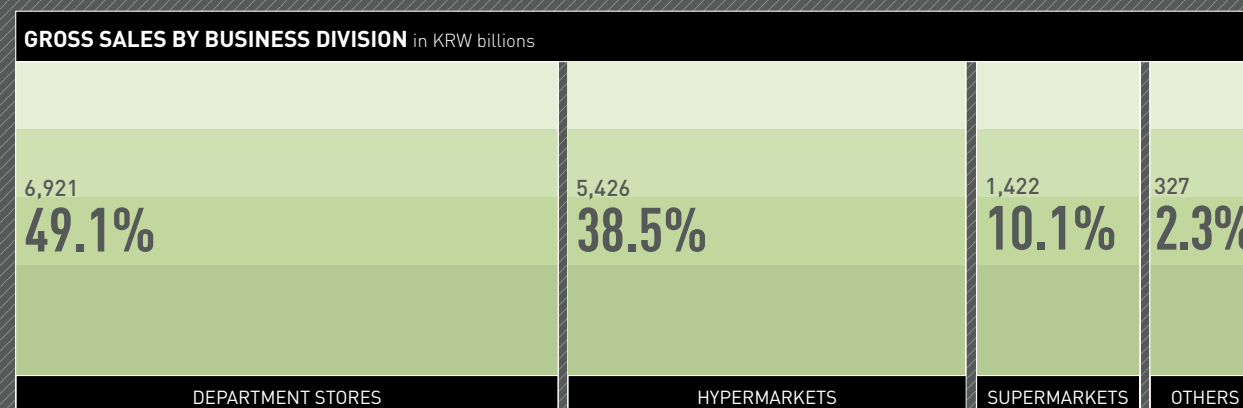
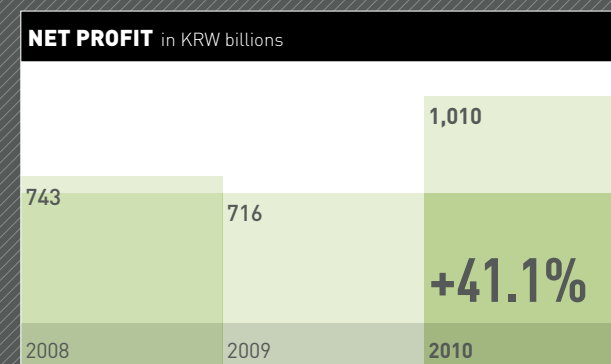
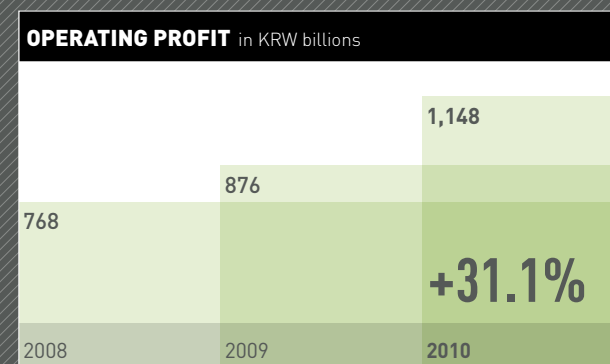
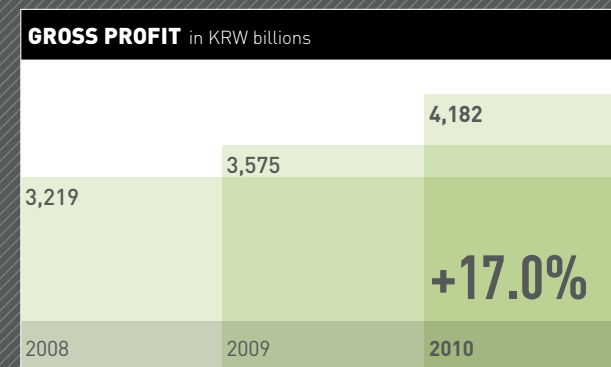
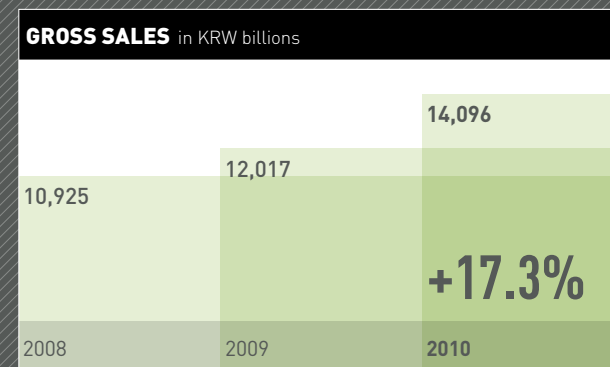


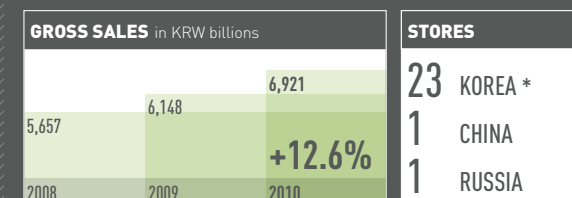
2010  
ANNUAL REPORT

Embracing people,  
businesses,  
markets,  
and partners,  
our vision  
and strategy are  
focused on  
one simple goal...

## KEY OPERATING RESULTS

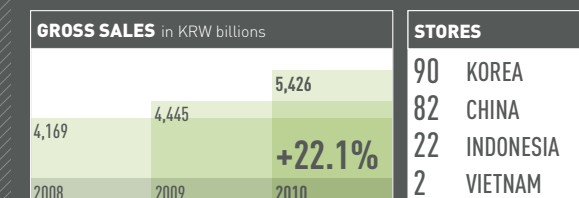


## BUSINESS OVERVIEW

**LOTTE DEPARTMENT STORE**

Opened in 1979, Korea's No. 1 department store chain operates 23 stores nationwide as well as stores in Moscow and Beijing. It also operates a growing range of destination retail formats, including Lotte Premium Outlets, Lotte Outlets, Lotte Esiapolis Mall, and Gimpo Sky Park.

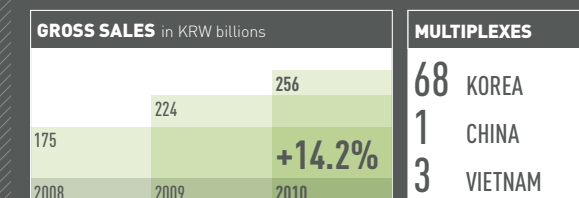
\* Excluding six stores managed under contact

**LOTTE MART**

Opened in 1998, Korea's No. 3 hypermarket chain operates 90 stores nationwide and 106 stores overseas, including 82 in China, 22 in Indonesia, and 2 in Vietnam. It also operates 10 full-size Toys "R" Us toy stores across Korea.

**LOTTE SUPER**

Opened in 2001, Korea's No. 1 supermarket chain operates 277 stores nationwide. Franchises accounted for 19 of the 87 stores opened in 2010, a trend that is expected to accelerate in the coming years.

**LOTTE CINEMA**

Opened in 1999, Korea's No. 2 cinema multiplex chain operates 492 screens at 68 multiplexes nationwide. In addition to investing in film production and distribution, it also operates three multiplexes in Vietnam and one in China.

**LOTTE CARD**

Operating as a full-service credit card company since 2002, Korea's No. 5 card issuer delivers a unique package of benefits from Lotte Shopping and Lotte Group affiliates to over 10 million customers across the nation.

**LOTTE HOME SHOPPING**

On-air since 2001, this leading Korean home shopping network pushes the limits to technology to deliver unique shopping experiences via TV, Internet, and catalog. It also co-owns Lucky Pai in China.

**LOTTE.COM**

Online since 1996, this leading Korean e-tailer has over 11 million registered customers, 1 million monthly orders, and 800,000 daily visits. Its LECS platform offers a powerful, proven e-commerce solution that delivers results.

## KOREA SEVEN

Operating since 1989, this leading Korean convenience store franchiser has over 4,800 stores nationwide, including 3,145 7-Eleven locations and 1,655 Buy The Way locations.

| CONDENSED NON-CONSOLIDATED FINANCIAL POSITION STATEMENTS |               |               |               |
|--|---------------|---------------|---------------|
| in KRW billions  |               |               |               |
|  | 2010          | 2009          | 2008          |
| <b>ASSETS</b>  | <b>21,222</b> | <b>18,658</b> | <b>13,323</b> |
| Current assets   | 2,599         | 2,033         | 1,943         |
| Non-current assets                                       | 18,623        | 16,625        | 11,380        |
| <b>LIABILITIES</b>                                       | <b>8,096</b>  | <b>6,327</b>  | <b>4,478</b>  |
| Current liabilities                                      | 5,027         | 3,288         | 3,149         |
| Long-term liabilities                                    | 3,069         | 3,039         | 1,329         |
| <b>SHAREHOLDERS' EQUITY</b>                              | <b>13,126</b> | <b>12,332</b> | <b>8,831</b>  |
| Capital stock  | 145           | 145           | 145           |
| Capital surplus  | 4,651         | 4,651         | 4,651         |
| Capital adjustments                                      | {33}          | {16}          | {16}          |
| Accumulated other comprehensive income                   | 2,704         | 2,867         | 46            |
| Retained earnings  | 5,659         | 4,685         | 4,005         |

| CONDENSED NON-CONSOLIDATED INCOME STATEMENTS |               |               |               |
|--|---------------|---------------|---------------|
| in KRW billions                              |               |               |               |
|  | 2010          | 2009          | 2008          |
| <b>GROSS SALES*</b>                          | <b>14,096</b> | <b>12,017</b> | <b>10,925</b> |
| <b>NET SALES</b>                             | <b>13,517</b> | <b>11,535</b> | <b>10,509</b> |
| <b>GROSS PROFIT</b>                          | <b>4,182</b>  | <b>3,575</b>  | <b>3,219</b>  |
| <b>SG&amp;A EXPENSES</b>                     | <b>3,034</b>  | <b>2,699</b>  | <b>2,451</b>  |
| <b>OPERATING PROFIT</b>                      | <b>1,148</b>  | <b>876</b>    | <b>768</b>    |
| <b>NON-OPERATING PROFIT</b>                  | <b>618</b>    | <b>383</b>    | <b>522</b>    |
| <b>NON-OPERATING EXPENSES</b>                | <b>440</b>    | <b>320</b>    | <b>365</b>    |
| <b>PROFIT BEFORE TAX</b>                     | <b>1,327</b>  | <b>940</b>    | <b>925</b>    |
| <b>NET PROFIT</b>                            | <b>1,010</b>  | <b>716</b>    | <b>743</b>    |

\* 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.

↓ LOTTE SHOPPING 2010



Prospering  
Together

The face of humanity is  
incredibly diverse. And

while we may look, speak,  
and even think different,

ZHANG LI

Consumer  
China

RONY  
YACOV

Consumer  
Russia



we all dream of a more  
prosperous life.



RIA  
IRAWAN

Consumer  
Indonesia

At Lotte, we're  
embracing this  
diversity as we work  
together around the  
globe in pursuit of  
greater prosperity  
for all.

# Prosperity grows it's global.

**Our growth  
potential is as vast as  
our markets.**

At Lotte, we're part of a dynamic, thriving neighborhood. It's home to some of the world's fastest-growing economies. The VRIC nations—Vietnam, Russia, Indonesia, and China—represent a total market of over 1.8 billion consumers. And our goal is to satisfy as many of them as possible.

**10.1%**  
RUSSIA  
2011 RETAIL  
GROWTH

**12.2%**  
CHINA  
2011 RETAIL  
GROWTH

**10.8%**  
VIETNAM  
2011 RETAIL  
GROWTH

**6.4%**  
INDONESIA  
2011 RETAIL  
GROWTH

## when

\*Source: Euromonitor & JETRO



We're an  
emerging player  
in global retail.

At Lotte, overseas markets accounted  
for 10% of our sales in 2010.

In May, Forbes ranked us Asia's top retailer.  
Then in September,  
SAM and Dow Jones Indexes  
named us the retail supersector leader  
for the 2010-2011 Dow Jones Sustainability Index.  
And we're only getting started.

No.1

WORLD'S  
TOP RETAILER  
2010/2011 DJSI

No.1

ASIA'S  
TOP RETAILER  
2010 Forbes Global 2000



We're a  
growing household  
name in Asia.

At Lotte, our regional growth strategy is powered by strategic acquisitions. Over the past four years, we've built a 106-store hypermarket network through the acquisition of Makro in China and Indonesia and Times in China. And we're well on our way to becoming a household name in Asia. And beyond.

106

2010 OVERSEAS  
HYPERMARKET  
LOCATIONS

17.3%

2010 OVERSEAS  
HYPERMARKET  
SALES GROWTH



# Our global face is refreshingly local.

At Lotte, we know from experience that locals know local markets best. That's why we've put together talented local management teams across Asia that share our passion for excellence and service. And how we deliver our unique brand of world-class shopping with a warm local touch.

NGUYEN THI THUY

Employee  
Lotte Mart  
Vietnam



YELENA ZHUKOVA

Employee  
Lotte Plaza  
Russia

# 24,245

## OVERSEAS EMPLOYEES

LICHUAN YIN

Employee  
Intime Lotte  
China





HAM  
TRAN

Employee  
Lotte Mart  
Vietnam

LARISA  
SADILOVA

Employee  
Lotte Plaza  
Russia

SERGEI  
IVANOV

Employee  
Lotte Plaza  
Russia

TRUONG THI  
DIEP

Employee  
Lotte Cinema  
Vietnam



# Prosperity grows it's diversified.

In the retail business, a "one size fits all" strategy doesn't fit.

Today's consumers have an incredibly diverse range of needs, desires, and lifestyles.

There's simply no way for any single retail format to satisfy them all.

That's why at Lotte, we have a dynamic multi-platform, multi-channel strategy that spans  
the full spectrum of retail, enabling us to meet and satisfy customers in more places and ways.

GROWING  
EXPERIENCES

GROWING  
SYNERGY

GROWING  
STYLE

when





At Lotte,  
we're creating  
unique environments  
and experiences  
that make shopping  
even more convenient  
and enjoyable.

### Growing Experiences

"One-stop shopping" has long been the mantra of retail. Today, we're delivering that and more both online and offline through our growing portfolio of retail businesses and formats as our destination retail strategy takes the concept to the next level. We're breaking new ground in 2011 with Lotte Esiapolis Mall, a new shopping center format that will include non-retail businesses such as a childcare center, fitness center, bank, and cinema multiplex. And before the year's out, we'll be opening Sky Park, a massive suburban-style shopping mall that will literally bring all Lotte retail, dining, and entertainment businesses under a single roof.

### OUR BUSINESS PORTFOLIO

We have by far the most extensive business portfolio in the Korean retail industry, covering every major retail sector.





## ONLINE SALES GROWTH

While still just a fraction of overall sales, online sales by our brick-and-mortar businesses are experiencing rapid, sustained growth.

### HYPER MARKETS

2010 Online  
Sales Growth

+138.9%

### DEPARTMENT STORES

2010 Online  
Sales Growth

+54%

+575.7%

### SUPER MARKETS

2010 Online  
Sales Growth

2010

LOTTE SHOPPING  
ANNUAL REPORT

CHANNEL DIVERSIFICATION

21

At Lotte,  
we're bridging  
the gap between  
the online and offline  
worlds to make  
shopping  
even smarter.

### Growing Synergy

Online shopping is the fastest-growing segment of Korean retail. Today, all of our retail businesses are online, generating greater sales and synergy with innovative new services. Our Smart Pick service takes orders online at Lotte.com for pick-up at any Lotte Department Store location. Our Pop-Up Studio store-in-store format showcases selected Lotte Home Shopping merchandise at Lotte Marts. Our Smart Lotte smartphone app provides convenient access to a wide variety of Lotte Card and Lotte Members services. And soon, our upcoming premium online mall will put exclusive merchandise from top domestic and international brands at our customers' fingertips.



At Lotte,  
we're expanding  
the way we source  
to make life  
even more  
stylish.

### Growing Style

Sourcing and merchandising are the heart of retail. Today, we're leveraging our expertise in both these areas to bring the best the world has to offer to our customers. We pride ourselves on attracting the world's top brands to our stores. We have exclusives with popular specialty retailers of private-label apparel such as Uniqlo of Japan and Zara of Spain. We are creating world-class private brands like Tasse Tasse women's casual wear and Herrbon men's wear. We are also acquiring up-and-coming brands like Nice Claup casual wear. And we continue to expand our fashion lineup to ensure both we and our customers never go out of style.

### OUR FASHION BUSINESSES

We're leveraging our three decades of retail expertise to attract, develop, and acquire fashion brands with flair.



BUSINESS  
OVERVIEW

We're bringing  
more value  
to life  
in Korea, Asia,  
and beyond.

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45 KOREA SEVEN





## “WE’RE SHOWING THE RETAIL INDUSTRY HOW TO PROSPER TOGETHER.”

### DEAR LOTTE SHOPPING SHAREHOLDERS,

In 2010, we demonstrated once again our prowess in retail as we took a step closer to becoming one of the world’s top retailers. Backed by the ongoing addition of new stores, active diversification of our businesses, and efficient marketing, we became Korea’s first retailer to surpass the KRW 1 trillion operating profit milestone, a remarkable accomplishment.

At home in Korea, we continued to expand our department store, hypermarket, supermarket, and cinema multiplex businesses. We completed the successful acquisition of GS Square department stores and GS Mart hypermarkets. Abroad, we added new hypermarkets in China, Indonesia, and Vietnam as we continued to expand our global operations base. Affiliates Lotte Card, Lotte Home Shopping, and Korea Seven all generated remarkable growth in profitability. We also marked our second consecutive year as a component of the Dow Jones Sustainability World Index and our first as the retail supersector leader as we emerged as the top Asian retailer on the *Forbes* Global 2000.

### 2010: THE YEAR IN REVIEW

#### Outstanding results and growing global operations

Despite instability in the political and economic spheres around the globe, we continued to aggressively push forward with store expansion and business diversification as we maintained our solid growth momentum and recorded our best operating performance to date. Gross sales rose 17.3% to reach KRW 14.1 trillion backed by strong growth in all our businesses. Operating profit rose 31.1% to KRW 1.1 trillion. Net profit before taxes was up 41.2% to KRW 1.3 trillion, and net profit rose 41.1% to KRW 1.0 trillion.

Our flagship department store business continued to deliver solid growth in 2010, led by strong performances in fashion, food, and home electronics. In addition to the newly renovated Cheongnyangni store, we opened the Aqua Mall annex to our Gwangbok store in Busan as well as our first Lotte Outlets in Daegu. We also acquired three GS Square department stores as well as Nice Claup Fashion, bolstering our competitiveness in the fashion business. Our overseas stores in Moscow and Beijing both continued to generate strong sales growth, backed by ongoing merchandise refreshes and strong marketing.



## CEO MESSAGE

**No. 1**  
RETAIL SUPERSECTOR  
LEADER  
2010/2011 DJSI

Our commitment to sustainability was once again recognized in 2010 as we were named a component of the Dow Jones Sustainability Indexes for a second consecutive year and the retail supersector leader for the first.

Our hypermarket business opened seven new stores in Korea in 2010 and added 14 more with the acquisition of GS Mart, expanding our domestic chain to 90 locations. We continued to see strong growth in both sales and operating profit thanks to our “value innovative product” initiative, the addition of premium private brands, and cost savings from improvements in distribution. Overseas, we opened three stores in both China and Indonesia and one store in Vietnam, expanding our overseas hypermarket network to 106 locations as revenues continued to steadily grow. We also set up an integrated purchasing department for our four Chinese subsidiaries, enabling us to improve our local and overseas sourcing capabilities.

Our supermarket business solidified its position at the top of the market as efficient store operations and growing online sales volumes kept sales growing. Our cinema multiplex business added 14 locations, bringing our total to 68 multiplexes nationwide. We also continued to steadily grow our entertainment business, investing in or distributing a total of 24 films during year. Last, but not least, we opened five Toys “R” Us stores during the year, significantly boosting sales as we expanded the chain to 10 locations.

In 2010, we continued to aggressively diversify our business portfolio, acquiring the Buy The Way convenience store chain in Korea and the Lucky Pai home shopping network in China. With the acquisition of Buy The Way, affiliate Korea Seven now has a total of 4,800 locations and a solid platform from which to vie for industry leadership. Likewise, the acquisition of Lucky Pai with its broadcast networks in Shanghai, Chongqing, and four other cities marks Lotte Home Shopping’s full-scale advance into the Chinese marketplace.

Beyond our outstanding operational performance, we were also named both a regional and world component of the respected Dow Jones Sustainability Indexes for a second consecutive year. This year’s inclusion also ranked us the retail supersector leader, a great honor for both us and the entire Korean retail industry that confirms that our commitment to sustainability is solidly on track to create greater value for all our stakeholders.

### 2011: THE YEAR AHEAD

#### Becoming a global top-10 retailer

The Korean economy is forecast to slow in 2011 due to rising oil and consumer prices and other domestic and international uncertainties. But as we begin a new decade, we are united to overcome the challenges ahead to generate both quantitative and qualitative growth. We will secure new growth drivers in each of our four core

**108**  
OVERSEAS STORE  
NETWORK

Focusing on China, Russia, Vietnam, and Indonesia, we increased our overseas store network to 108 stores in 2010 as we took a step closer to our vision of becoming one of the world’s top-10 retailers.

businesses—department stores, hypermarkets, supermarkets, and cinema multiplexes—as we continue to strengthen our overseas operations with a focus on China, Vietnam, and Indonesia.

In the department store business, we will open Lotte Premium Outlets in Paju and Sky Park shopping mall in Gimpo at home as we prepare to open our third overseas department store in Tianjin, China. In the hypermarket business, we plan to open nine stores in Korea, 15 in China, four in Indonesia, and one in Vietnam as we continue to step up our strategic marketing with new “value innovative products” and premium private brands. In the supermarket business we will continue to enhance the operating efficiency of existing stores as we expand our franchising, e-Super online, and Lotte Market 999 price-point retail operations. We will also continue the conversation with small and medium merchants to create an environment for mutual growth.

At Lotte Shopping, we have a vision of being one of the world’s top-10 retailers by 2018. To achieve this, we will continue to grow, boldly innovate, and efficiently manage our resources. We will also expand our commitment to sustainability in ways that are befitting our status and role as a leading global retailer.

Today with a renewed vision of becoming a globally-respected leader in sustainability, we are focusing on increasing our capacity for mutual growth as we cultivate “beautiful relationships” with all our stakeholders. Our goal is not merely to enhance the quality of life for our customers, grow with our partners, and create a great place to work for our employees, but to together ponder and resolve the social and environmental issues that confront us today.

Thank you again for your interest in Lotte Shopping. We deeply value your support and invite you to join us as we take aim beyond being Korea’s top retailer to becoming one of the world’s best *and* beyond being a good company to being a great one respected around the world as we prosper together.



**Lee Chul-woo**  
Chief Executive Officer

## “WE’RE COMMITTED TO RESPONSIBLE, TRANSPARENT MANAGEMENT.”

The Lotte Shopping board is composed of 11 directors, six of whom are outside directors. At the 2011 shareholders’ meeting held on March 18, 2011, outside director Im Jong-in, dean of the Graduate School of Information Management & Security at Korea University, was replaced by Ye Jong-suk, dean of the Global Graduate School of Business at Hanyang University. The board currently operates two committees. The Audit Committee is composed of three outside directors and met six times in 2010. The Outside Director Nominating Committee is composed of two directors, one inside and one outside, and met twice in 2010. The board met a total of 14 times in 2010.



**KIM SE-HO, PH.D.**  
Outside Director  
Advisor, Bae, Kim & Lee LLC



**LEE CHUL-WOO, PH.D.**  
CEO, Lotte Shopping



**JWA SUNG-HEE, PH.D.**  
Outside Director  
President, Gyeonggi Research Institute



**HOWARD RHEE, PH.D.**  
Outside Director  
Outside Director, Korea Exchange



**KIM SE-HUN, PH.D.**  
Outside Director  
Honorary President, Korea  
Institute of Information  
Security & Cryptology



**YE JONG-SUK, PH.D.**  
Outside Director  
Dean, Global Graduate School of  
Business, Hanyang University



**SHIN KYUK-HO**  
General Chairman, Lotte Group



**SHIN DONG-BIN**  
Chairman, Lotte Group



**LEE IN-WON**  
Vice Chairman, Lotte Group



**SHIN YOUNG-JA**  
President, Lotte Shopping

**PARK KYUNG-BUM**  
Outside Director  
Executive Advisor, Korea Metal Can  
Resources Association



## 2010 AT A GLANCE

We're delivering  
a world of value and  
innovation  
at home  
and abroad.

1

### JANUARY

#### BUY THE WAY ACQUISITION

Our Korea Seven affiliate acquires a 100% stake in Korea's No. 4 convenience store chain with 1,472 stores. Korea Seven ends the year with a total of 4,800 convenience stores.

2

### FEBRUARY

#### GS SQUARE & GS MART ACQUISITION

We acquire a 100% stake in GS Square department stores and GS Mart hypermarkets, adding three department stores and 14 hypermarkets to our domestic networks.

4

### APRIL

## FORBES GLOBAL 2000 RANKING

We rank 22nd in retail and 632nd overall on the *Forbes* Global 2000, making us the highest ranked Asian retailer on the list for the first time.



#### VALUE INNOVATIVE PRODUCT INITIATIVE

We launch our "value innovative product" initiative with a focus on delivering superior prices, quality, and satisfaction with unique items not seen at other hypermarkets.

7

### JULY

#### SECOND VIETNAM LOTTE MART OPENING

We open our second hypermarket in District 11 of Ho Chi Minh City. The five-floor, 12,000 sqm Phu Tho Lotte Mart is also our 99th overseas store.



8

### AUGUST

#### 100TH OVERSEAS LOTTE MART OPENING

We open our 100th overseas store in Gandaria City, Indonesia. This store is also meaningful because it is our 20th store and first greenfield investment in this market. We also add two more greenfield stores before the end of the year.

#### DOMESTIC DEPARTMENT STORES & OUTLET OPENINGS

We open our first Lotte Outlet in the Yulha area of Daegu, an expansion of our Gwangbok store in Busan, and the renovated Cheongnyangni store in Seoul.

#### LUCKY PAI ACQUISITION

We acquire a 63.22% stake in Lucky Pai—one of China's top-five home shopping networks—in conjunction with other Lotte retail affiliates.

9

### SEPTEMBER

# DJSI

#### DOW JONES SUSTAINABILITY INDEX RANKING

We are named both a regional and world component of the Dow Jones Sustainability Indexes for a second consecutive year. We are also ranked the world retail supersector leader for the first time.



11

### NOVEMBER

#### NICE CLAUP ACQUISITION

We acquire a 99.4% stake in this Japanese casual wear brand from Tokyo-based PAL. Nice Claup now operates as an independent division.



The year 2010 was another strong year for our flagship department store business as gross sales in Korea grew a robust 12.6% to surpass KRW 6.9 trillion. Operating profit jumped 17.4% to KRW 795 billion as we continued to deliver a premium shopping experience with the world’s best brands. We also launched a new push into the fashion industry with the acquisition of Japanese casual wear label Nice Claup Fashion.

