

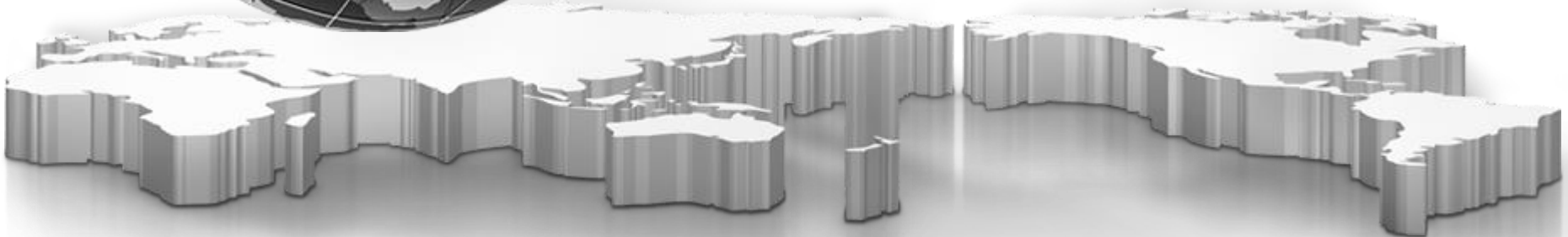
GLOBAL
Top 5
CONFECTIONERY
COMPANY



LOTTE CONFECTIONERY

INVESTOR RELATIONS

1H 2017



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III . Overseas Business

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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

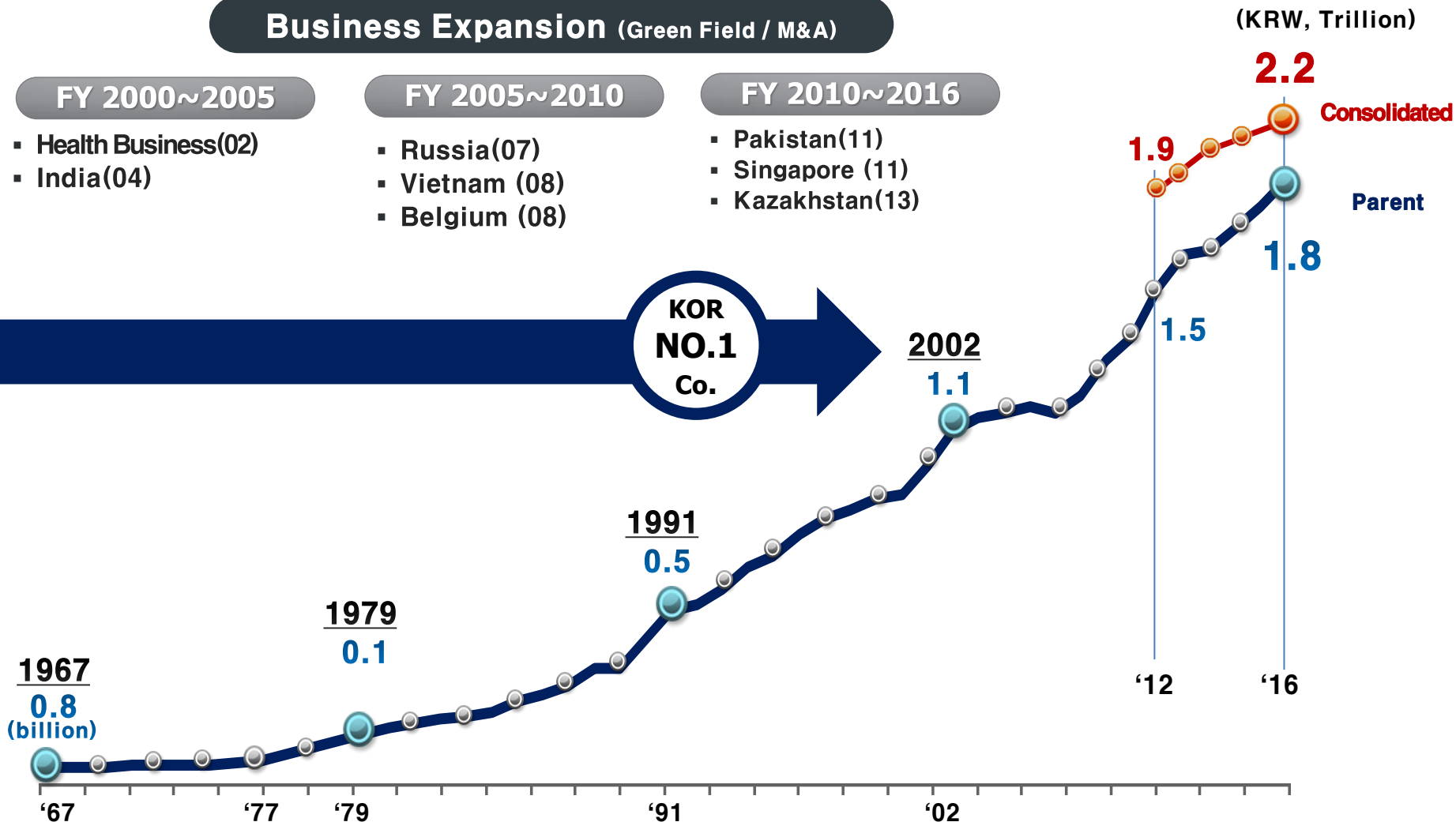
- Health Business(02)
- India(04)

