

ASIA  
**No.1**  
CONFECTIONERY  
COMPANY

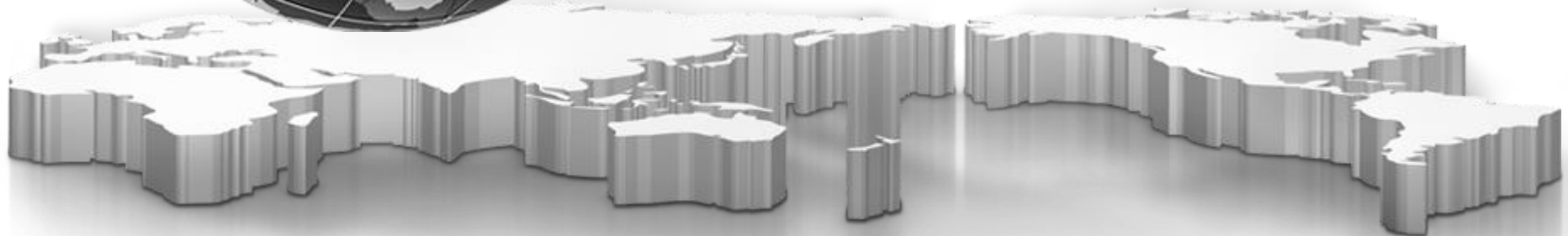


*LOTTE CONFECTIONERY*

# ***INVESTOR RELATIONS***

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1<sup>st</sup> Quarter of FY2016



# Contents

**I . Overview**

**II . Domestic Business**

**III . Overseas Business**

# I . Overview

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

## Strengthening domestic business and accelerating overseas expansion since 1967 with CAGR of 16%

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

#### FY 2000~2005

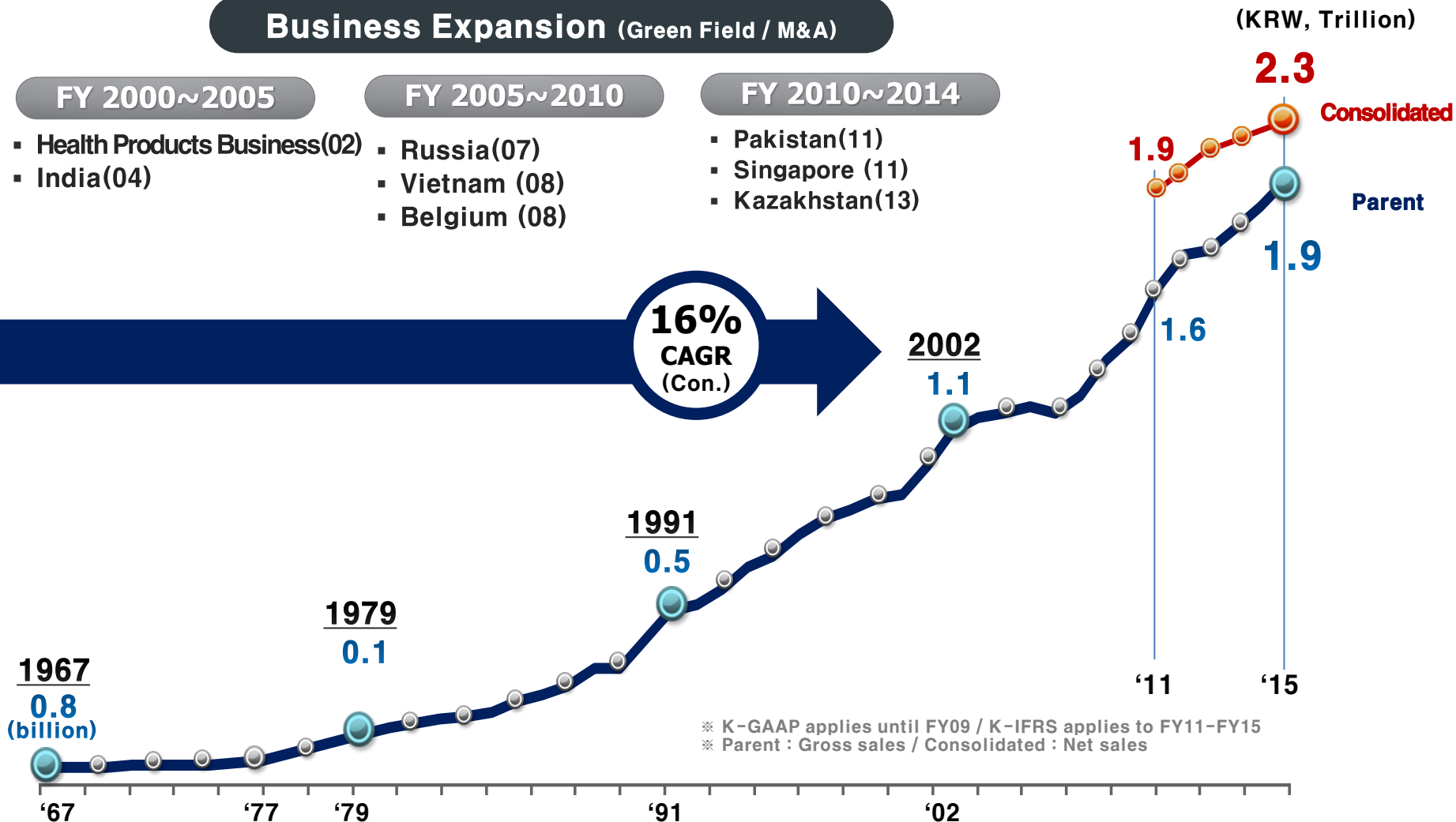
- Health Products Business(02)
- India(04)

