2011 Fourth Quarter Results

February, 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 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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Highlights for FY11 & Q4

- **Both revenue and profit increased despite the pressure from Eurozone's financial crisis**
- **Revenue up +16.7% annually and +9.1% quarterly**
  - SSSG in the first half performed well rather than the second half
    - Department Stores: +8.5%(FY11), +3.8%(4Q FY11)
    - Hypermarkets: +4.5%(FY11), +4.6%(4Q FY11)
  - Double digit YoY revenue growth from Lotte Home shopping, Lotte Card and Korea Seven
- **Operating profit up +4.3% annually and -5.4% quarterly**
  - Department stores annual profit decreased due to new store openings (4 in Korea, 1 in China)
  - Hypermarket's annual profit increases when gains from one-off issues such as sale & lease back in 2010 are excluded
  - Strong growth of Other business units continued
- **Net Profit down -7.9% annually and 12.2% quarterly**
  - Profit before tax has increased but Net Profit decreased due to increased Tax Expense

Consolidated Financial Results (K-IFRS)

(Unit : billion KRW)

	Q4 FY'10	Q4 FY'11	YoY	FY2010	FY2011	YoY
Gross Sales	5.6 tr	6.1 tr	+9.1%	19.7 tr	23.0 tr	+16.7%
Operating Profit	450	426	-5.4%	1,598	1,666	+4.3%
Profit before tax	421	509	+20.8%	1,540	1,561	+1.3%
Net Profit	308	271	-12.2%	1,104	1,017	-7.9%

*Number of consolidated affiliates: 43

Financial Summary by Division (K-IFRS)

(Unit : billion KRW)

	4Q 2010		4Q 2011		YoY	FY2010		FY2011		YoY
Sales Revenue	**5,562**	**(100%)**	**6,066**	**(100%)**	**9.1%**	**19,692**	**(100%)**	**22,981**	**(100%)**	**16.7%**
Department Stores	2,313	(41.6%)	2,387	(39.4%)	3.2%	7,510	(38.1%)	8,310	(36.2%)	10.6%
Hypermarkets	1,940	(34.9%)	2,144	(35.4%)	10.5%	7,478	(38.0%)	8,583	(37.3%)	14.8%
Finance	356	(6.4%)	312	(5.1%)	-12.5%	1,315	(6.7%)	1,485	(6.5%)	12.9%
Others*	953	(17.1%)	1,223	(20.1%)	28.3%	3,389	(17.2%)	4,603	(20.0%)	35.8%
Operating Profit	**450**	**8.1%**	**426**	**7.0%**	**-5.4%**	**1,598**	**8.1%**	**1,666**	**7.2%**	**4.3%**
Department Stores	281	12.1%	272	11.4%	-3.2%	874	11.6%	868	10.4%	-0.7%
Hypermarkets	94	4.8%	60	2.8%	-36.0%	340	4.5%	334	3.9%	-1.8%
Finance	52	14.6%	50	16.1%	-3.4%	223	16.9%	251	16.9%	12.5%
Others*	23	2.5%	44	3.7%	88.2%	161	4.8%	215	4.7%	33.6%

* includes consolidation adjustments

Department Stores (K-IFRS)

(Unit : billion KRW)

	4Q 2010		4Q 2011		YoY	FY2010		FY2011		YoY
Sales Revenue	**2,313**	**(100%)**	**2,387**	**(100%)**	**3.2%**	**7,510**	**(100%)**	**8,310**	**(100%)**	**10.6%**
Domestic	2,313	(100.0%)	2,383	(99.8%)	3.1%	7,510	(100.0%)	8,301	(99.9%)	10.5%
Overseas	-	-	4	(0.2%)	-	-	-	9	(0.1%)	-
Operating Profit	**281**	**12.1%**	**272**	**11.4%**	**-3.2%**	**874**	**11.6%**	**868**	**10.4%**	**-0.7%**
Domestic	282	12.2%	281	11.8%	-0.4%	877	11.7%	888	10.7%	1.3%
Overseas	-1	-	-9	-	-	-3	-	-20	-	-
EBITDA	**322**	**13.9%**	**314**	**13.1%**	**-2.5%**	**1,014**	**13.5%**	**1,030**	**12.4%**	**1.4%**
Domestic	323	14.0%	321	13.5%	-0.5%	1,017	13.5%	1,048	12.6%	3.0%
Overseas	-1	-	-7	-	-	-3	-	-18	-	-

