

Investor Relations

LOTTE Confectionery

1Q 2019



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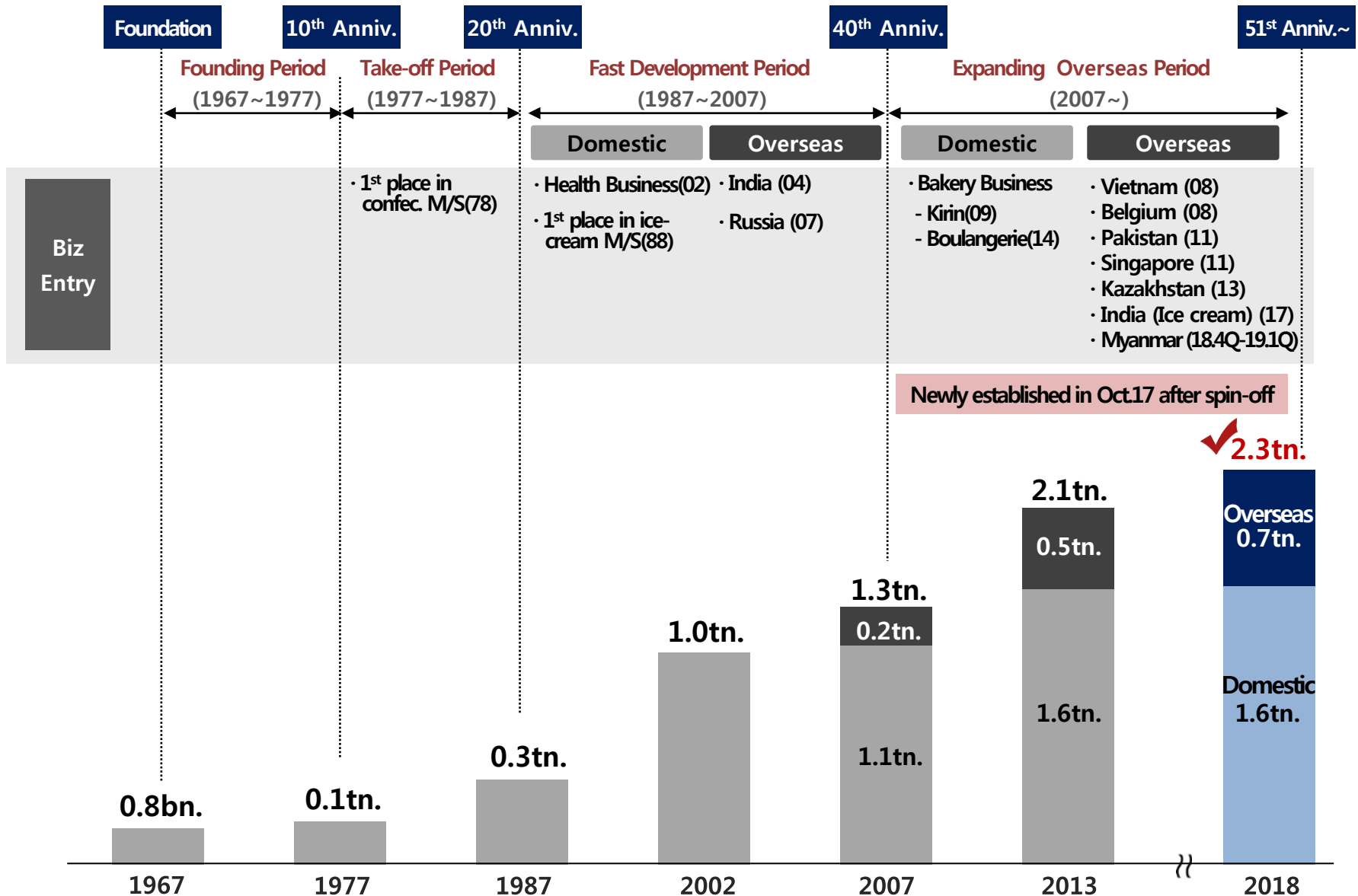
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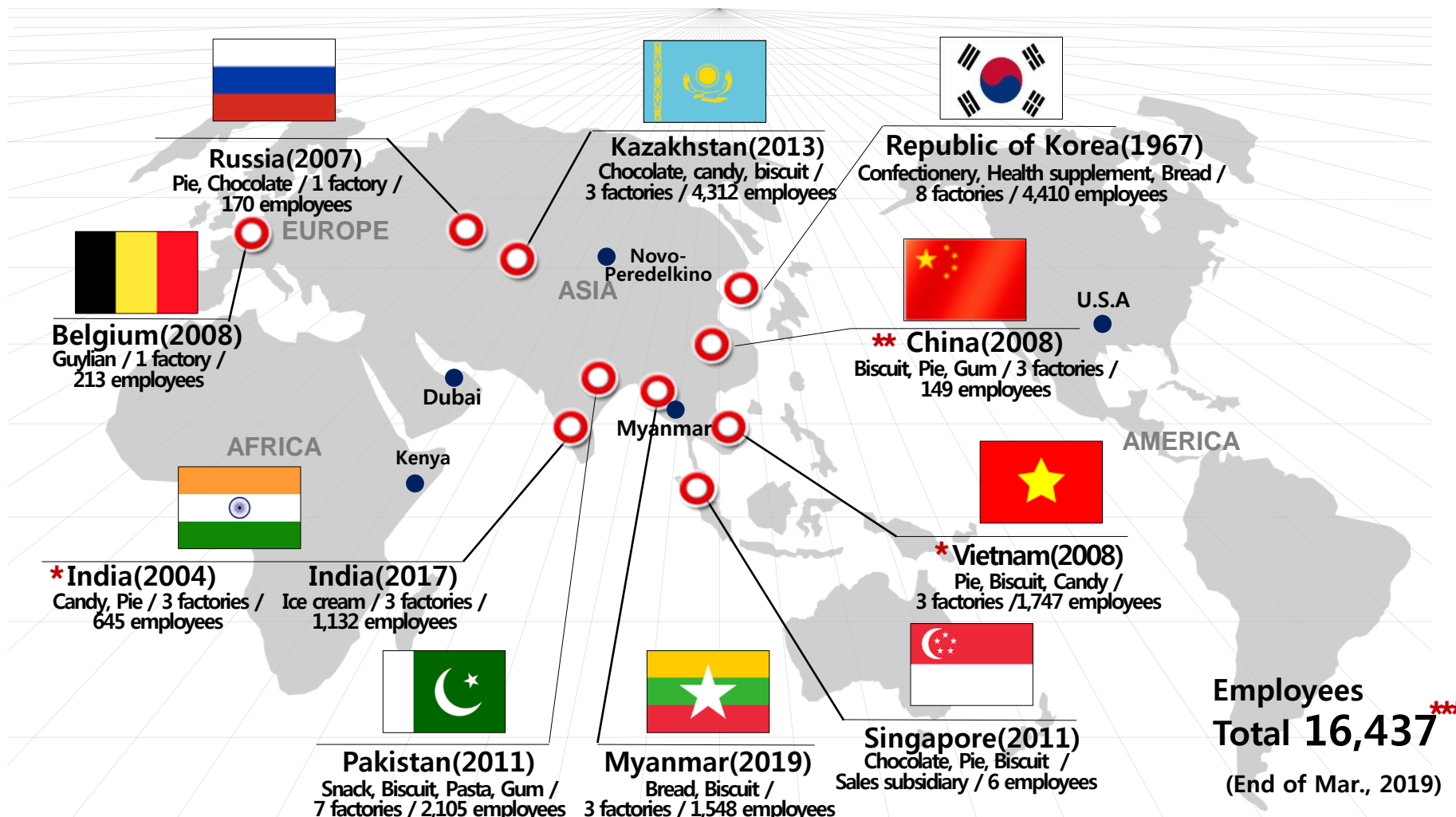
History



