

# Lotte Shopping Co., Ltd.



**INVESTOR RELATIONS**

23<sup>th</sup> October 2008

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# FY08 3Q Earnings Results

# Key Highlights for FY08 3Q

- **Steady top line growth ( +6.6% yoy)**
- **Bottom line lower than expected ( -11.1% yoy)**
- **SSS trend in major divisions**
  - Department Store: +1.8%, Discount Store: -2.4%, Supermarket: +4.4%
- **Growth in sales contribution from Supermarket business**
  - Sales contribution for Lotte Shopping (FY07 3Q 6.2% vs. FY08 3Q 8.2%)
- **Luxury Brand Sales drives consumption in dept. store (+31.1% yoy)**
  - Sales contribution FY08 2Q: 6.1% → FY08 3Q: 6.6%
- **Acquires Indonesia Macro chain**
  - Penetrate into South-East Asia retail market

# Lotte Shopping at a Glance

## Financial Results

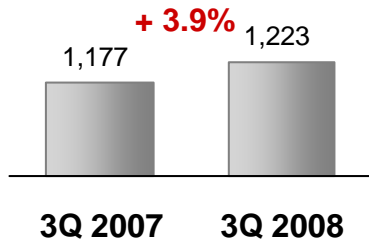
(Unit : KRW bn, %)

	3Q 2007	3Q 2008	yoy	9mth 2007	9mth 2008	yoy
<b>Gross Sales</b>	<b>2.4 tr</b>	<b>2.6 tr</b>	<b>+6.6%</b>	<b>7.3 tr</b>	<b>8.0tr</b>	<b>+9.6%</b>
<b>Operating Profit</b>	<b>168</b>	<b>149</b>	<b>-11.4%</b>	<b>544</b>	<b>556</b>	<b>+2.4%</b>
<b>Profit before tax</b>	<b>205</b>	<b>170</b>	<b>-16.7%</b>	<b>678</b>	<b>716</b>	<b>+5.5%</b>
<b>Net Profit</b>	<b>152</b>	<b>123</b>	<b>-19.3%</b>	<b>505</b>	<b>518</b>	<b>+2.6%</b>

# Department Stores: 'slow consumption reflecting financial turmoil'

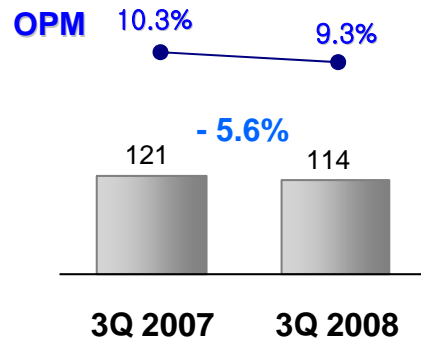
## Gross Sales

(Unit: W bn)



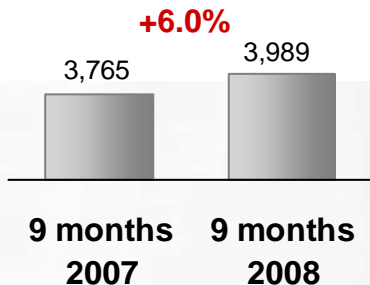
## Operating Profit

(Unit: W bn)



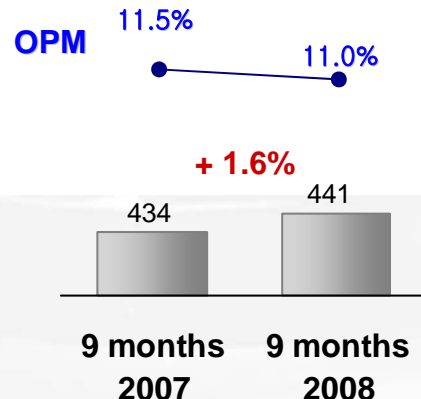
## Gross Sales

(Unit: W bn)



## Operating Profit

(Unit: W bn)



