



# **LOTTE CONFECTIONERY**

2007 BUSINESS REPORT

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# MESSAGE FROM THE CEO



## MESSAGE FROM THE CEO

# Dear Shareholders and Investors,

- We thank you for your continued interest in  
and support for Lotte Confectionery -



**Dear Shareholders and Investors,  
Welcome to Lotte Confectionery.**

**Lotte Confectionery, a continuously growing global enterprise and a leader in the Confectionery industry**

Lotte Confectionery, the mother company of Lotte Group, has maintained its place as the industry leader for the past two decades since its establishment in 1967, through various marketing strategies and advanced distribution methods, and we have contributed to the development and globalization of the domestic food industry with our "Quality First" corporate philosophy.

We were the first company in the industry to have annual sales of over KRW 1 trillion for four consecutive years from 2002, and have developed into a global food company that exports to over 70 countries.

We enjoy the largest market share in Korea for chewing gum, candy, biscuits, chocolate and ice cream. Lotte Confectionery's chewing gum and chocolate, which are made with the best ingredients and manufacturing technology, have also been recognized for their good quality by foreign countries, and overseas sales are growing every year.

In addition, we have also been producing remarkable results in terms of expanding our business scope with brands such as Natuur, a premium ice cream brand, and Health-1, a health food brand. We have also been utilizing our outstanding marketing expertise to produce hit products every year, and our comprehensive brand management has led to the retention of several long-term hit brands.

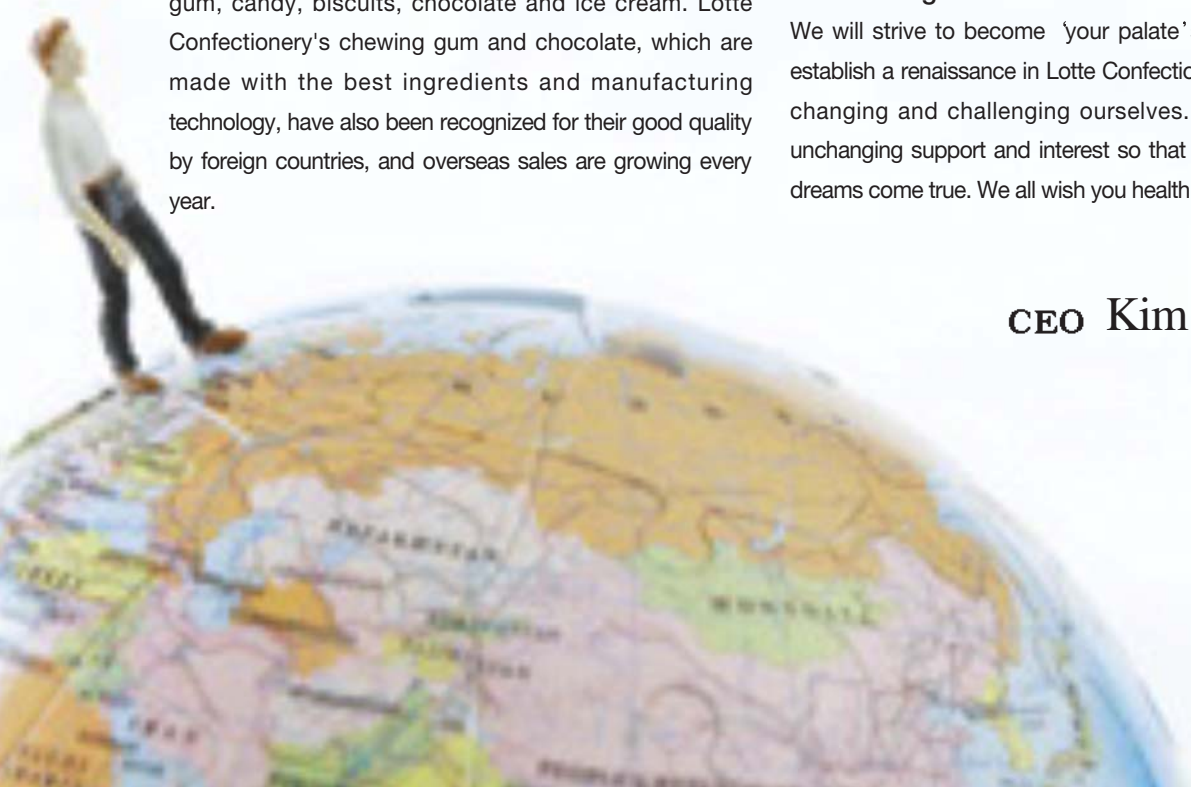
**'Your palate's sweetheart' - Lotte Confectionery**

Lotte Confectionery plans to focus on developing high-value products such as healthy foods while continuing to look after our main existing brands. We also plan to accelerate our efforts to advance into and expand our overseas markets, especially in emerging markets such as China, India, Vietnam and Russia. We are committed to a responsible role as a leader in the food industry, and will continuously strive to become a globally loved food company.

**'Let's Change! Get Chance!'**

We will strive to become 'your palate's sweetheart' and establish a renaissance in Lotte Confectionery by constantly changing and challenging ourselves. We ask for your unchanging support and interest so that we may make our dreams come true. We all wish you health and happiness.

**CEO Kim Sang-hoo**



# Company Profile

- 1) Business Areas
- 2) Company history
- 3) Corporate group
- 4) Total number of shares
- 5) Matters related to profit sharing

# Company Profile

## 1) Business Areas

- Lotte Confectionery has the largest market share in the domestic dried fruit and ice cream markets, and has also been aggressively moving into overseas markets.

We are working hard to become a global enterprise and have established local operations in Vietnam, Russia, India and China in order to focus our business efforts in these areas.

We are also concentrating on exports for other overseas markets. In the domestic market, we have been expanding our business into areas such as the red ginseng business, with a health food brand called Health-1, and also we have been focusing on maximizing customer satisfaction through products like Natuur, our premium ice cream brand. We will continue to strive to become the top brand in Asia.

## 2) Company History

### (1) History

① Establishment date: Mar 24, 1967

② Head office location : #23, Yangpyeong-dong 4-ga, Yeongdeungpo-gu, Seoul, Korea

#### ※ Major Corporate Events

Mar 1967	Established Lotte Confectionery
Jun 1968	Opened branch offices in 5 major cities (Seoul, Busan, Daegu, Daejeon, Kwangju)
Feb 1969	Completed construction of Yeongdeungpo Plant
Oct 1969	Completed construction of Gum Base Plant (Siheung Plant)
Mar 1970	Started to operate Siheung Plant (Gum Base Production)
Dec 1971	Started gum production at Yeongdeungpo Plant
Feb 1974	Listed shares on stock exchange (1974.2.16)
Feb 1975	Started chocolate production at Yeongdeungpo Plant
Jan 1979	Completed construction of Yangsan Plant
Aug 1983	Completed construction of Pyeongtaek Plant
Jul 1984	Established branch office in LA
1988	Selected as official supplier for Olympics
Nov 1989	Recognized for export volume of USD 10 million
Dec 1989	Moved Head Office from Namyong-dong to 23 Yangpyeong-dong 4-ga, Yeongdeungpo-gu
May 1991	Opened Welfare Center in Yeongdeungpo Plant
Mar 1992	Opened Lotte Industrial College
Dec 1992	Established branch office in Beijing
Jul 1994	Established LOTTE CHINA FOODS CO., LTD.
Feb 1995	Established Lotte Philippines Joint Venture
Jul 1995	Established branch office in Moscow
Dec 1995	Recognized for export volume of USD 50 million
Apr 1996	Completed construction of Daejeon Plant
Apr 1997	Acquired ISO9001
Nov 1997	Established Gimhae Logistics Center
Apr 1998	Launched premium ice cream Natuur
Sep 1998	Completed construction of Vietnam Plant for chewing gum production and started sales
Dec 1999	Opened PI Integrated Information System

# Company Profile

Dec 2002	Achieved sales of KRW 1 trillion, a record in the domestic Confectionery industry
May 2004	Acquired 80% of Parrys' shares (in India) (currently Lotte India Co., LTD.)
Mar 2005	Acquired 100% of Lotte Qingdao Foods Co., LTD.
Sep 2006	Established Lotte Taiwan Co., LTD.
Dec 2006	Established Lotte Food Holding Co., Limited
Apr 2007	Established Lotte KF Rus Llc

### ③ Major changes in the management

2006. 3. CEO Han Su-gil resigned and Kim Sang-hu took office as new CEO

Lee Eun-hak and Kim Seung-bae were newly appointed as directors

2007. 3. Outside Director Lim Gyeom-mo completed term and resigned, Chae Su-gyu was newly appointed

2008. 3 Directors Kim Yong-taek, Lee Eun-hak and Kim Seung-bae resigned, Outside Director Hong Seong-dae completed term and resigned

3 new Outside Directors Kim Chang-seob, Park Hyeon-jin and Jeon Sin-ke were appointed to act as inspection commissioners

### ④ Change of largest shareholder

:The largest shareholder was changed from Shin Gyeok-ho to Lotte Aluminum Co., Ltd. in January 2002

## (2) Major Events Related to Business Activities

- Invested in Lotte Package Co., Ltd. (Jan 2007): KRW 4,027 mil
- Invested in Lotte Shanghai Foods. Co., Ltd. (Jan 2007): KRW 3,756 mil
- Invested in Lotte Food Holding Co., Ltd. (Feb 2007): KRW 9,325 mil
- Invested in Lotte KF Rus Llc (Mar 2007): KRW 10,327 mil
- Invested in Lotte Food Holding Co., Ltd. (Apr 2007): KRW 17,654 mil
- Invested in Lotte KF Rus Llc (Aug 2007): KRW 10,338 mil
- Invested in Lotte Food Holding Co., Ltd. (Aug 2007): KRW 19,400 mil
- Acquired stock and invested in Lotte Vietnam Co., Ltd. (Nov 2007): KRW 4,467 mil

## 3) Corporate Group

### (1) Name of Corporate Group

- ① Name of corporate group: Lotte Group
- ② Group owner: Shin, Gyeok-ho
- ③ Major business areas: Confectionery, Logistics, Chemical
- ④ Main company and main focus companies: Lotte Confectionery, Lotte Chilsung, Lotte Shopping, Hotel Lotte, Honam Petrochemical Corporation

# Company Profile

## (2) Companies Affiliated With Corporate Group

: 73 companies (7 listed companies, 36 non-listed companies, 30 overseas companies)

[Listed companies]: 7 companies

Industry	Name	Total
Food	Lotte Confectionery, Lotte Samgang, Lotte Chilsung	3 companies
Petrochemical	Honam Petrochemical Corporation, KP Chemical	2 companies
Logistics	Lotte Shopping, Lotte Midopa	2 companies

[Non-listed companies]: 36 companies

Industry	Name	Total
Food, Medical	Lotte Ham, Lotteria, Lotte Fresh Delica, Lotte Boulangerie, Lotte Pharm, Food Star, Cinema Commerce, Wellga	8 companies
Tourism, Leisure	Hotel Lotte, Lotte Giants, Busan Lotte Hotel, Lotte Corporation, Lotte JTB	5 companies
Logistics	Lotte Trading, Lotte Station Building, Lotte Logistics, Korea Seven, Lotte.com, Lotte Asahi, Woori Home Shopping	7 companies
Petrochemical	Lotte Daesan Petrochemical Corp, Sitek, KPchemtech, Daesan MMA	4 companies
Chemical	Korea Fuji Film	1 companies
Machinery, Electronics	Lotte Aluminum, Lotte Engineering & Machinery, Canon Korea Business Solution	3 companies
Construction	Lotte Engineering & Construction	1 companies
Realestate development	Lotte Asset Development	1 companies
Advertising	Daehong Communications	1 companies
Information communications	Lotte Data Communication	1 companies
Clothing	FRL Korea	1 companies
Finance	Lotte Capital, Lotte Card	2 companies
Energy supply	Cheongna Energy	1 companies

[Overseas]: 30 companies

Name
Lotte China Foods Co., Ltd., ZAO LOTTE RUS, Lotte India Co., Ltd., Lotte Trading New York Corporation, Lotte Qingdao Foods Co., Ltd., Haemungyo Seonganryun Co., Ltd., Lotte Philippines Co., Ltd., Vietnam Lotteria Co.,Ltd., Lotte Vietnam Co.,Ltd., KP Chemical (H.K.)Limited, Lotte Taiwan Co., Ltd., Lotte Shopping Rus Ltd., Lotteaodeli Beverage Co.LTD., Lotte Construction Co., Ltd., ZAO L&S, Hoseok Chemical Trade Co., Ltd., Lotte Shanghai Foods. Co., Ltd., Gaheung Hoseok Gongjeong Soryo Co., Ltd., LOTTE Food Holding Co., Limited, Lotte Package Co., Ltd., Lotte Investment Co., Ltd., Honam Overseas Holdings Limited, LOTTE Confectionery RUS LLC, LH Foods Co., Limited, Soglasie-Lotte Hotel Duty Free Ltd., Operator-Lotte-Duty Free Ltd., United NCRI-Lotte Construction Corporation, Lotte Engineering and Construction India Pvt. Ltd., Lotte Huabang Co., Ltd., Lotte Qingdao Foods Co., Ltd.

