

Investor Relations

LOTTE Confectionery

3Q. 2018



Contents

I . Overview

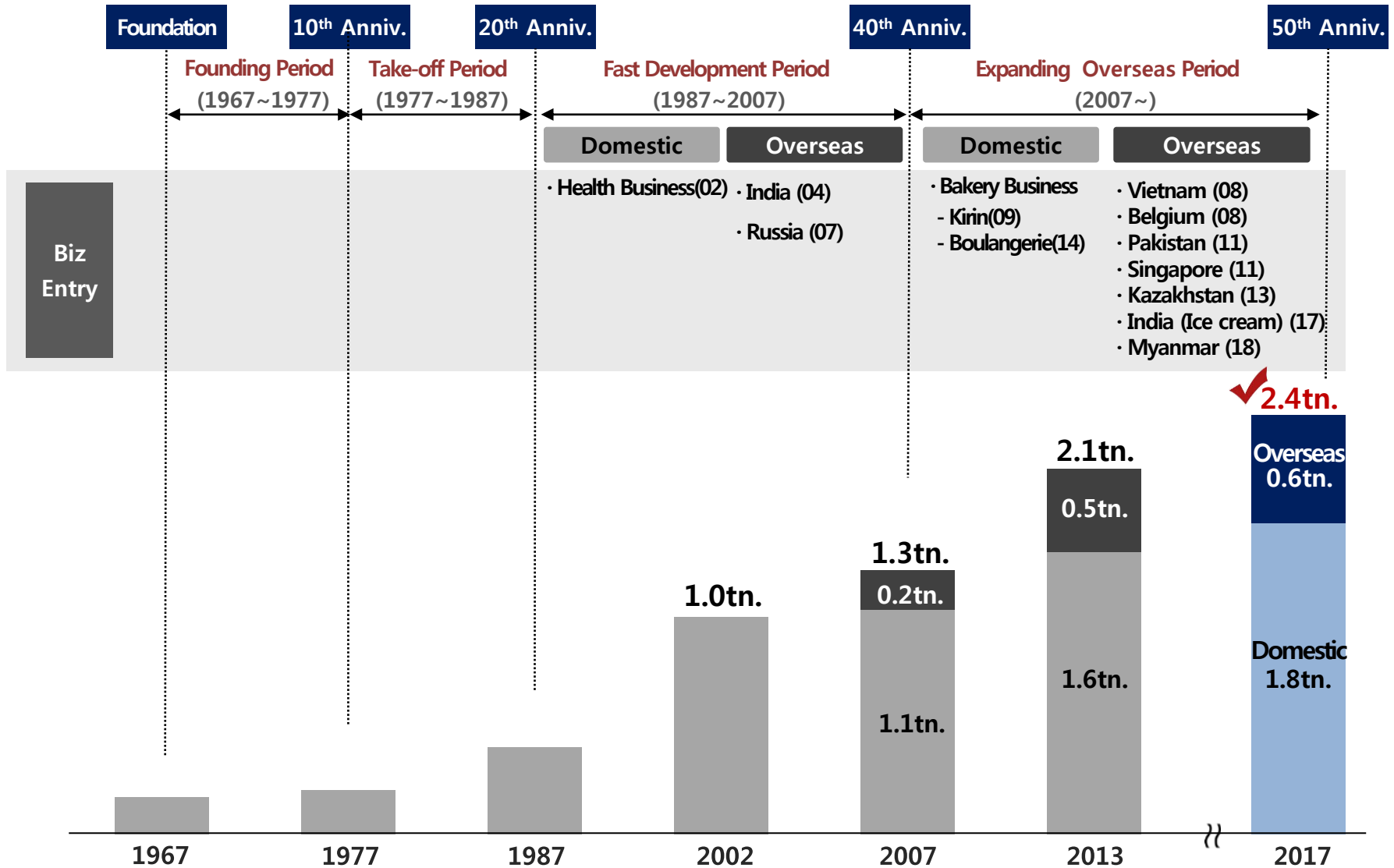
II. Domestic Business

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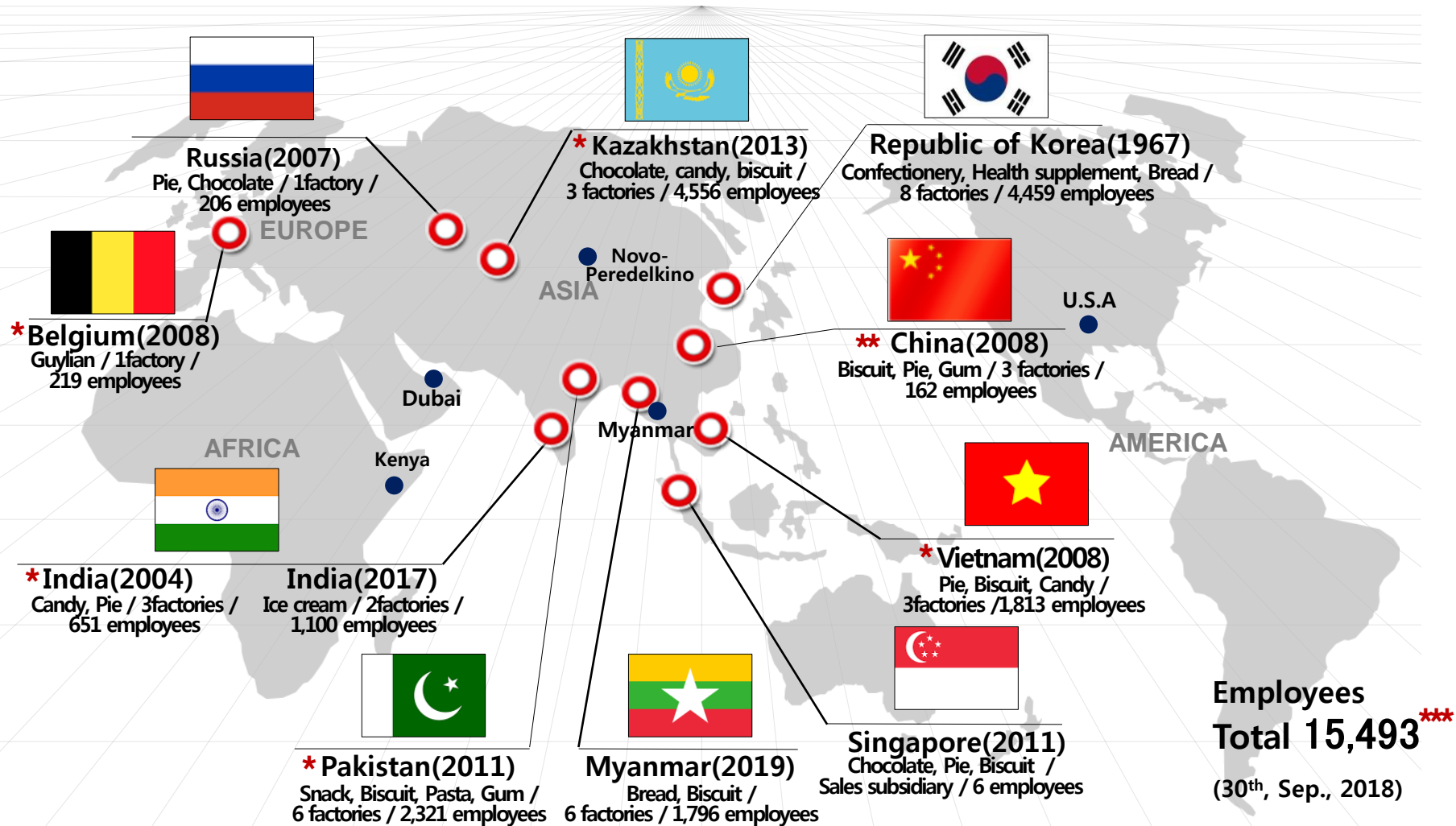
Founded in 1967/ Newly established in Oct.17 after spin-off



* 2017 Sales : The sum of 1Q.17-3Q.17 Lotte Corp. & 4Q.17 of Lotte Confectionery

Business Expansion (Overview)

