

Investor Relations

LOTTE Confectionery

FY 2019



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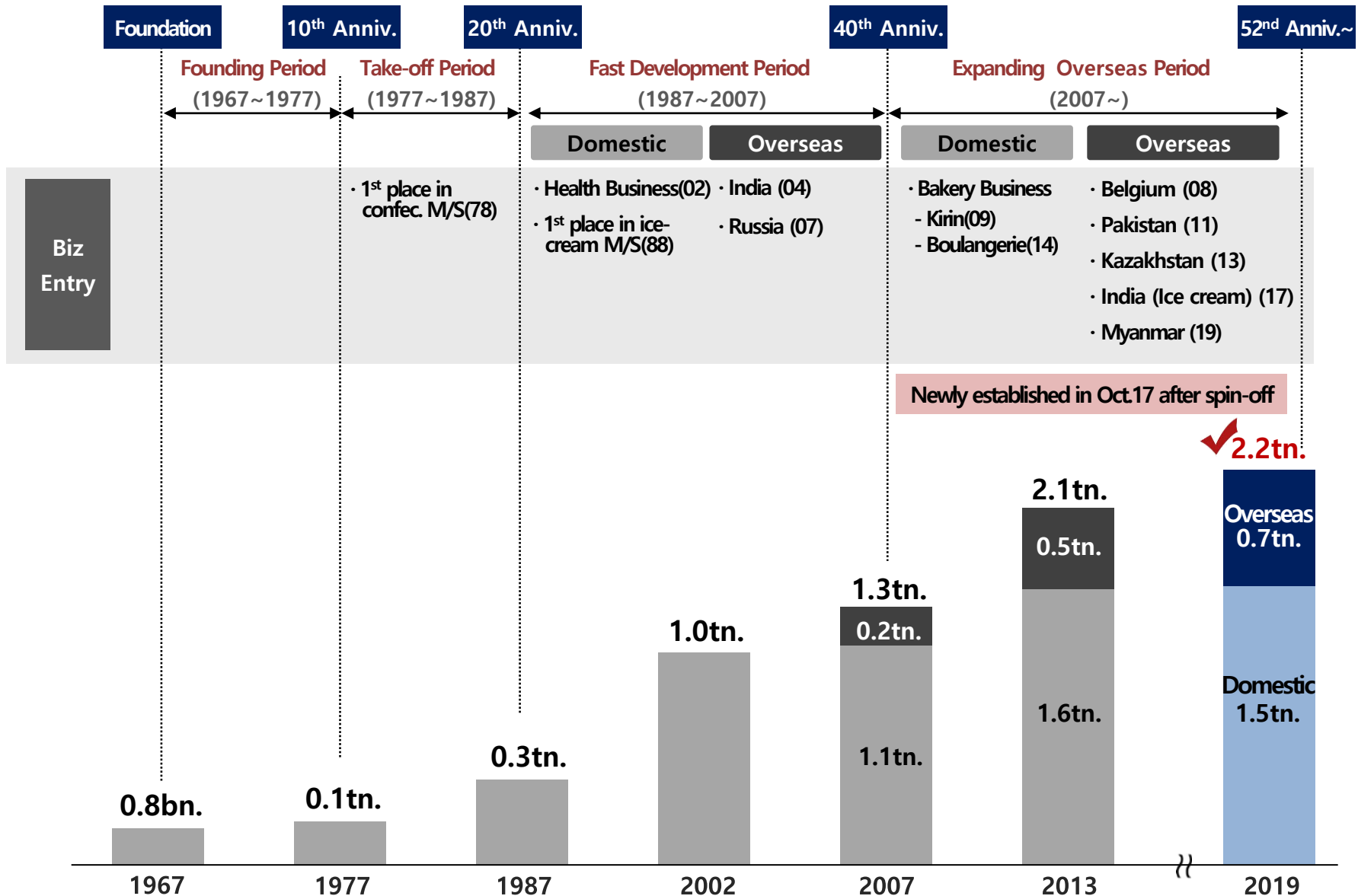
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History

