

Investor Relations

LOTTE Confectionery

FY 2018



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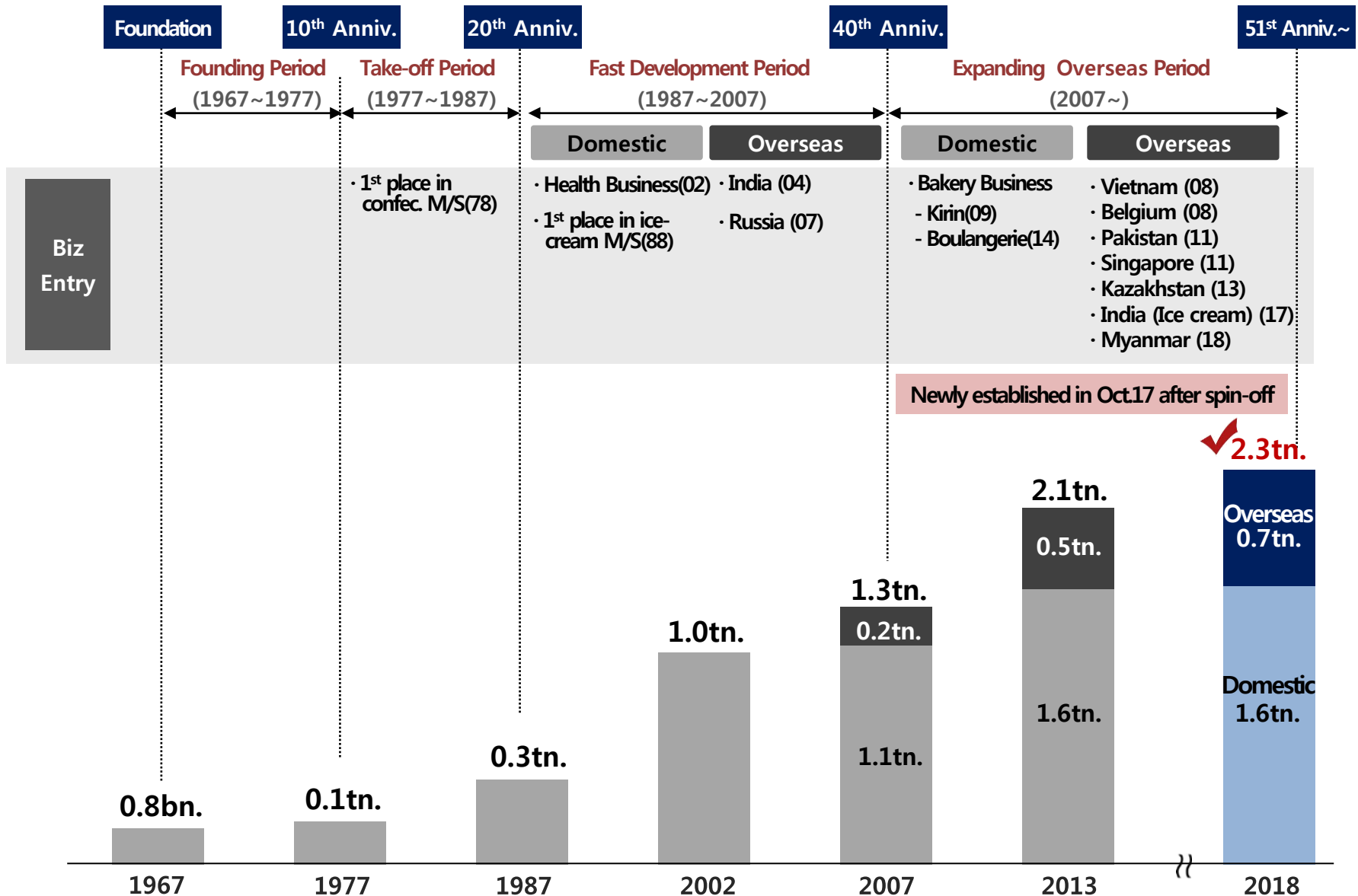
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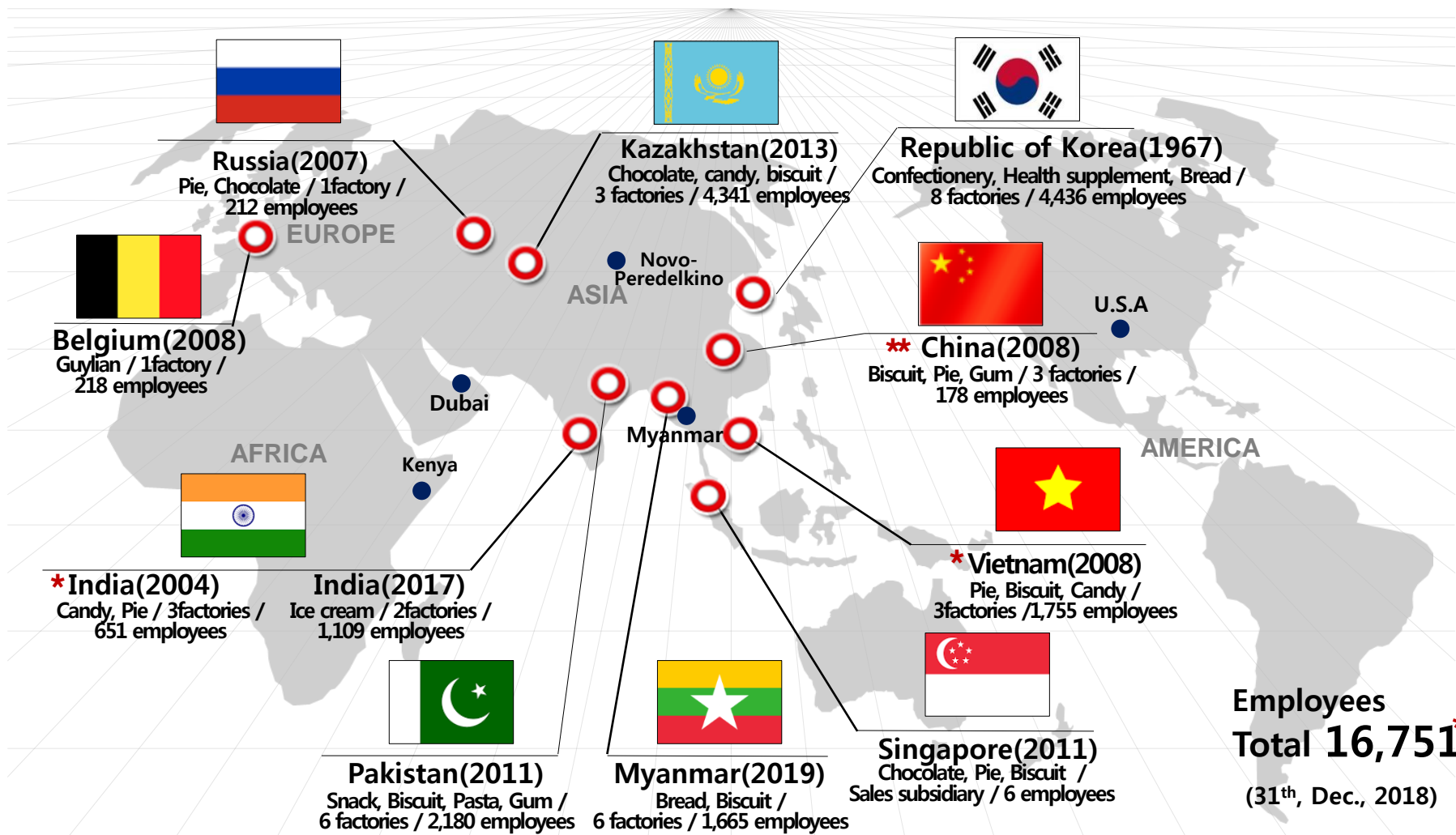
History



