

2017 Third Quarter Results

October, 2017

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 information provided in this release.

Highlights FY17Q3

■ 3Q17 Revenue 7.6 trillion KRW(-3.7% YoY)

- Domestic: Dept. stores indicated weak SSSG(Same Store Sales Growth) trend due to decline of inbound Chinese tourists. However, QoQ SSSG has improved
Hypermarkets showed sluggish SSSG due to difference in Thanksgiving period year over year
 - SSSG: [Dept. stores -2.6%(3Q)] / [Hypermarkets -2.6%(3Q)]
- Overseas: Weak SSSG trend continued in dept. stores/hypermarkets in China due to continuous retaliation against THAAD issue. However, dept. stores/hypermarkets continued sales growth in Vietnam and Indonesia
 - SSSG: [Dept. stores -16.3%(3Q)] / [Hypermarkets -43.1%(3Q)]
 - ※ Department store: China -24.4%, Indonesia +3.0%, Vietnam +15.6% Hypermarket: China -92.3%, Indonesia -0.3%, Vietnam +4.1%

■ 3Q17 Operating Profit 74.5 billion KRW(-57.6% YoY)

- Domestic: Dept. Stores – Operating profit maintained at YoY flat level
Hypermarkets – Increased operating profit driven by increased sales revenue and decreased SG&A cost
- Overseas: Dept. Stores – Operating loss contained at YoY flat level despite the THAAD impact
Hypermarkets – Operating loss increased due to continuation of THAAD impact
(One-off factors reflected from China hypermarkets included)

■ 3Q17 Profit before tax -575 billion KRW

- 3Q17 Impairment losses -558bn KRW
 - : Goodwill impairment losses -357bn KRW(GS Mart -156bn KRW, Lotte Mart Indonesia -83bn KRW, etc)
 - Other asset impairment losses -200bn KRW
(Lotte Mart China -48bn KRW, Domestic Lotte Supermarket -3bn KRW, etc)

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1. Consolidated Financial Results

(Unit: billion KRW)

	3Q 2016	3Q 2017	YoY	1Q-3Q 2016	1Q-3Q 2017	YoY
Gross Sales	7,871	7,578	-3.7%	22,836	22,471	-1.6%
Operating Profit	176	75	-57.6%	555	369	-33.4%
EBITDA	378	270	-28.4%	1,158	960	-17.1%
Profit Before Tax	138	-575	-	418	-329	-
Net Profit	78	-533	-	227	-418	-

* Number of consolidated affiliates: 76

2. Consolidated Financial Results by Division

(Unit: billion KRW, %)

	3Q 2016		3Q 2017		YoY	1Q-3Q 2016		1Q-3Q 2017		YoY
Revenue	7,871	(100.0%)	7,578	(100.0%)	-3.7%	22,836	(100.0%)	22,471	(100%)	-1.6%
Department Stores	1,973	(25.1%)	1,902	(25.1%)	-3.6%	6,266	(27.4%)	5,982	(26.6%)	-4.5%
Hypermarkets	2,184	(27.7%)	1,945	(25.7%)	-10.9%	6,445	(28.2%)	5,927	(26.4%)	-8.0%
Electronics	1,122	(14.2%)	1,182	(15.6%)	5.4%	2,960	(13.0%)	3,143	(14.0%)	6.2%
Finance	500	(6.4%)	448	(5.9%)	-10.5%	1,384	(6.1%)	1,428	(6.4%)	3.2%
CVS	994	(12.6%)	1,041	(13.7%)	4.7%	2,768	(12.1%)	2,882	(12.8%)	4.1%
Others*	1,098	(13.9%)	1,060	(14.0%)	-3.4%	3,013	(13.2%)	3,109	(13.8%)	3.2%
Operating Profit	176	2.2%	75	1.0%	-57.6%	555	2.4%	369	1.6%	-33.4%
Department Stores	62	3.1%	57	3.0%	-8.6%	297	4.7%	211	3.5%	-29.1%
Hypermarkets	-27	-	-86	-	-	-87	-	-182	-	-
Electronics	66	5.9%	81	6.8%	21.8%	135	4.6%	179	5.7%	32.0%
Finance	21	4.1%	-1	-	-	115	8.3%	83	5.8%	-27.7%
CVS	24	2.4%	17	1.7%	-27.0%	43	1.6%	39	1.3%	-10.7%
Others*	30	2.7%	7	0.6%	-79.1%	52	1.7%	39	1.3%	-22.3%

* Includes consolidated adjustments

Department Stores

(Unit: billion KRW)