# Company Profile

## 4) Total number of shares

### (1) Total number of shares

(As of Dec 31, 2007)

(Units: shares)

Item	Share type			Ref
	Equity		Total	
I. Total shares to be issued	3,000,000	-	3,000,000	
II. Total number of authorized and issued shares to date	1,421,400	-	1,421,400	
III. Total number of shares reduced to date	-	-	-	
1. Capital reduction	-	-	-	
2. Profit write-down	-	-	-	
3. Redemption of shares	-	-	-	
4. Other	-	-	-	
IV. Total number of authorized and issued shares ( II - III)	1,421,400	-	1,421,400	
V. Treasury Stock	14,000	-	14,000	
VI. Negotiable shares ( IV- V)	1,407,400	-	1,407,400	

### (2) Capital and value per share

(As of Dec 31, 2007)

(Units: KRW, shares)

Category	Type	Capital (total face amount)			Value per share			Ref
		Capital on financial statements (A)	Total face value of negotiable shares ( IV4- ①x B)	Total face value of negotiable shares ( VI4- ①B)	Face value per share (B)	Capital ÷ total of issued shares (A ÷ IV4- ①)	Capital ÷ #total of negotiable shares (A ÷ VI4- ①)	
Registered Stock	Equity	7,107,000,000	7,107,000,000	7,037,000,000	5,000	5,000	5,050	
Total		7,107,000,000	7,107,000,000	7,037,000,000	5,000	5,000	5,050	

# Company Profile

## (3) Acquisition or Disposal of Treasury Stock

### (1) Status of Acquisition or Disposal of Treasury Stock

Acquisition method	Share type	Basic	Acquisition (+)	Disposal (-)	Write-down (-)	Quarter-end	Ref
Direct acquisition according to Article 189-2-1 of the law	Common Stock	-	-	-	-	-	
	Preferred stock	-	-	-	-	-	
Direct acquisition for reasons apart from Article 189-2-1 of the law	Common Stock	-	-	-	-	-	
	Preferred stock	-	-	-	-	-	
Subtotal	Common Stock	-	-	-	-	-	
	Preferred stock	-	-	-	-	-	
Indirect acquisition through custodian contract, etc.	Common Stock	14,000	0	0	0	14,000	See1)-5)
	Preferred stock	-	-	-	-	-	
Total	Common Stock	14,000	0	0	0	14,000	
	Preferred stock	-	-	-	-	-	

Note 1) Acquired 14,000 shares (Dec 26, 2003) according to specified money trust (equity trust) contract (Dec 24, 2003)

Note 2) Initial contract (6-month maturity) was signed on Dec 24 2003 and was terminated on Jun 24, 2004, the contract was extended for KRW 10 bil out of the total of KRW 20 bil, and KRW 10 bil was terminated

Note 3) Contract terminated on Jun 24, 2005, and the contract was extended 1 year for the total amount of KRW 10 bil

Note 4) With contract termination on Jun 24, 2006 KRW 3 bil out of the total KRW 10 bil was terminated and the contract for the remaining KRW 7 bil was extended for 1 year

Note 5) The contract terminated on Jun 24, 2007, and the contract for the total amount of KRW 7 bil was extended for 1 year

## 5) Matters Related to Profit Sharing

: The Company's policy on profit sharing is as follows in alignment with Articles 45 and 46 of its Articles of Incorporation.

Article 45 (Profit sharing)

① Profit sharing can be made through money and shares.

② If the company has issued various types of shares, profit sharing can be made through different types of shares by decision of a Shareholders' Meeting.

③ The dividends specified in Paragraph 1 shall be distributed to registered shareholders and mortgagees at the end of each quarter.

Article 46 (Extinctive prescription of claim on dividend payment)

① If the claim on dividend payment is not exercised for 5 years, its effectiveness shall expire.

# Company Profile

## ② Matters related to dividend payment for the last 3 years

Item		41st	40th	39th
Face value per share (KRW)		5,000	5,000	5,000
Net income for the year (KRW 1 mil)		108,991	249,339	99,211
Net income per share (KRW)		77,441	177,163	70,493
Income available for dividends (KRW 1 mil)		6,415	-42,706	5,474
Total cash dividends (KRW 1 mil)		4,222	3,870	3,519
Total stock dividends (KRW 1 mil)		-	-	-
Ratio of cash dividends (%)		3.87	3.87	3.87
Return rate of cash dividends (%)	Equity	0.20	0.20	0.20
	Preferred stock	-	-	-
Return rate of stock dividends (%)	Equity	-	-	-
	Preferred stock	-	-	-
Cash dividend per share (KRW)	Equity	3,000	2,750	2,500
	Preferred stock	-	-	-
Stock dividend per share	Equity	-	-	-
	Preferred stock	-	-	-

※ The earned surplus appropriation statement was revised due to the recalculation of deferred corporate taxes according to #06-2 of the Statement of Accounting Standards Application with regard to Article 16 (Regulation on accounting of corporate taxes)

※ Rationale for calculation of net income per share

The following shows ordinary income per share and net income per share for the 41st/ 40th/ 39th dividends payment.

Category	2007	2006	2005
A. Net income (KRW)	108,991,128,948	249,338,802,718	99,211,206,817
B. No. of weighted average negotiable shares (no. of shares)	1,407,400	1,407,400	1,407,400
C. Net income per share (KRW)	77,441	177,163	70,493

# Business Details

- 1) Business overview
- 2) Company status (domestic)
- 3) Major products and raw materials
- 4) Production and facilities
- 5) Sales
- 6) Major business contracts

## 1) Business Overview

### (1) Industry status

#### ① Industry trends

The Confectionery industry is a typical consumer goods industry with a wide spectrum of consumers and has shown consistent demand. However, its growth has slowed down due to food diversity and a reduction in population growth. As business conditions have worsened because of competition from overseas brands and food services and an increase in raw material prices, businesses are focusing on producing high-quality confections and developing healthy and functional foods.

#### ② Growth Potential of Industry

The Confectionery industry has been growing consistently based on stable demand. However, the market has recently become somewhat stagnant due to a reduction in the population of children, the major Confectionery consumers, and increased demand for high-quality and health foods due to higher national income. However, the industry is seeking new growth opportunities by producing health or functional foods.

#### ③ Characteristics of Economic Cycle

The industry is not greatly affected by the economic cycle compared with other industries. However, the recent economic recession and consumption slowdown have had some effect on the growth of the Confectionery industry. In addition, seasonal weather changes have an impact on fluctuations in demand.

#### ④ Competition Factors

A number of domestic and overseas confectioners are in competition, but 4 major companies make up most of the Korean market. These companies focus on product research to satisfy domestic consumers' tastes, invest in facilities and have strong sales forces. Recently, domestic

confectioners have been in fierce competition with their overseas counterparts because of consumers' demand for a greater variety of foods and the increased interest in food safety and healthy foods. Therefore, developing high-quality foods to satisfy changing consumer trends has become more important than ever.

#### ⑤ Characteristics of Raw Material Procurement

As Confectionery goods are highly dependent on imported raw materials, rising prices of grain, dairy products and raw materials including oil have a great influence on corporate profitability. Therefore, companies are required to constantly monitor raw material prices so that they can procure them at the right time.

#### ⑥ Relevant Laws and Regulations

The Confectionery industry is subject to laws and regulations related to food hygiene, consumer protection, tariffs on imported raw materials, fair trade rules for business management, product liability, Waste separation labeling and resource recycling, etc. Also, it is likely that civic groups will enhance monitoring because of the growing interest of consumers in food hygiene.

## 2) Company Status (domestic)

### (1) Operating Status and Business Areas

#### (A) Operating Status

The business environment is becoming tougher because of rising major raw material prices and the heavy dependence on large distributors. It is expected that the situation will become more difficult because of increased costs due to fierce competition between domestic and overseas food makers, strengthened food-related regulations and the diverse consumer demand that reflects the recent well-being trends. The

# Business Details

Confectionery market has become stagnant due to the low childbirth rate and the aging population. Despite such conditions, the Company achieved net sales of KRW 1,134.2 bil, a 5.1% increase from the previous year. To ensure continuous growth, it is pursuing the development of new distribution channels and overseas businesses in China, India and Russia.

In addition to these efforts, the Company will consolidate its No.1 status in the domestic market by developing new high quality products and expanding its market for health and functional foods. Furthermore, it will become a global food maker in the 21st century based on its existing and new overseas businesses.

## (B) Classification of Business Areas Subject to Public Disclosure

Confectionery business: The net sales for the year (January ~ December) were KRW 1,134.2 bil, up 5.1% from the previous year.

### (2) Market Shares, etc.

Item	41st (annual)	40th (annual)	39th (annual)
Confectionery	40.2%	40.0%	40.3%
Ice cream	38.5%	38.0%	38.3%

※ Calculated based on changing information relating to the top 4 domestic producers (not verified objective data).

### (3) Market Characteristics

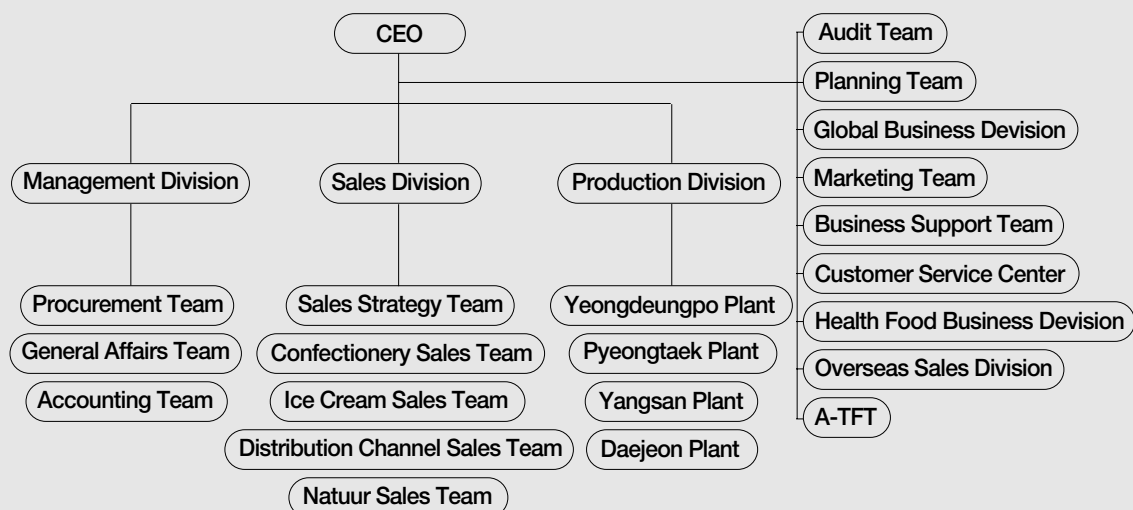
The Confectionery market is highly dependent on domestic demand and competition is getting fiercer among the domestic players and the foreign companies that have penetrated the Korean market. Because of the continuous expansion of new distribution channels such as large discount stores, the share of the smaller and larger shops has dropped. Therefore, negotiating power with large discount stores has become an important factor in the competition. The population of children, the major Confectionery consumers, is decreasing and has resulted in stagnation in the market. However, as consumer needs for food safety and health foods have become more diverse and stronger, developing health and functional foods has become a new issue for confectioners.

### (4) Projections For New Business Areas

The Company is constantly seeking ways to penetrate new business areas and markets in order to overcome the stagnant growth of the existing Confectionery market.

# Business Details

## (5) Organizational Chart



## 3) Major Products and Raw Materials

### A. Details of major products

(Units: KRW 1 mil)

Business area	Sales type	Item	Specific purchase	Major brand name, etc.	Sales (%)
Food manufacturing & Sales distribution	Product	Chewing gum	Domestic sales & Exports	Xylitol, Flavono, etc.	166,443 (14.7%)
		Candy		Anytime, Herb Throat Candy, etc.	55,109 (4.9%)
		Biscuits		Custard, Magaret, etc.	176,082 (15.5%)
		Chocolate		Pepero, Dream Cacao, etc.	235,037 (20.7%)
		Sherbet		World Cone, Seol-Lae-Im, etc.	314,178 (27.7%)
		Other		Kko Kkal Corn, Cheetos, etc.	61,058 (5.4%)
		Subtotal			1,007,907 (88.9%)
		Other Products		Sherbet	Joo-Mool-Lu, Precious Bar, etc.
	Other	Vegetable Cracker, Choco Rice Cake, Rental revenues, etc.	103,956 (9.2%)		
	Subtotal		126,267 (11.1%)		
	Total		1,134,174 (100.0%)		

# Business Details

## B. Price fluctuation of major products

(Units: Domestic \, Exports \$)

Item		41st	40th	39th
Butter Coconut	Domestic	532 / piece	532 / piece	532 / piece
Atlas	Domestic	380 / pack	380 / pack	380 / pack
Scotch Candy	Domestic	760 / pack	760 / pack	760 / pack
5 Stick	Export	38.5 / Box	38 / Box	38 / Box
Spout	Export	32 / Box	32 / Box	32 / Box
Choco Pie	Export	6.9 / Box	6.9 / Box	6.9 / Box
Custard	Export	9.6 / Box	8.8 / Box	8.8 / Box

### (1) Calculation rule

: Consumer price \* 76% (Consumer price based on term end price)

### (2) Major reason for price changes

- ① Domestic: N/A
- ② Export: unit cost increase for some products

## C. Current Status of Major Raw Materials, etc.

(Units: KRW 1 mil)

Business area	Purchase type	Item	Specific purchase	Purchase amount	Ratio	Ref	
Food manufacturing & Sales distribution	Internal capital	Major raw materials	Sugar	Gum,	33,642	22.2%	CJ
			Dairy	Candy	18,859	12.5%	Daesang
			Oil	Ingredients	21,819	14.4%	Lotte Milk
			Other	Ice cream	77,047	50.9%	Lotte
				Ingredients			Samgang
				Biscuit			
			Ingredients				
			Subtotal	Packaging	151,368	100.0%	
		Other	Gravure	“	50,744	38.1%	Usang
	Plastics		“	21,532	16.1%	Shinjin	
	Boxes			19,414	14.6%	Samji	
	Other			41,651	31.2%	packaging	
	Subtotal				133,341	100.0%	
		Outside capital	Major raw materials	Dairy	Ice cream	33,065	29.9%
Agricultural	Ingredient			27,260	24.6%	Ed & F Man	
Spices	“			10,733	9.7%	Hasegawara	
Other	Gum,			39,665	35.8%		
	candy						
		Ingredients					
		Subtotal		110,723	100.0%		
Total				395,432			

# Business Details

## D. Price Fluctuation of Major Raw Materials

(Units : VKG, \$/MT)

Item		41st	40th	39th
Sugar	Domestic	663	695	596
Cocoa bean	Import	2,090	1,805	1,791
Starch syrup	Domestic	534	473	492
Cocoa powder	Import	1,270	1,220	1,626
Flour	Domestic	543	482	504
Hydrogenated oil	Import	2,290	1,870	1,795
Dairy	Domestic	2,928	2,769	2,880
Dairy	Import	2,230	2,157	2,089

### (1) Calculation rule

: Based on average unit cost and standard international raw material prices

### (2) Major reason for price changes

: Impact of changes in foreign exchange rates

## 4) Production and Facilities

### 1) Production capability

(Units: Ton, KRW 1 mil)

