

Company Profile

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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

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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

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(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.

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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	

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(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.

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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