

Lotte Shopping Co., Ltd.



INVESTOR RELATIONS

28th July 2008

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FY08 2Q Earnings Results

Key Highlights for FY08 2Q

- **Posted solid top line growth to meet consensus (+10.9% yoy)**
- **SSS growth in major divisions**
 - Department Store: 5.5%, Discount Store: 1.3%, Supermarket: 6.8%
- **Growth in sales contribution from Supermarket business**
 - Sales contribution for Lotte Shopping (FY07 2Q 5.2% vs. FY08 2Q 7.1%)
- **Luxury Brand Sales drives consumption in dept. store (+33.0% YOY)**
 - Sales contribution FY08 1Q: 5.2% → FY08 2Q: 6.1%
- **Continuous growth in new business**
 - Zara : Driving new young customers into Lotte

Lotte Shopping at a Glance

 Lotte Shopping Co., Ltd.

Financial Results

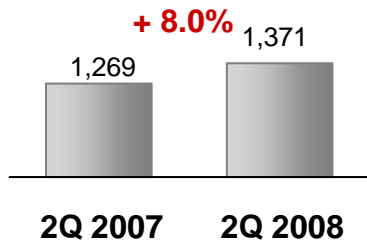
(Unit : KRW bn, %)

	2Q 2007	2Q 2008	2007vs. 2008	1H 2007	1H 2008	2007vs. 2008
Gross Sales	2.4 tr	2.6 tr	+10.9%	4.8 tr	5.3tr	+11.1%
Operating Profit	192	202	+5.4%	375	407	+8.6%
Profit before tax	242	239	-1.0%	474	545	+15.1%
Net Profit	180	168	-6.8%	352	395	+12.1%

Department Stores: 'creating luxurious stores'

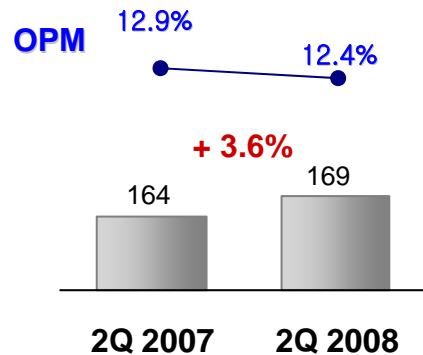
Gross Sales

(Unit: W bn)



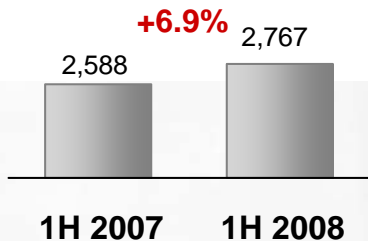
Operating Profit

(Unit: W bn)



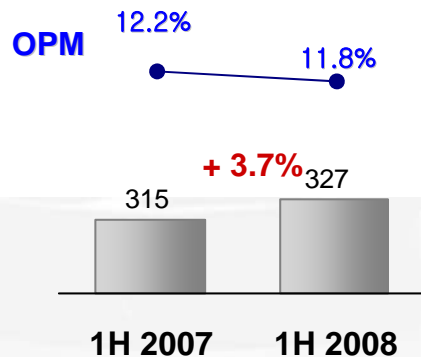
Gross Sales

(Unit: W bn)



Operating Profit

(Unit: W bn)



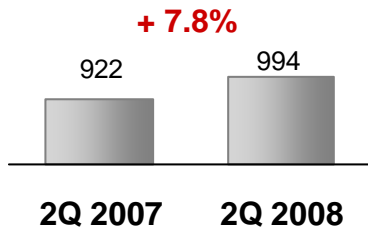
Key points

- Strong Same Store Sales growth (+5.5% yoy) despite negative economic condition
- Strong growth in luxury brand sales (2Q yoy +33.1%, 1H yoy +28.2%)
- Growth in ticket price (2Q yoy+4.3%, 1H yoy+3.8%)
- 43.6% increase in OP but lower OPM due to new store openings
 - OPM of stores operated over 2 years (FY07 2Q 13.2% → FY08 2Q 13.4%)
- Food sector under refurbishment

Discount Stores: 'inflation effects'

