



LOTTE SHOPPING

INVESTOR RELATIONS 2006



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Financial information as of and for the six-month period ended June 30, 2006 presented herein are being reviewed by our independent auditor, and such figures are subject to change.

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LOTTE SHOPPING Co., Ltd
Korea's # 1 retailer

- Company Overview
- Retail Industry in Korea
- Business Divisions
- Strategies



LOTTE SHOPPING



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Company Overview

- **Business Portfolio**
- **Company History**
- **Ownership Structure**
- **1H 2006 Operating Performance**



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Business Portfolio

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Lotte Shopping

Department Store

- Dept. store (22*)
- Young Plaza (1)
- AvenueL (1)

* Includes three franchised stores

Discount Store

- Lotte Mart (45)

Supermarket

- Lotte Super (46)

Shopping Mall

- Sky Park

Cinema

- Lotte Cinema (31)

Global Fashion

- Junior City
- Gerald Darel
- Tasse Tasse etc

Krispy Kreme Donuts

- KKD (9)

Food

- Food Manufacturing

Subsidiaries

Lotte Card (92%)

- Lotte credit card
- AMEX card

Lotte Midopa (79%)

- Department store (Nowon)

Lotte.com (34%)

- On-line Shopping mall

Boulangrie (91%)

- Bakery

Company History

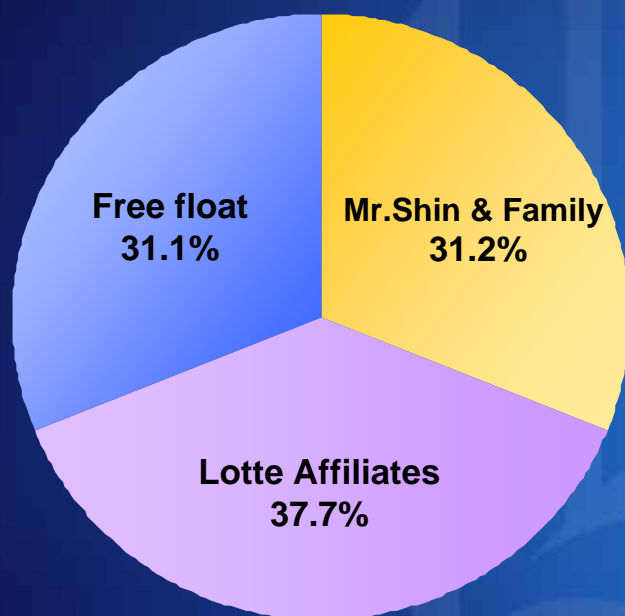
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Date	Event
Dec 1979	▪ Opened the first Lotte Department Store (Main store)
Dec 1993	▪ First retailer in Korea to record sales of 1 trillion won
Jun 1996	▪ Launched Lotte Online Shopping (www.lotteshopping.com) which became a stand-alone entity under the name of "Lotte.com" in 2004
Apr 1998	▪ Opened the first discount store (Lotte Mart)
Dec 1999	▪ Recorded sales of 4 trillion won
May 2001	▪ Opened the first supermarket (Lotte Super)
Oct 2002	▪ Acquired Midopa (Nowon branch of Lotte Department Store)
Nov 2003	▪ Opened the first Young Plaza
Dec 2003	▪ Separated in-house credit card business and merged with Lotte Card
Apr 2004	▪ Acquired 25 Hanwha Supermarkets (Total 46 supermarkets currently in operation)
Mar 2005	▪ Opened AvenueL
Feb 2006	▪ Listed on the London and Korean Stock Exchange

Ownership Structure

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Ownership Structure



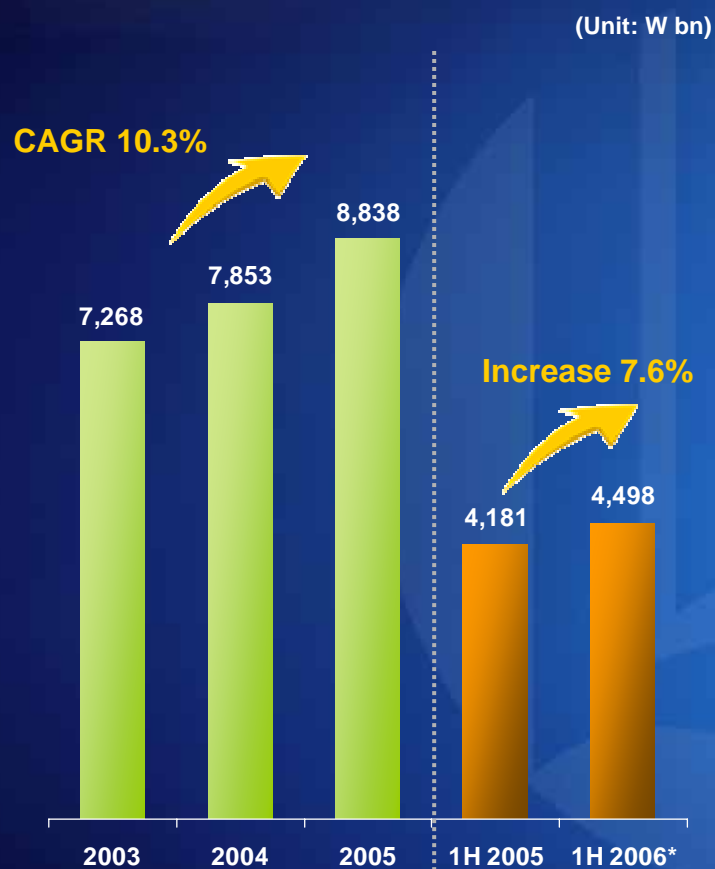
- Incorporation date: November 15, 1979
- Listing date: February 8, 2006
- Paid in capital: 112 bn KRW
- Total outstanding number of shares: 29,043,374 shares
- Market capitalization: 10.7 tn KRW
- Foreign ownership: 23.8%

