



Lotte Tour Development 3Q'22 Earnings Release

Nov. 2022

INVESTOR RELATIONS 2022

This presentation contains historical information of Lotte Tour Development which should not be regarded as an indication of the future performance or results.

This presentation also contains forward-looking statements that are, by the nature, subject to significant risks and uncertainties.

These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance or results.

Actual results may differ materially from information contained in the forward-looking statements as a results of a number of factors beyond our control.



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- Strong competitive edge compared to domestic casino competitors
- Expansion of inbound flow to Jeju through the resumption of international flights
- Attract VIP casino customers by charter flights

Appendix. Number of Visitors in Jeju

1. 2022.3Q Earnings Release

Operating revenue of KW 48.2bn in 3Q'22 (+60.8% YoY, +0.3% QoQ)
EBITDA of KW -5.6bn in 3Q'22 continue to decrease quarterly

[Unit: Billion won]	2022.3Q	2021.3Q	YoY	2022.2Q	QoQ
Operating Revenue ¹	48.2	30.0	60.8%	48.1	0.3%
Hotel	31.6	19.5	62.5%	31.0	1.9%
Casino	10.5	8.2	28.7%	12.2	-14.2%
Retail	1.4	0.9	47.5%	1.5	-9.6%
Tourism	3.8	0.5	714.2%	2.4	57.8%
Others	0.9	1.0	-7.1%	0.9	2.7%
Operating Expenses	75.2	63.7	18.1%	76.9	-2.2%
Operating Income (Loss)	(27.0)	(33.7)	-	(28.8)	-
EBITDA	(5.6)	(16.6)	-	(8.6)	-
Other Income (Loss)	(9.7)	(0.4)	-	(0.3)	-
Financial Income (Loss) ²	(33.3)	(18.2)	-	(26.6)	-
Consolidated Net Income	(67.7)	(52.2)	-	(56.9)	-
Net Income attributable to Owners of the Company	(67.8)	(52.2)	-	(56.9)	-

1. Operating Revenue: excluded internal transactions (Hotel / Casino)

2. Financial Income(Loss): Reflected one-off loss of KW 9.6bn on contract renewal (extension to 2025 and change in interest rate) for USD 60 million in overseas convertible bond

1-1. Breakdown of operating expenses in 3Q'22 (Consolidated)

Operating expenses of KW 75.2bn in 3Q'22 (-2.2% QoQ, +18.1% YoY)

[Unit: Billion won]	2022.3Q	2021.3Q	YoY	2022.2Q	QoQ
Changes in raw material	4.0	3.1	29.0%	4.6	-13.0%
Labor Cost & Related ¹	20.9	19.2	8.9%	19.9	5.0%
Depreciation	21.3	17.2	23.8%	20.3	4.9%
Commissions & Fees	11.0	8.6	27.9%	11.4	-3.5%
Utilities	3.2	2.7	18.5%	2.6	23.1%
Supplies	3.2	1.8	77.8%	3.5	-8.6%
Advertising	1.7	0.4	325.0%	1.5	13.3%
Rental	1.1	4.6	-76.1%	2.4	-54.2%
Others	8.7	6.2	40.3%	10.7	-18.7%
영업비용	75.2	63.7	18.1%	76.9	-2.2%

1. Labor Cost & Related: include expenses related to labor costs such as salaries, incentives, provision for retirement benefits, etc.

