

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

**Consolidated Financial Statements
As of December 31, 2024 and 2023**

(With Independent Auditors' Report Thereon)

LOTTE SHOPPING CO., LTD.

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Independent Auditor's Report

Based on a report originally issued in Korean

To the Shareholders and Board of Directors of

LOTTE SHOPPING CO., LTD.

Opinion

We have audited the consolidated financial statements of LOTTE SHOPPING CO., LTD. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising of material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

We also have audited, in accordance with Korean Standards on Auditing (KSAs), the Group's Internal Control over Financial Reporting ("ICFR") for consolidation purposes as of December 31, 2024 based on the criteria established in Conceptual Framework for Designing and Operating Internal Control over Financial Reporting issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea, and our report dated March 14, 2025 expressed an unmodified opinion on the effectiveness of the Group's internal control over financial reporting for consolidation purposes.

Basis for Opinion

We conducted our audits in accordance with KSAs. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Assessment of goodwill impairment in the consumer electronics retail cash generating units (CGUs).

As described in Note 15 to the consolidated financial statements, as of December 31, 2024, the carrying amount of goodwill in the consolidated statements of financial position of the Group is ₩475,013 million and the carrying amount of goodwill of consumer electronics retail segment in the consolidated statements of financial position of the Group is ₩132,596 million. Also, the impairment loss of ₩331,141 million is recognized for the year ended December 31, 2024.

The Group performs impairment tests by estimating the recoverable amount of CGUs including goodwill once a year and whenever there are indications of impairment. If the recoverable amount of the CGUs is less than the carrying amount, the carrying amount of the CGUs is reduced to the recoverable amount and the decrease is recognized as an impairment loss. Management's judgment is involved in assumptions



such as sales growth rate, discount rate, and terminal growth rate that have a significant impact on the estimation of recoverable amount. Considering significant degree of judgment in estimating recoverable amount, we identified assessment of goodwill impairment of consumer electronics retail CGUs as a key audit matter.

Our primary audit procedures to address this key audit matter included the followings.

- We understood the Group's goodwill impairment test process and tested the design and operating effectiveness of the management review control related to impairment assessment;
- We compared the forecast estimated in prior year with current year's actual performance to assess the Group's ability to accurately forecast;
- We assessed the competence, qualification and objectivity of external experts engaged by the Group to assess recoverable amount of goodwill;
- We compared the financial forecast used in the impairment assessment to the business plan approved by management;
- We engaged our valuation specialists to assist us in evaluating discount rate, assumptions and methodology used in the valuation of value-in-use;
- We obtained sensitivity analysis of the discount rate and terminal growth rate which used in the Group's forecasts for future cash flows and assessed how changes in key assumptions would affect the results of valuation and whether there were any indicators for management's bias; and
- We tested the mathematical accuracy of valuation model used by the Group.

(2) Applying revaluation method to the Property, Plant and equipment (land)

As described in Note 2 to the consolidated financial statements, the Group changed the subsequent measurement method of the Property, Plant and equipment (land) from the cost model to the revaluation model during 2024. As a result of the applying the revaluation model to Property, Plant and equipment (land), the pre-tax other comprehensive income and the pre-tax revaluation loss recognized in the statement of comprehensive income for the year ended December 31, 2024 amounted to ₩9,408,901 million, and ₩12,932 million, respectively.

Independent external experts are engaged by the Company to measure the fair value as of December 31, 2024. Considering significant impact of fair value assessment due to applying revaluation model, we identified application of revaluation model to Property, Plant and equipment (land) as a key audit matter.

Our primary audit procedures to address this key audit matter included the followings.

- We understood the Group's land revaluation process and tested the design and operating effectiveness of the management review controls related to land revaluation;
- We assessed the competence, qualification and objectivity of external experts engaged by the Group to assess the fair value of the Property, Plant and equipment (land);
- We engaged our valuation specialists to assist us in evaluating methodology, assumptions and data used in the valuation of fair value of the Property, Plant and equipment (land); and



- We assessed the adequacy and completeness of the disclosures related to the revaluation model in accordance with K-IFRS 1016 Property, Plant and equipment.