#### FY 2005~2010

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

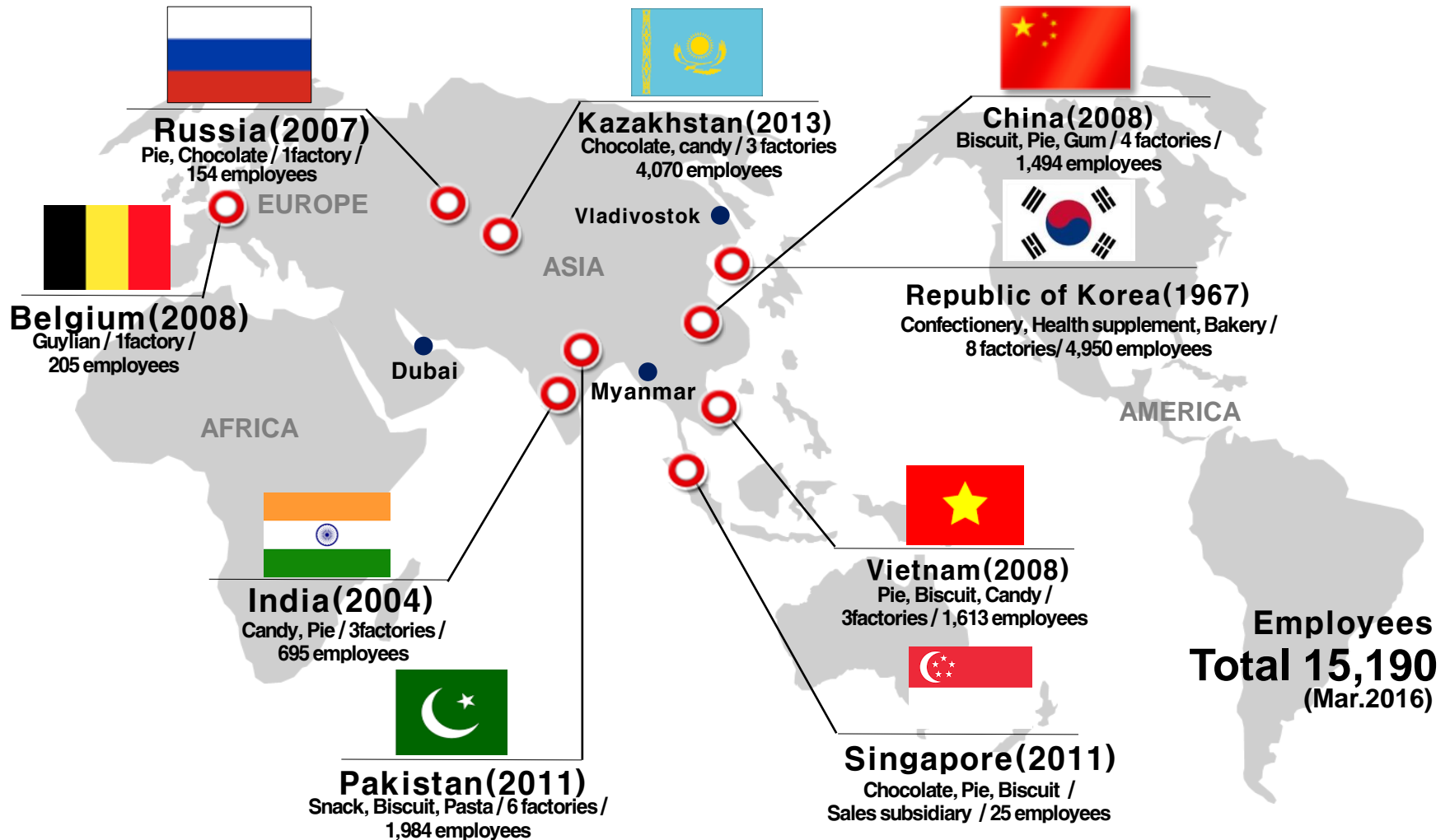
#### FY 2010~2014

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

