

ASIA  
**No.1**  
CONFECTIONERY  
COMPANY

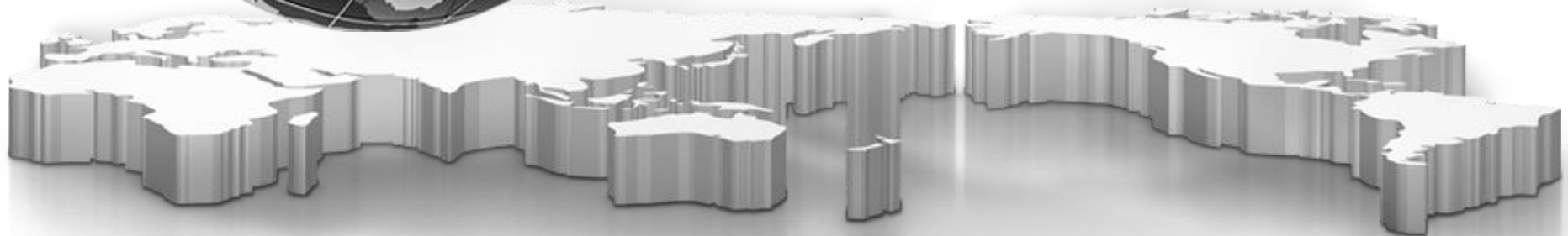


*LOTTE CONFECTIONERY*

# ***INVESTOR RELATIONS***

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2<sup>nd</sup> quarter of 2015



## Strengthening domestic business and accelerating overseas expansion since 1967 with CAGR of 19%

### Business Expansion (Green Field / M&A)

#### FY 2000~2005

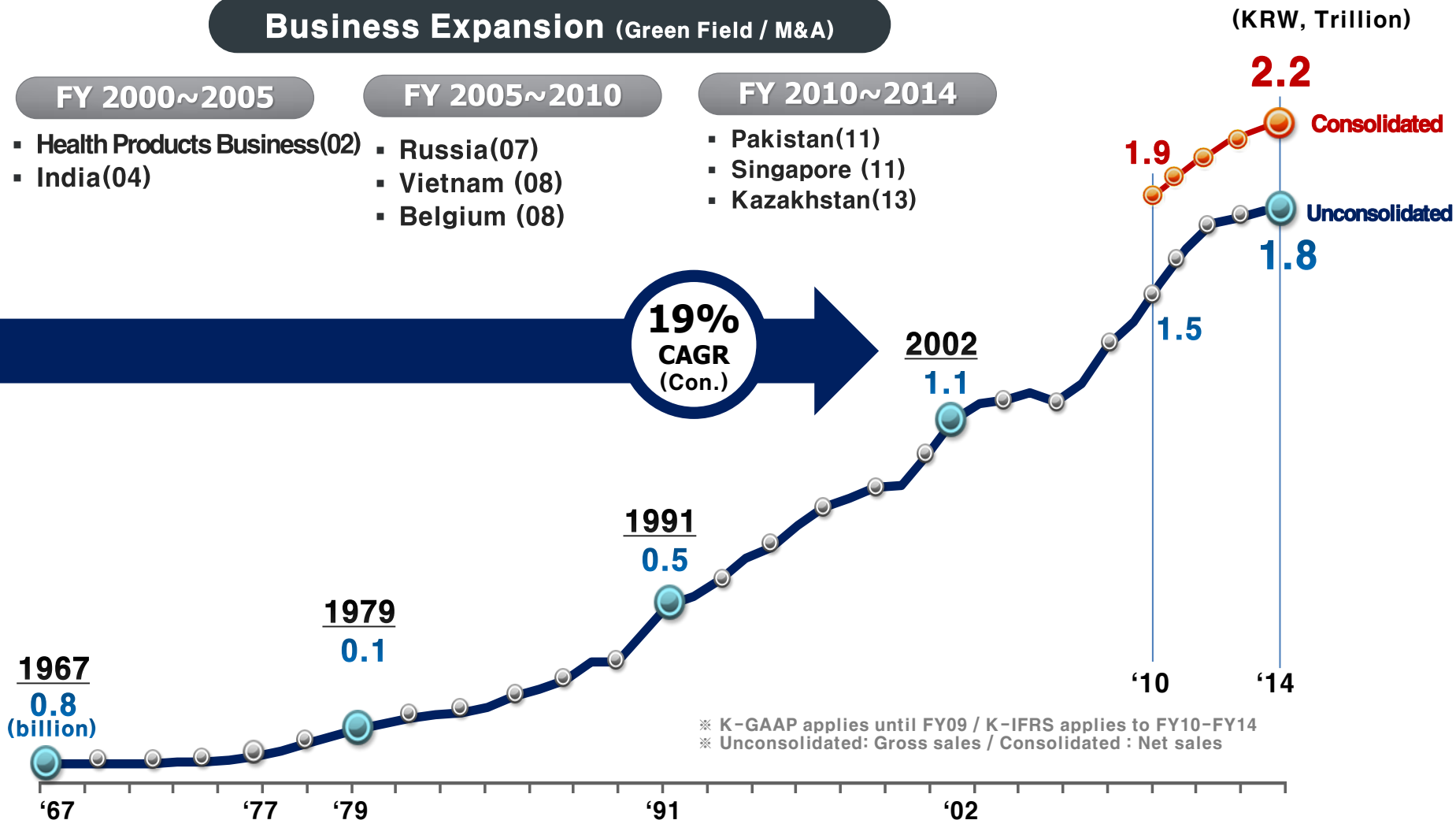
- Health Products Business(02)
- India(04)

#### FY 2005~2010

- Russia(07)
- Vietnam (08)
- Belgium (08)

