



Lotte Shopping Co., Ltd.

Investor Relations
September 2006



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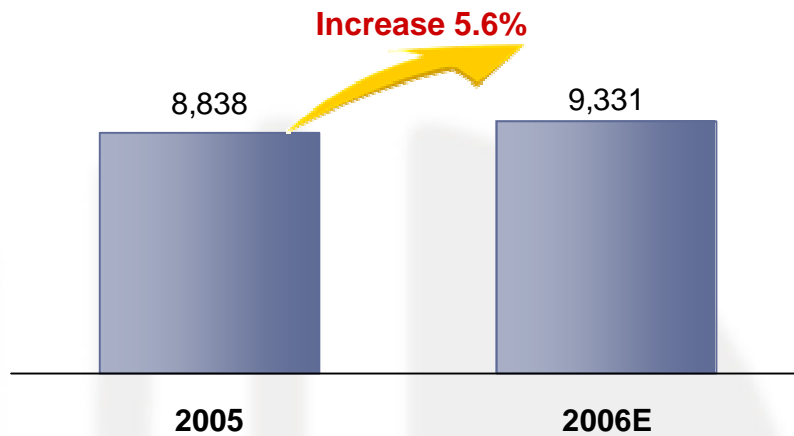
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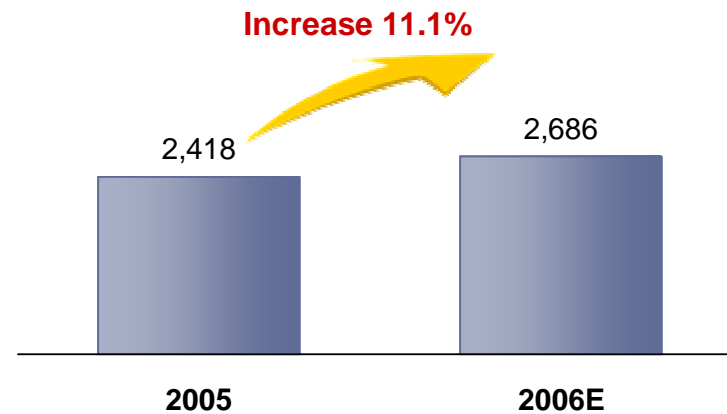
2006 Earnings Forecast Lotte Shopping

(Unit: W bn)

