

Lifetime  
**Value** Creator

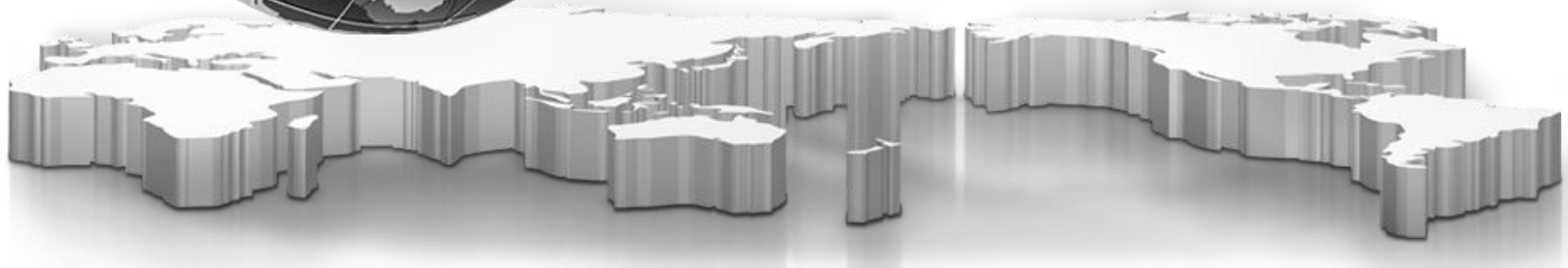


*LOTTE CONFECTIONERY*

# ***INVESTOR RELATIONS***

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**3Q 2017**



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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

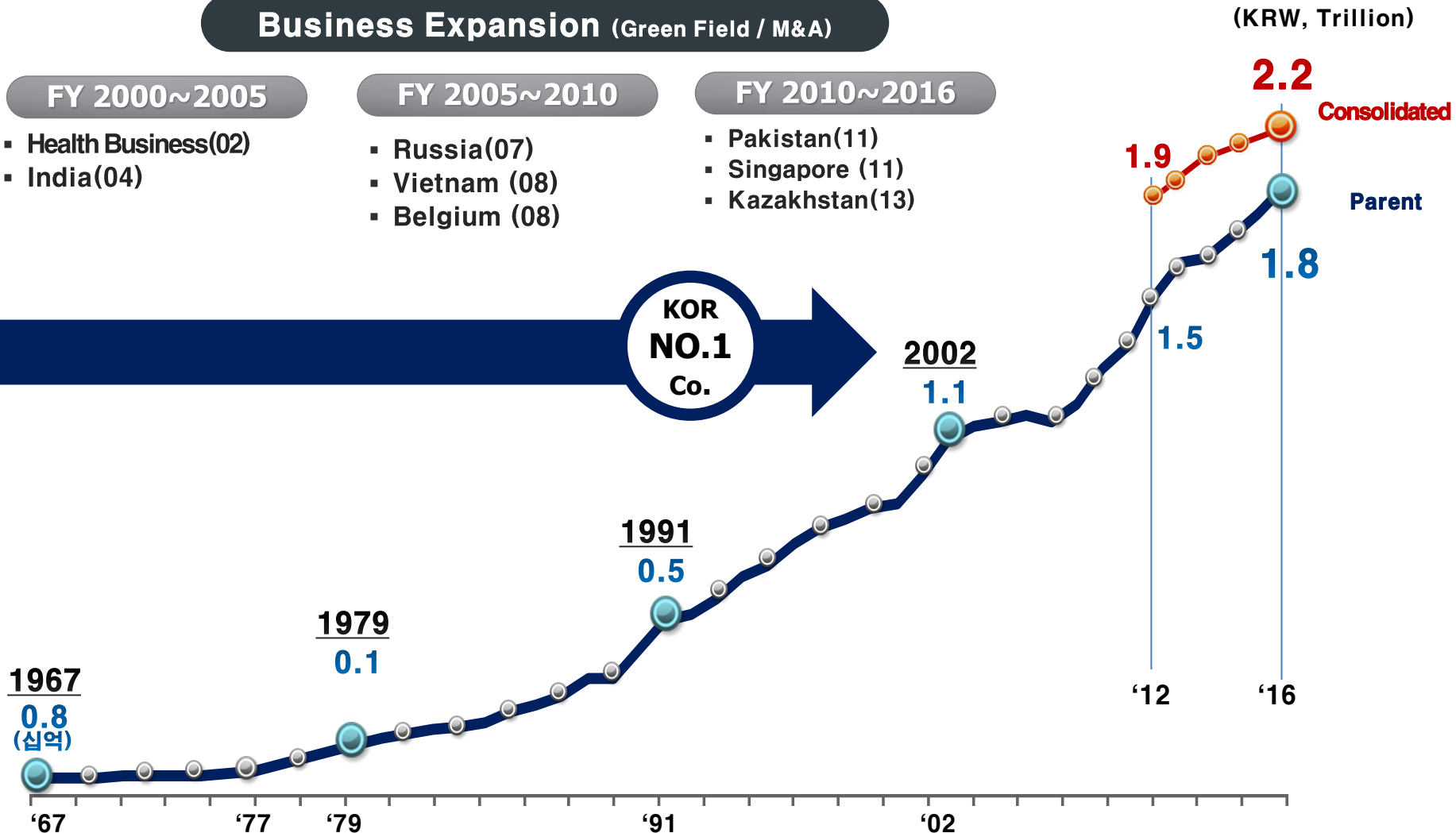
- Health Business(02)
- India(04)