* 2018 : Domestic - Parent sales / Overseas – The sum of overseas subsidiaries' sales that apply the average exchange rates of 2018

Business Expansion (Overview)

Running 4 divisions (Conf./Ice cream/Bakery/Health), with 8 plants in Korea
 Expanding business into 9 countries with 26 plants overseas



Employees
Total 16,751***
 (31th, Dec., 2018)

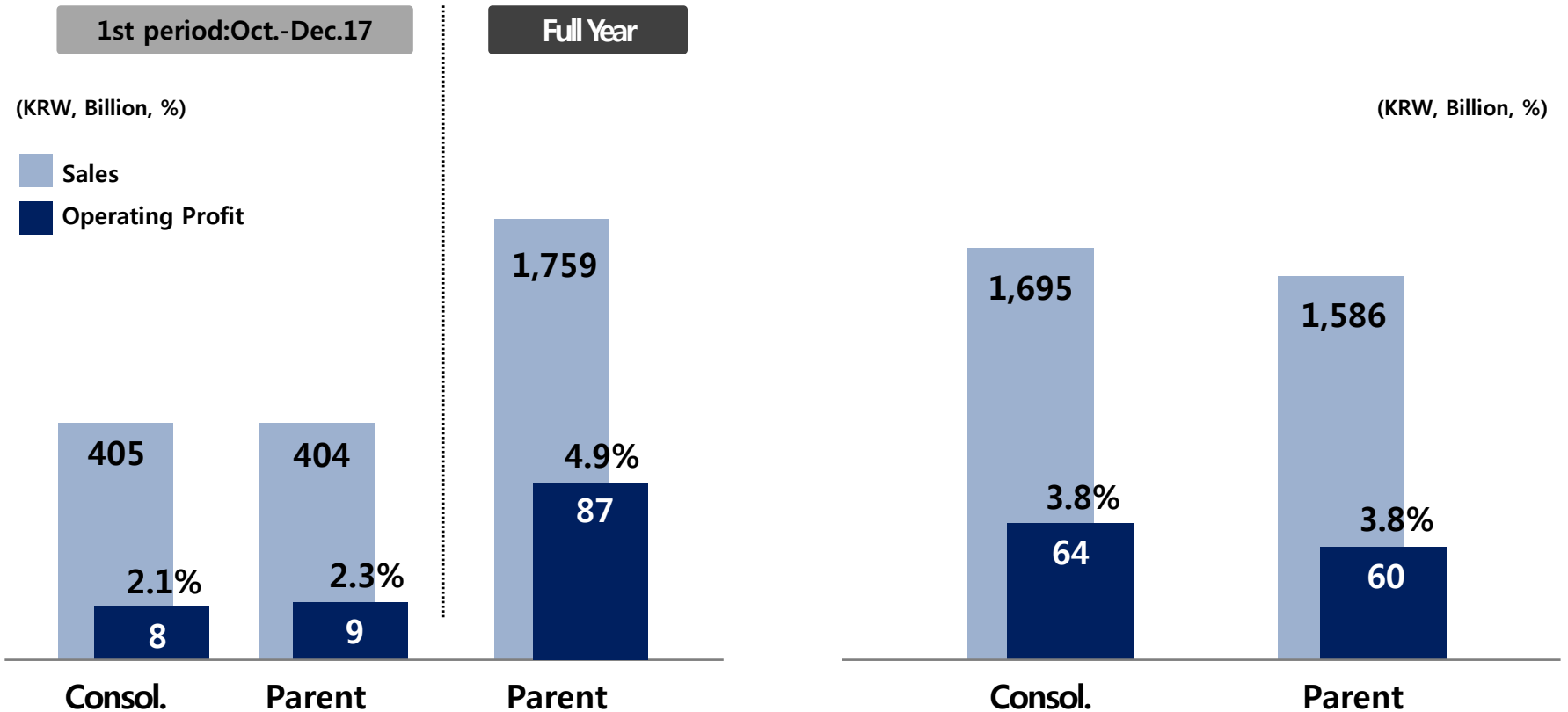
* :Currently under Lotte Corp.
 ** :Except for Qingdao, the others are under Lotte Corp.
 *** :Employees of Korea and overseas (except Myanmar)

