

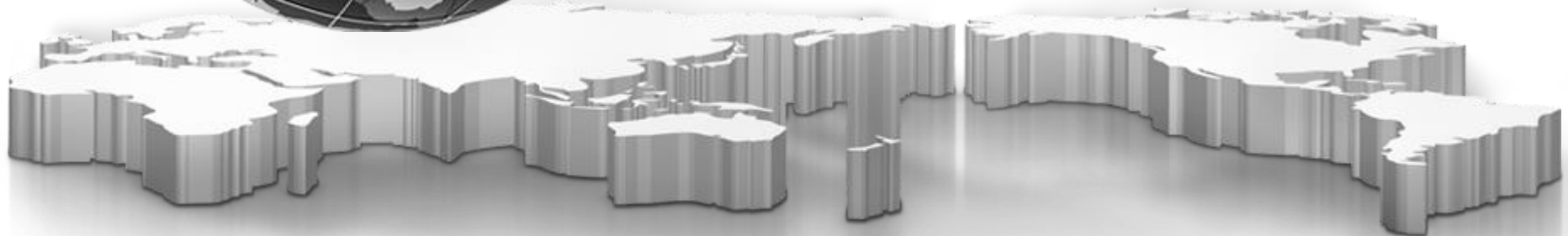
ASIA
No.1
CONFECTIONERY
COMPANY



LOTTE CONFECTIONERY

INVESTOR RELATIONS

3rd quarter of 2015



Contents

I . Overview

II . Domestic Business

III . Overseas Business

IV . Appendix

I . Overview

- **History**
- **Business Expansion**
- **Sales & Profit (Consolidated)**

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

Business Expansion (Green Field / M&A)

FY 2000~2005

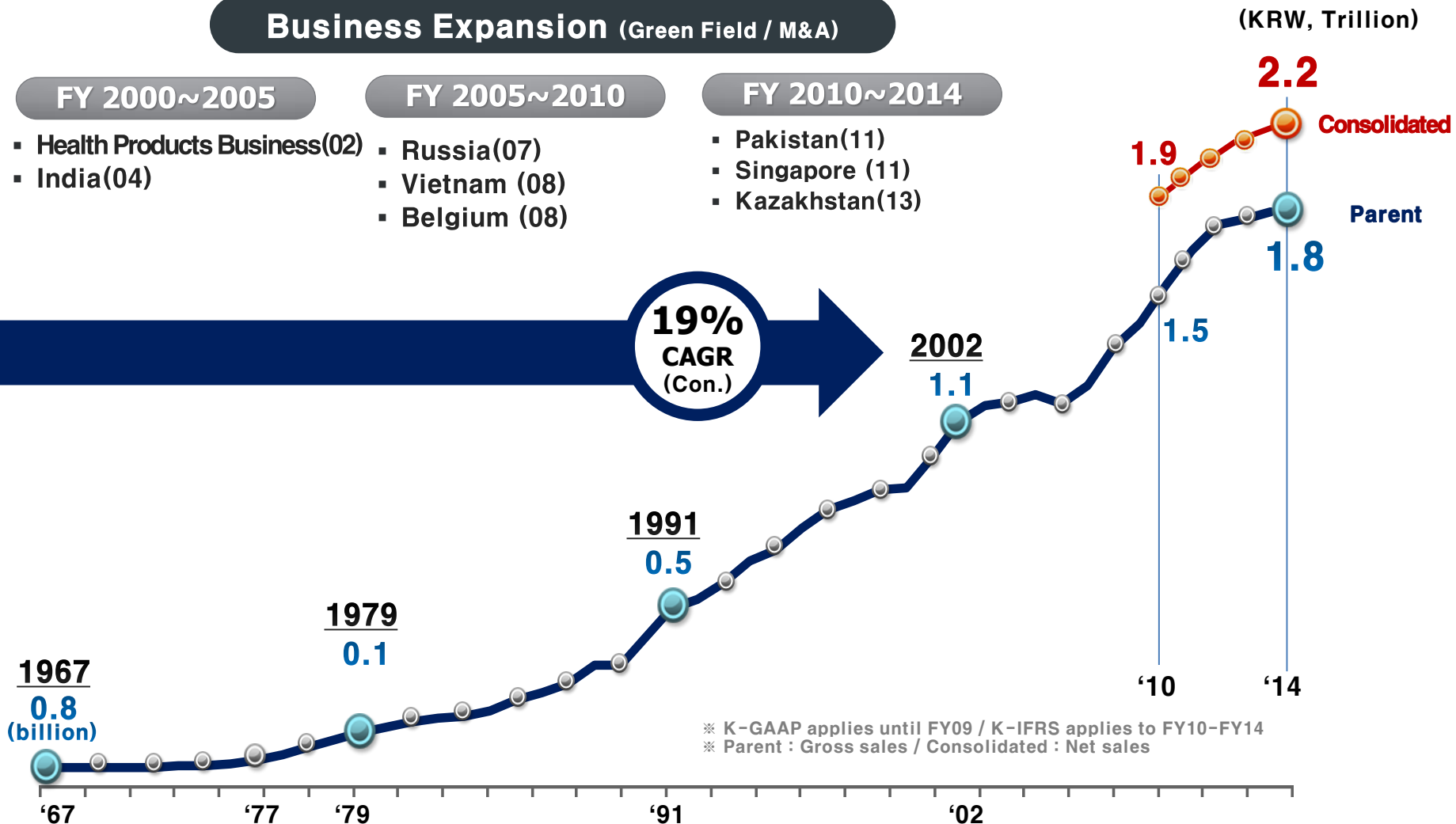
- Health Products Business(02)
- India(04)