Business area	Item	41st		40th		39th	
		Weight	Amount	Weight	Amount	Weight	Amount
Food manufacturing & sales distribution	Gum, candy	50,243	546,000	52,164	567,600	54,281	573,600
	Biscuits, chocolate	119,975	748,800	136,019	788,400	121,056	642,000
	Ice cream, etc.	241,257	956,400	241,747	894,000	248,997	883,200
Total		411,476	2,251,200	429,930	2,250,000	424,334	2,098,800

### 2) Basis for Measurement of Production Capability

#### (A) Measurement rule

Item	Average working days per month	Average working hours per day	Production unit (KG/H)	Production capability (TON/Year)	Ref
Gum, candy	20	21	9,969	50,243	
Biscuits, chocolate	20	21	23,805	119,975	
Ice cream, etc.	20	21	47,868	241,257	
Total				411,476	

## B. Production performance and operating ratio

### (1) Production performance

# Business Details

## (B) Average operating hours

O: Refer to Table in (A)

Business area	Item	41st		40th		39th	
		Weight	Amount	Weight	Amount	Weight	Amount
Food manufacturing & sales distribution	Gum, candy	23,296	253,161	23,364	254,226	26,330	278,235
	Biscuits, chocolate	72,888	454,914	70,195	406,867	73,786	391,311
	Ice cream, etc.	110,468	437,921	107,328	396,911	115,833	410,864
Total		206,652	1,145,996	200,887	1,058,004	215,949	1,080,410

## (2) Operating ratio of current term

(Units: hour, %)

Business area	Annual operating hours (available)	Annual operating hours (actual)	Avg operating ratio
Food manufacturing	5,040	2,566	50.9
Total	5,040	2,566	50.9

## C. Production Facilities

### (1) Status of Production Facilities

[Asset type: Machinery]

(Units: KRW 1 mil)

Local business unit	Ownership type	Location	Category	Basic book value	Changes for the year		Amortization for current term	Term end book value	Ref
					Increase	decrease			
Yeongdeun gpo	Owned	Yeongdeun gpo	-	13,195	5,663	163	6,244	12,451	
Pyeongtaek	Owned	Pyeongtaek	-	9,239	4,743	-	4,517	9,465	
Yangsan	Owned	Yangsan	-	11,843	7,652	-	7,460	12,035	
Daejeon	Owned	Daejeon	-	20,308	6,944	-	9,719	17,533	
Others	Owned	Other	-	1,027	50	-	532	545	
Total				55,612	25,052	163	28,472	52,029	

[Asset type: Machinery]

(Units: KRW 1 mil)

Local business unit	Ownership type	Location	Category	Basic book value	Changes for the year		Amortization for current term	Term end book value	Ref
					Increase	decrease			
Yeongdeun gpo	Owned	Yeongdeun gpo	-	13,195	5,663	163	6,244	12,451	
Pyeongtaek	Owned	Pyeongtaek	-	9,239	4,743	-	4,517	9,465	
Yangsan	Owned	Yangsan	-	11,843	7,652	-	7,460	12,035	
Daejeon	Owned	Daejeon	-	20,308	6,944	-	9,719	17,533	
Others	Owned	Other	-	1,027	50	-	532	545	
Total				55,612	25,052	163	28,472	52,029	

# Business Details

[Asset type: Land]

(Units: KRW 1 mil)

Local business unit	Ownership type	Location	Category	Basic book value	Changes for the year		Amortization for current term	Term end book value	Ref
					Increase	decrease			
Production	Owned	Each plant	-	97,237	-	-	-	97,237	
Administration Sales	Owned	HO Sales Office	-	163,831	2,048	1,398	-	164,481	
Total				261,068	2,048	1,398	-	261,718	

[Asset type: Building]

(Units: KRW 1 mil)

Local business unit	Ownership type	Location	Category	Basic book value	Changes for the year		Amortization for current term	Term end book value	Ref
					Increase	decrease			
Production	Owned	Each plant	-	31,649	829	104	5,504	26,870	
Administration Sales	Owned	HO Sales Office	-	63,544	4,405	245	4,614	63,090	
Total				95,193	5,234	349	10,118	89,960	

[Asset type: Structure]

(Units: KRW 1 mil)

Local business unit	Ownership type	Location	Category	Basic book value	Changes for the year		Amortization for current term	Term end book value	Ref
					Increase	decrease			
Production	Owned	Each plant	-	623	1,254	7	198	1,672	
Administration Sales	Owned	HO Sales Office	-	536	37	2	65	506	
Total				1,159	1,291	9	263	2,178	

[Asset type: Vehicles]

(Units: KRW 1 mil)

Local business unit	Ownership type	Location	Category	Basic book value	Changes for the year		Amortization for current term	Term end book value	Ref
					Increase	decrease			
Production	Owned	Each plant	-	1	15	-	12	4	
Administration Sales	Owned	HO Sales Office	-	4,418	6,112	24	4,195	6,311	
Total				4,419	6,127	24	4,207	6,315	

[Asset type: Other tangible assets]

(Units: KRW 1 mil)

Local business unit	Ownership type	Location	Category	Basic book value	Changes for the year		Amortization for current term	Term end book value	Ref
					Increase	decrease			
Production	Owned	Each plant	-	775	1,736	6	1,642	863	
Administration Sales	Owned	HO Sales Office	-	14,879	9,433	26	10,277	14,009	
Total				15,654	11,169	32	11,919	14,872	

# Business Details

## (2) Plans for new facility construction and purchase

### (A) On-going investment

(Units: KRW 1 mil)

Business area	Item	Investment period	Asset type	Investment effect	Total amount	Amount invested	Amount to be invested	Ref
Food manufacturing & Sales distribution	Building, etc.	2007.01~12	Building, Structure	Warehouse, expansion of sales office		3,117		
		2007.01~12		Expansion of		1,156		
	Facility		Machinery	production facilities				
Total						4,273		

## 5) Sales

### A. Sales performance

(Units: Ton, KRW 1 mil)

Business area	Sales type	Item		41st		40th		39th		
				Weight	Amount	Weight	Amount	Weight	Amount	
Food manufacturing & Sales	Products	Gum, Candy	Export	1,524	16,564	1,697	18,467	1,697	17,930	
			Domestic	19,628	213,303	20,380	221,752	22,710	239,983	
			Total	21,152	229,867	22,077	240,219	24,407	257,913	
		Biscuits, Chocolate	Export	4,157	25,943	3,001	17,393	2,116	11,221	
			Domestic	70,722	441,397	70,819	410,485	76,157	403,887	
			Total	74,879	467,340	73,820	427,878	78,273	415,108	
	Ice cream, etc.	Export	616	2,441	668	2,472	1,441	5,112		
		Domestic	107,798	434,526	110,503	408,647	123,596	438,399		
		Total	108,413	436,967	111,171	411,119	125,037	443,511		
	Total			Export	6,297	44,948	5,366	38,332	5,254	34,263
				Domestic	198,148	1,089,226	201,701	1,040,884	222,463	1,082,269
				Total	204,445	1,134,174	207,068	1,079,216	227,717	1,116,532

### B. Sales channels and methods

#### (1) Sales organization

- Company → Confectionery Sales ⇒ Sales office or agency
- Ice Cream Sales ⇒ Sales office or agency
- Logistics Sales
- Health Food Business
- Overseas Sales
- Natuur Sales

#### (2) Sales channel

- Warehouse → local unit → sales office, agency →
- retailer, wholesale shop → consumer supermarket, specialty stores, etc.

### (3) Sales method and condition

Sales offices or agencies sell products to end consumers via retailers, wholesale shops, supermarkets, etc. and payment is made usually in cash.

### (4) Sales strategy

- Launch products that satisfy consumer tastes through research and development
- Use effective marketing strategy for new and leading products
- Fast product distribution through nationwide sales networks

## 6) Major Business Contracts

- ① Contract for ice cream manufacturing technology with U.S. Wilkes & Associates
  - Period: 2005. 10 ~ 2015. 10l
  - Payment: Net sales \* 1.15%
- ② Contract for biscuit manufacturing technology with U.S. Wilkes & Associates.
  - Period: 2004. 2 ~ 2014. 2
  - Payment : Net sales \* 0.75%
- ③ Contract for snack manufacturing technology with U.S. PepsiCo
  - Period : 2006.5 ~ 2009.12
  - Payment : Net sales \* 3%
- ④ Contract for snack manufacturing technology with U.S. Miles Willard Technologies
  - Period : 2006.9 ~ 2013.3
  - Payment : Net sales \* 1.0%
- ⑤ Contract for Hello Kitty character use with Sanrio Korea
  - Period : 2007.1 ~ 2007.12 (Contract renewal negotiation is under way)
  - Payment : Net sales \* 5.0%
- ⑥ Contract for Let's & Go Max character use with Tretoon
  - Period : 2007.8 ~ 2008.7
  - Payment : Net sales \* 1.2%
- ⑦ Contract for Pocket Monsters character use with Daewon C&A
  - Period : 2007.11 ~ 2008.10
  - Payment : Net sales \* 1.2

# Research and Development Activities

- 1) Overview of R & D Activities
- 2) Costs and results

# Research and Development Activities

## 1) Overview of R & D Activities

### (1) R & D Organization

Lotte Central R & D Center is in charge of R & D activities. The Center Chief leads the research support team, the 1st Lab (basic development, analysis, health & functional food research, packaging research) and the 2nd Lab (research on chewing gum, candy, snack, bakery, pie, choco, ice cream, etc.)

### (2) R & D Cost

(Units: KRW 1 mil)

Item		41st	40th	39th	Ref
Raw material		183	1,072	1,035	
Labor		4,000	3,536	3,424	
Depreciation		506	474	332	
Outsourcing		-	-	33	
Other		141	-	-	
Total		4,830	5,082	4,824	
Accounting	Sales & administrative expenses	-	-	-	
	Manufacturing expenses	4,830	5,082	4,824	
	Development cost (intangible asset)	-	-	-	
Ratio of R & D cost to sales [Total R & D cost ÷ Sales for the year × 100]		0.43%	0.47%	0.43%	

## 2) R & D performance

R & D project	Organization in charge	Research outcome & expected effects	Product name
Chewing gum	Lotte Central R & D Center	Satisfying customer needs and expanding market share	Mastic, etc.
New jelly research	Lotte Central R & D Center	Maximizing customer satisfaction with a new taste	Mel-zzang, etc.
Biscuits	Lotte Central R & D Center	Satisfying customer needs and expanding market share	Odette, etc.
Chocolate	Lotte Central R & D Center	Satisfying customer needs and expanding market share	CACAO 86, etc.
Snacks	Lotte Central R & D Center	Maximizing customer satisfaction with a new taste	Attractive Sweet Potato, etc.
Ice cream	Lotte Central R & D Center	Maximizing customer satisfaction with a new taste	Falling in love with Strawberry, etc.
Health food	Lotte Central R & D Center	Satisfying customer needs and expanding market share	6 year-sincerity Red Ginseng Kids

# Financial Status

- 1) Financial statements
- 2) Footnotes to financial statements

# Financial Status

## 1) Financial Statements

### Balance Sheet

LOTTE CONFECTIONERY Co., Ltd.

(Unit : KRW 1000)

Accounts	2007	2006	2005
Assets			
Current Assets	509,384,849	412,906,662	480,699,373
Quick Assets	411,504,582	337,386,444	403,383,540
Cash and CashEquivalents	43,561,681	60,583,185	58,088,676
Short-term Financial Instruments for Quick Assets	210,752,029	127,752,029	189,752,029
Short-term Instruments in Securieties	260,633	595,270	446,672
Trade Receivable	135,402,054	132,425,168	136,271,119
Allowance for Doubtful Accounts for Trade Receivables	5,038,310	5,177,824	4,994,337
Other Receivables	1,190,219	1,099,936	1,027,943
Accrued Income	5,495,700	2,491,573	1,884,585
Advance Payments	3,723,488	1,314,246	3,238,397
Prepaid Expenses Total	3,583,996	2,262,481	3,684,908
Deferred Income Taxes Assets Current	12,573,092	14,040,379	13,983,549
Inventories	97,880,267	75,520,218	77,315,833
Merchandises	5,710,579	5,445,052	8,357,524
Finished Goods	35,538,089	32,852,049	34,779,916
Works in Process	5,581,617	4,972,165	5,000,186
Raw Materials	15,014,502	14,393,930	15,034,242
Supplies	52,798	35,880	46,501
Raw Materials in Transit for Inventories	35,982,682	17,821,143	14,097,464
Non-current Assets	1,648,625,439	1,511,097,845	1,150,460,038
Investment Assets	1,191,079,043	1,040,501,319	724,925,137
Long-term Financial Instruments for Investment Assets	28,973	405,142	2,617,128
Long-term Investment in Securities	306,072,693	277,155,151	227,057,362
Equity Method Securities	884,977,377	762,941,027	495,250,647
Property, Plant and Equipment	431,345,908	439,117,071	393,963,894
Land	261,718,581	261,067,865	220,258,549
Buildings	198,439,211	194,307,855	183,023,119
Accumulated Depreciation for Buildings	108,479,192	99,115,138	89,100,005
Structures	9,045,174	7,879,659	7,566,646
Accumulated Depreciation for Structures	6,867,034	6,721,011	6,359,826
Machinery	439,360,711	420,525,017	401,524,074
Accumulated Depreciation for Machinery	387,331,907	364,913,162	346,009,238
Vehicles	27,885,731	24,627,067	26,825,750
Accumulated Depreciation for Vehicles	21,570,443	20,207,919	21,908,020

