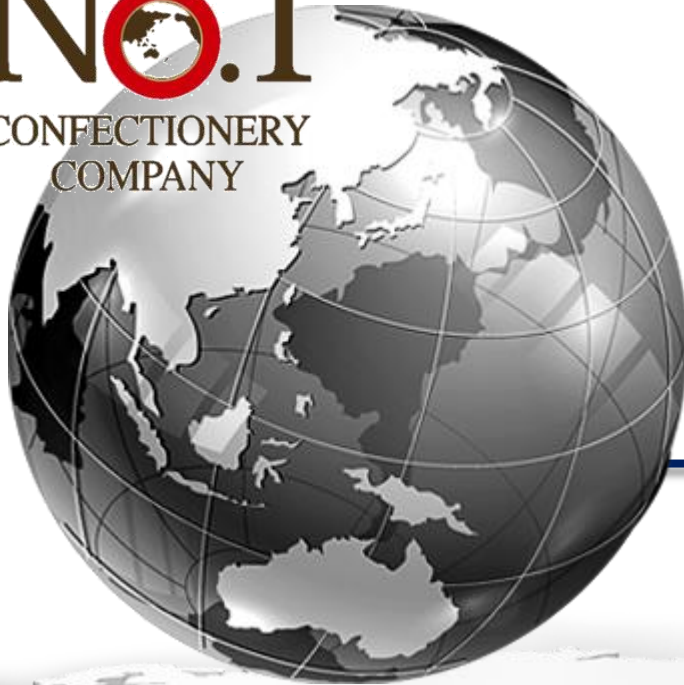


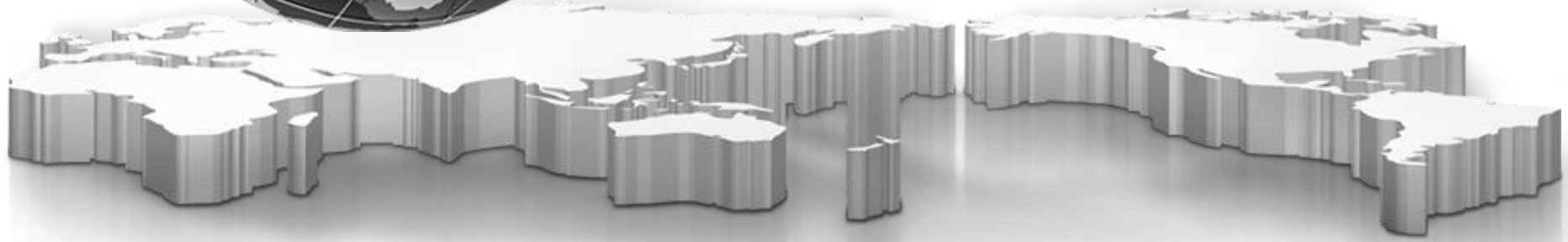
ASIA
No.1
CONFECTIONERY
COMPANY



LOTTE CONFECTIONERY

INVESTOR RELATIONS

FY2016



Contents

I . Overview

II . Domestic Business

III . Overseas Business

I . Overview

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

Strengthening domestic business and accelerating overseas expansion since 1967 with CAGR of 18%

Business Expansion (Green Field / M&A)