FY 2005~2010

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

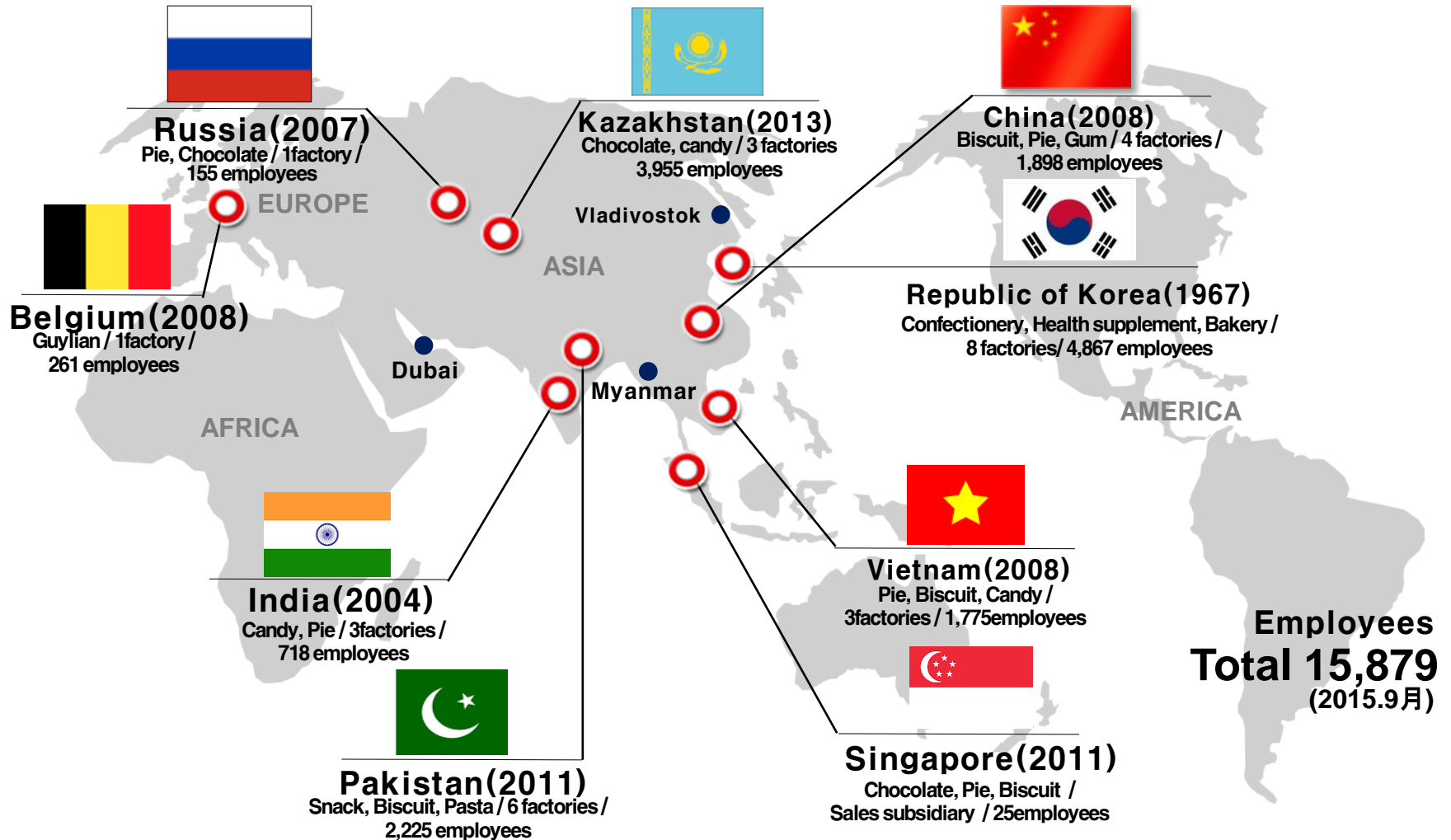
FY 2010~2014

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



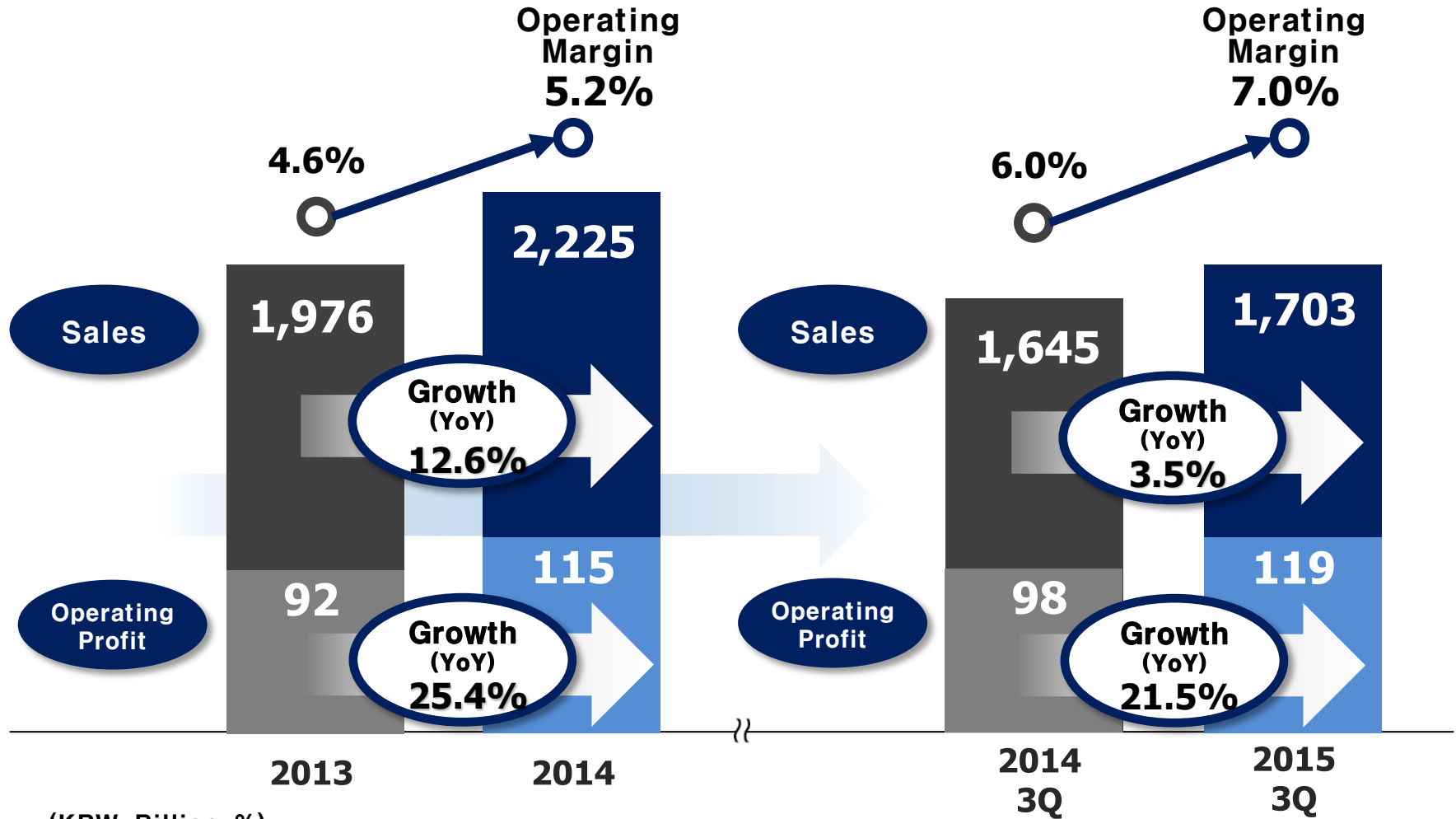
* K-GAAP applies until FY09 / K-IFRS applies to FY10-FY14
 * Parent : Gross sales / Consolidated : Net sales

