



Corporate Value-up Plan

2024.10.17





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1. Company Overview

General Information

Company Name	· Lotte Wellfood
Stock Market (Stock Code)	· 280360
CEO	· Paul Yi
Establishment Date	· April 3, 1967
Address	· 10 Yangpyeong-ro 21-gil, Yeongdeungpo-gu, Seoul
Website	· https://www.lottewellfood.com/
Industry	· Food Manufacturing, Processing, Sales, and Import Sales
Fiscal Month	· December
Credit Rating	· AA0 Stable (Corporate Bond) · A1 (CP)

Major History

2023	Change Corporate Name to Lotte Wellfood
2022	Merger of Lotte Confectionery - Lotte Foods (July 1)
2017	Spin-off and re-listing from Lotte Holdings (October 1)
2013	Merger with Lotte Ham
2004	Entry into the Indian market for the first time through the acquisition of the Indian confectionery company Parry's
1967	Establishment of Lotte Confectionery (April 3)

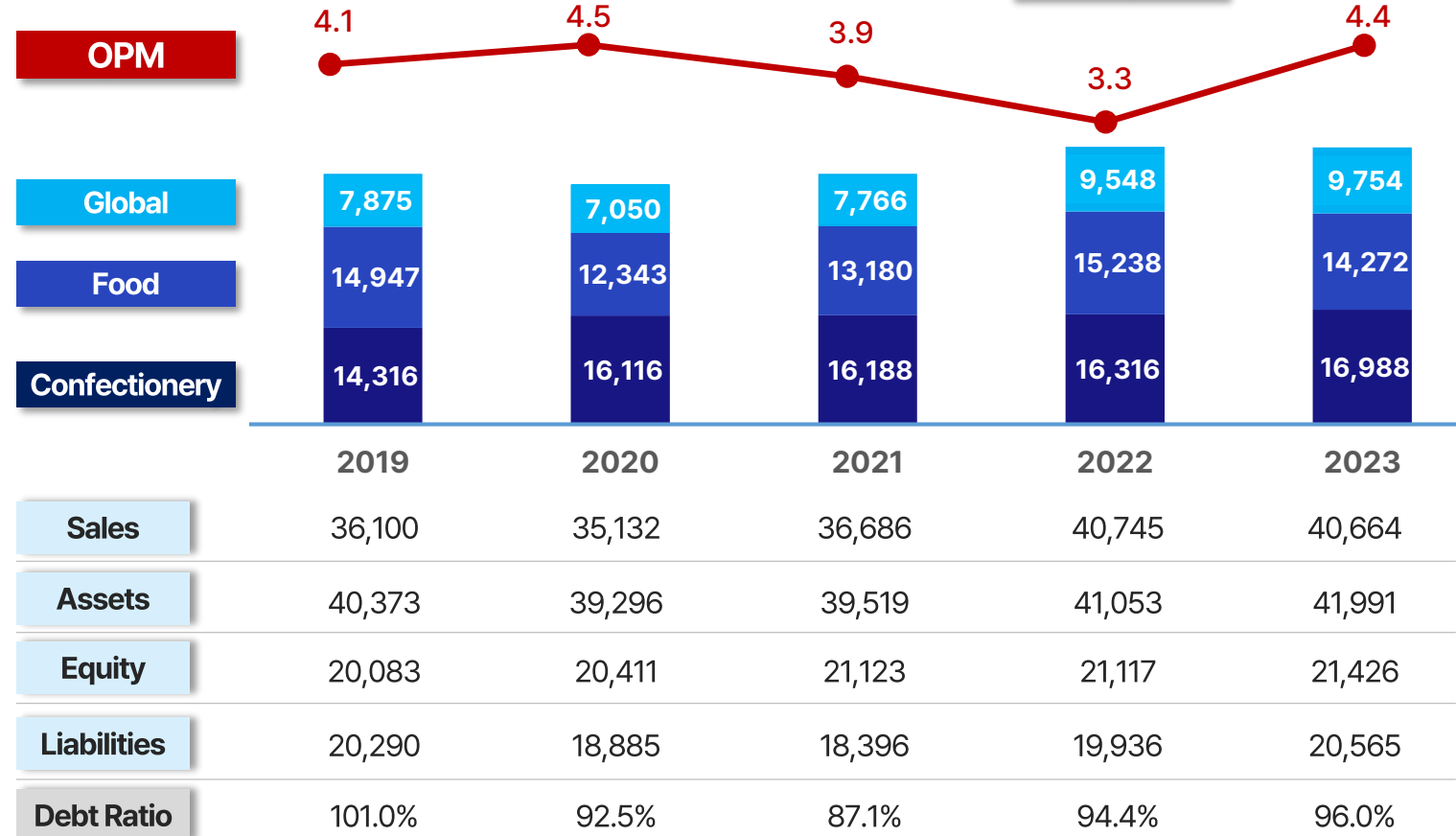


1. Company Overview

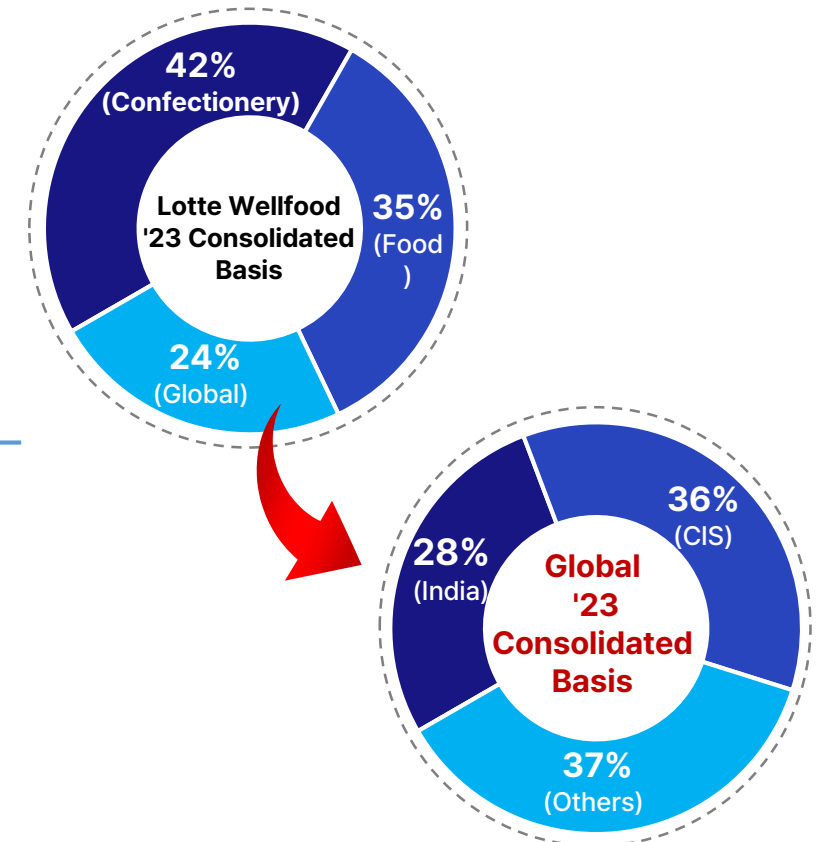
[Unit: 100 million KRW, %]

Sales and Operating Profit Margin

Market Situation



Sales Composition



* Based on Pro-Forma from '19 to '22, Global: Including Exports



1. Company Overview

| Business Lines |

Confectionery

- Annual sales of 1.7 trillion KRW in 2023