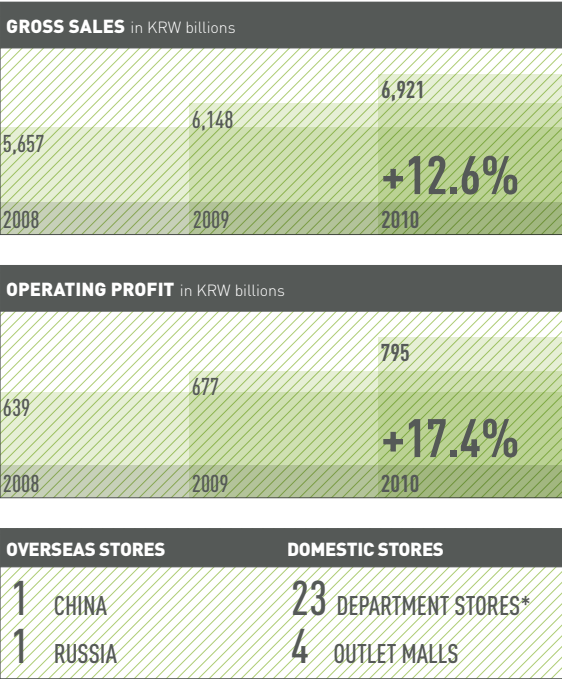
BUSINESS DIVISIONS

The Korean department store sector is increasingly mature, with the top three chains controlling 80.2% of the market. The sector continued to enjoy robust growth in 2010 as sales rose 13.4%, a growth rate second only to convenience stores in the brick-and-mortar retail field. We marked our 31st anniversary with solid same-store sales growth of 7.8%, led by strong double-digit gains in luxury goods, food, children’s wear, sports and leisure, and trendy wear.

One of the primary keys to our growing success is our Global Fashion division. Launched in 2005 to enhance our competitiveness in this strategic retail category, the division focuses on identifying and signing international brands with solid prospects in the Korean marketplace as well as supervising the development and acquisition of our own world-class private brands such as Tasse Tasse women’s casual wear and Herrbon men’s wear. In February 2011, we added Comtoir des Cotonniers French women’s wear to our impressive portfolio of global brands that includes Gerard Darel women’s wear, J.Press men’s wear, Mezzo Piano children’s wear, and Furla premium leather goods.

In addition to our proven department store format, we have been actively developing new retail formats to cater to the changing needs of today’s consumers as we diversify and expand our business portfolio. Our Avenuel luxury specialty store in downtown Seoul targets the ultra-high-end luxury market, a segment that is remarkably resilient through economic ups and downs. Our three Lotte Young Plaza fashion specialty stores in Seoul, Cheongju, and Daegu cater to fashion-conscious teens and twenty-somethings, enabling us to introduce ourselves to this increasingly important and profitable demographic. Our outlet mall business now has four stores in Gwangju (2), Gimhae, and Daegu, with additional locations in Paju and Daegu scheduled to open in 2011. The latter outlet mall will be called Lotte Esiapolis Mall, a new format that brings together shopping, leisure, and entertainment. We also plan to open Gimpo Sky Park at Gimpo International Airport in Seoul, our first shopping mall to host a full lineup of Lotte retail and entertainment businesses, including a department store, hypermarket, cinema multiplex, and numerous specialty stores under a single roof to create a compelling shopping and leisure destination for millions in southwest Seoul and surrounding communities.

Overseas, our high-end retail strategy currently focuses on China, Russia, Vietnam, and Indonesia. With our Moscow and Beijing stores well established and moving steadily toward profitability, we are now readying the second wave of our global retail advance as we take aim at becoming one of the world’s top-10 retailers. In Russia, where the retail market is expected to grow an average of 10% annually over the next five years, we are evaluating possible locations for future stores in Moscow and St. Petersburg. In China, where the retail market is expected to expand around 13% annually over the next five years and the department store sector is growing 15% annually, we are preparing to open our second Chinese store in Tianjin in 2011 as we make plans for future stores in other major cities nationwide. We are also preparing to open our first Vietnam store in Hanoi in 2013.



\* Excluding six stores managed under contract

1

KOREA’S FAVORITE PLACE TO SHOP

44%

We are Korea’s undisputed leader in high-end retail with 44% of the market. In addition to our 23 department stores, three Lotte Young Plaza fashion specialty stores, and Avenuel ultra-high-end department store, we continue to roll out new destination retail mall formats including Lotte Premium Outlets, Lotte Outlets, Lotte Esiapolis Mall, and Gimpo Sky Park.



2

GROWING THROUGH ACQUISITIONS

We acquired the three department stores of the GS Square chain in February 2010, bringing our department store network to 29 locations nationwide, including six stores managed under contract. We now have more locations than our next two competitors combined, giving us superior buying power and market reach with over 21 million Lotte Membership cardholders.

3

REACHING A GLOBAL AUDIENCE

Lotte Plaza in Moscow and Intime Lotte Department Store in Beijing continued to enjoy solid sales growth in 2010 as they completed their respective third and second full years in operation. We are now on track to open our second store in China in 2011, with additional stores scheduled to follow in Russia, China, Vietnam, and Indonesia over the next few years.





The year 2010 was a very good year for our hypermarket business. Gross sales in Korea grew a strong 22.1% to surpass KRW 5.4 trillion as we broke new ground in merchandising with our “value innovative product” initiative and acquired GS Mart, growing our domestic hypermarket chain by 21 stores to 90 in the process. Operating profit soared nearly 87% to KRW 313 billion as our lean management initiative and distribution centers continued to improve efficiency and margins.

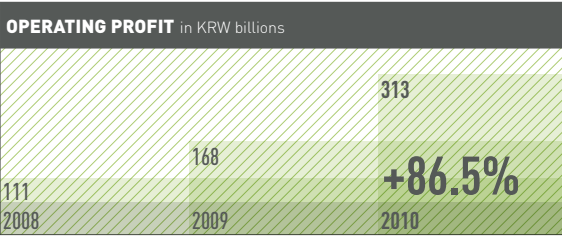
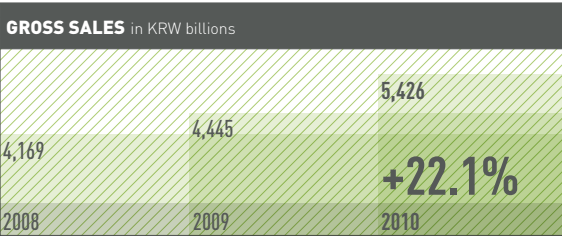
BUSINESS DIVISIONS

While overall growth is beginning to slow, the Korean hypermarket sector continued to enjoy solid growth in 2010, rising 7.6% to KRW 33.7 trillion. We marked our 12th year in the sector with same-store sales growth of 4.7% with strong double-digit increases in private brand apparel, women’s and children’s wear, and fruit. We added 21 stores during the year, bringing our nationwide network to 90 locations. Of the 21 new locations, 14 were a result of our strategic takeover of GS Mart in February.

We also continued to aggressively expand our overseas hypermarket business launched in China in 2008, boosting our store network from 99 to 106 locations as we added seven stores across Asia, including three each in China and Indonesia, and one in Vietnam. In August, we opened our 100th overseas store in Gandaria City, Indonesia. Also our 20th Indonesian location, this store marks a shift in our local retail strategy from a warehouse-style wholesale format to a retail format similar to our Korean stores. We plan to pick up the pace of expansion again in 2011, adding 13 stores in China, four in Indonesia, and one in Vietnam to boost our overseas network to 124 locations.

As we were adding stores across Asia in 2010, we also launched a number of groundbreaking initiatives and programs in our home market as we continued to upgrade our merchandising and streamline operations. While our competition pursued a price-cutting strategy, we focused on delivering “value innovative products”, premium private brand products, and using direct sourcing to reduce costs and improve quality. In April, we launched our “value innovative product” initiative to deliver superior prices, quality, and satisfaction with unique items like quality king oranges from California, tire sales and installation, quality-selected oriental melons, healthy blueberries, and unbelievable “Tongkeun” deals on fried chicken and Korean beef. We also continued to expand our lean management initiative during the year, focusing on the elimination of waste and inefficiency in all processes and instilling a mindset of continuous improvement across our organization. To date, we have rolled out the initiative at a total of 59 stores, generating savings of KRW 20.9 billion in 2010 alone.

We continued to enjoy success with new retail formats in 2010. We doubled the size of our Toys “R” Us chain from 5 to 10 full-size stores in 2010, recording our first operating profit as sales grew over 41%. We plan to open three new stores in 2011 as we continue to leverage the global Toys “R” Us sourcing network, develop private brand products, and add non-toy product offerings to expand our appeal to a broader audience. We also expanded our Digital Park store-in-store home electronics shop format to five more Lotte Mart locations in 2010 after a successful launch in November 2009. Digital Park shops have between double and quadruple the floor space of our standard home electronics sections and roughly double the SKUs, generating 140% higher annual sales on average.



1  
106 OVERSEAS STORES

Our future is clearly global. Just two short years after making our international debut in the Chinese hypermarket sector in 2008, our overseas network has surpassed our Korean network, increasingly making the Lotte brand a household name in China, Indonesia, and Vietnam.



Phu Tho Store, Ho Chi Minh City

2  
GOING LEAN

In the ultra-competitive hypermarket business, small gains in efficiency can translate into significant gains in profitability. Our ongoing lean management initiatives and facilities like our state-of-the-art distribution centers in Osan and Gimhae give us a powerful competitive advantage that directly improves the bottom line.

3  
REBRANDING SUCCESS

In 2010, we simplified and refocused our private brand strategy to strengthen the connection with the Lotte name. Private brands accounted for 23% of gross sales during the year, and our new “value innovative product” strategy will play a key role in helping us boost that figure to 30% in the near future.



The year 2010 was a year of growth and expansion at Lotte Super. Our gross sales rose 36.6% to surpass KRW 1.4 trillion as we grew our domestic store network by 87 stores to 277. Our growing private brand lineup was another success story for the year, rising from 17% of sales to 22.1% as we continued to expand our growing selection of quality products.

BUSINESS DIVISIONS

The Korean supermarket sector generated slow but steady growth in 2010 as sales rose from 4.2% to 4.8%. We marked our 9th year in the supermarket business by further solidifying our position as the leader in both gross sales and stores. We opened a total of 87 stores during the year to bring our total to 277 nationwide, including our first 19 franchise stores.

Korea’s supermarket sector is highly fragmented, with small mom-and-pop stores accounting for roughly three-quarters of sales. While the hypermarket sector has clearly impacted the supermarket sector, Koreans still prefer to do their grocery shopping locally. The supermarket format allows us to offer the convenience of a neighborhood market with a superior selection of fresh produce, meat, poultry, and fish as well as packaged foods, daily necessities, and household products at reasonable prices.

Our merchandising strategy focuses on delivering more freshness, quality private brands, and convenient online shopping. We are expanding local sourcing of produce to reduce logistics costs, improve freshness, and benefit regional growers. We grew private brand sales from 17% to 22% of gross sales in 2010 by delivering superior quality and merchandise selections tailored to the needs of each local community. Our online supermarket also continued to win over customers with convenient ordering and same-day delivery, rising from 0.2% to 1.0% of total sales for the year.

We put a lot of effort into delivering exclusive fresh farm produce at reasonable prices to our customers. One of the secrets behind our success in this area is that we operate our own farms, allowing us to oversee every aspect of the food production business from planting and cultivation to direct-to-store delivery for superior quality and freshness. We also continue to expand direct and local sourcing of farm produce, partnering with local growers and agricultural co-operatives to reduce costs and improve freshness as well as increase demand through seasonal themed promotions.

The landscape of the Korean supermarket industry has changed significantly with the recent passage of legislation designed to protect small and mid-size retailers by limiting the ability of major retailers to expand in the “super supermarket” segment covering stores with between 1,000 and

3,000 sqm of floorspace. In response, we have updated our expansion strategy to focus primarily on franchising in areas where development is restricted and continuing direct investment in new communities and redevelopment areas where it is not. We expect 70 of the 100 stores we have planned for 2011 to be franchise stores, marking a significant new phase in our expansion strategy as we partner with small and mid-size merchants for mutual growth.

| GROSS SALES in KRW billions |       |       |        |
|-----------------------------|-------|-------|--------|
|                             |       | 1,422 |        |
| 782                         | 1,042 |       | +36.6% |
| 2008                        | 2009  | 2010  |        |

| OPERATING PROFIT in KRW billions |      |      |       |
|----------------------------------|------|------|-------|
|                                  |      | 25   |       |
| 16                               | 23   |      | +8.1% |
| 2008                             | 2009 | 2010 |       |

| DOMESTIC STORES |     |     |  |
|-----------------|-----|-----|--|
| 2008            | 110 |     |  |
| 2009            | 190 |     |  |
| 2010            | 277 | +87 |  |

1

DELIVERING CONVENIENCE

We opened our first supermarket in 2001 to bring modern, one-stop shopping convenience to local neighborhoods across Korea. In addition to phone ordering, we offer convenient online shopping with free, same-day delivery of all orders of over KRW 10,000.

2

FRANCHISING GROWTH

40%

Despite a challenging competitive and regulatory environment, we were able to steadily grow our market share to 40%. In response to legislation passed in 2009 and 2010, our expansion focus is now on franchising. We opened 19 franchise stores in 2010, and we expect that number to reach 70 in 2011 as we continue to expand our network to reach even more consumers across Korea.



Lotte MySuper Jamsil Store

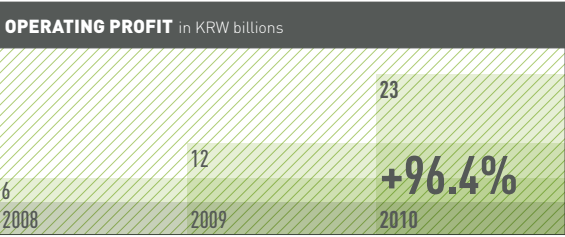
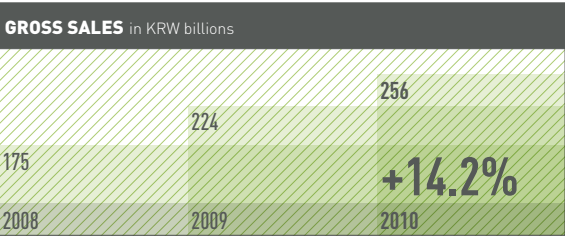
3

ONLINE MOMENTUM

Our online supermarket business saw significant growth in 2010. Our refrigerated fresh food delivery service continues to set us apart from other online malls. We also extended our sales channels to phone orders and expanded our online affiliate network. In 2011, we will be implementing a real-time inventory and price info system as we steadily expand marketing channels to grow our online business.



In 2010, theater attendance at Korea’s 2,003 screens continued its slow-but-steady decline, sliding just over 5% to 146.8 million. Lotte Cinema bucked this downward trend by growing tickets sales at owned and operated multiplexes by 1.5% to nearly 26.3 million as it posted a strong 14.2% increase in gross sales. The company also invested in or distributed a total of 24 films during the year, 15 of which were locally made.



| MULTIPLEXES |         | SCREENS |         |
|-------------|---------|---------|---------|
| 68          | KOREA   | 492     | KOREA   |
| 1           | CHINA   | 6       | CHINA   |
| 3           | VIETNAM | 12      | VIETNAM |

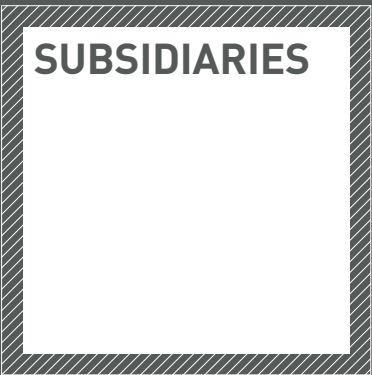
BUSINESS DIVISIONS

Lotte Cinema opened its first multiplex in 1999 with the goal of tapping into the synergy between entertainment and shopping. Today, with more than 10 multiplexes located near a Lotte Department Store or Lotte Mart, the company is No. 2 in multiplexes with 68, No. 2 in screens with 492, No. 2 in seats with 25.2% of the market, and No. 2 in ticket sales with 17.9% of the market.

The Korean movie industry has seen a gradual but steady decline in attendance since peaking at 167 million in 2006. While blockbusters such as *Avatar* provided a temporary box-office boost in 2009, the long-term trend is clear as the Internet, home theaters, and other technology advances give today’s consumers a growing range of entertainment options.

Lotte Cinema believes that delivering a unique cinema experience with award-winning service is the key to long-term growth and profitability. In addition to one-of-a-kind facilities like the Charlotte deluxe cinema, Live City cinema with a concert stage, and Arte art house theater, Lotte Cinema multiplexes feature the most advanced 2D and 3D digital cinema systems as well as a host of services that make moviegoing a more enjoyable and unforgettable experience. This commitment to excellence propelled Lotte Cinema to the top of the multiplex category on the 2010 Korean Customer Satisfaction Index (KCSI) survey conducted by the Korea Management Association (KMA).

Lotte Cinema is also branching out into the wider international cinema exhibition and distribution marketplace to realize its vision of becoming one of Asia’s leading entertainment companies. Since entering the Vietnamese market in 2008, the company has opened 3 multiplexes with 12 screens across Vietnam. The company also opened its first multiplex in China in December 2010 in Shenyang, embarking on a major expansion strategy in one of the world’s fastest growing markets. Overall, the company invested in or distributed 24 films in Korea through its Lotte Entertainment subsidiary in 2010, 15 of which were local films. The company is also positioning itself to be the largest distributor of Korean films in Vietnam as it aims to thrill and entertain consumers in markets across Asia.

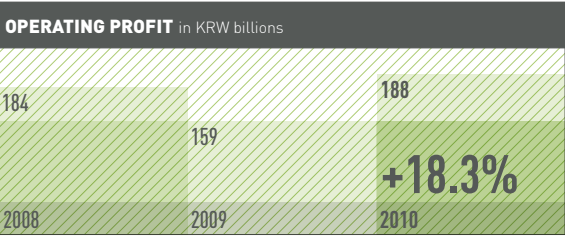
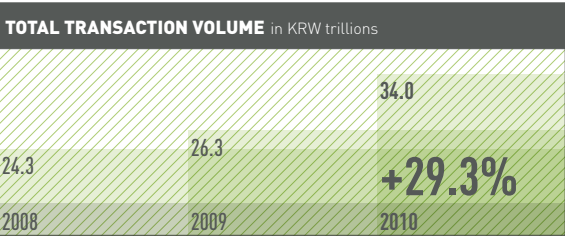


We’re collaborating  
to create  
greater synergy  
across the entire  
retail spectrum.





In 2010, credit card transactions in Korea rose 13.2% to a record KRW 456 trillion. Lotte Card rose from 7th to 5th place in the industry as it improved its market share from 6.5% to 7.4%. The company also continued to maintain the industry’s lowest average cost of borrowing—4.9%—as well as the lowest over-30-day delinquency ratio of 1.42%. Lotte Shopping currently holds a 92.5% stake in this affiliate.



| DELINQUENCY RATIO |       | CARDHOLDERS |            |
|-------------------|-------|-------------|------------|
| 2008              | 1.88% | 2008        | 7,362,000  |
| 2009              | 1.37% | 2009        | 8,700,000  |
| 2010              | 1.42% | 2010        | 10,010,000 |

SUBSIDIARIES

Lotte Card began its transformation from a department store card issuer to a full-service credit card company in 2002 with the acquisition of a controlling interest in Tongyang Card. Today, it is the Lotte Group’s consumer credit specialist, serving a combined total of over 10 million Mastercard, Visa, American Express, and JCB cardholders across Korea.

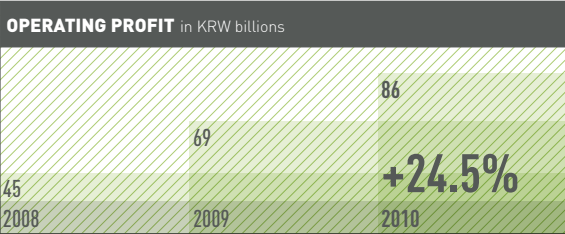
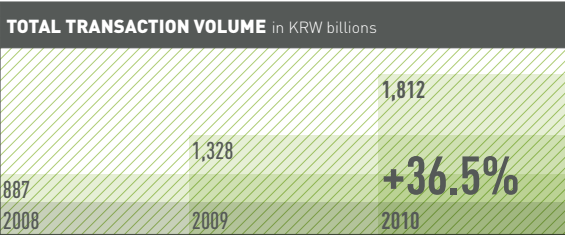
The Korean credit card industry is now going through a period of transformation. Korean banks with credit card operations are now spinning off those operations. Aggressive marketing is the norm, and the competition for position has reignited in earnest. The industry also faces an increasingly strict regulatory environment with higher cash loan risk management standards, on-site crackdowns on illegal marketing activities, and pressure to lower commission fees for small and medium-size merchants. At the same time, there are numerous opportunities for growth. Credit cards are increasingly becoming the payment method of choice. This, as well as increasing demand for cash advances, is substantially expanding the potential target audience and revenue base for card issuers.

Lotte Card is rising to meet the above challenges by strengthening its core competencies in branding, services, and market channel infrastructure as it focuses on serving premium markets, expanding its merchant network, and developing new businesses. The company’s popular and growing family of DC (abbreviation of “discount”) cards offers attractive discounts at Lotte affiliates. The company’s region-specific affinity cards have also been a hit, offering consumers additional savings at businesses in their own local and regional communities.

In May 2010, the company unveiled a redesign of its credit cards by Italian design great Alessandro Mendini. Created to complement the new marketing slogan “Redesign your card life,” the seven new card designs convey a fresh visual identity that symbolizes the company’s renewed commitment to delivering unique benefits and services to its customers as it heads for 11 million cardholders.



In 2010, Korea’s non-store retail segment—comprised of TV, Internet, and catalog shopping—grew 22.1% to a record KRW 7.8 trillion. Lotte Home Shopping improved its market share from 20.8% to 23.3%. The company also accelerated its advance into overseas markets with the acquisition of Chinese home shopping leader Lucky Pai in August. Lotte Shopping currently holds a 53% stake in this affiliate.

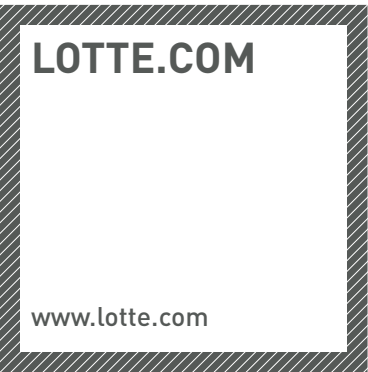


Lotte Home Shopping first went on-air back in May 2001. Operating under its current name as a Lotte retail affiliate since May 2007, the company’s businesses include Lotte TV Home Shopping, Lotte t-mall IPTV shopping, Lotte i-mall Internet shopping, Lotte m-mall mobile shopping, and Lotte Catalogue. In 2010, the company’s total transaction volume rose over 36% to a record KRW 1.8 trillion, once again significantly outperforming the market and its peers.

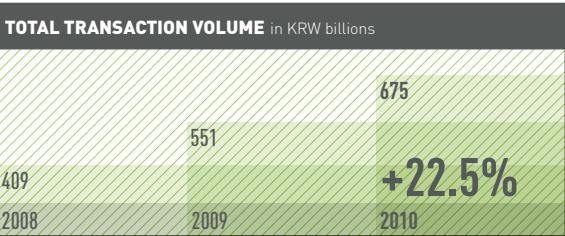
Known for pushing the limits of technology, Lotte Home Shopping has a reputation for being first to reach consumers in new and innovative ways. It launched the industry’s first m-commerce service in 2006 and t-commerce service in 2007. It began a streaming IPTV service in 2008. Today, it is focusing on refining its message in the social media, shifting away from hard-sell promotion to storytelling marketing to expand customer touchpoints.

The convergence of online and offline retail is giving online new momentum. Both TV and Internet shopping operations generated remarkable growth in 2010, rising 36.5% and 45.8%, respectively. The company is pursuing a wide range of initiatives to maintain and accelerate this growth. Collaboration with other Lotte retail businesses is a key part of the company’s synergistic growth strategy, enhancing both merchandising and buying power. Proactive customer service is another key strategy for satisfaction that the company has invested significantly in.

While non-store retail growth in Korea is still strong, the sector is also intensely competitive. Lotte Home Shopping is now leveraging its experience and expertise to bring greater value to consumers in neighboring Asian markets. The company’s first overseas advance was in Taiwan, where it partnered with the Fubon Group to set up Momo Home Shopping in 2005. Most recently, the company purchased a 63.22% stake in Lucky Pai—one of China’s top-five home shopping networks—paving the way for a rapid entrance into a very promising channel in this fast-growing marketplace. The company continues to evaluate opportunities in markets like Vietnam, Japan, and Indonesia where it can take advantage of cross-channel retail synergy with other Lotte Shopping affiliates that are already operating in those markets.



In 2010, Korea’s online marketplace grew 22.5% to KRW 15.1 trillion as shoppers continued to rapidly embrace shopping on the Internet. Lotte.com’s transaction volume performance perfectly tracked the industry, rising 22.5% during the year. One of the company’s key growth drivers was its burgeoning LECS e-commerce platform, which welcomed Polham casual wear brand in June. Lotte Shopping currently holds a 34.4% stake in this affiliate.



SUBSIDIARIES

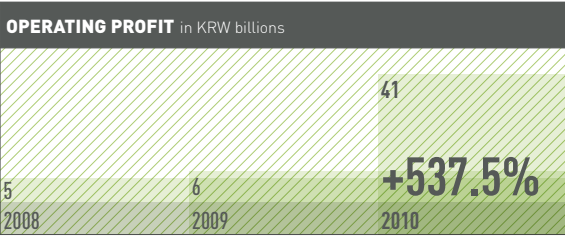
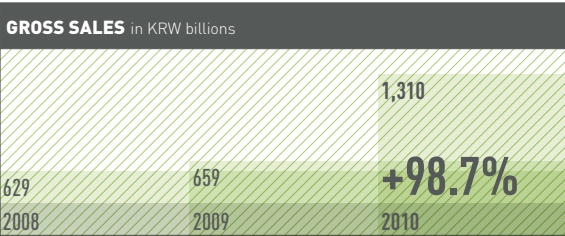
Lotte.com pioneered Korea’s e-commerce revolution back in 1996 when it became the nation’s first online shopping mall. Today, it is one of the largest general e-tailers in Korea, boasting over 11 million registered customers, 1 million monthly orders, and 800,000 daily visits. The company also operates online sites such as Lotte Internet Duty Free Shop, Lotte Town, Lotte Shopping.com, and many others.

Service, selection, and convenience are even more important when the competition is just a click away. Lotte.com offers a unique shopping experience that is the culmination of Lotte’s vast merchandising and e-commerce expertise, providing convenient one-stop access to the full spectrum of merchandise and services offered by Lotte retail affiliates. Ranked the top online shopping mall since 2008 on the Korea After Service Satisfaction Index (KASSI), the company was again recognized in 2010 with top honors in the Internet/home shopping and customer service categories at the 15th annual Korea Distribution Awards hosted by the Korea Chamber of Commerce, *Maeil Economic Daily*, and Korea’s Ministry of Knowledge Economy.

One of the key innovations that has spurred growth in the past couple years is Lotte.com E-Commerce Services (LECS). The LECS platform provides a turnkey e-commerce solution encompassing the online store, online marketing, order processing, delivery, and customer support for companies looking to enter Korea’s lucrative-but-competitive online marketplace. Launched in 2009, LECS’s first success story was the Korean site for leading Japanese casual wear brand Uniqlo. In its first four months of business, the site handled transactions of KRW 6 billion, playing a key role in propelling Lotte.com’s transaction volume market share from 5th to 3rd in 2009. In 2010, Korean casual wear brand Polham launched its online store on LECS, and Muji and Nike did the same in the first quarter of 2011.



The Korean convenience store industry has enjoyed consistent growth in recent years, with sales rising 7.3% to reach KRW 15.6 trillion in 2010. Gross sales at Korea Seven nearly doubled to KRW 1.3 trillion and operating profit soared 537% to KRW 41 billion as the company significantly expanded its nationwide store network with the acquisition of Buy The Way. Lotte Shopping currently holds a 51.4% stake in this affiliate.



Founded in 1989, Korea Seven operates one of Korea’s largest convenience store chains with 4,800 stores nationwide at the end of 2010. The company increased its market share from 16.6% to 26.4% during the year, strengthening its position as the No. 3 industry player with the strategic acquisition of the industry No. 4 player Buy The Way. The company closed the year with 3,145 7-Eleven locations and 1,655 Buy The Way locations.

One thing that sets Korea Seven apart from its competitors is its retail pedigree. On the Lotte side, it benefits from the accumulated retail know-how of Lotte retail affiliates. On the 7-Eleven side, it benefits from being a partner with the world’s largest operator, franchisor, and licensor of convenience stores with more than 40,000 outlets in 18 countries.