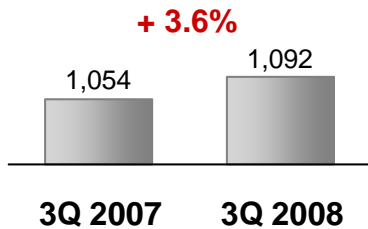
## Key points

- Slow sales growth (+3.9% yoy, +6.0% 9mths yoy) due to economic slowdown
- Continuous growth trend in luxury brand sales (3Q yoy +31.1%)
- Growth in ticket price (3Q yoy +6.5%)
- Decrease in OP due to new store openings
  - OPM of stores operated over 2 years (FY07 9mths 11.9% → FY08 9mths 12.0%)
- Stores under refurbishment
  - Food sector
  - Expansion of luxury brands

# Discount Stores: 'weak Chook holiday sales'

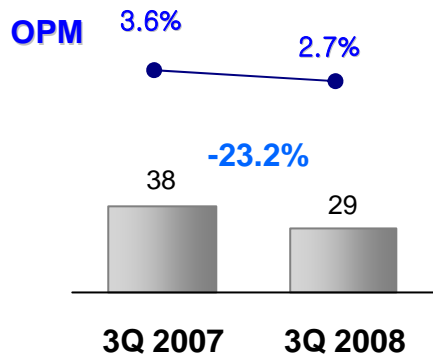
## Gross Sales

(Unit: W bn)



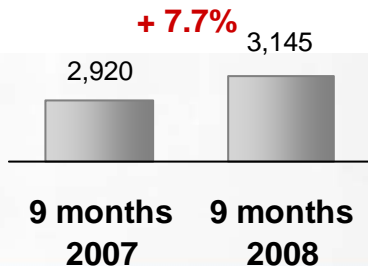
## Operating Profit

(Unit: W bn)



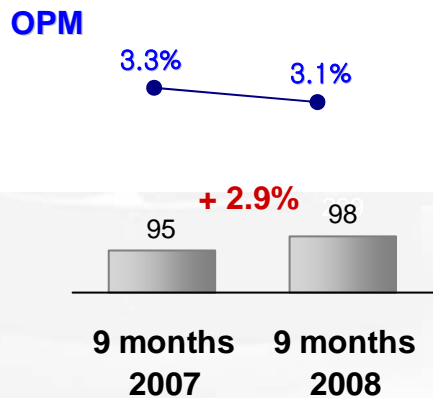
## Gross Sales

(Unit: W bn)



## Operating Profit

(Unit: W bn)



## Key points

- Slow sales growth (+3.6% yoy, +7.7% 9mths yoy) due to slow 'Chusok' holiday sales
- PB sales grew by +34.5% (vs. FY07 3Q)  
- 3Q PB sales portion 18.2% (9mths 17.2%)

	'07	'08 2Q	'08 3Q
GP effect	-	+0.2%p	+0.2%p
PB sales portion	12.2%	18.1%	18.2%

- Lower OPM due to cost pressures
- OPM of stores operated over 2 years (FY07 9mths 4.0% → FY08 9mths 4.6%)

# Other Business Division Results

## ***Lotte Super***

***“finally the market leader in size ”***

- Top line soared by +40.7%(3Q yoy) and posted OP margin of 2.6%(3Q)
- Opened 12 additional stores and 102 stores in operation YTD.  
→ current leader in market

## ***Lotte Card***

***“Continuous Growth”***

- Revenue and transaction volume, driven by increase brand power of Lotte Card
- Number of card holders increased to 8.3M in 3Q versus 8.2M in 2Q
- Delinquency Rate :1.76%  
- maintaining top quality customer
- Pressure from increasing funding cost  
→ blended funding rate from 5.18% in 1H to 5.45% in 3Q

