

# 2012 Fourth Quarter Results

February, 2013

**LOTTE SHOPPING CO., LTD**

**INVESTOR RELATIONS**

# Disclaimer

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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 Q4 FY12

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- **Despite unfavorable business conditions, sales & operating profit increased**

- **Revenue growth: 4Q(+20.5%), FY12(+12.4%) YoY**

- Solid revenue growth for department stores due to cold weather and year-end promotional activities, Hyper markets sales were sluggish due to regulatory issues
  - Department Stores(domestic): SSSG +5.9%(4Q FY12), +1.8%(FY12)
  - Hypermarkets(domestic): SSSG -3.3%(4Q FY12), -1.9%(FY12)
- Other Businesses: Supermarkets, Homeshopping and CVS maintained their strong sales growth

- **Operating profit up by 4Q(+1.8%), FY12(-13.4%) YoY**

- Department stores(domestic): recovery of SSSG and outstanding performance of outlet malls led to increased OP +1.0%
- Domestic Hypermarkets posted negative profit growth, but due to better performance in overseas business, total OP has increased by +5.3%
- Homeshopping OP increased by +9.5%, Hi Mart earnings consolidated from November

- **Net profit up by 4Q(+47.4%), FY12(+14.5%) YoY**

- F/X translation gains and deferred income tax effect

# Consolidated Financial Results (K-IFRS)

(Unit : billion KRW)

	Q4 FY'11	Q4 FY'12	YoY	FY'11	FY'12	YoY
<b>Gross Sales</b>	<b>6.1 trillion</b>	<b>7.3 trillion</b>	<b>+20.5%</b>	<b>23.0 Trillion</b>	<b>25.8 Trillion</b>	<b>+12.4%</b>
<b>Operating Profit</b>	<b>431</b>	<b>439</b>	<b>+1.8%</b>	<b>1,695</b>	<b>1,468</b>	<b>-13.4%</b>
<b>Profit before tax</b>	<b>503</b>	<b>561</b>	<b>+11.6%</b>	<b>1,555</b>	<b>1,632</b>	<b>+4.9%</b>
<b>Net Profit</b>	<b>266</b>	<b>393</b>	<b>+47.4%</b>	<b>1,013</b>	<b>1,160</b>	<b>+14.5%</b>

\*Number of consolidated affiliates: 55

# Financial Summary by Division (K-IFRS)

(Unit : billion KRW)

	Q4 2011		Q4 2012		YoY	FY 2011		FY 2012		YoY
<b>Revenue</b>	<b>6,066</b>	<b>(100%)</b>	<b>7,311</b>	<b>(100%)</b>	<b>20.5%</b>	<b>22,981</b>	<b>(100%)</b>	<b>25,832</b>	<b>(100%)</b>	<b>12.4%</b>
Department Stores	2,387	(39.4%)	2,575	(30.5%)	7.8%	8,310	(36.2%)	8,667	(33.6%)	4.3%
Hypermarkets	2,144	(35.4%)	2,212	(30.6%)	3.2%	8,583	(37.3%)	9,069	(35.1%)	5.7%
Hi Mart**	-	(0.0%)	605	(8.3%)	-	-	(0.0%)	605	(2.3%)	-
Finance	311	(5.1%)	465	(6.4%)	49.2%	1,485	(6.5%)	1,673	(6.5%)	12.7%
Others*	1,222	(20.2%)	1,454	(20.1%)	19.0%	4,603	(20.0%)	5,819	(22.5%)	26.4%
<b>Operating Profit</b>	<b>431</b>	<b>7.1%</b>	<b>439</b>	<b>6.0%</b>	<b>1.8%</b>	<b>1,695</b>	<b>7.4%</b>	<b>1,468</b>	<b>5.7%</b>	<b>-13.4%</b>
Department Stores	271	11.3%	265	10.3%	-2.0%	881	10.6%	746	8.6%	-15.3%
Hypermarkets	60	2.8%	63	2.9%	5.2%	343	4.0%	319	3.5%	-7.4%
Hi Mart**	-	-	33	5.4%	-	-	-	33	5.4%	-
Finance	52	16.6%	50	10.7%	-3.5%	250	16.9%	219	13.1%	-12.4%
Others*	49	4.1%	28	1.6%	-42.3%	220	4.8%	151	2.6%	-31.6%