Other matter

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with K-IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a



going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Si Woo Kim.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 14, 2025

This report is effective as of March 14, 2025, 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 consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of December 31, 2024 and 2023

(In Korean won)	Notes	2024	2023
Assets			
Current assets			
Cash and cash equivalents	6,735,41	₩ 1,554,846,752,455	1,589,717,984,770
Trade and other receivables	5,740,41	720,271,163,413	1,004,437,154,315
Other financial assets	6,723,41	1,418,383,508,962	1,392,954,691,989
Inventories	8	1,540,477,789,083	1,269,197,362,458
Income tax refund receivables	34	20,113,707,534	10,514,332,841
Other non-financial assets	9	73,941,131,464	129,550,369,176
Assets held for sale	10	188,903,742,099	167,431,223,807
		<u>5,516,937,795,010</u>	<u>5,563,803,119,356</u>
Non-current assets			
Trade and other receivables	5,740,41	64,001,497,317	96,107,321,835
Investments in associates and joint ventures	11,12	1,444,808,445,123	1,502,950,310,211
Other financial assets	6,723,41	1,684,117,639,153	1,684,223,027,629
Property, plant and equipment, net	13,40	24,306,398,387,622	15,006,693,253,365
Right-of-use assets	42	3,108,955,742,361	3,633,004,248,992
Investment property, net	14	1,858,781,942,370	1,549,605,624,913
Goodwill	15	475,012,788,874	886,960,999,704
Intangible assets, net	15	276,584,282,981	271,810,021,844
Defined benefit assets	21	76,941,333,429	181,240,416,603
Deferred tax assets	34	61,970,107,271	140,121,296,588
Other non-financial assets	9	128,534,623,202	128,179,055,497
		<u>33,486,106,789,703</u>	<u>25,080,895,577,181</u>
Total assets		₩ <u>39,003,044,584,713</u>	<u>30,644,698,696,537</u>

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Consolidated Statements of Financial Position, continued
As of December 31, 2024 and 2023

(In Korean won)	Notes	2024	2023
Liabilities			
Current liabilities			
Borrowings and debentures, net of issuance costs	7,17,38,40,41	₩ 4,413,382,800,594	5,145,975,765,763
Trade and other payables	7,16,40,41	2,514,469,647,736	2,624,928,137,200
Other financial liabilities	7,23,41	545,389,603,618	588,316,201,974
Lease liabilities	7,40,42	751,239,722,399	672,388,913,675
Current tax liabilities	34	15,229,544,002	579,788,425
Unearned revenues	18	217,321,495,991	226,803,111,848
Provisions	19	29,995,390,218	31,234,466,019
Other non-financial liabilities	20	1,256,767,889,037	1,613,189,659,931
Liabilities held for sale	10	92,246,101,937	-
		<u>9,836,042,195,532</u>	<u>10,903,416,044,835</u>
Non-current liabilities			
Borrowings and debentures, net of issuance costs	7,17,38,40,41	6,006,882,589,961	4,266,225,219,340
Other payables	7,16,40,41	1,707,804,250	4,266,030,908
Other financial liabilities	7,23,41	89,356,421,666	84,107,471,459
Lease liabilities	7,40,42	3,593,991,814,162	4,173,403,498,164
Defined benefit liabilities and other long-term employee benefits	21	35,348,969,896	34,040,509,229
Deferred tax liabilities	34	2,240,193,542,953	184,933,543,951
Unearned revenues	18	26,624,356,585	23,890,971,971
Provisions	19	139,279,583,565	133,965,687,869
		<u>12,133,385,083,038</u>	<u>8,904,832,932,891</u>
Total liabilities		₩ <u>21,969,427,278,570</u>	<u>19,808,248,977,726</u>
Equity			
Share Capital	1,24	141,443,775,000	141,443,775,000
Capital Surplus	24	3,574,296,966,667	3,574,349,413,965
Hybrid securities	22	148,660,241,553	178,660,241,553
Capital adjustments	25	(3,048,381,518,097)	(3,019,674,385,605)
Retained earnings	26	7,497,657,188,328	8,630,122,588,229
Accumulated other comprehensive income (loss)	27	7,190,277,870,869	(11,380,255,108)
Stockholders' equity attributable to owners of the Company		<u>15,503,954,524,320</u>	<u>9,493,521,378,034</u>
Non-controlling interests		<u>1,529,662,781,823</u>	<u>1,342,928,340,777</u>
Total equity		<u>17,033,617,306,143</u>	<u>10,836,449,718,811</u>
Total liabilities and equity		₩ <u>39,003,044,584,713</u>	<u>30,644,698,696,537</u>

