



2018 Third Quarter Results

November, 2018

LOTTE SHOPPING CO., LTD.
INVESTOR RELATIONS



The financial information in this document are consolidated earnings results based on K-IFRS. The previous earnings results have also been stated in compliance with K-IFRS.

This release includes preliminary figures that are still undergoing independent auditor review. The actual results may differ from those included in this release due to a variety of factors. Lotte Shopping Company undertakes no obligation to update or revise the preliminary information provided in this release.

Highlights (FY2018 3rd Quarter)



- **3Q18 Revenue 4.7 trillion KRW (+2.5% YoY)**
 - Domestic : Dept. Stores indicated solid SSSG (Same Store Sales Growth) led by major stores sales improvement
 - Hypermarkets performed moderate SSSG induced by favorable sales growth from Fresh Food and Meal Solution categories
 - SSSG: Dept. Stores +3.8% / Hypermarkets +1.6%
 - Overseas : Strong SSSG trend continued in South-East Asia Dept. Stores & Hypermarkets
 - However, Dept. Stores performed weak SSSG in China
 - SSSG: Dept. Stores -0.3% [China -3.9%, Indonesia +8.7%, Vietnam +5.3%]
Hypermarkets +8.4% [Indonesia +5.7% (Wholesale +8.5%, Retail -3.8%), Vietnam +17.6%]
- **3Q18 Operating Profit 199 billion KRW (+15.3% YoY)**
 - Domestic : Dept. Stores – Operating Profit increased (+36.1%) driven by SSSG improvement and efficient SG&A management
 - Hypermarkets – Operating Profit increased (+54.5%) via moderate sales growth and decreased SG&A
 - Overseas : Dept. Stores – Operating Loss improvement in China through strict SG&A management
 - Operating Loss improvement in South-East Asia operations via strong SSSG trend
 - Hypermarkets – Operating Profit decreased in Indonesia due to royalty fee payment to Hypermarket HQ
 - Further profitability improvement continued in Vietnam through solid SSSG trend
- **3Q18 Net Profit 208 billion KRW**
 - Net Profit attributable to controlling interest : 182 bn KRW
 - Net Profit attributable to the non-controlling interest : 26 bn KRW
 - ※ Profit & Loss from China Hypermarket is classified as discontinued operations due to completion of sales and store closures in Sept, 2018

- 1. Consolidated Financial Results**
- 2. Consolidated Financial Results by Divisions**
- 3. Non-Operating Profit**
- 4. Equity Method Gain & Loss (Major Companies)**

1. Consolidated Financial Results



(Unit: billion KRW)

	3Q 2017	3Q 2018	YoY	1Q-3Q 2017	1Q-3Q 2018	YoY
Revenue	4,563	4,675	2.5%	13,165	13,422	2.0%
(Gross Sales)	6,037	6,143	1.7%	17,770	17,949	1.0%
Operating Profit	173	199	15.3%	467	507	8.4%
EBITDA	354	366	3.4%	1,014	1,007	-0.7%
Profit Before Tax	-368	160	-	-91	354	-
Continuing Operations (Profit & Loss)	-323	102	-	-152	205	-
Discontinued Operations* (Profit & Loss)	-210	106	-	-264	-221	-
Net Profit	-533	208	-	-416	-16	-

* Profit & Loss of China Hypermarket is included due to completion of sales and store closures

※ Gross Sales = Net Sales + Cost of Goods (Cost of Goods were included in revenue regarding certain product categories)

※ Number of consolidated affiliates: 44

2. Consolidated Financial Results by Divisions

(Unit: billion KRW)