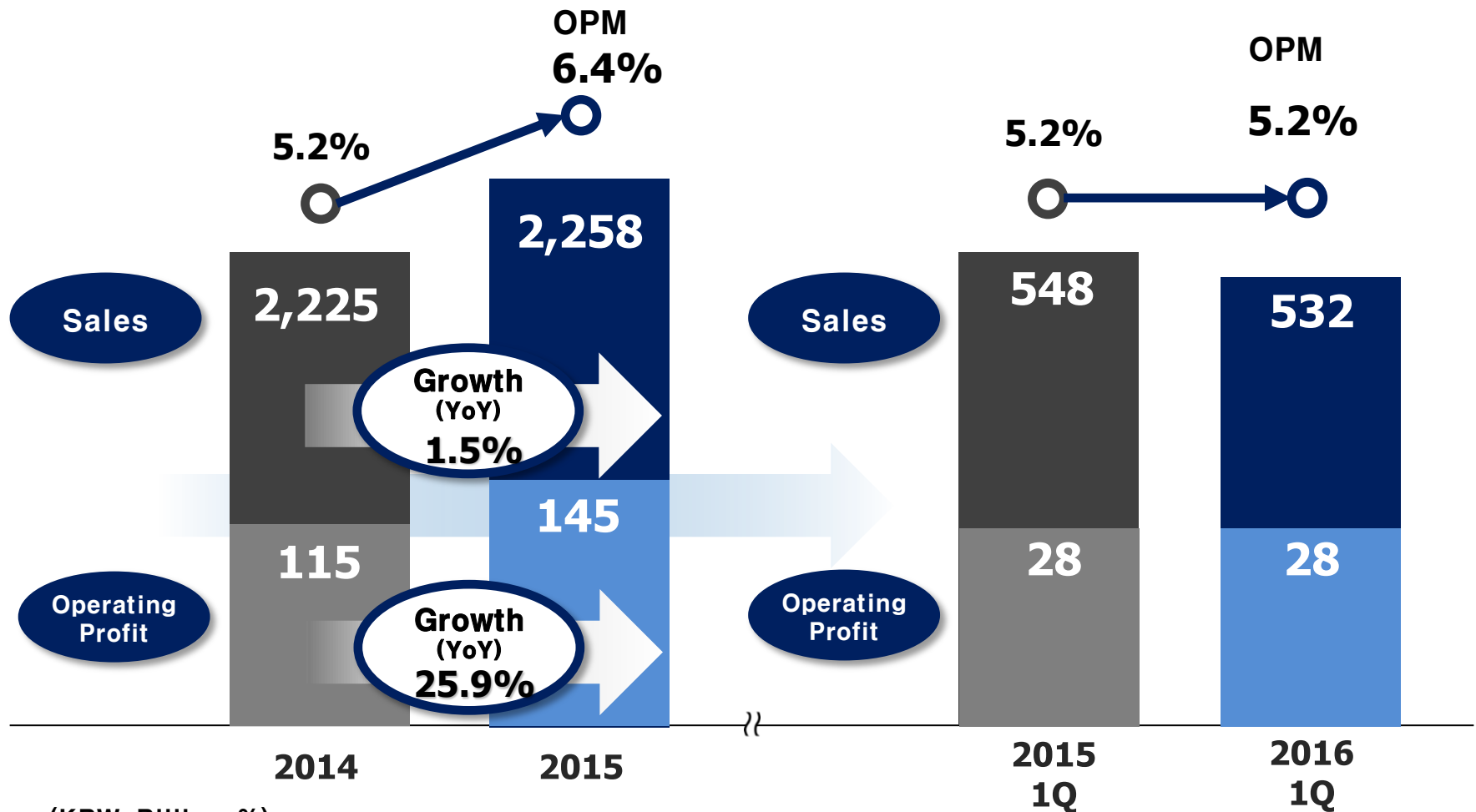


\* K-GAAP applies until FY09 / K-IFRS applies to FY11-FY15  
 \* Parent : Gross sales / Consolidated : Net sales