- Confectionery, Ice cream, Bakery

Food

- Annual sales of 1.4 trillion KRW in 2023
- B2B: Fats & Oils, Food Materials, etc.
- B2C: Processed Meats, Dairy, HMR

Global (including export)

- Annual sales of 1.0 trillion KRW in 2023
- Operating 8 overseas subsidiaries in 7 countries – India, Kazakhstan, Russia, Belgium, etc.

| Major Factory & Current Status |

Domestic		Global
16	Factories	20
36		
2,900	Production Staff	5,300
8,200		
550	Production (Ktons)	200
750		
250	Lines	120
370		

| Key R&D Capabilities (Lotte R&D Center) |

People

- 439 outstanding personnel
- Approximately 67% of personnel with Master's/PhD degrees

Intellectual Properties

- 262 registered patents
- 44 utility models/designs

Mega Hit Products

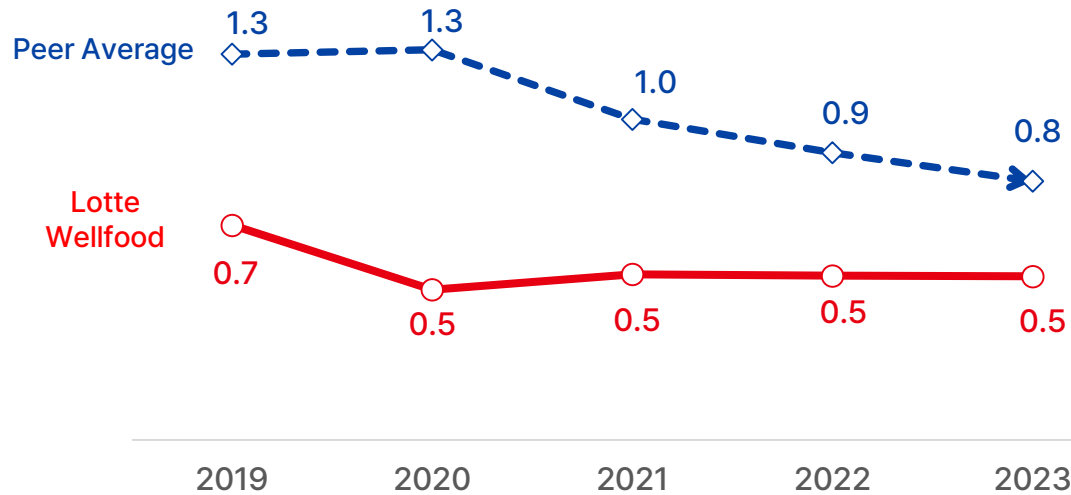
- Development of 194 mega hit products
- Mon Cher, PEPERO, World Cone, etc.



2. Current Status Analysis

PBR Trends and Analysis of Undervaluation Factors

Past 5-Year PBR Trend



Past 5-Year ROE

	2019	2020	2021	2022	2023
LOTTE WELLFOOD	3.9%	5.7%	1.6%	3.0%	3.4%
Peer Average	8.8%	11.1%	7.7%	9.1%	9.7%

* Based on Pro-forma from '19 to '22

* Peers: CJ CheilJedang, Orion, Binggrae, Daesang, Dongwon F&B; same criteria for the entire report

