

Lotte Shopping Co., Ltd.



INVESTOR RELATIONS

28th July 2010

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FY10 2Q Earnings Results

Key Highlights for FY10 2Q

Lotte Shopping Co.,Ltd

- **Both sales and profit grew by double digit**
 - Sales growth +14.7% yoy, Operating profit growth +32.9% yoy
- **Robust SSS growth in Department stores and Hypermarket stores**
 - Department Store: 9.3%, Hypermarket : 2.4%
- **Profitability of Hypermarket heading toward the market leader**
 - OP +95% yoy, OPM +2.4%p (FY09 2Q 3.5% → FY10 2Q 5.9%)
- **Supermarket continues the growth momentum**
 - Sales growth of +41.7%
- **Growth of profit before tax dampened by the translation loss from Yen-denominated debt**

Lotte Shopping at a Glance

Lotte Shopping Co.,Ltd

Financial Results

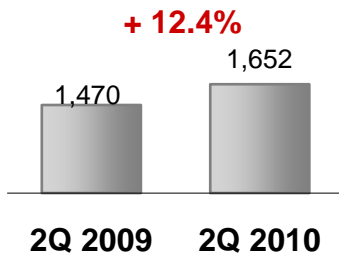
(Unit : KRW bn, %)

	2Q 2009	2Q 2010	2009vs. 2010	1H 2009	1H 2010	2009vs. 2010
Gross Sales	2.9 tr	3.3 tr	+14.7%	5.8tr	6.6tr	+14.0%
Operating Profit	223	297	+32.9%	452	590	+30.7%
Profit before tax	255	263	+2.9%	512	590	+15.2%
Net Profit	200	203	+1.3%	392	452	+15.3%

Department Stores: 'outshines other department stores globally'

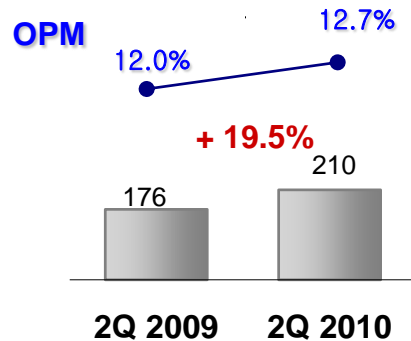
Gross Sales

(Unit: W bn)



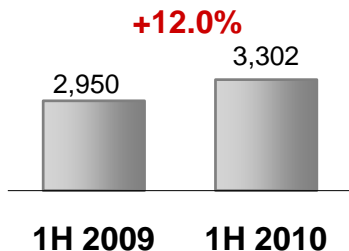
Operating Profit

(Unit: W bn)



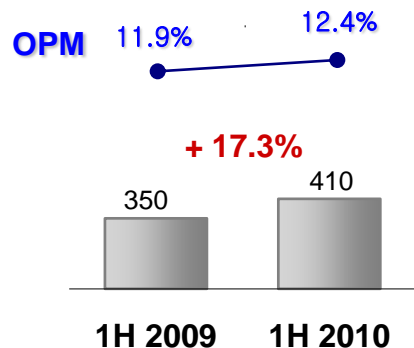
Gross Sales

(Unit: W bn)



Operating Profit

(Unit: W bn)



Key points

- Surprisingly strong SSS growth (+9.3% yoy)
- Growth is healthier in nature
 - : evenly distributed growth by region and merchandise category
- SSS OPM continuous to improve
 - OPM of stores operated over 2 years

FY 09		FY 10	
2Q	1H	2Q	1H
12.1%	12.0%	13.6%	13.2%

- EBITDA margin

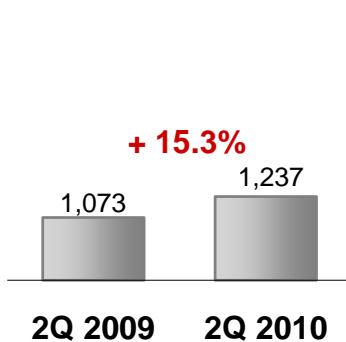
FY 09		FY 10	
2Q	1H	2Q	1H
14.9%	14.7%	14.6%	14.2%

- 3Q Expansion schedule
 - Cheongnyangni Store (scrap and re-build)
 - Daegu Yulha Outlet, Gwangbok 'Fashion World'

Hypermarket Stores: 'hyper growth in profitability and sales'

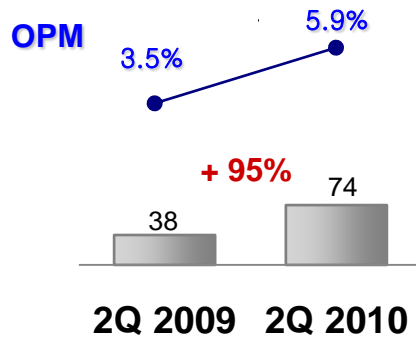
Gross Sales

(Unit: W bn)



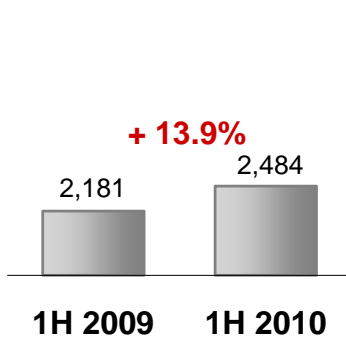
Operating Profit

(Unit: W bn)