FY 2005~2010

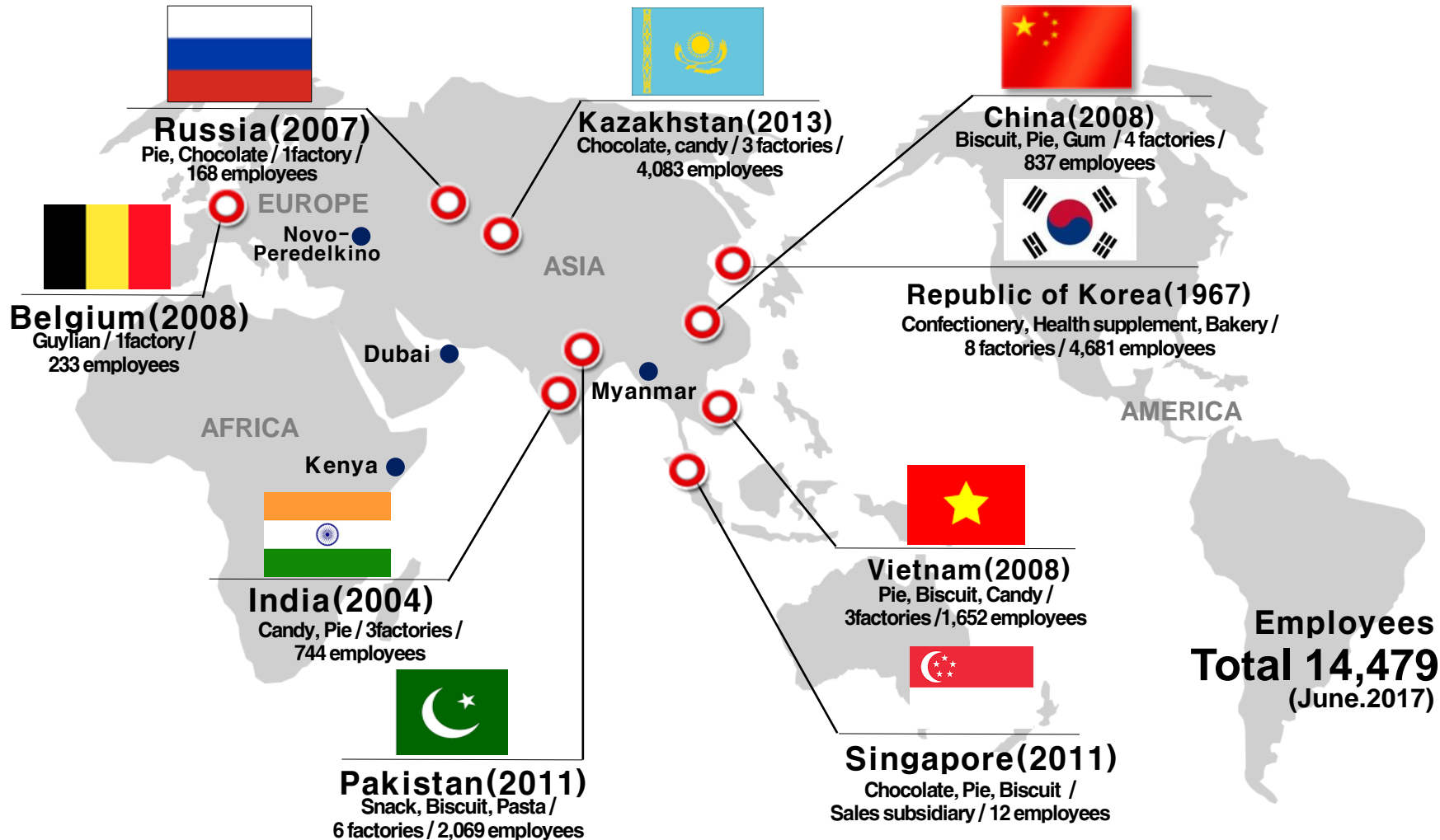
- Russia(07)
- Vietnam (08)
- Belgium (08)

