

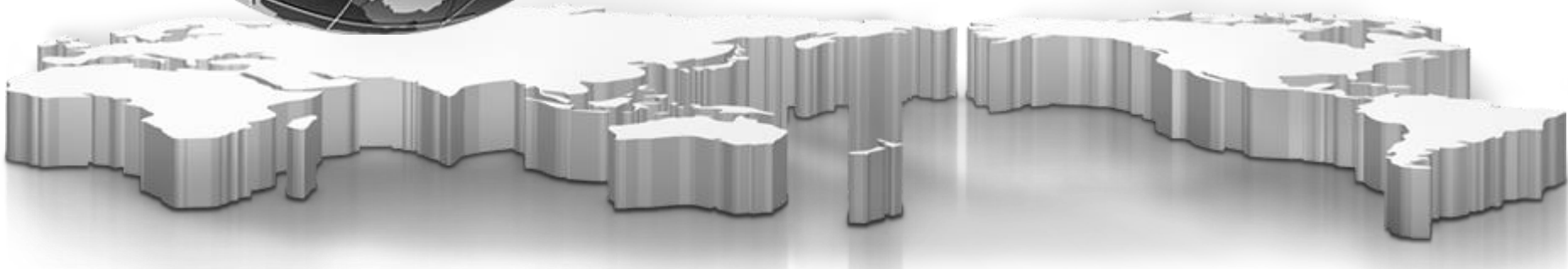
Lifetime
Value Creator



LOTTE CONFECTIONERY

INVESTOR RELATIONS

1Q.2018





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III . Overseas Business

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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

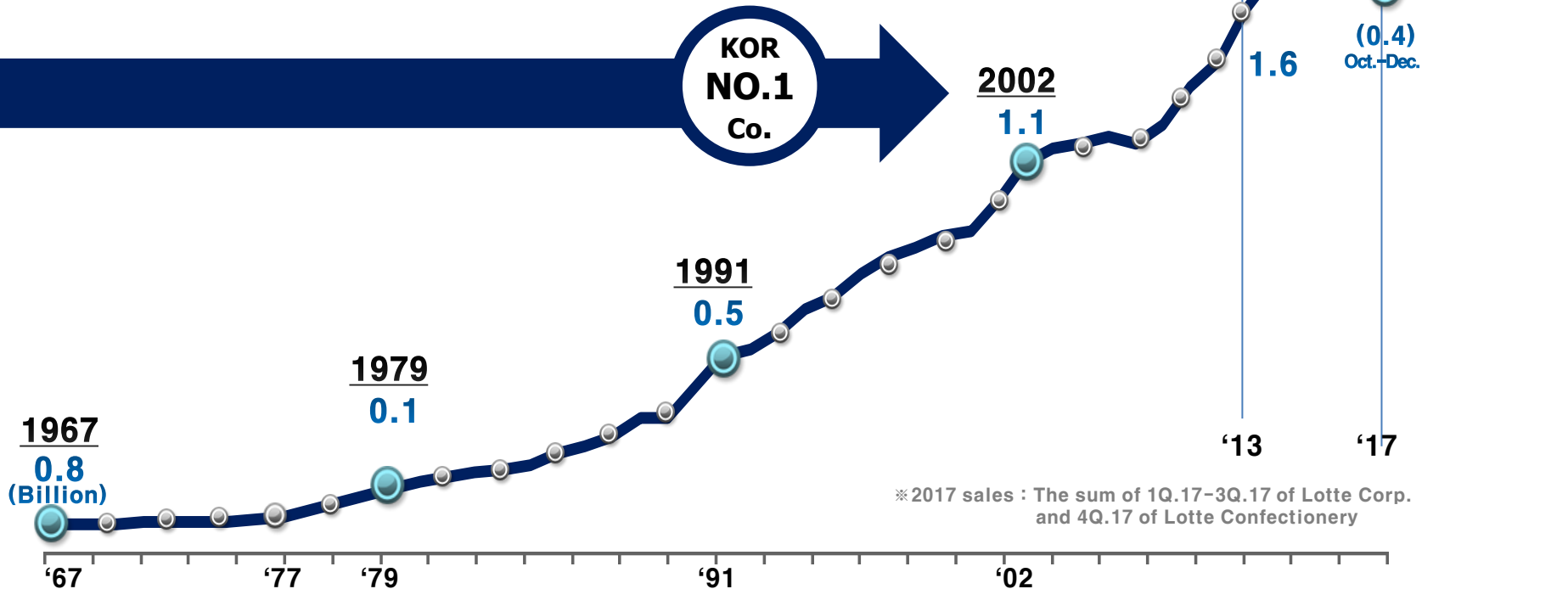
- Health Business(02)
- India(04)