Running 4 divisions with 8 plants in ROK / Expanding business into 8 countries over Asia & emerging markets



Sales & Profit (Consolidated)

FY13~FY14 sales increased by 12.6%, OP increased by 25.4%
15. 3Q sales increased by 3.5%, OP increased by 21.5%



(KRW, Billion, %)

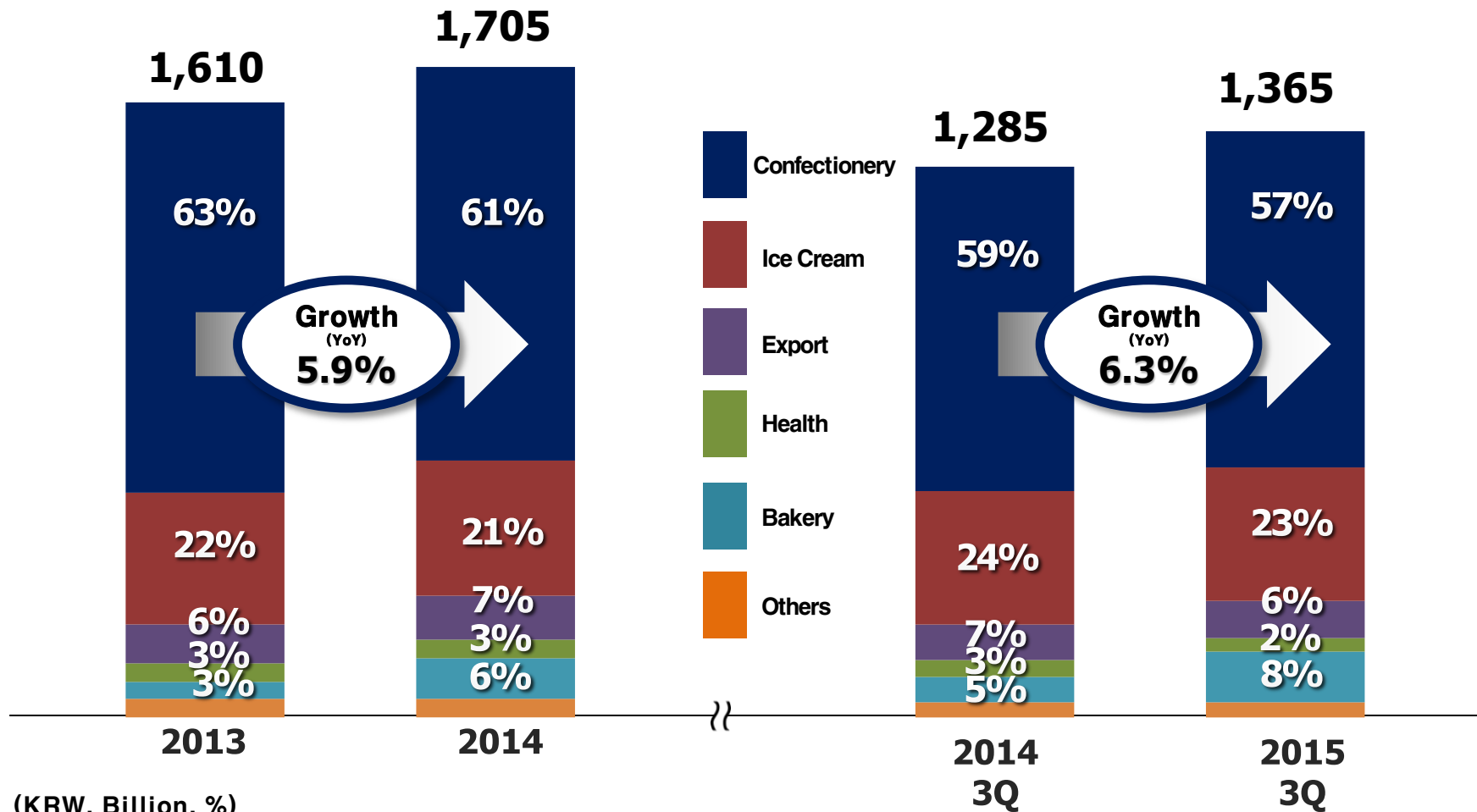
※ Consolidated results under K-IFRS, Accumulated base for 3Q results