'2023 Basis

PBR

Corporate Value
: Company valuation relative to net assets

Lotte Wellfood

Peer Average

0.53 < 0.84

=

PER

Growth Potential
: Growth Potential based on market expectations of net profit

15.5 > 9.3

X

ROE

Capital Efficiency
: Profitability relative to invested capital

3.4% < 9.7%



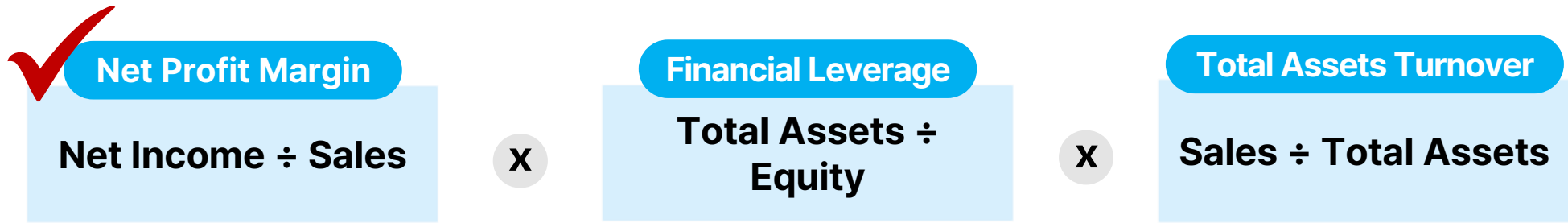
The PBR over the past 5 years has been continuously decreasing, and the PBR is relatively lower compared to peers → Impact of Low ROE



2. Current Status Analysis

| ROE Analysis |

2023 ROE Analysis (Capital Efficiency = Net Income ÷ Capital) ('23 3.4%, Peer Average 9.7%)



LOTTE WELLFOOD

1.7%

196%

97%

Peer Average

4.6%

176%

118%

Analysis Results

Low: Low-profit sales composition

High: Relatively efficient capital allocation

Low: Inefficient asset management

Lower net profit margin compared to peer companies, resulting in a low ROE

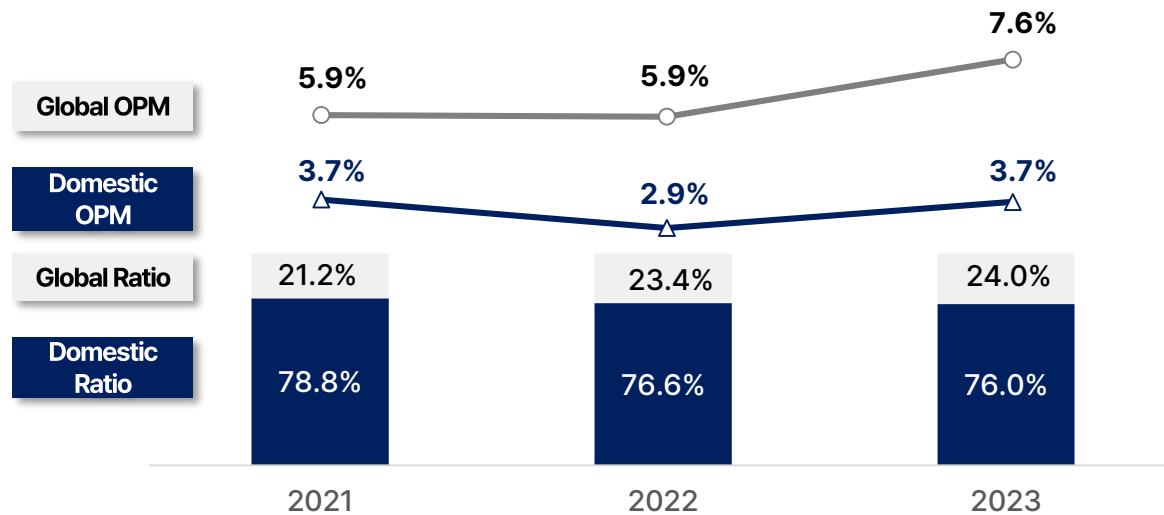
→ **Improvement in net profit margin** needed through strengthening the company's fundamentals (such as **expanding high value-added portfolios**)



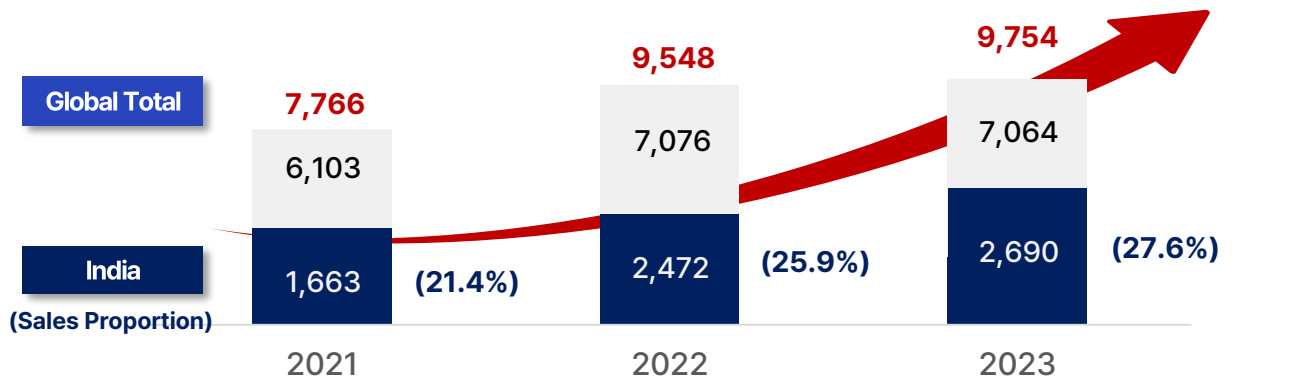
2. Current Status Analysis

Sales / Operating Analysis

✓ Domestic and Global Operating Profit Margin and Sales Ratio



✓ Global Sales Status [Unit: 100 million KRW]



* Based on Pro-Forma from '21 to '23, Global: Including Exports

Domestic

Current Status

- Due to entry into mature market → Domestic sales slowdown
- Intensified market competition, Low domestic OPM (Low value added / High cost)

