



2019 Fourth Quarter Results

February, 2020

LOTTE SHOPPING CO., LTD.
INVESTOR RELATIONS



The financial information in this document contains 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 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 (FY2019 4th Quarter)

- **4Q19 Revenue 4.3 trillion KRW (-1.7% YoY), FY2019 17.6 trillion KRW (-1.1% YoY)**
 - Domestic : Dept. Stores indicated weak SSSG (Same Store Sales Growth) due to sluggish sales in winter apparel
Hypermarkets showed weak SSSG due to slow industry condition & sluggish sales in non-food categories
 - SSSG: (4Q) Dept. Stores -3.3% / Hypermarkets -6.5%, (FY2019) Dept. Stores -1.4% / Hypermarkets -6.0%
 - Overseas : Strong SSSG trend continued in South-East Asia Dept. Stores & Hypermarkets
 - SSSG: (4Q) Dept. Stores -1.0% [China -7.7%, Indonesia +1.8%, Vietnam +11.8%]
Hypermarkets +3.8% [Indonesia +3.3%, Vietnam +5.3%]
(FY2019) Dept. Stores +1.2% [China -4.8%, Indonesia +3.5%, Vietnam +14.0%]
Hypermarkets +2.2% [Indonesia +0.9%, Vietnam +6.2%]
- **4Q19 Operating Profit 44 billion KRW (-51.8% YoY), FY2019 428 billion KRW (-28.3% YoY)**
 - 4Q19 Operating Profit excluding depreciation life change impact (46 bn KRW) and Lotte REIT asset acquisition tax (79 bn KRW) : 168 billion KRW
 - ※ Depreciation life change impact : Depreciation cost increased by 46 bn KRW due to change in depreciation life of overseas subsidiaries
 - Domestic : Dept. Stores – Operating Profit decreased due to weak sales in higher-margin products
Hypermarkets – Operating Loss slightly increased due to weak SSSG trend
 - Overseas : Dept. Stores – Major Operating Loss improvement via base effect (4Q18 Store closure related cost in China : 47 billion KRW)
Hypermarkets – Operating Profit turned into loss making due to increased depreciation cost in Indonesia retail and Vietnam regarding depreciation life change in accounting.
- **4Q19 Net Profit -1,016 billion KRW, FY2019 -854 billion KRW**
 - FY2019 Impairment losses : -1,371 bn KRW
 - Asset impairment losses : -1,105 bn KRW (Right-of-use asset -935 bn KRW, etc.)
Goodwill impairment losses : -145 bn KRW (Himart -100 billion KRW, Supermarket -41 bn KRW, etc.), etc.
 - ※ Right-of-use asset impairment loss recognition due to 'K-IFRS 1116 Lease Accounting' effective as of 1st, Jan, 2019
(Refer to page 17 for details)

1. Consolidated Financial Results

2. Consolidated Financial Results by Divisions

3. Non-Operating Profit

1. Consolidated Financial Results



(Unit: billion KRW)

	4Q 2018	4Q 2019	YoY	2018	2019	YoY
Revenue	4,398	4,325	-1.7%	17,821	17,633	-1.1%
(Gross Sales)	6,133	6,000	-2.2%	24,082	23,684	-1.7%
Operating Profit	90	44 (168)	-51.8%	597	428 (585)	-28.3%
EBITDA	256	444	73.1%	1,263	1,862	47.4%
Profit Before Tax	-448	-1,350 (-290)	-	-94	-1,189 (-97)	-
Continuing Operations (Profit & Loss)	-460	-1,043 (-268)	-	-254	-921 (-113)	-
Discontinued Operations* (Profit & Loss)	11	26	147.5%	-211	67	-
Net Profit	-449	-1,016 (-242)	-	-465	-854 (-46)	-

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

※ Numbers in () is the profitability excluding temporary factors : oligopoly shareholder tax due to stock acquisition of Lotte Incheon Development (3Q19, 33 bn KRW), Lotte REIT asset acquisition tax (4Q19, 79 bn KRW), depreciation life change impact(4Q19, 46 bn KRW), the right-of-use asset impairment loss (4Q19, 935 bn KRW)

