

# 2012 Third Quarter Results

November, 2012

**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 Q3 FY12

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- **Poor domestic consumption and regulatory environment weakened revenue growth to +10.2% YoY**

- Department Stores: Total Stores Sales Growth(+3.1%), Domestic SSSG continued to show sluggish figures of +0.1%
- Hypermarkets: Total Stores Sales Growth +5.9%(domestic: +1.5%, overseas: +18.4%), Domestic SSSG -2.3% affected by regulatory issues
- Other Business: Supermarkets revenue growth continued with CS Retail acquisition effect, convenient stores maintained its strong sales growth

- **Operating profit down by -19.5% YoY**

- Department stores: Sluggish sales growth and increased fixed costs affected profit negatively
- Hypermarkets: Profit decrease stabilized compared to 2Q as regulation eased
- Credit card: Increased marketing expenses and losses on derivative assets worked negatively to operating profit

- **Net profit up by +118.2% YoY**

- Incurred F/X translation gains and derivative gains

# Consolidated Financial Results (K-IFRS)

(Unit : billion KRW)

	Q3 FY'11	Q3 FY'12	YoY	Q1-Q3 FY'11	Q1-Q3 FY'12	YoY
<b>Gross Sales</b>	<b>5.7</b> Trillion	<b>6.2</b> Trillion	<b>+10.2%</b>	<b>16.9</b> Trillion	<b>18.5</b> Trillion	<b>+9.4%</b>
<b>Operating Profit</b>	<b>355</b>	<b>286</b>	<b>-19.5%</b>	<b>1,240</b>	<b>1,017</b>	<b>-17.9%</b>
<b>Profit before tax</b>	<b>163</b>	<b>320</b>	<b>+96.4%</b>	<b>1,052</b>	<b>1,071</b>	<b>+1.8%</b>
<b>Net Profit</b>	<b>103</b>	<b>229</b>	<b>+121.6%</b>	<b>746</b>	<b>767</b>	<b>+2.8%</b>

\*Number of consolidated affiliates: 49

# Financial Summary by Division (K-IFRS)

(Unit : billion KRW)

	3Q 2011		3Q 2012		YoY	1Q-3Q 2011		1Q-3Q 2012		YoY
<b>Revenue</b>	<b>5,671</b>	<b>(100%)</b>	<b>6,248</b>	<b>(100%)</b>	<b>10.2%</b>	<b>16,916</b>	<b>(100%)</b>	<b>18,506</b>	<b>(100%)</b>	<b>9.4%</b>
Department Stores	1,782	(31.4%)	1,838	(29.4%)	3.1%	5,923	(35.0%)	6,092	(32.9%)	2.9%
Hypermarkets	2,254	(39.7%)	2,388	(38.2%)	5.9%	6,439	(38.1%)	6,840	(37.0%)	6.2%
Finance	407	(7.2%)	443	(7.1%)	8.7%	1,174	(6.9%)	1,208	(6.5%)	3.0%
Others*	1,228	(21.7%)	1,580	(25.3%)	28.6%	3,381	(20.0%)	4,366	(23.6%)	29.1%
	-		-			-		-		
<b>Operating Profit</b>	<b>355</b>	<b>6.3%</b>	<b>286</b>	<b>4.6%</b>	<b>-19.5%</b>	<b>1,240</b>	<b>7.3%</b>	<b>1,017</b>	<b>5.5%</b>	<b>-17.9%</b>
Department Stores	131	7.4%	102	5.5%	-22.6%	596	10.1%	481	7.9%	-19.3%
Hypermarkets	101	4.5%	90	3.8%	-10.3%	274	4.2%	245	3.6%	-10.3%
Finance	57	14.0%	44	9.9%	-23.6%	200	17.1%	168	13.9%	-16.0%
Others*	65	5.3%	50	3.1%	-24.1%	170	5.0%	123	2.8%	-27.7%

\* includes consolidation adjustments

# Department Stores (K-IFRS)

(Unit : billion KRW)