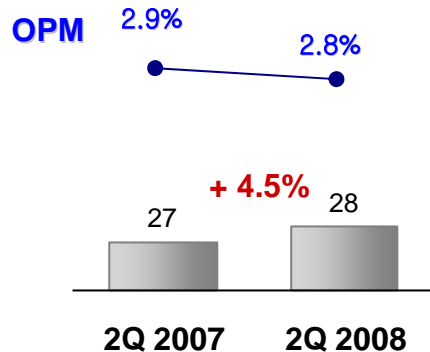
Gross Sales

(Unit: W bn)



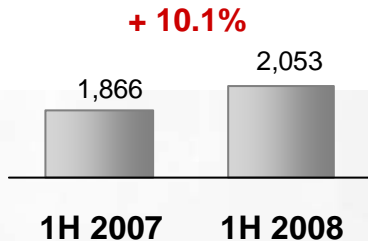
Operating Profit

(Unit: W bn)



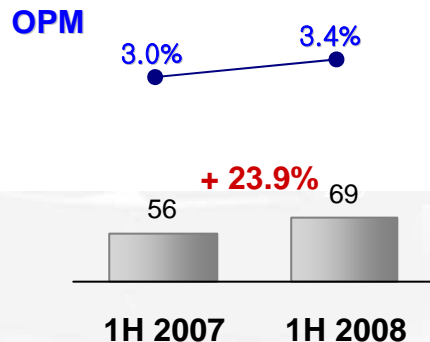
Gross Sales

(Unit: W bn)



Operating Profit

(Unit: W bn)



Key points

- Opened 2 new stores
- SSS growth +1.3% 2Q yoy (+3.4% 1H yoy)
- PB sales grew by +45.5% (vs. FY07 2Q)
 - 2Q PB sales portion 18.1% (1H 16.6%)
- Lower OPM due to cost pressures
 - 1) labor cost of new store openings
 - 2) logistic cost from soaring oil price
- OPM of stores operated over 2 years increased (FY07 2Q 4.0% → FY08 2Q 4.2%)

Other Business Division Results: 'Adding Revenue from Diversified Business'

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Lotte Super

“leading the growth of the industry ”

- Top line soared by +50.7%(2Q YOY) and posted OP margin of 2.0%(2Q)
- Benefited from consumption pattern from bulk item to small package items
- Opened 6 additional stores and 90 stores in operation YTD.
→ Accelerated store expansion plan (94→100 stores until the year end)

Lotte Card

“Continued Strong Growth”

- Revenue and transaction volume up significantly, driven by increase brand power of Lotte Card
- Number of card holders increased to 8.2M in 2Q versus 7.9M in 1Q
- Delinquency Rate :1.8%
- maintaining top quality customer in industry

Lotte Homeshopping

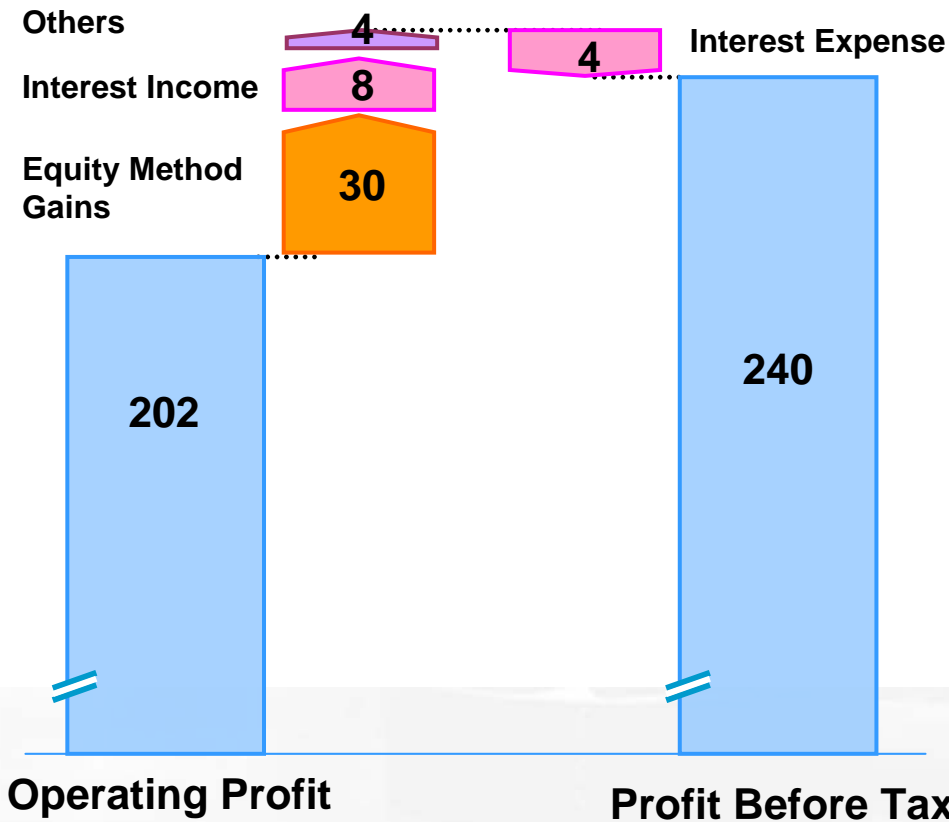
“Strengthening Lotte Synergy”