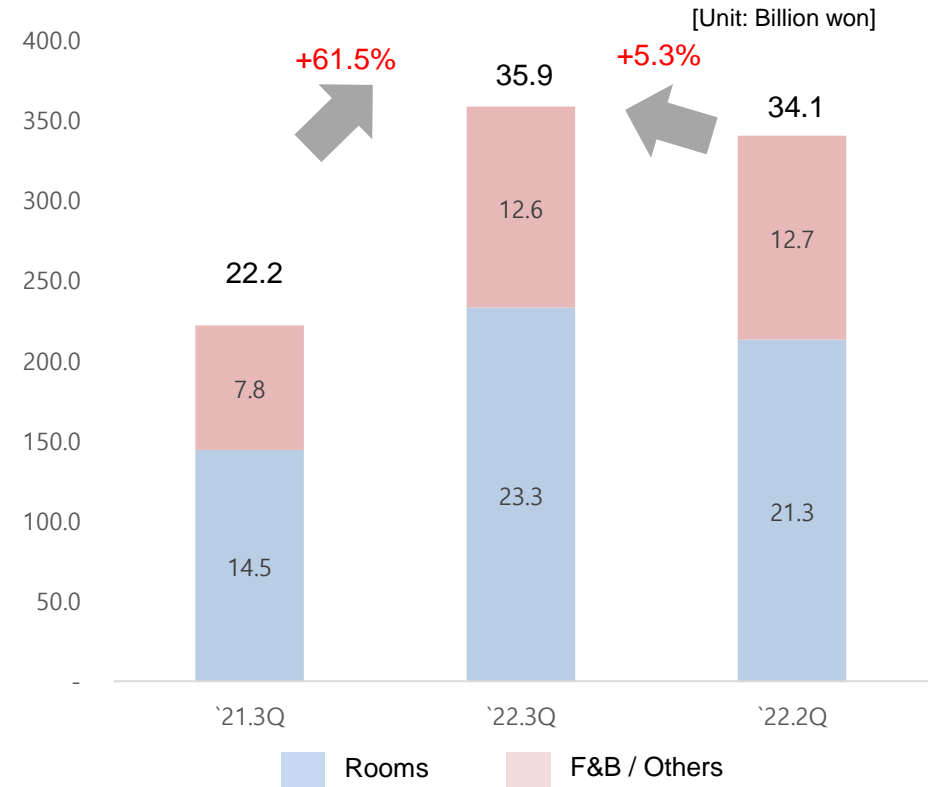
2. Hotel Business in 3Q'22

Historically High hotel revenue of KW 35.9bn in 3Q'22

Key Indicators

	'22.3Q	'21.3Q	YoY	'22.2Q	QoQ
Total Rooms (1600)	147,200	147,200	-	145,600	1.1%
# of Room Sold	73,048	46,022	58.7%	75,347	-3.1%
OCC	49.6%	31.3%	18.3%p	51.7%	-2.1%p
ADR(KRW)	318,234	313,938	1.37%	283,211	12.4%

Revenue



3. Casino Business in 3Q'22

Casino sales of KW 12.6bn (Mass: KW 9.1bn, VIP: KW 3.5bn) in 3Q'22
Expect sales turnaround from 4Q'22 driven by resumption of international flights
and attraction of VIP customers through charter flights

[Unit: Billion won]		VIP				Mass			Visitors
		Total Sales	Rolling Chip Volume	Hold %	Revenue	Mass table drop	Hold %	Revenue	
2021	2Q	4.2	18.2	12.2%	2.2	14.1	14.0%	2.0	6,940
	3Q	12.3	133.9	3.2%	4.3	38.0	21.1%	8.0	22,737
	4Q	14.3	253.5	3.8%	9.7	27.4	17.1%	4.7	15,120
2022	1Q	18.1	318.8	4.5%	14.4	29.8	13.9%	4.1	14,305
	2Q	15.3	121.1	6.0%	7.3	41.1	19.2%	7.9	19,702
	July	3.8	14.1	4.6%	0.7	16.5	19.3%	3.2	7,734
	Aug.	5.0	27.1	7.6%	2.1	23.7	12.4%	2.9	8,657
	Sep.	3.7	32.5	2.4%	0.8	29.0	10.1%	2.9	8,468
	3Q	12.6	73.7	4.8%	3.5	69.1	13.1%	9.1	24,589

3. Dream Tower Casino Competitiveness – Competitive edge over domestic competitors

Prime downtown location and HYATT's renowned brand

- **Located in the heart of Jeju City and only 10-minutes' drive from Jeju International Airport**
 - Able to attract foreign tourists as Dream Tower is located only a 10-minutes' drive from the airport, clearly visible as tallest landmark building, and approximately 5,000 hotels within a 5km radius; with Lotte & Shilla duty-free shops nearby (600 meters and 500 meters respectively)
- **Hotel is operated by one of Asia's top luxury hotel brands, GRAND HYATT**
 - Jeju is a key holiday destination visited by Chinese and Japanese tourists, who are very familiar with the Grand Hyatt brand and see it as aspirational and established
 - Major cities like Shanghai, Beijing, Taipei, Tokyo and Osaka are geographically close to Jeju
 - Jeju has visa-free scheme for most countries, that includes the above major target cities
 - Comparing competitor Paradise City, that is near Incheon airport, there is a lack of infrastructure such as nearby tourist attractions, and has poor accessibility; it takes more than an hour to get to the hotel from Seoul. Further, visitors need a visa to enter Incheon and Seoul.