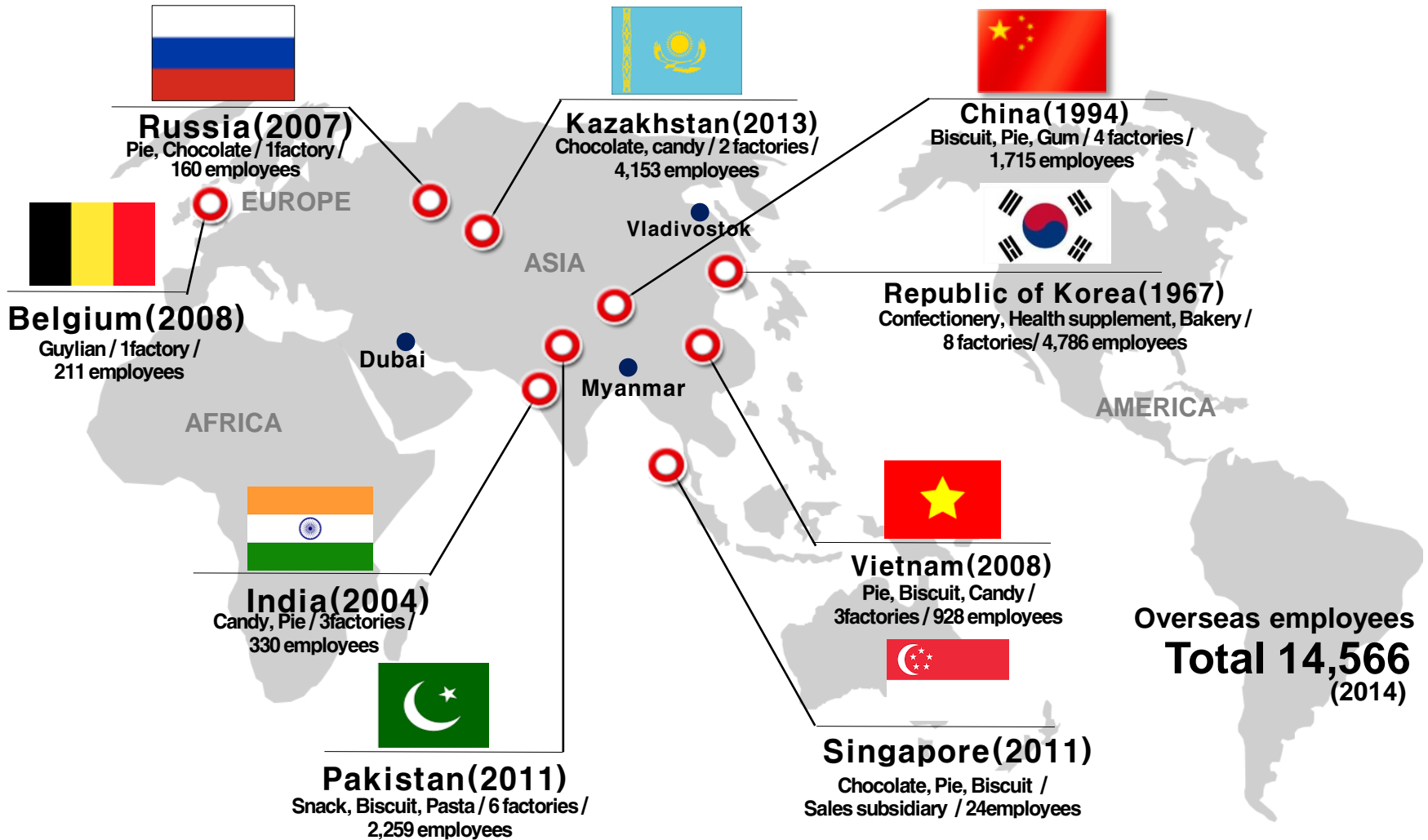
#### FY 2010~2014

- Pakistan(11)
- Singapore (11)
- Kazakhstan(13)

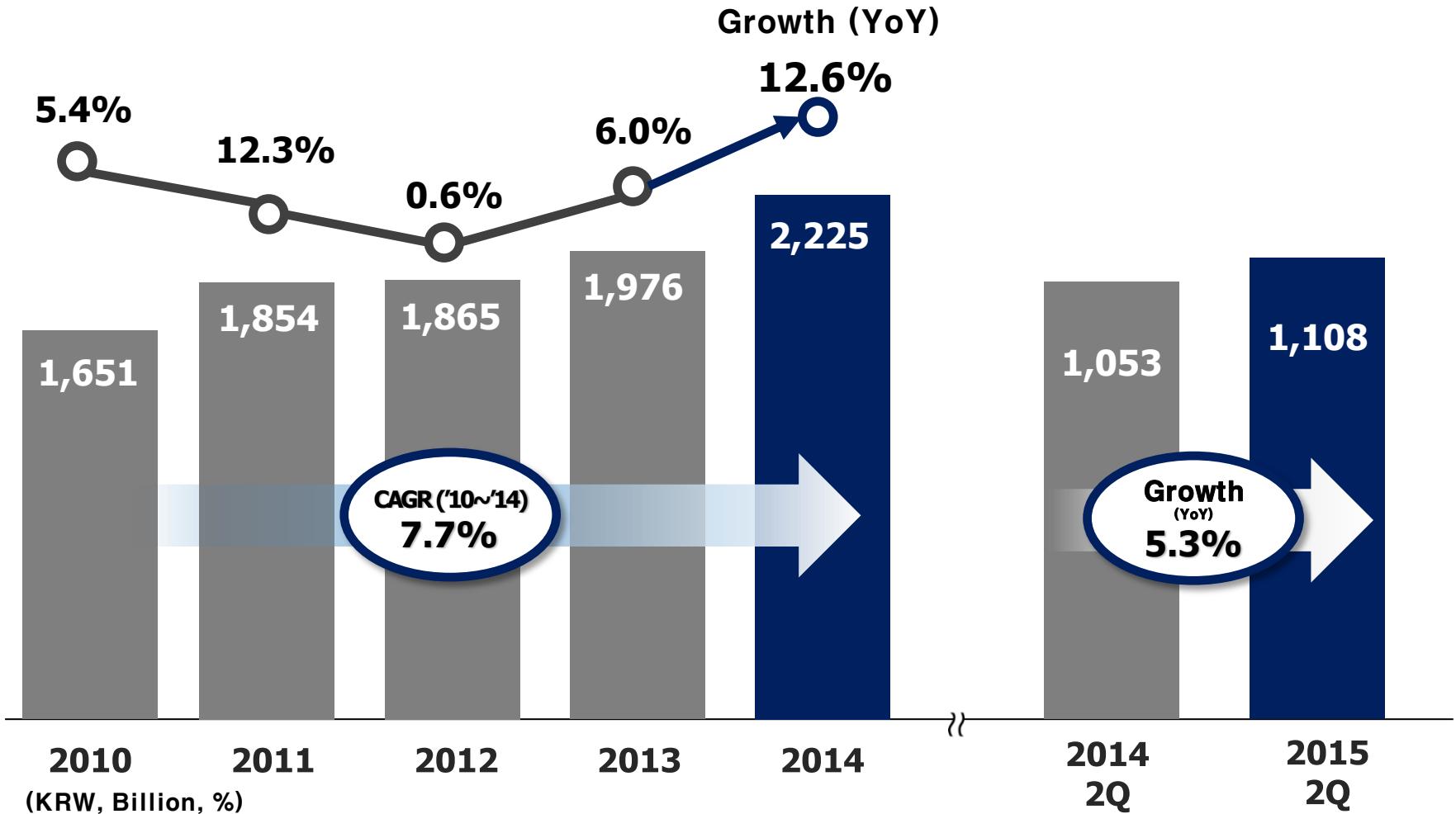


\* K-GAAP applies until FY09 / K-IFRS applies to FY10-FY14  
 \* Unconsolidated: Gross sales / Consolidated : Net sales