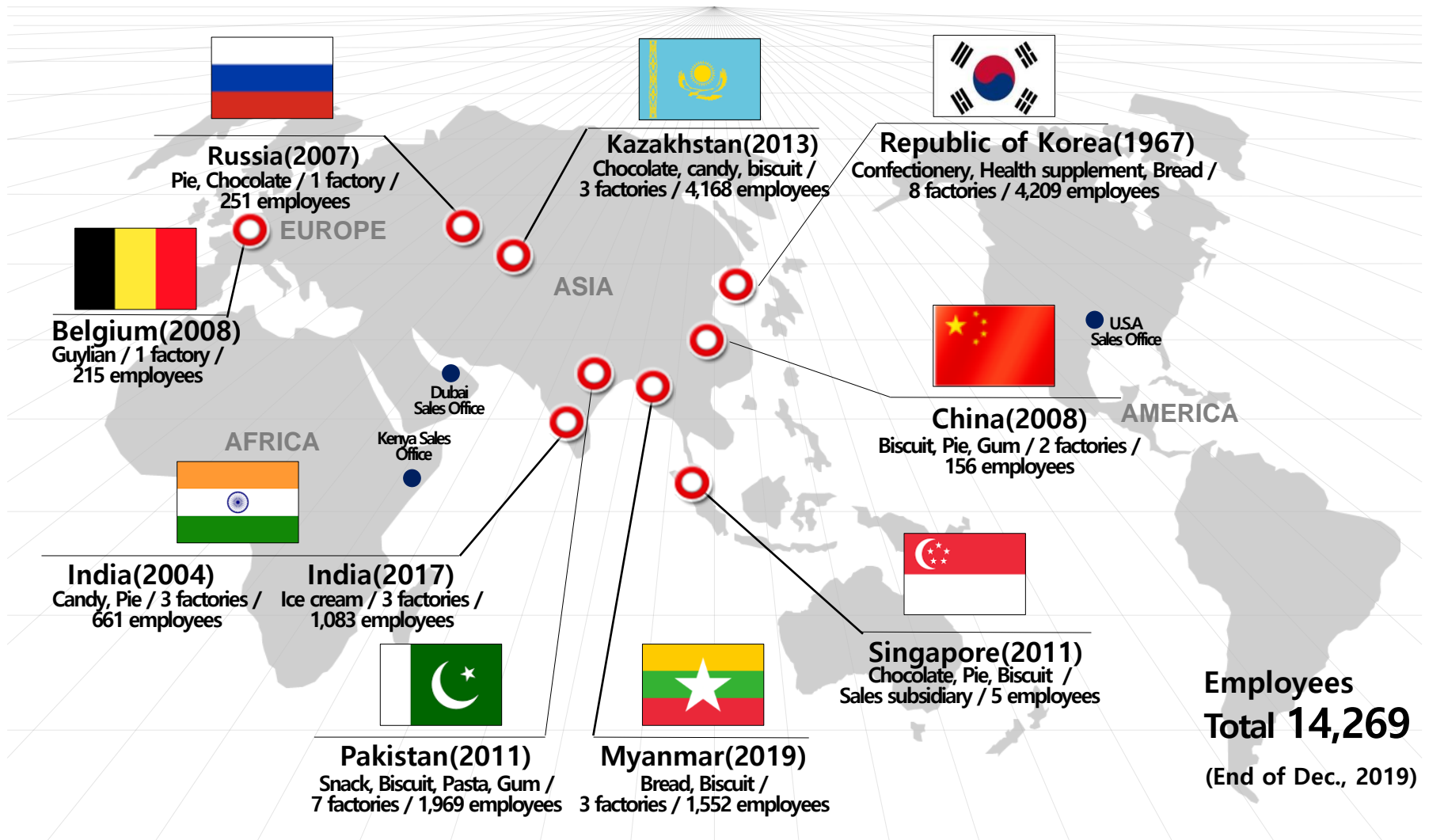


* 2019 : Domestic - Parent sales / Overseas – The sum of overseas subsidiaries' sales that apply the average exchange rates of 2019

Business Expansion (Overview)

