

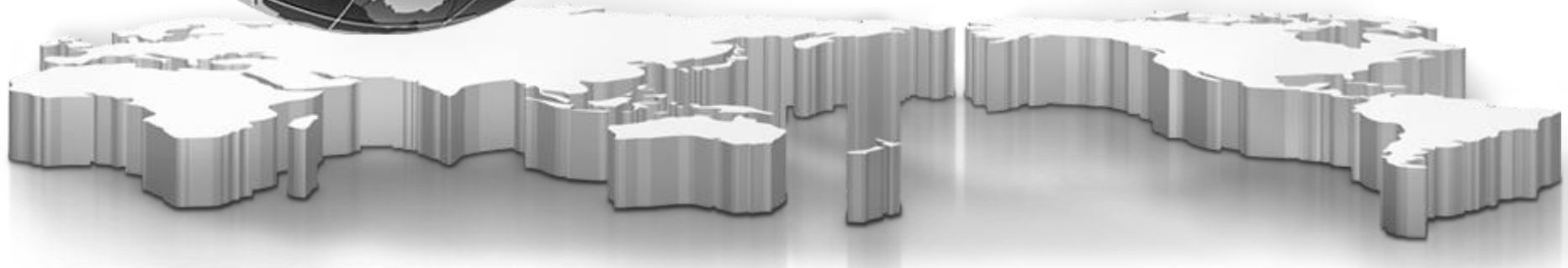
Lifetime
Value Creator



LOTTE CONFECTIONERY

INVESTOR RELATIONS

FY 2017





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II . Domestic Business

III . Overseas Business

IV . Long-term Growth Strategy

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I . Overview

- History
- Business Expansion
- Sales & Profit



Founded in 1967 / Newly established in Oct.17 after spin-off

Business Expansion (Green Field / M&A)

(KRW, Trillion)

FY 2000~2005

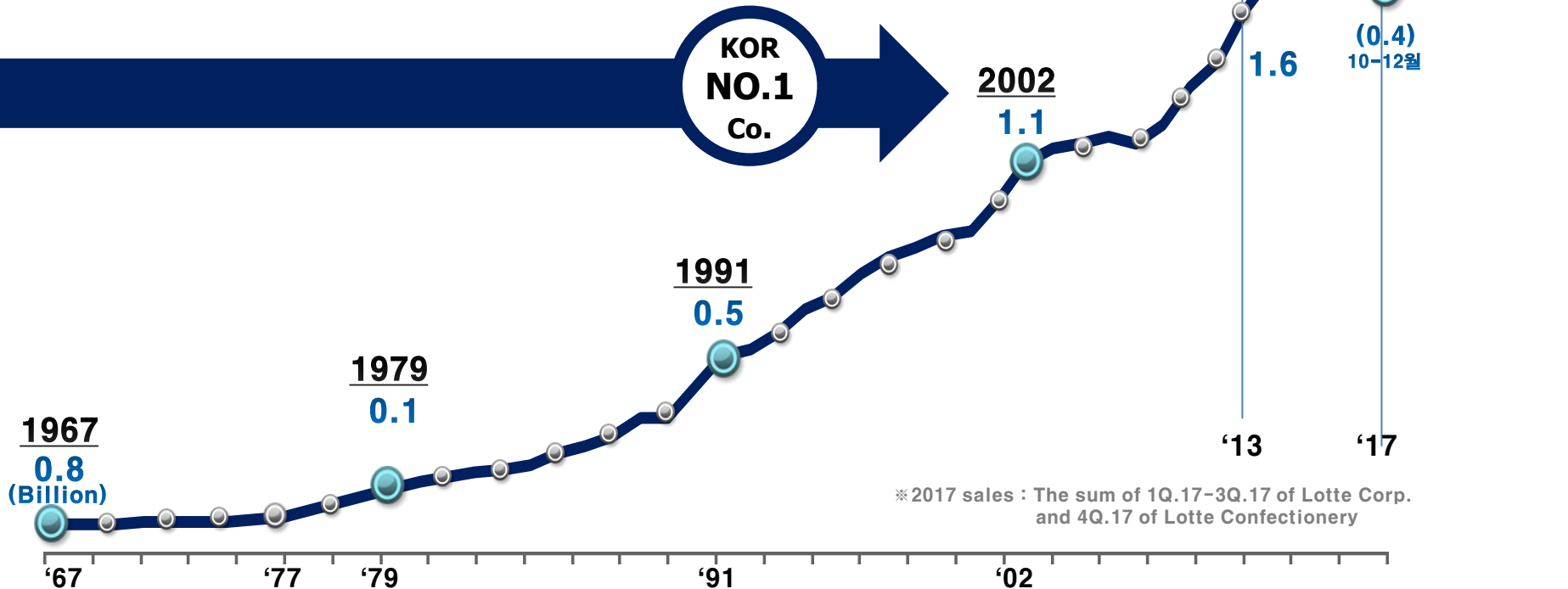
- Health Business(02)
- India(04)

