

# Singapore NDR

Nov, 2022 | Investor Relations



## Disclaimer

The aim of this document is to provide practical assistance to shareholders and potential investors by reporting the recent performance and business status of LOTTE Confectionery and its major subsidiaries.

LOTTE Confectionery uses the Korean version of International Financial Reporting Standards (K-IFRS).

This document includes the prospects and judgements of LOTTE Confectionery, based on recent business circumstances.

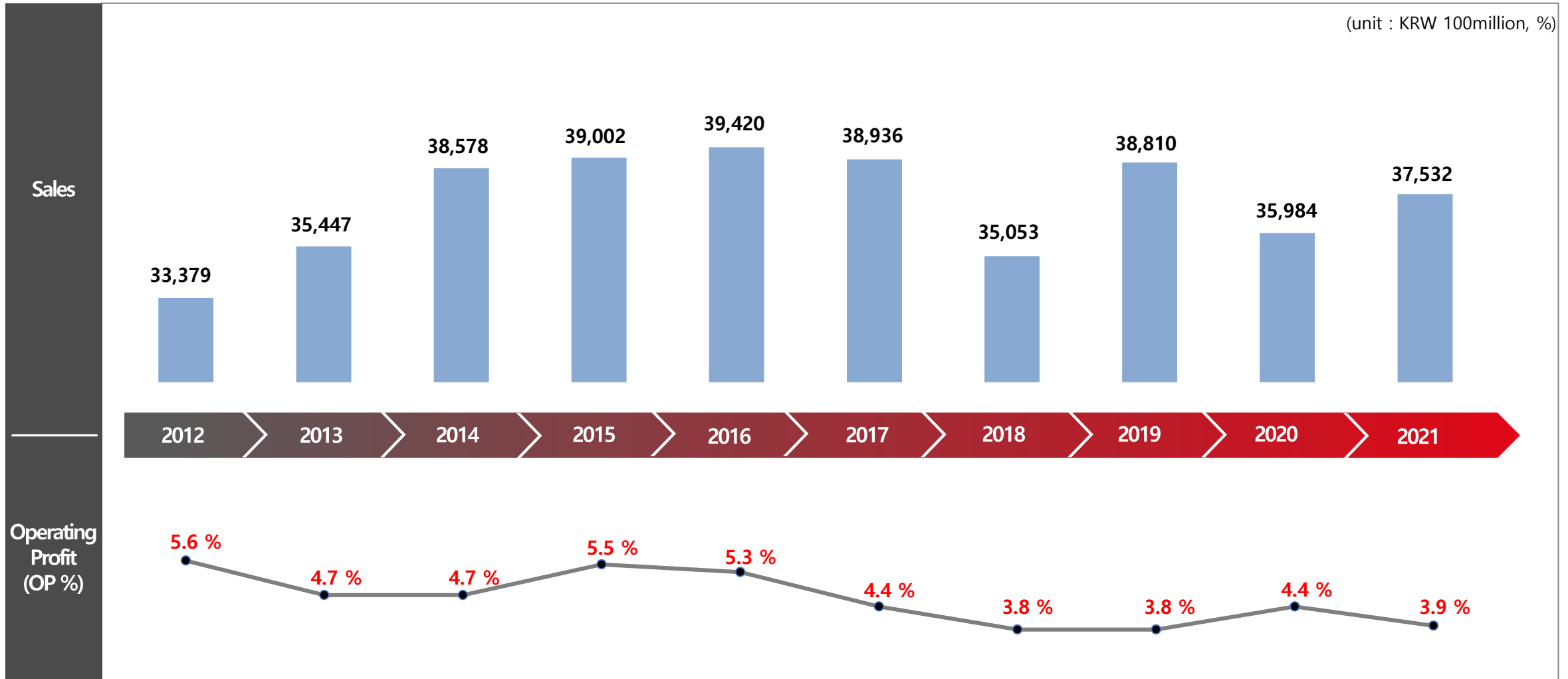
In practice, adjustments can be made due to the likes of changes in the business environment or modifications to our strategy.

Nothing in this document shall be considered evidence of legal responsibility towards investors nor as a solicitation to invest.

We kindly remind you that LOTTE Confectionery accepts no responsibility for the actions of any third party acting on the information provided in this document.

Nov, 2022  
Lotte Conf. IR

# Past 10 years



Note 1. Results : Internal management standards before merger, different from published number.

# Merger Overview

- Merger with Lotte Confectionery on July 1 to improve profitability by integrating overlapping businesses and enhancing organizational efficiency

	<b>KRW 2,145.4 billion</b> (721.9 billion)	<b>Sales (Market Cap)</b>		<b>KRW 1,607.8 billion</b> (376 billion)
<b>7 Locations</b> (Yeongdeungpo, Daejeon, etc.)	<b>Factories</b>	<b>10 Locations</b> (Cheonan, Gimcheon, etc.)		
<b>4,349</b>	<b>Employees</b>	<b>1,940</b>		
<b>9</b> (India, Kazakhstan, Russia, Belgium, etc.)	<b>Subsidiaries</b>	<b>N/A</b>		
<b>Confectionery, Ice Cream, Bakery</b>	<b>Business Areas</b>	<b>Ice Cream, Oil &amp; Fats, Foods, Processed Meats, Dairy, HMR, etc.</b>		
		<b>Main Products</b>		

	Lotte Confectionery	Lotte Foods					
Merger value	114,795 KRW	322,020 KRW	<b>Mar 23</b>	<b>May 27</b>	<b>Jun 29</b>	<b>Jul 1</b>	<b>Jul 20</b>
Merger ratio	1	2.8051744	<b>Board of directors</b>	<b>Shareholders' meeting</b>	<b>Payment of Shareholders' Demand</b>	<b>D-Day of Merger</b>	<b>Adding new stocks in market</b>
			Merger Agreement Approved	Merger Agreement Approved			

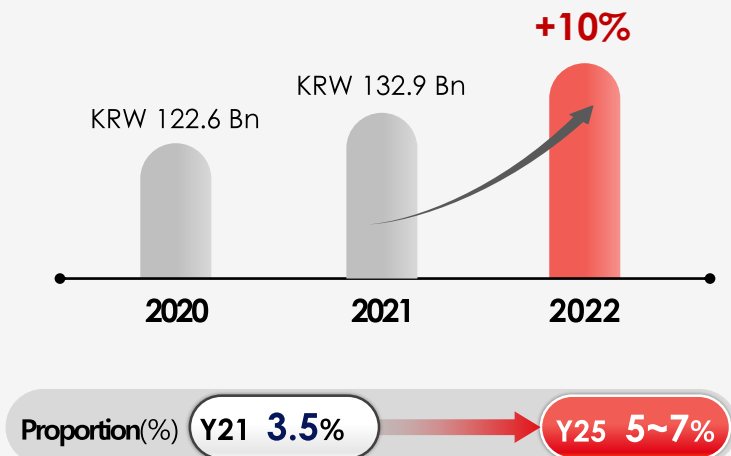
# Merger Synergy\_Securing Growth Opportunities

## Boosting exports

Description ▶

- ⊙ **Integration of ice cream exports**  
Integrated response to global market trends  
Maximize scale through product and customer integration
- ⊙ **Expansion of new export markets and categories**  
Create new sales in untapped countries by both companies' trading lines
- ⊙ **Global expansion of Lotte foods's products by utilizing overseas subsidiaries of Lotte confectionery**

Sales ▶



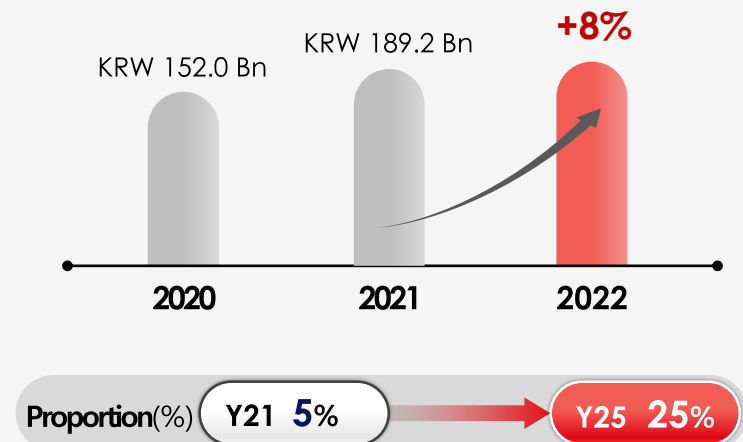
## Strengthening online channel

▶

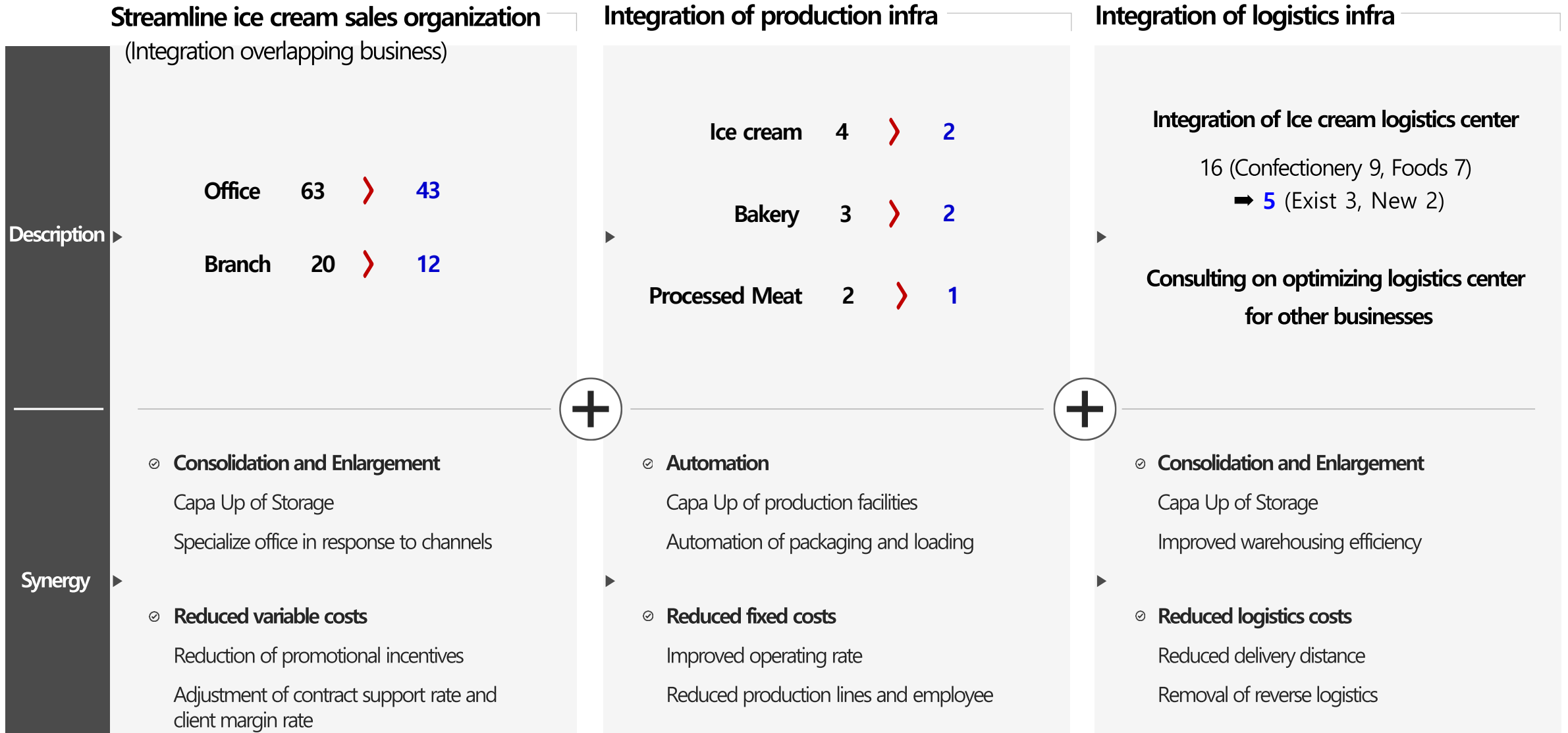
- ⊙ **Increase online sales**  
Expanding items by utilizing the Lotte confectionery's sub-center  
Systematic sales management through integration and expansion of e-commerce organizations
- ⊙ **Improve efficiency of logistics through integration**  
Combined delivery of duplicate clients such as Coupang and eBay  
Lower outstanding rates through the introduction of online-only centers



