



# Lotte Shopping Co., Ltd.

2Q 2007 Earnings Result

July 25, 2007



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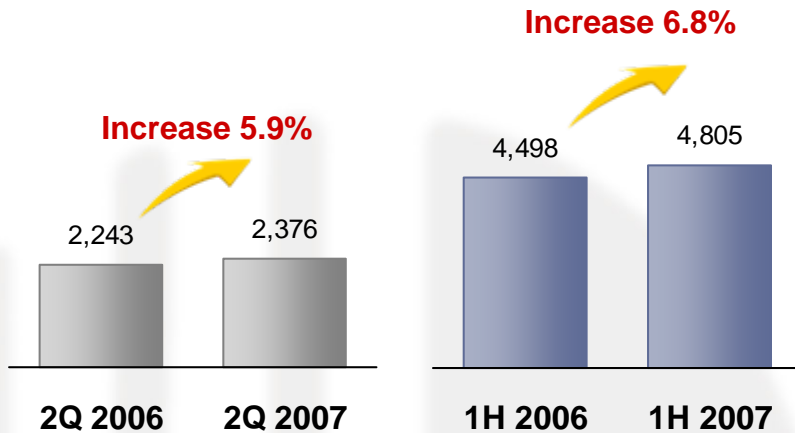
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# 2Q 2007 Earnings Result

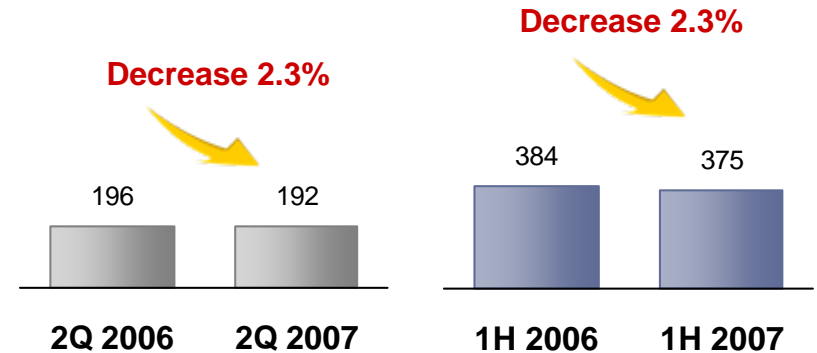
INVESTOR RELATIONS

(Unit: W bn)