II . Domestic Business

- **Business Portfolio**
- **Profitability**
- **Confectionery Business**
- **Ice Cream Business**
- **Bakery / Health Products Business**

FY13~FY14 domestic sales increased by 5.9%

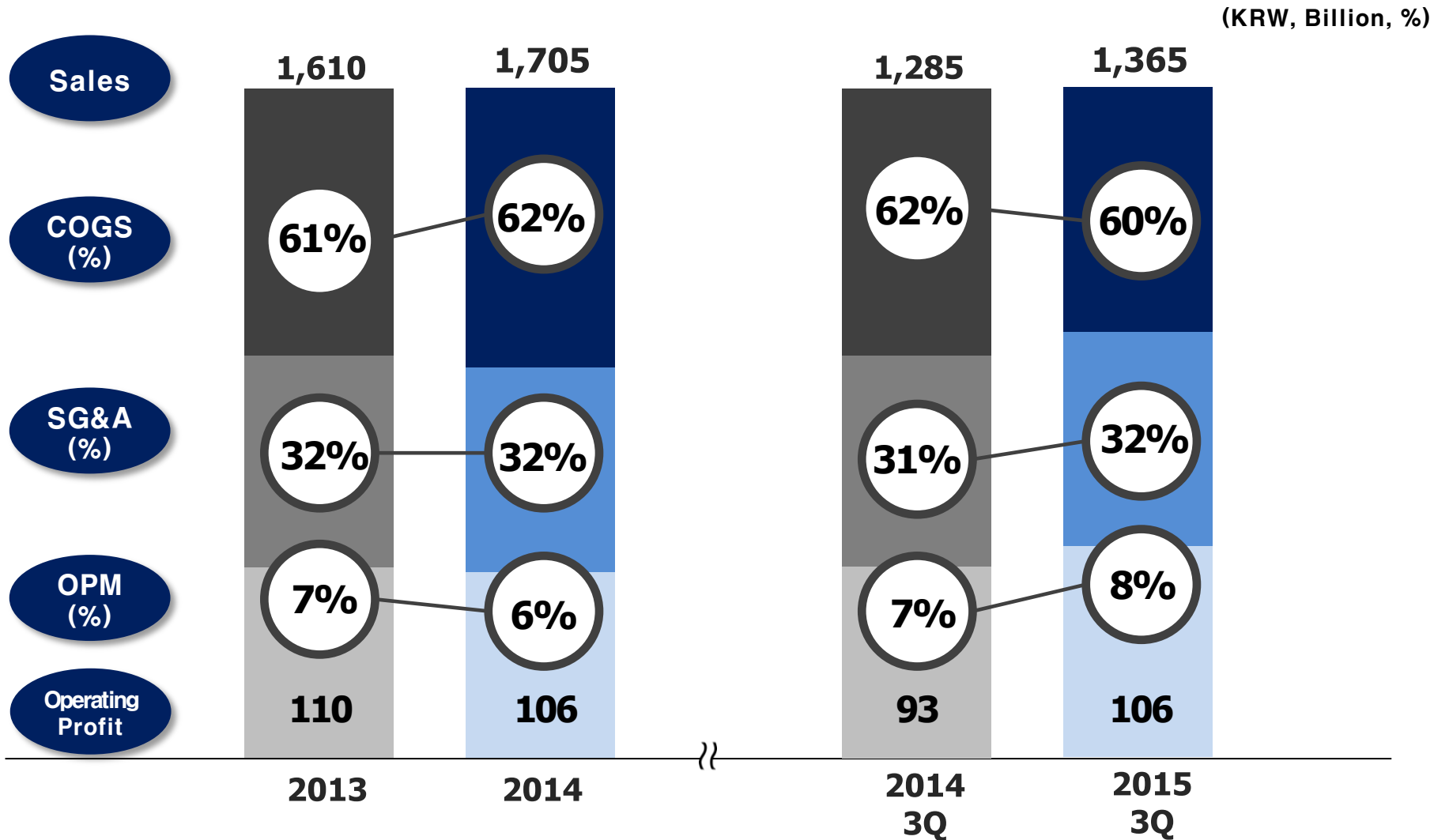
15.3Q sales increased by 6.3% / Strengthening business portfolio



(KRW, Billion, %)

※Parent results under K-IFRS, Accumulated base for 3Q results

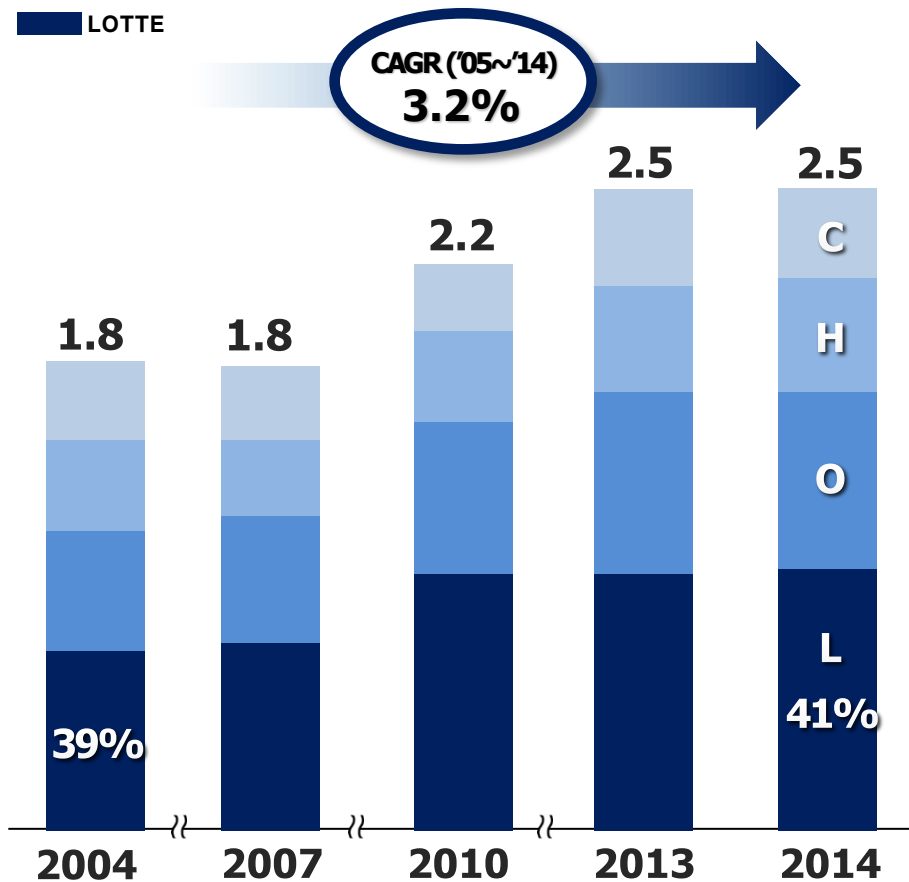
Maintaining similar profit structure to global confectionery companies



