

2015 Third Quarter Results

November, 2015

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.

Highlights FY15Q3

■ 3Q15 Revenue 7.7 trillion KRW(+6.9% YoY)

- Domestic: Dept. store and hypermarket sales slowly recovering from MERS crisis(2Q)
 - SSSG(3Q): Dept. store -1.4%, Hypermarket -0.1%
- Overseas : Steady sales growth in department stores led by new store openings/
Weak SSSG trend continued in China hypermarkets
 - SSSG(3Q): Dept. store +14.2%, Hypermarket -3.1%

■ 3Q15 Operating profit 195.3 billion KRW(-35.9% YoY)

- Domestic : Increased SG&A due to new store openings and sales & leaseback resulted decreased operating profit(dept. stores & hypermarkets)
- Overseas : Dept. store : Operating loss reduced due to strong SSSG and improved efficiency
Hypermarket : Increased operating loss due to one-off China store closing cost

■ 3Q15 Net profit down by -90.8% YoY

- 3Q14 included one-off gain regarding disposition of tangible asset('14.8 Sales & leaseback) and equity method income(Acquisition of Lotte International share)

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1. Consolidated Financial Results

(Unit : billion KRW)

	3Q 2014	3Q 2015	YoY	1Q-3Q 2014	1Q-3Q 2015	YoY
Gross Sales	7,218	7,719	6.9%	21,452	22,348	4.2%
Operating Profit	305	195	-35.9%	957	665	-30.5%
EBITDA	488	400	-18.0%	1,505	1,279	-15.1%
Profit before tax	411	85	-79.3%	1,023	451	-55.9%
Net Profit	280	26	-90.8%	673	237	-64.8%

*Number of consolidated affiliates: 56

2. Financial Summary by Division

(Unit : billion KRW)

	3Q 2014			3Q 2015			YoY			1Q-3Q 2014			1Q-3Q 2015			YoY		
Revenue	7,218	(100.0%)		7,719	(100.0%)		6.9%			21,452	(100.0%)		22,348	(100%)		4.2%		
Department Stores	1,866	(25.9%)		1,929	(25.0%)		3.4%			6,066	(28.3%)		6,080	(27.2%)		0.2%		
Hypermarkets	2,182	(30.2%)		2,237	(29.0%)		2.5%			6,406	(29.9%)		6,472	(29.0%)		1.0%		
Electronics	1,016	(14.1%)		1,063	(13.8%)		4.6%			2,799	(13.0%)		2,890	(12.9%)		3.3%		
Finance	400	(5.5%)		477	(6.2%)		19.3%			1,285	(6.0%)		1,360	(6.1%)		5.8%		
CVS	724	(10.0%)		942	(12.2%)		30.2%			1,987	(9.3%)		2,512	(11.2%)		26.4%		
Others*	1,030	(14.3%)		1,071	(13.8%)		3.9%			2,909	(13.5%)		3,034	(13.6%)		4.2%		
Operating Profit	305	4.2%		195	2.5%		-35.9%			957	4.5%		665	3.0%		-30.5%		
Department Stores	105	5.6%		63	3.3%		-39.4%			426	7.0%		282	4.6%		-33.7%		
Hypermarkets	51	2.3%		6	0.3%		-87.2%			102	1.6%		-18	-		-		
Electronics	58	5.7%		56	5.3%		-2.3%			115	4.1%		134	4.6%		16.6%		
Finance	35	8.7%		22	4.7%		-35.5%			172	13.4%		144	10.6%		-16.2%		
CVS	15	2.0%		16	1.7%		8.8%			31	1.6%		48	1.9%		54.4%		
Others*	41	4.1%		32	2.9%		-27.6%			111	3.8%		75	2.5%		-32.2%		

* includes consolidation adjustments

Department Stores

(Unit : billion KRW)