*Includes: 38 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 +3.8%(4Q), +8.5%(FY11) driven by
  - 4Q: Women's wear (+0.4%), Men's & Sports wear (+6.8%), Luxury Goods (+10.5%)
  - FY11: Women's wear (+5.0%), Men's & Sports wear (+10.3%), Luxury Goods (+18.7%)
- Revenue growth slowdown caused by domestic economy recession and abnormal weather
- Profit decreased due to
  - new store openings: Tianjin (2Q) / Gimpo, Paju (4Q)
  - increased rental expense: Bundang(sale & lease back), Cheongnyangni, Esiapolis
- Renewal of the large stores under process:
  - Main/Jamsil/Busan/Bundang/2 Square Stores (as of December)
  - Additional space of 36,300 m² will be added (YoY) by March
- 2 Outlet Stores (Buyo, Chungju), 1 Department Store (Pyungchon) and Online premium mall (1H) scheduled in 2012

Hypermarkets (K-IFRS)

(Unit : billion KRW)

		4Q 2010		4Q 2011		YoY	FY2010		FY2011		YoY
Sales Revenue		**1,940**	**(100%)**	**2,144**	**(100%)**	**10.5%**	**7,478**	**(100%)**	**8,583**	**(100%)**	**14.8%**
	Domestic	1,424	(73.4%)	1,568	(73.2%)	10.1%	5,455	(72.9%)	6,353	(74.0%)	16.5%
	Overseas	516	(26.6%)	576	(26.8%)	11.6%	2,023	(27.1%)	2,230	(26.0%)	10.2%
Operating Profit		**94**	**4.8%**	**60**	**2.8%**	**-36.0%**	**340**	**4.5%**	**334**	**3.9%**	**-1.8%**
	Domestic	101	7.1%	81	5.1%	-19.8%	337	6.2%	361	5.7%	7.2%
	Overseas	-7	-1.3%	-21	-3.6%	-	3	0.2%	-27	-1.2%	-
EBITDA		**133**	**6.8%**	**106**	**4.9%**	**-20.3%**	**489**	**6.5%**	**504**	**5.9%**	**3.1%**
	Domestic	131	9.2%	114	7.2%	-13.3%	450	8.2%	487	7.7%	8.4%
	Overseas	2	0.3%	-8	-1.4%	-	39	1.9%	17	0.8%	-

*219 Stores: Korea 95, China 94, Indonesia 28, Vietnam 2

Domestic

- SSSG: +4.6%(4Q,FY11), +4.5%(FY11)
- Gains from '10 Q4 Sale & Lease back of 4 stores (KRW 24 billion) caused negative profit growth in '11 Q4
- Store expansion slows down under regulatory environment (Rolled out 5 stores in 2011)
- OP Margin before Other Operating Income

OPM	'10 Q4	'11 Q4	FY '10	FY '11
After	7.1%	5.1%	6.2%	5.7%
Before	5.3%	5.3%	5.8%	5.9%

Overseas

- Reduced profit caused by increased number of new store openings
  - '10 Q4: +5 / '11 Q4: +11 stores opened
  - FY'10: +7 / FY'11: +18 stores opened
- Increasing store level efficiency by reducing staff count per store
  - FY'10: 210/store → FY'11: 186/store
  - FY'12(E): 170/store
- DC throughput ratio
  - Shanghai: 22% / Beijing: 13% / Indonesia: 20%
- Secured 5.1 million Membership holders in China

Finance (K-IFRS)

Income Statement Summary

(Unit : billion KRW)	4Q 2010	4Q 2011	YoY	FY'10	FY'11	YoY
Operating Revenue	**356**	**312**	**-12.5**	**1,315**	**1,485**	**12.9**
Credit Purchase	190	204	6.8	660	769	16.5
Card Loan & Cash Advance	117	123	5.1	418	472	12.9
Others*	49	-15	-130.6	236	244	3.4
Operating Expense	**304**	**261**	**-14.1**	**1,092**	**1,234**	**13.0**
SG&A	26	29	10.5	85	93	9.4
Finance Expense	51	59	14.4	176	224	27.2
Loan Loss Provision	30	48	61.1	95	124	30.5
Card Expense	133	143	7.6	580	610	5.2
General Expense*	64	-18	-128.1	156	183	17.3
Operating Profit	**52**	**50**	**-3.4**	**223**	**251**	**12.5**