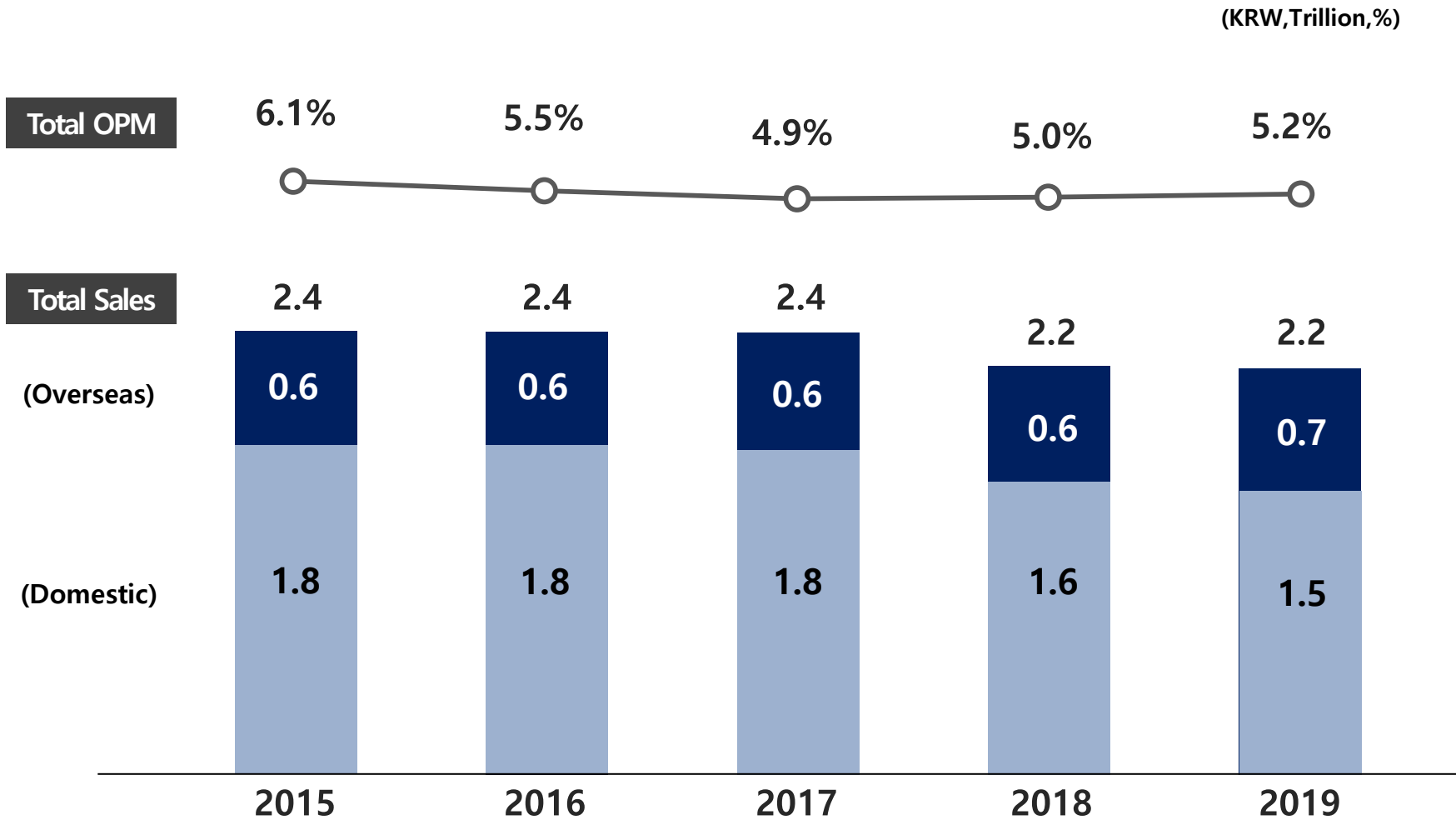
Running 4 divisions (Conf./Ice cream/Bakery/Health), with 7 plants in Korea

Expanding business into 8 foreign countries with 23 plants overseas



Sales & Profit (Last 5 Years)

