2015 First Quarter Results

May, 2015

LOTTE SHOPPING CO., LTD INVESTOR RELATIONS

Disclaimer

The financial information in this document are consolidated earnings results based on 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 FY15Q1

- Revenue 7,178 billion KRW(+1.4% YoY)
 - Domestic : Sluggish economy resulting slow revenue growth
 - Dept. Store/Hypermarket Posted negative SSSG
 - CVS/Electronics New store openings and efficiency improvement maintained revenue growth
 - Overseas dept. stores maintaining strong sales / Overseas hypermarkets sales indicated recovery trend
- Operating profit 267 billion KRW(-21.3% YoY)
 - Domestic : Decreased OP caused by weak sales and increased cost(rent, etc.)
 - Dept. Store/Hypermarket New store openings and sales & leaseback increased SG&A
 - Financial business division YoY marketing cost increased compared to temporary business suspension period during 1Q14
 - Overseas: Cost reduction and gross profit improvement resulting profitability enhancement in existing stores

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1. Consolidated Financial Results

(Offic. Difficit KKVV)			
YoY	Q1 FY′15	Q1 FY'14	
1.4%	7,178	7,080	Gross Sales
-21.3%	267	339	Operating Profit
-9.8%	470	521	EBITDA
-23.8%	192	252	Profit before tax
-19.8%	115	144	Net Profit

^{*} Number of consolidated affiliates: 57

2. Analysis by Divisions

					(Unit: billion KRW, %)
	1Q 2014		1Q 2015		YoY
Revenue	7,080	(100.0%)	7,178	(100.0%)	1.4%
Department stores	2,136	(30.2%)	2,095	(29.2%)	-1.9%
Hypermarkets	2,192	(31.0%)	2,154	(30.0%)	-1.8%
Electronics	805	(11.4%)	859	(12.0%)	6.7%
Finance	425	(6.0%)	410	(5.7%)	-3.4%
Others*	1,522	(21.4%)	1,660	(23.1%)	9.1%
Operating Profit	339	4.8%	267	3.7%	-21.3%
Department stores	191	8.9%	144	6.8%	-24.8%
Hypermarkets	42	1.9%	15	0.7%	-65.1%
Electronics	20	2.5%	35	4.1%	77.7%
Finance	62	14.6%	43	10.4%	-31.3%
Others*	24	1.6%	30	1.9%	25.7%

^{*}Includes consolidated adjustments

Department Stores

						(OTIL . DIIIOH KKVV)
		1Q 2014		1Q 2015		YoY
Sales Revenue		2,136		2,095		-1.9%
	Domestic	2,115	(99.0%)	2,063	(98.5%)	-2.4%
	Overseas	21	(1.0%)	32	(1.5%)	47.7%
Operating Profit		191	8.9%	144	6.8%	-24.8%
	Domestic	212	10.0%	169	8.2%	-20.3%
	Overseas	-21	-	-25	-	-
EBITDA		263	12.3%	230	11.0%	-12.6%
	Domestic	278	13.1%	245	11.9%	-11.7%
	Overseas	-15	-	-15	_	_

× 57 Lotte Department Stores : Domestic 49 stores (including 14 Outlets) / Overseas 8 stores(China 5, Indonesia 1, Vietnam 2)

Key Factors

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- Domestic SSSG: -4.4%(1Q15) (Dept. stores -5.0%, Outlets -0.9%)
 - Gross revenue including new stores(managerial standard): +4.3%
 - Women's wear (-5.5%), Men's wear(-4.1%), Luxuries(-6.6%), Accessories(-6.3%), Electronics(-2.7%)
- Domestic operating profit decreased in 1Q15 (-20.3% YoY)
 - New store openings increased SG&A (rental expense, outsourcing service fees and depreciation costs)
 - Sales & leaseback within 4 stores in '14)

- Overseas SSSG: 14.9%(1Q15)
- New store opening plan in 2015
 - $\hbox{- 1 Dept. store: Masan(2Q),ff 2 Outlets: Hang-dong(2Q), Gwanggyo(2H)}\\$
 - 1 Overseas dept. store : Diamond Plaza in Vietnam(opened in March)
- Expansion and Renewal Schedule
 - Renewal opening: Jamsil(Premium lifestyle shop, opened in February '15)
 - Expansion plan: Seoul main store, Busan, Daegu, Gangnam (complete in '16)

Hypermarkets

(Unit: billion KRW)

	1Q 2014		1Q 2015		YoY
Sales Revenue	2,192		2,154		-1.8%
Domestic	1,542	(70.3%)	1,509	(70.1%)	-2.1%
Overseas	650	(29.7%)	645	(29.9%)	-0.9%
Operating Profit	42	1.9%	15	0.7%	-65.1%
Domestic	76	4.9%	38	2.5%	-50.4%
Overseas	-34	-	-23	-	-
EBITDA	95	4.4%	69	3.2%	-27.3%
Domestic	113	7.4%	76	5.1%	-32.8%
Overseas	-18	-	-7	-	-

