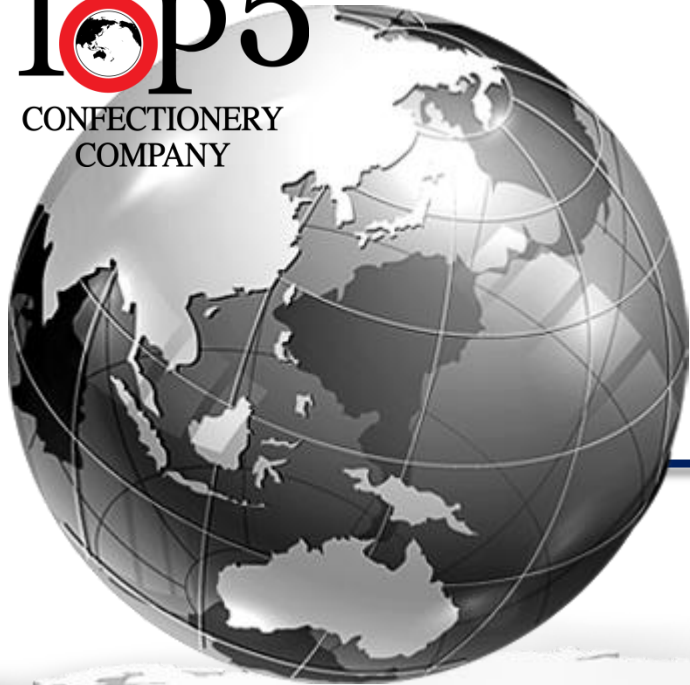


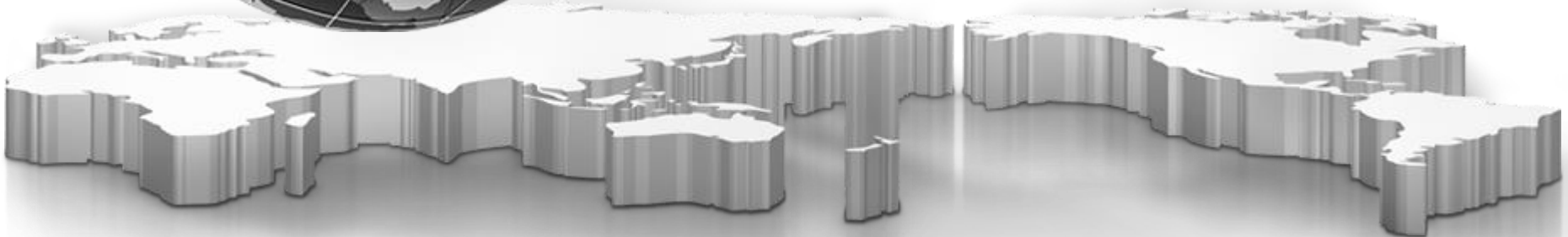
GLOBAL
Top 5
CONFECTIONERY
COMPANY



LOTTE CONFECTIONERY

***INVESTOR
RELATIONS***

1Q 2017



Contents

I . Overview

II . Domestic Business

III . Overseas Business

IV . Long-term Growth Strategy

V . Establishing Holding Company

VI . Appendix

I . Overview

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

Founded in 1967, Lotte Confectionery has become No.1

Business Expansion (Green Field / M&A)

FY 2000~2005

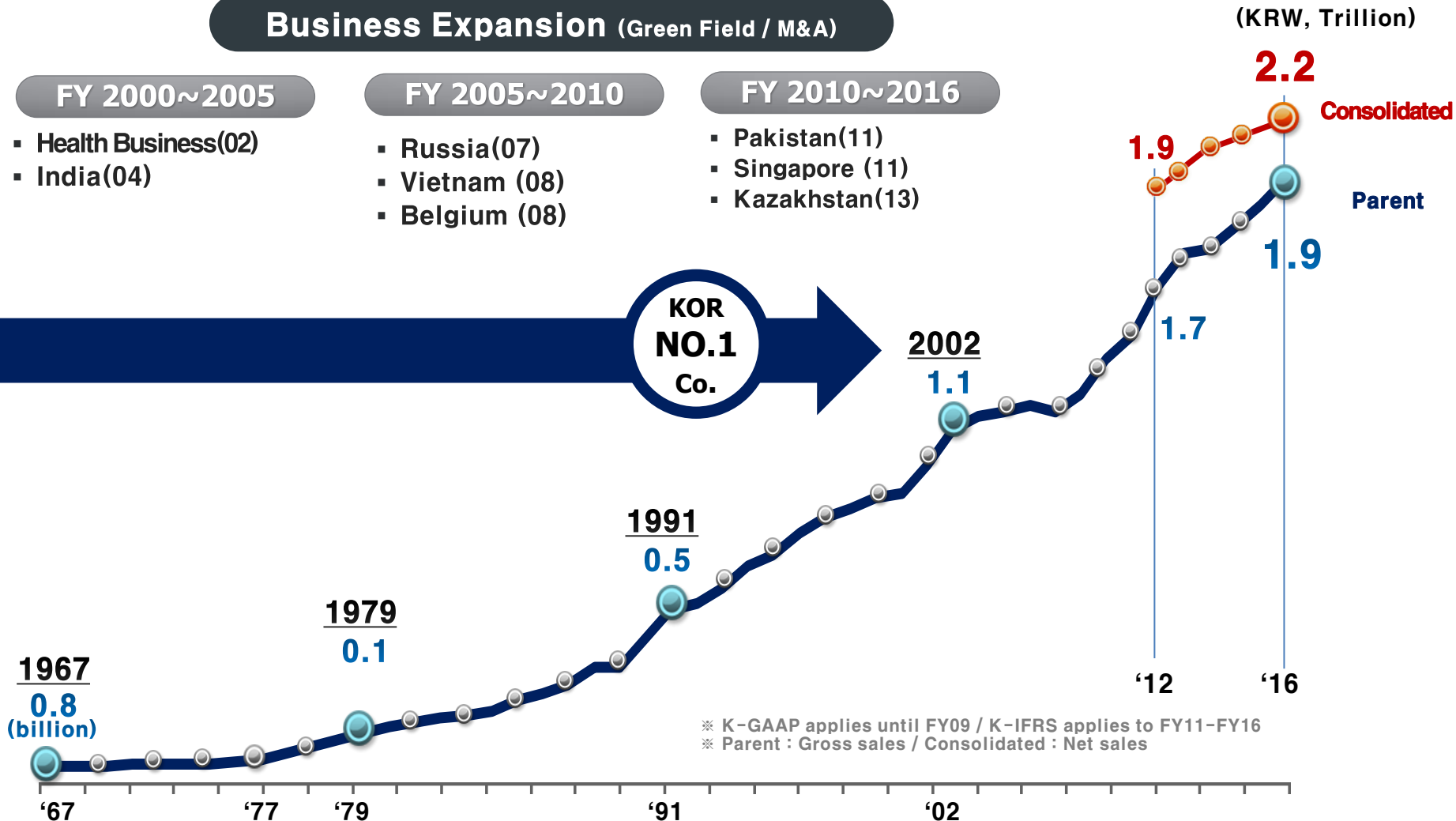
- Health Business(02)
- India(04)