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



**FY14~FY15 sales increased by 1.5%, OP increased by 25.9%**  
**16.1Q sales & OP slightly deviated from 15.1Q**



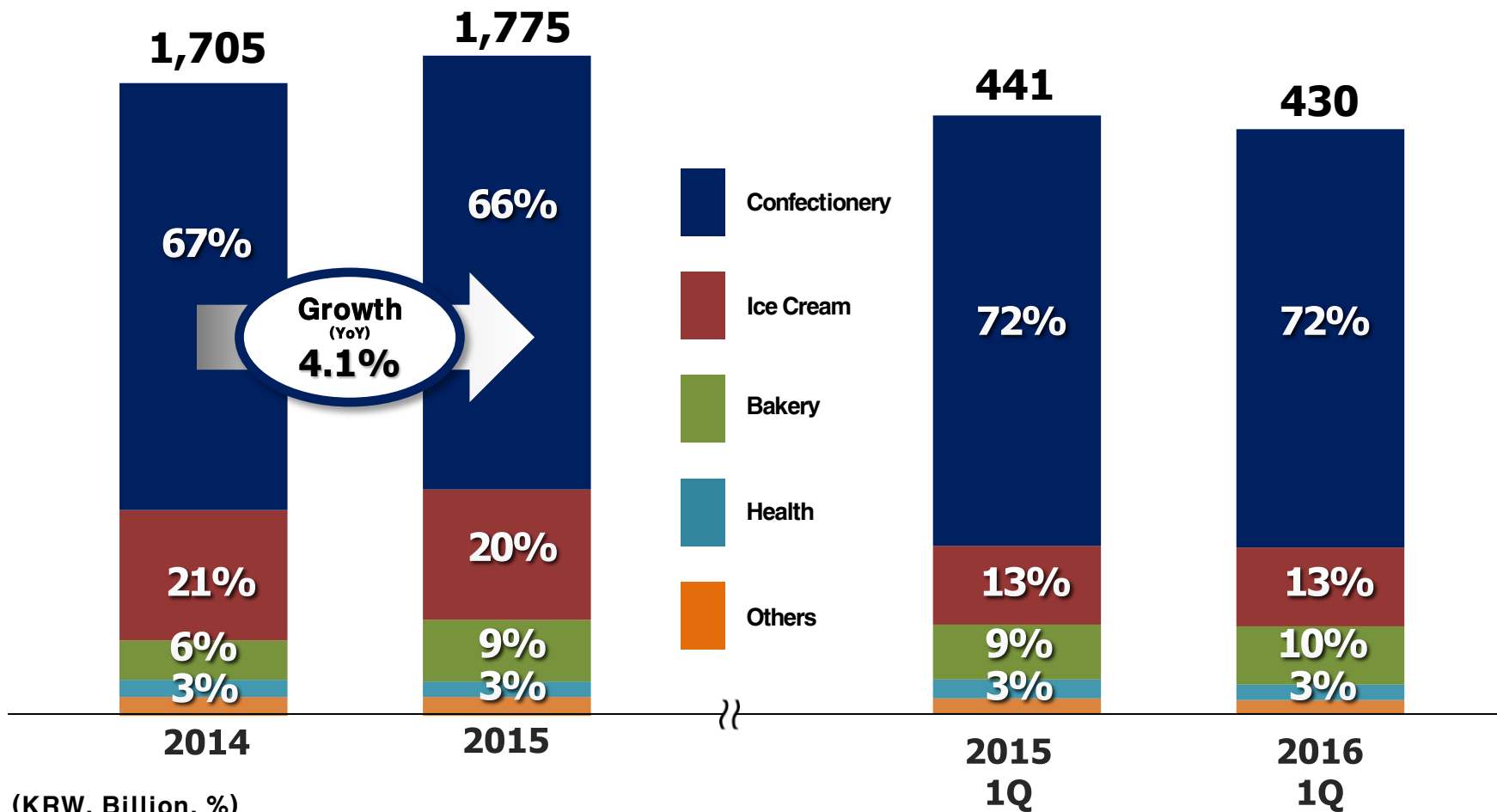
(KRW, Billion, %)