	3Q 2017		3Q 2018		YoY	1Q-3Q 2017		1Q-3Q 2018		YoY
Revenue	4,563	(100.0%)	4,675	(100.0%)	2.5%	13,165	(100.0%)	13,422	(100.0%)	2.0%
Department Stores	718	(15.7%)	746	(16.0%)	3.9%	2,277	(17.3%)	2,338	(17.4%)	2.7%
Hypermarkets	1,647	(36.1%)	1,707	(36.5%)	3.7%	4,778	(36.3%)	4,819	(35.9%)	0.8%
Electronics	1,180	(25.9%)	1,113	(23.8%)	-5.7%	3,137	(23.8%)	3,152	(23.5%)	0.5%
Supermarkets	537	(11.8%)	521	(11.1%)	-3.0%	1,579	(12.0%)	1,514	(11.3%)	-4.1%
Others*	481	(10.5%)	587	(12.6%)	22.1%	1,394	(10.6%)	1,599	(11.9%)	14.7%
Gross Sales	6,037	(100.0%)	6,143	(100.0%)	1.7%	17,770	(100.0%)	17,949	(100.0%)	1.0%
Department Stores	1,898	(31.4%)	1,974	(32.1%)	4.0%	5,977	(33.6%)	6,087	(33.9%)	1.8%
Hypermarkets	1,899	(31.5%)	1,905	(31.0%)	0.3%	5,552	(31.2%)	5,466	(30.5%)	-1.5%
Electronics	1,180	(19.5%)	1,113	(18.1%)	-5.7%	3,137	(17.7%)	3,152	(17.6%)	0.5%
Supermarkets	570	(9.4%)	554	(9.0%)	-2.8%	1,676	(9.4%)	1,608	(9.0%)	-4.1%
Others*	491	(8.1%)	598	(9.7%)	21.8%	1,430	(8.0%)	1,636	(9.1%)	14.4%
Operating Profit	173	3.8%	199	4.3%	15.3%	467	3.5%	507	3.8%	8.4%
Department Stores	57	7.9%	89	11.9%	57.4%	211	9.2%	289	12.4%	37.3%
Hypermarkets	23	1.4%	32	1.9%	41.6%	23	0.5%	17	0.3%	-28.8%
Electronics	81	6.9%	65	5.8%	-20.0%	179	5.7%	173	5.5%	-3.1%
Supermarkets	-2	-	-16	-	-	2	0.2%	-40	-	-
Others*	14	3.0%	29	5.0%	104.3%	53	3.8%	68	4.2%	28.7%

* Includes consolidated adjustments

① Department Store - 1

(Unit: billion KRW)

	3Q 2017		3Q 2018		YoY	1Q-3Q 2017		1Q-3Q 2018		YoY
Revenue	718	(100.0%)	746	(100.0%)	3.9%	2,277	(100.0%)	2,338	(100.0%)	2.7%
Domestic	690	(96.1%)	719	(96.3%)	4.2%	2,190	(96.2%)	2,253	(96.4%)	2.9%
Overseas	28	(3.9%)	27	(3.7%)	-3.0%	87	(3.8%)	84	(3.6%)	-2.9%
China	19	(2.6%)	18	(2.4%)	-4.1%	58	(2.5%)	56	(2.4%)	-3.5%
Indonesia	6	(0.8%)	6	(0.8%)	-2.0%	18	(0.8%)	17	(0.7%)	-2.8%
Vietnam	4	(0.5%)	4	(0.5%)	1.0%	12	(0.5%)	12	(0.5%)	-0.3%
Operating Profit	57	7.9%	89	11.9%	57.4%	211	9.2%	289	12.4%	37.3%
Domestic	77	11.1%	105	14.5%	36.1%	273	12.5%	338	15.0%	24.0%
Overseas	-20	-	-15	-	-	-62	-	-49	-	-
China	-18	-	-14	-	-	-53	-	-45	-	-
Indonesia	-2	-	-1	-	-	-8	-	-3	-	-
Vietnam	-0	-	-1	-	-	-1	-	-1	-	-
EBITDA	137	19.1%	163	21.8%	18.8%	466	20.5%	512	21.9%	9.9%
Domestic	148	21.4%	171	23.8%	15.7%	499	22.8%	538	23.9%	7.8%
Overseas	-11	-	-8	-	-	-33	-	-25	-	-
China	-10	-	-9	-	-	-30	-	-28	-	-
Indonesia	-1	-	-0	-	-	-5	-	-0	-	-
Vietnam	1	21.2%	1	14.7%	-30.4%	3	21.9%	2	20.3%	-7.6%

※ 66 Department Stores (as end of 3Q18): 57 Domestic stores (including 22 outlets), 9 Overseas stores (China 5, Indonesia 1, Vietnam 2, Russia 1)

Domestic Department Store Analysis

- ▶ **Domestic SSSG: +3.8% YoY (3Q) / +2.1% YoY (1Q-3Q)**
 - Global Fashion +12.0%, Home Appliances & Electronics +6.5%, Men's & Sports Wear +4.8%, Food +3.7%, Women's Wear -0.2%, Accessories -1.8%
- ▶ **Operating Profit increased by +36.1% YoY driven by solid SSSG growth and decreased SG&A (-1.5 bn KRW YoY)**
 - Advertising & Promotion Fee -9.2 bn KRW, Depreciation Cost -3.8 bn KRW, Commission Fee -2 bn KRW, Rents +8.3 bn KRW, Labor Cost +7.5 bn KRW (Employee incentive payment provision +10.5 bn KRW), etc.
- ▶ **Key Strategy**
 - Offline store profitability improvement (Innovation store, Business model revision, Asset sales)
 - Expansion of digital based customized marketing (Utilizing integrated App and VIP customer management enhancement)
 - MD enhancement by new and superior contents development and introduction of Lotte exclusive brands

