

2013 First Quarter Results

May, 2013

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 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

- **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
Gross Sales	6,197	7,097	+ 14.5%
Operating Profit	364	345	-5.2%
EBITDA	496	512	+3.2%
Profit before tax	444	294	-33.8%
Net Profit	326	198	-39.2%

*Number of consolidated affiliates: 54

Financial Summary by Division (K-IFRS)

(Unit : billion KRW)

	1Q 2012		1Q 2013		YoY
Revenue	6,197	(100%)	7,097	(100%)	14.5%
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%
Operating Profit	364	5.9%	345	4.9%	-5.2%
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
Sales Revenue	2,134	(100.0%)	2,125	(100%)	-0.4%
Domestic	2,130	(99.8%)	2,116	(99.6%)	-0.6%
Overseas	5	-	9	(0.4%)	-
Operating Profit	194	9.1%	177	8.3%	-8.8%
Domestic	201	9.5%	190	9.0%	-5.7%
Overseas	-7	-	-13	-	-
EBITDA	240	11.2%	239	11.3%	-0.3%
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
Sales Revenue	2,339	(100%)	2,364	(100%)	1.1%
Domestic	1,668	(71.3%)	1,650	(69.8%)	-1.1%
Overseas	671	(28.7%)	715	(30.2%)	6.6%
Operating Profit	95	4.1%	63	2.6%	-34.4%
Domestic	98	5.9%	77	4.7%	-21.7%
Overseas	-3	-	-14	-	-
EBITDA	141	6.0%	114	4.8%	-19.6%
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
Operating Revenue	395	425	7.6
Credit Purchase	192	198	3.5
Card Loan & Cash Advance	121	126	4.0
Others	82	101	22.3
Operating Expense	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
Operating Profit	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
Sales Revenue	696	(100%)	729	(100%)	4.7%
Operating Profit	31	(4.4%)	30	(4.1%)	-1.1%
EBITDA	41	(6.0%)	41	(5.6%)	-
Net Profit	12	(1.7%)	19	(2.7%)	65.6%

*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.22nd to Mar. 17th**
- ◆ **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
Sales Revenue	1,329	1,454	9.4%
Lotte Super	566	567	0.2%
Lotte Homeshopping	175	200	14.8%
Korea Seven	533	584	9.7%
Others	55	102	84.0%
Operating Profit	22	30	37.5%
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
Operating Profit	364	345	-5.2%
Interest Income / Expense	-16	-39	-
Gains on Foreign Currency & Derivative Asset	39	-2	-
Other non-operating profit	35	-13	-
Equity Method Gain & Loss	22	3	-85.6%
Profit Before Tax	444	294	-33.8%

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

Income Statement (Consolidated K-IFRS)

(Unit: billion KRW)

	Q1 FY'12	% of Sales	Q1 FY'13	% of Sales	YoY
Sales Revenue	6,197		7,097		14.5%
Gross Profit	1,793	(28.9%)	2,056	(29.0%)	14.7%
SG&A	1,429	(23.1%)	1,711	(24.1%)	19.8%
Operating Profit	364	(5.9%)	345	(4.9%)	-5.2%
EBITDA	496	(8.0%)	512	(7.2%)	3.2%
Profit before tax	444	(7.2%)	294	(4.1%)	-33.8%
Net Profit	326	(5.3%)	198	(2.8%)	-39.2%
Net Income of Controlling Company	310	(5.0%)	184	(2.6%)	-40.6%
Net income of minority interest equity	16	(0.3%)	14	(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
Total assets	32,924	33,235	35,001	36,857	37,713
Cash & Cash Equivalent	2,205	2,277	3,160	1,675	2,057
Inventories	2,039	1,955	2,266	2,750	2,913
Liabilities	17,952	18,046	19,639	21,138	21,787
Borrowings & Bonds	9,834	10,167	10,973	12,125	12,342
Equity	14,972	15,189	15,362	15,718	15,926
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**
China	105	413	447	8.2%	10.1%
Indonesia	32	242	245	1.6%	15.1%
Vietnam	4	16	23	46.2%	51.4%
Total	141	671	715	6.6%	13.0

*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