	3Q 2014		3Q 2015		YoY	1Q-3Q 2014		1Q-3Q 2015		YoY
Revenue	1,866	(100.0%)	1,929	(100.0%)	3.4%	6,066	(100.0%)	6,080	(100.0%)	0.2%
Domestic	1,839	(98.6%)	1,896	(98.3%)	3.1%	5,997	(98.9%)	5,984	(98.4%)	-0.2%
Overseas	27	(1.4%)	33	(1.7%)	24.5%	69	(1.1%)	96	(1.6%)	38.4%
Operating Profit	105	5.6%	63	3.3%	-39.4%	426	7.0%	282	4.6%	-33.7%
*Domestic	135	7.3%	90	4.8%	-32.7%	505	8.4%	359	6.0%	-28.8%
Overseas	-30	-	-27	-	-	-79	-	-77	-	-
EBITDA	179	9.6%	151	7.8%	-15.5%	646	10.6%	543	8.9%	-15.8%
Domestic	200	10.9%	167	8.8%	-16.6%	702	11.7%	588	9.8%	-16.2%
Overseas	-21	-	-16	-	-	-56	-	-45	-	-

※ 60 Department Stores(as of 3Q15) : Domestic 52 stores(including 16 outlets) / Overseas 8 stores (China 5, Indonesia 1, Vietnam 2)

Domestic

- ◆ **Domestic 3Q SSSG: -1.4% (Managerial gross revenue +7.9%)**
 - Clothing -2.5% Food +0.0%, Accessories -4.8%, Global fashion -1.4%, Home appliances +9.1%
- ◆ **Decreased OP due to sales & leaseback and new store openings**
- ◆ **4Q15 Outlook**
 - Strong SSSG lead by better consumer sentiment and government policy to promote consumption(Black Friday, etc.)
 - Tourists related sales recovered after MERS issue in August
 - Improved profit driven by base effect from new store openings and sales & leaseback in 4Q14
- ◆ **New openings in 3Q15 : 1 Dept. store: Masan(July), 1 Outlet: Gwanggyo(Sept.)**

Overseas

- ◆ **Overseas SSSG: +14.2% (3Q15)**
 - Steady SSSG in China(+16.4%) and Indonesia(+3.0%)
- ◆ **Improved store efficiency reduced operating loss of both same stores(+1.4 bn KRW) and new stores(+1.4 bn KRW)**
- ◆ **Key Strategy**
 - Korean wave marketing: Pop-up sales event(Lock&Lock), Launch popular Korean brands
 - Enhance customer-attracting MD & Employee-participation in CSR

Hypermarkets

(Unit : billion KRW)

	3Q 2014		3Q 2015		YoY	1Q-3Q 2014		1Q-3Q 2015		YoY
Revenue	2,182	(100.0%)	2,237	(100.0%)	2.5%	6,406	(100.0%)	6,472	(100.0%)	1.0%
Domestic	1,533	(70.2%)	1,582	(70.7%)	3.2%	4,505	(70.3%)	4,529	(70.0%)	0.5%
Overseas	649	(29.8%)	655	(29.3%)	0.9%	1,901	(29.7%)	1,943	(30.0%)	2.2%
Operating Profit	51	2.3%	6	0.3%	-87.2%	102	1.6%	-18	-0.3%	-
Domestic	78	5.1%	41	2.6%	-46.4%	187	4.1%	72	1.6%	-61.6%
Overseas	-27	-	-35	-	-	-85	-	-90	-	-
EBITDA	103	4.7%	62	2.8%	-39.6%	261	4.1%	148	2.3%	-43.4%
Domestic	116	7.6%	81	5.1%	-29.7%	301	6.7%	191	4.2%	-36.7%
Overseas	-13	-	-19	-	-	-40	-	-43	-	-

※ 281 Stores: Domestic 116, Overseas 165(China 116 stores(including 16 supermarkets), Indonesia 39, Vietnam 10)

Domestic

- ◆ **Domestic 3Q SSSG: -0.1% (Managerial gross revenue +4.8%)**
 - Fresh food +7.0%, Processed food -1.7%, Households -1.0%, Apparel -3.5%, Electronics -3.1%
 - SSSG recovery led by improvement of fresh category and strong sales during Chuseok holiday
- ◆ **Lowered operating profit due to increase in rental expense and fresh food innovation adjustment**
- ◆ **Fresh food innovation progress and agenda**
 - Quality improvement through higher quality inspection standard
 - Product diversification, adjustment of food category along with changing food consumption trend
- ◆ **Key Strategy: Product differentiation and online competitiveness**
 - Enhance lifestyle MD: Hav'eat(organic/health), It.Street(apparel/accessories)
 - Online distribution center: Gimpo(Feb. '16), Gwangmyeong('16)