FY 2005~2010

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

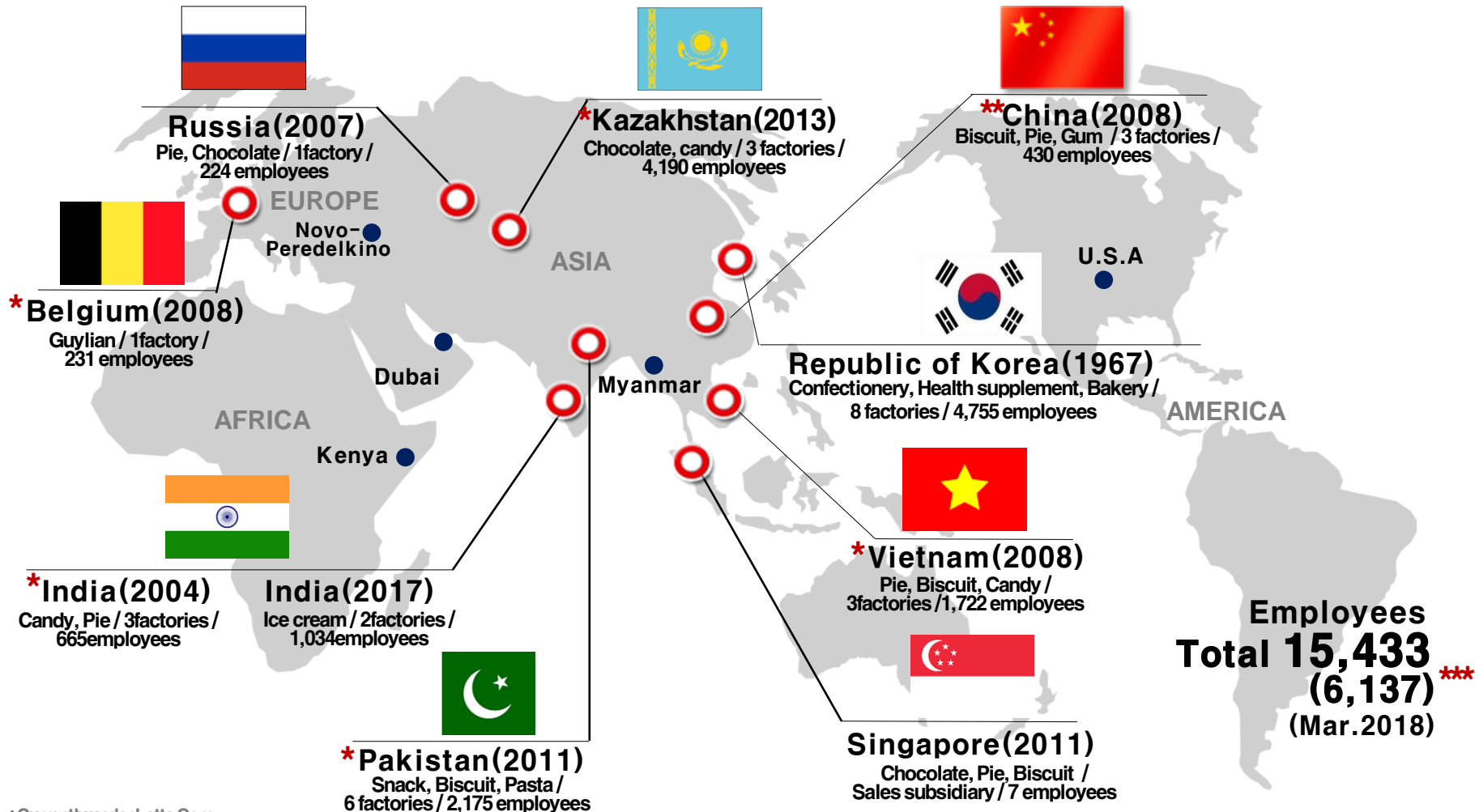
FY 2010~2017

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