* As of June 30, 2006

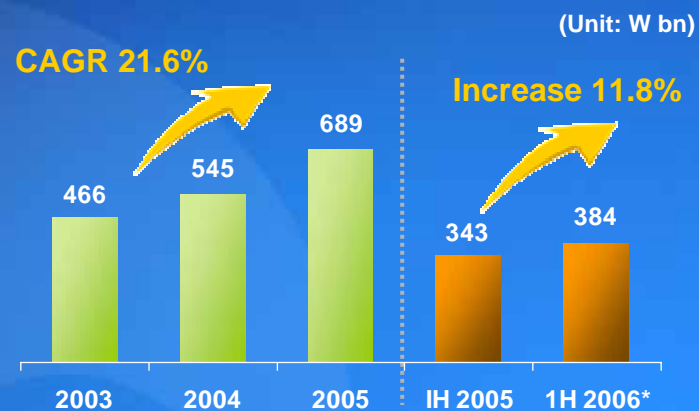
1H 2006 Operating Performance

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Gross Sales



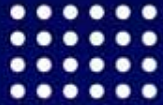
Operating Profit



Ordinary Profit



* Numbers have not been reviewed and may change after the review



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Retail Industry in Korea

- Retail Industry in Korea
- Position of Lotte Shopping in Retail Market



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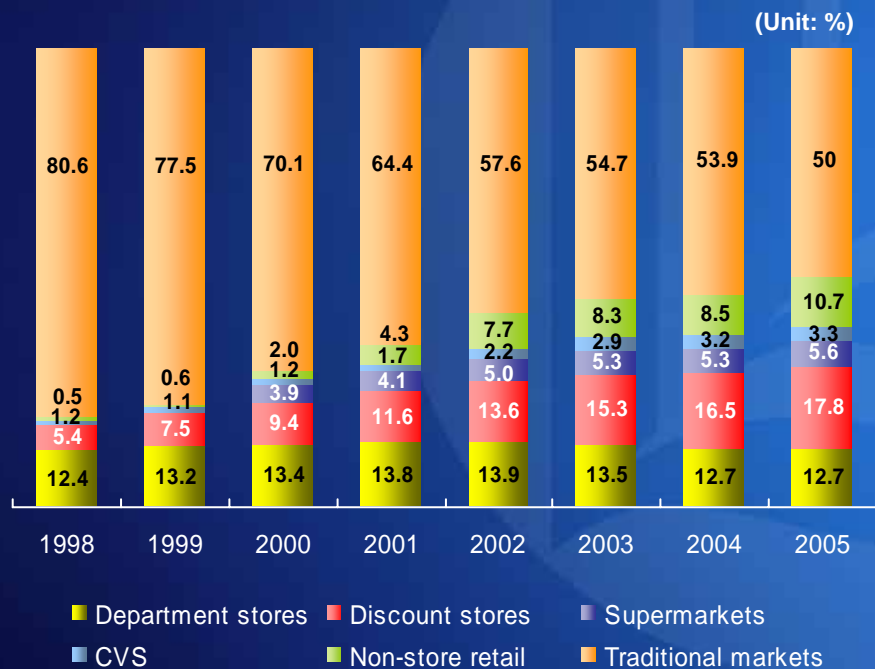
Retail Industry in Korea

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Korean Retail Industry Breakdown

Retail Market Size (W tn)

92 101 112 118 128 127 130 135



➤ The Korean retail industry has grown at CAGR of 5.6% during 1998-2005, recording a total of W135 tn in sales in 2005.

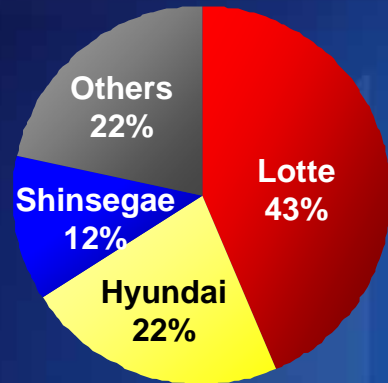
➤ Of total retail industry sales in 2005, department store accounted for 13% and discount store contribution increased to 18%

* Source : Korean National Statistics Office, Retail Magazine, Lotte Shopping data & research

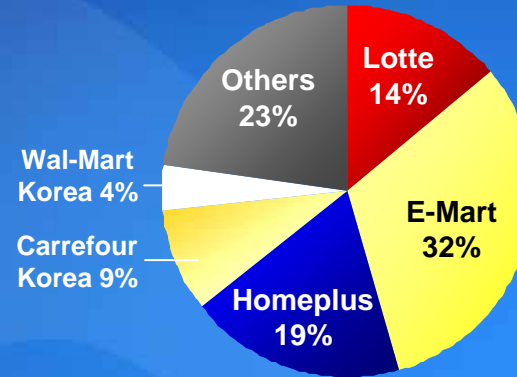
Position of Lotte Shopping in Retail Market

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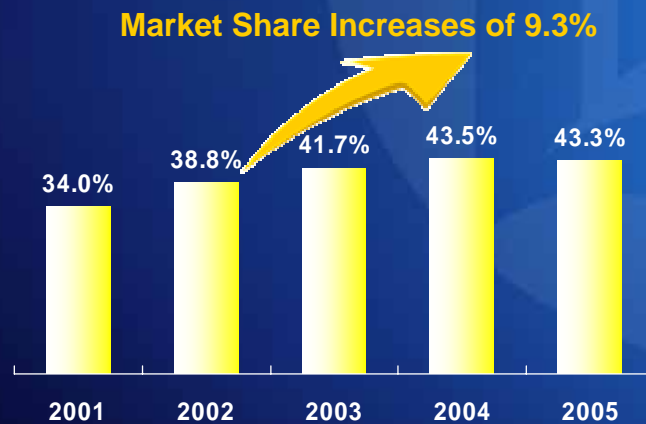
Market share of Department Store (2005)