Overseas

- ◆ **Weak SSSG in China/ Ramadan seasonal effect(2Q) in Indonesia**
 - **3Q SSSG:** China: -4.1%, Indonesia: -2.8%, Vietnam: +1.7%
 - ◆ **Cost related to China store closure(July) increased operating loss**
 - 5 stores closed in Shandong area
 - Closing cost : 8bn KRW
(lease cancellation fee, employee compensation, etc.)
 - ◆ **Focus concentration in key region(Shanghai&Beijing)**
 - Store renewal(18 stores in 2015, 15 stores in 2016)
 - Low-temperature fresh distribution center opened in Beijing
 - O2O business with local online mall
- ※ Stores by area: Shanghai 74 stores, Beijing 12 stores, Chungqing 6 stores, Shenyang 8 stores

Electronics

(Unit : billion KRW)

	3Q 2014		3Q 2015		YoY	1Q-3Q 2014		1Q-3Q 2015		YoY
Revenue	1,016	100.0%	1,063	100.0%	4.6%	2,799	100.0%	2,890	100.0%	3.3%
Operating Profit	58	5.7%	56	5.3%	-2.3%	115	4.1%	134	4.6%	16.6%
EBITDA	70	6.9%	68	6.4%	-2.7%	153	5.5%	171	5.9%	11.8%
Net Profit	40	4.0%	40	3.7%	-1.8%	77	2.8%	93	3.2%	19.8%

※ 437 stores (as of 3Q15)

Key Factors

- ◆ **3Q Gross revenue growth: 4.6% (YoY)**
 - 437 stores in total (+4 new stores YoY)
 - Steady 3Q15 SSSG
 - : White goods and home appliances maintained steady sales, strong sales of seasonal products due to 3Q carryover effect
- ◆ **3Q Operating profit growth: -2.3% (YoY)**
 - Slightly decreased due to one-off gain on mobile category in 3Q14 and increased SG&A
- ◆ **Online shopping mall renewal open('15.10)**
 - **Omni-channel** : Smartpick, GPS-based marketing, omni-sales, etc.
 - **Customer convenience**: integrated payment, individual quotation, product recommendation service, etc.
- ◆ **4Q15 forecast**
 - Strong sales maintained with promotional events
 - : Black Friday (10.1~10), Nationwide discount promotion(Nov.)
 - Expansion of pilot shops along with SKU expansion strategy
 - : 23 stores renewal (Sept.), 30 stores to open by end of 2015
 - Base effect from smartphone subsidy regulation in Oct. 2014

Finance

Summary Income Statement

(Unit: billion, %)	3Q FY'14	3Q FY'15	YoY	1Q-3Q FY'14	1Q-3Q FY'15	YoY
Operating Revenue	400	477	19.3	1,285	1,360	5.8
Credit Purchase	199	217	9.0	593	639	7.7
Card Loan & Cash Advance	136	136	0.2	397	404	1.7
Others*	65	123	91.0	294	317	7.7
Operating Expense	365	455	24.5	1,113	1,216	9.2
SG&A	30	31	3.0	89	93	4.4
Finance Expense	44	43	-3.6	139	128	-8.2
Loan Loss Provision	58	51	-13.3	142	152	6.8
Card Expense	202	215	6.4	538	607	12.9
General Expense*	30	115	253.9	204	236	11.4
Operating Profit	35	22	-35.5	172	144	-16.2

* 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'13	FY'14	1Q FY'15	2Q FY'15	3Q FY'15
Transaction Volume	54.1	53.5	13.3	14.3	14.2
No. of Holders	8,078	7,225	7,213	7,197	7,258
Delinquency Rate	1.94	1.48	1.75	1.59	1.62

