

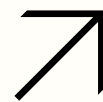
2009 LOTTE SHOPPING

ANNUAL REPORT

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FINANCIAL HIGHLIGHTS

CONDENSED NON-CONSOLIDATED FINANCIAL POSITION STATEMENTS

	in KRW billions		
	2009	2008	2007
ASSETS	18,658	13,304	11,942
Current assets	2,033	1,940	2,153
Non-current assets	16,625	11,363	9,789
LIABILITIES	6,327	4,473	3,768
Current liabilities	3,288	3,147	3,293
Long-term liabilities	3,039	1,326	476
SHAREHOLDERS' EQUITY	12,332	8,831	8,174
Capital stock	145	145	145
Capital surplus	4,651	4,651	4,652
Accumulated other comprehensive income	2,867	46	78
Retained earnings	4,685	4,005	3,298

CONDENSED NON-CONSOLIDATED INCOME STATEMENTS

	in KRW billions		
	2009	2008	2007
GROSS SALES*	12,017	10,925	10,085
NET SALES	11,535	10,509	9,768
GROSS PROFIT	3,575	3,219	2,923
SG&A EXPENSES	2,699	2,451	2,167
OPERATING PROFIT	876	768	757
NON-OPERATING PROFIT	383	522	308
NON-OPERATING EXPENSES	320	365	107
PROFIT BEFORE TAX	940	925	958
NET PROFIT	716	743	692

* Gross sales is defined as net sales plus the cost of specific sales, which are sales of merchandise conditionally supplied to us that we can return at any time and on which we bear no inventory risk.

GROSS SALES
in KRW billions
2009 GROWTH RATE +10%



GROSS PROFIT
in KRW billions
2009 GROWTH RATE +11.1%



OPERATING PROFIT in KRW billions
2009 GROWTH RATE **+14.1%**



NET PROFIT in KRW billions
2009 GROWTH RATE **-3.6%**





GROSS SALES BY BUSINESS DIVISION

in KRW billions



BUSINESS OVERVIEW

LOTTE DEPARTMENT STORE

Sales Growth Rate **+8.7%**

Founded in 1979, Lotte Department Store is Korea's number one department store, with 26 domestic stores and 2 overseas stores. Aside from its department stores, it has also established itself as a leading retail business through a variety of other retail channels such as Avenuel, select luxury brand stores, Young Plaza, fashion stores, and outlets.

Number of Domestic Stores*		Overseas Stores
22	23	1 RUSSIA
2008	2009	1 CHINA

* Except three stores under contract management

LOTTE CARD

Transaction Volume Growth Rate **+10.3%**

Since its launch in 2002, Lotte Card has grown into a leading credit card company with 9 million cardholders. Today, it is continuing to grow through a sales strategy that focuses on core basics, specialized products and services, and strengthened synergy with other Lotte affiliates.

Number of Cardholders (Unit: 10,000 people)	
810	900
2008	2009

LOTTE MART

Sales Growth Rate **+6.6%**

Lotte Mart has been enjoying consistent growth since it opened in 1998. Today, it operates a total of 69 stores both in Korea and in China, Vietnam and Indonesia. In 2007, it made its successful debut in a category killer business by running Toys "R" Us stores inside Lotte Mart.

Number of Domestic Stores		Overseas Stores
63	69	79 CHINA
2008	2009	1 VIETNAM
		19 INDONESIA

LOTTE SUPER

Sales Growth Rate **+33%**

Lotte Super has experienced rapid growth since it first opened in 2001 and today controls the biggest market share with its 190 stores across Korea. Lotte Super is delivering higher customer satisfaction with its differentiated merchandising strategies, which embrace changing trends and active marketing.

Number of Domestic Stores	
110	190
2008	2009

LOTTE CINEMA

Sales Growth Rate **+27.8%**

Launched in 1999, Lotte Cinema currently has 411 screens in 54 locations across Korea. Widely loved by moviegoers for its cutting-edge facilities and unique services, Lotte Cinema has also been successful in its new investment, distribution, and import/export movie businesses.

Number of Domestic Multiplexes		Overseas Multiplexes
46	54	3 VIETNAM
2008	2009	

LOTTE HOME SHOPPING

Transaction Volume Growth Rate **+50%**

After its acquisition of Woori Home Shopping in 2007, the company's home shopping business has been leading the competition in TV home shopping, Internet shopping, and the catalogue business. By developing unique products, nurturing top brands, and raising customer satisfaction Lotte Home Shopping is continuing to grow at a formidable rate every year.

Market Share	
17.4%	20.8%
2008	2009

LOTTE.COM

Transaction Volume Growth Rate **+35.3%**

Lotte.com has grown into one of the nation's largest general e-tailers, with 11 million registered customers. Offering an optimal Internet shopping experience that combines the full spectrum of Lotte's merchandise, Lotte.com guarantees fast and convenient delivery, as well as various other programs to ensure the highest customer satisfaction.

Market Share Rank	
5 th	3 rd
2008	2009

KOREA SEVEN

Sales Growth Rate **+4.8%**

Korea Seven has been leading the Korean convenience store industry since 7-Eleven, the country's first convenience store chain, opened in Korea. Today, the chain has a total of 2,186 stores nationwide, or a third of total market share. Korea Seven plays a key role in creating a new lifestyle for people by providing convenience all day, every day through its 7-Eleven stores.

Number of Domestic Stores	
1,995	2,186
2008	2009

2009 LOTTE SHOPPING

ANNUAL REPORT

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er bigger and better

For more pleasure,
for greater satisfaction,
and for a better tomorrow
Lotte Shopping is passionate about making you happy.
For everybody who dreams of a better life,
Lotte Shopping is there for you.

FINANCIAL HIGHLIGHTS
BUSINESS OVERVIEW

bigger	smarter	better	closer	higher
02 GLOBAL PERFORMANCE	18 SUCCESS REPORT 26 CEO'S MESSAGE 30 BOARD OF DIRECTORS	34 BUSINESS DIVISIONS 43 SUBSIDIARIES	50 SUSTAINABILITY	56 FINANCIAL STATEMENTS 70 NOTES

bigger

Making inroads around the world.





name	country
Marina Neyolova	RUSSIA


Since becoming a Lotte member, people are telling me all the time how great my style has become. I like the fact that I have access to the world's most famous premium brands - and all in one place. I love Lotte's amazing service and wide variety of benefits even more. Lotte Department Store has definitely made life better for me.

LOTTE PLAZA	
location	item
Moscow	Clothes



Offering a new style as a global **premium brand.**

LOTTE PLAZA	
location	item
Moscow	Cosmetics





INTIME LOTTE

location	item
Beijing	Clothes



Targeting **localization** as the top priority.



LOTTE MART

location	item
Jiuxianqiao	Food



name	country
Zhang Li	CHINA

Recently, it has become one of my real pleasures to visit Lotte Mart with my family. A whole range of products is available at affordable prices, so I find myself leaving with an armload full of stuff all the time. My husband and I even go on "shopping dates" to Lotte Department Store every once in a while.



Raising customer **satisfaction** with differentiated products and services.

name	country
Maudy Ayunda	INDONESIA


I used to go to the same discount store from time to time, but everything changed when Lotte Shopping took it over. The entire store, including its produce stands, has become so clean and convenient that I feel like it's a brand-new place. A wide array of products and amazing service makes me want to return again and again. I really can feel that people here care about the customers.

LOTTE MART	
location	name
Pasar Rebo	Mira Lesmana






Growing in close **partnership** with the world's best talents

LOTTE MART	
location	name
Pasar Rebo	Suhada Otjim
	

name	country
Cho Hyun-il	INDONESIA
When I first started working with people here, it wasn't easy to understand the culture or how they thought. But as I got to know people better through my job, through regular on-site meetings, Batik Day, and food sharing programs, I've felt like we've become one big family. I hope we continue to grow together in the future and achieve all our common goals.	



LOTTE SCHOOL	
location	name
SONKY	Luu Huynh
	

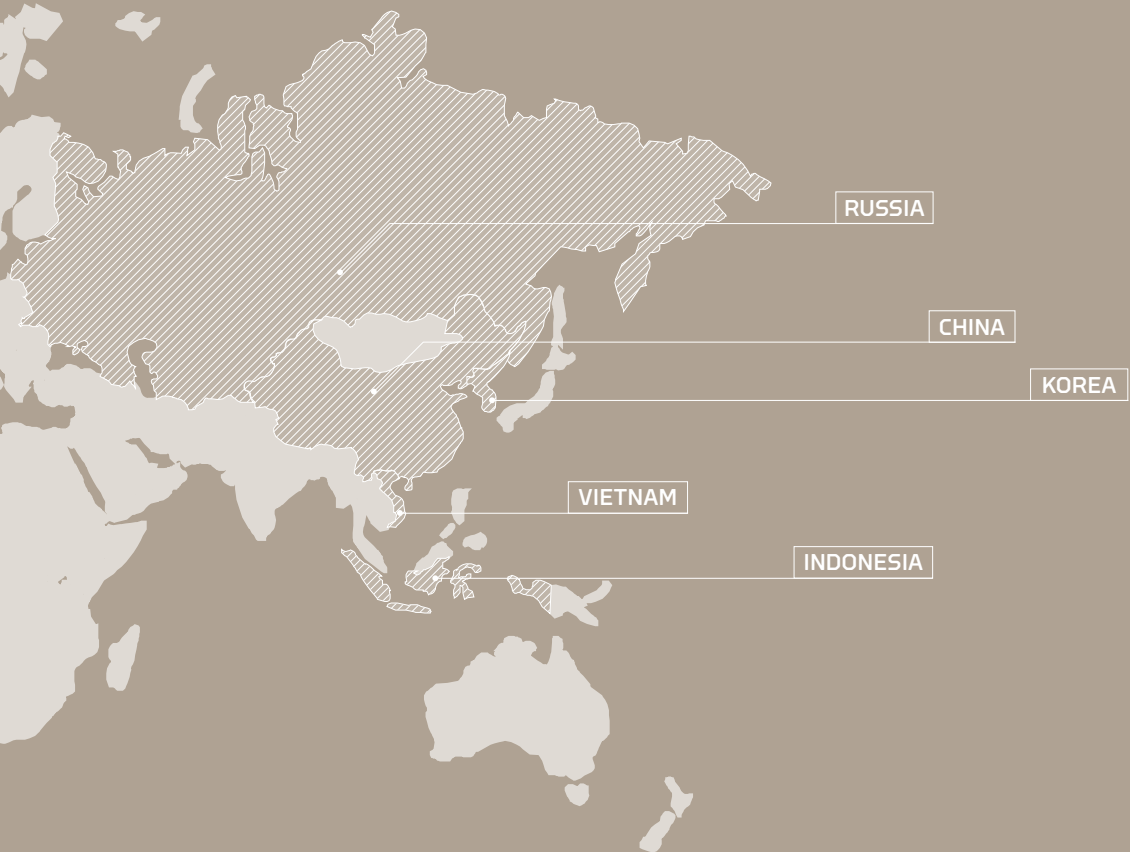
name	country
Nhu Quynh Nguyen	VIETNAM

These days, Lotte Shopping is really popular in our village because they've helped set up Lotte School here. Its official name is SONKY Middle School, but everybody just calls it Lotte School. In the past, it was difficult to get to school when it rained, but now we have a school with a clean dormitory and a clean cafeteria and we love it. It's now a lot more fun to study as well.

LOTTE SCHOOL	
location	name
SONKY	Thanh Hung
	

Contributing to local communities responsibly.

The world of Lotte Shopping is expanding.
In Moscow, Beijing, Qingdao, Ho Chi Minh City and Jakarta,
Lotte Shopping is making happiness a reality for countless people.
Starting with the VRIC nations of Vietnam, Russia, Indonesia and China,
Lotte Shopping will realize its dream of becoming
one of the world's top retailers.



GLOBAL PERFORMANCE

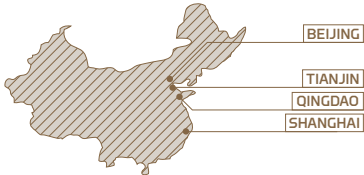


RUSSIA

Lotte Shopping's first overseas branch, Lotte Plaza Moscow, opened in 2007. Home to prestigious brands from around the world, Lotte Plaza Moscow provides visitors with a wide range of convenient facilities, while also offering customized services for VIP customers. In 2009, two years after first opening, Lotte Plaza Moscow began focusing more on localization efforts, raising brand recognition, and increasing sales. Lotte hired local talent at Lotte Plaza Moscow, with some of the usual brands in the store being replaced by local brands as part of its localization strategy. Inside the store, Lotte Plaza Moscow has complementing merchandise in its Young Casual, Women's Suits, and Multi-Casual line sections. It also has cafes, restaurants, and a fitness center. In addition, it has conducted an aggressive marketing campaign over the years, while holding various exclusive events and functions for Lotte members. As a result of these efforts, sales increased 44% over the previous year at Lotte Plaza Moscow. Brand recognition has also improved, from 41% in 2008 to 60% in 2009, and the number of Lotte Plaza Moscow members has increased by 40,000, to a whopping 110,000 customers today. Lotte Plaza Moscow aims to increase the number of its members to 200,000 in the near future. Furthermore, it will conduct a number of diverse promotional programs in connection with Lotte Hotel, which is scheduled to open in the first half of 2010. Lotte Shopping plans to add six more stores in Moscow and St. Petersburg by 2018.

GLOBAL PERFORMANCE

Store Network



2009 Number of Stores

DEPARTMENT STORES	1
DISCOUNT STORES	79*

* 11 TIMES supermarkets included in this figure

CHINA

For Lotte Shopping, China is more of a second domestic market than an overseas market. When Lotte Department Store opened its second overseas store in Beijing (Intime Lotte Department Store) in August 2008, it differentiated itself through the store's layout, sophisticated interior design, and refined customer service. As a result, it continues to grow steadily, recording double-digit growth in just its second year of operations through focused efforts on increasing both sales and brand recognition. Preparations for the opening of Lotte Shopping's second store in China, slated for 2011 in Tianjin, are going smoothly. After venturing into the discount store market in Beijing and Tianjin, Lotte Mart acquired the Makro Cash & Carry wholesale chain, which consists of eight stores, in December 2007. In 2009, Lotte Mart opened two stores in Qingdao, followed by another one in Beijing through a Greenfield Investment. In October 2009, Lotte Shopping successfully took over TIMES, a large-scale discount store chain with 68 stores, including 11 supermarkets, in the Jiangsu area. As of the end of 2009, it was operating a total of 79 stores in China. Through a series of strategic acquisitions, Lotte Shopping has given itself the ability to compete with global distributors in China, while its other overseas markets have recently expanded out of Northeast Asia to the Middle East. Lotte Shopping will continue to expand its department stores and discount stores all around China. As it provides the products and services customers want through effective localization strategies, it will also work hard to create a new and pleasant shopping experience using advanced marketing techniques.

GLOBAL PERFORMANCE

Store Network

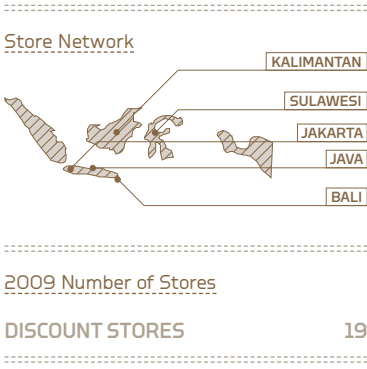


2009 Number of Stores

DISCOUNT STORES	1
MULTIPLEXES	3

VIETNAM

Lotte Shopping's popularity is growing every day in Vietnam. In December 2008, the company became the first Korean distributor to enter the Vietnamese market after opening a Lotte Mart, its South Saigon Store, in Ho Chi Minh City, the economic engine of the nation. Today, the store is not only the largest of its kind in Vietnam – a single shopping center on a sprawling 33,100m² of land – but also offers visitors access to movie theatres, restaurants, and sports & leisure activities. To ensure success in overseas markets, Lotte Mart is pursuing both localization and differentiation strategies in every aspect of its business, from its store hours and layout to its accompanying facilities, while also engaging in a wide range of social contribution efforts to give back to local communities. Lotte has already seen some tangible results from these efforts, with the average number of customers visiting the store daily reaching 15,000 just one year since opening. At the same time, sales targets are being exceeded every month. Another remarkable achievement for Lotte was breaking even the same year it began operations in Vietnam, as usually it takes three to four years on average for overseas stores to break even. Lotte Mart plans to open 30 more stores over the next decade in major areas of Vietnam, starting with its second store in 2010. In addition, Lotte Cinema ventured into the local market in 2008 and is currently running two multiplex theaters in Vietnam, one in Ho Chi Minh City and one in Da Nang. Lotte Shopping will continue to expand its business in Vietnam alongside Lotte Entertainment, which began its direct distribution of Korean movies there in 2009.



INDONESIA

Lotte Shopping’s challenge to grow into a global retailer continues in Indonesia. When it entered Southeast Asia’s most populous market, Lotte Shopping became the first Korean retailer in Indonesia. It later went on to acquire 19 stores of the Makro Cash & Carry wholesale chain in October 2008. Several of these Makro Cash & Carry stores are in the process of reopening as Lotte Mart stores in major areas throughout Indonesia, including Java, Sumatra, Kalimantan, Sulawesi, Bali and the country’s capital, Jakarta, providing local customers with a more pleasant shopping environment and better service than ever before.

In order to more clearly understand and offer higher satisfaction to local customers, Lotte Mart is pursuing thorough localization strategies in personnel, store layout, and marketing, while focusing on differentiation with local competitors based on the advantages Lotte brings with it as a Korean retailer. A lot of effort has also been put into forging win-win relations with existing employees and business partners. Thanks to these and other efforts, Lotte Mart saw amazing results in the first year after it acquired all its new stores, with sales increasing by 20%. At the same time, Lotte Mart is also actively engaging in community service, donating cash and goods for earthquake victims in nearby areas such as Bandung and Padang, and building 24 houses for people through Habitat for Humanity.

Lotte Mart is keeping an eye out for new opportunities in the fast-growing Indonesian retail market as well. In 2010, Lotte Shopping plans to open new stores on its own in main areas, including Jakarta, on its way to becoming a leader in Indonesia’s wholesale and retail markets.



Realizing sustainable growth with smarter strategies.

LOTTE SHOPPING

title	location
30th Anniversary	Lotte Department Store Gwangbok Store



Dec. 2009 Opening of Lotte Department Store's 26th store*

Dec. 2009 Opening of Lotte Super's 190th store

Dec. 2009 Opening of Lotte Mart's 69th store

RAISING COMPETENCIES IN CORE BUSINESSES

Lotte Shopping celebrated its 30th anniversary in 2009 and is now focusing on strengthening core businesses. In the department store sector, along with the successful opening of its 26th department store* in Gwangbok, Busan, the company has been carrying out differentiated strategies and effective marketing. As a result, sales and operating profit increased 8.7% and 5.9%, respectively, more evidence of stable growth for Lotte Shopping as it secured the top position in the industry. Additionally, with the opening of six more discount stores in Korea, Lotte Shopping now runs a total of 69 stores domestically as of the end of 2009. Compared to the previous year, operating profit grew 51.8%, while operating income increased 1.1 percentage points after the company entered new businesses, getting into gas stations, digital home appliance stores, premium private brands, and global sourcing. In addition, its supermarket sector saw a 33% rise in sales, with Lotte Shopping running a total of 190 stores as of the end of 2009 and for the first time posted sales over KRW 1 trillion, while remaining the number one market share leader in the industry. Lotte's cinema business showed stable growth as well, with the eight branches opened in 2009 complementing its successful movie investment and distribution sectors. Such achievements were made even more meaningful given the challenging business environment in 2009, which included a prolonged recession, fierce competition, rapid changes in consumer behavior, and the outbreak of a major flu pandemic. Lotte Shopping will continue its quest toward realizing its vision of becoming one of the world's top 10 retailers as it strengthens its position as Korea's top retail company by consistently investing in the enhancement of its core business competencies.

* Includes three stores managed under contract.

STRENGTHENED LEADERSHIP IN RETAIL

Sep. 2009 Separation of Lotte Food and its doughnuts division

Lotte Shopping, Korea's biggest retailer, has consolidated its leadership in the retail business through the rearrangement of its non-retail business portfolio, along with a series of bold M&A moves both at home and overseas. In September 2009, Lotte spun off its Krispy Kreme Doughnuts franchise business, which it had been running since September 2004, to establish Lotte Krispy Kreme Doughnuts Co., Ltd. In addition, Lotte Food, which manufactures and sells spices and additives, has been handed over to one of Lotte's affiliates, Lotte Samkang Co., Ltd. Through these and other initiatives, Lotte Shopping has been able to enhance its efficiency in management even further by concentrating its competencies on four core divisions in the retail business: department stores, discount stores, supermarkets, and cinemas. In October 2009, Lotte Shopping successfully acquired 68 TIMES stores, a Chinese chain of large-scale discount stores, enabling Lotte Mart to secure its position within the Chinese market through the running of 79 stores nationally, including three new stores in Qingdao and Beijing, as of the end of 2009. In February 2010, Lotte Shopping took over three GS Department Store locations and 14 GS Mart stores to solidify the company's competencies in one of its core businesses. Furthermore, it invested KRW 28.2 billion to acquire 50.1% of shares in Korea Seven, which runs 7-Eleven, one of the largest convenience store chains, in September 2009. Korea Seven increased its business scope even more with the acquisition of the convenience store chain Buy The Way in January 2010. In the future, Lotte Shopping will continue on its road to becoming Asia's top retailer through strategic M&As.

Sep. 2009 Acquisition of Korea Seven (7-Eleven Korea) shares

Oct. 2009 Acquisition of TIMES, a Chinese chain of discount stores

LOTTE MART

title	location
Number of TIMES Stores Acquired	TIMES Changzhou (2nd store)



LOTTE SUPER	
title	location
Sales Growth Rate in 2009	Lotte super Sinscheon Store

Sep. 2009 Opening of an outlet in Suwan, Gwangju

Dec. 2009 Total number of overseas stores reaches 101

Jan. 2010 Acquisition of Buy The Way by Korea Seven

ENHANCING BRAND POWER DOMESTICALLY AND INTERNATIONALLY

Lotte Shopping consolidated its brand name even more in 2009 domestically and internationally, with remarkable results in other business areas, as well as its leading department store and discount store businesses. In Korea, Lotte Super had a particularly impressive performance in 2009. It opened 80 stores last year, bringing the total number of stores it operates to 190 as of the end of 2009, while sales increased an amazing 33% over the previous year, which allowed it to secure the top position in the industry both in terms of the number of stores and sales volume. In addition, Lotte Shopping was active in its exploration of new business opportunities, including the launch of a small-scale price-point retailer, Market 999. Lotte Shopping's industry-leading capabilities were also evident in its premium outlet division, a new type of retail business. Lotte's Gwangju outlet, the World Cup store, and its premium outlet in Gimhae both opened in 2008 and have shown impressive results as well, outpacing their initial sales goal in their first year of business. In September 2009, Lotte opened its third store in Gwangju, in the Suwan area, which went on to set a record with KRW 10 billion in sales in its first 50 days. Lotte also plans on presenting a new concept to do with retail business, which it calls Life Style Center. With an increasing number of stores overseas, Lotte Shopping has enhanced its reputation in Russia, China, Vietnam, and Indonesia. As of the end of 2009, Lotte was operating a total of 101 stores - department stores, discount stores and supermarkets - in four countries, which has laid the groundwork for the company to grow into a top Asian retailer. In the future, Lotte is committed to securing new growth engines and revolutionizing the future of retail.

EXPANDING THE SCOPE OF ONLINE BUSINESSES

Apr. 2008

Lotte Home Shopping launches catalogue business

Lotte Shopping's online business scope continued to grow in 2009. Sales and profits at affiliates involved with online businesses, such as Lotte Home Shopping and Lotte.com, grew at outstanding rates. Although the results are partly attributable to external factors, from a slow but steady economic recovery to expansion of the online market to the outbreak of a major flu pandemic, the pivotal reason for the rapid growth was effective MD and aggressive, timely marketing that reflected recent changes in economic trends. Lotte Mart opened an online shopping mall in 2007 and established a national delivery network based around 18 points in the Metropolitan Seoul area in 2009. In addition, Lotte Super opened e-Super, its own online mall, which elicited a positive response from customers right away. Above all else, Lotte Home Shopping showed balanced growth in all business divisions, including TV home shopping, Internet shopping, and its catalogue business, with the number of transactions and operating profit growing by 50% and 53%, respectively, over the previous year. This has led to an overall market share increase, from 17.4% in 2008 to 20.8% in 2009. Lotte.com also saw its number of transactions and operating profit increase by 35.3% and 35.6%, respectively, over the previous year thanks to booming sales in fashion and household products. By pursuing diversified strategies, expanding its online discount store and supermarket business, increasing the growth rate of Lotte Home shopping and Lotte.com, and starting a premium online mall business to create an online-offline synergy, Lotte Shopping will continue its growth in the online business.



Sep. 2009

Lotte.com begins building corporate-level online stores

Nov. 2009

Lotte Super's e-Super opens

LOTTE HOME SHOPPING	
title	location
Transaction Volume	Bangbae-dong
Growth Rate in 2009	Secho-gu, Seoul



“USHERING IN A NEW LIFESTYLE FOR EVERYONE.”

Dear customers and shareholders,

With its 30-year tradition of leading Korea's retail industry, Lotte Shopping has come one step closer to realizing its vision of being one of the world's leading retailers. Despite challenging business conditions, we continued to grow while laying a firm foundation for reinventing ourselves as a global distributor through aggressive expansion in overseas markets. Although Lotte Shopping continued to open stores throughout Korea and reorganize its business portfolio overseas to concentrate on its retail business, what was perhaps our most meaningful achievement in 2009 was our inclusion in the Dow Jones Sustainability World Index (DJSI World), a first for any Korean retailer.

Member of 2009/2010 DJSI World Index

In recognition of its sustainability management achievements, Lotte Shopping has been included in the Dow Jones Sustainability World Index (DJSI World), the first time ever for a Korean retailer.

The Year in Review: 2009

Enhancing Core Competencies & Expanding Global Management

Despite the challenging business environment that has been plaguing many of the world's economies since 2008, consumer confidence has gradually improved as the world economy finally began showing signs of a slow recovery. I am pleased to report that we continued our stable growth, with solid figures posted in both sales and operating profit.

Thanks to consistent growth in every division, we saw gross sales surge 10% to KRW 12.0 trillion, while operating profit grew 14.1% to KRW 876 billion, both of which were fueled by improvements in profitability with our discount store and supermarket businesses. In addition, our gross profit increased 1.6% to KRW 940 billion over the year before, though net profit was down 3.6% to KRW 716 billion due to deferred corporate taxes.