※ Consolidated results under K-IFRS

## **II . Domestic Business**

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

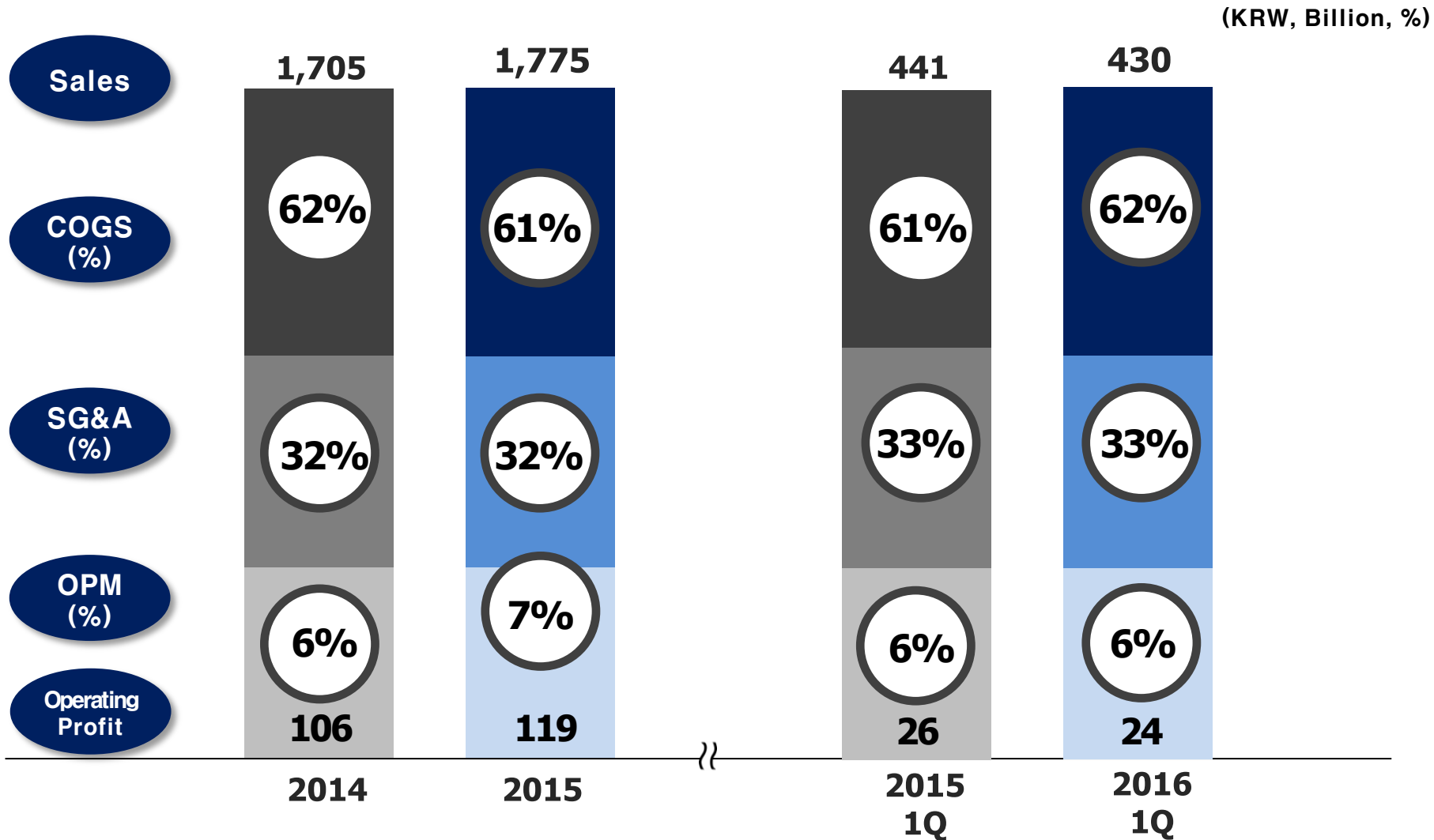
**FY14~FY15 domestic sales increased by 4.1%**  
**Strengthening main business & Expanding new business**



(KRW, Billion, %)

※Parent results under K-IFRS

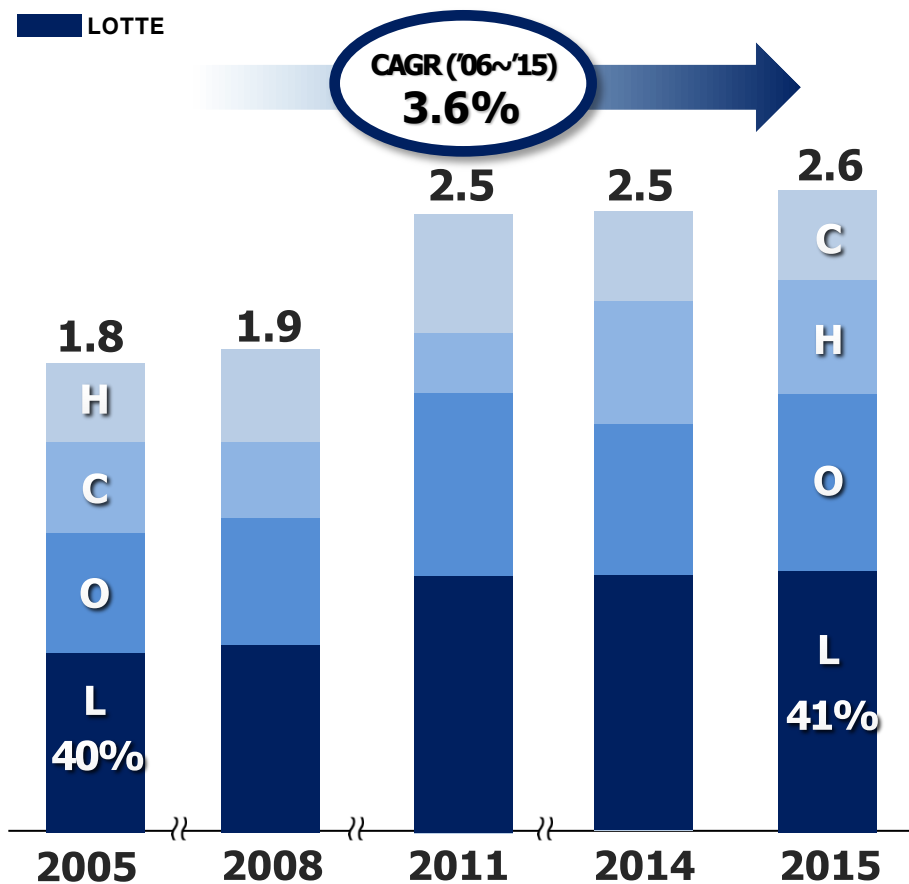
## Maintaining similar profit structure to global confectionery companies