Overseas Department Store Analysis

- ▶ **Overseas SSSG: -0.3% YoY (3Q) / +0.4% YoY (1Q-3Q)**
 - China -3.9%, Indonesia +8.7%, Vietnam +5.3%
- ▶ **Operating Loss improvement**
 - Operating Loss improvement in China through strict SG&A management (-3.7 bn KRW)
 - Operating Loss improvement in Indonesia via SSSG improvement
 - ※ China +3.8 bn KRW, Indonesia +1.2 bn KRW
 - Operating Loss contained at YoY flat level in Vietnam
- ▶ **Key Strategy**
 - Indonesia : Profitability improvement via lease based store expansion
 - Vietnam : Aim to become No.1 store in Hanoi and Ho Chi Minh through MD enhancement

① Department Store - 2

Domestic Department Store : Contents Development Strategy (Product Competitiveness & MD Enhancement)

▶ Lotte exclusive brand development utilizing internal competencies

- Expansion of contents development team and manpower
(New contents development & rising brand openings, Direct sourcing specialized team establishment, active T/F team operations)
- 11 new brands openings in 2018 (Introduced 9 brands as end of 3Q18)
 - ※ Lotte exclusive brands : 35 brands in 2017 (154 stores) → 46 brands in 2018 (202 stores)

1. Expansion of new and superior contents stores

- New contents development that enables customers to experience new lifestyle

Slow Oven [Jamsil, May, 2018 / Main store, Aug 2018]	Lotte Monster VR [Star City, Aug, 2018]	Young Heart Books [Jamsil, Apr, 2018]	The Little Princess Garden [Bundang, Aug, 2018]
			
<ul style="list-style-type: none"> ▶ Organic bakery shop - Master Chef designated shop 	<ul style="list-style-type: none"> ▶ VR experience theme park - About 60 VR contents 	<ul style="list-style-type: none"> ▶ Child specialized book store - Complex cultural space for kids 	<ul style="list-style-type: none"> ▶ Café-type gardening store - Planterior specialized shop

※ Planterior : a combination word of plant and interior

▶ MD differentiation through exclusive global brand offerings

- Popular global living brand introduction via signing exclusive distribution contract in Korea

▶ New customers attraction & business expansion through strategic alliances with superior companies

- New customers attraction and business expansion into new business segment via review of M&A or equity investment with promising companies with high growth potentials

② Hypermarket - 1

	3Q 2017		3Q 2018		YoY	1Q-3Q 2017		1Q-3Q 2018		YoY
		(%)		(%)	(%)		(%)		(%)	(%)
Revenue	1,647	(100.0%)	1,707	(100.0%)	3.7%	4,778	(100.0%)	4,819	(100.0%)	0.8%
Domestic	1,315	(79.9%)	1,375	(80.5%)	4.5%	3,723	(77.9%)	3,798	(78.8%)	2.0%
Overseas	332	(20.1%)	333	(19.5%)	0.3%	1,055	(22.1%)	1,021	(21.2%)	-3.2%
Indonesia	265	(16.1%)	259	(15.1%)	-2.6%	855	(17.9%)	809	(16.8%)	-5.4%
Vietnam	66	(4.0%)	74	(4.3%)	11.6%	200	(4.2%)	212	(4.4%)	6.1%
Operating Profit	23	1.4%	32	1.9%	41.6%	23	0.5%	17	0.3%	-28.8%
Domestic	15	1.2%	23	1.7%	54.5%	2	0.0%	-8	-	-
Overseas	7	2.2%	8	2.5%	14.6%	22	2.0%	25	2.4%	14.9%
Indonesia	3	1.3%	3	1.1%	-12.8%	14	1.6%	12	1.5%	-11.8%
Vietnam	4	7.4%	5	7.4%	38.1%	8	4.0%	13	6.0%	61.0%
EBITDA	75	4.6%	80	4.7%	6.7%	175	3.7%	160	3.3%	-8.6%
Domestic	61	4.6%	65	4.7%	7.5%	131	3.5%	115	3.0%	-12.2%
Overseas	14	4.4%	15	4.5%	3.6%	44	4.1%	45	4.4%	2.2%
Indonesia	8	2.9%	7	2.6%	-11.4%	27	3.2%	24	2.9%	-12.8%
Vietnam	7	10.2%	8	11.0%	20.5%	16	8.2%	21	9.8%	27.1%