* 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 27 plants overseas



Employees
Total 16,437
 (End of Mar., 2019)

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

Sales & Profit (Consolidated/Parent)

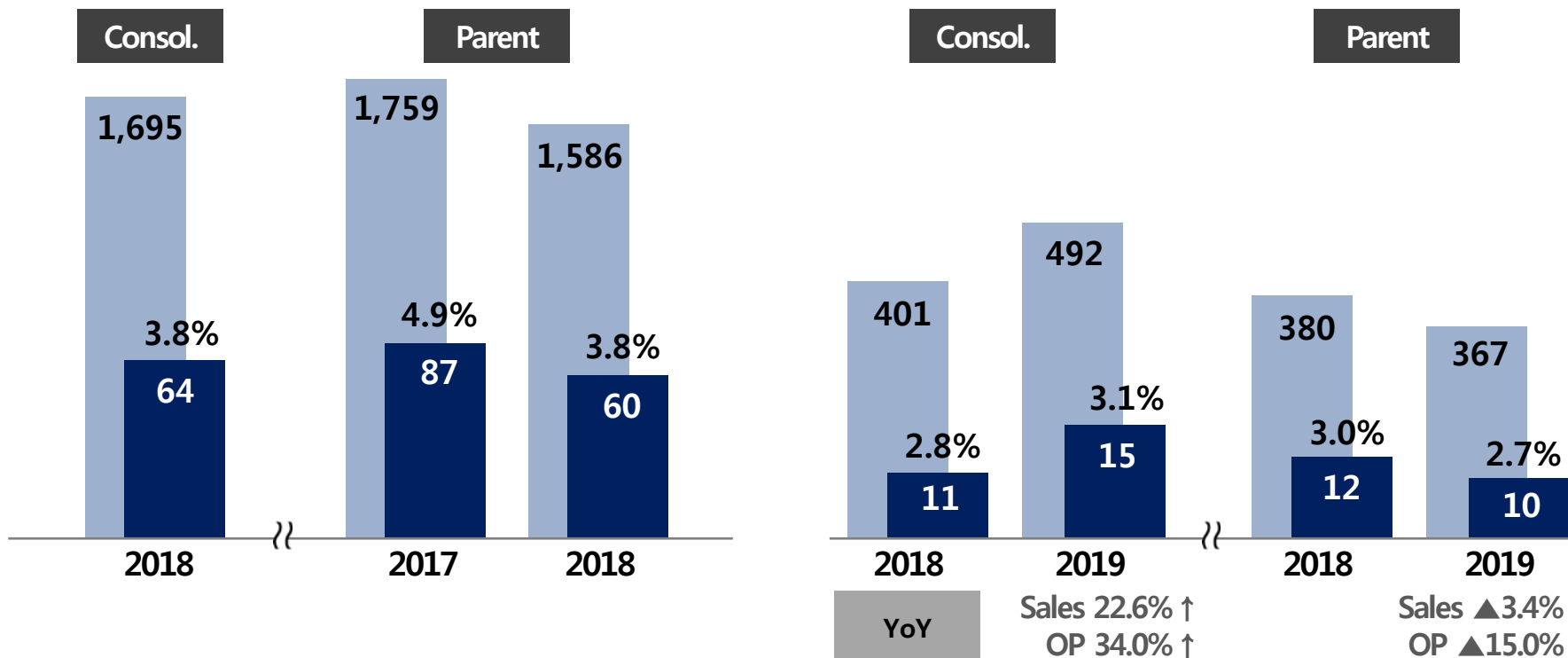
- ✓ 1Q.19 Consolidated Sales KRW 492B (YoY 22.6%) / OPM 3.1% (YoY +0.3P)
- ✓ 1Q.19 Parent Sales KRW 367B (YoY ▲3.4%) / OPM 2.7% (YoY ▲0.3P)

Fiscal Year

1Q

■ Sales (KRW, Billion, %)
 ■ Operating Profit

(KRW, Billion, %)



* 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, %)

Item		Fiscal Year				1Q			
		'17		'18		'18		'19	
		AMT	%	AMT	%	AMT	%	AMT	%
Sales	Confectionery	1,155	65.7	1,039	65.5	275	72.4	268	73.1
	Ice Cream	350	19.9	327	20.6	51	13.3	54	14.7
	Bakery	173	9.8	150	9.4	39	10.2	31	8.3
	Health/Others	81	4.6	71	4.5	15	4.0	14	3.9
	Total	1,759	100.0	1,586	100.0	380	100.0	367	100.0
Operating Margin		87	4.9	60	3.8	12	3.0	10	2.7

