

# 2Q23 Business Results

August, 2023 | 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 Wellfood and its major subsidiaries.

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

This document includes the prospects and judgements of LOTTE Wellfood, 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 Wellfood accepts no responsibility for the actions of any third party acting on the information provided in this document.

August, 2023  
Lotte Wellfood. IR

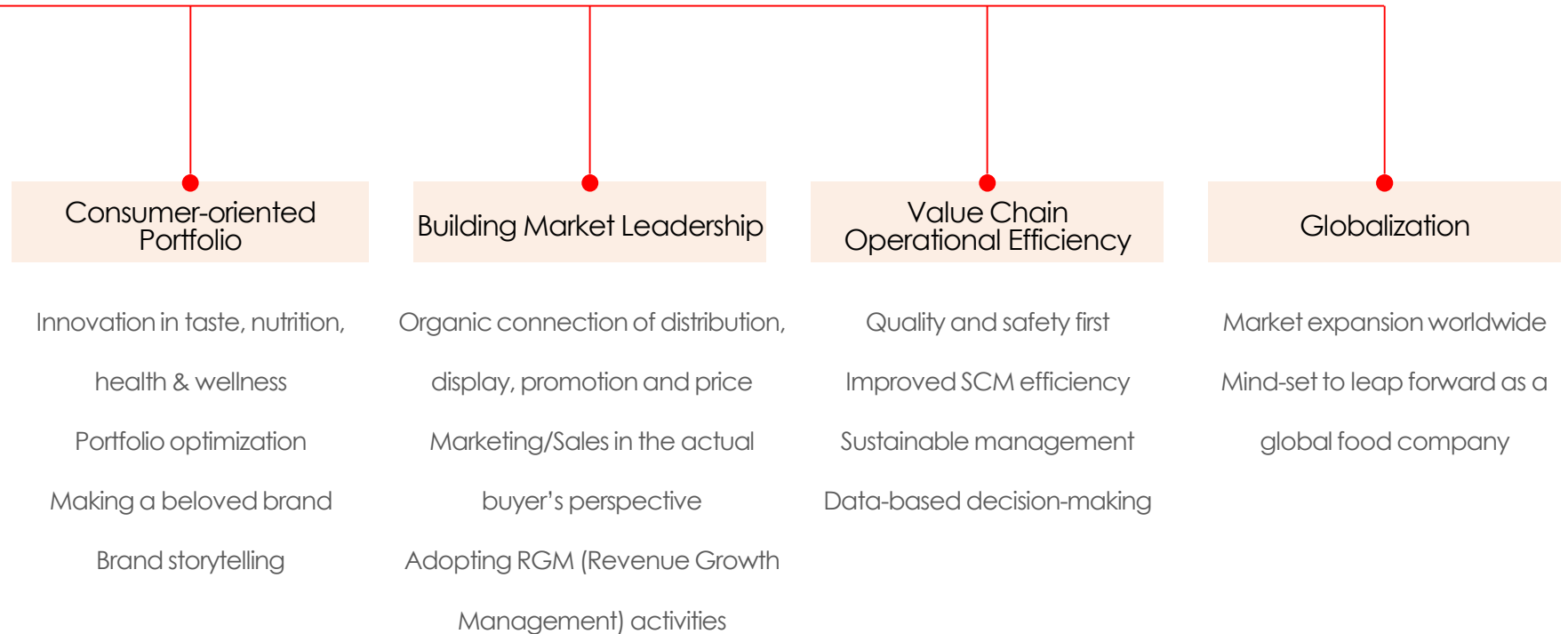
# New CEO & VISION



롯데웰푸드 대표이사 이창엽

## WELCOME, LOTTE WELLFOOD

A future-respecting company, contributing to human life with happiness, health, and wellness through delicious, fresh, and nutritious products for consumers around the world.



# 2Q 2023 Business Results

(Unit : 100mn, %, %P)

Classification	2Q 2022	2Q 2023	YoY	
			Amount	%(%P)
<b>Sales</b>	<b>10,229</b>	<b>10,406</b>	<b>177</b>	<b>1.7</b>
Confectionery	4,405	4,729	324	7.4
Foods	4,068	3,686	▲382	▲9.4
Global	1,989	2,077	88	4.4
<b>Operating profit</b>	<b>450</b>	<b>486</b>	<b>36</b>	<b>7.8</b>
Confectionery	224	407	183	81.5
Foods	108	▲57	▲165	-
Global	137	157	20	14.6
<b>Margin(%)</b>	<b>4.4</b>	<b>4.7</b>	<b>0.3P</b>	
Confectionery	5.1	8.6	3.5P	
Foods	2.6	▲1.5	▲4.1P	
Global	6.9	7.6	0.7P	

Note1. This data is based on Pro-Forma after merger

Note2. Each business performance is separate except for overseas business totaling overseas subsidiaries.

Company-wide aggregate reflects consolidation adjustments for subsidiaries.

## Sales +1.7%, Operating profit +7.8% Increase

### Confectionery



Confectionery (gum, candy, chocolate, etc.), ice cream, bakery, etc.

**Profit and loss improved through sales expansion and production and sales efficiency focused on confectionery and high-profit categories (gum and chocolate)**

### Foods



Fats&amp;oils, food materials, processed meats, Pasteur, HMR

**B2C loss reduced, but the foods business profitability declined due to decreased fats & oils sales**

### Global

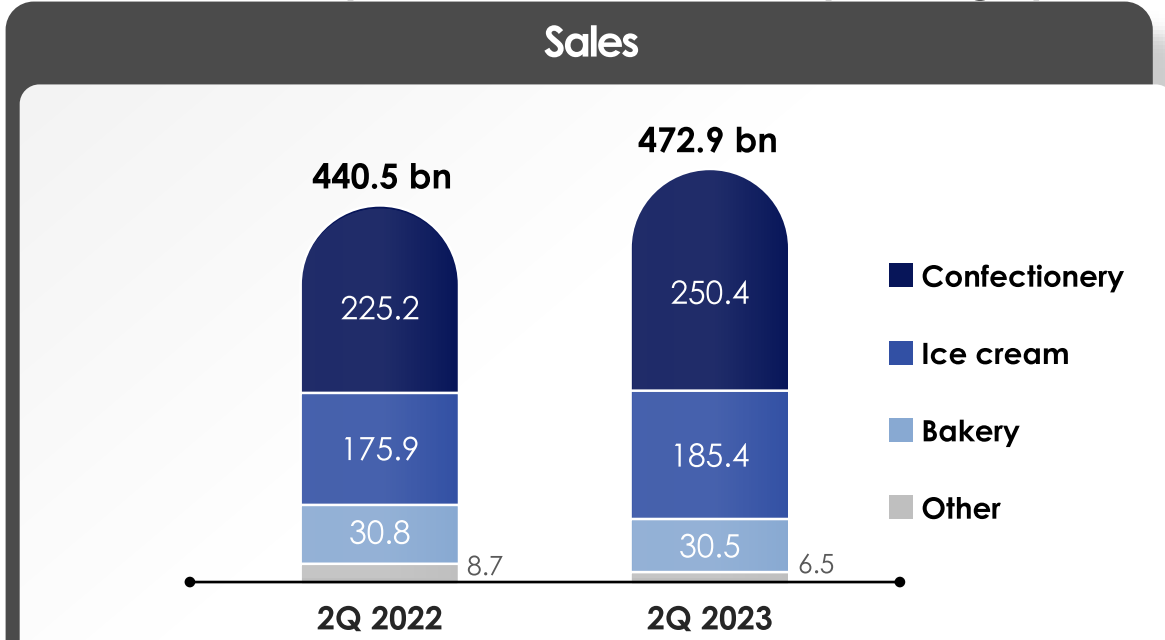


India, Kazakhstan, Belgium, Russia, Pakistan, etc.