FY 2010~2016

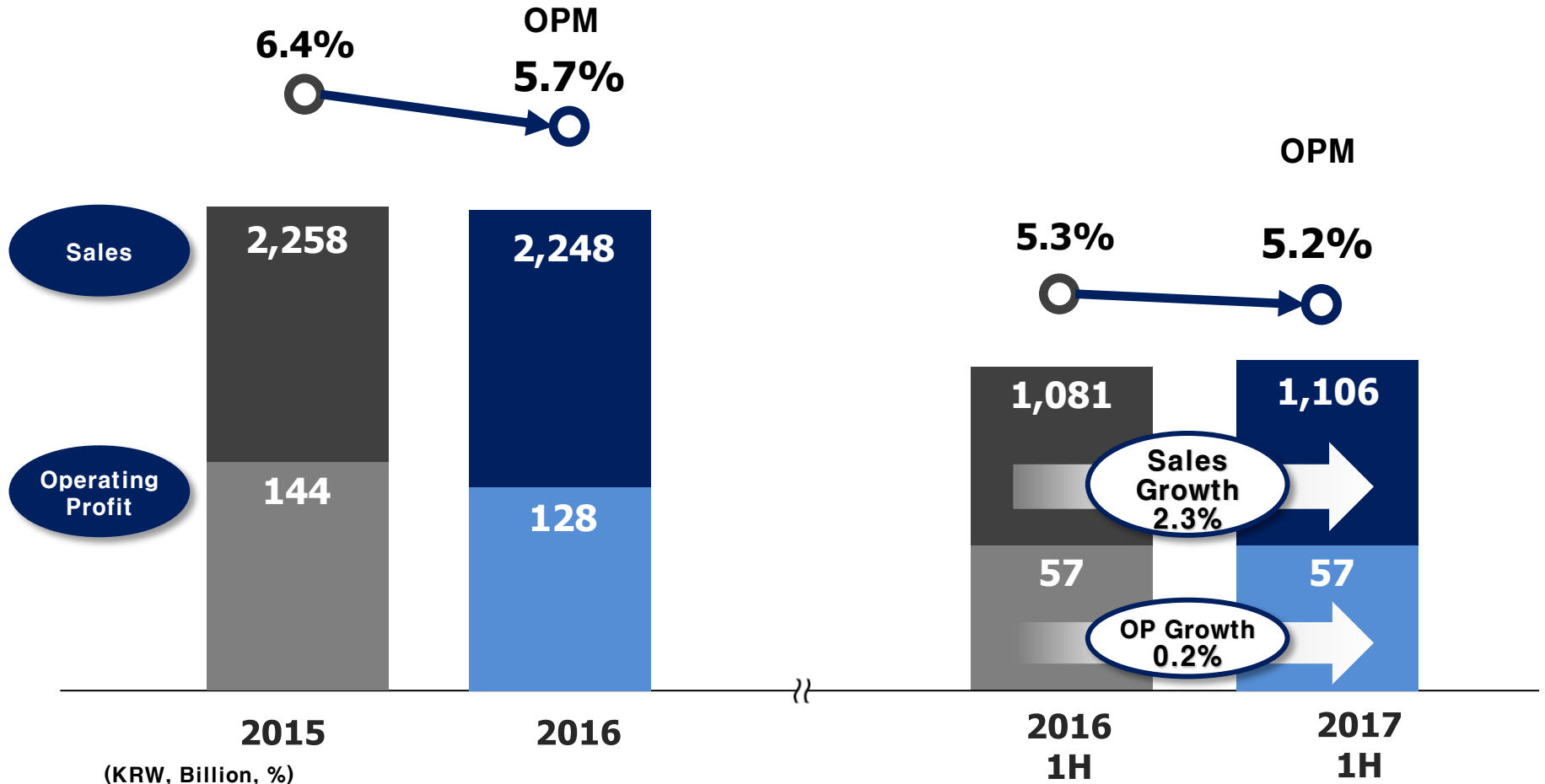
- Pakistan(11)
- Singapore (11)
- Kazakhstan(13)