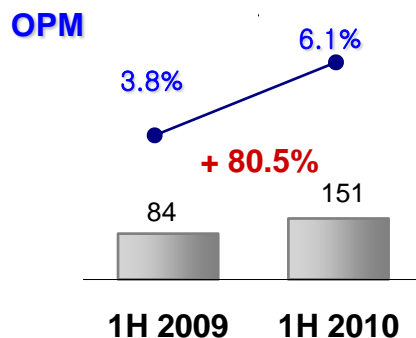
Gross Sales

(Unit: W bn)



Operating Profit

(Unit: W bn)



Key points

- SSS growth +2.4% 2Q yoy
 - recovery of growth in 1Q continues
- Outstanding margin improvements through

① Visible efficiency measure

	FY09 1H	FY10 1H
Through put ratio	57.7%	58.4%
PB sales portion	19.6%	22.2%

- ② Adding scale (14 GS stores from June) will derive further improvement in margin

- OPM of stores operated over 2 years

FY 09		FY 10	
2Q	1H	2Q	1H
3.9%	4.2%	7.2%	7.2%

- EBITDA margin

FY 09		FY 10	
2Q	1H	2Q	1H
6.8%	7.0%	7.9%	7.9%

Other Business Division Results: 'On the way of becoming the leader in each retail sector'

Lotte Shopping Co.,Ltd

Lotte Super

"Leading the market growth"

- Consistently generating high growth rate
 - Top-line sales : +41.7%
 - SSS : +1.1%
- 28 new stores opened in 2Q to hit 242 stores in operation
- OPM : 2.8%
 - OPM for stores operated over 2 years: 3.2%(FY09 2Q) → 4.3%(FY10 2Q)

Lotte Card

"Ready to become a major player"

- Revenue up by +20%, driven by increase in credit card usage including synergy of GS retail acquisition
- M/S of 7.1% in June
- Delinquency ratio trend

FY09 1Q	FY09 2Q	FY09 3Q	FY09 4Q	FY10 1Q	FY10 2Q
2.25%	2.41%	2.15%	1.37%	1.44%	1.49%

- Slight decrease in margin due to increased cost for aggressive customer acquisition
 - % promotion cost out of sales (FY09 2Q : 1.6% → FY10 2Q : 3.4%)

Other Business Division Results: *‘On the way of becoming the leader in each retail sector’*

Lotte Shopping Co.,Ltd

Lotte Homeshopping

“ Shine as market leader in growth “

- Sales growth +40.3%
 - market average around +20%
- Increased market share to 23.9%(+2.6%p, yoy)
 - 3rd in the market
- Strengthening Lotte brand name in on-line market and catalogue business

Seven Eleven (K-7)

“Searching for synergy within Lotte Shopping”

- On the process of integrating ‘BTW’
- On the process to enhance synergy and profitability with existing Lotte retail business (ex:increasing joint purchasing with Lotte Mart)

Non-Operating Profit Analysis

Lotte Shopping Co.,Ltd

(Unit: bnW)	FY09 2Q	FY10 2Q	FY09 1H	FY10 1H
Operating Profit	223	297	452	590
Non-Operating Profit	32	-34	61	-1
Equity Method Gains	52	29	86	68
Lotte Card	45	32	* 83	66
Lotte Midopa	7	10	15	20
Lotte Station Building	4	5	8	10
Lotte Square	-	2	-	2
** Lotte Homeshopping	-3	2	-4	0
Korea Seven(K-7)	-	4	-	4
*** Oversea Business	-11	-32	-36	-53
Others	10	6	**** 21	18
Net Interest Expense	-7	-23	-13	-37
Others	-13	-40	-13	***** -31

* Includes one off gain of 20bnW from selling VISA shares

** Includes good will amortization amount of 10 bnW (quarterly)

*** Includes good will amortization amount of China Makro 3 bnW, Indonesia Makro 5 bnW (quarterly), Times goodwill amount of 11bnW from FY10 (quarterly)

**** Includes 9 bnW gains from asset contribution (Foodstar, Lotte Engineering & Machinery MFG.)

***** Yen borrowing (from Lotte Japan, amount of 30bnY) gain and loss : FY09 +18bnW, FY10 1Q +14bnW, FY10 2Q -44bnW. Bears no practical risk

Appendix

Income Statement

Lotte Shopping Co.,Ltd

(Unit: KRW bn)