	3Q 2011		3Q 2012		YoY	1Q-3Q 2011		1Q-3Q 2012		YoY
<b>Revenue</b>	<b>1,782</b>	<b>(100%)</b>	<b>1,838</b>	<b>(100%)</b>	<b>3.1%</b>	<b>5,923</b>	<b>(100%)</b>	<b>6,092</b>	<b>(100%)</b>	<b>2.9%</b>
Domestic	1,778	(99.8%)	1,833	(99.7%)	3.1%	5,918	(99.9%)	6,078	(99.8%)	2.7%
Overseas	4	(0.2%)	5	(0.3%)	-	5	-	15	(0.2%)	-
<b>Operating Profit</b>	<b>131</b>	<b>7.4%</b>	<b>102</b>	<b>5.5%</b>	<b>-22.6%</b>	<b>596</b>	<b>10.1%</b>	<b>481</b>	<b>7.9%</b>	<b>-19.3%</b>
Domestic	138	7.7%	111	6.0%	-19.4%	607	10.2%	504	8.3%	-17.0%
Overseas	-6	-	-9	-	-	-11	-	-23	-	-
<b>EBITDA</b>	<b>172</b>	<b>9.6%</b>	<b>158</b>	<b>8.6%</b>	<b>-8.3%</b>	<b>715</b>	<b>12.1%</b>	<b>634</b>	<b>10.4%</b>	<b>-11.4%</b>
Domestic	178	10.0%	166	9.0%	-7.0%	727	13.3%	653	10.7%	-10.1%
Overseas	-6	-	-8	-	-	-11	-	-19	-	-

\*Includes: 40 Lotte Department Stores - Domestic: 38 stores (including Outlets) / Overseas : 2 Stores in China

## Key Factors

- ◆ SSSG of +0.1%
  - Leisure Sportswear (+8.4%), Food (+12.0%), Luxury Goods (+6.0%), Home Appliance (+0.6%), Men's Wear (-6.2%), Women's Wear (-7.9%) Accessories & Leather Goods (-3.1%)
- ◆ Revenue growth slowdown caused by
  - High base effect & weak demand
  - New stores openings by competitors
- ◆ OP decreased greater than EBITDA due to costs related to new store openings & renewal of existing stores
  - ◆ Cost control by:
    - Effective marketings and reducing general expenses
  - ◆ New stores openings and renovating stores
    - 2<sup>nd</sup> Tianjin store(21<sup>st</sup> Sep.)
    - Renovation of Young plaza(5<sup>th</sup> Oct.)
    - Cheongju outlet(9<sup>th</sup> Nov.), Seoul Station outlet(Jan. 2013)

# Hypermarkets (K-IFRS)

(Unit : billion KRW)

	3Q 2011		3Q 2012		YoY	1Q-3Q 2011		1Q-3Q 2012		YoY
<b>Revenue</b>	<b>2,254</b>	<b>(100%)</b>	<b>2,388</b>	<b>(100%)</b>	<b>5.9%</b>	<b>6,439</b>	<b>(100%)</b>	<b>6,840</b>	<b>(100%)</b>	<b>6.2%</b>
Domestic	1,662	(73.8%)	1,687	(70.7%)	1.5%	4,784	(74.3%)	4,865	(71.1%)	1.7%
Overseas	592	(26.2%)	700	(29.3%)	18.4%	1,654	(25.7%)	1,975	(28.9%)	19.4%
<b>Operating profit</b>	<b>101</b>	<b>4.5%</b>	<b>90</b>	<b>3.8%</b>	<b>-10.3%</b>	<b>274</b>	<b>4.2%</b>	<b>245</b>	<b>3.6%</b>	<b>-10.3%</b>
Domestic	107	6.4%	100	5.9%	-6.5%	279	5.8%	269	5.5%	-3.7%
Overseas	-6	-	-9	-	-	-7	-	-24	-	-
<b>EBITDA</b>	<b>144</b>	<b>6.4%</b>	<b>141</b>	<b>5.9%</b>	<b>-2.0%</b>	<b>399</b>	<b>6.2%</b>	<b>390</b>	<b>5.7%</b>	<b>-2.2%</b>
Domestic	139	8.3%	133	7.9%	-4.5%	374	7.8%	368	7.4%	-1.6%
Overseas	5	0.8%	8	1.2%	70.3%	25	1.5%	22	1.1%	-11.7%

\*229 Stores: Korea 98, China 99, Indonesia 30, Vietnam 2

## Domestic

- ◆ Forced shutdown of stores in Q3: July 75/ August 32/ September 10  
(Since July, due to the recent court ruling, stores are re-opening)
- ◆ SSSG: -2.3% (Fresh -4.8%, Processed +0.4%, Living -2.4%,  
Apparel -4.5, Electronics +2.7%)
- ◆ Cost control enhanced:
  - Opening of agricultural packaging center thereby reducing production and distribution costs
- ◆ Successfully launched VIC Market(2stores in Geumcheon & Shinyoungtong)
  - Scheduled to open 8 stores in 2013(including converted stores)

## Overseas

- ◆ China & Indonesia's SSSG improved QoQ
  - China: Q1 -2.7% → Q2 +2.9% → **Q3 +2.2%**
  - Indonesia: Q1 +2.8% → Q2 +7.1% → **Q3 +12.0%**
- ◆ Stronger SSSG than global retailers in China markets
- ◆ Operation of distribution centers
  - Improve efficiency and decrease lead time
  - 4 centers in operation (5<sup>th</sup> center scheduled in Jinan, Nov)



