

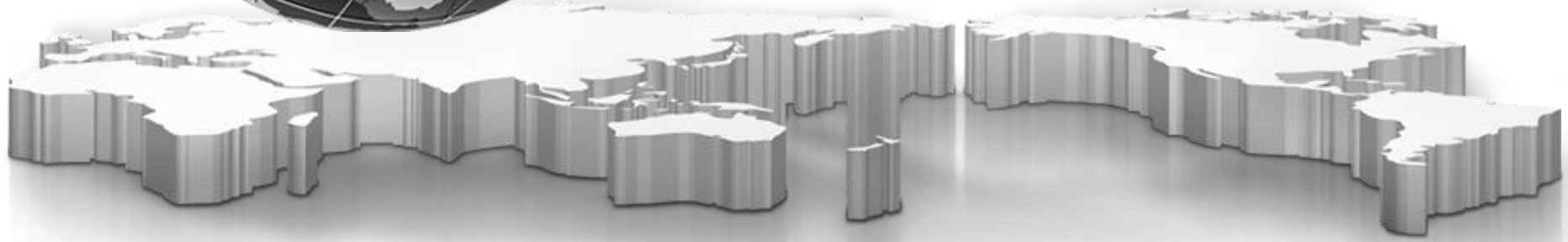
ASIA
No.1
CONFECTIONERY
COMPANY



LOTTE CONFECTIONERY

***INVESTOR
RELATIONS***

FISCAL YEAR 2015



Contents

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※ Disclaimer

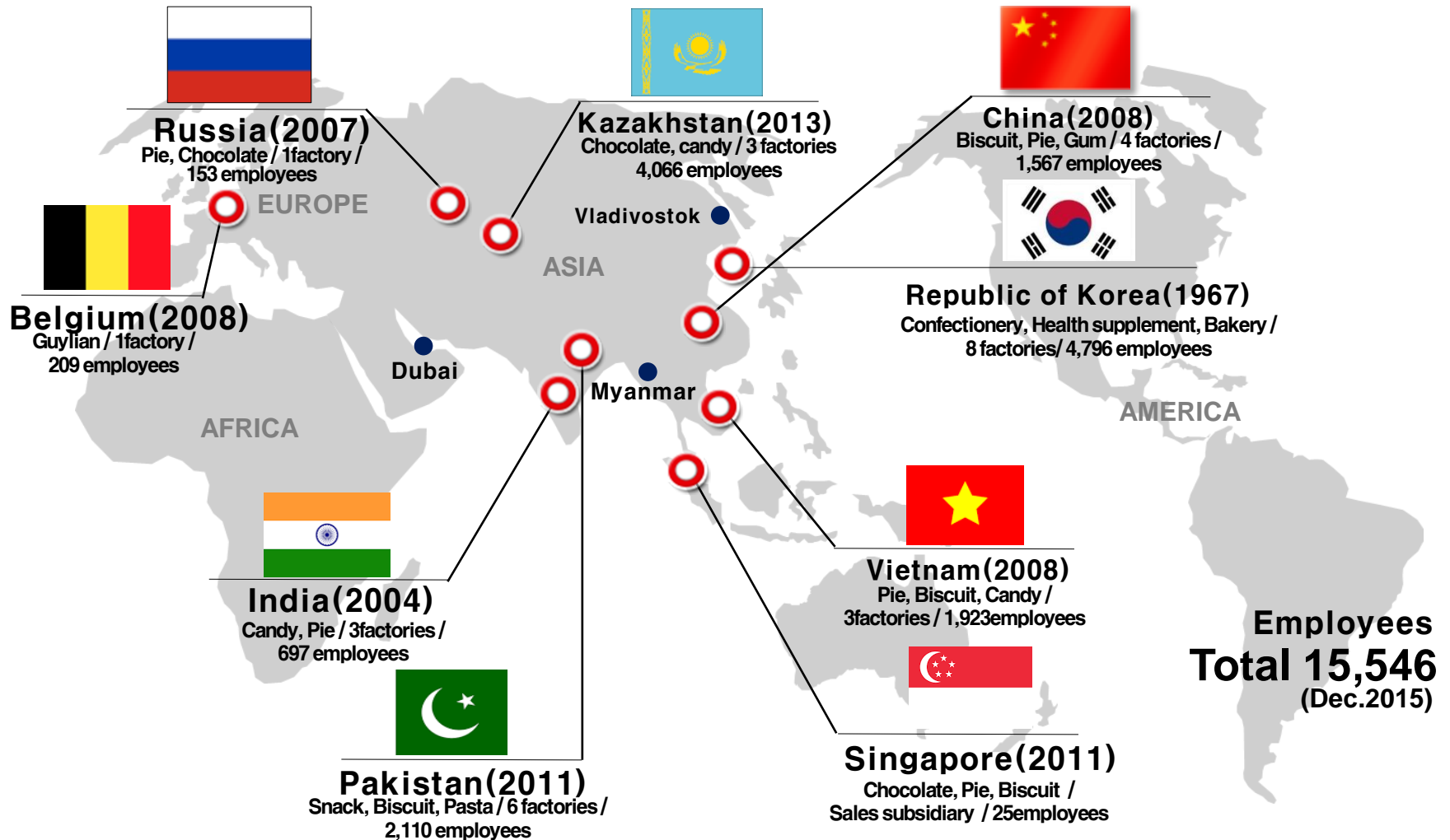
This material is based on non-audited financial statements for FY2015 and released for investors' convenience only.