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)
For the years ended December 31, 2024 and 2023

(In Korean won)	Notes	2024	2023
Sales	29,37,40 ₩	13,986,578,270,060	14,555,863,880,290
Cost of sales	8,32,40	(7,251,356,165,066)	(7,781,158,641,115)
Gross profit		6,735,222,104,994	6,774,705,239,175
Selling, general and administrative expenses	30,32,40,42	(6,249,344,852,261)	(6,263,902,178,344)
Bad debt expense	30,32	(12,763,287,953)	(2,398,329,191)
Operating profit		473,113,964,780	508,404,731,640
Other income	31,40	225,525,444,554	181,663,076,883
Other expenses	31,40	(1,271,507,683,314)	(334,285,246,831)
Other bad debt recovery (expense)	31,40	(42,221,884,690)	8,731,679,390
Finance income - Interest income calculated using the effective interest method	33	144,824,096,233	161,344,494,960
Finance income - Others	33	239,095,596,650	250,813,592,206
Finance costs	33	(932,685,421,288)	(739,852,713,061)
Equity method income on instruments in associates	11,12	142,625,848,221	147,141,129,778
Profit (Loss) before income tax		(1,021,230,038,854)	183,960,744,965
Income tax revenue (expense)	34	27,154,767,352	(14,780,308,584)
Profit (Loss) for the year		(994,075,271,502)	169,180,436,381
Other comprehensive income (loss)			
Items that will never be reclassified to profit or loss			
Fair value gain (loss) through other comprehensive income on equity instruments		(76,801,345,083)	(45,362,191,962)
Land revaluation gain through other comprehensive income		9,408,901,000,239	-
Remeasurements of net defined benefit liabilities		(57,964,569,624)	(103,280,920,891)
Net changes in equity of equity method investments		10,082,700,406	(2,971,010,429)
Income tax effect		(2,175,307,703,981)	39,810,503,747
Total items that will never be reclassified to profit or loss		7,108,910,081,957	(111,803,619,535)
Items that will be subsequently reclassified to profit or loss			
Fair value gain (loss) through other comprehensive income on debt instruments		117,325,650	207,084,539
Exchange rate differences on translating foreign operations		28,510,821,433	(13,698,435,835)
Gain (loss) on valuations of derivatives		32,471,294,610	(40,863,852,082)
Net changes in equity of equity method investments		28,791,829,392	(12,226,732,340)
Income tax effect		(7,166,795,252)	1,604,840,784
Total items that will be subsequently reclassified to profit or loss		82,724,475,833	(64,977,094,934)
Other comprehensive income (loss) for the year, net of tax	27	7,191,634,557,790	(176,780,714,469)
Total comprehensive income (loss) for the year	₩	6,197,559,286,288	(7,600,278,088)

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss), continued
For the years ended December 31, 2024 and 2023

(In Korean won)	Notes	2024	2023
Profit (loss) attributable to:			
Owners of the Company	₩	(968,016,249,419)	174,403,554,447
Non-controlling interests		<u>(26,059,022,083)</u>	<u>(5,223,118,066)</u>
		<u>(994,075,271,502)</u>	<u>169,180,436,381</u>
Total comprehensive income (loss) attributable to:			
Owners of the Company		6,188,851,158,076	20,820,499,101
Non-controlling interests		<u>8,708,128,212</u>	<u>(28,420,777,189)</u>
	₩	<u>6,197,559,286,288</u>	<u>(7,600,278,088)</u>
Earnings (loss) per share	28		
Basic earnings (loss) per share	₩	(34,674)	5,794
Diluted earnings (loss) per share		(34,674)	5,794

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity, continued
For the years ended December 31, 2024 and 2023