FY 2005~2010

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

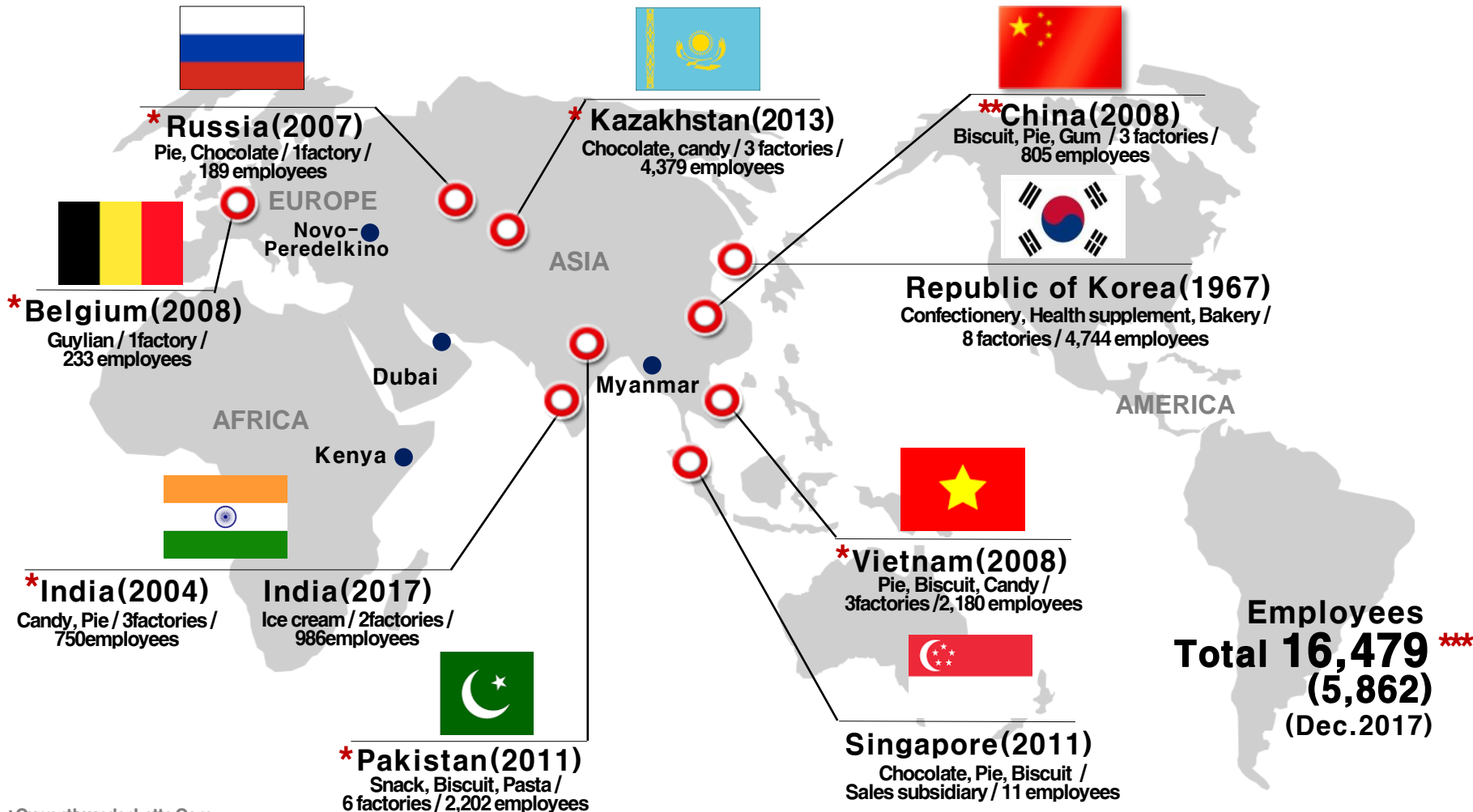
FY 2010~2017

- Pakistan(11)
- Singapore (11)
- Kazakhstan(13)
- India (ICE) (17)





Running 4 divisions with 8 plants in KOR / Expanding business into 8 countries



* : Currently under Lotte Corp.