While Korea Seven stores are similar to western convenience stores in format and selection of food and daily necessities, they also offer a wide range of services that help them truly live up to their “convenience” store name. These services include public utility bill payment, ATM cash withdrawals, government document issuance, mobile phone charging, pre-paid card recharging, DVD rental, and even package delivery services through a logistics partner.

The format of each Korea Seven store—bakery, fast food, or mini supermarket—is determined by the type of location. In residential areas, stores operate as mini supermarkets, featuring fresh foods and family-size packaging that can’t be found in standard convenience stores. In commercial areas, stores have a bakery section with a microwave oven for warming food. In institute areas, stores offer fast food such as hot sandwiches, chicken, and pizza. Beyond convenience, these customer-centric store formats help better differentiate Korea Seven from the competition. In the future, the company plans to move beyond food to partner with other Lotte Group affiliates in the fields of finance and entertainment to bring customers an even greater selection of products and services.

Korea Seven plans to continue to aggressively expand in the coming years. Plans call for the addition of over 1,000 stores annually for the foreseeable future as the company solidifies its industry leadership and brings even greater convenience to consumers.



# Prosperity grows it's shared.

At Lotte Shopping, we are thinking about much more than the financial bottom line as we emerge as a global retailer. Wherever we do business, we are working to be a responsible member of the local community as we strive to become one of the world's most respected companies. Our inclusion on the Dow Jones Sustainability Index for a second consecutive year and the retail supersector leader for the first in 2010 is an indicator that we are on the right track to a sustainable future.

## GROWING RELATION- SHIPS

Community

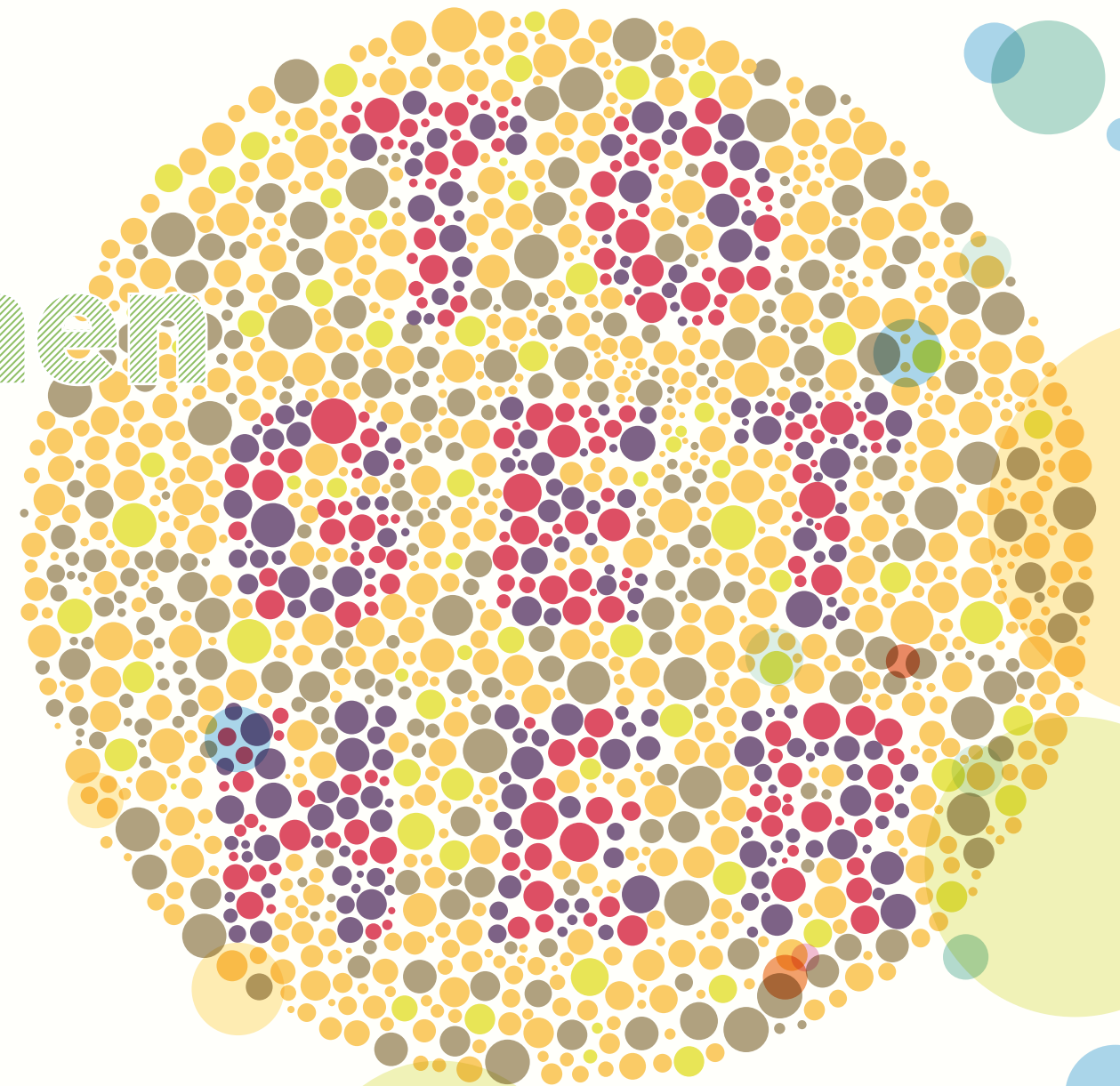
## GROWING STEWARD- SHIPS

Environment

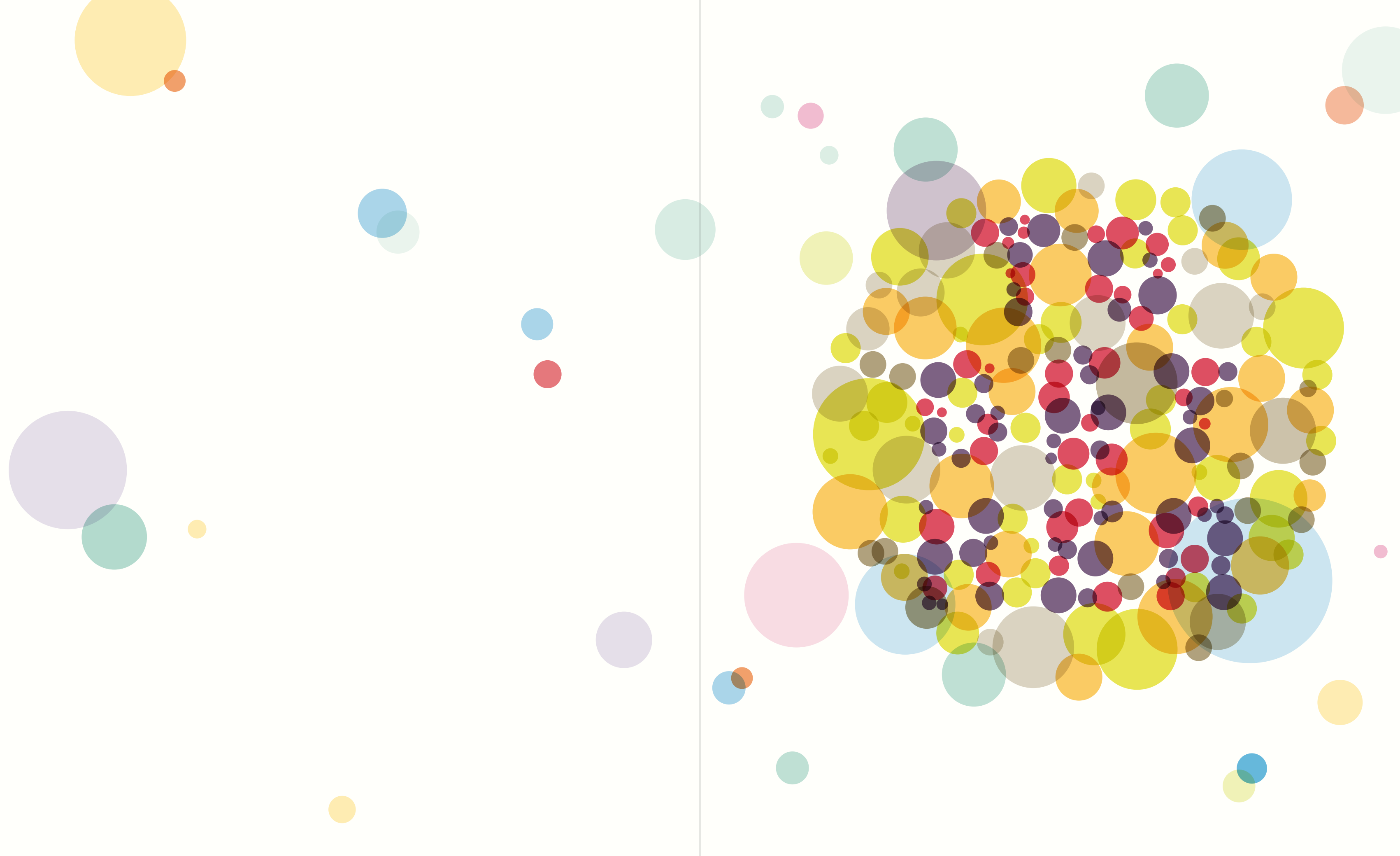
## GROWING PARTNER- SHIPS

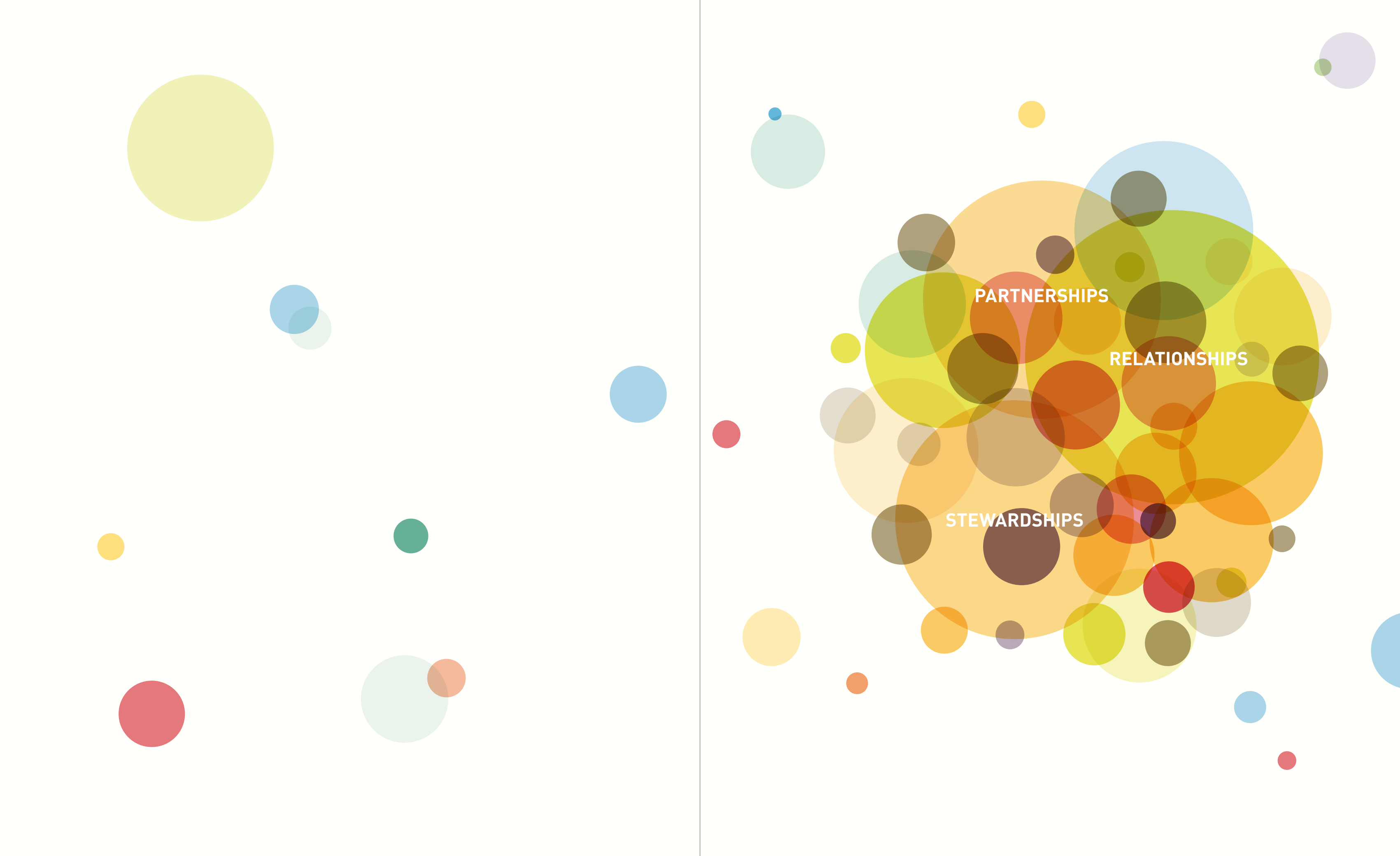
Partners

# when









PARTNERSHIPS

RELATIONSHIPS

STEWARDSHIPS



#### HUMAN NETWORK MENTORING PROGRAM

In May 2010, we joined the Human Network Council to help make a difference in the lives of underprivileged children in Korea. Operated by Korea's Ministry of Health & Welfare, the Human Network matches up successful individuals with low-income children and teens in one-to-one mentor-mentee relationships. In addition to tutoring in school subjects, the arts, and sports, mentors provide emotional support and guidance in person as well as via email and phone. Over 100 of our employees are now involved in mentoring through the program.

#### PARENTHOOD PROMOTION AWARD

In September 2010, we were honored with the President's Award at the inaugural "Giving Birth, Wonderful World" exhibition. Hosted by Korea's Ministry of Health & Welfare, the award recognized our active efforts to promote parenthood and implement family-friendly work policies to create a social environment conducive to child raising.

#### SEOUL ARTS CENTER KIDS' LOUNGE PROJECT

In December 2010, we joined hands with Seoul Arts Center to open the Lotte Department Store Kids' Lounge at the center's Opera House. The lounge provides a safe and secure environment for parents to leave their young children while they enjoy a concert. This partnership is the first between a private company and a public arts center in Korea to provide services that promote parenthood as well as theater and concert attendance.

## GROWING

At Lotte, we have a special place in our hearts for children. We are actively involved in a wide range of programs to mentor and support the most vulnerable members of the next generation. We are also deeply involved in creating a family-friendly

## RELATIONSHIPS

workplace and social environment that will make it a little easier for couples to make the decision to have an additional child or two as we do our part to help reverse the population decline Korea faces in the decades ahead.

#### MENTORING EXCELLENCE AWARD

In November 2010, we were honored with the Award of Excellence at the second annual Human Awards in recognition of the active child mentoring efforts of both our management and employees at home and abroad. Sponsored by Korea's Ministry of Health & Welfare, the Human Awards honor organizations, groups, and individuals who play an outstanding role in fostering a culture of sharing during the year.

#### BIG FAMILY DAY AT LOTTE WORLD

In December 2010, we invited families of employees and the general public with three or more children to join us for a day of fun at the Lotte World theme park in Seoul. Some 700 people enjoyed the second annual event, which included a concert, free time to enjoy the rides, a lucky draw, and various competitions.

#### OVERSEAS CHILD SPONSORSHIP PROGRAM

In 2009, we launched a child sponsorship program that gives employees the opportunity to "adopt" children of underprivileged families in Vietnam, Cambodia, and India and provide financial support to help them live normal lives. As of the end of 2010, approximately 600 of our employees were participating in the program, giving needy children in those countries a chance for a better life.



#### MEET THE CEO CONFERENCES

While we believe our business partner support program is one of the best in the business, there's always room for improvement. Each year, we organize bi-annual conferences with the CEO to give our business partners an opportunity to directly share their concerns and feedback on how we can improve our win-win relationship. These meetings have played a valuable role in enhancing partner evaluation, communications, information sharing, brand building, and profitability.



## GROWING

At Lotte, we believe in building strong win-win partnerships with our business partners. We operate financial assistance programs to help them build and expand their businesses. We enhance their profitability and cash flow by reimbursing them for their

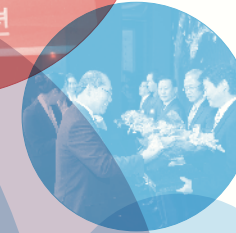


#### BRINGING NEW BRANDS TO MARKET

Many new fashion brands have excellent design, but lack the sales and distribution expertise to effectively break into the market. We are always on the lookout for promising new brands like these to showcase in our own multi-brand shops. The result is a win-win partnership where new fashion brands get valuable exposure and merchandising experience.

## PARTNERSHIPS

interior investment when our renovations impact their business and paying invoices earlier. We listen closely to their concerns and adopt their ideas. And we identify and help bring promising new brands to market.



#### EXPANDING PARTNER SUPPORT

We offer our small and medium partners a number of financial assistance programs. We have created a KRW 100 billion fund that offers zero interest loans for an initial period of three months, extendable up to three times for a total period of one year. For partners with less than KRW 100 billion in annual sales, we offer an up to 2.0% interest rate discount on loans. We are also planning to create a KRW 20 billion product development fund that will provide partners with advances to cover the costs of raw materials and production.

#### ENHANCING PARTNER PROFITABILITY

We are dedicated to enhancing the profitability of our business partners. In February 2010, we announced a new policy that covers up to 100% of interior costs for shop relocations required by renewal projects. In our smaller department store locations, we support up to 50% of shop interior costs for top-selling brands and multi-brand shops as well as offering a sliding margin system that gives brands an incentive to stay in these locations with lower sales volumes. We have also moved the payment date for direct purchases from the 20th of the following month to the 10th to improve partner cash flow.



#### ISO 14001 RECERTIFICATION

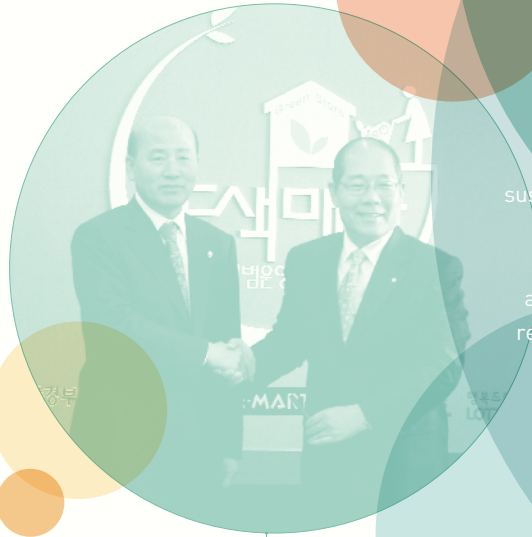
In May 2010, our nationwide department store chain successfully completed its ISO 14001 recertification review. The chain's environmental management system was originally certified in 2006.



## GROWING

At Lotte, we recognize that a sustainable future begins with being a good steward of the present.

We are actively involved in a wide range of programs to make retail a more eco-friendly business and help raise awareness of environmental issues.



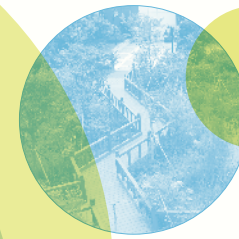
#### "GREEN STORE" PILOT PROJECT PARTICIPANT

In 2010, Korea's Ministry of Environment designated 11 department and discount store locations across Korea as participants in its Green Store pilot program to make retail product lineups and store facilities more eco-friendly. Two of our department stores and three of our hypermarkets are now participating in the project, which includes the installation of energy-saving facilities such as high-efficiency LED lighting and solar power systems as well as the promotion of eco-friendly products.



## STEWARDSHIPS

Our goal is not only to reduce our own environmental footprint, but also to help today's consumers and tomorrow's make lifestyle choices that will help make the future a cleaner, greener place to live for us all.



#### LOW CARBON GREEN GROWTH AWARD

In November 2010, our ongoing efforts to promote awareness of environmental issues and the importance of green lifestyles were publically recognized with the Prime Minister's Award in the "Green Lifestyle Practices" category at the 2010 Low Carbon Green Growth Expo hosted by Korea's Ministry of Environment and GreenStart Network.

#### PROMOTING ENVIRONMENTAL AWARENESS

Over the years, we have run a number of campaigns and initiatives to help make local communities cleaner, greener places to live. We support the protection of endangered bird species. We teach the importance of preserving and conserving the environment to the next generation through our Children's Environment School. We reduce waste by encouraging shoppers to bring their own bags and adopting cardboard food packaging. We also became Korea's first retailer to join Korea's Ministry of Environment's "One Customer, One Green Pledge" program in 2009, encouraging customers to commit themselves to living greener lifestyles.



We're committed  
to delivering  
sustainable value  
for our  
shareholders.

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INDEPENDENT AUDITORS' REPORT  
MARCH 2, 2011



Based on a report originally issued in Korean

THE BOARD OF DIRECTORS AND STOCKHOLDERS  
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, 2010 and 2009, 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, 2010 and 2009 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, 2010 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 stockholders' 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 review such 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 in Korean accounting principles and audit standards and their application in practice.

As discussed in note 34 to the non-consolidated financial statements, the Company changed its accounting estimates for the useful lives of property, plant and equipment in the current year. As a result of this change in accounting estimates, the Company's depreciation expense under the new useful lives was ₩108,213 million lower than it would have been under the previous useful lives for the year ended December 31, 2010, and the Company's unappropriated retained earnings increased by ₩82,026 million as of December 31, 2010.

*KPMG Samjong Accounting Corp.*

KPMG Samjong Accounting Corp.  
Seoul, Korea

This report is effective as of March 2, 2011, 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.

FINANCIAL STATEMENTS

| NON-CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  |                 |                 |                           |
|--|-----------------|-----------------|---------------------------|
| AS OF DECEMBER 31, 2010 AND DECEMBER 31, 2009  |                 |                 |                           |
|  | 2010            | 2009            | 2010                      |
|  | In KRW millions | In KRW millions | In USD thousands (note 3) |
| ASSETS   |                 |                 |                           |
| Current assets:  |                 |                 |                           |
| Cash and cash equivalents (notes 10 and 14)  | ₩ 625,709       | ₩ 434,547       | \$ 549,398                |
| Short-term deposits (notes 4 and 13)   | 69,436          | 87,032          | 60,967                    |
| Trade accounts receivable, net of allowance for doubtful accounts of ₩3,448 million in 2010 and ₩2,652 million in 2009 (note 9)                          | 319,424         | 239,779         | 280,467                   |
| Other accounts receivable, net of allowance for doubtful accounts of ₩3,244 million in 2010 and ₩2,883 million in 2009 (notes 9 and 14)                  | 99,607          | 82,535          | 87,459                    |
| Advance payments, net of allowance for doubtful accounts of ₩1,982 million in 2010 and ₩1,852 million in 2009  | 33,457          | 20,534          | 29,377                    |
| Inventories (notes 5 and 10)   | 1,244,128       | 1,101,309       | 1,092,394                 |
| Derivative assets (note 21)  | 126,755         | -               | 111,296                   |
| Deferred income tax assets, net (note 28)  | 28,359          | 19,378          | 24,900                    |
| Other current assets (notes 7 and 14)  | 52,284          | 47,884          | 45,908                    |
| Total current assets   | ₩ 2,599,159     | ₩ 2,032,998     | \$ 2,282,166              |
| Non-current assets:  |                 |                 |                           |
| Available-for-sale securities (notes 6 and 13)   | ₩ 223,068       | ₩ 191,210       | \$ 195,862                |
| Equity method investment securities (notes 6, 8 and 9)   | 4,869,933       | 3,975,317       | 4,275,997                 |
| Derivative assets (notes 6 and 21)   | 43,001          | 116,667         | 37,756                    |
| Other investment assets (notes 4, 12, 13 and 14)   | 71,911          | 58,999          | 63,142                    |
| Property, plant and equipment, net of accumulated depreciation of ₩2,472,635 million in 2010 and ₩2,265,918 million in 2009 (notes 8, 10, 13, 34 and 39) | 11,629,659      | 11,129,377      | 10,211,308                |
| Intangible assets, net of amortization (notes 11 and 39)   | 450,219         | 134,503         | 395,310                   |
| Long-term prepaid expenses   | 337,871         | 262,667         | 296,665                   |
| Long-term advance payments (note 31)   | 102,072         | 76,148          | 89,623                    |
| Guarantee deposits (note 18)   | 895,278         | 680,470         | 786,091                   |
| Total non-current assets   | ₩ 18,623,012    | ₩ 16,625,358    | \$ 16,351,754             |
| TOTAL ASSETS   | ₩ 21,222,171    | ₩ 18,658,356    | \$ 18,633,920             |
|  |                 |                 | Continued                 |

FINANCIAL STATEMENTS

| NON-CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  |  |                 |                           |
|--|--|-----------------|---------------------------|
| AS OF DECEMBER 31, 2010 AND DECEMBER 31, 2009  |  |                 |                           |
|  | 2010   | 2009            | 2010                      |
|  | In KRW millions  | In KRW millions | In USD thousands (note 3) |
| LIABILITIES AND STOCKHOLDERS' EQUITY   |  |                 |                           |
| Current liabilities:   |  |                 |                           |
| Trade accounts payable (notes 9 and 14)  | ₩ 2,039,956  | ₩ 1,799,560     | \$ 1,791,163              |
| Short-term borrowings (notes 16 and 31)  | 510,363  | 21,759          | 448,119                   |
| Current portion of debentures, net of discount of ₩2,298 million in 2010 and ₩95 million in 2009 (notes 14, 17 and 21) | 972,305  | 126,187         | 853,723                   |
| Other accounts payable (notes 9 and 14)  | 511,238  | 475,802         | 448,888                   |
| Advances from customers  | 37,673   | 29,543          | 33,078                    |
| Accrued expenses   | 197,331  | 261,334         | 173,265                   |
| Accrual for gift certificates  | 409,062  | 378,148         | 359,173                   |
| Income tax payable   | 209,863  | 112,306         | 184,268                   |
| Accrual for bonus points reward program (note 20)  | 30,312   | 30,312          | 26,615                    |
| Other current liabilities (note 15)  | 108,621  | 52,881          | 95,373                    |
| Total current liabilities  | ₩ 5,026,724  | ₩ 3,287,832     | \$ 4,413,665              |
| Long-term liabilities:   |  |                 |                           |
| Long-term borrowings, net of discount of ₩925 million in 2010 (notes 14, 16 and 21)                                    | ₩ 532,089  | ₩ 378,846       | \$ 467,196                |
| Debentures, net of discount of ₩3,735 million in 2010 and ₩7,313 million in 2009 (notes 14, 17 and 21)                 | 1,299,863  | 1,402,227       | 1,141,332                 |
| Derivative liabilities (note 21)   | 13,227   | -               | 11,614                    |
| Leasehold deposits (note 18)   | 235,521  | 254,769         | 206,798                   |
| Provision for retirement and severance benefits, net (note 19)   | 47,470   | 45,315          | 41,680                    |
| Deferred income tax liabilities, net (note 28)   | 941,318  | 957,811         | 826,515                   |
| Total long-term liabilities  | ₩ 3,069,488  | ₩ 3,038,968     | \$ 2,695,135              |
| TOTAL LIABILITIES  | ₩ 8,096,212  | ₩ 6,326,800     | \$ 7,108,800              |
| 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       | \$ 127,506                |
| Capital surplus (note 22)  | 4,650,895  | 4,650,895       | 4,083,673                 |
| Capital adjustments (note 23)  | [32,501]   | [16,271]        | [28,537]                  |
| Accumulated other comprehensive income (note 24)   | 2,703,512  | 2,866,719       | 2,373,792                 |
| Retained earnings (note 25)  | 5,658,836  | 4,684,996       | 4,968,686                 |
| Total stockholders' equity   | ₩ 13,125,959   | ₩ 12,331,556    | \$ 11,525,120             |
| Commitments and contingencies (note 31)  |  |                 |                           |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY   | ₩ 21,222,171   | ₩ 18,658,356    | \$ 18,633,920             |
|  | See accompanying notes to non-consolidated financial statements. |                 |                           |



