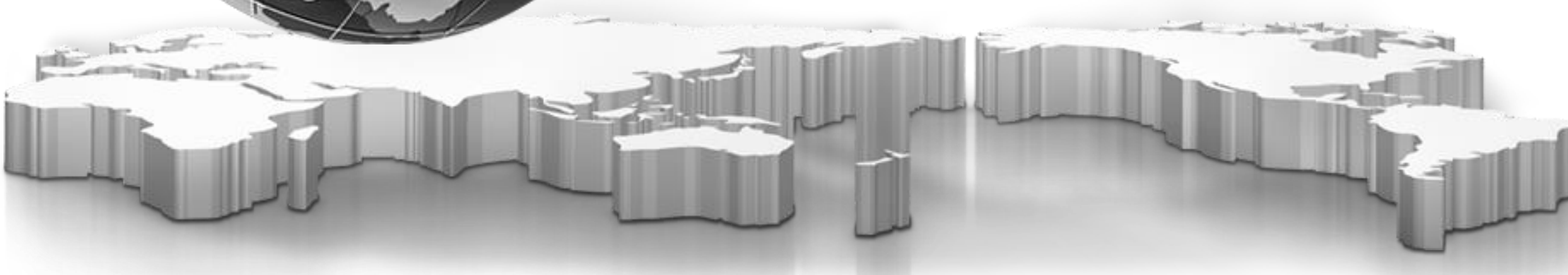
LOTTE CONFECTIONERY

ASIA No.1 CONFECTIONERY COMPANY

LOTTE CONFECTIONERY

INVESTOR RELATIONS

3rd Quarter of FY2016



Contents

Ⅰ. Overview

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

LOTTE CONFECTIONERY

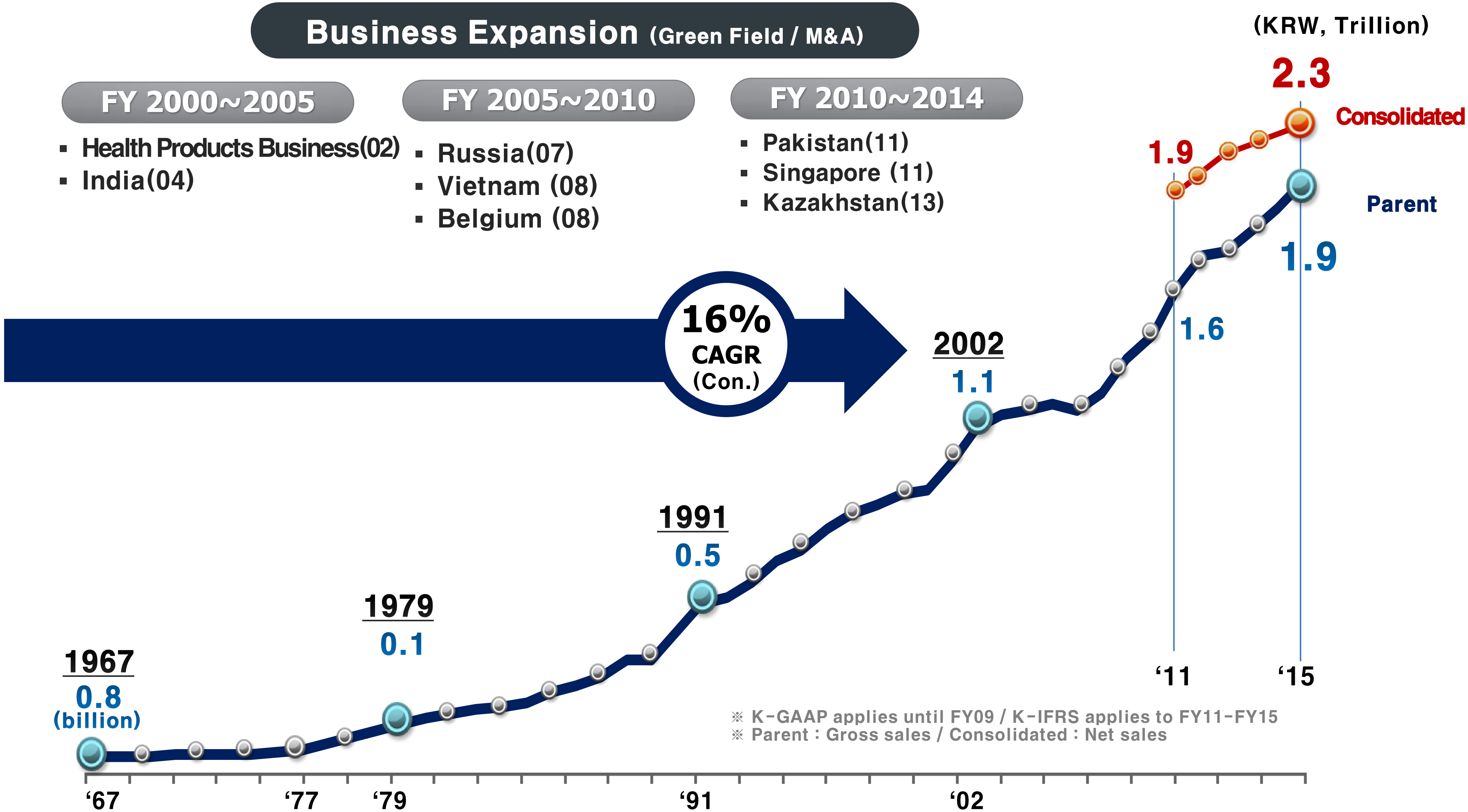
Strengthening domestic business and accelerating overseas expansion since 1967 with CAGR of 16%

