LOTTE SHOPPING

2011 Third Quarter Results

November, 2011

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 restated 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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2011 Third Quarter Highlights

- **Downtrend in Consumption Sentiment Affected by Eurozone Financial Crisis & Burdensome Household Financial Debts**

- **Slowdown in Revenue Growth Compare to the First Half, +12.3% YoY**
  - **Fair SSSG of main business divisions**

    (Department Store +6.8%, Hypermarket +3.1%, Supermarket +2.5%
  - **Double digit YoY revenue growth of major subsidiaries: Lotte Home shopping, Lotte Card and Korea Seven**

- **Operating Profit down -2.5% YoY**
  - **Affected by the new store openings & Ex GS department stores renovation**
  - **Increased loan loss provision in finance division**

- **Net Profit down -56.8%**
  - **Decreased profit before tax due to FX loss (One-off issue)**

Consolidated Financial Results (K-IFRS)

(Unit : billion KRW)

	Q3 FY'10	Q3 FY'11	YoY	Q1-Q3 FY'10	Q1-Q3 FY'11	YoY
Gross Sales	5.1 tr	5.7 tr	+12.3%	14.1 tr	16.9 tr	+19.7%
Operating Profit	364	355	-2.5%	1,147	1,240	+8.0%
Profit before tax	364	163	-55.3%	1,119	1,052	-6.0%
Net Profit	239	103	-56.8%	795	746	-6.2%

*Number of consolidated affiliates: 38

Financial Summary by Division (K-IFRS)

(Unit : billion KRW)

		3Q 2010		3Q 2011		YoY	1Q-3Q 2010		1Q-3Q 2011		YoY
Sales Revenue□		**5,052**	**(100%)**	**5,671**	**(100%)**	**12.3%**	**14,131**	**(100%)**	**16,916**	**(100%)**	**19.7%**
	Department Stores	1,685	(33.4%)	1,782	(31.4%)	5.7%	5,198	(36.8%)	5,923	(35.0%)	14.0%
	Hypermarkets□	2,085	(41.3%)	2,254	(39.7%)	8.1%	5,538	(39.2%)	6,439	(38.1%)	16.3%
	Finance□	320	(6.3%)	407	(7.2%)	27.2%	959	(6.8%)	1,174	(6.9%)	22.4%
	Others*□	962	(19.0%)	1,228	(21.7%)	27.7%	2,436	(17.2%)	3,381	(20.0%)	38.8%
Operating Profit		**364**	**7.2%**	**355**	**6.3%**	**-2.5%**	**1,147**	**8.1%**	**1,240**	**7.3%**	**8.0%**
	Department Stores□	143	8.5%	131	7.4%	-7.9%	593	11.4%	596	10.1%	0.4%
	Hypermarkets□	100	4.8%	101	4.5%	1.3%	246	4.4%	274	4.2%	11.2%
	Finance□	58	18.3%	57	14.0%	-2.4%	171	17.8%	200	17.1%	17.3%
	Others*□	63	6.6%	65	5.3%	3.7%	137	5.6%	170	5.0%	24.0%

* includes consolidation adjustments

Department Stores (K-IFRS)

(Unit : billion KRW)

		2Q 2010		2Q 2011		YoY	1H 2010		1H 2011		YoY
Sales Revenue		**1,685**	**(100%)**	**1,782**	**(100%)**	**5.7%**	**5,198**	**(100%)**	**5,923**	**(100%)**	**14.0%**
	Domestic	1,685	(100.0%)	1,778	(99.8%)	5.5%	5,198	(100.0%)	5,918	(99.9%)	13.9%
	Overseas	-	-	4	(0.2%)	-	-	-	5	(0.1%)	-
Operating Profit		**143**	**8.5%**	**131**	**7.4%**	**-7.9%**	**593**	**11.4%**	**596**	**10.1%**	**0.4%**
	Domestic	144	8.5%	138	7.8%	-4.0%	595	11.4%	607	10.3%	2.0%
	Overseas	-1	-	-6	-	-	-1	-	-11	-	-
EBITDA		**180**	**10.7%**	**172**	**9.6%**	**-4.7%**	**693**	**13.3%**	**715**	**12.1%**	**3.2%**
	Domestic	181	10.7%	178	10.0%	-1.5%	694	13.4%	727	12.3%	4.7%
	Overseas	-1	-	-6	-	-	-1	-	-11	-	-

*Includes: 31 Lotte Department Stores (inc. Young Plazas & Outlets) / 1 Midopa store / 3 Lotte Square stores / 1 Tianjin Store (China)

Key Factors

- SSSG of +6.8% mainly driven by
  - Sportswear +28.7%, Luxury Goods + 10.9%
  - Choosuk season (26 Aug ~ 11 Sep) SSSG +8.3%
- Revenue growth slowdown caused by significantly increased precipitation and abnormal weather in Q3
- Lotte Square's revenue & profit decreased due to the large scale store renovation
- Renewal process of the large stores under process:
  - Main/Jamsil/Busan/Nowon/3 Square Stores (23,100 m², as of Q3)
  - Additional space of 34,320 m² will be added when completed
- 1 Outlet Store (Paju), 1 Department Store (Gimpo) openings scheduled in Q4