FINANCIAL STATEMENTS

| NON-CONSOLIDATED STATEMENTS OF INCOME  |   |              |               |
|--|---|--------------|---------------|
| FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009   |   |              |               |
|  | 2010  | 2009         | 2010          |
|  | In KRW millions (except for earnings per share), In USD thousands (except for earnings per share)(note 3) |              |               |
| <b>Continuing operations</b>   |   |              |               |
| <b>Sales</b> (notes 9, 26, 36, 38 and 39)  | ₩ 13,516,928  | ₩ 11,535,281 | \$ 11,868,406 |
| <b>Cost of sales</b> (notes 9 and 26)  | 9,335,015   | 7,959,811    | 8,196,518     |
| Gross profit   | ₩ 4,181,913   | ₩ 3,575,470  | \$ 3,671,888  |
| <b>Selling and administrative expenses</b> (notes 9 and 27)                                | 3,033,531   | 2,698,995    | 2,663,562     |
| Operating income (notes 36, 38 and 39)   | ₩ 1,148,382   | ₩ 876,475    | \$ 1,008,326  |
| <b>Non-operating income:</b>   |   |              |               |
| Interest income  | ₩ 38,379  | ₩ 31,781     | \$ 33,698     |
| Dividend income  | 966   | 728          | 848           |
| Gain on foreign currency transactions  | 544   | 3,112        | 478           |
| Gain on foreign currency translation   | 23,368  | 102,159      | 20,518        |
| Equity in earnings of equity method accounted investments (note 6)                         | 245,061   | 221,621      | 215,174       |
| Gain on disposition of equity method accounted investments                                 | -   | 2,647        | -             |
| Gain on valuation of derivative instruments (note 21)                                      | 57,657  | -            | 50,625        |
| Gain on disposition of property, plant and equipment                                       | 216,353   | 655          | 189,967       |
| Others   | 35,826  | 20,317       | 31,456        |
|  | ₩ 618,154   | ₩ 383,020    | \$ 542,764    |
| <b>Non-operating expenses:</b>   |   |              |               |
| Interest expense   | ₩ 136,287   | ₩ 67,105     | \$ 119,665    |
| Loss on foreign currency transactions  | 13,581  | 7,347        | 11,925        |
| Loss on foreign currency translation   | 95,409  | 4,861        | 83,773        |
| Equity in loss of equity method accounted investments (note 6)                             | 115,986   | 82,690       | 101,841       |
| Loss on disposition of equity method accounted investments                                 | 179   | 1,042        | 158           |
| Loss on valuation of derivative instruments (note 21)                                      | 22,600  | 103,717      | 19,844        |
| Loss on disposition of property, plant and equipment                                       | 9,087   | 778          | 7,978         |
| Loss on revaluation of land  | -   | 7,256        | -             |
| Others   | 46,557  | 44,929       | 40,879        |
|  | ₩ 439,686   | ₩ 319,725    | \$ 386,063    |
| <b>Income before income taxes</b>  | ₩ 1,326,850   | ₩ 939,770    | \$ 1,165,027  |
| <b>Income taxes</b> (note 28)  | 316,706   | 227,783      | 278,080       |
| <b>Income from continuing operations</b>   | ₩ 1,010,144   | ₩ 711,987    | \$ 886,947    |
| <b>Discontinued operations</b>   |   |              |               |
| Income from discontinued operations, net of income tax of ₩1,416 million in 2009 (note 36) | ₩ -   | ₩ 4,435      | \$ -          |
| <b>NET INCOME</b>  | ₩ 1,010,144   | ₩ 716,422    | \$ 886,947    |
| <b>Earnings per share</b> (notes 29 and 36)  |   |              |               |
| <b>Basic earnings per share from continuing operations in Won and U.S. dollars</b>         | 34,781  | 24,515       | 30.54         |
| <b>BASIC EARNINGS PER SHARE IN WON AND U.S. DOLLARS</b>                                    | ₩ 34,781  | ₩ 24,667     | \$ 30.54      |
| See accompanying notes to non-consolidated financial statements.                           |   |              |               |

FINANCIAL STATEMENTS

| NON-CONSOLIDATED STATEMENTS OF APPROPRIATION OF RETAINED EARNINGS  |                 |                 |                           |
|--|-----------------|-----------------|---------------------------|
| FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009   |                 |                 |                           |
|  | 2010            | 2009            | 2010                      |
|  | In KRW millions | In KRW millions | In USD thousands (note 3) |
| <b>Unappropriated retained earnings:</b>   |                 |                 |                           |
| Balance at beginning of year   | ₩ 22,047        | ₩ 15,559        | \$ 19,357                 |
| Net income   | 1,010,144       | 716,422         | 886,947                   |
| <b>Balance at end of year before appropriation</b> (note 25)   | ₩ 1,032,191     | ₩ 731,981       | \$ 906,304                |
| <b>Appropriation of retained earnings:</b>   |                 |                 |                           |
| Legal reserve  | ₩ 4,357         | ₩ 3,630         | \$ 3,825                  |
| Voluntary reserve  | 960,000         | 670,000         | 842,919                   |
| Cash dividends (note 30) – 30.00% on par value at ₩1,500 per share in 2010 and 25.00% on par value at ₩1,250 per share in 2009 | 43,565          | 36,304          | 38,252                    |
|  | ₩ 1,007,922     | ₩ 709,934       | \$ 884,996                |
| <b>UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED OVER TO SUBSEQUENT YEAR</b>  | ₩ 24,269        | ₩ 22,047        | \$ 21,308                 |
| See accompanying notes to non-consolidated financial statements.   |                 |                 |                           |

FINANCIAL STATEMENTS

| NON-CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY<br>FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009 |                  |                    |                        |   |   |  |  |
|--|------------------|--------------------|------------------------|---|---|--|--|
|  | Capital<br>stock | Capital<br>surplus | Capital<br>adjustments | Accumulated<br>other<br>comprehensive<br>income | Retained<br>earnings<br><small>In KRW millions, In USD thousands (note 3)</small> | Total<br>equity<br><small>In KRW millions, In USD thousands (note 3)</small> | Total<br>equity<br><small>In KRW millions, In USD thousands (note 3)</small> |
| <b>Balance at January 1, 2009</b>  | <b>₩145,217</b>  | <b>₩4,650,895</b>  | <b>₩[16,271]</b>       | <b>₩45,943</b>                                  | <b>₩4,004,878</b>   | <b>₩8,830,662</b>  | <b>\$7,753,676</b>   |
| Net income   | -                | -                  | -                      | -   | 716,422   | 716,422  | 629,048  |
| Cash dividends   | -                | -                  | -                      | -   | [36,304]  | [36,304]   | [31,877]   |
| Change in fair value of available-for-sale securities, net of tax  | -                | -                  | -                      | 44,203  | -   | 44,203   | 38,812   |
| Change in equity of equity method investments, net of tax  | -                | -                  | -                      | [24,317]  | -   | [24,317]   | [21,352]   |
| Effective portion of changes in fair value of cash flow hedges, net of tax                                       | -                | -                  | -                      | 8,984   | -   | 8,984  | 7,888  |
| Change in revaluation of property, plant and equipment, net of tax   | -                | -                  | -                      | 2,791,906                                       | -   | 2,791,906  | 2,451,407  |
| <b>BALANCE AT DECEMBER 31, 2009</b>  | <b>₩145,217</b>  | <b>₩4,650,895</b>  | <b>₩[16,271]</b>       | <b>₩2,866,719</b>                               | <b>₩4,684,996</b>   | <b>₩12,331,556</b>   | <b>\$10,827,602</b>  |
| <b>Balance at January 1, 2010</b>  | <b>₩145,217</b>  | <b>₩4,650,895</b>  | <b>₩[16,271]</b>       | <b>₩2,866,719</b>                               | <b>₩4,684,996</b>   | <b>₩12,331,556</b>   | <b>\$10,827,602</b>  |
| Net income   | -                | -                  | -                      | -   | 1,010,144   | 1,010,144  | 886,947  |
| Cash dividends   | -                | -                  | -                      | -   | [36,304]  | [36,304]   | [31,877]   |
| Change in fair value of available-for-sale securities, net of tax  | -                | -                  | -                      | 14,455  | -   | 14,455   | 12,693   |
| Change in equity of equity method investments, net of tax  | -                | -                  | [16,230]               | [16,348]  | -   | [32,578]   | [28,604]   |
| Effective portion of changes in fair value of cash flow hedges, net of tax                                       | -                | -                  | -                      | [5,141]   | -   | [5,141]  | [4,514]  |
| Change in revaluation of property, plant and equipment, net of tax   | -                | -                  | -                      | [156,173]                                       | -   | [156,173]  | [137,127]  |
| <b>BALANCE AT DECEMBER 31, 2010</b>  | <b>₩145,217</b>  | <b>₩4,650,895</b>  | <b>₩[32,501]</b>       | <b>₩2,703,512</b>                               | <b>₩5,658,836</b>   | <b>₩13,125,959</b>   | <b>\$11,525,120</b>  |
| See accompanying notes to non-consolidated financial statements.   |                  |                    |                        |   |   |  |  |

FINANCIAL STATEMENTS

| NON-CONSOLIDATED STATEMENTS OF CASH FLOWS<br>FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009 |  |  |  |
|---|--|--|--|
|   | 2010<br><small>In KRW millions</small> | 2009<br><small>In KRW millions</small> | 2010<br><small>In USD thousands (note 3)</small> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |  |  |  |
| <b>Net income</b>   | <b>₩ 1,010,144</b>                     | <b>₩ 716,422</b>                       | <b>\$ 886,947</b>                                |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b>    |  |  |  |
| Depreciation  | ₩ 296,066                              | ₩ 373,218                              | \$ 259,958                                       |
| Amortization of intangible assets   | 62,171                                 | 29,970                                 | 54,589   |
| Accrual for retirement and severance benefits   | 52,406                                 | 50,859                                 | 46,015   |
| Loss on inventory shrinkage   | 17,125                                 | 12,744                                 | 15,036   |
| Loss (reversal of loss) on valuation of inventory   | [294]                                  | 555                                    | [258]  |
| Amortization of discount on debentures  | 4,719                                  | 3,281                                  | 4,143  |
| Bad dept expenses   | 1,393                                  | 1,888                                  | 1,223  |
| Loss on foreign currency translation  | 95,405                                 | 4,612                                  | 83,769   |
| Gain on foreign currency translation  | [23,348]                               | [102,159]                              | [20,500]   |
| Equity in earnings of equity method accounted investments, net                              | [129,075]                              | [138,931]                              | [113,333]  |
| Loss (gain) on valuation of derivative instruments, net                                     | [35,057]                               | 103,717                                | [30,781]   |
| Loss (gain) on disposition of property, plant and equipment, net                            | [207,266]                              | 117                                    | [181,989]  |
| Loss on revaluation of land   | -                                      | 7,256                                  | -  |
| Gain on disposition of assets and liabilities constituting the discontinued operations      | -                                      | [3,355]                                | -  |
| Others  | 13,042                                 | 15,340                                 | 11,453   |
| <b>Changes in operating assets and liabilities:</b>   |  |  |  |
| Trade accounts receivable   | ₩ [73,088]                             | ₩ [21,972]                             | \$ [64,174]                                      |
| Other accounts receivable   | [10,748]                               | [4,083]                                | [9,437]  |
| Advance payments  | [13,631]                               | [7,833]                                | [11,969]   |
| Inventories   | [141,216]                              | [84,602]                               | [123,993]  |
| Deferred income tax assets  | [8,981]                                | [6,843]                                | [7,885]  |
| Other current assets  | [12,348]                               | [47]                                   | [10,843]   |
| Long-term prepaid expenses  | [75,104]                               | [73,286]                               | [65,944]   |
| Trade accounts payable  | 205,011                                | 161,971                                | 180,008  |
| Other accounts payable  | 34,502                                 | [8,221]                                | 30,294   |
| Advances from customers   | 8,130                                  | 12,204                                 | 7,138  |
| Accrued expenses  | [63,997]                               | 120,346                                | [56,192]   |
| Accrual for gift certificates   | 30,914                                 | 38,622                                 | 27,144   |
| Income taxes payable  | 97,557                                 | [101,822]                              | 85,658   |
| Accrual for bonus points reward program   | -                                      | [393]                                  | -  |
| Other current liabilities   | 48,245                                 | [502]                                  | 42,360   |
| National Pension Fund   | 41                                     | 3                                      | 36   |
| Payment of retirement and severance benefits  | [60,776]                               | [41,178]                               | [53,364]   |
| Deposit for severance benefit insurance   | 5                                      | [14,158]                               | 5  |
| Non-current deferred income tax liabilities   | 23,144                                 | 17,137                                 | 20,322   |
| <b>Net cash provided by operating activities</b>  | <b>₩ 1,145,091</b>                     | <b>₩ 1,060,877</b>                     | <b>\$ 1,005,436</b>                              |
| Continued   |  |  |  |



FINANCIAL STATEMENTS

| NON-CONSOLIDATED STATEMENTS OF CASH FLOWS                     |                      |                      |                           |
|---|----------------------|----------------------|---------------------------|
| FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009                |                      |                      |                           |
|   | 2010                 | 2009                 | 2010                      |
|   | In KRW millions      | In KRW millions      | In USD thousands (note 3) |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                  |                      |                      |                           |
| <b>Cash inflows from investing activities:</b>                |                      |                      |                           |
| Maturity of short-term deposits                               | ₩ 157,032            | ₩ 43,613             | \$ 137,881                |
| Decrease in short-term loans                                  | 37,737               | 38,862               | 33,134                    |
| Sale of available-for-sale securities                         | 8,943                | 43,237               | 7,853                     |
| Sale of held-to-maturity securities                           | 1,000                | 159,445              | 878                       |
| Refund of long-term advance payments                          | 2,000                | 19,050               | 1,756                     |
| Refund of guarantee deposits paid                             | 56,648               | 35,455               | 49,739                    |
| Proceeds from disposition of property, plant and equipment    | 486,319              | 22,248               | 427,008                   |
| Sale of assets and liabilities on the discontinued operations | -                    | 24,339               | -                         |
| Others  | 19,747               | 16,377               | 17,339                    |
|   | <b>₩ 769,426</b>     | <b>₩ 402,626</b>     | <b>\$ 675,588</b>         |
| <b>Cash outflows for investing activities:</b>                |                      |                      |                           |
| Purchase of short-term deposits                               | ₩ (126,936)          | ₩ (86,744)           | \$ (111,455)              |
| Increase in short-term loans                                  | (44,572)             | (47,176)             | (39,136)                  |
| Purchase of available-for-sale securities                     | (19,177)             | (39,833)             | (16,838)                  |
| Additions of equity method investment securities              | (813,971)            | (934,463)            | (714,699)                 |
| Payment of long-term advance payments                         | (54,674)             | (44,768)             | (48,006)                  |
| Payment of guarantee deposits                                 | (145,893)            | (108,983)            | (128,100)                 |
| Purchase of property, plant and equipment                     | (852,756)            | (923,381)            | (748,754)                 |
| Additions to intangible assets                                | (29,484)             | (15,026)             | (25,888)                  |
| Acquisition of stores (note 35)                               | (848,846)            | -                    | (745,321)                 |
| Others  | (28,873)             | (20,881)             | (25,351)                  |
|   | <b>₩ (2,965,182)</b> | <b>₩ (2,221,255)</b> | <b>\$ (2,603,548)</b>     |
| <b>Net cash used in investing activities</b>                  | <b>₩ (2,195,756)</b> | <b>₩ (1,818,629)</b> | <b>\$ (1,927,960)</b>     |
|   |                      |                      | Continued                 |

FINANCIAL STATEMENTS

| NON-CONSOLIDATED STATEMENTS OF CASH FLOWS               |  |                      |                           |
|---|--|----------------------|---------------------------|
| FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009          |  |                      |                           |
|   | 2010   | 2009                 | 2010                      |
|   | In KRW millions  | In KRW millions      | In USD thousands (note 3) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>            |  |                      |                           |
| <b>Cash inflows from financing activities:</b>          |  |                      |                           |
| Proceeds from short-term borrowings                     | ₩ 9,618,965  | ₩ 3,327,758          | \$ 8,445,838              |
| Proceeds from issuance of current portion of debentures | 116,265  | 131,369              | 102,085                   |
| Proceeds from long-term borrowings                      | 121,275  | 397,040              | 106,484                   |
| Proceeds from issuance of debentures                    | 708,791  | 578,670              | 622,347                   |
| Receipt of leasehold deposits                           | 50,601   | 63,729               | 44,430                    |
|   | <b>₩ 10,615,897</b>  | <b>₩ 4,498,566</b>   | <b>\$ 9,321,184</b>       |
| <b>Cash outflows for financing activities:</b>          |  |                      |                           |
| Repayment of short-term borrowings                      | ₩ (9,130,361)  | ₩ (3,526,000)        | \$ (8,016,824)            |
| Redemption of debentures                                | (131,500)  | -                    | (115,462)                 |
| Refund of leasehold deposits received                   | (75,905)   | (53,659)             | (66,648)                  |
| Dividends paid  | (36,304)   | (36,304)             | (31,877)                  |
|   | <b>₩ (9,374,070)</b>   | <b>₩ (3,615,963)</b> | <b>\$ (8,230,811)</b>     |
| <b>Net cash provided by financing activities</b>        | <b>₩ 1,241,827</b>   | <b>₩ 882,603</b>     | <b>\$ 1,090,373</b>       |
| <b>Net increase in cash and cash equivalents</b>        | <b>₩ 191,162</b>   | <b>₩ 124,851</b>     | <b>\$ 167,849</b>         |
| <b>Cash and cash equivalents at beginning of year</b>   | <b>₩ 434,547</b>   | <b>₩ 309,696</b>     | <b>\$ 381,549</b>         |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>         | <b>₩ 625,709</b>   | <b>₩ 434,547</b>     | <b>\$ 549,398</b>         |
|   | See accompanying notes to non-consolidated financial statements. |                      |                           |

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010

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 supermarkets. 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 division. The Company was listed on the Korea Stock Exchange and London Stock Exchange through an initial public offering in February 2006.

The stockholders of the Company as of December 31, 2010 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          |
| <b>TOTAL</b>                               | <b>29,043,374</b> | <b>100.0%</b> |

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

(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-consoli-

dated 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 or 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. 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.

As explained in note 33, the Company changed its accounting estimates for the useful lives of property, plant and equipment in the current year.

(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 Statements of Korea Accounting Standards (“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.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010

(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<br>(Department and Supermarket Division) | Retail business segment<br>(Mart Division) | Other business segment<br>(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 secu-

rities are included in the non-consolidated statement of income 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 statement of income 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.



NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010

(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 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 statement of income, 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 issued by 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. 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.

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.

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

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010

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.

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.

The Company changed its accounting estimates for the useful lives of property, plant and equipment in the current year, and estimated useful lives are as follows:

|                              | Useful lives (years) |         |
|------------------------------|----------------------|---------|
|                              | Before               | After   |
| Buildings                    | 10 ~ 30              | 20 ~ 50 |
| Structures                   | 10 ~ 30              | 10 ~ 40 |
| Machinery                    | 4 ~ 30               | 4 ~ 30  |
| Vehicles                     | 4                    | 5       |
| Display fixtures             | 4                    | 5       |
| Other furniture and fixtures | 4                    | 5       |

The Company recognizes interest costs and other financial charges on borrowings associated with the production, acquisition, 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.

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- 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 statement of income on a straight-line basis over the period of the lease.

**(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**

The Company introduced a pension plan, from December 31, 2010. The Company introduced a defined benefit pension plan, where each eligible employee receives a fixed amount of pension after retirement. The Company accrued, as a liability for retirement and severance benefits, lump-sum payments payable to employees who are currently in service, assuming that they left the Company as of the end of the reporting period. All employees with a minimum of one year of service are eligible to participate and must elect to participate in the plan. Participants accrue estimated benefits based on actuarial assumptions measured on the end of the reporting period at the discounted present value.

Pension plan assets is 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 foreign exchange rate on the end of the reporting period, with the resulting gains or losses recognized in the statement of income. 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 subsequently 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 qualify 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 qualify 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.

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Amounts accumulated in equity are recycled to the statement of income 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

**(o) Provisions and Contingent Liabilities**

Provisions are recognized when all of the following 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 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 carryforwards. 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) 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 ₩1,138.9 to US\$1, the basic exchange rate on December 31, 2010 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.

4. Restricted Deposits

Restricted deposits included in short-term and long-term financial instruments as of December 31, 2010 and 2009 are as follows:

| Account                                  | Depository               | 2010<br>In KRW millions | 2009<br>In KRW millions | 2010<br>In USD thousands (note 3) |
|--|--------------------------|-------------------------|-------------------------|-----------------------------------|
| <b>Short-term:</b>                       |                          |                         |                         |                                   |
| Guarantee deposits of contracts          | Kookmin Bank and others  | ₩ 27,891                | ₩ 20,375                | \$ 24,489                         |
| Guarantee deposits for checking accounts | Industrial Bank of Korea | 40,000                  | -                       | 35,122                            |
| <b>Long-term:</b>                        |                          |                         |                         |                                   |
| Guarantee deposits of contracts          | Shinhan Bank             | -                       | 12,500                  | -                                 |
| Guarantee deposits for checking accounts | Shinhan Bank and others  | 16                      | 28                      | 14                                |
| <b>TOTAL</b>                             |                          | <b>₩ 67,907</b>         | <b>₩ 32,903</b>         | <b>\$ 59,625</b>                  |

5. Inventories

(a) Inventories as of December 31, 2010 and 2009 are as follows:

| Description   | 2010<br>In KRW millions | 2009<br>In KRW millions | 2010<br>In USD thousands (note 3) |
|---|-------------------------|-------------------------|-----------------------------------|
| Merchandise, net of allowance for valuation losses of ₩5,657 million in 2010 and ₩5,951 million in 2009 | ₩ 1,240,663             | ₩ 1,098,099             | \$ 1,089,352                      |
| Supplies  | 772                     | 896                     | 677                               |
| Materials-in-transit  | 115                     | 557                     | 101                               |
| Finished apartment units  | 2,578                   | 1,757                   | 2,264                             |
| <b>TOTAL</b>  | <b>₩ 1,244,128</b>      | <b>₩ 1,101,309</b>      | <b>\$ 1,092,394</b>               |

(b) Loss on inventory shrinkage for the years ended December 31, 2010 and 2009 are ₩17,125 million and ₩12,744 million, respectively.

6. Investment in Securities

Investments in securities as of December 31, 2010 and 2009 are as follows:

(a) Available-for-sale securities

(i) Equity securities

| Description                  | 2010<br>Owned shares | 2010<br>Cost    | 2010<br>Fair value | 2010<br>Book value | 2009<br>Book value | 2010<br>Book value |
|------------------------------|----------------------|-----------------|--------------------|--------------------|--------------------|--------------------|
| Marketable securities (*1):  |                      |                 |                    |                    |                    |                    |
| Busan Bank (*2)              | 5,259,597            | ₩ 24,877        | ₩ 75,475           | ₩ 75,475           | ₩ 73,371           | \$ 66,270          |
| Shinhan Financial Group      | 311,118              | 2,247           | 16,458             | 16,458             | 13,440             | 14,451             |
| Eyesvision Corporation       | 20,256               | 491             | 22                 | 22                 | 25                 | 20                 |
| Korea Investment Corporation | 10,869               | 100             | 5                  | 5                  | 10                 | 4                  |
| Korea Express Co., Ltd. (*3) | 332,046              | 6,690           | 31,280             | 31,280             | 18,828             | 27,464             |
| <b>Subtotal</b>              |                      | <b>₩ 34,405</b> | <b>₩ 123,240</b>   | <b>₩ 123,240</b>   | <b>₩ 105,674</b>   | <b>\$ 108,209</b>  |
|                              |                      |                 |                    |                    |                    | Continued          |

note 03  
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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS  
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| Description  | 2010         |           | 2010                                       | 2009       | 2010       |
|--|--------------|-----------|--|------------|------------|
|  |              |           | In KRW millions, In USD thousands (note 3) |            |            |
|  | Owned shares | Cost      | Book value                                 | Book value | Book value |
| Non-marketable securities (*4):                                |              |           |  |            |            |
| Lotte Giants (*5)  | 6,000        | ₩ 30      | ₩ 30                                       | ₩ 30       | \$ 26      |
| Hankyung Economic Daily  | 1,722        | 31        | 31   | 31         | 28         |
| V Bank Consulting  | 2,500        | 13        | -  | -          | -          |
| Incheon United Football Club                                   | 400          | 2         | -  | -          | -          |
| Agentrics  | 1,913,479    | 346       | 346  | 346        | 304        |
| M-cieta Development Co., Ltd.                                  | 499,800      | 2,499     | 2,499                                      | 2,499      | 2,195      |
| M-cieta Co., Ltd.  | 2,940        | 15        | 15   | 15         | 13         |
| Corona Development   | 172,000      | 860       | 860  | 860        | 755        |
| Lakepark AMC (*5)  | 14,340       | 72        | 72   | 72         | 63         |
| STX Construction Industrial Co., Ltd.                          | 139          | 1         | 1  | 1          | 1          |
| Union Ark Development Co., Ltd.                                | 362,980      | 1,815     | 1,815                                      | 1,815      | 1,594      |
| Union Ark Co., Ltd.  | 3,000        | 15        | 15   | 15         | 13         |
| Biche-Nuri Development Co., Ltd.                               | 171,600      | 858       | 858  | 858        | 753        |
| Biche-Nuri Co., Ltd.   | 3,000        | 15        | 15   | 15         | 13         |
| Daol Union Ark Private Equity Real Estate 1 Investment Company | -            | 1,320     | 1,320                                      | 1,320      | 1,159      |
| Cosmo Investment Management Co., Ltd. (*6)                     | 32,840       | 11,006    | 9,811                                      | 6,616      | 8,614      |
| Lotte Properties (Shenyang) Limited                            | -            | 41,919    | 41,919                                     | 41,919     | 36,807     |
| Herald Media Inc.  | 12,000       | 60        | -  | -          | -          |
| I Venture Media Investment Union                               | -            | -         | -  | 700        | -          |
| CJ Venture Investment No.12 Global Contents Fund               | 15           | 1,500     | 1,500                                      | 1,500      | 1,317      |
| So Big 5 Contents Investment Union                             | 18           | 1,800     | 1,800                                      | 1,800      | 1,580      |
| East Gate Media Contents & Technology Fund                     | 50           | 5,000     | 5,000                                      | -          | 4,390      |
| Subtotal   |              | 69,177    | 67,907                                     | 60,412     | 59,625     |
| TOTAL  |              | ₩ 103,582 | ₩ 191,147                                  | ₩ 166,086  | \$ 167,834 |

(\*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, 2010, the Company has pledged 2,103,140 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. [see note 13]

(\*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., 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 ₩34,879 million as a non-current derivative asset. [see note 21]

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS  
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(\*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) Detail of fair value of unlisted securities estimated based on Korea Accounting Institute Opinion 06-5 is summarized as follows:

| Investment management company                                     | Estimate model                  | Fair value per common stock |
|---|---------------------------------|-----------------------------|
|   |                                 | In KRW                      |
| Korea Bond Pricing & Korea Management Consulting Credit Co., Ltd. | Free Cash Flows to Equity Model | ₩ 298,744                   |

(ii) Debt securities

|                                      | 2010            | 2009            | 2010                      |
|--------------------------------------|-----------------|-----------------|---------------------------|
|                                      | In KRW millions | In KRW millions | In USD thousands (note 3) |
| Current assets:                      |                 |                 |                           |
| Government and public bonds (note 7) | ₩ 4,812         | ₩ 8,144         | \$ 4,225                  |
| Non-current assets:                  |                 |                 |                           |
| Government and public bonds          | 31,921          | 25,124          | 28,028                    |
| TOTAL                                | ₩ 36,733        | ₩ 33,268        | \$ 32,253                 |