Dominant casino market share in Jeju

- **Dream Tower Casino dominates the market with an 80% Market share of Jeju**
 - In the first half of 2022, Dream Tower Casino's turnover was KWR33.1B, 6.3 times that of Jeju Shinhwa World's KRW5.2B, accounting for 80% of Jeju's eight casinos' total sales of KRW41.2B
 - Jeju Shinhwa World is located in Seogwipo City, which is an hour's drive from the airport and not easily accessible for customers (in Singapore, Marina Bay Sands M/S 1H2022 is 60% - located at city center, while Resorts World Sentosa M/S 40% - located farther away)

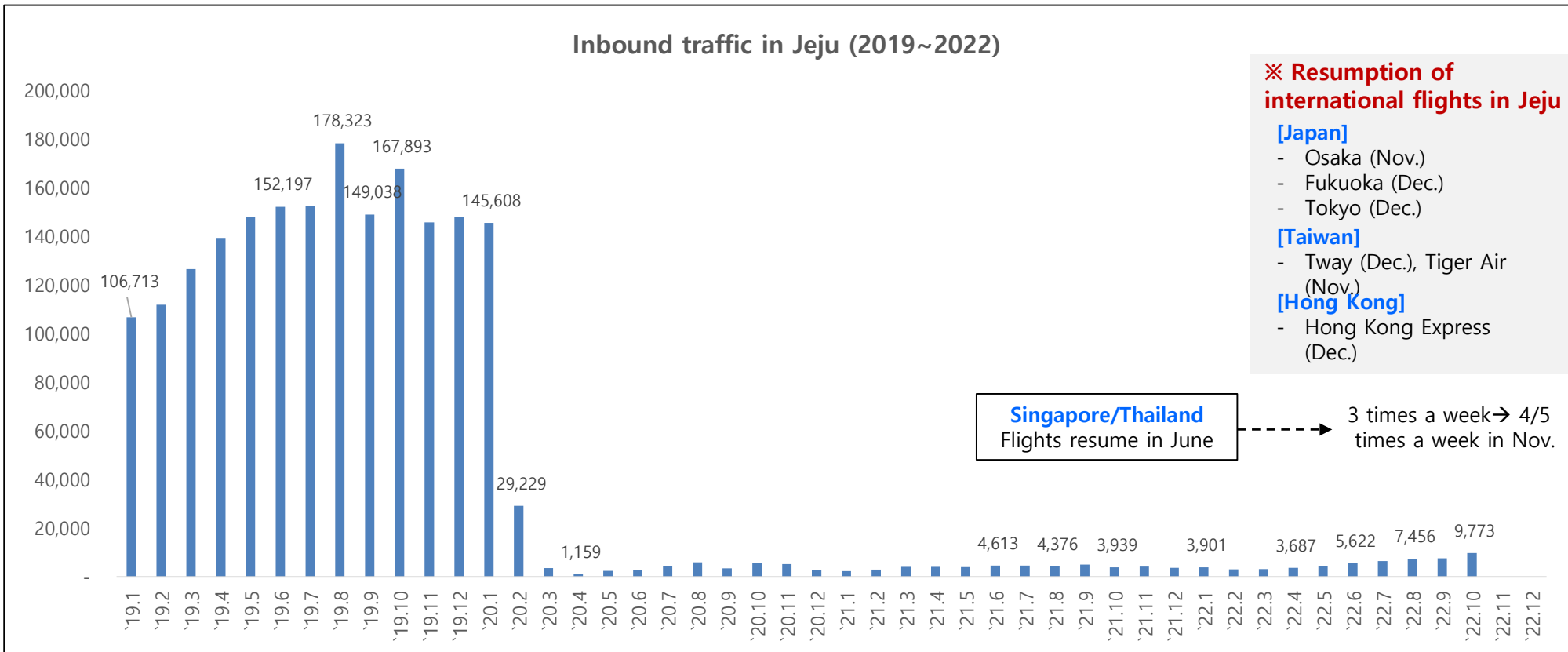
Jeju Dream Tower can attract VIP casino business due to tightening of Macau's gaming industry