Our department store business division opened a new flagship store in Gwangbok, Busan in December 2009 and it has already positioned itself as a landmark department store in the city, with impressive sales of KRW 49 billion within its first month of opening. We also opened a new outlet in Suwan, Gwangju, following our previous two outlets, the World Cup store in Gwangju and the Gimhae branch of Lotte Premium Outlets. Furthermore, Lotte Department Store Moscow, our first overseas department store, posted a 44% rise in sales over the previous year, while Lotte's second overseas department store, located in Beijing, China, was growing stably one year after opening.

Continuing with its growth from the previous year, Lotte Shopping also saw strong performances in sales and operating profit in 2009, with gross sales showing particularly outstanding results after increasing 10% compared with the year before to reach KRW 12.0 trillion.

Sales Growth Rate in 2009 **10%**

Lotte's discount store business opened six new stores in 2009, bringing the total number of stores in the chain to 69 nationwide. We also expanded our business scope when we got into self-service gas stations and digital home appliance stores. In China, we opened three new stores, in Qingdao and Beijing, and acquired 68 stores from TIMES, a Chinese chain of large-scale discount stores, in October 2009, which further strengthened our overseas business. In Indonesia and Vietnam, we are also laying the groundwork for business based on a localization strategy.

Our supermarket business continued to expand as well, with 80 new Lotte Super branches added throughout 2009, bringing the chain to an industry-leading 190 locations nationwide, while also accounting for the biggest market share. This enabled us to continue our solid growth, with gross sales and operating profit increasing 33% and 42.9%, respectively, from the year before. Our cinema multiplex business added eight Lotte Cinemas, expanding the chain total to 54 locations, as sales and operating profit in the investment and distribution business soared dramatically, fueled by a booming year for movies.

In addition, we reorganized our business into four divisions - department stores, discount stores, supermarkets, and cinema - after spinning off Krispy Kreme Doughnut and selling the food division to Lotte Samkang. Also, we made Korea Seven our new affiliate. Through a series of moves, we have been able to consolidate our leadership in the global retail industry as we focus our core competencies on the retail business.

Moreover, Lotte Shopping has become the first domestic retailer to be selected as a member of the Dow Jones Sustainability World Index (DJSI World), proof that Lotte Shopping's aim to practice sustainability management through harmonious development economically, environmentally, and socially has now received worldwide recognition. This is only expected to help boost Lotte Shopping's image overseas and attract more attention from investors of international institutions.

Lotte Shopping is working tirelessly to achieve its vision of becoming one of the top 10 global retailers by 2018, with sales four times greater than today.

One of the World's
Top 10 Retailers by 2018

Top 10

The Year Ahead: 2010

The Quest to Be One of the World's Top 10 Retailers

Although economies are expected to show a slight recovery in 2010, the economic slowdown is expected to last for some time. Not only does Lotte Shopping plan to focus its resources on the strategic diversification of its business and to procure new growth engines, but we will also continue to increase our market share by opening more stores and promoting sales. At the beginning of 2010, we acquired GS Department Store, GS Mart stores and Korea Seven's Buy The Way, just some of our bold M&As which we believe will help realize our goals.

Lotte Shopping's vision is to become one of the world's top 10 retailers by 2018, with sales four times greater than today. As such, we are pushing forward with continuous growth, intrepid innovation, and efficient management. In addition, we are carrying out strategic social contribution programs and pursuing a variety of environmental management activities, a series of green campaigns and green partnerships, as well as win-win cooperation initiatives with business partners.

A top global corporation that offers the highest value to all its stakeholders, one that aims to be around for the long term and is respected and trusted by customers all around the world - Lotte Shopping is taking on the challenge of realizing this ambitious goal. Along the way, the lives of our stakeholders will be bettered as we move that much closer to the future we all dream of. I sincerely hope for your continued support and encouragement. Thank you.



Lee Chul-woo
Chief Executive Officer

“LOTTE SHOPPING IS RAISING ITS STATUS AS A GLOBAL RETAILER WITH RESPONSIBLE, TRANSPARENT MANAGEMENT.”

Lotte Shopping's board of directors consists of 11 members, including six outside directors. The BOD deliberates and decides on issues as defined in relevant laws and regulations, or in the articles of association, issues commissioned by shareholders' meetings, and major issues related to management or the company's business.

In 2009, a total of 14 meetings were called to discuss and subsequently vote on major management decisions. At the 40th BOD meeting, held on March 26, 2010, three new members (Park Kyung-bum, Kim Se-hun, and Lhee Hong-ro) were appointed as outside directors, filling vacancies left by the three directors whose terms had just expired.

The BOD operates two sub-committees, an Audit Committee and an Outside Directors' Candidate Nomination Committee. While the Audit Committee consists of three outside directors and held six meetings in 2009, the Outside Directors' Candidate Nomination Committee is made up of one inside director and one outside director and held one meeting in 2009.

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345



- 1

SHIN KYUK-HO

Chairman, Lotte Group
- 2

SHIN DONG-BIN

Vice Chairman, Lotte Group
- 3

LEE IN-WON

CEO, Corporate Headquarters
Lotte Shopping
- 4

LEE CHUL-WOO, PH.D.

CEO, Lotte Shopping
- 5

SHIN YOUNG-JA

President, Lotte Shopping
- 6

JWA SUNG-HEE, PH.D.

Outside Director
President, Gyeonggi Research Institute
- 7

KIM SE-HO, PH.D.

Outside Director
Advisor, Bae, Kim & Lee LLC
- 8

IM JONG-IN, PH.D.

Outside Director
President, Korea University's
Graduate School of Information
Management & Security
- 9

PARK KYUNG-BUM

Outside Director
Executive Advisor, Korea Metal Can
Resources Association
- 10

KIM SE-HUN, PH.D.

Outside Director
Professor, KAIST's
Department of Industrial &
Systems Engineering
- 11

LHEE HONG-RO, PH.D.

Outside Director
Outside Director, Korea Exchange

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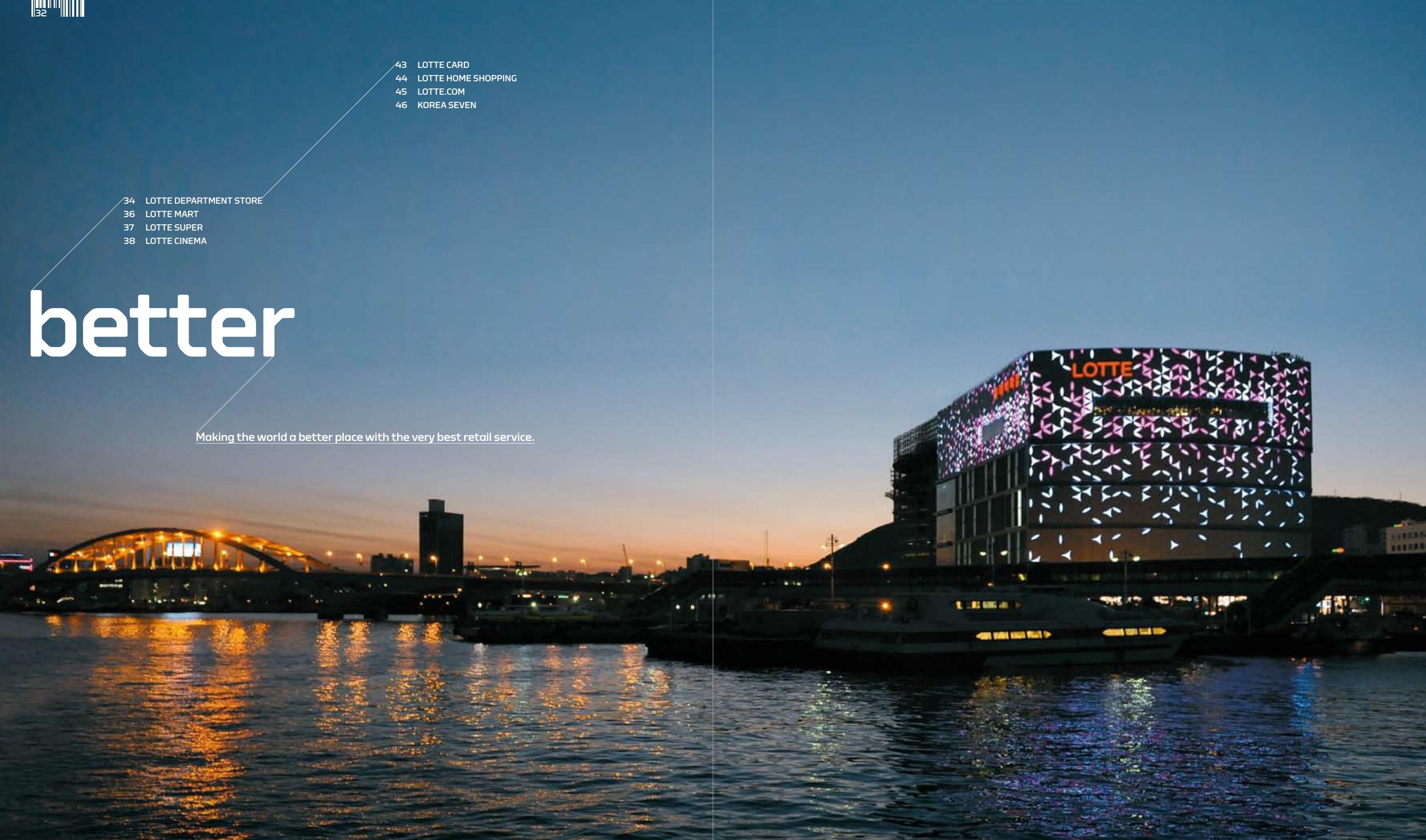


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better

Making the world a better place with the very best retail service.



LOTTE
DEPARTMENT STORE

www.lotteshopping.com

Financial Highlights

In 2009, Lotte Department Store's sales increased 8.7% from the year before to KRW 6.1 trillion despite the continued recession which started in 2008. This was made possible thanks to the increased sale of luxury brands and general merchandise through aggressive and strategic marketing, and through the creation of new consumption by opening new outlets and department stores. Furthermore, operating profit grew 5.9% to KRW 677 billion, while the operating margin rose 11% over the previous year.

Gross Sales*

in KRW billions

20075,374

20085,657

20096,148

2009 Growth Rate+8.7%

Operating Profit*

in KRW billions

2007646

2008639

2009677

2009 Growth Rate+5.9%

Number of Domestic Stores*

200721

200822

200923

2009 Stores Added+1

2009010120091231

* Except three stores under facilities management

Sales Growth Rate
in 2009

+8.7%

Lotte Department Store celebrated its 30th anniversary in 2009. For the past three decades, it has been a driving force in Korea's retail business. Worthy of its name and tradition, it continued to enjoy robust growth in 2009, securing the top position in the industry.

Gwangbok Lotte, the first seaside department store in Korea, opened in December 2009. Within a month of its opening, a total of 3.5 million customers had already visited it, with the initial sales target exceeded by 40%. Having emerged as a new landmark in Busan, Korea's second largest city, Gwangbok Lotte is attaining new levels of customer satisfaction through its new shopping environment, while also contributing to the promotion of trade regionally.

Lotte's premium outlet division also showed some noteworthy business results. Both its Gwangju World Cup store and its Gimhae outlet outpaced their sales targets. In September 2009, the new Suwan outlet opened in Gwangju and has been creating a new commercial area with great sales results initially projected.

Moreover, Lotte Shopping's overseas businesses performed remarkably in 2009. Moscow Lotte Plaza, which opened in 2007 and marked the company's first overseas branch, recorded a double-digit growth in sales compared to the year before. The excellent performance was the result of a wide range of efforts, including the reorganization of

MD, diversification of product portfolio, and increased facilities to attract customers. Beijing's Intime Lotte Department Store was also able to raise its brand recognition with the public and improve its image as a premium brand through effective marketing. Preparations for a new store opening in Tianjin, China in the first half of 2011 are well under way, too.

In 2010, Lotte Department Store will move one step closer toward realizing its vision of becoming one of the world's top 10 retailers by continuously expanding its business through more aggressive investment. An extension to the Gwangbok store and the new Cheongnyangni store are scheduled to open this year, with renovations starting at three GS Department Store locations as well. Lotte Shopping is also planning to open another outlet in Yulha, Daegu, while Lotte Department Store will expand its overseas business around Asian countries.

Additionally, Lotte Department Store will follow differentiated MD strategies to relaunch itself as a fashion department store by increasing the number of products for fashion-conscious teens and twenty-something women, while also introducing well-being lifestyle stores. Plans are also in place to strengthen the company's competencies as a digital department store by expanding its online shopping mall. Plus, Lotte's Life Style Center, an innovative open-type shopping mall that combines shopping, culture, leisure activities, and entertainment all in one place, will be adopted as the new retail format. Through this advancement, Lotte Department Store will secure an integrated distribution channel which embraces the concepts of a department store, luxury brand-name store, fashion store, outlet, composite shopping mall, life-style center, and online shopping mall.

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PREMIUM OUTLETS ·
SHOPPING MALLS

Number of Domestic Stores

2008	2
2009	3
2009 Stores Added	+1

Lotte Shopping has been actively exploring new retail formats as a way to diversify its business portfolio. After more than three years of preparations, the company made a successful debut in the premium outlet business in 2008, opening its first urban outlet in Gwangju in October 2008, and a premium suburban style outlet in Gimhae later in December.

The first Lotte outlet in Gwangju, which marked its first anniversary in 2009, outpaced initial sales targets and ended up making KRW 100 billion in sales. The Lotte outlet in Gimhae has positioned itself as a major shopping destination in the region and proven to be a huge success. It surpassed the initial sales target figure by 13%, reaching nearly KRW 200 billion in annual sales, with 3.16 million customers passing through its doors. In September 2009, another urban outlet was successfully opened in Suwan, Gwangju.

Outlets are forecast to keep growing well into the future, as they provide a pleasant shopping environment where customers can buy Korean and well-known brands from around the world at any time. Lotte Shopping plans to open additional outlets, including one in Yulha, Daegu, in 2010.

In addition to the new outlet format, another major destination retail project has been underway since 2007. Called Sky Park, a massive shopping mall is being built at Gimpo International Airport. Scheduled to open in 2012, the Sky Park Shopping Mall will bring together every Lotte retail and entertainment business - its department store, discount store, supermarket, convenience store, category killer products, specialty store, and theme park - all under one roof to create a compelling shopping and leisure destination for millions in southwest Seoul and surrounding communities.

GLOBAL FASHION

Lotte Shopping launched its Global Fashion Division in 2005. By differentiating its fashion merchandising capability and nurturing fashion experts, Lotte Shopping plans on enhancing the company's competitiveness in this strategic retail category. The division is tasked with identifying and then signing international brands that display promise for selling well in the Korean marketplace, as well as supervising the development of the company's own world-class private brands. Through a number of different initiatives, including the opening of an office in Milan, Lotte Shopping is expanding its global sourcing network.

Based on top private brand development and global sourcing capabilities, the GF Division is currently managing an impressive portfolio of global brands that include Gerard Darel women's wear, Tasse Tasse women's casual wear, Herrbon men's wear, J. Press, Mezzo Piano children's wear, and Furla premium leather goods.

Gerard Darel, Furla, J. Press, and Mezzo Piano are directly imported through global sourcing to arrive at Lotte stores. Ever since products from Furla, the Italian premium leather brand loved by people around the world, first made their way into Korean department stores and outlets in 2006, people have loved them.

The GF Division is making ongoing efforts to strengthen the competitiveness of Lotte's fashion products by heightening the company's merchandizing capabilities. This is accomplished by collaborating with well respected fashion directors and prestigious fashion companies, while expanding its global sourcing network as well.

Gimhae Store
Exceeds Sales Target

13%

LOTTE MART

www.lottemart.com

Financial Highlights

Despite a recession which has not abated since 2008 and increasingly fierce competition with other retail formats such as home shopping and online sales, Lotte Mart recorded a sales increase of 6.6% over the previous year to KRW 4.4 trillion. In particular, operating profit grew a massive 51.8% to KRW 168 billion thanks to aggressive efforts to improve profitability,while its operating margin improved by 11 percentage points compared to the previous year to 3.8%.

Gross Sales	in KRW billions
2007	3,888
2008	4,169
2009	4,445
2009 Growth Rate	+6.6%

Operating Profit

in KRW billions

2007	105
2008	111
2009	168
2009 Growth Rate	+51.8%

Number of Domestic Stores

2007	56
2008	63
2009	69
2009 Stores Added	+6

2009010120091231

Operating Profit
Growth Rate in 2009

+51.8%

Through an aggressive expansion strategy, high-quality goods, and differentiated service, Lotte Mart has been consistently growing on a yearly basis ever since its launch in 1998. In 2009, the company once again recorded an outstanding performance in both size and profit, as it opened new stores and doubled its efforts to improve the company's profit structure.

In 2009, Lotte Mart opened six new stores, bringing the chain's total to 69 stores nationwide. In May 2009, it opened Happy Dream, a self-service gas station at its Gumi store, and in November opened Digital Park, a digital home appliance store at its Seoul Station branch.

Following the launch of its first Toys "R" Us store in 2008, Lotte went on to open five full-size Toys "R" Us stores and 13 smaller Toys "R" Us Toy Box stores at Lotte Mart locations. Still, the company plans to accelerate its rapid, multiyear expansion strategy. After the successful acquisition of 14 GS Mart stores in February 2010, Lotte Mart will have 92 locations nationwide when the nine new stores slated to open this year are accounted for.

The promotion of private brands was one of Lotte Mart's major achievements in 2009. The company's private brand portfolio consists of over 8,200 items from 15 brands and accounted for about 19.1% in gross sales in 2009. Lotte Mart plans to increase the portion of private brand sales to 25% of gross sales by 2010 through the expansion of the company's premium private brand portfolio, which optimizes price and quality through global

sourcing, while also following through with an initiative to build an integrated private brand center that embraces Korean and international stores.

Efforts to raise management efficiency and cut costs have been intensified as well. Lotte Mart pursued innovation in logistics around its Osan and Gimhae logistics centers, opened in 2007 and 2008, respectively, to cut costs, provide fresher produce, shorten delivery time, and promote green logistics. At the same time, Lean Management, a program which manages changes and was used at 35 stores on a trial basis in 2009, will be used at all stores in 2010 to cut costs and improve service.

Furthermore, Lotte Mart was able to expand its overseas business even further in 2009. After acquiring eight Makro Cash & Carry stores in China in 2007, it converted them into Lotte Marts. In 2009, it opened two more stores, one in Qingdao and one in Beijing. Also, Lotte Mart acquired 68 stores (including 11 supermarkets) from TIMES, a Chinese chain of large-scale discount stores.

Finally, Lotte Mart entered the Indonesian retail market with the acquisition of the 19 store Makro chain in 2008 and is now establishing a foundation for further business activities there based on a thorough localization strategy, which has already seen a 20% increase in sales over the previous year. In Vietnam, the South Saigon branch that it opened in December 2008 reached the breakeven point its first year in operation. Based on these efforts, Lotte Mart has grown into a global retailer that was running 99 overseas stores in three countries as of the end of 2009. In the future, it will continue to carry out global management initiatives with the aim of becoming the top business in the Asian retail market.

LOTTE SUPER

www.lottesuper.co.kr

Financial Highlights

In 2009, Lotte Super recorded substantial growth in its sales by aptly responding to changes in consumer behavior, such as making the shopping experience more convenient and carrying a wider variety of small basket items. Gross sales rose a robust 33% to KRW 1.0 trillion, with operating profit increasing 42.9% to KRW 23 billion. Operating profit grew slightly to 2.2% over the previous year despite the increased cost of opening 80 additional stores.

Gross Sales	in KRW billions
2007	538
2008	782
2009	1,042
2009 Growth Rate	+33%

Operating Profit

in KRW billions

2007	4
2008	16
2009	23
2009 Growth Rate	+42.9%

Number of Domestic Stores

2007	79
2008	110
2009	190
2009 Stores Added	+80

2009010120091231

Operating Profit
Growth Rate in 2009

+42.9%

Since opening its first store in 2001, Lotte Super has continued an impressive streak of annual growth. With the aim of providing a modern one-stop shopping space in small areas outside major cities across the nation, it has been conveniently supplying fresh produce and a diverse range of manufactured goods at reasonable prices, enjoying consistent popularity among consumers everywhere it operates.

Despite challenging conditions amid a prolonged recession, the 2009 flu pandemic, and certain regulation problems with the opening of its Super SuperMarket (SSM) stores, Lotte Super was able to top KRW 1 trillion in gross sales for the first time in its history, fueled in large measure by the company's accurate response to changing consumption patterns, aggressive expansion strategy, and the supply of quality products. Lotte Super opened 80 new stores in 2009, bringing the total number of stores within the chain to 190 nationwide as of the end of 2009. This enabled the company to record double-digit growth over the previous year and to lead the SSM industry in market share.

Lotte Super also made a successful entrance into the new retail format business in 2009. To begin, in June it launched a small-scale price-point retailer, Market 999, which provides fresh produce and processed food items such as instant noodles and confectionery goods like cookies, with one set of incremental prices for everything. At present, Lotte

Super is running two stores in Seoul, one in Mokdong and the second in Sinchon. In November, Lotte Super opened e-Super, its online mall where customers can order, pay, and track deliveries all in one place. For those who live close enough, they can have their orders delivered within three hours, while deliveries to farther locations are sent by a separate delivery service. Lotte Super is improving its online shopping experience all the time by adding new food items to its portfolio all the time.

Lotte Super has been strengthening the competitive edge of its private brands on a continual basis. While diversifying its product line-up, it has also been improving quality at the same time, offering more than 120 new brands and products, such as WiseLect SAVE milk. This has spurred an increase in private brand sales as a percentage of gross sales for Lotte Super, from 10.9% in 2008 to 17% in 2009.

Moreover, the company continued to expand direct and local sourcing of farm produce to reduce costs and improve freshness, while also carrying out new merchandising strategies that take into account each region's characteristics to satisfy diverse customer needs. In addition, Lotte Super is pursuing different marketing strategies to respond to inflation by introducing things like Super Star, a low-price product line, and Super Days, an event that happens once a month when consumers get higher-than-average discounts and receive double points on their membership card. In 2010, Lotte Super is poised to outperform its 2009 growth rate and lead the industry in efficiency as well as market share through bold growth strategies and continued innovation.

LOTTE CINEMA

www.lottecinema.co.kr

Financial Highlights

In 2009, Lotte Cinema saw its sales increase 27.8% over the previous year. Operating profit also increased greatly, making up for losses from the year before more than twice over. This was the result of an increased number of moviegoers, rising ticket prices, and the commercial success of movies that the company had invested in and distributed.

Number of Domestic Multiplexes

2007	40
2008	46
2009	54
2009 Multiplexes Added	+8

Number of Domestic Screens

2007	316
2008	352
2009	411
2009 Screens Added	+59

2009010120091231

Sales Growth Rate
in 2009

+27.8%

Lotte Cinema, which celebrated its 10th anniversary in 2009, runs multiplex theaters and a movie investment and distribution business. Lotte Cinema is unique in that it offers a one-stop cultural complex where people can shop, eat, and take part in a number of other cultural events on top of watching movies. Today, more than 10 of the company's multiplexes are located near a Lotte Department Store or a Lotte Mart.

In 2009, Lotte Cinema added eight multiplexes, bringing the company's total to 411 screens in 54 locations across the nation as of the end of the year. Attendance grew 4.8% to over 158,000 and in July 2009 ticket prices went up KRW 1,000, the first price hike in eight years. Additionally, Lotte Cinema entered the Vietnamese market in 2008 and is currently running three multiplexes in the country, two in Ho Chi Minh City and one in Da Nang, with plans to add eight more multiplexes around Vietnam in 2010.

Boasting a number of unique facilities - a deluxe cinema (Charlotte), a cinema with a concert stage (Live City), and an art house theater (Arte) - Lotte Cinema's cutting-edge digital cinema system and convenient facilities making moviegoing an unforgettable experience. However, Lotte Cinema also provides customized services such as the rental of baby seats, free umbrella rentals, free Internet, automatic seat selection system, self-service ticketing kiosks, and a Hipass service. These efforts catapulted Lotte Cinema to the top of the multiplex category in the 2009 NBCI (National Brand Competitiveness Index), which was carried out by the Korea Productivity Center (KPC).

Lotte Entertainment distributed a total of 20 movies domestically in 2009. The Korean movie *Speedy Scandal*, which came out in 2008, remained popular throughout 2009, while new releases like *My Girlfriend is an Agent* and *Terminator Salvation* also proved to be box-office successes. Lotte Cinema has been active with its overseas investments and distribution as well, entering the Vietnamese movie market with *Speedy Scandal* and *My Girlfriend is an Agent*. Today, the company has plans to become the biggest Korean movie investor and distributor in Vietnam by distributing 15 Korean movies a year on a continual basis. In 2010, Lotte Cinema will invest or distribute roughly 25 movies domestically as it expands throughout Asia.





Lotte Mart, Jakarta



Lotte Mart, Osan Logistics Center



TIMES, Changzhou (China)



Lotte Super, Bucheon



Lotte Premium Outlets, Gimhae

LOTTE CARD

www.lottecard.co.kr

Financial Highlights

In 2009, Lotte Card saw its transaction sales climb to KRW 31.8 trillion thanks to partial economic recovery in the second half of the year. Although operating profit fell 13.5% to KRW 159 billion because of lower merchant fees for small stores and increased marketing costs, the company's delinquency ratio improved compared with the previous year, going down to 1.25% as of the end of the year. At present, Lotte Shopping owns a 92.5% stake in this subsidiary.

Total Transaction Volume in KRW trillions

2007	24.8
2008	28.8
2009	31.8
2009 Growth Rate	+10.3%

Operating Profit in KRW billions

2007	62
2008	184
2009	159
2009 Growth Rate	-13.5%

Delinquency Ratio over 30-days

2007	1.51%
2008	1.88%
2009	1.25%
2009 Growth Rate	-0.63%p

Number of Cardholders Unit: 10,000 people

2007	730
2008	810
2009	900
2009 Number of New Cardholders	+90



Since its launch as a credit card company in 2002 after its acquisition of a controlling interest in Tongyang Card, Lotte Card has been growing on a consistent basis with the most stable financial structure in the industry. As of the end of 2009, the company had 9 million cardholders, with transactions amounting to KRW 31.8 trillion for the year. Furthermore, Lotte Card was singled out as a highly dependable credit card company when it received a AA (safe investment) bond credit rating, while posting the lowest delinquency ratio in the industry.

Lotte Card provides its members with optimized services in line with the current trend of combining services, whereby retail, cultural, and financial services are all mixed together. At the same time, the company is releasing new affiliate cards and other special cards that cater to each cardholder's different lifestyle, as it also focuses its resources on developing special services, including the Lotte Integrated Membership program, which only Lotte Card can bring to its customers.