▶



# Merger Synergy Consolidation of Infrastructure



# Business Strategy\_Domestic Business

## Enhancing Business Efficiency

### Streamlining Products

#### Avoid reckless product launches/Optimize the operation of SKUs

- Confectionery SKUs : 582 (Dec 2021) → 457 (Sep 2022)
- Ice Cream SKUs : 700 (Before merger) → 400 (After merger) → 303 (Dec 2022)

### Enhancing Price Competitiveness

#### Reduce promotional sales (1+1 promo, support rate management, etc.)

- Discount rate (Jan-Sep): Confectionery ▲3.7P, Ice cream ▲10.8P
- Sales unit price (Jan-Sep): Confectionery +11.9%, Food +19.3%

#### Eliminate PUSH sales / Stop trading with low-profit vendors

- Return (Jan-Sep): ▲2.2 billion won

### Increasing Exports & E-commerce

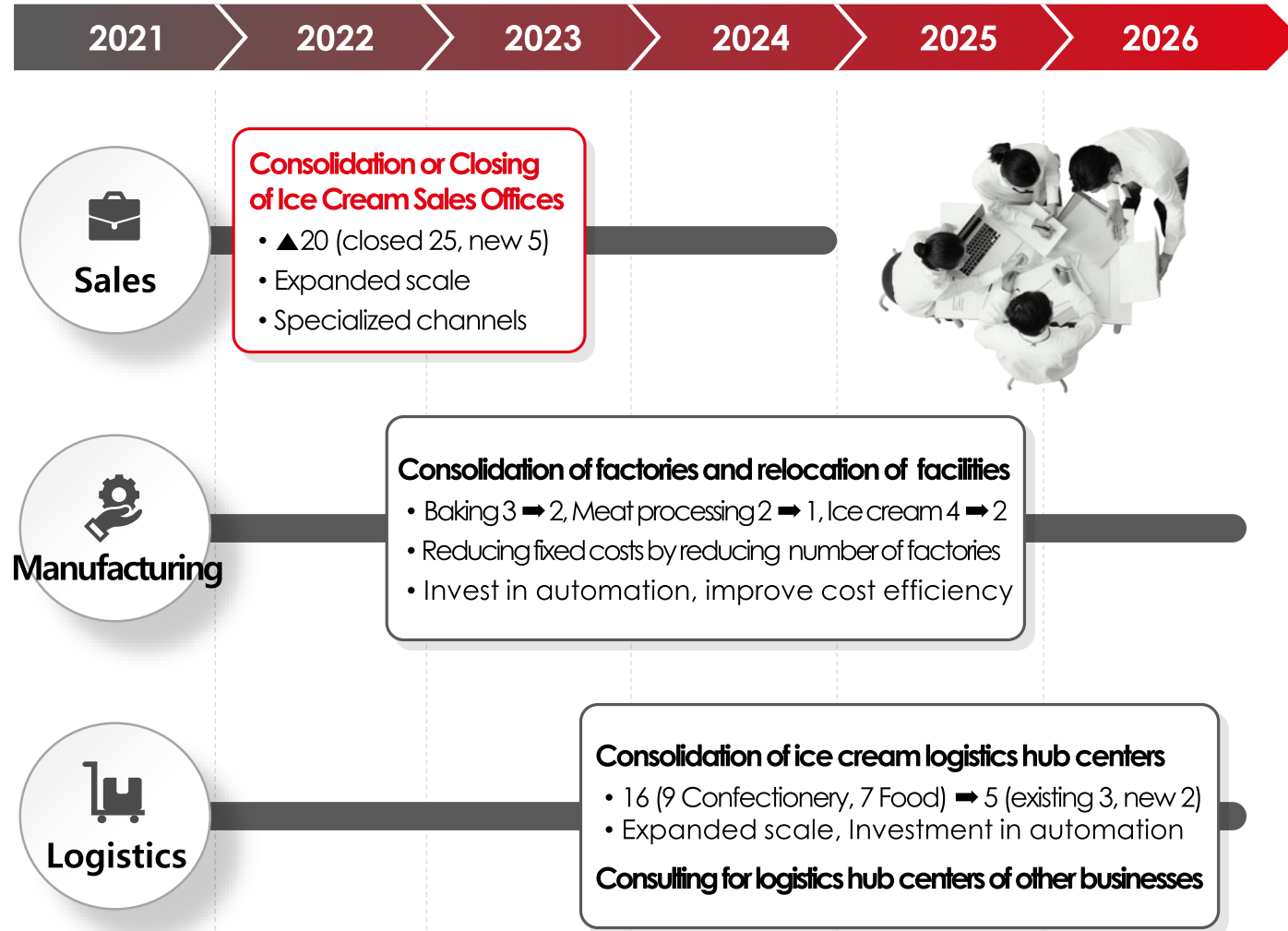
#### Expansion of export items and regions (Sales of 44.3 Bn in 3Q22, +30% YoY)

- Completed trading partners for Confectionery/Food and exchanging items
- Mongolia, Kazakhstan : Started selling food ingredients, canned ham, etc. (Oct 2022)
- Pakistan: Trading partners for milk powder selected and product registration completed (to be sold in 2023)

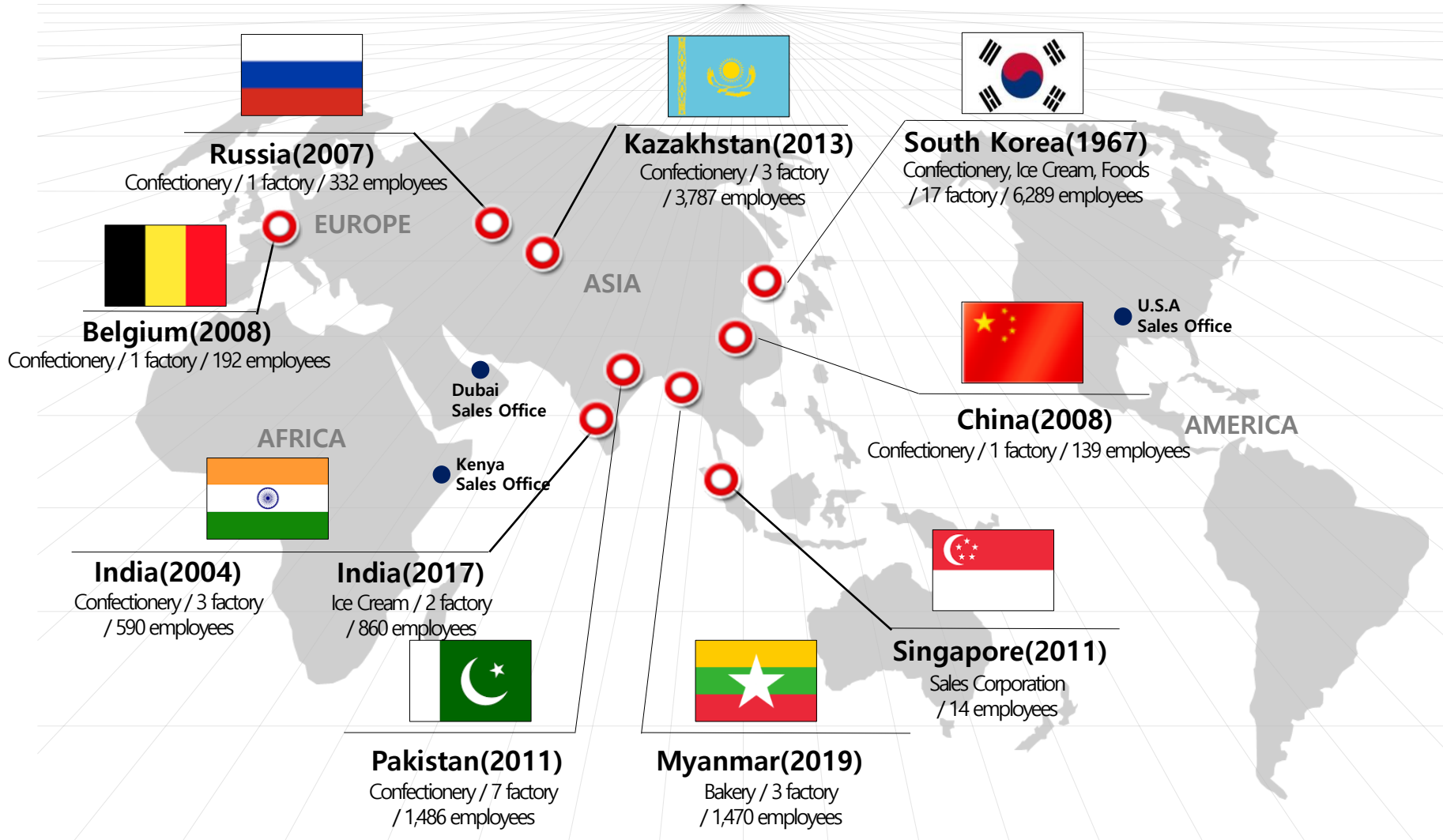
#### Strengthening ability of E-commerce channel

- Introduction of a fulfillment center to expand the D2C channel
- Strengthen consumer interest through diversification of themes

## Improving Value Chain Efficiency



# Overseas Subsidiaries



	Number of factories
Confectionery	7 factories
Foods	10 factories
Overseas	21 factories
<b>Total</b>	<b>38 factories</b>

The number of employees (Dec 2021)  
**Total 15,159**

# Business Strategy\_Overseas Businesses

- For sustainable growth, **establish and foster the LOTTE brand and streamline local brands.**
- In the mid/long-term, **streamline the business based on ①growth potential, ②profitability, and ③scalability.**

## Short Term Strategies

### Focusing on the LOTTE brand

- ⊙ **Focus on developing mega brands**
  - Choco Pie : India, Russia, Pakistan, China
  - Pepero : India, Russia, Kazakhstan
- ⊙ **Strengthen LOTTE brand awareness**
  - Aggressive spending on advertising (active communication)
- ⊙ **Diversify the LOTTE brand's business categories**
  - Confectionery + Food (HMR, frozen food, oil & fat, etc.)