(iii) Changes in unrealized holding gains

Changes in unrealized gains for the years ended December 31, 2010 and 2009 are summarized as follows:

|   | 2010            | 2009            | 2010                      |
|---|-----------------|-----------------|---------------------------|
|   | In KRW millions | In KRW millions | In USD thousands (note 3) |
| Balance at beginning of year                            | ₩ 53,177        | ₩ 8,974         | \$ 46,691                 |
| Unrealized gains on valuation of securities, net of tax | 14,455          | 44,203          | 12,693                    |
| BALANCE AT END OF YEAR (note 24)                        | ₩ 67,632        | ₩ 53,177        | \$ 59,384                 |

(b) Held-to-maturity Securities

Held-to-maturity securities as of December 31, 2010 and 2009 are summarized as follows:

|                                     | 2010            | 2009            | 2010                      |
|-------------------------------------|-----------------|-----------------|---------------------------|
|                                     | In KRW millions | In KRW millions | In USD thousands (note 3) |
| Non-current assets:                 |                 |                 |                           |
| Corporate debt securities (note 12) | ₩ -             | ₩ 1,000         | \$ -                      |



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(c) Equity method accounted investments

(i) Investments in subsidiaries and associates accounted for using the equity method as of December 31, 2010 and 2009 are as follows:

| 2010<br>In KRW millions                          |              |                         |             |                 |                              |
|--|--------------|-------------------------|-------------|-----------------|------------------------------|
| Affiliate  | Owned shares | Percentage of ownership | Cost        | Net asset value | Balance at December 31, 2010 |
| Lotte Midopa Co., Ltd. [*1]                      | 51,475,843   | 79.01%                  | ₩ 257,379   | ₩ 615,258       | ₩ 627,037                    |
| Lotte Card Co., Ltd.                             | 69,995,159   | 92.54%                  | 432,907     | 1,103,075       | 1,108,126                    |
| Woori Home Shopping & Television Co., Ltd.       | 4,242,796    | 53.03%                  | 466,708     | 151,595         | 384,782                      |
| Korea Seven Co., Ltd.                            | 18,526,176   | 51.44%                  | 80,815      | 94,791          | 93,221                       |
| Lotte.Com Inc.                                   | 1,600,000    | 34.39%                  | 8,000       | 11,254          | 11,254                       |
| Lotte Boulangerie Co., Ltd.                      | 4,020,222    | 90.54%                  | 19,942      | 9,764           | 9,764                        |
| Lotteria Co., Ltd.                               | 148,212      | 32.17%                  | 124,947     | 64,803          | 71,458                       |
| Daehong Communications Co., Ltd.                 | 12,000       | 30.00%                  | 6,277       | 27,268          | 27,083                       |
| Lotte Station Building Co., Ltd.                 | 900,000      | 25.00%                  | 4,500       | 178,293         | 178,293                      |
| Lotte Capital Co., Ltd.                          | 6,731,600    | 20.22%                  | 70,573      | 82,093          | 82,093                       |
| FRL Korea Co., Ltd.                              | 2,352,000    | 49.00%                  | 11,760      | 45,372          | 45,372                       |
| Lotte Asset Development Co., Ltd.                | 8,234,153    | 31.31%                  | 42,571      | 32,441          | 32,441                       |
| Lotte Trading Co., Ltd. [*2]                     | 94,785       | 10.58%                  | 18,878      | 37,060          | 56,014                       |
| Lotte Aluminium Co., Ltd. [*2]                   | 62,609       | 6.03%                   | 28,976      | 52,738          | 51,592                       |
| Lotte Logistics Co., Ltd. [*2]                   | 66,308       | 4.64%                   | 4,000       | 7,491           | 6,574                        |
| Lotte Jeju Resort Co., Ltd. [*2]                 | 1,000,000    | 12.50%                  | 5,000       | 5,068           | 5,068                        |
| Lotte Buyeo Resort Co., Ltd.                     | 3,333,333    | 22.22%                  | 16,667      | 14,678          | 14,678                       |
| Lotte Square Co., Ltd.                           | 1,733,473    | 100.00%                 | 520,042     | 524,081         | 524,081                      |
| Lotte Gimhae Development Co., Ltd.               | 60,000       | 100.00%                 | 300         | 335             | 335                          |
| Lotte Suwon Station Shopping Town Co., Ltd. [*3] | 475,000      | 95.00%                  | 48          | -               | -                            |
| Lakepark Co., Ltd.                               | 860,400      | 23.90%                  | 4,302       | 4,034           | 4,034                        |
| Isu Entertainment Investment Union               | 30           | 37.50%                  | 3,000       | 2,023           | 2,023                        |
| D-Cinema of Korea Co., Ltd. [*3]                 | 300,000      | 50.00%                  | 1,500       | -               | -                            |
| Zara Retail Korea Co., Ltd.                      | 302,600      | 20.00%                  | 15,130      | 17,759          | 17,759                       |
| M-Venture Culture Investment L.P.                | 250          | 25.00%                  | 2,500       | 2,524           | 2,524                        |
| Capital One Diversity Cinema Fund                | 100          | 20.00%                  | 1,000       | 966             | 966                          |
| Bliss Co., Ltd.                                  | 30,000       | 30.00%                  | 150         | 150             | 150                          |
| NCF Co., Ltd.                                    | 567,000      | 94.50%                  | 18,876      | 13,194          | 18,876                       |
| Lotte Vietnam Shopping Co., Ltd. [*3]            | -            | 80.00%                  | 11,441      | -               | -                            |
| Qingdao Lottemart Commercial Co., Ltd.           | -            | 55.43%                  | 33,219      | 27,015          | 27,015                       |
| Lotte Mart Co., Ltd.                             | -            | 100.00%                 | 183,033     | 46,225          | 139,816                      |
| Lotte Europe Holdings B.V.                       | 177,322      | 30.81%                  | 150,565     | 92,531          | 94,311                       |
| Subtotal   |              |                         | ₩ 2,545,006 | ₩ 3,263,879     | ₩ 3,636,740                  |
|  |              |                         |             |                 | Continued                    |

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| 2010<br>In KRW millions  |              |                         |             |                 |                              |
|--|--------------|-------------------------|-------------|-----------------|------------------------------|
| Affiliate  | Owned shares | Percentage of ownership | Cost        | Net asset value | Balance at December 31, 2010 |
| Lotte Shopping Holdings (Singapore), Ltd.  | 131,014,763  | 100.00%                 | ₩ 168,737   | ₩ 160,506       | ₩ 160,506                    |
| PT Lotte Shopping Indonesia  | 2,622,812    | 55.00%                  | 223,041     | 56,928          | 208,039                      |
| Liaoning Lotte Mart Co., Ltd. (formerly Shenyang Lottemart Commercial Co., Ltd.) | -            | 77.24%                  | 12,161      | 8,365           | 8,365                        |
| Lotte Shopping Holdings (Hongkong), Ltd.   | 750,033,135  | 100.00%                 | 871,018     | 806,885         | 806,885                      |
| Lotte Cinema Vietnam Co., Ltd.   | -            | 90.00%                  | 5,488       | [145]           | 1,758                        |
| Intime Lotte Department Store Co., Ltd. [*3]                                     | -            | 50.00%                  | 10,339      | -               | -                            |
| Coralis S.A.   | 573,750      | 45.00%                  | 43,807      | 32,273          | 46,941                       |
| Shenyang SL Cinema Investment Management Co., Ltd.                               | -            | 49.14%                  | 752         | 699             | 699                          |
| Subtotal   |              |                         | 1,335,343   | 1,065,511       | 1,233,193                    |
| TOTAL  |              |                         | ₩ 3,880,349 | ₩ 4,329,390     | ₩ 4,869,933                  |

note 06

| 2009<br>In KRW millions                    |              |                         |             |                 |                              |
|--|--------------|-------------------------|-------------|-----------------|------------------------------|
| Affiliate                                  | 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                       |
| Subtotal                                   |              |                         | ₩ 1,522,479 | ₩ 2,244,848     | ₩ 2,547,559                  |
|  |              |                         |             |                 | Continued                    |

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS  
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| 2009<br>In KRW millions                      |              |                         |             |                 |                              |
|--|--------------|-------------------------|-------------|-----------------|------------------------------|
| Affiliate                                    | Owned shares | Percentage of ownership | Cost        | Net asset value | Balance at December 31, 2009 |
| 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                       |
| 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                      |
| Lotte Cinema 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                       |
| Subtotal                                     |              |                         | 1,546,277   | 1,145,445       | 1,427,758                    |
| TOTAL  |              |                         | ₩ 3,068,756 | ₩ 3,390,293     | ₩ 3,975,317                  |

[\*1] The quoted market value of Lotte Midopa Co., Ltd., based on the closing price at the Korea Exchange, are ₩761,842 million and ₩607,415 million as of December 31, 2010 and 2009, 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 Suwon Station Shopping Town Co., Ltd., D-Cinema of Korea Co., Ltd., Lotte Vietnam Shopping Co., Ltd. and Intime Lotte Department Store Co., Ltd. exceeded its interest. Amounts of change in the Company's share of equity interest in these affiliates that were not recognized are as follows:

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| In KRW millions                             |  |                       |          |                         |
|---|--|-----------------------|----------|-------------------------|
| Affiliate                                   | Description  | As of January 1, 2010 | Increase | As of December 31, 2010 |
| Lotte Suwon Station Shopping Town Co., Ltd. | Equity in loss of equity method accounted investments                  | ₩ -                   | ₩ 18     | ₩ 18                    |
| D-Cinema of Korea Co., Ltd.                 | Equity in loss of equity method accounted investments                  | 147                   | 1,265    | 1,412                   |
| Intime Lotte Department Store Co., Ltd.     | Equity in loss of equity method accounted investments                  | 4,172                 | 17,023   | 21,195                  |
|   | Negative other comprehensive income due to equity method of accounting | ₩ -                   | ₩ 271    | ₩ 271                   |

(ii) Changes in the difference between the acquisition cost and the Company's share of the investee's identifiable net assets for years ended December 31, 2010 and 2009 are as follows:

| 2010<br>In KRW millions                    |                            |          |              |                              |
|--|----------------------------|----------|--------------|------------------------------|
| Affiliate                                  | Balance at January 1, 2010 | Increase | Amortization | Balance at December 31, 2010 |
| Lotte Midopa Co., Ltd.                     | ₩ 20,156                   | ₩ -      | ₩ (6,725)    | ₩ 13,431                     |
| Lotte Card Co., Ltd.                       | 6,782                      | -        | (1,731)      | 5,051                        |
| Woori Home Shopping & Television Co., Ltd. | 270,879                    | -        | (37,692)     | 233,187                      |
| Korea Seven Co., Ltd.                      | (2,558)                    | -        | 988          | (1,570)                      |
| Lotteria Co., Ltd.                         | (373)                      | 7,881    | (853)        | 6,655                        |
| Daehong Communications Co., Ltd.           | (9,136)                    | 9,175    | (224)        | (185)                        |
| Lotte Trading Co., Ltd.                    | 18,954                     | -        | -            | 18,954                       |
| Lotte Aluminium Co., Ltd.                  | (166)                      | -        | (980)        | (1,146)                      |
| Lotte Logistics Co., Ltd.                  | (917)                      | -        | -            | (917)                        |
| Lotte Jeju Resort Co., Ltd.                | (78)                       | -        | 78           | -                            |
| M-Venture Culture Investment L.P.          | 8                          | -        | (8)          | -                            |
| Capital One Diversity Cinema Fund          | -                          | 1        | (1)          | -                            |
| Ncf Co., Ltd.                              | -                          | 5,682    | -            | 5,682                        |
| Lotte Mart Co., Ltd.                       | 106,209                    | -        | (12,618)     | 93,591                       |
| Lotte Europe Holdings B.V.                 | 3,615                      | -        | 946          | 4,561                        |
| PT Lotte Shopping Indonesia                | 165,470                    | -        | (14,359)     | 151,111                      |
| Lotte Cinema Vietnam Co., Ltd.             | 2,156                      | -        | (253)        | 1,903                        |
| Coralis S.A.                               | 8,630                      | 6,841    | (803)        | 14,668                       |
| TOTAL                                      | ₩ 589,631                  | ₩ 29,580 | ₩ (74,235)   | ₩ 544,976                    |

note 06



NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS  
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| 2009<br>In KRW millions                    |                            |                     |              |                              |
|--|----------------------------|---------------------|--------------|------------------------------|
| Affiliate                                  | Balance at January 1, 2009 | Increase (decrease) | Amortization | Balance at December 31, 2009 |
| 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                      |
| Lotte Cinema 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, 2010 and 2009 are as follows:

| 2010<br>In KRW millions    |                   |   |
|----------------------------|-------------------|---|
| Affiliate                  | Investment assets | Property, plant and equipment and intangible assets |
| Lotte Midopa Co., Ltd.     | ₩ -               | ₩ [1,652]   |
| Lotte Europe Holdings B.V. | [2,781]           | -   |
| TOTAL                      | ₩ [2,781]         | ₩ [1,652]   |

| 2009<br>In KRW millions                    |                                 |                   |   |
|--|---------------------------------|-------------------|---|
| Affiliate                                  | Allowance for doubtful accounts | Investment assets | Property, plant and equipment and intangible 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]   |

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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, 2010 and 2009 are as follows:

| 2010<br>In KRW millions                     |                         |                   |                   |                                   |            |                              |
|---|-------------------------|-------------------|-------------------|-----------------------------------|------------|------------------------------|
| Affiliate                                   | Percentage of ownership | Beginning balance | Adjustment to     |                                   | Other (*1) | Balance at December 31, 2010 |
|   |                         |                   | Net income (loss) | Other comprehensive income (loss) |            |                              |
| Lotte Midopa Co., Ltd.                      | 79.01%                  | ₩ 582,875         | ₩ 38,371          | ₩ 8,365                           | ₩ [2,574]  | ₩ 627,037                    |
| Lotte Card Co., Ltd.                        | 92.54%                  | 982,949           | 125,399           | [222]                             | -          | 1,108,126                    |
| Woori Home Shopping & Television Co., Ltd.  | 53.03%                  | 393,213           | 1,423             | [308]                             | [9,546]    | 384,782                      |
| Korea Seven Co., Ltd.                       | 51.44%                  | 29,840            | 11,214            | 6                                 | 52,161     | 93,221                       |
| Lotte.Com Inc.                              | 34.39%                  | 11,610            | 37                | 7                                 | [400]      | 11,254                       |
| Lotte Boulangerie Co., Ltd.                 | 90.54%                  | 9,529             | [325]             | [6]                               | 566        | 9,764                        |
| Lotteria Co., Ltd. (*2)                     | 32.17%                  | 35,178            | 3,403             | [31,258]                          | 64,135     | 71,458                       |
| Daehong Communications Co., Ltd.            | 30.00%                  | 27,285            | 5,301             | [5,498]                           | [5]        | 27,083                       |
| Lotte Krispy Kreme Doughnuts Co., Ltd. (*2) | 0.00%                   | 80,556            | 4                 | -                                 | [80,560]   | -                            |
| Lotte Station Building Co., Ltd.            | 25.00%                  | 157,380           | 18,885            | 3,378                             | [1,350]    | 178,293                      |
| Lotte Capital Co., Ltd.                     | 20.22%                  | 70,214            | 12,926            | 636                               | [1,683]    | 82,093                       |
| FRL Korea Co., Ltd.                         | 49.00%                  | 24,827            | 20,545            | -                                 | -          | 45,372                       |
| Lotte Asset Development Co., Ltd.           | 31.31%                  | 36,233            | [4,160]           | 368                               | -          | 32,441                       |
| Lotte Trading Co., Ltd.                     | 10.58%                  | 55,275            | 664               | 75                                | -          | 56,014                       |
| Lotte Aluminium Co., Ltd.                   | 6.03%                   | 50,595            | 213               | 784                               | -          | 51,592                       |
| Lotte Logistics Co., Ltd.                   | 4.64%                   | 5,876             | 684               | 47                                | [33]       | 6,574                        |
| Lotte Jeju Resort Co., Ltd.                 | 12.50%                  | 5,000             | 68                | -                                 | -          | 5,068                        |
| Lotte Buyeo Resort Co., Ltd.                | 22.22%                  | 10,006            | [1,963]           | [32]                              | 6,667      | 14,678                       |
| Lotte Square Co., Ltd.                      | 100.00%                 | -                 | 4,082             | [1]                               | 520,000    | 524,081                      |
| Lotte Gimhae Development Co., Ltd.          | 100.00%                 | -                 | 35                | -                                 | 300        | 335                          |
| Lotte Suwon Station Shopping Town Co., Ltd. | 95.00%                  | -                 | [48]              | -                                 | 48         | -                            |
| Lakepark Co., Ltd.                          | 23.90%                  | 5,636             | 67                | -                                 | [1,669]    | 4,034                        |
| KTB Media Investment Union                  | 0.00%                   | 978               | [207]             | -                                 | [771]      | -                            |
| Isu Entertainment Investment Union          | 37.50%                  | 1,962             | 61                | -                                 | -          | 2,023                        |
| D-Cinema of Korea Co., Ltd.                 | 50.00%                  | -                 | -                 | -                                 | -          | -                            |
| Zara Retail Korea Co., Ltd.                 | 20.00%                  | 16,106            | 1,655             | [2]                               | -          | 17,759                       |
| M-Venture Culture Investment L.P.           | 25.00%                  | 2,500             | 24                | -                                 | -          | 2,524                        |
| Capital One Diversity Cinema Fund           | 20.00%                  | -                 | [34]              | -                                 | 1,000      | 966                          |
| Bliss Co., Ltd.                             | 30.00%                  | -                 | -                 | -                                 | 150        | 150                          |
| NCF Co., Ltd.                               | 94.50%                  | -                 | -                 | -                                 | 18,876     | 18,876                       |
| Lotte Vietnam Shopping Co., Ltd.            | 80.00%                  | -                 | [885]             | 885                               | -          | -                            |
| Qingdao Lottemart Commercial Co., Ltd.      | 55.43%                  | 30,048            | [14,364]          | [707]                             | 12,038     | 27,015                       |
| Lotte Mart Co., Ltd.                        | 100.00%                 | 158,134           | [18,696]          | 378                               | -          | 139,816                      |
| Subtotal                                    |                         | ₩ 2,783,805       | ₩ 204,379         | ₩ [23,105]                        | ₩ 577,350  | ₩ 3,542,429                  |
|   |                         |                   |                   |                                   |            | Continued                    |

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS  
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| 2010<br>In KRW millions  |                         |                   |                   |                                   |            |                              |
|--|-------------------------|-------------------|-------------------|-----------------------------------|------------|------------------------------|
| Affiliate  | Percentage of ownership | Beginning balance | Adjustment to     |                                   | Other (*1) | Balance at December 31, 2010 |
|  |                         |                   | Net income (loss) | Other comprehensive income (loss) |            |                              |
| Lotte Europe Holdings B.V.   | 30.81%                  | ₩ 88,567          | ₩ [11,542]        | ₩ [5,029]                         | ₩ 22,315   | ₩ 94,311                     |
| Lotte Shopping Holdings (Singapore), Ltd.  | 100.00%                 | 114,529           | [6,409]           | 19,089                            | 33,297     | 160,506                      |
| PT Lotte Shopping Indonesia  | 55.00%                  | 214,068           | [7,057]           | 1,028                             | -          | 208,039                      |
| Liaoning Lotte Mart Co., Ltd. (formerly Shenyang Lottemart Commercial Co., Ltd.) | 77.24%                  | 10,841            | [3,188]           | 24                                | 688        | 8,365                        |
| Lotte Shopping Holdings (Hongkong), Ltd.   | 100.00%                 | 743,870           | [44,156]          | [10,551]                          | 117,722    | 806,885                      |
| Lotte Cinema Vietnam Co., Ltd.   | 90.00%                  | 2,219             | [1,695]           | 205                               | 1,029      | 1,758                        |
| Intime Lotte Department Store Co., Ltd.  | 50.00%                  | -                 | -                 | -                                 | -          | -                            |
| Coralis S.A.   | 45.00%                  | 17,418            | [1,192]           | 4,256                             | 26,459     | 46,941                       |
| Shenyang SL Cinema Investment Management Co., Ltd.                               | 49.14%                  | -                 | [65]              | 12                                | 752        | 699                          |
| Subtotal   |                         | 1,191,512         | [75,304]          | 9,034                             | 202,262    | 1,327,504                    |
| TOTAL  |                         | ₩ 3,975,317       | ₩ 129,075         | ₩ [14,071]                        | ₩ 779,612  | ₩ 4,869,933                  |

| 2009<br>In KRW millions                    |                         |                   |                   |                                   |            |                              |
|--|-------------------------|-------------------|-------------------|-----------------------------------|------------|------------------------------|
| Affiliate                                  | Percentage of ownership | Beginning balance | Adjustment to     |                                   | Other (*1) | Balance at December 31, 2009 |
|  |                         |                   | Net income (loss) | Other comprehensive income (loss) |            |                              |
| 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                       |
| Subtotal                                   |                         | ₩ 2,130,585       | ₩ 204,023         | ₩ 2,312                           | ₩ 104,769  | ₩ 2,441,689                  |
|  |                         |                   |                   |                                   |            | Continued                    |

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| 2009<br>In KRW millions                                    |                         |                   |                   |                                   |             |                              |
|--|-------------------------|-------------------|-------------------|-----------------------------------|-------------|------------------------------|
| Affiliate  | Percentage of ownership | Beginning balance | Adjustment to     |                                   | Other (*1)  | Balance at December 31, 2009 |
|  |                         |                   | Net income (loss) | Other comprehensive income (loss) |             |                              |
| 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                      |
| Lotte Cinema 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                       |
| Lotte Shopping India Pvt., Ltd.                            | -                       | -                 | -                 | -                                 | -           | -                            |
| KKD Lotte Holdings Co., Ltd.                               | -                       | -                 | [1,461]           | -                                 | 1,461       | -                            |
| Subtotal   |                         | 724,362           | [65,092]          | [22,799]                          | 897,157     | 1,533,628                    |
| TOTAL  |                         | ₩ 2,854,947       | ₩ 138,931         | ₩ [20,487]                        | ₩ 1,001,926 | ₩ 3,975,317                  |

(\*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 Krispy Kreme Doughnuts Co., Ltd. merged into Lotteria Co., Ltd. in 2010. Lotte Engineering & Machinery Manufacturing Co., Ltd. merged into Lotte Aluminium Co., Ltd. in 2009. Also, Foodstar Inc. merged into Lotteria Co., Ltd. in 2009.



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(v) Summarized financial information of equity-accounted investments as of and for year ended December 31, 2010 is as follows:

| Affiliate  | Total assets | Total liabilities | Sales       | Net income (loss) |
|--|--------------|-------------------|-------------|-------------------|
| In KRW millions  |              |                   |             |                   |
| Lotte Midopa Co., Ltd.   | ₩ 987,627    | ₩ 186,544         | ₩ 394,869   | ₩ 59,191          |
| Lotte Card Co., Ltd.   | 5,848,505    | 4,656,444         | 1,260,637   | 138,037           |
| Woori Home Shopping & Television Co., Ltd.                                       | 518,490      | 232,650           | 549,844     | 73,772            |
| Korea Seven Co., Ltd.  | 637,310      | 453,046           | 682,839     | 19,847            |
| Lotte.Com Inc.   | 104,128      | 71,407            | 134,993     | 261               |
| Lotte Boulangerie Co., Ltd.  | 50,383       | 39,574            | 77,020      | 64                |
| Lotteria Co., Ltd.   | 715,972      | 241,816           | 567,431     | 20,340            |
| Daehong Communications Co., Ltd.   | 462,330      | 170,258           | 267,403     | 18,444            |
| Lotte Station Building Co., Ltd.   | 948,170      | 243,176           | 691,561     | 75,541            |
| Lotte Capital Co., Ltd.  | 3,335,236    | 2,929,168         | 430,987     | 63,936            |
| FRL Korea Co., Ltd.  | 145,955      | 53,359            | 267,796     | 39,436            |
| Lotte Asset Development Co., Ltd.  | 170,495      | 66,868            | 12,635      | (13,285)          |
| Lotte Trading Co., Ltd.  | 1,415,211    | 922,745           | 802,881     | 3,992             |
| Lotte Aluminium Co., Ltd.  | 1,460,888    | 621,570           | 937,929     | 9,471             |
| Lotte Logistics Co., Ltd.  | 326,005      | 136,492           | 870,465     | 14,067            |
| Lotte Jeju Resort Co., Ltd.  | 114,752      | 74,209            | -           | (85)              |
| Lotte Buyeo Resort Co., Ltd.   | 160,470      | 94,421            | 1,964       | (8,834)           |
| Lotte Square Co., Ltd.   | 707,748      | 183,667           | 316,059     | 4,082             |
| Lotte Gimhae Development Co., Ltd.   | 515          | 180               | 901         | 35                |
| Lotte Suwon Station Shopping Town Co., Ltd.                                      | 2,807        | 2,825             | -           | 81                |
| Lakepark Co., Ltd.   | 35,939       | 19,059            | 13,354      | (1,783)           |
| Isu Entertainment Investment Union   | 5,395        | -                 | 166         | 162               |
| D-Cinema of Korea Co., Ltd.  | 68,139       | 70,964            | 9,944       | (2,530)           |
| Zara Retail Korea Co., Ltd.  | 114,237      | 25,444            | 129,242     | 8,272             |
| M-Venture Culture Investment L.P.  | 10,100       | 3                 | 283         | 77                |
| Capital One Diversity Cinema Fund  | 4,868        | 38                | 121         | (169)             |
| Bliss Co.,Ltd.   | 500          | -                 | -           | -                 |
| NCF Co., Ltd.  | 28,835       | 14,872            | 48,928      | 2,958             |
| Lotte Vietnam Shopping Co., Ltd.   | 124,756      | 147,513           | 46,963      | (15,862)          |
| Qingdao Lottemart Commercial Co., Ltd.   | 99,079       | 50,342            | 25,059      | (16,645)          |
| Lotte Mart Co., Ltd.   | 138,499      | 92,273            | 263,573     | (6,077)           |
| Lotte Europe Holdings B.V.   | 830,626      | 530,316           | 71,761      | (40,532)          |
| Lotte Shopping Holdings (Singapore), Ltd.  | 144,566      | (15,940)          | -           | (6,409)           |
| PT Lotte Shopping Indonesia  | 204,618      | 101,101           | 751,016     | 13,277            |
| Liaoning Lotte Mart Co., Ltd. (formerly Shenyang Lottemart Commercial Co., Ltd.) | 21,570       | 10,740            | 6,949       | (3,544)           |
| Subtotal   | ₩ 19,944,724 | ₩ 12,427,144      | ₩ 9,635,573 | ₩ 449,588         |
|  |              |                   |             | Continued         |

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| Affiliate  | Total assets | Total liabilities | Sales       | Net income (loss) |
|--|--------------|-------------------|-------------|-------------------|
| In KRW millions                                    |              |                   |             |                   |
| Lotte Shopping Holdings (Hongkong), Ltd.           | ₩ 1,348,240  | ₩ 541,355         | ₩ 200,920   | ₩ (44,156)        |
| Lotte Cinema Vietnam Co., Ltd.                     | 7,198        | 7,360             | 2,554       | (1,602)           |
| Intime Lotte Department Store Co., Ltd.            | 44,231       | 103,837           | 69,765      | (33,626)          |
| Coralis S.A.                                       | 71,810       | 91                | -           | (710)             |
| Shenyang SL Cinema Investment Management Co., Ltd. | 3,735        | 2,312             | -           | (133)             |
| Subtotal   | 1,475,214    | 654,955           | 273,239     | (80,227)          |
| TOTAL  | ₩ 21,419,938 | ₩ 13,082,099      | ₩ 9,908,812 | ₩ 369,361         |

The Company used unaudited and unreviewed financial statements as of December 31, 2010 of the companies when applying the equity method of accounting.