Please note that readers should be aware this material is subject to revision during the course of audit.

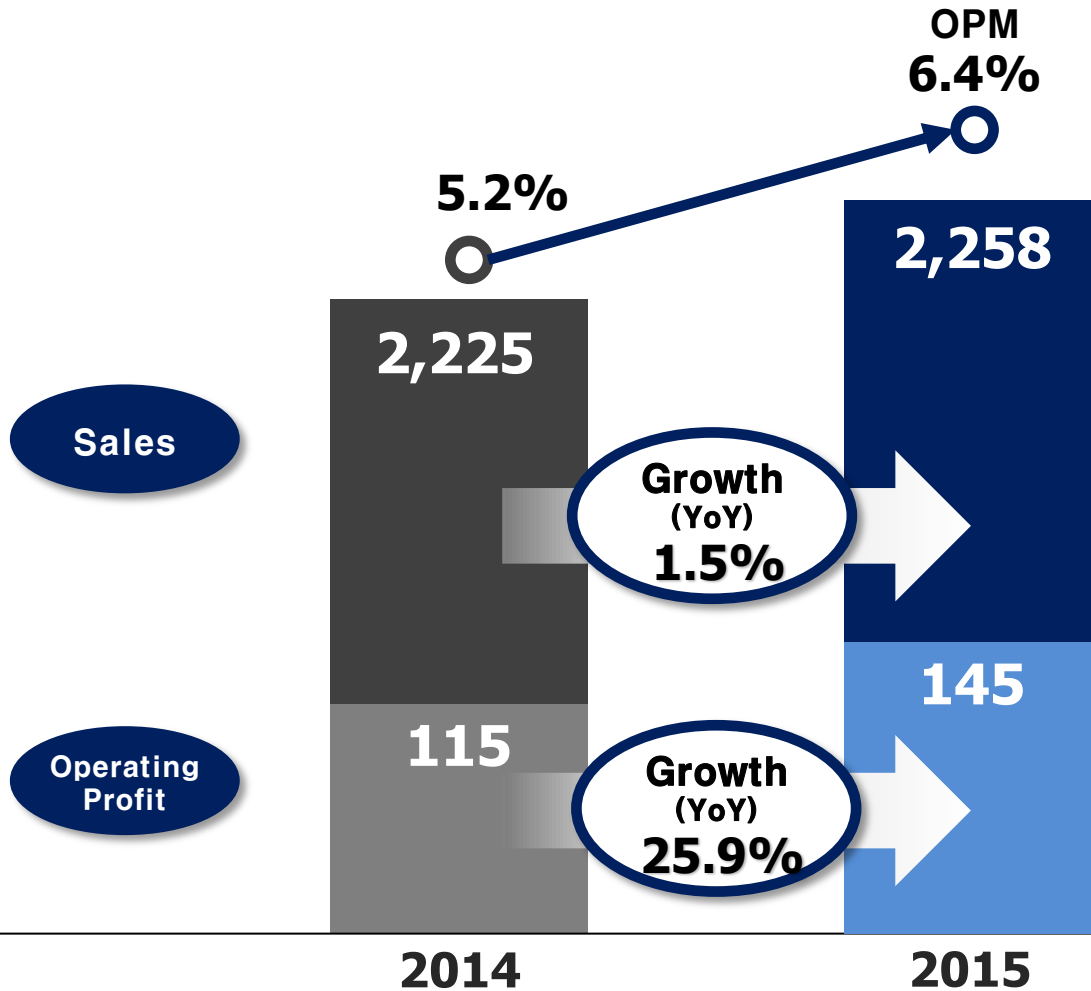
I . Overview

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