Business Expansion (Green Field / M&A)

FY 2000~2005
- Health Products Business(02)
- India(04)

FY 2005~2010
- Russia(07)
- Vietnam (08)
- Belgium (08)

FY 2010~2014
- Pakistan(11)
- Singapore (11)
- Kazakhstan(13)

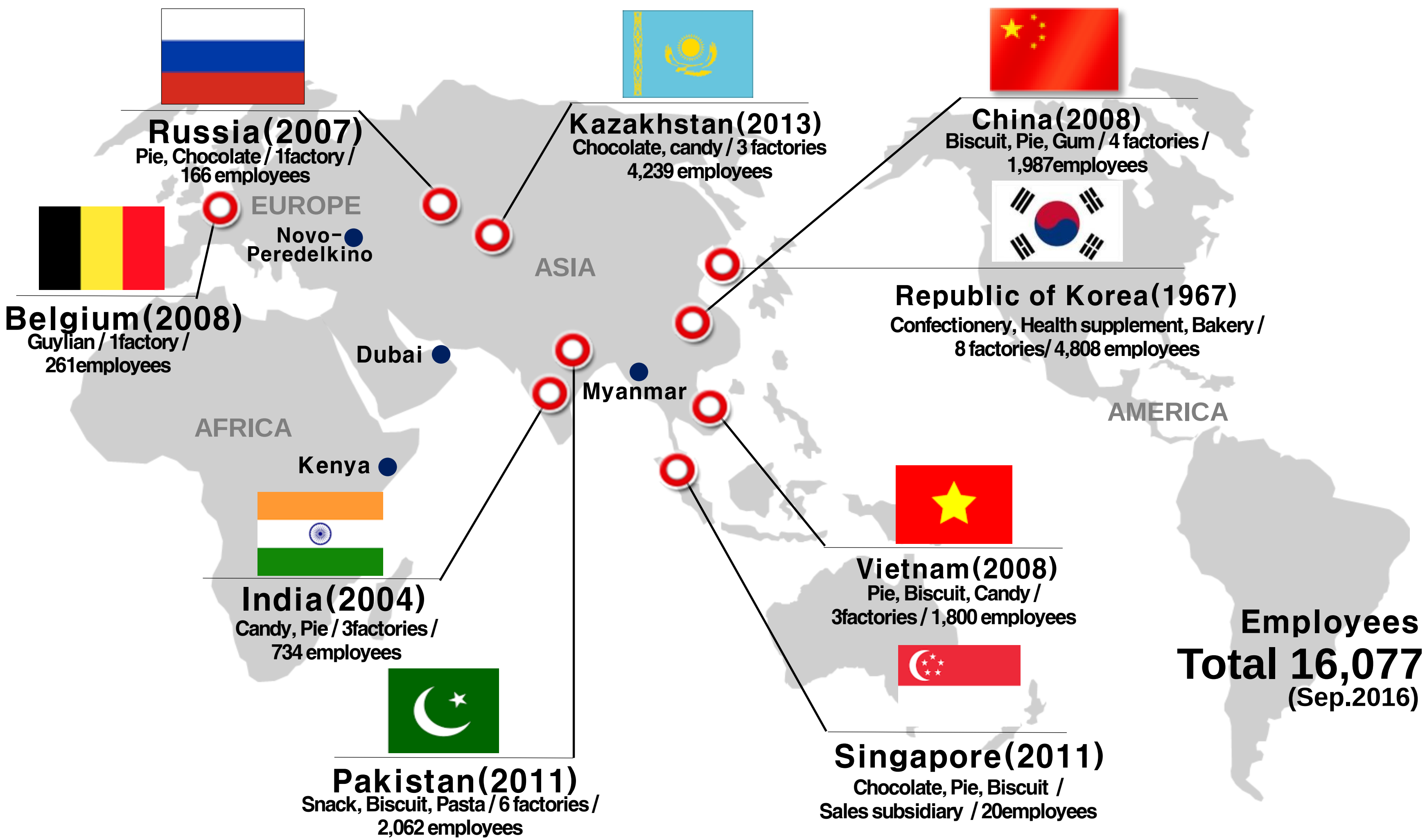


※ K-GAAP applies until FY09 / K-IFRS applies to FY11-FY15
※ Parent : Gross sales / Consolidated : Net sales