## Running businesses over 9 geographies worldwide

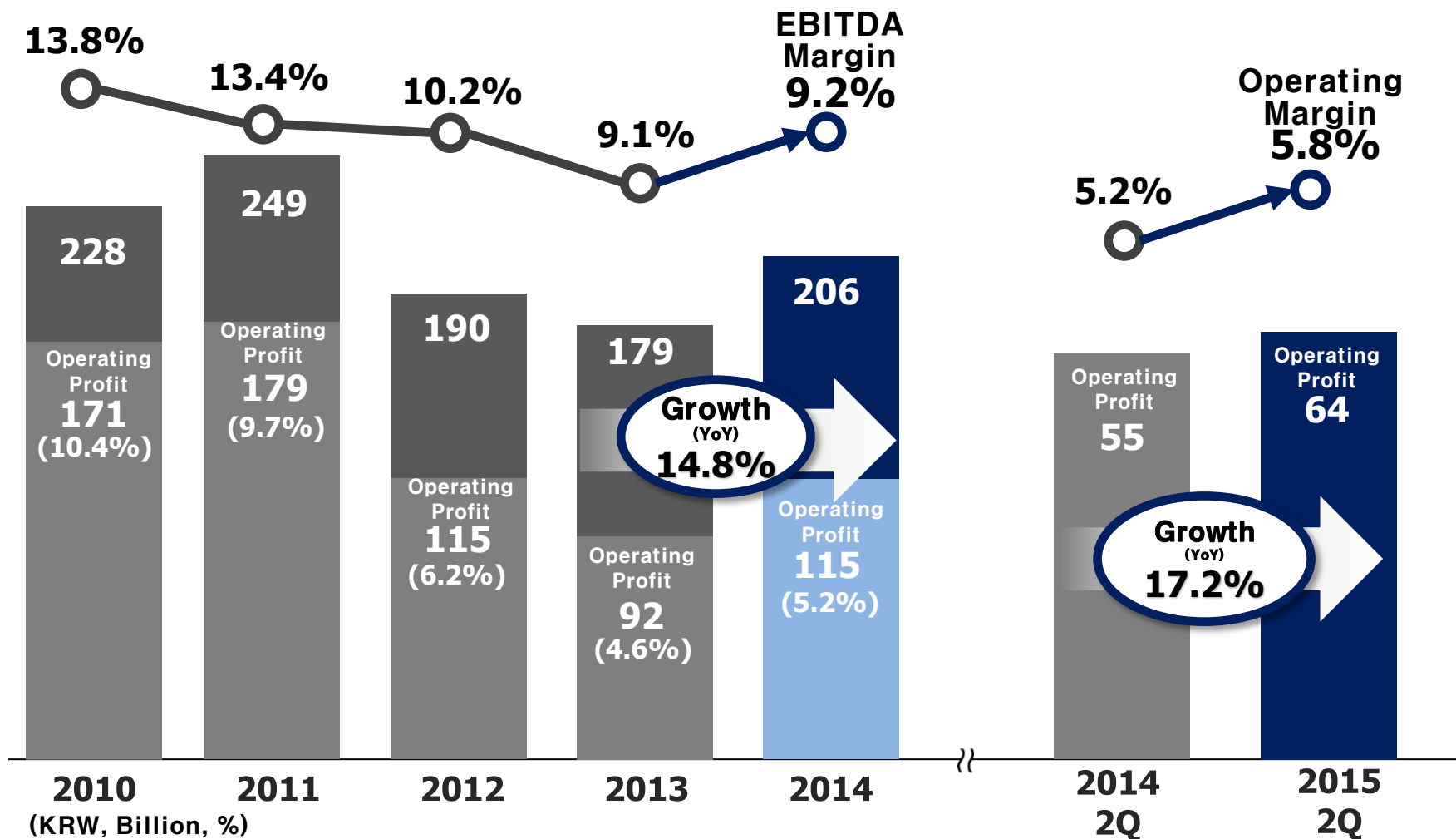


'10~'14 CAGR of 7.7% / 15.2Q sales increased by 5.3%(YoY)



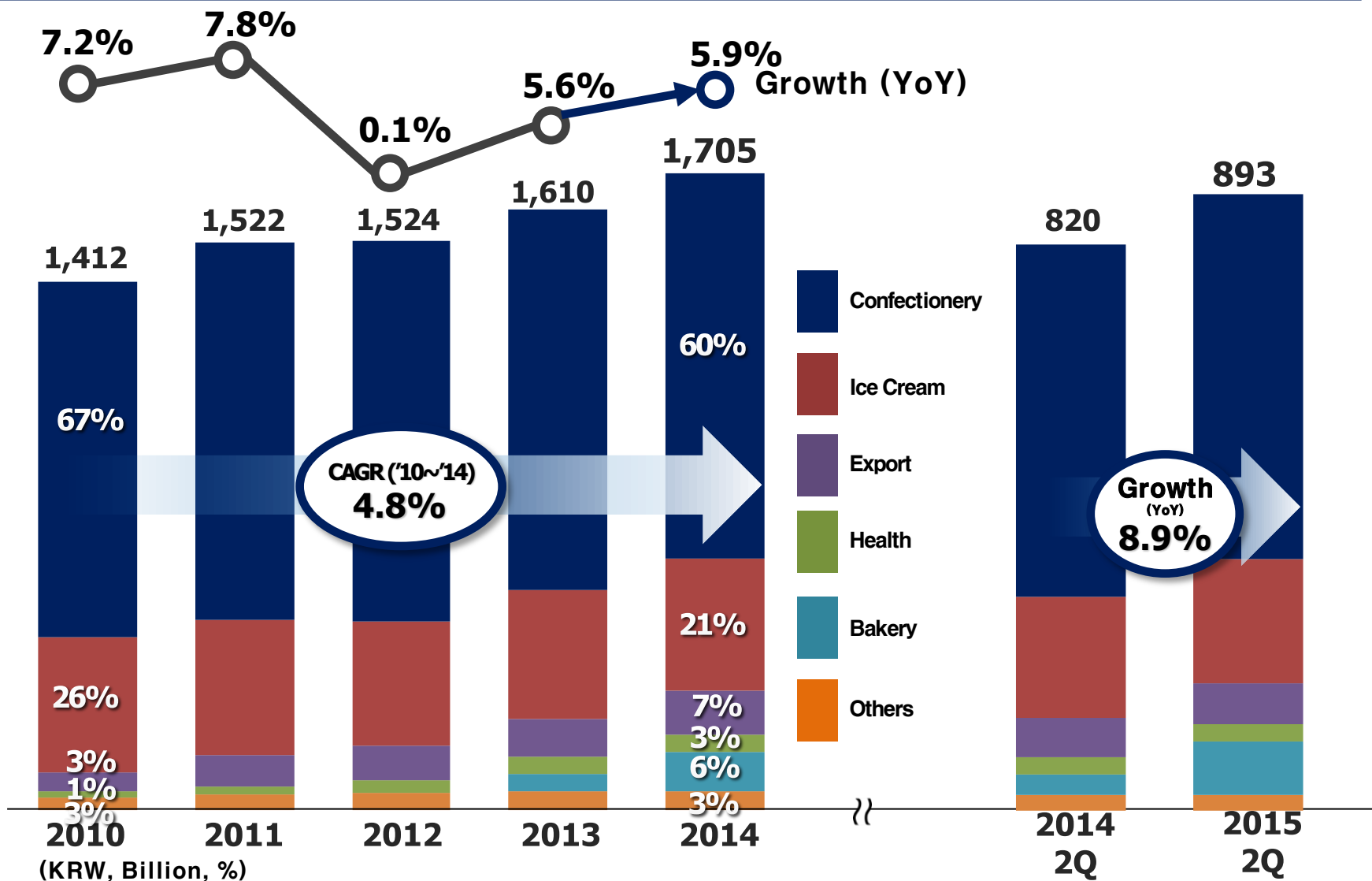
※ Consolidated results under K-IFRS, Accumulated base for 2Q results  
 ※ K-GAAP applies to FY 09 for growth rate of FY10 / K-IFRS applies to FY10~FY15