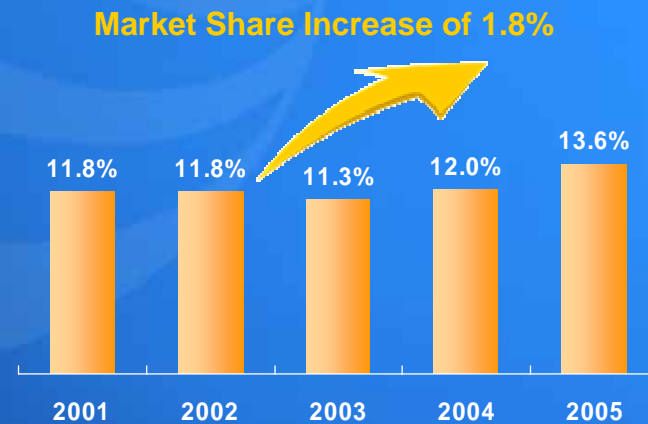
Market share of Discount Store (2005)



Market Share of Lotte Department Store



Market Share of Lotte Mart



* Source: Lotte Shopping data & research

Position of Lotte Shopping in Retail Market

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Gross Sales*

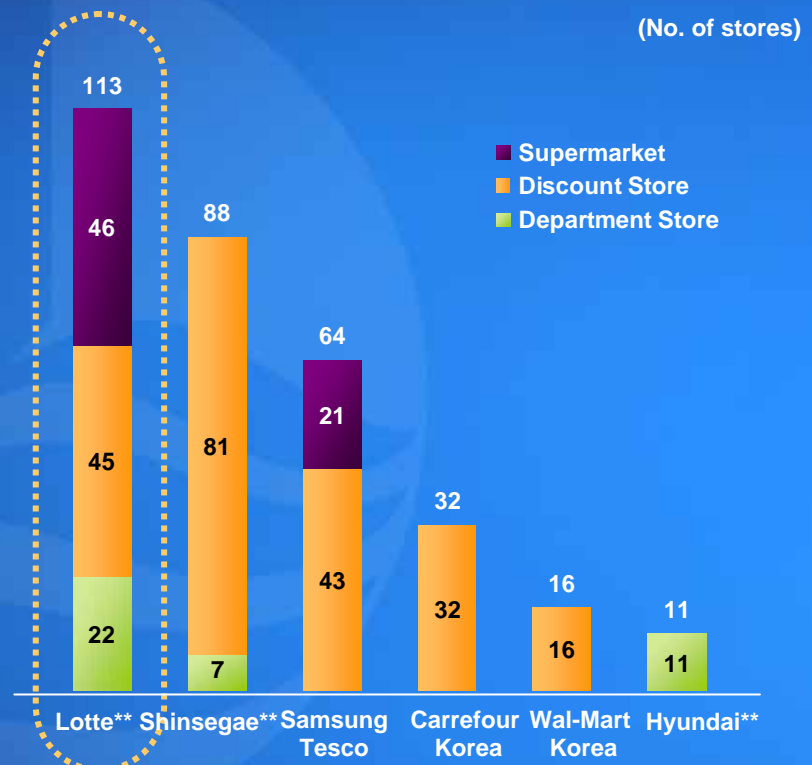


* As of December 31, 2005

** Includes franchised stores

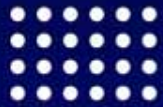
*** Includes both sales of discount stores and supermarket

Number of Stores*



* As of June 30, 2006

** Includes franchised stores



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Business Divisions

- **Department Store**
Operating Results / Merchandising /
New Store Opening Plan
- **Discount Store**
Operating results / Merchandising /
Land banks / new openings
- **Lotte Card**
- **Other Businesses**

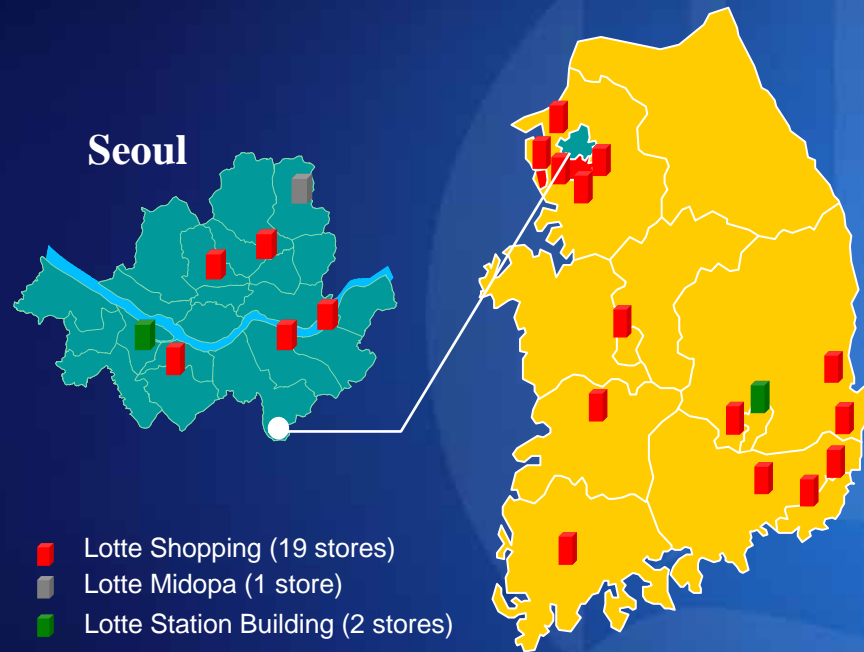


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Department Store - Overview

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Department Store Operating Network*