Sales & Profit (Consolidated/Parent)

- ✓ 2018 Consolidated Sales KRW 1,695B / OPM 3.8%
- ✓ 2018 Parent Sales KRW 1,586B / OPM 3.8%

2017 Results

2018 Results



* 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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Domestic Business Portfolio

✓ Running 4 divisions in domestic business

(KRW, Billion, %)

Business	FY17		FY18									
			1Q		2Q		3Q		4Q		Full Year	
	Sales	%	Sales	%	Sales	%	Sales	%	Sales	%	Sales	%
Confectionery	1,155	65.7	275	72.4	243	60.3	246	57.0	275	74.2	1,039	65.5
Ice Cream	350	19.9	51	13.3	104	25.8	130	30.0	41	11.2	327	20.6
Bakery	173	9.8	39	10.2	39	9.7	35	8.0	37	9.9	150	9.4
Health/Others	81	4.6	15	4.0	17	4.1	21	5.0	17	4.7	71	4.5
Total	1,759	100.0	380	100.0	403	100.0	432	100.0	370	100.0	1,586	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

- ✓ Upgrading brand power & profitability (confectionery, ice cream)
- ✓ Restructuring business & nurturing brands (bakery, health)

	Market&Sales(18)	Main Strategy	Products
Confectionery	<p>Market Size: 2.4tn.</p> <p>Lotte Conf.: 0.9tn. (40%)</p>	<ul style="list-style-type: none"> • Enhancing brand power / Diversifying product types • Improving operation efficiencies 	
Ice Cream	<p>Market Size: 1.0tn.</p> <p>Lotte Conf.: 0.3tn. (34%)</p>	<ul style="list-style-type: none"> • Stabilizing the market prices / Vitalizing premium brand Natuur • Improving operation efficiencies 	
Bakery	<p>Market Size: 0.4tn. (mass-produced)</p> <p>Lotte Conf.: 0.08tn. (18%)</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 • Developing health food products 	

* 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 market (4Q.18)

(KRW, Billion, %)

Country	Fiscal Year			Remarks	
	'17	'18	YoY		
 KAZ	195	189	▲2.8%	• Sluggish growth due to FX effects (4.9% YoY growth in local currency)	
 BEL	116	111	▲3.5%	• Sales decline in America and Oceania	
 PAK	112	104	▲7.5%	• Sluggish growth due to FX effects (9.4% YoY growth in local currency)	
	IND (Conf.)	67	68	1.2%	• Sluggish growth due to FX effects (9.0% YoY growth in local currency)
	IND (ICE)	-	91	-	• Merger of Havmor (Dec.17)
 CHN	31	18	▲41.6%	• In process of restructure	
 SGP	12	12	12.9%	• More contracts with mainstream channels	
 RUS	38	39	3.9%	• Acquired shares from Lotte Corp. on May,18 (100%) - Results of Jul. to Dec. are reflected to annual income statement	
 VNM	64	68	6.1%	• Sales growth of candy / cake products	
Total	634	701	10.5%		

