

2012 First Quarter Results

May, 2012

LOTTE SHOPPING CO., LTD

INVESTOR RELATIONS

Disclaimer

The financial information in this document are consolidated earnings results based on K-IFRS. The previous earnings results have also been stated in compliance with K-IFRS.

This release includes preliminary figures that are still undergoing independent auditor review. The actual results may differ from those included in this release due to a variety of factors. Lotte Shopping Company undertakes no obligation to update or revise the preliminary provided in this release.

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Highlights for Q1 FY12

- **A weak domestic consumption continued after Eurozone's financial crisis**

- **Revenue up 8.9% YoY**

- A slow SSSG due to high base effect, abnormal weather and weak demand
Department Stores: -0.5%, Hypermarkets: +0.3%
- Overseas Hypermarkets managed to show positive growth
- Supermarket business volume growth continued thanks to CS Retail acquisition.
- Convenient Stores kept its rapid growth

- **Operating profit down by 18.5% YoY**

- A poor sales revenue growth and high expense of Department stores
- Hypermarket's profit was relatively stable with a sound operation
- Credit card business experienced negative OP growth due to bad debt provisioning

- **Profit before tax Up 0.6% YoY**

- Increased associate income and F/X gains

Consolidated Financial Results (K-IFRS)

(Unit : billion KRW)

	Q1 FY'11	Q1 FY'12	YoY
Gross Sales	5,689	6,197	+ 8.9%
Operating Profit	448	365	- 18.5%
Profit before tax	441	444	+ 0.6%
Net Profit	342	327	-4.5%

*Number of consolidated affiliates: 48

Financial Summary by Division (K-IFRS)

(Unit : billion KRW)

	1Q FY'11	As % of Sales	1Q FY'12	As % of Sales	YoY
Sales Revenue	5,689	(100%)	6,197	(100%)	8.9%
Department Stores	2,108	37.1%	2,134	34.5%	1.2%
Hypermarkets	2,173	38.2%	2,339	37.8%	7.6%
Finance	380	6.7%	395	6.4%	3.9%
Others*	1,028	18.1%	1,323	21.4%	28.7%
Operating Profit	448	7.9%	365	5.9%	-18.5%
Department Stores	241	11.4%	192	9.0%	-20.2%
Hypermarkets	89	4.1%	90	3.8%	0.6%
Finance	73	19.1%	53	13.3%	-27.4%
Others*	45	4.4%	31	2.3%	-32.1%

* includes consolidation adjustments

Department Stores (K-IFRS)

(Unit : billion KRW)

	1Q FY'11	As % of Sales	1Q FY'12	As % of Sales	YoY
Sales Revenue	2,108	(100.0%)	2,134	(100%)	1.2%
Domestic	2,108	(100.0%)	2,130	(99.8%)	1.0%
Overseas	-	-	5	(0.2%)	-
Operating Profit	241	11.4%	192	9.0%	-20.2%
Domestic	241	11.4%	199	9.4%	-17.2%
Overseas	-	-	-7	-	-
EBITDA	280	13.3%	238	11.1%	-15.0%
Domestic	280	13.3%	244	11.5%	-12.8%
Overseas	-	-	-6	-	-

*Includes: 39 Lotte Department Stores (inc. 3 Young Plazas & 6 Outlets, 1 Midopa store, 3 Lotte Square stores, 1 Tianjin Store in China)

Key Factors

- ◆ SSSG of -0.5%, Traffic growth -4.4%, ASP growth +4.0%
 - 1Q: Women's wear (-3.6%), Men's & Sports wear (+4.0%), Food (+2.7%), Luxury Goods (+5.9%), Home Appliance (-6.1%) Accessories & Leather Goods (-2.2%)
- ◆ Revenue growth slowdown caused by
 - High base & Weaker demand
 - Abnormal weather
- ◆ Profit decreased due to slow revenue growth and increased SG&A
- ◆ Store opening schedule
 - 2nd Tianjin store in September
 - Cheongju Outlet in October
- ◆ Enhancing Luxury goods and fast growing product categories in large stores
- ◆ Expending promotions of large apparel brands
- ◆ Enhancing high margin apparel products sales and store level efficiency