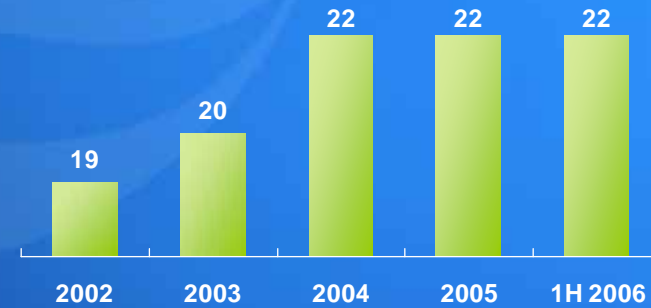


* Includes 3 franchised stores as of June 30, 2006
 ** Numbers have not been reviewed by independent accountants and may change after the review

Gross Sales



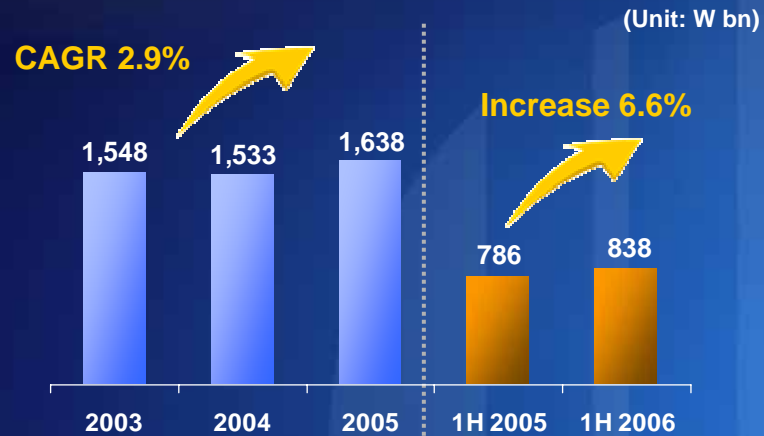
Number of Stores*



Department Store - Operating Results

INVESTOR RELATIONS 2006

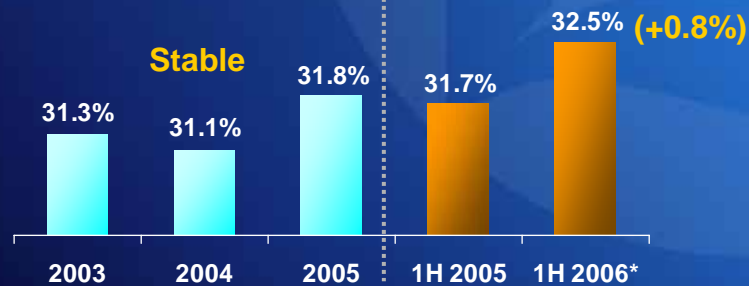
Gross Profit



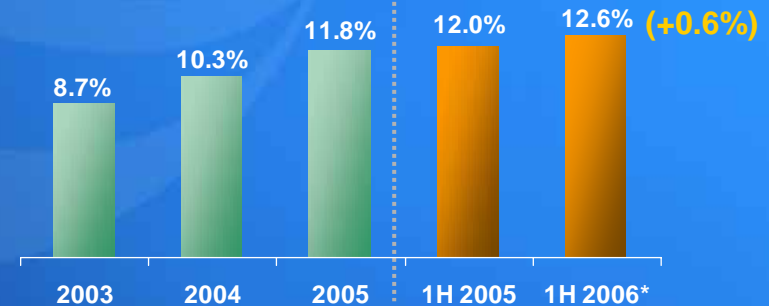
Operating Profit



Gross Profit Margin



Operating Profit Margin

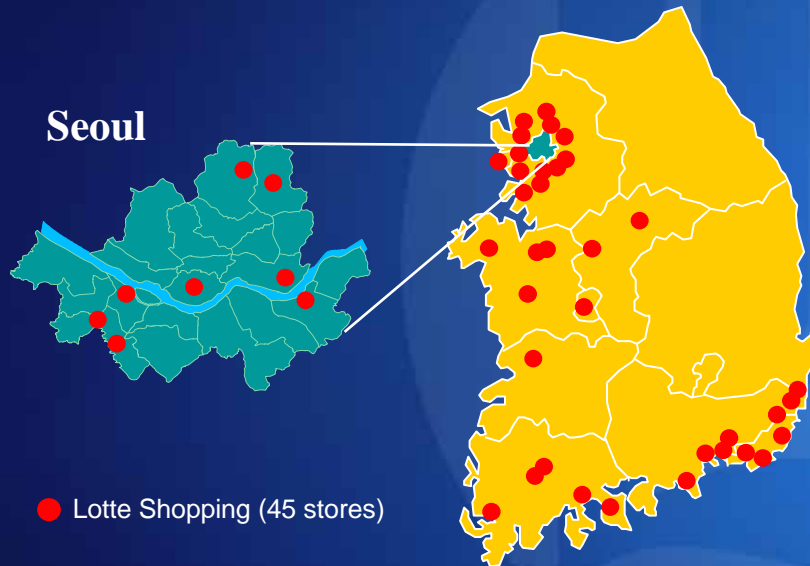


* Numbers have not been reviewed and may change after the review

Discount Store - Overview

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Discount Store Operating Network*