✓ FY19 Total Sales KRW 2.2 trillion / OPM 5.2%



* Domestic : Parent results under K-IFRS

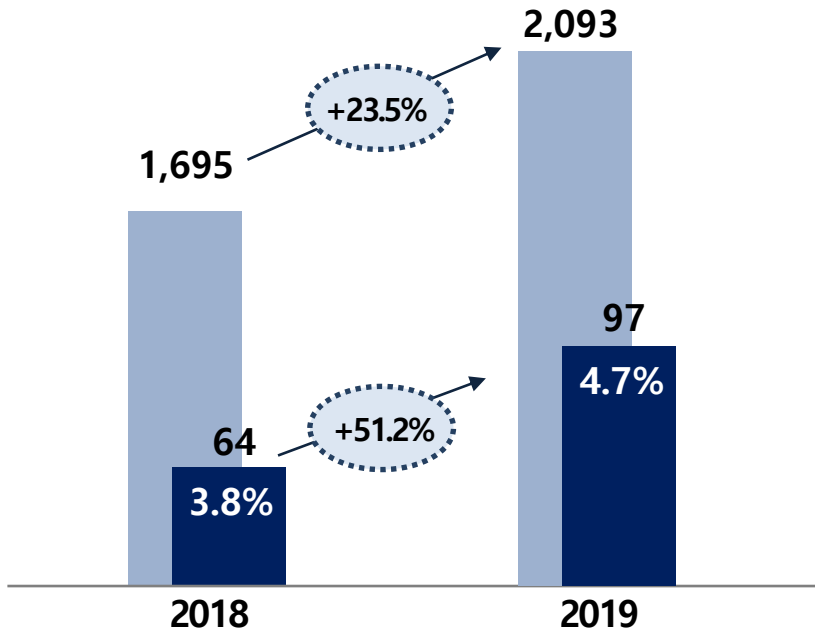
Overseas : The sum of all subsidiaries' sales (based on annual average exchange rates / Vietnam is excluded since 2018)

Sales & Profit

- ✓ FY19 Consol. Sales KRW 2,093B (YoY 23.5%) / OPM 4.7% (YoY +0.9P)
- ✓ FY19 Parent Sales KRW 1,530B (YoY ▲3.5%) / OPM 4.2% (YoY +0.4P)

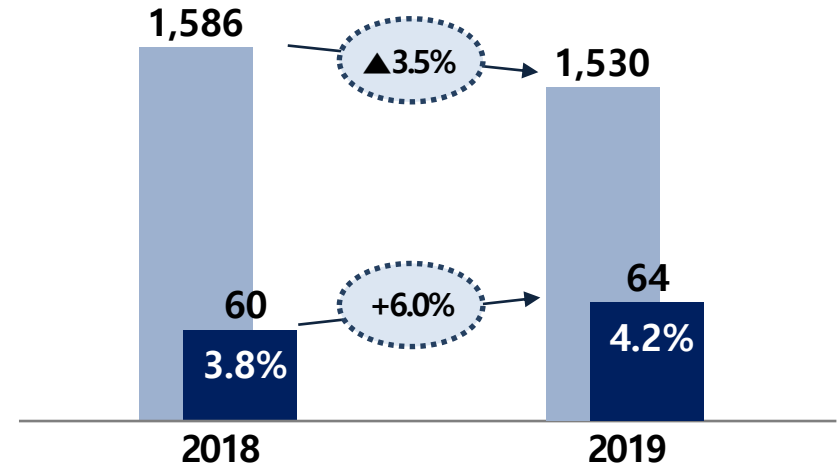
Consolidated

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



Parent

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



* Results under K-IFRS

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Domestic Business Portfolio

✓ Running 4 divisions in domestic business

(KRW,Billion,%)

Business		Fiscal Year				Remarks
		'18		'19		
		Sales	%	Sales	%	
Sales	Confectionery	1,038	65.5	1,026	67.1	• Including export sales
	Ice Cream	327	20.6	323	21.1	
	Bakery	150	9.4	114	7.4	
	Health/ Others	71	4.5	67	4.4	
	Total	1,586	100.0	1,530	100.0	
Total Operating Profit		60	3.8	64	4.2	

* Parent results under K-IFRS

Domestic Business Strategy

- ✓ Upgrading brand power & profitability (confectionery, ice cream)
- ✓ Building strong brand portfolio & leading new trends (bakery, health food)