※ 182 Stores (as end of 3Q18): 123 Domestic stores, 59 Overseas stores (Indonesia 46, Vietnam 13)

Domestic Hypermarket Analysis

- ▶ **Domestic SSSG: +1.6% YoY (3Q) / -1.1% YoY (1Q-3Q)**
 - Fresh Food +7.1%, Meal Solution(HMR) +7.0%, Processed Food +5.6%, Home Furnishing -1.7%, Personal Care (Health Supplements) -2.5%, Hobby -1.9%, Fashion & Accessories -7.9%
 - Sales improvement of 'Fresh Food Quality Innovation Center' (Operating ratio : APC 63.5%, +25.1%p increase from the end of 2Q18)
 - ※ APC : Agricultural Products Processing Center
 - Increased sales from PB and direct sourcing products (PB +64.3% YoY, Direct sourcing products +46.4% YoY)
- ▶ **Operating profit increased via moderate SSSG trend and efficient SG&A management (-4.1 bn KRW)**
 - Inefficient cost reduction through introduction of integrated control system

Overseas Hypermarket Analysis

- ▶ **Overseas SSSG: +8.4% YoY (3Q) / +6.5% YoY (1Q-3Q)**
 - Indonesia +5.7% (Wholesale +8.5%, Retail -3.8%), Vietnam +17.6%
- ▶ **Operating Profit decreased in Indonesia / Operating Profit increased in Vietnam**
 - Operating Profit decreased in Indonesia (-0.4 bn KRW) due to royalty fee payment to Hypermarket HQ
 - Further profitability improvement continued in Vietnam (+1.5 bn KRW) driven by strong SSSG trend
 - ※ Royalty fee payment : Indonesia wholesale 1.1 bn KRW, Vietnam 0.4 bn KRW

Domestic Hypermarket Key Strategy

[Business structure improvement]

▶ Profitability improvement through in-store MD restructuring

1. Sales space restructuring

- Core categories designation
(Fresh Food, Meal Solution, Processed Food, Home Furnishing, Personal Care)
- Underperforming product categories elimination
→ Replace idle spaces with superior MD or execute lease-out

2. Cost optimization via reducing direct-operating area and product SKU

- Direct-operating area reduction
(Average store space 8,260m² → 5,620m²)
- SKU reduction among lower-profitability categories
(Average SKU 60,000 → 30,000)

3. Expansion of lease-out space to mass attracting tenants

- Profitability and customer attraction improvement
- (Average area 1,650m² → 4,080m²)

▶ Review for additional store closures among underperforming stores

- Closed 1 store in June, 2018 (East Daejeon Store)

[Product competitiveness enhancement]

▶ Fresh Food Quality Innovation Center enhancement

1. Fresh Food production quality control enhancement

- Sourcing diversification
(Direct sourcing, purchase of a vegetable garden & raw material, auction, etc.)

2. Price competitiveness improvement

- Product margin improvement via utilizing CA storage
※ CA storage (Controlled Atmosphere)
→ Low temperature and gas concentration controlled storage

3. Sales channel expansion

- Supply chain expansion through Lotte affiliates
(Supermarket, Hotel, CVS, etc.)

▶ PB and overseas sourcing enhancement

1. PB development acceleration via cooperation with superior global factories

- Expansion of direct sourcing products (Ex: Extracted Juice)

2. Focusing on exclusive & unique products sourcing

	Extracted Juice	Chestnut/Sweet Potato	Fruits Granola
Image			
Manufacture country	Spain	China	Germany (Direct sourcing from 'Hahne')

③ Electronics

(Unit: billion KRW)

	3Q 2017		3Q 2018		YoY	1Q-3Q 2017		1Q-3Q 2018		YoY
Revenue	1,180		1,113		-5.7%	3,137		3,152		0.5%
Operating Profit	81	6.9%	65	5.8%	-20.0%	179	5.7%	173	5.5%	-3.1%
EBITDA	93	7.9%	77	6.9%	-17.7%	216	6.9%	209	6.6%	-3.0%
Net Profit	60	5.1%	48	4.3%	-20.0%	131	4.2%	128	4.0%	-2.6%

※ 463 Stores (as end of 3Q18)

Analysis

▶ 3Q Revenue growth: -5.7% YoY

- Total 463 stores (+3 stores YoY)
- Moderate sales growth in white appliances category (Dryer, etc.)
- Weak sales growth from AV appliances (TV) and electronic devices (PC, mobile, etc.)