**For FY14, EBITDA increased by 14.8%, continuously improving profitability**



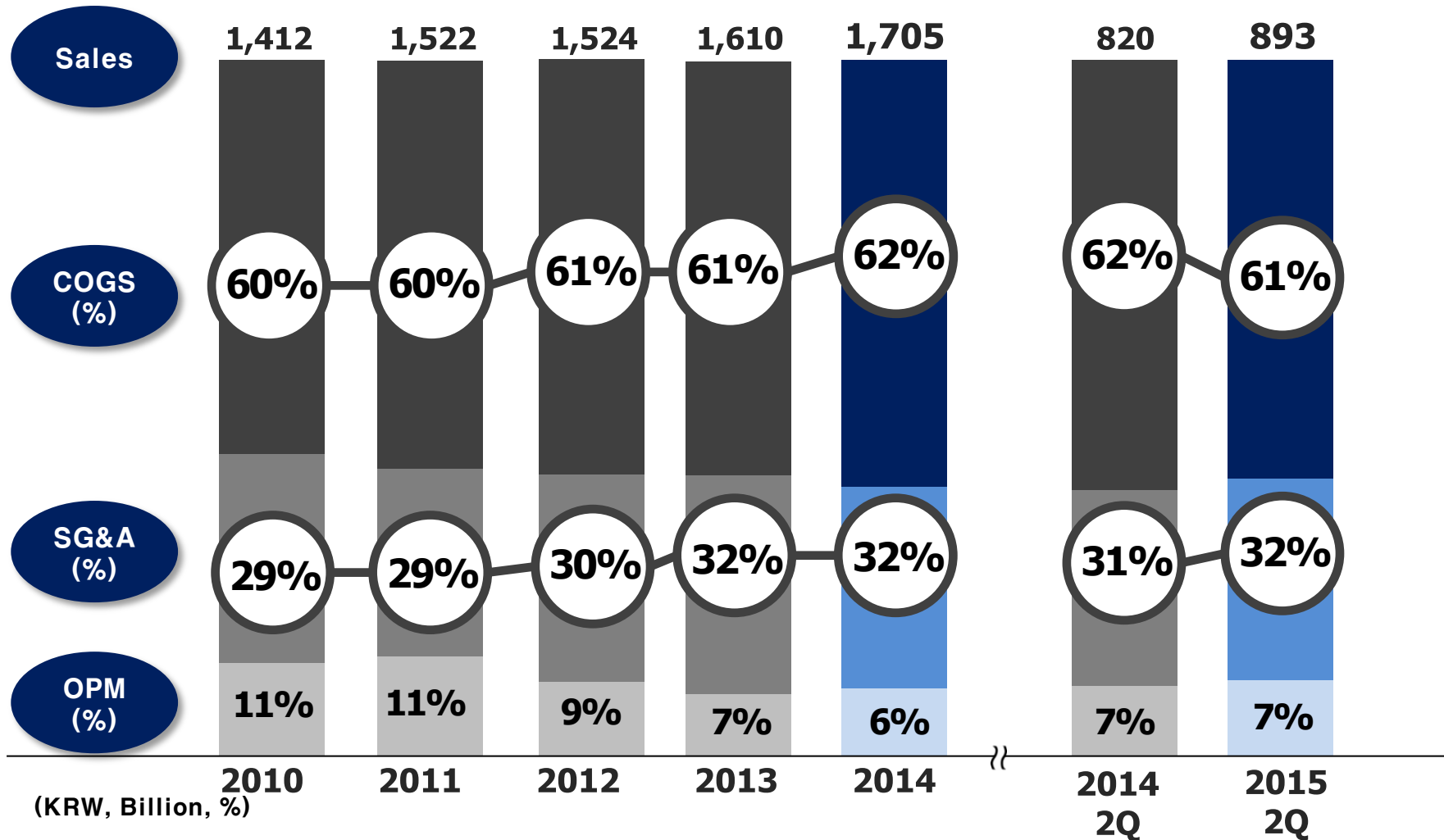
※ Consolidated results under K-IFRS, Accumulated base for 2Q results  
 ※ K-GAAP applies to FY 09 for growth rate of FY10 / K-IFRS applies to FY10~FY15

## '10~'14 CAGR 4.8%, building stronger business portfolio



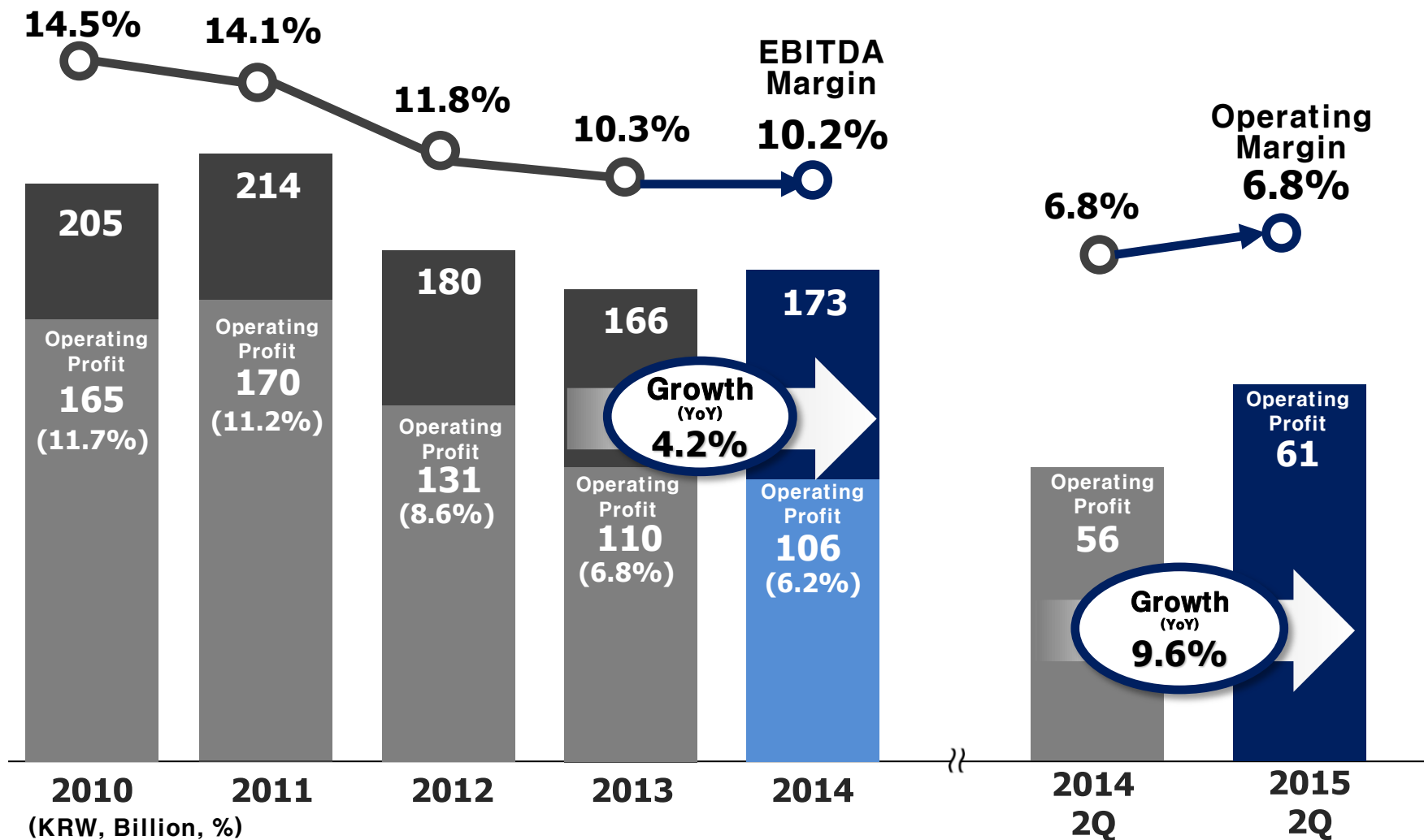
※ Unconsolidated results under K-IFRS standard