- Solid transaction volume growth (FY08 2Q : +27.2%, YOY)
- Increased market share (FY08 1Q 15.1% → FY08 2Q 17.1%)
- Successful launch of catalogue sales business

2Q Non-Operating Profit Analysis

Non-Operating Profit

(Unit: W bn)



Equity Method Gains Break Down

(Unit: W bn)

Lotte Stationary	4
Lotte Card	34
Lotte Homeshopping	- 5
Others	- 3
Total	30

Forecast on major division

- Department Store
 - Star City to open in 3Q, Beijing store to open in August – Food sector in refurbishment
- Discount Store
 - Efficiency driven by distribution center and PB sales

<Distribution Center Effect>

	'07	'08 1Q	'08 2Q
GP effect	-	+0.2%p	+0.4%p
Through put ratio	46.3%	50.4%	52.9%

<PB Sales Effect>

	'07	'08 1Q	'08 2Q
GP effect	-	+0.3%p	+0.2%p
PB sales portion	12.2%	15.3%	18.1%

- Facing new challenges
 - Actions to manage cost pressures :
 - Department Store : reducing promotion cost by enhancing target marketing
 - Discount Store : 1) increasing labor efficiency, 2) re-negotiation of logistic fee
 - Launching Outlet Mall Business (Gwangju, Gimhae)

Appendix

Income Statement

(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
Operating 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	YTD
Gross sales	2,705	2,634	5,340
Gross profit	788	776	1,564
Operating profit	205	202	407
(%)	7.6%	7.7%	7.6%
EBITDA	261	281	542
Profit before tax	306	239	545
Net profit	227	168	395

Lotte Department 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
Operating 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
Operating 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	YTD
Gross sales	1,396	1,371	2,767
Gross profit	457	457	913
Operating profit	157	169	327
(%)	11.3%	12.4%	11.8%
EBITDA	190	204	393

Lotte Mart

	2006				
	1Q	2Q	3Q	4Q	YTD
Gross sales	794	824	884	884	3,386
Gross profit	176	180	196	194	747
Operating 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
Operating 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	YTD
Gross sales	1,059	994	2,053
Gross profit	250	237	487
Operating profit	41	28	69
(%)	3.9%	2.8%	3.4%
EBITDA	72	66	138

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)	
Department Store	full-line store	20		1	-	21	-	1	22
	franchise store	3	-	-	-	3	-	-	3
	young plaza	1	1	1	-	3	-	-	3
Discount Store		50	2	4	-	56	2	3~5	61~63
Supermarket		52	2	12	*13	79	8	7	94

* 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)	
Department Store	Russia	1	-	-	-	1	-	-	1
	China	-	-	-	-	-	-	1	1
Discount Store	China	-	-	-	**8	8	-	1	9
	Vietnam	-	-	-	-	-	-	1	1

** acquired 8 CTA Macro stores in Beijing an Tianjin

Thank You



Lotte Shopping Investor Relations