In 2009, Lotte Card concentrated on building the card's brand power through aggressive integrated marketing. In February, a region-specific card was released in Busan as part of regional marketing efforts, with 450,000 people signing up in just nine months. Lotte Card continued to create new markets for itself by issuing more region-specific cards in other regions as well, including Daejeon, Gwangju, Jeju, Pohang, and Ulsan.

With its extra discounts at all Lotte affiliate stores, Lotte Card proudly released its new DC Plus Card in June 2009, which showed remarkable growth right away. In fact, over 600,000 cards were issued in its first six months. DC Plus Card also attracted attention through its unique marketing campaign on TV. Lotte Card added the DC Smart Card and DC Click Card to its credit card lineup so it could provide a wider variety of discounts in every aspect of people's lives.

As the fusion between different industries such as finance and communication expands and profits fall, Lotte Card is expected to face relatively challenging economic conditions in 2010. While the company will enhance its risk management and efficiency, it will also continue to develop new products and services and carry out creative, aggressive marketing. Ultimately, Lotte Card is laying the groundwork to become a leading credit card company and aims to reach its targets of KRW 33 trillion in transactions and 10 million cardholders in the near future.

1.25%

30-day Delinquency Ratio
As of the End of 2009

LOTTE HOME SHOPPING

www.lotteimall.com

Financial Highlights

Despite the prolonged recession, Lotte Home Shopping's transactions grew a remarkable 50% in 2009 to KRW 1.3 trillion, led by the launch of its new catalogue shopping business and robust growth in its Internet shopping business. Also, operating profit was up 53% to KRW 69 billion thanks to an increase in transaction volume and a cut in costs. Lotte Shopping currently holds a 53% stake in this affiliate.

Total Transaction Volume

in KRW billions

2007

2008

2009

2009 Growth Rate

676

887

1,328

+50%

Operating Profit

in KRW billions

2007

2008

2009

2009 Growth Rate

46

45

69

+53%

2009010120091231

* Acquired a 53% share of Woori Home Shopping in August 2008

Market Share
in 2009

Operating as Lotte Home Shopping since May 2007, the company's home shopping business currently includes TV Home Shopping, the online Lotte i-mall, and Lotte Catalogue. Lotte Home Shopping is also playing a leading role in setting new trends in the retail industry by expanding into media channels such as Lotte m-mall, a mobile shopping mall, Lotte t-mall, which appears on digital cable TV, and IPTV Shopping.

In 2009, Lotte Home Shopping broke into the top ranks of the industry, while also carrying out aggressive promotions that saw remarkable results. The company's sales reached KRW 1.3 trillion, up 50% and well above the market average, while its market share grew 3.4 percentage points to 20.8%. Such robust growth was made possible mostly because of the catalogue business, rapid growth in its Internet shopping business, and an increase in the sale of insurance and other intangible products.

Furthermore, Lotte Home Shopping continued to develop differentiated products, nurture top brands, and provide customer-oriented products. As a result, its private brands showed remarkable growth, with the number of "mega brands" - those which had more than KRW 10 billion in annual sales - doubling to 12 from a year earlier. Lotte Home Shopping also increased the competitiveness of its products by expanding the portfolio of department brands.

20.8%

Lotte Home Shopping did not spare any effort in achieving the highest customer satisfaction results. Although it tried to prevent customer complaints whenever possible, it did deal with them immediately once any were raised through the company's Customer Complaint-Free Project and its Consumer Complaints Management System (CCMS). In addition, it launched the first product return system in the industry at its 7-Eleven stores across the country.

The home shopping market is forecast to grow about 10% in 2010, led for the most part by improved consumer confidence and economic recovery. With the aim of outperforming the industry growth average, Lotte Home Shopping will continue to promote and market itself quite actively. Lotte Shopping is expecting yet another breakthrough when it opens a media center in Seoul's Yangpyeong-dong and begins its HD broadcasting service. At the same time, the company's Internet shopping sector will focus on providing live broadcasts, building specialized online malls, and expanding its catalogue business. Finally, Lotte Home Shopping is planning to expand into overseas markets to secure future growth engines, and is currently considering China, Vietnam, Indonesia, and Japan, as it is already in Taiwan.

LOTTE.COM

www.lotte.com

Financial Highlights

Transaction volume rose 35.3% to KRW 523 billion thanks to booming sales of fashion and household products. Lotte.com has been on a stable growth curve as ordinary income has topped KRW 10 billion for four straight years. Lotte Shopping currently holds a 34.4% stake in this affiliate.

Total Transaction Volume

in KRW billions

2007

2008

2009

2009 Growth Rate

383

461

523

+35.3%

2009010120091231

Transaction Volume
Growth Rate in 2009

Lotte.com has been leading the development of Korea's e-tail industry since it was launched in 1996, becoming Korea's first online shopping mall. Lotte.com offers a unique Internet shopping experience that combines the full spectrum of Lotte's merchandise network and e-commerce know-how. In fact, the company has grown into one of the nation's largest general e-tailers, boasting 11 million registered customers, 1 million monthly orders, and over 800,000 daily visits. Lotte.com also operates online sites such as Lotte Internet Duty Free Shop, Lotte Town, Lotte Shopping.com, and a special Lotte service site for members.

Despite the prolonged recession and increasingly fierce competition with other newcomers to the industry, Lotte.com saw remarkable growth both in transaction volume and operating profit. Fueled by strengthened competition from products internally sourced, transaction volume in the fashion and household products segment increased 43.4%, with Lotte Men's, an online shopping mall targeting male customers, being added to Lotte.com, as well as Produce Home Shopping, which supplies local farm produce at affordable prices to the company's lineup of online malls, helping widen Lotte.com's customer base and product portfolio.

LECS, a new project to build online stores, is looking strong early on. In September, Uniqlo, an online causal fashion mall, was opened, going on to become the first business to record KRW 6 billion in transaction volume by the end of 2009. As a result, Lotte jumped from having the 5th largest market share in 2008 to the 3rd largest market share a year later.

After working relentlessly on improving customer satisfaction, the company received KS certification for its customer service center in January 2009. As well, consumers ranked Lotte.com as the top Korean online shopping mall two years in a row on the Korea After Service Satisfaction Index (KASSI), while also being singled out by the City of Seoul for having the best online shopping mall in Korea.

In 2010, the overall online shopping mall market is expected to grow by over 13% and Lotte.com aims to achieve 20% growth both in transaction volume and operating profit. In January, the company fully redid its website, creating a user-experience-oriented shopping mall that offers visitors an optimal shopping environment. At the same time, Lotte.com will continue to expand its product sourcing, new businesses, and overseas market more actively than ever.

+35.3%

KOREA SEVEN	
www.7-eleven.co.kr	
Financial Highlights	
Korea Seven saw 4.8% growth last year, with KRW 659 billion in sales. The economy showed signs of a slow recovery during the second half of 2009, which helped operating profit grow 61.5% to KRW 6.4 billion. At present, Lotte Shopping owns a 50.1% stake in this affiliate.	
Gross Sales	in KRW billions
2007	552
2008	629
2009	659
2009 Growth Rate	+4.8%
Operating Profit	in KRW billions
2007	2.9
2008	4.0
2009	6.4
2009 Growth Rate	+61.5%
Number of Domestic Stores	
2007	1,750
2008	1,995
2009	2,186
2009 Stores Added	+191
2009010120091231	

Korea Seven has been leading the national convenience store industry since 7-Eleven got to Korea in 1989. Since becoming a member of the Lotte family in 1994, it has shown consistent growth on an annual basis and has been especially productive since becoming an affiliate of Lotte Shopping in September 2009.

In 2009, 191 new stores were added, bringing the chain's total to 2,186 stores nationwide, or third in the industry with 16.2% of the market share. Korea Seven also developed new sites for additional stores, including subway stations and areas within Seoul's Hangang Riverside Park. With a sophisticated sales prediction system and systematic management know-how to maximize profits, Korea Seven continues to grow alongside its store owners.

Korea Seven not only contributes to the advancement of Korea's retail industry by providing convenience all day, every day through 7-Eleven stores, but also plays a key role in creating a new lifestyle for people, as it is consistently developing new products and services through bold investments that competitors have trouble matching.

Korea Seven is proud to have come up with a wide assortment of private brand products, from food items such as triangle-shaped kimbap (rice rolls), instant noodles, and milk to daily necessities. Also, customers can take advantage of various services at 7-Eleven stores, including the paying of their public utility bills, getting cash through an ATM, having certain government-issued documents issued, having their cell phone charged or transportation card topped up, renting DVDs, or sending packages via a third-party logistics provider.

By focusing on substance rather than on appearance, Lotte's convenience store sector has shown relatively slow growth figures. However, the acquisition of Buy The Way in January 2010 has brought the number of stores in the chain to about 3,800 nationwide, with rapid growth expected to follow. While achieving its goal of ranking first in the industry and enhancing the synergy effect with Lotte Shopping, the nation's largest retailer, Korea Seven will continue to differentiate its promotions and merchandising, as it raises efficiency in developing and managing stores.

+61.5%

Operating Profit
Growth Rate in 2009





Lotte.com



Korea Seven

Sustainability management that draws us closer
to the environment.

closer

to gather

Sharing with neighbors in need,
writing letters to children in far-off countries,
constantly thinking of how to help business partners...
We do all of this and more.
Growing together and being happy together,
Lotte Shopping is making the world a brighter place.

SOCIAL CONTRIBUTION & WIN-WIN MANAGEMENT

Towards Social Harmony

Lotte Shopping has been carrying out a wide range of social contribution activities to fulfill its responsibilities as a member of the community and a global corporate citizen. Approximately 8,000 employees at Lotte Department Store have organized a volunteer club whose members have been busy helping those in need in neighborhoods close to some of the company's stores.

In addition, Lotte Department Store matched every contribution made by employees in a "one-for-one" program that saw the company deliver the funds to where they were needed most. Lotte Mart was also active in its own volunteer activities in 2009 through We Start, a campaign to help children, as well as by opening a children's library around Lotte Mart's Songcheon store in Jeonju, and a year-end campaign to provide fuel to the poor in neighborhoods near Lotte Department Store.

Fertility Awareness Campaign for the Future of Korea

As Korea's leading retailer, Lotte Department Store signed a mutual agreement for fertility promotion with the Ministry of Health and Welfare (MOHW) in September 2009, a first for any company in the industry, in a bid to actively engage in fertility awareness and to enhance national competitiveness. The company went even further when it made some improvements to its own childcare-related benefits, creating maternity leave for new mothers, establishing nursing rooms and lounges for new mothers, opening an employee daycare center, and waging a campaign for Koreans to have more children. Lotte Department Store was rewarded for its efforts when it received a Family-friendly Corporation certificate from the MOHW in 2009.

Sharing Continues Overseas

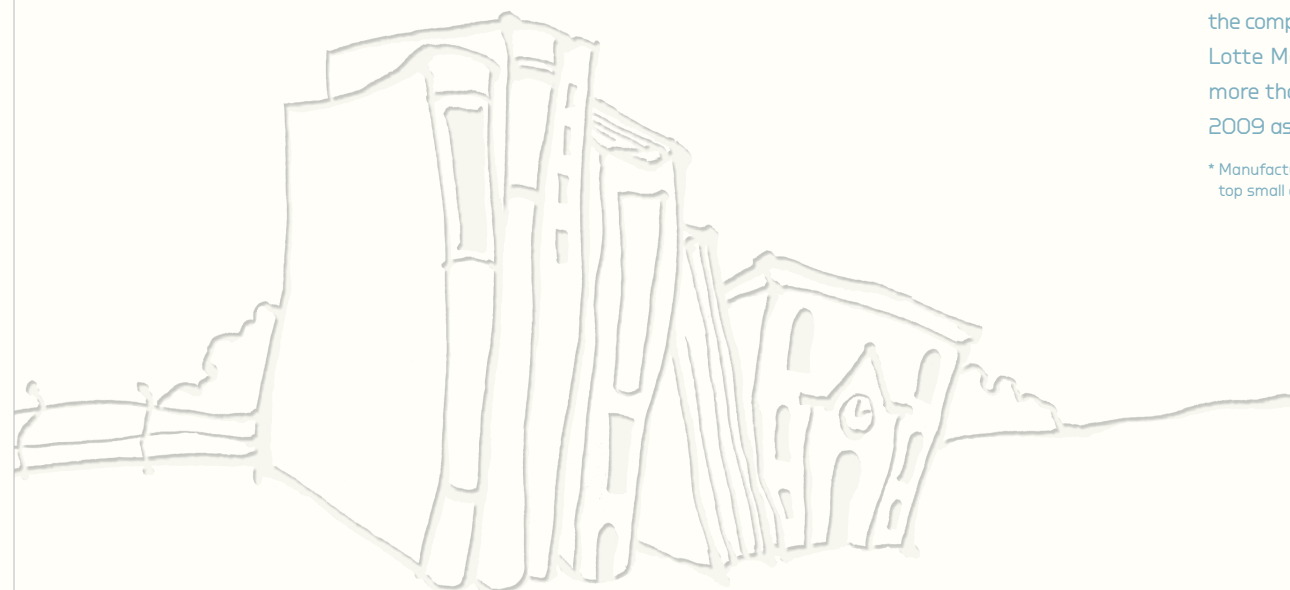
Lotte Shopping's social contribution activities go far beyond the borders of Korea. Since April 2009, 440 employees from Lotte Department Store have been helping poor children in other countries by giving them advice

and financial support through a child sponsorship program with kids from underprivileged families. In September, Lotte Shopping opened Lotte School (Avenuel), in the village of SONKY, Vietnam. The school, which consists of a school building and dormitory, was carried out in association with Plan Korea, an organization dedicated to helping children from developing countries and improving educational conditions in Vietnam.

Win-win Cooperation with Business Partners

By working consistently to develop and grow with its business partners based on win-win relationships, Lotte Department Store has been implementing win-win management in various ways. To begin, it has been holding conventions and seminars to strengthen partnerships and supporting green management through green partnerships. However, it has also been supporting the training of colleagues and providing financial support to partners when necessary. Lotte Mart is helping business partners as well by securing stable sales channels through MPB* and private brands, while giving financial assistance to over 400 partner companies, about 20% of the company's total business partners. In fact, Lotte Mart made an advance payment to more than 30 local producers in September 2009 as a way of providing financial support.

* Manufacturing Private Brands (MPB): Brands created by top small and medium-sized manufacturers



to mor row

We are playing a leading role in environmental protection to ensure people are happy tomorrow and not just today. Through a wide variety of campaigns aimed at saving energy and reducing greenhouse gas emissions, Lotte Shopping is creating a greener, healthier environment that all stakeholders can enjoy together.

ENVIRONMENTAL VALUE MANAGEMENT

Practicing Environmental Value Management

Since it became the first company in the Korean retail industry to declare Environment Value Management in 2004, Lotte Shopping has been dedicating itself to minimize its environmental impact in all management activities based on a sound and systematic environmental management system. Additionally, it has been engaging in numerous environmental campaigns with customers and business partners, while also addressing climate change by saving energy and resources and reducing greenhouse gas emissions.

Green Partnerships & Green Labels

Lotte Department Store was the first Korean retailer to carry out green partnerships with business partners between 2007 and 2009. Along with 22 other companies that represented important product lines at all Lotte Department Stores, Lotte built an Environment Management System which it was proud to promote between and among business partners. At the same time, it established a green manufacturing process and developed green PR materials.

Furthermore, Lotte Department Store has introduced a "Green Label" system for apparel products. Under the program, business partner products are evaluated for their eco-friendliness, with those satisfying domestic and international criteria given the Green Label to display to customers.

Green Campaigns alongside Customers

To raise awareness about the environment and encourage participation in environmental campaigns, Lotte Shopping runs "Eco-shops" to protect endangered species of birds and holds environmental marketing contests for university students. The company also offers environmental education through the Lotte Environment School for Children.

Lotte Shopping is also involved in eco-bag campaigns, in which it gives out reusable shopping bags to reduce the use of plastic bags, and distributes eco-brochures that use recyclable paper and soy ink, thereby reducing their harmful impact on the environment. Moreover, the company uses eco-friendly containers at its restaurants and wages energy-saving campaigns every summer. It has also created ecological parks on the rooftops of three stores and built solar energy panels in one store, all of which contributes to energy conservation and lowers greenhouse gas emissions.

In 2009, Lotte Shopping signed a pact with Korea's Ministry of Environment called Green Start and introduced a "One Customer, One Green Practice" campaign to heighten environmental awareness, which it has been busy implementing ever since. In addition, Lotte Shopping established a carbon footprint calculation service at kiosks located in all of Lotte's department stores, while also carrying out a campaign to promote green driving habits. Lotte Shopping will continue to fulfill its role as a corporate citizen and contribute to low-carbon green growth by tightening environmental management regulations, including the reduction of greenhouse gas emissions.



100 YEARS
OF SUCCESS

Ethics Management:
The Heart of a Competitive
Global Corporation

Lotte Shopping believes that in order to be a global retail leader that matches the highest international standards, it needs to be a transparent company first. Thus, the company created a Code of Ethics and accompanying bylaws, as well as an Ethics Secretariat and Ethics Management Report Center. All the while, the company is continuing to run various programs related to this, such as regular monitoring, campaigns, and ethics management training to help employees not only comply with legal obligations, but also to incorporate ethics into the fabric of work at every level.

World-renowned
Sustainability Management

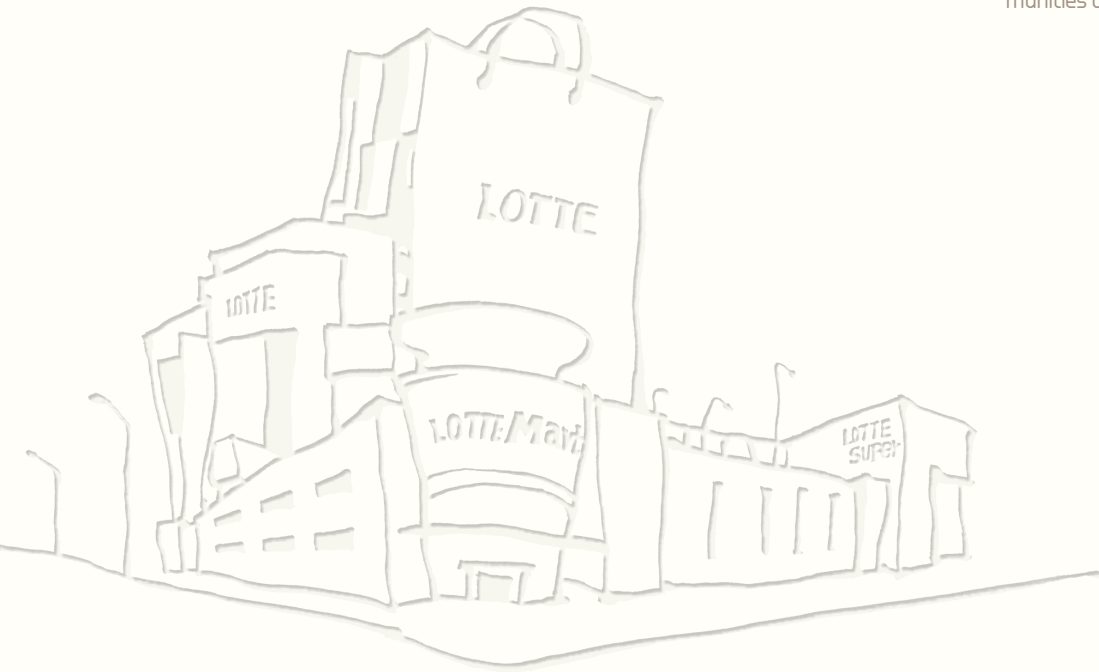
In the first half of 2009, Lotte Shopping was chosen to be included in the Dow Jones Sustainability Asia/Pacific Indexes (DJSI World), a first for a Korean retailer, followed by its selection for inclusion in the second half of the year in the Dow Jones Sustainability World Index (DJSI World), again a first for a Korean retailer. This is the world's most influential index to recognize the socially responsible management of Lotte Shopping, and the honor is only given to those companies with the very best sustainability management practices.

The DJSI World Index comprises companies that represent the top 10% of leading sustainability companies of the 2,500 biggest companies on the Dow Jones Global Total Stock Market Index. These companies are chosen after evaluating them in terms of their social contribution and their ethical & environmental management practices.

In 2009, 317 companies made the list, of which only nine were from the retail industry. As a result, Lotte Shopping's hard work and ceaseless efforts to practice sustainable management have finally received world-wide recognition. Lotte Shopping will take this opportunity to further enhance its sustainability management practices.

Aiming to Thrive for 100 Years

On its 30th anniversary, Lotte Shopping set itself the ambitious goal of thriving for the next 100 years, while contributing to the development of Korea's economy and maintaining the trust and respect of customers, shareholders, and society. This 100-year company that Lotte dreams of, in essence a superior global retailer, is a company that everyone will want to work for and one that is respected by all. To realize this vision, Lotte Shopping will take on corporate responsibilities while listening to the needs of all its stakeholders, from customers, employees and business partners to shareholders, communities and governments.



Creating the highest value for our customers and shareholders.

higher

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Based on a report originally issued in Korean

**TO THE STOCKHOLDERS AND BOARD OF DIRECTORS
LOTTE SHOPPING CO., LTD.;**

We have audited the accompanying non-consolidated statements of financial position of Lotte Shopping Co., Ltd. (the "Company") as of December 31, 2009 and 2008, and the related non-consolidated statements of income, appropriation of retained earnings, changes in equity and cash flows for the years then ended. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lotte Shopping Co., Ltd. as of December 31, 2009 and 2008 and the results of its operations, the appropriation of its retained earnings, the changes in its equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

The accompanying non-consolidated financial statements as of and for the year ended December 31, 2009 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the non-consolidated financial statements expressed in Korean Won have been translated into dollars on the basis set forth in note 3 to the non-consolidated financial statements.

WITHOUT QUALIFYING OUR OPINION, WE DRAW ATTENTION TO THE FOLLOWING:

As discussed in note 2(a) to the non-consolidated financial statements, accounting principles and auditing standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations, changes in equity and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such non-consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying non-consolidated financial statements are for use by those knowledgeable about Korean accounting principles and auditing standards and their application in practice.

As discussed in notes 2(h) and 10 to the non-consolidated financial statements, the Company adopted the revaluation model for land in accordance with Statement of Korea Accounting Standard No. 5, Property, Plant and Equipment, revised January 1, 2009. The book value of land was accounted at fair value as of the date of the revaluation, December 31, 2009. According to the transitional provision to this Standard, the Company applied the accounting change prospectively and did not restate the prior period's non-consolidated financial statements presented for comparative purposes.

KPMG Samjong Accounting Corp.

KPMG Samjong Accounting Corp.
Seoul, Korea

This report is effective as of March 2, 2010, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Non-Consolidated Statements of Financial Position

As of December 31, 2009 and 2008

ASSETS	2009 In KRW millions	2008 In KRW millions	2009 In USD thousands (note 3)
Current assets:			
Cash and cash equivalents (notes 10 and 14)	₩ 434,547	₩ 309,696	\$ 372,171
Short-term deposits (notes 4 and 13)	87,032	43,901	74,539
Short-term held-to-maturity securities (note 6)	-	159,445	-
Trade accounts receivable, net of allowance for doubtful accounts of ₩2,652 million in 2009 and ₩2,683 million in 2008 (note 9)	239,779	234,714	205,360
Other accounts receivable, net of allowance for doubtful accounts of ₩2,883 million in 2009 and ₩2,813 million in 2008 (notes 9 and 14)	82,535	75,045	70,688
Advance payments, net of allowance for doubtful accounts of ₩1,852 million in 2009 and ₩463 million in 2008	20,534	16,285	17,587
Inventories (notes 5, 9 and 10)	1,101,309	1,037,885	943,224
Deferred income tax assets, net (note 29)	19,378	12,535	16,597
Other current assets (notes 7 and 14)	47,884	50,897	41,011
Total current assets	₩ 2,032,998	₩ 1,940,403	\$ 1,741,177
Non-current assets:			
Available-for-sale securities (notes 6 and 13)	₩ 191,210	₩ 157,753	\$ 163,764
Equity method accounted investments (note 6)	3,975,317	2,854,947	3,404,691
Derivative assets (notes 6 and 21)	116,667	208,866	99,921
Other investment assets (notes 4, 12, 13 and 14)	58,999	42,413	50,529
Property, plant and equipment, net of accumulated depreciation of ₩2,265,918 million in 2009 and ₩1,937,027 million in 2008 (notes 10 and 37)	11,129,377	7,060,981	9,531,840
Intangible assets, net of amortization (notes 11 and 37)	134,503	131,530	115,196
Long-term prepaid expenses	262,667	190,700	224,963
Long-term advance payments (note 32)	76,148	52,030	65,218
Guarantee deposits (note 18)	680,470	664,060	582,794
Total non-current assets	₩ 16,625,358	₩ 11,363,280	\$ 14,238,916
TOTAL ASSETS	₩ 18,658,356	₩ 13,303,683	\$ 15,980,093
Continued			

Non-Consolidated Statements of Financial Position

As of December 31, 2009 and 2008

LIABILITIES AND STOCKHOLDERS' EQUITY	2009 In KRW millions	2008 In KRW millions	2009 In USD thousands (note 3)
Current liabilities:			
Trade accounts payable (notes 9 and 14)	₩ 1,799,560	₩ 1,642,378	\$ 1,541,247
Short-term borrowings (notes 16 and 32)	21,759	220,001	18,636
Current portion of debentures, net of discount of ₩95 million in 2009 (notes 14, 17 and 21)	126,187	-	108,074
Other accounts payable (notes 9 and 14)	475,802	486,372	407,505
Advances from customers	29,543	17,596	25,303
Accrued expenses	261,334	142,822	223,821
Accrual for gift certificates	378,148	339,526	323,868
Income tax payable	112,306	214,128	96,186
Accrual for bonus points reward program (note 20)	30,312	30,808	25,961
Other current liabilities (note 15)	52,881	53,842	45,289
Total current liabilities	₩ 3,287,832	₩ 3,147,473	\$ 2,815,890
Long-term liabilities:			
Long-term borrowings (notes 14 and 16)	₩ 378,846	₩ -	\$ 324,466
Debentures, net of discount of ₩7,313 million in 2009 and ₩8,227 million in 2008 (notes 14, 17 and 21)	1,402,227	899,001	1,200,948
Leasehold deposits (note 18)	254,769	244,808	218,199
Accrual for retirement and severance benefits, net (note 19)	45,315	47,503	38,810
Deferred income tax liabilities (note 29)	957,811	134,236	820,324
Total long-term liabilities	₩ 3,038,968	₩ 1,325,548	\$ 2,602,747
TOTAL LIABILITIES	₩ 6,326,800	₩ 4,473,021	\$ 5,418,637
Stockholders' equity:			
Common stock of ₩5,000 par value (note 22)			
Authorized - 60,000,000 shares			
Issued and outstanding - 29,043,374 shares	₩ 145,217	₩ 145,217	\$ 124,372
Capital surplus (note 22)	4,650,895	4,650,895	3,983,295
Capital adjustments (note 23)	[16,271]	[16,271]	[13,935]
Accumulated other comprehensive income (note 24)	2,866,719	45,943	2,455,223
Retained earnings (note 25)	4,684,996	4,004,878	4,012,501
Total stockholders' equity	₩ 12,331,556	₩ 8,830,662	\$ 10,561,456
Commitments and contingencies (note 32)			
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	₩ 18,658,356	₩ 13,303,683	\$ 15,980,093
See accompanying notes to non-consolidated financial statements.			



