

2012 Second Quarter Results

August, 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 Q2 FY12

- **Poor domestic consumption and regulatory environment weakened revenue growth, +9.1% YoY**

- Department Stores: High base effect & weak demand reduced sales growth (SSSG +0.8%)
- Hypermarkets: SSSG heavily harmed from forced shutdowns (-2.4%)
- Other Business: Supermarkets revenue growth continued with CS Retail acquisition effect, convenient stores maintained its strong sales growth

- **Operating profit down by 16.0% YoY**

- Department stores: A slow sales growth and increased fixed costs
- Hypermarkets: Profit growth decelerated by store shutdowns on two Sundays every month
- Credit card: Bad debt provisioning continued to harm operating profit

- **Net profit down by 29.7% YoY**

- Incurred F/X translation loss and derivative loss
- Decreased equity method gains

Consolidated Financial Results (K-IFRS)

(Unit : billion KRW)

	Q2 FY'11	Q2 FY'12	YoY	H1 FY'11	H1 FY'12	YoY
Gross Sales	5.6 trillion	6.1 trillion	+9.1%	11.2 trillion	12.3 trillion	+9.0%
Operating Profit	437	367	-16.0%	885	732	-17.3%
Profit before tax	448	307	-31.5%	889	751	-15.6%
Net Profit	301	212	-29.7%	643	538	-16.3%

*Number of consolidated affiliates: 49

Financial Summary by Division (K-IFRS)

(Unit : billion KRW)

	Q2 2011		Q2 2012		YoY	1H 2011		1H 2012		YoY
Revenue	5,555	(100%)	6,061	(100%)	9.1%	11,244	(100%)	12,258	(100%)	9.0%
Department Stores	2,033	(36.6%)	2,120	(35.0%)	4.3%	4,141	(36.8%)	4,255	(34.7%)	2.7%
Hypermarkets	2,011	(36.2%)	2,113	(34.9%)	5.1%	4,184	(37.2%)	4,452	(36.3%)	6.4%
Finance	386	(6.9%)	370	(6.1%)	-4.1%	766	(6.8%)	765	(6.2%)	-0.1%
Others*	1,125	(20.3%)	1,457	(24.0%)	29.5%	2,153	(19.1%)	2,786	(22.7%)	29.4%
Operating Profit	437	7.9%	367	6.1%	-16.0%	885	7.9%	732	6.0%	-17.3%
Department Stores	225	11.1%	187	8.8%	-16.9%	464	11.2%	379	8.9%	-18.3%
Hypermarkets	84	4.2%	65	3.1%	-21.9%	173	4.1%	155	3.5%	-10.3%
Finance	70	18.3%	72	19.4%	1.8%	143	18.7%	125	16.3%	-13.0%
Others*	58	5.1%	43	2.9%	-25.8%	105	4.9%	73	2.6%	-30.0%

* includes consolidation adjustments

Department Stores (K-IFRS)

(Unit : billion KRW)

	Q2 FY'11		Q2 FY'12		YoY	1H FY'11		1H FY'12		YoY
Revenue	2,033 (100%)		2,120 (100%)		4.3%	4,141 (100%)		4,255 (100%)		2.7%
Domestic	2,032	(99.9%)	2,115	(99.8%)	4.1%	4,140	(100.0%)	4,245	(99.8%)	2.5%
Overseas	1	(0.1%)	5	(0.2%)	-	1	-	10	(0.2%)	-
Operating Profit	225 11.1%		187 8.8%		-16.9%	464 11.2%		379 8.9%		-18.3%
Domestic	229	11.2%	193	9.1%	-15.4%	469	11.3%	393	9.2%	-16.3%
Overseas	-3	-	-6	-	-	-5	-	-14	-	-
EBITDA	266 13.1%		239 11.3%		-10.1%	544 13.1%		477 11.2%		-12.3%
Domestic	269	13.2%	244	11.5%	-9.3%	549	13.3%	488	11.5%	-11.1%
Overseas	-3	-	-5	-	-	-5	-	-11	-	-

*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 +0.8% (Traffic growth +2.5%, ASP growth -1.6%)
 - Leisure Sportswear (+20.0%), Food (+6.3%), Luxury Goods (+6.1%), Home Appliance (-12.0%), Men's Wear (-12.0%), Women's Wear (-2.5%) Accessories & Leather Goods (-0.1%)
- ◆ Revenue growth slowdown caused by
 - Burdensome high base effect & weak demand
 - New stores openings by competitors
- ◆ Increased lease expense, depreciation cost, promotion cost caused profit decrease
- ◆ Store opening schedule
 - 2nd Tianjin store in September / Cheongju Outlet in October
- ◆ Revenue drive strategy
 - Focusing on renovated stores' sales boost
 - Improving profitability by re-arranging merchandise-mix & enhancing apparel categories
- ◆ Cost control by:
 - Enhancing high margin products and on-season goods
 - Reducing promotion, advertisement and other expense