※ 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

### Elaborating Premium Brands



- Farm On the Road / Charlotte(Chocolate)

### Staying on Top of Trends



- New type candy / Trendy-flavor extension

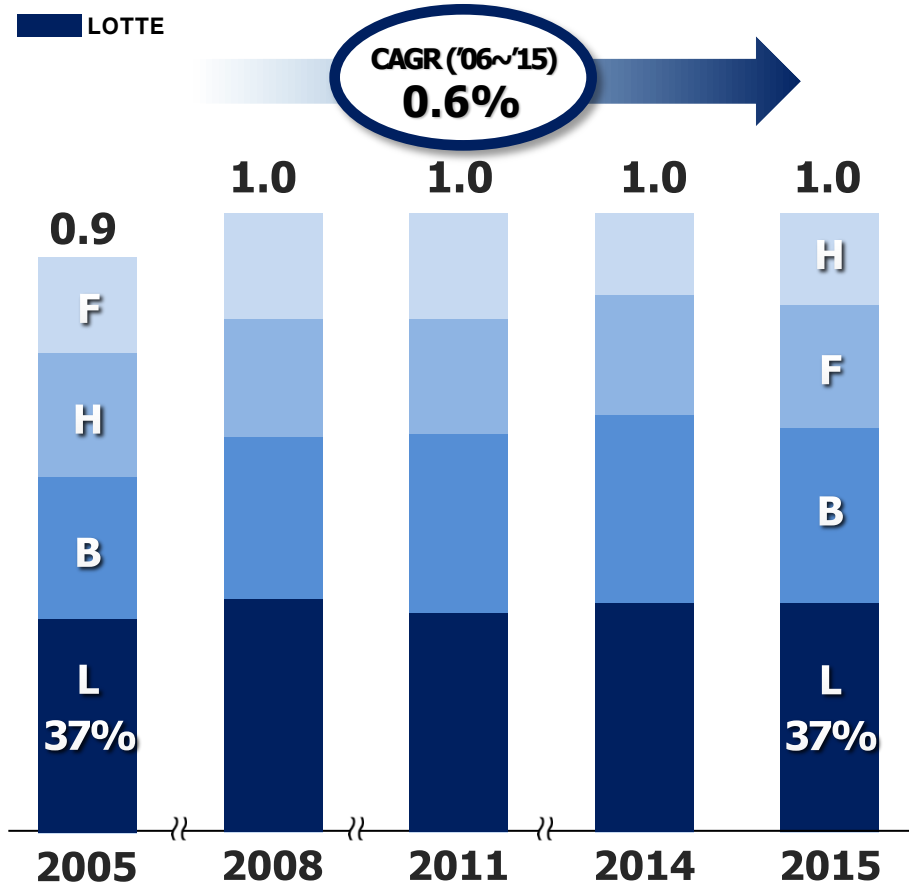
### Fortifying Mega Brands



- 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

### Developing Premium Brand



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

### Diversifying 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



- Building up in-store bakery brands