※Parent results under K-IFRS, Accumulated base for 3Q results

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

Market & M/S Trend



(KRW, Trillion, %)

* 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

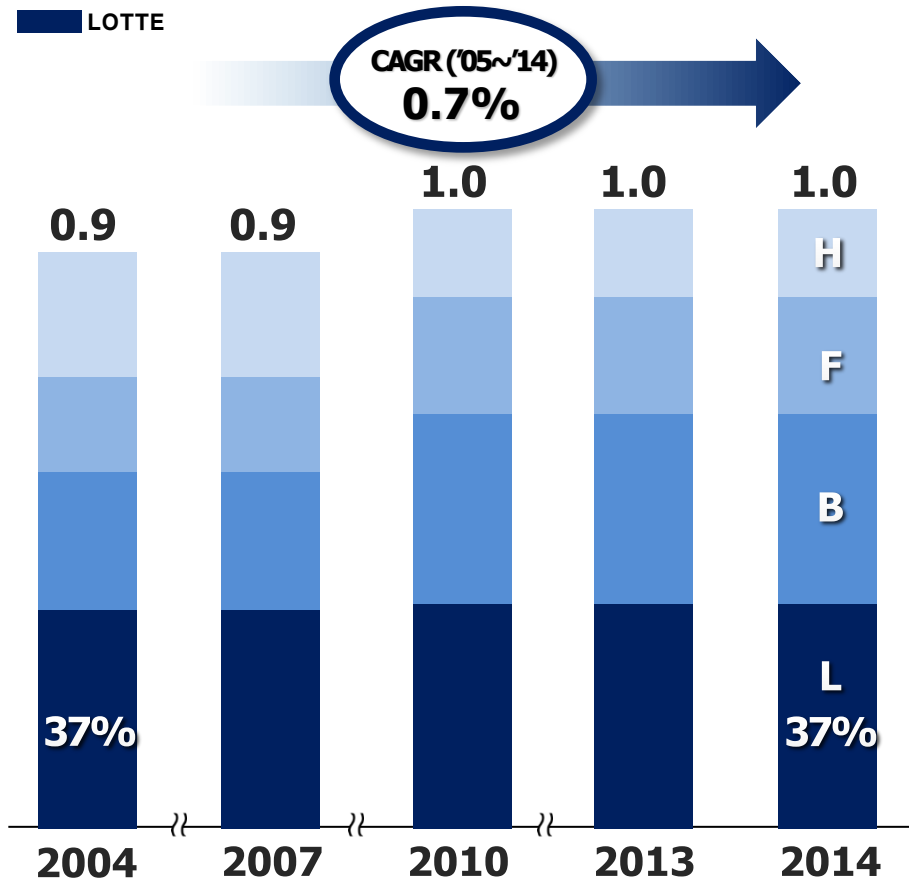
Focus on Mega Brand



- Foster 'Mega-Brand' products

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

Market & M/S Trend



(KRW, Trillion, %)

