

# 2013 Third Quarter Results

November, 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.

# Highlights for Q3 FY13

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- **Double digit revenue growth of +16.0%**

- Domestic department stores SSSG was steady due to high apparel sales and outlet malls
- Domestic hypermarkets posted negative growth due to regulatory impact  
Department stores(SSSG): +4.9%, Hypermarkets(SSSG): -4.6%
- Revenue increased for Lotte Cinema due to rise in film viewings  
Homeshopping maintained high revenue growth
- Electronics retail revenues contributed +15.1%p

- **Operating profit up by +18.6% YoY**

- High revenue growth and ongoing cost-saving efforts led to increased operating profit in  
Domestic Department stores +7.7% YoY
- Domestic Hypermarket's profit down by -3.5% YoY due to increased number of forced closures
- In Credit Card business, increase in bad debt expenses decreased operating profit by -4.1% YoY

- **Domestic operating profit increased for two consecutive quarters even when excluding earnings contribution from Electronics retail (Q2: +1.9%, Q3: +2.7%)**

- **Net Profit up by +32.5% YoY**

- Effected by foreign currency translation gains due to stronger KRW

# Table of Contents

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1. Q3 FY2013 Consolidated Financial Results Summary
2. Q3 FY2013 Consolidated Financial Results by Division
3. Non-Operating Profit Analysis

# Consolidated Financial Results

(Unit : billion KRW)

	Q3 FY'12	Q3 FY'13	YoY	Q1-Q3 FY'12	Q1-Q3 FY'13	YoY
<b>Gross Sales</b>	<b>6,248</b>	<b>7,248</b>	<b>+16.0%</b>	<b>18,506</b>	<b>21,601</b>	<b>+16.7%</b>
<b>Operating Profit (EBITDA)</b>	<b>289</b> (436)	<b>343</b> (519)	<b>+18.6%</b> (+19.0%)	<b>1,014</b> (1,434)	<b>1,102</b> (1,617)	<b>+8.7%</b> (+12.8%)
<b>Profit before tax</b>	<b>320</b>	<b>429</b>	<b>+34.0%</b>	<b>1,071</b>	<b>1,064</b>	<b>-0.6%</b>
<b>Net Profit</b>	<b>229</b>	<b>303</b>	<b>+32.5%</b>	<b>767</b>	<b>782</b>	<b>+2.0%</b>

\*Number of consolidated affiliates: 56

# Financial Summary by Division

(Unit : billion KRW)

	3Q 2012		3Q 2013		YoY	Q1-Q3 2012		Q1-Q3 2013		YoY
<b>Revenue</b>	<b>6,248</b>	<b>(100%)</b>	<b>7,248</b>	<b>(100%)</b>	<b>16.0%</b>	<b>18,506</b>	<b>(100%)</b>	<b>21,601</b>	<b>(100%)</b>	<b>16.7%</b>
Department Stores	1,838	(29.4%)	1,845	(25.5%)	0.4%	6,092	(32.9%)	6,065	(28.1%)	-0.4%
Hypermarkets	2,390	(38.3%)	2,435	(33.6%)	1.8%	6,853	(37.0%)	7,046	(32.6%)	2.8%
Electronics*	-	-	944	(13.0%)	-	-	-	2,594	(12.0%)	-
Finance	443	(7.1%)	360	(5.0%)	-18.7%	1,208	(6.5%)	1,237	(5.7%)	2.4%
Others**	1,577	(25.2%)	1,664	(20.1%)	5.5%	4,352	(23.5%)	4,658	(21.6%)	7.0%
<b>Operating Profit</b>	<b>289</b>	<b>4.6%</b>	<b>343</b>	<b>4.7%</b>	<b>18.6%</b>	<b>1,014</b>	<b>5.5%</b>	<b>1,102</b>	<b>5.1%</b>	<b>8.7%</b>
Department Stores	103	5.6%	95	5.1%	-8.2%	480	7.9%	451	7.4%	-6.0%
Hypermarkets	94	3.9%	91	3.8%	-3.2%	257	3.7%	219	3.1%	-14.8%
Electronics*	-	-	60	6.4%	-	-	-	156	6.0%	-
Finance	44	9.9%	42	11.7%	-4.1%	169	14.0%	158	12.7%	-7.0%
Others**	47	3.0%	54	3.2%	13.8%	108	2.5%	119	2.6%	10.4%