#### FY 2005~2010

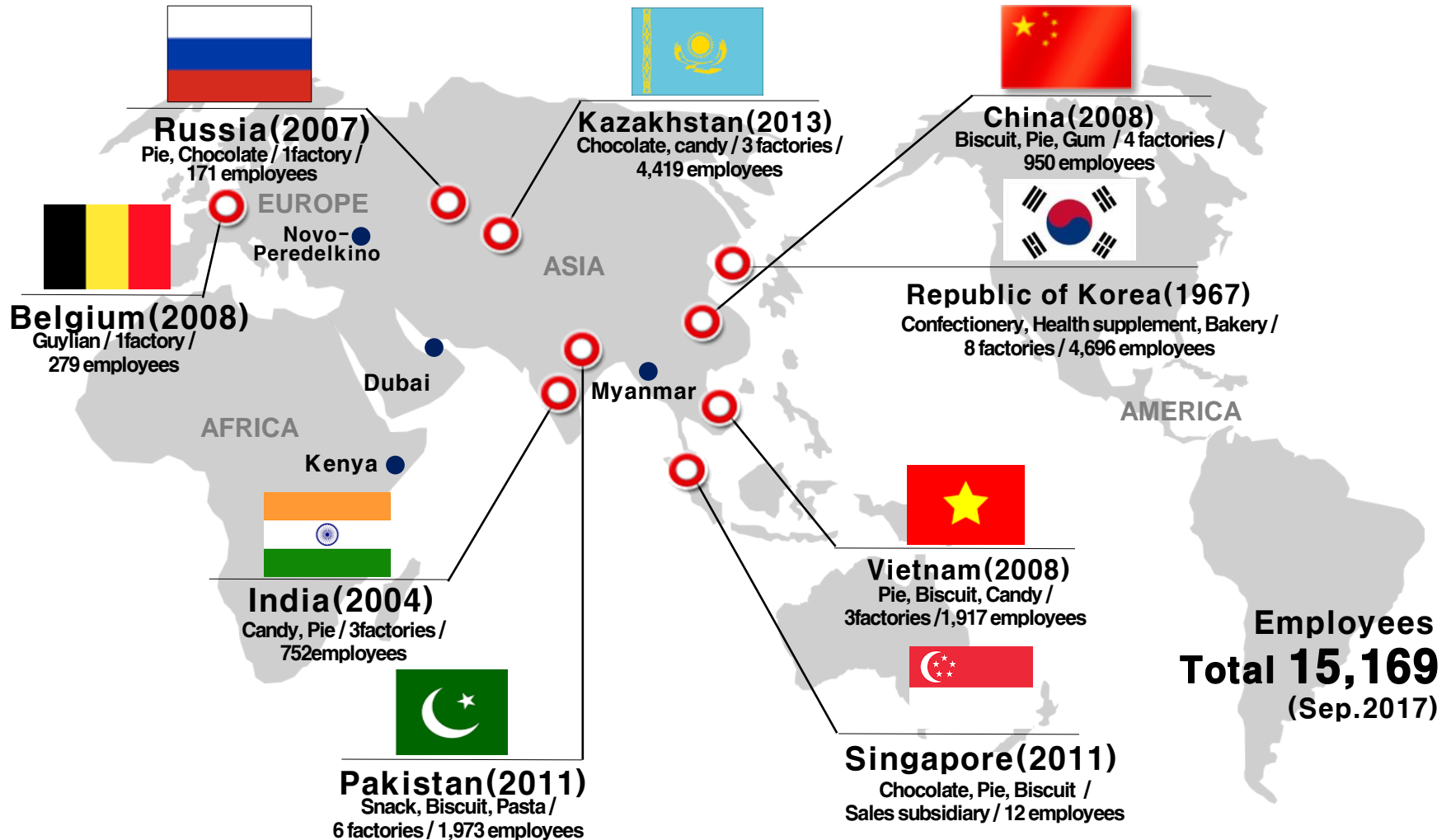
- Russia(07)
- Vietnam (08)
- Belgium (08)