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



1H.17 sales increased by 2.3%, OP increased by 0.2%



※ Consolidated results under K-IFRS

II . Domestic Business

- **Business Portfolio**
- **Business Strategy**

1H.17 domestic sales increased by 1.0%

(KRW, Billion, %)

Business	Fiscal Year			1H			Remarks
	' 15	' 16	Growth	' 16	' 17	Growth	
Confectionery	1,163	1,168	0.4%	576	583	1.1%	• Sales growth of jellies / chocolates
Ice Cream	354	342	▲3.3%	168	172	2.3%	• Sales growth of trend-leading products
Bakery	165	173	4.8%	84	87	3.8%	• Sales growth of new products (featuring characters / desserts)
Health/Others	93	84	▲9.7%	44	39	▲10.3%	• Effects of market contraction
Total	1,775	1,767	▲0.5%	872	881	1.0%	

※ Parent results under K-IFRS / ' Confectionery ' include ' exports ' /
' Others ' include rents of the office building and Guylian store sales and so on.

Strengthening confectionery & ice cream / Nurturing bakery & health

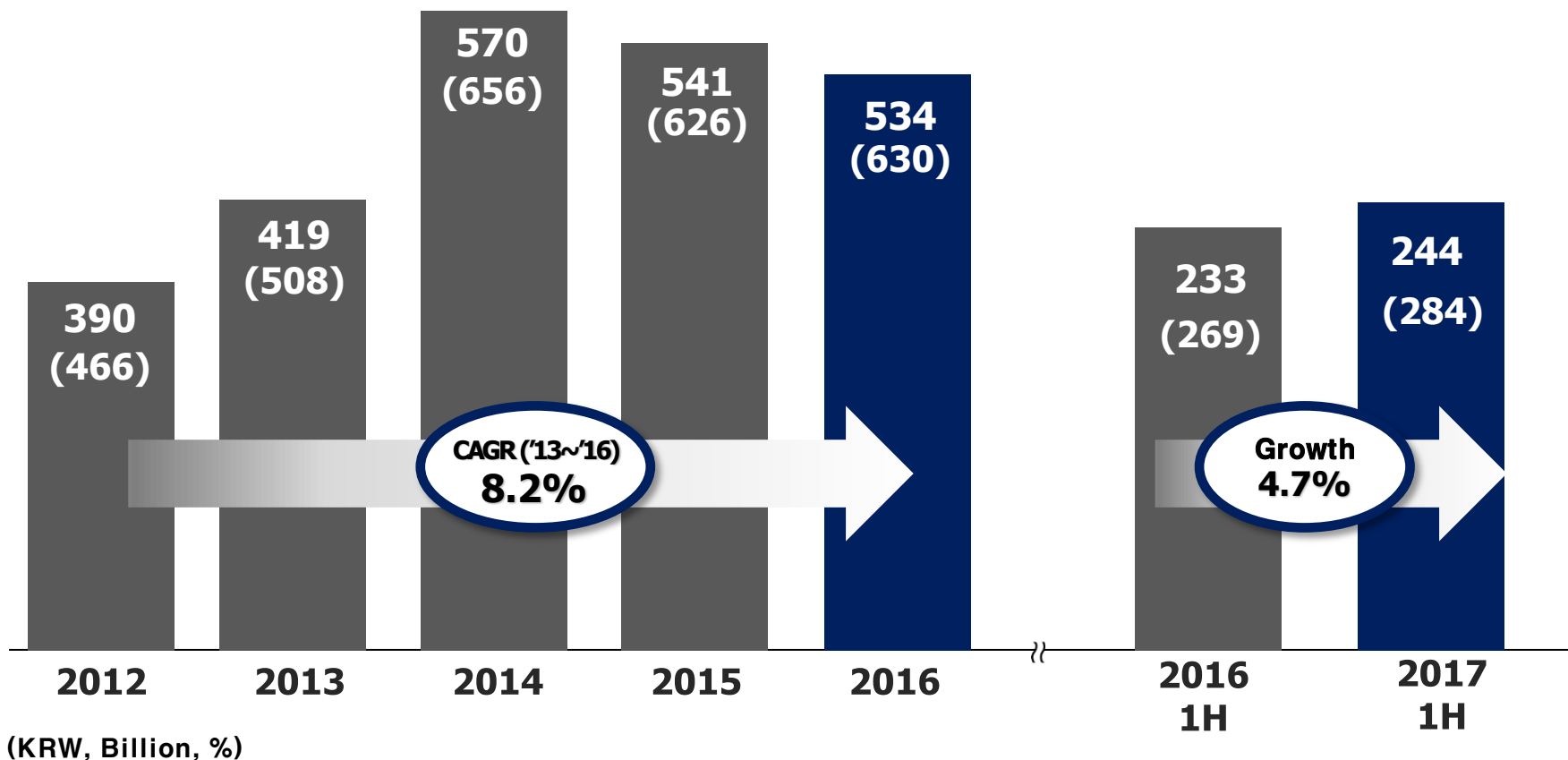
(KRW, Trillion, %)

