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FY2019 3Q Earnings

KOREA **NO.1** RETAILER

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Table of Contents

- **FY2019 3Q Earnings (Consolidated)**
- **FY2019 3Q Earnings (Separate)**

[Appendix]

- Stores / Ownership Structure / Financial Position
- Disclaimer

• FY2019 3Q Earnings (Consolidated)

✓ **Net Sale 5,063bn KRW(+7.1%), OP 116bn(-40.3%), Net Profit 112bn(-42.2%)**

- Subsidiaries : Net sales 1,855bn(+36.0%) / OP -3.6bn(-9.7bn)
- Equity-method income : 18.3bn(-8bn)

(Unit : KRW Billion)

	3Q 2019	3Q 2018	Y o Y	1-3Q 2019	1-3Q 2018	Y o Y
Net Sales	5,063	4,727	7.1%	14,230	12,823	11.0%
Gross Profit (%)	1,340 (26.5)	1,259 (26.6)	6.4% (-0.1)	3,663 (25.7)	3,484 (27.1)	5.1% (-1.4)
SG&A (%)	1,224 (24.2)	1,065 (22.5)	15.0% (+1.7)	3,502 (24.6)	3,083 (24.0)	13.6% (+0.6)
Operating Profit (%)	116 (2.3)	195 (4.1)	-40.3% (-1.8)	161 (1.1)	401 (3.1)	-60.0% (-2.0)
Pre-tax Profit (%)	132 (2.6)	253 (5.4)	-48.0% (-2.8)	187 (1.3)	541 (4.2)	-65.5% (-2.9)
Net Profit (%)	112 (2.2)	194 (4.1)	-42.2% (-1.9)	156 (1.1)	414 (3.2)	-62.4% (-2.1)
(Owners of Parents)	(110)	(192)	(-42.4%)	(153)	(401)	(-61.8%)

• FY2019 3Q Earnings (Separate)

✓ **Gross Sales 3,913bn KRW(-4.1%), OP 126bn(-36.4%), Net Profit 106bn(-25.0%)**

- [Hyper] SSSg -5.9% : On recovery since July(Jul -11.6% → Aug-Sep Acc. -3.1%) * 2 less holiday yoy in '19 3Q

- [Traders] SSSg -3.0% *'18 3Q SSSg +11.7% [Specialty] Accelerate restructuring on inefficient formats

* Included sales from PP and supply goods to NE.O as gross sales of '19 / Included online gross sales as gross sales of '18

(Unit : KRW Billion)

	3Q 2019	3Q 2018	Y o Y	1-3Q 2019	1-3Q 2018	Y o Y
Gross Sales	3,913	4,079	-4.1%	11,069	11,336	-2.4%
(Net Sales)	(3,517)	(3,617)	(-2.8%)	(9,927)	(10,013)	(-0.9%)
Gross Profit	968	1,044	-7.3%	2,761	2,905	-5.0%
(%)	(24.7)	(25.6)	(-0.9)	(24.9)	(25.6)	(-0.7)
SG&A	842	846	-0.4%	2,535	2,491	1.8%
(%)	(21.5)	(20.7)	(+0.8)	(22.9)	(22.0)	(+0.9)
Operating Profit	126	198	-36.4%	226	415	-45.5%
(%)	(3.2)	(4.9)	(-1.7)	(2.0)	(3.6)	(-1.6)
Pre-tax Profit	131	187	-30.1%	238	484	-50.9%
(%)	(3.3)	(4.6)	(-1.3)	(2.1)	(4.3)	(-2.2)
Net Profit	106	141	-25.0%	203	380	-46.6%
(%)	(2.7)	(3.5)	(-0.8)	(1.8)	(3.4)	(-1.6)

【 Business Overview 】

(Unit : KRW Billion)

	3Q 2019	3Q 2018	Y o Y	1-3Q 2019	1-3Q 2018	Y o Y
Gross Sales	3,913	4,079	-4.1%	11,069	11,336	-2.4%
Hypermarket	2,956	2,940	0.5%	8,373	8,202	2.1%
Traders	626	537	16.6%	1,735	1,448	19.8%
Specialty Stores	274	217	26.1%	797	587	35.7%
Gross Profit	968	1,044	-7.3%	2,761	2,905	-5.0%
Hypermarket	791	817	-3.2%	2,255	2,286	-1.4%
Traders	107	94	14.4%	298	250	19.0%
Specialty Stores	66	55	20.8%	197	147	34.5%
Operating Profit	126	198	-36.4%	226	415	-45.5%
Hypermarket	130	193	-32.9%	240	411	-41.7%
Traders	16	25	-36.3%	44	54	-18.8%
Specialty Stores	-21	-17	[-4]	-63	-49	[-14]

* Excluded minor business excluded(Gas, etc.)