FY 2005~2010

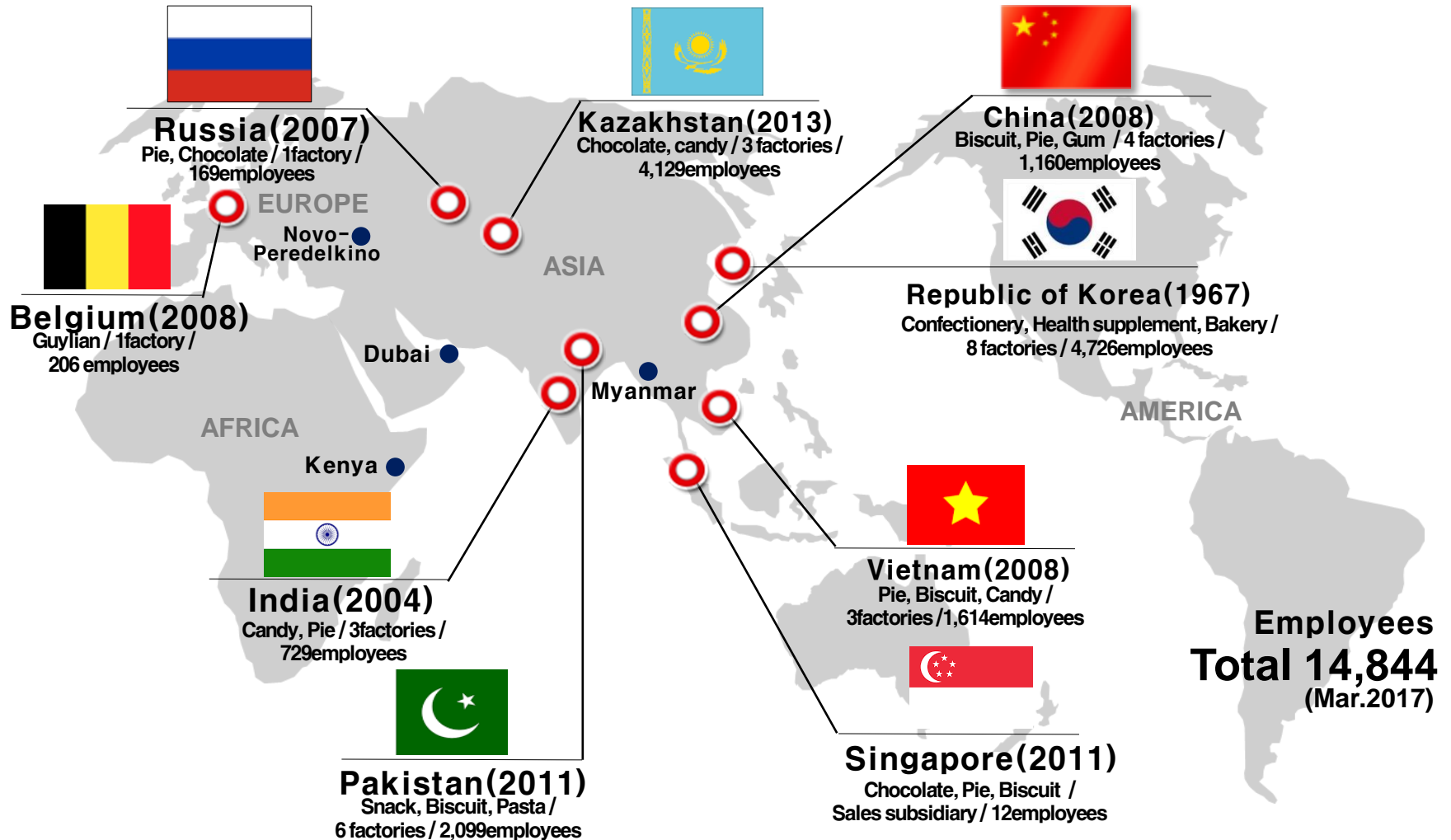
- Russia(07)
- Vietnam (08)
- Belgium (08)

