

# Lotte Shopping Co., Ltd.



## INVESTOR RELATIONS

23<sup>th</sup> April 2009

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# FY09 1Q Earnings Results

# Key Highlights for FY09 1Q

Lotte Shopping Co.,Ltd

- **Sales and profit growth beats market expectation**
  - Sales growth +7.8% yoy, Operating profit growth +11.5% yoy
- **Strong SSS growth in department stores and supermarkets**
  - Department Store: 4.4%, Supermarket: 5.4%
- **Outstanding cost control in discount store despite negative SSS**
  - Discount Store SSS: -2.2%
  - OPM +20bp (FY081Q 3.9% → FY091Q 4.2%)
- **Higher sales contribution from Supermarket business**
  - FY08 1Q 6.3% → FY09 1Q 7.8%

# Lotte Shopping at a Glance

Lotte Shopping Co.,Ltd

## Financial Results

(Unit : KRW bn, %)

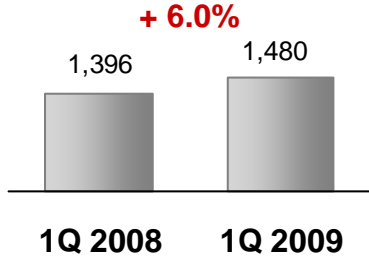
	1Q 2008	1Q 2009	2008vs. 2009
Gross Sales	2.7 tr	2.9 tr	+7.8%
Operating Profit	205	229	+11.5%
Profit before tax	306	258	-15.7%
Net Profit	227	192	-15.4%

# Department Stores: 'Outstanding growth'

Lotte Shopping Co.,Ltd

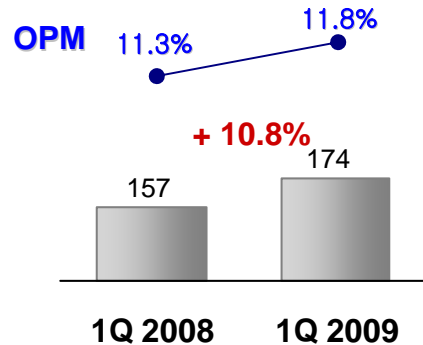
## Gross Sales

(Unit: W bn)



## Operating Profit

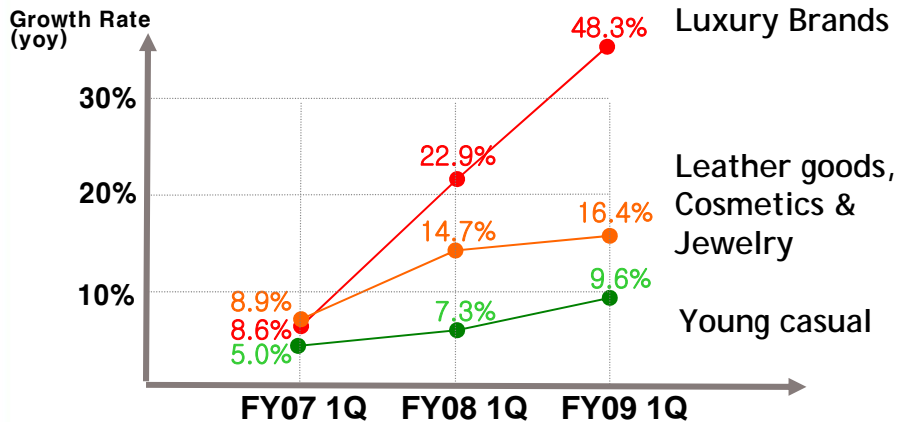
(Unit: W bn)



## Key points

- Sales growth (+6.0% yoy) under negative global economic condition.
- Strong SSS growth offsetting the cost burden from new store openings.
- Growth in customer visit (+12.9% yoy)
- Continuous growth in Luxury brand sales.
- Successful MD Renewal
  - focusing on 'young' concept
- Positive influence from weak Korean Won

## Sales growth by product category\* (yoy)



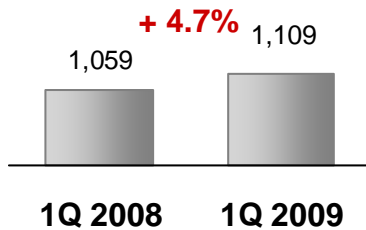
\* based on ticket sales including concession sales

# Discount Stores: 'Signs of margin pick-up'

Lotte Shopping Co.,Ltd

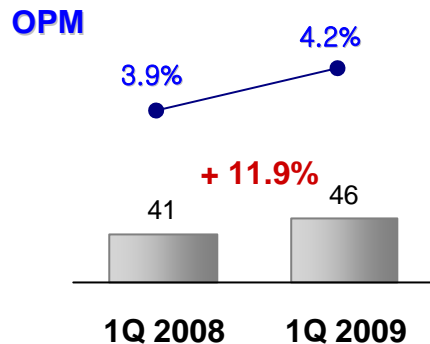
## Gross Sales

(Unit: W bn)