Business Expansion (Overview)

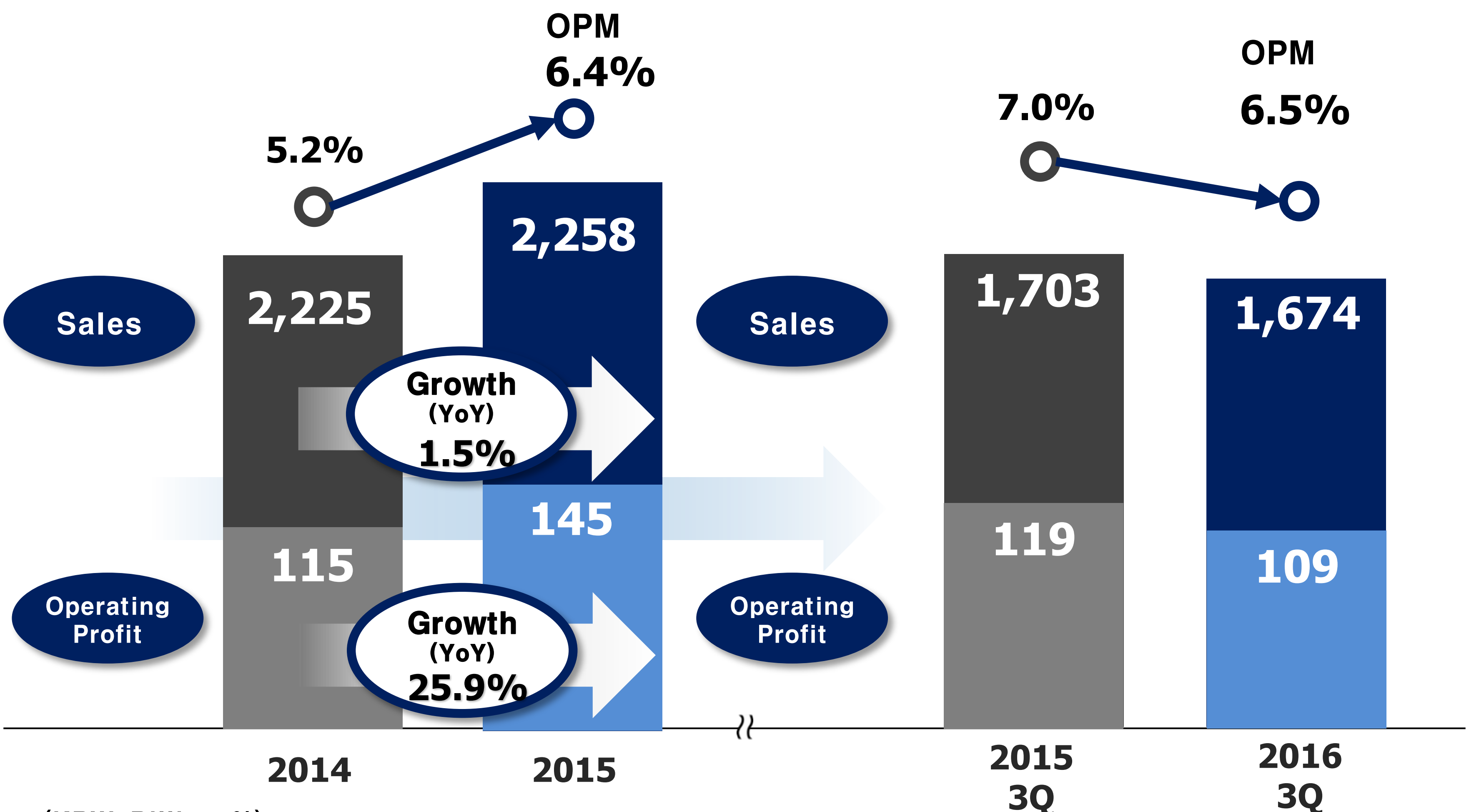
LOTTE CONFECTIONERY

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



LOTTE CONFECTIONERY