FY 2010~2016

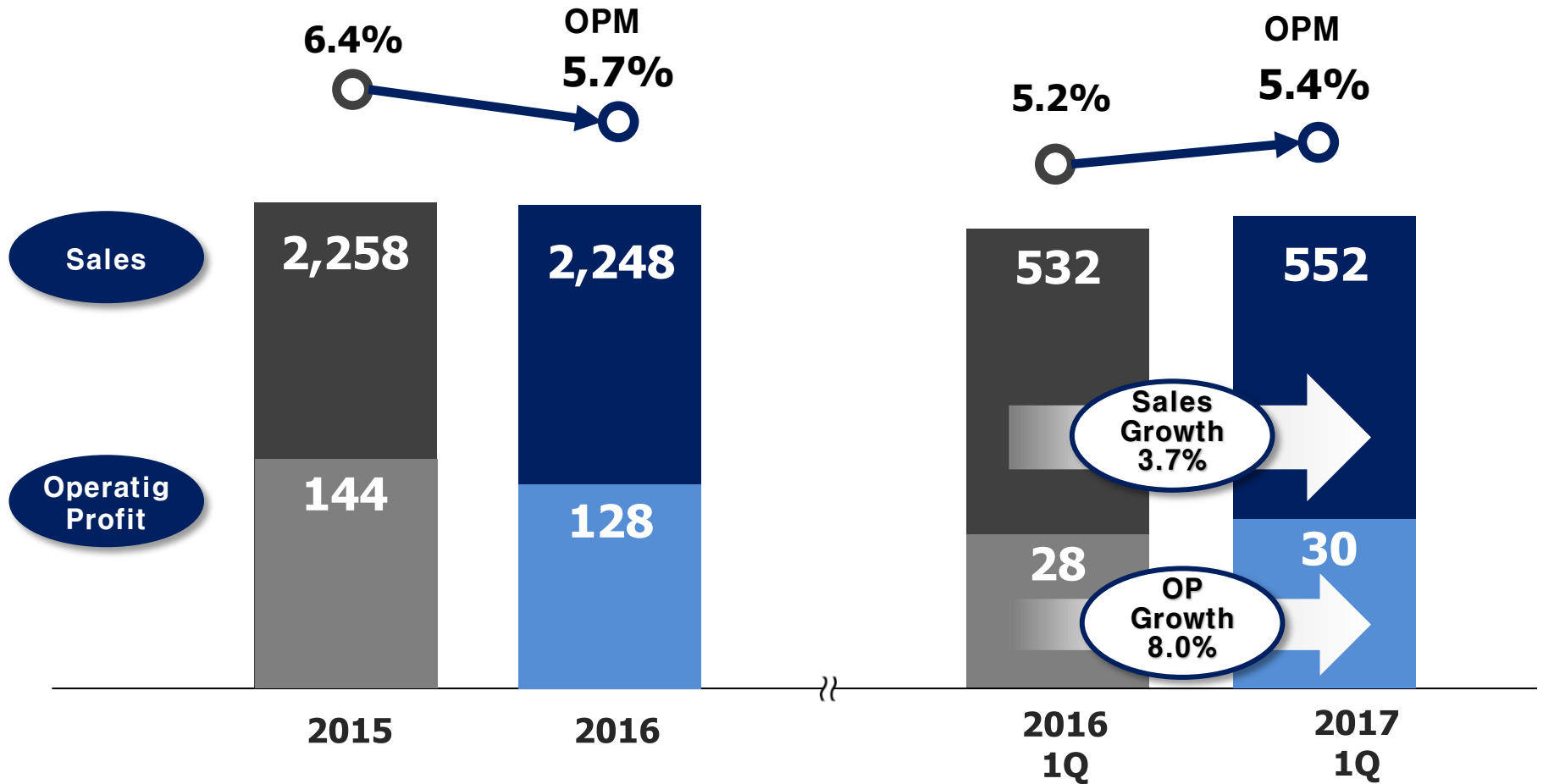
- Pakistan(11)
- Singapore (11)
- Kazakhstan(13)



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



1Q.17 sales increased by 3.7%, OP increased by 8.0%



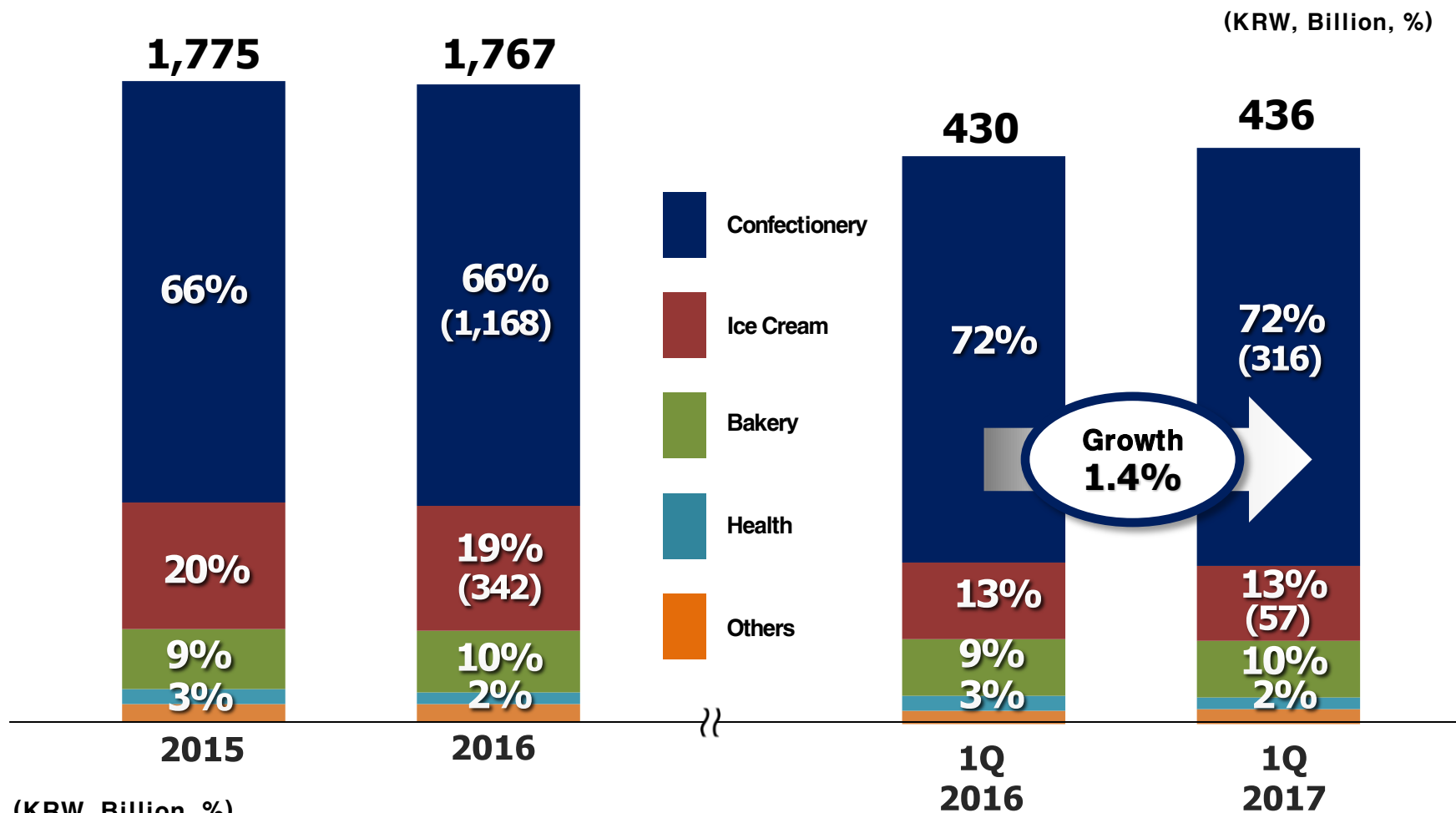
(KRW, Billion, %)