FY 2000~2005

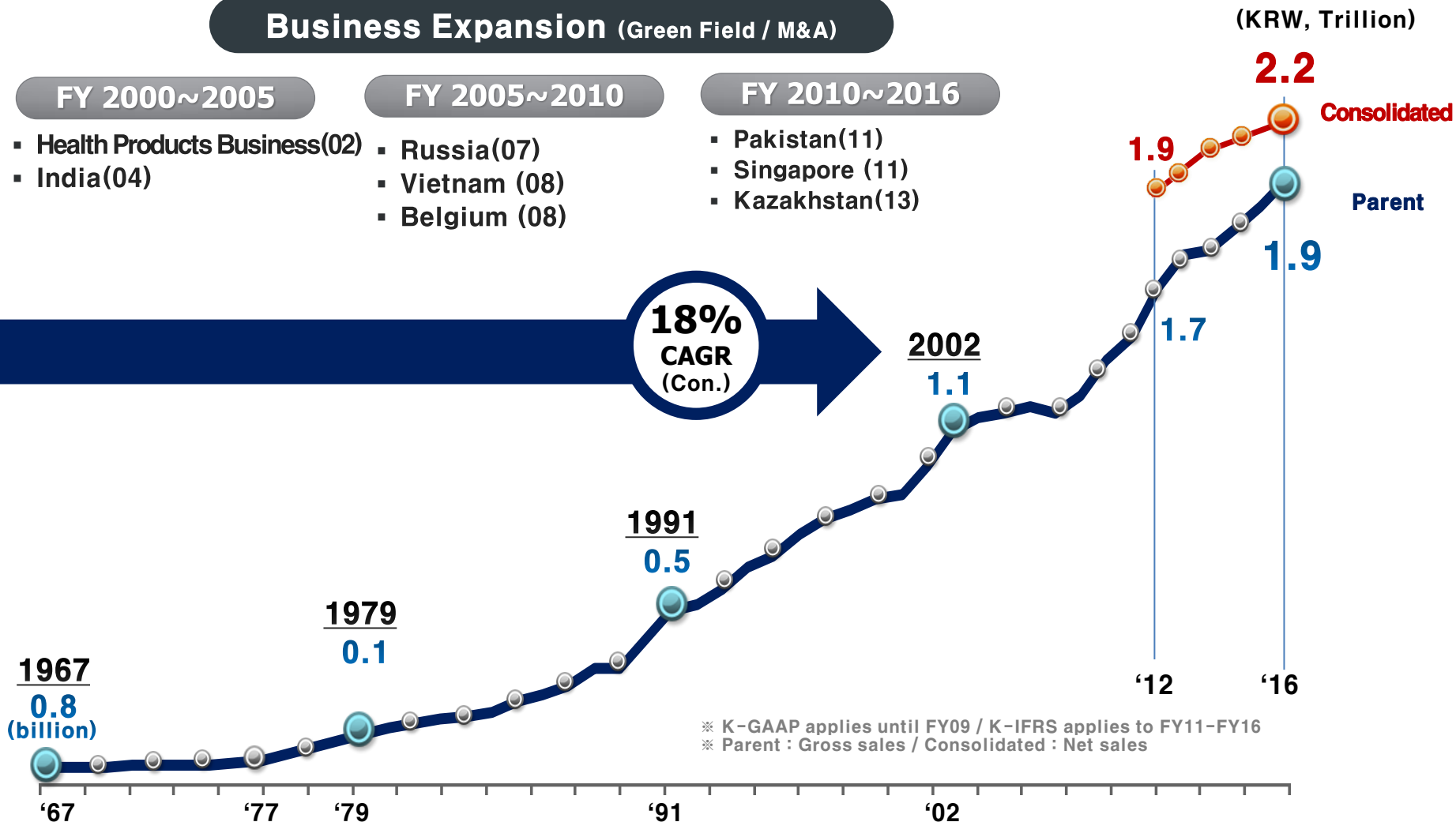
- Health Products Business(02)
- India(04)

FY 2005~2010

- Russia(07)
- Vietnam (08)
- Belgium (08)