7. Other Current Assets

Other current assets as of December 31, 2010 and 2009 are as follows:

|   | 2010<br>In KRW millions | 2009<br>In KRW millions | 2010<br>In USD thousands (note 3) |
|---|-------------------------|-------------------------|-----------------------------------|
| Accrued interest income   | ₩ 8,309                 | ₩ 6,654                 | \$ 7,295                          |
| Available-for-sale securities (note 6(a))   | 4,812                   | 8,144                   | 4,225                             |
| Short-term loans, net of allowance for doubtful accounts of ₩26,645 million in 2010 and ₩14,982 million in 2009 | 18,171                  | 22,789                  | 15,955                            |
| Prepaid expenses  | 20,992                  | 10,297                  | 18,433                            |
| TOTAL   | ₩ 52,284                | ₩ 47,884                | \$ 45,908                         |

8. Joint Venture Investments

Details of joint venture investments as of December 31, 2010 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    |

(\*) The above investments are accounted for using equity method of accounting in the non-consolidated financial statements.  
(note 6 (c))

note 06  
07  
08

9. Transactions and Balances with Related Companies

(a) Details of investor and subsidiary relationships with the Company as of December 31, 2010 are as follows:

| Investor company                           | Ownership (%) | Control relationship (*1) |
|--|---------------|---------------------------|
| Hotel Lotte Co., Ltd.                      | 9.58          | 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  |

| Controlled subsidiary (*2)                 | Ownership (%) |            |        | Principal business                       |
|--|---------------|------------|--------|--|
|  | Company       | Subsidiary | Total  |  |
| Lotte Midopa Co., Ltd.                     | 79.01         | -          | 79.01  | Department stores                        |
| Lotte Card Co., Ltd.                       | 92.54         | -          | 92.54  | Credit card and lending                  |
| Woori Home Shopping & Television Co., Ltd. | 53.03         | -          | 53.03  | TV home shopping                         |
| Korea Seven Co., Ltd.                      | 51.44         | -          | 51.44  | Convenience stores                       |
| Lotte.Com Inc.                             | 34.39         | 18.26      | 52.65  | Internet shopping                        |
| Lotte Boulangerie Co., Ltd.                | 90.54         | -          | 90.54  | Bakery                                   |
| Lotteria Co., Ltd.                         | 32.17         | 8.22       | 40.39  | Restaurant chain                         |
| Daehong Communications Co., Ltd.           | 30.00         | 12.50      | 42.50  | Advertisement agency                     |
| Lotte Square Co., Ltd.                     | 100.00        | -          | 100.00 | Department stores                        |
| NCF Co., Ltd.                              | 94.50         | -          | 94.50  | Apparel manufacturing                    |
| Lotte Data Communication Company           | -             | 62.60      | 62.60  | Computer programming, consultancy        |
| KIBANK                                     | -             | 55.25      | 55.25  | Electronic financial transaction service |
| Mybi Co., Ltd.                             | -             | 50.06      | 50.06  | Electronic banking business              |
| Busan HanaroCard Co., Ltd.                 | -             | 60.00      | 60.00  | Electronic banking business              |
| Buy The Way Inc.                           | -             | 100.00     | 100.00 | Convenience stores                       |
| eB Card Co., Ltd.                          | -             | 100.00     | 100.00 | Electronic banking business              |
| Gyeonggi Smartcard Co., Ltd.               | -             | 100.00     | 100.00 | Electronic banking business              |
| Inchon Smartcard Co., Ltd.                 | -             | 100.00     | 100.00 | Electronic banking business              |
| Lotte Europe Holdings B.V.                 | 30.81         | 3.20       | 34.01  | Holding company                          |
| Lotte Vietnam Shopping Co., Ltd.           | 80.00         | -          | 80.00  | Discount stores                          |
|  |               |            |        | Continued                                |

| Controlled subsidiary (*2)   | Ownership (%) |            |        | Principal business      |
|--|---------------|------------|--------|-------------------------|
|  | Company       | Subsidiary | Total  |                         |
| Qingdao Lottemart Commercial Co., Ltd.   | 55.43         | 44.57      | 100.00 | Discount stores         |
| Lotte Mart Co., Ltd.   | 100.00        | -          | 100.00 | Discount stores         |
| Lotte Shopping Holdings (Singapore), Ltd.  | 100.00        | -          | 100.00 | Holding company         |
| Lotte Shopping Holdings (Hongkong), Ltd.   | 100.00        | -          | 100.00 | Holding company         |
| PT Lotte Shopping Indonesia  | 55.00         | 25.00      | 80.00  | Discount stores         |
| Liaoning Lotte Mart Co., Ltd. (formerly Shenyang Lottemart Commercial Co., Ltd.) | 77.24         | 22.76      | 100.00 | Discount stores         |
| Coralis S.A.   | 45.00         | -          | 45.00  | Holding company         |
| Coralis Vietnam Co., Ltd.  | -             | 100.00     | 100.00 | Real estate development |
| Lotte Mart China Co., Ltd. (formerly Times Ltd.) and its subsidiaries            | -             | 100.00     | 100.00 | Discount stores         |
| ZA0 Lotte Rus  | -             | 100.00     | 100.00 | Hotel                   |
| Lotte KF Rus LLC   | -             | 100.00     | 100.00 | Department stores       |
| Lotte Shopping Rus LLC   | -             | 100.00     | 100.00 | Department stores       |
| Confectionary Rus Kaluga LLC   | -             | 100.00     | 100.00 | Food manufacturing      |
| PT Lotte Mart Indonesia  | -             | 100.00     | 100.00 | Discount stores         |
| Lotte Home Shopping Company Limited  | -             | 88.23      | 88.23  | Holding company         |
| Lucky Pai Ltd.   | -             | 63.22      | 63.22  | Holding company         |
| Vietnam Lotteria Co., Ltd.   | -             | 92.39      | 92.39  | Restaurant chain        |
| Burger King Japan Co., Ltd.  | -             | 100.00     | 100.00 | Restaurant chain        |

(\*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.



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(b) Significant transactions which occurred in the normal course of business with related companies for the years ended December 31, 2010 and 2009 are summarized as follows:

| 2010<br>In KRW millions                    |                                |                      |                      |           |
|--|--------------------------------|----------------------|----------------------|-----------|
| Related company                            | Revenue                        | Expense and purchase |                      |           |
|  | Sales and non-operating income | Purchase of goods    | Fees and commissions | Other     |
| Hotel Lotte Co., Ltd.                      | ₩ 21,154                       | ₩ 196                | ₩ 66,234             | ₩ 1,104   |
| Lotte Confectionery Co., Ltd.              | 16,204                         | 87,774               | 8,684                | -         |
| Lotte Chilsung Beverage Co., Ltd.          | 7,821                          | 31,020               | 16,638               | -         |
| Lotte Engineering & Construction Co., Ltd. | 3,105                          | -                    | 361                  | 464,069   |
| Hotel Lotte Pusan Co., Ltd.                | 5,663                          | 656                  | 18,558               | 386       |
| Lotte Midopa Co., Ltd. [*]                 | 8,664                          | -                    | 7,809                | -         |
| Lotte.Com Inc.                             | 418                            | -                    | 60,206               | -         |
| Lotte Card Co., Ltd.                       | 3,759                          | -                    | 149,749              | -         |
| Daehong Communications Co., Ltd.           | 15,821                         | -                    | 53,348               | 1,145     |
| Lotteria Co., Ltd.                         | 9,144                          | 131                  | 3                    | -         |
| Lotte Data Communication Company           | 7,906                          | -                    | 41,768               | 35,687    |
| Lotte Station Building Co., Ltd. [*]       | 16,331                         | -                    | 5,829                | -         |
| Lotte Aluminium Co., Ltd.                  | 1,646                          | 6,630                | 32,650               | 17,137    |
| Lotte Trading Co., Ltd.                    | 8,521                          | 125,623              | 54,737               | 266       |
| Lotte Samkang Co., Ltd.                    | 2,549                          | 10,232               | 4,539                | -         |
| Lotte Ham Co., Ltd.                        | 6,830                          | 38,514               | 18,031               | -         |
| Others                                     | 43,566                         | 57,964               | 158,158              | 2,431     |
| TOTAL                                      | ₩ 179,102                      | ₩ 358,740            | ₩ 697,302            | ₩ 522,225 |

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| 2009<br>In KRW millions                    |                                |                      |                      |           |
|--|--------------------------------|----------------------|----------------------|-----------|
| Related company                            | 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 |

[\*] The Company has entered into contracts with Lotte Midopa Co., Ltd., Lotte Station Building Co., Ltd. and Lotte Square 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.

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(c) Account balances with related companies as of December 31, 2010 and 2009 are summarized as follows:

| 2010<br>In KRW millions                    |                           |                           |           |                        |                        |           |
|--|---------------------------|---------------------------|-----------|------------------------|------------------------|-----------|
| Related company                            | Receivables               |                           |           | Payables               |                        |           |
|  | Trade accounts receivable | Other accounts receivable | Other     | Trade accounts payable | Other accounts payable | Other     |
| Hotel Lotte Co., Ltd.                      | ₩ 134                     | ₩ 1,382                   | ₩ 20,733  | ₩ -                    | ₩ 2,513                | ₩ 5,839   |
| Lotte Confectionery Co., Ltd.              | 510                       | 1,327                     | -         | 11,421                 | 112                    | 908       |
| Lotte Chilsung Beverage Co., Ltd.          | 212                       | 600                       | -         | 1,903                  | 100                    | 11        |
| Lotte Engineering & Construction Co., Ltd. | -                         | -                         | 4,000     | -                      | 185,845                | 106       |
| Hotel Lotte Pusan Co., Ltd.                | 31                        | 197                       | 2,300     | -                      | 596                    | 795       |
| Lotte Midopa Co., Ltd.                     | 7,512                     | 1,337                     | 38,684    | -                      | 2,223                  | 404       |
| Lotte Card Co., Ltd.                       | 52,658                    | 372                       | 33        | -                      | -                      | 84,544    |
| Daehong Communications Co., Ltd.           | 1,850                     | 306                       | -         | -                      | 2,691                  | 3,677     |
| Lotteria Co., Ltd.                         | 501                       | 114                       | -         | -                      | 2,641                  | 6,620     |
| Lotte Data Communication Company           | 37                        | 817                       | 37        | -                      | 17,026                 | 2,422     |
| Lotte Vietnam Shopping Co., Ltd.           | -                         | -                         | 29,620    | -                      | -                      | 31        |
| Lotte Station Building Co., Ltd.           | 13,174                    | 3,122                     | 10,407    | -                      | 6,627                  | 255       |
| Lotte Trading Co., Ltd.                    | 326                       | 122                       | 1,451     | 8,809                  | 2,306                  | -         |
| Intime Lotte Department Store Co., Ltd.    | -                         | -                         | 8,337     | -                      | -                      | -         |
| Lotte Cinema Vietnam Co., Ltd.             | -                         | -                         | 6,833     | -                      | -                      | -         |
| Lotte Ham Co., Ltd.                        | 401                       | 305                       | -         | 1,142                  | 54                     | -         |
| Others                                     | 39,397                    | 4,245                     | 9,428     | 12,303                 | 23,511                 | 21,003    |
| TOTAL                                      | ₩ 116,743                 | ₩ 14,246                  | ₩ 131,863 | ₩ 35,578               | ₩ 246,245              | ₩ 126,615 |

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| 2009<br>In KRW millions                    |                           |                           |           |                        |                        |          |
|--|---------------------------|---------------------------|-----------|------------------------|------------------------|----------|
| Related company                            | 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 |

note 09

(d) Salaries and provision for retirement and severance benefits of the directors for the years ended December 31, 2010 and 2009 are ₩30,689 million and ₩33,398 million, respectively.



(e) The Company has provided guarantees for related companies as of December 31, 2010 as follows:

| Related company  | Guarantee recipient            | 2010               |                                  |
|--|--------------------------------|--------------------|----------------------------------|
|  |                                | 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 | Working capital    | VND 260,000,000                  |
| Liaoning Lotte Mart Co., Ltd. (formerly Shenyang Lottemart Commercial Co., Ltd.) | Australia and New Zealand Bank | Working capital    | RMB 100,000                      |
| Lotte Shopping Rus LLC   | Korea Development Bank         | Working capital    | US\$ 10,000                      |
| PT Lotte Mart Indonesia  | Korea Exchange Bank            | Working capital    | IDR 350,000,000                  |
| Intime Lotte Department Store Co.,Ltd.   | Woori Bank                     | Working capital    | RMB 78,000                       |

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

The fulfillment of the loyalty contract between Burger King Japan Co., Ltd. and BK Asiapac, Pte. Ltd. was guaranteed by the Company in August 2010.

10. Property, Plant and Equipment

(a) The Company revalued its land and buildings in 1998 under the then 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) Changes in property, plant and equipment for the years ended December 31, 2010 and 2009 are as follows:

| 2010                     |                                  |              |                                 |             |              |           |                                    |
|--------------------------|----------------------------------|--------------|---------------------------------|-------------|--------------|-----------|------------------------------------|
| In KRW millions          |                                  |              |                                 |             |              |           |                                    |
|                          | Book value as of January 1, 2010 | Acquisitions | Acquisition of stores (Note 35) | Disposals   | Depreciation | Transfers | Book value as of December 31, 2010 |
| Land (*)                 | ₩ 6,796,441                      | ₩ 11,213     | ₩ -                             | ₩ (320,895) | ₩ -          | ₩ 258,426 | ₩ 6,745,185                        |
| Buildings                | 3,204,622                        | 9,354        | 182,197                         | (148,125)   | (88,568)     | 316,743   | 3,476,223                          |
| Structures               | 189,811                          | 649          | 17,871                          | (9,090)     | (12,356)     | 13,761    | 200,646                            |
| Machinery                | 24,996                           | 962          | -                               | (132)       | (4,059)      | 13,054    | 34,821                             |
| Vehicles                 | 603                              | 498          | 10                              | (30)        | (432)        | (4)       | 645                                |
| Furniture and equipment  | 15,066                           | 3,187        | -                               | (24)        | (11,201)     | 16,109    | 23,137                             |
| Other                    | 239,292                          | 103,508      | 7,073                           | (898)       | (179,450)    | 182,472   | 351,997                            |
| Construction-in-progress | 658,546                          | 723,385      | 2,178                           | (82)        | -            | (587,022) | 797,005                            |
| TOTAL                    | ₩ 11,129,377                     | ₩ 852,756    | ₩ 209,329                       | ₩ (479,276) | ₩ (296,066)  | ₩ 213,539 | ₩ 11,629,659                       |

note 09  
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| 2009                     |                                  |              |            |             |              |            |                                    |
|--------------------------|----------------------------------|--------------|------------|-------------|--------------|------------|------------------------------------|
| In KRW millions          |                                  |              |            |             |              |            |                                    |
|                          | Book value as of January 1, 2009 | Acquisitions | Disposals  | Revaluation | Depreciation | Transfers  | Book value as of December 31, 2009 |
| 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 2010, ₩156,173 million (net of tax effect of ₩44,050 million) of unrealized gain on revaluation of land, which was previously recognized as other comprehensive income, was realized upon disposal of land.

(c) The officially declared value and book value of land as December 31, 2010 are as follows:

| 2010            |             |                |
|-----------------|-------------|----------------|
| In KRW millions |             |                |
|                 | Book value  | Declared value |
| Land            | ₩ 6,745,185 | ₩ 5,104,974    |

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

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(d) Details of coverage under major insurance policies carried by the Company as of December 31, 2010 and 2009 are as follows:

| Type of insurance                           | Covered assets                      | Amount covered          |                         | Amount covered<br>2010<br>In USD thousands (note 3) |
|---|-------------------------------------|-------------------------|-------------------------|---|
|   |                                     | 2010<br>In KRW millions | 2009<br>In KRW millions |   |
| Theft insurance                             | Cash                                | ₩ 81,297                | ₩ 68,734                | \$ 71,382   |
| Fire insurance                              | Merchandise, buildings<br>and tools | 7,402,653               | 5,956,120               | 6,499,827   |
| Engine and<br>machinery insurance           | Machinery and<br>equipment          | 165,106                 | 108,197                 | 144,970   |
| Business liability<br>insurance             | Facilities and<br>products          | 552,362                 | 490,682                 | 484,996   |
| Directors & officers<br>liability insurance | -                                   | 70,000                  | 70,000                  | 61,463  |
| Others                                      | Other utilities                     | 43,844                  | 40,286                  | 38,497  |
| <b>TOTAL</b>                                |                                     | <b>₩ 8,315,262</b>      | <b>₩ 6,734,019</b>      | <b>\$ 7,301,135</b>                                 |

11. Intangible Assets

Changes in intangible assets for the years ended December 31, 2010 and 2009 are as follows:

| 2010<br>In KRW millions                      |  |                 |                                       |                   |                 |   |
|--|--|-----------------|---------------------------------------|-------------------|-----------------|---|
|  | Book value<br>as of January<br>1, 2010 | Acquisition     | Acquisition<br>of stores<br>(Note 35) | Amortization      | Others          | Book value<br>as of<br>December<br>31, 2010 |
| Goodwill                                     | ₩ 42,056                               | ₩ 77            | ₩ 338,032                             | ₩ [26,130]        | ₩ 8,013         | ₩ 362,048                                   |
| Industrial property rights                   | 723                                    | 574             | -                                     | [306]             | -               | 991   |
| Rights to use<br>water supply facility       | 3,893                                  | -               | -                                     | [709]             | 977             | 4,161                                       |
| Rights to use<br>electricity supply facility | 4,400                                  | -               | -                                     | [699]             | 358             | 4,059                                       |
| Rights to use<br>gas supply facility         | 1,610                                  | -               | -                                     | [274]             | [1]             | 1,335                                       |
| Rights to use facility                       | 73,837                                 | -               | -                                     | [4,680]           | 232             | 69,389                                      |
| License                                      | 4,511                                  | -               | -                                     | [899]             | -               | 3,612                                       |
| Copyrights                                   | 98                                     | 28,833          | -                                     | [27,427]          | -               | 1,504                                       |
| Software                                     | 3,375                                  | -               | 18                                    | [1,047]           | 774             | 3,120                                       |
| <b>TOTAL</b>                                 | <b>₩ 134,503</b>                       | <b>₩ 29,484</b> | <b>₩ 338,050</b>                      | <b>₩ [62,171]</b> | <b>₩ 10,353</b> | <b>₩ 450,219</b>                            |

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| 2009<br>In KRW millions                   |  |                 |                   |                 |   |
|---|--|-----------------|-------------------|-----------------|---|
|   | Book value<br>as of January<br>1, 2009 | Acquisition     | Amortization      | Others          | Book value<br>as of<br>December<br>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                                       |
| <b>TOTAL</b>                              | <b>₩ 131,530</b>                       | <b>₩ 15,026</b> | <b>₩ [29,970]</b> | <b>₩ 17,917</b> | <b>₩ 134,503</b>                            |

12. Other Investment Assets

Other assets as of December 31, 2010 and 2009 are as follows:

|   | 2010<br>In KRW millions | 2009<br>In KRW millions | 2010<br>In USD thousands (note 3) |
|---|-------------------------|-------------------------|-----------------------------------|
| Long-term deposits (note 4)   | ₩ 16                    | ₩ 12,528                | \$ 14                             |
| Long-term loans, net of allowance for doubtful<br>accounts of ₩687 million in 2010 and ₩421 million in 2009 | 67,971                  | 41,680                  | 59,682                            |
| Long-term held-to-maturity securities (note 6(b))   | -                       | 1,000                   | -                                 |
| Others  | 3,924                   | 3,791                   | 3,446                             |
| <b>TOTAL</b>  | <b>₩ 71,911</b>         | <b>₩ 58,999</b>         | <b>\$ 63,142</b>                  |

13. Pledged Assets and Guarantees

(a) The following assets are pledged as collateral for the Company's contract performance as of December 31, 2010:

| Assets                                    | Guarantee for<br>In KRW millions, In USD thousands (note 3) |                   |   |
|---|---|-------------------|---|
| Short-term deposits                       | ₩ 27,891  | \$ 24,489         | Guarantee deposits for performance of contracts |
| Available-for-sale securities (note 6(a)) | 49,033  | 43,053            | Guarantee deposits for performance of contracts |
| Buildings                                 | 58,967  | 51,775            | Collateral for lease deposits                   |
| <b>TOTAL</b>                              | <b>₩ 135,891</b>  | <b>\$ 119,317</b> |   |

note 10  
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(b) Guarantees provided by the Company for third parties as of December 31, 2010 are as follows:

| Third party                                |         |          | Guarantor                         | Guarantee for            |
|--|---------|----------|-----------------------------------|--------------------------|
| In KRW millions, In USD thousands (note 3) |         |          |                                   |                          |
| Seoheung Co., Ltd.                         | ₩ 1,491 | \$ 1,309 | Seoul Guarantee Insurance Company | Performance of contracts |

(c) Guarantees provided by third parties for the Company as of December 31, 2010 are as follows:

| Guarantor                         |          |           | Guarantee for                              |
|-----------------------------------|----------|-----------|--|
|                                   |          |           | In KRW millions, In USD thousands (note 3) |
| Seoul Guarantee Insurance Company | ₩ 68,954 | \$ 60,544 | Performance of contracts                   |

14. Assets and Liabilities Denominated in Foreign Currency

Assets and liabilities denominated in foreign currency as of December 31, 2010 and 2009 are summarized as follows:

|   | 2010                  | 2010             | 2009              | 2009             |
|---|-----------------------|------------------|-------------------|------------------|
| Foreign currency (thousands), Won equivalent (millions) |                       |                  |                   |                  |
| <b>Assets:</b>  |                       |                  |                   |                  |
| Cash and cash equivalents                               | USD 3                 | ₩ 3              | 30,024            | ₩ 35,056         |
|   | JPY 15,000            | 210              | 15,000            | 189              |
| Other accounts receivable                               | USD 260               | 296              | 582               | 680              |
| Short-term loans  | USD 39,320            | 44,782           | 32,320            | 37,737           |
| Other investment assets                                 | USD 1,500             | 1,708            | 1,500             | 1,751            |
| <b>TOTAL</b>  | <b>USD 41,083</b>     | <b>₩ 46,789</b>  | <b>64,426</b>     | <b>₩ 75,224</b>  |
|   | <b>JPY 15,000</b>     | <b>210</b>       | <b>15,000</b>     | <b>189</b>       |
| <b>Liabilities:</b>                                     |                       |                  |                   |                  |
| Trade accounts payable                                  | USD -                 | ₩ -              | \$ 240            | ₩ 281            |
|   | EUR 488               | 739              | 587               | 982              |
|   | JPY -                 | -                | 3,621             | 46               |
| Current portion of debentures                           | USD 500,000           | 569,450          | -                 | -                |
|   | JPY 29,000,000        | 405,153          | 10,000,000        | 126,282          |
| Other accounts payable                                  | USD 250               | 285              | 250               | 291              |
|   | EUR 1                 | 2                | 4                 | 8                |
| Long-term borrowings                                    | USD 100,000           | 113,890          | -                 | -                |
|   | JPY 30,000,000        | 419,124          | 30,000,000        | 378,846          |
| Debentures  | USD 100,000           | 113,890          | 400,000           | 467,040          |
|   | JPY 10,000,000        | 139,708          | 39,000,000        | 492,500          |
| <b>TOTAL</b>  | <b>USD 700,250</b>    | <b>₩ 797,515</b> | <b>400,490</b>    | <b>₩ 467,612</b> |
|   | <b>EUR 489</b>        | <b>741</b>       | <b>591</b>        | <b>990</b>       |
|   | <b>JPY 69,000,000</b> | <b>963,985</b>   | <b>79,003,621</b> | <b>997,674</b>   |

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15. Other Current Liabilities

Other current liabilities as of December 31, 2010 and 2009 are as follows:

|  | 2010             | 2009            | 2010             |
|--|------------------|-----------------|------------------|
| In KRW millions, In USD thousands (note 3) |                  |                 |                  |
| Unearned income                            | ₩ 414            | ₩ 49            | \$ 363           |
| Withholdings                               | 12,039           | 9,573           | 10,570           |
| Value-added tax withholdings               | 68,497           | 40,644          | 60,143           |
| Guarantee deposits                         | 870              | 1,105           | 764              |
| Derivative liabilities                     | 6,572            | -               | 5,770            |
| Investment withholdings                    | 20,229           | 1,510           | 17,763           |
| <b>TOTAL</b>                               | <b>₩ 108,621</b> | <b>₩ 52,881</b> | <b>\$ 95,373</b> |

16. Borrowings

(a) Short-term borrowings as of December 31, 2010 and 2009 are summarized as follows:

| Lender                                     | Purpose of borrowings | Annual interest rate (%) | 2010             | 2009            | 2010              |
|--|-----------------------|--------------------------|------------------|-----------------|-------------------|
| In KRW millions, In USD thousands (note 3) |                       |                          |                  |                 |                   |
| Korea Agro-Fisheries Trade Corporation     | Working capital       | 4.00                     | ₩ 10,000         | ₩ 10,000        | \$ 8,780          |
| Bank of America                            | Working capital       | 2.95                     | 100,000          | -               | 87,804            |
| Shinhan Bank                               | Working capital       | 3.31                     | 100,000          | -               | 87,804            |
| Samsung Securities Co., Ltd.               | Working capital       | 3.36                     | 100,000          | -               | 87,804            |
| Korea Exchange Bank                        | Working capital       | 3.41                     | 100,000          | -               | 87,804            |
| ING Bank                                   | Working capital       | 3.28                     | 100,000          | -               | 87,804            |
| Shinhan Bank and others                    | Working capital       | 5.30~6.86                | 363              | 11,759          | 319               |
| <b>TOTAL</b>                               |                       |                          | <b>₩ 510,363</b> | <b>₩ 21,759</b> | <b>\$ 448,119</b> |

(b) Long-term borrowings in foreign currency as of December 31, 2010 and 2009 are summarized as follows:

| Lender                                     | Purpose of borrowings | Annual interest rate (%) | 2010             | 2009             | 2010              |
|--|-----------------------|--------------------------|------------------|------------------|-------------------|
| In KRW millions, In USD thousands (note 3) |                       |                          |                  |                  |                   |
| Lotte Co., Ltd. [Japan]                    | Working capital       | 3.40                     | ₩ 419,124        | ₩ 378,846        | \$ 368,008        |
| BNP Paribas Bank                           | Working capital       | 3M USD Libor+1.20        | 113,890          | -                | 100,000           |
| <b>Subtotal</b>                            |                       |                          | <b>533,014</b>   | <b>378,846</b>   | <b>468,008</b>    |
| <b>Less:</b>                               |                       |                          |                  |                  |                   |
| <b>Discount</b>                            |                       |                          | <b>(925)</b>     | <b>-</b>         | <b>(812)</b>      |
| <b>TOTAL BOOK VALUE</b>                    |                       |                          | <b>₩ 532,089</b> | <b>₩ 378,846</b> | <b>\$ 467,196</b> |

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(c) Aggregate maturities of borrowings as of December 31, 2010 are as follows:

| Period              |  |           | In KRW millions, In USD thousands (note 3) |            |
|---------------------|--|-----------|--|------------|
| 2011.1.1~2011.12.31 |  | ₩ -       |  | \$ -       |
| 2012.1.1~2012.12.31 |  | 533,014   |  | 468,008    |
|                     |  | ₩ 533,014 |  | \$ 468,008 |

17. Debentures

(a) Debentures as of December 31, 2010 and 2009 are summarized as follows:

| Description  | Maturity           | Interest rate (%)      | 2010                                       | 2009        | 2010         |
|--|--------------------|------------------------|--|-------------|--------------|
|  |                    |                        | In KRW millions, In USD thousands (note 3) |             |              |
| Denominated in won   |                    |                        |  |             |              |
| 50th placed  | February 5, 2012   | 5.10                   | ₩ 200,000                                  | ₩ 200,000   | \$ 175,608   |
| 53rd placed  | December 3, 2014   | 5.30                   | 250,000                                    | 250,000     | 219,510      |
| 54-1st placed  | March 12, 2013     | 4.44                   | 200,000                                    | -           | 175,608      |
| 54-2nd placed  | March 12, 2015     | 4.82                   | 400,000                                    | -           | 351,216      |
| Denominated in foreign currency  |                    |                        |  |             |              |
| 46th placed  | April 29, 2011     | 6M USD Libor+1.00      | 113,890                                    | 116,760     | 100,000      |
| 47th placed  | May 29, 2011       | 6M Euro Yen Tibor+1.20 | 251,474                                    | 227,308     | 220,805      |
| 48th placed  | September 29, 2011 | 3M Euro Yen Libor+1.60 | 153,679                                    | 138,910     | 134,936      |
| 49th placed  | October 17, 2011   | 3M USD Libor+1.75      | 341,670                                    | 350,280     | 300,000      |
| 51st placed  | June 26, 2012      | 3M Euro Yen Libor+1.50 | 139,708                                    | 126,282     | 122,669      |
| 52nd placed  | September 30, 2010 | 3M Euro Yen Libor+1.60 | -  | 126,282     | -            |
| 55th placed  | May 20, 2013       | 3M USD Libor+0.80      | 113,890                                    | -           | 100,000      |
| 56th placed  | September 30, 2011 | 3M USD Libor+1.05      | 113,890                                    | -           | 100,000      |
| Subtotal   |                    |                        | ₩ 2,278,201                                | ₩ 1,535,822 | \$ 2,000,352 |
| Less:  |                    |                        |  |             |              |
| Discount on debentures issued  |                    |                        | (6,033)                                    | (7,408)     | (5,297)      |
| TOTAL BOOK VALUE   |                    |                        | ₩ 2,272,168                                | ₩ 1,528,414 | \$ 1,995,055 |
| Less:  |                    |                        |  |             |              |
| Current portion of debentures, net of discount of ₩2,298 million in 2010 and ₩95 million in 2009 |                    |                        | 972,305                                    | 126,187     | 853,723      |
|  |                    |                        | ₩ 1,299,863                                | ₩ 1,402,227 | \$ 1,141,332 |

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(b) Aggregate maturities of debentures as of December 31, 2010 are as follows:

| Period              |  |             | In KRW millions, In USD thousands (note 3) |              |
|---------------------|--|-------------|--|--------------|
| 2011.1.1~2011.12.31 |  | ₩ 974,603   |  | \$ 855,741   |
| 2012.1.1~2012.12.31 |  | 339,708     |  | 298,277      |
| 2013.1.1~2013.12.31 |  | 313,890     |  | 275,608      |
| After 2014.1.1      |  | 650,000     |  | 570,726      |
|                     |  | ₩ 2,278,201 |  | \$ 2,000,352 |

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, 2010 amounted to ₩850,941 million.