▶ 3Q Operating Profit growth: -20.0% YoY

- Operating Profit decreased due to sales revenue decline and increased labor cost
- ※ Lump-sum one time reflection of employment salary increase in 2018

Key Strategy

▶ Online business expansion

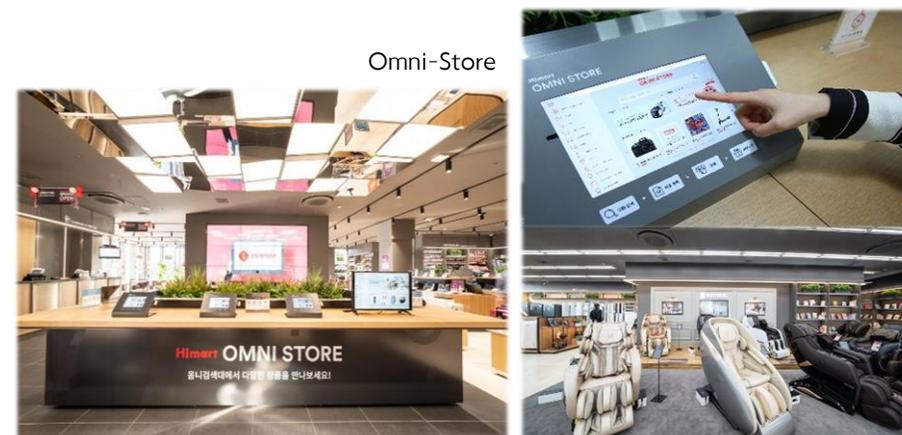
- Product SKU expansion for online mall and omni-channel related sales channel
- 12 omni-stores opening plan in 2018 (Currently operating 5 stores as end of 3Q18)

▶ Profitability improvement and differentiation through PB expansion and global brand offerings

- HIMADE(PB) : Introduction of self-designed PB, 4 door refrigerator, air purifier
- Signed an exclusive distributor contract in Korea with Beko (Turkey) & Bugatti (Italy)

▶ Residential related electronic&home appliances maintenance services enhancement through home care service portfolio diversification (Currently operating 19 service items)

▶ B2B business expansion through wedding fair participation and bidding contracting from Lotte affiliates



④ Supermarket

(Unit: billion KRW)

	3Q 2017		3Q 2018		YoY	1Q-3Q 2017		1Q-3Q 2018		YoY
Revenue	537		521		-3.0%	1,579		1,514		-4.1%
Operating Profit	-2	-	-16	-	-	2	0.2%	-40	-	-
EBITDA	4	0.8%	-9	-	-	22	1.4%	-21	-	-

※ 558 Stores (as end of 3Q18)

Analysis

▶ SSSG: +0.5% YoY (3Q) / -1.8% YoY (1Q-3Q)

- Fresh Food +3.5%, Processed Food & Household Goods -1.7%
- Decrease in number of business days effect (-1.7%) due to store renovation progress and store closures among underperforming stores
 - ※ Number of stores : -16 stores YoY (3Q17 574 → 3Q18 558)
 - ※ Renovation completed stores (3Q18) : 6 stores (76 business days decline YoY)
- Weather deterioration effect -0.9%

▶ Operating Loss increased

- Sluggish SSSG trend and increase in SG&A ratio (+1.1%p) (Labor Cost +0.6%p, Service Fee +0.5%p, etc.)
- Inventory reduction effect (-17.4 bn KRW decline from the end of 2017)

Key Strategy

▶ Customized MD store expansion & Store renewal

- Premium concept store openings among high-income, high-end commercial area
- Expansion of Supermarket + H&B hybrid store

▶ Online distribution Center expansion

- Delivery network establishment among entire Seoul metropolitan area followed by other regional areas
- Plans to open premium specialty online mall & HMR specialty online mall
- Introduction of new services and strategic alliances expansion

▶ Profitability improvement through cost structure alteration

- Workforce relocation (Field oriented management) : HQ personnel reduction by 20% → on-site management enhancement
- Store closures & renewal plans among underperforming stores
- Strict SG&A management



	1H	3Q	4Q	2018 Year End
Premium	+2	+2	+3	+7
Customized MD	+21	+3	+6	+30
Total	+23	+5	+9	+37