- **Junkets fall due to Chinese government tightening of Macau's gaming sector**
 - Chinese government's increasing regulatory oversight of junkets in Macau (prohibition of fixed room operation, which is the primary source of revenue for junket operators, and prohibition of revenue share)
- **Jeju Dream Tower Casino's advantage in the Junket/VIP business**
 - Jeju Dream Tower can absorb Macau Junket/VIP demands as there are no restrictions on revenue share and rolling commission (1.60%, Macau: 1.25% limited by law)
 - Junket/VIP incentives and complementaries can be great advantage due to lower Korean gaming tax rate (15.4%) compared to Macau (41%)

3. Dream Tower Casino Competitiveness – Increase inbound inflows

- International flights resume in Jeju since June 2022 (Singapore/Thailand)
- Foreign visitors recorded 9,773 people in Oct. `22 (+148% yoy, +28% mom)
- Direct flights to Jeju and Japan will expand since Nov. `22 (Osaka, Tokyo, Fukuoka)
- Expect strong Hotel & Casino sales contribution through resumption of international flights in 4Q'22

[Unit: People]



[Source: Jeju Tourism Association]

3. Dream Tower Casino Competitiveness – Charter flights

Attract VIP casino customers through a total of 12 chartered flights before the resumption of international flights based on the experience of the charter operation by Lotte Tour

Lotte Tour Charter flights performance (2000~2019)

▶ A total of about 36,000 customers (2000년~2019)

- 2000.07 Hokkaido 1,500 people by Korean Air, Asiana Airline
- 2000.12 Auckland 1,800 people by Korean Air
- 2002.12 Chiang Mai 1,500 people by Korean Air
- 2019.12 Cairo 1,100 people by Korean Air

Chartered flights schedule ('22~'23)

Country(City)	Date	Number of flights	Airline
Japan (Tokyo)	Nov.	1	Tway
	Dec.	1	Tway
Malaysia (Kuala Lumpur)	Jan.	1	Tway
	Feb.	1	Tway
	Mar.	1	Tway
Hong Kong	Nov.	5	Korean Air
	Dec.	2	Korean Air

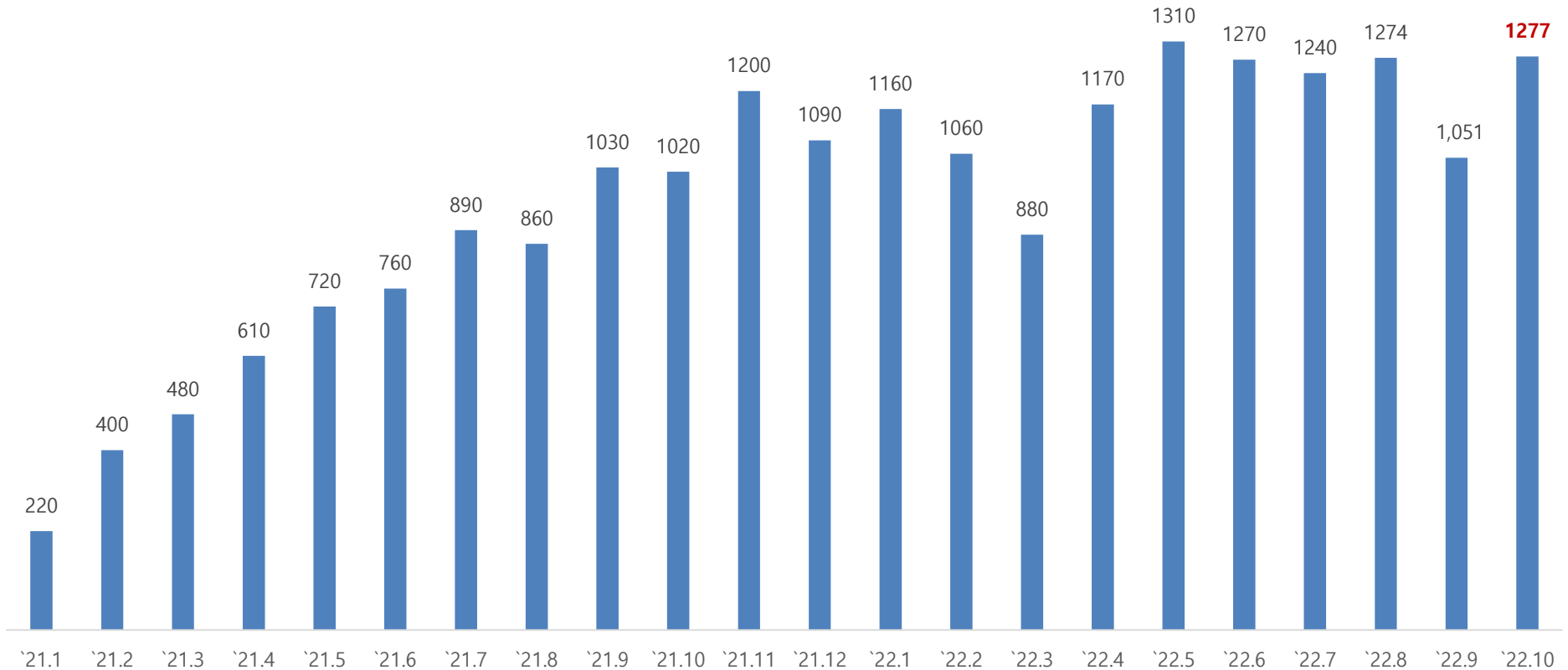
※ Attraction of VIP Customers by Charter flights