# Finance (K-IFRS)

## Income Statement Summary

(Unit : billion KRW)	3Q 2011	3Q 2012	YoY	1Q-3Q FY'11	1Q-3Q FY'12	YoY
<b>Operating Revenue</b>	407	443	8.7	1,174	1,208	3.0
Credit Purchase	186	196	5.3	556	585	5.3
Card Loan & Cash Advance	123	128	3.8	349	371	6.4
Others*	99	120	21.3	269	251	- 6.3
<b>Operating Expense</b>	350	399	14.0	973	1,040	6.9
SG&A	26	28	7.2	78	84	8.3
Finance Expense	57	53	- 6.9	166	165	- 0.3
Loan Loss Provision	42	32	-23.1	77	102	32.9
Card Expense	132	163	22.9	395	462	16.9
General Expense*	93	124	32.5	258	227	- 12.0
<b>Operating Profit</b>	57	44	- 23.6	200	168	- 16.0

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, %)

	Q1 FY'12	Q2 FY'12	Q3 FY'12
Transaction Volume	12.2	12.6	12.5
No. of Holders	8,836	8,887	8,742
Delinquency Rate	2.11	2.01	2.22

## Earning Asset Portfolio

	1Q FY'12	2Q FY'12	3Q FY'12
Credit Purchase	59.9	58.5	59.3
Card Loan	21.1	21.1	21.3
Cash Advance	14.5	13.9	13.3
Installment & lease	4.5	6.5	6.1

## Key Factors

- ◆ Excluding currency effect, Operating profit would have been increased from 55 bill. KRW to 58 bill. KRW, +6% YoY
- ◆ Lowered merchant fee rate from 1.8% to 1.5%(Sept.)affected negatively on operating Revenue
- ◆ Increase in Card Expenses affected by Transaction volume growth & increased Marketing expenses
- ◆ Financial Expense decreased due to reduced average funding cost rate (4.59% to 4.35%, YoY)

(Billion KRW)	3Q '11	3Q '12
OP	57	44
Derivative gain/loss	-2	7
Discount on installment payments	-	7
Adjusted OP	55	58

# Other Business Units

(Unit : billion KRW)

	3Q 2011	3Q 2012	YoY	1Q-3Q 2011	1Q-3Q 2012	YoY
<b>Revenue</b>	<b>1,228</b>	<b>1,580</b>	<b>28.6%</b>	<b>3,381</b>	<b>4,366</b>	<b>29.1%</b>
Lotte Super***	449	620	37.9%	1,269	1,759	38.6%
Lotte Home	167	183	9.5%	517	540	4.4%
Korea Seven**	534	676	26.6%	1,435	1,835	27.8%
Others*	78	101	30.6%	159	232	45.6%
<b>Operating Profit</b>	<b>65</b>	<b>50</b>	<b>-24.1%</b>	<b>170</b>	<b>123</b>	<b>-27.7%</b>
Lotte Super***	11	19	70.5%	34	48	43.6%
Lotte Home	21	10	-52.5%	69	35	-49.0%
Korea Seven**	28	29	3.8%	62	64	4.3%
Others*	5	-8	-	6	-25	-

\* includes consolidation adjustments

\*\* includes Buy The Way

\*\*\* includes CS Retail

# Non-Operating Profit Analysis

(Unit : billion KRW)

	3Q FY'11	3Q FY'12	YoY	1Q-3Q 2011	1Q-3Q 2012	YoY
<b>Operating Profit</b>	<b>355</b>	<b>286</b>	<b>-19.5%</b>	<b>1,240</b>	<b>1,017</b>	<b>-17.9%</b>
<b>Interest Income / Expense</b>	<b>-20</b>	<b>-23</b>	<b>-</b>	<b>-73</b>	<b>-59</b>	<b>-</b>
<b>Gains on Foreign Exchange &amp; Derivative Asset</b>	<b>-108</b>	<b>30</b>	<b>-</b>	<b>-103</b>	<b>35</b>	<b>-</b>
<b>Other Financial Income / Expense</b>	<b>-62</b>	<b>14</b>	<b>-</b>	<b>-53</b>	<b>31</b>	<b>-</b>
<b>Equity Method Gain &amp; Loss</b>	<b>-2</b>	<b>14</b>	<b>-</b>	<b>41</b>	<b>46</b>	<b>12.5%</b>
<b>Profit Before Tax</b>	<b>163</b>	<b>320</b>	<b>96.4%</b>	<b>1,052</b>	<b>1,071</b>	<b>1.8%</b>

- Income Statement (K-IFRS)
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- Lotte Marts - Overseas
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# Income Statement (Consolidated K-IFRS)

(Unit: billion KRW)