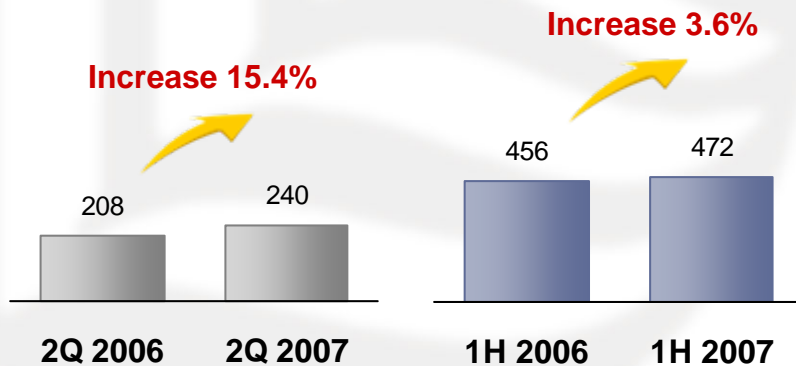
## Gross Sales



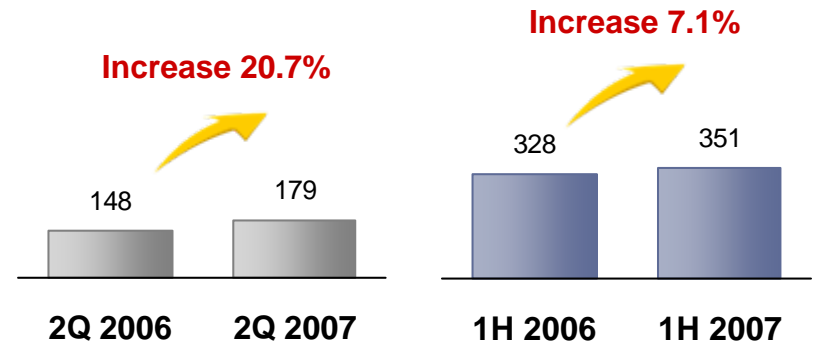
## Operating Profit



## Ordinary Profit



## Net Income

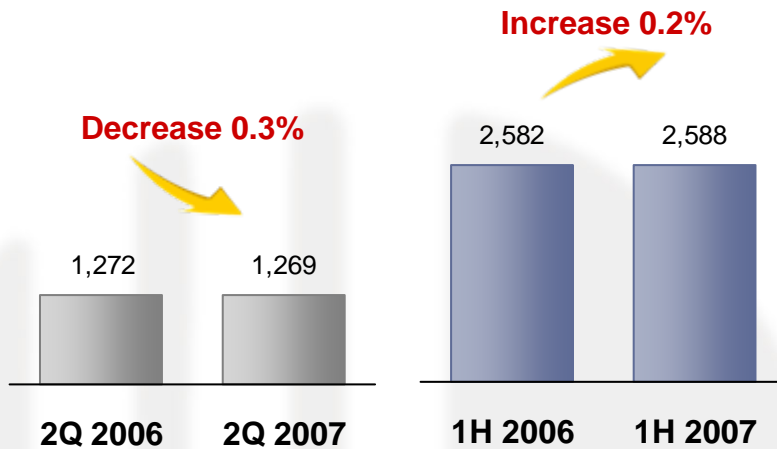


# Business Division - Department Store

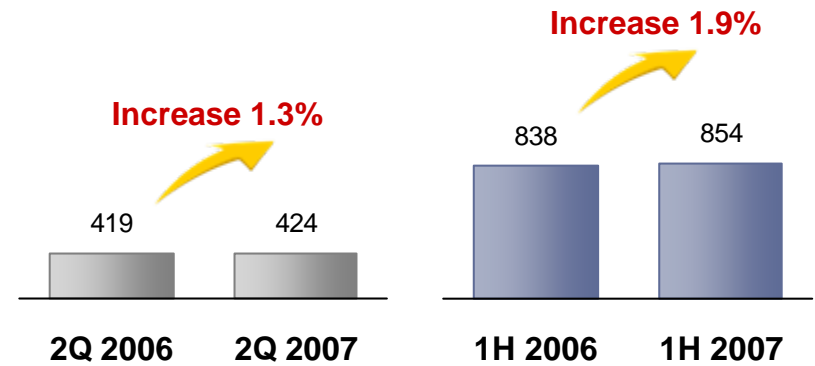
INVESTOR RELATIONS

(Unit: W bn)