#### FY 2010~2016

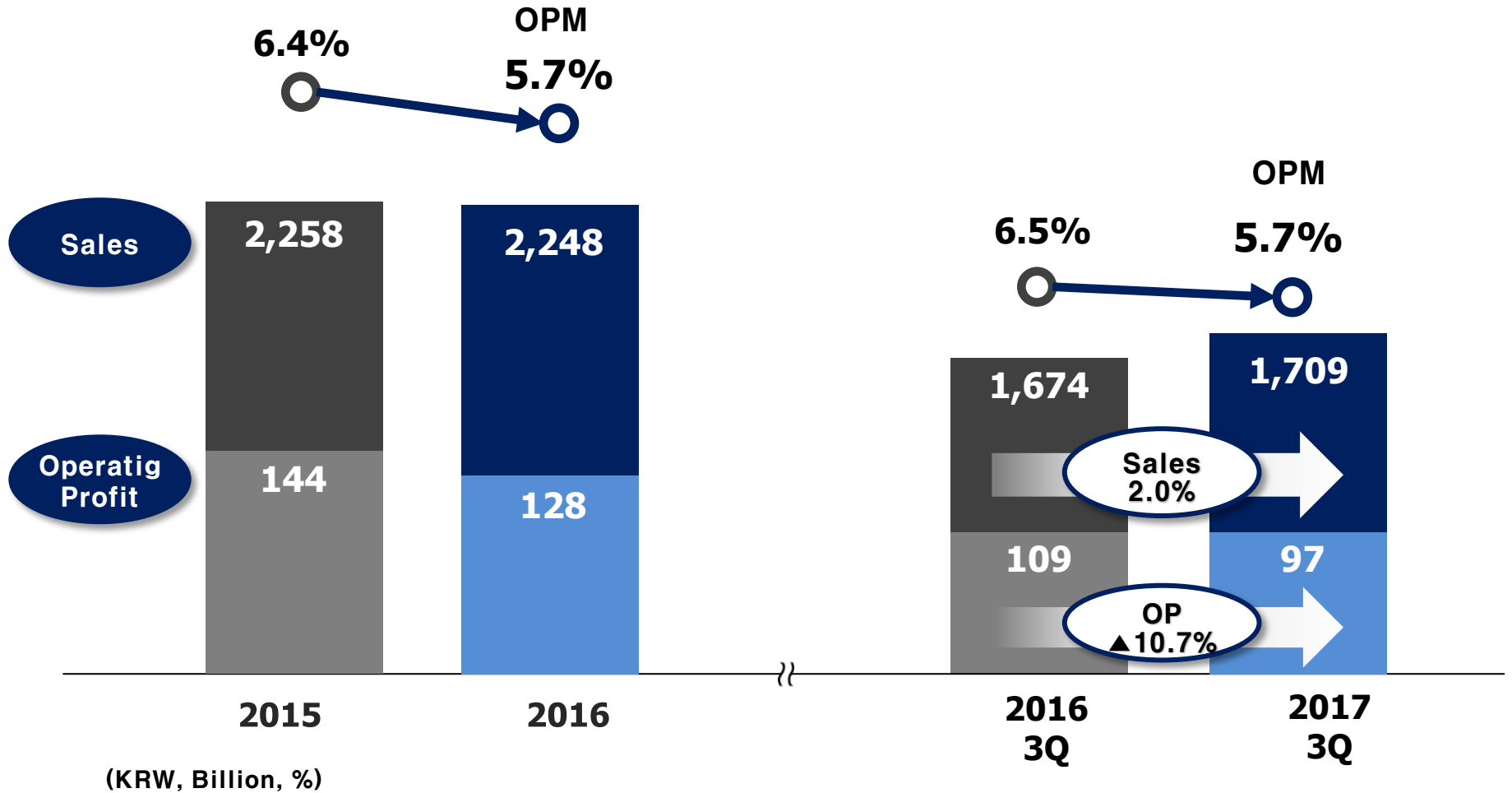
- Pakistan(11)
- Singapore (11)
- Kazakhstan(13)