※ Consolidated results under K-IFRS

II . Domestic Business

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

1Q.17 sales increased by 1.4%, Strengthening business portfolio

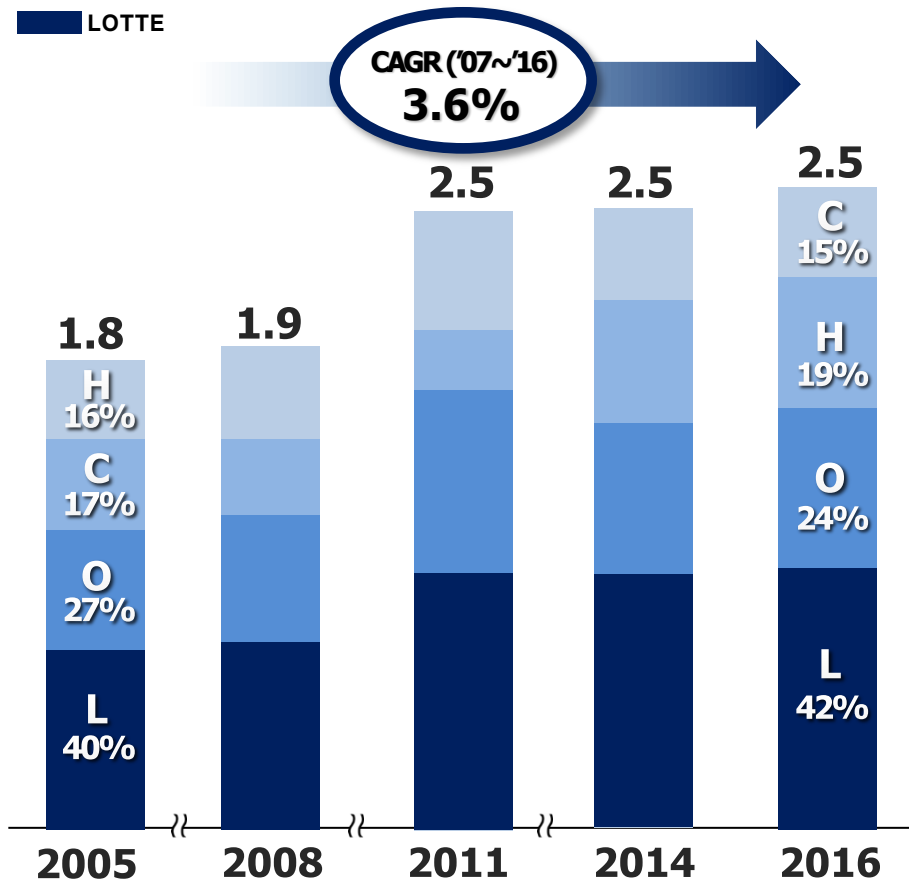


(KRW, Billion, %)