### Streamlining Local Brands

- ⊙ **Improving the profit structure through streamlining of local brands**
  - Reduce low-growth categories for each country.
  - 437 brands and 1,846 SKUs in operation internationally (as of the end of 2021)
- ⊙ **Revamping through streamlining business**
  - SKU ➔ Production Line ➔ Each Country



## Long Term Strategies

### Revamp Business through Selection & Concentration



#### Strengthen the market share of the LOTTE brand

- Streamline the management of the LOTTE brand in key regions.
- Significantly increase the awareness and market share of LOTTE brand.



#### Increase investment in modernizing the production of the LOTTE brand products.

- Establish a global virtuous cycle of investment resources.



#### Secure future growth engines.

- M&A with global big brands (based on stability and scalability)

# Business Strategy\_Future business strategy

## Health & Wellness

Purpose	Development of integrated strategies to strengthen the competitiveness of healthy foods	
Organization		<ul style="list-style-type: none"> <li>Plan to make Health&amp;Wellness TF Team</li> <li>confectionery/chilsung marketing + R&amp;D center</li> </ul>

Target	Developing products for alternatives to meals, snacks, and drinking concerning Life-cycle	
Category	<ul style="list-style-type: none"> <li>Meal : Dining, HMR, Care-food</li> <li>Non-meal : Health functional food</li> <li>Alternative : Plant-based, alternative animal meat, etc.</li> </ul>	

### Discovering Alternative Foods (Insect Proteins)



Established on  
**January 1, 2016**

Located in  
**London, Ontario, Canada**

Main Business	Automated breeding of crickets → Supply to pet food companies
Sales Volume	Annual sales expected to reach \$22 million in 2022
Investment Method	Invested KRW 9 billion, acquired 3.1% stake
Market Outlook	Insect Protein Market <sup>1</sup> : KRW 358 billion in 2020 / CAGR of 27% (2021-2028)
Business Synergy	<ul style="list-style-type: none"> <li>Obtaining opportunities to supply edible insect protein products to Asian market</li> <li>Expanding categories containing insect protein (food, feed, etc.)</li> </ul>

Note1. U.S. market research organization, Grand View Research

### Strengthening HMR Manufacturing Capacities (Meal Kits)



Established on  
**June 8, 2018**

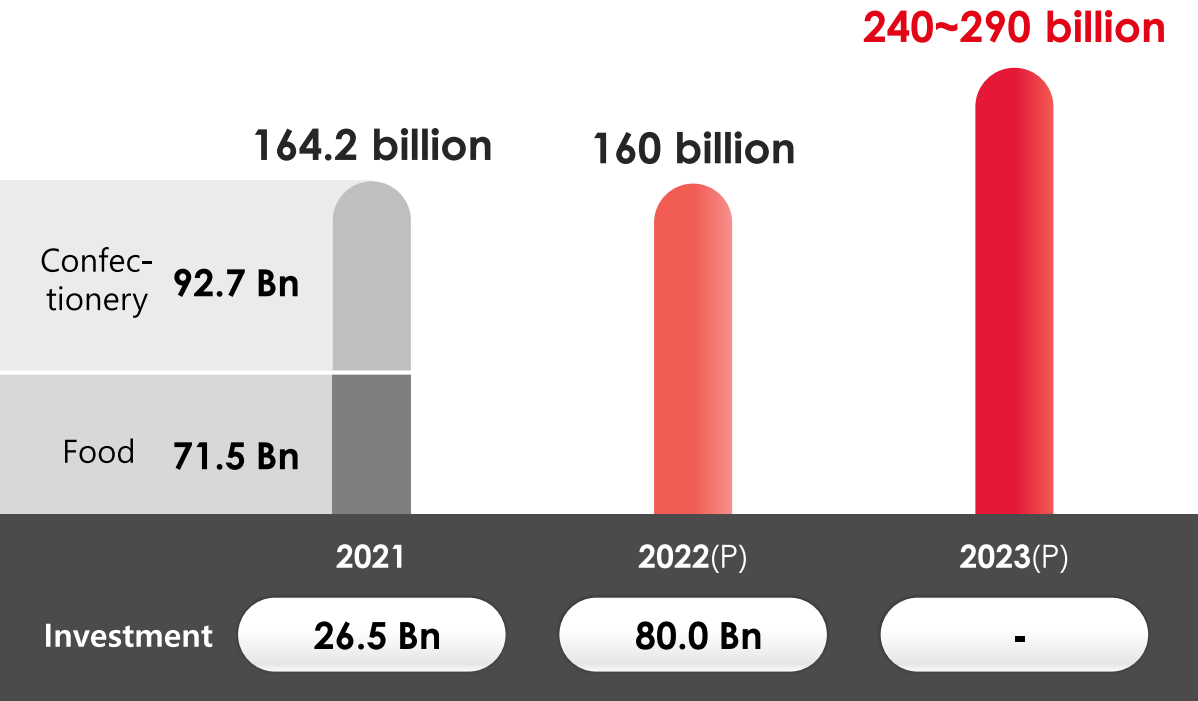
Located in  
**Gijang-gun, Busan**

Main Business	Development and manufacturing of refrigerated meal kit products
Sales Volume	Annual sales expected to reach KRW 40 billion in 2022 (3rd in the industry)
Investment Method	Invested KRW 6.5 billion, acquired 18.7% stake
Market Outlook	Domestic HMR <sup>2</sup> (Meal Kits) : KRW 238.5 billion in 2021 → KRW 725 billion in 2025 (CAGR 32%)
Business Synergy	<ul style="list-style-type: none"> <li>Strengthening cost competitiveness and capacity (30,000 meals/day)</li> <li>Improving product development competency and on-site capabilities</li> </ul>

Note2. Euromonitor

# CapEx / Financial Highlights

## CapEx plan (Domestic)



**1 Stabilization of subsidiaries → Gradual reduction of investment**  
 - Investment in 2021: 22.5 billion won in Russian subsidiary

**2 Plans to make stable investment by considering cash flow**  
 - Establishing strategies for each scenario in response to the increase in market volatility

## Financial Highlights

### Credit Rating

Long Term

**AA**  
Stable

Short Term

**A<sup>1</sup>**

Annual Basis

	End of 2021	End of Sep 2022
Assets	3,938.2 Bn	<b>4,200.5 Bn</b>
Stockholders' Equity	2,113.0 Bn	<b>2,226.4 Bn</b>
Liabilities	1,825.2 Bn	<b>1,974.1 Bn</b>
Total Debt	1,066.5 Bn	<b>1,204.3 Bn</b>
Net Debt	659.6 Bn	<b>826.8 Bn</b>
(D/E Ratio)	86.4%	<b>88.7%</b>
(Total Debt Ratio)	27.1%	<b>28.7%</b>
Sales	3,753.2 Bn	<b>3,048 Bn</b>
Operating profit	147 Bn	<b>115.9 Bn</b>
(OPM)	3.9%	<b>3.8%</b>
EBITDA	320.9 Bn	<b>337 Bn</b>

Note1. Financial status in 2021 : a simple sum of the results of each of Lotte Confectionery and Lotte Food before the merger

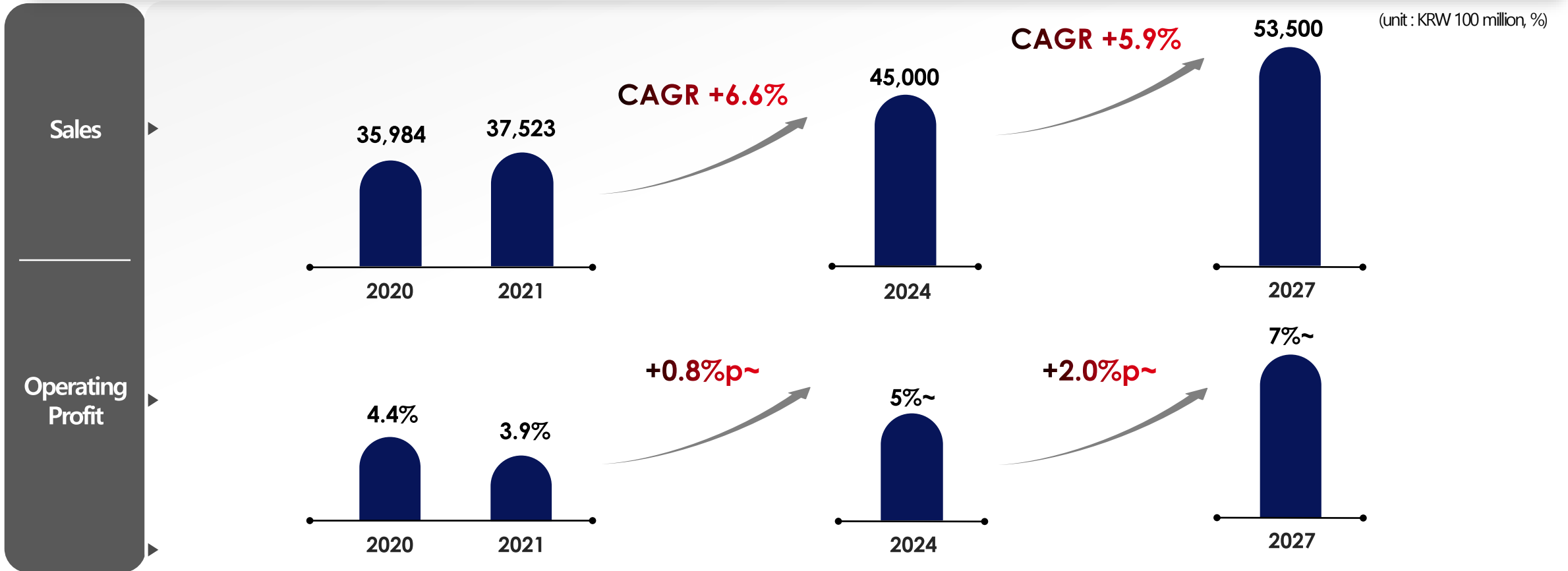
Note2. Accumulated profit and loss as of September 2022: including results of Lotte Food (may differ from published data)

# Mid to Long-term Guidance

- ⊙ Slowing sales growth due to COVID-19
- ⊙ Decrease in profit due to increased cost burden
- ⊙ Increasing costs to maintain a growth trend



- ⊙ Strengthen synergy between duplicate business and core profit business
  - Ice cream, Global, E-commerce, etc
- ⊙ Strengthen business area of "Health & Wellness" (Expansion of new business)



Note 1. Results for 2021: A simple sum of the results of each of Lotte Confectionery and Lotte Food before the merger (Excluding internal transactions)

## Conclusion

If you have any questions about this document, please contact us and we will explain in detail under compliance regulations.  
Thank you !