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



## 3Q.17 sales increased by 2.0%, OP decreased 0.8%P



※ Consolidated results under K-IFRS (accumulated)

## **II . Domestic Business**

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

## 3Q.17 domestic sales increased by 0.7%

(KRW, Billion, %)

Business	Fiscal Year			3Q(Accumulated)			Remarks
	' 15	' 16	Growth	' 16	' 17	Growth	
Confectionery	1,163	1,168	0.4%	856	856	▲0.1%	<ul style="list-style-type: none"> <li>• Sales growth of jellies / chocolates</li> <li>• Downturn in exports</li> </ul>
Ice Cream	354	342	▲3.3%	296	306	3.2%	<ul style="list-style-type: none"> <li>• Sales growth of trend-leading products</li> </ul>
Bakery	165	173	4.8%	125	129	2.9%	<ul style="list-style-type: none"> <li>• Growth in new channels / CVS</li> </ul>
Health/Others	93	84	▲9.7%	70	66	▲5.6%	<ul style="list-style-type: none"> <li>• Effects of market contraction</li> </ul>
<b>Total</b>	<b>1,775</b>	<b>1,767</b>	<b>▲0.5%</b>	<b>1,347</b>	<b>1,356</b>	<b>0.7%</b>	

※Parent results under K-IFRS / Export is included in Confectionery

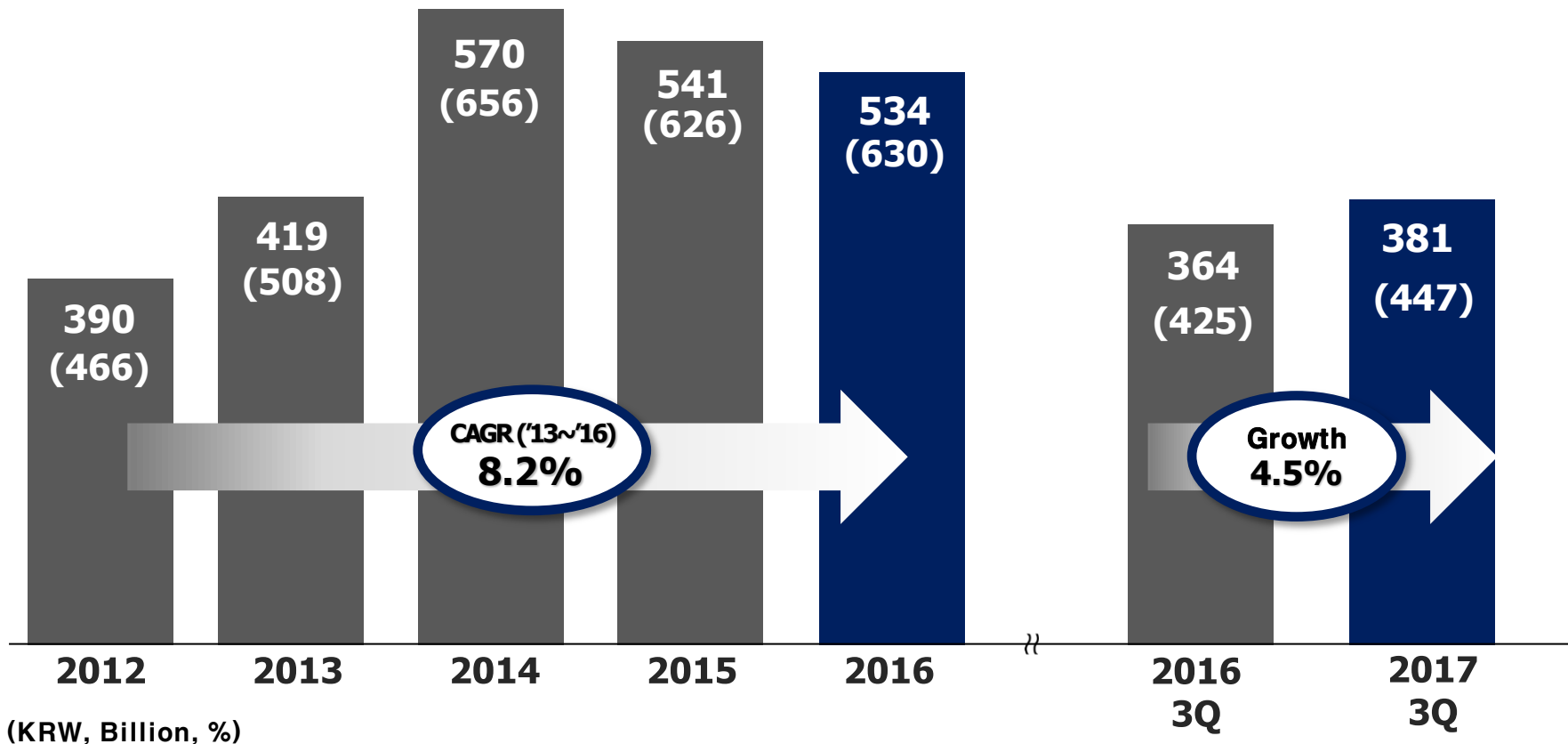
## Strengthening confectionery & ice cream / Nurturing bakery & health

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 bread (mass)	
				• Nurturing representative products (bakery)	
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