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	Q2	Q3	Q4	Total
Transaction Volume	33.5	11.2	12.1	12.1	12.7	48.1
No. of Holders	10,010	10,308	10,560	10,517	10,330	10,330
Delinquency Rate	1.42	1.77	1.66	2.10	1.96	1.96

Earning Asset Portfolio

	FY'10	FY'11
Credit Purchase	57.5%	60.0%
Card Loan	21.8%	20.5%
Cash Advance	16.1%	14.4%
Installment & lease	4.6%	5.1%

Key Factors

- Q4 analysis:
  - Gains related to derivative assets in other operating revenue (-6.6 billion KRW) gets offset with general expense → No impacts on operating profit
  - Increased household debt and uncollectable debts caused increased loan loss provision (+18 billion KRW)
- Delinquency rate rose by +0.54%p YoY , dropped by -0.14%p QoQ
- No. of card holders decreased: Dispose of 650,000 inactive users
- Small-medium franchisee's commission rate deduction (2.1%→1.8%)

Other Business Units

(Unit : billion KRW)

		4Q 2010	4Q 2011	YoY	FY 2010	FY 2011	YoY
Sales Revenue		**953**	**1,223**	**28.3%**	**3,389**	**4,603**	**35.8%**
	Lotte Super	360	427	18.4%	1,416	1,696	19.8%
	Lotte Home Shopping	166	189	13.6%	591	706	19.5%
	Korea Seven**	423	557	31.7%	1,310	1,993	52.1%
	Others*	4	50	1150%	72	208	188.8%
Operating Profit		**23**	**44**	**88.2%**	**161**	**215**	**33.6%**
	Lotte Super	0	7	1417.8%	32	40	24.5%
	Lotte Home shopping	25	27	6.3%	85	96	12.7%
	Korea Seven**	7	15	116.7%	37	77	107.2%
	Others*	-9	-5	-	7	2	-71.4%

* includes consolidation adjustments

** includes Buy The Way since FY'10 Q3

Non-Operating Profit Analysis

(Unit : billion KRW)

	Q4 FY'10	Q4 FY'11	YoY	FY2010	FY2011	YoY
Operating Profit	450	426	-5.4%	1,598	1,666	4.3%
Interest Income / Expense	-32	-13	-	-100	-86	-
Gains on Foreign Exchange & Derivative Asset	-13	4	-	-36	-100	-
Other Financial Income / Expense	3	69	-	4	16	-
Equity Method Gain & Loss	13	23	83.7%	74	65	-13.1%
Profit Before Tax	421	509	20.8%	1,540	1,561	1.3%

Guidance for 2012

Retail Industry Forecast

Industry wise, growth rate expected to slowdown from last year's +8.4% to +7.8% (down 0.6%p)
Mainly due to:

- Domestic economy recession
- Downtrend in CSI
- Regulatory environment

(Unit: trillion KRW)

Volume Growth by Market Type

	2009	2010	2011(E)	**2012(E)**
Total Industry	184.4	200.5	217	**234.3**
Department Stores	21.8	24.3	27.0	**29.3**
Hypermarkets	31.2	33.7	36.8	**39.5**
Supermarkets	22.4	23.8	25.4	**26.9**
CVS	6.2	7.3	8.7	**10.3**
Online shopping malls	20.6	25.2	29.7	**33.6**
TV Home Shopping	4.4	5.2	6.0	**6.9**
Traditional & Others	77.7	80.8	83.7	**85.6**

Source: Lotte Shopping Retail Research Institute

Lotte Shopping

Lotte Shopping will continue its multi-channel Strategy and enhance operating efficiency to achieve +15% YoY volume growth in 2012

- Revenue: 26.5 trillion KRW
- CAPEX: 2.25 trillion KRW (incl. Department Stores 1.16 tr. /Hypermarkets 0.65 tr.)