Hypermarkets (K-IFRS)

(Unit : billion KRW)

	Q2 FY'11		Q2 FY'12		YoY	1H FY'11		1H FY'12		YoY
Revenue	2,011 (100%)		2,113 (100%)		5.1%	4,184 (100%)		4,452 (100%)		6.4%
Domestic	1,523	(75.7%)	1,510	(71.4%)	-0.9%	3,122	(74.6%)	3,178	(71.4%)	1.8%
Overseas	488	(24.3%)	604	(28.6%)	23.6%	1,063	(25.4%)	1,274	(28.6%)	19.9%
Operating Profit	84 4.2%		65 3.1%		-21.9%	173 4.1%		155 3.5%		-10.3%
Domestic	87	5.7%	76	5.1%	-12.7%	173	5.5%	170	5.3%	-2.0%
Overseas	-4	-	-11	-	-	-0.4	-	-15	-	-
EBITDA	125 6.2%		113 5.4%		-9.5%	255 6.1%		249 5.6%		-2.3%
Domestic	119	7.8%	109	7.2%	-8.3%	235	7.5%	235	7.4%	0.2%
Overseas	6	1.2%	4	0.6%	-34.2%	20	1.9%	14	1.1%	-31.3%

*224 Stores: Korea 97, China 96, Indonesia 29, Vietnam 2

Domestic

- ◆ Forced shutdown of stores in Q2: April 31/ May 53/ June 70
(Since July, due to the recent court ruling, stores are re-opening)
- ◆ SSSG: -2.4% (Fresh -5.3%, Processed -1.1%, Living -1.8%, Apparel -2.5, Electronics +2.2%)
- ◆ Successfully launched VIC Market (membership wholesale club)
 - 2nd store opening scheduled in Q4
- ◆ Preventing customers confusion related to business hour regulations
 - Reinforcing promotions of deregulated stores after the re-openings

Overseas

- ◆ China & Indonesia's SSSG improved QoQ
 - China: Q1 -2.7% → Q2 +2.9%
 - Indonesia: Q1 +2.8% → Q2 +7.1%
- ◆ Enhancing efficiency of workforce by improving productivity per person
- ◆ Deployment and replication of best PB hits such as "Tongkeun" series in overseas
 - In May, successfully launched in China (same period promotion sales +132.0% YoY)

LOTTE SHOPPING CO., LTD

Finance (K-IFRS)

Income Statement Summary						
(Unit : billion KRW)	2Q 2011	2Q 2012	YoY	1H FY'11	1H FY'12	YoY
Operating Revenue	386	370	- 4.1	766	766	- 0.1
Credit Purchase	190	198	4.3	370	390	5.3
Card Loan & Cash Advance	115	123	6.2	226	244	7.8
Others*	81	50	- 38.4	170	132	- 22.3
Operating Expense	316	299	- 5.4	623	641	2.9
SG&A	26	28	9.6	51	56	8.8
Finance Expense	56	55	- 0.6	109	112	3.2
Loan Loss Provision	12	25	109.6	35	70	99.3
Card Expense	136	154	13.6	263	300	13.8
General Expense*	86	36	- 58.8	165	104	- 37.2
Operating Profit	71	72	1.8	143	125	- 13.0

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'12	Q2 FY'12
Transaction Volume	33.5	47.1	12.2	12.6
No. of Holders	10,010	8,835	8,836	8,887
Delinquency Rate	1.42	1.96	2.11	2.01

Earning Asset Portfolio			
	FY'11	1Q FY'12	2Q FY'12
Credit Purchase	60.0	59.9	58.5
Card Loan	20.5	21.1	21.1
Cash Advance	14.4	14.5	13.9
Installment & lease	5.1	4.5	6.5

Key Factors

- ◆ Negative operating revenue growth & Slow Operating Profit growth
 - Merchant fee cut downs widened the gap between transaction volume growth (+10.1% YoY) and credit purchase revenue growth (+4.3%)
 - Increased household debt and uncollectable debts from credit relief caused increased provision (+13.2 bill. KRW)
- ◆ Delinquency rate: Rose by +0.45%p YoY but, dropped by -0.1%p QoQ showing some improvement
- ◆ Kept its lowest funding cost rate in the industry: accumulated interest rate of 4.39% as end of June, which is 0.16%p drop YoY