Non-Consolidated Statements of Income

For the years ended December 31, 2009 and 2008

	2009	2008	2009
	In KRW millions (except for earnings per share), In USD thousands (except for earnings per share)(note 3)		
Continuing operations			
Sales (notes 9, 26, 27, 36 and 37)	₩ 11,535,281	₩ 10,509,251	\$ 9,879,480
Cost of sales (notes 9, 26 and 27)	7,959,811	7,290,564	6,817,242
Gross profit	3,575,470	3,218,687	3,062,238
Selling and administrative expenses (notes 9 and 28)	2,698,995	2,450,580	2,311,574
Operating income (notes 36 and 37)	876,475	768,107	750,664
Non-operating income:			
Interest income	₩ 31,781	₩ 42,237	\$ 27,219
Dividend income	728	2,267	624
Gain on foreign currency transactions	3,112	755	2,665
Gain on foreign currency translation	102,159	5,415	87,495
Equity in earnings of equity method accounted investments (note 6)	221,621	203,150	189,809
Gain on disposition of equity method accounted investments	2,647	20,395	2,267
Gain on valuation of derivative instruments (note 21)	-	184,663	-
Gain on disposition of property, plant and equipment	655	48,837	561
Others	20,317	14,133	17,400
	₩ 383,020	₩ 521,852	\$ 328,040
Non-operating expenses:			
Interest expense	₩ 67,105	₩ 28,839	\$ 57,473
Loss on foreign currency transactions	7,347	817	6,292
Loss on foreign currency translation	4,861	184,328	4,163
Equity in loss of equity method accounted investments (note 6)	82,690	111,684	70,821
Loss on disposition of equity method accounted investments	1,042	935	892
Loss on valuation of derivative instruments (note 21)	103,717	59	88,830
Loss on disposition of property, plant and equipment	778	13,609	666
Loss on revaluation of land (note 10)	7,256	-	6,214
Others	44,929	24,642	38,480
	₩ 319,725	₩ 364,913	\$ 273,831
Income before income taxes	₩ 939,770	₩ 925,046	\$ 804,873
Income taxes (note 29)	₩ 227,783	₩ 183,620	\$ 195,086
Income from continuing operations	₩ 711,987	₩ 741,426	\$ 609,787
Discontinued operation			
Income from discontinued operation, net of income tax of ₩1,416 million in 2009 and ₩531 million in 2008 (note 38)	₩ 4,435	₩ 1,398	\$ 3,798
NET INCOME	₩ 716,422	₩ 742,824	\$ 613,585
Earnings per share (notes 30 and 36)			
Basic earnings per share from continuing operations in			
Won and U.S. dollars	24,515	25,528	21.00
BASIC EARNINGS PER SHARE IN WON AND U.S. DOLLARS	₩ 24,667	₩ 25,576	\$ 21.13

See accompanying notes to non-consolidated financial statements.



Non-Consolidated Statements of Appropriation of Retained Earnings

For the years ended December 31, 2009 and 2008

	2009	2008	2009
	In KRW millions	In KRW millions	In USD thousands (note 3)
Unappropriated retained earnings:			
Balance at beginning of year	₩ 15,559	₩ 22,669	\$ 13,325
Net income	716,422	742,824	613,585
Balance at end of year before appropriation (note 25)	₩ 731,981	₩ 765,493	\$ 626,910
Appropriation of retained earnings:			
Legal reserve	₩ 3,630	₩ 3,630	\$ 3,109
Voluntry reserve	670,000	710,000	573,827
Cash dividends (note 31) - 25.00% on par value at ₩1,250 per share	36,304	36,304	31,093
	₩ 709,934	₩ 749,934	\$ 608,029
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED OVER TO SUBSEQUENT YEAR			
	₩ 22,047	₩ 15,559	\$ 18,881

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2009 and 2008

	Capital stock	Capital surplus	Capital adjust- ments	Accumulated other comprehen- sive income	Retained earnings	Total equity	Total equity
	In KRW millions, In USD thousands (note 3)						
Balance at January 1, 2008	₩145,217	₩4,652,123	₩-	₩78,377	₩3,298,358	₩8,174,075	\$7,000,748
Net income	-	-	-	-	742,824	742,824	636,198
Payment of cash dividends	-	-	-	-	(36,304)	(36,304)	(31,093)
Change in fair value of available- for-sale securities, net of tax	-	-	-	(29,505)	-	(29,505)	(25,270)
Change in equity of equity method investments, net of tax	-	(1,228)	(16,271)	17,263	-	(236)	(202)
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	(20,192)	-	(20,192)	(17,293)
BALANCE AT DECEMBER 31, 2008	₩145,217	₩4,650,895	₩(16,271)	₩45,943	₩4,004,878	₩8,830,662	\$7,563,088
Balance at January 1, 2009	₩145,217	₩4,650,895	₩(16,271)	₩45,943	₩4,004,878	₩8,830,662	\$7,563,088
Net income	-	-	-	-	716,422	716,422	613,585
Payment of cash dividends	-	-	-	-	(36,304)	(36,304)	(31,093)
Change in fair value of available- for-sale securities, net of tax	-	-	-	44,203	-	44,203	37,858
Change in equity of equity method investments, net of tax	-	-	-	(24,317)	-	(24,317)	(20,827)
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	8,984	-	8,984	7,695
Change in fair value of land, net of tax	-	-	-	2,791,906	-	2,791,906	2,391,150
BALANCE AT DECEMBER 31, 2009	₩145,217	₩4,650,895	₩(16,271)	₩2,866,719	₩4,684,996	₩12,331,556	\$10,561,456
See accompanying notes to non-consolidated financial statements.							

Non-Consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2008

	2009 In KRW millions	2008 In KRW millions	2009 In USD thousands (note 3)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	₩ 716,422	₩ 742,824	\$ 613,585
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	₩ 373,218	₩ 337,856	\$ 319,645
Amortization of intangible assets	29,970	28,844	25,668
Accrual for retirement and severance benefits	50,859	55,642	43,559
Loss on inventory shrinkage	12,744	10,373	10,915
Loss on valuation of inventory	555	1,076	475
Amortization of discount on debentures	3,281	1,250	2,810
Bad dept expenses	1,888	153	1,617
Loss on foreign currency translation	4,612	184,328	3,950
Gain on foreign currency translation	(102,159)	(5,415)	(87,495)
Equity in earnings of equity method accounted investments, net	(138,931)	(91,466)	(118,988)
Loss (gain) on disposition of equity method accounted investments, net	(1,605)	(19,460)	(1,375)
Loss on valuation of derivative instruments	103,717	59	88,830
Gain on valuation of derivative instruments	-	(184,663)	-
Loss (gain) on disposition of property, plant and equipment, net	117	(35,229)	100
Loss on revaluation of land	7,256	-	6,214
Gain on disposition of assets and liabilities constituting the discontinued operation	(3,355)	-	(2,873)
Others	16,945	1,297	14,513
			Continued

Non-Consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2008

	2009 In KRW millions	2008 In KRW millions	2009 In USD thousands (note 3)
Changes in operating assets and liabilities:			
Trade accounts receivable	₩ (21,972)	₩ 12,964	\$ (18,818)
Other accounts receivable	(4,083)	(9,034)	(3,497)
Advance payments	(7,833)	(53,805)	(6,709)
Inventories	(84,602)	(31,454)	(72,458)
Other current assets	(6,890)	4,643	(5,900)
Long-term prepaid expenses	(73,286)	(29,447)	(62,766)
Trade accounts payable	161,971	28,622	138,721
Other accounts payable	(8,221)	104,920	(7,041)
Advances from customers	12,204	3,161	10,452
Accrued expenses	120,346	22,014	103,071
Accrual for gift certificates	38,622	17,418	33,078
Income taxes payable	(101,822)	18,255	(87,206)
Bonus points reward program	(393)	1,446	(337)
Other current liabilities	(502)	(10,290)	(431)
National Pension Fund	3	5	2
Payment of retirement and severance benefits	(41,178)	(50,188)	(35,267)
Deposit for severance benefit insurance	(14,158)	(4,596)	(12,125)
Others	17,137	(33,918)	14,677
Net cash provided by operating activities	₩ 1,060,877	₩ 1,018,185	\$ 908,596

Continued

Non-Consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2008

	2009 In KRW millions	2008 In KRW millions	2009 In USD thousands (note 3)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash inflows from investing activities:			
Maturity of short-term deposits	₩ 43,613	₩ 668,485	\$ 37,353
Decrease in short-term loans	38,862	-	33,284
Sale of available-for-sale securities	43,237	202	37,030
Sale of held-to-maturity securities	159,445	-	136,558
Refund of long-term advance payments	19,050	4,251	16,316
Refund of guarantee deposits paid	35,455	14,018	30,366
Proceeds from disposition of property, plant and equipment	22,248	228,252	19,054
Sale of assets and liabilities on the discontinued operation	24,339	-	20,845
Others	16,377	15,554	14,027
	₩ 402,626	₩ 930,762	\$ 344,833
Cash outflows for investing activities:			
Purchase of short-term deposits	₩ (86,744)	₩ (393,401)	\$ (74,293)
Increase in short-term loans	(47,176)	(29,948)	(40,404)
Purchase of long-term deposits	(9)	(12,500)	(7)
Purchase of available-for-sale securities	(39,833)	(97,072)	(34,116)
Purchase of held-to-maturity securities	-	(160,445)	-
Purchase of equity method accounted investments	(934,463)	(601,123)	(800,328)
Payment of long-term advance payments	(44,768)	(89,940)	(38,342)
Payment of guarantee deposits	(108,983)	(87,016)	(93,339)
Purchase of property, plant and equipment	(923,381)	(888,866)	(790,838)
Additions to intangible assets	(15,026)	(18,273)	(12,869)
Purchase of derivative assets	-	(50,090)	-
Others	(20,872)	(25,165)	(17,876)
	₩ (2,221,255)	₩ (2,453,839)	\$ (1,902,412)
Net cash used in investing activities	₩ (1,818,629)	₩ (1,523,077)	\$ (1,557,579)

Continued

Non-Consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2008

	2009	2008	2009
	In KRW millions	In KRW millions	In USD thousands (note 3)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash inflows from financing activities:			
Proceeds from short-term borrowings	₩ 3,327,758	₩ 480,001	\$ 2,850,084
Proceeds from issuance of current portion of debentures	131,369	-	112,512
Proceeds from long-term borrowings	397,040	-	340,048
Proceeds from issuance of debentures	578,670	715,068	495,606
Receipt of leasehold deposits	63,729	28,675	54,581
	₩ 4,498,566	₩ 1,223,744	\$ 3,852,831
Cash outflows for financing activities:			
Repayment of short-term borrowings	₩ (3,526,000)	₩ (260,001)	\$ (3,019,870)
Redemption of debentures	-	(550,000)	-
Refund of leasehold deposits received	(53,659)	(29,877)	(45,956)
Dividends paid	(36,304)	(36,304)	(31,093)
	₩ (3,615,963)	₩ (876,182)	\$ (3,096,919)
Net cash provided by financing activities	₩ 882,603	₩ 347,562	\$ 755,912
Net increase (decrease) in cash and cash equivalents	₩ 124,851	₩ (157,330)	\$ 106,929
Cash and cash equivalents at beginning of year	₩ 309,696	₩ 467,026	\$ 265,242
CASH AND CASH EQUIVALENTS AT END OF YEAR	₩ 434,547	₩ 309,696	\$ 372,171
See accompanying notes to non-consolidated financial statements.			

Notes to Non-Consolidated Financial Statements

December 31, 2009 and 2008

1. Organization and Description of Business

Lotte Shopping Co., Ltd. (the “Company”) was established on July 2, 1970 in the Republic of Korea to engage in retail operations through department stores, discount stores and super-markets. In addition to the retail operations, the Company's business includes, a chain of multiplex movie theaters under the brand name of Lotte Cinema, a clothing retail division and construction. The Company was listed on the stock market run by the Korea Exchange and the London Stock Exchange through an initial public offering in February 2006.

The stockholders of the Company as of December 31, 2009 are as follows:

Stockholder	Number of shares	Ownership [%]
Shin Dong Bin	4,237,627	14.6
Shin Dong Ju	4,235,883	14.6
Shin Kyuk Ho	293,877	1.0
Shin Young Ja	228,962	0.8
Hotel Lotte Co., Ltd.	2,781,947	9.6
Korea Fuji Film Co., Ltd.	2,474,543	8.5
Lotte Confectionery Co., Ltd.	2,474,543	8.5
Lotte Data		
Communication Company	1,515,653	5.2
Lotte Chilsung Beverage Co., Ltd.	1,237,272	4.3
Lotte Engineering & Construction Co., Ltd.	300,019	1.0
Hotel Lotte Pusan Co., Ltd.	246,720	0.9
Others	9,016,328	31.0
TOTAL	29,043,374	100.0

2. Summary of Significant Accounting Policies and Basis of Presenting Financial Statements

(a) Basis of Presenting Financial Statements

The Company maintains its accounting records in Korean Won and prepares statutory non-consolidated financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea (Korean GAAP). Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these non-consolidated financial statements are intended solely for use by only those who are informed about Korean accounting principles and practices. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English

from the Korean language non-consolidated financial statements. Certain information included in the Korean language non-consolidated financial statements, but not required for a fair presentation of the Company's financial position, results of operations, cash flows or changes in stockholders' equity is not presented in the accompanying non-consolidated financial statements.

The accompanying non-consolidated financial statements include only the accounts of the Company, and do not consolidate the accounts of any of its subsidiaries. Instead, these subsidiaries are accounted for under the equity method of accounting (note 6).

The Company prepares the financial statements in accordance with generally accepted accounting principles in the Republic of Korea. Except for the items related to the adoption of changes to Statements of Korean Accounting Standards (“SKAS”) No.5, Property, Plant and Equipment, the Company applied the same accounting policies that were adopted in the previous year's non-consolidated financial statements.

Certain accounts of the prior period's non-consolidated financial statements have been reclassified to conform to the current period's presentation. These reclassifications have not resulted in any change to reported net income or stockholders' equity.

In addition, as explained in note 38, the prior period income statement, presented comparatively, is reclassified to show the discontinued operation separately from continuing operations.

(b) Revenue Recognition

The Company recognizes revenue from the sale of goods upon purchase by end-customers or delivery. Revenue from sale of apartments in lots are recognized using the percentage-of-completion method, measured principally by the percentage of costs incurred to total estimated contract costs. Revenue other than the sale of goods and apartments in lots is recognized when the Company's earnings process is either complete or nearly complete in substance, the amount of revenue can be reliably measured, and it is probable that the Company will receive the economic benefits associated with the transaction.

Pursuant to SKAS No. 4, Revenue Recognition, the Company recognizes sales on a gross basis for merchandise which the Company bears the overall inventory risk in connection with purchase contracts with vendors where the merchandise may only be returned for a full refund prior to the end of the relevant season (for seasonal merchandise) or within 90 days from delivery (for non-seasonal merchandise). The Company recognizes sales on a net basis for merchandise that may be returned to vendors at any time.



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(c) Allowance for Doubtful Accounts

Allowance for doubtful accounts is estimated based on an analysis of individual accounts and past experience of collection. However, when the principal of trade accounts and notes receivable, interest rate or repayment period are changed unfavorably for the Company by a court, such as on commencement of reorganization, or by mutual agreement and the difference between nominal value and present value is material, the difference is recognized as bad debt expense.

(d) Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling costs. The costs of inventories are determined as follows:

	Retail business segment (Department and Supermarket Division)	Retail business segment (Mart Division)	Other business segment (Clothing retail and Construction)
Merchandise and finished goods	Retail method	Gross average method	Gross average method
Materials-in-transit	Specific identification method	Specific identification method	Specific identification method
Others	First-in, first-out method	First-in, first-out method	Gross average method

The amounts of any write-down of inventories to net realizable value due to obsolescence or excess inventory or other losses occurring in the normal course of business are recognized as cost of sales and such valuation losses are deducted from inventories as allowance for valuation losses.

The Company recognizes interest costs and other financial charges on borrowings associated with inventories that require a long period in the acquisition, construction or production as an expense in the period in which they are incurred.

(e) Investments in Securities (excluding investments in associates, subsidiaries and joint ventures)

(i) Classification

Upon acquisition, the Company classifies debt and equity securities into the following categories: held-to-maturity, available-for-sale or trading securities. This classification is reassessed at the end of each reporting period.

Investments in debt securities where the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity. Securities that are acquired principally for the purpose of selling in the short term are classified as trading securities. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities.

(ii) Initial recognition

Investments in securities are initially recognized at cost.

(iii) Subsequent measurement and income recognition

Trading securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of trading securities are included in the non-consolidated income statement in the period in which they arise. Available-for-sale securities are subsequently carried at fair value. Gains and losses

arising from changes in the fair value of available-for-sale securities are recognized as other comprehensive income, net of tax, directly in equity. Investments in available-for-sale securities that do not have readily determinable fair values are recognized at cost less impairment, if any. Held-to-maturity investments are carried at amortized cost with interest income recognized in the non-consolidated income statement using the effective interest method.

(iv) Fair value information

The fair value of marketable securities is determined using quoted market prices as of the period end. Non-marketable debt securities are fair valued by discounting cash flows using the prevailing market rates for debt with a similar credit risk and remaining maturity. Credit risk is determined using issuer's credit rating as announced by accredited credit rating agencies in Korea. The fair value of investments in money market funds is determined by investment management companies.

(v) Presentation

Trading securities are presented as current assets. Available-for-sale securities, which mature within one year from the end of reporting period or where the likelihood of disposal is within one year from the end of reporting period is probable, are presented as current assets. Held-to-maturity securities, which mature within one year from the end of reporting period, are presented as current assets. All other available-for-sale securities and held-to-maturity securities are presented as non-current assets.

(vi) Impairment

The Company reviews investments in securities whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. Impairment losses are recognized when reasonably estimated recoverable amounts are less than the carrying amount and it



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is not obviously evident that impairment is unnecessary.

An impairment loss is reversed if the reversal is objectively related to an event occurring after the impairment loss was recognized and a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in the asset in prior years. For held-to-maturity securities measured at amortized cost and available-for-sale securities that are debt securities, the reversal is recognized in profit or loss. For available-for-sale securities that are equity securities, the reversal is recognized directly in equity.

(f) Investments in Associates and Subsidiaries

Associates are entities where the Company has the ability to significantly influence its financial and operating policies. It is presumed to have significant influence if the Company holds directly or indirectly 20 percent or more of the voting power unless it can be clearly demonstrated that this is not the case. Subsidiaries are entities controlled by the Company.

Investments in associates and subsidiaries are accounted for using the equity method of accounting and are initially recognized at cost.

The Company's investments in associates and subsidiaries include goodwill identified on the acquisition date (net of any accumulated impairment loss). Goodwill is calculated as the excess of the acquisition cost of an investment in an associate or subsidiary over the Company's share of the fair value of the identifiable net assets acquired. Goodwill is amortized using the straight-line method over 10 years. Amortization of goodwill is recorded together with equity in earnings (losses).

When events or circumstances indicate that the carrying value of goodwill may not be recoverable, the Company reviews goodwill for impairment and records any impairment loss immediately in the non-consolidated statement of income.

The Company's share of its post-acquisition profits or losses in investments in associates and subsidiaries is recognized in the non-consolidated income statement, and its share of post-acquisition movements in equity is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of each investment. Changes in the carrying amount of an investment resulting from dividends by an associate or subsidiary are recognized when the associate or subsidiary declares the dividend. When the Company's share of losses in an associate or subsidiary equals or exceeds its interest in the associate or subsidiary, including preferred stock or other long term loans and receivables from the associate or subsidiary, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or subsidiary.

If the investee is a subsidiary, net income and net assets of the parent company's separate financial statements should agree with the parent company's share in the net income and net assets of the consolidated financial statements, except when the Company discontinues the application of the equity method due to its investment in a subsidiary being reduced to zero.

Unrealized gains on transactions between the Company and its associates or subsidiaries are eliminated to the extent of the Company's interest in each associate or subsidiary.

(g) Joint Venture Investments

Joint ventures are those entities or assets over whose activities the Company has joint control.

In respect to jointly controlled operations, the Company includes in its non-consolidated financial statements, the assets that it controls and the liabilities and expenses it has incurred, plus its share of the income (loss) from the joint operation. For its interest in jointly controlled assets, the Company recognizes in the non-consolidated financial statements, its share of the assets it jointly controls, the liabilities jointly incurred and net income (loss), plus the liabilities and expenses it has solely incurred, if any. In addition, the Company accounts for its interest in a jointly controlled entity using the equity method of accounting.

(h) Property, Plant and Equipment

Property, plant and equipment are stated at cost net of accumulated depreciation, except for revaluations made in accordance with the Asset Revaluation Law prior to the Law being revoked on December 2000 and revaluation for land in accordance with the revised SKAS No.5, Property, Plant and Equipment (the "Standard") as of January 1, 2009.

Under the newly adopted Standard, SKAS No.5, the book value of land is accounted at fair value as of the date of the revaluation less accumulated impairment loss. If an asset's book value increases as a result of the revaluation, the amount of the increase is recognized in other comprehensive income, of which, the amount of the increase that reverses a revaluation decrease of the same asset previously recognized in profit and loss is recognized in profit and loss in the current period. On the other hand, if an asset's book value decreases as a result of the revaluation, that decrease is recognized as a loss for the current period, and the portion of the amount of decrease included in the credit balance in the revaluation surplus recorded in other comprehensive income is deducted from other comprehensive income. According to the transitional provision to this Standard, the accounting change will be applied prospectively and the prior period non-consolidated financial statements presented for comparative purposes have not been restated.



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Additions or improvements extending useful lives of assets are capitalized. However, normal maintenance and repairs are charged to expense as incurred.

Depreciation is computed by the straight-line method over their respective estimated useful lives for buildings, structures and by the declining-balance method for vehicles, display fixtures and other furniture and fixtures. For machinery used in the retail business segment, depreciation is computed by the straight-line method, whereas machinery used in all other segments is computed by the declining-balance method. Estimated useful lives are as follows:

Useful lives (years)	
Buildings	10~30
Structures	10~30
Machinery	4~30
Vehicles	4
Display fixtures	4
Other furniture and fixtures	4

The Company recognizes interest costs and other financial charges on borrowings associated with the production, acquisition and construction of property, plant and equipment as an expense in the period in which they are incurred.

The Company reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future net cash flows from the use of the asset including proceeds from ultimate disposal are less than its carrying amount.

(i) Intangible Assets

Intangible assets are stated at cost, net of accumulated amortization. Subsequent expenditures, which enable the assets to generate future economic benefits that can be measured and reliably attributed to the assets, are treated as additions to intangible assets.

The copyright on film is stated at cost and amortized over the estimated period the related revenue will be recognized. Estimated realization period is evaluated on a periodic basis. In addition, impairment loss on intangible assets is recognized when the realization of revenue is uncertain.

The Company accounts for acquisition of a business assuming the transaction occurred as of the most recent quarter end (the deemed acquisition date). Goodwill, which represents the excess of the acquisition cost over the fair value of net identifiable assets acquired, is amortized on a straight-line basis

over the estimated useful life not to exceed 20 years. Impairment loss on goodwill is recognized when the recoverable amount declines below its carrying amount and its amount is material.

Amortization is computed using the straight-line method over the estimated useful lives as follows:

Useful lives (years)	
Goodwill	10
Industrial property rights	5
Rights to use water supply facility	10
Rights to use electricity supply facility	10
Rights to use gas supply facility	10
Rights to use facility	20
Brand license	5~10
Film copyrights	Duration of related revenue to be realized
Software	5

When the recoverable amount of the intangible assets is substantially below the carrying amount of the assets due to obsolescence or a sharp decline in their market value, the Company reduces the carrying amount to the recoverable amount and the amount impaired is recognized as an impairment loss.

(j) Leases

The Company accounts for and classifies its lease transactions as either an operating or capital lease, depending on the terms of the lease.

If a lease meets one or more of the criteria listed below, the present value of future minimum lease payments is capitalized with a corresponding obligation under capital lease. Otherwise, it is classified as an operating lease.

- Ownership of the leased property transfers to the lessee at the end of the lease term.
- The lease has a bargain purchase option which is reasonably certain to be exercised, at the inception of the lease.
- The lease term is equal to 75% or more of the estimated economic useful life of the leased property.
- The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90% of the fair value of the leased property.

In addition, if the leased property is specialized to the extent that only the lessee can use it without any major modification, it would be considered a capital lease.

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

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(k) Discount on Debentures

Discount on debentures issued, which represents the difference between the face value and issuance price of debentures, is amortized using the effective interest method over the life of the debentures. The amount amortized is included in interest expense.

(l) Retirement and Severance Benefits

Employees who have been with the Company for more than one year are entitled to lump-sum payments based on salary rates and length of service at the time they leave the Company. The Company's estimated liability under the plan, which would be payable if all employees left on the end of reporting period, is accrued in the accompanying non-consolidated statements of financial position. A portion of the liability is covered by an employees' severance benefits trust where the employees have a vested interest in the deposit with the insurance company in trust. The deposit for severance benefits held in trust is, therefore, reflected in the accompanying non-consolidated statements of financial position as a reduction of the liability for retirement and severance benefits.

(m) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the end of reporting period, with the resulting gains or losses recognized in the current operations. Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at ₩1,167.6 to US\$1, the rate of exchange on December 31, 2009. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Korean Won at the foreign exchange rate on the date of the transaction.

Foreign currency assets and liabilities of foreign-based operations and companies accounted for using the equity method are translated at the rate of exchange at the end of reporting period. Foreign currency amounts in the statement of income are translated using an average rate and foreign currency balances in the capital account are translated using the historical rate. Translation gains and losses arising from collective translation of the foreign currency financial statements of foreign-based operations are recorded net as a component of accumulated other comprehensive income. These gains and losses are subsequently recognized as income (loss) in the period the foreign operations or companies are liquidated or sold.