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



FY15 sales increased by 1.5%, OP increased by 25.9%



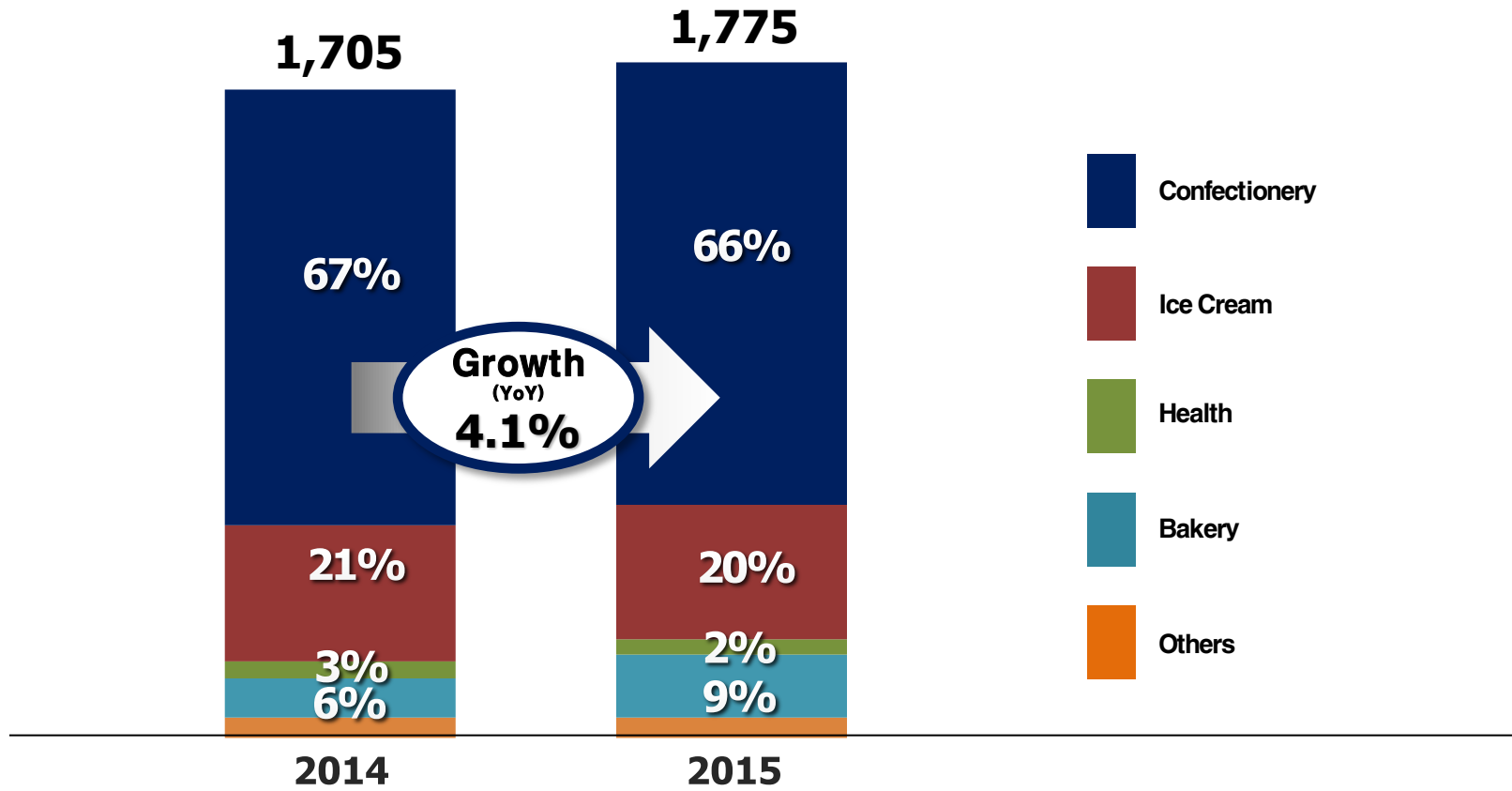
(KRW, Billion, %)