\*Electronics earnings consolidated from November, 2012

\*\*Includes consolidation adjustments

# Department Stores

(Unit : billion KRW)

	3Q 2012		3Q 2013		YoY	Q1-Q3 2012		Q1-Q3 2013		YoY
<b>Sales Revenue</b>	<b>1,838</b>	<b>(100%)</b>	<b>1,845</b>	<b>(100%)</b>	<b>0.4%</b>	<b>6,092</b>	<b>(100%)</b>	<b>6,065</b>	<b>(100%)</b>	<b>-0.4%</b>
Domestic	1,833	(99.7%)	1,828	(99.1%)	-0.2%	6,078	(99.8%)	6,029	(99.4%)	-0.8%
Overseas	5	-	17	(0.9%)	248.2%	15	(0.2%)	36	(0.6%)	145.8%
<b>Operating Profit</b>	<b>103</b>	<b>5.6%</b>	<b>95</b>	<b>5.1%</b>	<b>-8.1%</b>	<b>480</b>	<b>7.9%</b>	<b>451</b>	<b>7.4%</b>	<b>-6.0%</b>
Domestic	112	6.1%	121	6.6%	7.7%	504	8.3%	508	8.4%	0.9%
Overseas	-9	-	-26	-	-	-24	-	-57	-	-
<b>EBITDA</b>	<b>159</b>	<b>8.7%</b>	<b>164</b>	<b>8.9%</b>	<b>3.3%</b>	<b>633</b>	<b>10.4%</b>	<b>648</b>	<b>10.7%</b>	<b>2.3%</b>
Domestic	167	9.1%	186	10.2%	11.3%	654	10.8%	695	11.5%	6.3%
Overseas	-8	-	-22	-	-	-21	-	-47	-	-

\*46 Lotte Department Stores : Domestic 41 stores (including 9 Outlets) / Overseas 4 stores in China, 1 store in Indonesia

## Key Factors

- ◆ **Pickup in domestic consumption and solid growth in outlet stores resulted in high gross revenue increase of +7.1%**  
(based on managerial accounting)
- ◆ **Domestic SSSG : +4.9%**
  - Improved revenue growth for apparels compared to first half year
  - High groceries sales due to Chuseok(Korean Thanksgiving Day)
  - Women's wear: +1.8%, Men's wear : -0.9%
  - Leisure sports: +26.6%, Groceries: +9.6%
- ◆ **Improved profit thanks to cost-saving efforts**
  - Efficient allocation of maintenance capex and integrated back office operations
- ◆ **Overseas same store(Dongmalu store) sales growth sustained solid growth +22.0%**
  - Better performance through reallocation of merchandise and improved site location(opening of subway in August)
- ◆ **Store openings in 2013(Second half year)**
  - Overseas(China): Chengdu store(Aug.)
  - Domestic: Buyeo Outlet(Sept.) / Icheon premium(Dec.)
- ◆ **Store openings in 2014**
  - 2 department stores(Avenuel Jamsil, Suwon) / 4 outlet stores

# Hypermarkets

(Unit : billion KRW)

	3Q 2012		3Q 2013		YoY	1Q-3Q 2012		1Q-3Q 2013		YoY
<b>Sales Revenue</b>	<b>2,390</b>	<b>(100%)</b>	<b>2,435</b>	<b>(100%)</b>	<b>1.8%</b>	<b>6,853</b>	<b>(100%)</b>	<b>7,046</b>	<b>(100%)</b>	<b>2.8%</b>
Domestic	1,687	(70.6%)	1,682	(69.1%)	-0.3%	4,865	(71.0%)	4,899	(69.5%)	0.7%
Overseas	703	(29.4%)	753	(30.9%)	7.0%	1,988	(29.0%)	2,148	(30.5%)	8.0%
<b>Operating Profit</b>	<b>94</b>	<b>3.9%</b>	<b>91</b>	<b>3.8%</b>	<b>-3.2%</b>	<b>257</b>	<b>3.7%</b>	<b>219</b>	<b>3.1%</b>	<b>-14.8%</b>
Domestic	103	6.1%	99	5.9%	-3.5%	279	5.7%	261	5.3%	-6.6%
Overseas	-8	-	-8	-	-	-23	-1.1%	-42	-	-
<b>EBITDA</b>	<b>145</b>	<b>6.1%</b>	<b>145</b>	<b>5.9%</b>	<b>0.1%</b>	<b>401</b>	<b>5.9%</b>	<b>377</b>	<b>5.3%</b>	<b>-6.1%</b>
Domestic	136	8.1%	137	8.1%	0.9%	378	7.8%	373	7.6%	-1.4%
Overseas	9	-	8	-	-12.3%	23	1.2%	4	0.2%	-