Lotte Conf. IR

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# Financial Highlights\_3Q22Results

	Q3 2021	Q3 2022	YoY	
			KRW (billion won)	%(%P)
<b>Sales</b>	<b>1,000.6</b>	<b>1,103.3</b>	<b>102.7</b>	<b>10.3</b>
Confectionery	495.3	505.1	9.8	2.0
Foods	345.9	403.1	57.2	16.6
Global	169.7	208.6	38.9	22.9
<b>Operating Profit</b>	<b>62.3</b>	<b>57.2</b>	<b>▲5.1</b>	<b>▲8.1</b>
Confectionery	43.8	45.8	2.0	4.5
Foods	8.3	3.3	▲5.0	▲59.6
Global	13.1	11.7	▲1.4	▲10.7
<b>Margin (%)</b>	<b>6.2</b>	<b>5.2</b>	<b>▲1.0P</b>	
Confectionery	8.8	9.1	0.3P	
Foods	2.4	0.8	▲1.6P	
Global	7.7	5.6	▲2.1P	

Note1. This data is a simple sum of Lotte Food's performance before the merger (Difference from official announced data)

※ Official announced data : (Present) Lotte confectionery Jan~Sep + Lotte foods Jul~Sep / (Previous) Lotte confectionery Jan~Sep (Do not add Lotte foods)

## Sales +10.3%, Operating Profit ▲8.1% decrease

Operating Profit increased by 3% in 3Q, excluding one-off expenses of KRW 6.9 billion related to the merger ✓

**Confectionery** Confectionery (gum, candy, chocolate, etc.), ice cream, Bakery, etc.



Although sales and profit declined due to the implementation of the PMI for ice cream, the earnings of the domestic confectionery business was protected thanks to the increase in confectionery prices.

**Foods** Oil and fats, food, etc., processed meat, dairy products, HMR



Although sales increased due to price hikes and re-opening, profits from the fat and oil business declined and earnings deteriorated due to an increase in B2C costs.

**Global** India, Kazakhstan, Belgium, Russia, Pakistan, etc.

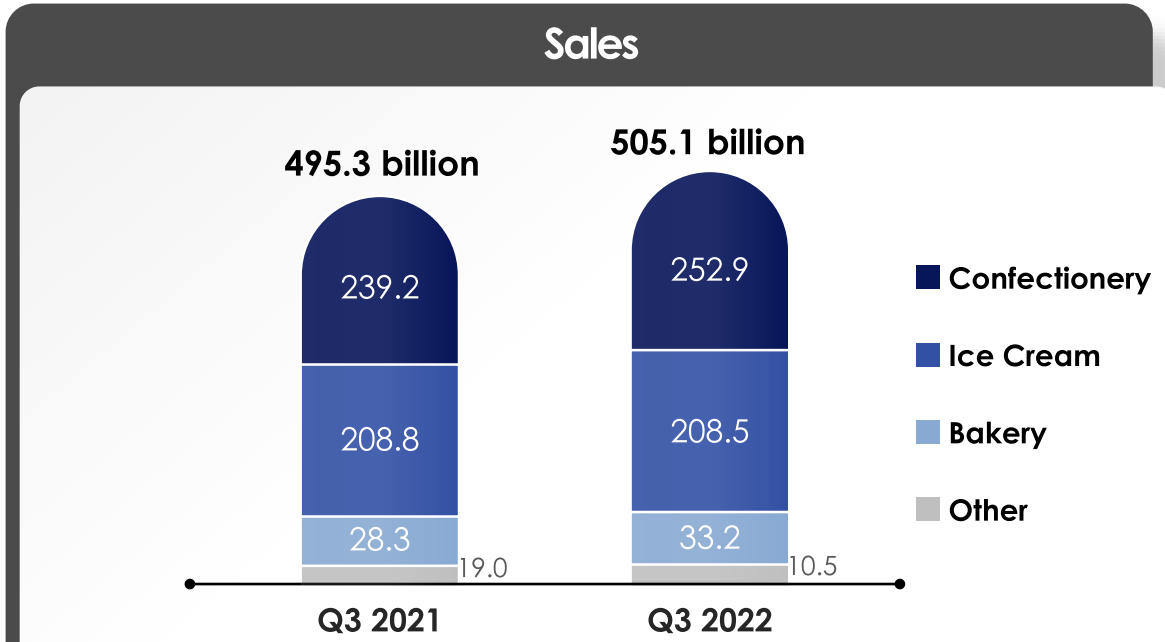


Sales of major subsidiaries increased significantly due to the re-opening effect, but earnings deteriorated due to a decrease in the base effect and an increase in manufacturing costs.

(Due to the increase in fixed cost burden due to the low season at the Indian ice cream subsidiary)

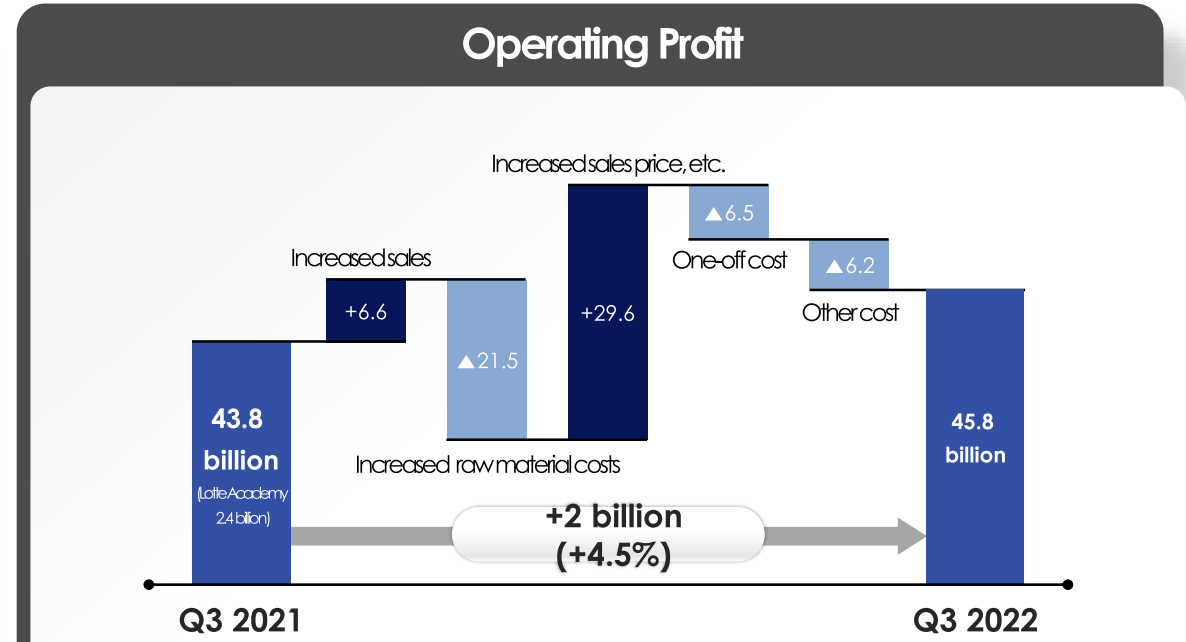
# Confectionery Business\_3Q22 Results

Cost burden offset by price hikes and improved efficiency in the ice cream business



**Confectionery business's sales increased by +2.0% (+ 9.8 billion won)**

	Description	YoY
<b>Confectionery</b>	Impact of the price increase in April 2022 reflected.	+5.7%
<b>Ice Cream</b>	Reduced product volume due to unfriendly weather and optimization of SKUs	▲0.1%
<b>Bakery</b>	Strong sales of character breads and price increase at retailers	+17.1%
<b>Lotte Academy</b>	Transfer of education business to Lotte Corporation in January 2022	▲7.9 billion