	3Q FY'11		3Q FY'12		YoY	1Q-3Q FY'11		1Q-3Q FY'12		YoY
<b>Revenue</b>	<b>5,671</b>		<b>6,248</b>		10.2%	<b>16,916</b>		<b>18,506</b>		9.4%
<b>Gross Profit</b>	<b>1,774</b> (31.3%)		<b>1,861</b> (29.8%)		4.9%	<b>5,136</b> (30.4%)		<b>5,550</b> (30.0%)		8.0%
<b>SG&amp;A</b>	<b>1,367</b> (24.1%)		<b>1,536</b> (24.6%)		12.3%	<b>3,797</b> (22.4%)		<b>4,431</b> (23.9%)		16.7%
<b>Operating Profit</b>	<b>355</b> (6.3%)		<b>286</b> (4.6%)		-19.5%	<b>1,240</b> (7.3%)		<b>1,017</b> (5.5%)		-17.9%
<b>EBITDA</b>	<b>473</b> (8.3%)		<b>433</b> (6.9%)		-8.5%	<b>1,585</b> (9.4%)		<b>1,437</b> (7.8%)		-9.3%
<b>Profit before tax</b>	<b>163</b> (2.9%)		<b>320</b> (5.1%)		96.4%	<b>1,052</b> (6.2%)		<b>1,071</b> (5.8%)		1.8%
<b>Net Profit</b>	<b>103</b> (1.8%)		<b>229</b> (3.7%)		121.6%	<b>746</b> (4.4%)		<b>767</b> (4.1%)		2.8%
<b>Net Income of Controlling Company</b>	<b>86</b> (1.5%)		<b>207</b> (3.3%)		140.7%	<b>687</b> (4.1%)		<b>711</b> (3.8%)		3.5%
<b>Net income of minority interest equity</b>	<b>17</b> (0.3%)		<b>22</b> (0.4%)		29.4%	<b>60</b> (0.4%)		<b>56</b> (0.3%)		-6.7%

# Balance Sheet (Consolidated K-IFRS)

(Unit: billion KRW)

	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12	3Q '12
<b>Total assets</b>	<b>29,846</b>	<b>31,410</b>	<b>33,061</b>	<b>32,924</b>	<b>33,235</b>	<b>35,001</b>
Cash & Cash Equivalent	1,768	2,413	2,704	2,205	2,277	3,160
Inventories	1,597	1,891	2,042	2,039	1,955	2,266
<b>Liabilities</b>	<b>15,551</b>	<b>16,988</b>	<b>18,382</b>	<b>17,952</b>	<b>18,046</b>	<b>19,639</b>
Borrowings & Bonds	8,817	9,882	10,185	9,834	10,167	10,079
<b>Equity</b>	<b>14,295</b>	<b>14,422</b>	<b>14,679</b>	<b>14,972</b>	<b>15,189</b>	<b>15,362</b>
Share Capital	145	145	145	145	145	145

# Lotte Marts in Overseas

(Unit : billion KRW)

	No. of stores	3Q FY'11	3Q FY'12	YoY	YoY*
<b>China</b>	<b>99</b>	<b>319</b>	<b>382</b>	<b>+19.9%</b>	<b>+14.4%</b>
<b>Indonesia</b>	<b>30</b>	<b>258</b>	<b>302</b>	<b>+16.9%</b>	<b>+30.0%</b>
<b>Vietnam</b>	<b>2</b>	<b>15</b>	<b>16</b>	<b>+11.4%</b>	<b>+7.0%</b>
<b>Total</b>	<b>131</b>	<b>592</b>	<b>700</b>	<b>+18.2%</b>	<b>+19.3%</b>

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

# Store Network

		2008	2009	2010	2011	2012				2012
		Year End Total	Year End Total	Year End Total	Year End Total	Openings				Year End Total (E)
<b>Domestic</b>						Q1(A)	Q2(A)	Q3(A)	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	<b>1</b>	5	103

		2008	2009	2010	2011	2012				2012
		Year End Total	Year End Total	Year End Total	Year End Total	Openings				Year End Total (E)
<b>Overseas</b>						Q1(A)	Q2(A)	Q3(A)	Q4(E)	
Department Store	Russia	1	1	1	1					1
	China	1	1	1	2			<b>1</b>		3
	Indonesia	-	-	-	-					-
Hypermarket	China	8	***79	82	94	1	1	<b>3</b>	7	106
	Vietnam	1	1	2	2				2	4
	Indonesia	**19	19	22	28		1	<b>1</b>	1	31

\* acquired 8 CTA Makro stores in Beijing and Tianjin.

\*\* acquired 19 Makro stores in Indonesia.

\*\*\* acquired 68 Times stores in China.(including 11 supermarket)