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

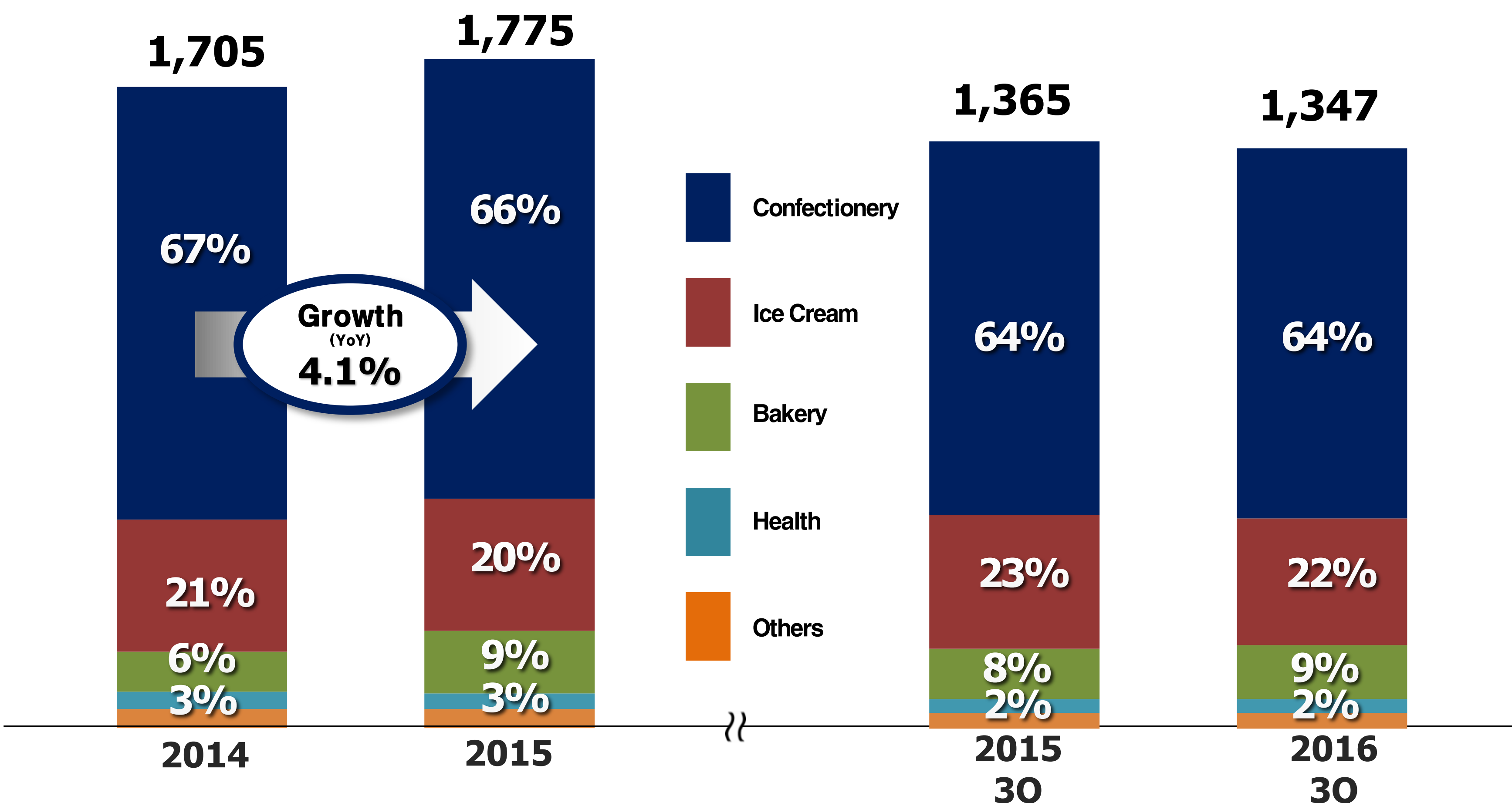
Ⅱ. Domestic Business

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

Domestic Business Portfolio (Parent)