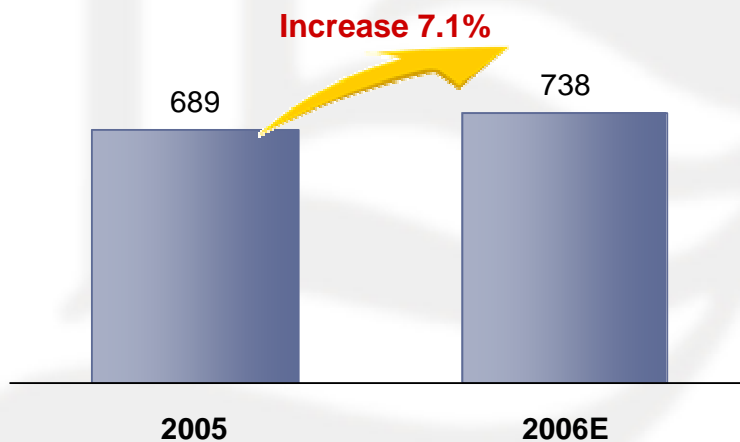
Gross Revenue



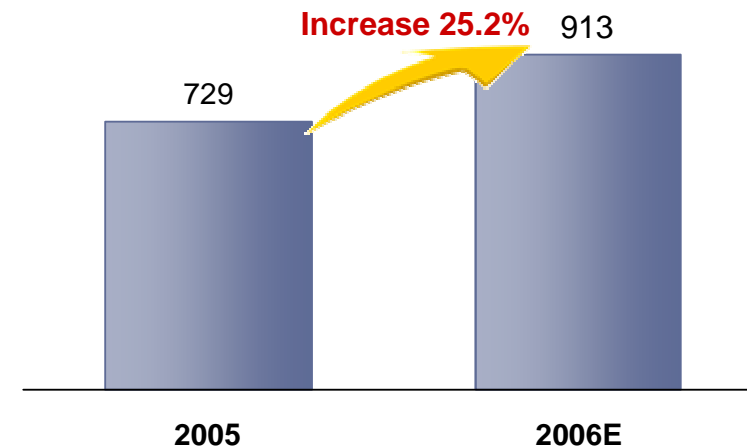
Gross Profit



Operating Profit



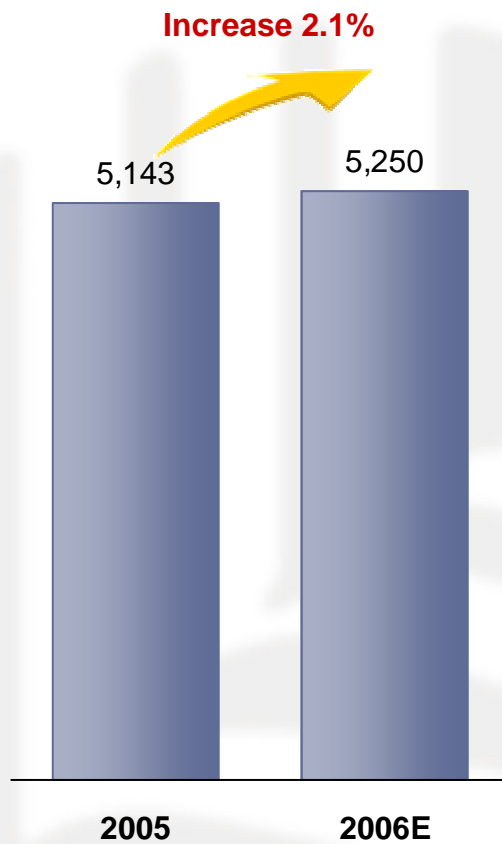
Ordinary Profit



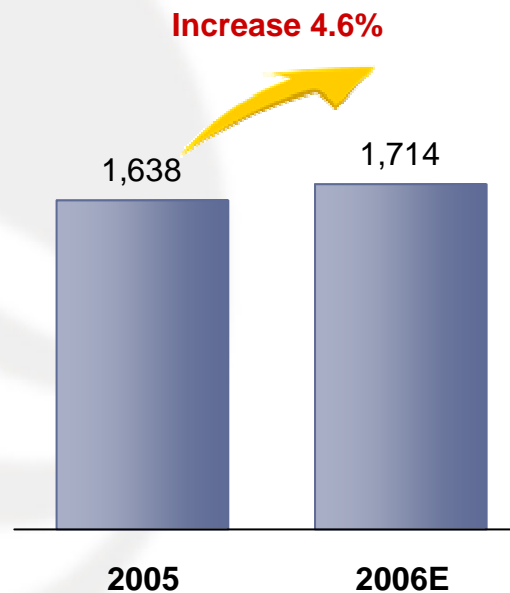
2006 Earnings Forecast Department Store

(Unit: W bn)