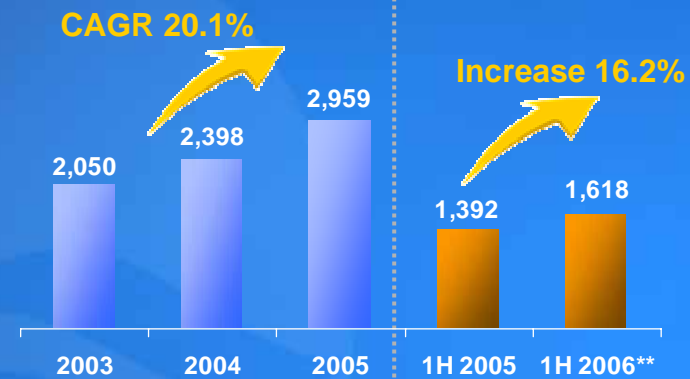


* As of June 30, 2006

** Numbers have not been reviewed by independent accountants and may change after the review

Gross Sales**

(Unit: W bn)



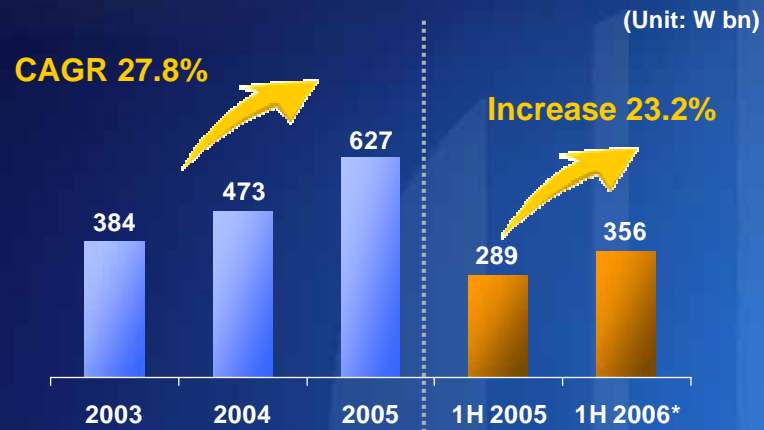
Number of Stores



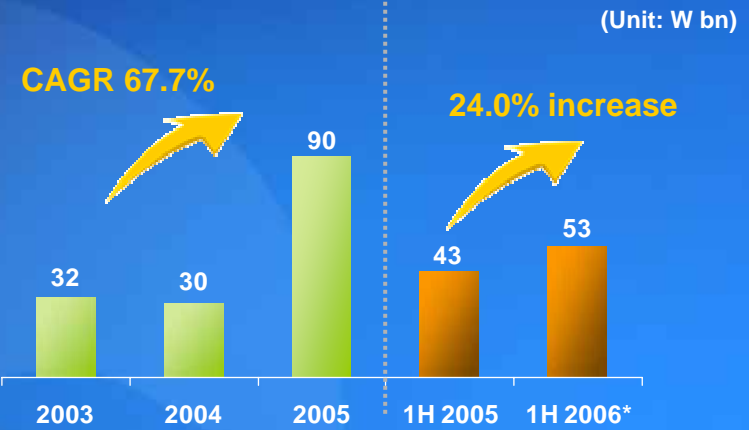
Discount Store - Operating Results

INVESTOR RELATIONS 2006

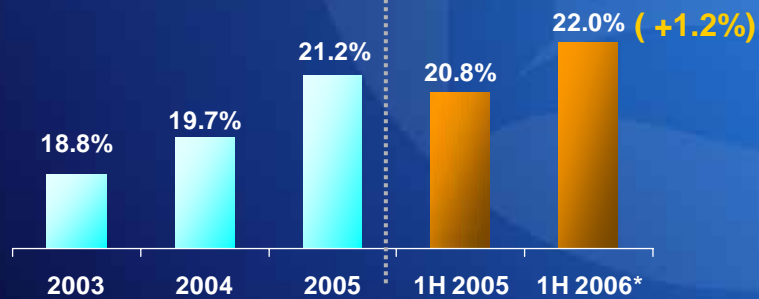
Gross Profit



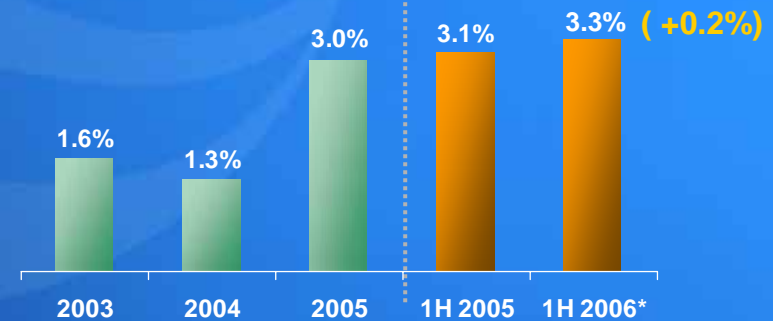
Operating Profit



Gross Profit Margin



Operating Profit Margin



* Numbers have not been reviewed by independent accountants and may change after the review

Discount Store - New openings

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Jinjang Store (Ulsan)



- Open date : '06. 05. 11
- Selling area : 4,833 pyung
(16,000 m²)
- Parking area : 1,250 units

Sasang Store (Busan)



- Open date : '06. 05. 19
- Selling area : 4,260 pyung
(14,100 m²)
- Parking area : 787 units

Yeosu Store (Yeosu)



- Open date : '06. 05. 25
- Selling area : 4,050 pyung
(13,400 m²)
- Parking area : 727 units