**Profit and loss improved from increased sales and production volume mainly in India/Kazakhstan**

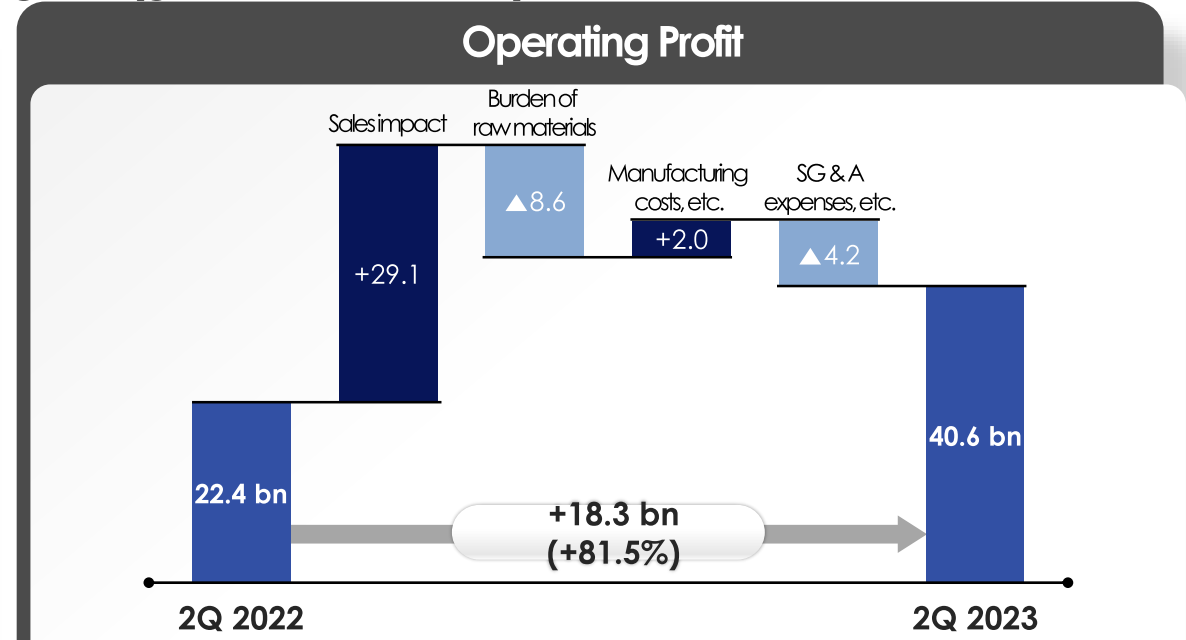
# Confectionery Business

Profit and loss improved through sales expansion and production and sales efficiency focused on confectionery and high-profit categories (gum and chocolate)



**Confectionery Business Sales increased by +7.4% YoY (+32.4 billion)**

	Details	YoY
<b>Confectionery</b>	Increased mainly in high-profit categories (gum and chocolate)	+11.2%
<b>Ice cream</b>	Impact from the launch of the new ZERO product line	+5.4%
<b>Bakery</b>	Decrease in Buns B2B customer delivery volume	▲1.1%
<b>Other</b>	Base effect from closing the Health One business in Sep. 2022 (▲2.1 bil.)	▲24.6%

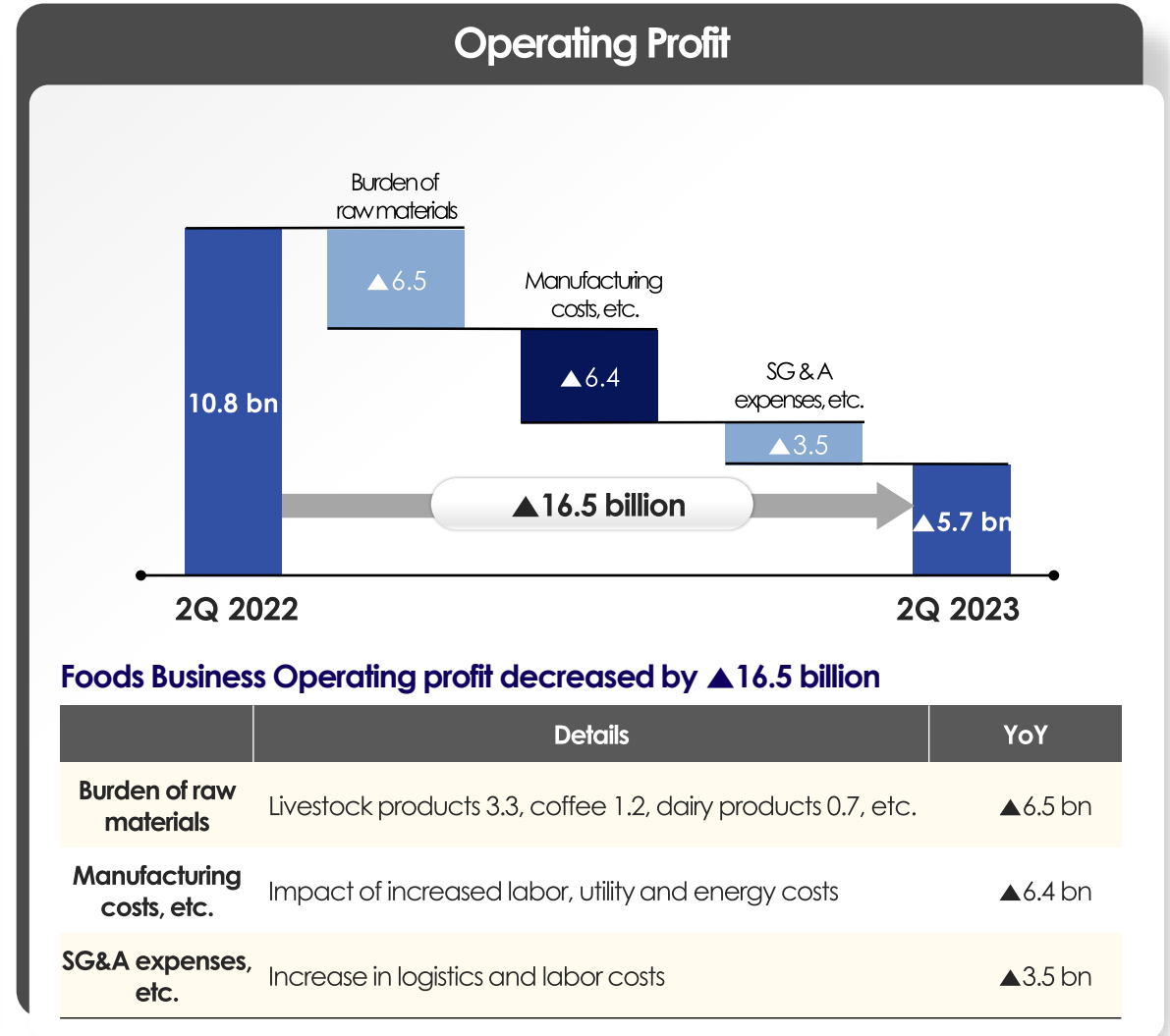
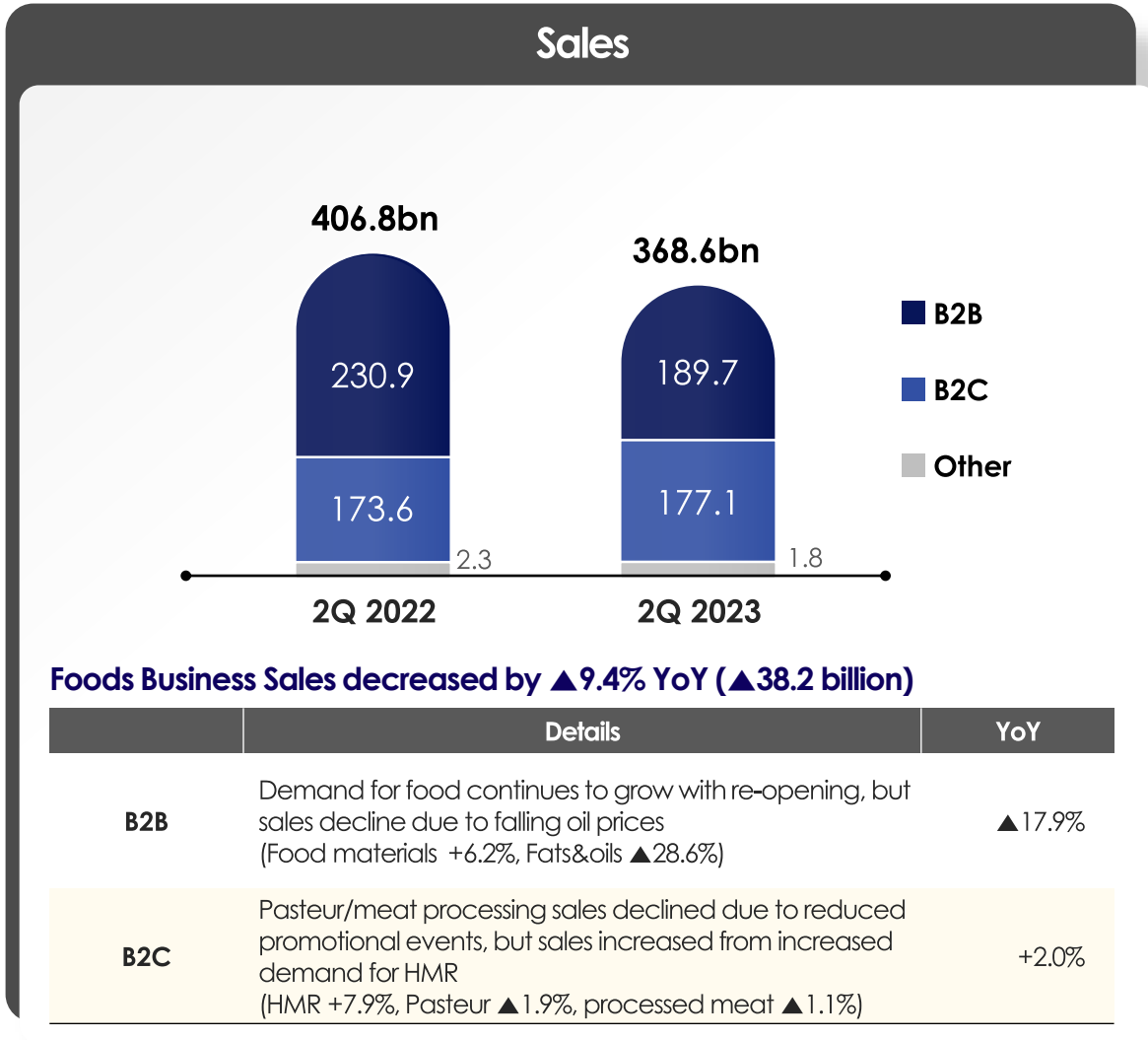