Early morning delivery service (Online)	
Details	• Order before 10pm, delivery completed by 7am the next day
Start Date	• 27th, Feb, 2018 (Seocho Center)
Operating Center	• Currently operating 5 centers as end of 3Q18
Performance	• Revenue 750 mn KRW (1Q-3Q accumulative) • Number of orders : 15,981 (1Q-3Q accumulative)
Future plan	• Entire Seoul metropolitan area coverage and expand to other regional areas
	2016 2017 2018(E) 2019(E) 2020(E) 2021(E)
Online sales proportion	4.1% 5.3% 7.0% 10.0% 13.0% 15.0%

Accounts	Description
Labor Cost	• ESL (Electronic Shelf Label), self-check out POS implementation • T/O management → Total cost management
Depreciation Cost	• Store closure plan of underperforming stores (40 stores or more)
Service Fee	• Streamlining store delivery service
Logistics Fee	• Expansion of integrated delivery services among small sized stores (46 stores → 76 stores)

⑤ Other Business Units

(Unit: billion KRW)

	3Q 2017	3Q 2018	YoY	1Q-3Q 2017	1Q-3Q 2018	YoY
Revenue	481	587	22.1%	1,394	1,599	14.7%
Lotte Home Shopping	213	209	-1.8%	673	661	-1.8%
Lotte Cultureworks	201	262	30.5%	512	587	14.7%
Others	67	116	72.9%	209	351	67.8%
Operating Profit	14	29	104.3%	53	68	28.7%
Lotte Home Shopping	18	19	4.3%	83	73	-12.4%
Lotte Cultureworks	13	26	102.0%	15	27	78.5%
Others	-17	-16	-	-46	-32	-

Home Shopping Analysis

(Unit: billion KRW)

	3Q17	3Q18	YoY
Revenue	213	209	-1.8%
Commission Sales	122	111	-9.4%
Direct Sourcing Sales	24	15	-35.4%
Special Contract Sales	42	52	23.1%
Others	25	31	26.3%
Gross Profit	181	185	2.0%
SG&A	163	166	1.7%
Broadcasting Fee	67	70	4.4%
Operating Profit	18	19	4.3%

▶ **Decrease in revenue due to sluggish sales from TV general goods**
→ Poor commission sales growth

▶ **Broadcasting Fee** : +2.9 bn KRW (67 bn KRW → 70 bn KRW, +4.4%)
※ IPTV +3 bn KRW, OneTV +1.8 bn KRW, CATV -1.8 bn KRW

Cultureworks (Cinema) Analysis

▶ **[Domestic] 3Q Revenue growth +32.1% YoY**

- Total 94 movie theaters (+3 theaters YoY)
- Movie theater business : Increased box office sales (+13.4%) via increased ticket price and thanksgiving period effect
- Investment & distribution business : Increased revenue (+148.3%) driven by major hits from invested films

▶ **[Overseas] 3Q Revenue growth +8.4% YoY**

- Total 40 movie theaters (+9 theaters YoY)
- Increased revenue in Vietnam (+9.1%) induced by new store openings and major hits from invested films

▶ **Operating profit increased**

[Domestic] – Increased revenue from movie theater business and major hits from invested films, etc. (+14.8 bn KRW)

[Overseas] - Operating Loss increased due to sluggish revenue from new branches, etc. (-1.5 bn KRW)

▶ **4Q Outlook**

- [Domestic] 2 new branches opening, expected revenue growth via successful invested films
- [Overseas] 2 new branches opening, expected profit growth with local movie releases

3. Non-Operating Profit

(Unit: billion KRW)

	3Q 2017	3Q 2018	YoY	1Q-3Q 2017	1Q-3Q 2018	YoY
Operating Profit	173	199	15.3%	467	507	8.4%
Net Interest Income & Expense	-37	-37	0.8%	-104	-108	-
Gains on Foreign Currency & Derivative Asset	13	27	97.8%	27	22	-15.8%
Other Non-Operating Profit	-484	-30	-	-496	-101	-
Equity Method Gain & Loss	-33	1	-	15	34	123.3%
Profit Before Tax	-368	160	-	-91	354	-
Corporate Tax	-45	58	-	61	149	144.2%
Discontinued Operation	-210	106	-	-264	-221	-
Net Profit	-533	208	-	-416	-16	-

Non-Operating Profit

▶ Gain & Loss on foreign currency & Derivative asset

- Gains on foreign currency of foreign currency bond and borrowings of overseas subsidiary : +39.4 bn KRW
- Loss on borrowing derivative asset -26.3 bn KRW

▶ Other Non-Operating Profit

- Goodwill & Asset impairment loss in 3Q17 : -471.2 bn KRW
 - ※ Goodwill Impairment Loss : -318.6 bn KRW
(GS Mart: -156.3 bn KRW, Indonesia wholesale -82.8 bn KRW, CS Retail -68.4 bn KRW, etc.)
 - ※ Asset Impairment Loss : -152.6 bn KRW
(Gimpo Department store -73.1 bn KRW, Domestic Hypermarket -60.3 bn KRW, etc.)
- Asset impairment loss in 3Q18 : -20.6 bn KRW
 - ※ Asset impairment loss to be sold
(Anyang Department Store -18.1 bn KRW, Store fixtures loss -1.2 bn KRW, etc.)