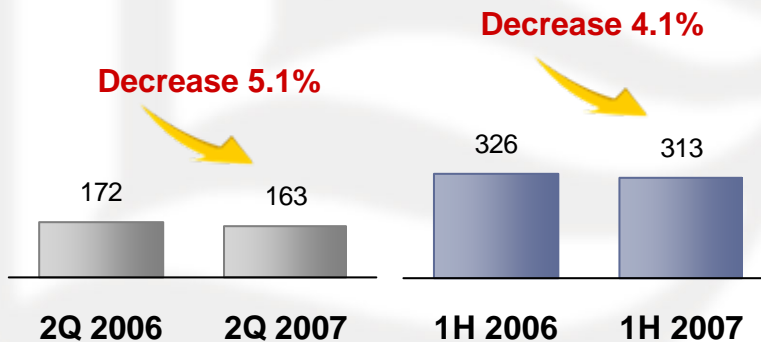
## Gross Sales



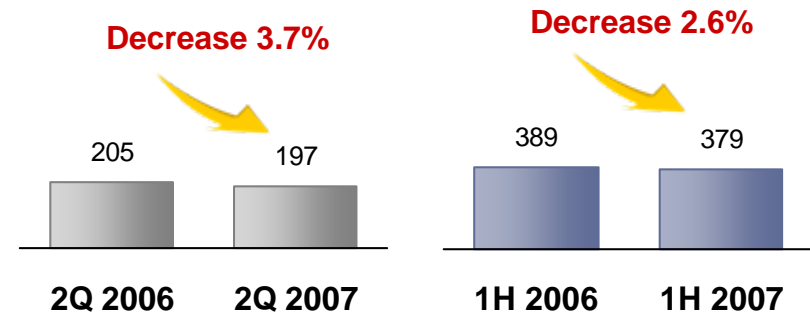
## Gross Profit



## Operating Profit



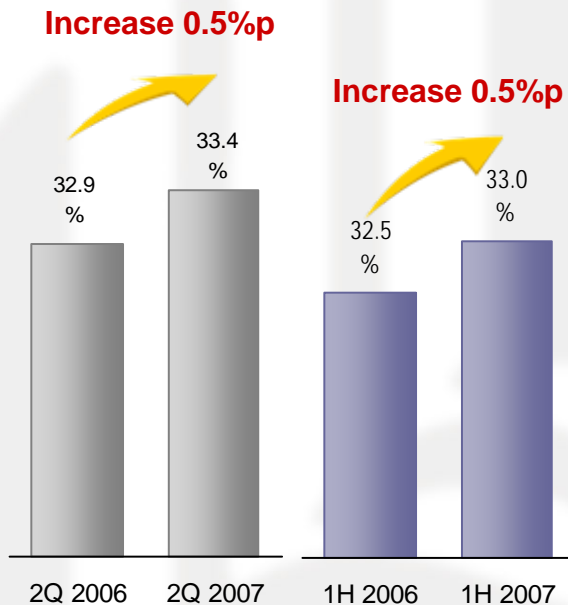
## EBITDA



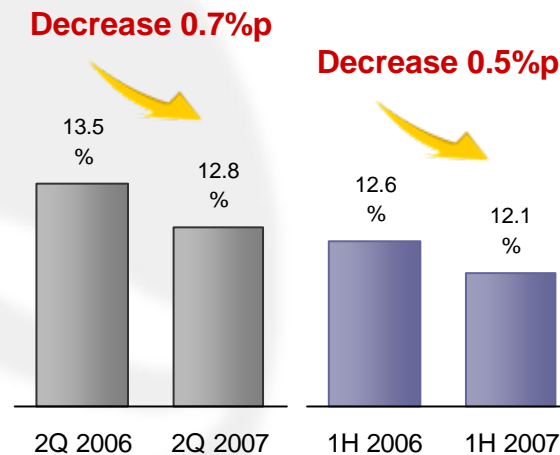
# Business Division - Department Store

INVESTOR RELATIONS