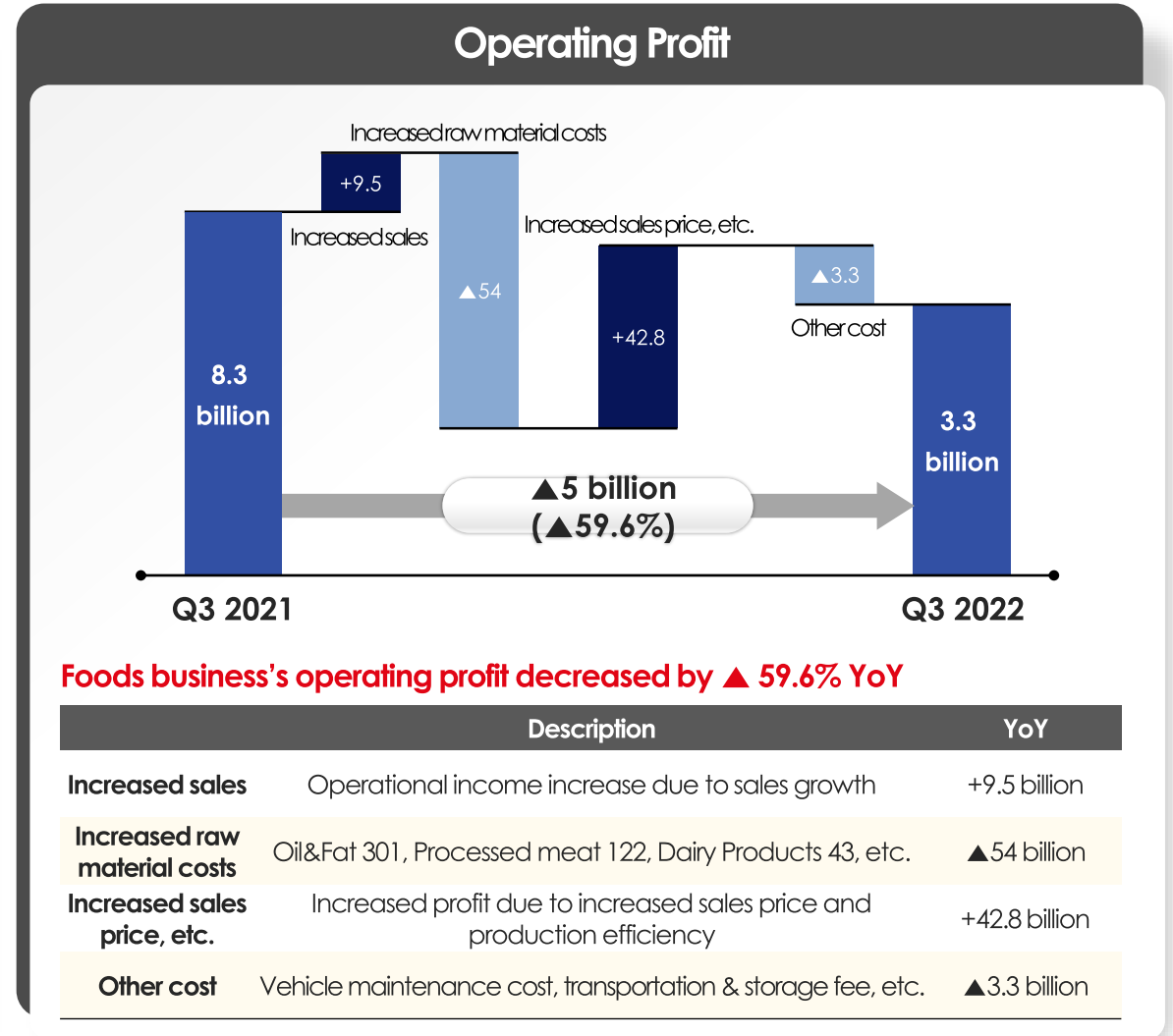
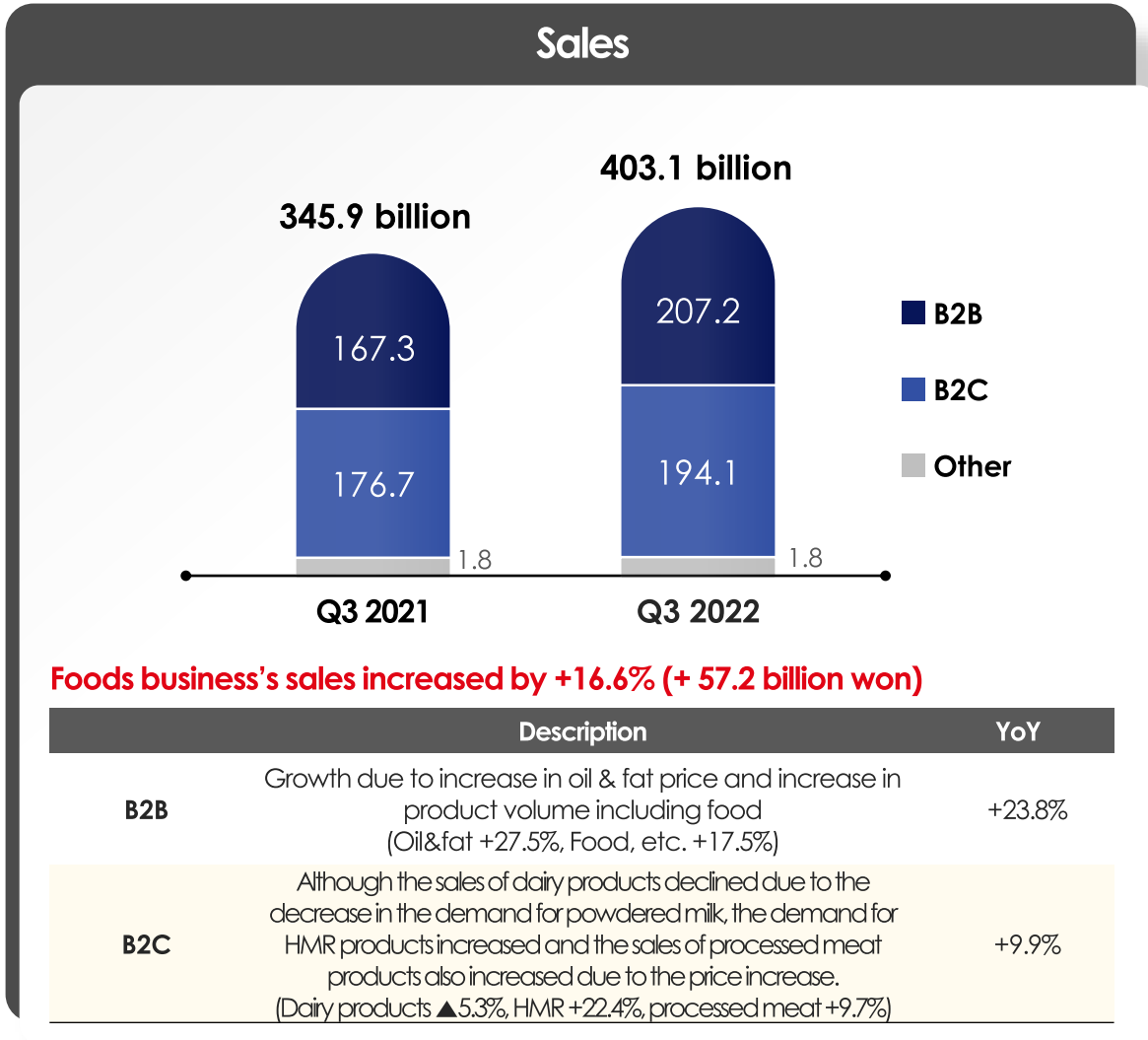


**Confectionery business's operating profit increased by +4.5%**

	Description	YoY
<b>Increased sales</b>	Operational income increase due to sales growth	+6.6 billion
<b>Increased raw material costs</b>	Dairy products 62, oils and fats 34, wheat flour 25, etc.	▲21.5 billion
<b>Increased sales price, etc.</b>	Increased profit due to increased sales price and production efficiency	+29.6 billion
<b>One-off cost</b>	Acquisition tax on merger and consulting fees, etc.	▲6.5 billion
<b>Other cost</b>	Sales commission, export transportation costs, etc.	▲6.2 billion

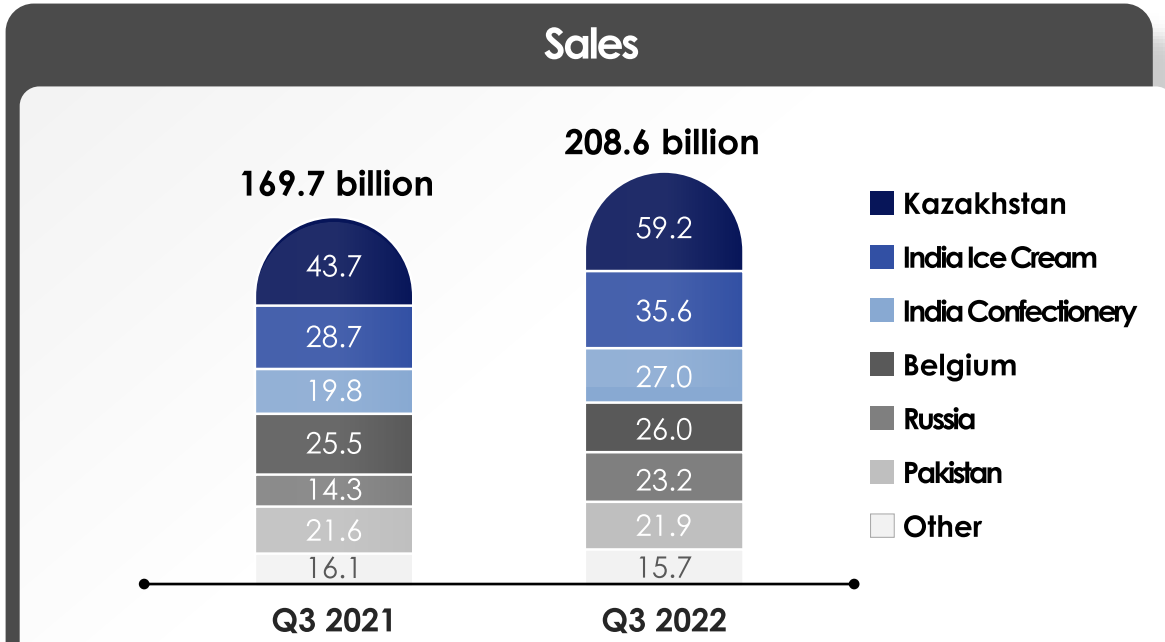
# Foods Business\_3Q22 Results

Earnings improved due to B2B price hike and re-opening, but overall profit decreased due to B2C cost burden



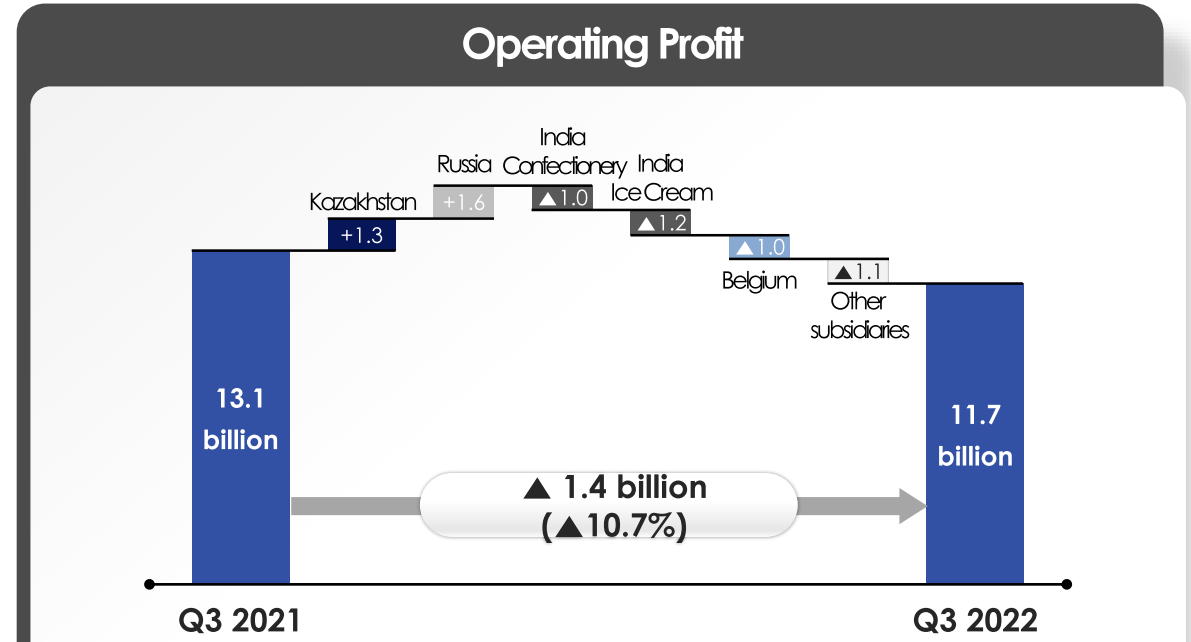
# Global Business\_3Q22 Results

Sales increased due to re-opening, but operational income decreased due to cost burden



Global business's sales increased by +22.9% (+ 38.9 billion won)