Earning Asset Portfolio

(Unit: %)	FY'13	FY'14	1Q FY'15	2Q FY'15	3Q FY'15
Credit Purchase	60.3	59.6	58.0	58.2	56.4
Card Loan	24.0	25.8	26.5	27.4	26.7
Cash Advance	11.2	9.5	9.2	8.8	8.0
Installment & lease	4.5	5.1	6.3	5.5	8.9

Key Factors

◆ Operating Profit

- Credit purchase +18bn KRW(+9.0%),
Card Loan & Cash Advance +0.2bn KRW(+0.2%),
Foreign currency translation/derivative asset +2.4bn KRW(+126.3%)
one-off loss on EB card 6 bn KRW
- Lotte Chilsung stake sold in 3Q14(+18bn KRW)
→ Operating profit excluding one-off cost : +6 bn KRW(+16.9%, YoY)

◆ Gov't cut credit card fees for smaller merchants

- Lower credit card fees by 0.3%~0.7% for mom-and-pop stores and restaurant starting 2016

◆ New business model development

- Business field diversification(direct-management store, student visa agency, funeral related service, etc)

(단위 : 십억원)

	3Q 2014		3Q 2015		YoY	1Q-3Q 2014		1Q-3Q 2015		YoY
Revenue	724	100.0%	942	100.0%	30.2%	1,987	100.0%	2,512	100.0%	26.4%
Operating Profit	15	2.0%	16	1.7%	8.8%	31	1.6%	48	1.9%	54.4%
EBITDA	30	4.1%	31	3.3%	4.5%	76	3.8%	93	3.7%	21.3%

※ 7,709 stores (as of 3Q15)

Key Factors

◆ 3Q Revenue: +30.2%(YoY)

- 7,709 stores in total, end of 3Q (581 new stores YoY)
- Daily sales per store grew by +19.5% (1Q-3Q +17.0%)
- Strong sales due to increase in cigarette price and single household consumption

◆ 3Q Operating Profit: +8.8% (YoY)

- Strong revenue growth improved OP
- Improved profitability with food category (lunchbox, etc.)
- Government prohibited receiving rebate from VAN company

◆ 4Q15 Strategy

- Enhance food category competitiveness and differentiate items
 - Develop new PB lunchbox and improve food category
 - Expand Seven Café(Coffee machine-in-shop)
- Store opening strategy
 - Pre-acquisition of business area: innovative city, new town, etc.
 - Expand space area, increase item SKU, and improve customer convenience(ex. eating area)
- Enhance PB product category
 - Value-oriented products
 - Premium processed food(snack, etc.)

Other Business Units

(Unit : billion KRW)

	3Q 2014	3Q 2015	YoY	1Q-3Q 2014	1Q-3Q 2015	YoY
Revenue	1,030	1,071	3.9%	2,909	3,034	4.2%
Lotte Super	614	626	1.9%	1,784	1,820	2.0%
Lotte Home Shopping	212	204	-3.8%	659	642	-2.6%
*Others	204	241	17.8%	466	572	22.5%
Operating Profit	41	32	-27.6%	111	75	-32.2%
Lotte Super	4	2	-57.3%	12	7	-40.5%
Lotte Home Shopping	18	15	-20.1%	78	63	-19.2%
*Others	19	15	-28.9%	21	5	-71.4%

3. Non-Operating Profit Analysis

(Unit : billion KRW)

	3Q FY'14	3Q FY'15	YoY	1Q-3Q FY'14	1Q-3Q FY'15	YoY
Operating Profit	305	195	-35.9%	957	665	-30.5%
Net Interest Income/Expense	-40	-44	-	-115	-122	-
Gains on Foreign Currency & Derivative Asset	-2	-8	-	18	-23	-
Other non-operating profit	88	-43	-	79	-76	-
Equity Method Gain & Loss	60	-15	-	84	7	-92.2%
Profit Before Tax	411	85	-79.3%	1,023	451	-55.9%
Corporate tax	131	59	-54.7%	350	214	-38.7%
Net Profit	280	26	-90.8%	673	237	-64.8%