※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

Staying on Top of Trends



- Enforcing new type & concept products

Introducing Global Brands



- Allying with the global companies

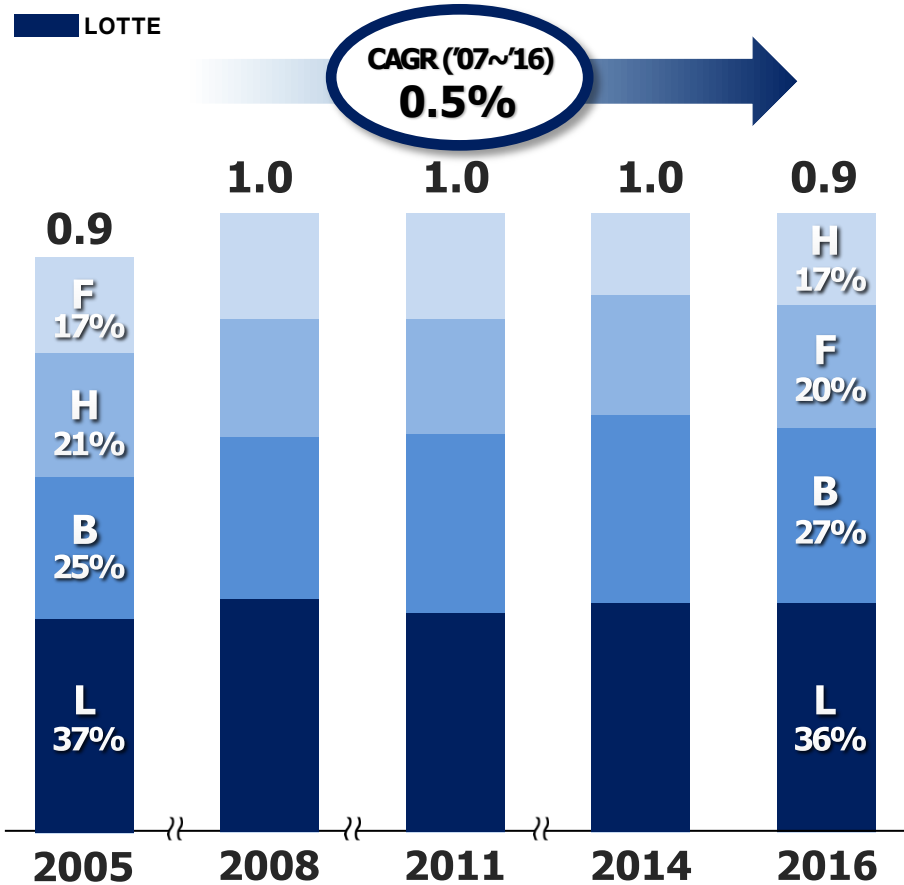
Elaborating Premium Brands



- 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

Diversifying Trendy Products



- Developing trend-leading products

Enhancing Core Brand



- Strengthening core brand LINE-UP & MKT

Developing Premium Brand



- Premium Brand 'Buon Gelato' / 'Natuur'