Running 4 divisions (Conf./Ice cream/Bakery/Health), with 8 plants in Korea
 Expanding business into 9 countries with 25 plants overseas



Employees
Total 15,493^{***}
 (30th, Sep., 2018)

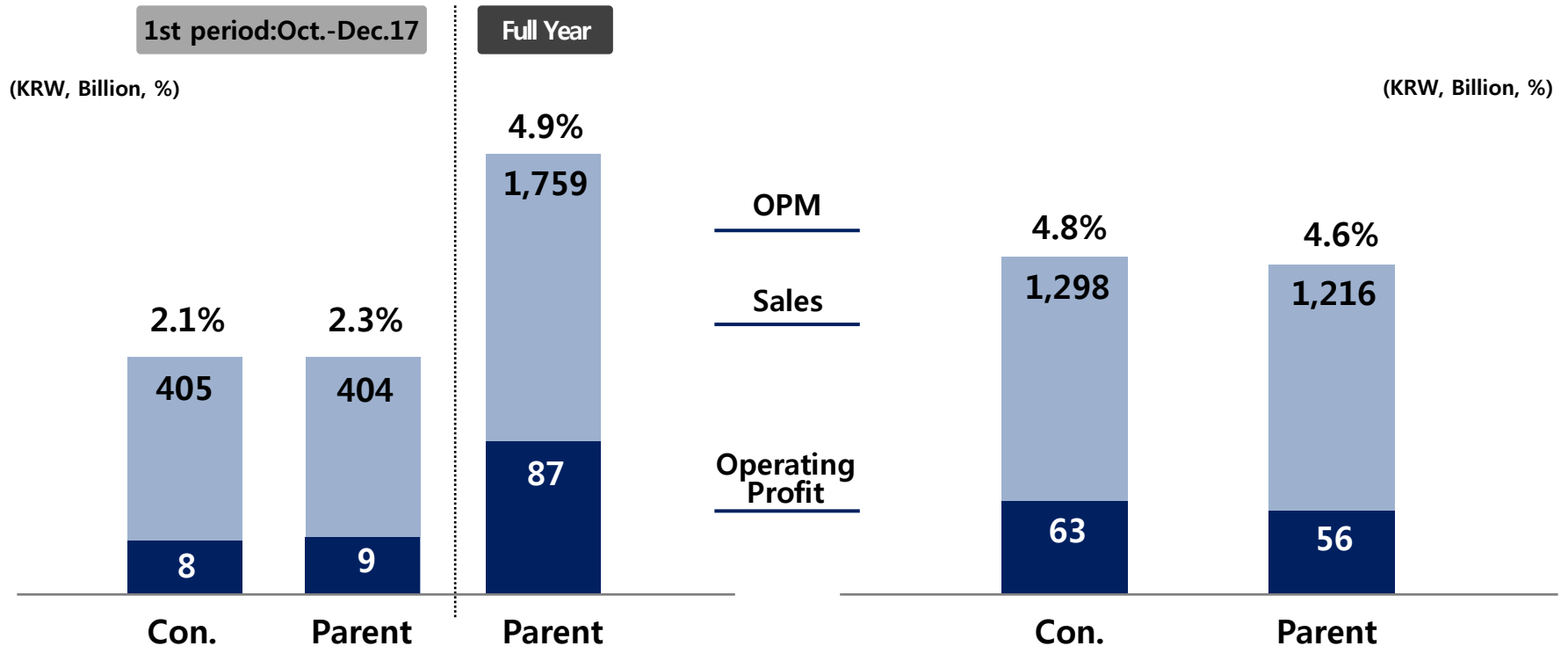
* : Currently under Lotte Corp.
 ** : Except for Qingdao, the others are under Lotte Corp.
 *** : Employees of Korea and overseas (except Myanmar)

Sales & Profit (Consolidated/Parent)

18.3Q Cumulative Sales : KRW 1,298B(Con.) / KRW 1,216B (Parent)

2017 Results

3Q 2018 Results (Cumulative)



* Results under K-IFRS

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

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Running 4 divisions in domestic business

