

# 2013 First Quarter Results

May, 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.

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# Highlights for Q1 FY13

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- **Low revenue growth led to decreased profit in department stores, hypermarkets and other main divisions**
- **Revenue increased by 14.5% thanks to the consolidation of Hi mart earnings**
  - Domestic : Department stores SSSG was weak until Feb. However, recovered in March  
Hypermarkets posted negative growth in 1Q due to regulatory impact  
Department stores(SSSG): +1.3%, Hypermarkets: -7.2%
  - Overseas : Department stores and Hypermarkets maintained high revenue growth
  - Revenue increased for Lotte Cinema due to rise in film viewings.  
Homeshopping recovered its revenue growth.
  - Hi mart revenues contributed +11.7%p in overall revenue growth.
- **Operating profit down by -5.2% YoY**
  - Poor revenue growth led to decrease in operating profit in Department stores by -5.8% YoY
  - Hypermarket's profit decreased by -21.7% YoY(Regulations of forced closures started from 2Q 2012)
  - In Credit Card business, aggressive marketing led to decrease in operating profit by -14.3% YoY
- **Net Profit down by -39.2% YoY**
  - High base effect due to last year's foreign currency translation gains

# Consolidated Financial Results (K-IFRS)

(Unit : billion KRW)

	Q1 FY'12	Q1 FY'13	YoY
<b>Gross Sales</b>	<b>6,197</b>	<b>7,097</b>	<b>+ 14.5%</b>
<b>Operating Profit</b>	<b>364</b>	<b>345</b>	<b>-5.2%</b>
<b>EBITDA</b>	<b>496</b>	<b>512</b>	<b>+3.2%</b>
<b>Profit before tax</b>	<b>444</b>	<b>294</b>	<b>-33.8%</b>
<b>Net Profit</b>	<b>326</b>	<b>198</b>	<b>-39.2%</b>

\*Number of consolidated affiliates: 54

# Financial Summary by Division (K-IFRS)

(Unit : billion KRW)

	1Q 2012		1Q 2013		YoY
<b>Revenue</b>	<b>6,197</b>	<b>(100%)</b>	<b>7,097</b>	<b>(100%)</b>	<b>14.5%</b>
Department Stores	2,134	(34.4%)	2,125	(29.9%)	-0.4%
Hypermarkets	2,339	(37.7%)	2,364	(33.3%)	1.1%
Hi Mart*	-	(0.0%)	729	(10.3%)	-
Finance	395	(6.4%)	425	(6.0%)	7.6%
Others**	1,329	(21.4%)	1,454	(20.1%)	9.4%
<b>Operating Profit</b>	<b>364</b>	<b>5.9%</b>	<b>345</b>	<b>4.9%</b>	<b>-5.2%</b>
Department Stores	194	9.1%	177	8.3%	-8.8%
Hypermarkets	95	4.1%	63	2.6%	-34.4%
Hi Mart*	-	-	30	4.1%	-
Finance	53	13.4%	45	10.7%	-14.3%
Others**	22	1.6%	30	2.0%	37.5%

\*Hi mart earnings consolidated from November, 2012

\*\*Includes consolidation adjustments

# Department Stores (K-IFRS)

(Unit : billion KRW)

	1Q FY'12	% of Sales	1Q FY'13	% of Sales	YoY
<b>Sales Revenue</b>	<b>2,134</b>	<b>(100.0%)</b>	<b>2,125</b>	<b>(100%)</b>	<b>-0.4%</b>
Domestic	2,130	(99.8%)	2,116	(99.6%)	-0.6%
Overseas	5	-	9	(0.4%)	-
<b>Operating Profit</b>	<b>194</b>	<b>9.1%</b>	<b>177</b>	<b>8.3%</b>	<b>-8.8%</b>
Domestic	201	9.5%	190	9.0%	-5.7%
Overseas	-7	-	-13	-	-
<b>EBITDA</b>	<b>240</b>	<b>11.2%</b>	<b>239</b>	<b>11.3%</b>	<b>-0.3%</b>
Domestic	246	11.5%	249	11.8%	1.3%
Overseas	-6	-	-10	-	-

\*42 Lotte Department Stores : Domestic 40 stores (including 8 Outlets) / Overseas 2 stores in China

## Key Factors

- ◆ **SSSG : +1.3% (1Q FY 13)**
- ◆ **Early Spring led to increase in leisure sports, and marriage recovery led to increased furnishing goods**
  - ◆ - 1Q: Leisure sports +17.1%, Home appliances +12.9%
- ◆ **Poor revenue growth and new investments led profit to decrease**
  - Depreciation and rent fees for store openings & renewals
  - EBITDA increased by +1.3% YoY
- ◆ **Store openings in 2013**
  - **Domestic**  
Outlets : Seoul Station(Jan.), Buyeo(Aug.), Icheon premium(Oct.)  
SSSG from outlets boost(1Q: +25.0%)
  - **Overseas**  
China: Weihai(Apr.), Chengdu(Sept.) / Indonesia: Jakarta(Jun.)
- ◆ **Enhance high margin apparel products and improve Operational efficiency**
- ◆ **Store expansion of Gimhae Outlet(+18.8K sqm, +70%)**