* 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

**B
A
K
E
R
Y**

- Strengthening mass produced bread



- Enhancing in-store bakery brands



Department Store



Mart

- Featuring characters / Nurturing representative products



Natural Yeast Bread



Rice Bread

**P
R
O
D
U
C
T
S**

- Developing new materials



- Diversifying sales channels



Department Store



Mart



CVS

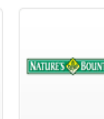


Home Shopping



Internet

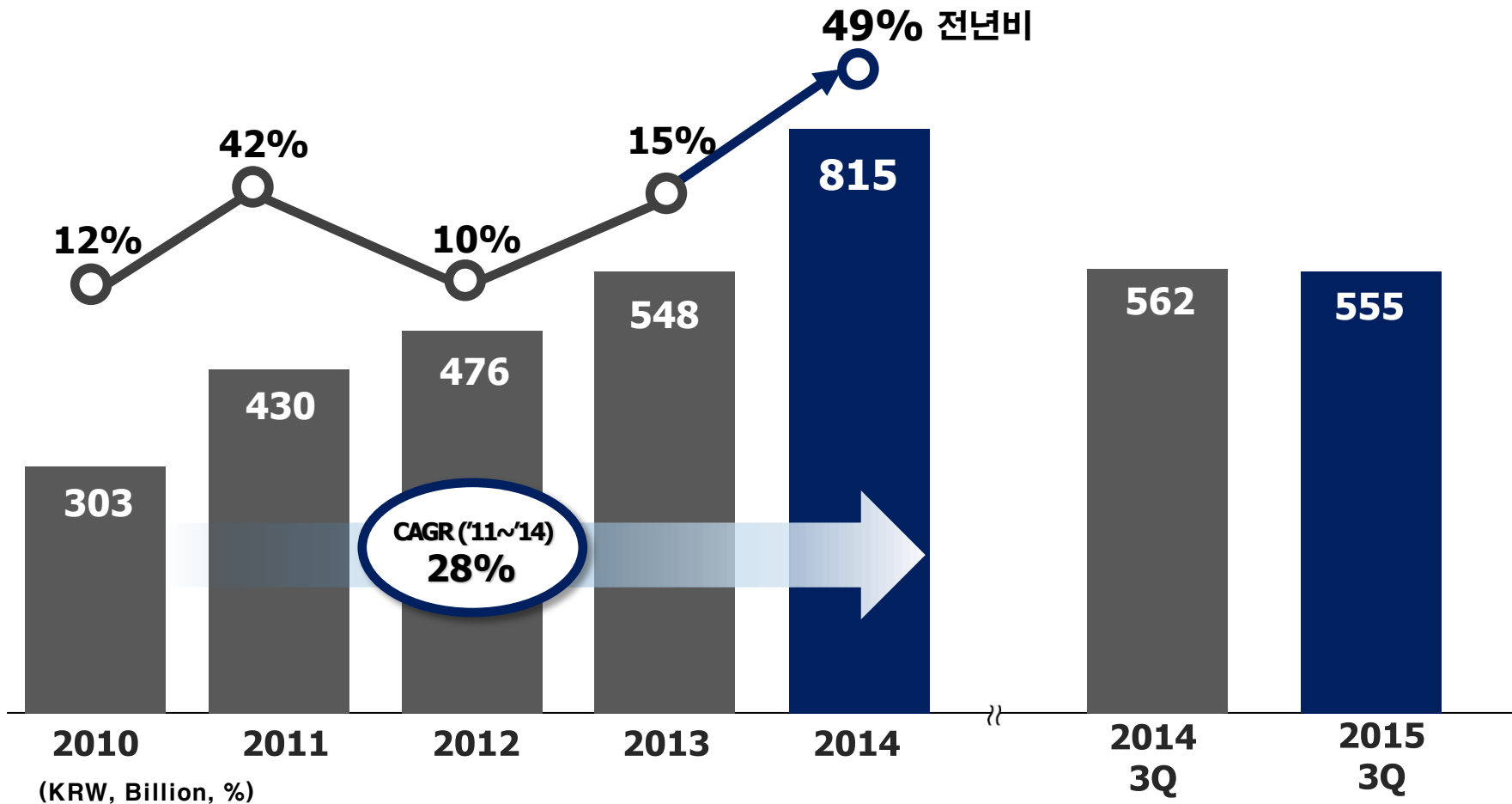
- Reinforcing each category



III . Overseas Business

- **Sales Trend**
- **Strategies by Nations**

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



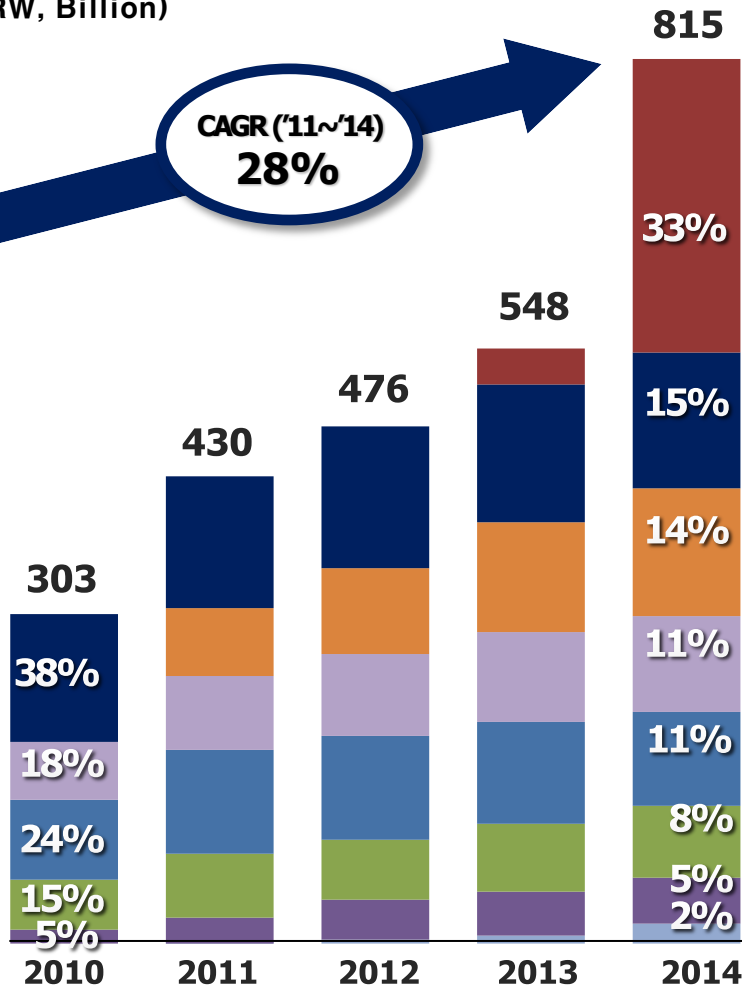
* The sum of overseas subsidiaries' sales which are under Lotte Confectionery' s management (including equity method subsidiaries' sales)

* Overseas sales of the pages 13~18 are based on the fixed foreign exchange rates as follows

- ① China 150KRW/CNY ② Guylian 1,600KRW/EUR ③ India 25KRW/INR ④ Vietnam 0.0586KRW/VND ⑤ Russia 38KRW/RUB
- ⑥ Pakistan 15 KRW/PKR ⑦ Kazakhstan 7.5KRW/KZT ⑧ Singapore 870KRW/SGD

Expanded through M&A and green field investment

(KRW, Billion)