Implications

- Need for transition to High-Profit Portfolio
- Need for cost improvement through enhancement of operational excellence

Global

Current Status

- Relatively lower global sales compared to domestic sales
- Sales in India - Continuously increasing trend

Implications

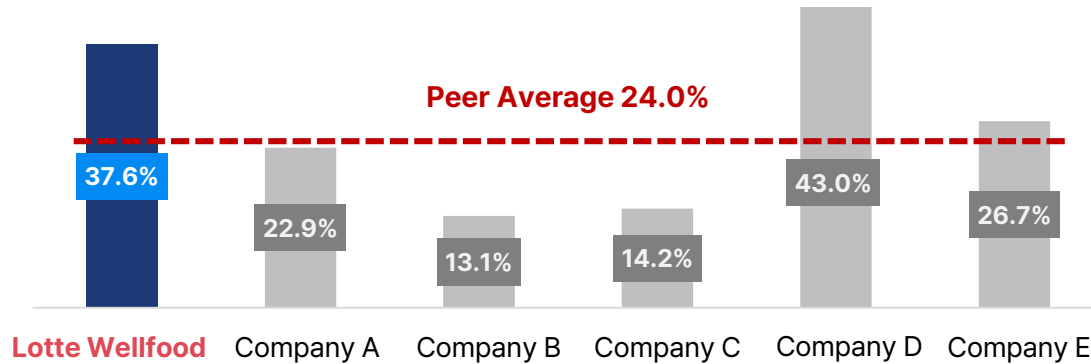
- Need for global sales expansion based on India with high growth potential
- Need for overseas expansion of mega brand



2. Current Status Analysis

Shareholder Return / ESG Management

'23 Shareholder Return Rate Status



- ✓ **Shareholder return rate at a higher level** compared to peer companies
- ✓ **The dividend per share** is 3,000 KRW/share, **showing a higher level compared to peer companies**
- ✓ **Continuous effort to sustain high shareholder return and dividend through profitability improvement**

- ✓ **Establishment and operation of ESG Committee (August 2021)**
- ✓ **ESG Performance**

RE 100



Joined RE100

(April 2023)



Received the Minister of Environment Award (March 2023)

- Transition to Korean-style Zero-Emission Vehicles
- Selected as an Excellent Company for K-EV100



한국ESG기준원



SUSTINVEST



Acquired ESG External Evaluation

- Korea ESG Standards Institute: B+
- MSCI: B
- SUSTINVEST: A
- CDP: B

✓ **Strengthening Active ESG Management to become a Global Food Company**

* Shareholder Return Rate = (Total Dividends for the Current Period + Acquisition Amount of Treasury Shares for the Current Period + Amount of Treasury Shares Retired for the Current Period(*)/Net Income for the Current Period*100
 (*) The amount of treasury shares retired is limited to the value of previously owned shares at the time of retirement (converted to amount at the closing price at the time of retirement)



3. Goal Setting and Planning

| Selection of Key Indicators |



2028

- ✓ ROE 8~10%
- ✓ Global Sales Proportion 35% ↑

- ✓ Average Shareholder Return Rate 35% (5 years)
* Refer to Appendix.1 for the definition of Shareholder Return Rate
- ✓ Interim Dividend Payout

- ✓ RE100 Carbon Neutrality ('40)
- ✓ Governance Indicator Compliance Rate 80% ↑

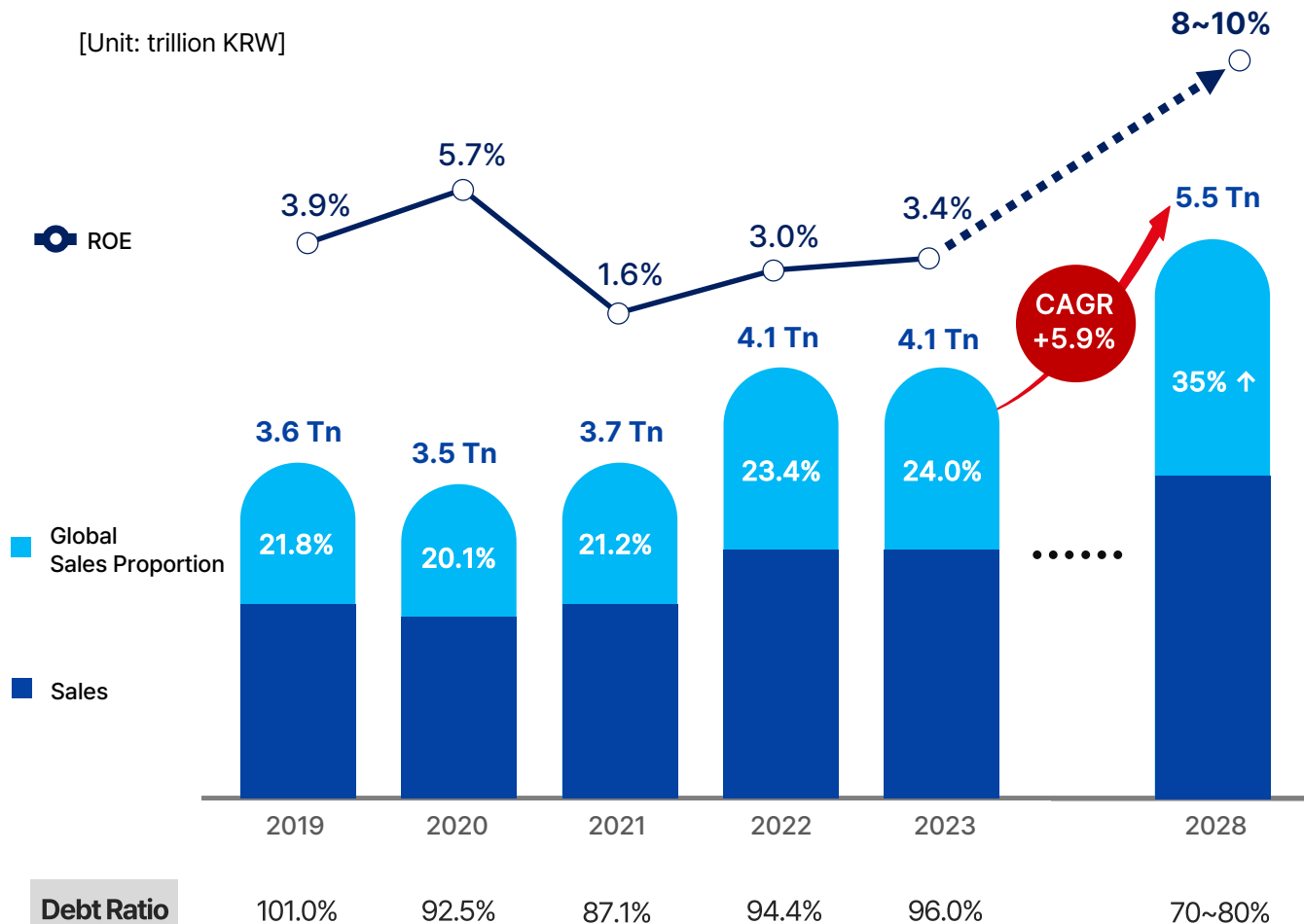
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3. Goal Setting and Planning