Business	Market size ('16)	Sales ('16)	M/S	Strategy	Products
Confectionery	2.5	1.1	42%	• Launching trend leading products	
				• Allying with the global companies	
Ice Cream	0.9	0.3	36%	• Developing new concept products	
				• Strengthening premium brands	
Bakery	0.6 (Mass products)	0.2	20% (Mass products)	• Strengthening mass produced breads (mass)	
				• Nurturing representative products (bakery)	<p>Yeast Bread Rice Bread</p>
Health	3.7	0.03	-	• Developing healthy products	
				• Diversifying sales channels	-

※ Market size : Confectionery, ice cream – the estimate of top 4 companies' sales
Bakery – the estimate of industry / Health – research of Korea Health Supplements Association

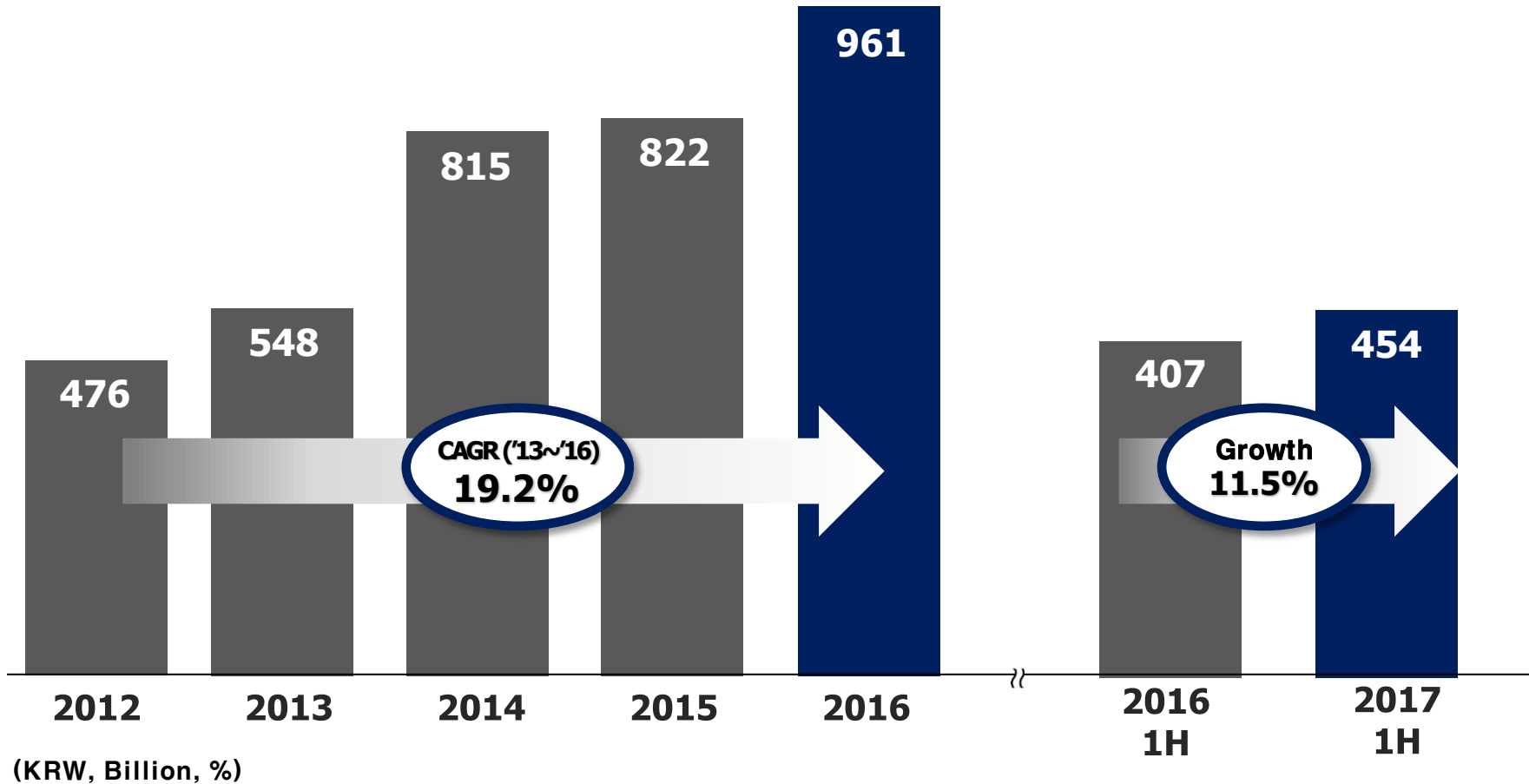
III. Overseas Business

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

1H.17 overseas sales increased by 4.7%

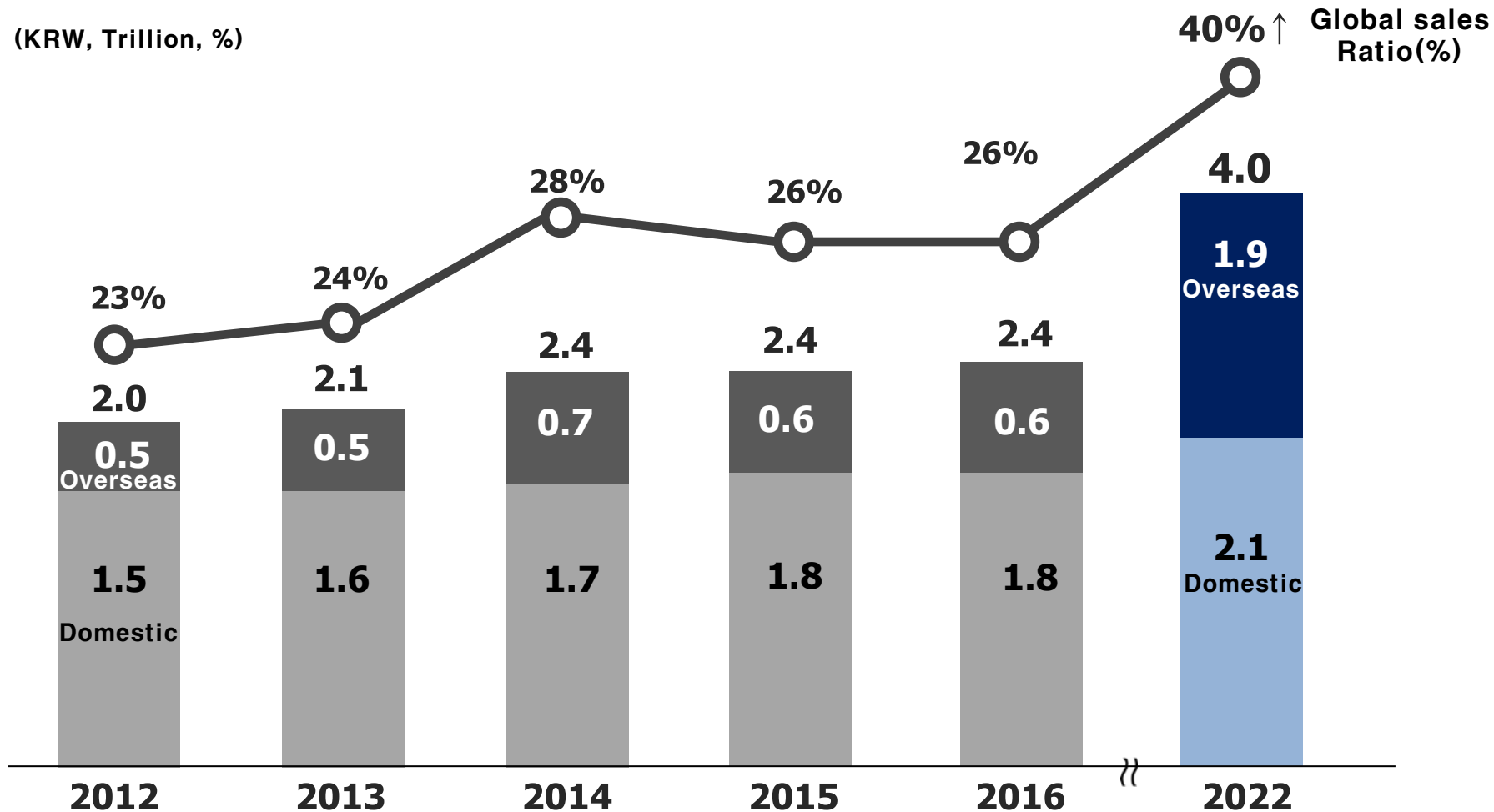
(KRW, Billion, %)