## Maintaining stable profit structures



\* Unconsolidated results under K-IFRS standard

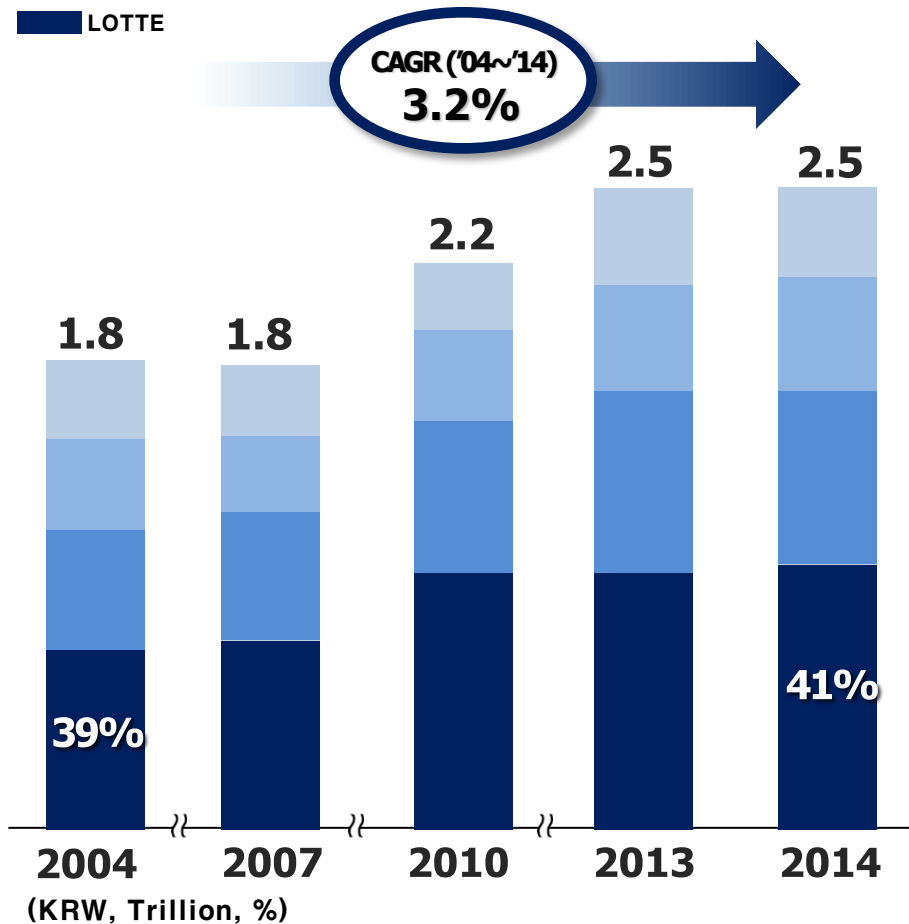
For FY14, EBITDA increased by 4.2%, continuously improving profitability



※ Unconsolidated results under K-IFRS, Accumulated base for 2Q results

## Lotte as No.1 player, launching premium & trend-leading products

### Market & M/S Trend



\* Market size : the estimate of top 4 companies' sales

### Premium Brand



- Premium Brand 'Farm On the Road'

### Trend Leading & Alliance with Global brands



- Soft candy / Collaborations with global brands

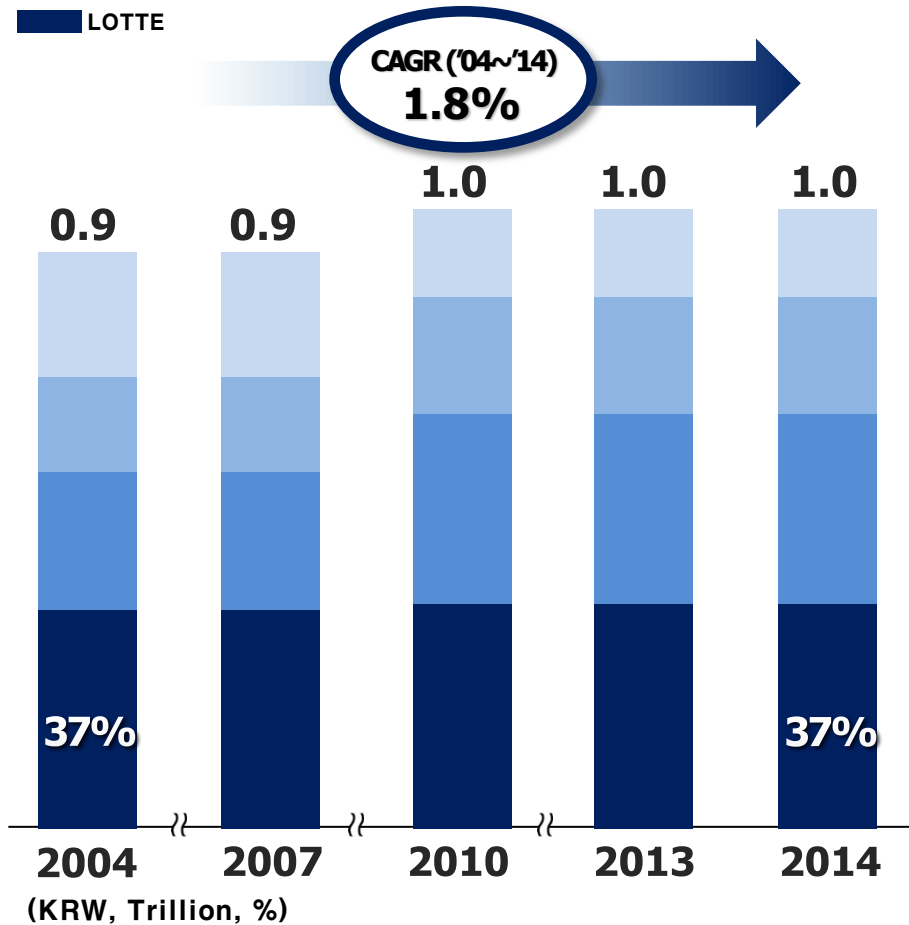
### Focus on Mega Brand



- Foster 'Mega-Brand' products

## Lotte as No.1 player, launching premium & new concept products

### Market & M/S Trend



\* Market size : the estimate of top 4 companies' sales

### Premium Brand



- Premium Brand 'Buon Gelato' Renewal ('14)