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

※ Number of consolidated affiliates: 45

2. Consolidated Financial Results by Divisions LOTTE SHOPPING

(Unit: billion KRW)

	4Q 2018		4Q 2019		YoY	2018		2019		YoY
Revenue	4,398	(100.0%)	4,325	(100.0%)	-1.7%	17,821	(100.0%)	17,633	(100.0%)	-1.1%
Department Stores	894	(20.3%)	866	(20.0%)	-3.1%	3,232	(18.1%)	3,130	(17.8%)	-3.1%
Hypermarkets	1,498	(34.1%)	1,474	(34.1%)	-1.6%	6,317	(35.4%)	6,331	(35.9%)	0.2%
Electronics	960	(21.8%)	935	(21.6%)	-2.6%	4,113	(23.1%)	4,026	(22.8%)	-2.1%
Supermarkets	461	(10.5%)	438	(10.1%)	-5.1%	1,975	(11.1%)	1,861	(10.6%)	-5.8%
Home Shopping	248	(5.6%)	280	(6.5%)	13.1%	909	(5.1%)	987	(5.6%)	8.6%
Others*	337	(7.7%)	332	(7.7%)	-1.5%	1,275	(7.2%)	1,297	(7.3%)	1.7%
Gross Sales	6,133	(100.0%)	6,000	(100.0%)	-2.2%	24,082	(100.0%)	23,684	(100.0%)	-1.7%
Department Stores	2,388	(38.9%)	2,316	(38.6%)	-3.0%	8,474	(35.2%)	8,276	(34.9%)	-2.3%
Hypermarkets	1,703	(27.8%)	1,660	(27.7%)	-2.5%	7,170	(29.8%)	7,057	(29.8%)	-1.6%
Electronics	960	(15.7%)	935	(15.6%)	-2.6%	4,113	(17.1%)	4,026	(17.0%)	-2.1%
Supermarkets	491	(8.0%)	467	(7.8%)	-5.0%	2,099	(8.7%)	1,982	(8.4%)	-5.6%
Home Shopping	253	(4.1%)	290	(4.8%)	14.8%	949	(3.9%)	1,043	(4.4%)	10.0%
Others*	337	(5.5%)	332	(5.5%)	-1.6%	1,277	(5.3%)	1,299	(5.5%)	1.7%
Operating Profit	90	2.1%	44	1.0%	-51.8%	597	3.4%	428	2.4%	-28.3%
Department Stores	136	15.2%	183	21.1%	34.5%	425	13.1%	519	16.6%	22.3%
Hypermarkets	-8	-	-23	-	-	8	0.1%	-25	-	-
Electronics	13	1.4%	6	0.7%	-52.9%	186	4.5%	110	2.7%	-41.1%
Supermarkets	-23	-	-43	-	-	-62	-	-104	-	-
Home Shopping	26	10.5%	29	10.2%	10.0%	99	10.9%	120	12.2%	21.4%
Others*	-54	-	-109	-	-	-59	-	-193	-	-

* Includes consolidated adjustments

① Department Store

(Unit: billion KRW)