**Confectionery Business Operating profit increased by +81.5% YoY**

	Details	YoY
<b>Sales impact</b>	Impact from confectionery & ice cream sales increase	+29.1 bn
<b>Burden of raw materials</b>	Dairy products 2.6, wheat 1.0, sugar 0.9, etc.	▲8.6 bn
<b>Manufacturing costs, etc.</b>	Impact of sales growth and production rationalization	+2.0 bn
<b>SG&amp;A expenses, etc.</b>	Increase in logistics and labor costs	▲4.2 bn

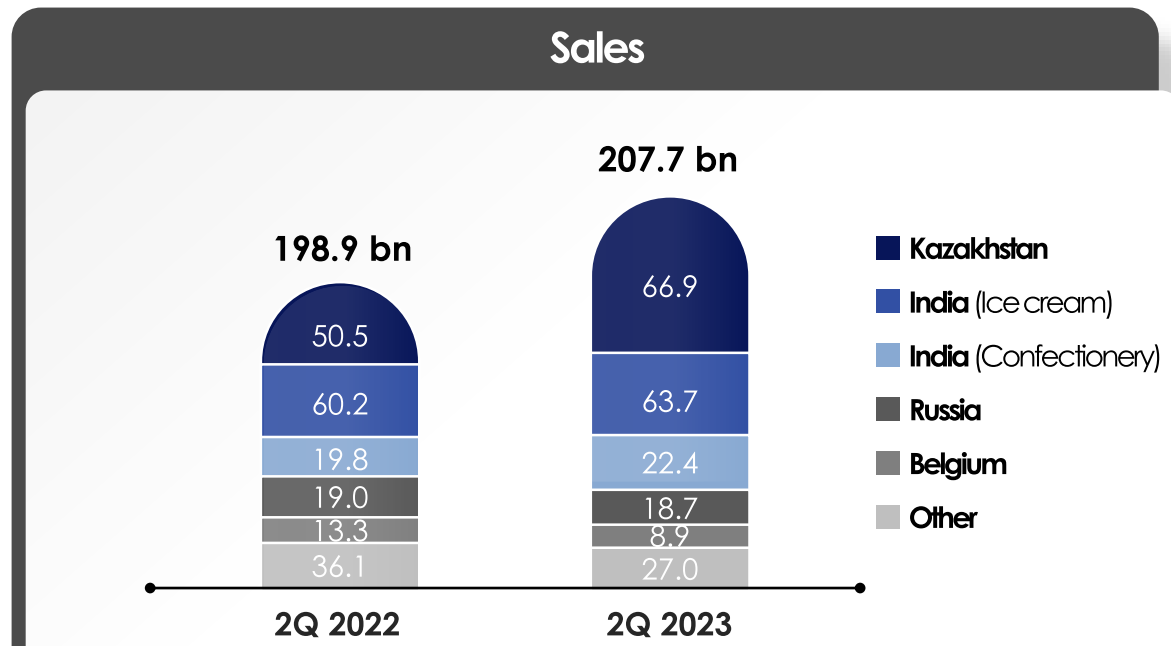
# Foods Business

B2C loss reduced, but the foods business profitability declined due to decreased fats & oils sales



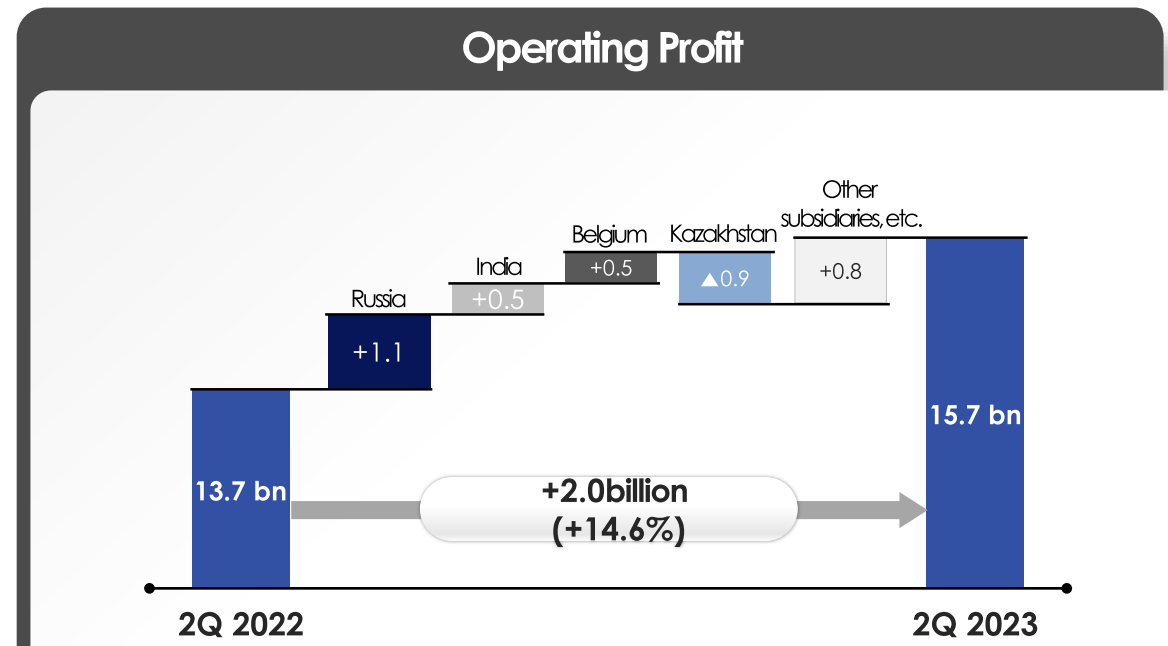
# Global Business

Profit and loss improved from increased sales and production volume mainly in India/Kazakhstan



Global Business Sales increased by +4.4% YoY (+8.8 bn)

	Details	YoY
<b>Kazakhstan</b>	Sales price increase (May 2023) and chocolate and candy sales growth	+32.5%
<b>India</b>	Confectionery: Price increase (Jan. and May 2023) and sales increase Ice cream: Price increase (Jan. and Apr. 2023) and continuous expansion of regional coverage	+7.7%
<b>Russia</b>	Increased sales of pies in local currency (decreased sales due to falling exchange rate)	▲1.5%
<b>Belgium</b>	Impact of low-margin PB product discontinuation	▲33.1%



Global Business Operating profit increased by +14.6% YoY

	Details	YoY
<b>Russia</b>	Stabilizing key raw materials and production contributed to profit improvement	+1.1 bn
<b>India</b>	Confectionery: Manufacturing cost ratio improved from production volume increase Ice cream: Unfavorable weather and major raw materials (butter, etc.) unit price increase in April and May	+0.5 bn
<b>Belgium</b>	Reverse base effect from last year's brand renewal promotion/advertising expenses	+0.5 bn
<b>Kazakhstan</b>	Impact of raw material (sugar, etc.) burden and wage increase (Mar. 2023)	▲0.9 bn

## Business Strategy \_ Profitability enhancement / GP improvement

- Making efforts to improve profitability through customer and efficiency-oriented sales despite the cost burden
  - Reinforcing DDMP activities such as discontinuing inefficient SKU, reducing DC, personnel efficiency, cross-sales, etc.