	3Q 2016			3Q 2017			YoY	1Q-3Q 2016			1Q-3Q 2017			YoY
Sales Revenue	1,973	(100.0%)		1,902	(100.0%)		-3.6%	6,266	(100.0%)		5,982	(100.0%)		-4.5%
Domestic	1,941	(98.4%)		1,873	(98.5%)		-3.5%	6,165	(98.4%)		5,895	(98.5%)		-4.4%
Overseas	32	(1.6%)		29	(1.5%)		-11.1%	101	(1.6%)		87	(1.5%)		-14.2%
Operating Profit	62	3.1%		57	3.0%		-8.6%	297	4.7%		211	3.5%		-29.1%
Domestic	80	4.1%		77	4.1%		-3.3%	360	5.8%		273	4.6%		-24.3%
Overseas	-18	-		-20	-		-	-63	-		-62	-		-
EBITDA	148	7.5%		133	7.0%		-10.3%	555	8.9%		453	7.6%		-18.4%
Domestic	155	8.0%		143	7.7%		-7.8%	586	9.5%		486	8.2%		-17.1%
Overseas	-7	-		-10	-		-	-31	-		-33	-		-

※ 64 Department Stores(as end of 3Q17): 55 Domestic stores(including 20 outlets) / 9 Overseas stores(China 5, Indonesia 1, Vietnam 2, Russia 1)

Domestic

- ◆ **Domestic SSSG: -2.6%(3Q) / -4.3%(1Q-3Q)**
 - Women's wear -3.4%, Men's wear -2.9%, Accessories -10.0%, Global fashion +0.9%, Food -1.6%, Home appliances/Electronics +8.1%
- ◆ **Despite the decline in sales revenue, total operating profit margin contained at YoY level through efficient cost management**
 - Same store operating profit increased by 21.0% YoY,
 - Same store operating profit margin increased by 1.1%p (4.3% → 5.4%)
- ◆ **Key strategy**
 - New & superior merchandize contents development
 - Profitability focused management

Overseas

- ◆ **Overseas SSSG: -16.3%(3Q) / -19.8%(1Q-3Q accumulative)**
 - China -24.4%, Indonesia +3.0%, Vietnam +15.6%
- ◆ **Operating loss slightly increased in China due to THAAD impact**
Improved profitability continued in Vietnam and Indonesia operations
- ◆ **Key strategy by region**
 - China: Strict SG&A management
 - Indonesia/Vietnam: Aim to sustain No. 1 player in the retail market and continuous store expansion

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Hypermarkets

(Unit: billion KRW)

	3Q 2016		3Q 2017		YoY	1Q-3Q 2016		1Q-3Q 2017		YoY
Sales Revenue	2,184	(100.0%)	1,945	(100.0%)	-10.9%	6,445	(100.0%)	5,927	(100.0%)	-8.0%
Domestic	1,568	(71.8%)	1,611	(82.8%)	2.7%	4,502	(69.9%)	4,617	(77.9%)	2.6%
Overseas	616	(28.2%)	334	(17.2%)	-45.7%	1,943	(30.1%)	1,310	(22.1%)	-32.6%
Operating Profit	-27	-	-86	-	-	- 87	-	-182	-	-
Domestic	2	0.1%	15	0.9%	840.8%	2	0.0%	2	0.0%	10.1%
Overseas	-29	-	-101	-	-	-89	-	-184	-	-
EBITDA	30	1.4%	-27	-	-	80	1.2%	-12	-	-
Domestic	42	2.6%	59	3.7%	43.3%	120	2.7%	128	2.8%	6.2%
Overseas	-12	-	-86	-	-	-40	-	-140	-	-

※ 292 Stores(as end of 3Q17): 122 Domestic stores, 170 Overseas stores(China 112, Indonesia 45, Vietnam 13)

Domestic

- ◆ **Domestic SSSG: -2.6%(3Q) / -1.4%(1~3Q)**
 - Fresh food +0.2%, Processed food -0.9%, Living -4.1%, Apparel&Accessories -7.9%
 - Sales revenue decreased due to holiday period difference YoY
- ◆ **Total operating profit increased through GP improvement and decrease in SG&A ratio**
 - ※ Same store operating profit increased by +52.8% YoY, Same store operating profit margin increased by 0.6%p YoY(1.0%→1.6%)
- ◆ **New Store Openings and key strategy**
 - Seocho(July), KimpoHangang(Sept)
 - : Grocerant market, Life Style shop concept store
 - Cost structure improvement and product portfolio diversification through product manufacturing innovation