	4Q 2018		4Q 2019		YoY	2018		2019		YoY
Revenue	894	(100.0%)	866	(100.0%)	-3.1%	3,232	(100.0%)	3,130	(100.0%)	-3.1%
Domestic	867	(97.0%)	843	(97.3%)	-2.8%	3,120	(96.5%)	3,043	(97.2%)	-2.5%
Overseas	27	(3.0%)	23	(2.7%)	-14.0%	112	(3.5%)	88	(2.8%)	-21.4%
China	17	(1.9%)	11	(1.3%)	-35.6%	73	(2.2%)	46	(1.5%)	-36.2%
Indonesia	6	(0.7%)	7	(0.8%)	18.5%	23	(0.7%)	23	(0.7%)	0.4%
Vietnam	4	(0.5%)	5	(0.6%)	23.8%	16	(0.5%)	18	(0.6%)	13.7%
Operating Profit	136	15.2%	183	21.1%	34.5%	425	13.1%	519	16.6%	22.3%
Domestic	196	22.6%	187	22.2%	-4.8%	534	17.1%	523	17.2%	-2.2%
Overseas	-61	-	-4	-	-	-110	-	-4	-	-
China	-60	-	-2	-	-	-104	-	1	1.4%	-
Indonesia	-1	-	-2	-	-	-3	-	-3	-	-
Vietnam	0	-	1	11.4%	-	-2	-	0	-	-
EBITDA	207	23.2%	349	40.3%	68.5%	720	22.3%	1,154	36.9%	60.3%
Domestic	262	30.3%	344	40.9%	31.2%	800	25.6%	1,127	37.0%	40.8%
Overseas	-55	-	5	21.5%	-	-81	-	27	31.3%	-
China	-56	-	1	8.9%	-	-84	-	12	25.0%	-
Indonesia	0	5.7%	3	48.1%	-	0	0.5%	11	47.1%	-
Vietnam	1	17.0%	2	32.1%	133.8%	3	19.4%	6	33.3%	95.4%

※ 59 Department Stores (as end of 4Q19): 53 Domestic stores (including 21 outlets), 6 Overseas stores (China 2, Indonesia 1, Vietnam 2, Russia 1)

※ 2 consignment stores (Domestic) and 1 equity method store(Ho Chi Minh, Vietnam) are not included in above earnings

Domestic

► Domestic SSSG: -3.3% YoY (4Q) / -1.4% YoY (FY2019)

- Weak sales trend due to sluggish sales in Women's & Men's winter apparel
- Global Fashion +17.5%, Home Appliances & Electronics +5.1%, Accessories -2.2%, Food -2.8%, Men's & Sports Wear -8.2%, Women's Wear -11.0%

► Operating Profit slightly decreased due to weak sales in higher-margin winter products

Overseas

► Overseas SSSG: -1.0% YoY (4Q) / +1.2% YoY (FY2019)

- China -7.7%, Indonesia +1.8%, Vietnam +11.8%

► Operating Loss improvement via base effect of store closures in China

- 4Q18 store restructuring related cost in China : 46.6 bn KRW

※ 4Q19 Reversal of provisions in China : +2.2 bn KRW

※ Store closures in China : Tianjin Dongmalu(Dec, 2018)

Tianjin Cultural Center(Mar, 2019), Weihai(Mar, 2019)

- Operating loss turned into profit generation in Chengdu store, China (+9.9 bn KRW YoY, -7 bn KRW → 2.9 bn KRW)

- 4Q19 depreciation cost increased by 3.2 bn KRW in Indonesia due to change in depreciation life accounting

② Hypermarket

	4Q 2018		4Q 2019		YoY	2018		2019		(Unit: billion KRW)	YoY
Revenue	1,498	(100.0%)	1,474	(100.0%)	-1.6%	6,317	(100.0%)	6,331	(100.0%)		0.2%
Domestic	1,176	(78.5%)	1,158	(78.5%)	-1.6%	4,974	(78.7%)	4,868	(76.9%)		-2.1%
Overseas	322	(21.5%)	316	(21.5%)	-1.7%	1,343	(21.3%)	1,463	(23.1%)		8.9%
Indonesia	251	(16.7%)	230	(15.6%)	-8.2%	1,060	(16.8%)	1,120	(17.7%)		5.6%
Wholesale	203	(13.5%)	195	(13.2%)	-3.9%	850	(13.5%)	908	(14.3%)		6.8%
Retail	48	(3.2%)	35	(2.4%)	-26.3%	210	(3.3%)	211	(3.3%)		0.7%
Vietnam	71	(4.8%)	86	(5.8%)	21.0%	283	(4.5%)	343	(5.4%)		21.2%
Operating Profit	-8	-	-23	-	-	8	0.1%	-25	-		-
Domestic	-8	-	-10	-	-	-16	-	-48	-		-
Overseas	0	-	-13	-	-	25	1.8%	24	1.6%		-4.6%
Indonesia	-2	-	-4	-	-	10	0.9%	12	1.0%		18.8%
Wholesale	1	0.6%	1	0.7%	10.2%	16	1.9%	15	1.7%		-3.7%
Retail	-4	-	-6	-	-	-6	-	-4	-		-
Vietnam	2	3.1%	-8	-	-	15	5.3%	12	3.5%		-19.9%
EBITDA	40	2.7%	97	6.6%	143.5%	200	3.2%	377	6.0%		88.8%
Domestic	34	2.9%	82	7.1%	145.4%	149	3.0%	295	6.1%		98.4%
Overseas	6	2.0%	15	4.6%	133.0%	51	3.8%	82	5.6%		60.7%
Indonesia	1	0.5%	8	3.5%	483.6%	25	2.4%	42	3.8%		68.9%
Wholesale	4	1.8%	5	2.6%	41.4%	25	3.0%	29	3.2%		15.8%
Retail	-2	-	3	8.3%	-	0	-	13	6.2%		-
Vietnam	5	6.9%	7	7.7%	35.5%	26	9.1%	39	11.5%		52.7%