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



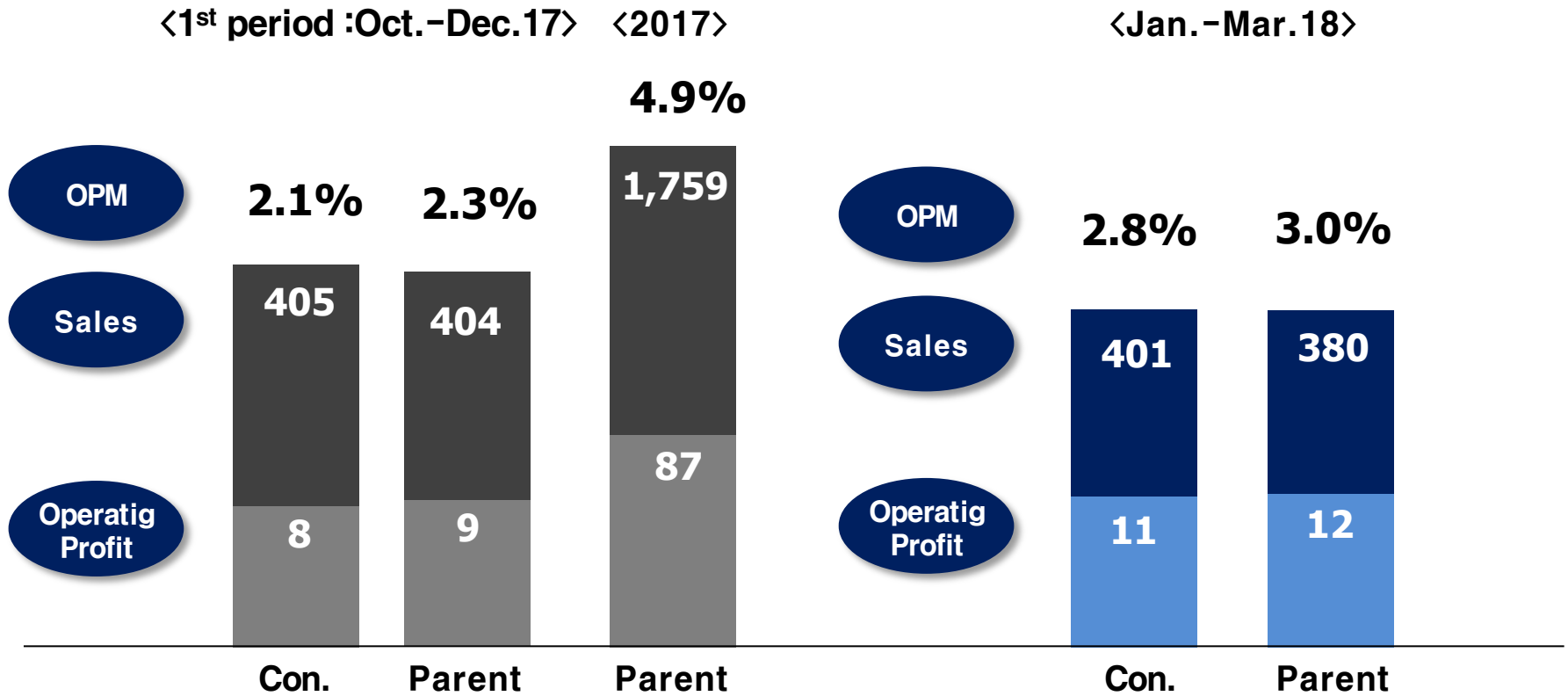
* : Currently under Lotte Corp.