# Financial Status

Other Property Plant Equipment	99,369,385	93,960,224	86,727,121
Accumulated Depreciation for Other Tangible Assets	84,497,130	78,306,633	73,518,401
Construction in Progress	4,272,821	6,013,246	4,934,126
Intangible Assets	1,257,062	1,316,746	1,286,141
Industrial Property Rights	1,072,562	1,058,246	1,073,641
Premium of Lease	184,500	258,500	212,500
Other Non-current Assets	24,943,426	30,162,710	30,284,867
Deposits Provided	24,943,426	30,162,710	30,284,867
Total Assets	2,158,010,288	1,924,004,507	1,631,159,411
Liabilities	0	0	0
Current Liabilities	228,115,132	161,349,590	232,137,055
Trade Payable	100,246,307	61,753,987	111,216,852
Other Payables	52,547,242	40,900,523	60,165,145
Withholdings	2,752,721	2,108,088	2,372,436
Accrued Expenses	34,862,815	25,449,760	23,805,443
Income Taxes Payable	17,142,634	10,258,208	14,770,878
Dividends Payable for Current Liabilities	8,433	7,702	8,353
Current Portion of Long-term Liabilities	30,009	26,719	23,524
Provisions for Estimated Return of Goods in Current Liabilities	12,049,251	11,807,949	11,097,135
Other Current Liabilities	8,475,721	9,036,654	8,677,289
Non-current Liabilities	283,641,602	253,861,140	167,345,929
Long-term Borrowings	435,854	465,863	492,582
Provisions for Retirement and Severance Benefits	23,933,503	22,603,154	22,343,238
Deposits for Retirement and Severance Benefits Long-term Liabilities	19,857,324	22,534,161	22,260,324
Transfer to National Pension Fund	58,327	68,993	82,914
Deposits Received for Non-current Liabilities	11,284,311	11,211,910	10,144,513
Deferred Income Taxes Liabilities Non-current	267,903,586	242,183,367	156,708,834
Total Liabilities	511,756,734	415,210,730	399,482,983
Stockholders' Equity	0	0	0
Capital Stock	7,107,000	7,107,000	7,107,000
Common Stock	7,107,000	7,107,000	7,107,000
Capital Surplus	270,185,339	270,185,339	270,185,339
Additional Paid-in Capital	1,350,000	1,350,000	1,350,000
Other Capital Surplus	11,648,116	11,648,116	11,648,116
Appraisal Surplus	257,187,223	257,187,223	257,187,223
Capital Adjustments	-6,247,971	-6,247,971	-6,247,971
Treasury Stock in Capital Adjustments	6,247,971	6,247,971	6,247,971
Accumulated Other Comprehensive Income	294,340,854	262,001,857	230,704,810
Gains on Valuation of Long-term Investment Securities	196,194,481	174,416,975	141,073,803
Gains on Valuation of Equity Method Securities	112,503,237	105,641,940	105,495,328

# Financial Status

Losses on Valuation of Equity Method Securities	14,356,865	18,057,059	15,864,321
Retained Earnings or Accumulated Deficit	1,080,868,332	975,747,553	729,927,250
Appropriated Retained Earnings for Statutory Reserve	3,553,500	3,553,500	3,553,500
Appropriated Retained Earnings for Voluntary Reserves	1,014,900,000	720,900,000	456,900,000
Retained Earnings Before Appropriations or Accumulated Deficit Before Disposition on Balance Sheet	62,414,832	251,294,053	269,473,750
Total Stockholders Equity	1,646,253,553	1,508,793,778	1,231,676,428
Total Liabilities and Stockholders Equity	2,158,010,288	1,924,004,507	1,631,159,411

## Income Statement

From 01/01/2007 To 12/31/2007

From 01/01/2006 To 12/31/2006

From 01/01/2005 To 12/31/2005

LOTTE CONFECTIONERY Co., Ltd.

(Unit : KRW 1000)

Accounts	2007	2006	2005
Sales Revenue	1,134,173,969	1,079,216,668	1,116,531,899
Gross Sales	1,207,213,209	1,144,794,351	1,170,074,680
Sales-Finished Goods for New Account for Sales Revenue	1,074,807,164	1,015,274,098	1,026,244,366
Sales-Merchandise for New Account for Sales Revenue	125,215,083	129,520,254	143,830,314
Sales-Other	7,190,962	0	0
Sales Commission	-73,039,240	-65,577,683	-53,542,781
Costs of Goods and Services Sold	689,063,194	669,555,895	697,369,278
Cost of Finished Goods Sold	606,884,522	580,124,564	599,898,111
Beginning Inventory of Finished Goods	32,852,049	34,779,916	34,014,745
Cost of Finished Goods	609,351,650	577,442,787	599,520,606
Transfer from Other Accounts	770,326	1,349,119	1,977,459
Transfer to Other Accounts	551,414	595,209	834,782
Ending Inventory of Finished Goods	35,538,089	32,852,049	34,779,916
Cost of Merchandises Sold	82,178,672	89,431,331	97,471,166
Beginning Inventory of Merchandises	5,445,052	8,357,524	6,357,380
Cost of Merchandises Purchased	83,243,886	87,314,653	100,524,927
Transfer from Other Accounts	28,354	94,515	164,095
Transfer to Other Accounts	828,041	890,308	1,217,712
Ending Inventory of Merchandises	5,710,579	5,445,052	8,357,524
Gross Profit or Loss	445,110,774	409,660,773	419,162,621
Selling and Administrative Expenses	359,349,491	334,896,485	328,337,522
Salaries and Wages	96,275,374	93,391,221	91,178,053
Retirement and Severance Benefits	10,096,883	9,123,289	9,351,258
Employee Benefits	28,082,337	25,676,830	24,813,532

# Financial Status

Travel Expenses	1,408,069	1,257,097	1,171,939
Communication Expenses	1,503,228	1,522,748	1,503,725
Utility Expenses	2,070,697	2,345,491	2,393,812
Taxes and Dues	3,610,401	2,823,984	2,201,502
Rental Expenses	5,561,153	6,767,434	6,935,575
Depreciation	19,651,355	18,089,435	16,316,687
Repair Expenses	2,483,772	2,477,558	2,475,495
Vehicle Maintenance Expenses	10,894,430	11,046,499	10,276,003
Selling Freight	22,393,386	20,308,210	19,481,113
Supply Expenses	3,411,973	3,391,191	4,279,764
Training Expenses	2,479,055	2,546,844	2,545,515
Insurance Premiums	3,132,013	2,950,862	2,946,995
Entertainment Expenses	243,439	275,049	324,691
Sales Promotional Expenses	16,682,477	15,763,281	15,888,471
Overseas Marketing Expenses	1,882,631	1,104,734	711,895
Commissions	78,920,013	64,493,356	57,394,572
Publication Expenses	75,400	104,522	110,266
Advertising Expenses	43,445,257	44,139,563	52,136,503
Export Expenses	3,493,377	2,384,018	1,402,726
Expenses of Allowance for Doubtful Accounts	911,435	2,323,054	1,767,983
Miscellaneous Expenses	641,336	590,217	729,448
Operating Income or Loss	85,761,283	74,764,287	90,825,100
Non-Operating Revenues	95,022,612	283,305,985	89,622,415
Interest Income	12,201,882	10,495,919	8,371,694
Dividend Income	2,859,050	2,718,776	2,188,402
Gains on Foreign Currency Translation	65,784	34,709	118,453
Gains on Disposition of Short-term Investment Securities	126,558	25,966	46,404
Gains on Sale of Property, Plant and Equipment	1,967,376	1,198,205	514,619
Gains on Valuation of Equity Method Securities	67,213,187	78,687,790	69,514,456
Gains on Disposition of Long-term Investment Securities	20	277,857	5
Gains on Sale of Equity Method Securities	342,995	177,516,912	0
Miscellaneous Income	10,245,760	12,349,852	8,868,381
Non-Operating Expenses	28,205,621	15,764,173	16,789,427
Interest Expenses	14,933	15,671	22,583
Donations	2,263,714	2,449,798	2,169,431
Service Fees	4,042,287	3,494,767	3,530,564
Losses on Foreign Currency Translation	130,739	68,149	64,806
Losses on Sale of Property, Plant and Equipment	147,742	109,879	490,864
Losses on Disposition of Long-term Investment Securities	0	0	4
Impairment Losses on Long-term Investment Securities	0	60,667	1,477,719

# Financial Status

Losses on Valuation of Equity Method Securities	13,922,455	5,130,112	6,296,029
Losses on Sale of Equity Method Securities	768,616	0	0
Additional Payments of Income Taxes	0	87,577	0
Losses on Prior Period Adjustments	0	0	595,323
Miscellaneous Losses	6,915,135	4,347,553	2,142,105
Income Loss Before Income Taxes Expenses	152,578,274	342,306,099	163,658,087
Income Taxes Expenses	43,587,145	92,967,296	64,446,880
Net Income or Loss	108,991,129	249,338,803	99,211,207
Earnings or Losses Per Share			
Basic and Diluted Earnings or Losses Per Share	77	177	70

## 2) Footnotes on Financial Statements

### 1. Long-term/ short-term investment securities (excluding investment securities using the equity method)

#### (1) Composition of long-term/ short-term investment securities

The composition of long-term/ short-term investment securities for the current and previous terms is as follows:

(Units: KRW 1 mil)

Item	Current Term	Previous Term
<b>[Short-term Investment Securities]</b>		
Marketable Securities (government & public bonds)	261	595
<b>[Long-term Investment Securities]</b>		
Marketable Securities (equity securities)	303,217	274,194
Marketable Securities (government & public bonds)	2,885	2,961
Subtotal	306,072	277,155
Total	306,333	277,750

#### (2) Marketable securities (equity securities)

As of the end of the current and previous terms, all of the equity securities among the marketable securities have been categorized into long-term investment securities of investment assets. The details are

##### ① Current term

(Units: KRW 1 mil)

Company Name	Current Term				Previous Term	
	No. of Equity	Equity Ratio (%)	Acquisition Cost	Fair Value or Net Asset Value	Book Value	Book Value
<b>[Marketable Equity Securities]</b>						
Lotte Chilsung (common stock)	122,195	9.88	1,358	128,183	128,183	171,073
Lotte Chilsung (preferred stock)	9,660	8.05	176	5,844	5,844	6,665
Lotte Samgang	123,226	9.79	989	26,555	26,555	20,456
Busan Bank	4,217,771	2.88	21,002	66,219	66,219	48,926
Shinhan Financial Holding	400,012	0.10	2,339	21,401	21,401	19,001
Other	18,074	-	204	806	806	639
Subtotal			26,068	249,008	249,008	266,760

# Financial Status

[Non-marketable Equity Securities]						
Lotte Corporation (*1)	12,984	0.02	18	223	223	18
Korea Fuji Film (*1)	1,250	0.89	41	4,029	4,029	41
Lotte Station Building (*1)	319,200	8.87	1,596	45,480	45,480	1,596
Lotte Fresh Delica (*1,4)	340,000	9.04	1,700	632	632	836
Lotte Giants (*3)	6,000	30.00	30	-	30	30
Lotte Philippines (*4)	-	10.00	664	-	-	-
Lotte Vietnam (*2)	-	-	-	-	-	-
Lotte Packaging Co., Ltd. (*2)	-	-	-	-	791	291
Lotte Taiwan (*3)	11,400,000	50.00	3,421	1,668	3,421	3,421
Lotte Food Holding (*2)	-	-	-	-	-	16
Social Development Research Center (*4)	2,000	1.67	10	-	-	-
Other	63,002	-	436	292	349	349
Subtotal			7,916	52,324	54,164	7,389
[Investment]						
Two investments including Korea Test Analysis Lab	-	-	45	45	45	45
Total			34,029	301,377	303,217	274,194

Of the above equity securities, the marketable equity securities were assessed with the closing prices of the balance sheet end date for the current term, but we could not do a reliable assessment of fair value for the non-marketable securities, except for those mentioned below, and thus we used acquisition costs for the valuation.

(\*1) The fair value of the above-mentioned non-marketable equity securities were calculated as stipulated in the 'Accounting Process for Non-listed Stocks of the Statement on Financial Reporting (2006-5)', and the profit and loss from the valuation was recognized as other accumulated profit and loss.

## ① Assessment details

Item	Description
Credit Rating Agency	Korea Bond Pricing & KR
Assumptions & Conditions	Although the business details, past performance, and future prospects of the company, and the impact that the macro-economy and industrial environment would have on the company were considered, verification of the company's past financial data was not carried out.
Analysis of Non-financial Information	Analysis was done regarding the corporate profile, shareholder status, industry status and operating status.
Analysis of Financial Information	Analysis was done regarding growth potential, profitability, financial stability, cash flow and liquidity.

# Financial Status

Valuation Method	Fair value was calculated by assessing the equity distribution using the discounted cash flow valuation model and IMV model.
Validity of Valuation Method & Application Procedure	The discounted cash flow valuation model is an assessment method mentioned in the Statement on Financial Reporting (2006-5), and the IMV model, a compromise valuation intended to supplement the disadvantages of the discounted cash flow valuation and the relative valuation model, is a widely used business valuation method.

## ② Value per share

(Units: KRW)

Company name	Amount
Lotte Corporation	17,150
Korea Fuji Film	3,223,428
Lotte Station Building	142,481
Lotte Fresh Delica	1,860

(\*2) For Lotte Vietnam, Lotte Package. Co., Ltd. and Lotte Food Holding, equity ratio changes in their investors were considered important, and thus the equity method was applied, starting in the current term.

(\*3) The equity ratios of Lotte Giants and Lotte Taiwan were over 20%. However, as changes in net asset value were not important, the equity method was not applied to these companies.

(\*4) The net asset values of Lotte Fresh Delica, Lotte Philippines and the Social Development Research Center decreased in the previous term. It was decided that the possibility of recovery was slim, so the difference between acquisition value and net asset value were listed as impairment losses.