※ 189 Stores (as end of 4Q19): 125 Domestic stores, 64 Overseas stores (Indonesia 50, Vietnam 14)

Domestic

- ▶ **Domestic SSSG: -6.5% YoY (4Q) / -6.0% YoY (FY2019)**
 - Fresh Food 1(Fruit/Vegetable/Dehydrated food) +1.7%, Fresh Food 2(Fresh meat/Seafood) +4.4%, Meal Solution(HMR) +5.5%
 - Processed food -4.5%, Personal Care(Health & Beauty Supplements) -4.1%, Home Furnishing -6.6%, Hobby&Fashion -19.5%
 - Weak sales trend in Apparel (-24.3% YoY), Toys"R"Us (-9.4% YoY)
- ▶ **Operating Loss increased due to slow industry condition causing sluggish SSSG trend**

Overseas

- ▶ **Overseas SSSG: +3.8% YoY (4Q) / +2.2% YoY (FY2019)**
 - Vietnam +5.3%, Indonesia +3.3% (Wholesale +3.3%, Retail +3.4%)
- ▶ **Operating Profit turned into operating loss due to increased depreciation cost (16 bn KRW) regarding change in depreciation life accounting**
 - When excluding depreciation life change impact(16 bn KRW) in 4Q19 : 3.6 bn KRW
 - ※ Vietnam : -0.1 bn KRW YoY (2.2 bn KRW → 2.1 bn KRW)
 - Indonesia Retail : +3.7 bn KRW YoY (-3.6 bn KRW → 0.1 bn KRW)
 - Indonesia Wholesale : +0.1 bn KRW YoY (1.3 bn KRW → 1.4 bn KRW)
 - ※ Depreciation cost increased by 16 bn KRW regarding change in depreciation life : Vietnam : 10.2 bn KRW, Indonesia retail : 6 bn KRW

③ Electronics

(Unit: billion KRW)

	4Q 2018		4Q 2019		YoY	2018		2019		YoY
Revenue	960		935		-2.6%	4,113		4,026		-2.1%
Operating Profit	13	1.4%	6	0.7%	-52.9%	186	4.5%	110	2.7%	-41.1%
EBITDA	25	2.6%	46	5.0%	84.1%	234	5.7%	245	6.1%	4.7%
Net Profit	-42	-	-169	-	-	85	2.1%	-100	-	-

※ 466 Stores (as end of 4Q19)

Analysis

▶ 4Q Revenue growth: -2.6% YoY

- Total 466 stores (+3 stores YoY)
- Weak sales trend due to sluggish industry condition, (Industry growth rate : -1.3% YoY expected in 2019 by Statistics Korea), and slow economy causing sluggish consumer sentiment
- Significant sales growth in online mall +36% YoY (Sales proportion : 14.5%)

▶ 4Q Operating Profit growth: -52.9% YoY

- Operating Profit declined due to decreased sales revenue(-2.6%) and decline in gross profit margin ※ Gross Profit Margin: -0.4%p (24.2%→ 23.8%)