(In Korean won)	Share capital	Capital Surplus	Hybrid securities	Capital adjustments	Retained earnings	Accumulated other comprehensive income (loss)	Non- controlling interests	Total equity
Balance at January 1, 2023	₩ 141,443,775,000	3,574,349,413,965	169,454,021,553	(3,019,418,222,294)	8,641,202,573,997	60,622,372,023	1,467,462,851,758	11,035,116,786,002
Comprehensive income (loss) for the year:								
Profit (loss) for the year	-	-	-	-	174,403,554,447	-	(5,223,118,066)	169,180,436,381
Other comprehensive income (loss):								
Fair value gain (loss) through other comprehensive income on financial instruments	-	-	-	-	-	(11,362,645,510)	(17,741,947,949)	(29,104,593,459)
Exchange rate differences on translating foreign operations	-	-	-	-	-	(12,438,447,413)	(1,345,789,281)	(13,784,236,694)
Gain (loss) on valuations of derivatives	-	-	-	-	-	(36,717,977,653)	(3,220,876,883)	(39,938,854,536)
Remeasurements of defined benefit liabilities	-	-	-	-	(78,719,853,318)	-	(922,091,954)	(79,641,945,272)
Interest in other comprehensive income (loss) for investments in associates	-	-	-	-	(2,860,574,897)	(11,483,556,555)	33,046,944	(14,311,084,508)
Subtotal	-	-	-	-	(81,580,428,215)	(72,002,627,131)	(23,197,659,123)	(176,780,714,469)
Total comprehensive income(loss) for the year	-	-	-	-	92,823,126,232	(72,002,627,131)	(28,420,777,189)	(7,600,278,088)
Transactions with owners of the company recognized directly in equity:								
Issuance of hybrid securities	-	-	149,206,220,000	-	-	-	-	149,206,220,000
Repayment of hybrid securities	-	-	(140,000,000,000)	-	-	-	-	(140,000,000,000)
Interest paid of hybrid securities	-	-	-	-	(10,610,000,000)	-	-	(10,610,000,000)
Dividends	-	-	-	-	(93,293,112,000)	-	(56,225,588,589)	(149,518,700,589)
Changes in the scope of consolidation	-	-	-	-	-	-	(39,991,175,475)	(39,991,175,475)
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	-	-	-	(74,747,097)	-	-	74,747,097	-
Interest in capital changes for investments in associates etc.	-	-	-	(181,416,214)	-	-	28,283,175	(153,133,039)
Balance at December 31, 2023	₩ 141,443,775,000	3,574,349,413,965	178,660,241,553	(3,019,674,385,605)	8,630,122,588,229	(11,380,255,108)	1,342,928,340,777	10,836,449,718,811

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity, continued
For the years ended December 31, 2024 and 2023

(In Korean won)	Share capital	Capital Surplus	Hybrid securities	Capital adjustments	Retained earnings	Accumulated other comprehensive income (loss)	Non- controlling interests	Total equity
Balance at January 1, 2024	₩ 141,443,775,000	3,574,349,413,965	178,660,241,553	(3,019,674,385,605)	8,630,122,588,229	(11,380,255,108)	1,342,928,340,777	10,836,449,718,811
Comprehensive income (loss) for the year:								
Profit (loss) for the year	-	-	-	-	(968,016,249,419)	-	(26,059,022,083)	(994,075,271,502)
Other comprehensive income (loss):								
Fair value gain (loss) through other comprehensive income on financial instruments	-	-	-	-	1,605,906,284	(21,674,066,027)	(36,513,063,184)	(56,581,222,927)
Exchange rate differences on translating foreign operations	-	-	-	-	-	32,048,231,994	(3,537,410,561)	28,510,821,433
Revaluation gain through other comprehensive income	-	-	-	-	-	7,128,571,571,466	75,630,478,446	7,204,202,049,912
Gain (loss) on valuations of derivatives	-	-	-	-	-	28,326,780,223	2,199,382,621	30,526,162,844
Remeasurements of defined benefit liabilities	-	-	-	-	(43,176,879,287)	-	(3,044,400,377)	(46,221,279,664)
Interest in other comprehensive income (loss) for investments in associates	-	-	-	-	(3,219,745,479)	34,385,608,321	32,163,350	31,198,026,192
Subtotal	-	-	-	-	(44,790,718,482)	7,201,658,125,977	34,767,150,295	7,191,634,557,790
Total comprehensive income(loss) for the year	-	-	-	-	(1,012,806,967,901)	7,201,658,125,977	8,708,128,212	6,197,559,286,288
Transactions with owners of the company recognized directly in equity:								
Repayment of hybrid securities	-	-	(30,000,000,000)	-	-	-	-	(30,000,000,000)
Interest paid of hybrid securities	-	-	-	-	(12,230,000,000)	-	-	(12,230,000,000)
Dividends	-	-	-	-	(107,428,432,000)	-	(35,767,122,793)	(143,195,554,793)
Changes in the scope of consolidation	-	-	-	-	-	-	(291,586,105)	(291,586,105)
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	-	-	-	(28,505,191,011)	-	-	214,085,021,732	185,579,830,721
Interest in capital changes for investments in associates etc.	-	(52,447,298)	-	(201,941,481)	-	-	-	(254,388,779)
Balance at December 31, 2024	₩ 141,443,775,000	3,574,296,966,667	148,660,241,553	(3,048,381,518,097)	7,497,657,188,328	7,190,277,870,869	1,529,662,781,823	17,033,617,306,143