## (3) Marketable securities (debt securities)

As of the end of the current and previous term, debt securities among the marketable securities were composed of government and public bonds, and the details are as follows:

(Units: KRW 1 mil)

Item	Current Term			Previous Term	
	Company Name	Maturity	Fair Value	Book Value	Book Value
<b>[Short-term Securities]</b>					
Government Bonds & Public Bonds	National Housing Bonds, etc.	Less than 1 year	261	261	595
<b>[Long-term Securities]</b>					
Government Bonds & Public Bonds	National Housing Bonds	1 year ~ 5 years	2,784	2,784	2,875
		5 years~10 years	71	71	86
Subtotal			2,855	2,855	2,961
Total			3,116	3,116	3,556

# Financial Status

## (4) Unrealized profits and losses

The changes in unrealized holding profits and losses of marketable securities for the current and previous terms are as follows:

(Units: KRW 1 mil)

Item	Current Term		Previous Term	
	Equity Securities	Debt Securities	Equity Securities	Debt Securities
Basic unrealized holding profits & losses	240,692	(117)	194,493	92
Realized profits & losses from disposition and reduction	-	(125)	-	(25)
Other changes in unrealized holding profits & losses	30,121	42	46,199	(184)
Unrealized holding profits & losses at term end	270,813	(200)	240,692	(117)
Corporate tax effect	(74,474)	55	(66,190)	32
Balance after deduction	196,339	(145)	174,502	(85)

## 2. Shares invested using the equity method

### (1) Current term

① The status of equity ratio of shares invested using the equity method is as follows:

(Units: KRW 1 mil)

Companies Invested	Equity Ratio (%)	Acquisition Cost	Net Asset Value	Book Value
Lotte China Foods	35.96	24,128	15,449	15,449
Lotte Pharm	100.00	6,286	2,886	2,881
Lotte India	80.39	22,354	8,347	11,459
Lotte Qingdao Foods	90.00	16,769	21,631	17,418
Lotte Package Co., Ltd. (*1)	25.00	4,442	4,693	4,509
Lotte Food Holding (*1)	100.00	46,473	45,106	45,106
Lotte KF Rus	100.00	20,665	19,690	19,690
Lotteria	12.14	6,949	22,053	26,484
Lotte Shopping (*2)	8.52	5,644	701,353	695,193
Lotte Data Communication (*2)	4.84	802	12,872	14,707
Lotte Trading (*2)	0.64	335	1,629	1,051
Lotte.com (*2)	11.25	2,500	2,901	2,901
Korea Seven (*2)	19.65	22,207	9,884	9,785
ZAO Lotte Rus (*2)	13.85	10,764	9,877	9,877
Lotte Vietnam	35.71	4,467	1,704	4,467
Lotte Logistics (*2)	4.64	4,000	4,997	4,000
Total		198,785	885,072	884,977

The Company sold off all equities in Lotte Shanghai Foods, Co., Ltd. during the current term.

(\*1) The Company participated in the capital increase of Lotte Package Co., Ltd. and Lotte Food Holding. As changes in invested equities when applying the equity method are important, we began to use the equity method starting in this term.

# Financial Status

(\*2) The Company's equity ratios for these companies are less than 20%. However, the equity method was used for assessment, since the Company can exercise significant influence on invested companies in which the registered executive members also belong to the Company's management team.

② Investment differences were handled as follows:

(Units: KRW 1 mil )

Company Name	Starting Balance	Current-term Increase/ Decrease	Write-down (return)	Ending Balance
Lotte China Foods	97	(10)	87	-
Lotte India	5,858	-	2,603	3,255
Lotte Qingdao Foods	(4,866)	487	(175)	(4,204)
Lotte Shanghai Foods, Co., Ltd.	522	(495)	27	-
Lotte Package Co., Ltd.	-	(217)	(33)	(184)
Lotte Trading	(561)	(334)	(179)	(716)
Lotte.com	(3)	-	(3)	-
ZAO Lotte Rus	210	-	210	-
Lotte Vietnam	-	2,763	-	2,763
Lotte Logistics	-	(997)	-	(997)
Total	1,257	1,197	(2,537)	(83)

③ Unrealized profits and losses were eradicated as follows:

(Units: KRW 1 mil )

Company Name	Inventory	Bad debt Reserve	Total
Lotte Pharm	(5)	-	(5)
Lotte India	(146)	3	(143)
Lotte Qingdao Foods	(9)	-	(9)
Lotte Shopping	(303)	-	(303)
Korea Seven	(99)	-	(99)
Total	(562)	3	(559)

④ The following are the valuation details for each investment using the equity method of accounting.

(Units: KRW 1 mil )

Company Name	Starting Appraisal Value	Acquisition, etc.	Equity Profits & Losses on Investments	Capital Change on Equity Method	Other Increase/ Decrease (*1)	Ending Appraisal Value
Lotte China Foods (*2)	16,417	-	(2,396)	1,085	343	15,449
Lotte Pharm	3,971	-	(1,090)	-	-	2,881
Lotte India	13,692	-	(3,210)	977	-	11,459
Lotte Qingdao Foods	15,287	-	(1,093)	3,224	-	17,418
Lotte Shanghai Foods Co., Ltd.	20,158	3,756	(27)	-	(23,887)	-
Lotte Package Co., Ltd.	-	4,442	32	35	-	4,509
Lotte Food Holding	-	46,473	(4,090)	2,723	-	45,106
Lotte KF Rus	-	20,665	(2,016)	1,041	-	19,690

# Financial Status

Lotteria	22,817	-	3,026	641	-	26,484
Lotte Shopping (*2)	638,312	-	58,844	1,130	(3,093)	695,193
Lotte Data Communication	11,970	-	2,707	30	-	14,707
Lotte Trading	766	-	294	(9)	-	1,051
Lotte.com	1,908	-	993	-	-	2,901
Korea Seven	9,218	-	567	-	-	9,785
ZAO Lotte Rus	8,425	-	750	702	-	9,877
Lotte Vietnam	-	4,467	-	-	-	4,467
Lotte Logistics	-	4,000	-	-	-	4,000
Total	762,941	83,803	53,291	11,579	(26,637)	884,977

(\*1) Other increases / decreases include dividends from invested companies and profits or losses from the sales of the equity in invested companies.

Since audited financial statements of the above-mentioned invested companies were not available, the equity method was applied using provisional financial statements, and the Company carried out a verification procedure on the reliability of the provisional financial statements.

⑤ The summary of financial information concerning invested companies using the equity method is as follows:

(Units: KRW 1 mil )

Company Name	Total Assets	Total Liabilities	Sales	Net Income (Loss)
Lotte China Foods	67,004	24,042	77,157	(6,422)
Lotte Pharm	13,131	10,245	19,066	(1,076)
Lotte India	25,567	15,183	35,455	(802)
Lotte Qingdao Foods	27,246	3,211	8,892	(1,449)
Lotte Package Co., Ltd.	20,198	1,424	6,548	140
Lotte Food Holding	45,120	14	-	(4,090)
Lotte KF Rus	21,065	1,375	1,391	(2,016)
Lotteria	297,359	115,700	240,415	5,818
Lotte Shopping	11,954,766	3,722,925	9,768,132	689,451
Lotte Data Communication	444,565	147,470	251,636	44,223
Lotte Trading	941,474	661,526	802,580	19,697
Lotte.com	63,669	37,891	230,926	10,299
Korea Seven	271,541	221,248	551,608	3,068
ZAO Lotte Rus	310,965	239,628	10,101	3,854
Lotte Vietnam	6,167	1,397	3,133	(2,475)
Lotte Logistics	157,761	50,061	28,421	(6,721)

⑥ The market prices of marketable shares invested using the equity method are as follows:

(Units: KRW 1 mil )

Company name	Market price	Book value
Lotte Shopping	1,021,986	695,193
Lotte India	32,564	11,459

# Financial Status

## (2) Previous term

① The equity ratio status of shares invested using the equity method is as follows:

(Units: KRW 1 mil)

Companies Invested	Equity Ratio (%)	Acquisition Cost	Net Asset Value	Book Value
Lotte China Foods	39.96	24,128	16,320	16,417
Lotte Pharm	100.00	6,286	3,964	3,971
Lotte India	80.39	22,354	8,016	13,692
Lotte Qingdao Foods	100.00	16,769	20,197	15,287
Lotte Shanghai Foods Co., Ltd. (*1)	100.00	20,417	19,636	20,158
Lotteria (*2)	12.14	6,949	20,347	22,817
Lotte Shopping (*2)	8.52	5,644	640,367	638,312
Lotte Data Communication (*2)	4.84	802	12,172	11,970
Lotte Trading (*1, 2)	0.64	335	1,328	766
Lotte.com (*2)	11.25	2,500	1,911	1,908
Korea Seven (*2)	19.65	22,207	9,282	9,218
ZAO Lotte Rus (*2)	13.85	10,764	8,215	8,425
Total		139,155	761,755	762,941

(\*1) The Company established Lotte Shanghai Foods Co., Ltd. on September 18, 2006 in order to penetrate the Chinese chocolate market, and acquired assets such as plant and machinery at auction. Also, the date of the merger of Lotte Trading (formerly Lotte Trading which has been terminated) by Lotte Trading (formerly Lotte Industry) was set for the end of 2006.

(\*2) Although the Company's equity ratios for these companies were less than 20%, the equity method was used for assessment because the Company can exercise significant influence on invested companies whose registered executive members also belong to the Company's management team.

② Investment differences were handled as follows:

(Units: KRW 1 mil)

Company Name	Starting Balance	Changes over the Term	Write-down (Return)	Ending Balance
Lotte China Foods	193	-	96	97
Lotte Pharm	(119)	-	(119)	-
Lotte India	8,462	-	2,604	5,858
Lotte Qingdao Foods	(5,060)	-	(194)	(4,866)
Lotte Shanghai Foods Co., Ltd.	-	549	27	522
Lotte Trading	-	(561)	-	(561)
Lotte.com	(6)	-	(3)	(3)
ZAO Lotte Rus	682	-	472	210
Total	4,152	(12)	2,883	1,257

The Company calculated the investment difference for Lotte Trading by setting the acquisition date as December 31, 2006.

# Financial Status

③ The internal unrealized profits and losses using the equity method were generated from inventories and were eradicated as follows:

(Units: KRW 1 mil)

Company name	Amount
Lotte Pharm	7
Lotte India	(182)
Lotte Qingdao Foods	(44)
Lotte Shopping	(250)
Lotte Trading	(1)
Korea Seven	(64)
Total	(534)

④ The following are the valuations of investments using the equity method.

(Units: KRW 1 mil)

Company Name	Starting Appraisal Value	Acquisition, etc.	Equity Profits & Losses on Investments	Capital Change on Equity Method	Other Changes	Ending Appraisal Value
Lotte China Foods	15,600	-	1,630	(813)	-	16,417
Lotte Pharm	5,869	-	(1,898)	-	-	3,971
Lotte India	16,727	-	(2,515)	(520)	-	13,692
Lotte Qingdao Foods	16,867	-	(438)	(1,142)	-	15,287
Lotte Shanghai Foods Co., Ltd.	-	20,417	(148)	(111)	-	20,158
Lotteria	17,769	-	5,406	(358)	-	22,817
Lotte Shopping	399,486	-	62,223	942	175,661	638,312
Lotte Data Communication	4,029	-	7,959	(18)	-	11,970
Lotte Trading	849	50	(132)	(1)	-	766
Lotte.com	657	-	1,251	-	-	1,908
Korea Seven	9,045	-	173	-	-	9,218
ZAO Lotte Rus	8,353	-	47	25	-	8,425
Total	495,251	20,467	73,558	(1,996)	175,661	762,941

(\*1) Other increases/ decreases include the KRW 1,856 mil decrease due to dividends and the KRW 177,517 mil difference resulting from changes in equity due to Lotte Shopping's paid-up capital increases on February 9, 2006 and March 16, 2006.

Since audited financial statements of the above-mentioned invested companies were not available, the equity method was applied using provisional financial statements, and the Company carried out a verification procedure on the reliability of the provisional financial statements.

# Financial Status

⑤ The following is the summary of financial information concerning invested companies.

(Units: KRW 1 mil)

Company Name	Total Assets	Total Liabilities	Sales	Net Income (Loss)
Lotte China Foods	58,664	17,821	75,350	4,319
Lotte Pharm	14,266	10,302	22,793	(2,074)
Lotte India	18,342	8,371	27,373	255
Lotte Qingdao Foods	24,379	4,181	10,099	(669)
Lotte Shanghai Foods Co., Ltd.	23,871	4,235	118	(120)
Lotteria	261,289	93,639	218,406	35,406
Lotte Shopping	11,872,314	4,356,461	9,055,880	739,844
Lotte Data Communication	401,184	149,531	207,163	137,385
Lotte Trading	865,639	658,286	45,104	(2,512)
Lotte.com	63,669	37,891	230,926	10,299
Korea Seven	227,267	180,037	507,561	968
ZAO Lotte Rus	207,303	148,080	21	3,743

⑥ The market prices of marketable shares invested using the equity method are as follows:

(Units: KRW 1 mil)

Company name	Market price	Book value
Lotte Shopping	955,174	638,312
Lotte India	19,285	13,692

### 3. Joint venture investment

The following are the joint ventures in which the Company participated as of the end of the current term:

Joint Venture Name	Equity Ratio (%)	Type	Ref
Lotte Academy	35.00	Co-governance project	Participating companies: Lotte Shopping (35%), Lotte Chilsung (25%), Lotte Ham (5%)
Kukje Building	27.00	Co-governance project	Participating companies: Honam Petrochemical Corporation (40%), Lotte Shopping (6%), Lotte Hotel (20%), Lotte Chilsung (7%), etc.

### 4. Tangible assets

(1) Changes in tangible assets for the current term are as follows:

(Units: KRW 1 mil)

Item	Starting Book Value	Acquisition Value (including capital spending)	Disposal Value	Depreciation Expenses	Other Increase/Decrease	Ending Book Value
Land	261,068	12	(1,397)	-	2,036	261,719
Buildings	95,192	137	(349)	(10,118)	5,098	89,960
Structures	1,159	36	(9)	(263)	1,255	2,178
Machinery	55,612	3,079	(163)	(28,472)	21,973	52,029
Vehicles	4,419	5,772	(23)	(4,207)	354	6,315

# Financial Status

Other Tangible Assets	15,654	10,152	(31)	(11,919)	1,016	14,872
Assets Under Construction	6,013	30,202	(210)	-	(31,732)	4,273
Total	439,117	49,390	(2,182)	(54,979)	-	431,346

(2) Changes in tangible assets during the previous term are as follows:

(Units: KRW 1 mil)

Item	Starting Book Value	Acquisition Value (including capital spending)	Disposal Value	Depreciation	Other Increase/Decrease	Ending Book Value
Land	220,259	858	(20)	-	39,971	261,068
Buildings	93,923	126	(56)	(10,188)	11,387	95,192
Structures	1,207	10	(3)	(408)	353	1,159
Machinery	55,515	2,583	(76)	(27,969)	25,559	55,612
Vehicles	4,918	3,875	(529)	(3,855)	10	4,419
Other Tangible Assets	13,209	11,311	(34)	(10,828)	1,996	15,654
Assets Under Construction	4,934	80,432	(77)	-	(79,276)	6,013
Total	393,965	99,195	(795)	(53,248)	-	439,117

(3) The officially assessed land prices held at the end of the current and previous terms are as follows:

(Units: KRW 1 mil)

Category	Item	Space (m <sup>2</sup> )	Current Term		Previous Term	
			Book Value	Officially Assessed Price	Book Value	Officially Assessed Price
Tangible Assets	Land	489,132	261,719	356,733	261,068	324,360

## 5. Insured assets

The details of the Company's insured assets as of the end of the current term are as follows:

(Units: KRW 1 mil)

Insurance Type	Asset	Coverage	Insurance Company
Indemnity Insurance for Gas Accidents	-	4,180	LIG Insurance, etc.
Fire Insurance	Building, machinery, inventory	6,476	
Property Insurance	Building, machinery, inventory	1,061,788	
Insurance for Movables	Inventory	13,990	
Pilferage Insurance	Cash, etc.	1,030	
Total		1,087,464	

In addition to the above-mentioned insurance, the Company has liability insurance and comprehensive insurance to cover vehicles and indemnity & liability insurance to cover the actions of executive members.