* 3Q14 One-off gain regarding disposition of tangible asset('14.8 Sales & leaseback +77bn KRW), gain on prepayment of CB(+17bn KRW)
 3Q15 foreign currency translation loss related to loan in yen (-12bn KRW), loss on disposition of tangible asset regarding China hypermarket closure -7bn KRW

** 3Q14 Equity method income from Lotte International increased(+55bn KRW)

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

Income Statement (Consolidated K-IFRS)

(Unit : billion KRW)

	3Q FY'14		3Q FY'15		YoY	1Q-3Q FY'14		1Q-3Q FY'15		YoY
Revenue	7,218		7,719		6.9%	21,452		22,348		4.2%
Gross Profit	2,176	(30.1%)	2,240	(29.0%)	2.9%	6,471	(30.2%)	6,668	(29.8%)	3.0%
SG&A	1,871	(25.9%)	2,045	(26.5%)	9.3%	5,514	(25.7%)	6,003	(26.9%)	8.9%
Operating Profit	305	(4.2%)	195	(2.5%)	-35.9%	957	(4.5%)	665	(3.0%)	-30.5%
EBITDA	488	(6.8%)	400	(5.2%)	-18.0%	1,505	(7.0%)	1,279	(5.7%)	-15.1%
Profit before tax	411	(5.7%)	85	(1.1%)	-79.3%	1,023	(4.8%)	451	(2.0%)	-55.9%
Net Profit	280	(3.9%)	26	(0.3%)	-90.8%	673	(3.1%)	237	(1.1%)	-64.8%
Net Income of Controlling Company	252	(3.5%)	2	(0.0%)	-99.3%	601	(2.8%)	173	(0.8%)	-71.3%
Net income of minority interest equity	28	(0.4%)	24	(0.3%)	-14.8%	72	(0.3%)	64	(0.3%)	-11.3%

Balance Sheet (Consolidated K-IFRS)

(Unit: billion KRW)

	3Q '14	3Q '14	4Q '14	1Q '15	2Q '15	3Q '15
Total assets	39,022	39,183	40,072	39,750	39,785	41,387
Cash & Cash Equivalent	2,410	2,183	2,671	2,096	2,117	2,934
Inventories	2,899	3,145	3,161	3,268	3,138	3,336
Land & Buildings	12,318	12,466	13,170	13,302	13,174	13,114
Liabilities	21,788	21,641	22,528	22,189	22,113	23,663
Borrowings & Bonds	12,952	12,145	12,727	12,424	13,123	13,731
Equity	17,234	17,542	17,544	17,561	17,672	17,724
Share Capital	158	158	158	158	158	158

Regional Sales of Lotte Marts in Overseas

(Unit : billion KRW)

	No. of stores	2Q FY'14	2Q FY'15	YoY	YoY**
China	116*	338	345	2.1%	-4.3%
Indonesia	39	271	256	-5.7%	-2.6%
Vietnam	10	40	55	36.3%	27.5%
Total	165	649	655	0.9%	-1.1%

* Includes 16 supermarkets in China

** Store level sales revenue in local currencies (Currency effect excluded)

Store Network

Domestic		2012	2013	2014	2015				2015
		Year End	Year End	Year End	Openings				Year End
		Total	Total	Total	1Q	2Q	3Q	4Q(E)	Total(E)
Department Store	full-line store	29	29	31					31
	franchise store	2	2	2			1		3
	young plaza	2	2	2					2
	outlet mall	7	10	14		1	1		16
Hypermarket		103	109	114	1	1		1	117

Overseas		2012	2013	2014	2015				2015
		Year End	Year End	Year End	Openings				Year End
		Total	Total	Total	1Q	2Q	3Q	Q4(E)	Total(E)
Department Store	Russia	1	1	1					1
	China	3	4	5					5
	Vietnam	-	-	1	1				2
	Indonesia	-	1	1					1
Hypermarket (Supermarket)	China	106 (4)	120 (13)	119 (16)		1	1/-5	1/-1	116* (16)
	Vietnam	4	6	10				1	11
	Indonesia	31	36	38 (1)		1 (1)		2	41 (2)

* Including overseas supermarkets