LOTTE CONFECTIONERY

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

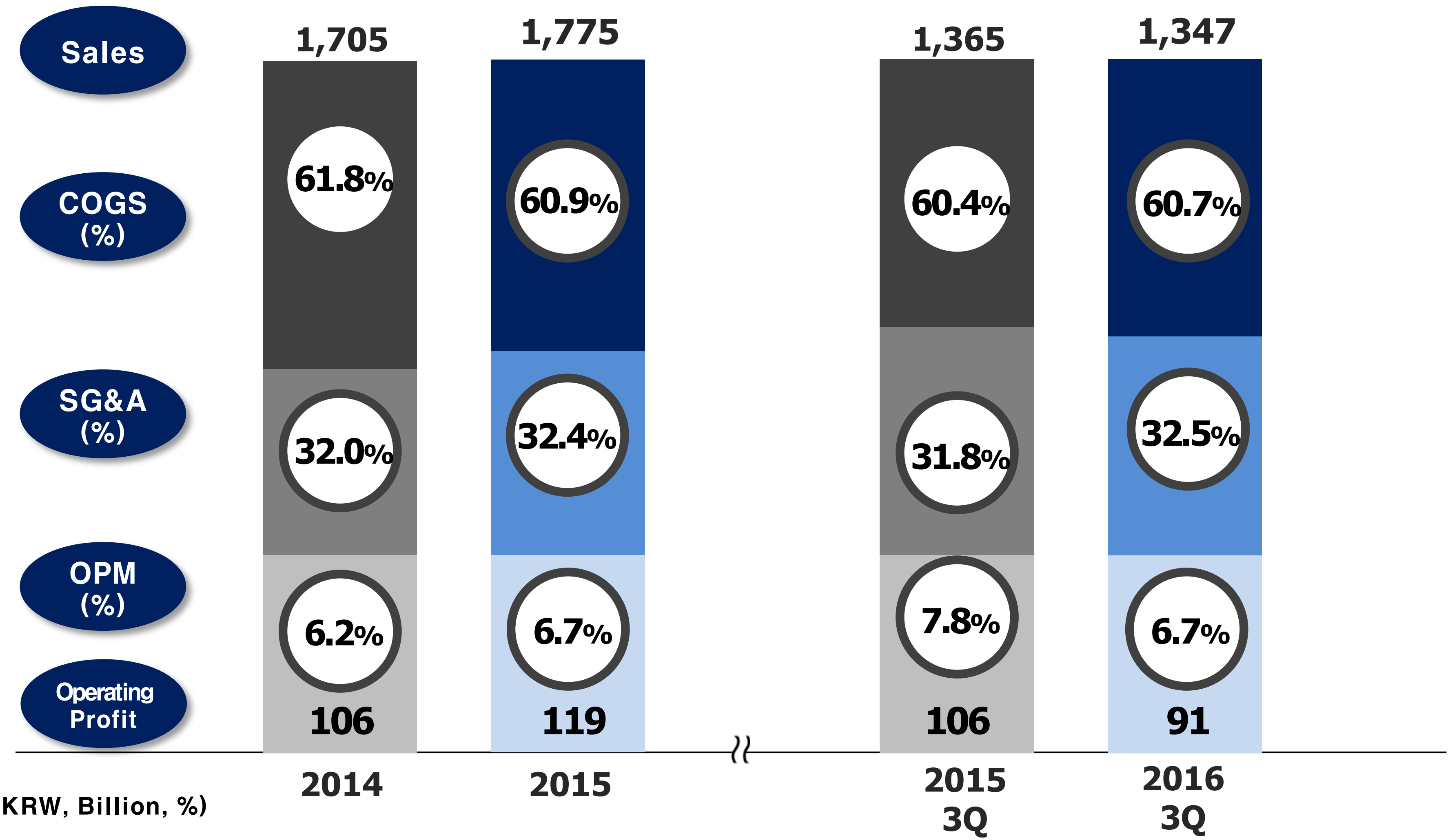


(KRW, Billion, %)

※Parent results under K-IFRS

Profitability (Domestic)

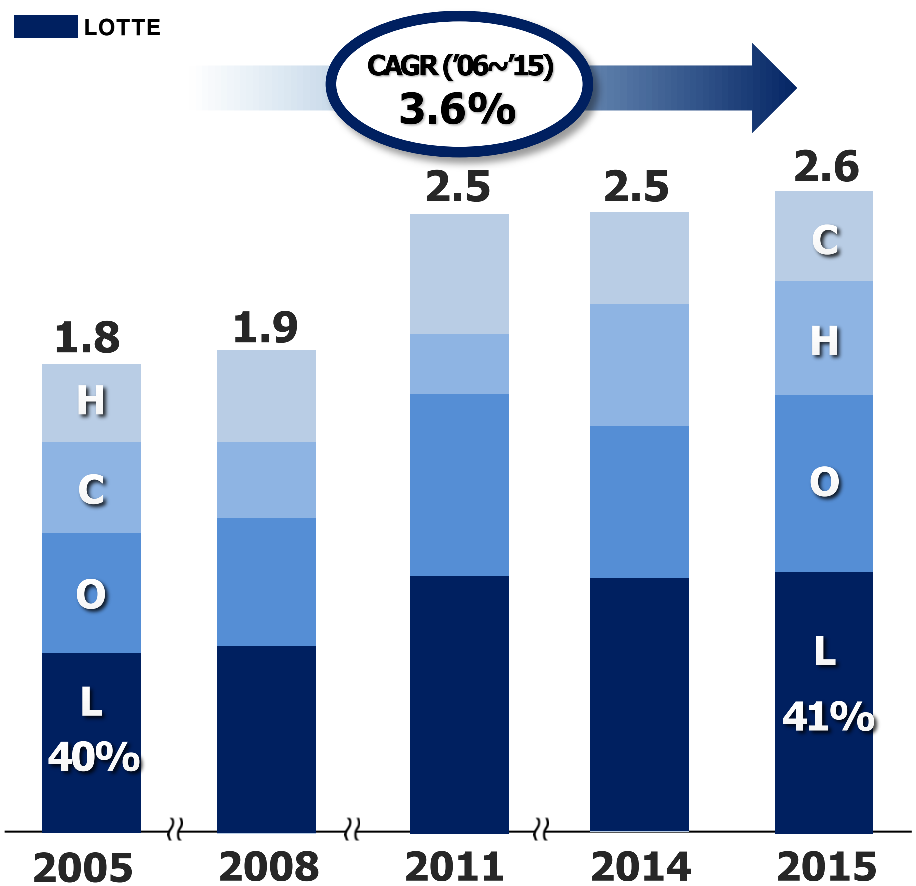
Focusing on improving profit structures – Targeting to achieve the global company level