### New Concept Products



- Developing trend-leading products

### Enhancing Core Brand



- Enhancing core brand LINE-UP & marketing

## New growth engines – Bakery & Health supplement

### Bakery

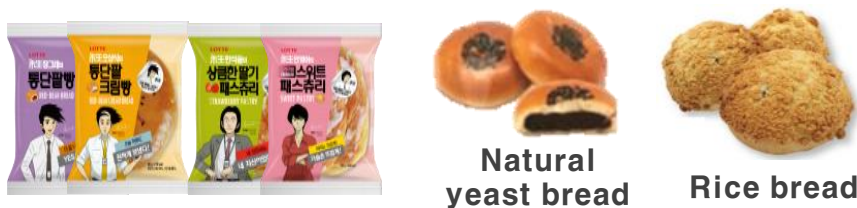
- Strengthening mass produced bread



- Enhancing in-store bakery brands



- Featuring characters, Nurturing representative products



Natural yeast bread

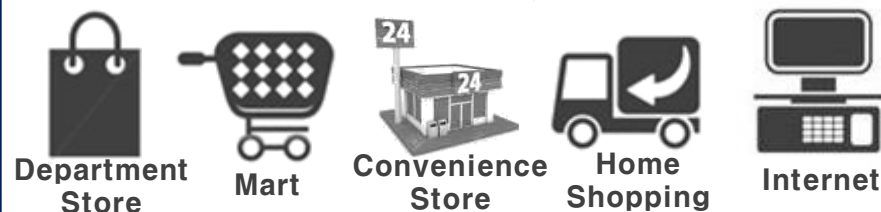
Rice bread

### Health Products

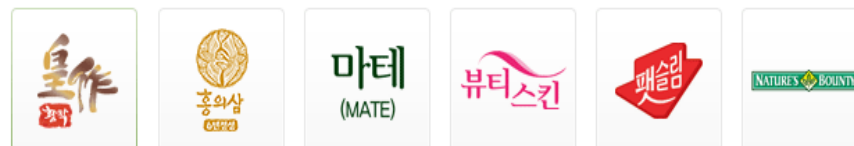
- Developing new materials



- Diversifying sales channels



- Reinforcing each category



## Increasing brand equity through Experiencing type factory & Flagship store



### Sweet Factory(2010)

### Sweet World(2015)

### Guylian Cafe(2014)

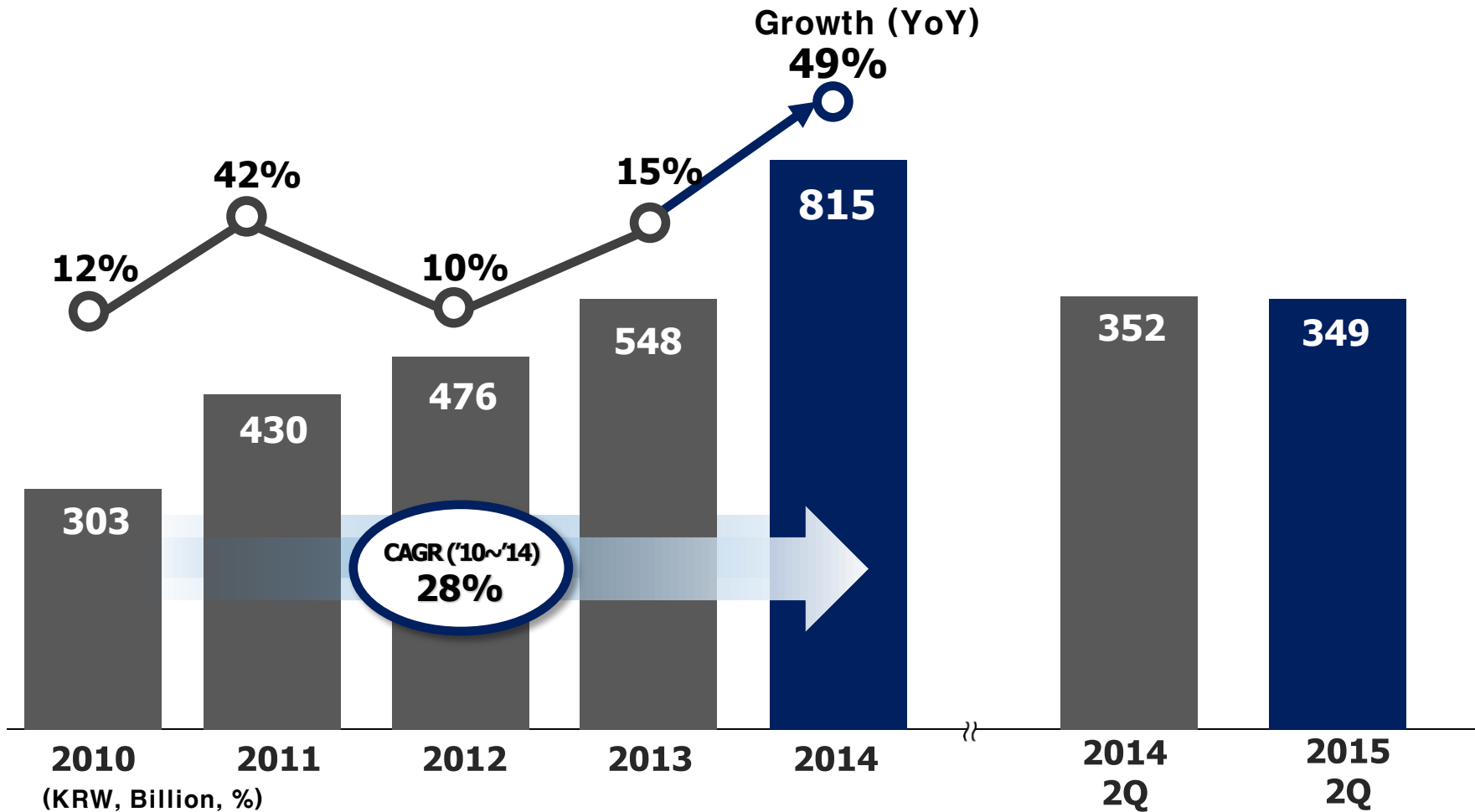


- Open : March 2010
- Location : Lotte Conf. Head Office
- 45,000 annual visitors
- Experiencing type confectionery factory

- Open : August 2015
- Location : Lotte World
- Selling souvenirs
- The 1st domestic confectionery flagship store

- Open: October 2014
- Location : Lotte World Mall
- Specialty in hand-made chocolate
- Demonstrating cacao bean tempering

## Achieving high growth rate with '10~'14 CAGR of 28.0%

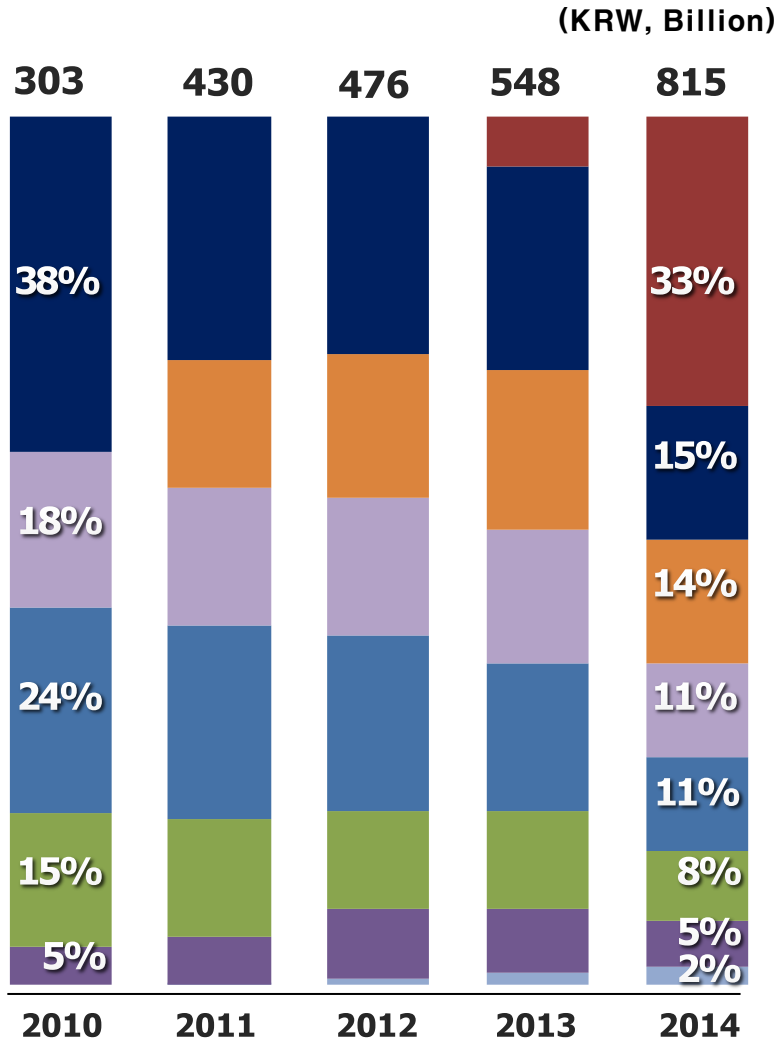


※ The sum of overseas subsidiaries' sales which are under Lotte Confectionery's management (including equity method subsidiaries' sales)