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

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



1Q.18 Sales : KRW401B (Con.) / KRW380B (Parent)



(KRW, Billion, %)

※ Results under K-IFRS

※ 2017 Parent : The sum of Jan.17 – Sep.17 of Lotte Corp & 4Q.17 of Lotte Confectionery



II . Domestic Business



Running 4 divisions in domestic business

(KRW, Billion, %)

Business	' 17		4Q.17		1Q.18	
	Sales	%	Sales	%	Sales	%
Confectionery	1,155	65.7	299	74.3	275	72.3
Ice Cream	350	19.9	45	11.1	51	13.3
Bakery	173	9.8	44	10.9	39	10.3
Health/Others	81	4.6	16	3.7	15	4.1
Total	1,759	100.0	404	100.0	380	100.0

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

※ FY17 : The sum of Jan.17 – Sep.17 of Lotte Corp & 4Q.17 of Lotte Confectionery



Strengthening confectionery & ice cream / Nurturing bakery & health

Business	Market size ('17/tn.)	Sales ('17/tn.)	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 	
				<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



Entered in the ice cream market in India (1Q.18-)

(KRW, Billion, %)

Country	Fiscal Year			1Q			1Q Remarks
	' 16	' 17	YoY	' 17	' 18	YoY	
KAZ	169	195	15.1%	45	46	0.5%	• Sluggish growth due to FX effects (7.2% YoY growth in local currency)
BEL	112	116	3.3%	21	25	19.1%	• Sales growth in England / Saudi Arabia • Growth in duty free shops
PAK	102	112	10.4%	26	25	▲2.3%	• Sluggish growth due to FX effects (12.1% YoY growth in local currency)
IND (Conf.)	62	67	7.6%	16	17	6.0%	• Sales growth of Choco-pie
IND (ICE)	-	-	-	-	21	New Biz	• Merger of Havmor (Dec.17)
CHN	79	31	▲60.2%	13	4	▲72.1%	• In process of restructure
SGP	11	12	12.9%	3	3	▲1.1%	
RUS	29	38	29.6%	9	10	5.9%	• Sales growth of Choco-pie (12.0% YoY growth in local currency)
VNM	67	64	▲4.3%	12	14	18.6%	• Sales growth of Candy / Biscuit
Total	630	634	0.7%	146	164	12.6%	

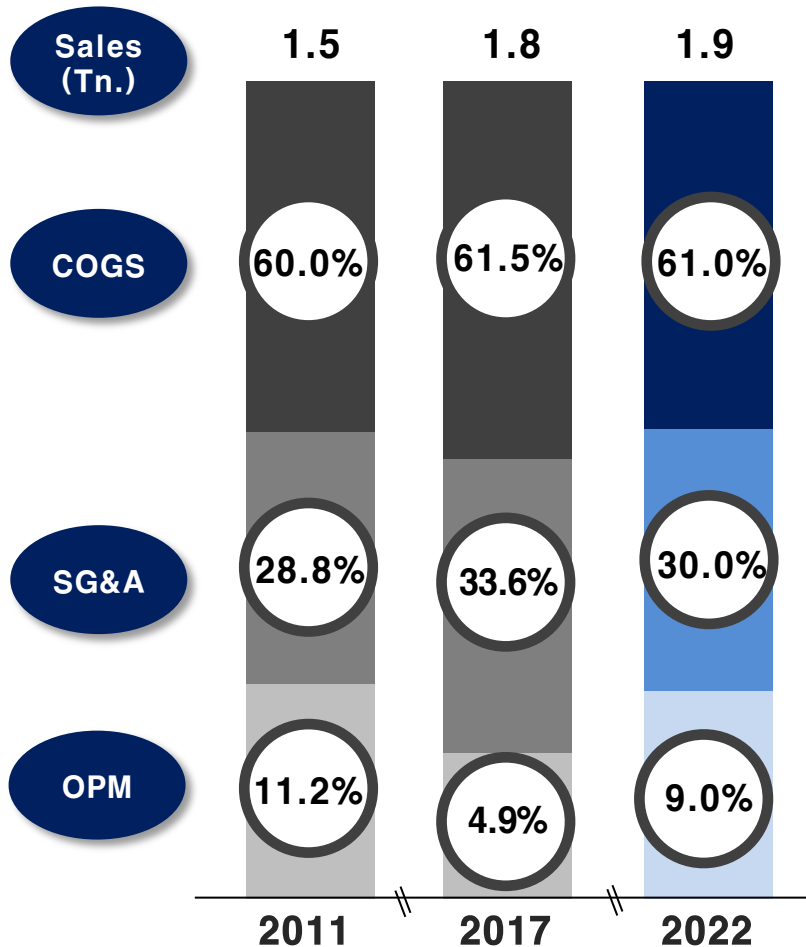
※ Referred to Lotte Corp. / Sales are based on annual exchange rates