▶ 4Q Net Loss

- Impairment loss recognition of -178.7 bn KRW (Goodwill & CGU)

2020 Key Strategy

▶ Offline Store Enhancement

- Efficiency & profitability improvement through store closure of underperforming stores (11 candidate stores) and large-size store openings
- Competitiveness improvement through store type diversification considering each district's characteristics and consumer type
 - Opened mega store Jamsil branch in Jan, 2020 with various lifestyle products offering including home appliances and electronics (Plans to open 9 more mega stores in 2020)
 - Scheduled to operate 81 online & offline mixed premium home appliances stores in 2020 (+39 stores YoY, currently operating 42 stores as end of 4Q19)

▶ Online business expansion

- Product portfolio expansion (Offering online-only products and new sourcing)
- Phased expansion plan of online logistics as sales revenue and SKU increases (As of 2020)

- Offering differentiated online services

- Lifestyle specialized mall : Lifestyle products offering reinforcement through two-way communications with customers
- Customer after-sales service data collection and utilization via after-sales service platform establishment (After sales service application and sharing other customers review)

▶ Product competitiveness enhancement

- Premium MD enhancement
- Global premium product development and premium store expansion
- Expansion of premium appliances assembly team and providing counseling and management services
- Competitiveness and profitability improvement through PB offerings

④ Supermarket



(Unit: billion KRW)

	4Q 2018		4Q 2019		YoY
Revenue	461		438		-5.1%
Operating Profit	-23	-	-43	-	-
EBITDA	-15	-	-18	-	-

	2018		2019		YoY
	1,975		1,861		-5.8%
	-62	-	-104	-	-
	-36	-	-10	-	-

※ 521 Stores (as end of 4Q19)

Analysis

▶ SSSG: -6.4% YoY (4Q) / -2.8% YoY (FY2019)

- Fresh Food -6.3% (Fresh Meat -0.6%, Agricultural Food -7.1%, Seafood -11.5%, Convenience Food -12.8%)
- Processed Food & Household Goods -6.4% (Processed Food -6.1%, Daily Food -4.3%, Household good -11.0%)
- Total of 521 Stores : -17 stores YoY

- ▶ Operating Loss increased due to decreased revenue regarding undergoing store restructuring work (Store closures and renovation)

Online Business & Store Restructuring

▶ Online Business Performance

(Unit : KRW)

	FY16	FY17	FY18	FY2019
GMV	88.7 bn	108.2 bn	140.6 bn	196.9 bn
Fresh Center (Proportion)	23.2 bn (26.1%)	37.9 bn (35.0%)	63.6 bn (45.2%)	133.7 bn (67.9%)
# of online distribution centers	7	8	15	15
YoY	+47.5%	+22.0%	+30.0%	+40.0%

※ CAGR ('16~'19) : 30.5%

▶ 2019 Store Restructuring

	1Q19	2Q19	3Q19	4Q19
Change in store #	-2	+1	-4	-12
# of stores closed	-5	-7	-9	-15
# of stores opened	+3	+8	+5	+3
Total # of stores	536	537	533	521

※ # of Stores : Directly managed stores + Franchise stores

⑤ Home Shopping

(Unit : billion KRW)

	4Q 2018		4Q 2019		YoY	2018		2019	YoY
Revenue	248		280		13.1%	909		987	8.6%
Operating Profit	26	10.5%	29	10.2%	10.0%	99	10.9%	120	12.2%
									21.4%
EBITDA	29	11.6%	35	12.5%	22.0%	111	12.2%	145	14.7%
									30.9%

Analysis

► Gross Sales +10.5% YoY

- E-commerce +15.8% YoY
- TV -0.8% YoY
- OneTV(TV-Commerce) +33.1% YoY

► Operating Profit +10.0% YoY

- Operating Profit increased driven by strong sales growth and increased gross profit margin despite the rise in SG&A (+10.0%)
 - Broadcasting Fee +14.0% YoY (+9.6 bn KRW YoY)
 - ※ Change in KT broadcasting channel (Channel 30 → Channel 4)
 - Logistics Fee +18.9% YoY (+2.8 bn KRW YoY)
 - ※ Increase in sales volume