※ Consolidated results under K-IFRS

II . Domestic Business

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

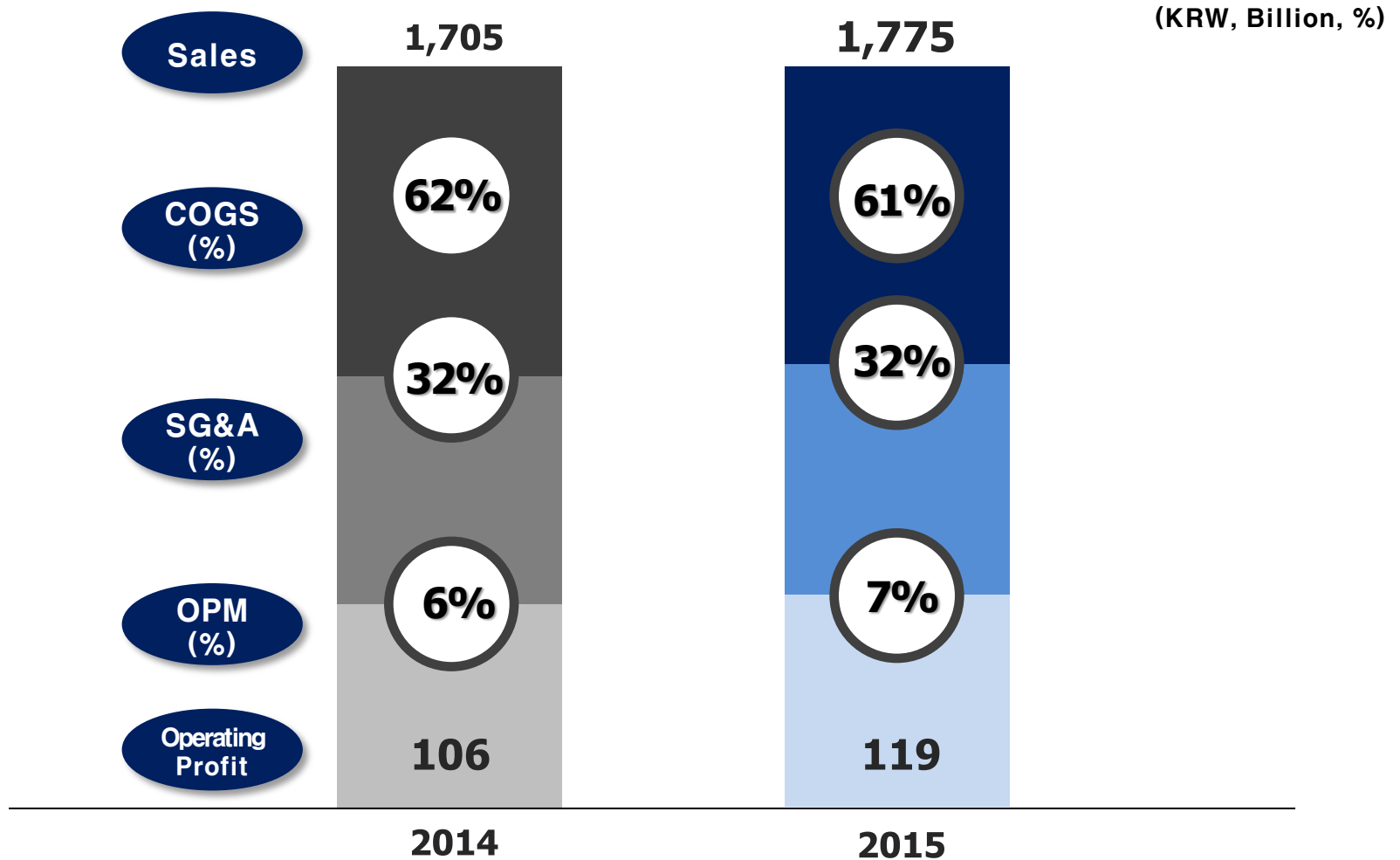
**FY15 domestic sales increased by 4.1%,
Strengthening business portfolio**



(KRW, Billion, %)