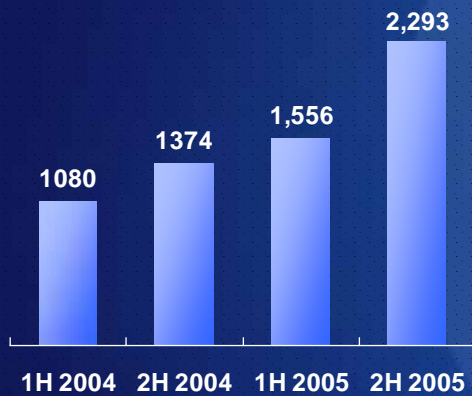
* Source : Lotte Shopping

Lotte Card

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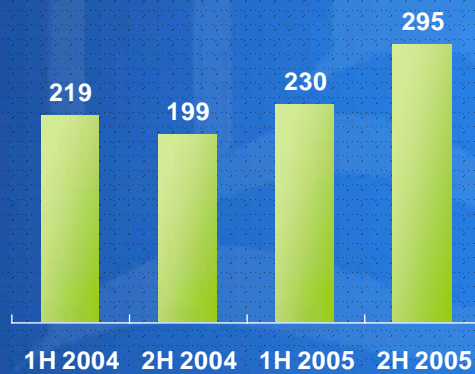
Card Assets

(Unit: W bn)



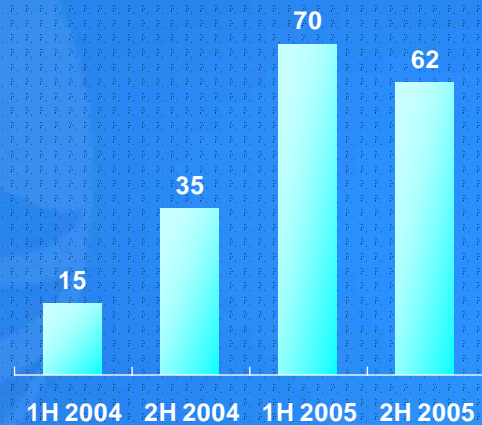
Operating Revenue

(Unit: W bn)



Net Income

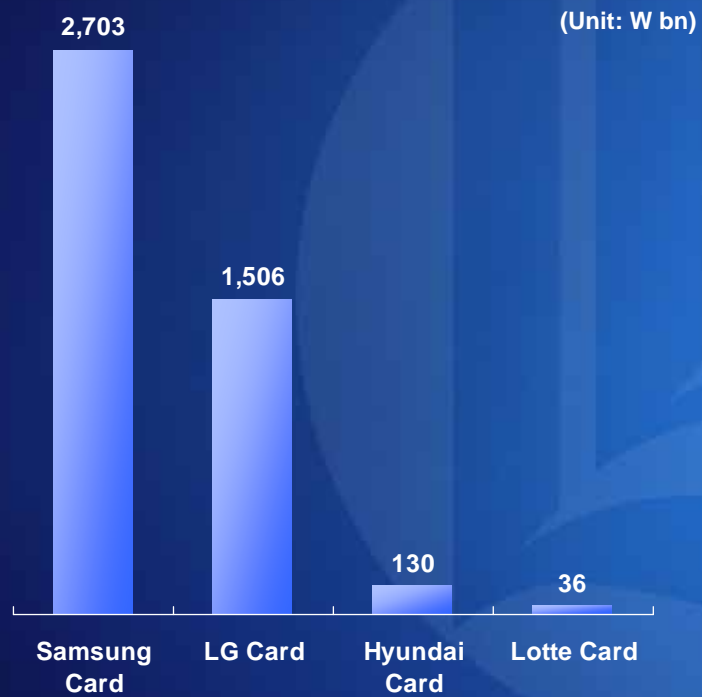
(Unit: W bn)



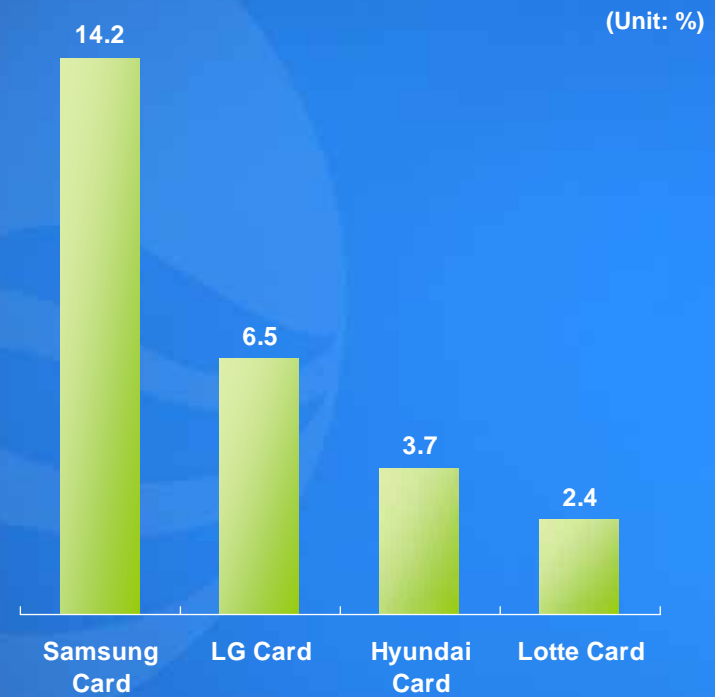
Lotte Card

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Restructured Loans



Delinquency Ratio (+1 month)

