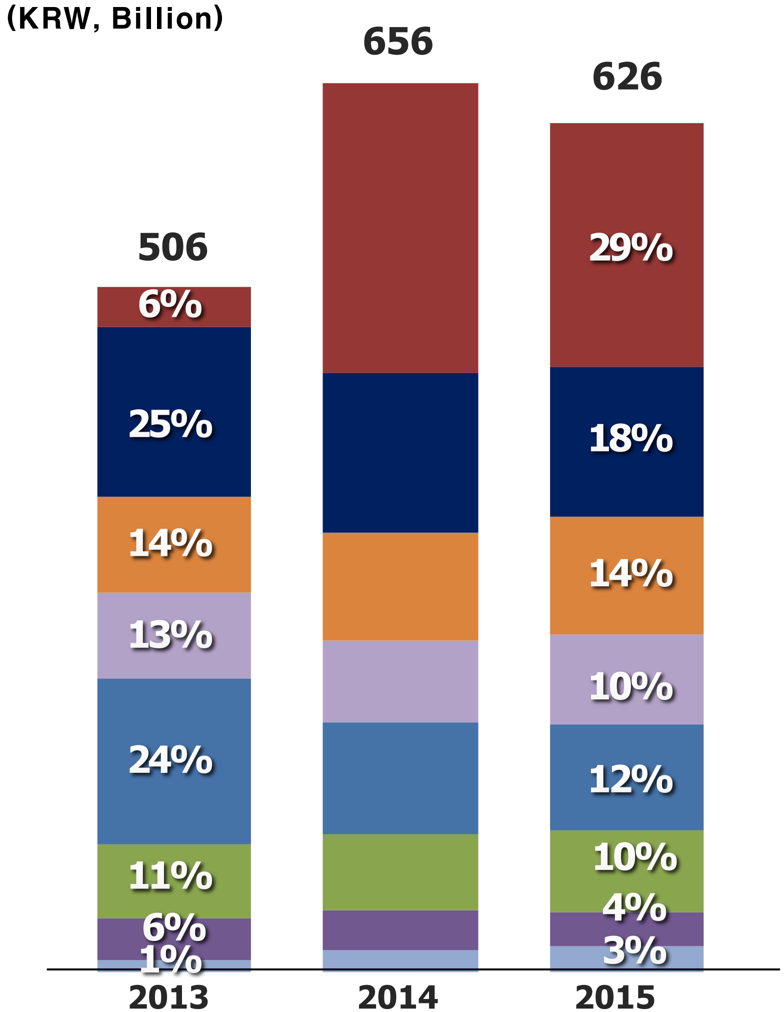
Achieving high growth rate with '13~'15 CAGR of 18.0%



(KRW, Billion, %)

※ ( ) : The sum of overseas subsidiaries' sales including equity method subsidiaries ; Russia and Vietnam (Calculated with annual average exchange rates)

Expanded through M&A and green field investment



	NATION	INVESTMENT	SALES('15)	CAGR ('13~'15)
	Kazakhstan	M&A (2013)	180	(13.12月)
	Belgium	M&A (2008)	110	-
	Pakistan	M&A (2011)	87	11%
	India	M&A (2004)	66	1%
	China	Green Field (2008)	79	17%
	Vietnam	M&A (2008)	60	11%
	Russia	Green Field (2007)	25	-
	Singapore	Green Field (2011)	19	65%

※Sales/CAGR → Based on the sum of overseas subsidiaries' and equity method subsidiaries sales (Calculated with annual average exchange rates)

Ⅳ. Appendix

Appendix – Summary Financial Statements (Consolidated)

LOTTE CONFECTIONERY

Income Statement

(KRW, Billion)	FY2014	FY2015	1H 2015	1H 2016
Net Sales	2,225	2,258	1,108	1,081
Growth rate (%)	12.6%	1.5%		-2.5%
COGS	1,445	1,431	705	687
COGS (%)	64.9%	63.4%	63.6%	63.6%
Gross Profit	780	827	404	394
GP Margin (%)	35.1%	36.6%	36.4%	36.4%
SG&A	665	682	339	337
SG&A (%)	29.9%	30.2%	30.6%	31.2%
Operating Profit	115	145	64	57
OP Margin (%)	5.2%	6.4%	5.8%	5.3%
Recurring Profit	37	113	79	50
RP Margin (%)	1.7%	5.0%	7.1%	4.7%
Net Income	2	79	60	37
Net Margin (%)	0.1%	3.5%	5.4%	3.5%