※Parent results under K-IFRS / Confectionery sales include export

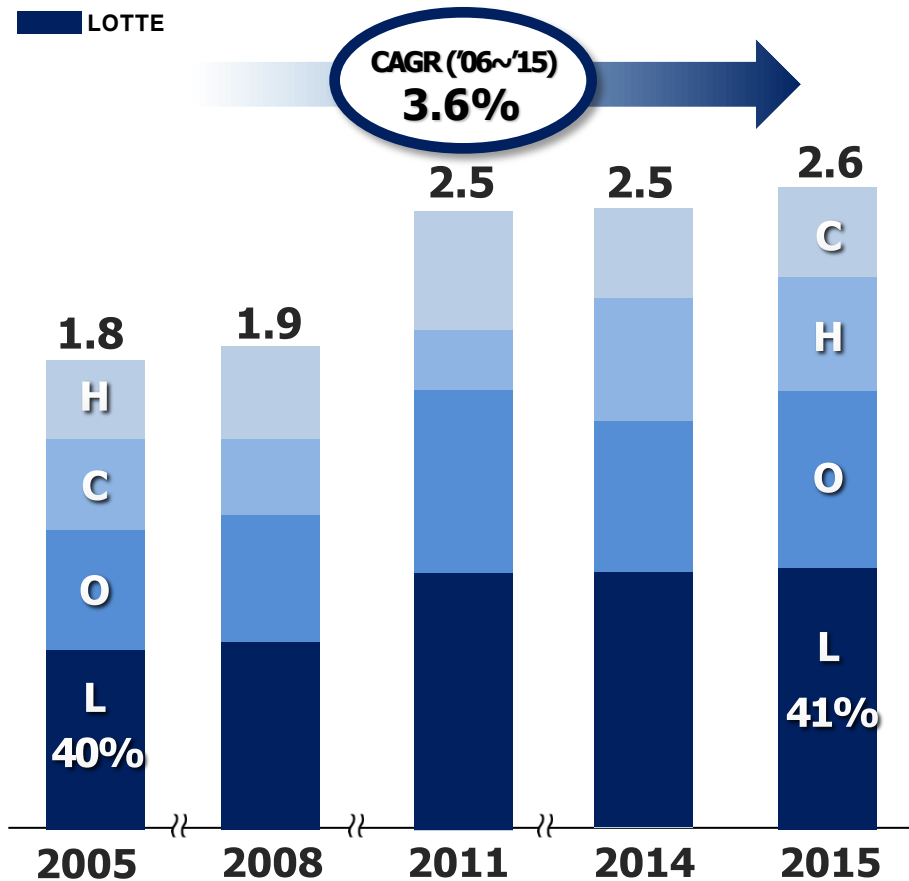
Maintaining similar profit structure to global confectionery companies