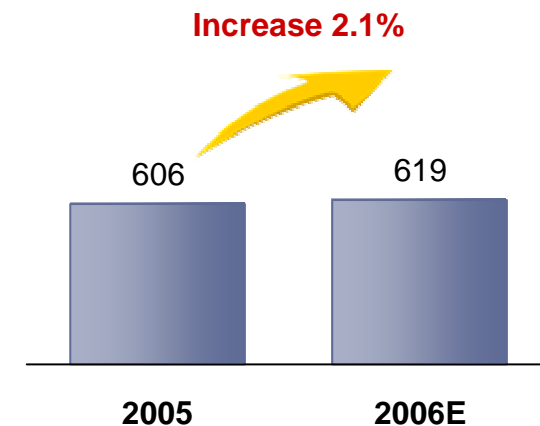
Revenue



Gross Profit

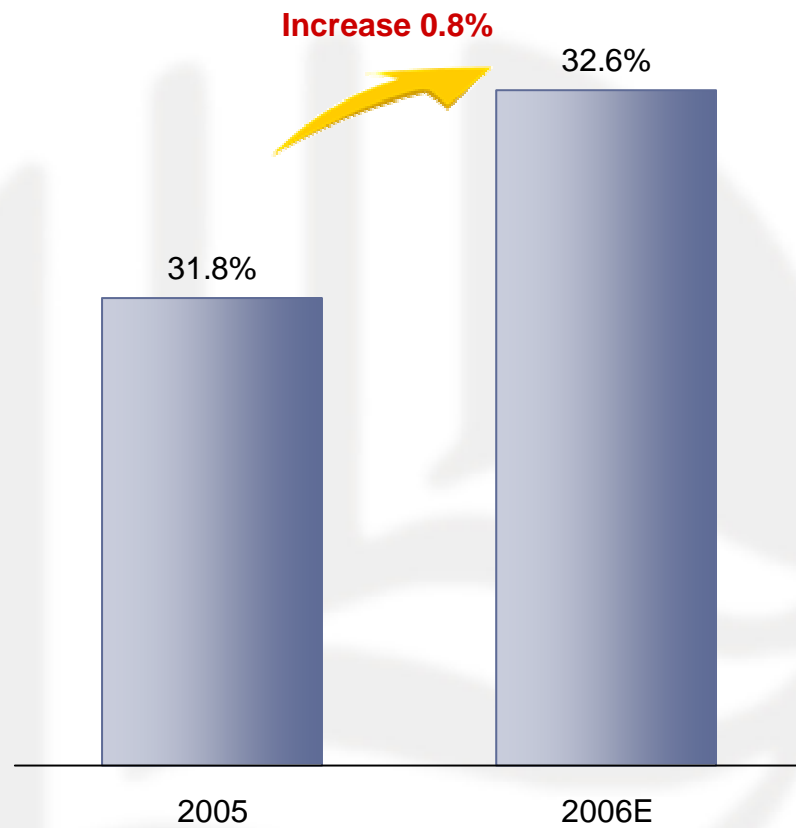


Operating Profit

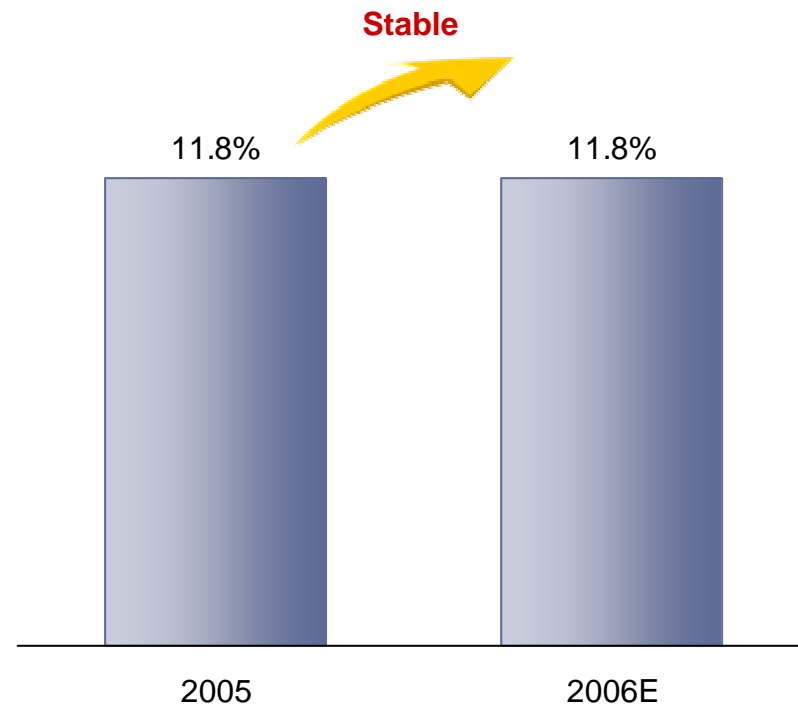


2006 Earnings Forecast Department Store

Department Store Gross Profit Margin



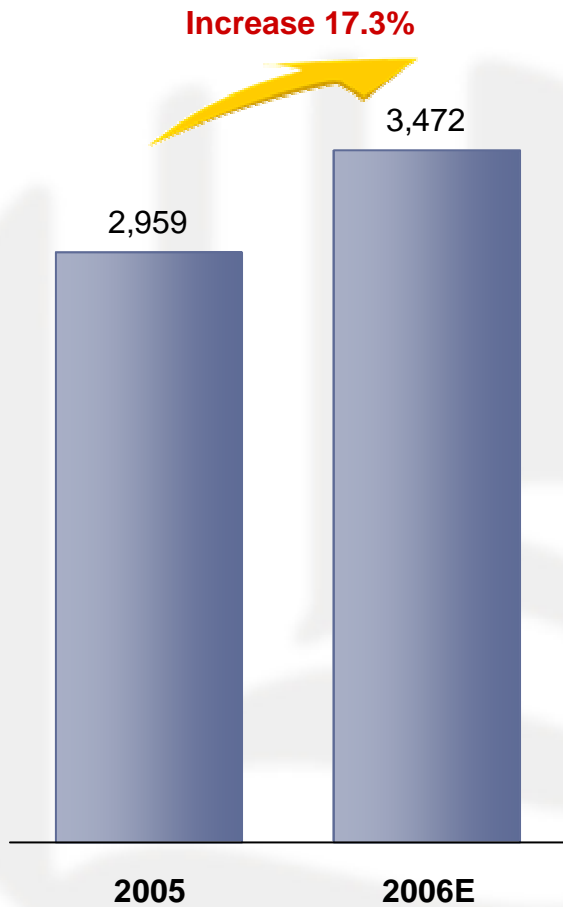
Department Store Operating Profit Margin