※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

Staying on Top of Trends

- Fortifying new type & concept products

Introducing Global Brands

- Allying with the global companies

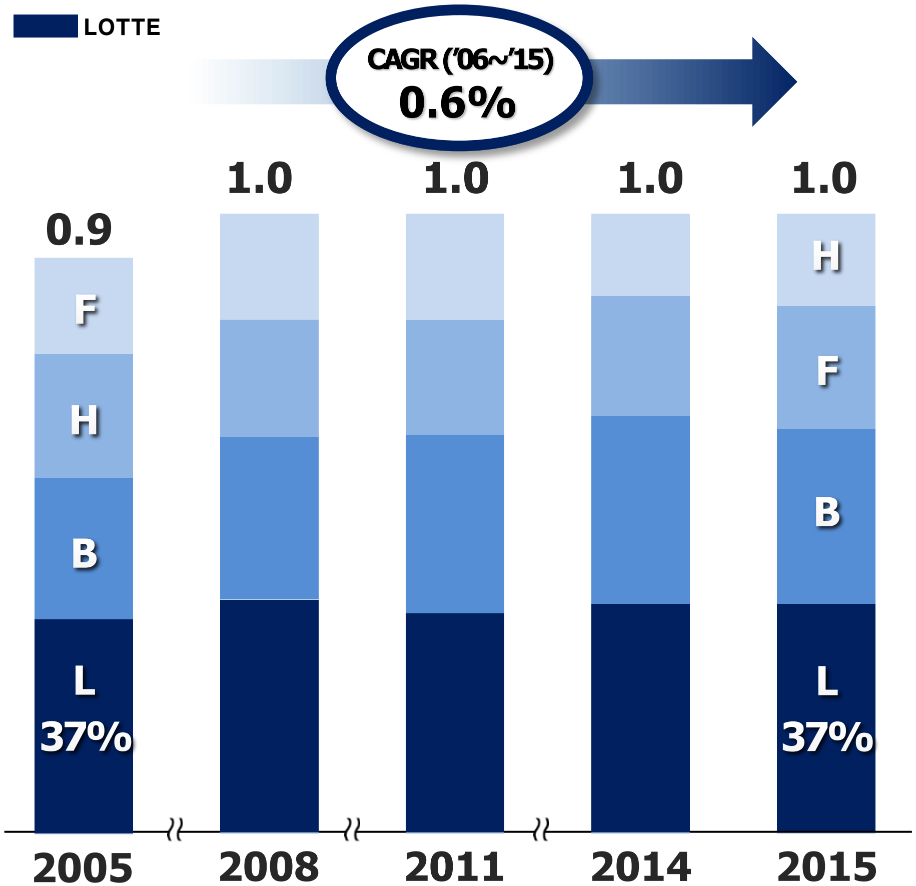
Elaborating Premium Brands

- Farm On the Road / Charlotte(Chocolate)

LOTTE CONFECTIONERY

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

- Strengthening core brand LINE-UP & MKT

LOTTE CONFECTIONERY

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

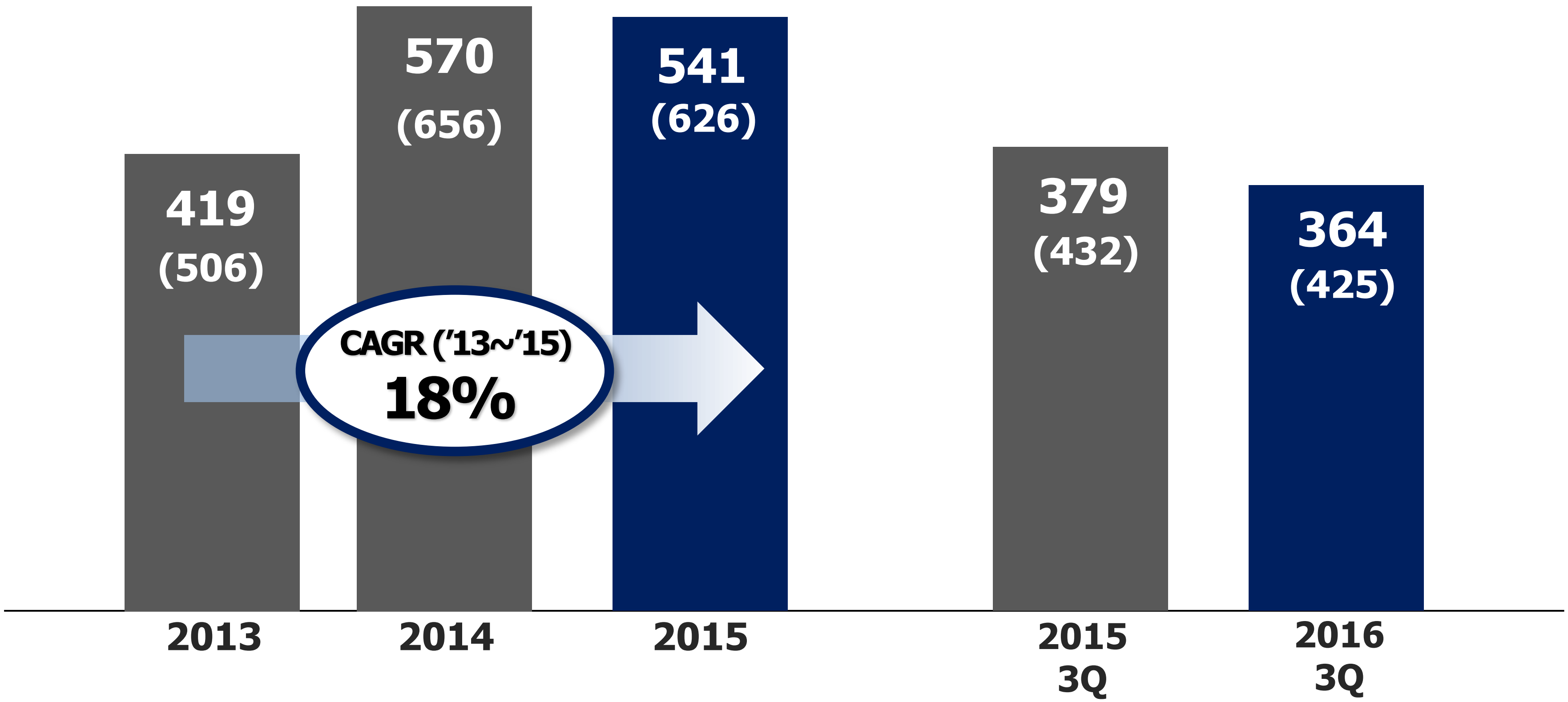
Department Store | Mart | CVS | Home Shopping | Internet