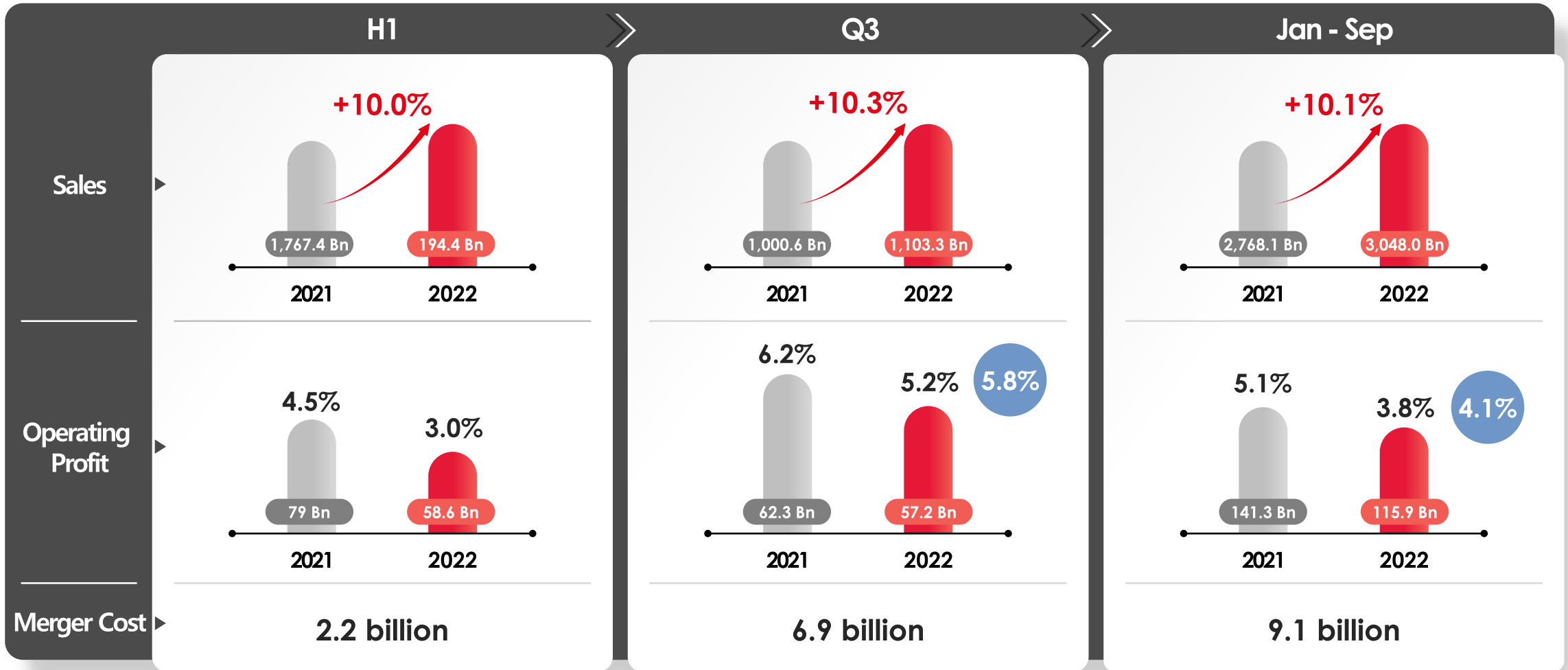
	Description	YoY
<b>India</b>	Growing sales thanks to continuous expansion of market coverage (Growth slowed compared to Q2 due to a decrease in the base effect of the previous year and the off-peak season for ice cream)	+29.1%
<b>Kazakhstan</b>	Price increase and new chocolate bar launch	+35.6%
<b>Russia</b>	Price increase and favorable exchange rates	+62.3%
<b>Pakistan</b>	Increased sales of snacks and pasta (local currency +18.4%)	+1.6%



Global business's operating profit decreased by ▲10.7% YoY

	Description	YoY
<b>Kazakhstan</b>	Profit increase due to sales growth	+1.3 billion
<b>Russia</b>	Reduced foreign raw material purchase cost thanks to stable exchange rate	+1.6 billion
<b>India</b>	Increase in raw material cost (shortening, chocolate, cream, etc.)	▲2.2 billion
<b>Belgium</b>	Investing in advertising expenses to promote brand renewal	▲1 billion
<b>China</b>	Fixed costs incurred due to a decrease in sales following sluggish domestic demand	▲1 billion

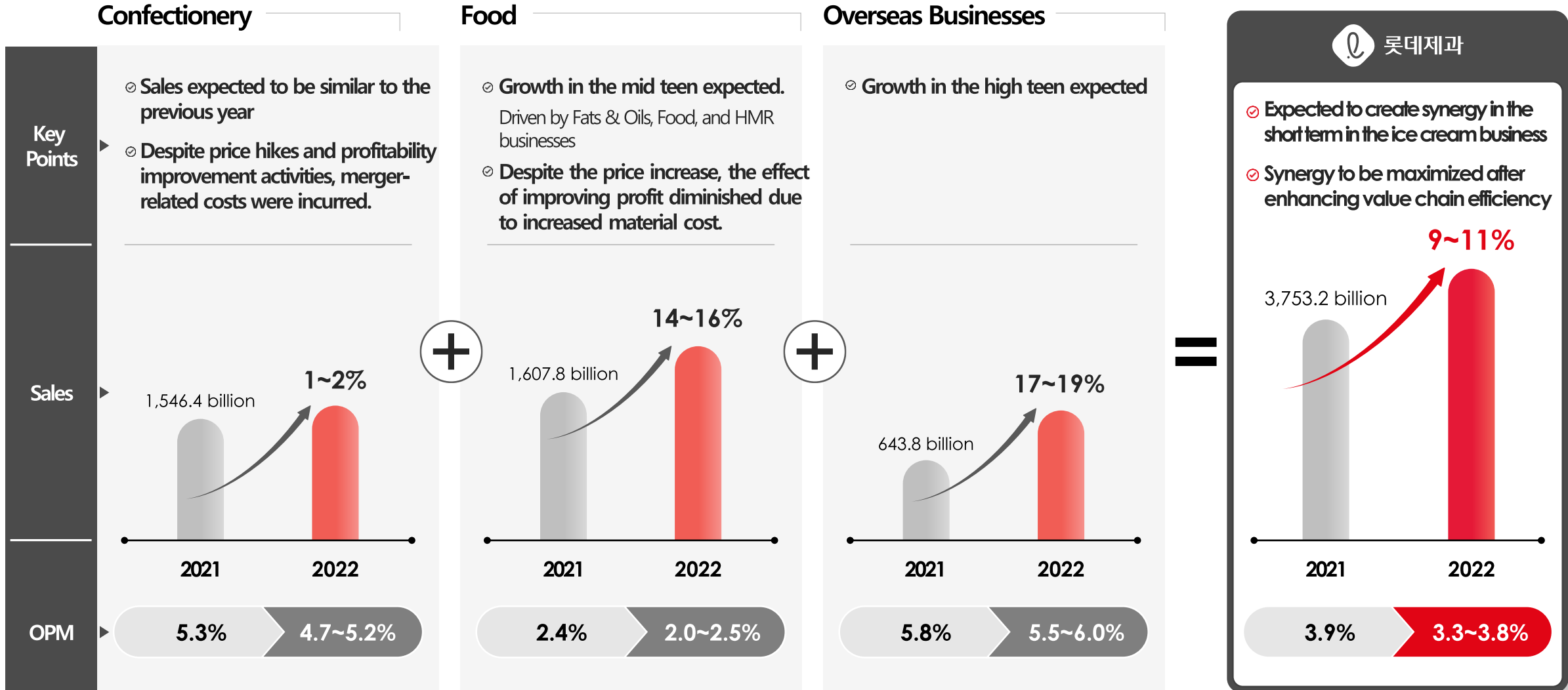
# Financial Highlights\_1~3Q22Results



Note1. Please note that this data is a simple sum of the results of Lotte Food before the merger to help readers better understand. (May differ from published data)

**Expected to spend about 10 billion won per year on one-off costs related to the merger.**  
**Excluding merger costs, Q3 operating income should improve by 1.8 billion won YoY.**

# 2022 Guidance



Note 1. Results for 2021: A simple sum of the results of each of Lotte Confectionery and Lotte Food before the merger

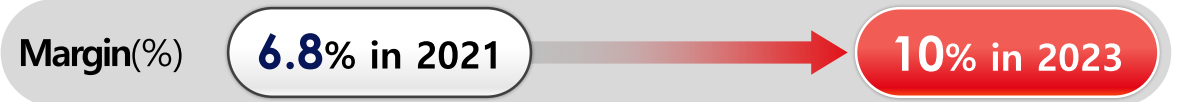
# Business Strategy\_ Consolidation of Ice Cream Business

	Q3	Q4	2023
<b>Structure</b>	<ul style="list-style-type: none"> <li>Operate on the basis of One Leader.</li> <li>20 branches / 63 sales offices</li> </ul>	<ul style="list-style-type: none"> <li>Integrate the sales units. 12 branches (▲8) 45 sales offices (▲18)</li> </ul>	<ul style="list-style-type: none"> <li>Improve the efficiency of the integrated entities. 43 sales offices (▲2)</li> </ul>
<b>System</b>	<ul style="list-style-type: none"> <li>Dual sales system for Confectionery and Food</li> </ul>	<ul style="list-style-type: none"> <li>Unification of sales system from Oct 1<sup>st</sup> Incentives to partners/support rates, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Fixed price policy for bar ice creams Fixed price policy applied to all categories</li> </ul>
<b>Brand</b>	<ul style="list-style-type: none"> <li>Reduce inefficient SKUs. (478 SKUs → 400 SKUs, ▲78)</li> <li>Concentrate on the 7 Mega Brands<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>Continue to reduce inefficient SKUs (Operation of 303 SKUs, ▲97)</li> </ul>	<ul style="list-style-type: none"> <li>Operate SKUs with fewer than 300.</li> <li>Reinforce the market position of mega-branded products</li> </ul>
<b>Logistics</b>	<ul style="list-style-type: none"> <li>Dualized centers for Confectionery(9)/Food(7) → stocks mixed placed.</li> </ul>	<ul style="list-style-type: none"> <li>Incorporate partner agreements.</li> </ul>	<ul style="list-style-type: none"> <li>Coordinate shipping regions / Combine shipping</li> </ul>

Note1. 7 Ice Cream Mega Brands : World Cone, Fanfare, Snow Ice, Crunch Bar, Papico, Double Bianco, Goo Goo