### Business Environment (1H)



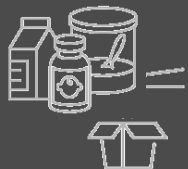
- **Year-over-year growth in key dry confectionery categories**  
Gum increased by 29.5%, candy by 16.1%, biscuits by 13.6%
- **Continued rise in unit price of raw materials likes raw sugar, concerns over El Niño impact, etc.**



- **Ice cream quantity decreased year-on-year but showing a gradual recovery trend**
- **Dairy product cost burden**



- **High-cost fats and oils inventory burden exists until 1H**
- **Recovery of dining out demand from reduced telecommuting/increased outdoor activities**



- **Growing demand for consumer health-targeting products**
- **Growth stagnates due to intensifying competition in existing processed meat channels**

### Strategy Directions (2H)

- **Facilitate mega brands like Xylitol and Pepero**
- **Expand health & wellness product lineup in 2H**
- **Expand sales of three ZERO products released in 1H, reinforce products to respond to competitors**
- **Maximize efficiency in handling peak season quantities**
- **Normalize fats & oils profitability**  
(recover sales based on sales capacity)
- **Expand new sales transactions of non-food fats & oils**
- **Continuously respond to health & wellness trends in 2H**  
Plant-based milk / chicken breast sausage · low-fat canned ham, etc.
- **Expand distribution through processed meat cross-sales**

# Business Strategy \_ Health & Wellness

- Building a sustainable portfolio through health & wellness brand design optimized for consumer needs in terms of taste, nutrition and wellness
- Improve GP margin by more than doubling sales proportion by 2027 (Cumulative total as of Jun. 2023: 7.5%<sup>1</sup> → 2027: 16 ~ 25%)



## 1 Reducing harmful ingredients

Launched ZERO brand products



Increased low-sugar ZERO brand products



Ham (low-sodium)



Snacks (Baked/Rice)



- ⊙ Increase low-harmful ingredient products  
Reduced ingredients that may be harmful when consumed excessively (sugar, sodium, fat, etc.)

## 2 Containing healthy ingredients

Sausage (chicken breast)



Healthy beverages (Protein/Nutrient-enriched)



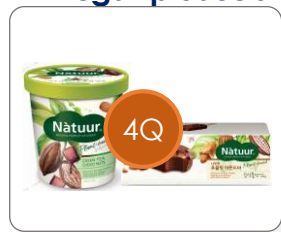
- ⊙ Expand nutrient-enriched products  
Increased content of beneficial ingredients (protein, etc.)
- ⊙ Secure functional care foods  
Products helping chewing and digestion

## 3 Plant-based/Organic

Increase V-bread brand



Increase Natur VEGAN products



Plant-based milk



- ⊙ Increase sustainability-oriented products  
Expand plant-based, organic, eco-certified, alternative meat products

Note1. Health & wellness brand sales composition ratio calculated compared to 2023 domestic sales

Note2. Image and schedule of products to be released are subject to change

# Business Strategy \_ Global Business

- Focus on strengthening the competitiveness of overseas subsidiaries for the globalization of the Lotte brand
  - Increase market dominance and pursue continued growth in India

## Status in India



- ✓ Emerging as a country with the world's largest population and improving productivity/consumption
- ✓ Established global top 5 economic scale, expected to become the third largest economy in 2027
- ✓ Forecasted annual average growth of around 10% based on continued growth of the domestic market

[News Press in Domestic]

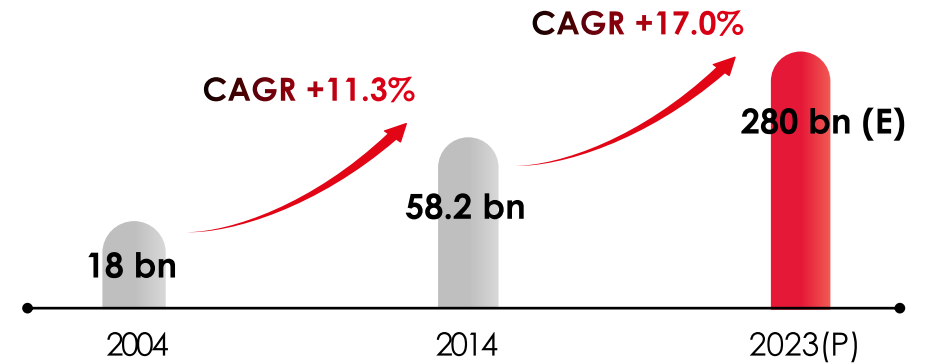
**Lotte Choco Pie is No.1 in India...Lotte's strategy to beat Orion**

**Lotte Choco Pie tops in India...  
Lotte takes up Nine out of Ten Choco Pies**

**Lotte Wellfood spreads K-ice cream to India...  
Havmor expands Portfolio**



## Major Strategies for India



- ✓ Established Lotte India in 2004 → Strengthened its market leader position
- ✓ No. 1 ice cream in Havmor western region → Expand coverage nationwide

<b>Brands</b>	Confectionery: Expand distribution of Lotte Choco Pie, solidify market leading position Ice cream: Increase World Cone, release Megaton (Apr. 2023)
<b>Investment</b>	Confectionery: Build third Lotte Choco Pie line (Sep. 2023) Ice cream: Build and operate new factory in Pune (Mar. 2024)
<b>Mid-to-long-term To-Be</b>	Continue expansion of Lotte Brand, increase market dominance Seek operational efficiency and expand synergy between subsidiaries

# Business Strategy \_ Global Business

- Secure rapid and continuous globalization opportunities based on K-Snacks and K-Foods categories
- Achieve 30-50% of overseas sales by 2027

## Direction

## Overseas Business Strategies

Expand overseas sales by utilizing K-Culture



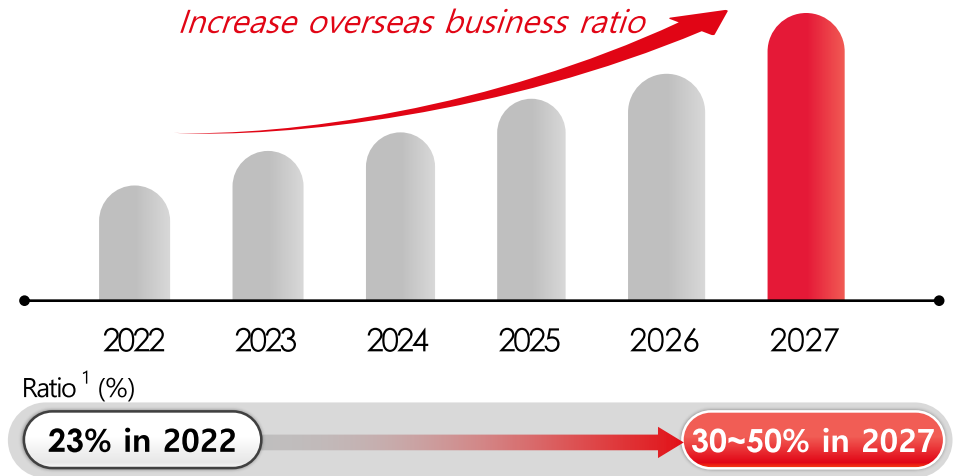
### Expand export business categories and competitiveness

- Increase existing confectionery + food categories (HMR, frozen, canned ham, etc.)



### Enter new global markets and expand business

- Enter new markets based on a diversified business portfolio



Expand new categories	<ul style="list-style-type: none"> <li>• Reinforce global business capabilities based on K-Snacks and K-Foods categories                     <ul style="list-style-type: none"> <li>– Review overseas market entry by associating with food business products</li> </ul> </li> </ul>
Expand new regions	<ul style="list-style-type: none"> <li>• Increase markets and improve profitability through global M&amp;A expansion                     <ul style="list-style-type: none"> <li>– M&amp;A in emerging countries → Review M&amp;A in developed countries (USA, Europe, etc.)</li> </ul> </li> </ul>

Note1. Ratio calculated by adding the performances of overseas subsidiaries and imports

# Business Strategy \_ PMI (Post - Merger Integration)

- Established a dedicated PMI organization in 2023 to **accelerate implementation of company-wide “Operational Excellence”**

## Short-term Strategies

### PMI Activities

**Consolidate of ice cream organizations and unify business partners**

- Reduce distributor incentives/fee

**Optimize product SKU operations**

- Reduce 46 ice cream operations (compared to Dec. 2022)

**Increase synergy by integrated purchasing of raw materials**

- Optimize and integrate similar raw material SKU

### ZBB Activities

**Actively improve ZBB-based profitability**

- Normalize selling prices and strengthen management
- Improve production efficiency through in-house conversion
- Review divestment of inefficient businesses

## Mid-to-long-term Strategies

### Manufacturing

**Reduce fixed costs through integrated factory operation**

- Relocated Yeongdeungpo Plant dry/ice confectionery lines
- Processed meat /HMR: Synergy from plant integration

**Secure cost competitiveness by investing in automation**

### Logistics

**Integrate regional base centers and automate facilities**

- Completed integration of duplicate warehouses (▲6 warehouses)
- Confectionery: Built Incheon RDC / Pyeongtaek CDC
- Ice cream: Anseong CDC to start construction in 3Q 2023

**“Increase profitability by streamlining redundant functions and cost efficiency and comprehensively improve corporate structure “**