\* includes consolidation adjustments

\*\* Earnings consolidated from November to December

# Department Stores (K-IFRS)

(Unit : billion KRW)

	Q4 FY'11		Q4 FY'12		YoY	FY'11		4FY'12		YoY
<b>Revenue</b>	<b>2,387 (100%)</b>		<b>2,575 (100%)</b>		<b>7.8%</b>	<b>8,310 (100%)</b>		<b>8,667 (100%)</b>		<b>4.3%</b>
Domestic	2,383	(99.8%)	2,566	(99.7%)	7.7%	8,301	(99.9%)	8,643	(99.7%)	4.1%
Overseas	4	-	9	(0.3%)	-	9	-	23	(0.3%)	-
<b>Operating Profit</b>	<b>271</b>	<b>11.3%</b>	<b>265</b>	<b>10.3%</b>	<b>-2.0%</b>	<b>881</b>	<b>10.6%</b>	<b>746</b>	<b>8.6%</b>	<b>-15.3%</b>
Domestic	280	11.7%	283	11.0%	1.0%	902	10.9%	787	9.1%	-12.8%
Overseas	-9	-	-18	-	-	-21	-	-40	-	-
<b>EBITDA</b>	<b>328</b>	<b>13.7%</b>	<b>325</b>	<b>12.6%</b>	<b>-0.9%</b>	<b>1,044</b>	<b>12.6%</b>	<b>960</b>	<b>11.1%</b>	<b>-8.0%</b>
Domestic	335	14.1%	339	13.2%	1.3%	1,062	12.8%	993	11.5%	-6.5%
Overseas	-7	-	-14	-	-	-18	-	-34	-	-

\*41 Lotte Department Stores : Domestic 39 stores (including 7 Outlets) / Overseas 2 stores in China

## Key Factors

### ◆ SSSG : +5.9% (4Q) / +1.8% (FY12)

- 4Q: Women's wear +1.7%, Men's/Sports wear +9.3%,  
Global Fashion +8.7%

### ◆ Strong revenue growth due to cold weather and promotional activities

### ◆ Renovated stores continued to post high SSSG (+7.4%)

### ◆ Cost related to new store openings and store renovation caused profit margin to decrease

### ◆ Outlet malls :

- recorded sales of 1 trillion Won from 7 stores
- Sales from outlets boost(4Q: +37.7%, FY12: +25.0%)
- Paju outlet reached the BEP in half year

### ◆ 2013 Store opening schedule:

- 3 Outlets(domestic)/3 stores(overseas)
- Outlets: Seoul Station(Jan.), Buyeo(Aug.), Icheon premium(Oct.)
- China: Weihai(April), Chengdu(Sept.) / Indonesia: Jakarta(June)

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# Hypermarkets (K-IFRS)

(Unit : billion KRW)

	Q4 FY'11		Q4 FY'12		YoY	FY'11		FY'12		YoY
<b>Revenue</b>	<b>2,144 (100%)</b>		<b>2,212 (100%)</b>		<b>3.2%</b>	<b>8,583 (100%)</b>		<b>9,069 (100%)</b>		<b>5.7%</b>
Domestic	569	(73.2%)	1,595	(72.1%)	1.7%	6,353	(74.0%)	6,465	(71.3%)	1.8%
Overseas	576	(26.8%)	618	(27.9%)	7.3%	2,230	(26.0%)	2,603	(28.7%)	16.7%
<b>Operating Profit</b>	<b>60 2.8%</b>		<b>63 2.9%</b>		<b>5.3%</b>	<b>344 4.0%</b>		<b>319 3.5%</b>		<b>-7.4%</b>
Domestic	82	5.2%	78	4.9%	-4.6%	374	5.9%	359	5.5%	-4.0%
Overseas	-22	-	-15	-	-	-30	-1.3%	-40	-	-
<b>EBITDA</b>	<b>106 4.9%</b>		<b>113 5.1%</b>		<b>+6.5%</b>	<b>514 6.0%</b>		<b>513 5.7%</b>		<b>-0.5%</b>
Domestic	115	7.3%	113	7.1%	-10.9%	500	7.9%	492	7.6%	-1.7%
Overseas	-10	-1.7%	0	0.0%	-	14	0.6%	20	0.8%	41.1%