* 266 Stores: Domestic 115 stores, Overseas 151 stores(China 103, Indonesia 38, Vietnam 10)

Domestic

- Domestic SSSG: -4.3%
- Fresh-food -3.4%, Processed food -5.8%, Living -7.8%, Apparel -8.1%, Electronics +0.4%
- Mandatory Sunday closures: 113 stores(103 forced, 10 voluntary)
 +6 YoY (+12 forced, -6 voluntary)
- Weak sales and cost increase causing negative OPG(-50.4% YoY)
- Sustained GPM by discplined participation in low-price competition
- New store openings and ABS scheme(sales & leaseback) in 2014 caused increase of labor and real-estate rental expenses
- Develop "Easy & Slow Life" store
- Enhance product categories reflecting consumer's lifestyle

Overseas

- High SSS growth in Vietnam and Indonesia, Negative growth in China
 - **SSSG(1Q):** : Vietnam: +15.5%, Indonesia: +6.5%, China: -7.2%
- Increased overseas operation efficiency
 - **Deficit amount improved in China hypermarket** (cost savings in labor cost and marketing cost optimization)
- China hypermarket strategy in 2015
 - 2 low-temperature fresh distribution centers opened in 1Q15 \rightarrow 7 within '16
 - Efficiency enhancement review for new store opening (In-depth area analysis and standard business model establishment)

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Electronics

					(Unit : billion KRW)
	1Q 2014		1Q 2015		증감
Sales Revenue	805		859		6.7%
Operating Profit	20	2.5%	35	4.1%	77.7%
EBITDA	32	4.0%	48	5.6%	48.4%
Net Profit	13	1.6%	24	2.8%	89.4%

X 437 Stores(End of 1Q15)

Key Factors

- Gross revenue growth: +6.7% (1Q15)
- Total: 437 stores, (42 new stores, YoY)
- Home appliances +20%, White goods +9%, IT/Mobile +7%, A/V -11%
- Operating profit growth: +77.7% (1Q15)
- Stabilization of profit structure in new stores(shop-in-shop)
- Gross profit growth led by high-margin product categories
- SG&A efficiency improvement(marketing fee reduction, etc.)

2Q Outlook

- Nationwide discount promotion (5.1~5.25)
- Launching of new mobile products and low base effect of seasonal products expected to indicate YoY high growth rate
- Efficiency improvement through shop-in-shop openings(within Lotte Mart)
- Key Strategy
- Item diversification(increase SKU of home appliances and related goods)
- Enhance global sourcing (Diversify the line-ups of foreign brands including TV, Mobile, Tablet PC, etc.)

Finance

Incor	ne Statement	Summary		Trar	saction V	olume &	Other Hig	ghlights
				(Unit : tr. KRW, thous	and, %)	FY'	L4	
	1Q 2014	1Q 2015	YoY		1Q	2Q	3Q	4Q
Operating Revenue	425	410	-3.4%	Transaction Volume	12.	6 13.2	2 13.6	14.1
Credit Purchase	200	206	3.1%	No. of Holders	7,48	8 7,298	3 7,298	7,225
Card Loan & Cash Advance	131	134	2.3%	Delinquency	2.3	,	·	1.48
Others	94	70	-25.5%	Rate	2.3	2.1-	2.09	1.40
Operating Expense	363	368	1.3%		Earnir	ng Asset	Portfolio	
Labor costs	30	32	6.7%	(Unit : %)		FY'	L4	
Finance Expense	49	43	13.0%		1Q	2Q	3Q	4Q
Loan Loss Provision	30	51	70.2%	Credit Purchase	59.2	59.0	58.2	59.6
Card Expense	175	187	6.5%	Card Loan	24.6	25.1	26.1	25.8
General Expense	79	55	29.8%	Cash Advance	11.4	11.0	10.4	9.5
Operating Profit	62	43	-31.3%	Installment &	4.0	4.0	F 2	F 4
* Finance division includes 4 Elec	tronic Cast Business sul	osidiaries		lease	4.8	4.9	5.3	5.1

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Operating Revenue	425	410	-3.4%	Transaction Volume	1	.2.6 13	.2 13.6	14.1	13.3
Credit Purchase	200	206	3.1%	No. of Holders	7	488 7,29	98 7,298	7,225	7,213
Card Loan & Cash Advance	131	134	2.3%	Delinquency	·	2.33 2.3	•	1.48	1.75
Others	94	70	-25.5%	Rate				1.70	1.75
Operating Expense	363	368	1.3%		Earr	ning Asse	Portfolio		
Labor costs	30	32	6.7%	(Unit : %)		FY	″14		FY'15
Finance Expense	49	43	13.0%		1Q	2Q	3Q	4Q	1Q
Loan Loss Provision	30	51	70.2%	Credit Purchase	59.2	59.0	58.2	59.6	58.0
Card Expense	175	187	6.5%	Card Loan	24.6	25.1	26.1	25.8	26.5
General Expense	79	55	29.8%	Cash Advance	11.4	11.0	10.4	9.5	9.2
Operating Profit	62	43	-31.3%	Installment &					6.3
* Finance division includes 4 Elec * Other Operating Revenue & G			tive Asset Transaction	leace	4.8	4.9	5.3	5.1	0.5
Key Factors									