※ Overseas sales of the pages 13~16 are based on the fixed foreign exchange rates as follows

①China 150KRW/CNY ②Guylian 1,600KRW/EUR ③India 25KRW/INR ④Vietnam 0.0586KRW/VND ⑤Russia 38KRW/RUB ⑥Pakistan 15 KRW/PKR ⑦Kazakhstan 7.5KRW/KZT

## Expanded through M&A and green field investment



	NATION	INVESTMENT	SALES('14)	CAGR ('10~'14)
	Kazakhstan	M&A (2013)	271	(13.12月)
	Belgium	M&A (2008)	124	2%
	Pakistan	M&A (2011)	117	23%
	India	M&A (2004)	89	13%
	China	Green field (1994)	88	5%
	Vietnam	M&A (2008)	66	9%
	Russia	Green field (2007)	43	32%
	Singapore	Sales Subsidiary (2008)	18	230%

## China

## India

## Vietnam

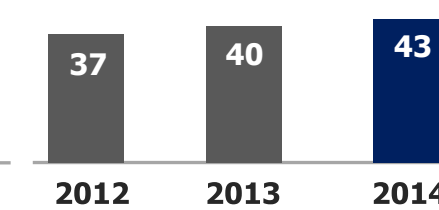
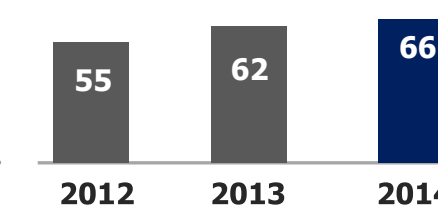
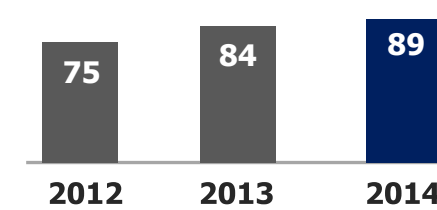
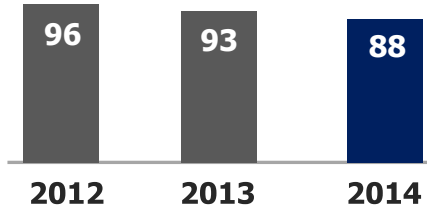
## Russia

### Sales Trend

### Sales Trend

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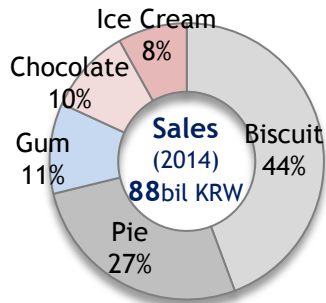
### Business Overview

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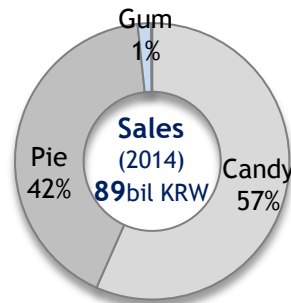
### Business Overview

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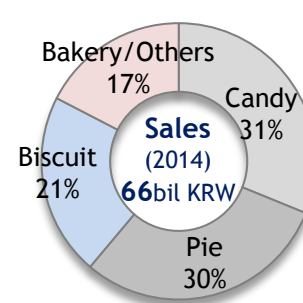
#### Sales Mix



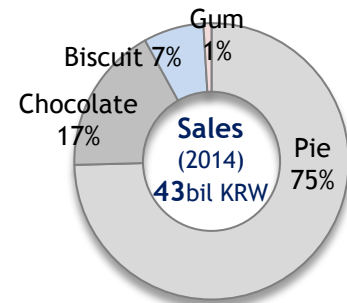
#### Sales Mix



#### Sales Mix



#### Sales Mix



#### Core Products



#### M/S Status\*

- Gum 5%, Pie 4%

#### Core Products



#### M/S Status\*

- Candy 6%

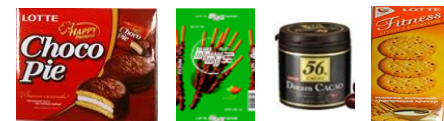
#### Core Products



#### M/S Status\*

- Gum 30%, Candy 23%, Pie 21%, Chocolate 10%

#### Core Products



#### M/S Status\*

- Choco Pie 42%

\*data : "Euro Monitor"(2012)

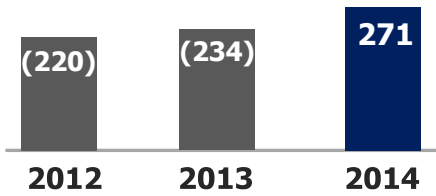
\*data : "Euro Monitor"(2012)

\*data : "Euro Monitor"(2012)  
M/S : including Lotte Vietnam

\*data : "Nielsen Data"(2013)

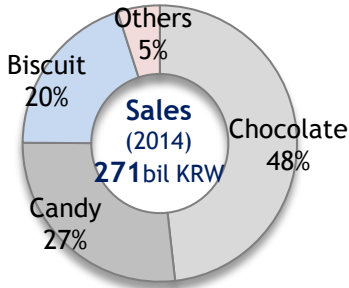
## Kazakhstan

### Sales Trend



### Business Overview

#### ● Sales Mix



#### ● Core Products



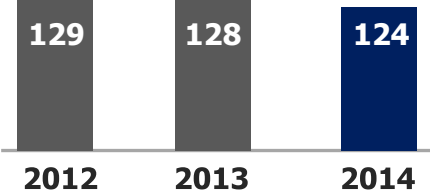
#### ● M/S Status\*

- Biscuit 7%, Chocolate 4%\*\*\*

\*data : "Euro Monitor"(2012)  
(market includes imported brands)

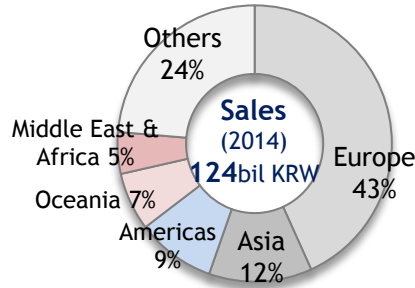
## Belgium

### Sales Trend



### Business Overview

#### ● Sales Mix

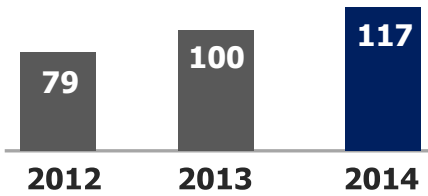


#### ● Core Products



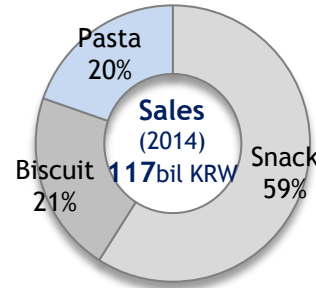
## Pakistan

### Sales Trend



### Business Overview

#### ● Sales Mix



#### ● Core Products



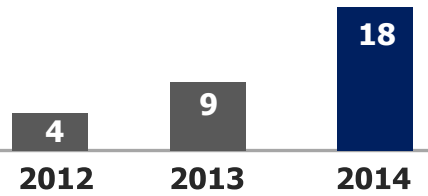
#### ● M/S Status\*

- Snack 25%

\*data : "Euro Monitor"(2012)