Key Strategy

► New Vision : First & True Media Commerce Creator

- Aim to become the leading media commerce company

► Home Shopping Business

- Product Competitiveness reinforcement

- : Expansion of PB, exclusive products, licensed products and introduction of VVIP paid membership program(L.Club)

- Sales channel advancement

- e-commerce (App enhancement, expansion of high-margin products & global sourcing)
- T-Commerce (Customized products expansion, mobile contents enhancement)

- Customer empathy management : Fun & Info contents expansion

► New Growth Engine

- Customer experience enhancement

- : Finger shopping(VR & AR), face shopping(facial recognition technology), etc.

- Mobile contents enhancement

- : Establishment of mobile broadcasting system and mobile-only channel, and animation character business enhancement

- New Platform Business

- ① V-commerce platform **EFB** establishment (Media commerce)

- ② Fashion platform **Fly B** establishment

(Hyper customized fashion commerce)

⑥ Other Business Units

(Unit: billion KRW)

	4Q 2018	4Q 2019	YoY	2018	2019	YoY
Revenue	337	332	-1.5%	1,275	1,297	1.7%
Lotte Cultureworks	187	191	2.6%	774	771	-0.4%
Domestic	179	182	2.0%	735	723	-1.6%
Overseas	8	9	14.2%	39	48	23.2%
Others & Consolidated Adjustments*	150	140	-6.7%	501	526	5.0%
Operating Profit	-54	-109	-	-59	-193	-
Lotte Cultureworks	-2	-20	-	25	1	-94.4%
Domestic	2	11	613.2%	32	35	9.5%
Overseas	-4	-31	-	-7	-34	-
Others & Consolidated Adjustments*	-52	-89	-	-84	-194	-

* Others Include e-commerce, LOHB's(H&B), etc.

Cultureworks (Cinema) Analysis

► [Domestic]

- **4Q19 Revenue growth +2.6% YoY**
 - ※ Total 99 movie theaters (+4 theaters YoY)
 - Movie theater business : Increased box office sales (+2.7% YoY)
(Number of visitors to domestic movie theaters in 4Q19: +5.2% YoY)
 - Investment & distribution business : Decreased revenue (-1.5%) due to high base effect
- **Operating Profit : 9.4 bn KRW, +613.2% (1.5 bn KRW → 10.9 bn KRW)**
 - Increased box office sales and major hits from invested films

► [Overseas]

- **4Q19 Revenue growth +14.2% YoY**
 - ※ Total 48 movie theaters (+5 theaters in Vietnam YoY)
- **Operating Loss increased due to increased depreciation cost(26.4 bn KRW) regarding change in depreciation life**
- **Operating loss turn around to profit generation when excluding depreciation life change impact(26.4 bn KRW) in 4Q19 (-2.3 bn KRW → 6.4 bn KRW)**

Others & Consolidated Adjustments

► Consolidated Adjustments

- Lotte REIT asset acquisition tax : 78.6 bn KRW

3. Non-Operating Profit

(Unit: billion KRW)

	4Q 2018	4Q 2019	YoY	2018	2019	YoY
Operating Profit	90	44	-51.8%	597	428	-28.3%
Net Interest Income & Expense	-36	-92	-	-144	-381	-
Gains on Foreign Currency & Derivative Asset	-8	0	-	14	3	-79.0%
Other Non-Operating Profit	-550	-1,381	-	-650	-1,326	-
Equity Method Gain & Loss	55	79	44.0%	89	87	-1.8%
Profit Before Tax	-448	-1,350	-	-94	-1,189	-
Continuing operation	-460	-1,043	-	-254	-921	-
Discontinued Operation	11	26	147.5%	-211	67	-
Net Profit	-449	-1,016	-	-465	-854	-

Non-Operating Profit

► Interest Income & Expense

- Increased interest expense due to new accounting standard adoption(K-IFRS 1116 lease accounting): 62.6 bn KRW YoY, etc.