FY'15

1Q

Key Factors

Operating Revenue

- Credit purchase and Card Ioan & Cash advance grew by 14bn KRW
- Operating revenue(excluding derivative asset) +2.5% (397bn→407bn KRW)

Operating Profit

- Operating expenses temporarily decreased in 1Q14 due to business suspension **Cost normalization after temporary suspension period(February ~ May '14)

Big data · FinTech strategy

- Big data: Utilization of Big data in Lotte Membership to enhance marketing efficiency

- focus sales of promoting card through concentrated advertisement

Membership expansion and increase usage rate

- more synergy with affiliates (K7, KT Rental, etc.)

- FinTech: Develop overseas direct purchase service by Appcard and expand partnership with payment gateway

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Other Business Units

	1Q 2014	1Q 2015	증감
Sales Revenue	1,522	1,660	9.1%
Lotte Super	574	581	1.3%
Lotte Homeshopping	216	225	4.3%
Korea Seven	590	703	19.2%
Others	142	151	6.1%
Operating Profit	24	30	25.7%
Lotte Super	-3	-1	-
Lotte Homeshopping	25	25	-
Korea Seven	3	9	228.3%
Others	-1	-3	-

3. Non-Operating Profit

	1Q FY'14	1Q FY'15	YoY
Operating Profit	339	267	-21.3%
Net Interest Income/Expense	-38	-40	-
Gains on Foreign Currency & Derivative Asset	-18	-17	-
Other non-operating profit	-26	-18	-
Equity Method Gain & Loss	-5	0	-
Profit Before Tax	252	192	-23.8%
Corporate tax	108	77	-29.2%
Net Profit	144	115	-19.8%

LOTTE SHOPPING CO., LTD Appendix

- **Income Statement**
- **Balance Sheet**
- Lotte Marts in Overseas
- Store Network

Income Statement (Consolidated K-IFRS)

	1Q 2014		1Q 2015		YoY
Revenue	7,080		7,178		1.4%
Gross Profit	2,125	(30.0%)	2,170	(30.2%)	2.1%
SG&A	1,786	(25.2%)	1,903	(26.5%)	6.6%
Operating Profit	339	(4.8%)	267	(3.7%)	-21.3%
EBITDA	521	(7.4%)	470	(6.5%)	-9.8%
Profit before tax	252	(3.6%)	192	(2.7%)	-23.8%
Net Profit	144	(2.0%)	115	(1.6%)	-19.8%
Net Income of Controlling Company	129	(1.8%)	106	(1.4%)	-17.7%
Net income of minority interest equity	15	(0.2%)	9	(0.2%)	-38.2%

Balance Sheet (Consolidated K-IFRS)

					(Unit: billion KRW)
	1Q ′14	2Q '14	3Q ′14	4Q ′14	1Q ′15
Total assets	38,702	39,022	39,183	40,072	39,750
Cash & Cash Equivalent	2,121	2,410	2,183	2,671	2,096
Inventories	3,114	2,899	3,145	3,161	3,268
Land & Buildings	12,909	12,318	12,466	13,170	13,302
Liabilities	21,694	21,788	21,641	22,528	22,189
Borrowings & Bonds	12,619	12,952	12,145	12,727	12,424
Equity	17,008	17,234	17,542	17,544	17,561
Share Capital	158	158	158	158	158

Regional Sales of Lotte Marts Overseas

	No. of Stores	1Q FY'14	1Q FY'15	YoY	YoY*
China	103	385	352	-8.6%	-5.5%
Indonesia	38	234	240	2.5%	7.9%
Vietnam	10	32	53	68.2%	67.6%
Total	151	651	645	-0.9%	3.8%

^{*} Revenue growth in local currency(excluding currency effect)

Store Network

		2011	2012	2013	2014	2015				2015
Domestic		Year End	Year End	Year End	Year End		Openings			Year End
		Total	Total	Total	Total	Q1	Q2(E)	Q3(E)	Q4(E)	Total(E)
Department Store	full-line store	24	29	29	31					31
	franchise store	6	2	2	2		1			3
	young plaza	2	2	2	2					2
	outlet mall	6	7	10	14			1	1	17
Hypermarket		95	103	109	114	1	1	1	2	119

_	_	2011	2012	2013	2014		2015 Openings			2015
Overseas		Year End	Year End	Year End	Year End .					Year End
		Total	Total	Total	Total	Q1	Q2(E)	Q3(E)	Q4(E)	Total(E)
Department Store	Russia	1	1	1	1					1
	China	2	3	4	5					5
	Vietnam	-	-	-	1	1				2
	Indonesia	-	-	1	1					1
Hypermarket	China	94	102	107	103		2	3	2	110
	Vietnam	2	4	6	10			1	2	13
	Indonesia	28	31	36	38		2	2	5	47