- Balance sheet, profit & loss statement, earned surplus statement/ deficit disposition statement, cash flow statement, capital change statement

## Important matters related to investment decisions

- 1) Summary of outside financing
- 2) Credit rating for last 3 years

# Important matters related to investment decisions

## 1) Summary of Outside Financing

[Domestic]

(Units: KRW 1 mil)

Source	Starting balance	Newly financed	Change in repayment	Ending balance	Ref
Bank	493	-	27	466	
Insurer	-	-	-	-	
Investment Bank	-	-	-	-	
Loan company	-	-	-	-	
Mutual savings bank	-	-	-	-	
Other financial institutions	-	-	-	-	
Total (financial institutions)	493	0	27	466	
Corporate bonds (public offering)	-	-	-	-	
Corporate bonds (private offering)	-	-	-	-	
Capital increase (public offering)	-	-	-	-	
Capital increase (private offering)	-	-	-	-	
Asset-backed securities (public offering)	-	-	-	-	
Asset-backed securities (private offering)	-	-	-	-	
Other	-	-	-	-	
Total (capital market)	0	0	0	0	
Capital inflow from shareholders, executive members, affiliates)	-	-	-	-	
Other	-	-	-	-	
Total	493	0	27	466	

(Note) Total corporate bonds issued for the current term

Public offering: - KRW 1 mil  
Private offering: - KRW 1 mil

[Overseas]

(Units: KRW 1 mil)

Source	Starting balance	Newly financed	Change in repayment	Ending balance	Ref
Financial institution	-	-	-	-	
Overseas securities (corporate bonds)	-	-	-	-	
Overseas securities (equities, etc.)	-	-	-	-	
Asset-backed securities	-	-	-	-	
Other	-	-	-	-	
Total	0	0	0	0	

# Important matters related to investment decisions

## 2) Credit Rating for the past 3 Years

Assessment date	Securities, etc. subject to assessment	Credit rating of securities subject to assessment	Credit rating agency (Rating scope)	Assessment type
2004.06.10	Corporate bonds	AA	Korea Ratings Co. (AAA~D)	Regular
2004.06.28	Corporate bonds	AA	Korea Investors Service Co. (AAA~D)	Regular

※ Corporate bonds credit rating system and definitions for each grade

Grade	Definition
AAA	Capacity for timely payment is extremely strong
AA	Capacity for timely payment is very strong, but somewhat less than 'AAA'
A	Capacity for timely payment is strong, but somewhat susceptible to external changes in the future
BBB	Capacity for timely payment is adequate, but more likely to be weakened by future market changes
BB	Capacity for timely payment faces no immediate problems, but speculative as to its future stability
B	Capacity for timely payment is poor and speculative
CCC	Contains the possibility of default
CC	Contains possibility of default
C	Highly likely to default
D	In default at the present time

※ can be added to AA ~ B according to relative status for the term.

※ AAA ~ BBB are recognized to have capacity for timely payment, while BB and below are deemed to be speculative, indicating that capacity for timely payment can be strongly affected by changes in circumstances

## **Matters related to corporate organizations such as Board of Directors and affiliate companies**

- 1) Overview of corporate organizations such as BOD
- 2) BOD operation policy
- 3) Matters related to the audit system
- 4) Salaries of executive members

# Matters Related to Corporate Organizations such as Board of Directors and Affiliate Companies

## 1) Matters Related to Corporate Organizations such as Board of Directors and Affiliate Companies

### (1) Composition of Board of Directors

#### (A) Rights of BOD

- ① Deciding on matters specified by law or in the Articles of Incorporation, matters delegated by Shareholders' Meetings, and major matters related to the Company's business policies
- ② Supervision of BOD members

#### (B) Disclosure of information about BOD candidates prior to Shareholders' Meetings and recommendations by shareholders

- ① Personal details of the BOD candidates are disclosed prior to Shareholders' Meetings
- ② Candidate information is disclosed through notification at Shareholders' Meetings and on the Bulletin Board
- ③ No candidates have been recommended by shareholders up to now

#### (C) Outside directors

Name	Major career	Relationship with largest shareholder, etc.	Participation in domestic and overseas training	Ref
Chae, Su-gyu	Ph.D., Food Engineering, Korea University Professor, Health Industry Dept, Eulji University	N/A	-	Appointed on Mar 16, 2007
Kim, Chang-seop	B.A., Diplomatic Relations, Seoul National University Former Lotte Capital CEO Former Lotte Capital advisor	N/A	-	Appointed on Mar 21, 2008
Park, Hyeon-jin	Ph.D., Food Engineering, Georgia State University, KAIST Food Engineering researcher, Professor, Bio-science Dept, Korea University	N/A	-	Appointed on Mar 21, 2008
Jeon, Shin-gi	B.A., Public Administration, Myeongji University, Fair Trade Commission Seoul Area Office, Kim & Chang Law Firm advisor	N/A	-	Appointed on Mar 21, 2008

# Matters Related to Corporate Organizations such as Board of Directors and Affiliate Companies

- ※ Organization (department) supporting BOD members' work  
: General Affairs Team (In charge: Park Hun-jin ☎02-2670-6302)
- ※ Outside directors have the same access to business information as BOD members
- ※ Outside Director Lim Gyeom-mo resigned with the completion of his term and Chae Su-gyu was newly appointed at the 40th Shareholders' Meeting held on March 16, 2007
- ※ Outside Director Hong Seong-dae resigned with the completion of his term and Kim Chang-seop, Park Hyeon-jin and Jeon Shin-gi were appointed as outside directors cum audit members at the 41st Shareholders' Meeting held on March 21, 2008

## (2) BOD operation

### (A) Major details concerning BOD operation regulation

- ① Composition: BOD is composed of its members and audit members may take part in the meetings to state their opinions.
- ② Chairman: CEO becomes the chairman. If there are 2 CEOs, BOD decides on the chairman
- ③ Meetings: Meetings are categorized into regular and provisional meetings. Regular meetings are held on the second Wednesday of every month.
- ④ Resolution method: In principle, resolution is made based on the presence of a majority of the BOD and the majority consent of the members present.  
Members who have a special interest in the issue to be voted on cannot exercise their voting right
- ⑤ Other matters
  - Matters related to convocation of Shareholders' Meetings and approval of sales reports and financial statements
  - Matters related to business including establishing, moving or closing sales offices, local business units or factories
  - Matters related to BOD itself, such as CEO and BOD member appointment and dismissal
  - Matters related to finances
  - Other matters related to relevant regulations, the Articles of Incorporation and matters that have been delegated by Shareholders' Meeting
- ⑥ Meeting minutes: BOD writes and keeps minutes

# Matters Related to Corporate Organizations such as Board of Directors and Affiliate Companies

## 2) Matters related to audit

### (1) Audit organization

#### (A) Composition of Audit Committee

: The Company had one standing auditor (Kim Sang-dae), but he resigned at the 41st Shareholders' Meeting held on 21 March, 2008. An Audit Committee was established consisting of 3 outside directors cum audit members.

#### (B) Provision of internal policy to allow the Audit Committee to access business information for their audit work

- ① Attending BOD meetings to state opinions
- ② Right to demand reports on sales activities and investigate business activities and financial status
- ③ Study the bills and data that the directors submit to the BOD

#### (C) Auditor's career information

Name	Major career	Ref
Kim Sang-dae	Milyang High School	2008.03.18
	Former Accounting Manager in Lotte Confectionery	Resigned as standing auditor
	Former Packaging Business Director in Lotte Shopping	2003.03.21
		Appointed as standing auditor
		2006.03.24
		Re-appointed as standing auditor
		2008.03.21
		Resigned as standing auditor

#### ※ Major activities of Audit Committee

: The committee was established and its members were appointed at the 41st Shareholders' Meetings held on

Name	Major career	Ref
Kim Chang-seop	B.A., Diplomatic Relations, Seoul National University Former Lotte Capital CEO Former Lotte Capital advisor	Appointed on Mar 21, 2008
Park Hyeon-jin	Ph.D., Food Engineering, Georgia State University, KAIST Food Engineering researcher, Professor, Bio-science Dept, Korea University	Appointed on Mar 21, 2008
Jeon Shin-gi	B.A., Public Administration, Myeongji University, Fair Trade Commission Seoul Area Office, Kim & Chang Law Firm advisor	Appointed on Mar 21, 2008

# Matters Related to Corporate Organizations such as Board of Directors and Affiliate Companies

## (2) Major audit activities

: The Company had one standing auditor (Kim Sang-dae), but he resigned at the 41st Shareholders' Meeting held on 21 March, 2008. An Audit Committee was established consisting of 3 outside directors cum audit members.

Meeting	Date held	Agenda	Voting result	Ref
①		Attending Shareholders' Meeting and reporting on audit results		
②		For matters related to activities within the BOD, refer to (B) Major BOD activities of (2) BOD operation		

### ※ Major activities of Audit Committee

: The committee was established and its members were appointed at the 41st Shareholders' Meetings held on March 21, 2008.

Meeting	Date held	Agenda	Voting result	Ref
1st	2008.03.21	1. Appointment of Audit Committee Chairman	Passed	All 3 members attended and Jeon, Shin-gi appointed as Chairman

## 3) Matters related to shareholders' voting rights

### (1) Cumulative voting

N/A

### (2) Written voting or electronic voting

N/A

### (3) Minority shareholders' exercise of rights

Person who exercised rights	Minority shareholder rights	Reason for exercising rights	Sequence	Ref
	N/A	N/A	N/A	

## 4) Salary of BOD and Audit Committee members

### (1) Salary information of BOD and Audit Committee members (including outside directors)

(Units: KRW 1 mil)

Item	Total amount paid	Amount approved by Shareholders' Meeting	Avg salary per person	Total value of stock option	Ratio	Ref
Director	1,200,127	3,000,000	200,021	-	-	# of people included in calculating avg salary: 6
Outside Director	73,000		36,500	-	-	# of people included in calculating avg salary: 2
Auditor	51,413	200,000	51,413	-	-	# of people included in calculating avg salary: 1
Total	1,324,540	3,200,000	147,171	-	-	# of people included in calculating avg salary: 9

# Affiliates

- 1) Group diagram
- 2) Investment in other corporations

# Affiliates

## 1) Group Structure

(1) Group name: Lotte Group

(2) Matters related to restriction on mutual investment, limits on total investment and limits on debt guarantee specified in the Act on Monopoly Regulation and Fair Trade

: Lotte is subject to restriction on mutual investment, limits on total investment and limits on debt guarantee

(3) Group structure

<Domestic>

(As of Dec 31, 2007, in %)

Invested	Lotte Confectionery	Lotte Chilsung	Lotte Samgang	Lotte Aluminum	Lotte Ham	Lotte Engineering & Construction
Investing						
Lotte Confectionery		9.7	9.8			
Lotte Chilsung			9.8		0.1	3.3
Lotte Samgang				12.3		
Lotte Aluminum	13.4	8.4		4.2		12.3
Lotte Ham					45.0	
Lotte Engineering & Construction	1.3				0.5	
Lotte Hotel	3.2	5.8	8.6		0.2	43.2
Busan Lotte Hotel			4.8			
Lotte Trading						
Lotte Shopping				5.1	0.9	
Lotte Refrigeration						
Lotteria						0.2
Honam Petrochemical Corporation						32.8
Korea Fuji Film						0.1
Lotte Engineering & Machinery	0.4					
Daehong Communications	0.8					
Lotte Corporation						
Lotte Capital						
Lotte Data Communication						5.3
KP Capital						
Lotte Card		1.5				
Lotte.com						
Lotte Midopa	1.9	4.3	3.7	6.5		
Lotte Boulangerie						0.5
Lotte Fresh Delica						

# Affiliates

Invested Investing	Lotte Engineering & Machinery	Lotte Trading	Lotte Shopping	Lotte Giants	Lotteria	Honam Petrochemical Corporation
Lotte Confectionery		0.6	8.5	30.0	12.1	
Lotte Chilsung	4.1	1.8		20.0	1.6	
Lotte Samgang				5.0		
Lotte Aluminum	18.3	6.6		5.0		
Lotte Ham		1.3				
Lotte Engineering & Construction		6.3	1.0			
Lotte Hotel	17.4	36.5	9.3		20.2	13.6
Busan Lotte Hotel			0.9		14.6	
Lotte Trading	14.5				1.2	
Lotte Shopping	13.7	8.8		30.0	19.9	
Lotte Refrigeration		12.8				
Lotteria				1.0		
Honam Petrochemical Corporation						
Korea Fuji Film			8.5	9.0		
Lotte Engineering & Machinery					2.0	
Daehong Communications	12.2					
Lotte Corporation						33.6
Lotte Capital						
Lotte Data Communication			5.2			
KP Capital						
Lotte Card						
Lotte.com						
Lotte Midopa		2.3			8.2	
Lotte Boulangerie						
Lotte Fresh Delica						

# Affiliates

Invested Investing	Korea Fuji Film	Daehong Commu nications	Canon Korea Business Solution	Lotte Station Building	Lotte Corporation	Lotte. com	Lotte Logistics
Lotte Confectionery	0.9			8.9	0.02	11.3	4.6
Lotte Chilsung	5.0				0.04	7.0	4.6
Lotte Samgang				7.5			
Lotte Aluminum			5.6				
Lotte Ham		10.0					
Lotte Engineering & Construction							
Lotte Hotel	7.1	12.8	28.9		29.6	17.2	8.8
Busan Lotte Hotel				1.0			
Lotte Trading	56.8		1.0				
Lotte Shopping		30.0		25.0		34.4	4.6
Lotte Refrigeration			9.0				17.3
Lotteria	2.1	12.5					4.6
Honam Petrochemical Corporation							
Korea Fuji Film		3.5					
Lotte Engineering & Machinery							
Daehong Communications				2.9		18.3	
Lotte Corporation							
Lotte Capital							
Lotte Data Communication			5.6	0.2			
KP Capital							
Lotte Card							
Lotte.com							
Lotte Midopa							
Lotte Boulangerie							
Lotte Fresh Delica							5.0