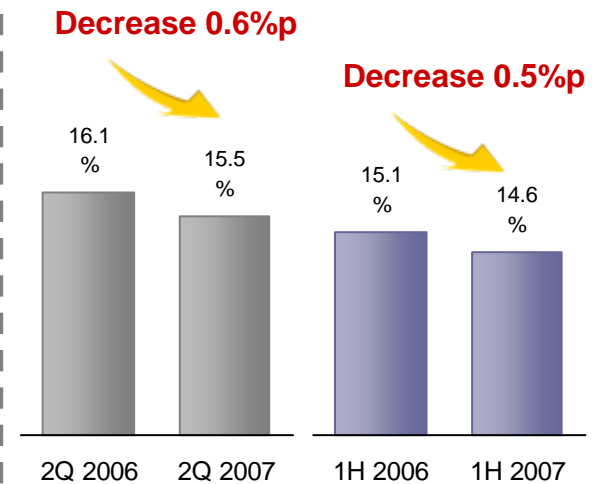
## Gross Profit Margin



## Operating Profit Margin



## EBITDA Margin

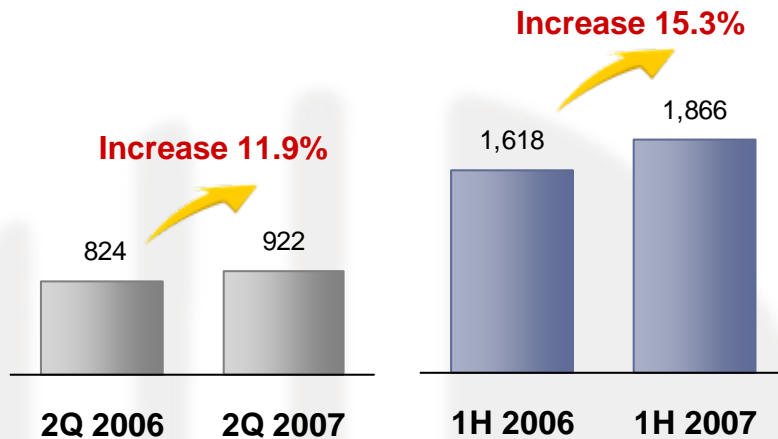


# Business Division - Discount Store

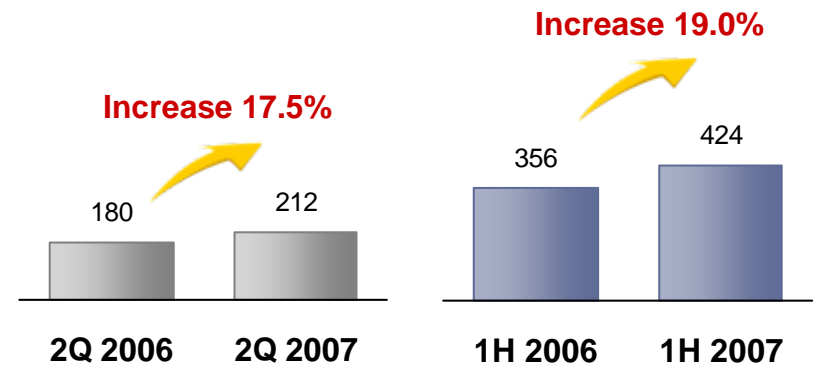
INVESTOR RELATIONS

(Unit: W bn)