** : Except for Qingdao, the others are under Lotte Corp.

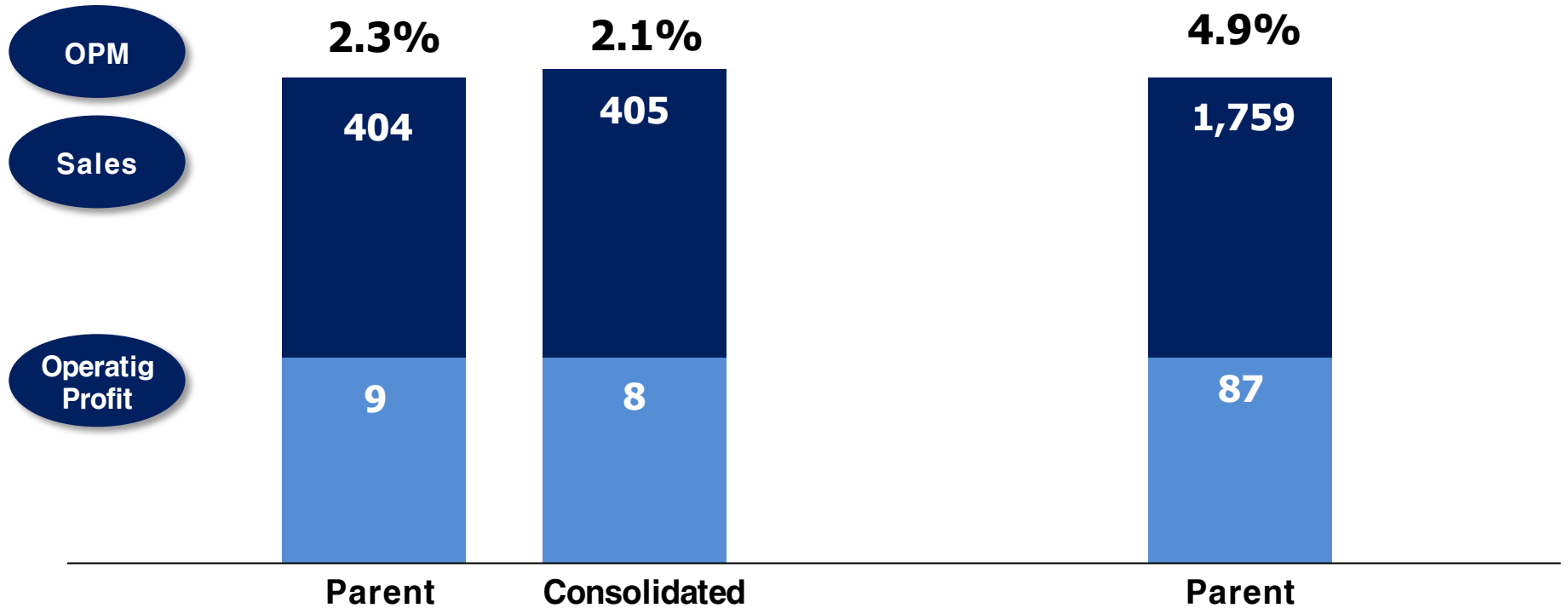
*** : Republic of Korea / Qingdao / Singapore / India (Ice)



New Op.Co started since Oct.2017 / Annual sales recorded 1.8tril.