# Affiliates

Invested Investing	Lotte Capital	Lotte Data Communication	Korea Seven	Lotte Fresh Delica	Lotte Boulangerie	Lotte Asahi	Lotte Pharm
Lotte Confectionery		4.8	19.7	9.0			100.0
Lotte Chilsung	0.7	1.5	7.1	9.0		85.0	
Lotte Samgang	0.7	0.4		9.0			
Lotte Aluminum							
Lotte Ham	0.6						
Lotte Engineering & Construction	12.6						
Lotte Hotel	27.3	2.9	17.4	27.1			
Busan Lotte Hotel	11.2						
Lotte Trading	0.2						
Lotte Shopping	20.6				93.3		
Lotte Refrigeration			13.6				
Lotteria	2.5	28.1	20.3				
Honam Petrochemical Corporation			2.0	27.1			
Korea Fuji Film	1.5						
Lotte Engineering & Machinery							
Daehong Communications	8.4	28.1					
Lotte Corporation							
Lotte Capital							
Lotte Data Communication							
KP Capital							
Lotte Card							
Lotte.com							
Lotte Midopa	1.3						
Lotte Boulangerie							
Lotte Fresh Delica							

# Affiliates

Invested Investing	Food Star	Lotte Midopa	Lotte Card	Sitec	KP Capital	KP chemtech	Lotte Daesan Petrochemical
Lotte Confectionery							
Lotte Chilsung							
Lotte Samgang							
Lotte Aluminum							
Lotte Ham							
Lotte Engineering & Construction							
Lotte Hotel	40.0		1.2				
Busan Lotte Hotel			1.0				
Lotte Trading							
Lotte Shopping	39.8	79.0	92.5				
Lotte Refrigeration							
Lotteria	20.2						
Honam Petrochemical Corporation				50.0	51.9		100.0
Korea Fuji Film							
Lotte Engineering & Machinery							
Daehong Communications							
Lotte Corporation			4.6				
Lotte Capital							
Lotte Data Communication							
KP Capital						100.0	
Lotte Card							
Lotte.com							
Lotte Midopa							
Lotte Boulangerie							
Lotte Fresh Delica							

# Affiliates

Invested	FRL Korea	Wellga	Cheongna Energy	Daesan MMA	Woori Home Shopping	Lotte JBT	Lotte Asset Development
Investing							
Lotte Confectionery							
Lotte Chilsung							
Lotte Samgang		100.0					
Lotte Aluminum							
Lotte Ham							
Lotte Engineering & Construction			45.9				40.0
Lotte Hotel							
Busan Lotte Hotel							
Lotte Trading							
Lotte Shopping	49.0				50.6		60.0
Lotte Refrigeration							
Lotteria							
Honam Petrochemical Corporation				50.0			
Korea Fuji Film							
Lotte Engineering & Machinery							
Daehong Communications							
Lotte Corporation							
Lotte Capital							
Lotte Data Communication							
KP Capital							
Lotte Card							
Lotte.com						50.0	
Lotte Midopa							
Lotte Boulangerie							
Lotte Fresh Delica							

<Overseas>

(As of Dec 31, 2007, in %)

Invested	Lotte China	Lotte Qingdao	Lotte Philippines	Lotte Vietnam	Zao Lotte Rus
Investing	Foods	Foods			
Lotte Confectionery	35.96	90.00	10.00	35.71	13.85

# Affiliates

<Overseas>

(As of Dec 31, 2007, in %)

Invested	Lotte India Co., Ltd.	Lotte Taiwan	Lotte Food Holding Co., Limited	Lotte Package Co., Ltd.	Lotte KF Rus Llc
Lotte Confectionery	80.39	50.00	100.00	25.00	100.00

## (4) Investment in other corporations

(Units: KRW 1 mil)

Category	Title of account	Corporation name	Investment purpose	Starting balance				
				Volume	%	Book value		
Domestic	Listed	Stocks of affiliated companies	Lotte Chilsung	Common stock	Participation in management	122,195	9.88	171,073
				Preferred stock	Participation in management	9,660	8.05	6,665
		Lotte Samgang	Participation in management	123,226	9.79	20,456		
Domestic	Non-listed	Stocks of affiliated companies	Lotte Shopping	Participation in management	2,474,543	8.52	638,312	
			Lotteria	Participation in management	45,045	12.14	22,817	
			Lotte Station Building	Participation in management	319,200	8.87	1,596	
			Korea Seven	Participation in management	3,126,828	19.65	9,218	
			Lotte Fresh Delica	Participation in management	340,000	9.04	836	
			Lotte.com	Participation in management	523,548	11.25	1,908	
			Lotte Pharm	Participation in management	600,000	100	3,971	
			Lotte Giants	Participation in management	6,000	30	30	

# Affiliates

Category	Title of account	Corporation name	Investment purpose	Starting balance		
				Volume	%	Book value
Overseas		Lotte Logistics	Participation in management	-	-	"
	Stocks of affiliated companies	Lotte India	Participation in management	3,031,647	80.39	13,692
		Lotte China Foods	Participation in management	-	39.96	16,416
		Lotte Qingdao Foods	Participation in management	-	100	15,287
		Lotte Philippines	Participation in management	-	10	"
		Lotte Vietnam	Participation in management	-	10	791
		Zao Lotte Rus	Participation in management	50,445	13.85	8,425
		Lotte Taiwan	Participation in management	11,400,000	50	3,421
		Lotte Shanghai Foods Co., Ltd.	Participation in management	-	100	20,158
		Lotte Food Holding	Participation in management	-	100	16
		Lotte Package Co., Ltd.	Participation in management	-	4	291
		Lotte KF Rus LLC	Participation in management	-	-	-
		Total				22,172,337

# Affiliates

Category	Title of account	Corporation name	Investment purpose	Increase/ decrease			
				Volume	Acquired/ disposed value		
Domestic	Listed	Stocks of affiliated companies	Lotte Chilsung	Common stock	Participation in management	"	"
				Preferred stock	Participation in management	"	"
		Lotte Samgang		Participation in management	"	"	
Domestic	Non-listed	Stocks of affiliated companies	Lotte Shopping		Participation in management	"	"
			Lotteria		Participation in management	"	"
			Lotte Station Building		Participation in management	"	"
			Korea Seven		Participation in management	"	"
			Lotte Fresh Delica		Participation in management	"	"
			Lotte.com		Participation in management	"	"
			Lotte Pharm		Participation in management	"	"
			Lotte Giants		Participation in management	"	"

# Affiliates

Category	Title of account	Corporation name	Investment purpose	Increase/ decrease	
				Volume	Acquired/ disposed value
Overseas		Lotte Logistics	Participation in management	66,308	3,999,998
	Stocks of affiliated companies	Lotte India	Participation in management	"	"
		Lotte China Foods	Participation in management	"	"
		Lotte Qingdao Foods	Participation in management	"	"
		Lotte Philippines	Participation in management	"	"
		Lotte Vietnam	Participation in management	"	4,467,144
		Zao Lotte Rus	Participation in management	"	"
		Lotte Taiwan	Participation in management	"	"
		Lotte Shanghai Foods Co., Ltd.	Participation in management	-	-20,157,610
		Lotte Food Holding	Participation in management	50,100,000	46,456,947
		Lotte Package Co., Ltd.	Participation in management	-	4,171,983
		Lotte KF Rus LLC	Participation in management	-	20,665,070
		Total			

# Affiliates

Category	Title of account	Corporation name	Investment purpose	Ending balance				
				Volume	%	Book value		
Domestic	Listed	Stocks of affiliated companies	Lotte Chilsung	Common stock	Participation in management	122,195	9.88	128,183
				Preferred stock	Participation in management	9,660	8.05	5,844
		Lotte Samgang		Participation in management	123,226	9.79	26,555	
Domestic	Non-listed	Stocks of affiliated companies	Lotte Shopping		Participation in management	2,474,543	8.52	695,193
			Lotteria		Participation in management	45,045	12.14	26,484
			Lotte Station Building		Participation in management	319,200	8.87	45,480
			Korea Seven		Participation in management	3,126,828	19.65	9,785
			Lotte Fresh Delica		Participation in management	340,000	9.04	632
			Lotte.com		Participation in management	523,548	11.25	2,901
			Lotte Pharm		Participation in management	600,000	100	2,881
			Lotte Giants		Participation in management	6,000	30	30

# Affiliates

Category	Title of account	Corporation name	Investment purpose	Ending balance		
				Volume	%	Book value
Overseas		Lotte Logistics	Participation in management	66,308	4.64	4,000
	Stocks of affiliated companies	Lotte India	Participation in management	3,031,647	80.39	11,459
		Lotte China Foods	Participation in management	-	35.96	15,449
		Lotte Qingdao Foods	Participation in management	-	90	17,418
		Lotte Philippines	Participation in management	-	10	0
		Lotte Vietnam	Participation in management	-	35.71	4,467
		Zao Lotte Rus	Participation in management	50,445	13.85	8,268
		Lotte Taiwan	Participation in management	11,400,000	50	3,421
		Lotte Shanghai Foods Co., Ltd.	Participation in management	-	0	0
		Lotte Food Holding	Participation in management	50,100,000	100	45,106
		Lotte Package Co., Ltd.	Participation in management	-	25	4,509
		Lotte KF Rus LLC	Participation in management	-	100	19,690
		Total				72,338,645

# Affiliates

## (4) Investment in other corporations

(Units: KRW 1 mil)

Category		Title of account	Corporation name		Investment purpose	Net income of invested corporations for the recent business year
Domestic	Listed	Stocks of affiliated companies	Lotte Chilsung	Common stock	Participation in management	64,749
				Preferred stock	Participation in management	"
			Lotte Samgang		Participation in management	21,865
	Non-listed	Stocks of affiliated companies	Lotte Shopping		Participation in management	689,461
			Lotteria		Participation in management	5,818
			Lotte Station Building		Participation in management	67,823
			Korea Seven		Participation in management	3,068
			Lotte Fresh Delica		Participation in management	5,052
			Lotte.com		Participation in management	10,299
			Lotte Pharm		Participation in management	-1,076
Lotte Giants		Participation in management	-327			

# Affiliates

Category	Title of account	Corporation name	Investment purpose	Net income of invested corporations for the recent business year		
		Lotte Logistics	Participation in management	-6,721		
Overseas	Stocks of affiliated companies	Lotte India	Participation in management	-802		
		Lotte China Foods	Participation in management	-6,422		
		Lotte Qingdao Foods	Participation in management	-1,449		
		Lotte Philippines	Participation in management	-380		
		Lotte Vietnam	Participation in management	2,475		
		Zao Lotte Rus	Participation in management	3,854		
		Lotte Taiwan	Participation in management	-400		
		Lotte Shanghai Foods Co., Ltd.	Participation in management	-8,230		
		Lotte Food	Participation in management	-4,090		
		Holding Lotte Package Co., Ltd.	Participation in management	140		
		Lotte KF Rus Llc	Participation in management	-2,016		
		Total				"

# Affiliates

Category		Title of account	Corporation name		Investment purpose	Ref (Amount assessed icurrent tern)
Domestic	Listed	Stocks of affiliated companies	Lotte Chilsung	Common stock	Participation in management	-42,890
				Preferred stock	Participation in management	-82
			Lotte Samgang		Participation in management	6,100
	Non-listed	Stocks of affiliated companies	Lotte Shopping		Participation in management	56,881
			Lotteria		Participation in management	3,667
			Lotte Station Building		Participation in management	43,884
			Korea Seven		Participation in management	567
			Lotte Fresh Delica		Participation in management	-204
			Lotte.com		Participation in management	993
			Lotte Pharm		Participation in management	-1,090
Lotte Giants		Participation in management	"			

# Affiliates

Category	Title of account	Corporation name	Investment purpose	Ref (Amount assessed icurrent term)
		Lotte Logistics	Participation in management	4,000
Overseas	Stocks of affiliated companies	Lotte India	Participation in management	"
		Lotte China Foods	Participation in management	967
		Lotte Qingdao Foods	Participation in management	2,131
		Lotte Philippines	Participation in management	"
		Lotte Vietnam	Participation in management	4,467
		Zao Lotte Rus	Participation in management	1,452
		Lotte Taiwan	Participation in management	"
		Lotte Shanghai Foods Co., Ltd.	Participation in management	-20,158
		Lotte Food Holding Co., Ltd.	Participation in management	45,106
		Lotte Package Co., Ltd.	Participation in management	4,509
		Lotte KF Rus Llc	Participation in management	19,690
		Total		

- ※ Amount assessed in the current term is written in the reference column. Equities of Lotte Chilsung and Lotte Samgang's book values were changed after assessing their market value as listed stocks.
- ※ Book values of Lotte Shopping, Lotteria, Korea Seven, Lotte.com, Lotte Pharm, Lotte India, Lotte China Foods, Lotte Qingdao Foods and ZAO Lotte Rus were changed because of the application of the equity method.
- ※ The book value of Lotte Vietnam was changed because of equity acquisition and participation in capital increase in November 2007.
- ※ The book value of Lotte Package Co., Ltd. was changed because of participation in capital increase in January 2007.
- ※ The book value of Lotte Shanghai Foods Co., Ltd. was changed because of equity disposition in April 2007.
- ※ The book value of Lotte Food Holding was changed because of additional investments in February, April and August of 2007.
- ※ Initial investment in Lotte KF Rus Llc in March 2007 and additional investment in August 2007.
- ※ Participation in paid-in capital increase of Lotte Logistics in September 2007.
- ※ Lotte Refrigeration acquired Lotte Logistics in November 2007 and changed the company name to Lotte Logistics.