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Hypermarkets (K-IFRS)

(Unit : billion KRW)

		3Q 2010		3Q 2011		YoY	1Q-3Q 2010		1Q-3Q 2011		YoY
Sales Revenue		**2,085**	**(100%)**	**2,254**	**(100%)**	**8.1%**	**5,538**	**(100%)**	**6,439**	**(100%)**	**16.3%**
	Domestic	1,536	(73.7%)	1,662	(73.7%)	8.2%	4,030	(72.8%)	4,784	(74.3%)	18.7%
	Overseas*	548	(26.3%)	592	(26.3%)	7.9%	1,507	(27.2%)	1,655	(25.7%)	9.8%
Operating Profit□		**100**	**4.8%**	**101**	**4.5%**	**1.3%**	**246**	**4.4%**	**274**	**4.2%**	11.2%
	Domestic	95	6.2%	107	6.5%	12.9%	236	5.9%	280	5.9%	18.8%
	Overseas*	4	0.8%	-7	-1.1%	-	10	0.7%	-7	-0.4%	-
EBITDA		**139**	**6.7%**	**144**	**6.4%**	**3.1%**	**356**	**6.4%**	**399**	**6.2%**	11.9%
	Domestic	125	8.1%	139	8.4%	11.2%	318	7.9%	374	7.8%	17.4%
	Overseas*	14	2.6%	5	0.8%	-67.0%	38	2.5%	25	1.5%	-34.5%

*205 Stores: Korea 92, China 86, Indonesia 25, Vietnam 2

Domestic

- Outperformed SSSG of +3.1% (industry average +1.2%)
- Increased rent expense caused by the sale & lease back: 7 billion KRW in Q3 (5 stores)
- Category Killer business expansion: 1 TRU, 4 Toybox, 1 Digital Park
- PB revenue: 23.2% of total sales, DC through put ratio: 60.6%
- Store expansion speed slowdown due to the regulations on retailers (4 store openings in FY 2011)

Overseas

- Opened 4 stores in China and 2 in Indonesia in Q3
- Plan to open 9 stores in China and 3 in Indonesia in Q4
- The very first 'Hybrid Store'(whole sale + retail) opened inIndonesia (25 Aug)
- The competition in both China & Indonesia has risen due to competitors aggressive store openings in the region
- Beijing entities LEAN process started in Q3 as Shanghai's continues its process

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Finance (K-IFRS)

Income Statement Summary

(Unit : billion KRW)	3Q 2010	3Q 2011	YoY	1Q-3Q 2010	1Q-3Q 2011	YoY
Operating Revenue	**320**	**407**	**27.2**	**959**	**1,174**	**22.4**
Credit Purchase	164	189	15.2	470	565	20.3
Card Loan & Cash Advance	109	123	12.5	301	349	16
Others	47	95	103.6	188	260	38.2
Operating Expense	**262**	**350**	**33.8**	**789**	**974**	**23.8**
SG&A	20	22	9.3	59	63	10.2
Finance Expense	46	57	23.5	125	165	32.4
Loan Loss Provision	23	42	82.4	65	76	16.3
Card Expense	116	129	11	319	396	23.9
General Expense	57	100	75.4	221	274	23.9
Operating Profit	**58**	**57**	**-2.4**	**171**	**200**	**17.3**

Transaction Volume & Other Highlights

(Unit : tr. KRW, thousand, %)

	FY'10	**FY'11**		
		Q1	Q2	**Q3**
Transaction Vol.	33.5	11.2	12.1	12.1
No. of Holders	10,010	10,308	10,560	10,517
Delinquency Rate	1.42	1.77	1.66	2.10

Earning Asset Portfolio

	Q3 FY'10	Q3 FY'11
Credit Purchase	54.9%	55.8%
Card Loan	22.4%	22.8%
Cash Advance	17.9%	16.4%
Installment & lease	4.8%	5.1%

*Others: Electronic Cash business (4 affiliates: eB Card, Gyeonggi Smartcard, Inchon Smartcard, Chungnam Smartcard)

Key Factors

- Electronic Cash business consolidated since September 2010
- Double digit operating revenue growth led by transaction increase
- Increased loan loss provision
- Small-medium franchisee's commission rate deduction (2.1%→1.8%) and expansion of the range is expected (franchisees with revenue of 120 mil → 200 mil KRW/year)

- Lotte Card's Key Figures
  - No. of card holders decreased: Dispose of long term inactive users
  - Delinquency Rate increased: Increased uncollectable bonds(debts) caused by the recession and the government's credit repair program
  - Credit purchase increased: ARPU increased by 6%

Other Business Units

(Unit : billion KRW)