**Streamline support operations**

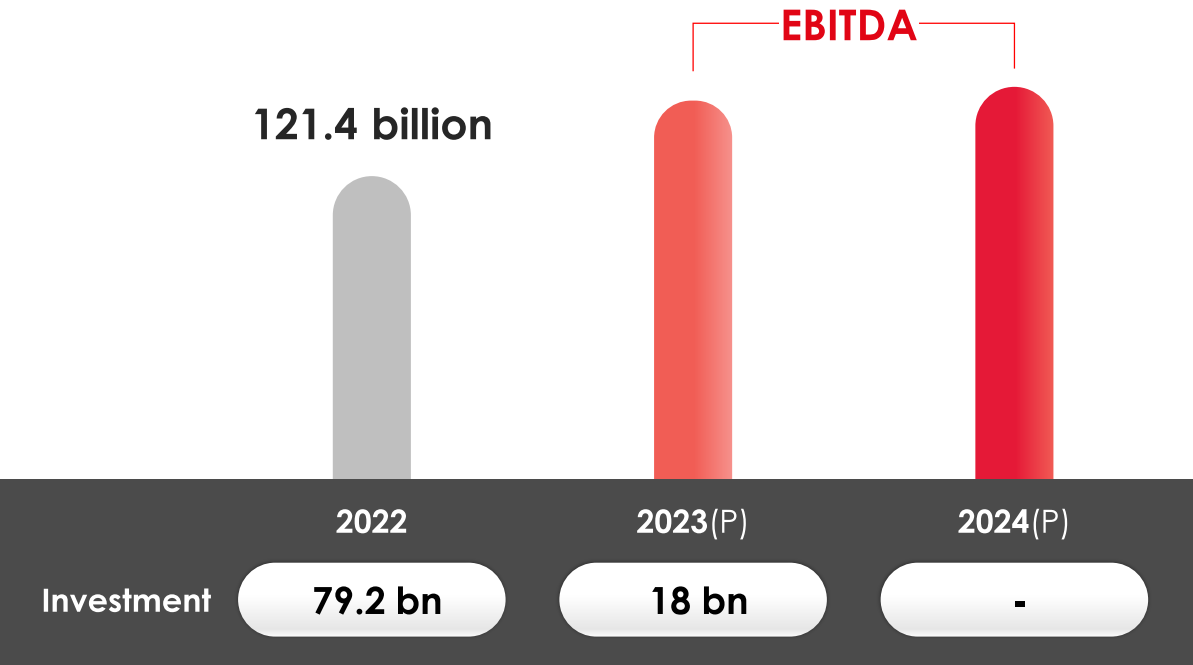
**Reform business operation structure**

**Secure infrastructure competitiveness**

Note1. This plan is subject to change depending on the company's circumstances.

# Capex / Financial Highlights

## Capex plan (domestic)



### 1 Stabilization of subsidiaries ➔ Gradual reduction of investment

- Investment in 2022 : 12 billion in Russia, 29.8 billion for the 3rd Choco Pie line in India, new business, etc.

### 2 Plans to make stable investment by considering cash flow

- Establish strategy based on scenarios with increased volatility in the capital market.

## Financial Highlights

### Credit rating

Long term

**AA**  
Stable

Short term

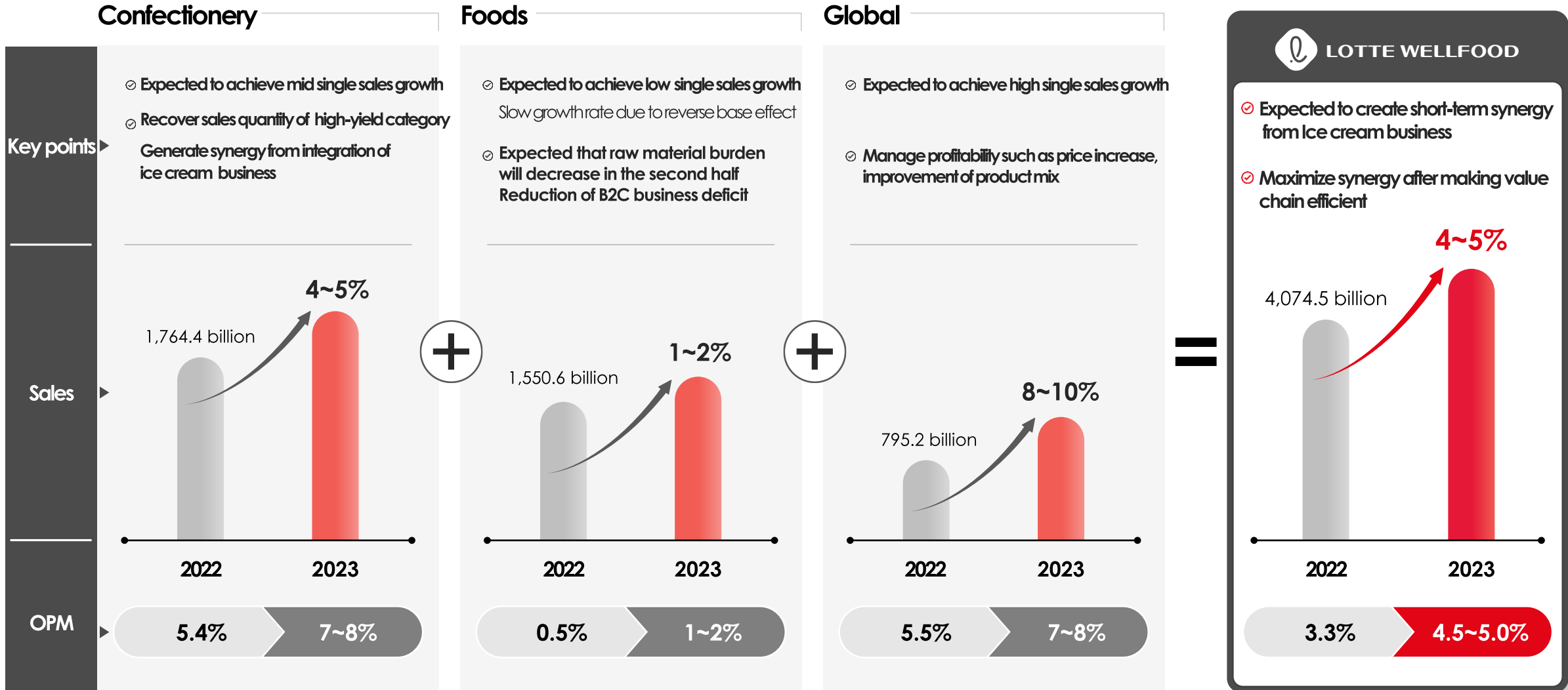
**A1**

	End of Dec. 2022	End of Jun. 2023
Assets	4,105.3 Bn	4,170.7 Bn
Stockholders' Equity	2,111.6 Bn	2,125.1 Bn
Liabilities	1,993.6 Bn	2,045.6 Bn
Total Debt	1,247.3 Bn	1,297.4 Bn
Net Debt	846.4 Bn	840.8 Bn
(Debt Ratio)	94.4%	96.3%
(Total Debt Ratio)	31.3%	31.1%
Sales	4,074.5 Bn	2,000.2 Bn
Operating Profit	135.3 Bn	672 Bn
(OPM)	3.3%	3.4%
<b>Annual Basis</b> EBITDA	318.6 Bn	319.2 Bn

Note1. Cumulative profit and loss as of Dec. 2022. Based on Pro-Forma after merger.

Note2. Calculation method of 2023 annual basis EBITDA is doubling of the 1H23.

# 2023 Guidance



Note1. The data is based on Pro-Forma after merger.