(KRW, Billion, %)

| Business | '17 | | 1Q.18 | | 2Q.18 | | 1H.18 | | 3Q.18 | | 3Q.18 (Cumulative) | |
|---------------|--------------|--------------|------------|--------------|------------|--------------|------------|--------------|------------|--------------|-----------------------|--------------|
| | Sales | % | Sales | % | Sales | % | Sales | % | Sales | % | Sales | % |
| Confectionery | 1,155 | 65.7 | 275 | 72.3 | 243 | 58.3 | 518 | 66.1 | 246 | 57.0 | 764 | 62.8 |
| Ice Cream | 350 | 19.9 | 51 | 13.3 | 105 | 28.5 | 156 | 19.9 | 130 | 30.0 | 286 | 23.5 |
| Bakery | 173 | 9.8 | 39 | 10.3 | 39 | 10.0 | 78 | 10.0 | 35 | 8.0 | 113 | 9.3 |
| Health/Others | 81 | 4.6 | 15 | 4.1 | 16 | 3.2 | 32 | 4.0 | 21 | 5.0 | 53 | 4.4 |
| Total | 1,759 | 100.0 | 380 | 100.0 | 403 | 100.0 | 783 | 100.0 | 432 | 100.0 | 1,216 | 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

Domestic Business Strategy

Strengthening confectionery & ice cream / Nurturing bakery & health

| | Market&Sales(17) | Main Strategy | Products |
|---------------|-------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Confectionery | <p>Market Size: 2.5tn.</p> <p>Lotte Conf.: 1.1tn. (42%)</p> | <ul style="list-style-type: none"> • Launching market growth leading products • Enhancing core brands / Allying with global players | |
| Ice Cream | <p>Market Size: 0.9tn.</p> <p>Lotte Conf.: 0.3tn. (36%)</p> | <ul style="list-style-type: none"> • Studying new - demand market • Strengthening functional / premium brands | |
| Bakery | <p>Market Size: 0.4tn. (mass-produced)</p> <p>Lotte Conf.: 0.1tn. (19%)</p> | <ul style="list-style-type: none"> • Strengthening mass produced bread / Bringing up dessert brands • Improving efficiencies of in-store bakeries | |
| Health | <p>Market Size: 3.8tn.</p> <p>Lotte Conf.: 0.03tn.</p> | <ul style="list-style-type: none"> • Raising brand awareness by rebranding • Focusing on developing health food | |

* Market size : Confectionery, ice cream - The estimate of top 4 companies' net sales
Bakery – Nielson POS of mass produced goods / Health – The research of Korea Health Supplements Association

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Overseas Sales Trend (Disclosure)

Entered in India ice cream market (4Q.17) /
Myanmar bakery products market (4Q.18)

(KRW, Billion, %)

| Country | Fiscal Year | | | 3Q (Cumulative) | | | 3Q Remarks | |
|-----------------------------------------------------------------------------------------|-------------|------------|-------------|-----------------|------------|--------------|-----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|
| | '16 | '17 | YoY | '17 | '18 | YoY | | |
|  KAZ | 169 | 195 | 15.1% | 138 | 134 | ▲3.1% | • Sluggish growth due to FX effects (4.8% YoY growth in local currency) | |
|  BEL | 112 | 116 | 3.3% | 76 | 69 | ▲8.6% | • Sales decline in America and Oceania (▲5.0% YoY growth in local currency) | |
|  PAK | 102 | 112 | 10.4% | 83 | 79 | ▲5.8% | • Sluggish growth due to FX effects (9.8% YoY growth in local currency) | |
|  | IND (Conf.) | 62 | 67 | 7.6% | 50 | 51 | 1.7% | • Sluggish growth due to FX effects (9.1% YoY growth in local currency) |
| | IND (ICE) | - | - | - | - | 74 | New Biz | • Merger of Havmor (Dec.17) |
|  CHN | 79 | 31 | ▲60.2% | 25 | 13 | ▲49.0% | • In process of restructure | |
|  SGP | 11 | 12 | 12.9% | 8 | 9 | 10.8% | • More contracts with mainstream channels | |
|  RUS | 29 | 38 | 29.6% | 27 | 28 | 5.1% | • Acquired shares from Lotte Corp. on May,18 (100%) - Results of Jul. to Sep. are reflected to 3Q income statement | |
|  VNM | 67 | 64 | ▲4.3% | 39 | 41 | 3.9% | • Sales growth of candy / cake products | |
| Total | 630 | 634 | 0.7% | 447 | 498 | 11.4% | | |