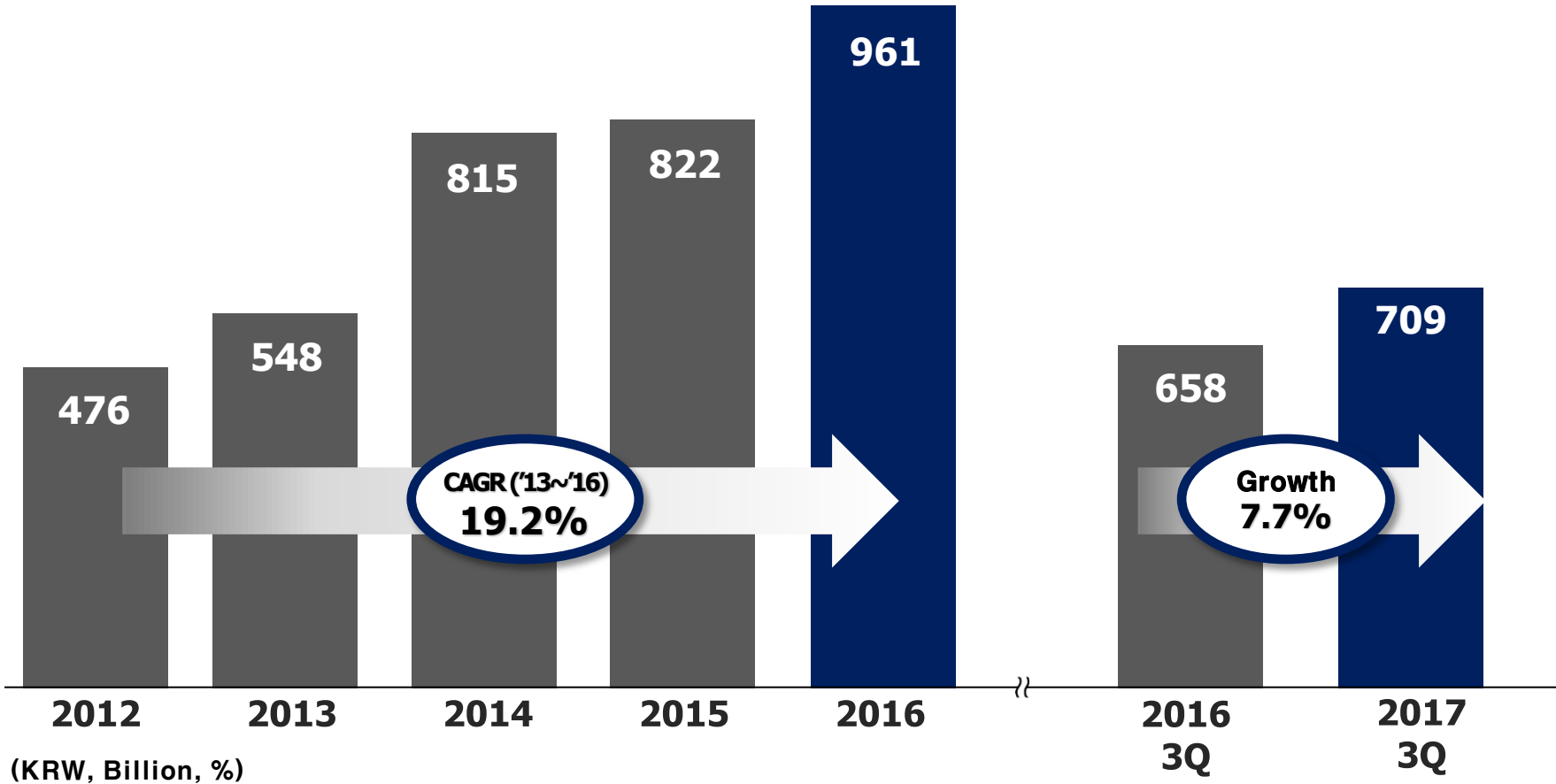
## **III. Overseas Business**

## 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