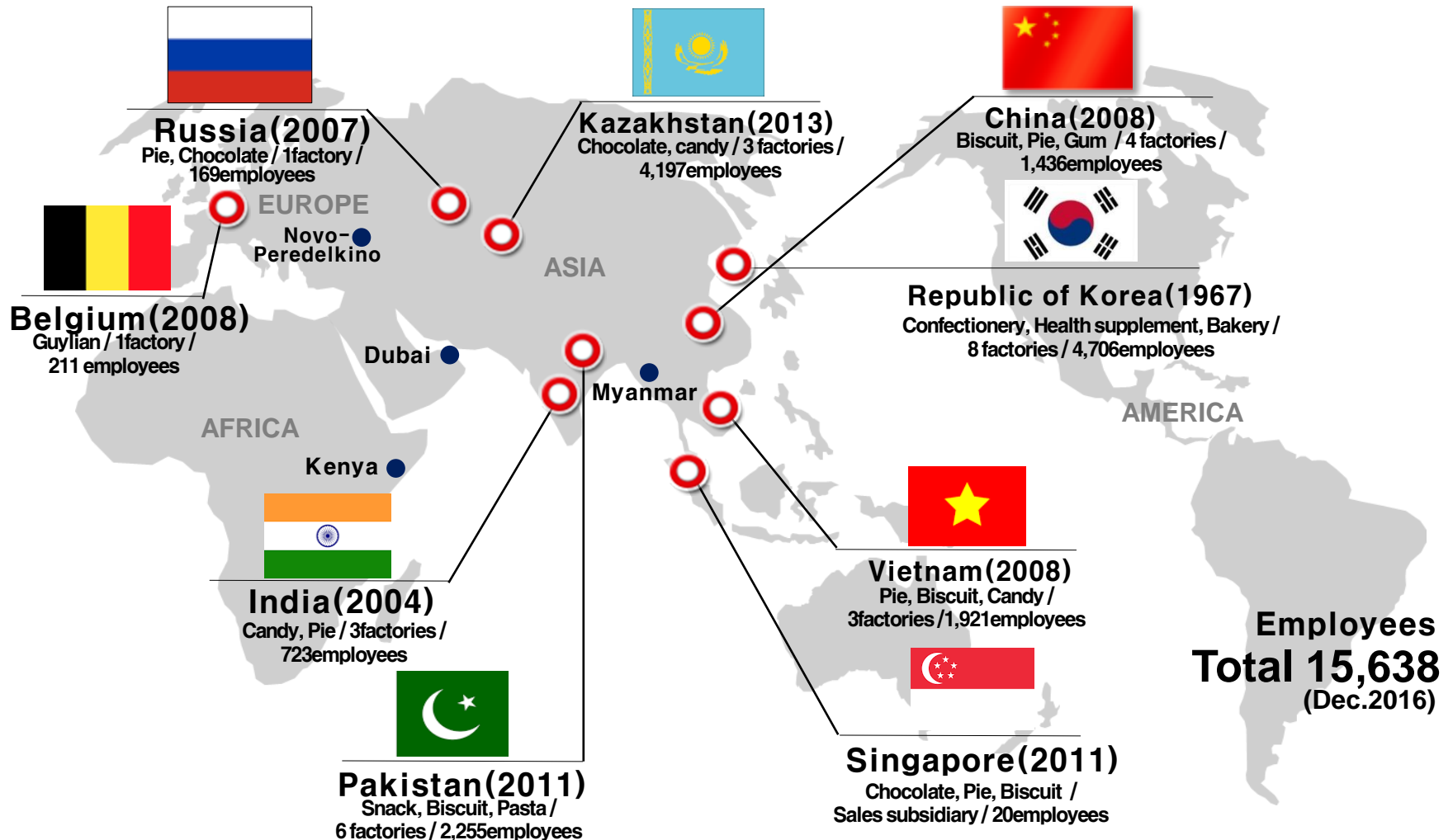
FY 2010~2016

- Pakistan(11)
- Singapore (11)
- Kazakhstan(13)

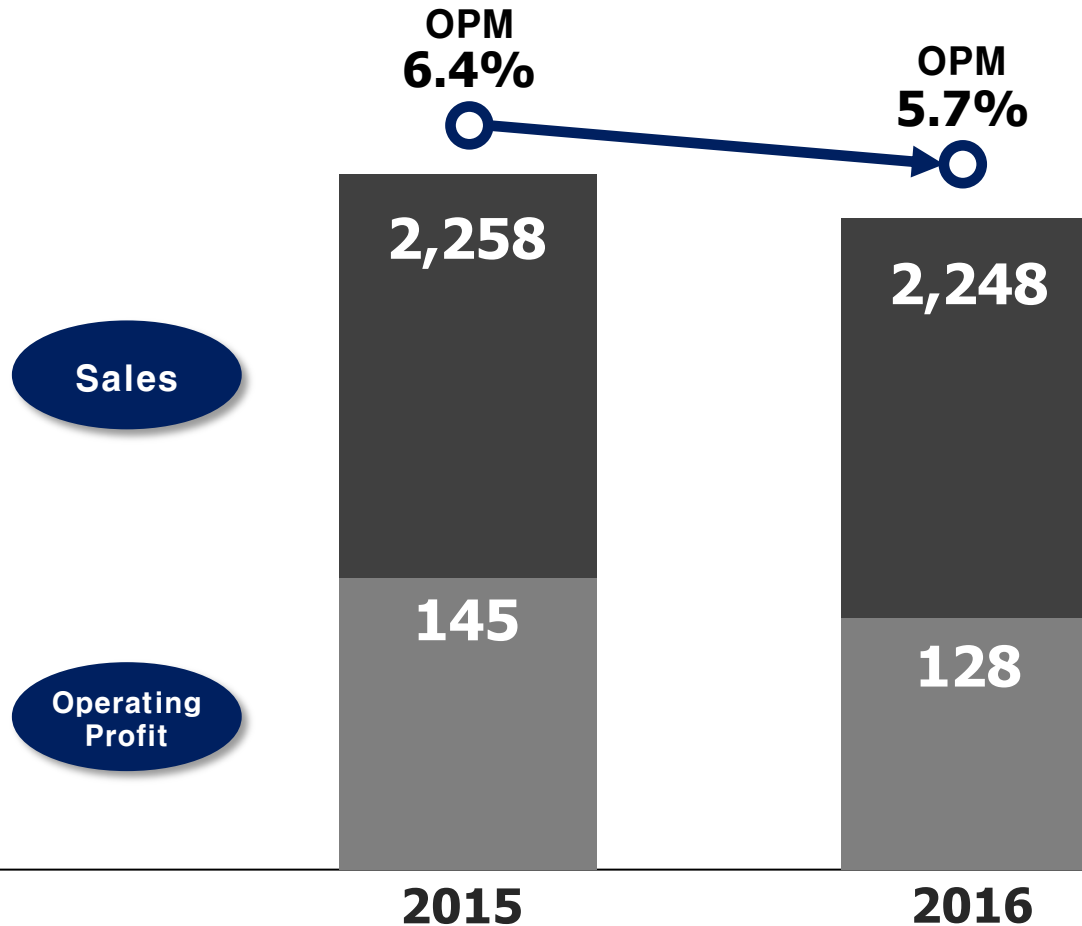


* K-GAAP applies until FY09 / K-IFRS applies to FY11-FY16
 * Parent : Gross sales / Consolidated : Net sales