Overseas

- ◆ **Overseas SSSG: -43.1%(3Q) / -30.6%(1-3Q)**
 - China -92.3%, Indonesia -0.3%, Vietnam +4.1%
 - THAAD issue impact in China: 87 out of 99 stores remain closed :forced closure 74 stores, temporary closed 13 stores(as end of Sept)
- ◆ **Operating loss increased due to one off factors in China**
 - China: -40bn KRW (provision adjustment regarding IC card refund & inventory loss)
 - Indonesia/Vietnam: profitability improvement continued
- ◆ **Key strategy**
 - China: Deploy countermeasures to minimize losses
 - Vietnam: B2B export to neighboring countries
 - Indonesia: Nationwide network enhancement

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Electronics

(Unit: billion KRW)

	3Q 2016		3Q 2017		YoY	1Q-3Q 2016		1Q-3Q 2017		YoY
Sales Revenue	1,122		1,182		5.4%	2,960		3,143		6.2%
Operating Profit	66	5.9%	81	6.8%	21.8%	135	4.6%	179	5.7%	32.0%
EBITDA	78	7.0%	92	7.8%	17.4%	171	5.8%	211	6.7%	23.8%
Net Profit	46	4.1%	60	5.1%	31.7%	94	3.2%	131	4.2%	40.0%

※ 460 Stores(as end of 3Q17)

Key Factors

◆ 3Q Gross revenue growth : +5.4% YoY

- Total : 460 stores, (+12 stores YoY)
- Strong growth from online and omni-channel related sales channels
- Continuous growth in laundry and drying machine, favorable growth in TV sales

◆ 3Q Operating profit growth : +21.8% YoY

- Improved gross profit margin(26.4%→26.9%) due to increased sales from higher-margin product categories

◆ Outlook

- Sales growth expected from mobile categories due to termination of grant subsidy system and increase in contract discount rate
- Continuous growth expected from health related products (air purifier, dryer, vacuum, etc)

◆ Key strategy

- Expansion of online business through efficient investment (omni-channel related sales)
- Differentiation and profitability improvement through PB expansion and global brand offerings
- Customer relationship development to become "Home & Lifestyle Retailer"

Finance

Income Statement Summary

(Unit: bn KRW, %)	3Q FY16	3Q FY17	YoY	1Q-3Q FY16	1Q-3Q FY17	YoY
Operating Revenue	500	448	▲10.5	1,384	1,428	3.2
Credit Purchase	225	236	4.9	661	704	6.5
Card Loan & Cash Advance	135	133	▲1.2	405	394	▲2.8
Others	70	76	8.2	241	241	0.1
Gains on Foreign Currency	70	2	-	77	89	-
Operating Expense	479	448	▲6.5	1,269	1,345	5.9
Labor costs	34	34	0.5	101	100	▲1.0
Finance Expense	44	44	▲1.0	131	132	0.7
Loan Loss Provision	49	64	29.3	162	177	9.3
Card Expense	234	245	4.7	664	716	7.8
General Expense	48	60	23.9	134	131	▲1.9
Loss on valuation of derivatives	70	2	-	77	89	-
Operating Profit	21	-1	-	115	83	▲27.7

* 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, %)

	FY15	FY16	1QFY17	2QFY17	3QFY17
Transaction Volume	56.6	61.3	16.0	16.6	16.7
No. of Holders	7,225	7,470	7,466	7,493	7,516
Delinquency Rate	1.68	1.62	1.54	1.62	1.53

Earning Asset Portfolio

(Unit : %)

	FY15	FY16	1QFY17	2QFY17	3QFY17
Credit Purchase	59.6	58.2	56.4	56.2	56.2
Card Loan	25.8	26.2	26.8	26.3	26.5
Cash Advance	9.5	7.0	7.0	7.0	6.8
Installment & lease	5.1	8.5	9.8	10.5	10.5

Key Factors

◆ Operating Revenue

- Credit purchase (+11.9bn KRW, +4.9%), Card loan & Cash advance (-1.7bn KRW, -1.2%)
- Impact from merchant transaction fee discount -4.1bn KRW

◆ Operating Expense

- Loan loss provision +15bn KRW
- ※ Increased Loan&credit asset +11bn KRW, 16.3Q base effect +4bn KRW
- General Expense +12bn KRW
- ※ Cost of available-for-sale securities fair value revaluation +8.3bn KRW, Increase in Rents +1.6bn KRW, etc

◆ Key strategy

- Profit structure diversification and Fin-tech market dominance
 - Introduction of new biz model(credit loan for nonmember, etc.)
 - Promotion of fin-tech competitiveness(mobile channel integration, biometric payment system, etc.)
- Optimization of cost management
 - Reformation of product portfolio related to credit card (credit card service cost restructuring)
 - Efficient recruitment cost management through expansion of online channel utilization

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(Unit: billion KRW)