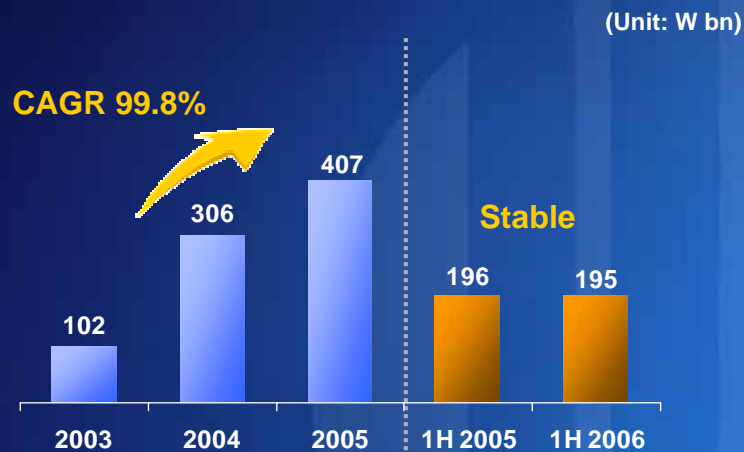


* Source : Lotte Shopping data & research

Other Businesses

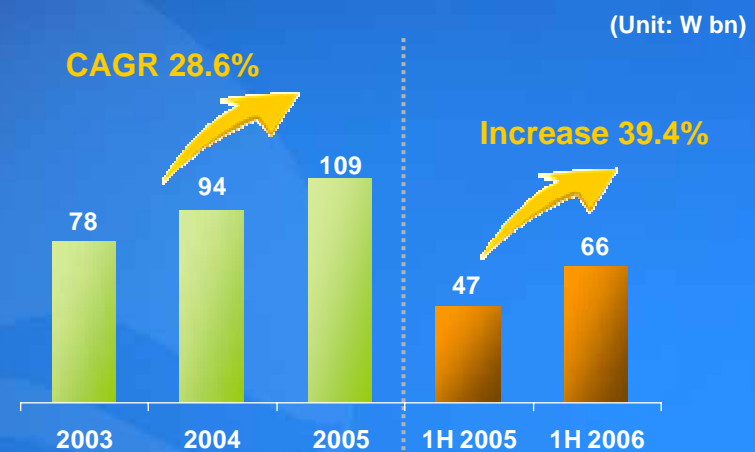
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Supermarket - Gross Sales

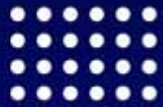


- Plan to open 11 stores in 2006
- Expanded the combined procurement with Lotte Mart up to 30% in 1H 2006
- Achieved the break even point in operating profit in May 2006

Cinema - Gross Sales



- Opened 8 multiplexes with 63 screens and will open 8 multiplexes more in 2H 2006
- Creating synergy with Lotte's retail businesses
 - Combined expansion with Lotte's retail businesses (13 multiplexes out of 30)



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Strategies

- **Store Openings**
- **New Growth Opportunities**
- **Distribution Centers**
- **Capex Plan**
- **Private Brands & Overseas Sourcing**
- **Marketing Strategy**



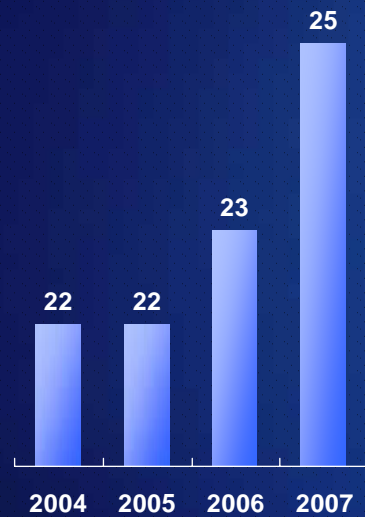
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Store Openings

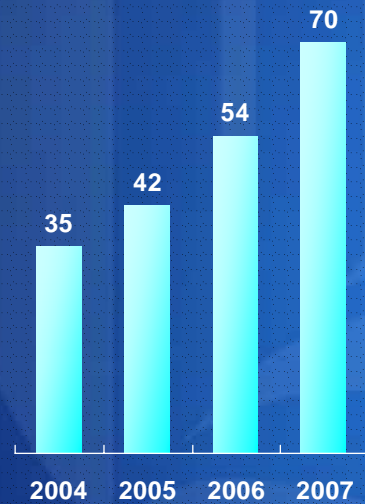
INVESTOR RELATIONS 2006

(Unit: No. of stores)

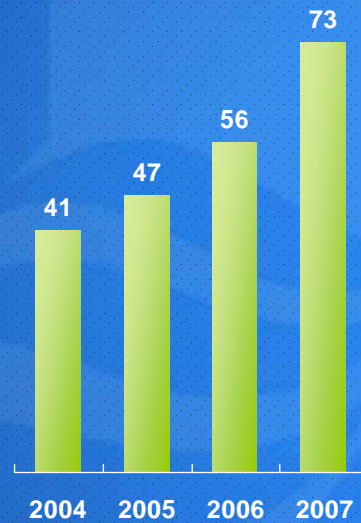
Department store*



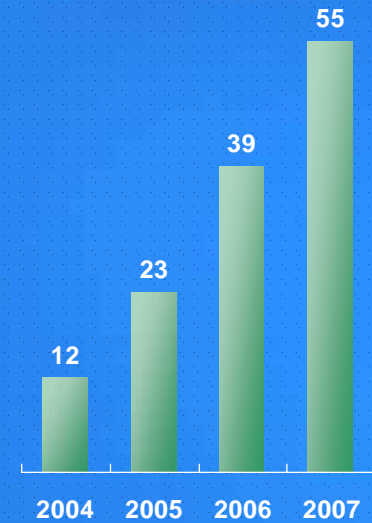
Discount Store



Supermarket



Cinema



* '07 includes one overseas branch (Moscow)
Includes franchised stores

New Growth Opportunities

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Young Plaza

- Currently operates one Young Plaza (fashion specialty store) in Seoul
- Plans to open second Young Plaza in Cheongju in 2007
- Plans to further expand Young Plaza nationwide