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



FY16 sales slightly deviated from FY15



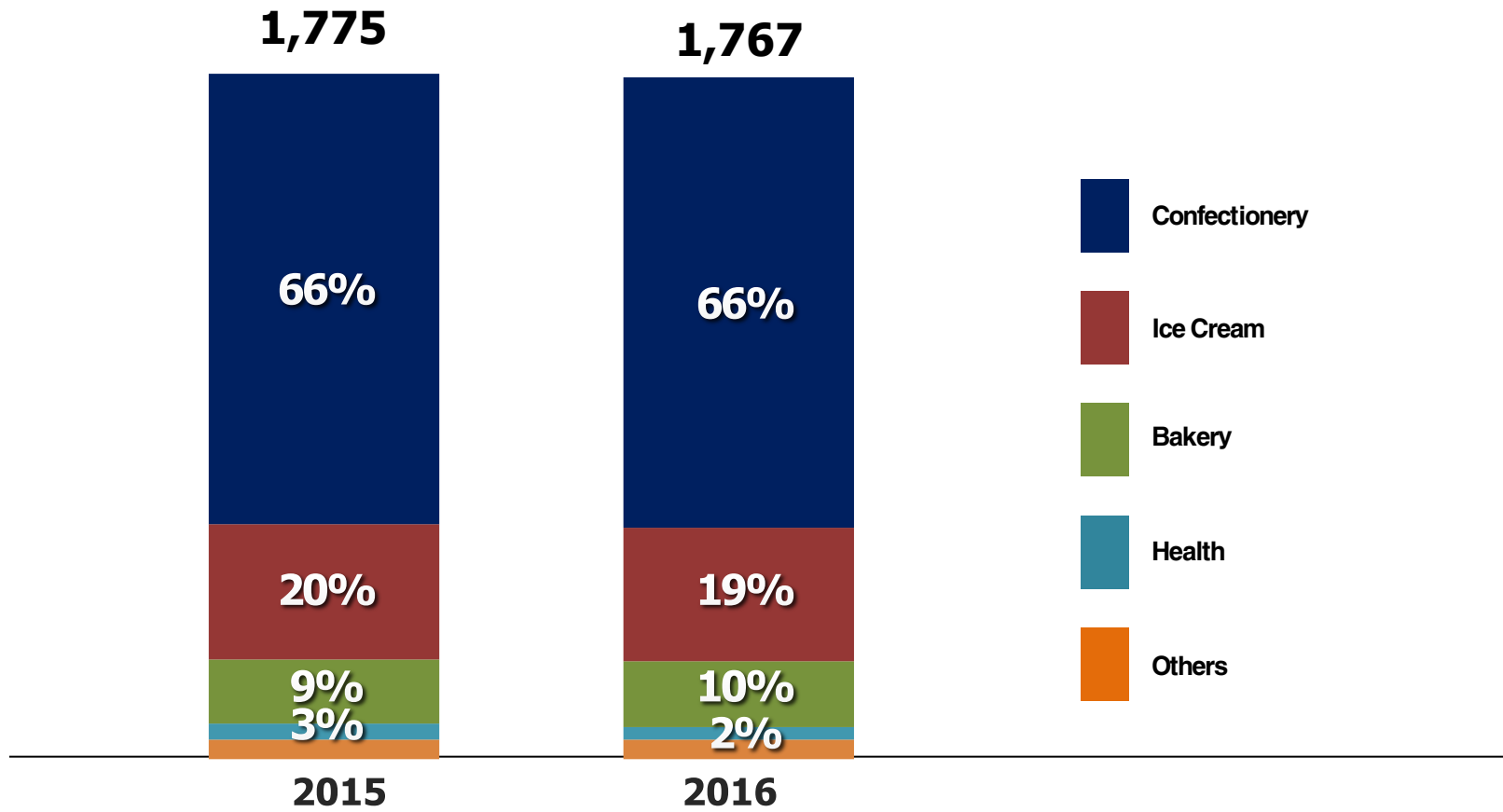
(KRW, Billion, %)