	3Q 2010	3Q 2011	YoY	1Q-3Q 2010	1Q-3Q 2011	YoY
Sales Revenue□	**962**	**1,228**	**27.7%**	**2,436**	**3,381**	**38.8%**
Lotte Super	383	449	17.5%	1,055	1,269	20.3%
Lotte Home shopping	139	167	20.5%	424	517	21.8%
Korea Seven**	434	534	22.9%	887	1,435	61.8%
Others*	6	78	1156.8%	70	159	128.3%
Operating Profit□	**63**	**65**	**3.7%**	**137**	**170**	**24.0%**
Lotte Super	9	11	27.9%	32	34	5.1%
Lotte Home shopping	22	21	-2.9%	60	69	15.4%
Korea Seven**	24	28	19.1%	30	62	105.0%
Others*	9	5	-43.2%	15	6	-61.2%

* includes consolidation adjustments
** includes Buy The Way

Non-Operating Profit Analysis

(unit: billion KRW)□	Q3 FY'10	Q3 FY'11	YoY	1Q-3Q 2010	1Q-3Q 2011	YoY
Operating Profit□	**364**	**355**	**-2.5%**	**1,147**	**1,240**	**8.1%**
Interest Income□	-32	-20	**-**	-68	-73	**-**
Gains on Foreign Exchange Translation & Valuation of Derivative Asset	3	-108	**-**	-23	-103	**-**
Other Finance Income	-2	-62	**-**	1	-53	
Gains on Disposal of Equity Method Investment	31	-2	**-**	62	41	**-33.3%**
Profit Before Tax□	364	163	**-55.3%**	1,119	1,052	**-6.0%**

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Appendix

- Income Statement (K-IFRS)
- Balance Sheet (K-IFRS)
- Store Network
- Overseas Hypermarkets Result

Income Statement (Consolidated K-IFRS)

(Unit: billion KRW)

	Q3 FY'10		Q3 FY'11		YoY	1Q-3Q FY'10		1Q-3Q FY'11		YoY
Sales Revenue	5,052		5,671		12.3%	14,131		16,916		19.7%
Gross Profit	1,604	(31.7%)	1,774	(31.3%)	10.6%	4,338	(30.7%)	5,136	(30.4%)	18.4%
SG&A	1,211	(24.0%)	1,367	(24.1%)	12.9%	3,118	(22.1%)	3,797	(22.4%)	21.8%
Operating Profit	364	(7.2%)	355	(6.3%)	-2.5%	1,147	(8.1%)	1,240	(7.3%)	8.0%
EBITDA	465	(9.2%)	473	(8.3%)	1.8%	1,427	(10.1%)	1,585	(9.4%)	11.1%
Profit before tax	364	(7.2%)	163	(2.9%)	-55.3%	1,119	(7.9%)	1,052	(6.2%)	-6.0%
Net Profit	239	(4.7%)	103	(1.8%)	-56.8%	795	(5.6%)	746	(4.4%)	-6.2%
Net Income of Controlling Company	217		86		-60.4%	741		687		-7.3%
Net income of minority interest equity	22		17		-22.7%	54		60		11.1%

Balance Sheet (Consolidated K-IFRS)

(Unit: billion KRW)

	4Q '10	1Q '11	2Q '11	3Q '11
Total assets	**29,127**	**29,526**	**29,846**	**31,410**
Cash & Cash Equivalent	1,242	1,309	1,051	1,277
Inventories	1,670	1,667	1,597	1,891
Liabilities	**15,485**	**15,541**	**15,551**	**16,988**
Borrowings & Bonds	8,395	8,630	8,817	9,892
Equity	**13,642**	**13,985**	**14,295**	**14,422**
Share Capital	145	145	145	145

Store Network

Domestic		2007 Year End Total	2008 Year End Total	2009 Year End Total	2010 Year End Total	2011(E) Opening Q1	Q2	Q3	Q4(E)	2011(E) Year End Total(E)
Department Store	full-line store	21	22	23	23				1	**24**
	franchise store	3	3	3	6					**6**
	young plaza	3	3	3	3					**3**
	outlet mall	-	2	3	4		**1**		1	**6**
Hypermarket		56	63	69	90		**2**		2	**94**

Overseas		2007 Year End Total	2008 Year End Total	2009 Year End Total	2010 Year End Total	2011(E) Opening Q1	Q2	Q3	Q4(E)	2011(E) Year End Total(E)
Department Store	Russia	1	1	1	1					**1**
	China	-	1	1	1		**1**			**2**
Hypermarket	China	*8	8	***79	82	+1/-2	**1**	**4**	9	**95**
	Vietnam	-	1	1	2					**2**
	Indonesia	-	**19	19	22		**1**	**2**	3	**28**

* acquired 8 CTA Makro stores in Beijing and Tianjin.

** acquired 19 Makro stores in Indonesia.

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

Lotte Marts in Overseas (as of Q3 FY'11)

(Unit : billion KRW)

	No. of Stores	Revenue*	Growth (local currency)**	
			Overall	SSSG
China	86	319	9.0%	0.7%
Indonesia	25	258	13.8%	1.4%
Vietnam	2	15	9.0%	37.2%
Total	113	592	10.5%	1.7%

*Revenue: financial accounting
** Growth: Store level sales revenue in local currencies