(b) Future minimum lease payments under operating leases as of December 31, 2010 are as follows:

| Period                |  |             | In KRW millions, In USD thousands (note 3) |              |
|-----------------------|--|-------------|--|--------------|
| 2011.01.01~2011.12.31 |  | ₩ 162,775   |  | \$ 142,923   |
| 2012.01.01~2015.12.31 |  | 618,760     |  | 543,296      |
| 2016 and thereafter   |  | 723,086     |  | 634,899      |
| TOTAL                 |  | ₩ 1,504,621 |  | \$ 1,321,118 |

(c) The Company leases some land and buildings of the Company to third parties. The Company received advance rental deposits of ₩235,521 million as of December 31, 2010 and recognized rental income of ₩437,508 million and ₩383,737 million for the years ended December 31, 2010 and 2009, 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, 2010 and 2009 are summarized as follows:

|  | 2010<br>In KRW millions | 2009<br>In KRW millions | 2010<br>In USD thousands (note 3) |
|--|-------------------------|-------------------------|-----------------------------------|
| Estimated retirement and severance benefits at beginning of year | ₩ 149,646               | ₩ 137,679               | \$ 131,396                        |
| Accrual for retirement and severance benefits                    | 52,406                  | 50,859                  | 46,015                            |
| Payments   | (60,776)                | (41,178)                | (53,364)                          |
| Increase from acquisition of stores                              | 12,711                  | -                       | 11,160                            |
| Transfer of severance benefits from affiliated companies         | 5,567                   | 2,286                   | 4,888                             |
| Estimated retirement and severance benefits at end of year       | 159,554                 | 149,646                 | 140,095                           |
| Transfer to National Pension Fund                                | (59)                    | (45)                    | (52)                              |
| Deposit for severance benefit insurance                          | -                       | (104,286)               | -                                 |
| Pension plan assets  | (112,025)               | -                       | (98,363)                          |
| NET BALANCE AT END OF YEAR                                       | ₩ 47,470                | ₩ 45,315                | \$ 41,680                         |

The Company maintains pension arrangements with Lotte Non-Life Insurance Co., Ltd. from December 31, 2010. Pension plan assets 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 provide free services and mileage for customers registered with and who make purchases with 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, 2010 and 2009 are summarized as follows:

|                   | 2010<br>In KRW millions | 2009<br>In KRW millions | 2010<br>In USD thousands (note 3) |
|-------------------|-------------------------|-------------------------|-----------------------------------|
| Beginning of year | ₩ 30,312                | ₩ 30,808                | \$ 26,615                         |
| Provision         | 31,426                  | 20,746                  | 27,593                            |
| Payment           | (31,426)                | (21,242)                | (27,593)                          |
| END OF YEAR       | ₩ 30,312                | ₩ 30,312                | \$ 26,615                         |

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. 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 shares to 332,046 shares as Korea Express Co., Ltd. underwent capital reduction in 2009.

(b) The Company entered into a foreign currency forwards contract with Korea Exchange Bank to hedge the exposure to the changes in foreign exchange rates related to short-term loans (USD 26,000 thousand) and related interest income. Contract terms of the foreign currency forwards contract is as follows:

| Contract amount (thousands) | Foreign exchange rate | Maturity date | Bank                |
|-----------------------------|-----------------------|---------------|---------------------|
| USD 27,000                  | ₩ 1,145.2 / USD1      | 2011.3.23     | Korea Exchange Bank |

(c) 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 600,000 thousand and JPY 39,000,000 thousand) and long-term borrowings (USD 100,000 thousand). Contract terms of the currency and interest swap contracts are as follows:

| Contract amount (thousands) | Foreign exchange rate | Maturity date | Bank  |
|-----------------------------|-----------------------|---------------|---|
| USD 100,000                 | ₩ 976.0 / USD1        | 2011.4.29     | BNP Paribas Bank and others                   |
| JPY 18,000,000              | ₩ 10.0 / JPY1         | 2011.5.29     | The Bank of Tokyo-Mitsubishi UFJ and others   |
| JPY 11,000,000              | ₩ 10.2 / JPY1         | 2011.9.29     | Mizuho Bank                                   |
| USD 300,000                 | ₩ 1,113.0 / USD1      | 2011.10.17    | BNP Paribas Bank and others                   |
| JPY 10,000,000              | ₩ 13.1 / JPY1         | 2012.6.26     | Mizuho Bank                                   |
| USD 100,000                 | ₩ 1,117.0 / USD1      | 2013.5.20     | Mizuho Bank                                   |
| USD 100,000                 | ₩ 1,164.0 / USD1      | 2011.9.30     | Credit Agricole Corporate and Investment Bank |
| USD 100,000                 | ₩ 1,225.0 / USD1      | 2012.6.29     | BNP Paribas Bank                              |

(d) Changes in the fair value of derivative instruments for the year ended December 31, 2010 are as follows:

| Type of derivatives | Description                | Related accounts  | In KRW millions, In USD thousands (note 3) |          |
|---------------------|----------------------------|---|--|----------|
| Trade               | Put option                 | Gain on valuation of derivative instruments   | ₩ 3,062                                    | \$ 2,689 |
| Fair value hedge    | Currency forwards          | Loss on valuation of derivative instruments   | 43   | 38       |
| Cash flow hedge     | Currency and interest swap | Gain on valuation of derivative instruments   | 54,552                                     | 47,898   |
|                     |                            | Loss on valuation of derivative instruments   | (22,600)                                   | (19,844) |
| Cash flow hedge     | Currency and interest swap | Unrealized loss on valuation of derivative instruments, net of tax effect of ₩1,844 million | (5,141)                                    | (4,514)  |

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, 2010, the Company has not issued any preferred stock and 29,043,374 shares of common stock were issued and outstanding as of December 31, 2010.

(b) Capital surplus as of December 31, 2010 and 2009 consists of the following:

|  | 2010<br>In KRW millions | 2009<br>In KRW millions | 2010<br>In USD thousands (note 3) |
|--|-------------------------|-------------------------|-----------------------------------|
| Paid-in capital in excess of par value | ₩ 3,605,117             | ₩ 3,605,117             | \$ 3,165,438                      |
| Gain on capital reduction              | 1,793                   | 1,793                   | 1,575                             |
| Other capital surplus                  | 1,043,985               | 1,043,985               | 916,660                           |
|  | <b>₩ 4,650,895</b>      | <b>₩ 4,650,895</b>      | <b>\$ 4,083,673</b>               |

(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             |

23. Capital Adjustments

The Company acquired an additional 196 thousand shares of Woori Home Shopping & Television Co., Ltd., which is a controlled subsidiary of the Company, in 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 ₩16,271 million.

Korea Seven Co., Ltd., Lotte Boulangerie Co., Ltd., Lotte Europe Holdings B.V. and Coralis S.A., which are controlled subsidiaries of the Company, increased capital by issuing new stocks in 2010. And Lotte Krispy Kreme Doughnuts Co., Ltd., a controlled subsidiary of the Company, merged into Lotteria Co., Ltd. in 2010. As a result, the difference between the additional acquisition cost and the change in the Company’s share of net asset amounted to ₩16,230 million, in total. The Company recorded this amount as capital adjustments under the equity-method accounted investments.

24. Accumulated Other Comprehensive Income

Details of accumulated other comprehensive income as of December 31, 2010 and 2009 are as follows:

| Account   | 2010<br>In KRW millions | 2009<br>In KRW millions | 2010<br>In USD thousands (note 3) |
|---|-------------------------|-------------------------|-----------------------------------|
| Unrealized gain on valuation of available-for-sale securities, net of tax effect of ₩{19,076} million in 2010 and ₩{14,998} million in 2009 | ₩ 67,632                | ₩ 53,177                | \$ 59,384                         |
| Unrealized gain on investments under equity method, net of tax effect of ₩{19,485} million in 2010 and ₩{17,208} million in 2009            | 16,496                  | 32,844                  | 14,484                            |
| Unrealized loss on valuation of derivative instruments, net of tax effect of ₩5,005 million in 2010 and ₩3,161 million in 2009              | {16,349}                | {11,208}                | {14,354}                          |
| Unrealized gain on revaluation of land, net of tax effect of ₩{743,411} million in 2010 and ₩{787,461} million in 2009                      | 2,635,733               | 2,791,906               | 2,314,278                         |
|   | <b>₩ 2,703,512</b>      | <b>₩ 2,866,719</b>      | <b>\$ 2,373,792</b>               |

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25. Retained Earnings

Retained earnings as of December 31, 2010 and 2009 are summarized as follows:

| Account                              | 2010<br>In KRW millions | 2009<br>In KRW millions | 2010<br>In USD thousands (note 3) |
|--------------------------------------|-------------------------|-------------------------|-----------------------------------|
| <b>Appropriated:</b>                 |                         |                         |                                   |
| Legal reserve                        | ₩ 32,593                | ₩ 28,963                | \$ 28,619                         |
| Reserve for business rationalization | 10,552                  | 10,552                  | 9,265                             |
| Reserve for corporate development    | 134,000                 | 134,000                 | 117,657                           |
| Discretionary reserve                | 4,449,500               | 3,779,500               | 3,906,841                         |
|                                      | <b>₩ 4,626,645</b>      | <b>₩ 3,953,015</b>      | <b>\$ 4,062,382</b>               |
| <b>Unappropriated</b>                | <b>₩ 1,032,191</b>      | <b>₩ 731,981</b>        | <b>\$ 906,304</b>                 |
|                                      | <b>₩ 5,658,836</b>      | <b>₩ 4,684,996</b>      | <b>\$ 4,968,686</b>               |

(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.

(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. Sales and Cost of Sales

Details of sales and cost of sales for the years ended December 31, 2010 and 2009 are as follows:

|   | 2010<br>In KRW millions | 2009<br>In KRW millions | 2010<br>In USD thousands (note 3) |
|---|-------------------------|-------------------------|-----------------------------------|
| <b>SALES:</b>                             |                         |                         |                                   |
| Sale of merchandise                       | ₩ 12,699,151            | ₩ 10,737,965            | \$ 11,150,365                     |
| Specific sales (*1)                       | 728,916                 | 607,554                 | 640,018                           |
| Sale of finished goods                    | -                       | 53,204                  | -                                 |
| Sale of apartments                        | -                       | 51,734                  | -                                 |
| Ancillary property operation revenue (*2) | 194,881                 | 156,462                 | 171,113                           |
| Other operating revenue                   | 693,727                 | 600,349                 | 609,120                           |
| <b>Deduction:</b>                         |                         |                         |                                   |
| Cost of specific sales                    | (579,258)               | (481,421)               | (508,612)                         |
| Sales discounts                           | (220,489)               | (190,566)               | (193,598)                         |
|   | <b>₩ 13,516,928</b>     | <b>₩ 11,535,281</b>     | <b>\$ 11,868,406</b>              |
| <b>COST OF SALES:</b>                     |                         |                         |                                   |
| <b>Cost of merchandise sold:</b>          |                         |                         |                                   |
| Beginning inventory of merchandise        | ₩ 1,098,099             | ₩ 1,002,492             | \$ 964,175                        |
| Purchases of merchandise for the year     | 9,396,538               | 7,920,858               | 8,250,538                         |
| Transfer to other accounts                | -                       | 462                     | -                                 |
| Ending inventory of merchandise           | (1,240,663)             | (1,098,099)             | (1,089,352)                       |
|   | <b>₩ 9,253,974</b>      | <b>₩ 7,825,713</b>      | <b>\$ 8,125,361</b>               |
| <b>Cost of finished goods sold:</b>       |                         |                         |                                   |
| Beginning inventory of finished goods     | ₩ -                     | ₩ 2,008                 | \$ -                              |
| Cost of finished goods for the year       | -                       | 16,067                  | -                                 |
| Transfer to other accounts                | -                       | (2,150)                 | -                                 |
| Ending inventory of finished goods        | -                       | -                       | -                                 |
|   | <b>₩ -</b>              | <b>₩ 15,925</b>         | <b>\$ -</b>                       |
| Cost of sales - apartments                | -                       | 44,846                  | -                                 |
| Ancillary property operating cost         | ₩ 81,041                | ₩ 73,327                | 71,157                            |
|   | <b>₩ 9,335,015</b>      | <b>₩ 7,959,811</b>      | <b>\$ 8,196,518</b>               |
| <b>GROSS PROFIT</b>                       | <b>₩ 4,181,913</b>      | <b>₩ 3,575,470</b>      | <b>\$ 3,671,888</b>               |

(\*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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27. Selling and Administrative Expenses

Details of selling and administrative for the years ended December 31, 2010 and 2009 are as follows:

|   | 2010<br>In KRW millions | 2009<br>In KRW millions | 2010<br>In USD thousands (note 3) |
|---|-------------------------|-------------------------|-----------------------------------|
| Salaries                                      | ₩ 581,683               | ₩ 506,743               | \$ 510,741                        |
| Accrual for retirement and severance benefits | 52,406                  | 50,597                  | 46,015                            |
| Other employee benefits                       | 91,514                  | 79,542                  | 80,353                            |
| Education and training                        | 9,866                   | 6,626                   | 8,662                             |
| Travel  | 16,498                  | 13,057                  | 14,486                            |
| Service contract expense                      | 442,226                 | 368,158                 | 388,292                           |
| Advertising                                   | 173,702                 | 154,530                 | 152,517                           |
| Sales promotion and commissions               | 335,149                 | 298,426                 | 294,275                           |
| Supplies                                      | 45,150                  | 35,330                  | 39,643                            |
| Communications                                | 10,386                  | 9,262                   | 9,119                             |
| Utilities                                     | 153,681                 | 134,860                 | 134,938                           |
| Maintenance                                   | 18,832                  | 15,529                  | 16,535                            |
| Commissions and fees                          | 428,526                 | 346,597                 | 376,263                           |
| Insurance                                     | 6,123                   | 5,793                   | 5,377                             |
| Transportation                                | 7,428                   | 4,432                   | 6,522                             |
| Depreciation                                  | 296,066                 | 371,442                 | 259,958                           |
| Amortization of intangible assets             | 34,744                  | 13,867                  | 30,507                            |
| Taxes and dues                                | 97,463                  | 86,179                  | 85,577                            |
| Rent  | 184,199                 | 157,214                 | 161,734                           |
| Others  | 47,889                  | 40,811                  | 42,048                            |
|   | ₩ 3,033,531             | ₩ 2,698,995             | \$ 2,663,562                      |

28. Income Taxes

(a) The Company is subject to income taxes based on taxable income at the following nominal tax rates for the years ended December 31, 2010 and 2009:

| Taxable income     | Tax rate |       |       |            |
|--------------------|----------|-------|-------|------------|
|                    | 2009     | 2010  | 2011  | Thereafter |
| Up to ₩200 million | 12.1%    | 11.0% | 11.0% | 11.0%      |
| Over ₩200 million  | 24.2%    | 24.2% | 24.2% | 22.0%      |

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(b) The components of income tax expense for the years ended December 31, 2010 and 2009 are summarized as follows:

|   | 2010<br>In KRW millions | 2009<br>In KRW millions | 2010<br>In USD thousands (note 3) |
|---|-------------------------|-------------------------|-----------------------------------|
| Current income tax expense  | ₩ 302,392               | ₩ 218,905               | \$ 265,512                        |
| Deferred income tax expense   | (25,323)                | 816,586                 | (22,236)                          |
| Income taxes directly charged (credited) to equity                  | 39,637                  | (806,292)               | 34,804                            |
| Income taxes directly credited to discontinued operations (note 36) | -                       | (1,416)                 | -                                 |
| Income tax expense  | ₩ 316,706               | ₩ 227,783               | \$ 278,080                        |

(c) Deferred tax assets and liabilities are measured using the tax rate 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 year differ from the actual income tax expense in the non-consolidated statements of income for the years ended December 31, 2010 and 2009 for the following reasons:

|  | 2010<br>In KRW millions | 2009<br>In KRW millions | 2010<br>In USD thousands (note 3) |
|--|-------------------------|-------------------------|-----------------------------------|
| Income before income taxes                   | ₩ 1,326,850             | ₩ 939,770               | \$ 1,165,027                      |
| Expense for income taxes at normal tax rates | 321,072                 | 227,400                 | 281,913                           |
| Adjustments:                                 |                         |                         |                                   |
| Non-taxable income                           | (1,320)                 | (1,221)                 | (1,159)                           |
| Non-deductible expense                       | 241                     | 2,238                   | 212                               |
| Tax credit                                   | (4,410)                 | (3,673)                 | (3,872)                           |
| Other  | 1,123                   | 3,039                   | 986                               |
| Income tax expense                           | ₩ 316,706               | ₩ 227,783               | \$ 278,080                        |
| EFFECTIVE TAX RATE                           | 23.9%                   | 24.2%                   | 23.9%                             |



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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, 2010 and 2009 are presented below:

|  | 2010<br>In KRW millions | 2009<br>In KRW millions | 2010<br>In USD thousands (note 3) |
|--|-------------------------|-------------------------|-----------------------------------|
| <b>Deferred tax assets:</b>  |                         |                         |                                   |
| Allowance for doubtful accounts  | ₩ 7,345                 | ₩ 4,474                 | \$ 6,449                          |
| Impairment losses on available-for-sale securities                     | 16                      | 16                      | 14                                |
| Accrual for bonus points reward program                                | 7,336                   | 7,335                   | 6,441                             |
| Accrued expenses (bonus)   | 10,634                  | 7,739                   | 9,337                             |
| Available-for-sale securities  | 19                      | 19                      | 17                                |
| Capital adjustment due to use of equity method                         | 70                      | -                       | 61                                |
| Negative other comprehensive income due to equity method of accounting | 10,074                  | 8,827                   | 8,846                             |
| Unrealized loss on valuation of derivative instruments                 | 4,470                   | -                       | 3,925                             |
| Loss on foreign currency translation                                   | 38,082                  | 18,783                  | 33,437                            |
| Loss on revaluation of land  | 1,596                   | 1,596                   | 1,402                             |
| Construction-in-progress   | 403                     | 403                     | 354                               |
| Film copyrights  | 3,409                   | 3,376                   | 2,993                             |
| Others   | 4,880                   | 2,383                   | 4,284                             |
| <b>Total deferred tax assets</b>                                       | <b>₩ 88,334</b>         | <b>₩ 54,951</b>         | <b>\$ 77,560</b>                  |
| <b>Deferred tax liabilities:</b>                                       |                         |                         |                                   |
| Depreciation   | ₩ 3,286                 | ₩ 3,288                 | \$ 2,885                          |
| Accrued interest income  | 2,011                   | 1,610                   | 1,766                             |
| Disallowed financing costs capitalized                                 | 12,971                  | 13,177                  | 11,390                            |
| Land   | 888                     | 888                     | 780                               |
| Unrealized gain on revaluation of land                                 | 743,411                 | 787,461                 | 652,745                           |
| Equity method accounted investments                                    | 161,006                 | 131,252                 | 141,370                           |
| Unrealized gain on valuation of available-for-sale securities          | 19,076                  | 14,998                  | 16,749                            |
| Capital adjustment due to use of equity method                         | -                       | 28                      | -                                 |
| Other comprehensive income due to equity method of accounting          | 29,559                  | 26,035                  | 25,953                            |
| Unrealized gain on valuation of derivative instruments                 | 29,085                  | 14,647                  | 25,537                            |
| <b>Total deferred tax liabilities</b>                                  | <b>₩ 1,001,293</b>      | <b>₩ 993,384</b>        | <b>\$ 879,175</b>                 |
| <b>NET DEFERRED TAX LIABILITY</b>                                      | <b>₩ (912,959)</b>      | <b>₩ (938,433)</b>      | <b>\$ (801,615)</b>               |

(f) The Company did not recognize deferred tax assets in the amount of ₩1,132 million and ₩96,715 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, 2010, 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, 2010 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, 2010, details of aggregate deferred tax assets (liabilities) are as follows:

|  | Temporary differences<br>at December 31, 2010 | Deferred tax assets (liabilities) |                                |
|--|---|-----------------------------------|--------------------------------|
|  |   | Current                           | Non-current<br>In KRW millions |
| <b>Assets:</b>   |   |                                   |                                |
| Allowance for doubtful accounts  | ₩ 30,359                                      | ₩ 7,323                           | ₩ 22                           |
| Impairment losses on available-for-sale securities                     | 5,220   | -                                 | 16                             |
| Accrual for bonus points reward program                                | 30,312  | 7,336                             | -                              |
| Accrued expenses (bonus)   | 43,943  | 10,634                            | -                              |
| Available-for-sale securities  | 87  | -                                 | 19                             |
| Capital adjustment due to use of equity method                         | 32,571  | -                                 | 70                             |
| Negative other comprehensive income due to equity method of accounting | 132,072                                       | -                                 | 10,074                         |
| Unrealized loss on valuation of derivative instruments                 | 19,447  | -                                 | 4,470                          |
| Loss on foreign currency translation                                   | 159,547                                       | 32,793                            | 5,289                          |
| Loss on revaluation of land  | 7,256   | -                                 | 1,596                          |
| Construction-in-progress   | 1,831   | -                                 | 403                            |
| Film copyrights  | 15,496  | -                                 | 3,409                          |
| Others   | 21,614  | 1,369                             | 3,511                          |
|  | <b>₩ 499,755</b>                              | <b>₩ 59,455</b>                   | <b>₩ 28,879</b>                |

|   | Temporary differences<br>at December 31, 2010 | Deferred tax assets (liabilities) |                                |
|---|---|-----------------------------------|--------------------------------|
|   |   | Current                           | Non-current<br>In KRW millions |
| <b>Liabilities:</b>   |   |                                   |                                |
| Depreciation  | ₩ (14,935)                                    | ₩ -                               | ₩ (3,286)                      |
| Accrued interest income                                       | (8,309)                                       | (2,011)                           | -                              |
| Disallowed financing costs capitalized                        | (58,964)                                      | -                                 | (12,971)                       |
| Land  | (4,038)                                       | -                                 | (888)                          |
| Unrealized gain on revaluation of land                        | (3,379,144)                                   | -                                 | (743,411)                      |
| Equity method accounted investments                           | (964,849)                                     | -                                 | (161,006)                      |
| Land (reserve for advance depreciation)                       | (728,951)                                     | -                                 | -                              |
| Unrealized gain on valuation of available-for-sale securities | (86,708)                                      | -                                 | (19,076)                       |
| Other comprehensive income due to equity method of accounting | (168,053)                                     | -                                 | (29,559)                       |
| Unrealized gain on valuation of derivative instruments        | (119,312)                                     | (29,085)                          | -                              |
|   | <b>₩ (5,533,263)</b>                          | <b>₩ (31,096)</b>                 | <b>₩ (970,197)</b>             |
| <b>NET DEFERRED INCOME TAX ASSET (LIABILITY)</b>              | <b>₩ (5,033,508)</b>                          | <b>₩ 28,359</b>                   | <b>₩ (941,318)</b>             |

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(h) The deferred tax assets (liabilities) that were directly charged (credited) to equity for the year ended December 31, 2010 are as follows:

|  | Temporary<br>difference | Deferred<br>tax assets<br>(liabilities) | Temporary<br>difference<br><small>In KRW millions, In USD thousands (note 3)</small> | Deferred<br>tax assets<br>(liabilities) |
|--|-------------------------|---|--|---|
| Unrealized loss on valuation of<br>available-for-sale securities | ₩ 18,533                | ₩ (4,078)                               | \$ 16,272  | \$ (3,579)                              |
| Capital adjustment due to use of<br>equity method                | (16,328)                | 98                                      | (14,336)   | 85                                      |
| Unrealized gain on investments under<br>equity method, net       | (14,071)                | (2,277)                                 | (12,355)   | (1,998)                                 |
| Unrealized loss on valuation of<br>derivative instruments        | (6,985)                 | 1,844                                   | (6,133)  | 1,619                                   |
| Unrealized gain on revaluation of land                           | (200,223)               | 44,050                                  | (175,804)  | 38,677                                  |
|  | <b>₩ (219,074)</b>      | <b>₩ 39,637</b>                         | <b>\$ (192,356)</b>  | <b>\$ 34,804</b>                        |

29. Earnings Per Share

(a) Earnings per share for the years ended December 31, 2010 and 2009 are as follows:

|  | 2010<br><small>In KRW millions (except per share amount), In USD thousands (except per share amount) (note 3)</small> | 2009            | 2010            |
|--|---|-----------------|-----------------|
| Net income   | ₩ 1,010,144   | ₩ 716,422       | \$ 886,947      |
| Weighted-average number of common shares outstanding | 29,043,374  | 29,043,374      | 29,043,374      |
| <b>EARNINGS PER SHARE IN WON AND U.S. DOLLARS</b>    | <b>₩ 34,781</b>   | <b>₩ 24,667</b> | <b>\$ 30.54</b> |

(b) Earnings per share from continuing operations for the years ended December 31, 2010 and 2009 are as follows:

|  | 2010<br><small>In KRW millions (except per share amount), In USD thousands (except per share amount) (note 3)</small> | 2009            | 2010            |
|--|---|-----------------|-----------------|
| Income from continuing operations  | ₩ 1,010,144   | ₩ 711,987       | \$ 886,947      |
| Weighted-average number of common shares outstanding                             | 29,043,374  | 29,043,374      | 29,043,374      |
| <b>EARNINGS PER SHARE FROM CONTINUING OPERATIONS<br/>IN WON AND U.S. DOLLARS</b> | <b>₩ 34,781</b>   | <b>₩ 24,515</b> | <b>\$ 30.54</b> |

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30. Dividends

(a) Dividends as a percentage of net income and par value for the years ended December 31, 2010 and 2009 are as follows:

|   | 2010<br><small>In KRW millions</small> | 2009<br><small>In KRW millions</small> | 2010<br><small>In USD thousands (note 3)</small> |
|---|--|--|--|
| Dividend amount (cash dividends)        | ₩ 43,565                               | ₩ 36,304                               | \$ 38,252  |
| Net income                              | ₩ 1,010,144                            | ₩ 716,422                              | \$ 886,947                                       |
| Dividends as a percentage of net income | 4.31%                                  | 5.07%                                  | 4.31%  |
| Par value per share                     | ₩ 5,000                                | ₩ 5,000                                | \$ 4.39  |
| Dividends as a percentage of par value  | 30.00%                                 | 25.00%                                 | 30.00%   |

(b) Dividend yield ratio for the years ended December 31, 2010 and 2009 are as follows:

|                             | 2010<br><small>In KRW millions</small> | 2009<br><small>In KRW millions</small> | 2010<br><small>In USD thousands (note 3)</small> |
|-----------------------------|--|--|--|
| Dividend per share          | ₩ 1,500                                | ₩ 1,250                                | \$ 1.32  |
| Market price as of year end | 473,000                                | 346,000                                | 415  |
| Dividend yield ratio        | 0.32%                                  | 0.36%                                  | 0.32%  |

31. Commitments and Contingencies

(a) As of December 31, 2010, the Company has various forms of credit facility commitments with financial institutions as follows:

|                     | Credit line      | Amount used<br>under credit facility<br><small>In KRW millions, In USD thousands (note 3)</small> |
|---------------------|------------------|---|
| Overdraft           | ₩ 65,000         | ₩ 363   |
| General loan        | ₩ 200,000        | ₩ 200,000   |
| Discounting of bill | ₩ 400,000        | ₩ 200,000   |
| Buyer's credit      | ₩ 205,950        | ₩ 5,026   |
| Letter of credit    | \$ 10,000        | \$ 2,201  |
|                     | <b>₩ 870,950</b> | <b>₩ 405,389</b>  |
|                     | <b>\$ 10,000</b> | <b>\$ 2,201</b>   |



(b) As of December 31, 2010, the Company has provided a blank note 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, 2010 are as follows:

| Lessor                          | Location                          | Beginning date | Expiration date | Guarantee deposit amount | Monthly rent |
|---------------------------------|-----------------------------------|----------------|-----------------|--------------------------|--------------|
| In KRW millions                 |                                   |                |                 |                          |              |
| 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                    | 231          |
|                                 |                                   |                |                 | ₩ 42,300                 | 586          |

(d) The Company entered into 15 contracts with J&Jisan Co., Ltd. and others for the future lease of its buildings and recorded long-term advance payments of ₩102,072 million as of December 31, 2010. Long-term advance payment will transfer to guarantee deposits when the terms of lease begin.