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

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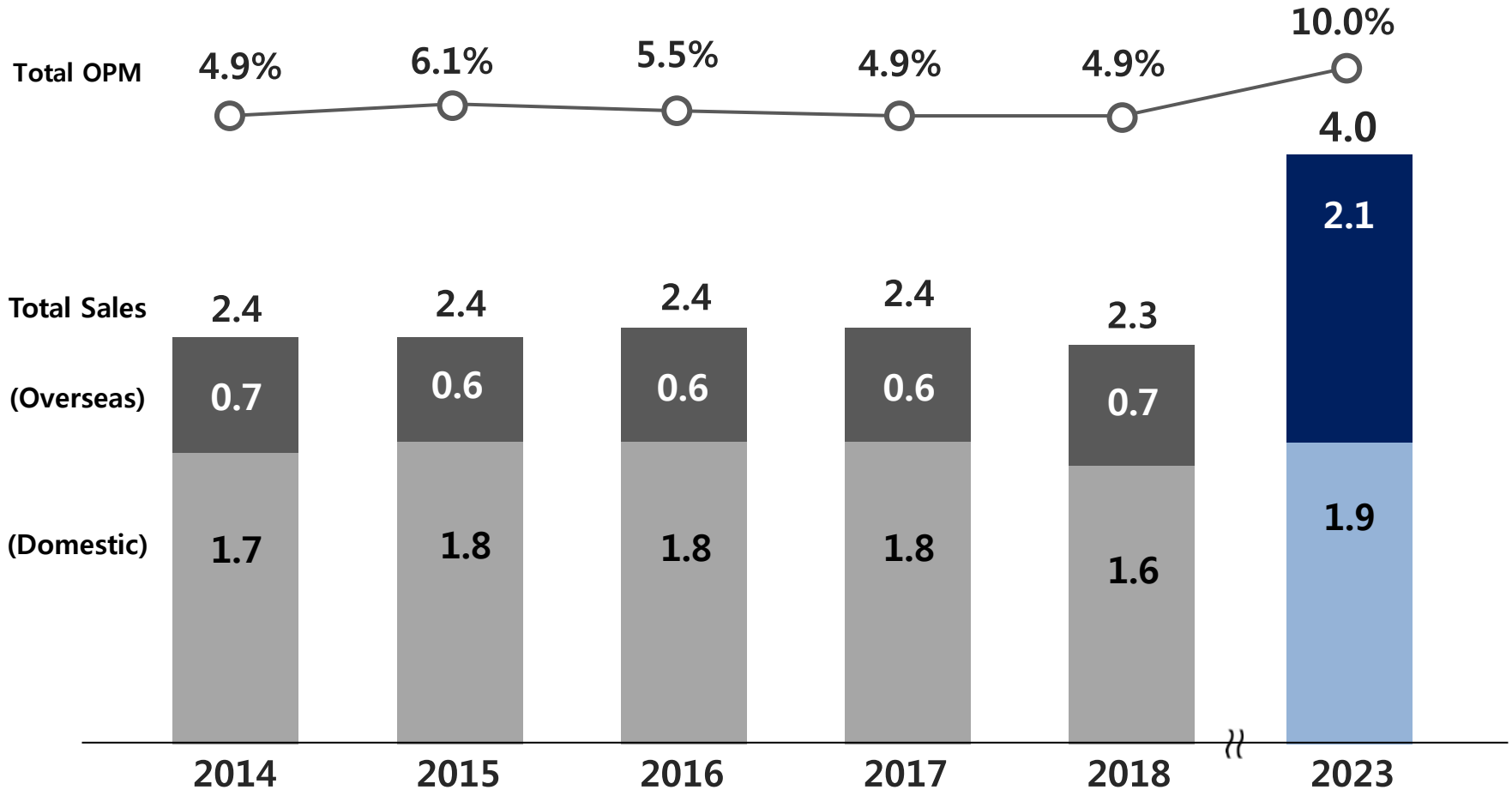
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Mid-term Business Target

✓ Accomplishing KRW 4.0 trillion sales & 10% OPM until 2023

(KRW, Trillion , %)










* Domestic : Parent results under K-IFRS (pre-split)
 Overseas : The sum of all subsidiaries' sales (based on annual average exchange rates)