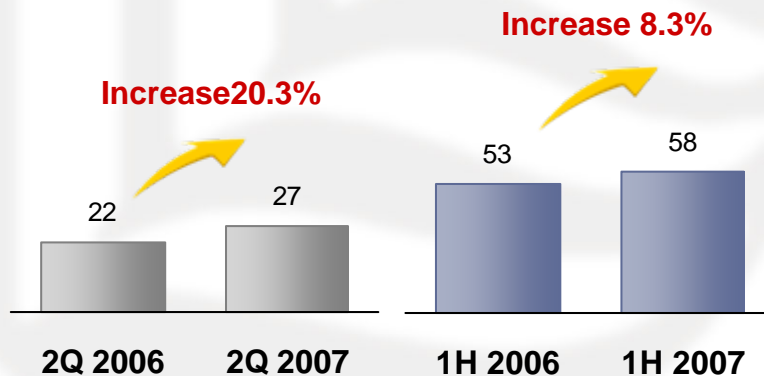
## Gross Sales



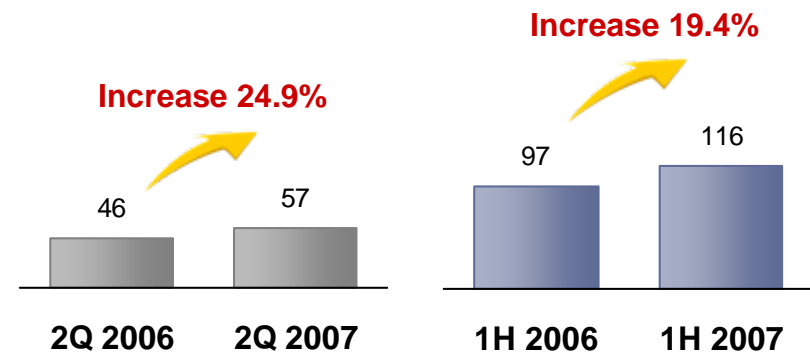
## Gross Profit



## Operating Profit



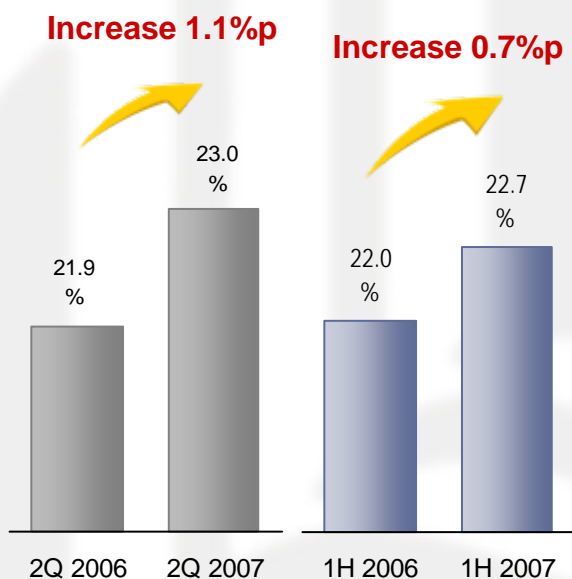
## EBITDA



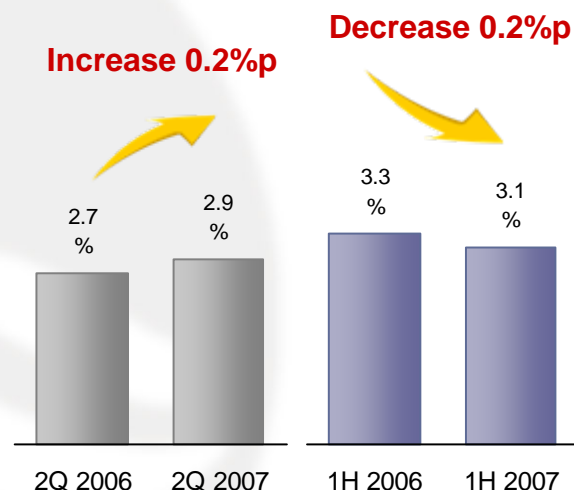
# Business Division – Discount Store

## INVESTOR RELATIONS

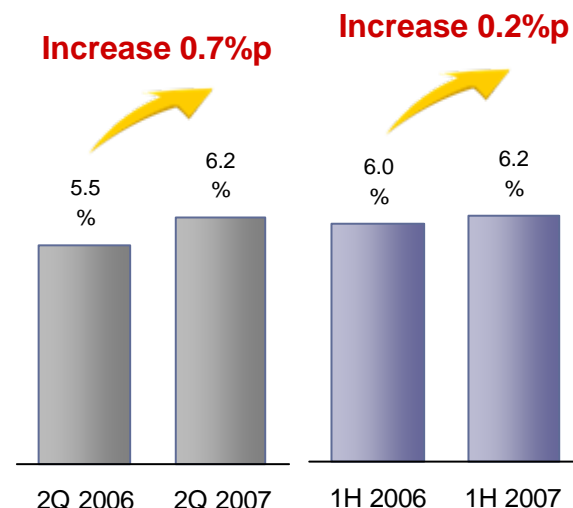
### Gross Profit Margin



### Operating Profit Margin



### EBITDA Margin



# 2Q 2007 Issues - Department store

## INVESTOR RELATIONS

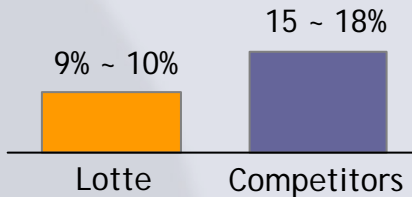
### 2007 Store Expansion

- Centum City Department store
  - Location : Busan
  - Date : December, 2007
  - Selling Space : 30,000m<sup>2</sup>
  - Investment : Appx. 160 bil.won
  
- Daegu Young Plaza
  - Location : Daegu
  - Date : August, 2007
  - Selling Space : 6,300m<sup>2</sup>
  - Investment : Appx. 14 bil. won

### Merchandising Strategies

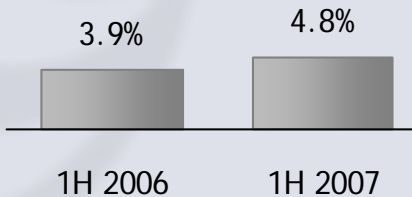
- Reinforce Food Section to drive customer traffic

\* Sales proportion of food section to total sales of department stores



- Further up-scale store merchandising mix

\* Sales proportion of luxury goods to total sales of department stores



### Marketing Strategies

- Focus on VIP marketing

\* Sales contribution of top 10% customers of department store

	Accumulated sales contribution
Top 1%	16%
Top 5%	37%
Top 10%	52%

- Continued marketing cost savings

\* Proportion of Marketing expenses to gross sales

2004	2005	2006	2007E
6.6%	5.7%	5.3%	5.0%

# 2Q 2007 Issues - Discount Store

## INVESTOR RELATIONS

### *Revised down LotteMart's Expansion plan*

- We have revised down 2007 LotteMart's expansion plan from 10 stores to 7 stores due to the agreement among discount players in Korea to slow down store expansion plan in 2007.
- We maintain long-term expansion plan to operate more than 100 stores by 2011.