# Shareholders

- 1) Shareholder distribution
- 2) Share prices and trading volume for the last 6 months

# Shareholders

## 1) Equity owned by largest shareholder and specially-related stockholders

[ As of 2007-12-31 ]

(Units: shares, %)

Name	Relationship	Share type	No. of shares owned (%)						Reason for change
			Starting		Increase	Decrease	Ending		
			# of shares	%	# of shares	# of shares	# of shares	%	
Lotte Aluminum	Largest shareholder	Equity	190,768	13.42	-	-	190,768	13.42	
Shin Gyeok-ho	Other	Equity	187,419	13.19	-	26,437	160,982	11.33	Donated on Dec 28, 2008
Shin Dong-bin	Other	Equity	69,350	4.88	-	-	69,350	4.88	
Shin Dong-ju	Other	Equity	49,450	3.48	-	-	49,450	3.48	
Shin Yeong-ja	Other	Equity	35,873	2.52	-	-	35,873	2.52	
Shin Jun-ho	Other	Equity	56	0.00	-	-	56	0.00	
Shin Jeong-suk	Other	Equity	36	0.00	-	-	36	0.00	
Lotte Foundation	Related corporation	Equity	96,776	6.81	-	-	96,776	6.81	
Lotte Hotel	Affiliate	Equity	45,670	3.21	-	-	45,670	3.21	
Lotte Engineering & Machinery	Affiliate	Equity	5,000	0.35	-	-	5,000	0.35	
Daehong Communications	Affiliate	Equity	10,900	0.77	-	-	10,900	0.77	
Lotte Engineering & Construction	Affiliate	Equity	19,000	1.34	-	-	19,000	1.34	
Lotte Midopa	Affiliate	Equity	0	0.00	26,437	-	26,437	1.86	Received on Dec 28, 2008
Total		Equity	710,298	49.97	26,437	26,437	710,298	49.97	
		Preferred stock	0	0	0	0	0	0	
		Total	710,298	49.97			710,298	49.97	

Largest shareholder : Lotte Aluminum # of specially-related stockholders : 12

# Shareholders

## 2) Current status of shareholders with stock ownership of over 5%

[ As of 2007-12-31 ]

(Units: shares, %)

Ranking	Name	Equity		Preferred stock		Sub-total	
		# of shares	%	# of shares	%	# of shares	%
1	Lotte Aluminum	190,768	13.42	-	-	190,768	13.42
2	Shin Gyeok-ho	160,982	11.33	-	-	160,982	11.33
3	Lotte Foundation	96,776	6.81	-	-	96,776	6.81
Total		448,526	31.56	-	-	448,526	31.56

## 3) Shareholder distribution

As of Dec 31, 2007

Item	# of shareholders	Ratio	# of shares	Ratio	Ref
Total of minority shareholders	1,399	98.38	446,039	31.38	
Minority shareholders (corporations)	457	32.14	413,776	29.11	
Minority shareholders (individuals)	942	66.24	32,263	2.27	
Largest shareholder, etc.	13	0.91	710,298	49.97	
Major shareholders	-	-	-	-	
Total of other shareholders	9	0.63	264,344	18.60	
Other shareholders (corporations)	8	0.56	242,714	17.08	
Other shareholders (individuals)	1	0.07	21,630	1.52	
Korea Securities Depository (laggard shares)	1	0.07	719	0.05	
Total	1,422	100.0	1,421,400	100.0	

# Shareholders

## 4) Stock administration

Preemptive rights of new shares	Article 9) Preemptive rights of new shares ① Shareholders have the right to new share assignment in proportion to the shares they own. However, if shareholders lose or give up their rights, or in the occurrence of fractional share, the Board of Directors will decide how to deal with the matter. ② In spite of Paragraph 1, new shares can be assigned to non-shareholders based on Board of Directors' decision in the following cases. 1. When new shares are issued through a general public capital increase, as decided by the BOD 2. When new shares are assigned as stock option to employees with priority 3. When new shares are issued in alignment with the issuance of depository receipts		
Closing day	31st Dec	Regular Shareholders' Meeting	Within 3 months
Shareholder list closure dates	1st Jan ~ 15th Jan every year		
Share certificate type	1, 5, 10, 50, 100, 500, 1,000, 10,000 (8 types)		
Delegate for stock transfer	Korea Securities Depository		
Shareholders' privilege	-	Newspapers in which notifications are posted	Korea Economic Daily Newspaper

## 5) Share prices and trading volume for the last 6 months

(Units: KRW, shares)

Type		07-Jul	07-Aug	07-Sep	07-Oct	07-Nov	07-Aug
Equity	Max	1,840,000	1,730,000	1,669,000	1,635,000	1,496,000	1,690,000
	Min	1,239,000	1,420,000	1,532,000	1,300,000	1,351,000	1,372,000
Monthly trading volume		132,657	94,582	48,658	99,931	69,007	35,043

## Executive and staff members

- 1) Executive members
- 2) Staff members
- 3) Labor union

# Executive and staff members

## 1) Executive members

Job title (Standing/ non-standing)	Registered executive member Registered or Non-registered	Name	Date of birth	Brief personal history	Responsible area		# of owned shares		Ref
					Before change	After change	Equity	Prefer- red stock	
Director (Standing)	Registered executive member	Kim Yong-taek	1949.01.31	Ph.D., Food Engineering Production Division Head of Lotte Confectionery	Chief of Central R&D Center	Chief of Central R&D Center	29	-	Resigned as registered executive and appointed as executive on Mar 21, 2008
Director (Standing)	Registered executive member	Lee Eun-hak	1953.01.14	B.A., Food Engineering, Yonsei University Marketing Director of Lotte Confectionery	Sales Division Head	Sales Division Head	-	-	"
Director (Standing)	Registered executive member	Kim Seung-bae	1948.03.22	Graduated from Sudo High School Technology Director of Lotte Confectionery	Production Division Head Yeongdeungpo Plant Manager	Production Division Head Yeongdeungpo Plant Manager	125	-	"
Director (Non-standing)	Registered executive member	Hong Seong-dae	1939.07.10	Graduated from Korea Air Force Academy Senior Director of Lotte World	Outside Director	-	-	-	Resigned on Mar 21, 2008
Auditor (Standing)	Registered executive member	Kim Sang-dae	1943.01.28	Graduated from Milyang High School Packaging Division Director of Lotte Shopping	Standing Auditor	-	-	-	Resigned as standing auditor on Mar 21, 2008 (appointed as consultant)

# Executive and staff members

Job title (Standing/ non-standing)	Registered executive member Registered or Non-registered	Name	Date of birth	Brief personal history	Responsible area		# of owned shares		Ref
					Before change	After change	Equity	Preferred stock	
Director (Non-standing)	Registered executive member	Ki Chang-seop	1947.11.02	B.A., Diplomacy, Seoul National University CEO of Lotte Capital	-	Outside Director (Audit Committee member)	-	-	Appointed on Mar 21, 2008  (Outside director cum audit committee member)
Director (Non-standing)	Registered executive member	Park Hyeon-jin	1958.09.27	Ph.D., Food Engineering, Georgia State University Professor in Bio-science, Korea University	-	Outside Director (Audit Committee member)	-	-	"
Director (Non-standing)	Registered executive member	Jeon Shin-gi	1951.07.09	B.A., public administration, Myeongji University Advisor for Kim & Chang Law Firm	-	Outside Director (Audit Committee member)	-	-	"
Executive member (Standing)	Non- registered executive	Kim Han-su	1948.12.28	B.A., Food Engineering in Korea University Analysis Team Head of Lotte Central R & D Center	Research	-	-	-	Position changed on Feb 12, 2008 (consultant)
Executive member (Standing)	Non- registered executive	Lim Ji-taek	1953.12.25	B.A., Food Engineering, Pukyung National University Procurement & GA Director of Lotte Confectionery	Procurement	Procurement and general affairs	-	-	Position changed on Feb 13, 2008

# Executive and staff members

Job title (Standing/ non-standing)	Registered executive member Registered or Non-registered	Name	Date of birth	Brief personal history	Responsible area		# of owned shares		Ref
					Before change	After change	Equity	Prefer- red stock	
Executive member (Standing)	Non- registered executive	Yun Dong-il	1952.05.25	B.A., Industrial Business Administration, Dongguk University Logistics Division Director of Lotte Confectionery "	Confectionery Sales	Logistics	-	-	Position changed on Feb 13, 2008 (Confectionery Sales →Sales Strategy) Position changed on Mar 17, 2008 (Sales Strategy →Logistics)
Executive member (Standing)	Non- registered executive	Lee Chun-yeol	1955.06.08	B.A., Food Engineering, Yonsei University Biscuit Research Team Head of Central R&D Center	Research	-	-	-	Resigned on Feb 15, 2008
Executive member (Standing)	Non- registered executive	Kwon Gi-yeong	1957.01.23	M.A., Business Administration, Korea University Sales Strategy Director of Lotte Confectionery	Logistics	Confectionery Sales	-	-	Position changed on Feb 13, 2008
Executive member (Standing)	Non- registered executive	Kim Yong-su	1958.11.05	M.A., Business Administration, Korea University Planning Director of Lotte Confectionery	Planning, General Affairs Director	-	-	-	Resigned on Feb 12, 2008

## Executive and staff members

Job title (Standing/ non-standing)	Registered executive member Registered or Non-registered	Name	Date of birth	Brief personal history	Responsible area		# of owned shares		Ref
					Before change	After change	Equity	Prefered stock	
Executive member (Standing)	Non-registered executive	Hwang In-do	1958.11.09	M.A., Finance, Korean University India Unit Head of Lotte Confectionery	Natur Sales Strategy Director	Sales Strategy Director	-	-	Position changed on Mar 17, 2008
Executive member (Standing)	Non-registered executive	Lee Ju-yong	1953.04.06	B.A., Business Administration, Konkuk University Accounting Manager of Lotte Confectionery	Accounting	Accounting	-	-	Appointed on Feb 1, 2008
Executive member (Standing)	Non-registered executive	Lee Jeong-wu	1955.12.17	B.A., English Literature, Seogang University Food Division Head of Lotte Confectionery	Overseas Sales	Overseas Sales	-	-	Appointed on Feb 1, 2008
Executive member (Standing)	Non-registered executive	Jeong Hae-gyong	1958.01.29	B.A., Business Administration, Busan University Marketing Support Director of Lotte Confectionery	Marketing	Marketing	-	-	Appointed on Feb 1, 2008

## Executive and staff members

Job title (Standing/ non-standing)	Registered executive member Registered or Non-registered	Name	Date of birth	Brief personal history	Responsible area		# of owned shares		Ref
					Before change	After change	Equity	Prefer- red stock	
Executive member (Standing)	Non- registered executive	Kim Cheol-gi	1955.04.20	M.A., Production Management of Lotte Confectionery Deputy Manager of Pyeongtaek Plant	Pyeongtaek Plant Manager	Pyeongtaek Plant Manager	-	-	Appointed on Feb 1, 2008
Advisor	-	Han Su-gil	1941.08.31	B.A., Business Administration, Seoul National University CEO of Lotte Confectionery	-	-	-	-	Resigned on Feb 23, 2008
Advisor	-	Kwon Il-bu	1940.05.12	B.A., Liberal Arts and Science, Busan University Chief of Central R&D Center	-	-	-	-	Resigned on Feb 3, 2008
Consultant	-	Park Byeong-gab	1950.07.22	B.A., Food Engineering, Dongkuk University Ice Cream Research Team Head of Central R&D Center	-	-	-	-	Resigned on Feb 9, 2008

# Executive and staff members

## 2) Staff members

(Units: KRW 1,000, people)

Item	# of employees				Avg employment years	Annual salary total	Avg salary per person	Ref
	Administrative	Production	Other	Total				
Male	2,307	749	61	3,117	9.5	113,629,419	36,455	
Female	312	1,482	2	1,796	5.6	39,203,340	21,828	
Total	2,619	2,231	63	4,913	8.1	152,832,759	31,108	

## 4) Labor union

Item	Contents	Ref
Membership	All employees, apart from those belonging to one of the following, may join the labor union at their discretion. (1) Managers or supervisors (e.g., sales office head, assistant manager and above) (2) HR, GA, Planning, Accounting, Securities team members, etc. (3) Outsourced/ daily workers (including temporary, contract workers), employees on probation	
# of members	Sales: 458 Yeongdeungpo Plant: 406 Pyeongtaek Plant: 192 Yangsan Plant: 431 Total: 1,487	
Standing members	10 (including 4 members for general affairs work)	
Affiliated Labor Federation	National Chemical Labor Union Federation	
Other	N/A	

# Transactions with interested parties

1) Transactions with largest shareholder, etc.

# Transactions with interested parties

## 1) Investment and disposition of invested stock

(Units: KRW 1 mil)

Name (Corporate name)	Relation ship	Investment and invested stock disposition					Ref
		Disposition type	Transaction detail				
			Starting	Increase	Decrease	Ending	
Lotte Shanghai Foods Co., Ltd.	Affiliate	Investment	20,158	3,728	23,886	-	Established in Sep 2006 Disposed of equities in Apr 2007
Lotte Food Holding	Affiliate	Investment	16	46,457	-	46,473	Established in Dec 2006 Additional investments in Feb, Apr, Aug 2007
Lotte Package Co., Ltd.	Affiliate	Investment	291	4,172	-	4,463	Participated in capital increase in Jan 2007
Lotte KF Rus Llc	Affiliate	Investment	-	20,665	-	20,665	Established in Apr 2007 Additional investment in Aug 2007
Lotte Logistics	Affiliate	Equity	-	4,000	-	4,000	Participated in capital increase in Sep 2007
<b>Total</b>			<b>20,465</b>	<b>79,022</b>	<b>23,886</b>	<b>75,601</b>	

## 2) Real estate transactions

(Units: KRW 1 mil)

Name (Corporate name)	Relation ship	Real estate transaction				Profit/ loss from transaction	Ref
		Real estate type	Amount				
			Purchase	Sell-off	Accumulative total		
Lotte Shopping	Affiliate	Land	-	426	426	343	Sell-off of land owned by Osan Training Center
<b>Total</b>			<b>-</b>	<b>426</b>	<b>426</b>	<b>343</b>	

# Transactions with interested parties

## 3) Long-term provision contract, etc.

(Units: KRW 1 mil)

Name	Relation ship	Transaction detail				Ref
		type	Period	Goods & services	Amount	
Lotte Shopping	Affiliate	Transaction (Sale, purchase, etc.)	2007.01.01 ~ 2007.12.31	Sale: Confectionery, ice cream Purchase: ingredients, etc.	81,595	Sale: 54,782 Purchase: 26,813
Total					81,595	



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