\*248 Stores: Korea 106, China 104, Indonesia 34, Vietnam 4(end of 3Q)

## Domestic

- ◆ **SSSG : -4.6% (3Q)**
  - Fresh -8.9%, Processed -4.5%, Households -2.5%, Apparel -5.5%, Electronics +5.9%
- ◆ **No. of store closures end of 3Q:**
  - 104ea: 37 voluntary closures / 67 forced closures
- ◆ **Improve store operation for evening hours**
  - Enhance stock refillment for fresh & processed food
  - Flexible working hours for employees
- ◆ **Enhance e-business :**
  - Solid growth in e-business(contributed 3.1% of total revenue)

## Overseas

- ◆ **Profit margin improvement in Chinese business by increasing operational efficiency**
  - 3Q: 1 store closure / 4Q: rescheduling to 3 store openings
  - Improve profit for Fresh foods : improved procurement processes and CAO(Computer Assisted Ordering) system
- ◆ **Indonesia :** Increase revenue per square meters / per person
- ◆ **Introduce new marketing activities**
  - Launch 'Prepaid Cards' in Indonesia(Jul.) & Vietnam(Sept.)
- ◆ **Operating loss would have improved by about 15% as to adjusting for weak Indonesian Rupee**



# Finance

## Income Statement Summary

(Unit : billion KRW)	Q3 FY'12	Q3 FY'13	YoY	Q1~Q3 FY'12	Q1~Q3 FY'13	YoY
<b>Operating Revenue</b>	443	360	▲18.7	1,208	1,237	2.4
Credit Purchase	196	207	5.8	585	622	6.3
Card Loan & Cash Advance	127	129	1.4	371	379	2.2
Others	119	24	▲80.0	252	236	▲6.4
<b>Operating Expense</b>	399	318	▲20.3	1,038	1,079	3.9
Labor costs	28	28	▲1.0	84	86	2.5
Finance Expense	53	49	▲8.5	165	151	▲8.5
Loan Loss Provision	32	56	75.3	102	111	9.4
Card Expense	163	177	8.9	462	542	17.4
General Expense	123	85	▲93.1	225	190	▲15.4
<b>Operating Profit</b>	44	42	▲4.1	170	158	▲7.0

\* Finance division includes 4 Electronic Cash Business subsidiaries

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

## Transaction Volume & Other Highlights

(Unit : tr. KRW, thousand, %)

	FY'11	FY'12	1Q FY'13	2Q FY'13	3Q FY'13
Transaction Volume	47.1	50.7	12.9	13.7	13.5
No. of Holders	8,835	8,058	8,125	8,266	8,223
Delinquency Rate	1.96	2.23	2.22	2.19	2.28

Earning Asset Portfolio					
	FY'11	FY'12	1Q FY'13	2Q FY'13	3Q FY'13
Credit Purchase	60.0	61.4	60.2	59.5	58.3
Card Loan	20.5	20.8	20.7	21.7	24.6
Cash Advance	14.4	12.9	12.8	12.3	12.4
Installment & lease	5.1	4.9	6.2	6.5	4.7

## Key Factors

### ◆ Operating revenue

- Due to lowering of merchant fees for small merchants, credit purchase revenue increased only by +5.8% while transaction volume grew by +9.3%
- Operating revenue increased by +4.5% excluding gains on derivative assets and others

### ◆ Operating expenses

- With the initiation of 'People's Happiness Fund' beginning of 2013, accounts receivables related to the credit recovery fund were written down, government policy to promote application for credit recovery programs increased overall bad debt allowances in Q3

# Electronics

(Unit : billion KRW)