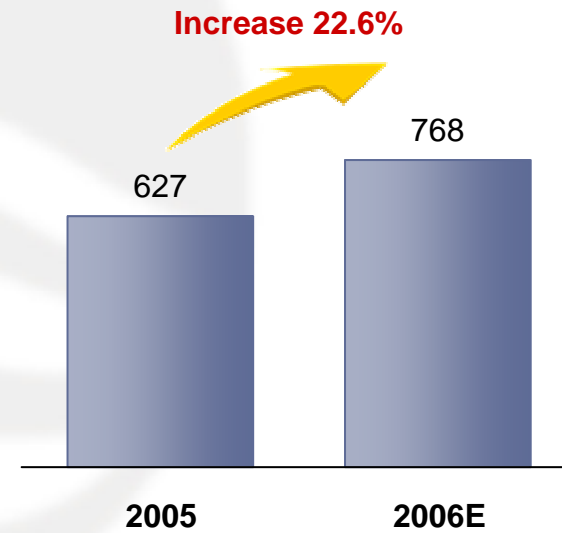
2006 Earnings Forecast Discount Store

(Unit: W bn)

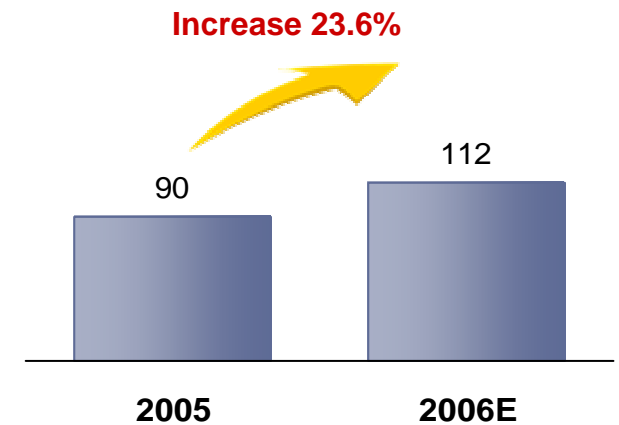
Revenue



Gross Profit



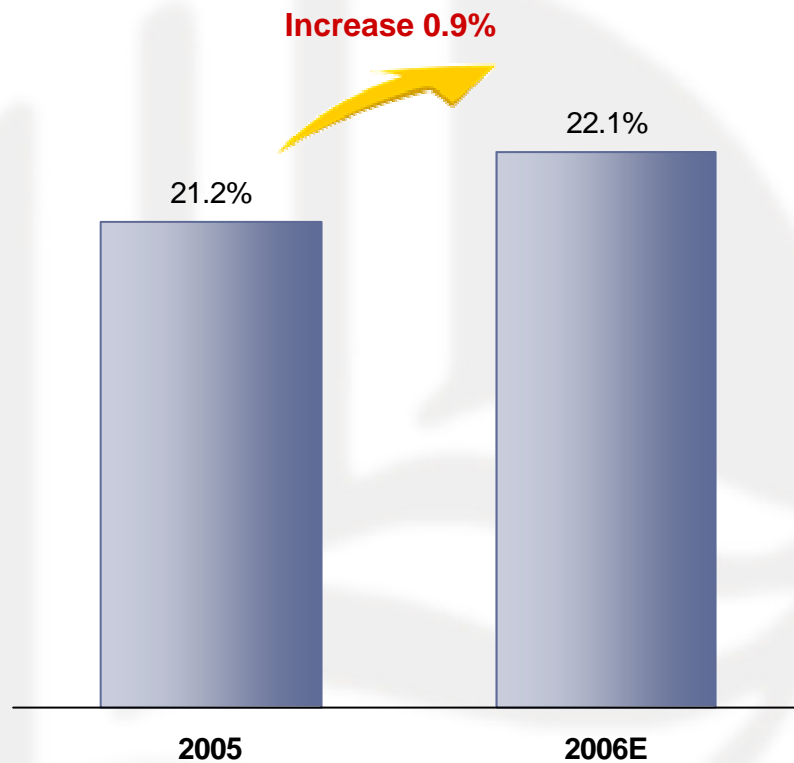
Operating Profit



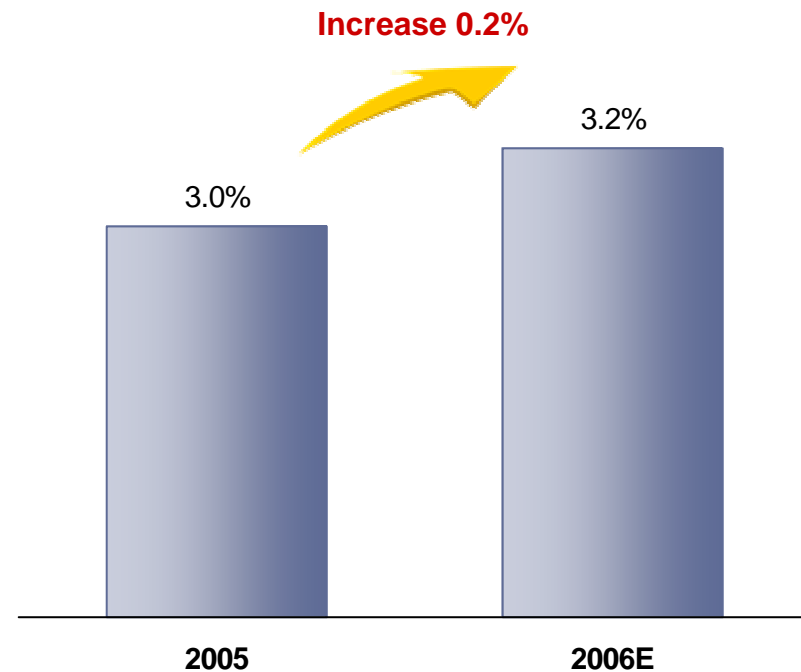
2006 Earnings Forecast

Discount Store

Discount Store Gross Profit Margin

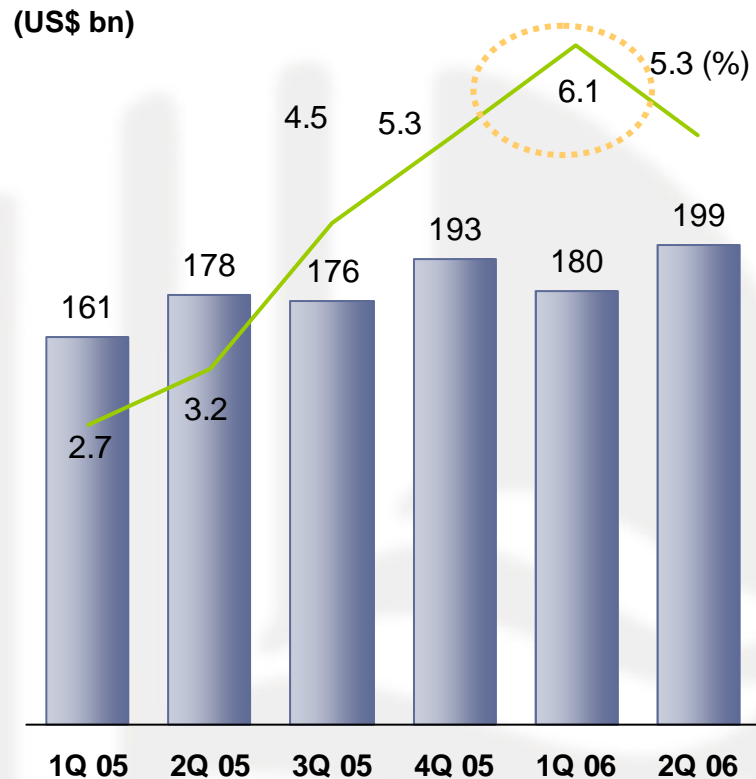


Discount Store Operating Profit Margin

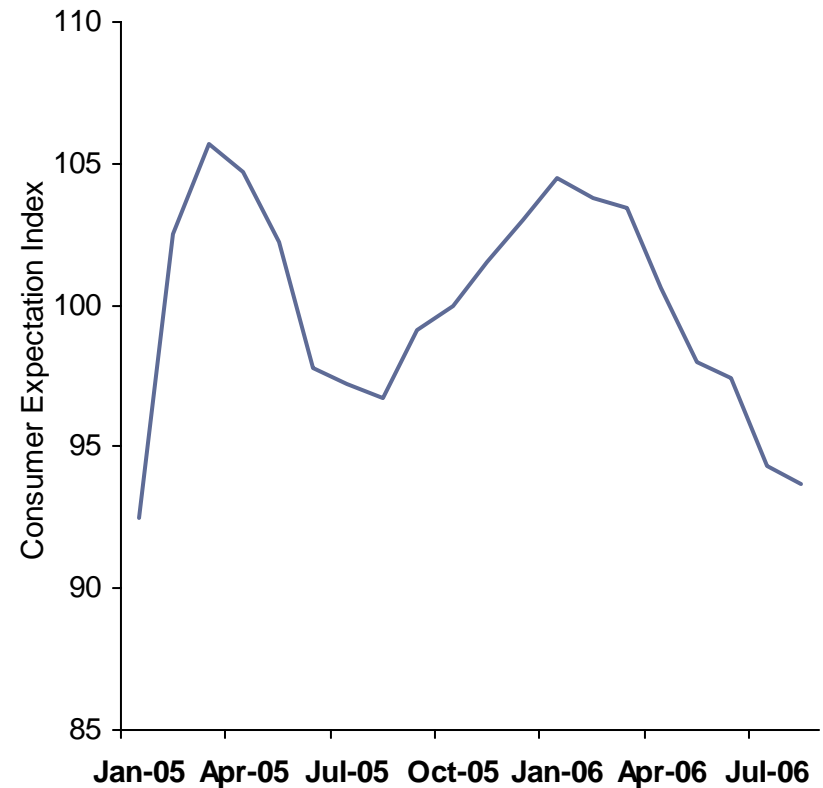


1 Korea's Economy Downturn

Real GDP Growth Reached Peak



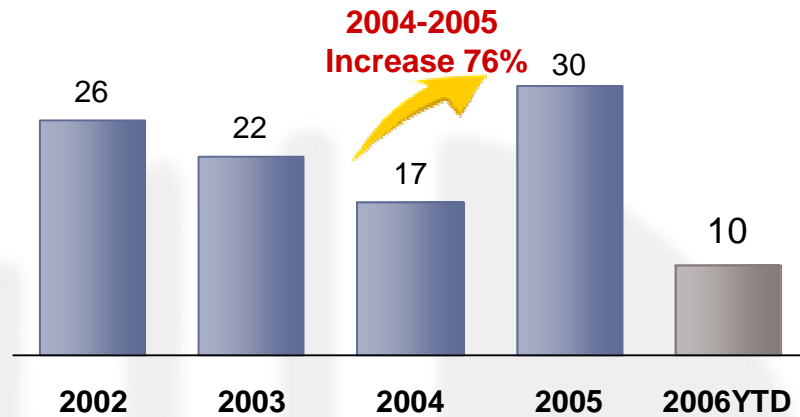
Slow Consumer Spending Growth



Source: Bank of Korea