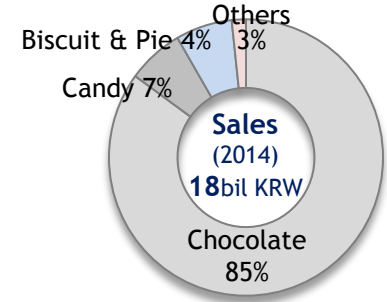
## Singapore

### Sales Trend



### Business Overview

#### ● Sales Mix



#### ● Core Products



# Appendix



## Income Statement

(Unit : Billion KRW)	2013	2014	2Q 2014	2Q 2015
<b>Net Sales</b>	<b>1,610</b>	<b>1,705</b>	<b>820</b>	<b>893</b>
Growth rate (%)		5.9%		8.9%
<b>COGS</b>	<b>988</b>	<b>1,053</b>	<b>507</b>	<b>542</b>
COGS (%)	61.4%	61.8%	61.9%	60.7%
<b>Gross Profit</b>	<b>622</b>	<b>651</b>	<b>313</b>	<b>351</b>
GP Margin (%)	38.6%	38.2%	38.1%	39.3%
<b>SG&amp;A</b>	<b>512</b>	<b>545</b>	<b>257</b>	<b>290</b>
SG&A (%)	31.8%	32.0%	31.4%	32.5%
<b>Operating Profit</b>	<b>110</b>	<b>106</b>	<b>55</b>	<b>61</b>
OP Margin (%)	6.8%	6.2%	6.8%	6.8%
<b>Recurring Profit</b>	<b>102</b>	<b>48</b>	<b>63</b>	<b>65</b>
RP Margin (%)	6.4%	2.8%	7.7%	7.2%
<b>Net Income</b>	<b>73</b>	<b>28</b>	<b>51</b>	<b>52</b>
Net Margin (%)	4.5%	1.6%	6.2%	5.8%
<b>EPS (Won)</b>	<b>51,973</b>	<b>19,568</b>	<b>35,911</b>	<b>36,249</b>

\* Unconsolidated base results under K-IFRS standard



## Balance Sheet

(Unit : Billion KRW)	2Q 2014	2Q 2015
<b>Current Assets</b>	<b>591</b>	<b>541</b>
Cash/Cash equivalents	110	89
Receivables	242	278
Inventories	155	150
<b>Non-liquid Assets</b>	<b>3,561</b>	<b>3,682</b>
Investment & other assets	2,435	2,528
Tangible assets	1,126	1,154
<b>Total Assets</b>	<b>4,152</b>	<b>4,223</b>
Payables	228	210
Other Liabilities	1,093	1,124
<b>Total Liabilities</b>	<b>1,321</b>	<b>1,334</b>
Paid-in capital	7	7
Capital surplus	13	13
Retained earnings	1,736	1,787
Capital adjustment & Accumulated other comprehensive income	1,075	1,082
<b>Total Shareholder's Equity</b>	<b>2,831</b>	<b>2,889</b>
<b>D/E Ratio(%)</b>	<b>46.7%</b>	<b>46.2%</b>



## Income Statement

(Unit : Billion, KRW)	2013	2014	2Q 2014	2015
<b>Net Sales</b>	<b>1,976</b>	<b>2,225</b>	<b>1,053</b>	<b>1,108</b>
Growth rate ( % )		12.6%		5.3%
<b>COGS</b>	<b>1,254</b>	<b>1,445</b>	<b>686</b>	<b>705</b>
COGS (%)		64.9%	65.1%	63.6%
<b>Gross Profit</b>	<b>722</b>	<b>780</b>	<b>367</b>	<b>404</b>
GP Margin (%)		35.1%	34.9%	36.4%
<b>SG&amp;A</b>	<b>631</b>	<b>665</b>	<b>312</b>	<b>339</b>
SG&A (%)		29.9%	29.6%	30.6%
<b>Operating Profit</b>	<b>91</b>	<b>115</b>	<b>55</b>	<b>64</b>
OP Margin (%)		5.2%	5.2%	5.8%
<b>Recurring Profit</b>	<b>92</b>	<b>37</b>	<b>55</b>	<b>79</b>
RP Margin (%)		1.7%	5.2%	7.1%
<b>Net Income</b>	<b>55</b>	<b>2</b>	<b>36</b>	<b>60</b>
Net Margin (%)		0.1%	3.5%	5.4%
<b>EPS (Won)</b>	<b>36,044</b>	<b>(2,026)</b>	<b>25,668</b>	<b>42,218</b>

\* Consolidated base results under K-IFRS standard



## Balance Sheet

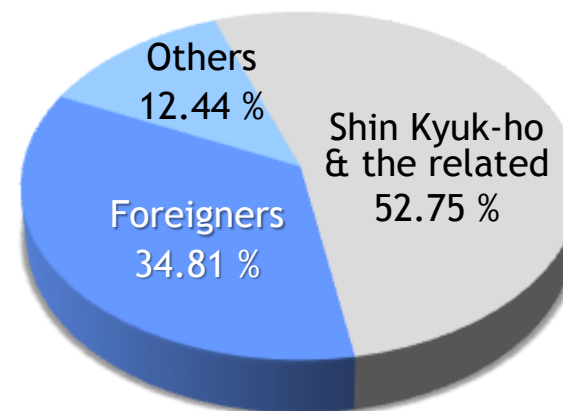
(Unit : Billion KRW)	2Q 2014	2015
<b>Current Assets</b>	<b>799</b>	<b>742</b>
Cash/Cash equivalents	172	150
Receivables	274	304
Inventories	252	239
<b>Non-liquid Assets</b>	<b>3,444</b>	<b>3,582</b>
Investment & other assets	2,079	2,165
Tangible assets	1,365	1,417
<b>Total Assets</b>	<b>4,243</b>	<b>4,324</b>
Payables	279	242
Other Liabilities	1,196	1,261
<b>Total Liabilities</b>	<b>1,475</b>	<b>1,503</b>
Paid-in capital	7	7
Capital surplus	13	13
Retained earnings	1,673	1,705
Capital adjustment & Accumulated other comprehensive income	1,075	1,096
<b>Total Shareholder's Equity</b>	<b>2,768</b>	<b>2,821</b>
<b>D/E Ratio(%)</b>	<b>53.3%</b>	<b>53.3%</b>



## Principal Shareholder Status

Shareholder	Ownership (%)
Lotte Aluminium	15.29
Lotte Scholarship Foundation	8.69
Shin, Kyuk Ho	6.83
Shin, Dong Bin	6.67

※ Lotte Confectionery Shareholder's List (as of August 31, 2015)



## Dividend / Payout Ratio

	2010	2011	2012	2013	2014
Share Price (₩)	1,508,000	1,707,000	1,630,000	1,912,000	1,780,000
Cash Dividend (₩million)	5,630	5,630	5,630	5,630	7,318
Dividend Rate (Dividend/face value)	80.0%	80.0%	80.0%	80.0%	104.0%
Dividend Per Share	4,000	4,000	4,000	4,000	5,200
Dividend Yield (DPS/Share Price)	0.3%	0.2%	0.2%	0.2%	0.3%
Payout Ratio (Dividend/Net Profit)	6.0%	5.6%	6.3%	10.2%	439.0%

※ Consolidated base (as of December 31, 2014)