<1st period :Oct.17-Dec.17>

<2017>



(KRW, Billion, %)

※ Results under K-IFRS

※ Pre-split : The sum of Jan.17 - Sep.17 of Lotte Corp & 4Q. of Lotte Confectionery



II . Domestic Business



2017 Domestic Sales decreased by 0.4%

Business	' 15	' 16	' 17				Remarks
			1Q-3Q	4Q	Total	Growth	
Confectionery	1,163	1,168	856	299	1,155	▲1.1%	<ul style="list-style-type: none"> • Sales growth of jellies / snacks • Downturn in exports(▲15.8% YoY)
Ice Cream	354	342	305	45	350	2.5%	<ul style="list-style-type: none"> • Sales growth of trend-leading products
Bakery	165	173	129	44	173	0.1%	<ul style="list-style-type: none"> • Growth in new channels / CVS
Health/Others	93	84	66	15	81	▲4.4%	<ul style="list-style-type: none"> • Effects of health-market contraction
Total	1,775	1,767	1,356	403	1,759	▲0.4%	

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

※ 15,16, 1Q-3Q.17 : Lotte Corp.(Ex.Lotte Confectionery) sales



Strengthening confectionery & ice cream / Nurturing bakery & health

Business	Market size ('17)	Sales ('17)	M/S	Strategy	Products
Confectionery	2.5	1.1	42%	<ul style="list-style-type: none"> • Launching trend leading products 	
				<ul style="list-style-type: none"> • Allying with the global companies 	
Ice Cream	0.9	0.3	36%	<ul style="list-style-type: none"> • Developing issue-making products 	
				<ul style="list-style-type: none"> • Strengthening functional/premium brands 	
Bakery	0.6 (Mass products)	0.2	20% (Mass products)	<ul style="list-style-type: none"> • Strengthening mass produced bread (mass) 	
				<ul style="list-style-type: none"> • Enhancing efficiencies of in-store bakeries 	
Health	3.7	0.03	-	<ul style="list-style-type: none"> • Developing new products / Promoting the brand 	
				<ul style="list-style-type: none"> • Diversifying sales channels (On-line etc.) 	-

※ 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



3Q.17 overseas sales increased by 4.5% (Pre-split)

(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"> • Sales growth of chocolates/biscuits • Growth of export 	
 BEL	110	112	1.8%	68	76	11.5%	<ul style="list-style-type: none"> • Sales growth in Europe / Australia • Growth in duty free shops 	
 PAK	87	102	16.4%	75	83	11.8%	<ul style="list-style-type: none"> • Sales growth of snacks / pasta 	
 IND	66	62	▲4.7%	47	50	7.2%	<ul style="list-style-type: none"> • Sales growth of Choco-pie 	
 CHN	79	78	▲0.6%	57	25	▲55.9%	<ul style="list-style-type: none"> • Effects of THAAD 	
 SGP	19	11	▲45.3%	7	8	16.1%	<ul style="list-style-type: none"> • Sales growth of Pepero / candies 	
T o t a l	Consoli- -dated	541	534	▲1.3%	364	381	4.5%	
	All	(626)	(629)	(0.3%)	(425)	(447)	(5.1%)	<ul style="list-style-type: none"> • Including sales of Vietnam / Russia

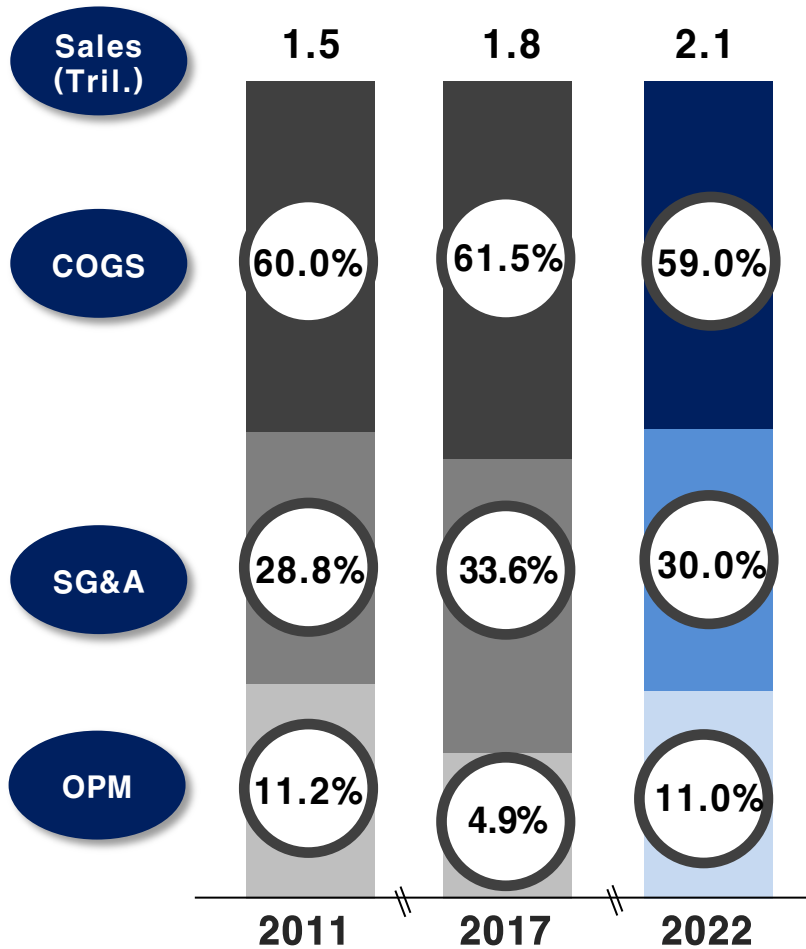
※ The sales in () : The sum of subsidiaries' sales including equity method subsidiaries – Russia and Vietnam (Based on annual average exchange rates) / Pre-split