# Hypermarkets (K-IFRS)

(Unit : billion KRW)

	1Q FY'12	% of Sales	1Q FY'13	% of Sales	YoY
<b>Sales Revenue</b>	<b>2,339</b>	<b>(100%)</b>	<b>2,364</b>	<b>(100%)</b>	<b>1.1%</b>
Domestic	1,668	(71.3%)	1,650	(69.8%)	-1.1%
Overseas	671	(28.7%)	715	(30.2%)	6.6%
<b>Operating Profit</b>	<b>95</b>	<b>4.1%</b>	<b>63</b>	<b>2.6%</b>	<b>-34.4%</b>
Domestic	98	5.9%	77	4.7%	-21.7%
Overseas	-3	-	-14	-	-
<b>EBITDA</b>	<b>141</b>	<b>6.0%</b>	<b>114</b>	<b>4.8%</b>	<b>-19.6%</b>
Domestic	131	7.9%	114	6.9%	-13.1%
Overseas	10	1.6%	0	-	-

\*244 Stores: Korea 103, China 105, Indonesia 32, Vietnam 4

## Domestic

- ◆ **SSSG : -7.2% (1Q)**
  - Fresh -10.6%, Processed -6.1%, Households -6.6%, Apparel -6.8%, Electronics -4.2%
- ◆ **Weak domestic consumption and forced closures continued**
- ◆ **Store closures:** All went through closures twice every month (including 52 voluntary shutdowns)
- ◆ **Enhance MD(VIC market):** Launch new apparels & deploy exclusive PB products
- ◆ **Enhance social contribution activities :** promote harmonious relationships with traditional market and local communities

## Overseas

- ◆ **Despite slow economy, maintained solid growth**
  - SSSG : +2.1%(China), +7.2% (Indonesia), +4.4%(Vietnam)
- ◆ **China**
  - Opened its first store at inland China, Chongqing
  - Formulated 'Taskforce team' and build up best practices to improve store efficiency
- ◆ **Indonesia**
  - Expand purchasing proportion of local sourcing

**LOTTE SHOPPING CO., LTD**



# Finance (K-IFRS)

## Income Statement Summary

(Unit : billion KRW)	1Q FY'12	1Q FY'13	YoY
<b>Operating Revenue</b>	395	425	7.6
Credit Purchase	192	198	3.5
Card Loan & Cash Advance	121	126	4.0
Others	82	101	22.3
<b>Operating Expense</b>	342	380	10.9
Labor costs	28	29	5.2
Finance Expense	57	52	-8.6
Loan Loss Provision	45	38	-14.3
Card Expense	145	170	17.0
General Expense	67	90	33.3
<b>Operating Profit</b>	53	45	-14.3

\* 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
Transaction Volume	47.1	50.7	12.9
No. of Holders	8,835	8,058	8,125
Delinquency Rate	1.96	2.23	2.22

## Earning Asset Portfolio

	FY'11	FY'12	1Q FY'13
Credit Purchase	60.0	61.4	60.2
Card Loan	20.5	20.8	20.7
Cash Advance	14.4	12.9	12.8
Installment & lease	5.1	4.9	6.2

## Key Factors

### ◆ Slow operating revenue growth

- Due to lowering of merchant fees for small shop owners and merchants, credit purchase revenue increased only by +3.5% while transaction volume grew by +12.5%

### ◆ Increase in Operating expenses

- Card expenses increased due to aggressive marketing activities(co-promotion with Hi mart since Feb. 2013)
- General Expense increase is related to unrealized losses on derivative assets (35 billion → 46 billion)

# Hi Mart (K-IFRS)

(Unit : billion KRW)

	1Q 2012	% of Sales	1Q 2013	% of Sales	YoY
<b>Sales Revenue</b>	<b>696</b>	(100%)	<b>729</b>	(100%)	<b>4.7%</b>
<b>Operating Profit</b>	<b>31</b>	(4.4%)	<b>30</b>	(4.1%)	<b>-1.1%</b>
<b>EBITDA</b>	<b>41</b>	(6.0%)	<b>41</b>	(5.6%)	<b>-</b>
<b>Net Profit</b>	<b>12</b>	(1.7%)	<b>19</b>	(2.7%)	<b>65.6%</b>

\*Hi mart's earnings for 1Q 2012 is provided in order to compare with earnings for 1Q 2013(Earnings are consolidated from November, 2012)

## Key Factors

- ◆ **SSSG : +4.7% (1Q)**
  - Strong growth in Mobile and Home appliances(A/C, Refrigerator, Washing Machine)
  - TV : Conversion to DTV in 4Q 2012 resulted in poor sales in 2013
- ◆ **Co-promotion with Lotte card in big Spring sale from Feb.22<sup>nd</sup> to Mar. 17<sup>th</sup>**
- ◆ **325 stores in total, end of 1Q 2013(3 new stores)**
- ◆ **Lower interest expenses due to funding structure change**
- ◆ **2Q expectations**
  - Property trade is likely to increase with new government's real estate stimulus package
  - A/C sales is expected to rise due to forecasted hot summer
  - Launching of Samsung's Galaxy S4 and other high-end tablet PCs will boost revenue growth
  - Additional Summer sales (3 times in 2012 → 4 times in 2013)