## Conclusion

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



**Lotte Wellfood. IR**

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# Sustainability

- Actively implementing ESG activities by setting **Wellness for Planet, People, and Company** as the company's core values to create sustainable value

## Recognition of Major ESG Activities

- Obtained 'Grade A' in ESG evaluation by Korea Institute of Corporate Governance and Sustainability (KCGS) for four consecutive years
- Received a commendation from the Minister of Trade, Industry, and Energy, a government award for contribution to sustainable management, in 2022
- Received the 'Minister of Environment Award' as an outstanding K-EV100 (Conversion to Korean-style zero-emission vehicle 100) Company
  - Converted the largest number of zero-emission vehicles in the commercial sector among the 332 companies declaring K-EV100
  - 478 vehicles in 2021 → 171 vehicles in 2022 → Plan to convert 138 vehicles in 2023
- Joined the global RE100 and declared the promotion of using 100% renewable energy by 2040



Dec. 2022



Mar. 2023



Apr. 2023

## Recent Achievements by Sector

E

- Eco-friendly packaging using water-based ink without plastic applied to 'Custard'**
  - Received the 'Minister of Environment Award' at the 12th Green Packaging Contest
  - The expected amount of ink/organic solvent reduction to be about 100 tons/year



S

- Renewed ISO45001 (ISO certification for safety and health management system) integrated corporation qualification**
  - Obtained safety and health management system certification for the first time in the confectionery industry in 2021
  - Established a mid-to-long-term roadmap for safety and health by hiring external experts and executives in 2022

G

- Obtained ISO37301 (ISO certification for standard compliance management system) for the first time**
  - Established a solid compliance management system with ISO37001 acquired in 2019
  - Exerted efforts, including declaring anti-corruption policies, fostering internal auditors, and building a management system

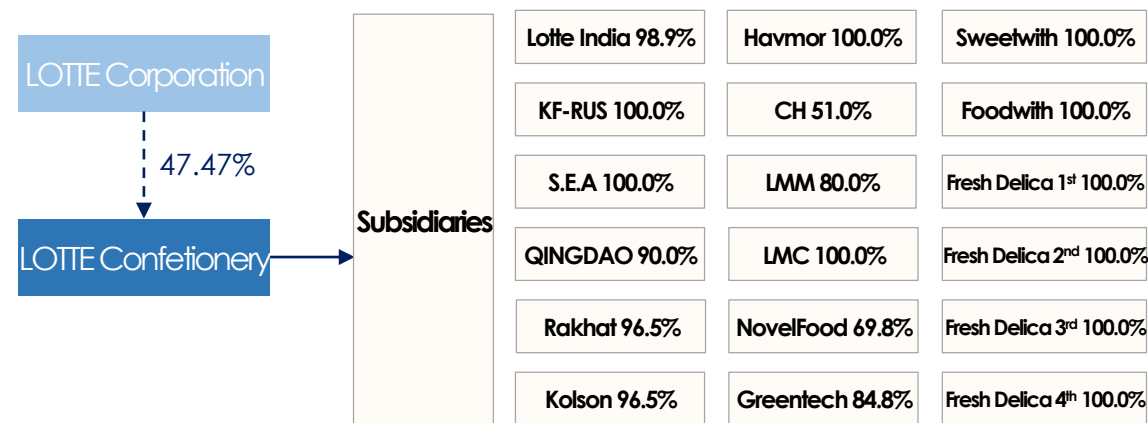
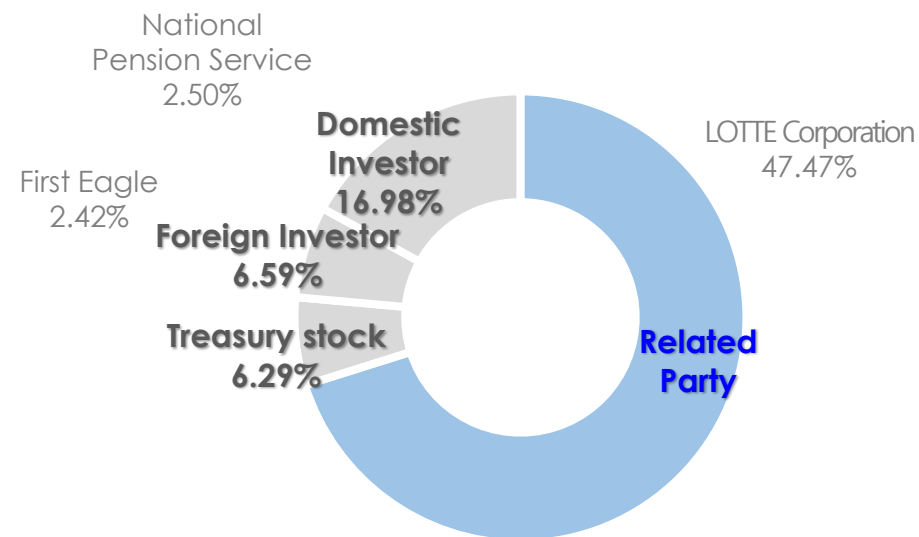
# Appendix Company Overview

## General Information

- Established : Mar 24, 1967
- Credit Ratings : AA/Stable, A1
- Main Business : Total Food Company
- Homepage : <https://www.lottewellfood.com>
- Production : Domestic 17 / Overseas 21
- Shareholders : As of Jun 30, 2023

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, Chang yeop	1,050	0.01
Lee, Young goo	1,000	0.01
Others	1,304	0.01
<b>Related Party Total</b>	<b>6,617,593</b>	<b>70.14</b>
Treasury stock	593,307	6.29
Others	2,223,674	23.57
<b>Total</b>	<b>9,434,574</b>	<b>100.00</b>

## Shareholding Structure



# Appendix\_Dividends

	2019		2020		2021		2022	Remarks
	Confectionery	Foods	Confectionery	Foods	Confectionery	Foods	Well Foods	
<b>Par Value</b> (KRW)	500	5,000	500	5,000	500	5,000	500	
<b>Price</b> (KRW)	149,500	413,000	102,000	331,500	120,500	344,500	122,500	· Closing Price
<b>Net profit</b> (100 million KRW)	381	375	410	702	349	▲10	470	· Domination shares
<b>Cash Dividends</b> (100 million KRW)	83	109	103	109	103	99	203	· DPS x number of shares
<b>DPS</b> (KRW)	1,300	12,000	1,600	12,000	1,600	10,000	2,300	
<b>Dividend Rate</b>	260%	240%	320%	240%	320%	200%	460%	· DPS ÷ Par Value
<b>Dividend Yield</b>	0.9%	2.9%	1.6%	3.5%	1.3%	2.8%	1.8%	· DPS ÷ Price
<b>Dividend Rate</b>	21.90%	29.10%	25.03%	15.55%	29.40%	-	43.23%	· Cash Dividends ÷ 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\_2Q23 Consolidated Financial Statements (disclosure basis)

## Income Statement

(Unit : 100 million KRW, %)

	2Q					
	2022		2023		YoY	
	KRW	%	KRW	%	KRW	%
Sales	5,678	100.0	10,406	100.0	4,728	83.3
G.P	1,909	33.6	2,904	27.9	995	52.1
SG&A	1,660	29.2	2,418	23.2	758	45.7
O.P	250	4.4	486	4.7	236	94.6
R.P	403	7.1	244	2.3	▲159	▲39.6
N.P	300	5.3	124	1.2	▲176	▲58.7

## Balance Sheet

(Unit : 100 million KRW, %)

	2022.12.31	2023.06.30	QoQ
Current assets	14,490	14,765	275
Non current assets	26,563	26,942	379
<b>Total assets</b>	<b>41,053</b>	<b>41,707</b>	<b>654</b>
Current liabilities	9,211	9,029	▲182
Non current liabilities	10,725	11,427	702
Borrowings (a)	12,473	12,974	501
<b>Total liabilities (b)</b>	<b>19,936</b>	<b>20,456</b>	<b>520</b>
Share capital	47	47	-
<b>Total equity (c)</b>	<b>21,116</b>	<b>21,251</b>	<b>135</b>
Debt to equity ratio (b/c)	94.4	96.3	1.9P
Borrowings to total equity ratio (a/c)	59.1	61.1	2.0P

# Appendix\_2Q23 Parent Financial Statements (disclosure basis)

## Income Statement

(Unit : 100 million KRW, %)

	2Q					
	2022		2023		YoY	
	KRW	%	KRW	%	KRW	%
Sales	3,762	100.0	8,415	100.0	4,653	123.7
G.P	1,384	36.8	2,336	27.8	952	68.8
SG&A	1,248	33.2	1,986	23.6	738	59.1
O.P	136	3.6	350	4.2	214	158.2
R.P	155	4.1	262	3.1	107	68.7
N.P	127	3.4	187	2.2	60	46.8

## Balance Sheet

(Unit : 100 million KRW, %)

	2022.12.31	2023.06.30	QoQ
Current assets	10,805	11,187	382
Non current assets	26,780	26,840	60
<b>Total assets</b>	<b>37,585</b>	<b>38,026</b>	<b>441</b>
Current liabilities	7,751	7,569	▲182
Non current liabilities	9,615	10,272	657
Borrowings (a)	11,539	12,101	562
<b>Total liabilities (b)</b>	<b>17,366</b>	<b>17,841</b>	<b>475</b>
Share capital	47	47	-
<b>Total equity (c)</b>	<b>20,218</b>	<b>20,185</b>	<b>▲33</b>
Debt to equity ratio (b/c)	85.9	88.4	2.5P
Borrowings to total equity ratio (a/c)	57.1	60.0	2.9P

# Appendix\_Sales Breakdown

(Unit : 100 million KRW)