2 Increased Competition

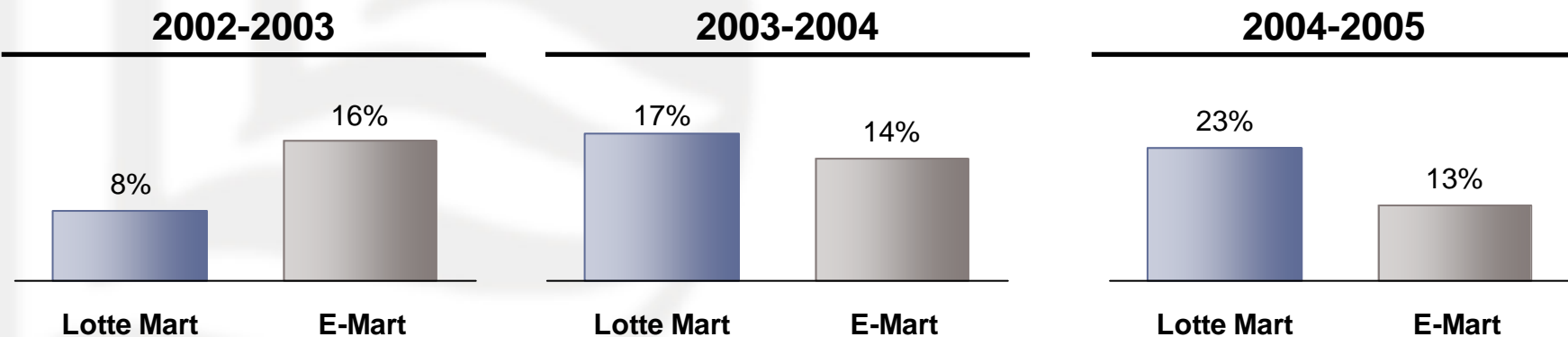
New Discount Store Opening by Big 4



Result from Competition

- Overlapping Stores
 - Decrease of Sales
- Impact on Pricing
 - Influence on Margins
- Impact on Marketing
 - Aggressive Marketing Strategy

Discount Store Sales Growth Comparison



Our Response to Challenges

Department Store

- Focus on High Margin Business
- Continuous Expansion including Overseas
- Enhance Scientific Marketing Strategy
- Develop New Store Format
- Enter the New Revenue Generating Opportunities

Discount Store

- Continuous Expansion