**Synergy ▶** • Merger synergy generated about 4 billion won (20% of 19.4 billion won achieved)

\* Q3 raw material cost for ice cream \_ 6.3 billion won



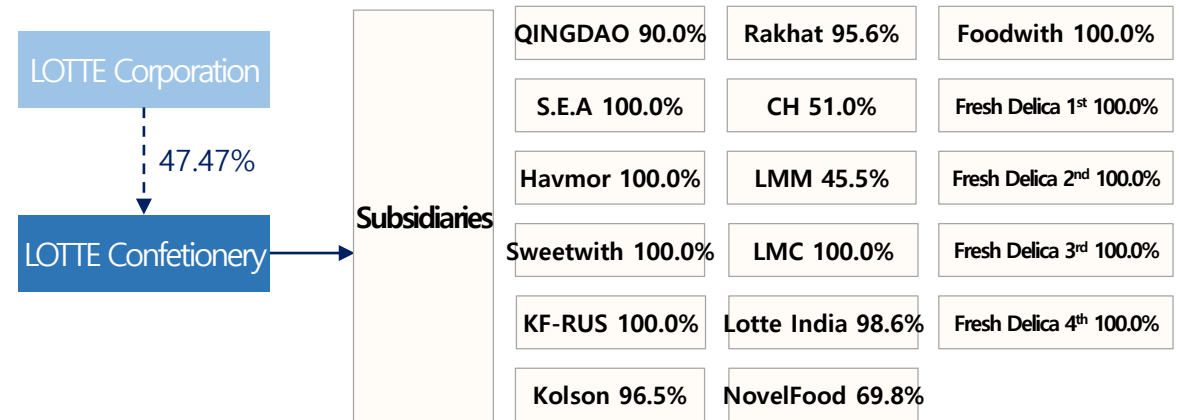
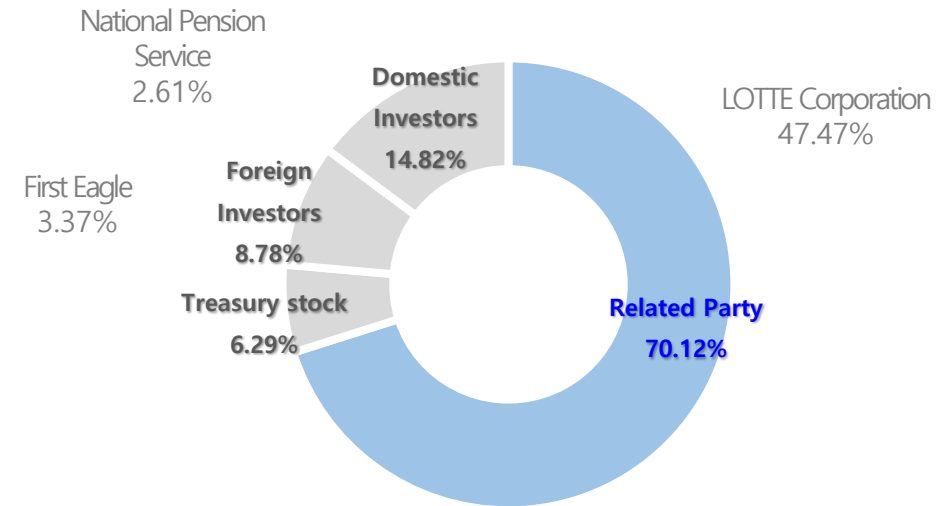
# Appendix \_Company Overview

## General Information

- Established : Mar 24, 1967
- Main Business : Total Food Company
- Production : Domestic 17 / Overseas 21
- Credit Ratings : AA/Stable, A1
- Website : <https://www.lotteconf.co.kr>
- Shareholders : As of Sep 30, 2022

Name	No. of Shares	Ownership (%)
LOTTE Corporation	4,478,208	47.47
LOTTE Aluminum Co., Ltd.	643,381	6.82
LOTTE Scholarship Foundation	496,144	5.26
LOTTE Holdings Co., Ltd.	416,338	4.41
SHIN, Yeong ja	236,742	2.51
SHIN, Dong bin	182,117	1.93
L2 Investment Company	137,722	1.46
Jang, Jeong an	12,964	0.14
Shin, You mi	10,623	0.11
Lee, Young goo	1,000	0.01
<b>Related Party Total</b>	<b>6,615,239</b>	<b>70.12</b>
Treasury stock	593,104	6.29
Others	2,225,227	23.59
<b>Total</b>	<b>9,434,574</b>	<b>100.00</b>

## Shareholding Structure



## Appendix\_Dividends

	Y2018	Y2019	Y2020	Y2021	Remarks
<b>Par Value</b> (KRW)	500	500	500	500	
<b>Price</b> (KRW)	151,000	149,500	102,000	120,500	• Closing Price
<b>Net profit</b> (100 million KRW)	94	381	410	349	• Domination shares
<b>Cash Dividends</b> (100 million KRW)	83	83	103	103	• DPS x number of shares
<b>DPS</b> (KRW)	1,300	1,300	1,600	1,600	
<b>Dividend Rate</b>	260%	260%	320%	320%	• $DPS \div \text{Par Value}$
<b>Dividend Yield</b>	0.9%	0.9%	1.6%	1.3%	• $DPS \div \text{Price}$
<b>Dividend Rate</b>	89.03%	21.90%	25.03%	29.42%	• $\text{Cash Dividends} \div \text{Net profit}$

Dividends paid to shareholders are determined by comprehensive consideration of increasing shareholder dividends and increasing corporate value through the mid to long term investments.

In addition, in order to increase shareholder value, Lotte Confectionery set the mid to long term goal of [30% of dividend payout ratio](#).

# Appendix\_3Q22 Consolidated Financial Statements (Official announced)

## Income Statement

(Unit : 100 million KRW, %)

	3Q						1~3Q					
	2021		2022		YoY		2021		2022		YoY	
	KRW	%	KRW	%	KRW	%	KRW	%	KRW	%	KRW	%
Sales	5,797	100.0	11,033	100.0	5,236	90.3	15,968	100.0	21,768	100.0	5,800	36.3
G.P	2,045	35.3	2,853	25.9	808	39.5	5,514	34.5	6,541	30.1	1,027	18.6
SG&A	1,596	27.5	2,281	20.7	685	42.9	4,558	28.5	5,612	25.8	1,054	23.1
O.P	449	7.7	572	5.2	123	27.4	956	6.0	929	4.3	▲27	▲2.8
R.P	407	7.0	440	4.0	33	8.3	830	5.2	803	3.7	▲27	▲3.3
N.P	310	5.4	354	3.2	44	14.0	616	3.9	614	2.8	▲2	▲0.4

## Balance Sheet

(Unit : 100 million KRW, %)

	2021.12.31	2022.09.30
Current assets	8,279	14,389
Non current assets	18,387	27,616
<b>Total assets</b>	<b>26,666</b>	<b>42,005</b>
Current liabilities	6,856	8,734
Non current liabilities	6,540	11,007
Borrowings (a)	8,465	12,043
<b>Total liabilities (b)</b>	<b>13,397</b>	<b>19,741</b>
Share capital	32	47
<b>Total equity (c)</b>	<b>13,270</b>	<b>22,264</b>
<b>Debt to equity ratio (b/c)</b>	<b>101.0</b>	<b>88.7</b>
<b>Borrowings to total equity ratio (a/c)</b>	<b>63.8</b>	<b>54.1</b>

※ Official announced data

- PL : (Present) Lotte confectionery Jan~Sep + Lotte foods Jul~Sep / (Previous) Lotte confectionery Jan~Sep (Do not add Lotte foods)

- BS : (Present) Lotte confectionery End of Sep + Lotte foods End of Sep / (Previous) Lotte confectionery End of Dec

# Appendix \_3Q22 Parent Financial Statements (Official announced)

## Income Statement

(Unit : 100 million KRW, %)

	3Q						1~3Q					
	2021		2022		YoY		2021		2022		YoY	
	KRW	%	KRW	%	KRW	%	KRW	%	KRW	%	KRW	%
Sales	4,202	72.5	9,082	82.3	4,880	116.1	11,751	100.0	16,366	100.0	4,615	39.3
G.P	1,597	27.6	2,523	22.9	926	58.0	4,347	37.0	5,121	31.3	774	17.8
SG&A	1,251	21.6	2,032	18.4	781	62.5	3,601	30.6	4,409	26.9	808	22.4
O.P	347	6.0	491	4.5	144	41.6	746	6.4	712	4.4	▲34	▲4.5
R.P	297	5.1	416	3.8	119	40.1	768	6.5	605	3.7	▲163	▲21.3
N.P	227	3.9	339	3.1	112	49.6	620	5.3	496	3.0	▲124	▲20.0

## Balance Sheet

(Unit : 100 million KRW, %)

	2021.12.31	2022.09.30
Current assets	5,270	10,373
Non current assets	18,037	26,805
<b>Total assets</b>	<b>23,307</b>	<b>37,178</b>
Current liabilities	5,691	6,792
Non current liabilities	5,138	9,963
Borrowings (a)	7,326	10,831
<b>Total liabilities (b)</b>	<b>10,829</b>	<b>16,755</b>
Share capital	32	47
<b>Total equity (c)</b>	<b>12,478</b>	<b>20,423</b>
<b>Debt to equity ratio (b/c)</b>	<b>86.8</b>	<b>82.0</b>
<b>Borrowings to total equity ratio (a/c)</b>	<b>58.7</b>	<b>53.0</b>

※ Official announced data

- PL : (Present) Lotte confectionery Jan~Sep + Lotte foods Jul~Sep / (Previous) Lotte confectionery Jan~Sep (Do not add Lotte foods)

- BS : (Present) Lotte confectionery End of Sep + Lotte foods End of Sep / (Previous) Lotte confectionery End of Dec

# Appendix \_Sales Breakdown

(Unit : 100 million KRW)

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22
<b>Sales</b>	<b>8,551</b>	<b>9,438</b>	<b>9,623</b>	<b>8,703</b>	<b>8,579</b>	<b>8,803</b>	<b>9,699</b>	<b>8,679</b>	<b>8,756</b>	<b>9,150</b>	<b>10,108</b>	<b>9,361</b>	<b>9,129</b>	<b>10,462</b>	<b>11,168</b>
<b>Confectionery</b>	<b>3,952</b>	<b>4,618</b>	<b>4,709</b>	<b>3,767</b>	<b>3,962</b>	<b>4,518</b>	<b>4,821</b>	<b>3,905</b>	<b>4,072</b>	<b>4,469</b>	<b>4,953</b>	<b>4,022</b>	<b>3,922</b>	<b>4,405</b>	<b>5,051</b>
Confectionery	2,667	2,451	2,436	2,637	2,650	2,333	2,489	2,606	2,523	2,258	2,392	2,585	2,392	2,251	2,529
Ice Cream	851	1,701	1,845	719	908	1,773	1,901	859	1,084	1,755	2,088	930	1,139	1,758	2,085
Bakery	305	293	245	286	250	230	231	271	265	269	283	324	280	308	332
<b>Global</b>	<b>1,329</b>	<b>1,516</b>	<b>1,463</b>	<b>1,692</b>	<b>1,448</b>	<b>1,180</b>	<b>1,509</b>	<b>1,689</b>	<b>1,474</b>	<b>1,380</b>	<b>1,697</b>	<b>1,888</b>	<b>1,607</b>	<b>1,989</b>	<b>2,086</b>
Kazakhstan	432	444	468	584	448	377	435	523	389	380	437	548	423	505	592
Pakistan	225	232	229	233	200	235	218	214	197	231	216	211	201	216	219
Belgium	224	184	266	379	221	101	225	348	213	146	255	378	206	133	260
India(Conf)	-	-	-	-	144	109	166	163	168	109	198	194	210	198	270
India(Ice)	204	405	219	192	166	117	168	137	249	240	287	218	311	602	356
China	37	36	36	47	35	47	49	55	54	59	54	63	42	41	39
Russia	112	113	138	151	133	108	145	134	115	108	143	159	122	190	232
Singapore	29	28	28	23	26	15	29	34	31	28	27	30	25	27	29
Myanmar	65	75	79	83	73	71	74	82	59	78	81	86	67	77	88
<b>Foods</b>	<b>3,270</b>	<b>3,304</b>	<b>3,451</b>	<b>3,243</b>	<b>3,169</b>	<b>3,105</b>	<b>3,369</b>	<b>3,085</b>	<b>3,210</b>	<b>3,301</b>	<b>3,459</b>	<b>3,451</b>	<b>3,600</b>	<b>4,068</b>	<b>4,031</b>
B2B	1,603	1,672	1,652	1,644	1,508	1,514	1,546	1,512	1,518	1,677	1,673	1,806	1,851	2,309	2,072
Fats&Oils	945	934	912	932	898	898	925	953	954	1,058	1,054	1,179	1,248	1,598	1,344
Food, etc.	658	738	740	712	610	616	621	559	564	619	620	627	603	711	728
B2C	1,647	1,612	1,779	1,578	1,640	1,572	1,800	1,556	1,673	1,606	1,767	1,618	1,731	1,735	1,941
Dairy	516	524	541	483	509	484	489	460	480	495	469	455	472	468	444
Processed Meats	677	617	763	606	678	600	774	543	675	577	720	586	684	620	790
HMR	454	471	475	489	453	488	537	553	518	534	578	577	575	647	707