### *Distribution Center to open in October*

- Osan Distribution Center will open in October. After two months test period, it will be fully operating from January in 2008.
- This single distribution center will contribute to GP margin increase up to 1 percentage point when fully operated.

### *Continued efforts to improve efficiency*

- We have commenced internal evaluation programs and training programs to improve efficiency.
- We have hired outside consultants to improve efficiency.

# 2Q 2007 Issues - Other businesses

## INVESTOR RELATIONS

### *Lotte Super*

- **Completed BigMart Acquisition**

We have completed the acquisition process for BigMart supermarket chain on the fourth day of May.

- **Continued Aggressive Expansion**

- 80 LotteSuper to be operating by end of 2007
- Develop Smaller sized stores(average size of 500m<sup>2</sup>)

### *Lotte Homeshopping*

- **Changed Homeshopping Channel Brand Name, *"Lotte Homeshopping"***

We have re-branded our Homeshopping Business with Lotte Home Shopping on the first day of May, 2007.

Since the re-branding, Lotte Homeshopping has been recording sound top-line growth due to the strong brand power of LOTTE.

### *Lotte Card*

- **Recorded sound growth in total transaction volume**

Lotte Card is expected to show more than 20% growth in total transaction volume for 1H 2007

- **Delinquency ratio further improved**

Lotte Card enjoys the industry's best asset quality with lowered delinquency ratio(+1 month) of 1.9% at the end of June 2007 from 2.1% at the end of 2006

# Summary

(Unit: W bn)

## Lotte Shopping

	2006 2Q	2007 2Q	2006 1H	2007 1H
Gross sales	2,243	2,376	4,498	4,805
Gross profit	646	696	1,288	1,393
Operating profit	196	192	384	375
EBITDA	260	265	504	515
Ordinary profit	208	240	456	472
Net profit	148	179	328	351

## Department Store

	2006 2Q	2007 2Q	2006 1H	2007 1H
Gross sales	1,272	1,269	2,582	2,588
Gross profit	419	424	838	854
Operating profit	172	163	326	313
EBITDA	205	197	389	379
Ordinary profit	-	-	-	-
Net profit	-	-	-	-

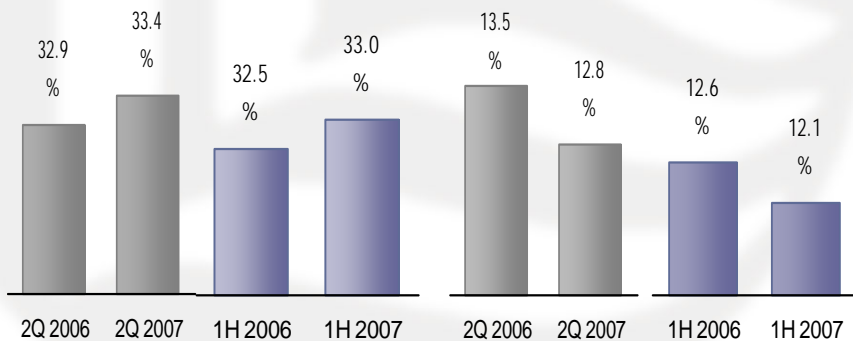
## Discount Store

	2006 2Q	2007 2Q	2006 1H	2007 1H
Gross sales	824	922	1,618	1,866
Gross profit	180	212	356	424
Operating profit	22	27	53	58
EBITDA	46	57	97	116
Ordinary profit	-	-	-	-
Net profit	-	-	-	-

## Department Store

### Gross Profit Margin

### Operating Profit Margin



## Discount Store

### Gross Profit Margin

### Operating Profit Margin