(n) Derivatives and Hedge Accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subse-

quently remeasured at their fair value. Attributable transaction costs are recognized in profit or loss when incurred.

(i) Hedge accounting

Where a derivative, which meets certain criteria, is used for hedging the exposure to changes in the fair value of a recognized asset, liability or firm commitment, it is designated as a fair value hedge. Where a derivative, which meets certain criteria, is used for hedging the exposure to the variability of the future cash flows of a forecasted transaction it is designated as a cash flow hedge.

The Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in fair values or cash flows of hedged items.

(ii) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified for as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(iii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified for as cash flow hedges is recognized in equity. The gain or loss relating to any ineffective portion is recognized immediately in the statement of income. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the non-consolidated statement of income.

(iv) Derivatives that do not qualify for hedge accounting

Changes in the fair value of derivative instruments that are not designated as fair value or cash flow hedges are recognized immediately in current operations.

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(o) Provisions and Contingent Liabilities

Provisions are recognized when all of the followings are met: (1) an entity has a present obligation as a result of a past event; (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (3) a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, a provision is recorded at the present value of the expenditures expected to be required to settle the obligation.

Where the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that the Company will receive reimbursement upon settlement of the obligation. The expense relating to a provision is presented net of the reimbursement.

(p) Liability for Gift Certificates

Gift certificates are recognized as liabilities when they are sold and subsequently recognized as sales when redeemed. When the exercise period (5 years after sale) of gift certificates expires, the Company recognizes the income as other non-operating income.

(q) Income Taxes

Income tax on the income or loss for the period comprises of current and deferred tax. Income tax is recognized in the non-consolidated statement of income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using enacted tax rates.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related asset or liability for financial reporting or the expected reversal date of the temporary difference for those with no related asset or liability such as loss carryforwards and tax credit carryfor-

wards. The deferred tax amounts are presented as a net current asset or liability and a net non-current asset or liability.

(r) Earnings Per Share

Earnings per common share are calculated by dividing net income by the weighted-average number of shares of common stock outstanding during each period.

(s) Income from Discontinued Operations

Operating and non-operating income, net of income tax effect is reported as income from discontinued operations in the income statement for the period in which an initial disclosure event occurred. The prior period financial statements, presented comparatively, are reclassified to show the discontinued operations separately from continuing operations.

(t) Use of Estimates

The preparation of non-consolidated financial statements in accordance with Korean GAAP requires management to make estimates and assumptions that affect the amounts reported in the non-consolidated financial statements and related notes to non-consolidated financial statements. Actual results could differ from those estimates.

3. Basis of Translating the Non-Consolidated Financial Statements

The non-consolidated financial statements are expressed in Korean Won and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ₩1,167.6 to US\$1, the basic exchange rate on December 31, 2009 posted by Seoul Money Brokerage Services. This translation should not be construed as a representation that any or all of the amounts shown could be converted into U.S. dollars at this or any other rate.

Notes to Non-Consolidated Financial Statements

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4. Restricted Deposits

Restricted deposits included in short-term and long-term financial instruments as of December 31, 2009 and 2008 are as follows:

In KRW millions, In USD thousands (note 3)				
Account	Depository	2009	2008	2009
Short-term:				
Guarantee deposits of contracts	Kookmin Bank and others	₩ 20,375	₩ 12,208	\$ 17,450
Long-term:				
Guarantee deposits of contracts	Shinhan Bank	12,500	12,500	10,706
Guarantee deposits for checking accounts	Shinhan Bank and others	28	31	24
TOTAL		₩ 32,903	₩ 24,739	\$ 28,180

5. Inventories

(a) Inventories as of December 31, 2009 and 2008 are as follows:

In KRW millions, In USD thousands (note 3)			
Description	2009	2008	2009
Merchandise, net of allowance for valuation losses of ₩5,951 million in 2009 and ₩5,396 million in 2008	₩ 1,098,099	₩ 1,004,912	\$ 940,476
Finished goods	-	3,615	-
Raw materials	326	3,722	279
Supplies	570	733	488
Materials-in-transit	557	1,423	477
Plots of land	-	9,749	-
Finished apartment units	1,757	-	1,504
Unfinished apartment units	-	13,731	-
TOTAL	₩ 1,101,309	₩ 1,037,885	\$ 943,224

(b) Loss on inventory shrinkage for the years ended December 31, 2009 and 2008 are ₩12,744 million and ₩10,373 million, respectively.

6. Investment in Securities

Investments in securities as of December 31, 2009 and 2008 are as follows:

Notes to Non-Consolidated Financial Statements

December 31, 2009 and 2008

(a) Available-for-sale securities

(i) Equity securities

In KRW millions, In USD thousands (note 3)						
Description	Owned shares	2009 Cost	2009 Fair value	2009 Book value	2008 Book value	2009 Book value
Marketable securities (*1):						
Busan Bank (*2)	5,259,597	₩ 24,877	₩ 73,371	₩ 73,371	₩ 22,653	\$ 62,839
Shinhan Financial Group	311,118	2,247	13,440	13,440	8,068	11,511
Eyesvision Corporation	20,256	491	25	25	27	22
Korea Investment Corporation	10,869	100	10	10	21	8
Korea Express Co., Ltd. (*3)	332,046	6,690	18,828	18,828	52,047	16,125
Subtotal		₩ 34,405	₩ 105,674	₩ 105,674	₩ 82,816	\$ 90,505

In KRW millions, In USD thousands (note 3)						
Description	Owned shares	2009 Cost	2009 Book value	2008 Book value	2009 Book value	2009 Book value
Non-marketable securities (*4):						
Lotte Giants (*5)	6,000	₩ 30	₩ 30	₩ 30		\$ 26
Hankyung Economic Daily	1,722	31	31	31		27
V Bank Consulting	2,500	13	-	-		-
Incheon United Football Club	400	2	-	-		-
Agentrics	1,913,479	346	346	346		296
M-cieta Development Co., Ltd.	499,800	2,499	2,499	2,499		2,140
M-cieta Co., Ltd.	2,940	15	15	15		13
Corona Development (formerly Incheon PF)	172,000	860	860	860		737
Lakepark AMC (*5)	14,340	72	72	72		61
STX Construction Industrial Co., Ltd.	139	1	1	1		1
Union Ark Development Co., Ltd.	362,980	1,815	1,815	1,815		1,553
Union Ark Co., Ltd.	3,000	15	15	15		13
Biche-Nuri Development Co., Ltd.	171,600	858	858	150		735
Biche-Nuri Co., Ltd.	3,000	15	15	15		13
Daol Union Ark Private equity real estate						
1 investment Company	1,319,920,000	1,320	1,320	1,320		1,130
Lotte Jeju Resort Co., Ltd. (*6)	-	-	-	2,500		-
Lotte Buyeo Resort Co., Ltd. (*6)	-	-	-	6,667		-
Cosmo Investment Management Co., Ltd.	23,065	8,165	6,616	-		5,666
Lotte Properties (Shenyang) Limited	-	41,919	41,919	28,726		35,902
Herald Media Inc.	12,000	60	-	-		-
I Venture Media Investment Union	14	700	700	700		600
CJ Venture Investment No.12 Global Contents Fund	15	1,500	1,500	-		1,285
Korea Foods Industry Association	-	-	-	5		-
So Big 5 Contents Investment Union	18	1,800	1,800	1,800		1,542
Subtotal		62,036	60,412	47,567		51,740
TOTAL		₩ 96,441	₩ 166,086	₩ 130,383		\$ 142,245

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(*1) The equity securities above are stated at fair value and the difference between acquisition cost and market value are recorded as unrealized gains on valuation of available-for-sale securities in other comprehensive income.

(*2) As of December 31, 2009, the Company has pledged 1,345,607 shares of Busan Bank to Gyeongsangnam-do Province as a performance guarantee for the construction of a large retail complex. The Company has also pledged 1,313,827 shares of Busan Bank to Busan Metropolitan City as a construction performance guarantee.

(*3) The Company participated in the Kumho Asiana Consortium ("KAC") which acquired Korea Express Co., Ltd.'s stocks in March 2008. According to the shareholders' agreement with Asiana Airlines Inc., a participant of KAC, the Company is prohibited to sell, assign or pledge the stocks as collateral to any 3rd party without prior permission of Asiana Airlines Inc. for 2 years after acquisition, and after 2 years, Asiana Airlines Inc. has the right of first refusal to purchase the stocks. If Asiana Airlines Inc. is no longer the majority stockholder by assigning stocks to 3rd parties, it will provide the Company with right of first refusal with the same terms and conditions. Also, according to the agreement with Kumho RAC Co., Ltd. (formerly known as Kumho rent-a-car Co., Ltd.), another participant of KAC, as the Company holds a put option to sell its stock at acquisition cost plus interest after 3 years of acquisition, the Company has recorded the fair value of the put option of ₩31,817 million as a non-current derivative asset. (see note 21)

(*4) The equity securities are stated at acquisition cost since their fair values are not available or readily determinable.

(*5) As described in note 2(f), investments in affiliates in which the Company owns 20% or more of the voting stock are stated at amounts as determined using the equity method. However, investments in small affiliates and subsidiaries with total assets amounting to less than ₩10,000 million as of the prior fiscal year-end are recorded at cost within available-for-sale securities in accordance with SKAS No. 15, Equity Method of Accounting, except where the effect of applying the equity method of accounting is material.

(*6) The Company acquired Lotte Jeju Resort Co., Ltd.'s stocks and Lotte Buyeo Resort Co., Ltd.'s stocks in 2009 through the paid-in capital increase. Therefore, the effect of applying the equity method of accounting became material. The Company applied the equity method from this period.

(ii) Debt securities

In KRW millions, In USD thousands (note 3)			
	2009	2008	2009
Current assets:			
Government and public bonds (note 7)	₩ 8,144	₩ 2	\$ 6,975
Non-current assets:			
Government and public bonds	25,124	27,370	21,519
TOTAL	₩ 33,268	₩ 27,372	\$ 28,494

(iii) Changes in unrealized holding gains (losses)

Changes in unrealized gains (losses) for the years ended December 31, 2009 and 2008 are summarized as follows:

In KRW millions, In USD thousands (note 3)			
	2009	2008	2009
Balance at beginning of year	₩ 8,974	₩ 38,479	\$ 7,686
Unrealized gains (losses) on valuation of securities, net of tax	44,203	(29,505)	37,858
BALANCE AT END OF YEAR (note 24)	₩ 53,177	₩ 8,974	\$ 45,544

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(b) Held-to-maturity Securities

Held-to-maturity securities as of December 31, 2009 and 2008 are summarized as follows:

In KRW millions, In USD thousands (note 3)			
	2009	2008	2009
Current assets:			
Corporate debt securities	₩ -	₩ 159,445	\$ -
Non-current assets:			
Corporate debt securities (note 12)	1,000	1,000	856
TOTAL	₩ 1,000	₩ 160,445	\$ 856

(c) Equity method accounted investments

(i) Investments in subsidiaries and associates accounted for using the equity method as of December 31, 2009 and 2008 are as follows:

In KRW millions					
Affiliate	2009				
	Owned shares	Percentage of ownership	Cost	Net asset value	Balance at December 31, 2009
Lotte Midopa Co., Ltd. (*1)	51,475,843	79.01%	₩ 257,379	₩ 564,273	₩ 582,875
Lotte Card Co., Ltd.	69,995,159	92.54%	432,907	975,565	982,949
Woori Home Shopping & Television Co., Ltd.	4,242,796	53.03%	466,708	122,324	393,213
Korea Seven Co., Ltd.	8,000,000	50.12%	28,184	32,398	29,840
Lotte.Com Inc.	1,600,000	34.39%	8,000	11,579	11,610
Lotte Boulangerie Co., Ltd.	4,020,222	95.71%	19,942	9,529	9,529
Lotteria Co., Ltd.	84,127	21.21%	44,386	35,551	35,178
Daehong Communications Co., Ltd.	12,000	30.00%	6,277	36,420	27,285
Lotte Krispy Kreme Doughnuts Co., Ltd.	400,000	100.00%	81,438	81,474	80,556
Lotte Station Building Co., Ltd.	900,000	25.00%	4,500	157,380	157,380
Lotte Capital Co., Ltd.	6,731,600	20.22%	70,573	70,214	70,214
FRL Korea Co., Ltd.	2,352,000	49.00%	11,760	24,827	24,827
Lotte Asset Development Co., Ltd.	8,234,153	31.31%	42,571	36,233	36,233
Lotte Trading Co., Ltd. (*2)	94,785	10.58%	18,878	36,320	55,275
Lotte Aluminium Co., Ltd. (*2)	62,609	6.03%	28,976	50,761	50,595
Lotte Logistics Co., Ltd. (*2)	66,308	4.64%	4,000	6,792	5,876
Lotte Jeju Resort Co., Ltd. (*2)	1,000,000	12.50%	5,000	5,078	5,000
Lotte Buyeo Resort Co., Ltd.	2,000,000	22.22%	10,000	10,006	10,006
Lakepark Co., Ltd.	860,400	23.90%	4,302	5,636	5,636
KTB Media Investment Union	15	30.00%	1,500	978	978
Isu Entertainment Investment Union	30	37.50%	3,000	1,962	1,962
D-Cinema of Korea Co., Ltd. (*3)	300,000	50.00%	1,500	-	-
Zara Retail Korea Co., Ltd.	302,600	20.00%	15,130	16,106	16,106
M-Venture Culture Investment L.P.	250	25.00%	2,500	2,492	2,500
Lotte Vietnam Shopping Co., Ltd. (*3)	-	80.00%	11,441	-	-
Qingdao Lottemart Commercial Co., Ltd.	-	100.00%	₩ 33,219	₩ 30,048	₩ 30,048

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Lotte Mart Co., Ltd.	-	100.00%	₩ 183,033	₩ 51,925	₩ 158,134
Lotte Europe Holdings B.V.	147,754	30.81%	128,224	87,733	88,567
Lotte Shopping Holdings(Singapore), Ltd.	101,244,763	100.00%	135,440	114,529	114,529
PT Lotte Shopping Indonesia	2,622,812	55.00%	223,042	48,598	214,068
Shenyang Lottemart Commercial Co., Ltd.	-	100.00%	12,161	10,841	10,841
Lotte Shopping Holdings(Hongkong), Ltd.	638,736,510	100.00%	740,569	743,870	743,870
Lottecinema Vietnam Co., Ltd.	-	90.00%	4,459	63	2,219
Intime Lotte Department Store Co., Ltd. (*3)	-	50.00%	10,339	-	-
Coralis S.A.	99,960	24.99%	17,418	8,788	17,418
TOTAL			₩ 3,068,756	₩ 3,390,293	₩ 3,975,317

Affiliate	2008				
	Owned shares	Percentage of ownership	Cost	Net asset value	Balance at December 31, 2008
Lotte Midopa Co., Ltd.	51,475,843	79.01%	₩ 257,379	₩ 445,647	₩ 471,005
Lotte Card Co., Ltd.	69,995,159	92.54%	432,907	854,187	863,303
Woori Home Shopping & Television Co., Ltd.	4,242,796	53.03%	466,708	97,484	407,415
Lotte.Com Inc.	1,600,000	34.39%	8,000	10,284	10,316
Lotte Boulangerie Co., Ltd.	4,020,222	95.71%	19,942	10,111	10,111
Lotte Station Building Co., Ltd.	900,000	25.00%	4,500	143,441	143,441
Daehong Communications Co., Ltd.	12,000	30.00%	6,277	60,920	60,921
Foodstar Inc.	5,582,896	39.76%	33,995	-	-
Lotte Capital Co., Ltd.	6,731,600	20.22%	70,573	56,898	56,898
FRL Korea Co., Ltd.	2,352,000	49.00%	11,760	17,127	17,127
Lotteria Co., Ltd.	74,000	19.94%	39,719	54,631	59,562
Lotte Asset Development Co., Ltd.	6,060,023	29.85%	31,700	30,486	30,486
Lotte Engineering & Machinery Manufacturing Co., Ltd.	393,283	13.71%	2,069	3,179	3,179
Lotte Trading Co., Ltd.	74,561	9.39%	7,687	23,091	42,578
Lotte Aluminium Co., Ltd.	48,391	5.08%	23,038	28,941	32,859
Lotte Logistics Co., Ltd.	66,308	4.64%	4,000	5,026	4,110
Lakepark Co., Ltd.	860,400	23.90%	4,302	3,727	3,727
KTB Media Investment Union	15	30.00%	1,500	932	932
Isu Entertainment Investment Union	30	37.50%	3,000	1,882	1,882
D-Cinema of Korea Co., Ltd.	300,000	50.00%	1,500	798	798
Zara Retail Korea Co., Ltd.	162,600	20.00%	8,130	8,133	8,133
Lotte Vietnam Shopping Co., Ltd.	-	80.00%	11,442	3,498	3,498
Qingdao Lottemart Commercial Co., Ltd.	-	100.00%	33,219	46,632	46,632
Lotte Mart Co., Ltd.	-	100.00%	183,033	67,076	185,903
Lotte Europe Holdings B.V.	97,584	29.93%	78,766	71,487	68,707
Intime Lotte Department Store Co., Ltd.	-	50.00%	10,339	3,980	3,980
Lotte Cinema Vietnam Co., Ltd.	-	90.00%	3,629	1,210	3,620
Shenyang Lottemart Commercial Co., Ltd.	-	100.00%	₩ 2,107	₩ 2,495	₩ 2,495

Notes to Non-Consolidated Financial Statements

December 31, 2009 and 2008

In KRW millions					
Lotte Shopping Holdings(Hongkong), Ltd.	180,000	100.00%	₩ 259	₩ 259	₩ 259
Lotte Shopping Holdings(Singapore), Ltd.	70,667,029	100.00%	98,449	96,207	96,207
PT Lotte Shopping Indonesia	2,622,812	55.00%	219,737	41,864	214,863
TOTAL			₩ 2,079,666	₩ 2,191,633	₩ 2,854,947
(*1) The quoted market value of Lotte Midopa Co., Ltd., based on the closing price at the Korea Exchange, are ₩607,415 million and ₩326,872 million as of December 31, 2009 and 2008, respectively.					
(*2) The equity interest in Lotte Trading Co., Ltd., Lotte Aluminium Co., Ltd., Lotte Logistics Co., Ltd. and Lotte Jeju Resort Co., Ltd. is under 20%; however, as the Company is able to exercise significant influence over their operations, the Company applies the equity method of accounting to these investments.					
(*3) The Company did not recognize further losses, since the Company's share of losses in Lotte Vietnam Shopping Co., Ltd., D-Cinema of Korea Co., Ltd. and Intime Lotte Department Store Co., Ltd. exceeded its interest.					
(ii) Changes in the difference between the acquisition cost and the Company's share of the investee's identifiable net assets for the years ended December 31, 2009 and 2008 are as follows:					
In KRW millions					
Affiliate	2009				Balance at December 31, 2009
	Beginning balance	Increase (Decrease)	Amortization		
Lotte Midopa Co., Ltd.	₩ 26,881	₩ -	₩ (6,725)		₩ 20,156
Lotte Card Co., Ltd.	8,514	-	(1,732)		6,782
Woori Home Shopping & Television Co., Ltd.	309,922	-	(39,043)		270,879
Korea Seven Co., Ltd.	-	(1,190)	(1,368)		(2,558)
Lotteria Co., Ltd.	4,930	(373)	(4,930)		(373)
Daehong Communications Co., Ltd.	-	(9,136)	-		(9,136)
Lotte Krispy Kreme Doughnuts Co., Ltd.	-	(35)	35		-
Lotte Trading Co., Ltd.	19,487	569	(1,102)		18,954
Lotte Aluminium Co., Ltd.	3,918	(2,208)	(1,876)		(166)
Lotte Logistics Co., Ltd.	(917)	-	-		(917)
Lotte Jeju Resort Co., Ltd.	-	(78)	-		(78)
M-Venture Culture Investment L.P.	-	8	-		8
Lotte Mart Co., Ltd.	118,828	-	(12,619)		106,209
Lotte Europe Holdings B.V.	-	3,615	-		3,615
PT Lotte Shopping Indonesia	173,000	7,136	(14,666)		165,470
Lottecinema Vietnam Co., Ltd.	2,410	-	(254)		2,156
Coralis S.A.	-	8,630	-		8,630
TOTAL	₩ 666,973	₩ 6,938	₩ (84,280)		₩ 589,631
(iii) Eliminated net unrealized losses (gains) from intercompany transactions as of December 31, 2009 and 2008 are as follows:					

Notes to Non-Consolidated Financial Statements

December 31, 2009 and 2008

In KRW millions				
Affiliate	2008			
	Beginning balance	Increase (Decrease)	Amortization	Balance at December 31, 2008
Lotte Midopa Co., Ltd.	₩ 33,606	₩ -	₩ (6,725)	₩ 26,881
Lotte Card Co., Ltd.	10,245	-	(1,731)	8,514
Woori Home Shopping & Television Co., Ltd.	348,964	-	(39,042)	309,922
Lotteria Co., Ltd.	6,574	-	(1,644)	4,930
Lotte Trading Co., Ltd.	19,487	-	-	19,487
Lotte Aluminium Co., Ltd.	4,897	-	(979)	3,918
Lotte Logistics Co., Ltd.	(917)	-	-	(917)
Lotte RUS Ltd.	913	(830)	(83)	-
Lotte Mart Co., Ltd.	-	126,189	(7,361)	118,828
Lotte Cinema Vietnam Co., Ltd.	-	2,537	(127)	2,410
PT Lotte Shopping Indonesia	-	175,087	(2,087)	173,000
TOTAL	₩ 423,769	₩ 302,983	₩ (59,779)	₩ 666,973
In KRW millions				
Affiliate	2009			Property, plant and equipment and intangible assets
	Allowance for doubtful accounts	Investment assets		
Lotte Midopa Co., Ltd.	₩ 67	₩ -		₩ (1,620)
Lotte Card Co., Ltd.	603	-		-
Woori Home Shopping & Television Co., Ltd.	9	-		-
Lotte.Com Inc.	31	-		-
Lotte Boulangerie Co., Ltd.	1	-		-
Lotte Krispy Kreme Doughnuts Co., Ltd.	-	(917)		-
Lotte Europe Holdings B.V.	-	(2,781)		-
TOTAL	₩ 711	₩ (3,698)		₩ (1,620)
In KRW millions				
Affiliate	2008			Property, plant and equipment and intangible assets
	Allowance for doubtful accounts	Investment assets		
Lotte Midopa Co., Ltd.	₩ 67	₩ -		₩ (1,590)
Lotte Card Co., Ltd.	603	-		-
Woori Home Shopping & Television Co., Ltd.	9	-		-
Lotte.Com Inc.	31	-		-
Lotte Boulangerie Co., Ltd.	1	-		-
Daehong Communications Co., Ltd.	1	-		-
Lotte Europe Holdings B.V.	-	(2,781)		-
TOTAL	₩ 712	₩ (2,781)		₩ (1,590)

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(iv) Details of changes in investments in subsidiaries and associates accounted for using the equity method for the years ended December 31, 2009 and 2008 are as follows:

In KRW millions						
Affiliate	Percentage of ownership	Beginning balance	2009 Adjustment to			Balance at December 31, 2009
			Net income (loss)	Other comprehensive income(loss)	Other (*1)	
Lotte Midopa Co., Ltd.	79.01%	₩ 471,005	₩ 25,747	₩ 88,697	₩ (2,574)	₩ 582,875
Lotte Card Co., Ltd.	92.54%	863,303	126,731	(7,085)	-	982,949
Woori Home Shopping & Television Co., Ltd.	53.03%	407,415	(6,695)	(82)	(7,425)	393,213
Korea Seven Co.,Ltd.	50.12%	-	1,145	511	28,184	29,840
Lotte.Com Inc.	34.39%	10,316	2,319	(624)	(401)	11,610
Lotte Boulangerie Co., Ltd.	95.71%	10,111	(1,737)	1,155	-	9,529
Lotteria Co., Ltd. (*2)	21.21%	59,562	7,494	(36,545)	4,667	35,178
Daehong Communications Co., Ltd.	30.00%	60,921	8,876	(42,506)	(6)	27,285
Lotte Krispy Kreme Doughnuts Co., Ltd.	100.00%	-	(882)	-	81,438	80,556
Lotte Station Building Co., Ltd.	25.00%	143,441	15,925	2,290	(4,276)	157,380
Foodstar Inc. (*2)	-	-	5,844	(135)	(5,709)	-
Lotte Capital Co., Ltd.	20.22%	56,898	12,941	375	-	70,214
FRL Korea Co., Ltd.	49.00%	17,127	7,700	-	-	24,827
Lotte Asset Development Co., Ltd.	31.31%	30,486	(1,385)	(3,739)	10,871	36,233
Lotte Engineering & Machinery						
Manufacturing Co., Ltd. (*2)	-	3,179	2,785	(1,699)	(4,265)	-
Lotte Trading Co., Ltd.	10.58%	42,578	388	1,118	11,191	55,275
Lotte Aluminium Co., Ltd. (*2)	6.03%	32,859	51	11,747	5,938	50,595
Lotte Logistics Co., Ltd.	4.64%	4,110	520	1,279	(33)	5,876
Lotte Jeju Resort Co., Ltd.	12.50%	-	-	-	5,000	5,000
Lotte Buyeo Resort Co., Ltd.	22.22%	-	46	(40)	10,000	10,006
Lakepark Co., Ltd.	23.90%	3,727	1,909	-	-	5,636
KTB Media Investment Union	30.00%	932	46	-	-	978
Isu Entertainment Investment Union	37.50%	1,882	80	-	-	1,962
D-Cinema of Korea Co., Ltd.	50.00%	798	(798)	-	-	-
Zara Retail Korea Co., Ltd.	20.00%	8,133	1,074	(101)	7,000	16,106
M-Venture Culture Investment L.P.	25.00%	-	-	-	2,500	2,500
Lotte Vietnam Shopping Co., Ltd.	80.00%	3,498	(5,451)	1,953	-	-
Qingdao Lottemart Commercial Co., Ltd.	100.00%	46,632	(12,673)	(3,911)	-	30,048
Lotte Mart Co., Ltd.	100.00%	185,903	(21,106)	(6,663)	-	158,134
Lotte Europe Holdings B.V.	30.81%	68,707	(8,057)	(21,541)	49,458	88,567
Lotte Shopping Holdings(Singapore), Ltd.	100.00%	96,207	(3,861)	(14,808)	36,991	114,529
PT Lotte Shopping Indonesia	55.00%	214,863	(9,153)	5,054	3,304	214,068
Shenyang Lottemart Commercial Co., Ltd.	100.00%	2,495	(780)	(928)	10,054	10,841
Lotte Shopping Holdings(Hongkong), Ltd.	100.00%	259	(1,470)	4,770	740,311	743,870
Lottecinema Vietnam Co., Ltd.	90.00%	3,620	(2,148)	(82)	829	2,219
Intime Lotte Department Store Co., Ltd.	50.00%	3,980	(5,033)	1,053	-	-
Coralis S.A.	24.99%	₩ -	₩ -	₩ -	₩ 17,418	₩ 17,418