Department Store



Mart

- Nurturing representative products



Natural Yeast Bread



Rice Bread



### HEALTH PRODUCTS

- Developing new materials



- Diversifying sales channels



Department Store



Mart



CVS

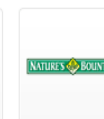


Home Shopping



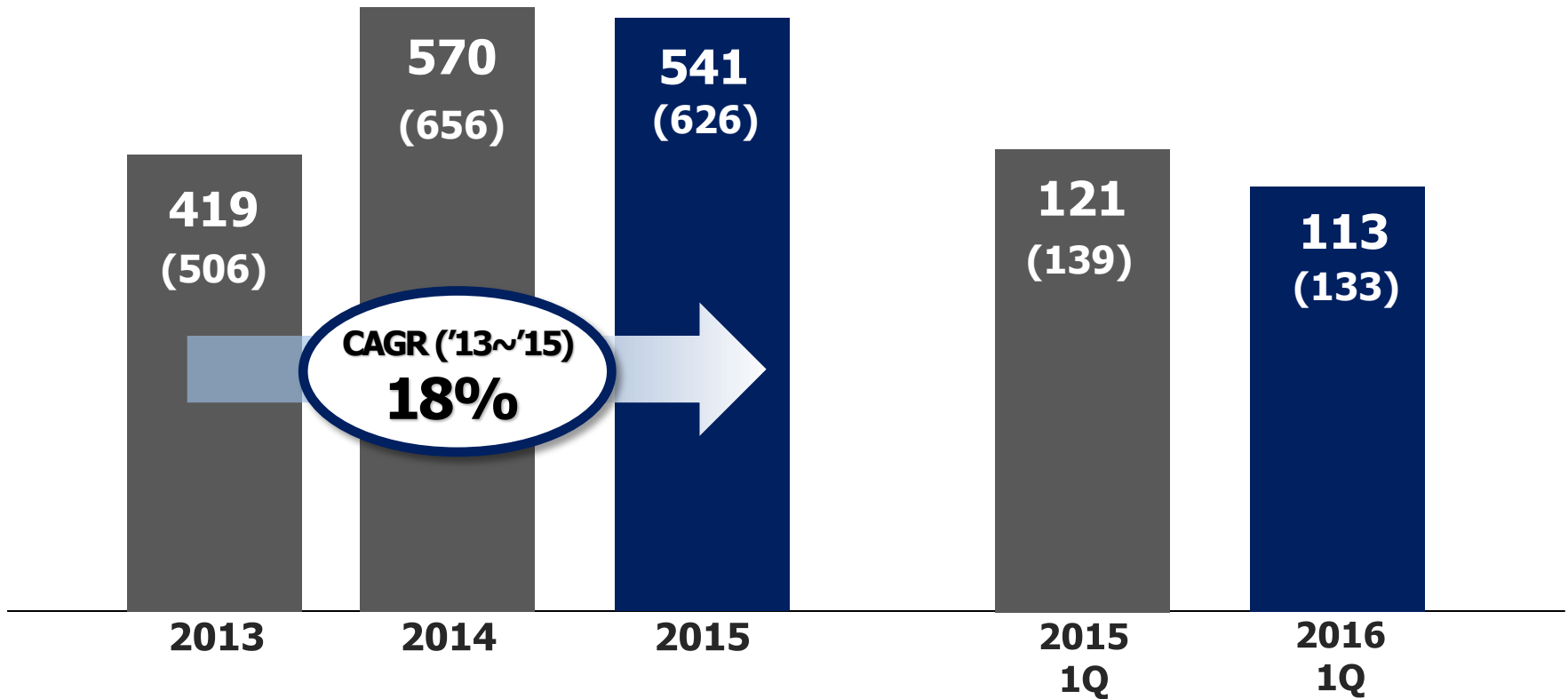
Internet

- Reinforcing each brand



# III . Overseas Business

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

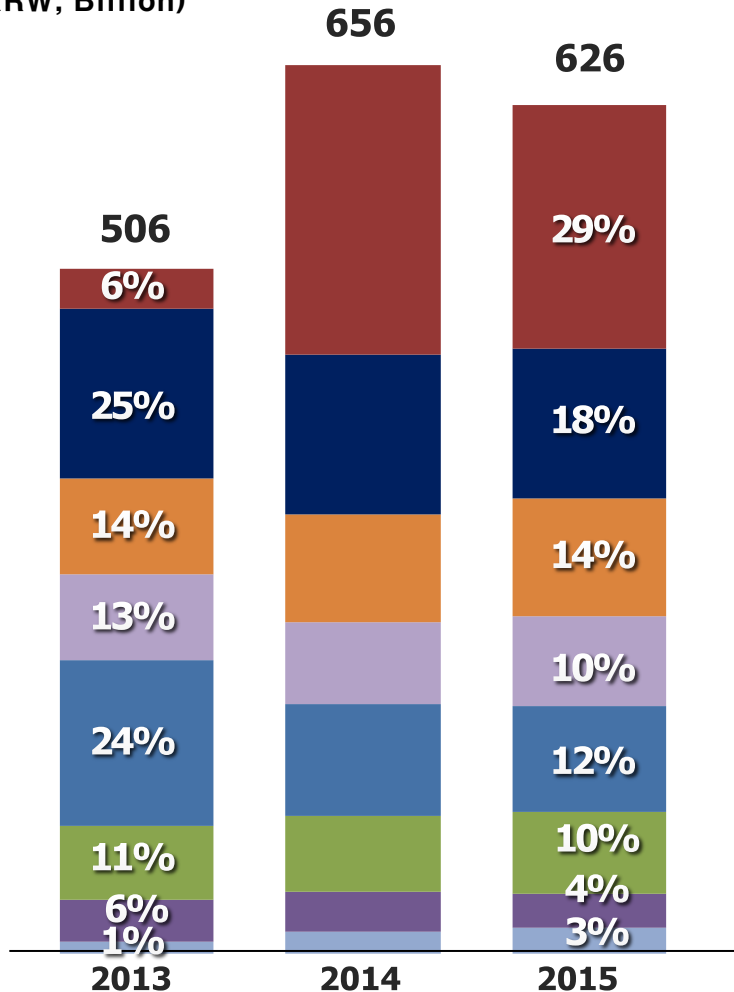


(KRW, Billion, %)