Lotte Shopping

	2008					2009					2010		
	1Q	2Q	3Q	4Q	YTD	1Q	2Q	3Q	4Q	YTD	1Q	2Q	YTD
Gross sales	2,695	2,621	2,617	2,992	10,925	2,904	2,892	2,868	3,353	12,017	3,290	3,317	6,607
Gross profit	787	776	763	893	3,219	859	863	839	1,015	3,576	967	991	1,958
Operating profit	205	202	148	213	768	228	224	167	257	877	294	297	590
(%)	7.6%	7.7%	5.6%	7.1%	7.0%	7.9%	7.7%	5.8%	7.8%	7.3%	8.9%	8.9%	8.9%
EBITDA	277	281	233	312	1,103	313	313	262	360	1,248	352	363	715
(%)	10.3%	10.7%	8.9%	10.4%	10.1%	10.8%	10.8%	9.1%	10.7%	10.4%	10.7%	10.9%	10.8%
Profit before tax	305	239	170	211	925	257	255	184	243	940	327	263	590
discontinued operation	-	1	1	-	2	1	1	3		4			
Net profit	227	168	124	224	743	192	200	147	178	716	250	203	452

Lotte Department Store

	2008					2009					2010		
	1Q	2Q	3Q	4Q	YTD	1Q	2Q	3Q	4Q	YTD	1Q	2Q	YTD
Gross sales	1,396	1,371	1,223	1,668	5,657	1,480	1,470	1,347	1,851	6,148	1,651	1,652	3,302
Gross profit	457	457	400	553	1,866	489	489	441	616	2,034	541	548	1,089
Operating profit	157	169	113	199	639	174	176	117	211	677	200	210	410
(%)	11.3%	12.4%	9.2%	11.9%	11.3%	11.8%	12.0%	8.7%	11.4%	11.0%	12.1%	12.7%	12.4%
EBITDA	190	204	150	245	789	215	219	161	258	853	228	242	470
(%)	13.6%	14.9%	12.3%	14.7%	13.9%	14.5%	14.9%	12.0%	14.0%	13.9%	13.8%	14.6%	14.2%

Lotte Mart

	2008					2009					2010		
	1Q	2Q	3Q	4Q	YTD	1Q	2Q	3Q	4Q	YTD	1Q	2Q	YTD
Gross sales	1,059	994	1,092	1,024	4,169	1,109	1,073	1,131	1,133	4,445	1,247	1,237	2,484
Gross profit	250	237	264	242	994	270	263	280	278	1,092	306	312	619
Operating profit	41	28	29	12	111	46	38	41	43	168	78	74	151
(%)	3.9%	2.8%	2.7%	1.2%	2.7%	4.2%	3.5%	3.6%	3.9%	3.8%	6.2%	5.9%	6.1%
EBITDA	72	61	64	52	249	79	73	77	83	312	100	98	197
(%)	6.8%	6.2%	5.9%	5.0%	6.0%	7.2%	6.8%	6.8%	7.4%	7.0%	8.0%	7.9%	7.9%

	(unit:bnW)				
	2006	2007	2008	2009	2010(E)
	Year End	Year End	Year End	Year End	Year End
Department Store	395	596	589	624	1,671
Discount Store	743	636	500	407	1,324
Others	98	206	123	155	115
Oversea Business	10	26	621	893	530
Total	1,246	1,464	1,833	2,079	3,640

* Capex includes equity investment to subsidiaries and GS Retail acquisition.

Store Network

Domestic Stores

		2006	2007	2008	2009	2010(E)			
		Year End Total	Year End Total	Year End Total	Year End Total	Opening		GS Retail	Year End Total(E)
						1H	2H(E)		
Department Store	full-line store	20	21	22	23	-	*	-	23
	franchise store	3	3	3	3	-	-	3	6
	young plaza	1	3	3	3	-	-	-	3
	outlet mall	-	-	2	3	-	1	-	4
Discount Store	50	56	63	69	1	8	14	92	
Supermarket	52	79	110	190	52	30	-	272	

* Open 1 new store, and scrap 1 store.

Overseas Stores

		2006	2007	2008	2009	2010(E)			
		Year End Total	Year End Total	Year End Total	Year End Total	Opening		acquisition/ adjustments	Year End Total(E)
						1H	2H(E)		
Department Store	Russia	-	1	1	1	-	-	-	1
	China	-	-	1	1	-	-	-	1
Discount Store	China	-	**8	8	****79	-1	6	-	84
	Vietnam	-	-	1	1	-	1	-	2
	Indonesia	-	-	***19	***19	-	3	-	22

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

***acquired 19 Makro stores in Indonesia.

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

Balance Sheet

Lotte Shopping Co.,Ltd

(Unit: KRW bn)

	2005	2006	2007	2008	2009	Jun-10
Total assets	8,370	11,854	11,942	13,323	18,658	20,758
Current assets	1,390	3,465	2,153	1,943	2,033	2,281
Non-current assets	6,980	8,389	9,789	11,380	16,625	18,477
Total liabilities	5,149	4,350	3,768	4,478	6,327	7,967
Current liabilities	3,528	3,378	3,293	3,149	3,288	4,384
Non-current liabilities	1,621	972	476	1,329	3,039	3,582
Shareholder's equity	3,221	7,504	8,174	8,845	12,332	12,792
Paid-in-capital	100	145	145	145	145	145
Capital surplus	1,148	4,652	4,652	4,652	4,652	4,652
Accumulated other comprehensive income	62	64	78	40	2,851	2,895
Retained earnings	1,911	2,643	3,298	4,008	4,685	5,101

* The land revalued at price as end of 2009



Thank You



Lotte Shopping Investor Relations