- Reinforcing each brand

마테 (MATE) | 뷰티스킨 | 팻슬림 | NATURE'S BOUNTY

Ⅲ. Overseas Business

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



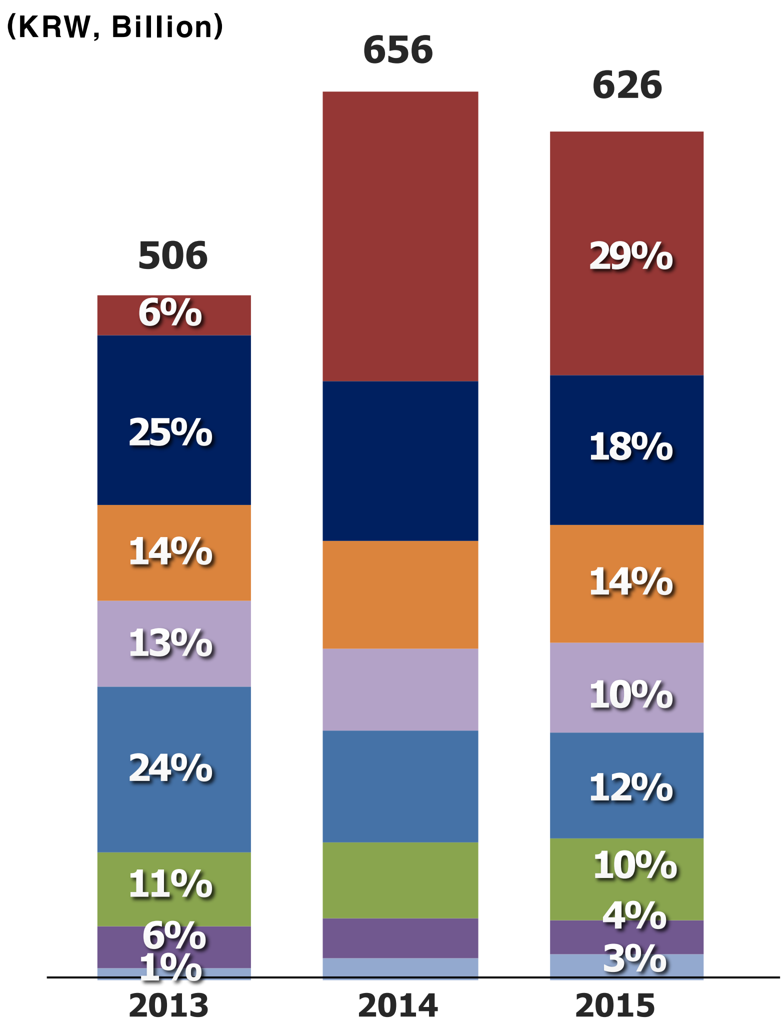
(KRW, Billion, %)