※ Parent results under K-IFRS

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

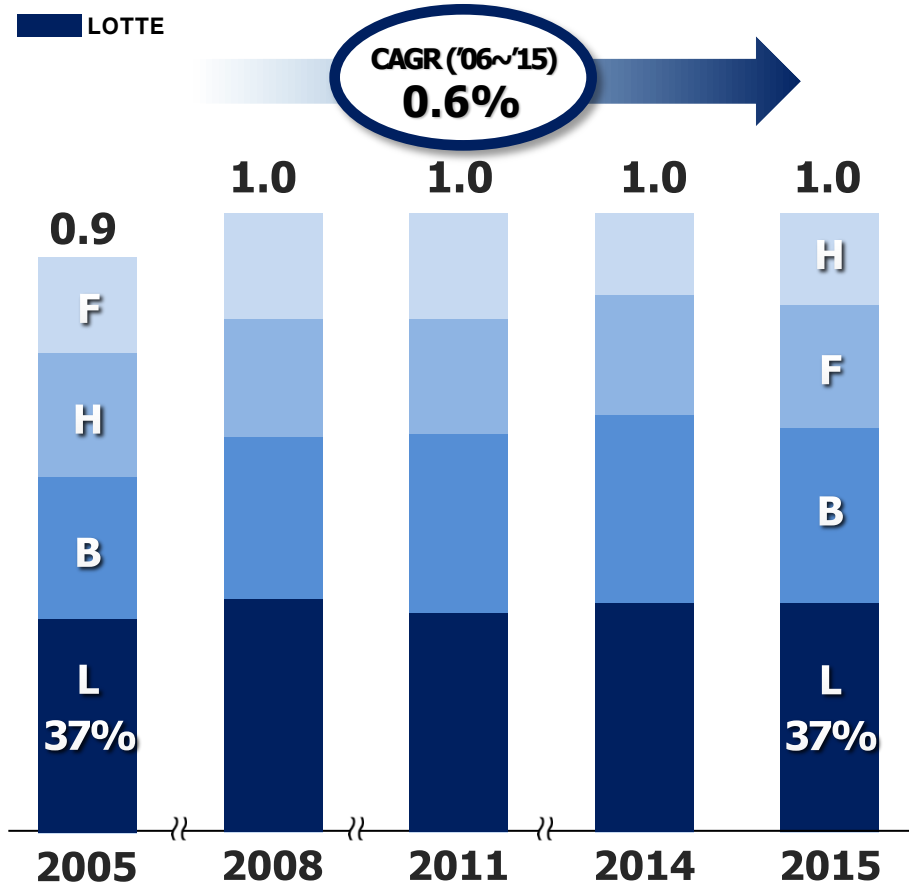
Focus on Mega Brand



- 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

- 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

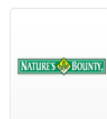


Home
Shopping



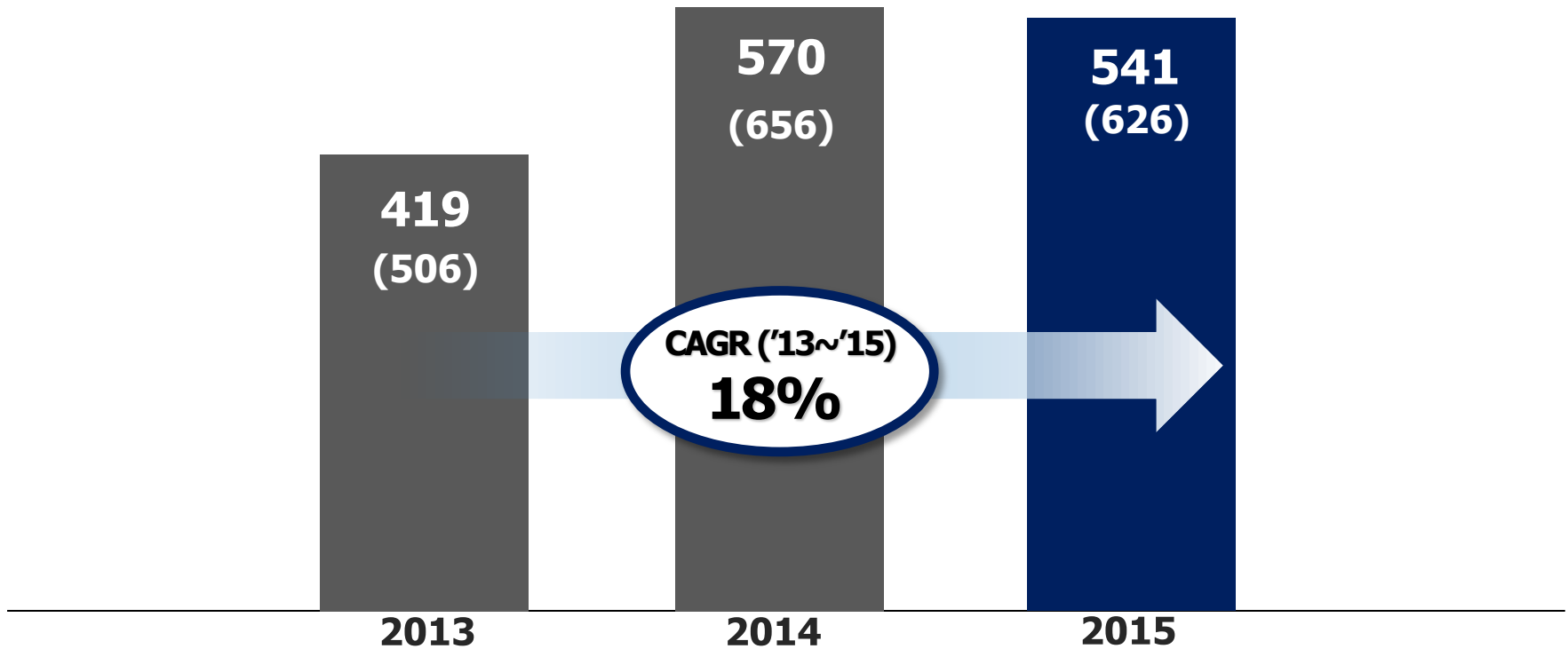
Internet

- Reinforcing each category



III . Overseas Business

Achieving high growth rate with '13~'15 CAGR of 18.0%

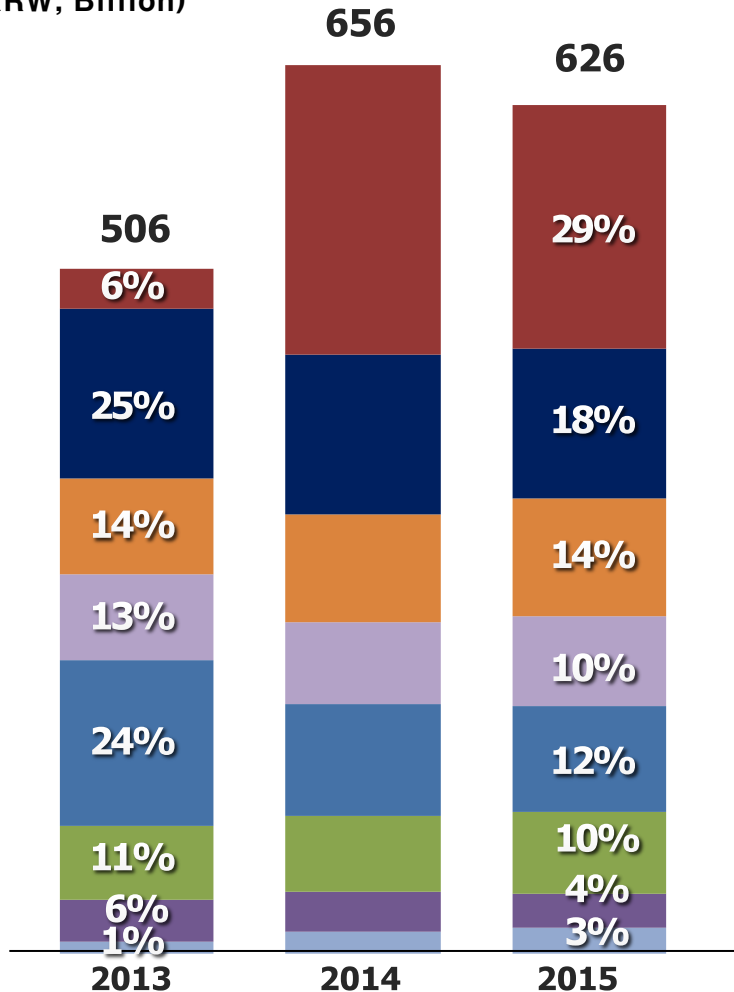


(KRW, Billion, %)

※ The sum of overseas subsidiaries' sales including equity method subsidiaries – Russia and Vietnam
(Calculated with annual average exchange rates)

Expanded through M&A and green field investment

(KRW, Billion)



	NATION	INVESTMENT	SALES('15)	CAGR ('13~'15)
	Kazakhstan	M&A (2013)	180	(13.12月)
	Belgium	M&A (2008)	110	-
	Pakistan	M&A (2011)	87	11%
	India	M&A (2004)	66	1%
	China	Green Field (2008)	79	17%
	Vietnam	M&A (2008)	60	11%
	Russia	Green Field (2007)	25	-
	Singapore	Green Field (2011)	19	65%

※ Sales/CAGR → Based on the sum of overseas subsidiaries' and equity method subsidiaries sales (Calculated with annual average exchange rates)

IV. Appendix

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



Income Statement

(KRW, Billion)	Annual		
	2013	2014	2015
Net Sales	1,610	1,705	1,775
Growth rate (%)		5.9%	4.1%
COGS	988	1,053	1,081
COGS (%)	61.4%	61.8%	60.9%
Gross Profit	622	651	694
GP Margin (%)	38.6%	38.2%	39.1%
SG&A	512	545	575
SG&A (%)	31.8%	32.0%	32.4%
Operating Profit	110	106	119
OP Margin (%)	6.8%	6.2%	6.7%
Recurring Profit	102	48	60
RP Margin (%)	6.4%	2.8%	3.4%
Net Income	73	28	37
Net Margin (%)	4.5%	1.6%	2.1%
EPS (Won)	51,973	19,568	26,170