	NATION	INVESTMENT	SALES('14)	CAGR ('11~'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 (2008)	88	5%
	Vietnam	M&A (2008)	66	9%
	Russia	Green Field (2007)	43	32%
	Singapore	Green Field (2011)	18	230%

Enhancing local competitiveness → Advancing presence in Europe & Central Asia

(KRW, Billion, %)



Nation	Brand	Invest.	Plant	Main Products('14)
Kazakhstan	Rakhat	M&A (2013)	3	 Chocolate 48% Candy 27% Biscuit 20%
Russia	LOTTE	Green field (2007)	1	 Pie 75% Chocolate 17% Biscuit 7%
Belgium	Guylian	M&A (2008)	1	 Chocolate 100%

* Sales : applied fixed foreign exchange rates

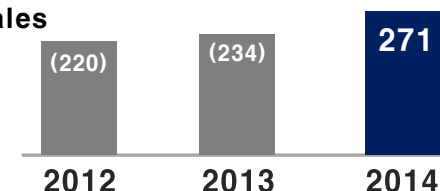


Kazakhstan

Enhancing competitiveness/ Vitalizing Lotte brand

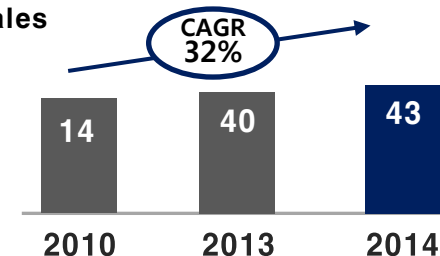
- New Line Shymkent (15.10月)

* Sales



Maximizing Choco Pie sales/ Penetrating Europe market

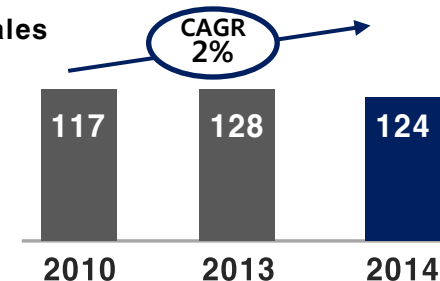
* Sales



Russia

Maintaining premium brand

* Sales








Belgium

* CAGR FY11-FY14

Boosting domestic demand → Building infrastructure for penetrating Halal market



Nation	Brand	Invest.	Plant	Main Products('14)
Pakistan	Kolson	M&A (2011)	6	   Snack 59% Biscuit 21% Pasta 20%
India	LOTTE (PARRY'S)	M&A (2004)	3	  Pie 42% Candy 57%

* Sales : applied fixed foreign exchange rates

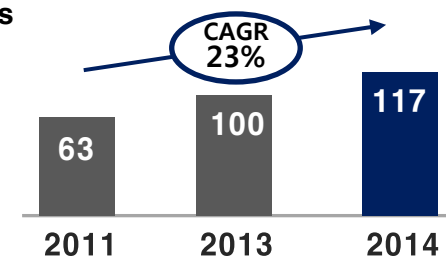
(KRW, Billion, %)

● Increasing domestic demand & export
- Exporting to Halal Market



Pakistan

* Sales

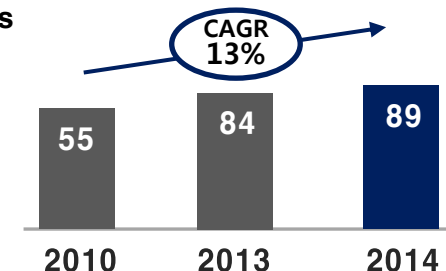


● Enhancing Choco Pie Sales
- Completion of Haryana Factory (15.8月)



India

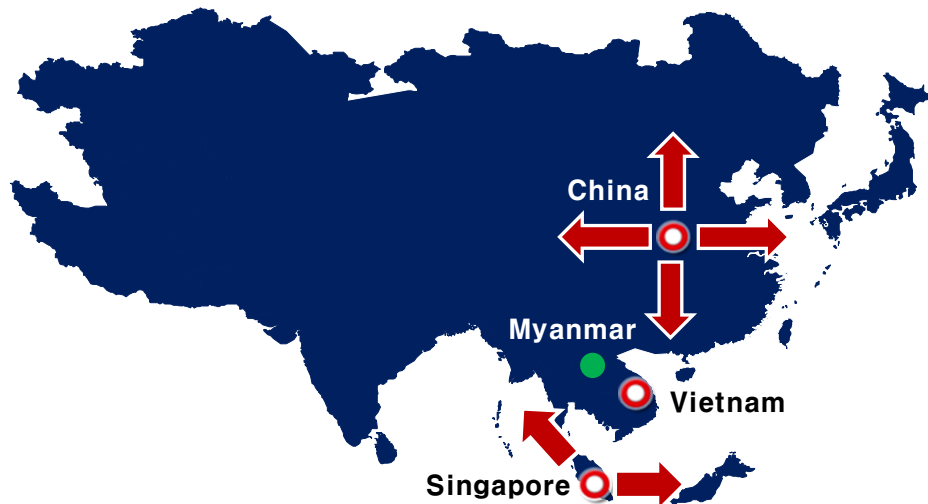
* Sales



Dubai (Office) ● Exporting to Southwest Asia & Africa
- Strengthening Lotte brand MKT

* CAGR FY11-FY14

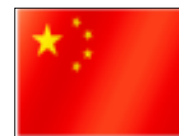
Raising market power in Southeast Asia / Stabilizing business in China



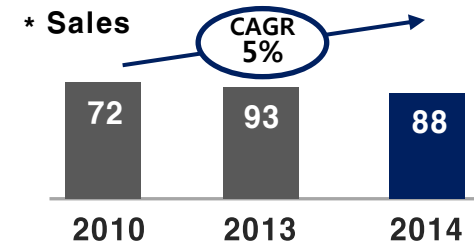
Nation	Brand	Invest.	Plant	Main Products('14)
China	LOTTE	Green field (2008)	4	Biscuit 44% Pie 27% Gum 11%
Vietnam	LOTTE (BIBICA)	M&A (2008)	3	Pie 30% Biscuit 21%
Singapore	LOTTE	Green field (2011)	-	Chocolate 44% Pie 11%