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
<b>Sales</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>10,343</b>	<b>9,684</b>	<b>10,492</b>
<b>Confectionery</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>	<b>4,266</b>	<b>4,104</b>	<b>4,729</b>
Confectionery	2,650	2,333	2,489	2,606	2,523	2,258	2,392	2,585	2,391	2,251	2,529	2,911	2,656	2,504
Ice Cream	908	1,773	1,901	859	1,084	1,755	2,088	930	1,139	1,758	2,085	922	1,068	1,854
Bakery	250	230	231	271	265	269	283	324	280	308	332	368	302	305
<b>Global</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>	<b>2,271</b>	<b>1,909</b>	<b>2,077</b>
Kazakhstan	448	377	435	523	389	380	437	548	423	505	592	817	656	669
Pakistan	200	235	218	214	197	231	216	211	201	216	219	201	158	158
Belgium	221	101	225	348	213	146	255	378	206	133	260	310	191	89
India(Conf)	144	109	166	163	168	109	198	194	210	198	270	250	255	224
India(Ice)	166	117	168	137	249	240	287	218	311	602	356	275	351	637
China	35	47	49	55	54	59	54	63	42	41	39	40	8	0
Russia	133	108	145	134	115	108	143	159	122	190	232	262	193	187
Singapore	26	15	29	34	31	28	27	30	25	27	29	32	31	34
Myanmar	73	71	74	82	59	78	81	86	67	77	88	83	66	79
<b>Foods</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>3,601</b>	<b>4,068</b>	<b>4,031</b>	<b>3,806</b>	<b>3,671</b>	<b>3,686</b>
B2B	1,508	1,514	1,546	1,512	1,518	1,677	1,673	1,806	1,850	2,309	2,072	1,994	1,880	1,897
Fats&Oils	898	898	925	953	954	1,058	1,054	1,179	1,248	1,598	1,344	1,285	1,178	1,142
Food materials	610	616	621	559	564	619	620	627	602	711	728	709	702	755
B2C	1,640	1,572	1,800	1,556	1,673	1,606	1,767	1,618	1,731	1,735	1,941	1,793	1,773	1,771
Pasteur	509	484	489	460	480	495	469	455	472	468	444	459	444	459
Processed Meats	678	600	774	543	675	577	720	586	684	620	790	655	682	613
HMR	453	488	537	553	518	534	578	577	575	647	707	679	647	698

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

# Appendix \_ Average Exchange Rate

(Unit : KRW/Local currency)

Country	Jan ~ Mar				Jan ~ Jun			
	2021	2022	2023	YoY(%)	2021	2022	2023	YoY(%)
<b>Kazakhstan</b> (KZT)	2.65	2.64	2.80	6.1	2.63	2.74	2.86	4.4
<b>Pakistan</b> (PKR)	7.02	6.79	4.92	▲27.5	7.15	6.63	4.77	▲28.1
<b>Belgium</b> (EUR)	1,342.62	1,352.44	1,368.51	1.2	1,346.83	1,346.94	1,399.88	3.9
<b>India</b> (INR)	15.28	16.02	15.51	▲3.2	15.24	16.18	15.75	▲2.7
<b>China</b> (CNY)	171.95	189.64	186.18	▲1.8	172.75	190.04	186.80	▲1.7
<b>Russia</b> (RUB)	14.96	14.06	17.43	24.0	15.04	16.59	16.83	1.4
<b>Singapore</b> (SGD)	836.13	891.11	956.81	7.4	838.79	903.02	969.23	7.3
<b>Myanmar</b> (MMK)	0.84	0.68	0.61	▲10.8	0.84	0.70	0.62	▲11.0

# Appendix\_Current Exchange Rate

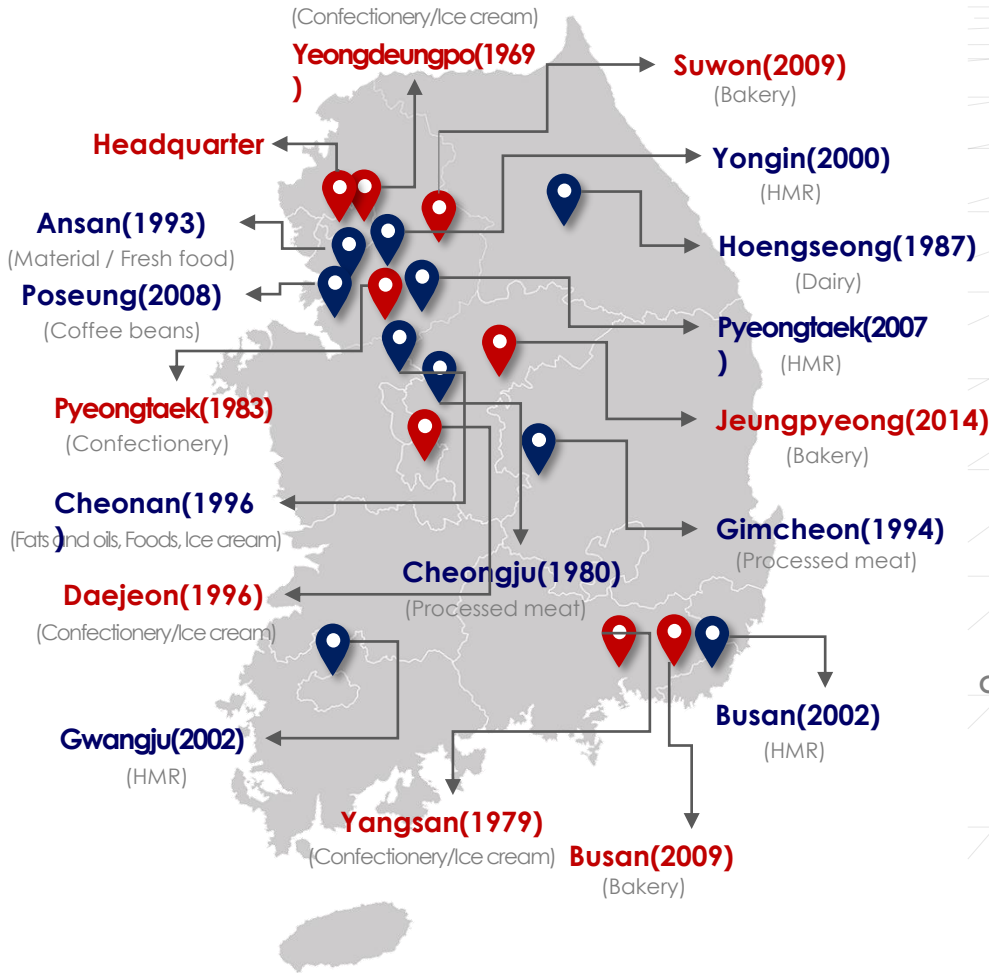
(Unit : KRW/Local currency)

Country	End of Dec. 2022	End of Mar. 2023	QoQ(%)	End of Jun. 2023	QoQ(%)
<b>Kazakhstan</b> (KZT)	2.75	2.89	5.1	2.89	0.0
<b>Pakistan</b> (PKR)	5.59	4.60	▲17.7	4.58	▲0.4
<b>Belgium</b> (EUR)	1,351.20	1,421.53	5.2	1,426.55	0.4
<b>India</b> (INR)	15.31	15.88	3.7	16.00	0.8
<b>China</b> (CNY)	181.44	189.13	4.2	181.05	▲4.3
<b>Russia</b> (RUB)	16.90	16.87	▲0.2	15.11	▲10.4
<b>Singapore</b> (SGD)	943.11	982.04	4.1	967.96	▲1.4
<b>Myanmar</b> (MMK)	0.60	0.62	3.2	0.63	1.6