Balance Sheet

(KRW, Billion)	FY2014	FY2015	1H 2015	1H 2016
Current Assets	690	945	742	953
Cash/Cash equivalents	111	377	157	363
Receivables	289	302	307	307
Inventories	252	212	239	228
Non-liquid Assets	3,308	3,381	3,582	3,168
Investment & Others	1,921	1,978	2,165	1,778
Tangible Assets	1,388	1,402	1,417	1,390
Total Assets	3,998	4,326	4,324	4,121
Payables	227	235	244	246
Other Liabilities	537	739	578	412
Total Liabilities	1,378	1,623	1,503	1,572
Paid-in Capital	7	7	7	7
Capital Surplus	13	33	13	33
Retained Earnings	1,653	1,724	1,705	1,741
Capital adjustment & Accumulated Other Comprehensive Income	947	939	1,096	767
Total Shareholder's Equity	2,620	2,703	2,821	2,549
D/E Ratio(%)	52.6%	60.1%	53.3%	61.7%

* Consolidated base results under K-IFRS standard

Appendix – Summary Financial Statements (Parent)

LOTTE CONFECTIONERY

Income Statement

(KRW, Billion)	FY2014	FY2015	1H 2015	1H 2016
Net Sales	1,705	1,775	893	872
Growth rate (%)	-13.8%	4.1%		-2.3%
COGS	1,053	1,081	542	533
COGS (%)	61.8%	60.9%	60.7%	61.1%
Gross Profit	651	694	351	340
GP Margin (%)	38.2%	39.1%	39.3%	38.9%
SG&A	545	575	290	291
SG&A (%)	32.0%	32.4%	32.5%	33.4%
Operating Profit	106	119	61	48
OP Margin (%)	6.2%	6.7%	6.8%	5.5%
Recurring Profit	48	60	65	50
RP Margin (%)	2.8%	3.4%	7.2%	5.7%
Net Income	28	37	52	40
Net Margin (%)	1.6%	2.1%	5.8%	4.6%

Balance Sheet

(KRW, Billion)	FY2014	FY2015	1H 2015	1H 2016
Current Assets	473	735	541	750
Cash/Cash equivalents	43	293	90	284
Receivables	246	258	279	281
Inventories	165	152	150	151
Non-liquid Assets	3,430	3,494	3,682	3,305
Investment & Others	2,276	2,345	2,527	2,162
Tangible Assets	1,155	1,149	1,154	1,144
Total Assets	3,904	4,229	4,223	4,056
Payables	184	192	211	210
Other Liabilities	500	659	504	659
Total Liabilities	1,228	1,432	1,334	1,396
Paid-in Capital	7	7	7	7
Capital Surplus	13	33	13	33
Retained Earnings	1,711	1,744	1,754	1,764
Capital adjustment & Accumulated Other Comprehensive Income	945	1,014	1,114	856
Total Shareholder's Equity	2,676	2,797	2,889	2,660
D/E Ratio(%)	45.9%	51.2%	46.2%	52.5%

* Parent base results under K-IFRS standard

Appendix – Shareholder Information

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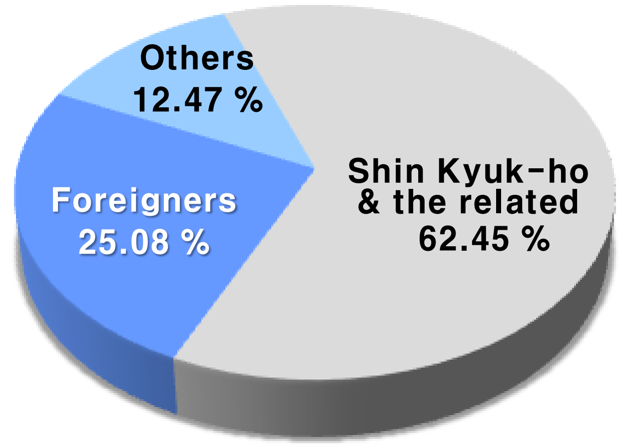
Principal Shareholder Status

Shareholder	Ownership (%)
Lotte Aluminium	15.29
Lotte CO.,LTD	9.89
Lotte Scholarship Foundation	8.69
Shin, Dong Bin	8.78
Shin, Kyuk Ho	6.83

※ As of June 30, 2016



※ Foreigners : Excluding Lotte CO.,LTD

Dividend / Payout Ratio

	2011	2012	2013	2014	2015
Share Price (₩)	1,707,000	1,630,000	1,912,000	1,780,000	2,279,000
Cash Dividend (₩million)	5,630	5,630	5,630	7,318	16,019
Dividend Rate (DPS/face value)	80.0%	80.0%	80.0%	104.0%	225.4%
Dividend Per Share	4,000	4,000	4,000	5,200	11,270
Dividend Yield (DPS/Share Price)	0.2%	0.2%	0.2%	0.3%	0.5%
Payout Ratio (Dividend/Net Profit)	5.6%	6.3%	10.2%	439.0%	20.24%

※ Consolidated base(as of December 31, 2015)