※ Sales : applied fixed foreign exchange rates

● Stabilizing Business



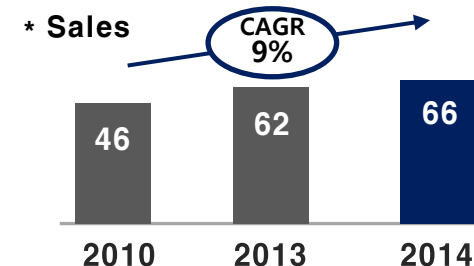
China



● Strengthening local power



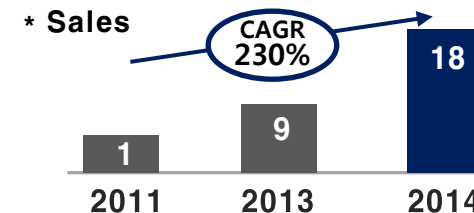
Vietnam



● Expanding in Southeast Asia - Malaysia/Indonesia



Singapore



※ CAGR FY11-FY14

IV. Appendix

- **Summarized Financial Results (Parent)**
- **Summarized Financial Results (Consolidated)**
- **Shareholders' status**



Income Statement

(KRW, Billion)	2013	2014	3Q	
			2014	2015
Net Sales	1,610	1,705	1,285	1,365
Growth rate (%)		5.9%		6.3%
COGS	988	1,053	791	825
COGS (%)	61.4%	61.8%	61.6%	60.4%
Gross Profit	622	651	494	541
GP Margin (%)	38.6%	38.2%	38.4%	39.6%
SG&A	512	545	400	434
SG&A (%)	31.8%	32.0%	31.2%	31.8%
Operating Profit	110	106	93	106
OP Margin (%)	6.8%	6.2%	7.3%	7.8%
Recurring Profit	102	48	95	103
RP Margin (%)	6.4%	2.8%	7.4%	7.5%
Net Income	73	28	75	81
Net Margin (%)	4.5%	1.6%	5.9%	6.0%
EPS (Won)	51,973	19,568	53,569	57,752

* Parent base results under K-IFRS standard



Balance Sheet

(KRW, Billion)	3Q	
	2014	2015
Current Assets	531	677
Cash/Cash equivalents	63	133
Receivables	277	292
Inventories	152	142
Other Current Assets	39	110
Non-liquid Assets	3,783	3,771
Investment & Other Assets	2,627	2,615
Tangible Assets	1,156	1,155
Total Assets	4,315	4,448
Payables	226	206
Other Liabilities	1,134	1,261
Total Liabilities	1,360	1,467
Paid-in Capital	7	7
Capital Surplus	13	13
Retained Earnings	1,759	1,785
Capital adjustment & Accumulated Other Comprehensive Income	1,176	1,175
Total Shareholder's Equity	2,955	2,980
D/E Ratio(%)	46.0%	49.2%



Income Statement

(KRW, Billion)	2013	2014	3Q	
			2014	2015
Net Sales	1,976	2,225	1,645	1,703
Growth rate (%)		12.6%		3.5%
COGS	1,254	1,445	1,066	1,074
COGS (%)	63.5%	64.9%	64.8%	63.0%
Gross Profit	722	780	579	629
GP Margin (%)	36.5%	35.1%	35.2%	37.0%
SG&A	631	665	481	510
SG&A (%)	31.9%	29.9%	29.3%	30.0%
Operating Profit	92	115	98	119
OP Margin (%)	4.6%	5.2%	6.0%	7.0%
Recurring Profit	92	37	78	114
RP Margin (%)	4.7%	1.7%	4.7%	6.7%
Net Income	55	2	48	83
Net Margin (%)	2.8%	0.1%	2.9%	4.9%
EPS (Won)	36,044	(2,026)	32,883	58,567

* Consolidated base results under K-IFRS standard



Balance Sheet

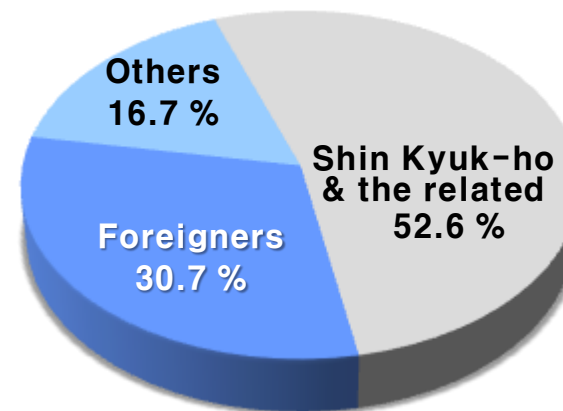
(KRW, Billion)	3Q	
	2014	2015
Current Assets	745	873
Cash/Cash equivalents	116	190
Receivables	309	325
Inventories	258	221
Other Current Assets	62	138
Non-liquid Assets	3,623	3,678
Investment & Other Assets	2,251	2,247
Tangible Assets	1,372	1,432
Total Assets	4,368	4,552
Payables	262	246
Other Liabilities	1,225	1,415
Total Liabilities	1,487	1,661
Paid-in Capital	7	7
Capital Surplus	13	13
Retained Earnings	1,702	1,728
Capital adjustment & Accumulated Other Comprehensive Income	1,159	1,143
Total Shareholder's Equity	2,882	2,891
D/E Ratio(%)	51.6%	57.4%



Principal Shareholder Status

Shareholder	Ownership (%)
Lotte Aluminium	15.29
Lotte Scholarship Foundation	8.69
Shin, Kyuk Ho	8.78
Shin, Dong Bin	6.83

※ As of October 30, 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)