Note1. The combined performance of the business sector differs from the overall consolidated performance (Excluding consolidation adjustment between subsidiaries)

# Appendix \_Exchange Rate

Country	Currency	Jan 1 <sup>st</sup> ~ Jun 30 <sup>th</sup>				Jan 1 <sup>st</sup> ~ Sep 30 <sup>th</sup>			
		2020	2021	2022	YoY(%)	2020	2021	2022	YoY(%)
Kazakhstan	KZT	2.99	2.63	2.74	4.2	2.94	2.66	2.77	4.1
Pakistan	PKR	7.56	7.15	6.63	▲7.3	7.41	7.12	6.42	▲9.8
Belgium	EUR	1330.55	1346.83	1346.94	0.0	1350.34	1352.89	1,347.13	▲0.4
India	INR	16.28	15.24	16.18	6.2	16.18	15.37	16.38	6.6
China	CNY	171.41	172.75	190.04	10.0	171.50	174.80	191.84	9.7
Russia	RUB	17.41	15.04	16.59	10.3	16.99	15.27	18.53	21.3
Singapore	SGD	862.88	838.79	903.02	7.7	863.41	844.46	921.61	9.1
Myanmar	MMK	0.7821	0.8418	0.6970	▲17.2	0.7919	0.7991	0.6952	▲13.0


Note1. Standard Exchange Rate : Cumulative average exchange rate between Jan 1<sup>st</sup>~Present

# Appendix \_Confectionery Portfolio

## Reinforcing Mega-Brands (Marketing)

Xylitol	<ul style="list-style-type: none"> <li>• Global Campaign 'Good Teeth, Good Smile' with BTS</li> <li>• TV commercials : (1st) August-September → (2nd) November</li> </ul> 
Snow Ice/ World cone	<ul style="list-style-type: none"> <li>• Snow Ice : Expanding the TPO for indoor eating, targeting the gen MZ</li> <li>• World Cone : Supporting campaign to be continued</li> </ul> 
Ghana/ Pepero	<ul style="list-style-type: none"> <li>• Pepero : Day global campaign, TV commercials (October-November)</li> <li>• Ghana : Promoting the efficacy of cacao (September-), positioning of desserts (December-)</li> </ul>

## Responding to Market Trends (New Products)

ZERO	<ul style="list-style-type: none"> <li>• Secure a leading position as a sugar-free brand in the market             <ul style="list-style-type: none"> <li>- Concept : 'Zero Sugar, as sweet as it is'</li> </ul> </li> <li>• Expand product lines and promote re-boom up in the 2<sup>nd</sup> half             <ul style="list-style-type: none"> <li>- Release 5 products (May) → Release 2 additional products (after September)</li> </ul> </li> </ul> 
Protein	<ul style="list-style-type: none"> <li>• Review the launch of a brand specializing in protein.             <ul style="list-style-type: none"> <li>- Concept : Protein bar + Chocolate (high protein, low calorie, vegetarian, etc.)</li> </ul> </li> </ul>

Note1. This plan is subject to change according to company policy.

# Appendix\_Foods Portfolio

## Reinforcing Marketing Activities

Processed Meats

- Collaborative Collaborative
- Product Renewal (increase the proportion of meat in ham products)



- Expand marketing of 'Health & Wellness' concept products
- Expand market response reflecting increased interest in healthy food



Dairy

## Responding to Market Trends (New Products)

Subscription service

- Conducting a subscription service for home convenience meals
- Expand curation service followed by monthly snack subscription service



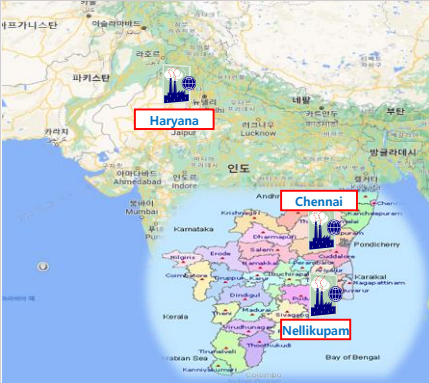

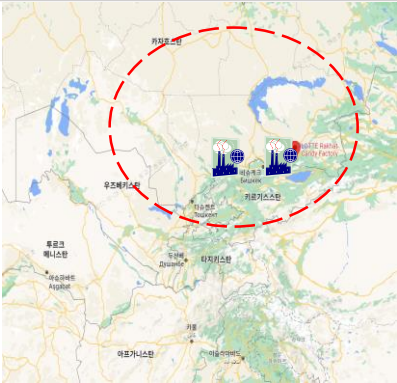
- 7 kinds of autumn menus are released (Chefood meal kit)
- Released 20 kinds of menus that cover four seasons (New product to be released continuously)

Convenience Food for Single



Note1. This plan is subject to change according to company policy.

# Appendix \_Overview of Main Subsidiaries

	India	Kazakhstan	
	<p><b>Lotte India Co., Ltd.</b> (The first subsidiary of Confectionery)</p>  <p><b>Acquisition (M&amp;A)</b> : May 2004</p> <p><b>Ownership</b> : 98.57%</p> <p><b>Number of employees</b> : 590</p> <p><b>Number of business establishments</b> : 3</p>	<p><b>Havmor Ice cream Private Limited</b> (The first subsidiary of Ice Cream)</p>  <p><b>Acquisition (M&amp;A)</b> : Dec 2017</p> <p><b>Ownership</b> : 100%</p> <p><b>Number of employees</b> : 860</p> <p><b>Number of business establishments</b> : 2</p>	<p><b>Lotte Rakhat JSC</b> (The largest subsidiary in sales)</p>  <p><b>Acquisition (M&amp;A)</b> : Nov 2013</p> <p><b>Ownership</b> : 95.57%</p> <p><b>Number of employees</b> : 3,787</p> <p><b>Number of business establishments</b> : 3</p>
<b>Status</b>	<ul style="list-style-type: none"> <li>• Take over Parry's Confectionery in 2004</li> <li>• Operates mainly in southern Chennai and northern Haryana</li> <li>• Candy, choco pie, and gum(Spaut) are sold throughout India</li> <li>• Have 1,400 distributors and 5,000 sub distributors</li> </ul>	<ul style="list-style-type: none"> <li>• Take over Havmor in 2017</li> <li>• Major production area for dairy products and adjacent to the consumption area</li> <li>• Seasonal fluctuation is low and consumption is increasing</li> <li>• Ice Cream are sold throughout India mainly in western Gujarat</li> <li>• Sales are growing double digits every year except 2019</li> </ul>	<ul style="list-style-type: none"> <li>• Take over "No1. Chocolate company" Rakhat in 2013</li> <li>• Population, sales and GDP continue to grow</li> <li>• Chocolate, biscuit and candy are sold mainly in southeastern region</li> <li>• Expand both domestic and export sales to nearby CIS countries such as Russia</li> </ul>
<b>Business Strategy</b>	<ul style="list-style-type: none"> <li>• <b>Securing No.1 market position of choco pie</b> - To be established choco pie 3<sup>rd</sup> line in 2023</li> <li>• <b>To be released domestic LOTTE mega brand products in India</b> - Pepero, etc</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Released domestic LOTTE mega brand products in India</b> - Launched and sold "Worldcone" (Sep 2021) - Launched "Snow Ice" on test marketing (May 2022)</li> <li>• <b>To be established 3<sup>rd</sup> factory in Pune region by 2023</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Strengthen brand and expand channel in CIS region</b></li> <li>• <b>Settling the choco bar market</b></li> <li>• <b>Entering the Russian modern trade chain and e-commerce market</b></li> </ul>

# Appendix \_Introduction of Main Products

	Line-up	Brand / Product				Note
Confectionery	Gum, Candy					
	Chocolate, Biscuit					
	Pie, Snack					
Ice Cream	Bar, Pencil					
	Cone, Cup					
	Home					
Bakery	Mass produced, Bread, Pastry, etc					

	Line-up	Brand / Product				Note
Fats&Oils	Processed oil, Shortening, Magarine, Butter, etc					
Food, etc.	Roasted coffee, RTD(Ready to drink), Set, etc					
	Additives, Chocolate, Processed food materials					
	Seasoning food, Agricultural products, Food ingredients, etc					
Dairy	Milk, Dairy products, Baby food, etc					
Processed Meats	Ham, Sausage, Fish and meat, Set, etc					
HMR	Frozen food, Dumpling					

# Appendix \_Introduction of Main Products

Corporation		Line-up	Brand / Product				Note
	Kazakhstan (Rakhat)	Choco, Biscuit, Candy	 Kazakhstanski	 Tomyris	 Yablachiko	 Aigerim	
	Pakistan (Kolson)	Snack, Pasta, Biscuit, Gum	 Slanty	 Pasta	 Macaroni	 Spout	
	Belgium (Guylian)	Chocolate (Guylian brand, Private brand)	 Guylian Seashell	 Master's Selection	 La Truffina	 Guylian Bar	
	India Conf. (Lotte India)	Pie, Candy, Gum	 Choco Pie	 Cacao Pie	 Coffee Bite	 Spout	
	India Ice. (Havmor)	Ice Cream (Bulk, Bar, Cone, Cup, etc.)	 Vanilla	 Zulubar	 AAM CANDY	 World Cone	
	Russia (KF-RUS)	Pie, Candy, Pepero	 Choco Pie	 Cacao Pie	 Banana Pie	 Strawberry Pie	
	Myanmar (L&MM)	Bakery (Mass-produced bread, Artisan bread)	 Fruit cake	 Layer cake	 Cup cake	 Square Bread	
	China (QINGDAO)	Pie, Biscuit, Candy	 Choco Pie	 Koala's March	 Yogurt Jelly	 Pepero	
	Singapore (S.E.A)	Sales Corporation (Import and sales of domestic product)	 Pepero	 Choco Pie	 Custard	 Chic-choc	