	3Q 2016		3Q 2017		증감	1Q-3Q 2016		1Q-3Q 2017		증감
Revenue	994		1,041		4.7%	2,768		2,882	100.0%	4.1%
Operating Profit	24	2.4%	17	1.7%	-27.0%	43	1.6%	39	1.3%	-10.7%
EBITDA	38	3.8%	31	3.0%	-18.5%	86	3.1%	80	2.8%	-6.3%

※ 9,140 stores (as end of 3Q17)

Key Factors

◆ 3Q Revenue +4.7%, YoY

- 9,140 stores in total (+735 stores YoY)
- Decrease in average daily sales per store (-3.4%)
 - : Decline in average daily tobacco sales (-7.0%)

◆ 3Q Operating profit -27.0%, YoY

- Seasonal products (drinks, ice cream) sales revenue decreased due to increased rainy days YoY
- Increase in card transaction fees due to increased credit card sales proportion: +7.1% (3Q16: 54.1% → 3Q17: 61.2%)

◆ Key Strategy

- New product development in food category, display space enlargement
 - Develop exclusive products based on customer preference survey (Application order exclusive lunch box, premium lunch box, etc)
- Hot food product zone establishment
 - Independent zoning: Seven Eleven Café, chicken, baked sweet potato
- Profitability improvement through closure of underperforming store

Other Business Units

(Unit: billion KRW)

	3Q 2016	3Q 2017	YoY	1Q-3Q 2016	1Q-3Q 2017	YoY
Sales Revenue	1,098	1,060	-3.4%	3,013	3,109	3.2%
Lotte Super	603	591	-2.0%	1,757	1,738	-1.1%
Lotte Homeshopping	228	222	-2.6%	660	706	7.0%
Others	267	247	-7.1%	596	665	11.7%
Operating Profit	30	7	-79.1%	52	39	-22.3%
Lotte Super	-2	-3	-	-2	1	-
Lotte Homeshopping	16	18	15.3%	54	83	53.6%
Others	16	-8	-	0	-45	-

3. Non-Operating Profit

	(Unit: billion KRW)					
	3Q 2016	3Q 2017	YoY	1Q-3Q 2016	1Q-3Q 2017	YoY
Operating Profit	176	75	-57.6%	555	369	-33.4%
Net Interest Income/Expense	-38	-41	-	-115	-116	-
Gains on Foreign Currency & Derivative Asset	-14	11	-	3	18	578.8%
Other Non-operating Profit	0	-588	-	-45	-617	-
Equity Method Gain & Loss	14	-32	-	20	17	-14.2%
Profit Before Tax	138	-575	-	418	-329	-
Corporate Tax	60	-42	-	191	89	-53.6%
Net Profit	78	-533	-	227	-418	-

13 ※ 17.3Q goodwill impairment losses: -357bn KRW(GS Mart -156bn KRW, Lotte Mart Indonesia -83bn KRW,
Other asset impairment losses: -200bn KRW(Lotte Mart China -48bn KRW, domestic Lotte Supermarket -3bn KRW, etc)

Appendix

- **Income Statement**
- **Balance Sheet**
- **Regional Sales of Lotte Marts Overseas**
- **Store Network**

Income Statement (Consolidated K-IFRS)

(Unit: billion KRW)

	3Q FY'16		3Q FY'17		YoY	1Q-3Q FY'16		1Q-3Q FY'17		YoY
Revenue	7,871		7,578		-3.7%	22,836		22,471		-1.6%
Gross Profit	2,330	(29.6%)	2,240	(29.6%)	-3.9%	6,832	(29.9%)	6,801	(30.3%)	-0.4%
SG&A	2,154	(27.4%)	2,165	(28.6%)	0.5%	6,277	(27.5%)	6,432	(28.6%)	2.5%
Operating Profit	176	(2.2%)	75	(1.0%)	-57.6%	555	(2.4%)	369	(1.6%)	-33.4%
EBITDA	378	(4.8%)	270	(3.6%)	-28.4%	1,158	(5.1%)	960	(4.3%)	-17.1%
Profit Before Tax	138	(1.8%)	-575	-	-	418	(1.8%)	-329	-	-
Net Profit	78	(1.0%)	-533	-	-	227	(1.0%)	-418	-	-
Net Income of Controlling Company	48	(0.6%)	-559	-	-	171	(0.7%)	-503	-	-
Net income of minority interest equity	30	(0.4%)	26	(0.3%)	-14.0%	56	(0.2%)	85	(0.4%)	51.7%

Income Statement (Consolidated K-IFRS)

Remaining company

(Unit: billion KRW)