New growth engines – Bakery & Health business

BAKERY

- Strengthening mass produced bread



- Renewing in-store bakery stores



Department Store



Mart

- Nurturing representative products



Natural Yeast Bread



Rice Bread

PRODUCTS

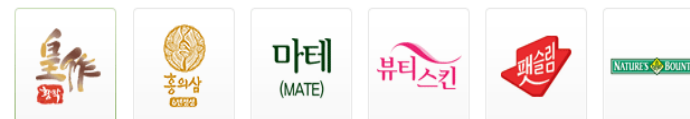
- Developing healthy products



- Diversifying sales channels



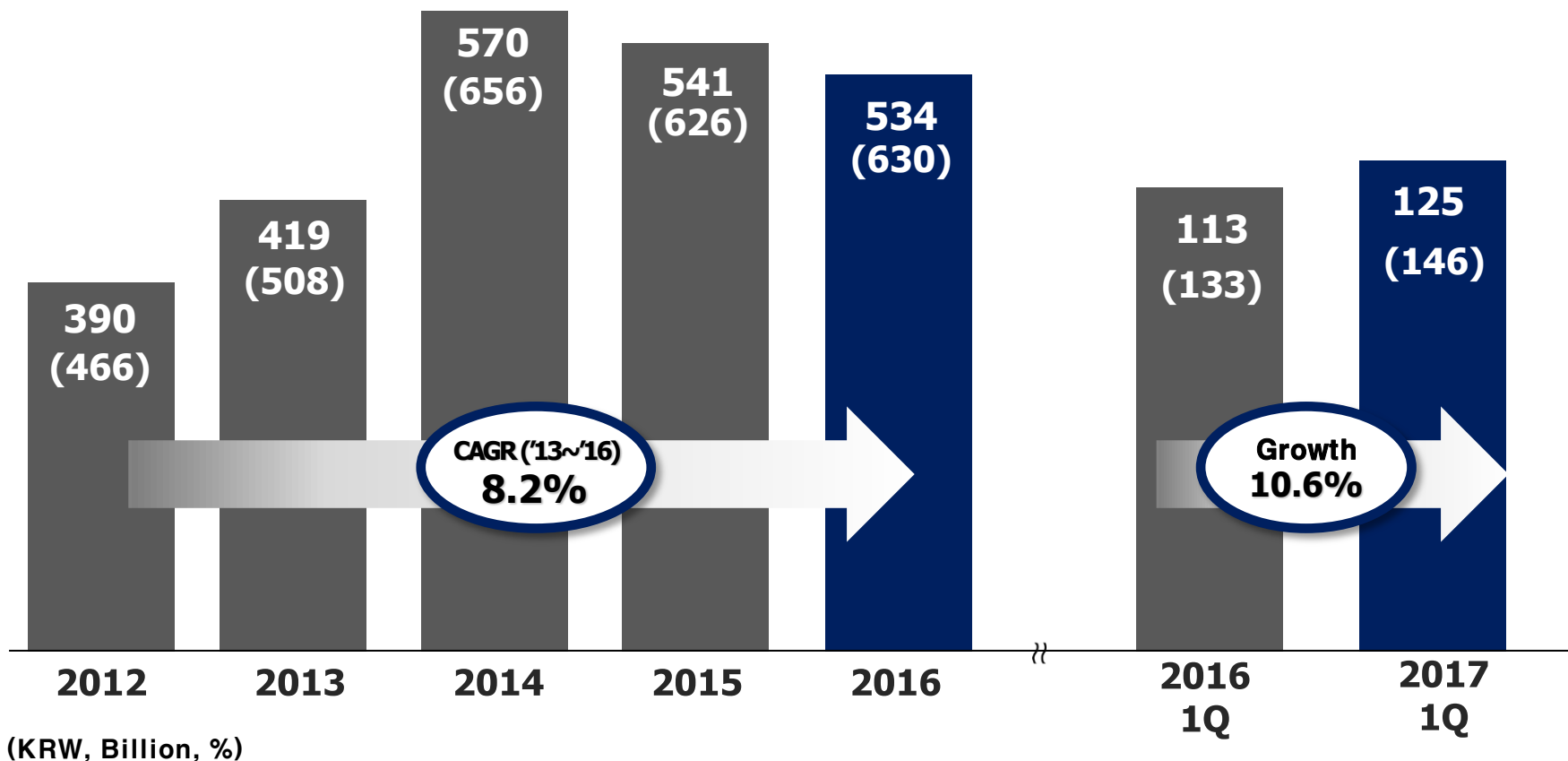
- Reinforcing each brand



III. Overseas Business

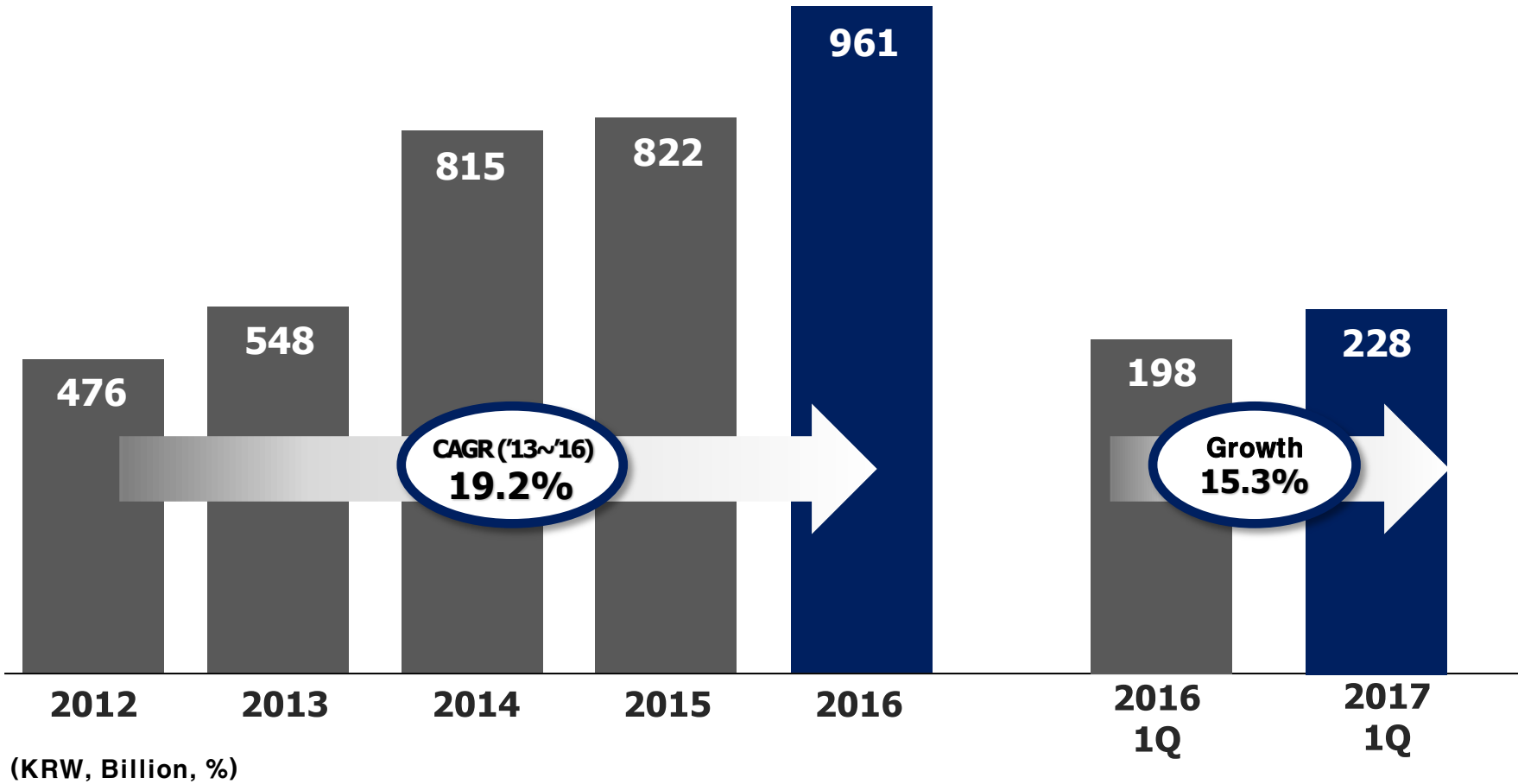
- **Sales Trend**
- **Business Status by Country**

Achieving high growth rate of 8.2% (CAGR, '13~'16)



※ The sales in () : The sum of subsidiaries' sales including equity method subsidiaries – Russia and Vietnam
(Based on annual average exchange rates)

Achieving high growth rate of 19.2% (CAGR, '13~'16)



※ Sales are based on the fixed rates of penetration year by countries
 ① China 150KRW/CNY ② Guylian 1,600KRW/EUR ③ India 25KRW/INR ④ Vietnam 0.0586KRW/VND ⑤ Russia 38KRW/RUB
 ⑥ Pakistan 15 KRW/PKR ⑦ Kazakhstan 7.5KRW/KZT