# Appendix Locations

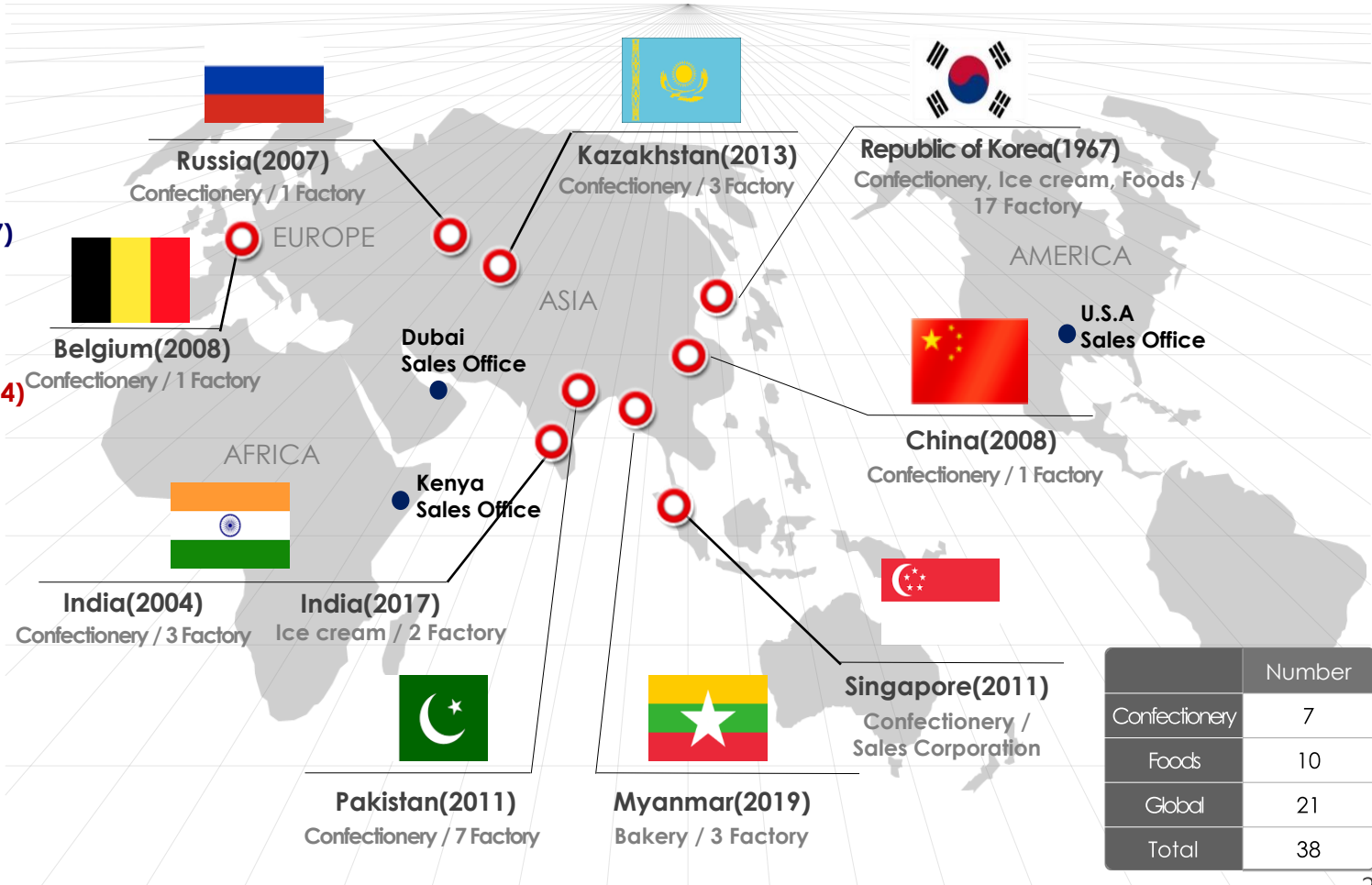
## Domestic

**Headquarter** : 10, Yangpyeong-ro 21-gil, Yeongdeungpo-gu, Seoul  
**Factory** : Confectionery 7 (Yeongdeungpo, Daejeon, Yangsan, etc.)  
**Foods** 10 (Cheonan, Hoengseong, etc.)

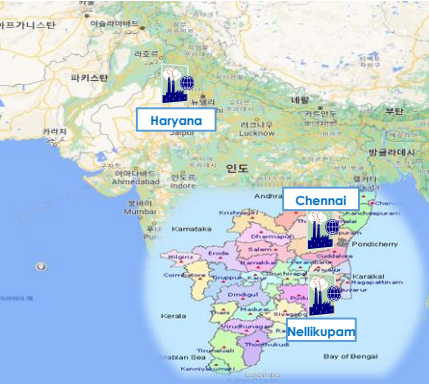

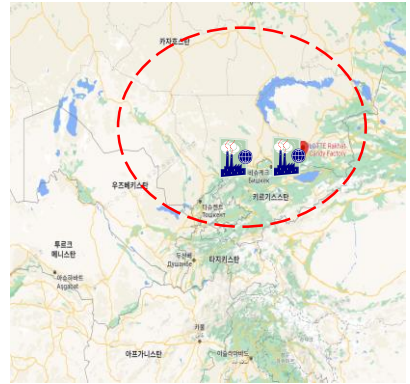


## Overseas



**Overseas** : 8 Nations (Kazakhstan, Pakistan, Belgium, India, Russia, Myanmar, China, Singapore)  
**Factory** : 21 (Kazakhstan 3, Pakistan 7, Belgium 1, India(Conf) 3, India(Ice) 2, Russia 1, Myanmar 3, China 1)



# Appendix\_Overview of Main Subsidiaries

	India	Kazakhstan	
Status	<p><b>LOTTE INDIA</b> The first subsidiary of Confectionery</p>  <p><b>Acquisition (M&amp;A)</b> : May 2004</p> <p><b>Ownership</b> : 98.9%</p> <p><b>Number of employees</b> : 590</p> <p><b>Number of business establishments</b> : 3</p> <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 (Spout) are sold throughout India</li> <li>• Have 1,400 distributors and 5,000 sub distributors</li> </ul>	<p><b>HAVMOR</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> <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>	<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> <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>
	Business Strategy	<ul style="list-style-type: none"> <li>• Securing No.1 market position of Choco pie                             <ul style="list-style-type: none"> <li>- To be established Choco pie 3<sup>rd</sup> line in 2023</li> </ul> </li> <li>• To be released domestic LOTTE mega brand products in India                             <ul style="list-style-type: none"> <li>- Pepero, etc</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Released domestic LOTTE mega brand products in India                             <ul style="list-style-type: none"> <li>- Launched and sold "Worldcone" (Sep 2021)</li> <li>- Launched "Snow Ice" on test marketing (May 2022)</li> </ul> </li> <li>• To be established 3<sup>rd</sup> factory in Pune region by 2024                             <ul style="list-style-type: none"> <li>- 70 billion investment for 5 years (internal financing)</li> </ul> </li> </ul>

# Appendix \_ Overview of Main Subsidiaries

	Russia	Belgium
	<p><b>KF RUS</b>      The first subsidiary in CIS countries</p>	<p><b>GUYLIAN</b>      The first subsidiary in Western Europe</p>
<b>Status</b>	 <p><b>Acquisition (Greenfield investments) : Mar 2007</b></p> <p><b>Ownership : 100%</b></p> <p><b>Number of employees : 332</b></p> <p><b>Number of business establishments : 3</b></p> <ul style="list-style-type: none"> <li>• Establish a sales corporation in 2007 and production corporation in 2008 → Combine sales and production corporations in 2012</li> <li>• Operate products such as Crunch Candy and Choco Pie</li> <li>• Expand production capacity by building the 3<sup>rd</sup> line of Choco Pie in Nov, 2021</li> <li>• Gain reflective profits due to global companies withdraw from Russian-Ukraine conflict</li> </ul>	 <p><b>Acquisition (M&amp;A) : Jul 2008</b></p> <p><b>Ownership : 51%</b></p> <p><b>Number of employees : 192</b></p> <p><b>Number of business establishments : 1</b></p> <ul style="list-style-type: none"> <li>• Operate sales corporations in Europe and the United States</li> <li>• Mainly operate chocolate products and brands such as Seashells and Seahoreses</li> <li>• Expand sales channels through premium brand differentiation and renewal</li> </ul>
<b>Business Strategy</b>	<ul style="list-style-type: none"> <li>• Expand market share of the LOTTE mega brand such as Choco pie</li> <li>• <b>Minimize the Impact of the Russian-Ukraine conflict</b> <ul style="list-style-type: none"> <li>- Stabilize supply and demand of raw materials and respond to exchange rate volatility</li> </ul> </li> <li>• Expand product line-up and sales coverage, Increase profits by increasing productivity</li> </ul>	<ul style="list-style-type: none"> <li>• Market positioning through Guylian brand renewal and reorganization</li> <li>• Vitalize travel, retail and duty-free channels</li> <li>• Focus on improving profitability and fundamental capabilities</li> </ul>

# Appendix\_ Overview of Main Subsidiaries

	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 Materials	Roasted coffee, RTD(Ready to drink), Set, etc					
	Additives, Chocolate, Processed food materials					
	Seasoning food, Agricultural products, Food ingredients, etc					
Pasteur	Milk, Dairy products, Baby food, etc					
Processed Meats	Ham, Sausage, Fish and meat, Set, etc					
HMR	Frozen food, Dumpling					

# Appendix\_ Overview of Main Subsidiaries

Corporation	Line-up	Brand / Product	Note
	Kazakhstan (Rakhat)	Choco, Biscuit, Candy	
	Pakistan (Kolson)	Snack, Pasta, Biscuit, Gum	
	Belgium (Guylian)	Chocolate (Guylian brand, Private brand)	
	India Conf. (Lotte India)	Pie, Candy, Gum	
	India Ice. (Havmor)	Ice Cream (Bulk, Bar, Cone, Cup, etc.)	
	Russia (KF-RUS)	Pie, Candy, Pepero	
	Myanmar (L&MM)	Bakery (Mass-produced bread, Artisan bread)	
	China (QINGDAO)	Pie, Biscuit, Candy	
	Singapore (S.E.A)	Sales Corporation (Import and sales of domestic product)	