	3Q FY'16		3Q FY'17		YoY	1Q-3Q FY'16		1Q-3Q FY'17		YoY
Revenue	6,393		6,107		-4.5%	18,740		18,206		-2.8%
Gross Profit	1,953	(30.5%)	1,858	(30.4%)	-4.8%	5,736	(30.6%)	5,659	(30.2%)	-1.3%
SG&A	1,819	(28.4%)	1,795	(29.4%)	-1.3%	5,337	(28.5%)	5,401	(28.8%)	1.2%
Operating Profit	134	(2.1%)	63	(1.0%)	-52.9%	399	(2.1%)	258	(1.4%)	-35.4%
EBITDA	317	(5.0%)	240	(3.9%)	-24.1%	945	(5.0%)	794	(4.2%)	-16.0%
Profit Before Tax	96	(1.5%)	-552	-	-	280	(1.5%)	-403	-	-
Profit from remaining operations	48	(0.7%)	-507	-	-	130	(0.7%)	-464	-	-

Balance Sheet (Consolidated K-IFRS)

(Unit: billion KRW)

	1Q '16	2Q '16	3Q '16	4Q '16	1Q '17	2Q '17	3Q '17
Total assets	40,357	40,350	40,992	41,916	42,045	41,867	42,943
Cash & Cash Equivalent	2,796	2,615	3,071	3,175	3,802	3,549	4,393
Inventories	3,333	3,289	3,414	3,324	3,221	3,124	3,391
Land & Buildings	13,005	13,041	13,124	13,115	13,092	13,150	13,024
Liabilities	23,300	23,252	23,843	24,652	24,786	24,575	26,779
Borrowings & Bonds	13,807	13,953	13,851	14,483	14,998	15,038	15,914
Equity	17,057	17,098	17,149	17,264	17,259	17,292	16,164
Share Capital	158	158	158	158	158	158	158

Regional Sales of Lotte Marts Overseas

(Unit: billion KRW)

	No. of Stores	3Q FY'16	3Q FY'17	YoY	YoY**
China	112*	285	0.3	-99.9%	-92.3%
Indonesia	45	264	267	1.1%	2.7%
Vietnam	13	67	67	-0.2%	5.0%
Total	170	616	334	-45.7%	-40.4%

* Includes 13 supermarkets in China

** Store level sales revenue in local currencies (Currency effect excluded)

Store Network

Domestic		2015 Year End	2016 Year End	2017 Openings				2017 Year End
		Total	Total	1Q	2Q	3Q	4Q(E)	Total(E)
Department Store	Full-line Store	31	*30				1	31
	Franchise Store	3	3					3
	Young Plaza	2	2					2
	Outlet Mall	17	20				1	21
Hypermarket		117	120		1	1	3	125

* Unified operation of Jamsil & Avenuel World Tower Store

Overseas		2015 Year End	2016 Year End	2017 Openings				2017 Year End
		Total	Total	1Q	2Q	3Q	4Q(E)	Total(E)
Department Store	Russia**	1	1					1
	China	5	5					5
	Vietnam**	2	2					2
	Indonesia	1	1					1
Hypermarket (Supermarket)	China***	116 (16)	115 (16)					112 (13)
	Vietnam	11	13				1	14
	Indonesia	41 (2)	46 (2)	-1			1	46 (2)