Hypermarkets (K-IFRS)

(Unit : billion KRW)

	1Q FY'11	As % of Sales	1Q FY'12	As % of Sales	YoY
Sales Revenue	2,173	(100%)	2,339	(100%)	7.6%
Domestic	1,599	(73.6%)	1,668	(71.3%)	4.3%
Overseas	574	(26.4%)	671	(28.7%)	16.7%
Operating Profit	89	4.1%	90	3.8%	0.6%
Domestic	86	5.4%	93	5.6%	8.8%
Overseas	4	0.6%	-4	-	-
EBITDA	130	6.0%	136	5.8%	4.6%
Domestic	116	7.2%	126	7.6%	8.9%
Overseas	14	2.5%	10	-	-

*221 Stores: Korea 96, China 95, Indonesia 28, Vietnam 2

Domestic

- ◆ SSSG: +0.3 outperforming industry average
 - Fresh -2.0%, Processed +4.3%, Living +0.8%, Apparel -1.4, Electronics -2.6%
- ◆ Weaker domestic consumption & Stronger industry regulations
- ◆ Launching of Membership Wholesale format
 - Transformation of Geumchon store scheduled to be competed in June

Overseas

- ◆ Increased productivity of overseas mature stores
 - OPM: 1.6%(FY'11 Q1) → 2.1% (FY'12 Q1)
- ◆ Regional operation strategy
 - China: Integrated several entities into 2 regional headquarters
Huabei HQ (Beijing) & Huadong HQ (Shanghai)
 - Indonesia: wholesale business customer base improvement
 - Vietnam: Adoption of LEAN transformation

Finance (K-IFRS)

Income Statement Summary

(Unit : billion KRW)	1Q FY'11	1Q FY'12	YoY
Operating Revenue	380	395	3.9%
Credit Purchase	180	192	6.5%
Card Loan & Cash Advance	111	121	9.4%
Others*	89	82	-7.9%
Operating Expense	307	342	11.4%
SG&A	23	25	7.3%
Finance Expense	53	57	7.2%
Loan Loss Provision	23	45	93.9%
Card Expense	132	146	10.2%
General Expense*	76	69	-9.2%
Operating Profit	73	53	-27.4%

Finance division includes 4 Electronic Cash Business affiliates

* Other Operating Revenue & General Expense includes gain & loss on Derivative Asset Transaction

Transaction Volume & Other Highlights

(Unit : tr. KRW, thousand, %)

	FY'10	FY'11	Q1 FY'11	Q1 FY'12
Transaction Volume	33.5	48.1	10.9	12.2
No. of Holders	10,010	10,330	8,970	8,836
Delinquency Rate	1.42	1.96	1.77	2.11

Earning Asset Portfolio

	FY'11	1Q FY'11	1Q FY'12
Credit Purchase	60.0%	55.9	59.9
Card Loan	20.5%	22.7	21.1
Cash Advance	14.4%	16.1	14.5
Installment & lease	5.1%	5.3	4.5

Key Factors

- ◆ Slow operating revenue growth
 - Operating revenue growth was impeded by low consumption and regulatory environment
- ◆ Negative Operating Profit growth
 - Increased household debt and uncollectable debts from credit relief caused increased provision (+KRW 22 bill.)
 - Increased membership point expense (+KRW 2 bill.), outsourcing expense (+KRW 6 bill.), card expense (+KRW 13 bill.)