\*240 Stores: Domestic 103 / Overseas 137(China 102, Indonesia 31, Vietnam 4)

## Domestic

- ◆ **SSSG : -3.3% (4Q) / -1.9% (FY12)**
  - 4Q: Fresh -6.6%, Processed -3.4%, Apparel -1.7%, Electronics / Households -2.8%
- ◆ **Store shutdowns:** Oct(12ea), Nov(20ea), Dec(100ea - including 80 voluntary shutdowns)
- ◆ **Enhance MD:** Launch & deploy new PB & "TongKeun" products
- ◆ **Reinforce Category Killers :** Toys'R'Us, Pet Garden, Car's Garden, Digital Park
- ◆ **Conversion of Hypermarket to VIC Market(MWC)**
  - 2 stores opening scheduled in February

## Overseas

- ◆ **Stabilization of operation, higher SSSG compared to competitors**
  - SSSG : +1.5%(China), +8.5% (Indonesia)
- ◆ **Expand memberships**
  - Recruit new members through loyalty programs
- ◆ **Improve distribution centers(China 4ea, indonesia 1ea)**
  - Throughput ratio : Shanghai(22% → 30%)
- ◆ **Tighter SG&A control**
  - Improve efficiency of workforce, limit cost increase to be lower than sales growth

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# Hi Mart (K-IFRS)

(Unit : billion KRW)

	Q4 FY'11		Q4 FY'12		YoY	FY'11		FY'12		YoY
Revenue	874	(100%)	862	(100%)	-1.4%	3,411	(100%)	3,221	(100%)	-5.6%
Operating Profit	48	(5.5%)	31	(3.6%)	-35.3%	251	(7.4%)	161	(5.0%)	-35.6%
EBITDA	42	(6.7%)	41	(4.9%)	-27.5%	291	(8.5%)	205	(6.4%)	-29.6%

\*322 Stores(End of Dec. 2012)

## Key Factors

- ◆ **SSSG : -4.4% (4Q)**
  - **Kimchi Refrigerator** : decreased demand for kimchi-making
  - **TV** : Conversion to DTV increased sales quantity but cutdowns in LED TV prices decreased total sales volume
  - **Mobile** : successfully deployed 'Shop-in-shop' and launching of new products increased sales
  - **PC** : Tablet PCs and 'Windows 8' increased PC sales
- ◆ **One-off expense 15 billion won included in Q4(similar normalized OP YoY)**
- ◆ **322 stores in total, end of 2012(18 new, 9 renovated)**
- ◆ **About 10 stores scheduled to open in 2013**
- ◆ **Higher earnings expected in 2013 after stabilization of organization**
  - End of Leap year in 2012
  - Deployment of mobile shop-in-shops(70 stores)
  - Appointment of new CEO and organizational structure change
  - Decrease in interest expense

# Finance (K-IFRS)

## Income Statement Summary

(Unit : billion KRW)	4Q 2011	4Q 2012	YoY	FY'11	FY'12	YoY
<b>Operating Revenue</b>	312	465	49.2	1,485	1,673	12.7
Credit Purchase	200	211	5.6	756	797	5.4
Card Loan & Cash Advance	123	129	5.3	472	500	6.1
Others*	-11	124		258	376	46.0
<b>Operating Expense</b>	260	415	59.7	1,235	1,448	17.3
SG&A	34	34	-0.6	112	118	5.6
Finance Expense	59	54	-8.2	224	219	-2.3
Loan Loss Provision	49	52	6.5	126	154	22.6
Card Expense	138	162	17.8	533	624	17.1
General Expense*	-19	113		145	339	133.3
<b>Operating Profit</b>	52	50	-3.5	250	219	-12.4