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

Overseas Business Sales Breakdown

LOTTE CONFECTIONERY

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	3Q 2015	3Q 2016
Net Sales	2,225	2,258	1,703	1,674
Growth rate (%)	12.6%	1.5%		-1.7%
COGS	1,445	1,431	1,074	1,059
COGS (%)	64.9%	63.4%	63.0%	63.3%
Gross Profit	780	827	629	615
GP Margin (%)	35.1%	36.6%	37.0%	36.7%
SG&A	665	682	510	506
SG&A (%)	29.9%	30.2%	30.0%	30.2%
Operating Profit	115	145	119	109
OP Margin (%)	5.2%	6.4%	7.0%	6.5%
Recurring Profit	37	113	114	102
RP Margin (%)	1.7%	5.0%	6.7%	6.1%
Net Income	2	79	83	80
Net Margin (%)	0.1%	3.5%	4.9%	4.8%

Balance Sheet

(KRW, Billion)	FY2014	FY2015	3Q 2015	3Q 2016
Current Assets	690	945	873	908
Cash/Cash equivalents	111	377	289	290
Receivables	289	302	325	338
Inventories	252	212	221	228
Non-liquid Assets	3,308	3,381	3,678	3,096
Investment & Others	1,921	1,978	2,247	1,720
Tangible Assets	1,388	1,402	1,432	1,376
Total Assets	3,998	4,326	4,552	4,004
Payables	227	235	246	247
Other Liabilities	537	739	691	658
Total Liabilities	1,378	1,623	1,661	1,476
Paid-in Capital	7	7	7	7
Capital Surplus	13	33	13	33
Retained Earnings	1,653	1,724	1,728	1,784
Capital adjustment & Accumulated Other Comprehensive Income	947	939	1,143	704
Total Shareholder's Equity	2,620	2,703	2,891	2,528
D/E Ratio(%)	52.6%	60.1%	57.4%	58.4%

* Consolidated base results under K-IFRS standard

Appendix – Summary Financial Statements (Parent)

LOTTE CONFECTIONERY

Income Statement

(KRW, Billion)	FY2014	FY2015	3Q 2015	3Q 2016
Net Sales	1,705	1,775	1,365	1,347
Growth rate (%)	-13.8%	4.1%		-1.4%
COGS	1,053	1,081	825	818
COGS (%)	61.8%	60.9%	60.4%	60.7%
Gross Profit	651	694	541	529
GP Margin (%)	38.2%	39.1%	39.6%	39.3%
SG&A	545	575	434	438
SG&A (%)	32.0%	32.4%	31.8%	32.5%
Operating Profit	106	119	106	91
OP Margin (%)	6.2%	6.7%	7.8%	6.7%
Recurring Profit	48	60	103	87
RP Margin (%)	2.8%	3.4%	7.5%	6.4%
Net Income	28	37	81	69
Net Margin (%)	1.6%	2.1%	6.0%	5.1%

* Parent base results under K-IFRS standard

Balance Sheet

(KRW, Billion)	FY2014	FY2015	3Q 2015	3Q 2016
Current Assets	473	735	677	704
Cash/Cash equivalents	43	293	223	222
Receivables	246	258	292	305
Inventories	165	152	142	144
Non-liquid Assets	3,430	3,494	3,771	3,250
Investment & Others	2,276	2,345	2,615	2,109
Tangible Assets	1,155	1,149	1,155	1,140
Total Assets	3,904	4,229	4,448	3,953
Payables	184	192	206	206
Other Liabilities	500	659	612	581
Total Liabilities	1,228	1,432	1,467	1,302
Paid-in Capital	7	7	7	7
Capital Surplus	13	33	13	33
Retained Earnings	1,711	1,744	1,785	1,794
Capital adjustment & Accumulated Other Comprehensive Income	945	1,014	1,175	817
Total Shareholder's Equity	2,676	2,797	2,980	2,651
D/E Ratio(%)	45.9%	51.2%	49.2%	49.1%

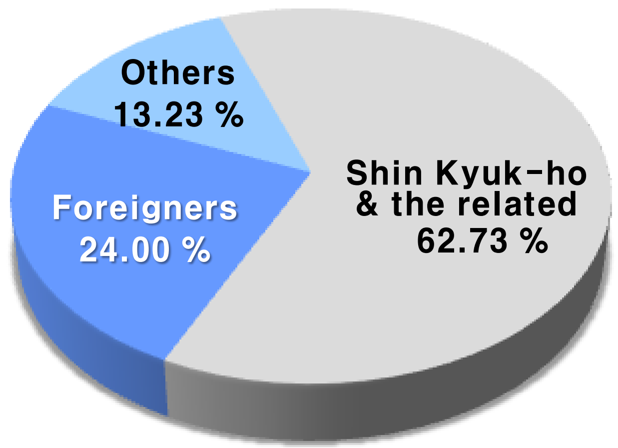
Appendix – Shareholder Information

LOTTE CONFECTIONERY

Principal Shareholder Status

Shareholder	Ownership (%)
Lotte Aluminium	15.29
Lotte CO.,LTD	9.89
Lotte Scholarship Foundation	8.69
Shin, Dong Bin	9.07
Shin, Kyuk Ho	6.83

※ As of 31, Jan, 2017



※ 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)