Selection of Key Indicators

[Unit: trillion KRW]



* Based on Pro-forma from '19 to '22, Global: Including Exports
 * S&OP: Sales & Operations Planning, HMR: Home Meal Replacement

1 Improvement of Domestic Profitability

- **Transition to High Value-Added Positioning**
 - Strengthening No.1 Position in Health & Wellness
 - Strengthening and Cultivate Premium Brand
- **Enhancement of Operational Excellence**
 - Optimization of Production/Logistics Infrastructure
 - Strengthening S&OP

2 Expansion of Global Sales Proportion (35% ↑)

- **Growth Based on One INDIA**
- **Strategic Utilization of Global Infrastructure**
- **Expansion of Lotte Brand in the Global Market**
 - Development of PEPERO as a Mega Brand
 - Securing Opportunities for Global Expansion of HMR

3. Goal Setting and Planning

① Improvement of Domestic Profitability

Transition to High Value-Added Positioning

Strengthening the No.1 Position in the Korean Health & Wellness Market

- Expansion of High Value-Added H&W Base
 - Adding H&W value to Big Brand



- Strengthening/Developing H&W-Oriented Brands
 - ZERO, Easy Protein, Joee, Theory of Sicsa, etc.

Strengthening and nurturing premium brands

- Premiumization of Ghana, Mon Cher
- Development of the semi-premium market for ice cream (premium shaved ice)

Pioneering new areas in the confectionery field

- Background: Changes in consumer eating patterns towards simple nutrition
 - Launch of a new confectionery brand to aid health and time management

Strengthening Operational Excellence

Production / Logistics Infrastructure Optimization

- Factory Integration – Closing of Jeungpyeong plant ('24.6), Cheongju plant, etc., for factory operation efficiency
- Building an automated logistics center hub
 - Investment in Cheonan, Pyeongtaek CDC, Incheon RDC, etc.
 - Responding to changes in population structure and urban concentration, logistics efficiency up through the readjustment of business bases

Strengthening S&OP

- Introduce predictive systems to optimize raw material procurement
- Using big data and machine learning to focus on customer-centric
 - Improving manufacturing/ logistics/ sales efficiency
- Optimize SKU management (demarketing) by minimizing low-performing products, etc.



3. Goal Setting and Planning

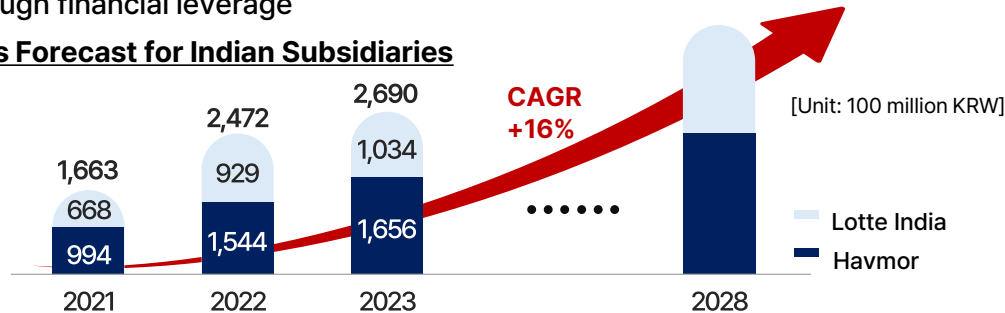
② Global sales expansion

One INDIA

Merger Synergy → Expansion of Regional Coverage

- Become a comprehensive confectionery company following the integration of the confectionery and ice cream business
- Becoming a national player through integration of regional bases and expansion of regional coverage in India
- Expansion of cash generation capability and securing a virtuous investment cycle through financial leverage