- Increase Margin by Opening Two New Distribution Centers
- Private Brands and Overseas Outsourcing
- Differentiated Merchandise

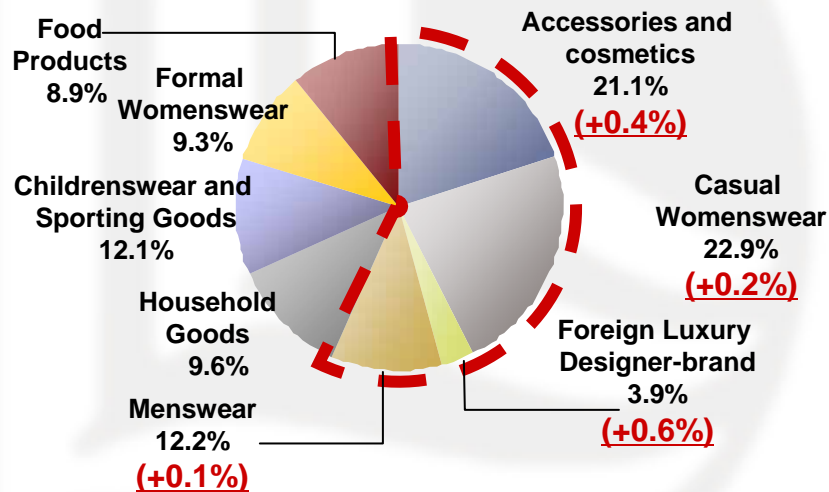
Despite difficult business environment, we still have a strong growth potential with clear and set strategy

Department Store Strategy

Focus on High Margin Business

- Increase portion of higher margin business (i.e. cosmetics and apparel)
- Foreign luxury goods sales grew by 0.6% in 1H 2006

1H 2006 Business Mix



Continuous Expansion

- 2 new stores to open in 2006-2007 (total 24 stores nationwide)
- Moscow store to open in 2007
- Currently talking with a joint venture partner in China



Mia store to open in 2006



Haeundae store to open in 2007



Star City in 2008

Department Store Strategy

CRM Based Marketing Efforts

- Secure loyal customer base through integrated membership program
- Integrated marketing efforts across Lotte affiliates
- Enhance CRM Data base

Develop New Store Formats

- Introduce new store formats inside the department store
- Multi-shop
- Mega-shop

New Opportunities to Grow Revenue

- Young Plaza – opens two new stores in 2007
- Shopping mall – Sky Park shopping mall to open in 2010
- Category Killers and Specialty Stores