Shopping mall

- In June 2006, made an agreement with Korea Airport Corporation to develop a shopping mall (Sky Park) in Kimpo international airport
Sky Park consists of shopping mall, department store, hotel, theme park, multiplex cinema, etc.
- Plans to continue to seek for new shopping mall openings

Overseas expansion

- **Russia**
 - Plans to open Lotte's first overseas department store in early 2007
 - Plans to further expand in Moscow
- **China**

Currently negotiating terms and conditions with a local partner to open department stores
- **Vietnam**

In the process of entering into a venture agreement with a local partner to open discount stores

* Source : Lotte Shopping

New Distribution Centers

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Osan Distribution center



- Total Center Area : 22,600 pyung (74,700m²)
 - Dry Center : 15,300 pyung (50,600m²)
 - Wet Center : 6,500 pyung (21,500m²)
- Osan Distribution Center covers 80 discount stores

Gimhae Distribution center



- Total Center Area : 6,500 pyung (21,500m²)
 - Dry Center : 4,200 pyung (13,900 m²)
 - Wet Center : 2,300 pyung (7,600 m²)
- Gimhae Distribution Center covers 35 discount stores

➤ Aims to increase the through-put ratio from 45% in 2005 to 80% in 2008

* Source : Lotte Shopping

Capex Plan

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(Unit : W bn)

	2005 Actual	2006 estimates	2007 estimates
Department Stores	164	253	305
Discount Stores	439	1,059	871
Supermarkets	55	82	98
Cinema & others businesses	30	110	126
Total	689	1,504	1,399

* Source : Lotte Shopping

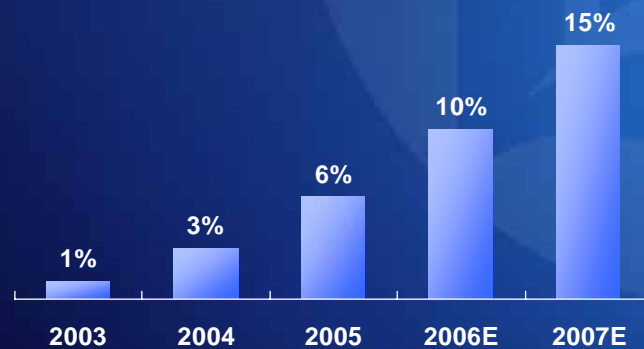
Private Brands & Overseas Sourcing

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Private Brands

- Private brands
 - Wiselect, Wiselect prime, Basic Icon, Withone, Happy Buy, Fresh from Lotte
 - Wiselect prime launched in April 2006 as a premium brand
- Plans to continue to increase the sales portion of private brands for LotteMart

Sales portion of private brands for LotteMart



Overseas Sourcing

- Two purchasing offices in China under operation
 - Further expand the number of purchasing offices in China
- Plans to diversify the origin of overseas purchasing into other Asian countries

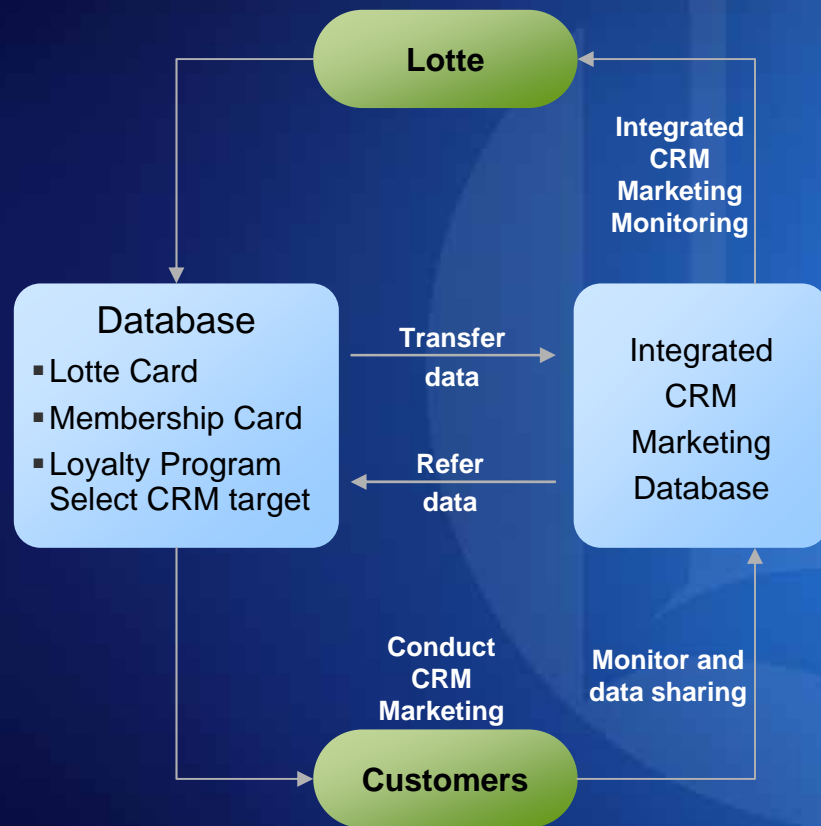
Sales portion of overseas sourcing for LotteMart



Marketing Strategy

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CRM Based Target Marketing



Integrated membership Program

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

	Participating affiliates	Start date
Stage1	Department store	Nov. 2005
Stage2	Department store, Lotte Mart, Lotte Super, Lotte.com, Lotte Card	Mar. 2006
Stage3	Department store, Lotte Mart, Lotte Super, Lotte.com, Lotte Card, Lotteria, TGIF, Lotte Cinema, KKD, Naturr, Duty Free Shop, Lotte World, Hotel Lotte, Lotte Industry (Golf Course)	Jul. 2006

Thank you !

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