	3Q 2012		3Q 2013		YoY	1Q-3Q 2012		1Q-3Q 2013		YoY
<b>Sales Revenue</b>	<b>928</b>	(100%)	<b>944</b>	(100%)	<b>1.7%</b>	<b>2,359</b>	(100%)	<b>2,594</b>	(100%)	<b>10.0%</b>
<b>Operating Profit</b>	<b>67</b>	(7.5%)	<b>60</b>	(6.4%)	<b>-9.7%</b>	<b>131</b>	(5.6%)	<b>156</b>	(6.0%)	<b>19.1%</b>
<b>EBITDA</b>	<b>78</b>	(8.4%)	<b>72</b>	(7.6%)	<b>-7.3%</b>	<b>163</b>	(6.9%)	<b>189</b>	(7.3%)	<b>16.2%</b>
<b>Net Profit</b>	<b>40</b>	(4.3%)	<b>43</b>	(4.6%)	<b>9.4%</b>	<b>65</b>	(2.7%)	<b>110</b>	(4.3%)	<b>70.5%</b>

\*Hi Mart's earnings for 3Q 2012 is provided in order to compare with earnings for 3Q 2013(Earnings are consolidated from Nov., 2012)

## Key Factors

### ◆ Revenue up by +1.7% (3Q)

- A/C : High base-effect due to last year's late summer resulted in weak revenue growth this year
- High revenue contribution products such as A/C sales were weak along with negative TV sales growth

### ◆ Sluggish revenue growth and aggressive new store openings added to weak operating profit

### ◆ Lowered interest expenses due to loan restructuring

### ◆ 14 new stores in 3Q 2013

- 5 new road shops, 7 conversion of Digital Park to Hi Mart, 2 new stores in Lotte Mart

### ◆ 4Q expectations

- Around 16 more stores planned to open(7 conversion of Digital Park to Hi Mart, 7 new stores in Lotte Mart)
- Strong Kimchi refrigerators sales are expected due to low base effect (expensive cabbage led to weak Kimchi refrigerator sales last year)
- Upcoming of winter bargain sale in November(Nov.8 ~ Dec.1)
- Lower interest expenses reduction effect compared to previous quarters(interest expenses started to decrease from 4<sup>th</sup> quarter 2012)

# Other Business Units

(Unit : billion KRW)

	3Q 2012	3Q 2013	YoY	1Q-3Q 2012	1Q-3Q 2013	YoY
<b>Sales Revenue</b>	<b>1,577</b>	<b>1,664</b>	<b>5.5%</b>	<b>4,352</b>	<b>4,658</b>	<b>7.0%</b>
Lotte Super	620	610	-1.6%	1,759	1,760	0.0%
Lotte Homeshopping	183	199	8.8%	540	608	12.7%
Korea Seven	676	688	1.8%	1,835	1,919	4.6%
Others	98	166	68.8%	219	370	69.4%
<b>Operating Profit</b>	<b>47</b>	<b>54</b>	<b>13.8%</b>	<b>108</b>	<b>119</b>	<b>10.4%</b>
Lotte Super	21	10	-50.6%	50	28	-43.7%
Lotte Homeshopping	10	11	12.0%	36	45	24.2%
Korea Seven	27	23	-15.1%	59	50	-13.9%
Others	-10	10	-	-37	-4	-87.8%

# Non-Operating Profit Analysis

(Unit : billion KRW)

	Q3 FY'12	Q3 FY'13	YoY	1Q-3Q 2012	1Q-3Q 2013	YoY
<b>Operating Profit</b>	289	343	18.6%	1,014	1,102	8.7%
<b>Interest Income / Expense</b>	-23	-42	-	-59	-119	-
<b>Gains on Foreign Currency &amp; Derivative Asset</b>	30	67	125.0%	35	42	18.4%
<b>Other non-operating profit</b>	11	54	394.2%	35	56	62.4%
<b>Equity Method Gain &amp; Loss</b>	14	8	-43.9%	46	-17	-
<b>Profit Before Tax</b>	320	429	34.0%	1,071	1,064	-0.6%

## Appendix

- Income Statement (K-IFRS)
- Balance Sheet (K-IFRS)
- Lotte Marts in Overseas
- Store Network
- Etc(New business & Store Intro.)