Other Business Units

(Unit : billion KRW)

	1Q FY'11	1Q FY'12	YoY
Sales Revenue	1,028	1,329	29.3%
Lotte Super***	399	*566	41.9%
Lotte Homeshopping	169	175	3.2%
Korea Seven**	414	533	28.6%
Others*	45	55	23.0%
Operating Profit	45	31	-32.1%
Lotte Super***	11	*10	-12.0%
Lotte Homeshopping	26	17	-33.0%
Korea Seven**	8	9	12.0%
Others*	-	-6	-

* includes consolidation adjustments

** includes Buy The Way

*** includes CS Retail

Non-Operating Profit Analysis

(Unit : billion KRW)

	Q1 FY'11	Q1 FY'12	YoY
Operating Profit	448	365	-18.5%
Interest Income / Expense	-24	-16	-
Gains on Foreign Exchange & Derivative Asset	2	39	-
Other Financial Income / Expense	-1	35	-
Equity Method Gain & Loss	16	22	41.1%
Profit Before Tax	441	444	0.6%

- Income Statement (K-IFRS)
- Balance Sheet (K-IFRS)
- Lotte Marts in Overseas
- Store Network

Income Statement (Consolidated K-IFRS)

(Unit: billion KRW)

	Q1 FY'11	As % of Sales	Q1 FY'12	As % of Sales	YoY
Sales Revenue	5,689	(100.0%)	6,197		8.9%
Gross Profit	1,702	(29.9%)	1,837	(29.6%)	8.0%
SG&A	1,222	(21.5%)	1,429	(23.1%)	16.9%
Operating Profit	448	(7.9%)	365	(5.9%)	-18.5%
EBITDA	560	(9.8%)	497	(8.0%)	-11.2%
Profit before tax	441	(7.8%)	444	(7.2%)	0.6%
Net Profit	342	(6.0%)	326	(5.3%)	-4.5%
Net Income of Controlling Company	324		310		-4.3%
Net income of minority interest equity	18		16		-9.5%

Balance Sheet (Consolidated K-IFRS)

(Unit: billion KRW)

	1Q FY'11	2Q FY'11	3Q FY'11	4Q FY'11	1Q FY'12
Total assets	29,526	29,846	31,410	33,019	32,924
Cash & Cash Equivalent	1,942	1,768	2,413	2,703	2,205
Inventories	1,667	1,597	1,891	2,042	2,039
Liabilities	15,541	15,551	16,988	18,332	17,952
Borrowings & Bonds	8,630	8,817	9,882	10,185	9,834
Equity	13,985	14,295	14,422	14,687	14,972
Share Capital	145	145	145	145	145

Lotte Marts in Overseas

(Unit : billion KRW)

	No. of stores	1Q FY'11*	1Q FY'12*	YoY*	YoY**
China	95	362	413	+14.1%	+8.2%
Indonesia	28	197	242	+22.3%	+18.4%
Vietnam	2	15	16	+5.6%	+9.0%
Total	125	574	671	+16.7%	+10.9%

*Revenue: financial accounting

** Growth: Store level sales revenue in local currencies (F/X effect excluded)

Store Network

		2008	2009	2010	2011	2012				2012	
		Year End Total	Year End Total	Year End Total	Year End Total	Q1(A)	Q2(E)	Q3(E)	Q4(E)	Year End Total (E)	
Domestic	Department Store	22	23	23	24	1				25	
	full-line store	3	3	6	6						6
	franchise store	3	3	3	3						3
	young plaza	2	3	4	6						1
	outlet mall	2	3	4	6			1	7		
	Hypermarket	63	69	90	95	1	1	1	4	102	

		2008	2009	2010	2011	2011				2012		
		Year End Total	Year End Total	Year End Total	Year End Total	Q1(A)	Q2(E)	Q3(E)	Q4(E)	Year End Total (E)		
Overseas	Department Store	1	1	1	1					1		
	Russia	1	1	1	2						1	3
	China	-	-	-	-						-	-
	Indonesia	-	-	-	-					-		
Hypermarket	China	8	***79	82	94	1	2	2	11	110		
	Vietnam	1	1	2	2				1	3		
	Indonesia	**19	19	22	28		1	1	3	33		

* acquired 8 CTA Makro stores in Beijing and Tianjin.

** acquired 19 Makro stores in Indonesia.

*** acquired 68 Times stores in China.(including 11 supermarket)