Expanding global business by greenfield and M&A

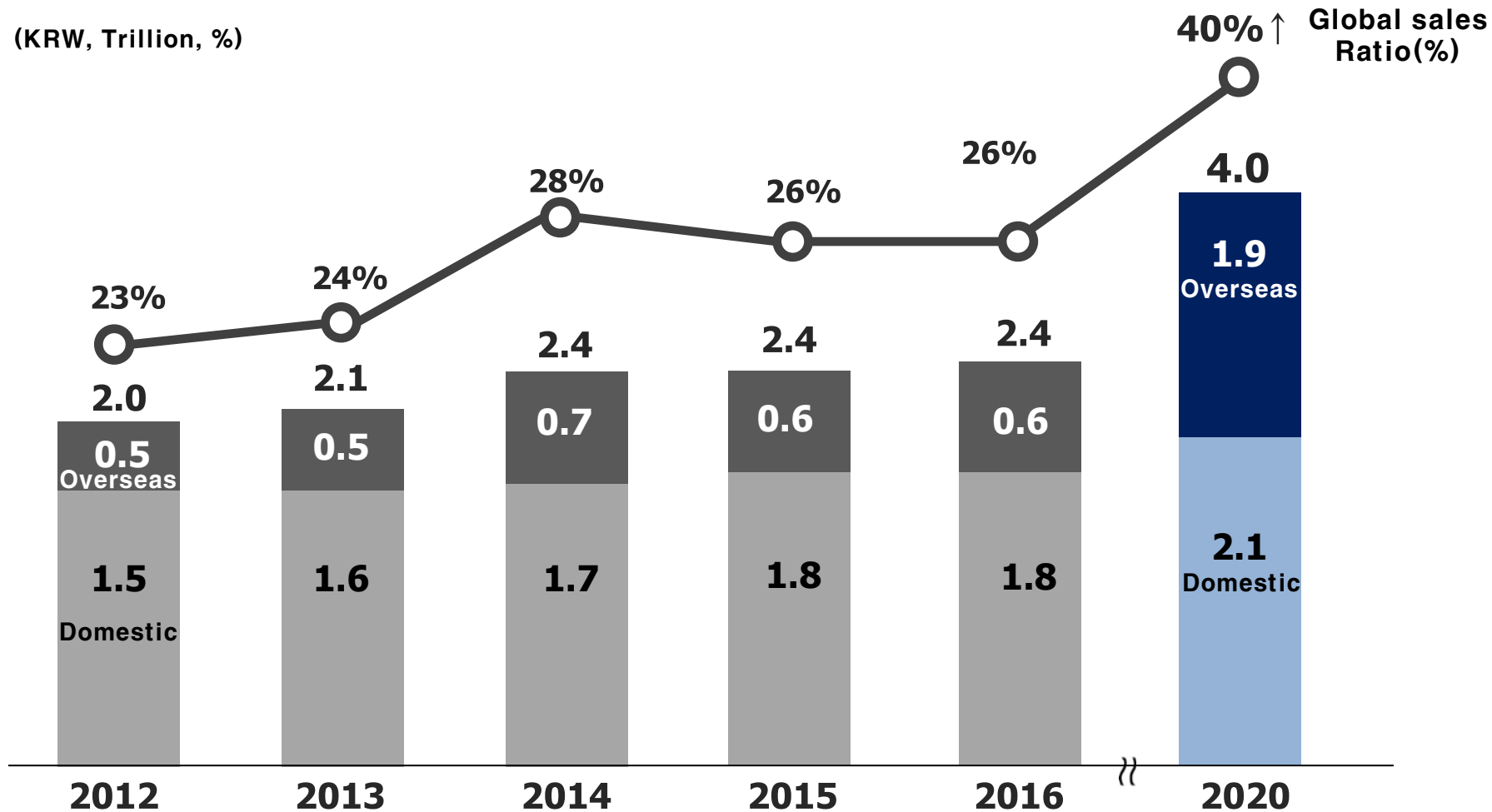
Country	Penetration	Sales('16)	Business Status
 Kazakhstan	M&A (2013)	373	- Rakhat merger - Expanding lines (Wafers, Biscuits, Pies)
 Belgium	M&A (2008)	125	- Guylian merger - Diversifying products by country
 Pakistan	M&A (2011)	143	- Kolson merger - Expanding lines (Choco Pie, Gum)
 India	M&A (2004)	92	- Parrys merger - Developing candy/pie brands
 China	Green Field (1994)	73	- Improving profit by cutting costs - Selling Korean mega brands
 Vietnam	M&A (2008)	74	- Bibica Investment - Selling Choco Pie, candy etc.
 Russia	Green Field (2007)	71	- Focusing on selling Choco Pie - Increasing brand awareness
 Singapore	Green Field (2011)	10	- Asia exporting bridgehead corporation

* Sales are based on the fixed rates of penetration year by countries

① China 150KRW/CNY ② Guylian 1,600KRW/EUR ③ India 25KRW/INR ④ Vietnam 0.0586KRW/VND ⑤ Russia 38KRW/RUB
⑥ Pakistan 15 KRW/PKR ⑦ Kazakhstan 7.5KRW/KZT

IV. Long-term Growth Strategy

Accomplishing the global top 5 confectionery company



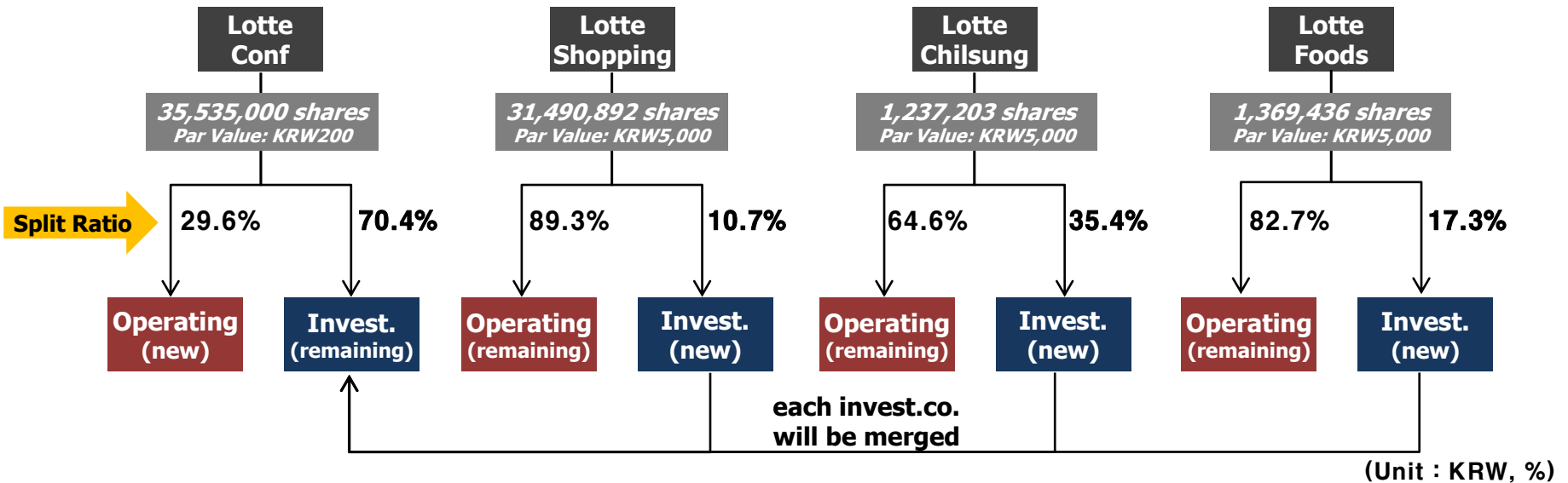
※ Domestic : Parent results under K-IFRS