* Referred to Lotte Corp. / Sales are based on annual exchange rate

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Mid-term Business Strategy

Focusing on profitability for domestic business /
Expanding investment for overseas business

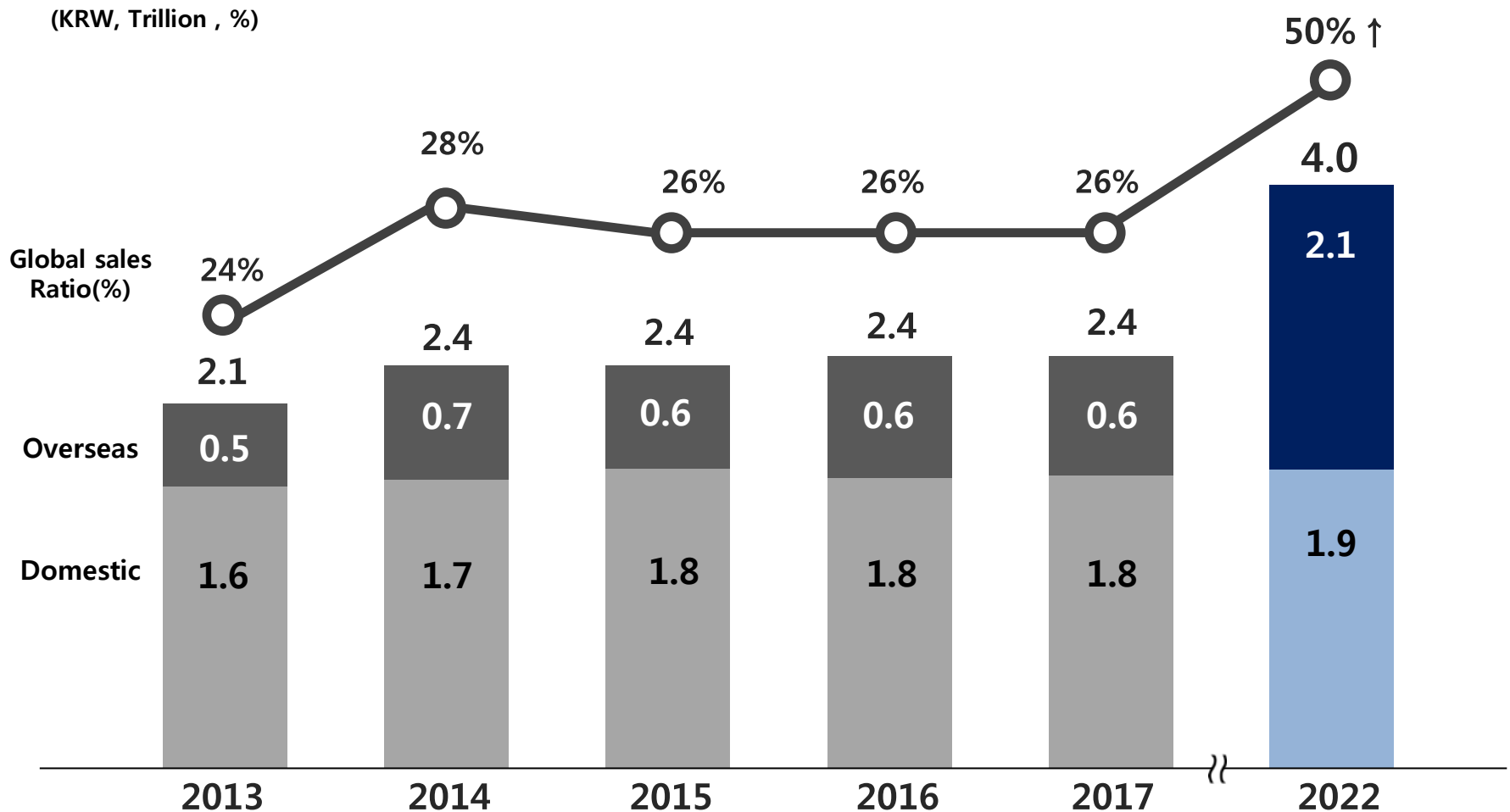
(KRW, Billion, %)