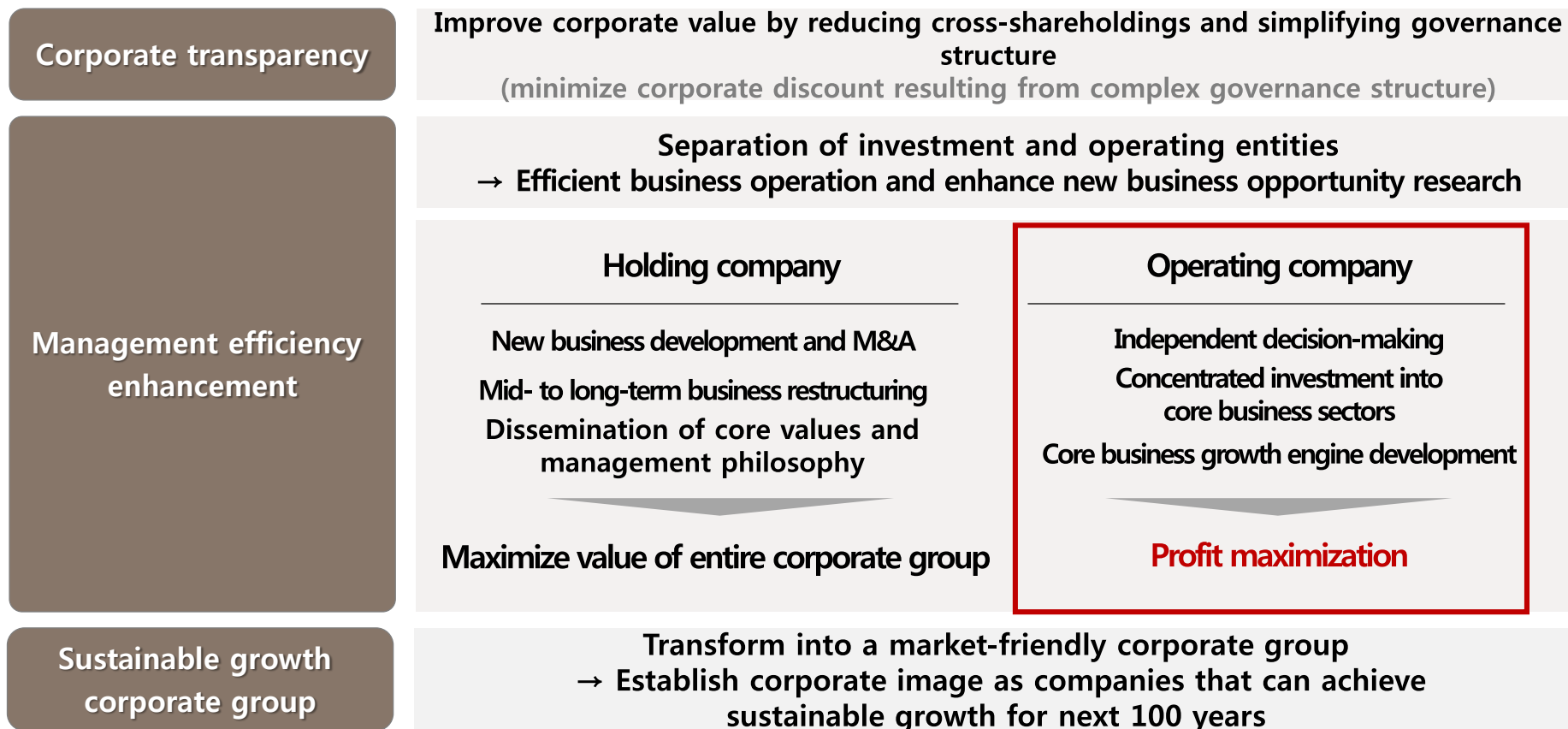
**Including equity method stores

*** Including 13 overseas supermarkets in China

Business strategy overview

1. Role clarification of the holding company and the operating company following the transition into a holding company

Maximize shareholders' value through corporate transparency enhancement and efficient management



Shareholder value maximization through corporate value enhancement

2. Business strategy overview

Through the transition into a holding company, Lotte Shopping aims to ① adjust its business portfolio, ② enhance its core capacities of the domestic and overseas operations, develop new businesses to keep the pace with the changing environment, and ③ enhance shareholders value by improving its financial structure.