▶ Equity method gain & Loss

- Loss on investment equity securities transferred to Lotte Holding company in 3Q17 : -45.2 bn KRW
 - ※ 3Q17 Lotte Stationary Building -55 bn KRW, Daehong Communications -2 bn KRW
- Zara Retail Korea : Profit +0.9 bn KRW (0.1 bn KRW → 1 bn KRW) induced by strong sales growth

▶ Profit & Loss of discontinued operations

- **3Q17 : -210.1 bn KRW**
 - ※ Net loss from China Hypermarket -191.1 bn KRW
- **3Q18 : 106.1 bn KRW**
 - ※ Profit regarding China Hypermarket exit transaction +106.1 bn KRW

4. Equity Method Gain & Loss (Major Companies) LOTTE SHOPPING

(unit : billion KRW)

	2015	2016	2017	3Q 2017	3Q 2018	YoY	1Q-3Q 2017	1Q-3Q 2018	YoY	
FRL Korea* (Lotte: 49.00%)	Revenue	1,107	1,209	1,330	223	257	14.9%	758	821	8.3%
	Operating Profit	132	127	224	11	11	4.0%	72	89	23.2%
	Net Profit	92	105	168	11	6	-49.5%	50	66	32.5%
	Equity Method Gain&Loss	45	51	82	5	3	-49.5%	24	32	32.5%
ZARA Retail Korea** (Lotte: 20.00%)	Revenue	294	341	354	84	88	5.6%	253	266	5.0%
	Operating Profit	-4	21	15	2	4	141.5%	8	8	-1.2%
	Net Profit	-5	17	13	1	5	695.8%	6	7	23.7%
	Equity Method Gain&Loss	-1	4	3	0	1	695.8%	1	1	23.7%

* FRL Korea, founded on 16th Dec, 2004, imports and distributes clothes, accessories, and ornaments of UNIQLO brand in Korea. It operates through a network of 186 stores as of the end of 3Q 2018. Fast Retailing Co., Ltd.(Japanese company) and Lotte Shopping Co., LTD. own 51% and 49% stake of this company respectively.

** ZARA Retail Korea Co., Ltd. was established on 29th Oct, 2007 for clothing trades and wholesale/retail sales. It operates through a network of 42 stores as of the end of 3Q 2018. Industria de Diseno Textil, S.A.(Spanish company) and Lotte Shopping Co., LTD. own 80% and 20% stake of this company respectively.

- **Income Statement**
- **Balance Sheet**
- **Store Network**
- **e-Commerce Business Division**

Income Statement (Consolidated K-IFRS)



(Unit: billion KRW)

	3Q 2017		3Q 2018		YoY	1Q-3Q 2017		1Q-3Q 2018		YoY
Revenue	4,563	(100.0%)	4,675	(100.0%)	2.5%	13,165	(100.0%)	13,422	(100.0%)	2.0%
[Gross Sales]	6,037	-	6,143	-	1.7%	17,770	-	17,949	-	1.0%
Gross Profit	1,868	(40.9%)	1,917	(41.0%)	2.7%	5,548	(42.1%)	5,604	(41.8%)	1.0%
SG&A	1,694	(37.1%)	1,718	(36.8%)	1.4%	5,081	(38.6%)	5,097	(38.0%)	0.3%
Operating Profit	173	(3.8%)	199	(4.3%)	15.3%	467	(3.5%)	507	(3.8%)	8.4%
EBITDA	354	(7.8%)	366	(7.8%)	3.4%	1,014	(7.7%)	1,007	(7.5%)	-0.7%
Profit Before Tax	-368	-	160	(3.4%)	-	-91	-	354	(2.6%)	-
Continuing operations	-323	-	102	(2.2%)	-	-152	-	205	(1.5%)	-
Discontinued Operations	-210	-	106	(2.3%)	-	-264	-	-221	-	-
Net Profit	-533	-	208	(4.4%)	-	-416	-	-16	-	-
Net Income of Controlling Company	-559	-	182	(3.9%)	-	-501	-	-96	-	-
Net Income of Minority Interest Equity	26	(0.6%)	26	(0.6%)	0.8%	84	(0.6%)	80	(0.6%)	-4.8%