※ Consolidated results under K-IFRS

II . Domestic Business

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

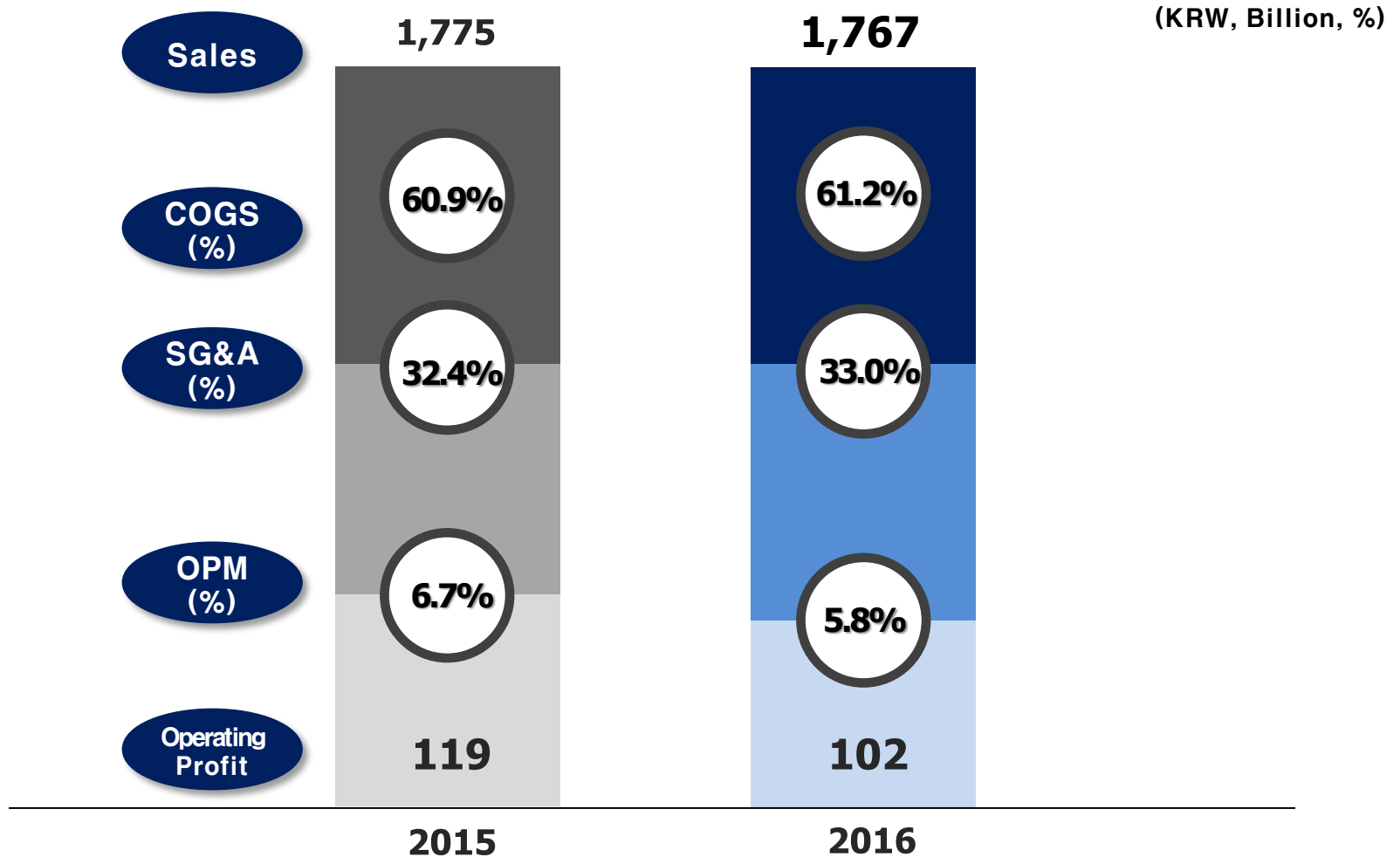
FY 16 sales slightly deviated from FY 15, Strengthening business portfolio



(KRW, Billion, %)

※ Parent results under K-IFRS

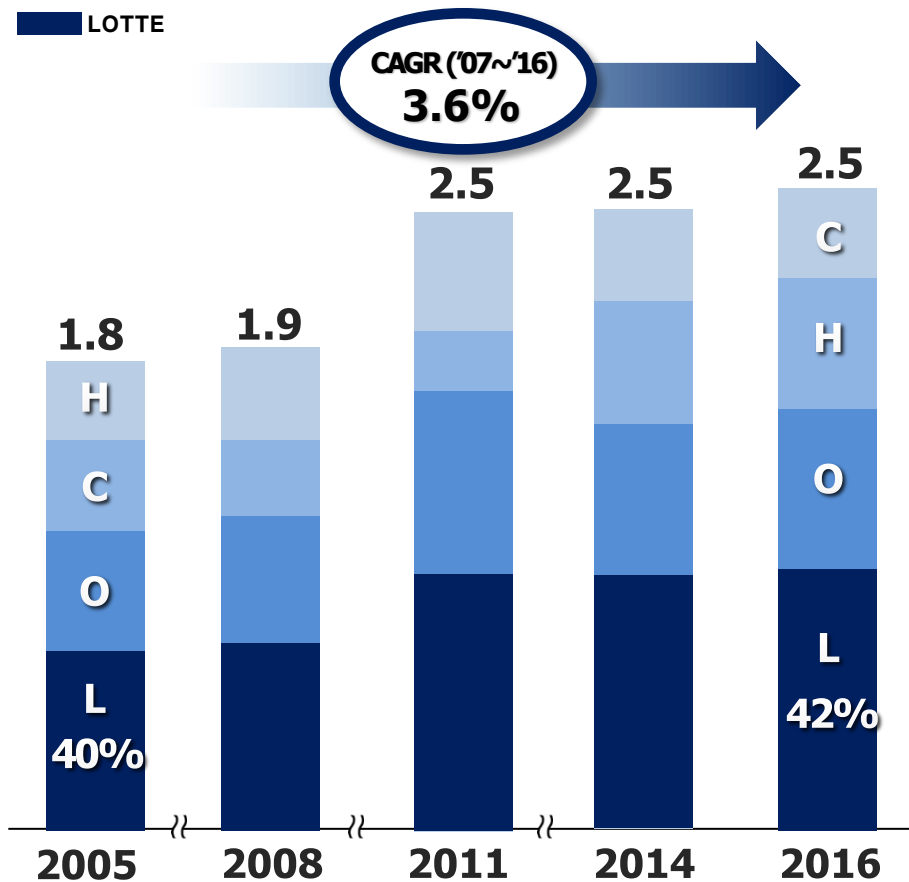
Maintaining similar profit structure to global confectionery companies



