

Answer letter to KB Asset Management (Translated by JB Park at KBAM)

1. Gwangju Shinsegae P/L (2009-2017)

(W 100mn)

	구분	2017	2016	2015	2014	2013	2012	2011	2010	2009
Sales	매출	2,096	2,104	2,053	2,048	2,066	2,138	2,196	2,078	1,918
OP	영업 이익	563	560	548	518	560	582	589	506	433
NP	당기순이익	478	456	459	422	486	538	523	443	365
Retained earnings	이익잉여금	5,580	5,129	4,700	4,272	3,873	3,402	2,888	2,391	2,002
Total equity	자본 총계	5,794	5,343	4,914	4,486	4,087	3,616	3,102	2,605	2,216
	ROE (%)	8.2	8.5	9.3	9.4	11.9	14.9	16.9	17.0	16.5

2. Trends of P/L

- 1) GS (Gwangju Shinsegae) has sustained annual revenue of W200bn despite intensifying competition of retail channels (homeshopping, on-line etc) and deteriorated customer sentiment due to recession.
- 2) GS focus on improvement of profitability through cost reduction
- 3) GS paid tenancy deposit of W500bn for contract renewal with Kumho express 2013. It has resulted in higher interest payment which had negative impact on its profitability. GS redeemed its debt in 2017.

3. The solutions to protect ROE

- 1) Cost reduction
 - 2) Improvement of payout ratio to the level of Shingegae
- Payout ratio: Shinsegae 6.5%, Gwangju Shinsegae 4.2%

4. Updates on landmark complex facility

1) Past schedule

-May 2015 : Announcement of MOU with Gwangju city

-Jul 2015: Application for development approval

-Oct 2015: Cancellation for development plan

-Feb 2017: Submission of business adjustment plan

2) Current situation

-Currently, nothing is fixed regarding complex facility

-GS is reviewing IRR related to the facility

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