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'11	FY'12				
		Q1	Q2	Q3	Q4	Total
Transaction Volume	47.1	12.2	12.6	12.5	13.3	50.7
No. of Holders	8,835	8,836	8,887	8,742	8,058	8,058
Delinquency Rate	1.96	2.11	2.01	2.22	2.23	2.23

## Earning Asset Portfolio

	FY'11	FY'12
Credit Purchase	60.0	61.4
Card Loan	20.5	20.8
Cash Advance	14.4	12.9
Installment & lease	5.1	4.9

## Key Factors

- ◆ 4Q: Operating profit increased by +6.2%(48.3 billion → 51.3 billion)
- ◆ Delinquency ratio increased from 1.96 to 2.23 in a year due to decreased household debt and deteriorated debt collection ratio
- ◆ Number of card holders decreased in the process of removing long-term inactive holders

# Other Business Units

(Unit : billion KRW)

	Q4 FY'11	Q4 FY'12	YoY	FY'11	FY'12	YoY
<b>Revenue</b>	<b>1,222</b>	<b>1,454</b>	<b>45.3%</b>	<b>4,603</b>	<b>5,819</b>	<b>26.4%</b>
Lotte Super***	426	551	29.1%	1,696	2,310	36.2%
Lotte Home Shopping	189	218	15.4%	706	758	7.4%
Korea Seven**	557	614	10.2%	1,993	2,449	22.9%
Others*	50	71	28.7%	209	302	44.4%
<b>Operating Profit</b>	<b>50</b>	<b>28</b>	<b>-43.6%</b>	<b>220</b>	<b>151</b>	<b>-31.6%</b>
Lotte Super***	9	7	-24.6%	44	56	26.6%
Lotte Home shopping	32	35	9.5%	101	71	-29.3%
Korea Seven**	14	7	-52.5%	70	65	-6.3%
Others*	-5	-20	-	6	-42	-

\* includes consolidation adjustments

\*\* includes Buy The Way

\*\*\* includes CS Retail

# Non-Operating Profit Analysis

(Unit : billion KRW)

	Q4 FY'11	Q4 FY'12	YoY	FY'11	FY'12	YoY
<b>Operating Profit</b>	<b>431</b>	<b>439</b>	<b>1.8%</b>	<b>1,695</b>	<b>1,468</b>	<b>-13.4%</b>
<b>Interest Income / Expense</b>	<b>-13</b>	<b>-32</b>	<b>-</b>	<b>-86</b>	<b>-91</b>	<b>-</b>
<b>Gains on Foreign Exchange &amp; Derivative Asset</b>	<b>-12</b>	<b>170</b>	<b>-</b>	<b>-116</b>	<b>205</b>	<b>-</b>
<b>Others</b>	<b>76</b>	<b>-41</b>		<b>0</b>	<b>-21</b>	
<b>Equity Method Gain &amp; Loss</b>	<b>21</b>	<b>25</b>	<b>20.8%</b>	<b>62</b>	<b>71</b>	<b>15.3%</b>
<b>Profit Before Tax</b>	<b>503</b>	<b>561</b>	<b>11.6%</b>	<b>1,555</b>	<b>1,632</b>	<b>4.9%</b>

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# Income Statement (Consolidated K-IFRS)

(Unit: billion KRW)