IV. Long-term Growth Strategy



Improving operating profit to high single level




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, %)

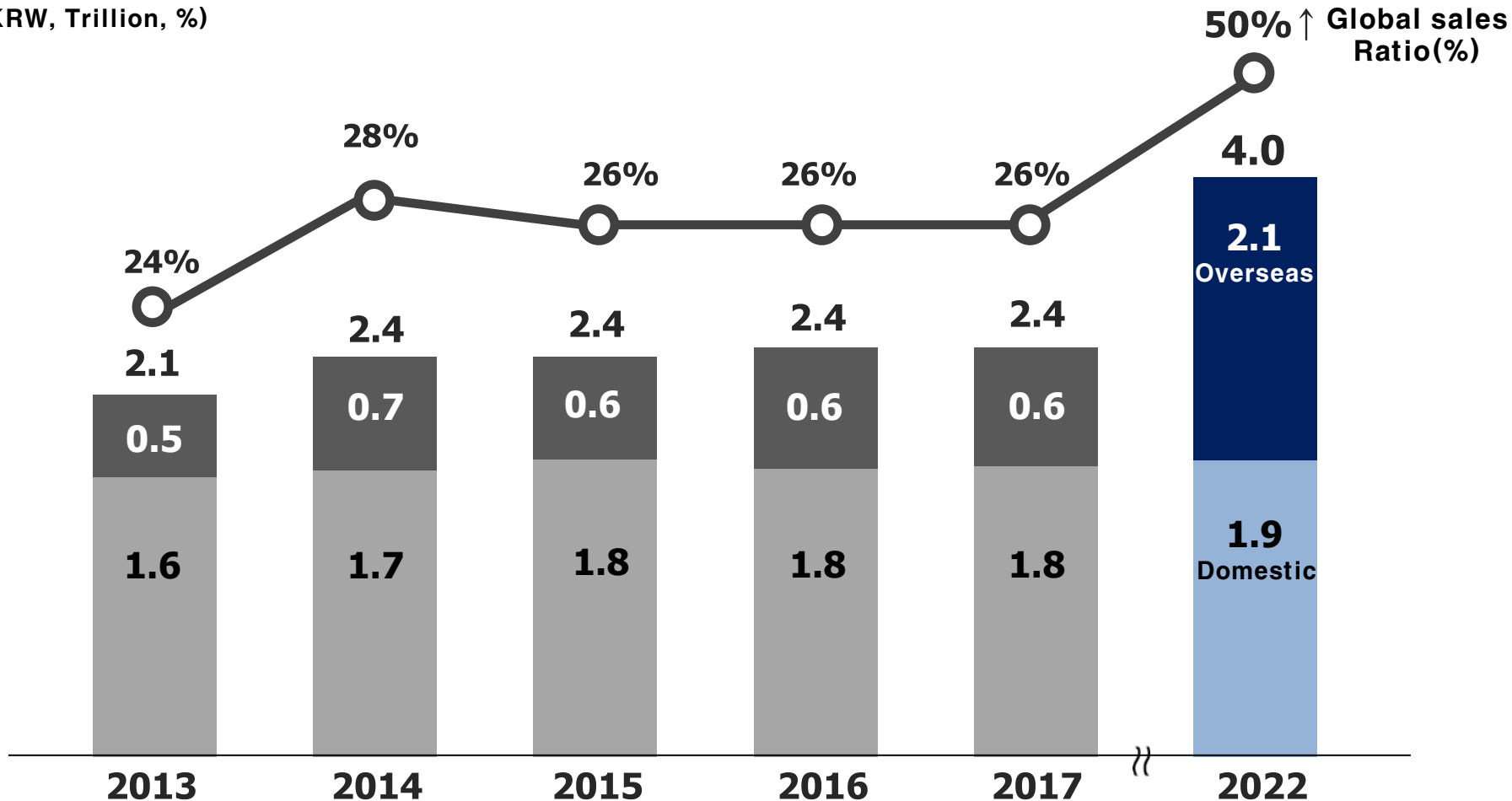
Country	Sales			OPM			Strategy
	'17	'22	CAGR (18-22)	'17	'22	Growth	
 KAZ	195	320	10%	14%	14%	-	· Building new lines - Chocolate / Jelly / Cookie
 PAK	112	230	15%	11%	13%	2%P	· Launching Choco-Pie & Spout (gum)
 BEL	116	160	7%	8%	11%	3%P	· Invested in premium gift-type chocolate (Sep.17)
 IND Confec.	67	110	10%	▲3%	3%	Turn-around	· Strengthening sales infrastructure
 RUS	38	70	13%	11%	9%	▲2%P	· Building new lines for candy&Choco-Pie - Candy (Dec.17) / Choco-Pie (Dec.18)
Others	107	165	9%	▲17%	8%	Turn-around	· CHN : Down-sizing / VNM : Restructuring
Total	634	1,055	11%	5%	11%	6%P	
New Biz	-	1,000	-	-	10%	-	· Including Havmor · Prioritizing areas to penetrate
Total	634	2,055	26%	5%	11%	6%P	