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

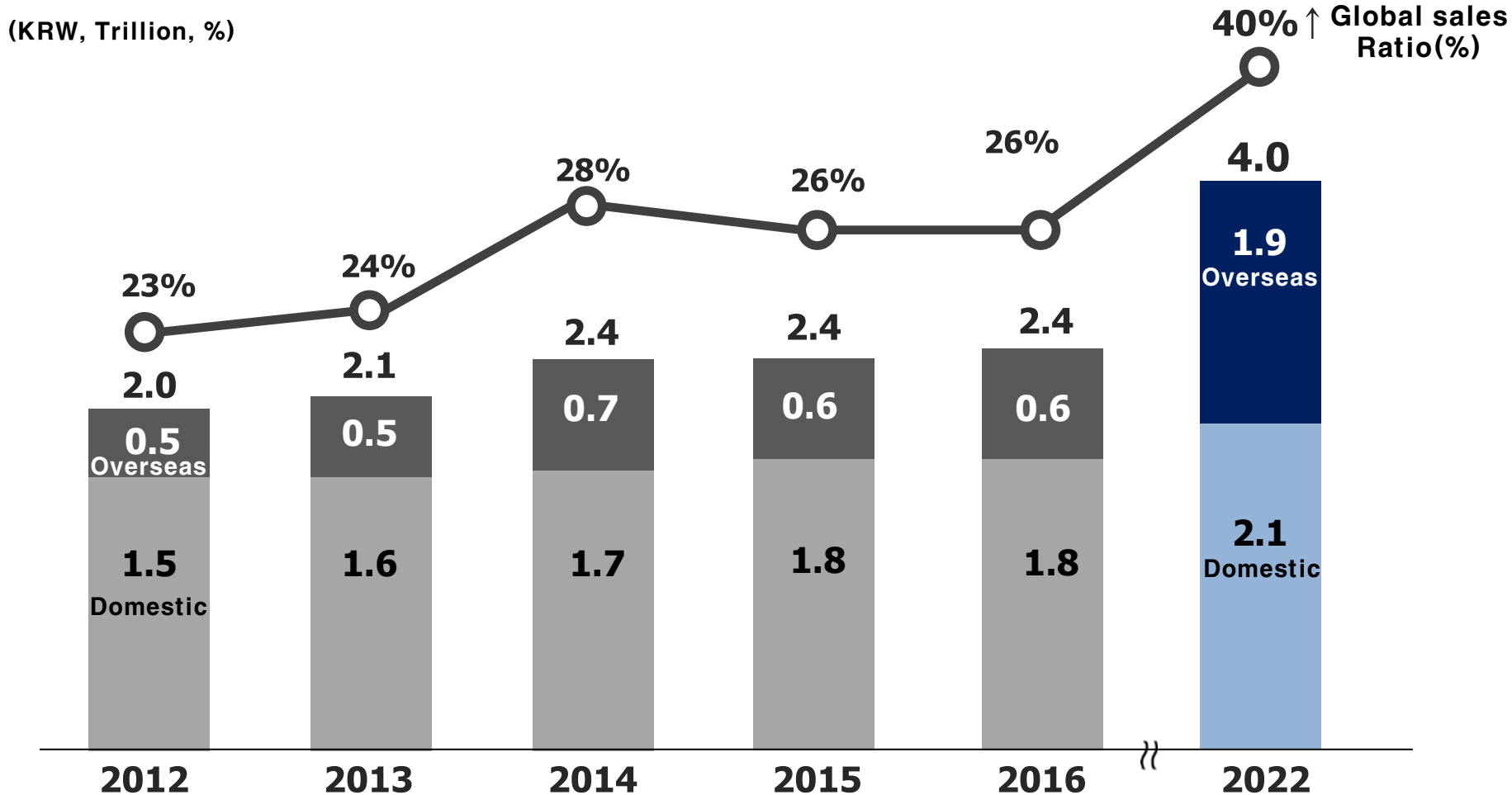
(KRW, Billion, %)