# Income Statement (Consolidated K-IFRS)

(Unit: billion KRW)

	Q3 FY'12		Q3 FY'13		YoY	1Q-3Q 2012		1Q-3Q 2013		YoY
<b>Revenue</b>	6,248		7,248		16.0%	18,506		21,601		16.7%
<b>Gross Profit</b>	1,829	(29.3%)	2,164	(29.9%)	18.3%	5,449	(29.4%)	6,391	(29.6%)	17.3%
<b>SG&amp;A</b>	1,540	(24.7%)	1,821	(25.1%)	18.2%	4,435	(24.0%)	5,289	(24.5%)	19.2%
<b>Operating Profit</b>	289	(4.6%)	343	(4.7%)	18.6%	1,014	(5.5%)	1,102	(5.1%)	8.7%
<b>EBITDA</b>	436	(7.0%)	519	(7.2%)	19.0%	1,434	(7.7%)	1,617	(7.5%)	12.7%
<b>Profit before tax</b>	320	(5.1%)	429	(5.9%)	34.0%	1,071	(5.8%)	1,064	(4.9%)	-0.7%
<b>Net Profit</b>	229	(3.7%)	303	(4.2%)	32.5%	767	(4.1%)	782	(3.6%)	2.0%
<b>Net Income of Controlling Company</b>	208	(3.3%)	275	(3.8%)	32.3%	711	(3.8%)	705	(3.3%)	39.0%
<b>Net income of minority interest equity</b>	21	(0.4%)	28	(0.4%)	34.8%	56	(0.3%)	77	(0.3%)	-1.0%

# Balance Sheet (Consolidated K-IFRS)

(Unit: billion KRW)

	1Q '12	2Q '12	3Q '12	4Q '12	1Q '13	2Q '13	3Q '13
<b>Total assets</b>	<b>32,924</b>	<b>33,235</b>	<b>35,001</b>	<b>36,857</b>	<b>37,713</b>	<b>38,105</b>	<b>37,883</b>
Cash & Cash Equivalent	2,205	2,277	3,160	1,675	2,057	2,050	1,767
Inventories	2,039	1,955	2,266	2,750	2,913	2,906	3,027
<b>Liabilities</b>	<b>17,952</b>	<b>18,046</b>	<b>19,639</b>	<b>21,139</b>	<b>21,787</b>	<b>21,793</b>	<b>21,375</b>
Borrowings & Bonds	9,834	10,167	10,973	12,125	12,342	12,761	12,347
<b>Equity</b>	<b>14,972</b>	<b>15,189</b>	<b>15,362</b>	<b>15,718</b>	<b>15,926</b>	<b>16,312</b>	<b>16,508</b>
Share Capital	145	145	145	145	158	158	158

# Lotte Marts in Overseas

(Unit : billion KRW)

	No. of Stores	3Q FY'12*	3Q FY'13*	YoY*	YoY**
<b>China</b>	104	385	414	7.4%	4.4%
<b>Indonesia</b>	34	302	313	3.7%	13.7%
<b>Vietnam</b>	4	16	26	56.3%	55.5%
<b>Total</b>	142	703	753	7.0%	9.5%

\*Based on K-IFRS accounting rules(including currency effect)

\*\* Revenue growth in local currency(excluding currency effect)



# Store Network

		2009	2010	2011	2012	2013				2013
		Year End	Year End	Year End	Year End	Openings				Year End
		Total	Total	Total	Total	Q1	Q2	Q3	Q4(E)	Total(E)
Department Store	full-line store	23	23	24	*29					29
	franchise store	3	6	6	2					2
	young plaza	3	3	3	3					3
	outlet mall	3	4	6	7	1		1	1	10
Hypermarket	69	90	95	103	** -2/+2	1	2	4	110	

		2009	2010	2011	2012	2013				2013
		Year End	Year End	Year End	Year End	Openings				Year End
		Total	Total	Total	Total	Q1	Q2	Q3	Q4(E)	Total(E)
Department Store	Russia	1	1	1	1					1
	China	1	1	2	3		1	1		5
	Indonesia						1			1
Hypermarket	China	79	82	94	102	3	-2/+2	-1	3	107
	Vietnam	1	2	2	4				2	6
	Indonesia	19	22	28	31	1		2	5	39

\* Acquired GS Square(3 stores) in August, 2012. Merged Midopa(1 store) in January, 2013