* 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"> • Developing health food brands • Diversifying sales channels 	

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

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Overseas Sales Trend (Disclosure)

✓ Completed In-kind transfer of KAZ, BEL, PAK from Lotte Corp. (End of 2018)

(KRW, Billion, %)

Country	Fiscal Year			1Q			1Q Remarks
	'17	'18	YoY	'18	'19	YoY	
 KAZ	195	189	▲2.8%	46	43	▲5.3%	• Sluggish growth due to FX effects (5.5% YoY growth in local currency)
 BEL	116	111	▲3.5%	25	22	▲11.7%	• Sales decline in V-day season in Europe
 PAK	112	104	▲7.5%	25	22	▲10.1%	• Sluggish growth due to FX effects (7.5% YoY growth in local currency)
 IND (Conf.)	67	68	1.2%	17	16	▲4.5%	• Sales decline in exports (▲0.5% YoY decline in local currency)
 IND (ICE)	-	91	-	21	20	▲0.4%	• Sluggish growth due to FX effects (3.4% YoY growth in local currency)
 CHN	31	18	▲41.6%	4	4	7.8%	• Disposal of 2 plants are in progress (Only Lotte Qingdao is consolidated since 4Q.17)
 SGP	12	12	12.9%	3	3	▲14.6%	• Sales decline in exports to Phillipines
 RUS	38	39	3.9%	9	11	18.5%	• Sales growth of Choco-pie / candy (30.9% YoY growth in local currency)
 MYA	-	-	-	(6)	7	5.5%	• Introducing new products (buns, rolls, etc.) (10.7% YoY growth in local currency)
 VNM	64	68	6.1%	14	14	3.0%	• Sales growth of cake-type products
Overseas Total	634	701	10.5%	164	164	▲0.2%	
Consol. Total	21	152	-	26	133	-	• Sum of Full-year sales of consolidated subsidiaries

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

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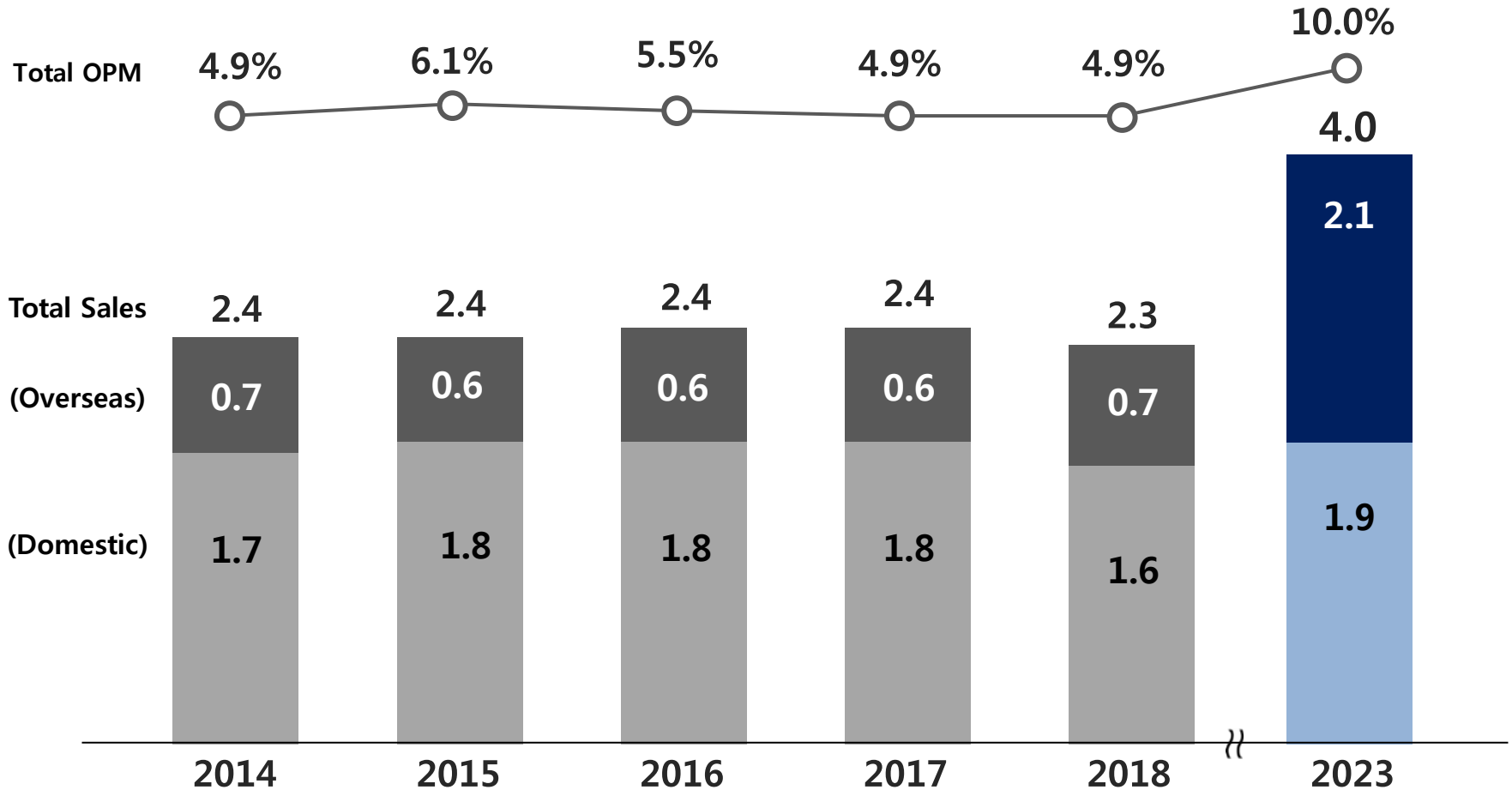
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Mid-term Business Target