Country	Fiscal Year			1H			Remarks	
	' 15	' 16	Growth	' 16	' 17	Growth		
Kazakhstan	180	169	▲6.2%	72	95	30.6%	• Sales growth of chocolates / biscuits / candies	
Belgium	110	112	1.8%	39	40	1.4%	• Sales growth in Europe / Australia	
Pakistan	87	102	16.4%	49	54	9.9%	• Sales growth of snacks / pasta	
India	66	62	▲4.7%	29	30	3.6%	• Sales growth of Choco-pie	
China	79	78	▲0.6%	38	19	▲48.9%	• Effects of THAAD	
Singapore	19	11	▲45.3%	5	6	16.6%	• Export growth to Malaysia / Philippines	
T o t a l	Consoli- dated	541	534	▲1.3%	233	244	4.7%	
	All	(626)	(630)	(0.6%)	(269)	(284)	(5.8%)	

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

IV. Long-term Growth Strategy

Accomplishing the global top 5 confectionery company



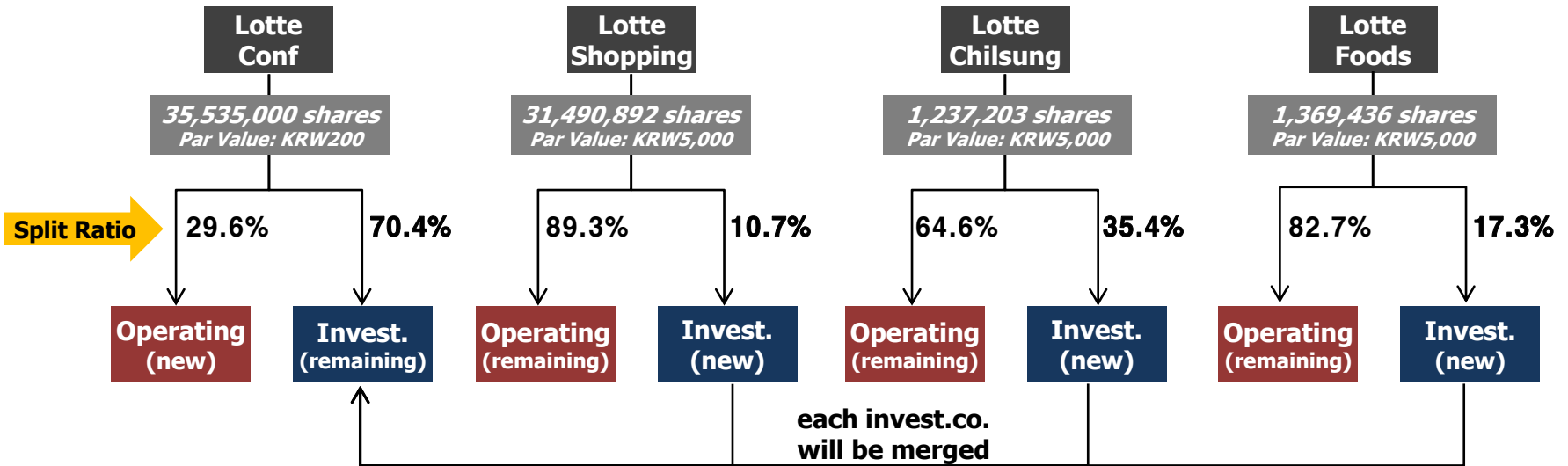
※ Domestic : Parent results under K-IFRS

※ 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



(Unit : KRW, %)