※ 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

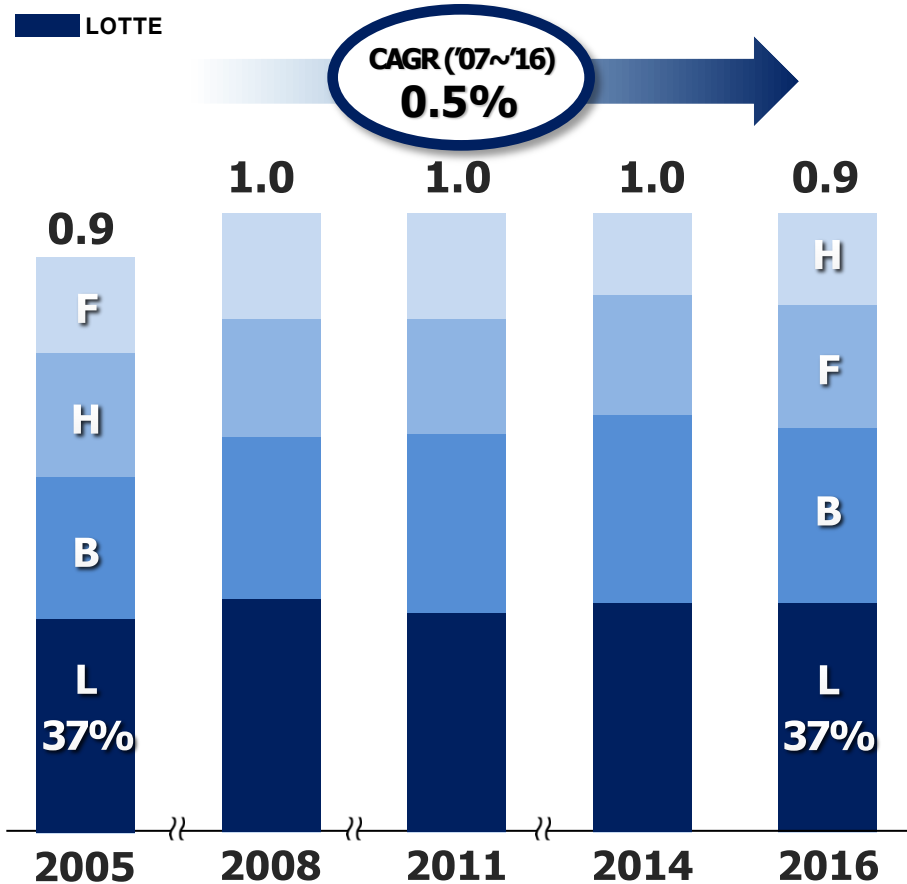
Elaborating Premium Brands



- Premium Brand 'Farm On the Road'