## 3Q.17 overseas sales increased by 4.5%

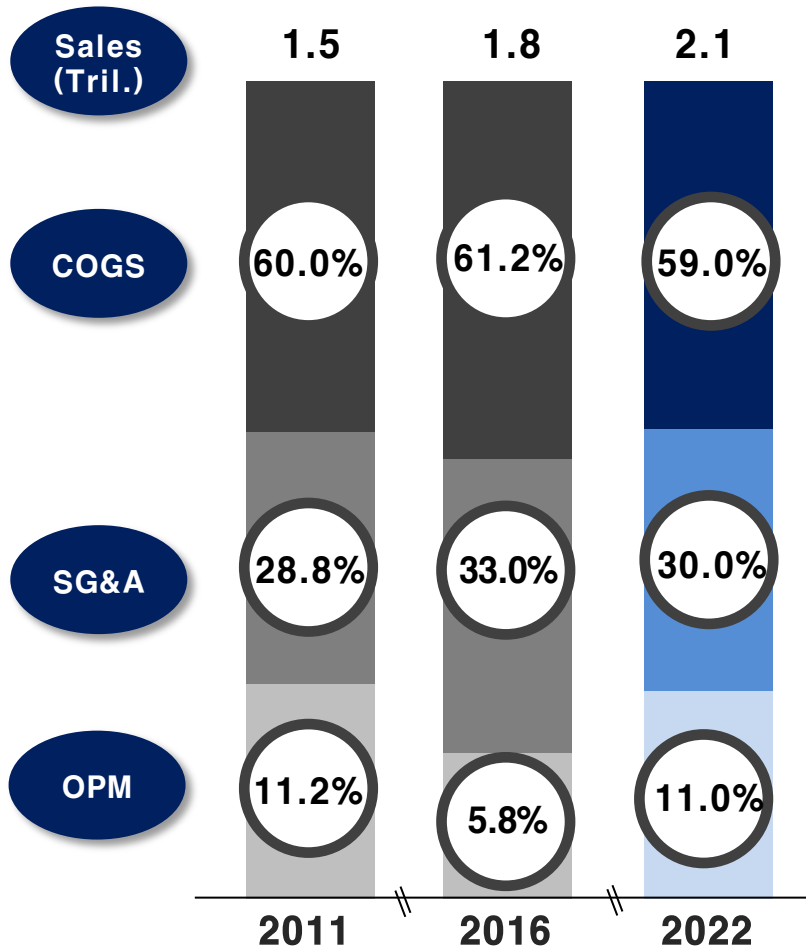
(KRW, Billion, %)