Balance Sheet (Consolidated K-IFRS)



(Unit: billion KRW)

	2015*	2016*	2017**	3Q 2018
Total Assets	40,693	41,916	27,949	27,853
Cash & Cash Equivalent	3,036	3,185	3,711	3,270
Inventories	3,266	3,324	1,354	1,387
Land & Buildings	13,052	13,115	12,677	12,489
Liabilities	23,605	24,652	14,597	14,702
Borrowings & Bonds	14,084	14,483	7,668	8,081
Equity	17,088	17,264	13,352	13,151
Share Capital	158	158	141	141

* K-IFRS. 1018. (Old standard)

** Significant changes in financial numbers due to holding company establishment in 4Q17 (Investment entity of Lotte Shopping was merged into holding company)

Store Network



Domestic		2016 Year End Total	2017 Year End Total	2018 Openings				2018 Year End Total
				1Q	2Q	3Q	4Q(E)	
Department Store	Full-line Store	30*	30	1**				31
	Franchise Store	3	3	-1**				2
	Young Plaza	2	2					2
	Outlet	20	21		1		1	23
	Total	55	56		1		1	58
Hypermarket		120	123	1	-1		1	124

* Unified operation of Jamsil & Avenuel World Tower

** Merged with Lotte Department Store Masan (Feb, 2018)

Overseas		2016 Year End Total	2017 Year End Total	2018 Openings				2018 Year End Total
				1Q	2Q	3Q	4Q(E)	
Department Store	Russia*	1	1					1
	China	5	5					5
	Vietnam*	2	2					2
	Indonesia	1	1					1
Hypermarket (Supermarket)	China**	115 (16)	112 (13)	-4 (-2)	-8	-100 (-11)		- -
	Vietnam	13	13				1	14
	Indonesia	46	46				1	47
	Wholesale	28	29				2	31
	Retail	18 (2)	17 (2)				-1 (-1)	16 (1)

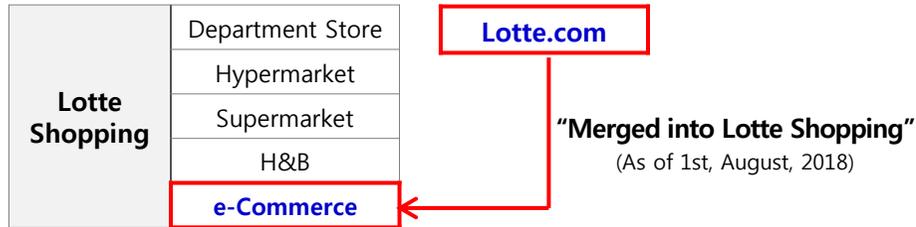
* Including equity method stores (Moscow, Ho Chi Minh)

** China Hypermarket sell-off transaction completed in 3Q18

※ China Hypermarket is classified as discontinued operations due to completion of sales and store closures in Sept, 2018

e-Commerce Business Division

e-Commerce Business Division Establishment



- e-Commerce Business Division establishment and Lotte.com merger (As of 1st, August, 2018)
- New shares issuance: 166,708 shares / Date of issuance: 14th, August, 2018
- New listing date: 16th, August, 2018
- Change in number of shares outstanding
Lotte Shopping: 28,122,047 shares → 28,288,755 shares

e-Commerce Channel Integration Plan

- Currently operating 8 different online channels by each companies (8 different online channels : Lotte.com, Ellotte, Lotte Mart, etc.)
- Together App opening in Mar, 2019 (Connecting 7 different channels without additional log in)
- Integrated App opening in Mar, 2020 (All Lotte products available in one app) ※ Plans to integrate 7 channels except duty free online mall

	e-Commerce Business Division Establishment and Management Integration (August, 2018)	Together App Establishment (Mar, 2019)	Integrated App Establishment (Mar, 2020)
Mobile Sales Channel Structure	<p>"7 separate applications"</p>	<p>"7 connected applications"</p>	<p>"One integrated application"</p>
Customer Value	<ul style="list-style-type: none"> • Difference in concepts and services of each company • Upward standardized services offered (Searching quality, system stability) 	<ul style="list-style-type: none"> • Can go back and forth within 7 channels without additional log in 	<ul style="list-style-type: none"> • Integrated application, integrated back office • All Lotte products available in one application • Customer service integration