(e) As of December 31, 2010, the Company is the plaintiff in various lawsuits claiming damages of ₩9,751 million and the Company is the defendant in various lawsuits with damage claims totaling ₩3,376 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.

32. Comprehensive Income

Comprehensive income for the years ended December 31, 2010 and 2009 was as follows:

|  | 2010<br>In KRW millions | 2009<br>In KRW millions | 2010<br>In USD thousands (note 3) |
|--|-------------------------|-------------------------|-----------------------------------|
| Net income   | ₩ 1,010,144             | ₩ 716,422               | \$ 886,947                        |
| Change in unrealized gain on valuation of available-for-sale securities, net of tax effect of ₩ (4,078) million in 2010 and ₩ (12,467) million in 2009 | 14,455                  | 44,203                  | 12,693                            |
| Change in unrealized gain on valuation of equity method investments, net of tax effect of ₩ (2,277) million in 2010 and ₩ (3,830) million in 2009      | (16,348)                | (24,317)                | (14,353)                          |
| Change in unrealized loss on valuation of derivative, net of tax effect of ₩ 1,844 million in 2010 and ₩ (2,534) million in 2009                       | (5,141)                 | 8,984                   | (4,514)                           |
| Change in unrealized gain on revaluation of land, net of tax effect of ₩ 44,050 million in 2010 and ₩ (787,461) million in 2009                        | (156,173)               | 2,791,906               | (137,127)                         |
| COMPREHENSIVE INCOME   | ₩ 846,937               | ₩ 3,537,198             | \$ 743,646                        |

33. Non-cash Investing Activities

Significant non-cash investing activities for the years ended December 31, 2010 and 2009 are summarized as follows:

|   | 2010<br>In KRW millions | 2009<br>In KRW millions | 2010<br>In USD thousands (note 3) |
|---|-------------------------|-------------------------|-----------------------------------|
| Construction-in-progress transferred to property, plant and equipment and intangible assets | ₩ 587,022               | ₩ 829,266               | \$ 515,429                        |
| Available-for-sales-securities transferred to equity method investment securities           | -                       | 11,667                  | -                                 |
| Revaluation of land   | -                       | 3,579,367               | -                                 |

34. Effect of Change in Accounting Estimates

The Company changed its accounting estimates for the useful lives of property, plant and equipment to reflect the economic substance as of January 1, 2010, and estimated useful lives are as follows:

|                              | Useful lives (years) |         |
|------------------------------|----------------------|---------|
|                              | Before               | After   |
| Buildings                    | 10 - 30              | 20 - 50 |
| Structures                   | 10 - 30              | 10 - 40 |
| Machinery                    | 4 - 30               | 4 - 30  |
| Vehicles                     | 4                    | 5       |
| Display fixtures             | 4                    | 5       |
| Other furniture and fixtures | 4                    | 5       |

This change in accounting estimates resulted in decrease in depreciation expense by ₩108,213 million and in increase in income tax expense by ₩26,187 million for the year ended December 31, 2010, respectively. In addition, this resulted in increases in property, plant and equipment by ₩108,213 million and unappropriated retained earnings by ₩82,026 million as of December 31, 2010.

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35. Acquisition of Stores

On February 9, 2010, the Company entered into an agreement to acquire the discount store division of GS Retail Co., Ltd., which included 14 discount stores, employees, operation and land. In accordance with the agreement, the Company completed the acquisition of the discount stores on May 31, 2010. Acquired assets and liabilities and goodwill which resulted from the acquisition were as follows:

| In KRW millions, In USD thousands (note 3) |           |            |
|--|-----------|------------|
| Fair value of assets                       | ₩ 560,176 | \$ 490,522 |
| Fair value of liabilities                  | 49,362    | 43,224     |
| Net assets acquired                        | 510,814   | 447,298    |
| Acquisition cost                           | 826,543   | 723,768    |
| Acquisition related cost                   | 22,303    | 19,530     |
| Total acquisition cost                     | 848,846   | 743,298    |
| Goodwill (*)                               | ₩ 338,032 | \$ 296,000 |

(\*) Goodwill is amortized on a straight-line basis over 10 years. Amortization of goodwill for the year ended December 31, 2010 is ₩19,719 million.

36. Discontinued Operations

The Company sold the assets and liabilities of the foods manufacturing division for ₩24,339 million to Lotte Samkang Co., Ltd. on September 30, 2009.

The comparative statement of income has been restated to show the discontinued operations separately from continuing operations. The results of the discontinued operations for the nine-month period ended September 30, 2009 were calculated as follows:

| 2009<br>In KRW millions (except for earnings per share) |          |
|---|----------|
| Sales   | ₩ 38,001 |
| Cost of sales   | 34,361   |
| Gross profit  | 3,640    |
| Selling and administrative expenses                     | 1,759    |
| Operating income  | 1,881    |
| Non-operating income                                    | 638      |
| Non-operating expenses                                  | 23       |
| Income of foods manufacturing division                  | 2,496    |
| Gain on disposition of the discontinued operations      | 3,355    |
| Income taxes  | 1,416    |
| RESULTS OF DISCONTINUED OPERATIONS                      | ₩ 4,435  |
| BASIC EARNINGS PER SHARE IN WON                         | ₩ 152    |

Summarizing the cash flows from discontinued operations for the nine-month period ended September 30, 2009, net cash from operating activities was ₩1,310 million and net cash from investing activities was ₩1,160 million.

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37. Date of Authorization for Issue

The 2010 financial statements were authorized for issue on February 22, 2011, at the Board of Directors meeting.

38. Results of Operations for the Last Interim Period

|  | 2010<br>4th Quarter<br>In KRW millions | 2009<br>4th Quarter<br>In KRW millions | 2010<br>4th Quarter<br>In USD thousands (note 3) |
|--|--|--|--|
| Sales                                      | ₩ 3,786,624                            | ₩ 3,206,374                            | \$ 3,324,808                                     |
| Operating income                           | 316,741                                | 258,158                                | 278,111  |
| Net income for the period                  | 375,207                                | 178,654                                | 329,447  |
| Earnings per share in won and U.S. dollars | 12,919                                 | 6,151                                  | 11.34  |

39. 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, 2010 and 2009 is summarized as follows:

|                               | 2010              |             |             |              | 2009              |             |             |              |
|-------------------------------|-------------------|-------------|-------------|--------------|-------------------|-------------|-------------|--------------|
|                               | Department stores | Marts       | Other       | Total        | Department stores | Marts       | Other (*)   | Total        |
| In KRW millions               |                   |             |             |              |                   |             |             |              |
| Sales                         | ₩ 6,616,955       | ₩ 5,301,914 | ₩ 1,598,059 | ₩ 13,516,928 | ₩ 5,904,468       | ₩ 4,327,792 | ₩ 1,303,021 | ₩ 11,535,281 |
| Operating income              | 794,821           | 312,464     | 41,097      | 1,148,382    | 676,809           | 167,872     | 31,794      | 876,476      |
| Depreciation and amortization | 146,079           | 130,591     | 81,567      | 358,237      | 178,969           | 149,131     | 74,234      | 402,335      |

|                               | 2010              |              |              |               | 2009              |              |              |               |
|-------------------------------|-------------------|--------------|--------------|---------------|-------------------|--------------|--------------|---------------|
|                               | Department stores | Marts        | Other        | Total         | Department stores | Marts        | Other (*)    | Total         |
| In USD thousands (note 3)     |                   |              |              |               |                   |              |              |               |
| Sales                         | \$ 5,809,953      | \$ 4,655,293 | \$ 1,403,160 | \$ 11,868,406 | \$ 5,184,361      | \$ 3,799,976 | \$ 1,144,104 | \$ 10,128,441 |
| Operating income              | 697,885           | 274,356      | 36,085       | 1,008,326     | 594,265           | 147,399      | 27,916       | 769,580       |
| Depreciation and amortization | 128,264           | 114,664      | 71,618       | 314,546       | 157,142           | 130,943      | 65,181       | 353,266       |

(\*) The income and expenses from discontinued operations are excluded.



(c) Property, plant and equipment and intangible asset net information for the major segments as of December 31, 2010 and 2009 is summarized as follows:

|                               | 2010              |            |          |             | 2009              |            |           |             |
|-------------------------------|-------------------|------------|----------|-------------|-------------------|------------|-----------|-------------|
|                               | Department stores | Marts      | Other    | Total       | Department stores | Marts      | Other (*) | Total       |
|                               | In KRW millions   |            |          |             |                   |            |           |             |
| Property, plant and equipment | ₩6,436,565        | ₩4,769,366 | ₩423,728 | ₩11,629,659 | ₩6,334,576        | ₩4,429,226 | ₩365,575  | ₩11,129,377 |
| Intangible assets             | 29,051            | 376,456    | 44,712   | 450,219     | 30,400            | 63,379     | 40,724    | 134,503     |
| TOTAL                         | ₩6,465,616        | ₩5,145,822 | ₩468,440 | ₩12,079,878 | ₩6,364,976        | ₩4,492,605 | ₩406,299  | ₩11,263,880 |

|                               | 2010                      |              |            |               | 2009              |              |            |              |
|-------------------------------|---------------------------|--------------|------------|---------------|-------------------|--------------|------------|--------------|
|                               | Department stores         | Marts        | Other      | Total         | Department stores | Marts        | Other (*)  | Total        |
|                               | In USD thousands (note 3) |              |            |               |                   |              |            |              |
| Property, plant and equipment | \$ 5,651,563              | \$ 4,187,695 | \$ 372,050 | \$ 10,211,308 | \$ 5,562,013      | \$ 3,889,038 | \$ 320,989 | \$ 9,772,040 |
| Intangible assets             | 25,508                    | 330,543      | 39,259     | 395,310       | 26,693            | 55,649       | 35,757     | 118,099      |
| TOTAL                         | \$ 5,677,071              | \$ 4,518,238 | \$ 411,309 | \$ 10,606,618 | \$ 5,588,706      | \$ 3,944,687 | \$ 356,746 | \$ 9,890,139 |

INDEPENDENT ACCOUNTANTS' REVIEW REPORT ON  
INTERNAL ACCOUNTING CONTROL SYSTEM  
ENGLISH TRANSLATION OF A REPORT ORIGINALLY ISSUED IN KOREAN

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, 2010. 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, 2010, 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 the 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.

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, 2010 is not prepared in all material respects, in accordance with the 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, 2010. We did not review the Company’s IACS subsequent to December 31, 2010. 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.

KPMG Samjong Accounting Corp.

March 2, 2011

This report is annexed in relation to the audit of the non-consolidated financial statements as of December 31, 2010 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  
JANUARY 11, 2011

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, 2010.

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, 2010, 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

FINANCIAL STATEMENTS

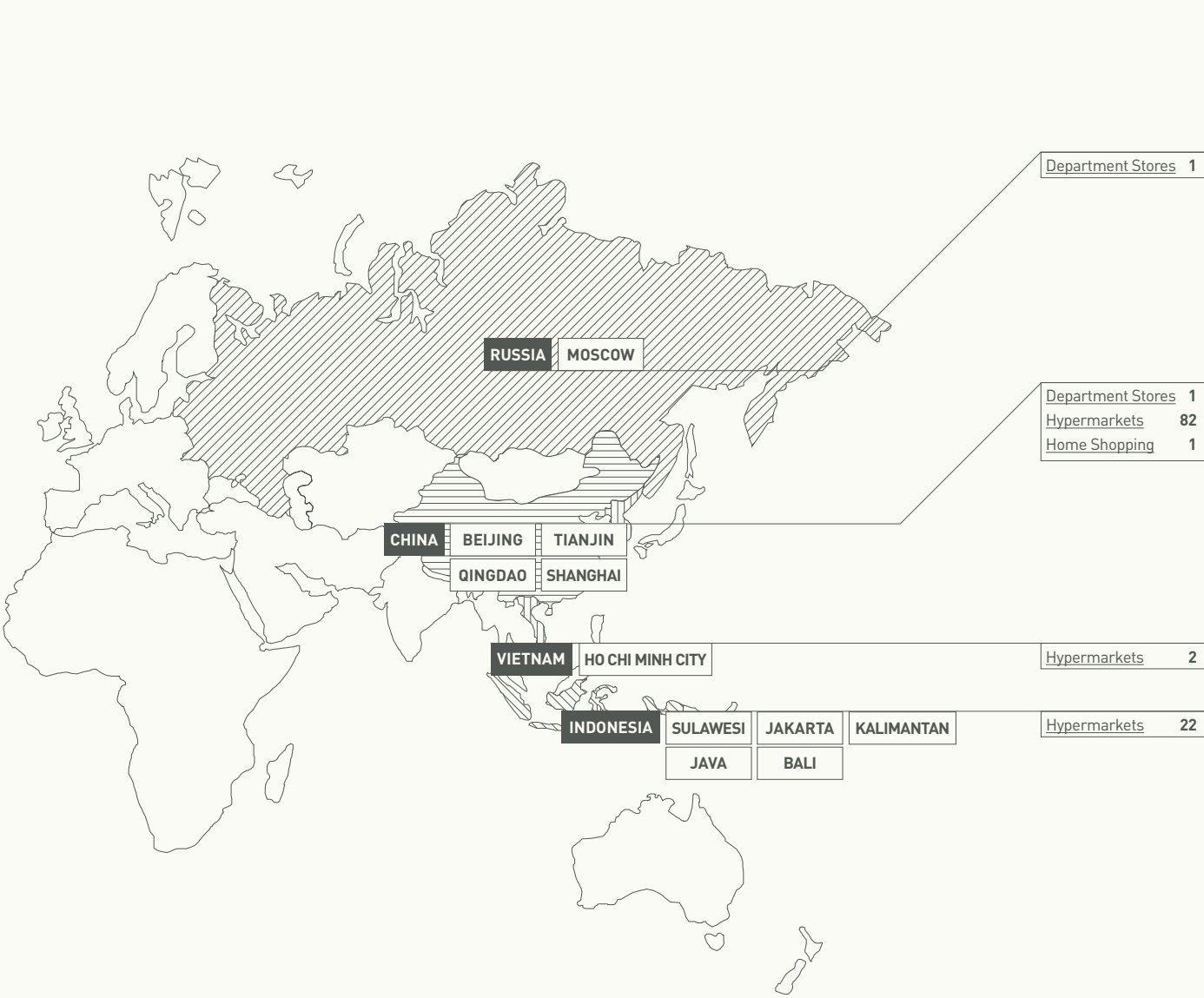
CONSOLIDATED INCOME STATEMENTS  
YEARS ENDED DECEMBER 31, 2010 AND 2008

|  | 2010<br>In KRW millions | 2009<br>In KRW millions | 2008<br>In KRW millions |
|--|-------------------------|-------------------------|-------------------------|
| <b>Sales</b>   | <b>₩ 20,330,572</b>     | <b>₩ 16,010,345</b>     | <b>₩ 17,851,061</b>     |
| <b>Cost of sales</b>                                       | <b>₩ 13,972,421</b>     | <b>₩ 10,788,271</b>     | <b>₩ 12,268,348</b>     |
| <b>Gross profit</b>  | <b>₩ 6,358,151</b>      | <b>₩ 5,222,074</b>      | <b>₩ 5,582,713</b>      |
| <b>Selling and administrative expenses</b>                 | <b>₩ 4,931,297</b>      | <b>₩ 4,073,757</b>      | <b>₩ 4,329,877</b>      |
| <b>Operating income</b>                                    | <b>₩ 1,426,854</b>      | <b>₩ 1,148,317</b>      | <b>₩ 1,252,836</b>      |
| <b>Non-operating income</b>                                | <b>₩ 586,120</b>        | <b>₩ 430,651</b>        | <b>₩ 406,881</b>        |
| Interest income  | 69,347                  | 60,244                  | 65,193                  |
| Dividend income  | 5,071                   | 2,364                   | 2,909                   |
| Gain on foreign currency transactions                      | 49,230                  | 9,412                   | 819                     |
| Gain on foreign currency translation                       | 30,254                  | 111,557                 | 5,907                   |
| Equity in earnings of equity method accounted investments  | 85,735                  | 142,095                 | 51,136                  |
| Gain on disposition of equity method accounted investments | 6,223                   | 5,630                   | 20,395                  |
| Gain on valuation of derivative instruments                | 57,657                  | 1                       | 184,663                 |
| Gain on disposition of derivative instruments              | 10,052                  | 2,861                   | -                       |
| Gain on disposition of property, plant and equipment       | 216,333                 | 3,937                   | 48,887                  |
| Gain from assets contributed                               | -                       | -                       | 8,378                   |
| Others   | 56,218                  | 92,550                  | 18,594                  |
| <b>Non-operating expenses</b>                              | <b>₩ 513,136</b>        | <b>₩ 386,405</b>        | <b>₩ 341,304</b>        |
| Interest expense   | 195,392                 | 100,241                 | 35,701                  |
| Loss on foreign currency transactions                      | 61,733                  | 18,180                  | 849                     |
| Loss on foreign currency translation                       | 108,907                 | 29,929                  | 190,382                 |
| Equity in loss of equity method accounted investments      | 28,751                  | 32,548                  | 68,902                  |
| Loss on valuation of derivative instruments                | 22,600                  | 103,717                 | 59                      |
| Loss on disposition of property, plant and equipment       | 13,748                  | 7,591                   | 14,006                  |
| Loss on revaluation of land                                | -                       | 8,268                   | -                       |
| Others   | 82,005                  | 85,931                  | 31,405                  |
| <b>Income before income taxes</b>                          | <b>₩ 1,499,838</b>      | <b>₩ 1,192,563</b>      | <b>₩ 1,076,717</b>      |
| <b>Net profit</b>  | <b>₩ 1,043,834</b>      | <b>₩ 765,850</b>        | <b>₩ 786,177</b>        |



OVERSEAS STORE NETWORK  
AS OF DECEMBER 31, 2010

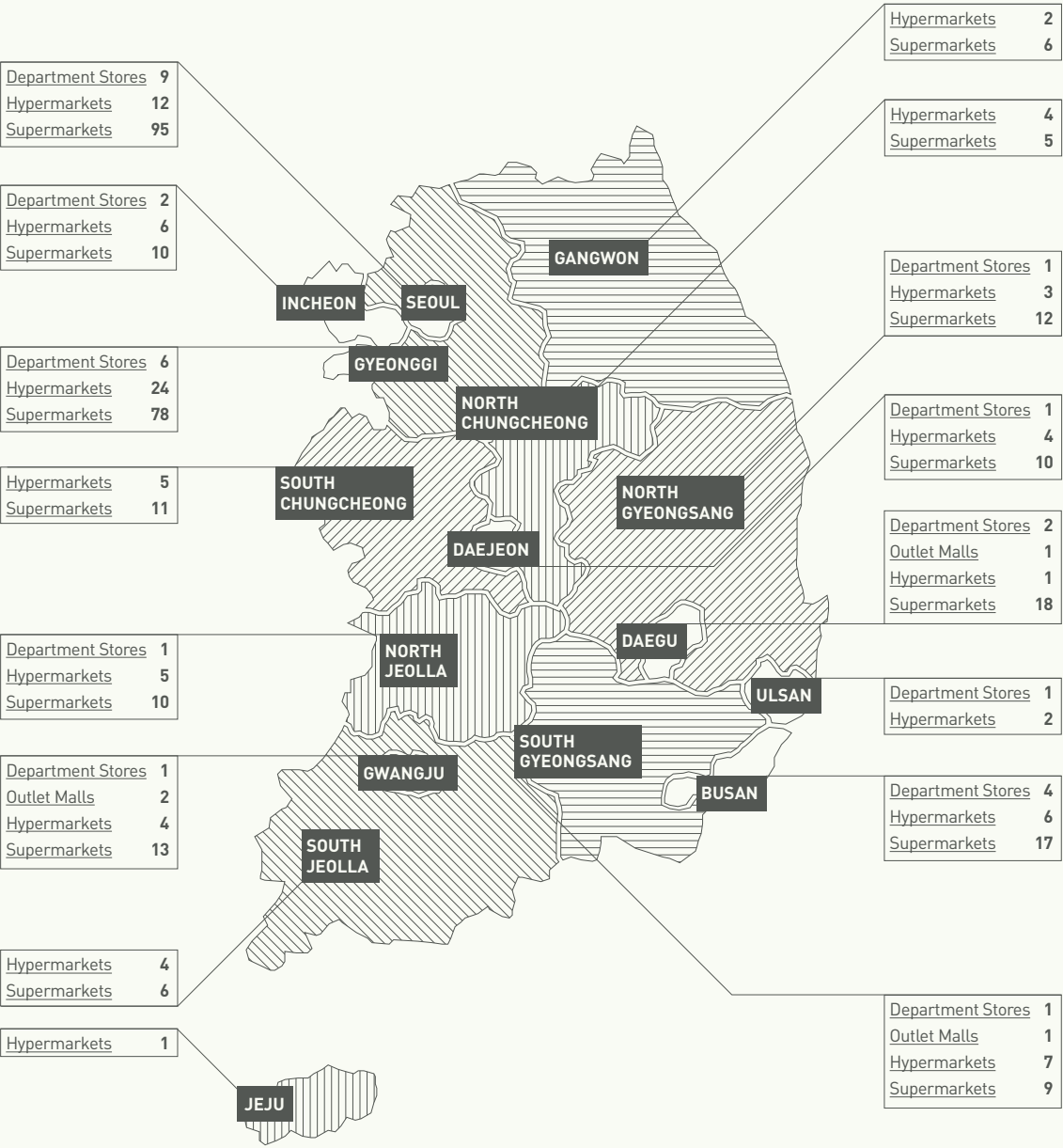
|                   |     |
|-------------------|-----|
| Department Stores | 2   |
| Hypermarkets      | 106 |
| Home Shopping     | 1   |



DOMESTIC STORE NETWORK  
AS OF DECEMBER 31, 2010

|                    |     |
|--------------------|-----|
| Department Stores* | 29  |
| Outlet Malls       | 4   |
| Hypermarkets       | 90  |
| Supermarkets       | 277 |

\* Includes six stores managed under contract.



LEADING KOREAN RETAIL INTO A GLOBAL FUTURE

At Lotte Shopping, we’ve been winning the hearts of Korean shoppers with top brands and unrivaled service since 1979. Over the past three decades, we’ve expanded from department stores into virtually every segment of retail with supermarkets, convenience stores, home shopping networks, and outlet malls. In addition to operating 29 department stores\*, 90 supermarkets, and 277 supermarkets in Korea, we are an in-creasingly global retailer. We now operate a department store in Russia, a department store and 82 hyper-markets in China, 22 supermarkets in Indonesia, and 2 supermarkets in Vietnam. Today, we have our sights set on becoming one of the world’s top-10 retailers by 2018.

\* Includes six stores managed under contract.

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 Hanwha 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 supermarket sector with acquisition of Makro

August 2008

Opened second overseas department store in Beijing

October 2008

Entered Indonesian supermarket sector with acquisition of Makro

Opened first Lotte Outlets in Gwangju

December 2008

Opened first Lotte Premium Outlets in Gimhae

Opened first supermarket in Vietnam

September 2009

Opened second Lotte Outlets in Gwangju

Acquired 7-Eleven convenience stores (Korea Seven)

October 2009

Acquired Times supermarket chain in China (68 stores)

January 2010

Acquired Buy The Way convenience store chain

February 2010

Acquired GS Square department stores and GS Mart supermarkets

July 2010

Opened second supermarket in Vietnam

August 2010

Acquired equity stake in Chinese home shopping network Lucky Pai

Opened first Lotte Outlets in Daegu

Opened first greenfield supermarket in Indonesia (Store 20)

October 2010

Opened second greenfield supermarket in Indonesia (Store 21)

November 2010

Acquired Nice Claup Fashion

Opened third greenfield supermarket in Indonesia (Store 22)

BECOMING ONE OF ASIA'S TOP-10 GLOBAL CORPORATIONS

The Lotte Group was established when Chairman Shin Kyuk-ho founded Lotte Confectionary in 1967. Over the last 43 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   | FOOD & BEVERAGE  |
|--|--|
| Lotte.com<br>Lotte Logistics<br>Lotte Midopa<br>Lotte Trading<br>Lotte Shopping<br>Lotte Asahi Liquor<br>Lotte Station Building<br>Cinema Trading<br>FRL Korea<br>Woori Home Shopping<br>Korea Seven | Daesun Distilling<br>Lotteria<br>Lotte Boulangerie<br>Lotte Samkang<br>Lotte Confectionery<br>Lotte Pharmaceutical<br>Lotte Chilsung Beverage<br>Lotte Fresh Delica<br>Wellga<br>Food Star   |
| TOURISM  | OTHER SECTORS  |
| Lotte Moolsan<br>Lotte JTB<br>Busan Lotte Hotel<br>Hotel Lotte   | Daehong Communications<br>Lotte Engineering & Construction<br>Lotte Insurance<br>Lotte Aluminium<br>Lotte Asset Development Company<br>Lotte Giants<br>Lotte Data Communication<br>Lotte Card<br>Canon Korea Business Solutions<br>Lotte Capital |
| CHEMICALS  |  |
| KP Chemical<br>KP Chemtech<br>Korea Fuji Film<br>Honam Petrochemical<br>Daesan MMA<br>Cheongna Energy<br>Seetec  |  |



Thank you for  
dropping by  
Lotte Shopping.

We invite you  
to visit us  
online regularly  
for the latest  
on how we're  
making the  
world of retail  
a more satisfying,  
prosperous place.



[ir.lotteshopping.com](http://ir.lotteshopping.com)