Country	Fiscal Year			3Q (Accumulated)			Remarks	
	' 15	' 16	Growth	' 16	' 17	Growth		
KAZ	180	169	▲6.2%	111	138	24.3%	<ul style="list-style-type: none"> <li>• Sales growth of chocolates/biscuits</li> <li>• Growth of export</li> </ul>	
BEL	110	112	1.8%	68	76	11.5%	<ul style="list-style-type: none"> <li>• Sales growth in Europe / Australia</li> <li>• Growth in duty free shops</li> </ul>	
PAK	87	102	16.4%	75	83	11.8%	<ul style="list-style-type: none"> <li>• Sales growth of snacks / pasta</li> </ul>	
IND	66	62	▲4.7%	47	50	7.2%	<ul style="list-style-type: none"> <li>• Sales growth of Choco-pie</li> </ul>	
CHN	79	78	▲0.6%	57	25	▲55.9%	<ul style="list-style-type: none"> <li>• Effects of THAAD</li> </ul>	
SGP	19	11	▲45.3%	7	8	16.1%	<ul style="list-style-type: none"> <li>• Sales growth of Pepero / candies</li> </ul>	
T o t a l	Consoli -dated	541	534	▲1.3%	364	381	4.5%	
	All	(626)	(630)	(0.6%)	(425)	(447)	(5.1%)	<ul style="list-style-type: none"> <li>• Including sales of Vietnam / Russia</li> </ul>

※ 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**

## Improving operating profit more than 10%



### Strategies for Improving Profitability

- 1 Strengthen main business**  
- Achieving growth above the growth rate of similar industry
- 2 Restructure business portfolio**  
- Remodeling Business / Optimizing SKUs
- 3 Initiate Cost-Cutting project**  
- Achieving cost competitiveness to the level of global companies
- 4 Invest in new technologies**  
- AI Project / Production-flexibility
- 5 Find new business Item**