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Lotte Shopping India Pvt., Ltd.	-	₩ -	₩ -	₩ -	₩ -	₩ -
KKD Lotte Holdings Co., Ltd.	-	-	(1,461)	-	1,461	-
TOTAL		₩ 2,854,947	₩ 138,931	₩ (20,487)	₩ 1,001,926	₩ 3,975,317

In KRW millions						
Affiliate	Percentage of ownership	Beginning balance	2008 Adjustment to			Balance at December 31, 2008
			Net income (loss)	Other comprehensive income(loss)	Other (*1)	
Lotte Midopa Co., Ltd.	79.01%	₩ 451,816	₩ 31,783	₩ (12,594)	₩ -	₩ 471,005
Lotte Card Co., Ltd.	92.54%	740,530	125,160	(2,387)	-	863,303
Woori Home Shopping & Television Co., Ltd.	53.03%	425,800	(17,664)	243	(964)	407,415
Lotte.Com Inc.	34.39%	8,153	1,556	607	-	10,316
Lotte Boulangerie Co., Ltd.	95.71%	13,143	(2,178)	(1,155)	301	10,111
Lotte Station Building Co., Ltd.	25.00%	126,488	17,094	1,209	(1,350)	143,441
Daehong Communications Co., Ltd.	30.00%	58,390	6,265	(3,706)	(28)	60,921
Foodstar Inc. (*2)	39.76%	4,523	(4,647)	124	-	-
Lotte Capital Co., Ltd.	20.22%	44,926	10,960	(429)	1,441	56,898
FRL Korea Co., Ltd.	49.00%	13,165	3,914	48	-	17,127
Lotteria Co., Ltd. (*2)	19.94%	56,449	4,563	(1,450)	-	59,562
Lotte Asset Development Co., Ltd.	29.85%	17,856	(794)	46	13,378	30,486
Lotte Engineering & Machinery						
Manufacturing Co., Ltd. (*2)	13.71%	13,745	(10,450)	(116)	-	3,179
Lotte Trading Co., Ltd.	9.39%	42,303	(5,291)	(141)	5,707	42,578
Lotte Aluminium Co., Ltd. (*2)	5.08%	34,218	(62)	(1,297)	-	32,859
Lotte Logistics Co., Ltd.	4.64%	4,071	129	(56)	(34)	4,110
Lakepark Co., Ltd.	23.90%	2,714	(176)	(6)	1,195	3,727
Nexus Media Contents Investment Union	20.00%	948	(448)	-	(500)	-
KTB Media Investment Union	30.00%	960	(28)	-	-	932
Isu Entertainment Investment Union	37.50%	2,028	(146)	-	-	1,882
D-Cinema of Korea Co., Ltd.	50.00%	-	(702)	-	1,500	798
Zara Retail Korea Co., Ltd.	20.00%	-	119	(115)	8,129	8,133
Lotte RUS Ltd.	17.69%	13,497	1,608	491	(15,596)	-
Lotteshopping RUS	100.00%	14,818	(7,107)	(882)	(6,829)	-
Lotte Vietnam Shopping Co., Ltd.	80.00%	6,360	(7,573)	1,910	2,801	3,498
Qingdao Lottemart Commercial Co., Ltd.	100.00%	-	(1,692)	15,104	33,220	46,632
Lotte Mart Co., Ltd.	100.00%	-	(12,483)	15,353	183,033	185,903
Lotte Europe Holdings B.V.	29.93%	-	(28,732)	7,569	89,870	68,707
Intime Lotte Department Store Co., Ltd.	50.00%	-	(8,617)	2,257	10,340	3,980
Lotte Cinema Vietnam Co., Ltd.	90.00%	-	(240)	231	3,629	3,620
Shenyang Lottemart Commercial Co., Ltd.	100.00%	-	(148)	536	2,107	2,495
Lotte Shopping Holdings(Hongkong), Ltd.	100.00%	-	-	-	259	259
Lotte Shopping Holdings(Singapore), Ltd.	100.00%	-	(802)	(1,440)	98,449	96,207
PT Lotte Shopping Indonesia	55.00%	-	(1,705)	(3,168)	219,736	214,863
TOTAL		₩ 2,096,901	₩ 91,466	₩ 16,786	₩ 649,794	₩ 2,854,947

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(*1) Include dividends from equity method accounted investments, acquisitions, reclassification from available-for-sale securities to equity method investments, and reclassification from other investment assets.

(*2) Lotte Engineering & Machinery Manufacturing Co., Ltd. merged into Lotte Aluminium Co., Ltd. in 2009. Also, Foodstar Inc. merged into Lotteria Co., Ltd. in 2009.

(v) Summarized financial information of equity method accounted investments as of and for the year ended December 31, 2009 is as follows:

In KRW millions				
Affiliate	Total assets	Total liabilities	Sales	Net Income(loss)
Lotte Midopa Co., Ltd.	₩ 914,596	₩ 181,408	₩ 371,455	₩ 41,136
Lotte Card Co., Ltd.	4,088,257	3,033,993	1,067,032	138,083
Woori Home Shopping & Television Co., Ltd.	429,589	198,941	434,091	60,992
Korea Seven Co., Ltd.	289,015	224,380	658,953	6,123
Lotte.Com Inc.	102,819	69,156	106,044	4,915
Lotte Boulangerie Co., Ltd.	48,003	38,047	64,691	(1,815)
Lotteria Co., Ltd.	574,775	207,674	414,807	56,745
Daehong Communications Co., Ltd.	418,920	150,355	226,432	46,539
Lotte Krispy Kreme Doughnuts Co., Ltd.	86,102	4,629	308	35
Lotte Station Building Co., Ltd.	845,083	215,563	668,979	63,698
Lotte Capital Co., Ltd.	2,956,468	2,609,158	380,442	64,678
FRL Korea Co., Ltd.	88,440	37,773	165,179	15,714
Lotte Asset Development Co., Ltd.	127,500	11,762	6,845	(3,718)
Lotte Trading Co., Ltd.	1,489,959	1,030,788	746,716	9,168
Lotte Aluminium Co., Ltd.	1,360,493	575,501	784,048	(1,647)
Lotte Logistics Co., Ltd.	269,029	109,882	718,355	10,219
Lotte Jeju Resort Co., Ltd.	41,679	1,052	-	90
Lotte Buyeo Resort Co., Ltd.	98,698	53,670	-	59
Lakepark Co., Ltd.	43,750	20,170	66,441	7,987
KTB Media Investment Union	3,347	86	247	230
Isu Entertainment Investment Union	5,233	-	219	215
D-Cinema of Korea Co., Ltd.	33,887	34,187	1,411	(1,896)
Zara Retail Korea Co., Ltd.	94,594	14,065	74,583	5,366
M-Venture Culture Investment L.P.	10,014	45	13	(30)
Lotte Vietnam Shopping Co., Ltd.	140,885	141,946	32,308	(10,041)
Qingdao Lottemart Commercial Co., Ltd.	87,040	56,993	20,799	(12,673)
Lotte Mart Co., Ltd.	129,887	77,962	255,328	(8,488)
Lotte Europe Holdings B.V.	701,604	416,865	61,173	(28,730)
Lotte Shopping Holdings(Singapore), Ltd.	116,763	2,233	-	(3,861)
PT Lotte Shopping Indonesia	165,791	77,420	683,001	10,021
Shenyang Lottemart Commercial Co., Ltd.	10,845	4	-	(780)
Lotte Shopping Holdings(Hongkong), Ltd.	791,623	47,753	-	(1,470)
Lottecinema Vietnam Co., Ltd.	5,675	5,605	2,206	(2,105)
Intime Lotte Department Store Co., Ltd.	55,409	80,847	68,461	(34,578)
Coralis S.A.	35,181	15	-	(172)
TOTAL	₩ 16,660,953	₩ 9,729,928	₩ 8,080,567	₩ 430,009

The Company used unaudited financial statements as of December 31, 2009 of the companies when applying the equity method of accounting.

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7. Other Current Assets

Other current assets as of December 31, 2009 and 2008 are as follows:

In KRW millions, In USD thousands (note 3)			
	2009	2008	2009
Accrued interest income	₩ 6,654	₩ 4,608	\$ 5,699
Available-for-sale securities (note 6)	8,144	2	6,975
Short-term loans, net of allowance for doubtful accounts of ₩14,982 million in 2009 and ₩341 million in 2008	22,789	33,722	19,518
Prepaid expenses	10,297	12,565	8,819
TOTAL	₩ 47,884	₩ 50,897	\$ 41,011

8. Joint Venture Investments

Details of joint venture investments as of December 31, 2009 are as follows:

Joint venture investment	Ownership	Equity holder	Principal business
Intime Lotte Department Store Co., Ltd.	50.00%	Zhejiang Intime Department Store Co., Ltd.	Department stores
D-Cinema of Korea Co., Ltd.	50.00%	CJ CGV Co., Ltd.	Cineprojector rental service
Kookge Building	6.00%	Honam Petro Chemical and others	Building leasing services
Busan Underground Shopping Center	45.00%	Hotel Lotte Co., Ltd.	Building leasing services

9. Transactions and Balances with Related Companies

(a) Details of investor and subsidiary relationships with the Company as of December 31, 2009 are as follows:

Investor company	Ownership(%)	Control relationship (*1)
Hotel Lotte Co., Ltd.	9.29	Affiliate of Lotte group
Korea Fuji Film Co., Ltd.	8.52	Affiliate of Lotte group
Lotte Confectionery Co., Ltd.	8.52	Affiliate of Lotte group
Lotte Chilsung Beverage Co., Ltd.	4.26	Affiliate of Lotte group
Lotte Engineering & Construction Co., Ltd.	1.03	Affiliate of Lotte group
Hotel Lotte Pusan Co., Ltd.	0.85	Affiliate of Lotte group

Notes to Non-Consolidated Financial Statements

December 31, 2009 and 2008

Controlled subsidiary (*2)	Ownership(%)	Principal business
Lotte Midopa Co., Ltd.	79.01	Department stores
Lotte Card Co., Ltd.	92.54	Credit card and lending
Woori Home Shopping & Television Co., Ltd.	53.03	TV home shopping
Korea Seven Co., Ltd.	50.12	Convenience stores
Lotte.Com Inc.	34.39	Internet shopping
Lotte Boulangerie Co., Ltd.	95.71	Bakery
Lotte Krispy Kreme Doughnuts Co., Ltd.	100.00	Food manufacturing
Lotteria Co., Ltd.	21.21	Restaurant chain
Daehong Communications Co., Ltd.	30.00	Advertisement agency
Lotte Europe Holdings B.V.	30.81	Holding company
Lotte Vietnam Shopping Co., Ltd.	80.00	Discount stores
Qingdao Lottemart Commercial Co., Ltd.	100.00	Discount stores
Lotte Mart Co., Ltd.	100.00	Discount stores
Lotte Shopping Holdings(Singapore), Ltd.	100.00	Holding company
PT Lotte Shopping Indonesia	55.00	Discount stores

(*1) Lotte Group represents a group of entities as defined and restricted by the Monopoly Regulation and Fair Trade Act in Korea.

(*2) Controlled subsidiaries represent majority-owned entities by the Company or a controlled subsidiary and other entities where the Company or its controlled subsidiary, collectively or individually, owns more than 30% of total outstanding common stock and is the largest shareholder.

(b) Significant transactions which occurred in the normal course of business with related companies for the years ended December 31, 2009 and 2008 are summarized as follows:

Related company	2009			
	Revenue	Expense and purchase		
	Sales and non-operating income	Purchase of goods	Fees and commissions	Other
Hotel Lotte Co., Ltd.	₩ 24,183	₩ 11	₩ 54,776	₩ 4,812
Lotte Confectionery Co., Ltd.	29,738	69,353	4,055	676
Lotte Chilsung Beverage Co., Ltd.	9,579	32,684	1,903	33
Lotte Engineering & Construction Co., Ltd.	2,694	-	699	486,303
Hotel Lotte Pusan Co., Ltd.	5,547	15	12,886	-
Lotte Midopa Co., Ltd. (*)	8,254	-	7,299	-
Lotte.Com Inc.	307	-	45,256	483
Lotte Card Co., Ltd.	2,604	31,875	99,359	-
Daehong Communications Co., Ltd.	11,074	-	48,659	3,870
Lotteria Co., Ltd.	8,253	2,504	11,204	-
Lotte Data Communication Company	3,849	800	36,123	31,640
Lotte Station Building Co., Ltd. (*)	15,683	-	7,315	-
Lotte Aluminium Co., Ltd.	4,980	11,191	31,407	12,210
Lotte Trading Co., Ltd.	9,335	167,628	3,496	387
Lotte Samkang Co., Ltd.	31,805	11,420	1,101	8
Lotte Ham Co., Ltd.	7,400	35,985	368	1
Others	41,084	48,744	95,863	525
TOTAL	₩ 216,369	₩ 412,210	₩ 461,769	₩ 540,948

Notes to Non-Consolidated Financial Statements

December 31, 2009 and 2008

Related company	2008			
	Revenue	Expense and purchase		
	Sales and non-operating income	Purchase of goods	Fees and commissions	Other
Hotel Lotte Co., Ltd.	₩ 25,851	₩ 537	₩ 58,508	₩ 4,867
Lotte Confectionery Co., Ltd.	22,578	48,197	16,712	1
Lotte Chilsung Beverage Co., Ltd.	10,486	28,499	2,096	127
Lotte Engineering & Construction Co., Ltd.	2,886	126,529	67	368,745
Hotel Lotte Pusan Co., Ltd.	5,145	359	16,152	21,054
Lotte Midopa Co., Ltd. (*)	7,614	8	7,216	-
Lotte.Com Inc.	183	1,286	32,451	647
Lotte Card Co., Ltd.	2,680	29	118,277	336
Daehong Communications Co., Ltd.	8,889	5,042	29,604	90
Lotteria Co., Ltd.	5,999	2	27	-
Lotte Data Communication Company	2,289	1,182	37,556	34,209
Lotte Station Building Co., Ltd. (*)	15,204	16	6,437	10
Lotte Aluminium Co., Ltd.	1,534	5,651	16,108	35,245
Lotte Trading Co., Ltd.	4,428	156,017	27,163	565
Lotte Samkang Co., Ltd.	5,790	8,125	1,959	9
Lotte Ham Co., Ltd.	4,880	33,627	69	3
Others	24,431	78,622	59,365	14,601
TOTAL	₩ 150,867	₩ 493,728	₩ 429,767	₩ 480,509

(*) The Company has entered into contracts with Lotte Midopa Co., Ltd. and Lotte Station Building Co., Ltd., to provide management services. The Company receives an annual management fee equal to 10 percent of ordinary income before depreciation expense of the respective companies.

Notes to Non-Consolidated Financial Statements

December 31, 2009 and 2008

(c) Account balances with related companies as of December 31, 2009 and 2008 are summarized as follows:

In KRW millions

Related company	2009					
	Receivables			Payables		
	Trade accounts receivable	Other accounts receivable	Other	Trade accounts payable	Other accounts payable	Other
Hotel Lotte Co., Ltd.	₩ 590	₩ 1,081	₩ 20,971	₩ -	₩ 1,870	₩ 5,952
Lotte Confectionery Co., Ltd.	48	1,707	-	9,655	72	595
Lotte Chilsung Beverage Co., Ltd.	-	490	-	2,572	25	7
Lotte Engineering & Construction Co., Ltd.	-	414	4,690	-	130,460	270
Hotel Lotte Pusan Co., Ltd.	-	57	2,300	-	679	898
Lotte Midopa Co., Ltd.	7,293	1,784	39,171	-	2,204	418
Lotte Card Co., Ltd.	59,764	750	29	-	113	38,550
Daehong Communications Co., Ltd.	2,022	247	-	-	2,182	6,083
Lotteria Co., Ltd.	170	309	-	-	1,258	7,879
Lotte Data Communication Company	5	1,157	-	-	5,630	3,585
Lotte Vietnam Shopping Co., Ltd.	-	-	29,190	-	-	-
Lotte Station Building Co., Ltd.	12,947	5,189	10,407	-	5,586	304
Lotte Trading Co., Ltd.	-	628	-	5,623	1,847	77
Intime Lotte Department Store Co., Ltd.	-	-	8,547	-	-	-
Lotte Ham Co., Ltd.	-	605	-	2,555	-	-
Others	26,066	2,538	3,768	8,495	24,926	13,239
TOTAL	₩ 108,905	₩ 16,956	₩ 119,073	₩ 28,900	₩ 176,852	₩ 77,857

In KRW millions

Related company	2008					
	Receivables			Payables		
	Trade accounts receivable	Other accounts receivable	Other	Trade accounts payable	Other accounts payable	Other
Hotel Lotte Co., Ltd.	₩ 162	₩ 525	₩ 22,217	₩ 1	₩ 1,100	₩ 9,104
Lotte Confectionery Co., Ltd.	1,318	463	-	9,309	66	592
Lotte Chilsung Beverage Co., Ltd.	19	430	-	2,438	29	11
Lotte Engineering & Construction Co., Ltd.	-	393	644	-	89,846	268
Hotel Lotte Pusan Co., Ltd.	3	300	220	4	423	754
Lotte Midopa Co., Ltd.	6,550	1,558	38,674	-	1,835	391
Lotte Card Co., Ltd.	50,346	677	-	-	100	6,656
Daehong Communications Co., Ltd.	743	263	-	-	9,325	2,772
Lotteria Co., Ltd.	750	16	-	426	757	5,519
Lotte Data Communication Company	42	1,387	1,064	-	4,671	1,866
Lotte Station Building Co., Ltd.	12,325	3,128	9,889	-	4,457	277
Lotte Trading Co., Ltd.	137	196	-	5,251	1,709	114
Lotte Ham Co., Ltd.	8	180	-	2,812	46	-
Others	14,924	2,668	1,396	6,415	18,820	14,213
TOTAL	₩ 87,327	₩ 12,184	₩ 74,104	₩ 26,656	₩ 133,184	₩ 42,537

Notes to Non-Consolidated Financial Statements

December 31, 2009 and 2008

(d) Salaries and provision for retirement and severance benefits of the directors for the years ended December 31, 2009 and 2008 are ₩33,398 million and ₩26,965 million, respectively.

(e) The Company has provided guarantees for related companies as of December 31, 2008 as follows:

Related company	Guarantee recipient	2009	
		Type of borrowings	Guaranteed Amount (thousand)
Lotte Vietnam Shopping Co., Ltd.	Citibank N.A. Hochiminh	Working capital	US\$ 60,000 and interest thereon
			Australia and New Zealand Bank VND 260,000,000
Qingdao Lottemart Commercial Co., Ltd.	Hana Bank (China) Co., Ltd.	Working capital	RMB 71,000
			Mizuho Bank RMB 100,000
Lotte Mart Co., Ltd.	Hongkong and Shanghai Banking Corporation	Working capital	RMB 110,000
Lotte Europe Holdings B.V.	Korea Development Bank	Working capital	US\$ 10,000
PT Lotte Shopping Indonesia	Korea Exchange Bank	Working capital	IDR 400,000,000
Intime Lotte Department Store Co., Ltd.	Woori Bank	Working capital	RMB 78,000
Lotte Cinema Vietnam Co., Ltd.	Export-Import Bank of Korea	Working capital	US\$ 4,000 and interest thereon

The fulfillment of the VPF contract between D-Cinema of Korea Co., Ltd. and Twentieth Century Fox Film Corporation is equally guaranteed by CGV and the Company in October 2008.

10. Property, Plant and Equipment

(a) The Company revalued its land and buildings in 1998 under the Korean Assets Revaluation Law. As a result, the Company recorded a revaluation surplus of ₩1,028,713 million, net of asset revaluation tax, in other capital surplus.

(b) Land was stated at revalued amounts as of December 31, 2009. The fair value of the assets was based on the results of an appraisal by the Korea Appraisal Board, an independent appraiser.

Before 2009, as mentioned above, the Company had adopted revaluation model for land and buildings in 1998 only one time. As the Company adopted the revaluation model in accordance with revised SKAS No.5, Property, Plant and Equipment in 2009, other comprehensive income of ₩2,791,906 million, net of tax effect of ₩787,461 million, and revaluation loss of ₩7,256 million were recognized. Revaluated land would have been recognized under the cost model at ₩3,224,330 million as of December 31, 2009.

Notes to Non-Consolidated Financial Statements

December 31, 2009 and 2008

(c) Changes in property, plant and equipment for the years ended December 31, 2009 and 2008 are as follows:

In KRW millions							
	2009						Book value as of December 31, 2009
	Book value as of January 1, 2009	Acquisitions	Disposals	Revaluation	Depreciation	Transfers	
Land	₩ 3,025,720	₩ 53,571	₩ (2,493)	₩ 3,572,111	₩ -	₩ 147,532	₩ 6,796,441
Buildings	2,821,880	10,850	(13,727)	-	(153,386)	539,005	3,204,622
Structures	185,897	1,145	(2,136)	-	(8,177)	13,082	189,811
Machinery	23,803	505	(583)	-	(5,373)	6,644	24,996
Vehicles	758	348	-	-	(451)	(52)	603
Furniture and equipment	20,000	4,829	-	-	(13,909)	4,146	15,066
Other	275,813	71,431	(3,426)	-	(191,922)	87,396	239,292
Construction-in-progress	707,110	780,702	-	-	-	(829,266)	658,546
TOTAL	₩ 7,060,981	₩ 923,381	₩ (22,365)	₩ 3,572,111	₩ (373,218)	₩ (31,513)	₩ 11,129,377

In KRW millions						
	2008					Book value as of December 31, 2008
	Book value as of January 1, 2008	Acquisitions	Disposals	Depreciation	Transfers	
Land	₩ 2,923,107	₩ 17,961	₩ (70,058)	₩ -	₩ 154,710	₩ 3,025,720
Buildings	2,762,232	24,060	(117,200)	(137,107)	289,895	2,821,880
Structures	145,500	1,806	(3,765)	(6,736)	49,092	185,897
Machinery	24,922	149	(12)	(5,807)	4,551	23,803
Vehicles	709	516	(2)	(486)	21	758
Furniture and equipment	17,124	6,402	(392)	(13,498)	10,364	20,000
Other	221,386	87,650	(1,594)	(174,222)	142,593	275,813
Construction-in-progress	645,896	750,322	-	-	(689,108)	707,110
TOTAL	₩ 6,740,876	₩ 888,866	₩ (193,023)	₩ (337,856)	₩ (37,882)	₩ 7,060,981

(d) The officially declared value and book value of land as of December 31, 2009 are as follows:

In KRW millions		
	2009	
	Book value	Declared value
Land	₩ 6,796,441	₩ 4,718,137

The officially declared value, which is used for government purposes, is not intended to represent fair value.

(e) The Company has pledged certain property, plant and equipment as collateral for an amount equal to 130% of lease deposits, amounted to ₩67,244 million, received from Woori Bank, Shinhan Bank and other.