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

New growth engines- Bakery & Health supplement

BAKERY

- Strengthening mass produced bread



- Renewing in-store bakery stores



Department Store



Mart

- Nurturing representative products



Natural Yeast Bread



Rice Bread

HEALTH PRODUCTS

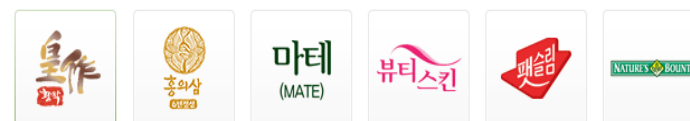
- Developing new materials



- Diversifying sales channels

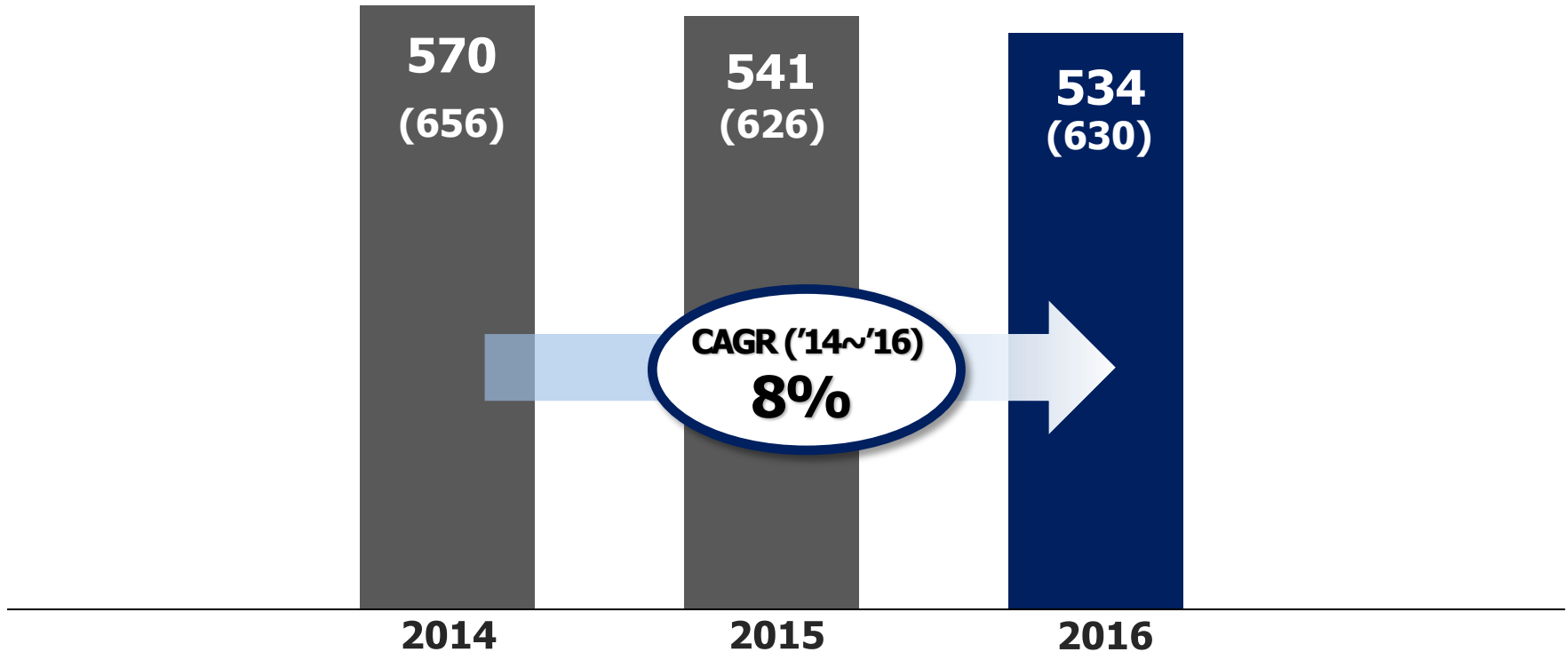


- Reinforcing each brand



III. Overseas Business

Achieving high growth rate with '14~'16 CAGR of 8%

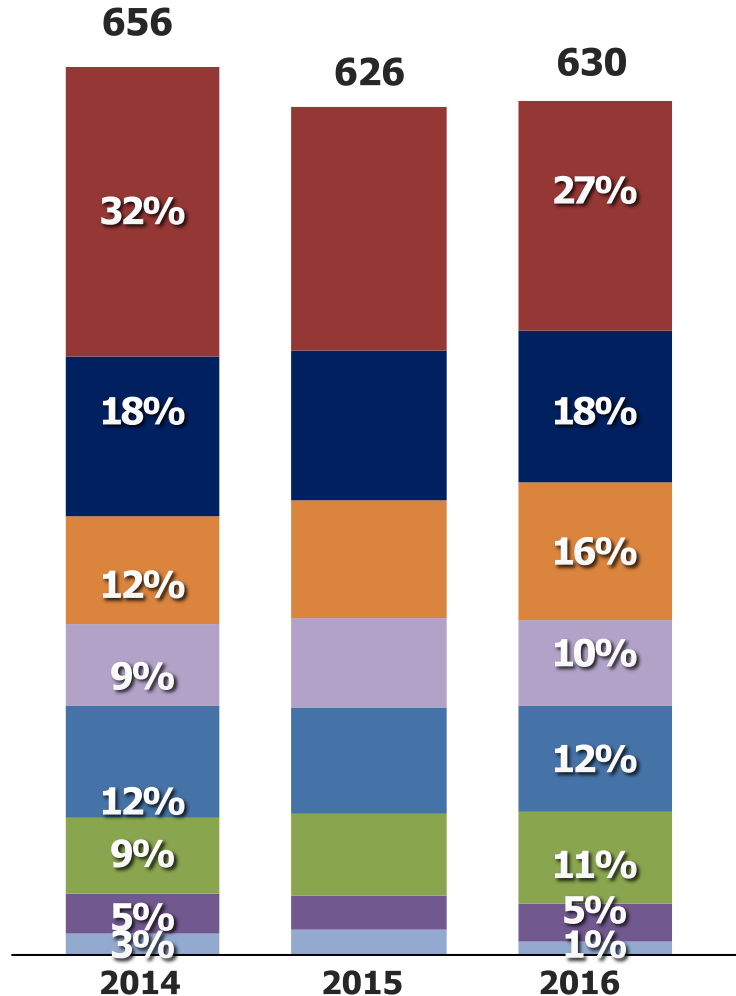


(KRW, Billion, %)