► Equity Method Gain & Loss

- Gain from bargain purchase regarding Lotte Card stock acquisition : +110.9 bn KRW

► Other Non-Operating Profit

- FY2019 Impairment losses : -1,371.3 bn KRW
(Asset -1,105 bn KRW, invested stock -121.5 bn KRW, goodwill -144.8 bn KRW)
- ※ Right-of-use asset impairment loss recognition of -935.3 bn KRW due to 'K-IFRS 1116 Lease Accounting' adoption (As of 1st, Jan, 2019) (Refer to page 17)
- ※ Invested stock impairment loss : Lotte Card -110.9 bn KRW etc.
- ※ Goodwill impairment loss : Himart -99.7 bn KRW, Supermarket -40.6 bn KRW
- Hypermarket penalty to 'Fair Trade Commission' : -41.2 bn KRW

- **Income Statement**
- **Balance Sheet**
- **Store Network**
- **Impairment Loss**

Income Statement (Consolidated K-IFRS)



(Unit: billion KRW)

	4Q 2018			4Q 2019			YoY			2018			2019			YoY		
Revenue	4,398	(100.0%)		4,325	(100.0%)		-1.7%			17,821	(100.0%)		17,633	(100.0%)		-1.1%		
[Gross Sales]	6,133	-		6,000	-		-2.2%			24,082	-		23,684	-		-1.7%		
Gross Profit	1,903	(43.3%)		1,895	(43.8%)		-0.4%			7,508	(42.1%)		7,448	(42.2%)		-0.8%		
SG&A	1,813	(41.2%)		1,852	(42.8%)		2.1%			6,911	(38.8%)		7,020	(39.8%)		1.6%		
Operating Profit	90	(2.1%)		44	(1.0%)		-51.8%			597	(3.4%)		428	(2.4%)		-28.3%		
EBITDA	256	(5.8%)		444	(10.3%)		73.1%			1,263	(7.1%)		1,862	(10.6%)		47.4%		
Profit Before Tax	-448	-		-1,350	-		-			-94	-		-1,189	-		-		
Continuing operations	-460	-		-1,043	-		-			-254	-		-921	-		-		
Discontinued Operations	11	(0.2%)		26	(0.6%)		147.5%			-211	-		67	(0.4%)		-		
Net Profit	-449	-		-1,016	-		-			-465	-		-854	-		-		
Net Income of Controlling Company	-449	-		-1,027	-		-			-545	-		-969	-		-		
Net Income of Minority Interest Equity	-1	-		11	(0.2%)		-			80	(0.4%)		74	(0.4%)		-6.8%		

Balance Sheet (Consolidated K-IFRS)



(Unit: billion KRW)

	2015*	2016*	2017**	2018	2019***
Total Assets	40,693	41,916	27,948	26,259	33,912
Cash & Cash Equivalent	3,036	3,185	3,711	2,710	3,216
Inventories	3,266	3,324	1,354	1,267	1,459
Land & Buildings	13,052	13,115	12,677	12,425	13,030
Lease Asset***	-	-	-	-	6,099
Liabilities	23,605	24,652	14,597	13,832	22,023
Borrowings & Bonds	14,084	14,483	7,668	7,795	9,551
Lease Liability***	-	-	-	-	6,663
Equity	17,088	17,264	13,351	12,427	11,888
Share Capital	158	158	141	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)

*** As of 1Q19, use rights of tangible & intangible assets and rents of borrowed assets under the signed contract are recognized as assets and liabilities respectively due to new accounting standard adoption(K-IFRS 1116 leases)

Despite the rise in debt-to-equity ratio, there is no concern of downgrading credit rating since global credit rating companies already have applied the above accounting policies

Store Network



Domestic		2017 Year End Total	2018 Year End Total	2019				2019 Year End Total
				1Q	2Q	3Q	4Q	
Department Store	Full-line Store	30	31	-2				29
	Franchise Store	3	2	1	-1			2
	Young Plaza	2	2	-1				1
	Outlet	21	22			-1		21
	Total	56	57	55	54	53		53
Hypermarket		123	124	126	125	126	125	125