※ Overseas : The sum of 8 subsidiaries' sales is based on annual average exchange rates (including equity method subsidiaries - Russia and Vietnam)

V . Establishing Holding Company

- **Process/Structure**
- **Key events**

Increasing transparency of management structure & business efficiency through holding company



Classification	Lotte Conf.	Lotte Shopping	Lotte Chilsung	Lotte Foods
Spin-off Ratio (Investment Co.)	70.4%	10.7%	35.4%	17.3%
Intrinsic Value (100mil KRW) (Investment Co.)	19,409	27,884	7,881	1,896
Intrinsic Value per Share (KRW) (Intrinsic Value/no. of shares of investment company)	77,597	826,501	1,799,885	797,947
Merger ratio per share (Merged corporation value per share / Merger corporation value per share)	1.00	10.65	23.20	10.28
Spin-off/Merger ratio (Spin off ratio * Merger ratio)	1.00	1.14	8.21	1.78

Agenda	Date
• BOD resolutions	2017-04-26
• Shareholder's list fix date	2017-05-31
• Submission of securities reporting	2017-07-06
• General shareholders Meeting	2017-08-29
• Spin-off/merger date	2017-10-01
• Spin-off/merger completion announcement	2017-10-02
• Registration	2017-10-02
• Change listing / Re-listing	2017-10-30

VI. Appendix

- **Summarized Financial Statements**
- **Shareholders' status**



Income Statement

(KRW, Billion)	FY2015	FY2016	1Q	
			2016	2017
Net Sales	2,258	2,248	532	552
Growth rate (%)		-0.4%		3.7%
COGS	1,431	1,436	339	361
COGS (%)	63.4%	63.9%	63.8%	65.5%
Gross Profit	827	812	192	190
GP Margin (%)	36.6%	36.1%	36.2%	34.5%
SG&A	682	684	164	160
SG&A (%)	30.2%	30.4%	30.9%	29.1%
Operating Profit	145	128	28	30
OP Margin (%)	6.4%	5.7%	5.2%	5.4%
Recurring Profit	113	96	37	41
RP Margin (%)	5.0%	4.3%	6.9%	7.4%
Net Income	79	75	30	32
Net Margin (%)	3.5%	3.3%	5.6%	5.8%



Balance Sheet

(KRW, Billion)	FY2015	FY2016	1Q	
			2016	2017
Current Assets	945	847	949	1,012
Cash/Cash equivalents	377	226	365	420
Receivables	302	324	320	327
Inventories	212	253	206	228
Non-liquid Assets	3,381	3,144	3,337	3,090
Investment & Others	1,978	1,751	1,946	1,712
Tangible Assets	1,402	1,393	1,390	1,378
Total Assets	4,326	3,992	4,285	4,102
Payables	235	227	253	200
Other Liabilities	739	630	738	812
Total Liabilities	1,623	1,430	1,622	1,571
Paid-in Capital	7	7	7	7
Capital Surplus	33	33	33	33
Retained Earnings	1,724	1,775	1,735	1,789
Capital adjustment & Accumulated Other Comprehensive Income	939	747	888	702
Total Shareholder's Equity	2,703	2,562	2,664	2,531
D/E Ratio(%)	60.1%	55.8%	60.9%	62.1%

* Consolidated base results under K-IFRS standard



Income Statement

(KRW, Billion)	FY2015	FY2016	1Q	
			2016	2017
Net Sales	1,775	1,767	430	436
Growth rate (%)	4.1%	-0.5%		1.4%
COGS	1,081	1,081	265	275
COGS (%)	60.9%	61.2%	61.6%	63.0%
Gross Profit	694	686	165	161
GP Margin (%)	39.1%	38.8%	38.4%	37.0%
SG&A	575	584	142	139
SG&A (%)	32.4%	33.0%	32.9%	31.8%
Operating Profit	119	102	24	22
OP Margin (%)	6.7%	5.8%	5.5%	5.1%
Recurring Profit	60	48	30	32
RP Margin (%)	3.4%	2.7%	6.9%	7.2%
Net Income	37	31	24	25
Net Margin (%)	2.1%	1.7%	5.7%	5.7%



Balance Sheet

(KRW, Billion)	FY2015	FY2016	1Q	
			2016	2017
Current Assets	735	605	741	790
Cash/Cash equivalents	293	140	276	336
Receivables	258	278	291	301
Inventories	152	167	141	134
Non-liquid Assets	3,494	3,243	3,462	3,211
Investment & Others	2,345	2,106	2,319	2,081
Tangible Assets	1,149	1,137	1,143	1,131
Total Assets	4,229	3,849	4,204	4,001
Payables	192	174	215	156
Other Liabilities	659	550	657	729
Total Liabilities	1,432	1,230	1,438	1,389
Paid-in Capital	7	7	7	7
Capital Surplus	33	33	33	33
Retained Earnings	1,744	1,756	1,750	1,764
Capital adjustment & Accumulated Other Comprehensive Income	1,014	823	976	808
Total Shareholder's Equity	2,797	2,618	2,766	2,612
D/E Ratio(%)	51.2%	47.0%	52.0%	53.2%

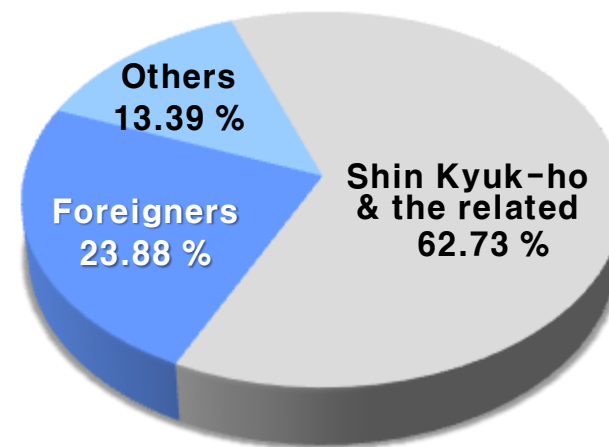
* Parent base results under K-IFRS standard



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, Mar, 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)