✓ 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%	5.2P	• Enhancing brand power / Focusing on profitability
Overseas	 KAZ	189	320	11.1	14.7%	15.3%	0.6P	• Capa-up for sustainable growth / Diversifying business portfolio
	 PAK	104	180	11.7	1.1%	10.0%	8.9P	• Choco-pie brand build up / Improving utilization rate
	 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	245	19.9	0.4%	6.9%	6.5P	• Myanmar : Introducing new line / China : Down-sizing
	Total	701	1,305	13.2	7.3%	11.1%	3.8P	
	New Business	-	795	-	-	10.9%	-	
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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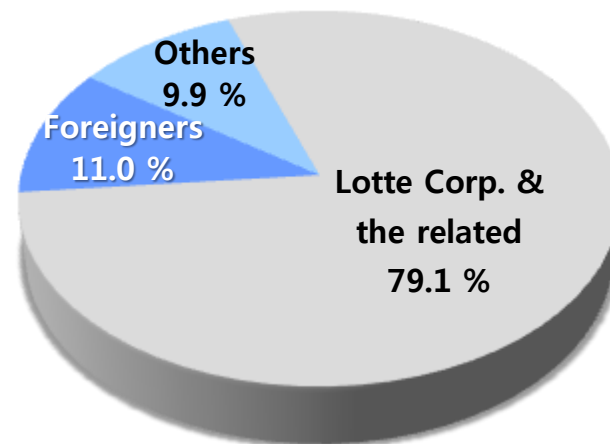
Appendix – Shareholder Information



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%

* End of March, 2019



* Foreigners : Excluding Lotte Holdings



Dividend / Payout Ratio

	Pre-split (Ex.Lotte Confectionery)			After Split		
	2014	2015	2016	4Q.2017	2018	1Q.2019
Share Price (₩)	1,780,000	2,279,000	178,500	146,000	151,000	185,000
Cash Dividend (₩million)	7,318	16,019	16,062	1,179	8,336	-
Dividend Rate (DPS/face value)	104.0%	225.4%	226.0%	56%	260.0%	-
Dividend Per Share	5,200	11,270	1,130	280	1,300	-
Dividend Yield (DPS/Share Price)	0.3%	0.5%	0.6%	0.2%	0.9%	-
Payout Ratio (Dividend/Net Profit)	439.0%	20.2%	21.4%	60.5%	99.0%	-

* 2013-2016 Ex.Lotte Confectionery / Consolidated base