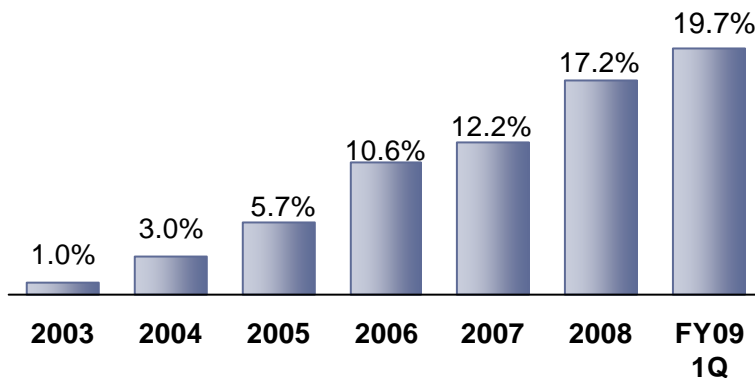


## Operating Profit

(Unit: W bn)



## Private Brands sales contribution



## Key points

- Weak SSS(-2.2% yoy) continues due to fierce competition under slow economy.
- Better cost control led to strong operating profit increase(+11.4 yoy) despite negative SSS.
- Growth in GP margin driven by distribution center (+0.2%p) and increase of PB sales(+0.4%p)
- Solid OPM improvement for stores operated over 2 years : (FY08 1Q 4.3% → FY09 1Q 5.5%)

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

Lotte Shopping Co.,Ltd

## **Lotte Super**

**“On the way to become the leader ”**

- Top line soared by +34.9%, SSS growth of +5.4% yoy
- Operating profit grew by +65.6% yoy
  - OPM: FY08 1Q 2.4% → FY09 1Q 2.9%
- Opened 5 additional stores in 1Q and 115 stores in operation YTD.

## **Lotte Card**

**“Focusing on risk management & profitability”**

- Market Share increase
  - FY08 4Q 6.3% → FY09 1Q 6.5%
- Marginal increase in delinquency ratio, but profit margin affected by increase in provisioning (including provisioning for unused credit)
  - Delinquency ratio FY084Q 1.90% → FY091Q 2.25%
- One-off gain from sale of VISA, Master Card shares :20bnW

## **Lotte Homeshopping**

**“Strengthening Lotte synergy”**

- Industry leader in growth (Transaction volume grew by +37.2%, YOY)
- Catalogue business has grown to contribute 8% of total sales
  - Catalogue business MS: 19%

# Non-Operating Profit Analysis

Lotte Shopping Co.,Ltd

(Unit: W bn)	FY08 1Q	FY09 1Q
<b>Operating Profit</b>	<b>205</b>	<b>229</b>
<b>Non-Operating Profit</b>	<b>101</b>	<b>29</b>
<b>Equity Method Gains</b>	<b>56</b>	<b>35</b>
Lotte Card	46	38
Lotte Midopa	7	8
Lotte Station Building	5	4
Lotte Homeshopping*	-4	-2
Oversea Business**	-1	-25
Others***	3	12
<b>Interest Income</b>	<b>13</b>	<b>8</b>
<b>Interest Expense</b>	<b>-7</b>	<b>-14</b>
<b>Others</b>	<b>39****</b>	<b>-</b>
<b>Profit Before Tax</b>	<b>306</b>	<b>258</b>

\* Includes good will amortization amount of 10 bnW

\*\* Includes good will amortization amount of China Makro 3 bnW, Indonesia Makro 5 bnW

\*\*\* Includes 9 bnW gains from asset contribution (Foodstar, Lotte Engineering & Machinery MFG.)

\*\*\*\* Includes one-off gain of 37bnW from sale of land & property (Sales & Lease back for 3 discount stores)

# Appendix

# Income Statement

Lotte Shopping Co.,Ltd

(Unit: KRW bn)

## Lotte Shopping

	2007					2008					2009
	1Q	2Q	3Q	4Q	YTD	1Q	2Q	3Q	4Q	YTD	1Q
Gross sales	2,429	2,376	2,468	2,812	10,085	2,705	2,634	2,630	3,000	10,970	2,915
Gross profit	697	696	705	825	2,923	788	776	764	893	3,222	860
Operating profit	184	192	168	213	757	205	202	149	213	769	229
(%)	7.6%	8.1%	6.8%	7.6%	7.5%	7.6%	7.7%	5.7%	7.1%	7.0%	7.9%
EBITDA	250	265	245	299	1,059	277	281	233	313	1,104	313
Profit before tax	232	242	205	280	958	306	239	170	212	927	258
Net profit	172	180	152	188	692	227	168	123	224	743	192

## Lotte Department Store

	2007					2008					2009
	1Q	2Q	3Q	4Q	YTD	1Q	2Q	3Q	4Q	YTD	1Q
Gross sales	1,319	1,269	1,177	1,609	5,374	1,396	1,371	1,223	1,668	5,657	1,480
Gross profit	430	424	384	534	1,772	457	457	400	553	1,866	489
Operating profit	150	163	121	212	646	157	169	114	199	639	174
(%)	11.4%	12.8%	10.3%	13.2%	12.0%	11.3%	12.4%	9.3%	11.9%	11.3%	11.8%
EBITDA	182	197	157	251	786	190	204	150	245	789	215

## Lotte Mart

	2007					2008					2009
	1Q	2Q	3Q	4Q	YTD	1Q	2Q	3Q	4Q	YTD	1Q
Gross sales	943	922	1,054	968	3,888	1,059	994	1,092	1,024	4,169	1,109
Gross profit	212	212	244	219	887	250	237	264	242	994	270
Operating profit	31	27	38	9	105	41	28	29	12	111	46
(%)	3.3%	2.9%	3.6%	1.0%	2.7%	3.9%	2.8%	2.7%	1.2%	2.7%	4.2%
EBITDA	59	57	70	46	232	72	61	64	52	249	79



# Thank You



Lotte Shopping Investor Relations