※ ( ) : 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



## Income Statement

(KRW, Billion)	FY2014	FY2015	1Q	
			2015	2016
<b>Net Sales</b>	1,705	1,775	441	430
Growth rate ( %)	5.9%	4.1%		-2.4%
<b>COGS</b>	1,053	1,081	270	265
COGS (%)	61.8%	60.9%	61.4%	61.6%
<b>Gross Profit</b>	651	694	170	165
GP Margin (%)	38.2%	39.1%	38.6%	38.4%
<b>SG&amp;A</b>	545	575	145	142
SG&A (%)	32.0%	32.4%	32.8%	32.9%
<b>Operating Profit</b>	106	119	26	24
OP Margin (%)	6.2%	6.7%	5.8%	5.5%
<b>Recurring Profit</b>	48	60	34	30
RP Margin (%)	2.8%	3.4%	7.7%	6.9%
<b>Net Income</b>	28	37	27	24
Net Margin (%)	1.6%	2.1%	6.2%	5.7%
<b>EPS (Won)</b>	19,568	26,170	19,460	17,233



## Balance Sheet

	FY2014	FY2015	1Q	
			2015	2016
<b>Current Assets</b>	473	735	557	741
Cash/Cash equivalents	43	293	105	276
Receivables	246	258	296	291
Inventories	165	152	143	141
<b>Non-liquid Assets</b>	3,430	3,494	3,445	3,462
Investment & Others	2,276	2,345	2,289	2,319
Tangible Assets	1,155	1,149	1,157	1,143
<b>Total Assets</b>	3,904	4,229	4,003	4,204
Payables	184	192	197	215
Other Liabilities	500	659	571	657
<b>Total Liabilities</b>	1,228	1,432	1,315	1,438
Paid-in Capital	7	7	7	7
Capital Surplus	13	33	13	33
Retained Earnings	1,711	1,744	1,731	1,750
Capital adjustment & Accumulated Other Comprehensive Income	945	1,014	937	976
<b>Total Shareholder's Equity</b>	2,676	2,797	2,688	2,766
<b>D/E Ratio (%)</b>	45.9%	51.2%	48.9%	52.0%

\* Parent base results under K-IFRS standard



## Income Statement

(KRW, Billion)	FY2014	FY2015	1Q	
			2015	2016
<b>Net Sales</b>	2,225	2,258	548	532
Growth rate ( %)	12.6%	1.5%		-3.0%
<b>COGS</b>	1,445	1,431	351	339
COGS (%)	64.9%	63.4%	64.0%	63.8%
<b>Gross Profit</b>	780	827	197	192
GP Margin (%)	35.1%	36.6%	36.0%	36.2%
<b>SG&amp;A</b>	665	682	169	164
SG&A (%)	29.9%	30.2%	30.8%	30.9%
<b>Operating Profit</b>	115	145	28	28
OP Margin (%)	5.2%	6.4%	5.2%	5.2%
<b>Recurring Profit</b>	37	113	43	37
RP Margin (%)	1.7%	5.0%	7.8%	6.9%
<b>Net Income</b>	2	79	33	30
Net Margin (%)	0.1%	3.5%	6.1%	5.6%
<b>EPS (Won)</b>	-	56,248	23,665	20,967



## Balance Sheet

	FY2014	FY2015	1Q	
			2015	2016
<b>Current Assets</b>	690	945	756	949
Cash/Cash equivalents	111	377	174	365
Receivables	289	302	315	320
Inventories	252	212	229	206
<b>Non-liquid Assets</b>	3,308	3,381	3,316	3,337
Investment & Others	1,921	1,978	1,931	1,946
Tangible Assets	1,388	1,402	1,385	1,390
<b>Total Assets</b>	3,998	4,326	4,072	4,285
Payables	227	235	227	253
Other Liabilities	537	739	630	738
<b>Total Liabilities</b>	1,378	1,623	1,466	1,622
Paid-in Capital	7	7	7	7
Capital Surplus	13	33	13	33
Retained Earnings	1,653	1,724	1,678	1,735
Capital adjustment & Accumulated Other Comprehensive Income	947	939	907	888
<b>Total Shareholder's Equity</b>	2,620	2,703	2,605	2,664
<b>D/E Ratio(%)</b>	52.6%	60.1%	56.3%	60.9%

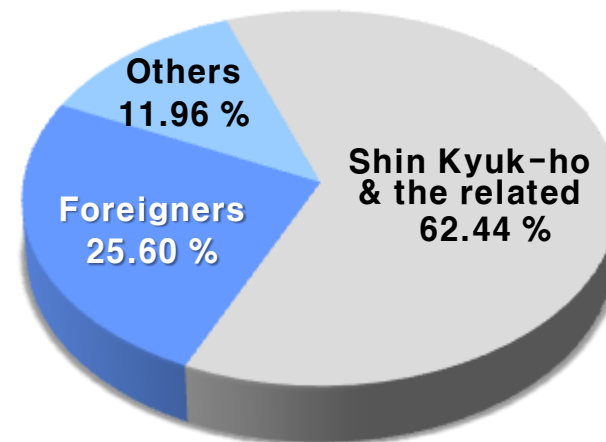
\* Consolidated base results under K-IFRS standard



## 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 Mar 31, 2016



※ Foreigners : 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)