# Other Business Units

(Unit : billion KRW)

	1Q FY'12	1Q FY'13	YoY
<b>Sales Revenue</b>	<b>1,329</b>	<b>1,454</b>	<b>9.4%</b>
Lotte Super	566	567	0.2%
Lotte Homeshopping	175	200	14.8%
Korea Seven	533	584	9.7%
Others	55	102	84.0%
<b>Operating Profit</b>	<b>22</b>	<b>30</b>	<b>37.5%</b>
Lotte Super	10	8	-20.7%
Lotte Homeshopping	17	17	-2.5%
Korea Seven	8	6	-17.9%
Others	-14	-2	-

# Non-Operating Profit Analysis

(Unit : billion KRW)

	Q1 FY'12	Q1 FY'13	YoY
<b>Operating Profit</b>	<b>364</b>	<b>345</b>	<b>-5.2%</b>
<b>Interest Income / Expense</b>	<b>-16</b>	<b>-39</b>	<b>-</b>
<b>Gains on Foreign Currency &amp; Derivative Asset</b>	<b>39</b>	<b>-2</b>	<b>-</b>
<b>Other non-operating profit</b>	<b>35</b>	<b>-13</b>	<b>-</b>
<b>Equity Method Gain &amp; Loss</b>	<b>22</b>	<b>3</b>	<b>-85.6%</b>
<b>Profit Before Tax</b>	<b>444</b>	<b>294</b>	<b>-33.8%</b>

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

(Unit: billion KRW)

	<b>Q1 FY'12</b>	<b>% of Sales</b>	<b>Q1 FY'13</b>	<b>% of Sales</b>	<b>YoY</b>
<b>Sales Revenue</b>	<b>6,197</b>		<b>7,097</b>		14.5%
<b>Gross Profit</b>	<b>1,793</b>	(28.9%)	<b>2,056</b>	(29.0%)	14.7%
<b>SG&amp;A</b>	<b>1,429</b>	(23.1%)	<b>1,711</b>	(24.1%)	19.8%
<b>Operating Profit</b>	<b>364</b>	(5.9%)	<b>345</b>	(4.9%)	-5.2%
<b>EBITDA</b>	<b>496</b>	(8.0%)	<b>512</b>	(7.2%)	3.2%
<b>Profit before tax</b>	<b>444</b>	(7.2%)	<b>294</b>	(4.1%)	-33.8%
<b>Net Profit</b>	<b>326</b>	(5.3%)	<b>198</b>	(2.8%)	-39.2%
<b>Net Income of Controlling Company</b>	<b>310</b>	(5.0%)	<b>184</b>	(2.6%)	-40.6%
<b>Net income of minority interest equity</b>	<b>16</b>	(0.3%)	<b>14</b>	(0.2%)	-13.6%

# Balance Sheet (Consolidated K-IFRS)

(Unit: billion KRW)

	1Q FY'12	2Q FY'12	3Q FY'12	4Q FY'12	1Q FY'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>
Cash & Cash Equivalent	2,205	2,277	3,160	1,675	2,057
Inventories	2,039	1,955	2,266	2,750	2,913
<b>Liabilities</b>	<b>17,952</b>	<b>18,046</b>	<b>19,639</b>	<b>21,138</b>	<b>21,787</b>
Borrowings & Bonds	9,834	10,167	10,973	12,125	12,342
<b>Equity</b>	<b>14,972</b>	<b>15,189</b>	<b>15,362</b>	<b>15,718</b>	<b>15,926</b>
Share Capital	145	145	145	145	158

# Lotte Marts in Overseas

(Unit : billion KRW)

	No. of stores	1Q FY'11*	1Q FY'12*	YoY*	YoY**
<b>China</b>	<b>105</b>	<b>413</b>	<b>447</b>	<b>8.2%</b>	<b>10.1%</b>
<b>Indonesia</b>	<b>32</b>	<b>242</b>	<b>245</b>	<b>1.6%</b>	<b>15.1%</b>
<b>Vietnam</b>	<b>4</b>	<b>16</b>	<b>23</b>	<b>46.2%</b>	<b>51.4%</b>
<b>Total</b>	<b>141</b>	<b>671</b>	<b>715</b>	<b>6.6%</b>	<b>13.0</b>

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

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



# Store Network

Domestic		2009	2010	2011	2012	2013				2013
		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	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		2		10
Hypermarket		69	90	95	103	** -2/+2	1	3	4	111

Overseas		2009	2010	2011	2012	2013				2013
		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	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	6	8	121
	Vietnam	1	2	2	4	0	0	0	2	6
	Indonesia	19	22	28	31	1	3	1	1	37

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

\*\* existing 2 stores(Yeongdeungpo, Dobong) transferred to VIC market