- ✓ GPM 26.8% (YoY -1.0%), Offline store impact (clearance) -0.3% / Online dilution impact (goods supply, etc) -0.7%
- ✓ SSSg on recovery : SSSg -11.6% on Jul(-1 holiday yoy) → -3.1% on Aug-Sep(-1 holiday) *1H -3.2%



- ✓ SSSg -3.0% : 2 less holiday *Hanam SSSg -14.3%(Competition/Underperformance in Jul)
- ✓ 2H 2 new openings(Bucheon 3rd Sep / Myeongji 29th Oct)



- ✓ Proceeding aggressive restructuring : Closed 40 stores(1H 12, 3Q 28)
- ✓ Nobrand : Improved OP(+8bn YoY) / Electro : Use as in-store attractions in hypermarket('19+11 : Acc. 35 in-store)

【 Key Consolidated Subsidiaries (Non-consolidated basis) 】

(Unit : KRW Billion)

	3Q 2019	3Q 2018	Y o Y	1-3Q 2019	1-3Q 2018	Y o Y
Net Sales	1,855	1,364	36.0%	5,215	3,288	58.6%
SSG.COM	227	-	[+227]	611	-	[+611]
Emart 24	364	288	26.7%	985	751	31.2%
S - Food	337	337	0.1%	981	965	1.7%
E - Everyday	320	314	1.9%	927	888	4.5%
Property	53	43	23.4%	150	124	21.1%
Chosun Hotel	52	48	8.7%	148	137	7.6%
G F H	179	-	[+179]	528	-	[+528]
Vietnam	18	15	18.4%	54	45	21.0%
O P	-3.6	6.1	[-9.7]	-44.9	1.7	[-46.6]
SSG.COM	-23.5	-	[-23.5]	-45.6	-	[-45.6]
Emart 24	-2.2	-7.4	[+5.2]	-17.8	-29.4	[+11.6]
S - Food	6.2	5.6	[+0.6]	16.7	22.5	[-5.8]
E - Everyday	7.1	4.9	[+2.2]	13.7	6.7	[+7.0]
Property	3.7	2.8	[+0.9]	9.8	11.0	[-1.2]
(EBITDA)	(28.7)	(10.2)	(+18.5)	(81.3)	(33.3)	(+48.0)
Chosun Hotel	-2.4	-3.9	[+1.5]	-13.5	-5.9	[-7.6]
G F H	-1.1	-	[-1.1]	-2.7	-	[-2.7]
Vietnam	-0.4	-0.3	[-0.1]	-1.4	-1.6	[+0.2]

- **SSG.COM : Further growth on GMV**
 - 1Q 13.6% → 2Q 15.4% → 3Q 21.3%
 - 1-3Q Acc. GMV 2,030bn(+16.7%)
 - NEO 3rd Opening(Dec, Gimpo)
- **Emart 24 : Keep positive operation**
 - OP recovery 18 1H +0.9bn → 19 1H +6.3bn
 - # : 3Q +212 *19 1H 4,290 (ytd +583)
- **Shinsegae Food : OP Improved**
- **Everyday : Steady improvement on OP**
 - OP improvement
 - 1Q +1.8bn → 2Q +2.9 → 3Q +2.2
 - *3Q SSSg -2.1%
- **Shinsegae Property**
 - Goyang OP 7.1bn (-0.6bn), COEX 2.8bn (+2.0bn)
 - EBITDA +18.5bn(1H +29.5bn)
 - New Opening in Bucheon(9/3), Myongji(10/29)
- **C Hotel : Loss Reduction**
 - Put effort to achieve additional improvement (4Q Peak Season)
- **Good Food Holdings**
 - Targeting Yearly BEP(4Q Peak season)

【 Non-operating Profit and Loss 】

(Unit : KRW Billion)