## ***Lotte Homeshopping***

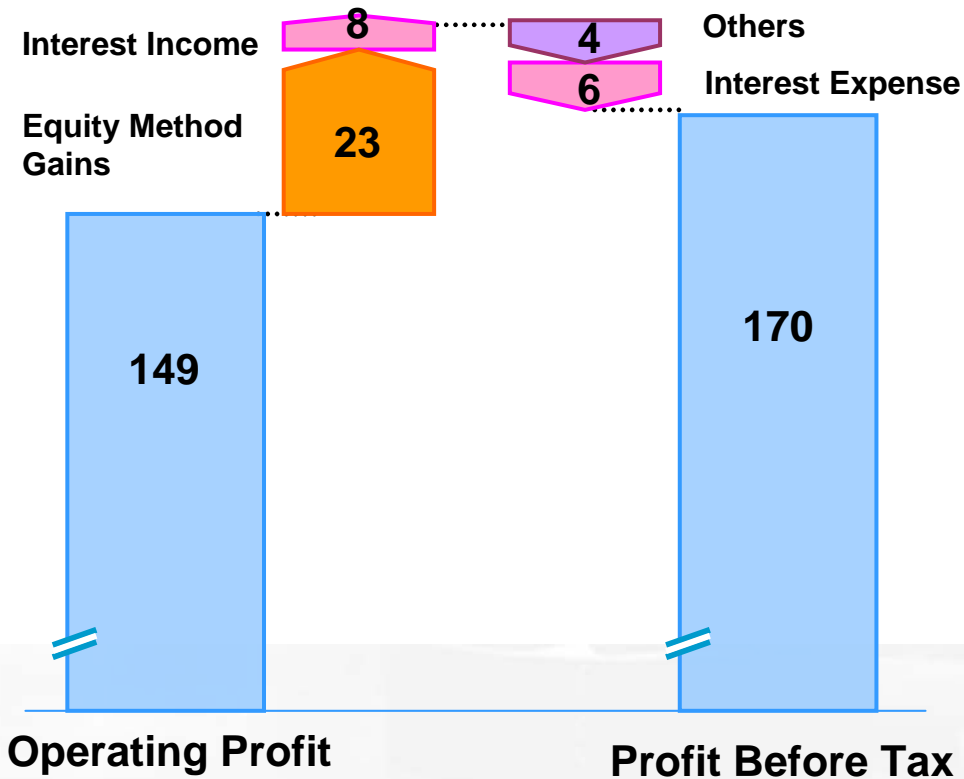
***“Strengthening Lotte Synergy”***

- Solid transaction volume growth (FY08 3Q : +37.4% yoy)
- Increased market share ( FY08 2Q 17.1% → FY08 3Q 20.0%)
- Ramping up catalogue sales business in progress

# 3Q Non-Operating Profit Analysis

## Non-Operating Profit

(Unit: W bn)



## Equity Method Gains Break Down

(Unit: W bn)

Lotte Card	31
Lotte Midopa	7
Lotte Stationary	3
Lotte Homeshopping	- 6
Oversea Business	- 13
Others	1
<b>Total</b>	<b>23</b>

# Forecast on major division

- Expansion Plan
  - Department Store : Star City to open in October
  - Discount Store : 5 stores to open in 4Q, new distribution center at Gimhae
  - Launching in Outlet Mall business : Gwangju in October, Gimhae in 4Q
  
- Challenges to face....
  - signs of slow consumption
  - cost management to maintain profitability

# Appendix

# Income Statement

 Lotte Shopping Co., Ltd.