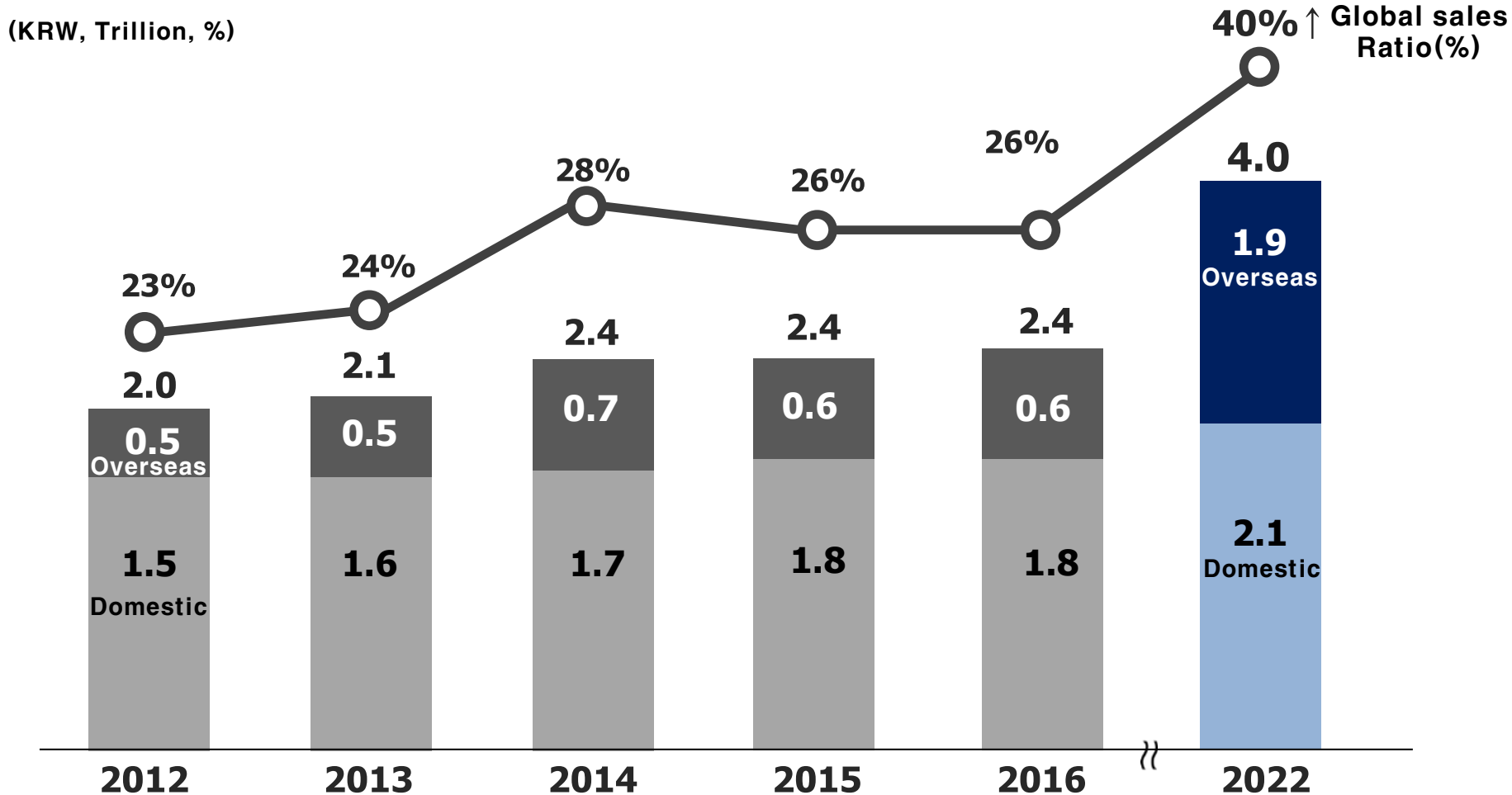
## Expanding investment & Seeking entry in new markets

(KRW, Billion, %)

Country	Sales			OPM			Strategy
	'16	'22	CAGR (17-22)	'16	'22	Growth	
ORGANIC	KAZ	169	300	10%	11%	12%	1%P · Building new lines - Chocolate / Candy / Cookie
	PAK	102	225	14%	13%	13%	- · Launching Choco-Pie & Spout (gum)
	BEL	112	150	5%	9%	10%	1%P · Invested in premium gift-type chocolate (Sep.17)
	IND	62	105	9%	▲5%	2%	Turn-around · Strengthening sales infrastructure
	RUS	29	60	13%	3%	8%	5%P · Building new lines for candy&Choco-Pie - Candy (Dec.17) / Choco-Pie (Dec.18)
	Others	156	160	0.4%	▲6%	7%	Turn-around · CHN : Down-sizing / VNM : Restructuring · SGP : Foster as a hub of S.E.A
	Total	630	1,000	8%	5%	10%	4%P
New Biz	-	900	-	-	10%	-	· Prioritizing areas to penetrate - Asia → CIS → Africa
Total	630	1,900	20%	5%	10%	5%P	

※ Sales / Operating profit of 2016 are based on annual exchange rates

## 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)