Notes to Non-Consolidated Financial Statements

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(f) Details of coverage under major insurance policies carried by the Company as of December 31, 2009 and 2008 are as follows:

Type of insurance	Covered assets	Amount covered		Amount covered 2009
		2009	2008	
Theft insurance	Cash	₩ 68,734	₩ 41,570	\$ 58,868
Fire insurance	Merchandise, buildings and tools	5,956,120	6,343,132	5,101,165
Engine and machinery insurance	Machinery and equipment	108,197	137,755	92,666
Business liability insurance	Facilities and products	490,682	478,632	420,248
Directors & officers liability insurance	-	70,000	70,000	59,952
Others	Other utilities	40,286	39,934	34,504
TOTAL		₩ 6,734,019	₩ 7,111,023	\$ 5,767,403

11. Intangible Assets

Changes in intangible assets for the years ended December 31, 2009 and 2008 are as follows:

In KRW millions					
	2009				
	Book value as of January 1, 2009	Acquisition	Amortization	Others	Book value as of December 31, 2009
Goodwill	₩ 35,753	₩ 496	₩ (5,414)	₩ 11,221	₩ 42,056
Industrial property rights	448	414	(226)	87	723
Rights to use water supply facility	3,845	-	(617)	665	3,893
Rights to use electricity supply facility	3,313	-	(554)	1,641	4,400
Rights to use gas supply facility	1,208	-	(246)	648	1,610
Rights to use facility	78,523	-	(4,671)	(15)	73,837
License	5,410	-	(899)	-	4,511
Copyrights	2,112	14,089	(16,103)	-	98
Software	918	27	(1,240)	3,670	3,375
TOTAL	₩ 131,530	₩ 15,026	₩ (29,970)	₩ 17,917	₩ 134,503

In KRW millions					
	2008				
	Book value as of January 1, 2008	Acquisition	Amortization	Others	Book value as of December 31, 2008
Goodwill	₩ 31,217	₩ 2,037	₩ (4,314)	₩ 6,813	₩ 35,753
Industrial property rights	446	160	(168)	10	448
Rights to use water supply facility	3,489	-	(518)	874	3,845
Rights to use electricity supply facility	3,386	-	(503)	430	3,313
Rights to use gas supply facility	2,268	-	(208)	(852)	1,208
Rights to use facility	59,876	-	(3,655)	22,302	78,523
License	6,309	-	(899)	-	5,410
Copyrights	3,800	16,076	(17,764)	-	2,112
Software	1,733	-	(815)	-	918
TOTAL	₩ 112,524	₩ 18,273	₩ (28,844)	₩ 29,577	₩ 131,530

Notes to Non-Consolidated Financial Statements

December 31, 2009 and 2008

12. Other Investment Assets

Other assets as of December 31, 2009 and 2008 are as follows:

In KRW millions, In USD thousands (note 3)			
	2009	2008	2009
Long-term deposits (note 4)	₩ 12,528	₩ 12,531	\$ 10,730
Long-term loans, net of allowance for doubtful accounts of ₩421 million in 2009 and ₩272 million in 2008	41,680	26,963	35,697
Long-term held-to-maturity securities (note 6(b))	1,000	1,000	856
Others	3,791	1,919	3,246
TOTAL	₩ 58,999	₩ 42,413	\$ 50,529

13. Pledged Assets and Guarantees

(a) The following assets are pledged as collateral for the Company's contract performance as of December 31, 2009:

In KRW millions, In USD thousands (note 3)			
Assets	Guarantee for		
Short-term deposits	₩ 20,375	\$ 17,450	Guarantee deposits for performance of contracts
Long-term deposits	12,500	10,706	Billing and settlement plan
Available-for-sale securities (note 6(a))	37,099	31,774	Guarantee deposits for performance of contracts
TOTAL	₩ 69,974	\$ 59,930	

(b) Guarantees provided by the Company for third parties as of December 31, 2009 are as follows:

In KRW millions, In USD thousands (note 3)			
Third party	Guarantor		Guarantee for
Seoheung Co., Ltd.	₩ 1,172	\$ 1,004	Seoul Guarantee Insurance Company Performance of contracts

(c) Guarantees provided by third parties for the Company as of December 31, 2009 are as follows:

In KRW millions, In USD thousands (note 3)			
Guarantor	Guarantee for		
Seoul Guarantee Insurance Company	₩ 129,799	\$ 111,168	Performance of contracts

Notes to Non-Consolidated Financial Statements

December 31, 2009 and 2008

14. Assets and Liabilities Denominated in Foreign Currency

Assets and liabilities denominated in foreign currency as of December 31, 2009 and 2008 are summarized as follows:

Foreign currency (thousands), Won equivalent (millions)				
	2009		2008	
Assets:				
Cash and cash equivalents	USD 30,024	₩ 35,056	-	-
	JPY 15,000	189	-	-
Other accounts receivable	USD 582	680	120	157
Accrued interest income	USD -	-	233	293
Short-term loans	USD 32,320	37,737	25,000	31,438
Other investment assets	USD 1,500	1,751	1,500	1,886
TOTAL	USD 64,426	₩ 75,224	26,853	33,774
	JPY 15,000	189	-	-
Liabilities:				
Trade accounts payable	USD 240	₩ 281	23	29
	EUR 587	982	343	609
	JPY 3,621	46	-	-
Current portion of debentures	JPY 10,000,000	126,282	-	-
Other accounts payable	USD 250	291	250	327
	EUR 4	8	6	10
Long-term borrowings	JPY 30,000,000	378,846	-	-
Debentures	USD 400,000	467,040	400,000	503,000
	JPY 39,000,000	492,500	29,000,000	404,228
TOTAL	USD 400,490	₩ 467,612	400,273	503,356
	EUR 591	990	349	619
	JPY 79,003,621	997,674	29,000,000	404,228

15. Other Current Liabilities

Other current liabilities as of December 31, 2009 and 2008 are as follows:

In KRW millions, In USD thousands (note 3)			
	2009	2008	2009
Unearned income	₩ 49	₩ 101	\$ 42
Withholdings	9,573	9,484	8,199
Value-added tax withholdings	40,644	32,169	34,810
Guarantee deposits	1,105	928	946
Derivative liabilities	-	59	-
Investment withholdings	1,510	11,101	1,292
TOTAL	₩ 52,881	₩ 53,842	\$ 45,289

Notes to Non-Consolidated Financial Statements

December 31, 2009 and 2008

16. Borrowings

(a) Short-term borrowings as of December 31, 2009 and 2008 are summarized as follows:

In KRW millions, In USD thousands (note 3)					
Lender	Purpose of borrowings	Annual interest rate (%)	2009	2008	2009
Korea Agro-Fisheries Trade Corporation	Working capital	4.00	₩ 10,000	₩ 10,000	\$ 8,565
Woori Bank	Working capital	2.45~2.60	-	35,000	-
SK Securities Co., Ltd.	Working capital	2.50	-	175,000	-
Shinhan Bank and other	Working capital	6.63~7.89	11,759	1	10,071
TOTAL			₩ 21,759	₩ 220,001	\$ 18,636

(b) Long-term borrowings in foreign currency as of December 31, 2009 and 2008 are summarized as follows:

In KRW millions, In USD thousands (note 3)					
Lender	Purpose of borrowings	Annual interest rate (%)	2009	2008	2009
Lotte Co., Ltd. (Japan)	Working capital	3.40	₩ 378,846	-	\$ 324,466

(c) Aggregate maturities of borrowings as of December 31, 2009 are as follows:

In KRW millions, In USD thousands (note 3)		
Period		
2010.01.01~2010.12.31	₩ 21,759	\$ 18,636
2011.01.01~2011.12.31	-	-
2012.01.01~2012.12.31	378,846	324,466
	₩ 400,605	\$ 343,102

Notes to Non-Consolidated Financial Statements

December 31, 2009 and 2008

17. Debentures

(a) Debentures as of December 31, 2009 and 2008 are summarized as follows:

In KRW millions, In USD thousands (note 3)					
Description	Maturity	Interest rate (%)	2009	2008	2009
Denominated in Won					
50th placed	February 5, 2012	5.10	₩ 200,000	₩ -	\$ 171,292
53rd placed	December 3, 2014	5.30	250,000	-	214,114
Denominated in foreign currency					
46th placed	April 29, 2011	6M Libor+1.00	116,760	125,750	100,000
47th placed	May 29, 2011	6M Euro Yen Tibor+1.20	227,308	250,900	194,679
48th placed	September 29, 2011	3M Euro Yen Libor+1.60	138,910	153,328	118,971
49th placed	October 17, 2011	3M USD Libor+1.75	350,280	377,250	300,000
51st placed	June 26, 2012	3M Euro Yen Libor+1.50	126,282	-	108,155
52nd placed	September 30, 2010	3M Euro Yen Libor+1.60	126,282	-	108,155
Subtotal			₩1,535,822	₩907,228	\$1,315,366
Less:					
Discount on debentures issued			₩ (7,408)	₩ (8,227)	\$ (6,344)
TOTAL BOOK VALUE			₩1,528,414	₩899,001	\$1,309,022
Less:					
Current portion of debentures, net of discount of ₩95 million			₩ 126,187	₩ -	\$ 108,074
			₩1,402,227	₩899,001	\$1,200,948

(b) Aggregate maturities of debentures as of December 31, 2009 are as follows:

In KRW millions, In USD thousands (note 3)		
Period		
2010.01.01~2010.12.31	₩ 126,282	\$ 108,155
2011.01.01~2011.12.31	833,258	713,650
2012.01.01~2012.12.31	326,282	279,447
2013 and thereafter	250,000	214,114
	₩ 1,535,822	\$ 1,315,366

18. Leases

(a) The Company leases facilities including stores and distribution centers from third parties. Under the terms of the lease arrangements, the Company is required to make security deposits at the inception of the lease which are refundable at the end of the lease terms. Lease deposits made as of December 31, 2009 amounted to ₩644,826 million.

Notes to Non-Consolidated Financial Statements

December 31, 2009 and 2008

(b) Future minimum lease payments under operating leases as of December 31, 2009 are as follows:

In KRW millions, In USD thousands (note 3)		
Period		
2010.01.01~2010.12.31	₩ 103,170	\$ 88,361
2011.01.01~2014.12.31	415,776	356,095
2015 and thereafter	493,964	423,059
TOTAL	₩ 1,012,910	\$ 867,515

(c) The Company leases some land and buildings of the Company to third parties. The Company received advance rental deposits of ₩254,769 million as of December 31, 2009 and rental income of ₩383,737 million and ₩346,520 million for the years ended December 31, 2009 and 2008, respectively. The majority of the leases are renewed annually.

19. Retirement and Severance Benefits

Changes in retirement and severance benefits for the years ended December 31, 2009 and 2008 are summarized as follows:

In KRW millions, In USD thousands (note 3)			
	2009	2008	2009
Estimated retirement and severance benefits at beginning of year	₩ 137,679	₩ 128,850	\$ 117,916
Accrual for retirement and severance benefits	50,859	55,642	43,559
Payments	(41,178)	(50,188)	(35,267)
Transfer of severance benefits from affiliated companies	2,286	3,375	1,958
Estimated retirement and severance benefits at end of year	149,646	137,679	128,166
Transfer to National Pension Fund	(45)	(48)	(39)
Deposit for severance benefit insurance	(104,286)	(90,128)	(89,317)
NET BALANCE AT END OF YEAR	₩ 45,315	₩ 47,503	\$ 38,810

The Company maintains severance benefit insurance arrangements with Lotte Non-Life Insurance Co., Ltd., etc. Under the contracts, payments of the Company's retirement and severance benefit liability to employees are guaranteed to the extent of the aggregate deposit held by the insurance companies in trust. The aggregate deposit at the insurance companies is presented as a reduction of the retirement and severance benefits liability.

20. Accrual for Bonus Points Reward Program

The Company recognizes an accrual for bonus points reward program which provides free services and mileage for customers registered with and who make purchases using various Lotte Membership Cards. The accrual is based on the historical redemption experience of the points compared to the customers' purchases. Changes in the accrual for the reward program for the years ended December 31, 2009 and 2008 are summarized as follows:

In KRW millions, In USD thousands (note 3)			
	2009	2008	2009
Beginning of year	₩ 30,808	₩ 29,362	\$ 26,386
Provision	20,746	47,859	17,768
Payment	(21,242)	(46,413)	(18,193)
END OF YEAR	₩ 30,312	₩ 30,808	\$ 25,961

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21. Derivative Instruments and Hedge Accounting

(a) As described in note 6(a), the Company has a put option to sell stocks of Korea Express Co., Ltd. to Kumho RAC Co., Ltd. (formerly known as Kumho rent-a-car Co., Ltd.) Contract terms of the option are as follows:

- Date of acquisition : 2008.3.14
- Underlying instrument : 332,046 common shares of Korea Express Co., Ltd. (*)
- Exercise period : After 3 years of acquisition of stock
- Strike price : Acquisition cost plus interest (6.5%)

(*) The number of common shares has decreased from 584,795 to 332,046 as Korea Express Co., Ltd. underwent capital reduction in 2009.

(b) The Company entered into currency and interest swap contracts with the Bank of Tokyo-Mitsubishi UFJ and others to hedge the exposure to the changes in foreign exchange rates and interest rates related to debentures (USD 400,000 thousand and JPY 49,000,000 thousand). Contract terms of the currency and interest swap contracts are as follows:

Contract amount (thousands)	Foreign exchange rate	Variable interest rate	Fixed interest rate	Maturity date	Bank
USD 100,000	₩ 976.0 / USD 1	6M Libor+1.00%	3.98%	2011.4.29	BNP Paribas Bank and others
JPY 18,000,000	₩ 10.0 / JPY 1	6M Euro Yen Tibor+1.20%	5.13%	2011.5.29	The Bank of Tokyo-Mitsubishi UFJ and others
JPY 11,000,000	₩ 10.2 / JPY 1	3M Euro Yen Libor+1.60%	6.05%	2011.9.29	Mizuho Bank
USD 300,000	₩ 1,113.0 / USD 1	3M USD Libor+1.75%	5.52%	2011.10.17	BNP Paribas Bank and others
JPY 10,000,000	₩ 13.1 / JPY 1	3M Euro Yen Libor+1.50%	3.92%	2012.6.26	Mizuho Bank
JPY 10,000,000	₩ 13.2 / JPY 1	3M Euro Yen Libor+1.60%	3.70%	2010.9.30	Standard Chartered First Bank Korea Ltd.

(c) Changes in the fair value of derivative instruments for the year ended December 31, 2009 are as follows:

In KRW millions, In USD thousands (note 3)				
Type of derivatives	Description	Related accounts		
Trade	Put option	Loss on valuation of derivative instruments	₩ (19,811)	\$ (16,967)
Cash flow hedge	Currency and interest swap	Loss on valuation of derivative instruments	(83,906)	(71,863)
Cash flow hedge	Currency and interest swap	Unrealized gain on valuation of derivative instruments, net of tax effect of ₩2,534 million	8,984	7,695

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22. Capital Stock and Capital Surplus

(a) Pursuant to its amended Articles of Incorporation, the Company's authorized capital stock is 60,000,000 shares, which consist of common shares and preferred shares each with a par value of ₩5,000 per share. The Company is authorized to issue non-voting preferred shares of up to one-fourth of the Company's total issued and outstanding capital stock. Holders of preferred shares may, upon a resolution of the board of directors at the time of the issuance of the preferred shares, be entitled to receive dividends prior to the holders of common shares. The preferred shares will be automatically converted to common shares within ten years of issuance as determined by the Company's board of directors. However, if the holders of preferred shares do not receive the minimum dividends as prescribed, the prescribed conversion date will be extended to the time when all such minimum dividend amount is paid to the holders of preferred shares. As of December 31, 2009, the Company has not issued any preferred stock and 29,043,374 shares of common stock were issued and outstanding as of December 31, 2009.

(b) Capital surplus as of December 31, 2009 and 2008 consists of the following:

In KRW millions, In USD thousands (note 3)			
	2009	2008	2009
Paid-in capital in excess of par value	₩ 3,605,117	₩ 3,605,117	\$ 3,087,630
Gain on capital reduction	1,793	1,793	1,536
Other capital surplus	1,043,985	1,043,985	894,129
	₩ 4,650,895	4,650,895	\$ 3,983,295

(i) Gain on capital reduction

The Company retired 745,470 shares of treasury stock (₩1,934 million) in 1995, which were acquired in connection with the merger with Lotte Foods Co., Ltd. and ChungBon Industry Co., Ltd. on December 31, 1994. As a result, capital stock decreased by ₩3,727 million and a gain on capital reduction amounting to ₩1,793 million was recorded as a capital surplus.

(ii) Gain on merger

In 1997, SongGok Trading Co., Ltd. was merged into the Company, resulting in a gain on merger of ₩15,272 million which was recorded as a component of other capital surplus.

(iii) Asset revaluation

The Company revalued its property, plant and equipment on July 1, 1998 in accordance with the then Assets Revaluation Law. Details of the asset revaluation surplus included in stockholders' equity are as follows:

Date of revaluation	Total revaluation surplus	Revaluation tax	Transfer to capital	Others	Net revaluation surplus
July 1, 1998	₩ 1,122,229	₩ (19,030)	₩ (73,500)	₩ (986)	₩ 1,028,713

(iv) Capital surplus on equity method

The ownership percentage of the Company in Lotte Boulangerie Co., Ltd. and Lotte.Com Inc., which are controlled subsidiaries of the Company, changed and the differences of ₩1,195 million between the additional acquisition cost and the change in the Company's share of net asset were recorded as capital surplus under the equity method.

Due to capital adjustments which result from the change of the ownership percentage of the Company in Woori Home Shopping & Television Co., Ltd., which is controlled subsidiary of the Company, capital surplus on equity method was offset and 0(zero) on December 31, 2009.

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23. Capital Adjustments

The Company acquired additional 196 thousand shares of Woori Home Shopping & Television Co., Ltd., which is controlled subsidiary of the Company, on August 2008. As a result, the difference between the additional acquisition cost and the change in the Company's share of net asset amounted to ₩17,466 million. As discussed in note 22(b), after offset, the residual of ₩16,271 million was recorded as capital adjustments under the equity method.

24. Accumulated Other Comprehensive Income

Details of accumulated other comprehensive income as of December 31, 2009 and 2008 are as follows:

In KRW millions, In USD thousands (note 3)			
Account	2009	2008	2009
Unrealized gain on valuation of available-for-sale securities, net of tax effect of ₩(14,998) million in 2009 and ₩(2,531) million in 2008	₩ 53,177	₩ 8,974	\$ 45,544
Unrealized gain on investments under equity method, net of tax effect of ₩(17,208) million in 2009 and ₩(13,378) million in 2008	32,844	57,161	28,128
Unrealized loss on valuation of derivative instruments, net of tax effect of ₩3,161 million in 2009 and ₩5,695 million in 2008	(11,208)	(20,192)	(9,599)
Unrealized gain on revaluation of land, net of tax effect of ₩(787,461) million in 2009	2,791,906	-	2,391,150
	₩ 2,866,719	₩ 45,943	\$ 2,455,223

25. Retained Earnings

Retained earnings as of December 31, 2009 and 2008 are summarized as follows:

In KRW millions, In USD thousands (note 3)			
Account	2009	2008	2009
Appropriated:			
Legal reserve	₩ 28,963	₩ 25,333	\$ 24,806
Reserve for business rationalization	10,552	10,552	9,037
Reserve for corporate development	134,000	134,000	114,765
Discretionary reserve	3,779,500	3,069,500	3,236,983
	₩ 3,953,015	₩ 3,239,385	\$ 3,385,591
Unappropriated	₩ 731,981	₩ 765,493	\$ 626,910
	₩ 4,684,996	₩ 4,004,878	\$ 4,012,501

(a) Legal reserve

The Korean Commercial Code requires the Company to appropriate as legal reserve an amount equal to at least 10% of cash dividends for each accounting period until the reserve equals 50% of stated capital. This reserve is not available for cash dividends but may be used to reduce any deficit or be transferred to capital stock.

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(b) Reserve for business rationalization

Under the Special Tax Treatment Control Law, investment tax credit was allowed for certain investments. The Company was, however, required to appropriate from retained earnings the amount of tax benefits obtained and transfer such amount into a reserve for business rationalization.

Effective December 11, 2002, the Company is no longer required to establish a reserve for business rationalization despite tax benefits received for certain investments and, consequently, the existing balance is now regarded as a discretionary reserve.

(c) Reserve for corporate development

Under Korean Corporation Tax Law, the Company was required to appropriate a reserve for corporate development. However, effective as of December 31, 2001, the Company is no longer required to establish such a reserve. This reserve is not available for payment of dividends; however, it may be used for a specific purpose upon approval by the shareholders or remain as a reserve.

26. Sale of Apartments

(a) Commitments for housing construction contracts with future home owners as of and for the years ended December 31, 2009 and 2008 are as follows:

In KRW millions, In USD thousands (note 3)			
	2009	2008	2009
Beginning of year	₩ 35,169	₩ 80,778	\$ 30,120
Increase	16,565	2,141	14,188
Revenue recognized in current year	(51,734)	(47,750)	(44,308)
END OF YEAR	₩ -	₩ 35,169	\$ -

(b) Cumulative revenue and cost on lotting-out housing construction contracts as of December 31, 2009 are summarized as follows:

In KRW millions, In USD thousands (note 3)				
Project	Cumulative revenue	Cumulative cost	Cumulative revenue	Cumulative cost
Beome-dong project	₩ 135,218	₩ 111,821	\$ 115,809	\$ 95,770

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27. Sales and Cost of Sales

Details of sales and cost of sales for the years ended December 31, 2009 and 2008 are as follows:

In KRW millions, In USD thousands (note 3)			
	2009	2008	2009
SALES:			
Sale of merchandise	₩ 10,737,965	₩ 9,810,135	\$ 9,196,613
Specific sales (*1)	607,554	525,082	520,345
Sale of finished goods	53,204	55,800	45,567
Sale of apartments	51,734	47,750	44,308
Ancillary property operation revenue (*2)	156,462	130,432	134,003
Other operating revenue	600,349	516,630	514,174
Deduction:			
Cost of specific sales	(481,421)	(415,737)	(412,316)
Sales discounts	(190,566)	(160,841)	(163,214)
	₩ 11,535,281	₩ 10,509,251	\$ 9,879,480
COST OF SALES:			
Cost of merchandise sold:			
Beginning inventory of merchandise	₩ 1,002,492	₩ 977,936	\$ 858,592
Purchases of merchandise for the year	7,920,858	7,200,840	6,783,880
Transfer to other accounts	462	(8)	395
Ending inventory of merchandise	(1,098,099)	(1,002,492)	(940,476)
	₩ 7,825,713	₩ 7,176,276	\$ 6,702,391
Cost of finished goods sold:			
Beginning inventory of finished goods	₩ 2,008	₩ 1,886	1,720
Cost of finished goods for the year	16,067	17,761	13,760
Transfer to other accounts	(2,150)	(3,120)	(1,841)
Ending inventory of finished goods	-	(2,008)	-
	₩ 15,925	₩ 14,519	\$ 13,639
Cost of sales - apartments	44,846	38,308	38,408
Ancillary property operating cost	73,327	61,461	62,804
	118,173	99,769	101,212
	₩ 7,959,811	₩ 7,290,564	\$ 6,817,242
GROSS PROFIT	₩ 3,575,470	₩ 3,218,687	\$ 3,062,238

(*1) As described in note 2(b), specific sales are recognized on a net basis for merchandise that may be returned to vendors at any time.

(*2) Ancillary property operation revenue consists of box office and revenue from jointly controlled assets.

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28. Selling and Administrative Expenses

Details of selling and administrative for the years ended December 31, 2009 and 2008 are as follows:

In KRW millions, In USD thousands (note 3)			
	2009	2008	2009
Salaries	₩ 506,743	₩ 463,053	\$ 434,004
Accrual for retirement and severance benefits	50,597	55,408	43,334
Other employee benefits	79,542	72,082	68,124
Education and training	6,626	6,430	5,675
Travel	13,057	13,098	11,183
Service contract expense	368,158	335,026	315,312
Advertising	154,530	139,782	132,349
Sales promotion and commissions	298,426	256,528	255,589
Supplies	35,330	31,737	30,259
Communications	9,262	8,848	7,932
Utilities	134,860	120,977	115,502
Maintenance	15,529	16,187	13,300
Commissions and fees	346,597	294,308	296,846
Insurance	5,793	5,596	4,962
Transportation	4,432	3,455	3,796
Depreciation	371,442	335,153	318,124
Amortization of intangible assets	13,867	11,080	11,877
Taxes and dues	86,179	108,344	73,809
Rent	157,214	136,080	134,647
Others	40,811	37,408	34,950
	₩ 2,698,995	₩ 2,450,580	\$ 2,311,574

29. Income Taxes

(a) The Company was subject to income taxes on taxable income at the following normal tax rates:

Taxable income	Tax rate			
	2008	2009	2010	Thereafter
Up to ₩200 million	12.1%	12.1%	11.0%	11.0%
Over ₩200 million	27.5%	24.2%	24.2%	22.0%

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(b) The components of income tax expense for the years ended December 31, 2009 and 2008 are summarized as follows:

In KRW millions, In USD thousands (note 3)			
	2009	2008	2009
Current income tax expense	₩ 218,905	₩ 220,752	\$ 187,483
Deferred income tax expense	816,586	(54,845)	699,371
Income taxes directly charged (credited) to equity	(806,292)	18,244	(690,555)
Income taxes directly credited to discontinued operation (note 38)	(1,416)	(531)	(1,213)
INCOME TAX EXPENSE	₩ 227,783	₩ 183,620	\$ 195,086

(c) Deferred tax assets and liabilities are measured using the tax rates to be applied for the year in which temporary differences are expected to be realized.

(d) The income tax expense calculated by applying statutory tax rates to the Company's taxable income for the years differ from the actual income tax expense in the non-consolidated statements of income for the years ended December 31, 2009 and 2008 for the following reasons:

In KRW millions, In USD thousands (note 3)			
	2009	2008	2009
Income before income taxes	₩ 939,770	₩ 925,046	\$ 804,873
Expense for income taxes at normal tax rates	227,400	254,357	194,758
Adjustments:			
Non-taxable income	(1,221)	(766)	(1,045)
Non-deductible expense	2,238	967	1,917
Tax credit	(3,673)	(4,619)	(3,146)
Other	3,039	(66,319)	2,602
Income tax expense	₩ 227,783	₩ 183,620	\$ 195,086
EFFECTIVE TAX RATE	24.2%	19.8%	24.2%

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(e) The tax effects of temporary differences that result in significant portions of the deferred tax assets and liabilities as of December 31, 2009 and 2008 are presented below:

In KRW millions, In USD thousands (note 3)			
	2009	2008	2009
Deferred tax assets:			
Allowance for doubtful accounts	₩ 4,474	₩ 1,122	\$ 3,832
Impairment losses on available-for-sale securities	16	16	14
Accrual for bonus points reward program	7,335	7,455	6,282
Accrued expenses (bonus)	7,739	3,404	6,628
Available-for-sale securities	19	19	16
Negative other comprehensive income due to equity method of accounting	8,827	3,001	7,560
Loss on foreign currency translation	18,783	39,361	16,087
Loss on revaluation of land	1,596	-	1,367
Construction-in-progress	403	-	345
Film copyrights	3,376	-	2,892
Others	2,383	2,609	2,042
Total deferred tax assets	₩ 54,951	₩ 56,987	\$ 47,065
Deferred tax liabilities:			
Depreciation	₩ 3,288	₩ 3,293	\$ 2,816
Accrued interest income	1,610	1,115	1,379
Disallowed financing costs capitalized	13,177	13,593	11,286
Land	888	888	761
Unrealized gain on revaluation of land	787,461	-	674,427
Equity method accounted investments	131,252	105,943	112,412
Unrealized gain on valuation of available-for-sale securities	14,998	2,531	12,846
Capital adjustment due to use of equity method	28	28	24
Other comprehensive income due to equity method of accounting	26,035	16,379	22,298
Unrealized gain on valuation of derivative instruments	14,647	34,918	12,544
Total deferred tax liabilities	₩ 993,384	₩ 178,688	\$ 850,793
NET DEFERRED TAX LIABILITY	₩ (938,433)	₩ (121,701)	\$ (803,728)

(f) The Company did not recognize deferred tax assets in the amount of ₩1,132 million and ₩55,225 million arising from the taxable temporary differences associated with the impairment losses on available-for-sale securities and equity method securities as of December 31, 2009, respectively, as the temporary differences are not expected to reverse in the foreseeable future. Also, the Company did not recognize deferred tax liabilities in the amount of ₩160,369 million arising from the taxable temporary differences associated with revaluation of land as of December 31, 2009, since it is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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(g) As of December 31, 2009, details of aggregate deferred tax assets (liabilities) are as follows:

In KRW millions			
Temporary differences at December 31, 2009	Deferred tax assets (liabilities)		
	Current	Non-current	
Assets:			
Allowance for doubtful accounts	₩ 18,491	₩ 4,474	₩ -
Impairment losses on available-for-sale securities	5,220	-	16
Accrual for bonus points reward program	30,312	7,335	-
Accrued expenses (bonuses)	31,979	7,739	-
Available-for-sale securities	87	-	19
Negative other comprehensive income due to equity method of accounting	101,431	-	8,827
Loss on foreign currency translation	85,379	-	18,783
Loss on revaluation of land	7,256	-	1,596
Construction-in-progress	1,831	-	403
Film copyrights	15,343	-	3,376
Others	10,236	1,440	943
	₩ 307,565	₩ 20,988	₩ 33,963
Liabilities:			
Depreciation	₩ 14,944	₩ -	₩ 3,288
Accrued interest income	6,654	1,610	-
Disallowed financing costs capitalized	59,897	-	13,177
Land	4,038	-	888
Unrealized gain on revaluation of land	3,579,367	-	787,461
Equity method accounted investments	852,305	-	131,252
Land (reserve for advance depreciation)	728,951	-	-
Unrealized gain on valuation of available-for-sale securities	68,175	-	14,998
Capital adjustment due to use of equity method	(16,243)	-	28
Other comprehensive income due to equity method of accounting	151,483	-	26,035
Unrealized gain on valuation of derivative instruments	66,577	-	14,647
	₩ 5,516,148	₩ 1,610	₩ 991,774
NET DEFERRED INCOME TAX ASSET (LIABILITY)	₩ (5,208,583)	₩ 19,378	₩ (957,811)

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(h) The deferred tax assets (liabilities) that were directly charged (credited) to other comprehensive income for the year ended December 31, 2009 are as follows:

In KRW millions, In USD thousands (note 3)				
	Temporary difference	Deferred tax assets (liabilities)	Temporary difference	Deferred tax assets (liabilities)
Unrealized loss on valuation of available-for-sale securities	₩ 56,670	₩ (12,467)	\$ 48,536	\$ (10,678)
Unrealized gain on investments under equity method, net	(20,487)	(3,830)	(17,547)	(3,280)
Unrealized loss on valuation of derivative instruments	11,518	(2,534)	9,865	(2,170)
Unrealized gain on revaluation of land	3,579,367	(787,461)	3,065,577	(674,427)
	₩ 3,627,068	₩ (806,292)	\$ 3,106,431	\$ (690,555)

30. Earnings Per Share

(a) Earnings per share for the years ended December 31, 2009 and 2008 are as follows:

In KRW millions (except per share amount), In USD thousands (except per share amount) (note 3)			
	2009	2008	2009
Net income	₩ 716,422	₩ 742,824	\$ 613,585
Weighted-average number of common shares outstanding	29,043,374	29,043,374	29,043,374
EARNINGS PER SHARE IN WON AND U.S. DOLLARS	₩ 24,667	₩ 25,576	\$ 21.13

(b) Earnings per share from continuing operations for the years ended December 31, 2009 and 2008 are as follows:

In KRW millions (except per share amount), In USD thousands (except per share amount) (note 3)			
	2009	2008	2009
Income from continuing operations	₩ 711,987	₩ 741,426	\$ 609,787
Weighted-average number of common shares outstanding	29,043,374	29,043,374	29,043,374
EARNINGS PER SHARE FROM CONTINUING OPERATIONS IN WON AND U.S. DOLLARS	₩ 24,515	₩ 25,528	\$ 21.00

31. Dividends

(a) Dividends as a percentage of net income and par value for the years ended December 31, 2009 and 2008 are as follows:

In KRW millions, In USD thousands (note 3)			
	2009	2008	2009
Dividend amount (Cash dividends)	₩ 36,304	₩ 36,304	\$ 31,093
Net income	₩ 716,422	₩ 742,824	\$ 613,585
Dividends as a percentage of net income	5.07%	4.89%	5.07%
Par value per share	₩ 5,000	₩ 5,000	\$ 4
Dividends as a percentage of par value	25.0%	25.0%	25.0%

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(b) Dividend yield ratio for the years ended December 31, 2009 and 2008 are as follows:

In KRW, In USD (note 3)			
	2009	2008	2009
Dividend per share	₩ 1,250	₩ 1,250	\$ 1
Market price as of year end	346,000	210,000	296
Dividend yield ratio	0.36%	0.60%	0.36%

32. Commitments and Contingencies

(a) As of December 31, 2009, the Company has various forms of credit facility commitments with financial institutions as follows:

In KRW millions, In USD thousands (note 3)		
	Credit line	Amount used under credit facility
Overdraft	₩ 65,000	₩ 11,759
General loan	₩ 100,000	₩ -
Buyer's credit	₩ 341,950	₩ 99,593
Letter of credit	\$ 9,516	\$ 2,226
	₩ 506,950	₩ 111,352
	\$ 9,516	\$ 2,226

(b) As of December 31, 2009, the Company has provided the note of ₩10,000 million as collateral for short-term borrowings from Korea Agro-Fisheries Trade Corporation.