| Country | | Sales | | Operating Margin | | Strategy | |
|--------------------------------------|---------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|-------|------------------|------|-----------------------------------------------------|-------------------------------------------------------------------------------------------|
| | | '17 | '22 | '17 | '22 | | |
| Domestic |  KOR | 1,759 | 1,900 | 5% | 12% | • Enhancing brand power / Focusing on profitability | |
| O v e r s e a s | O r g a n i c |  KAZ | 195 | 319 | 14% | 16% | • Capa-up for sustainable growth (Chocolate/Jelly) |
| | |  PAK | 112 | 202 | 11% | 11% | • Vitalizing Choco-Pie & Spout (gum) |
| | |  BEL | 116 | 130 | 8% | 13% | • New line investment for premium market - Gift-type (Sep.17) / Premium Bar (Jun.19) |
| | |  IND (Conf.) | 67 | 126 | ▲3% | 7% | • Establishing strong brand equity for Choco-pie |
| | |  IND (Ice) | (80) | 190 | (3%) | 13% | • Extending coverage in wider parts of India |
| | |  RUS | 38 | 82 | 11% | 15% | • Investing for expanding coverage in Russia - Choco-pie 2 nd line (Jan.19) |
| | | Others | 107 | 143 | ▲17% | 11% | • China : Down-sizing |
| | | Total | 634 | 1,192 | 5% | 13% | |
| | | New Business | - | 908 | - | 12% | • Including Myanmar Mayson • Prioritizing areas to penetrate |
| Overseas Total | 634 | 2,100 | 5% | 12% | | | |

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

Mid-term Business Strategy

Accomplishing KRW 4.0 trillion in sales until 2022



* 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)

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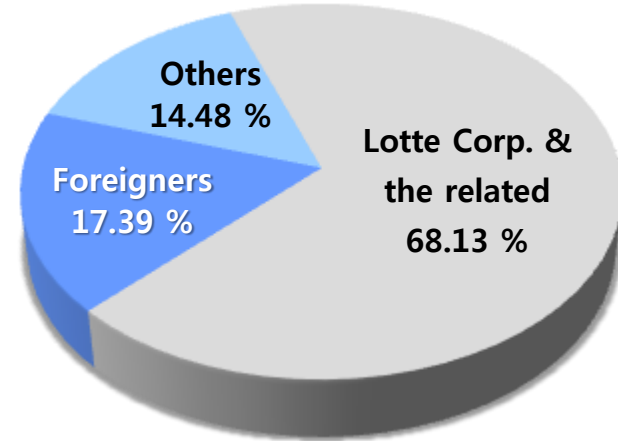
Appendix – Shareholder Information



Principal Shareholder Status

| Shareholders | Ownership(%) |
|------------------------------|--------------|
| Lotte Corporation | 21.37 |
| Lotte Aluminum | 15.29 |
| Lotte Holdings | 9.89 |
| Lotte Scholarship Foundation | 8.69 |
| Shin, Kyuk Ho | 6.83 |

* As of 30th, September, 2018



※ Foreigners : Excluding Lotte Holdings



Dividend / Payout Ratio

| | Pre-split (Ex.Lotte Confectionery) | | | | After Split | |
|------------------------------------|------------------------------------|-----------|-----------|---------|-------------|---------|
| | 2013 | 2014 | 2015 | 2016 | 4Q.2017 | 3Q.2018 |
| Share Price (₩) | 1,912,000 | 1,780,000 | 2,279,000 | 178,500 | 146,000 | 180,500 |
| 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