* Parent base results under K-IFRS standard



Balance Sheet

(KRW, Billion)	Annual		
	2013	2014	2015
Current Assets	555	473	735
Cash/Cash equivalents	109	43	306
Receivables	215	246	258
Inventories	145	165	152
Other Current Assets	86	19	19
Non-liquid Assets	3,710	3,431	3,494
Investment & Other Assets	2,597	2,276	2,345
Tangible Assets	1,113	1,155	1,149
Total Assets	4,265	3,904	4,229
Payables	199	184	292
Other Liabilities	1,130	1,044	1,140
Total Liabilities	1,329	1,228	1,432
Paid-in Capital	7	7	7
Capital Surplus	13	13	33
Retained Earnings	1,698	1,711	1,744
Capital adjustment & Accumulated Other Comprehensive Income	1,218	945	1,013
Total Shareholder's Equity	2,936	2,676	2,797
D/E Ratio(%)	45.3%	45.9%	51.2%



Income Statement

(KRW, Billion)	Annual		
	2013	2014	2015
Net Sales	1,976	2,225	2,258
Growth rate (%)		12.6%	1.5%
COGS	1,254	1,445	1,431
COGS (%)	63.5%	64.9%	63.4%
Gross Profit	722	780	827
GP Margin (%)	36.5%	35.1%	36.6%
SG&A	631	665	682
SG&A (%)	31.9%	29.9%	30.2%
Operating Profit	92	115	145
OP Margin (%)	4.6%	5.2%	6.4%
Recurring Profit	92	37	113
RP Margin (%)	4.7%	1.7%	5.0%
Net Income	55	2	79
Net Margin (%)	2.8%	0.1%	3.5%
EPS (Won)	36,044	(2,026)	56,248

* Consolidated base results under K-IFRS standard



Balance Sheet

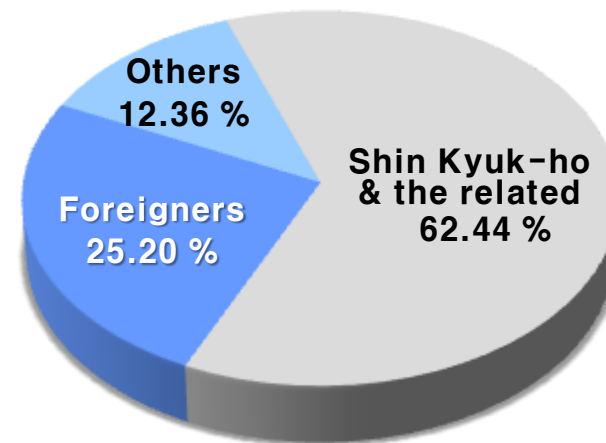
(KRW, Billion)	Annual		
	2013	2014	2015
Current Assets	785	690	946
Cash/Cash equivalents	184	109	247
Receivables	266	289	302
Inventories	230	252	212
Other Current Assets	105	40	185
Non-liquid Assets	3,647	3,308	3,387
Investment & Other Assets	2,295	1,920	1,985
Tangible Assets	1,352	1,388	1,402
Total Assets	4,432	3,998	4,326
Payables	248	227	235
Other Liabilities	1,218	1,151	1,388
Total Liabilities	1,466	1,378	1,623
Paid-in Capital	7	7	7
Capital Surplus	13	13	33
Retained Earnings	1,668	1,653	1,724
Capital adjustment & Accumulated Other Comprehensive Income	1,278	947	939
Total Shareholder's Equity	2,966	2,620	2,703
D/E Ratio(%)	49.4%	52.6%	60.0%



Principal Shareholder Status

Shareholder	Ownership (%)
Lotte Aluminium	15.29
Lotte CO.,LTD	9.89
Lotte Scholarship Foundation	8.69
Shin, Dong Bin	8.78
Shin, Kyuk Ho	6.83

※ As of Dec 31, 2015



※ Excluding Lotte CO.,LTD



Dividend / Payout Ratio

	2011	2012	2013	2014	2015
Share Price (₩)	1,707,000	1,630,000	1,912,000	1,780,000	2,279,000
Cash Dividend (₩million)	5,630	5,630	5,630	7,318	16,019
Dividend Rate (DPS/face value)	80.0%	80.0%	80.0%	104.0%	225.4%
Dividend Per Share	4,000	4,000	4,000	5,200	11,270
Dividend Yield (DPS/Share Price)	0.2%	0.2%	0.2%	0.3%	0.5%
Payout Ratio (Dividend/Net Profit)	5.6%	6.3%	10.2%	439.0%	20.24%

※ Consolidated base(as of December 31, 2015)