Sales Forecast for Indian Subsidiaries

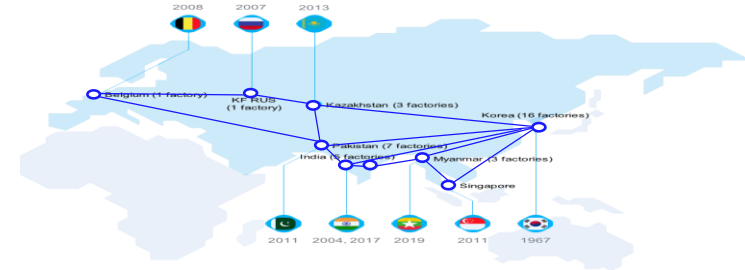


Continuous CAPEX Investment in Key Growth Regions

- Warehouse expansion and establishment of 4th line following Choco Pie expansion
- Responding to demand and expanding regional base and coverage through operation of Pune New Factory (ice cream)
- Development of LOTTE's 2nd Mega Brand (PEPERO) and introduction of new product Pig Bar

Strategic Utilization of Global Infrastructure

Establishment of Global Marketing System



- Mutual connection and integrated global system among overseas subsidiaries
 - Increase manufacturing efficiency by selecting production bases for each country
 - Strengthening global competence through sharing of products/resources/technology/expertise

Expansion of Market Dominance and Productivity Improvement

- Continue Region-specific strategies execution and expand coverage in key regions (India, CIS, etc.)
- Improve profitability through enhanced productivity and ZBB activities

3. Goal Setting and Planning

② Global sales expansion

Global Market Expansion of Lotte Brand

Developing PEPERO as a Mega Brand

- Global Expansion Strategy

Expansion during Korea's Off-Season and Introduction of Newness



K-Flavors Topping Lineup
(Injeolmi, Dalgona)



Diversification of Flavor Ingredients
(Fruits, Tea)

Overseas Production Base + Global Marketing



Utilization of Heat-Resistant Blends Targeting the Indian Domestic Market (Second Half of 2025)

Securing Key Bases in Southeast Asia Expansion into the Middle East Market

Expansion into the American Market, etc.

- Establishing the Identity of K-Representative Snack Brand in the Global Market
 - Building a K-Culture Expansion Collaboration Platform (Studio Dragon MOU)
 - Spreading the Sharing Culture of PEPERO Day (Korea Sweet Holiday Campaign)

Expansion of K-Snack's Global Entry

- Expansion of Kokalcorn's Global Market Entry (Australia, Kazakhstan)
- H&W Rice Snack Overseas Market Development (USA)

HMR Global Expansion Opportunity Secured

- Utilizing K-Culture, Entering the K-Foods Market and Expanding the Lineup
 - Launch of the global food brand 'Theory of SICSA', etc.
- Frozen Gimbap Main Channel Entry, Food Pairing Product Marketing
- Continuous Launch of Collaborative Products Using K-idol IP and Full-scale Overseas Expansion



Gimbap



Teokbokki

Healthy K-Wave Expansion: ZERO / Joee / Natuur

- ZERO export volume expansion and new launches through overseas subsidiaries
- Review of Introducing Additional Health & Wellness Brands



3. Goal Setting and Planning

Shareholder Return

✓ Average Shareholder Return Rate 35%

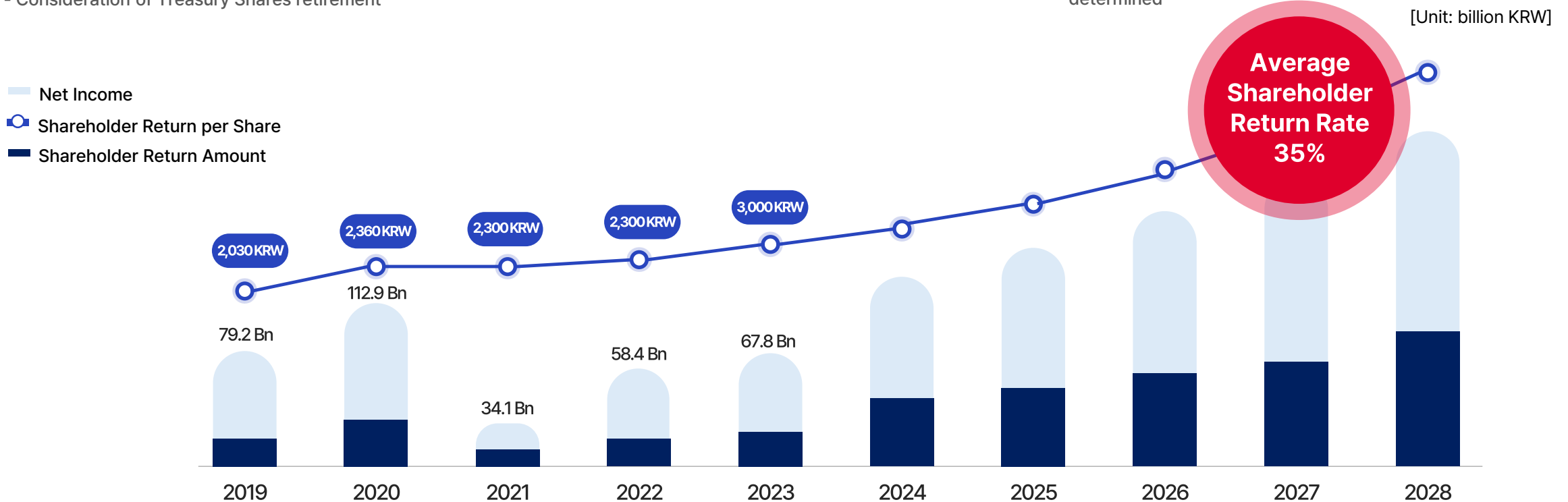
- Increase in Shareholder Returns Due to Profitability Improvement
- Consideration of Treasury Shares retirement