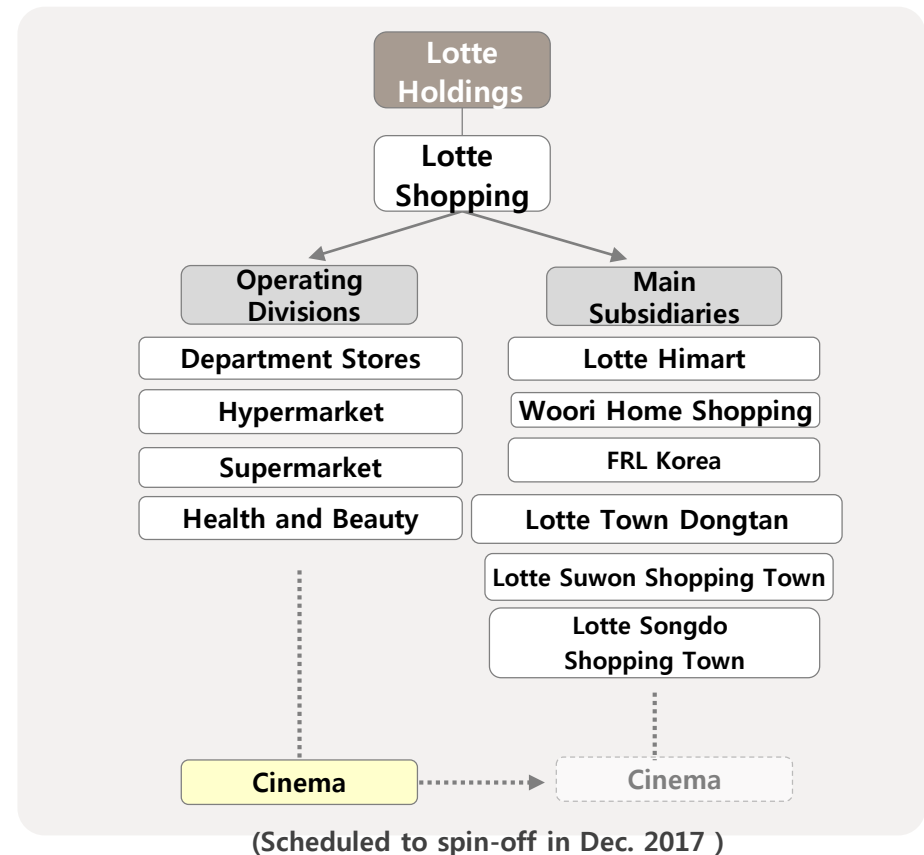
① Business portfolio adjustment

[Conversion into a holding company]

- Split into operating and investment entities (Oct. 1, 2017)

Investment company	Operating company
Lotte Card	Lotte Himart (Electronics speciality store)
Lotte Capital	Woori Home Shopping (TV Home Shopping)
Lotte Food	FRL Korea
Lotte International	Lotte Town Dongtan
Lotteria	Lotte Suwon Shopping Town
Korea Seven	Lotte Songdo Shopping Town
Lotte Incheon Development	CS Mart
Daehong Communications	Lotte Ulsan Development
Lotte Asset Development	Lotte Department Store Masan
Lotte Station Building	NCF
Lotte Members	Eunpyeong PFV
Lotte Incheon Town	Lotte Gimhae Development
Lotte Giants	D-Cinema of Korea
Lotte Accelerator	Korea STL
Lotte.com	Aegis First
Lotte Logistics	Foreign affiliates
Lotte Global Logistics	

[Separation of Cinema business]



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② Domestic operation strategies – profitability improvement by focusing on core capacities

Same store profitability improvement

- **Profitability structure improvement**
 - **Department Store**: cost optimization
 - Commission Fee: online coupon rate and gift certificate commission fee adjustment
 - Ad & promotion fee: Cost reduction such as customer purchase rebate event
 - Labor cost: personnel structure improvement
 - **Hypermarket**: restructuring underperforming stores
 - Fixed cost savings and minimize unnecessary inventories
 - Operating profit improvement through scrap and build
Ex) Relocation of Gimpo Branch to Hangang New Town (2017)
Selective scrapping depending on the expiry of lease agreements in the future

Efficient Investment

- **Investment management: Capex/EBITDA**
 - **Retail Business Unit: Investment Review Committee**
 - Strict investment priorities among affiliates
 - **Department Store**: qualitative growth and efficient investments
 - Store opening reduction and underperforming store restructure
 - **Hypermarket/Supermarket**: next generation concept store opening, current store renovation
 - Grocery+ Restaurant type market (Seocho Branch)
 - Transition into a premium market, super-fresh and organic products offerings (Gongdeok Branch)
 - **Health and Beauty stores**: Expand store openings (mid- to large-sized stores)

※ Number of branches: 53 (2015) → 87 (2016) → 100 (planned for 2017)

Competitiveness enhancement - stores and products

- **MD enhancement and contents competitiveness reinforcement**
 - **Department Store**: New contents development team
 - Various project teams directly operated under CEO
 - **Hypermarket**: PB product development expansion
 - Price innovation system: OnlyPrice products (Introduced at the beginning of 2017)
→ Aim to reach 200 SKU until the end of 2017
 - **Hi Mart**: PB products and global brands offerings
 - PB products development: Home appliance
 - Differentiation through exclusive brands offerings
 - **Health and Beauty**: Product portfolio diversification
 - Expansion of F&B, accessories, customer service and product sourcing from overseas partners

New business strategies

- **Investment reinforcement in IT and synergy effect improvement among affiliates**
 - **Department Store**: Online business enhancement new technology utilization
 - Exclusive online platform operation
 - A.I based shopping assistant services
 - **Hi Mart**: "omni-channel" concept store opening
 - Renovated store openings: targeting young customers
 - **Hypermarket & Supermarket**
 - Fresh food processing center integration (scheduled to open in Dec)
 - Competitiveness enhancement through fresh food innovation

② Overseas business strategies (Hypermarket)

Economic outlook & Retail market trend

- Stable economic growth (2017 ~ 2020) : Indonesia GDP 5.0~5.5% / Vietnam GDP 6.2~6.5% expected to growth
- Changes in the retail environment ▷ Vietnam : Continuous growth of CVS, online market Vs. steady growth of hypermarket
- ▷ Indonesia : continuous growth of small stores(supermarket, CVS) and online market, medium growth trend of hypermarket

Current business:

: Store opening expansion based on profit oriented structure

● Store opening plans

(Unit: EA)