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 (Pre-split)



Accomplishing the global top 5 confectionery company



* Domestic : Parent results under K-IFRS (Pre-split)


* Overseas : The sum of 8 subsidiaries' sales is based on annual average exchange rates (Pre-split / Including equity method subsidiaries - Russia and Vietnam)



V. Appendix



Amending the article for timely financing

- 1** General Meeting Date/Time : 23rd Mar. 2018 (Fri.) / 10:00 AM
 - 2** Agendas : Total 4 agendas (Amend the article of incorporation and 3 other agendas)
 - 3** About 4th Agenda - Amendment of article 10 of incorporation
-  Purpose 1) Preparing for financing for the future business diversification & globalization
2) Enhancing business competitiveness by timely financing

	Current	Proposed	Remarks
Article 10	<ul style="list-style-type: none"> When issuing new stocks, allotment of new stocks to the third party is allowed up to 20% of total number of issued stocks 	<ul style="list-style-type: none"> When issuing new stocks, allotment of new stocks to domestic & international financial inst. / JVs / investors with invest in kind / other investors* is allowed up to 50% of total number of issued stocks 	→ Effective since 23th March, 2018
No. of allottable stocks**	<ul style="list-style-type: none"> 1,052,276 shares 	<ul style="list-style-type: none"> 4,209,102 shares 	
Maximum Capital Expansion	<ul style="list-style-type: none"> KRW 179 billion 	<ul style="list-style-type: none"> KRW 716 billion 	→ Supposing KRW 170,000/ 1 share

* Including existing shareholders

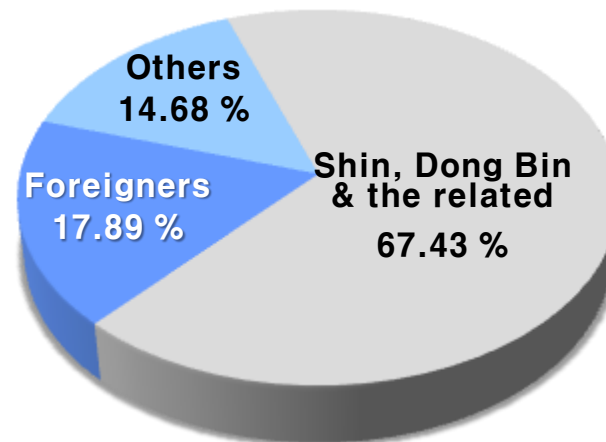
** Maximum ratio of allottable stocks (%) = (Total no. of allotted stocks to the investors + No. of allottable stocks) ÷ (Total no. of issued stocks + No. of allottable stocks)



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 December 2017



※ Foreigners : Excluding Lotte CO.,LTD



Dividend / Payout Ratio

	Pre-split(Ex.Lotte Confectionery)				After Split	
	2013	2014	2015	2016	Oct.-Dec.17	(Annual)
Share Price (₩)	1,912,000	1,780,000	2,279,000	178,500	146,000	(146,000)
Cash Dividend (₩million)	5,630	7,318	16,019	16,062	1,179	(4,714)
Dividend Rate (DPS/face value)	80.0%	104.0%	225.4%	226.0%	56%	(224%)
Dividend Per Share	4,000	5,200	11,270	1,130	280	(1,120)
Dividend Yield (DPS/Share Price)	0.2%	0.3%	0.5%	0.6%	0.2%	(0.8%)
Payout Ratio (Dividend/Net Profit)	10.2%	439.0%	20.24%	21.35%	60.5%	(-)

※ 2013-2016 Ex.Lotte Confectionery / Consolidated base