✓ Regular Interim Dividends Payout

- Early shareholder return through interim dividends payout

✓ Providing Dividend Predictability

- Changed in policy where the dividend base date is announced after the total amount of dividend payout is determined



* Based on '19~'22 Pro-forma

* Shareholder Return Rate = (Total Dividends for the Current Period + Acquisition Amount of Treasury Shares for the Current Period + Amount of Treasury Shares Retired for the Current Period(*)/Net Income for the Current Period*100

(*) The amount of treasury shares retired is limited to the value of previously owned shares at the time of retirement (converted to amount at the closing price at the time of retirement)



3. Goal Setting and Planning

| ESG Management |

Mission Become a total food company building a sustainable world through responsible practices

Vision Establish ourselves as a foodmate for sustainable wellness

Core Values

 [Healthy Planet] Wellness for Earth	 [Happy Society] Wellness for Society	 [Proper Governance] Wellness for Company
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Plan
 ✓ **Achieve RE100 (by 2040)**
 ✓ **Sweet Eco**
 Reducing plastic usage by 815 tons by 2025

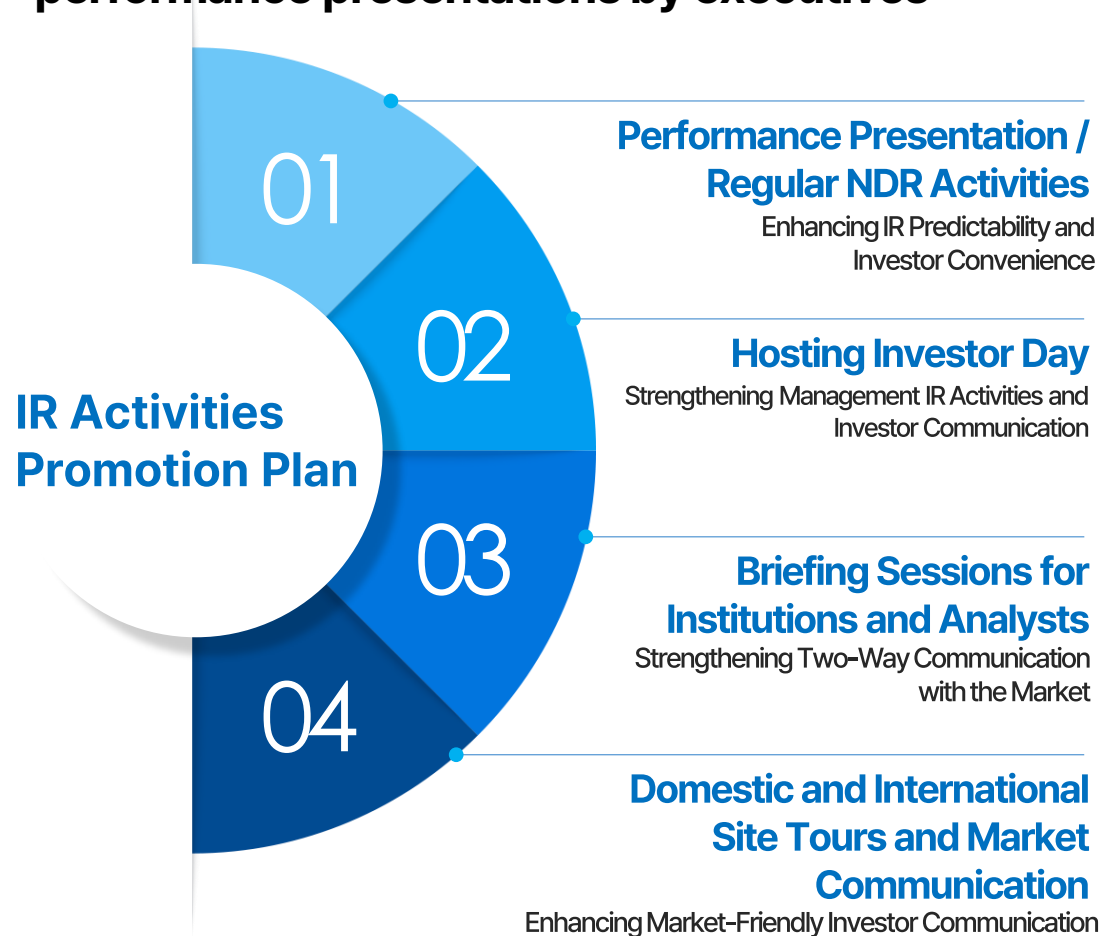
✓ **Expansion of Sustainable Raw Material Procurement**
 '23: 393 tons → Continuously Expand
 ✓ **Increase in Health & Wellness Sales**
 '23: 9% → '28: 20%

✓ **Establish Transparent Corporate Governance System**
 - Improvement in Compliance Rate of Governance Indicators
 '23: 73% → '24: 80% ↑



4. Communication

Providing transparent information and credibility to investors through communication such as regular performance presentations by executives



- Performance Announcements with CEO and Executives Participation
- Conducting Domestic NDR Quarterly and Overseas NDR at Least Once a Year

- Strengthening Management IR Activities by key executives and Expanding Investor Communication Channels
- Active IR through Expansion of Small-Scale Corporate Presentations

- Conducting Analyst Meetings and Expanding Face-to-Face Meetings
- Conducting Company Visits and Conference Calls (Occasionally)

- Conducting Factory and Site Tours for Investors



THANK YOU





[Appendix 1.] Definition of Shareholder Return Rate

1) The definition of shareholder return rate in this report is defined as follows, which differs from the conventional definition of shareholder return rate.