(Unit: KRW bn)

## Lotte Shopping

	2006				
	1Q	2Q	3Q	4Q	YTD
Gross sales	2,254	2,243	2,180	2,617	9,294
Gross profit	642	646	618	766	2,672
Operating profit	188	196	149	217	749
(%)	8.3%	8.8%	6.8%	8.3%	8.1%
EBITDA	245	260	217	291	1,012
Profit before tax	248	208	212	318	986
Net profit	180	148	170	242	740

	2007				
	1Q	2Q	3Q	4Q	YTD
Gross sales	2,429	2,376	2,468	2,812	10,085
Gross profit	697	696	705	825	2,923
Operatng profit	184	192	168	213	757
(%)	7.6%	8.1%	6.8%	7.6%	7.5%
EBITDA	250	265	245	299	1,059
Profit before tax	232	242	204	279	957
Net profit	172	180	151	187	691

	2008			
	1Q	2Q	3Q	YTD
Gross sales	2,705	2,634	2,630	7,970
Gross profit	788	776	764	2,328
Operatng profit	205	202	149	556
(%)	7.6%	7.7%	5.7%	7.0%
EBITDA	277	281	233	791
Profit before tax	306	239	170	716
Net profit	227	168	123	518

## Lotte Dpt. Store

	2006				
	1Q	2Q	3Q	4Q	YTD
Gross sales	1,310	1,272	1,133	1,568	5,283
Gross profit	420	419	368	520	1,726
Operatng profit	155	172	120	198	644
(%)	11.8%	13.5%	10.6%	12.6%	12.2%
EBITDA	185	205	154	234	777

	2007				
	1Q	2Q	3Q	4Q	YTD
Gross sales	1,319	1,269	1,177	1,609	5,374
Gross profit	430	424	384	534	1,772
Operatng profit	150	163	121	212	646
(%)	11.4%	12.8%	10.3%	13.2%	12.0%
EBITDA	182	197	157	251	786

	2008			
	1Q	2Q	3Q	YTD
Gross sales	1,396	1,371	1,223	3,989
Gross profit	457	457	400	1,313
Operatng profit	157	169	114	441
(%)	11.3%	12.4%	9.3%	11.0%
EBITDA	190	204	150	459

## Lotte Mart

	2006				
	1Q	2Q	3Q	4Q	YTD
Gross sales	794	824	884	884	3,386
Gross profit	176	180	196	194	747
Operatng profit	31	22	25	20	98
(%)	3.9%	2.7%	2.8%	2.2%	2.9%
EBITDA	52	46	52	49	198

	2007				
	1Q	2Q	3Q	4Q	YTD
Gross sales	943	922	1,054	968	3,888
Gross profit	212	212	244	219	887
Operatng profit	31	27	38	9	105
(%)	3.3%	2.9%	3.6%	1.0%	2.7%
EBITDA	59	57	70	46	232

	2008			
	1Q	2Q	3Q	YTD
Gross sales	1,059	994	1,092	3,145
Gross profit	250	237	264	751
Operatng profit	41	28	29	98
(%)	3.9%	2.8%	2.7%	3.1%
EBITDA	72	66	64	197

# Store Network

## Domestic Stores

		2006	2007			2008			
		Year End Total	Opening		acquisition/ adjustments	Year End Total	Opening		Year End Total(E)
			1H	2H			1H	2H(E)	
<b>Department Store</b>	full-line store	20		1	-	21	-	1	22
	franchise store	3	-	-	-	3	-	-	3
	young plaza	1	1	1	-	3	-	-	3
<b>Discount Store</b>		50	2	4	-	56	2	3~5	61~63
<b>Supermarket</b>		52	2	12	*13	79	11	20	110

\* acquired 14 Big Mart stores, and scraped 1store

## Overseas Stores

		2006	2007			2008			
		Year End Total	Opening		acquisition/ adjustments	Year End Total	Opening		Year End Total(E)
			1H	2H			1H	2H(E)	
<b>Department Store</b>	Russia	1	-	-	-	1	-	-	1
	China	-	-	-	-	-	-	1	1
<b>Discount Store</b>	China	-	-	-	**8	8	-	1	9
	Vietnam	-	-	-	-	-	-	1	1
	Indonesia	-	-	-	-	-	-	***19	19

\*\* acquired 8 CTA Macro stores in Beijing and Tianjin

\*\*\*acquired 19 Macro stores in Indonesia

# Thank You



Lotte Shopping Investor Relations