Category	2017 (E)	2018 (P)	2019 (P)	2020 (P)
Indonesia	46 (45/1)	55 (49/6)	67 (55/12)	82 (60/22)
Vietnam	14 (13/1)	27 (14/13)	55 (17/38)	87 (19/68)
Total (overseas)	60 (57/3)	82 (63/19)	122 (72/50)	169 (79/90)

* Stores: Total number of stores (large size store/small size store)

Store opening strategies	<p>▷ Wholesaler in Indonesia: Maintain market domination by nationwide network expansion - Stores in 25 cities (current) → Up to 35 cities</p> <p>▷ Vietnam: large stores + Introduce mid-sized stores</p>
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● New "Small/Mini" Stores based on customer preference (Convenience & Accessibility)

Indonesia	Vietnam
<ul style="list-style-type: none"> • Packed fresh products, - mainly groceries • Business Outlook - BEP in the first year of opening • Store opening plans - 6 stores (2018) → 22 stores (2020) 	<ul style="list-style-type: none"> • Small-sized products, PB products, Ready to eat products • Business Outlook - Profit making in the first year of opening • Store opening plans - 14 stores (2018) → 68 stores (2020)

New business:

: Expansion of B2B and online businesses expansion

● Export expansion of specialized products (B2B)

① New retail market expansion

- ▷ Exportation of PB products made in Vietnam to nearby countries utilizing ASEAN free trade agreement
- ※ New market expansion through exportation to Myanmar, Laos with PB products from Vietnam
- ▷ Export expansion plan of Korean PB products to Vietnam

② Current Business: Sales channel expansion, exclusive products development

(Unit: 100 million KRW)

Category	2017 (E)	2018 (P)	2019 (P)	2020 (P)
Total (Vietnam, Indonesia)	320	560	730	1,000

● Online business expansion

① Current business: Indonesia/Vietnam e-commerce collaboration and O2O partnerships

(Unit: 100 million KRW)

Category	2017 (E)	2018 (P)	2019 (P)	2020 (P)
Online revenue (Indonesia, Vietnam)	65	170	300	480

② New online/mobile business partnership establishment

LOTTE SHOPPING CO., LTD.

③ Financial structure improvement through spin-off/merger

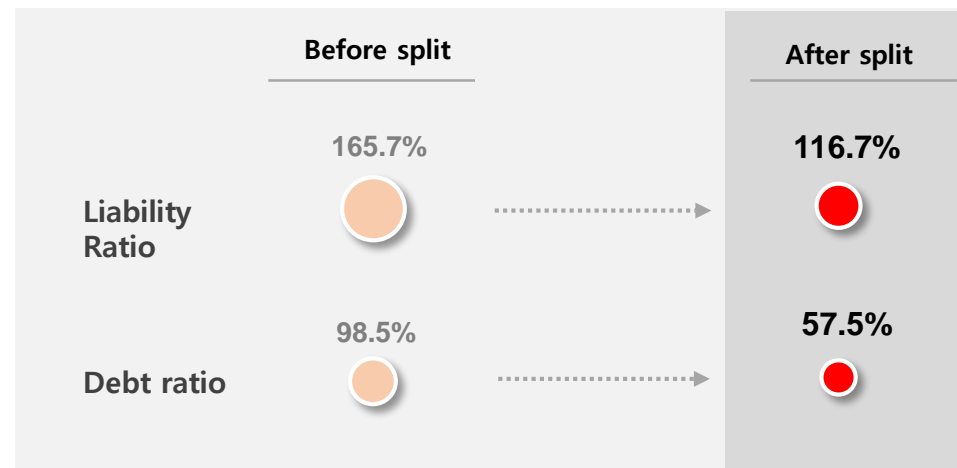
※ 3Q17 Balance Sheet (Consolidated)

[Unit: billion KRW]

	(Before Split)	(After split)	
		Operating entity (New Lotte Shopping)	Investment entity (Transferred to holding company)
Assets	42,943	29,152	14,011
Cash and bank deposits	3,094	1,763	1,331
Inventory assets	3,391	3,285	106
Land and buildings	13,024	13,010	13
Liabilities	26,779	15,701	11,296
Borrowings and bonds	15,914	7,737	8,177
Equity	16,164	13,450	2,715
Capital	158	141	17

※ Positive changes of key financial indicators

Decrease in liability ratio and debt ratio due to split and merger



※ Shareholder-friendly policy after the establishment of a holding company

Plans to enhance shareholder value by implementing interim dividend review and increase dividend payout ratio up to 30% gradually (Announced on Aug, 17th, 2017)

※ Dividend plan may vary depending on the business situation and business environment