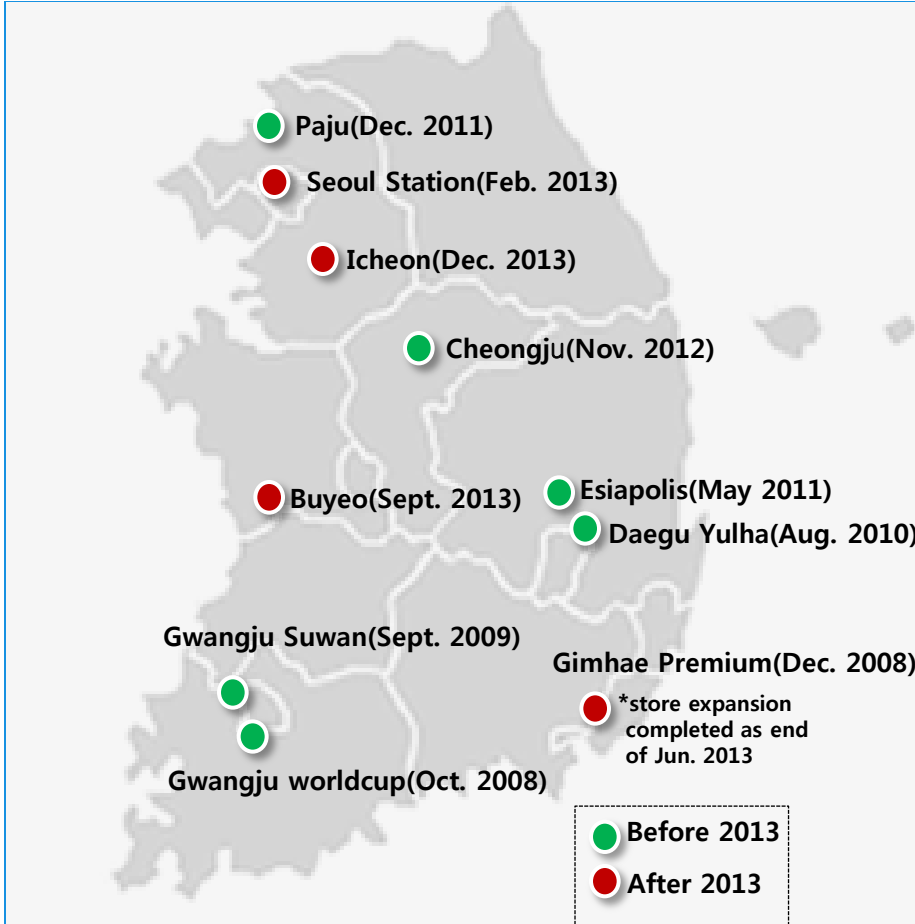
\*\* 2 old stores(Yeongdeungpo, Dobong) closed and re-opened to VIC market stores

# 2013 New business(Outlets)

## ■ Seek new growth engine using 'shoppertainment' & launching various new format

- Build nationwide store network, strengthen organization for outlet business, continue cost improvement projects

□ Outlets by region (end of 2013, 10ea)



□ New Outlets in 2013(expansion completed store included)



Seoul Station Outlet



Gimhae Premium Outlet



Buyeo Outlet



Icheon Premium Outlet(Dec. 2013)

# Overseas Department store(New)

Chengdu Global Center Store



Jakarta Avenue Store



## ○ Store Outline

<b>Location</b>	China - Chengdu
<b>Method</b>	Lease
<b>Operating area</b>	43,000m2
<b>OPEN</b>	August, 2013

## ○ Store Outline

<b>Location</b>	Indonesia – Java, Jarkarta
<b>Method</b>	Lease
<b>Operating area</b>	19,800m2(mall: 52,900m2)
<b>OPEN</b>	June, 2013



# Overseas Hypermarket(New)

Indonesia (wholesale)



## ○ Store Outline

<b>Location</b>	Indonesia - Java, Jarkarta
<b>Open method</b>	Lease
<b>Operating area</b>	6,600m2
<b>OPEN</b>	July, 2013

Indonesia (retail)



## ○ Store Outline

<b>Location</b>	Indonesia - Sumatra, Medan
<b>Open method</b>	Lease
<b>Operating area</b>	6,600m2
<b>OPEN</b>	July, 2013