* Referred to Lotte Corp. / Sales & Operating profit are based on annual exchange rates



Accomplishing KRW 4.0 trillion in sales until 2022

(KRW, Trillion, %)



* 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)



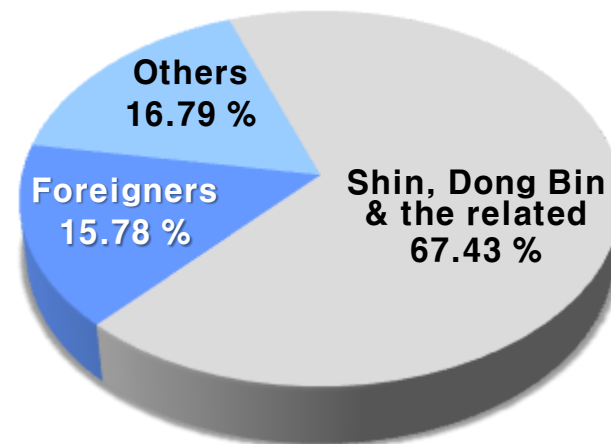
V. Appendix



Principal Shareholder Status

Shareholder	Ownership (%)
Lotte Aluminum	15.29
Lotte Corporation	11.50
Lotte Holdings	9.89
Lotte Scholarship Foundation	8.69
Shin, Dong Bin	9.07
Shin, Kyuk Ho	6.83

※ As of 15th May, 2018



※ Foreigners : Excluding Lotte Holdings



Dividend / Payout Ratio

	Pre-split(Ex.Lotte Confectionery)				After Split	
	2013	2014	2015	2016	4Q.2017	1Q.2018
Share Price (₩)	1,912,000	1,780,000	2,279,000	178,500	146,000	174,000
Cash Dividend (₩million)	5,630	7,318	16,019	16,062	1,179	-
Dividend Rate (DPS/face value)	80.0%	104.0%	225.4%	226.0%	56%	-
Dividend Per Share	4,000	5,200	11,270	1,130	280	-
Dividend Yield (DPS/Share Price)	0.2%	0.3%	0.5%	0.6%	0.2%	-
Payout Ratio (Dividend/Net Profit)	10.2%	439.0%	20.24%	21.35%	60.5%	-

※ 2013-2016 Ex.Lotte Confectionery / Consolidated base