(c) The Company entered into operating lease contracts with Lotte Midopa Co., Ltd. and Lotte Station Building Co., Ltd. Details of the lease as of December 31, 2009 are as follows:

In KRW millions					
Lessor	Location	Beginning date	Expiration date	Guarantee deposit amount	Monthly rent
Lotte Midopa Co., Ltd.	Namdaemun-ro, Jung-gu, Seoul	Nov. 18, 2003	Nov. 17, 2023	₩ 36,500	355
Lotte Station Building Co., Ltd.	Nammoon-ro, Sangdang-gu, Cheongju	Feb. 23, 2007	Feb. 22, 2027	5,800	275
				₩ 42,300	630

(d) The Company entered into 13 contracts with J&Jisan Co., Ltd. and others for the future lease of its buildings and recorded long-term advance payments of ₩76,148 million as of December 31, 2009. Long-term advance payment will transfer to guarantee deposits when the terms of lease begin.

(e) As of December 31, 2009, the Company is the plaintiff in various lawsuits claiming damages totaling ₩14,283 million and the Company is the defendant in various lawsuits with damage claims totaling ₩3,448 million. Management believes that the ultimate resolution of these legal actions will not have a material adverse effect on the financial position or operations of the Company; accordingly, the Company has not accrued any liability for possible losses in the accompanying non-consolidated financial statements.

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33. Comprehensive Income

Comprehensive income for the years ended December 31, 2009 and 2008 was as follows:

In KRW millions, In USD thousands (note 3)			
	2009	2008	2009
Net income	₩ 716,422	₩ 742,824	\$ 613,585
Change in unrealized gain on valuation of available-for-sale securities, net of tax effect of ₩(12,467) million in 2009 and ₩12,064 million in 2008	44,203	(29,505)	37,858
Change in unrealized gain on valuation of equity method investments, net of tax effect of ₩(3,830) million in 2009 and ₩479 million in 2008	(24,317)	17,263	(20,827)
Change in unrealized loss on valuation of derivative, net of tax effect of ₩(2,534) million in 2009 and ₩5,695 million in 2008	8,984	(20,192)	7,695
Change in unrealized gain on revaluation of land, net of tax effect of ₩(787,461) million in 2009	2,791,906	-	2,391,150
COMPREHENSIVE INCOME	₩ 3,537,198	₩ 710,390	\$ 3,029,461

34. Non-cash Investing and Financing Activities

Significant non-cash investing and financing activities for the years ended December 31, 2009 and 2008 are summarized as follows:

In KRW millions, In USD thousands (note 3)			
	2009	2008	2009
Construction-in-progress transferred to property, plant and equipment and intangible assets	₩ 829,266	₩ 694,766	\$ 710,231
Acquisition of equity method investment securities through in-kind exchange	-	37,418	-
Other investment assets transferred to equity method investment securities	-	5,702	-
Available-for-sales-securities transferred to equity method investment securities	11,667	130	9,992
Revaluation of land	3,579,367	-	3,065,577

35. Date of Authorization for Issue

The 2009 financial statements will be authorized for issue on March 4, 2010, at the Board of Directors Meeting.

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36. Results of Operations for the Last Interim Period

In KRW millions, In USD thousands (note 3)			
	2009 4th Quarter	2008 4th Quarter	2009 4th Quarter
Sales	₩ 3,206,374	₩ 2,864,269	\$ 2,746,124
Operating income	258,158	212,942	221,101
Net income for the period	178,654	225,157	153,010
Earnings per share in Won and U.S. dollars	6,151	7,752	5.27

37. Segment Information

(a) The Company's major business segments consist of department stores (retail), marts (retail) and others (supermarkets, movie theaters, construction and clothing retail).

(b) Financial information by business segment for the years ended December 31, 2009 and 2008 is summarized as follows:

In KRW millions								
	2009				2008			
	Department stores	Marts	Others	Total	Department stores	Marts	Others	Total
Sales	₩ 5,904,468	₩ 4,327,792	₩ 1,303,021	₩ 11,535,281	₩ 5,456,646	₩ 4,060,041	₩ 992,564	₩ 10,509,251
Operating income	676,809	167,872	31,794	876,475	639,056	110,567	18,484	768,107
Depreciation and amortization	178,969	149,131	74,234	402,334	151,990	141,850	71,322	365,162

In USD thousands (note 3)								
	2009				2008			
	Department stores	Marts	Others	Total	Department stores	Marts	Others	Total
Sales	\$ 5,056,927	\$ 3,706,571	\$ 1,115,982	\$ 9,879,480	\$ 4,673,386	\$ 3,477,253	\$ 850,089	\$ 9,000,728
Operating income	579,658	143,776	27,230	750,664	547,324	94,696	15,831	657,851
Depreciation and amortization	153,280	127,725	63,579	344,584	130,173	121,488	61,085	312,746

Notes to Non-Consolidated Financial Statements

December 31, 2009 and 2008

(c) Property, plant and equipment and intangible asset net information for the major segments as of December 31, 2009 and 2008 is summarized as follows:

In KRW millions								
	2009				2008			
	Department stores	Marts	Others	Total	Department stores	Marts	Others	Total
Property, plant and equipment	₩ 6,334,576	₩ 4,429,226	₩ 365,575	₩ 11,129,377	₩ 3,689,429	₩ 3,024,807	₩ 346,745	₩ 7,060,981
Intangible assets	30,400	63,379	40,724	134,503	30,762	59,395	41,373	131,530
TOTAL	₩ 6,364,976	₩ 4,492,605	₩ 406,299	₩ 11,263,880	₩ 3,720,191	₩ 3,084,202	₩ 388,118	₩ 7,192,511

In USD thousands (note 3)								
	2009				2008			
	Department stores	Marts	Others	Total	Department stores	Marts	Others	Total
Property, plant and equipment	\$ 5,425,296	\$ 3,793,445	\$ 313,099	\$ 9,531,840	\$ 3,159,840	\$ 2,590,619	\$ 296,973	\$ 6,047,432
Intangible assets	26,037	54,281	34,878	115,196	26,347	50,869	35,434	112,650
TOTAL	\$ 5,451,333	\$ 3,847,726	\$ 347,977	\$ 9,647,036	\$ 3,186,187	\$ 2,641,488	\$ 332,407	\$ 6,160,082

38. Discontinued Operations

The Board of Directors of the Company committed to a plan to sell the foods manufacturing division by September 30, 2009 and announced the plan on September 18, 2009. This decision was made due to a long-term business plan to focus more on retail business. In accordance with the approved plan, the Company made an agreement to sell the foods manufacturing division to Lotte Samkang Co., Ltd. on September 18, 2009, and sold the assets and liabilities of the foods manufacturing division for ₩24,339 million to Lotte Samkang Co., Ltd on September 30, 2009. The book value of assets and liabilities of the foods manufacturing division as of September 30, 2009 was ₩24,968 million and ₩3,984 million, respectively.

The results of the discontinued operation were calculated as follows:

In KRW millions (except for earnings per share), In USD thousands (except for earnings per share) (note 3)			
	2009	2008	2009
Sales	₩ 38,001	₩ 44,541	\$ 32,547
Cost of sales	34,361	41,756	29,429
Gross profit	3,640	2,785	3,118
Selling and administrative expenses	1,759	1,903	1,507
Operating income	1,881	882	1,611
Non-operating income	638	1,056	547
Non-operating expenses	23	9	20
Income of foods manufacturing division	2,496	1,929	2,138
Gain on disposition of the discontinued operation	3,355	-	2,873
Income taxes	1,416	531	1,213
RESULTS OF DISCONTINUED OPERATION	₩ 4,435	₩ 1,398	\$ 3,798
BASIC EARNINGS PER SHARE IN WON AND U.S. DOLLARS	₩ 152	₩ 48	\$ 0.13

Notes to Non-Consolidated Financial Statements

December 31, 2009 and 2008

In relation to the discontinued operation, net cash from operating and investing activities was ₩1,310 million and ₩1,160 million, respectively, for the nine-month period ended September 30, 2009.

The comparative income statement has been restated to show the discontinued operation separately from continuing operations.

39. Split-off

(a) The general meeting of stockholders of the Company decided to split the Krispy Kreme Doughnuts division off on November 20, 2009. In accordance with the approved decision, the Company made a split-off the Krispy Kreme Doughnuts division on December 31, 2009.

Newly established company after split-off, Lotte Krispy Kreme Doughnuts Co., Ltd. engages in manufacturing and selling doughnuts and coffee. The amount of issued capital stock is ₩2,000 million and wholly owned by the Company.

(b) Financial information of the Krispy Kreme Doughnuts division as of December 30, 2009 and December 31, 2008 is summarized as follows:

In KRW millions, In USD thousands (note 3)			
	2009	2008	2009
Assets	₩ 86,019	₩ 66,360	\$ 73,672
Liabilities	4,581	64,156	3,923

(c) Financial information of the Krispy Kreme Doughnuts division for the periods ended December 30, 2009 and December 31, 2008 is summarized as follows:

In KRW millions, In USD thousands (note 3)			
	2009	2008	2009
Sales	₩ 51,413	₩ 53,492	\$ 44,033
Operating income	2,101	4,330	1,799

40. Subsequent Events

On February 9, 2010, the Company made an agreement to acquire department and discount store division of GS Retail Co., Ltd., which included 3 department stores, 14 discount stores, employment, operation and landsite. The Company expects to get economy of scale and synergy effect through this acquisition. Aggregated amount for acquisition accounted for ₩1,340,000 million.

41. Planning and Adoption of K-IFRS (International Financing Reporting Standards)

(a) The Financial Supervisory Commission announced the roadmap for the adoption of K-IFRS in March 2007, and the Company subsequently plans to issue financial statements prepared in accordance with K-IFRS from 2011. Financial effect on financial statements according to the change in accounting standards has been analyzed by the Company, and employees related to financial reporting have been trained. Also, plans and status are reported periodically to the management. Specific time schedule and related status are summarized as follows:

Major activities	Plans	Status
Running team of analyzing the financial effect of K-IFRS	Preparation of acceptance of K-IFRS until December 2009 Analysis on conversion information of converted F/S as of January 1, 2010 and thereafter.	Built T/F team of K-IFRS in September 2008 and established K-IFRS accounting policies and procedures, along with their own detailed methodology of financial information. Additionally, performed a system analysis on the financial effects of convergence from K-GAAP into K-IFRS.
Training employees	Acquisition of professional knowledge and skills for acceptance of K-IFRS.	Trained employees.
Implementation of accounting system	Implementation of accounting systems for acceptance of K-IFRS.	Resulting from change in accounting policies in accordance with K-IFRS, improvement upon related system and process design is now ongoing.

(b) Differences between Accounting under K-IFRS and under K-GAAP Expected to Have a Material Effect on the Company

Below is a list of notable differences between the financial statements as of and for the year ended December 31, 2009 as presented and as they would have been prepared under K-IFRS. The below list is not exhaustive, as in the future other unforeseen differences may appear as a result of future changes. In addition, practical effect of some of the significant differences listed below may not be obtainable:

Area	K-IFRS	Current K-GAAP
Employee benefits	Under the Projected Unit Credit Method, the Company recognizes a defined benefit obligation calculated using an actuarial technique and a discount rate based on the present value of the projected benefit obligation.	The Company establishes an allowance for severance liability equal to the amount which would be payable if all employees left at the end of the reporting period.
Business combinations	Only the purchase method may be used, and the acquired assets and liabilities are all recorded at fair value under K-IFRS.	Either the pooling of interests method or the purchase method may be used.
Investment property	The Company recognizes property held (land or a building - or part of a building - or both) for earning rentals as Investment property.	The Company recognizes property held for earning rentals as tangible assets (property, plant and equipment).
Borrowing costs	Borrowing costs directly related to acquire, construct or manufacture qualifying assets should be included in the acquisition cost of the assets in current year.	Financial costs incurred to manufacture, purchase, construct, and develop assets should be expensed but capitalization of financial cost is allowed under the certain condition.

TO THE PRESIDENT OF
LOTTE SHOPPING CO., LTD.;

We have reviewed the accompanying Report on the Operations of Internal Accounting Control System ("IACS") of Lotte Shopping Co., Ltd. (the "Company") as of December 31, 2009. The Company's management is responsible for designing and maintaining effective IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review management's assessment and issue a report based on our review. In the accompanying report of management's assessment of IACS, the Company's management stated: "Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2009, in all material respects, in accordance with the IACS Framework issued by the Internal Accounting Control System Operation Committee."

We conducted our review in accordance with IACS Review Standards, issued by the Korean Institute of Certified Public Accountants. Those Standards require that we plan and perform the review to obtain assurance of a level less than that of an audit as to whether Report on the Operations of Internal Accounting Control System is free of material misstatement. Our review consists principally of obtaining an understanding of the Company's IACS, inquiries of company personnel about the details of the report, and tracing to related documents we considered necessary in the circumstances. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independent Accountants' Review Report on Internal Accounting Control System

English Translation of a Report Originally Issued in Korean

A company's IACS is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, however, IACS may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that the Report on the Operations of Internal Accounting Control System as of December 31, 2009 is not prepared in all material respects, in accordance with IACS Framework issued by the Internal Accounting Control System Operation Committee.

This report applies to the Company's IACS in existence as of December 31, 2009. We did not review the Company's IACS subsequent to December 31, 2009. This report has been prepared for Korean regulatory purposes, pursuant to the External Audit Law, and may not be appropriate for other purposes or for other users.



March 2, 2010

This report is annexed in relation to the audit of the non-consolidated financial statements as of December 31, 2009 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

Report on the Operations of Internal Accounting Control System

February 11, 2010

**TO THE BOARD OF DIRECTORS AND
INTERNAL AUDITOR (AUDIT COMMITTEE) OF
LOTTE SHOPPING CO., LTD.;**

I, as the Internal Accounting Control Officer ("IACO") of Lotte Shopping Co., Ltd. (the "Company"), have assessed the status of the design and operations of the Company's internal accounting control system ("IACS") for the year ended December 31, 2009.

The Company's management including IACO is responsible for the design and operations of its IACS. I, as the IACO, have assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external purposes. I, as the IACO, applied the IACS Framework for the assessment of design and operations of the IACS.

Based on the assessment of the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2009, in all material respects, in accordance with the IACS Framework issued by the Internal Accounting Control System Operation Committee.



Hyun Soo, Kim
Internal Accounting Control Officer



Chul Woo, Lee
Chief Executive Officer or President

Consolidated Income Statements

Years ended December 31, 2009 and 2007

	2009 In KRW millions	2008 In KRW millions	2007 In KRW millions
Net sales	₩16,010,344	₩12,794,775	₩11,063,229
Gross profit	₩5,222,074	₩4,054,476	₩3,481,740
SG&A expenses	₩4,073,757	₩3,043,336	₩2,610,498
Operating profit	₩1,148,312	₩1,011,140	₩871,241
Non-operating profit	₩430,651	₩406,881	₩337,318
Interest income	60,244	65,193	78,481
Dividend income	2,364	20,909	1,941
Gain on valuation using the equity method	171,020	71,532	39,934
Gain on foreign currency transactions	9,412	819	4,910
Gain on foreign currency translation	111,557	50,907	1
Gain on disposal of property, plant and equipment	3,937	48,887	397
Reversal of allowance for doubtful accounts	1,117	27	14
Gain on prior period error correction	-	-	-
Others	71,000	148,607	211,640
Non-operating expenses	₩386,405	₩341,304	₩93,763
Interest expense	100,241	35,700	38,121
Loss on valuation using the equity method	45,663	69,837	20,643
Loss on foreign currency transactions	18,180	849	162
Loss on foreign currency translation	29,929	190,382	5
Loss on disposal of trade accounts receivable	-	-	-
Loss on disposal of property, plant and equipment	5,818	13,911	646
Donations	17,095	8,284	15,611
Loss on prior period error correction	-	-	-
Additional income tax for prior periods	-	-	-
Others	169,479	22,341	18,575
Ordinary income	₩1,192,563	₩1,076,716	₩1,114,796
Net profit	₩765,850	₩786,177	₩753,833

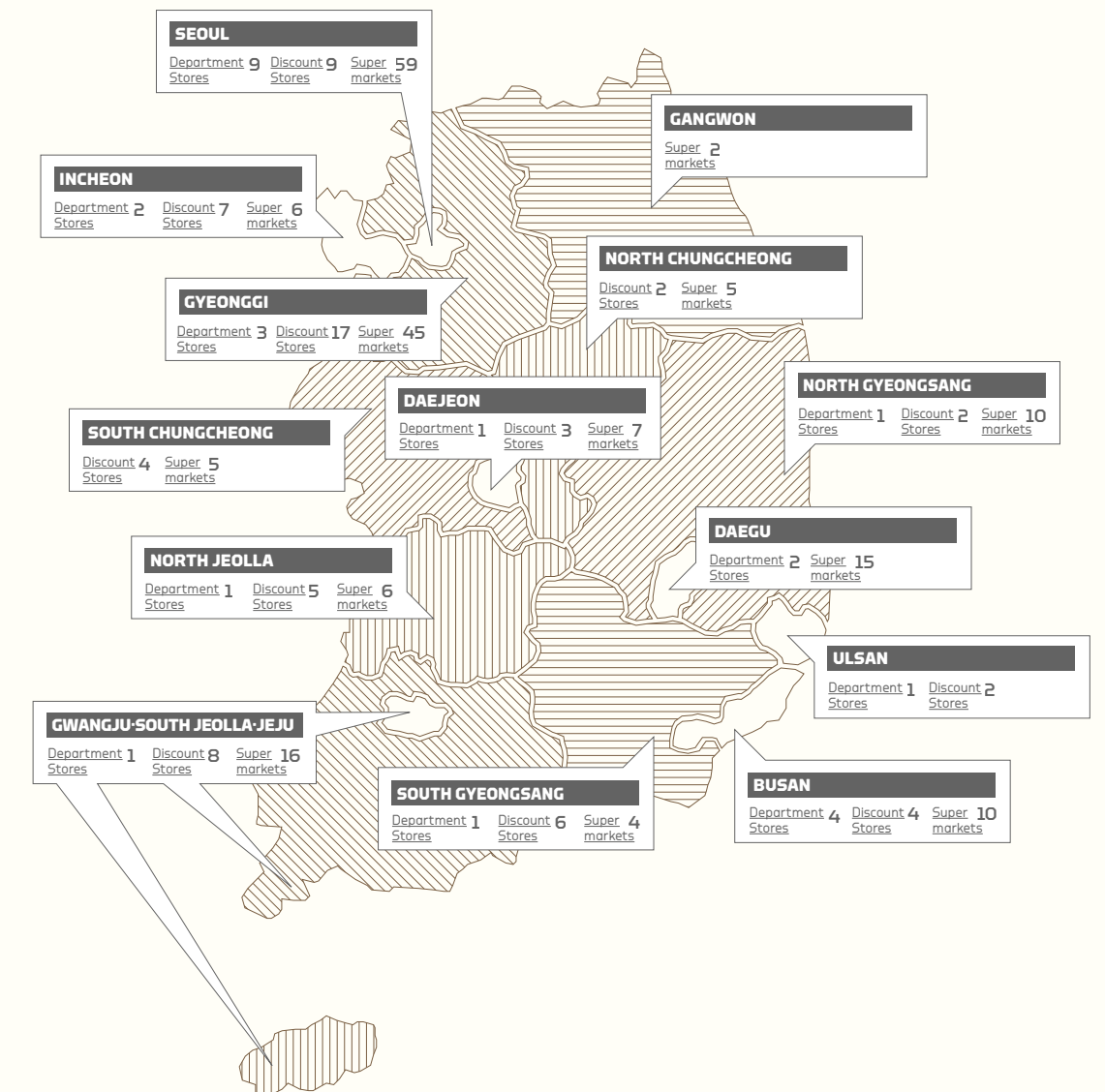
Store Network

As of December 2009

Department Stores*	26
Discount Stores	69
Supermarkets	190
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* Includes three stores managed under contract.



Milestones

1979~2009

Leading Korean retail into a global future

At Lotte Shopping, we've been winning the hearts of Korean shoppers with top global brands, unique shopping experiences, and unrivaled service since 1979. Over the past three decades, we've expanded our operations from department stores into virtually every segment of retail with discount, supermarket, specialty, and home shopping channels. As we continue to expand these channels across Korea, we are now accelerating our advance into the global marketplace as we begin the next phase in our strategy to become one of the world's favorite retailers.

November 1979

Lotte Shopping Co., Ltd. is founded

December 1979

Opened first Lotte department store

June 1996

Launched LotteShopping.com

April 1998

Opened first Lotte Mart

January 2000

Spun off LotteShopping.com to create Lotte.com

May 2001

Opened first Lotte Super

October 2002

Acquired Nowon department store from Midopa

November 2003

Opened first Lotte Young Plaza

December 2003

Spun off credit card business to subsidiary Lotte Card

March 2004

Acquired 25 supermarkets from Hanhwa Super

March 2005

Opened Avenuel

February 2006

Listed on London and Korean stock exchanges

August 2006

Acquired majority stake in Woori Home Shopping

September 2007

Opened first overseas department store in Moscow

December 2007

Entered Chinese discount store market with acquisition of Makro

August 2008

Opened second overseas department store in Beijing

October 2008

Entered Indonesian discount store market with acquisition of Makro

Opened first Lotte Outlets in Gwangju

December 2008

Opened first Lotte Premium Outlets in Gimhae

Opened first discount store in Vietnam

September 2009

Acquired 7-Eleven (Korea Seven)

October 2009

Acquired Chinese discount store chain TIMES

Lotte Group

As of December 2009

Becoming one of Asia's top 10 global corporations

The Lotte Group was established when Chairman Shin Kyuk-Ho founded Lotte Confectionery in 1967. Over the last 40 years it has grown into one of Korea's five largest conglomerates, expanding its business scope to fields including food, retail, tourism, chemicals, construction, machinery, finance, information and technology, and services. The Lotte Group has also been active around the world by exploring overseas markets, especially in Asia, and is working hard in every field to realize its goal of becoming one of Asia's top 10 global corporations by 2018.

LOTTE GROUP

RETAIL

Lotte.com
Lotte Logistics
Lotte Midopa
Lotte Trading
Lotte Shopping
Lotte Asahi Liquor
Lotte Station Building
Cinema Trading
FRL Korea
Woori Home Shopping
Korea Seven

FOOD & BEVERAGE

Daesun Distilling
Lotteria
Lotte Boulangerie
Lotte Samkang
Lotte Confectionery
Lotte Pharmaceutical
Lotte Chilsung Beverage
Lotte Fresh Delica
Wellga
Food Star

TOURISM

Lotte Moolsan
Lotte JTB
Busan Lotte Hotel
Hotel Lotte

CHEMICALS

KP Chemical
KP Chemtech
Korea Fuji Film
Honam Petrochemical
Daesan MMA
Cheongna Energy
Seetec

OTHER SECTORS

Daehong Communications
Lotte Engineering & Construction
Lotte Insurance
Lotte Aluminium
Lotte Asset Development Company
Lotte Giants
Lotte Data Communication
Lotte Card
Canon Korea Business Solutions
Lotte Capital

With unbridled enthusiasm and joy, and a greater satisfaction and sense of adventure,
we are creating a better tomorrow through sustainable growth.
For a beautiful, more affluent life Lotte Shopping is always striving to do more.

higher, bigger, better

and **more...** ir.lotteshopping.com



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