	3Q 2019	3Q 2018	Y o Y	1-3Q 2019	1-3Q 2018	Y o Y
Operating P / L	116	195	(-40.3%)	161	401	(-60.0%)
Financial P / L	-25	-13	[-12]	-44	-16	[-28]
Other P / L	23	45	(-51.2%)	23	126	(-81.9%)
Equity-method P / L	18	26	(-30.4%)	47	30	(+62.1%)
Pre-tax P / L	132	253	(-48.0%)	187	541	(-65.5%)

✓ Key equity-method subsidiaries

(Unit : KRW Billion)

	Starbucks Coffee Korea				Starfield Hanam				Shinsegae TV Shopping			
	3Q 2019	3Q 2018	1-3Q 2019	1-3Q 2018	3Q 2019	3Q 2018	1-3Q 2019	1-3Q 2018	3Q 2019	3Q 2018	1-3Q 2019	1-3Q 2018
Sales	463	395	1,351	1,104	29	28	86	82	38	29	117	91
OP	43	43	118	102	12	12	31	30	-2	-3	-5	-5
(EBITDA)	(88)	(64)	(251)	(163)	(20)	(19)	(53)	(50)	-	-	-	-
NP	31	33	88	80	10	8	17	18	-2	-3	-5	-5
(Equity)	(16)	(17)	(44)	(40)	(5)	(4)	(9)	(9)	(-0.2)	(-0.5)	(-1.7)	(-1.3)

* # of Starbucks stores : 1,336 (+74 YTD / SSSg 1-3Q +10.8%)

*2Q18 Starfield Anseong recorded -26bn of equity-method loss

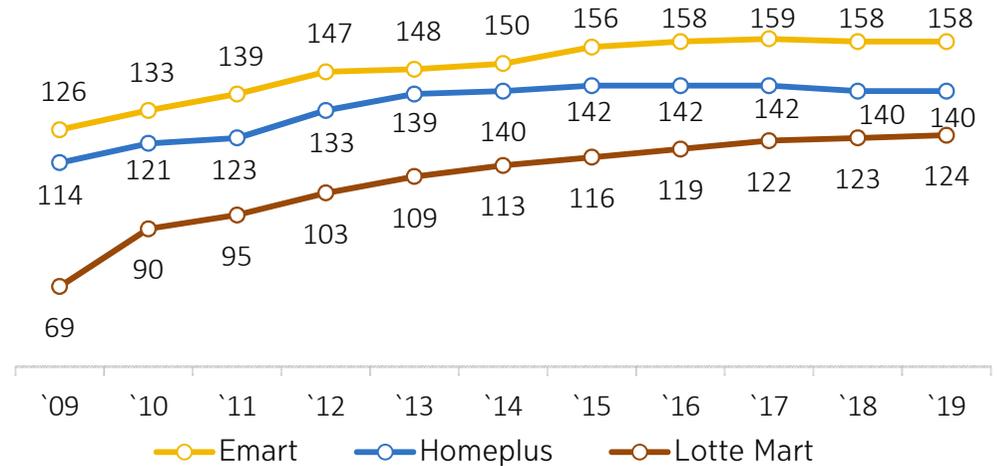
[Appendix]

Stores(domestic/overseas)

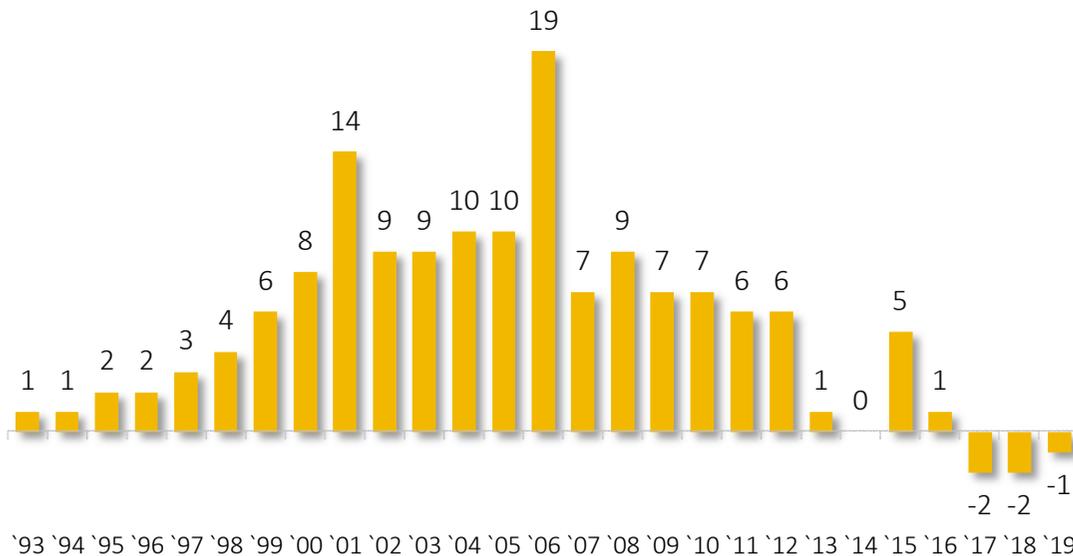
	(FY16)	(FY17)	(FY18)	(FY19)
• Domestic	147	145	143	142
• Traders	11	14	15	17
• China	7	1	0	0
• Vietnam	1	1	1	1
• Mongolia	1	2	2	3