※ Store Closures in 2019 (Department Store Incheon, Anyang, Bupyeong, Young Plaza Daegu, Outlet Incheon)

※ Department Store Incheon Terminal was transformed to direct-managed store from consignment management store by stock acquisition in May, 2019

※ Consignment Management Store : Department Store Yeongdeungpo & Daegu

Overseas		2017 Year End Total	2018 Year End Total	2019				2019 Year End Total
				1Q	2Q	3Q	4Q	
Department Store	Russia*	1	1					1
	China	5	4	-2				2
	Vietnam*	2	2					2
	Indonesia	1	1					1
Hypermarket (Supermarket)	Vietnam	13	13	1				14
	Indonesia	46	47	-1			4	50
	Wholesale	29	31				4	35
	Retail	17	16	-1				15
		(2)	(1)					(1)

* Including equity method store (Ho Chi Minh, Vietnam) / Moscow Store in Russia was incorporated as a 100% subsidiary in July, 2019

※ China Hypermarket sell-off transaction completed in 3Q18

Impairment Loss

Impairment Loss Recognition due to 'K-IFRS 1116 Leases' implementation

Lotte Shopping conducts the impairment review every fiscal year in accordance with 'K-IFRS 1036 Impairment of Assets'. Accordingly, additional impairment reviews were also conducted for the right-of-use asset due to the new accounting standard introduction (K-IFRS 1116 lease accounting) as of 1st, Jan, 2019. As such, impairment losses of -935.3 billion KRW were recognized within the consolidated financial statement in 2019.

※ New accounting standard (K-IFRS 1116 lease accounting, effective as of 1st, Jan, 2019) : The usage rights of tangible & intangible assets and rents of borrowed assets under the signed contract are recognized as assets and liabilities respectively.

The Right-of-Use Asset Impairment Loss Breakdown in FY2019

[Unit : billion KRW]

	Dept. Store	Hyper market	Super market	Culture works	Others (Internal transactions, etc.)	Lotte Shopping (Consolidated)
4Q18	3,283.5	2,068.1	243.4	678.3	657	6,930.3
Depreciation Cost	-318.1	-178.1	-63.8	-68.3	-78.1	-706.4
Asset Impairment Loss	-238.6	-563	-139.3	-48.4	+54	<u>-935.3</u>
New Asset in 2019	539.2	198.3	61.2	170.3	-502	467
4Q19	3,266	1,525.3	101.5	731.9	130.9	5,755.6

※ Others (internal transactions, etc.) New : Lotte REIT -672.2 bn KRW,
Hypermarket Sujimall -76 bn KRW, etc.

'K-IFRS 1116 Lease Accounting' Introduction Impact

[Based on FY2019 consolidated financial statement]

▶ Debt ratio drastically increased in 2019

Before 'K-IFRS 1116 Lease Accounting' Introduction	Post Introduction
121.1% (Liabilities 15.4 tn KRW / Total Equity 12.7 tn KRW)	185.3% (Liabilities 22 tn KRW / Total Equity 11.9 tn KRW)

※ Debt ratio increased drastically due to declined total equity & increased liabilities caused by 'K-IFRS 1116 lease accounting' introduction → Loss recognition without cash outflow

▶ Increase effect in operating profit as of 2020 via recognition of the-right-of-use asset impairment loss

※ Estimated operating profit increase effect in 2020 (Separate financial statement)

Dept. Store	Hypermarket	Supermarket	H&B	Lotte Shopping
+20.8 bn KRW	+45.2 bn KRW	+43.4 bn KRW	+3.6 bn KRW	<u>+113 bn KRW</u>

※ Estimation criterion : Annual average depreciation cost calculated by average remaining depreciation life for each business divisions

Plans to minimize further losses through **efficiency improvement** and **restructuring** of lease based underperforming stores

MISSION

사랑과 신뢰를 받는
제품과 서비스를 제공하여
인류의 풍요로운 삶에 기여한다

We enrich people's lives by providing
superior products and services that
our customers love and trust



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