Store Expansion

			2011	**2012**	Growth
Department Stores	Full-line	Domestic	24	**25**	+1
		Overseas	3	**6**	+3
		Outlets	6	**8**	+2
Hypermarkets		Domestic	95	**102**	+7
		Overseas	124	**146**	+22

LOTTE SHOPPING CO., LTD

Appendix

- Income Statement (K-IFRS)
- Balance Sheet (K-IFRS)
- Lotte Marts in Overseas
- Capex
- Store Network

Income Statement (Consolidated K-IFRS)

(Unit: billion KRW)

	Q4 FY'10		Q4 FY'11		YoY	FY2010		FY2011		YoY
Sales Revenue	5,562		6,066		9.1%	19,692		22,981		16.7%
Gross Profit	1,592	(28.6%)	1,865	(30.8%)	17.2%	5,929	(30.1%)	7,002	(30.5%)	18.1%
SG&A	1,154	(20.7%)	1,383	(22.8%)	19.9%	4,271	(21.7%)	5,180	(22.5%)	21.3%
Operating Profit	450	(8.1%)	426	(7.0%)	-5.4%	1,598	(8.1%)	1,666	(7.2%)	4.3%
EBITDA	563	(10.1%)	551	(9.1%)	-2.2%	1,991	(10.1%)	2,137	(9.3%)	7.3%
Profit before tax	421	(7.6%)	509	(8.4%)	20.8%	1,540	(7.8%)	1,561	(6.8%)	1.3%
Net Profit	308	(5.5%)	271	(4.5%)	-12.2%	1,104	(5.6%)	1,017	(4.4%)	-7.9%
Net Income of Controlling Company	293		249		-15.0%	1,035		936		-9.6%
Net income of minority interest equity	15		22		46.7%	69		81		17.4%

Balance Sheet (Consolidated K-IFRS)

(Unit: billion KRW)

	4Q '10	1Q '11	2Q '11	3Q '11	4Q '11
Total assets	**29,127**	**29,526**	**29,846**	**31,410**	**33,019**
Cash & Cash Equivalent	1,655	1,942	1,768	2,413	2,703
Inventories	1,670	1,667	1,597	1,891	2,042
Liabilities	**15,485**	**15,541**	**15,551**	**16,988**	**18,332**
Borrowings & Bonds	8,395	8,630	8,817	9,882	10,186
Equity	**13,642**	**13,985**	**14,295**	**14,422**	**14,687**
Share Capital	145	145	145	145	145

Lotte Marts in Overseas

(Unit : billion KRW)

	No. of stores	4Q*	YoY**	FY2011*	YoY**
China	94	339	6.1%	1,288	7.8%
Indonesia	28	220	12.2%	881	13.7%
Vietnam	2	17	22.6%	62	47.5%
Total	124	576	8.6%	2,230	10.8%

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

Capital Expenditure

(Unit : billion KRW)

	FY2009	FY2010	FY2011	FY2012
Department Stores	**624**	**1,188**	**669**	**832**
Hypermarkets	**407**	**1,175**	**333**	**523**
Others	**155**	**168**	**262**	**412**
Overseas	**893**	**222**	**196**	**488**
Total	**2,079**	**2,753**	**1,460**	**2,256**

* Capex includes equity investment to its subsidiaries

Store Network

Domestic		2007 Year End Total	2008 Year End Total	2009 Year End Total	2010 Year End Total	**2011** Opening				**2011**	2012
						Q1	Q2	Q3	**Q4**	**Year End Total**	Year End Total (E)
Department Store	full-line store	21	22	23	23				**1**	**24**	25
	franchise store	3	3	3	6					**6**	6
	young plaza	3	3	3	3					**3**	3
	outlet mall	-	2	3	4		1		**1**	**6**	8
Hypermarket		56	63	69	90		2		**3**	**95**	102

Overseas		2007 Year End Total	2008 Year End Total	2009 Year End Total	2010 Year End Total	**2011** Opening				**2011**	2012
						Q1	Q2	Q3	Q4	**Year End Total**	Year End Total (E)
Department Store	Russia	1	1	1	1					**1**	1
	China	-	1	1	1		1			**2**	4
	Indonesia	-	-	-	-					**-**	1
Hypermarket	China	*8	8	***79	82	+1/-2	1	4	**+9/-1**	**94**	110
	Vietnam	-	1	1	2					**2**	3
	Indonesia	-	**19	19	22		1	2	**3**	**28**	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)