※ () : 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

(KRW, Billion)



	NATION	INVESTMENT	SALES('16)	CAGR ('14~'16)
	Kazakhstan	M&A (2013)	169	(13.12月)
	Belgium	M&A (2008)	112	-
	Pakistan	M&A (2011)	102	13%
	India	M&A (2004)	62	-
	China	Green Field (2008)	79	-
	Vietnam	M&A (2008)	67	7%
	Russia	Green Field (2007)	29	-
	Singapore	Green Field (2011)	10	6%

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

IV. **Appendix**



Income Statement

(KRW, Billion)	FY2014	FY2015	3Q	
			2015	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	FY2016
Current Assets	690	945	847
Cash/Cash equivalents	113	377	226
Receivables	289	302	324
Inventories	252	212	253
Non-liquid Assets	3,308	3,381	3,144
Investment & Others	1,921	1,978	1,751
Tangible Assets	1,388	1,402	1,393
Total Assets	3,998	4,326	3,992
Payables	227	235	227
Other Liabilities	537	739	630
Total Liabilities	1,378	1,623	1,430
Paid-in Capital	7	7	7
Capital Surplus	13	33	33
Retained Earnings	1,653	1,724	1,775
Capital adjustment & Accumulated Other Comprehensive Income	947	939	747
Total Shareholder's Equity	2,620	2,703	2,562
D/E Ratio(%)	52.6%	60.1%	55.8%

* Consolidated base results under K-IFRS standard



Income Statement

(KRW, Billion)	FY2014	FY2015	FY2016
Net Sales	1,705	1,775	1,767
Growth rate (%)	5.9%	4.1%	-0.5%
COGS	1,053	1,081	1,081
COGS (%)	61.8%	60.9%	61.2%
Gross Profit	651	694	686
GP Margin (%)	38.2%	39.1%	38.8%
SG&A	545	575	584
SG&A (%)	32.0%	32.4%	33.0%
Operating Profit	106	119	102
OP Margin (%)	6.2%	6.7%	5.8%
Recurring Profit	48	60	48
RP Margin (%)	2.8%	3.4%	2.7%
Net Income	28	37	31
Net Margin (%)	1.6%	2.1%	1.7%

* Parent base results under K-IFRS standard



Balance Sheet

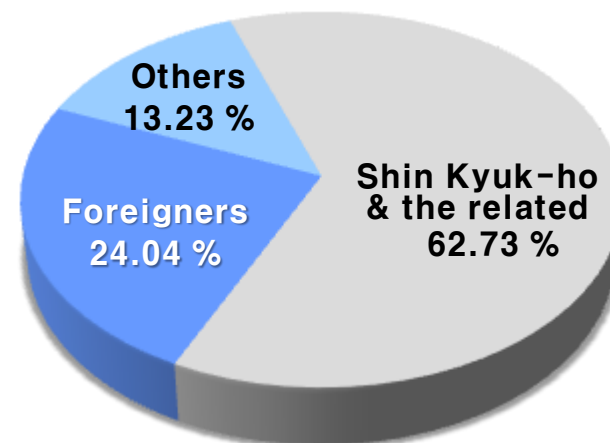
(KRW, Billion)	FY2014	FY2015	FY2016
Current Assets	473	735	605
Cash/Cash equivalents	43	293	140
Receivables	246	258	278
Inventories	165	152	167
Non-liquid Assets	3,430	3,494	3,243
Investment & Others	2,276	2,345	2,106
Tangible Assets	1,155	1,149	1,137
Total Assets	3,904	4,229	3,849
Payables	184	192	174
Other Liabilities	500	659	550
Total Liabilities	1,228	1,432	1,230
Paid-in Capital	7	7	7
Capital Surplus	13	33	33
Retained Earnings	1,711	1,744	1,756
Capital adjustment & Accumulated Other Comprehensive Income	945	1,014	823
Total Shareholder's Equity	2,676	2,797	2,618
D/E Ratio(%)	45.9%	51.2%	47.0%



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

	2012	2013	2014	2015	2016
Share Price (₩)	1,630,000	1,912,000	1,780,000	2,279,000	178,500
Cash Dividend (₩million)	5,630	5,630	7,318	16,019	16,062
Dividend Rate (DPS/face value)	80.0%	80.0%	104.0%	225.4%	226.0%
Dividend Per Share	4,000	4,000	5,200	11,270	1,130
Dividend Yield (DPS/Share Price)	0.2%	0.2%	0.3%	0.5%	0.6%
Payout Ratio (Dividend/Net Profit)	6.3%	10.2%	439.0%	20.24%	21.35%

※ Consolidated base(as of December 31, 2016)