	Q4 FY'11			Q4 FY'12			YoY			FY'11			FY'12			YoY		
<b>Revenue</b>	6,066			7,311			20.5%			22,981			25,831			12.4%		
<b>Gross Profit</b>	1,815	(29.9%)		2,149	(29.4%)		18.4%			6,876	(29.9%)		7,613	(29.5%)		10.7%		
<b>SG&amp;A</b>	1,384	(22.8%)		1,710	(23.4%)		23.5%			5,181	(22.5%)		6,145	(23.8%)		18.6%		
<b>Operating Profit</b>	431	(7.1%)		439	(6.0%)		1.8%			1,695	(7.4%)		1,468	(5.7%)		-13.4%		
<b>EBITDA</b>	556	(9.2%)		598	(8.2%)		7.4%			2,166	(9.4%)		2,046	(7.9%)		-5.5%		
<b>Profit before tax</b>	503	(8.3%)		561	(7.7%)		11.6%			1,555	(6.8%)		1,632	(6.3%)		4.9%		
<b>Net Profit</b>	266	(4.4%)		392	(5.4%)		47.4%			1,013	(4.4%)		1,160	(4.5%)		14.5%		
<b>Net Income of Controlling Company</b>	245	92.1%		370	94.4%					932	92.0%		1,082	93.3%				
<b>Net income of minority interest equity</b>	21	7.9%		22	5.6%					81	8.0%		78	6.7%				

# Balance Sheet (Consolidated K-IFRS)

(Unit: billion KRW)

	<b>4Q '11</b>	<b>1Q '12</b>	<b>2Q '12</b>	<b>3Q '12</b>	<b>4Q '12</b>
<b>Total assets</b>	<b>33,061</b>	<b>32,924</b>	<b>33,235</b>	<b>35,001</b>	<b>36,859</b>
Cash & Cash Equivalent	2,704	2,205	2,277	3,160	1,675
Inventories	2,042	2,039	1,955	2,266	2,750
<b>Liabilities</b>	<b>18,382</b>	<b>17,952</b>	<b>18,046</b>	<b>19,639</b>	<b>21,137</b>
Borrowings & Bonds	10,185	9,834	10,167	10,973	12,133
<b>Equity</b>	<b>14,679</b>	<b>14,972</b>	<b>15,189</b>	<b>15,362</b>	<b>15,722</b>
Share Capital	145	145	145	145	158

# Lotte Marts in Overseas

(Unit : billion KRW)

	No. of stores	4Q FY'11*	4Q FY'12*	YoY	YoY*	FY'11*	FY'12*	YoY	YoY*
<b>China</b>	102	339	360	6.4%	10.7%	1,288	1,501	16.5%	11.9%
<b>Indonesia</b>	31	220	238	8.2%	19.1%	881	1,035	17.5%	23.5%
<b>Vietnam</b>	4	17	20	13.2%	17.0%	62	68	10.2%	9.5%
<b>Total</b>	137	576	618	7.3%	13.6%	2,231	2,604	16.7%	15.4%

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

# Capex

(단위 : 십억)

	FY09	FY10	FY11	FY12
Department store	624	1,188	669	724
Hypermarket	407	1,175	333	*1,659
Other	155	168	262	409
Overseas	893	222	196	304
Total	2,079	2,753	1,460	3,096

\* Hi Mart acquisition cost of 1.2 Trillion included

# Store Network

		2009 Year End Total	2010 Year End Total	2011 Year End Total	2012 Openings				2012 Year End Total	2013 Year End Total (E)
					Q1	Q2	Q3	Q4		
<b>Domestic</b>	Department Store									
	full-line store	23	23	24	1				28	29
	franchise store	3	6	6					*3	**2
	young plaza	3	3	3					3	3
	outlet mall	3	4	6				1	7	10
	Hypermarket	69	90	95	1	1	1	5	103	111

		2009 Year End Total	2010 Year End Total	2011 Year End Total	2012 Openings				2012 Year End Total	2013 Year End Total (E)
					Q1	Q2	Q3	Q4		
<b>Overseas</b>	Department Store									
	Russia	1	1	1					1	1
	China	1	1	2			1		3	5
	Indonesia	-	-	-					-	1
Hypermarket	China	*79	82	94	1	1	2	4	102	122
	Vietnam	1	2	2				2	4	6
	Indonesia	19	22	28		1	1	1	31	37

\* acquired GS Square(3 stores) in August, 2012

\* acquired Midopa(1 store) in January, 2013