	Market&Sales(19)	Main Strategy	Products
Confectionery	<p>Market Size: 2.9tn.</p> <p>Lotte Conf.: 1.2tn. (40%)</p>	<ul style="list-style-type: none"> Enhancing brand power / Diversifying product types Improving operation efficiencies 	
Ice Cream	<p>Market Size: 1.2tn.</p> <p>Lotte Conf.: 0.4tn. (35%)</p>	<ul style="list-style-type: none"> Minimizing business seasonality / Vitalizing premium brand Natuur Improving operation efficiencies / Stabilizing market price 	
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 Responding to growing market (Frozen products, HMR) 	
Health	<p>Market Size: 4.6tn.</p> <p>Lotte Conf.: 0.01tn.</p>	<ul style="list-style-type: none"> Developing mega brands by category Diversifying sales channels (Online, Home shopping, H&B store) 	

* Market size & Sales : Confectionery, Ice cream - Nielson POS data of top 4 domestic companies
 Bakery – Nielson POS data of mass produced goods / Health – Research of Korea Health Supplements Association

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Overseas Sales Trend (Disclosure)

✓ Completed transfer of overseas subsidiaries from Lotte Corp.

(KRW,Billion,%)

Country	Fiscal Year			Remarks
	'18	'19	YoY	
 KAZ	189	193	1.8%	• Slow sales growth due to FX effects (7.2% YoY growth in local currency ; chocolate, jelly)
 BEL	111	105	▲5.5%	• Sales decline by Europe chocolate market shrink
 PAK	104	92	▲11.4%	• Slow sales growth due to economic crisis (3.4% YoY growth in local currency)
 IND (Confectionery)	68	70	2.8%	• Sales growth of Choco-pie / Slow sales growth due to India candy market shrink
 IND (Ice Cream)	91	102	12.5%	• Sales growth by strengthening sales infrastructure & launching new products
 CHN (Qingdao)	10	16	47.9%	• Only Lotte Qingdao has been consolidated since 4Q.17
 SGP	12	11	▲13.2%	• Minimized previous distributor's volume of business due to recent change of distributor
 RUS	39	51	31.8%	• Sales growth of Choco-pie (added 2 nd production line)
 MYA	-	30	- (M&A in 2019)	• Sales growth of sandwich, cake products / new products (11.9% YoY growth in local currency)
Overseas Total	625	670	7.2%	
Consol. Total	153	600	-	• Sum of sales of consolidated subsidiaries

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

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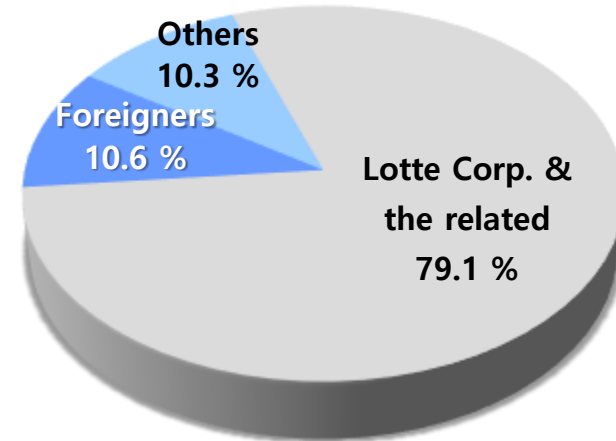
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Principal Shareholder Status

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 December, 2019



* Foreigners : Excluding Lotte Holdings



Dividend / Payout Ratio

	Pre-split (Ex.Lotte Confectionery)		After Split		
	2015	2016	4Q.2017	2018	2019
Share Price (₩)	2,279,000	178,500	146,000	151,000	149,500
Cash Dividend (₩million)	16,019	16,062	1,179	8,336	8,336
Dividend Rate (DPS/face value)	225.4%	226.0%	56%	260.0%	260.0%
Dividend Per Share	11,270	1,130	280	1,300	1,300
Dividend Yield (DPS/Share Price)	0.5%	0.6%	0.2%	0.9%	0.9%
Payout Ratio (Dividend/Net Profit)	20.2%	21.4%	60.5%	99.0%	20.0%

* Consolidated base