Other Business Units

(Unit : billion KRW)

	Q2 FY'11	Q2 FY'12	YoY	1H FY'11	1H FY'12	YoY
Revenue	1,125	1,457	29.5%	2,153	2,786	29.4%
Lotte Super***	421	573	36.2%	820	1,140	39.0%
Lotte Home Shopping	180	182	1.0%	349	357	2.0%
Korea Seven**	487	626	28.5%	902	1159	28.6%
Others*	37	75	105.2%	82	131	60.0%
Operating Profit	58	43	-25.8%	105	73	-30.0%
Lotte Super***	11	19	71.3%	22	29	30.1%
Lotte Home shopping	22	8	-64.5%	48	25	-47.4%
Korea Seven**	25	26	2.3%	34	35	4.7%
Others*	-1	-10	-	1	-16	-

* includes consolidation adjustments

** includes Buy The Way

*** includes CS Retail

Non-Operating Profit Analysis

(Unit : billion KRW)

	Q2 FY'11	Q2 FY'12	YoY	1H FY'11	1H FY'12	YoY
Operating Profit	437	367	-16.0%	885	732	-17.3%
Interest Income / Expense	-29	-20	-	-53	-36	-
Gains on Foreign Exchange & Derivative Asset	3	-33	-	5	6	18.8%
Other Financial Income / Expense	10	-18	-	10	16.7	74.0%
Equity Method Gain & Loss	27	10	-61.2%	43	33	-23.3%
Profit Before Tax	448	307	-31.5%	889	751	-15.5%

- Income Statement (K-IFRS)
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Income Statement (Consolidated K-IFRS)

(Unit: billion KRW)

	Q2 FY'11	Q2 FY'12	YoY	1H FY'11	1H FY'12	YoY
Revenue	5,555	6,061	9.1%	11,244	12,258	9.0%
Gross Profit	1,661 (29.9%)	1,852 (30.6%)	11.5%	3,363 (29.9%)	3,689 (30.1%)	9.7%
SG&A	1,208 (21.7%)	1,466 (24.2%)	21.4%	2430 (21.6%)	2,895 (23.6%)	19.2%
Operating Profit	437 (7.9%)	367 (6.1%)	-16.0%	885 (7.9%)	732 (6.0%)	-17.3%
EBITDA	552 (9.9%)	507 (8.4%)	-8.1%	1,112 (9.9%)	1,004 (8.2%)	-9.7%
Profit before tax	448 (8.1%)	307 (5.1%)	-31.5%	889 (7.9%)	751 (6.1%)	-15.6%
Net Profit	301 (5.4%)	212 (3.5%)	-29.7%	643 (5.7%)	538 (4.4%)	-16.3%
Net Income of Controlling Company	277 (5.0%)	194 (3.2%)	-30.0%	601 (5.3%)	504 (4.1%)	-16.1%
Net income of minority interest equity	24 (0.4%)	18 (0.3%)	-25.5%	42 (0.4%)	34 (0.3%)	-18.8%

Balance Sheet (Consolidated K-IFRS)

(Unit: billion KRW)

	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
Total assets	29,846	31,410	33,061	32,924	33,235
Cash & Cash Equivalent	1,768	2,413	2,704	2,205	2,277
Inventories	1,597	1,891	2,042	2,039	1,955
Liabilities	15,551	16,988	18,382	17,952	18,046
Borrowings & Bonds	8,817	9,882	10,185	9,834	10,167
Equity	14,295	14,422	14,679	14,972	15,189
Share Capital	145	145	145	145	145

Lotte Marts in Overseas

(Unit : billion KRW)

	No. of stores	2Q FY'11	2Q FY'12	YoY	YoY*
China	96	268	334	+24.5%	+15.6%
Indonesia	29	205	254	+23.5%	+25.2%
Vietnam	2	15	16	+10.3%	+4.0%
Total	127	488	604	+23.6%	+18.3%

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

Store Network

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

		2008 Year End Total	2009 Year End Total	2010 Year End Total	2011 Year End Total	2012 Openings				2012 Year End Total (E)
						Q1(A)	Q2(A)	Q3(E)	Q4(E)	
Department Store	Russia	1	1	1	1					1
	China	1	1	1	2			1		3
	Indonesia	-	-	-	-					-
Hypermarket	China	8	***79	82	94	1	1	3	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)