Sky Park Shopping Mall

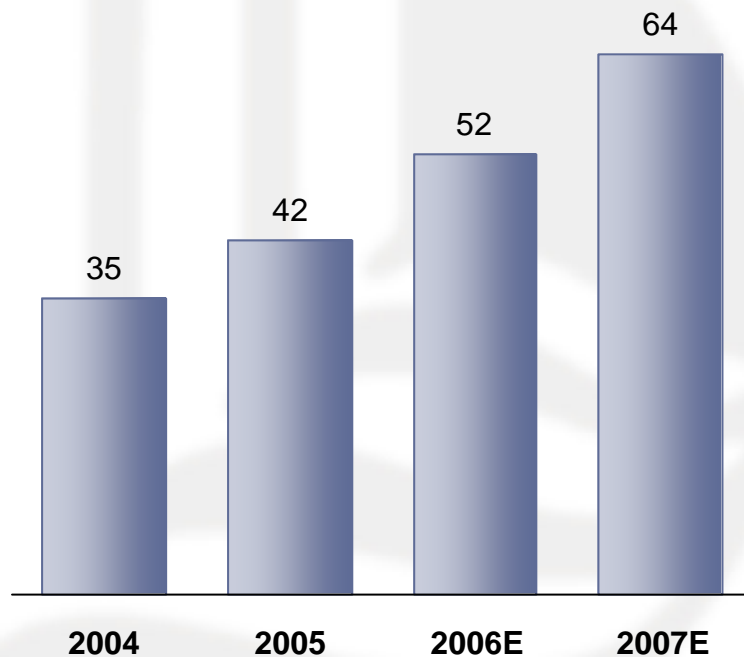


Discount Store Strategy

Opening of New Stores

- To reach 64 stores in 2007 – 16 stores to open in 2006-2007

Total Number of Stores



New Distribution Center

- Osan center covers 80 stores – to open in 2007
- Gimhae center covers 35 stores – to open in 2008
- Increases through - put ratio from 45% in 2005 to 80% in 2008
- When opened, gross profit to increase by 1% by increasing revenue from commission



Osan to open in 2007



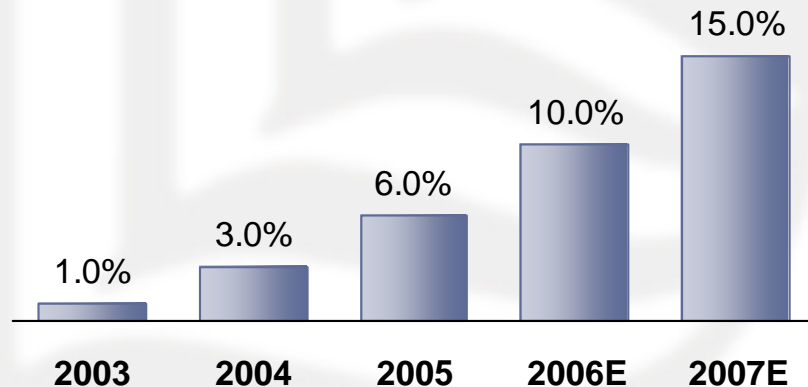
Gimhae to open in 2008

Discount Store Strategy

Private Brands and Outsourcing

- 10% of total sales to come from private brands sales in 2006 and 15% in 2007
- Overseas outsourcing to increase from current 1.0% to 3.0% in 2007
- Brings the margin increase effect

Sales Portion of Private Sales



Enhanced Merchandise Competitiveness

- Focus on quality control of food products via contract farming
- Prime private brand development – Launch of Wiselect Prime
- Offer high quality household/fashion products

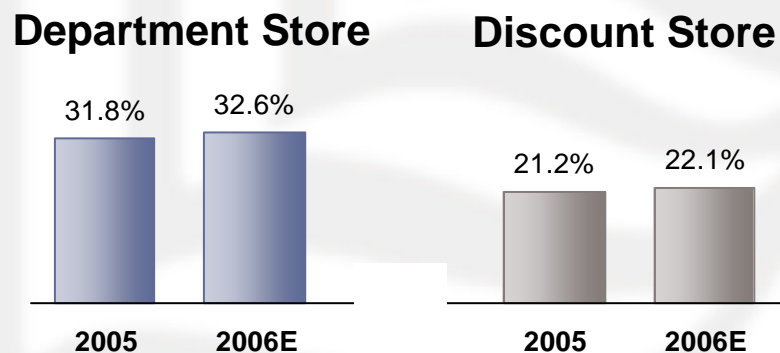
Constant Store Renovation

- Continue store renovations
- Takes approximately 6 months to show a visible result
- Typical growth effect from renewal is 10%~20%

Earnings Forecast - Summary

(Unit: W bn)	Lotte Shopping		Department Store		Discount Store	
	2005	2006E	2005	2006E	2005	2006E
Gross Sales	8,838	9,331	5,143	5,250	2,959	3,472
(Net Sales)	(8,607)	(9,117)	(5,025)	(5,134)	(2,903)	(3,417)
Gross Profit	2,418	2,686	1,638	1,714	627	768
Operating Profit	689	738	606	619	90	112
Ordinary Profit	729	913	-	-	-	-

Gross Profit Margin



Operating Profit Margin