※ `19 1 Hypermarket closure(Mar, Deogi) *10/29 1 Closure(Western Busan)
 ※ `19 2 Traders opening(Mar, Wolgye / Sep, Bucheon) *10/29 1 Open(Myongji)
 ※ `19 3rd Mongolia store opening(Sep, Ulan Bator)

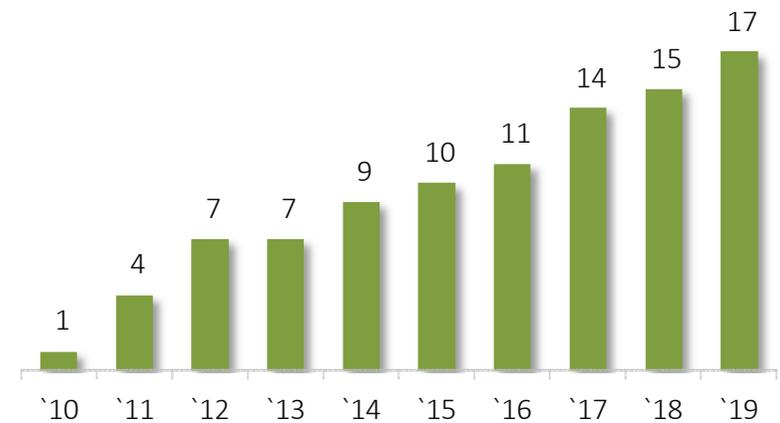
【 Current Number of Stores 】



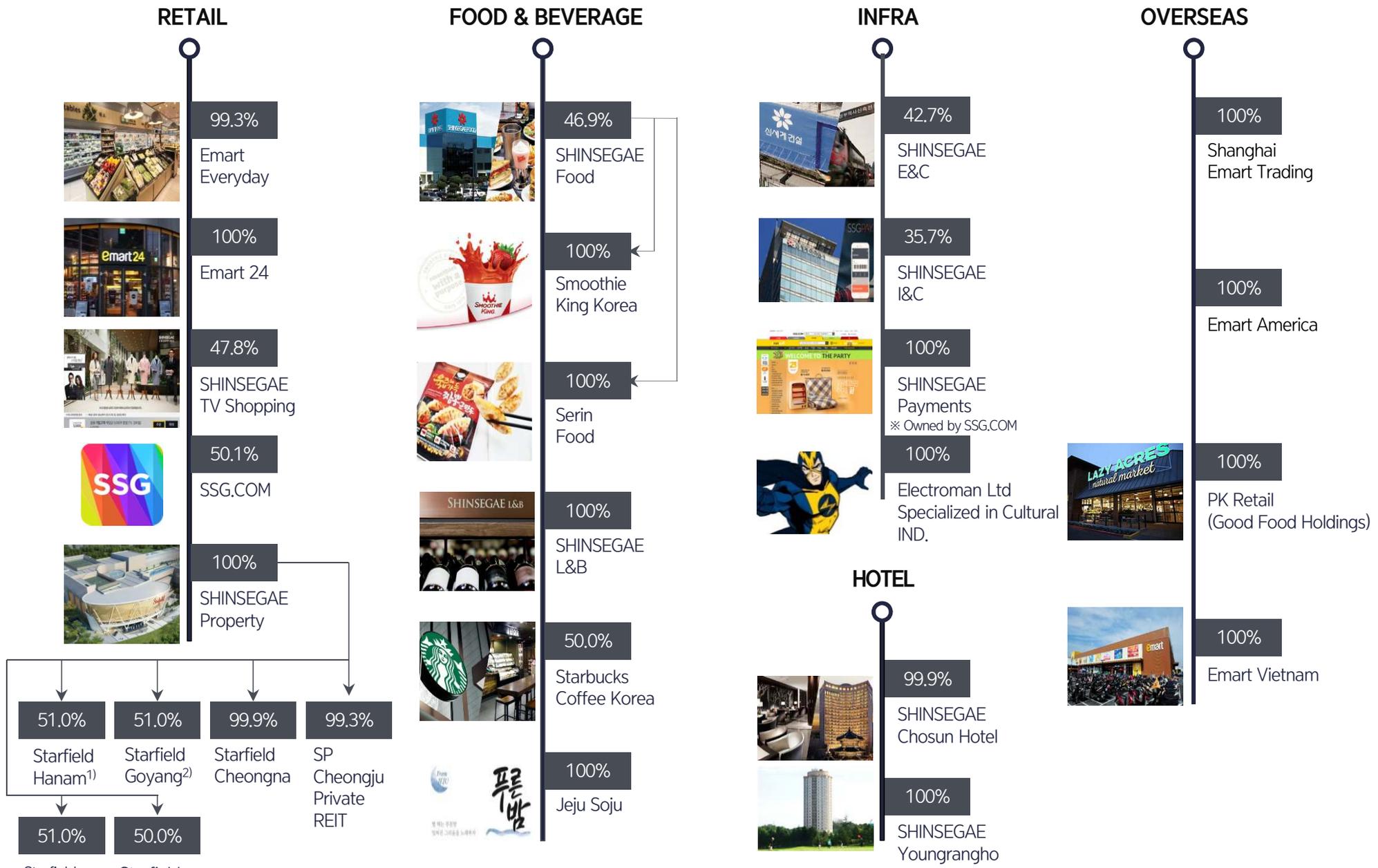
【 Net Increase of Domestic Hypermarket 】



【 Number of Traders 】



Ownership Structure



1) Taubman Asia(TPA Hanam Union Square Holdings LP) holds 49% of shares of Starfield Hanam
 2) NPS(National Pension Service) holds 49% of shares of Starfield Goyang
 3) Taubman Asia(TPA Hanam Union Square Holdings LP) holds 49% of shares of Starfield Anseong
 4) KT&G holds 50% of shares of Starfield Suwon

Statements of Financial Position

【 Separate 】

(Unit : KRW Billion)

	FY19 1-3Q	FY 2018	Y o Y
Assets	15,407	14,139	1,268
<i>(Lease)</i>	<i>(953)</i>	-	<i>(953)</i>
Current	1,661	1,382	279
Cash	190	14	176
Receivables	289	252	37
Non-current	13,746	12,757	989