- Leveraging the charter flights know-how of Lotte Tour business
- Attract casino customers by charter flights before normalization of air routes in Jeju
- **Expect strong casino sales contribution from Nov. driven by 12 charter flights to Japan, Malaysia and Hong Kong from November 4th (approximately 1,700 casino VIP customers)**
 - : Hong Kong – Accounts for 20% of Macau GGR before Covid
 - : Japan – Attract Japan casino customers through direct flights to Osaka and charter flight to Tokyo in Nov.
 - : Malaysia – Attract southeast VIP customers with the 12 major agent contracts

※ Gimpo ↔ Haneda Resumption of direct flights in June, soaring visits by Japanese tourists (May: 3,701 people → August: 26,482 people)

Recorded 1.28 million local visitors in Oct. driven by continuous demand of travel and inflow of group tourists

[Unit: '000]



Appendix. Consolidated Financial Statements in 2022.3Q

[Unit: Billion]	Sep. 2022		Dec. 2021	
I. Current Assets		64.2		91..5
Cash and Cash Equivalents	34.6		75.9	
Trade Account Receivables	6.2		2.6	
Non-Trade Account Receivables	4.6		1.0	
Inventories	6.3		6.6	
Other Current Assets	12.5		5.4	
II. Non-Current Assets		1,758.9		1,210.9
Property, Plant and Equipment	1,356.0		935.4	
Intangible Assets	49.2		50.9	
Lease Assets	320.5		184.9	
Others	33.2		39.7	
Total Assets		1,823.0		1,302.4
I. Current Liabilities		290.0		240.4
Trade Account Payables	5.8		8.3	
Short-term Borrowings	45.4		43.7	
Short-term Lease Liabilities	33.0		17.3	
Short-term Convertible Bonds	92.5		66.4	
Non-Trade Account Payables	48.4		55.0	
Others	64.9		49.7	
II. Non-Current Liabilities		1,266.2		1,009.3
Long-term Borrowings	684.3		674.9	
Convertible Bonds	113.7		147.3	
Lon-term Leased Liabilities	286.6		162.3	
Others	181.6		24.8	
Total Liabilities		1,556.2		1,249.7
Total Equity		266.8		52.7

[Unit: Billion]	'22.3Q	'21.3Q
Operating Revenue	48.2	29.9
Operating Expenses	75.2	63.7
Operating Income (Loss)	(27.0)	(33.7)
Other Income	0.2	0.01
Other Expenses	9.6	0..9
Financial Income	0.4	0.1
Financial Expenses	33.7	18.4
Pre-Tax Income (Loss)	(69.9)	(52.4)
Income Tax Expense	(2.2)	(0.2)
Net Income (Loss)	(67.7)	(52.2)
Net Income attributable to Owners of the Company	(67.7)	(52.2)
Net Income attributable to Non-controlling Interests	0.03	0.03