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

**Shareholders' meeting on 29th, Aug. /
Spin-off / merger on 1st, Oct.**

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	1H	
			2016	2017
Net Sales	2,258	2,248	1,081	1,106
Growth rate (%)	1.5%	-0.4%		2.3%
COGS	1,431	1,436	687	716
COGS (%)	63.4%	63.9%	63.6%	64.7%
Gross Profit	827	812	394	390
GP Margin (%)	36.6%	36.1%	36.4%	35.3%
SG&A	682	684	337	333
SG&A (%)	30.2%	30.4%	31.2%	30.1%
Operating Profit	145	128	57	57
OP Margin (%)	6.4%	5.7%	5.3%	5.2%
Recurring Profit	113	96	50	59
RP Margin (%)	5.0%	4.3%	4.7%	5.4%
Net Income	79	75	37	43
Net Margin (%)	3.5%	3.3%	3.5%	3.9%

* Consolidated base results under K-IFRS standard



Balance Sheet

(KRW, Billion)	FY2015	FY2016	1H	
			2016	2017
Current Assets	945	847	953	1,049
Cash/Cash equivalents	377	226	363	456
Receivables	302	324	307	306
Inventories	212	253	228	246
Non-liquid Assets	3,381	3,144	3,168	3,420
Investment & Others	1,978	1,751	1,778	2,050
Tangible Assets	1,402	1,393	1,390	1,369
Total Assets	4,326	3,992	4,121	4,468
Payables	235	227	246	209
Other Liabilities	739	630	741	824
Total Liabilities	1,623	1,430	1,572	1,688
Paid-in Capital	7	7	7	7
Capital Surplus	33	33	33	33
Retained Earnings	1,724	1,775	1,741	1,795
Capital adjustment & Accumulated Other Comprehensive Income	939	747	767	945
Total Shareholder's Equity	2,703	2,562	2,549	2,780
D/E Ratio(%)	60.1%	55.8%	61.7%	60.7%



Income Statement

(KRW, Billion)	FY2015	FY2016	1H	
			2016	2017
Net Sales	1,775	1,767	872	881
Growth rate (%)	4.1%	-0.5%		1.0%
COGS	1,081	1,081	533	547
COGS (%)	60.9%	61.2%	61.1%	62.1%
Gross Profit	694	686	340	335
GP Margin (%)	39.1%	38.8%	38.9%	37.9%
SG&A	575	584	291	290
SG&A (%)	32.4%	33.0%	33.4%	32.9%
Operating Profit	119	102	48	44
OP Margin (%)	6.7%	5.8%	5.5%	5.0%
Recurring Profit	60	48	50	50
RP Margin (%)	3.4%	2.7%	5.7%	5.7%
Net Income	37	31	40	40
Net Margin (%)	2.1%	1.7%	4.6%	4.5%

* Parent base results under K-IFRS standard



Balance Sheet

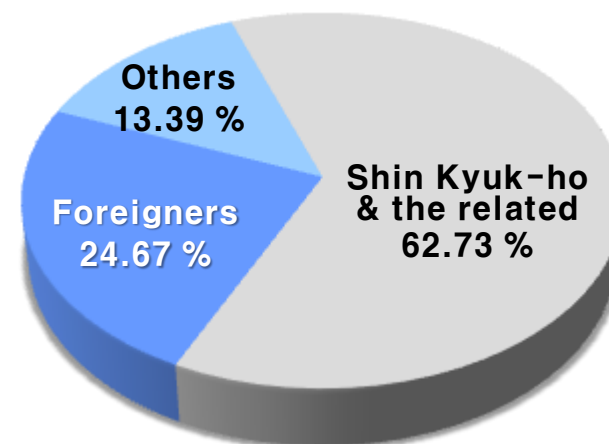
(KRW, Billion)	FY2015	FY2016	1H	
			2016	2017
Current Assets	735	605	750	823
Cash/Cash equivalents	293	140	284	371
Receivables	258	278	281	285
Inventories	152	167	151	148
Non-liquid Assets	3,494	3,243	3,305	3,506
Investment & Others	2,345	2,106	2,162	2,409
Tangible Assets	1,149	1,137	1,144	1,097
Total Assets	4,229	3,849	4,056	4,329
Payables	192	174	210	167
Other Liabilities	659.4	549.6	659	729
Total Liabilities	1,432	1,230	1,396	1,487
Paid-in Capital	7	7	7	7
Capital Surplus	33	33	33	33
Retained Earnings	1,744	1,756	1,764	1,774
Capital adjustment & Accumulated Other Comprehensive Income	1,014	823	856	1,028
Total Shareholder's Equity	2,797	2,618	2,660	2,842
D/E Ratio(%)	51.2%	47.0%	52.5%	52.3%



Principal Shareholder Status

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

※ As of 30, June, 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)