PP&E	9,753	8,918	835
Liabilities	6,847	5,910	937
<i>(Lease)</i>	<i>(714)</i>	-	<i>(714)</i>
Current	3,634	3,774	-140
Payables	874	752	122
Borrowings	882	1,376	-494
Non-current	3,213	2,136	1,077
Borrowings	2,056	1,589	467
Equity	8,560	8,229	331
Capital Stock	139	139	-
Hybrid Bond	778	379	399
Retained Earnings	2,872	2,768	104

【 Consolidated 】

(Unit : KRW Billion)

	FY19 1-3Q	FY 2018	Y o Y
Assets	21,044	16,754	4,290
<i>(Lease)</i>	<i>(1,996)</i>	-	<i>(1,996)</i>
Current	3,631	2,286	1,345
Cash	797	283	514
Receivables	469	472	-3
Non-current	17,413	14,468	2,945
PP&E	11,577	11,456	121
Liabilities	10,822	7,897	2,925
<i>(Lease)</i>	<i>(1,803)</i>	-	<i>(1,803)</i>
Current	5,520	4,999	521
Payables	1,262	1,128	134
Borrowings	1,416	1,664	-248
Non-current	5,302	2,898	2,404
Borrowings	2,607	2,120	487
Equity	10,222	8,857	1,365
Owners of Parent	8,814	8,172	642
Capital Stock	139	139	-
Non-controlling	1,408	685	723

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