Mid-term Business Strategy

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

(KRW, Billion, %)

Country		Sales			Operating Margin			Remarks
		'18	'23	CAGR	'18	'23	Growth	
Domestic	 KOR	1,586	1,900	3.7	3.8%	9.0%	6.2P	• Enhancing brand power / Focusing on profitability
Organic Overseas	 KAZ	189	320	11.1	14.7%	15.3%	0.6P	• Capa-up for sustainable growth / Expanding sales in CIS
	 PAK	104	180	11.7	1.1%	10.0%	8.9P	• Vitalizing Choco-Pie & Spout (gum)
	 BEL	111	160	7.5	5.5%	11.5%	6.0P	• New line investment for premium market - Gift-type (Sep.17) / Premium Bar (Jun.19)
	 IND (Conf.)	68	140	15.6	5.7%	6.0%	0.3P	• Establishing strong brand equity for Choco-pie
	 IND (Ice)	91	170	13.4	10.6%	12.5%	1.9P	• Extending coverage in wider parts of India
	 RUS	39	90	18.2	5.4%	12.8%	7.4P	• Investing for expanding coverage in Russia - Choco-pie 2 nd line (Jan.19)
	ASIA	99	195	14.6	0.4%	6.4%	6.0P	• China : Down-sizing
	Total	701	1,255	12.4	7.3%	11.1%	3.8P	
New Business	-	845	-	-	10.8%	-	-	• Including Myanmar Mayson • Prioritizing areas to penetrate
Overseas Total	701	2,100	24.5	7.3%	11.0%	3.7P		

* Referred to Lotte Corp. / '18 Sales & operating profit are based on annual exchange rates

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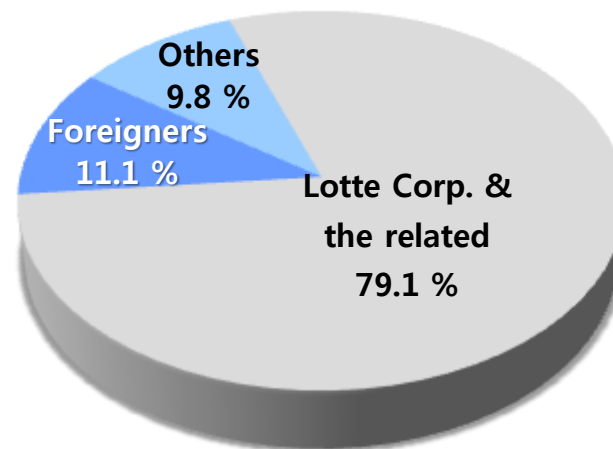
Appendix – Shareholder Information



Principal Shareholder Status

Shareholders	Ownership(%)
Lotte Corporation	48.4%
Lotte Aluminum	10.0%
Lotte Holdings	6.5%
Lotte Scholarship Foundation	5.7%
Shin, Kyuk Ho	4.5%

* As of 31th, December, 2018



※ Foreigners : Excluding Lotte Holdings



Dividend / Payout Ratio

	Pre-split (Ex.Lotte Confectionery)				After Split	
	2013	2014	2015	2016	4Q.2017	2018
Share Price (₩)	1,912,000	1,780,000	2,279,000	178,500	146,000	151,000
Cash Dividend (₩million)	5,630	7,318	16,019	16,062	1,179	8,336
Dividend Rate (DPS/face value)	80.0%	104.0%	225.4%	226.0%	56%	260.0%
Dividend Per Share	4,000	5,200	11,270	1,130	280	1,300
Dividend Yield (DPS/Share Price)	0.2%	0.3%	0.5%	0.6%	0.2%	0.9%
Payout Ratio (Dividend/Net Profit)	10.2%	439.0%	20.2%	21.4%	60.5%	99.0%

* 2013-2016 Ex.Lotte Confectionery / Consolidated base