■ Shareholder Return Rate = (Total Dividends for the Current Period + Acquisition Amount of Treasury Shares for the Current Period + Amount of Treasury Shares Retired for the Current Period^(*))/Net Income for the Current Period*100

(*) The amount of treasury shares retired is limited to the value of previously owned shares at the time of retirement (converted to amount at the closing price at the time of retirement)

2) Our 593,307 treasury shares consist of 4,578 shares issued during the establishment of the spin-off from Lotte Corporation (formerly Lotte Confectionery) on October 1, 2017 and 588,729 shares generated during the merger with Lotte Foods Co., Ltd. on July 1, 2022. This is not treasury stock acquired using distributable profits, so it is difficult to incorporate it into the existing concept of shareholder return rate, but, Retiring this will reduce the overhang, positively impacting the stock price and aiding shareholder returns. To guide these shareholder benefits and corporate value enhancement policies, this report reflects the concept of shareholder return policy and shareholder return rate.

3) For clarification and to avoid any misunderstanding, it is noted that the company bears no civil, criminal, or administrative liability for any misunderstanding or damage caused by an investor's misinterpretation of the shareholder return ratio in this document or in other related materials.



[Appendix 2.] Summary of Financial Position

Financial Status

[Unit: 100 million KRW]

Category		2021	2022	2023	2024 1H
Separate	Assets	35,763	37,585	38,350	38,965
	Liabilities	15,463	17,366	17,955	18,448
	Equity	20,300	20,219	20,395	20,517
	Debt Ratio	76.2%	85.9%	88.0%	89.9%
Consolidated	Assets	39,519	41,053	41,991	43,443
	Liabilities	18,396	19,936	20,565	21,219
	Equity	21,123	21,117	21,426	22,224
	Debt Ratio	87.1%	94.4%	96.0%	95.5%

Summary of Profit and Loss

[Unit: 100 million KRW]

Classification		2021	2022	2023	2024 1H
Separate	Sales	30,696	33,151	33,008	16,006
	Operating Profit	1,187	1,039	1,305	691
	Operating Profit Margin %	3.9%	3.1%	4.0%	4.3%
	Net Profit	281	332	595	439
	Net Profit Margin %	0.9%	1.0%	1.8%	2.7%
Consolidated	Sales	36,686	40,745	40,664	21,437
	Operating Profit	1,444	1,354	1,770	1,006
	Operating Profit Margin %	3.9%	3.3%	4.4%	4.7%
	Net Income	341	584	678	608
	Net Income Margin %	0.9%	1.4%	1.7%	2.8%

* Based on Pro-forma from '19 to '22



[Appendix 3.] Key Governance Indicators

Efforts to improve the system, establish a system, and comply with key indicators to establish a transparent corporate governance structure.



Compliance Status and Improvement Plan for Key Governance Indicators (as of 2023)

Key Indicators	Compliance Status	Improvement Plan
Announcement of convening a general shareholders' meeting at least 4 weeks in advance	X	Considering the settlement and board meeting schedule, announcement of convening a general shareholders' meeting at least 2 weeks in advance (practical difficulties with 4-week notice)
Execute electronic voting	O	Introduction and implementation of electronic voting system in 2021
Helding General Shareholders' Meetings on Non-Concentrated Days	O	Held outside the concentrated days of the regular general meeting of shareholders for the past 3 years
Providing predictability related to cash dividend payouts	X (Improvement)	Amendment of the articles of incorporation to enhance predictability related to cash dividends at the regular general shareholders' meeting in March 2024
Dividend payout policy plan to be announced to shareholders at least once a year	O	Disclosure of dividend policy on the website and annual announcement of dividend payout plan
Preparation and implementation of CEO succession policy	O	According to Article 36 of the Articles of Incorporation and Article 5.5.3 of the Board of Directors Management Regulations, the appointment of the CEO is defined as the authority of the Board of Directors, and a systematic succession policy is established and operated
Establishment and operation of internal control policies such as risk management	O	Compliance and risk management policies Operation of compliance control, internal accounting management system, and disclosure information management regulations

Key Indicator	Compliance Status	Remarks
Whether the Chairman of the Board is an Outside Director	X	The CEO concurrently serves as the Chairman of the Board, Introduction of the Senior Outside Director System from March 2024
Introduction of Cumulative Voting System	X	Exclusion of Cumulative Voting System based on Article 33, Paragraph 3 of the Articles of Incorporation
Policy establishment to prevent the appointment of executives responsible for damaging corporate value or infringing shareholder rights	O	Specified and operated under Article 5, Paragraph 4 of the Corporate Governance Charter
Not all members of the Board of Directors are of the same gender	O	One female member
Establishment of an independent internal audit organization (internal audit support organization)	O	In accordance with Article 5.2 of the "Audit Committee Regulations," the Internal Audit Office, an internal audit support organization, was established and the head of the office was appointed following the Audit Committee resolution on December 19, 2018
Availability of accounting/financial experts within the internal audit organization	O	Current Audit Committee Chair (Accounting and Finance Expert)
The internal audit organization holds meetings with external auditors at least once per quarter without the presence of management	O	Quarterly communication meetings with external auditors
Whether procedures are in place for the internal audit organization to access important management-related information	O	Procedures are established within the Audit Committee regulations

Improvement: Change of dividend record date to enhance predictability of cash dividends

- In the existing structure where the dividend amount is determined after the dividend record date, the structure is changed to determine the dividend amount first and then set the dividend record date. This allows investors to make investment decisions after confirming the dividend amount, implementing a more transparent dividend payout policy.
- In the 2024 shareholders' meeting, the amendment of the articles of incorporation to allow the board of directors to set the dividend record date is completed.**