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2024 and 2023

(In Korean won)	Notes	2024	2023
Cash flows from operating activities			
Profit (Loss) for the year	₩	(994,075,271,502)	169,180,436,381
Adjustments	35	2,707,749,105,950	1,564,731,126,429
Changes in operating assets and liabilities	35	(114,824,934,868)	(137,412,735,440)
Income tax refunded (paid)		(10,950,247,583)	43,314,150,556
Net cash provided by operating activities		1,587,898,651,997	1,639,812,977,926
Cash flows from investing activities			
Decrease of short-term financial instruments		1,755,659,294,089	2,739,176,001,649
Collection of short-term loans		238,942,693,275	231,782,667,570
Collection of long-term loans		-	343,350,000
Proceeds from sale of debt instruments at fair value through other comprehensive income		693,309,084	388,493,532
Proceeds from sale of equity instruments at fair value through other comprehensive income		6,006,384,485	-
Proceeds from sale of debt instruments at fair value through profit or loss		15,900,335,398	20,298,542,469
Decrease of leasehold deposits provided		46,406,414,464	48,457,209,871
Proceeds from sale of investments in associates and joint ventures		17,175,497,568	12,958,715,462
Proceeds from disposal of assets held for sale		82,938,141,270	3,386,086,750
Proceeds from disposal of right-of-use assets		-	19,267,672,382
Advances received		8,763,500,000	32,500,000,000
Proceeds from disposal of property, plant and equipment		26,366,716,948	93,289,629,712
Proceeds from disposal of intangible assets		291,248,616	1,246,940,000
Collection of lease receivable		15,036,224,814	35,431,601,926
Cash inflows from settlement of derivatives		7,374,175,091	28,804,315,840
Decrease of long-term advance payments		15,394,252,875	5,439,257,683
Cash inflows from changed in the scope of consolidation		28,670,014	6,975,442,428
Cash inflows from other investing activities		-	-
Increase of short-term financial instruments		(1,740,460,388,259)	(2,413,164,989,193)
Increase of long-term financial instruments		(1,021,479,469)	(10,000,000,000)
Increase in short-term loans		(237,470,147,352)	(238,220,448,350)
Increase in long-term loans		(3,240,000,000)	(4,844,900,000)
Purchase of debt instrument at fair value through profit or loss		(11,822,821,346)	(14,068,312,805)
Purchase of equity instruments at fair value through other comprehensive income		(66,277,117,900)	(435,200,000)
Increase of leasehold deposits provided		(8,533,867,658)	(7,720,243,531)
Purchase of investments in associates and joint ventures		(1,916,053,000)	(42,900,000,000)
Acquisition of property, plant, and equipment		(905,977,976,086)	(816,045,561,520)
Acquisition of intangible assets		(21,308,285,635)	(47,225,233,044)
Acquisition of investment property		(359,133,019,905)	(82,503,911,525)
Increase of advance payments		(4,000,000,000)	(40,584,950,000)
Increase of long-term advance payments		(22,413,224,135)	(41,815,508,360)
Cash outflows from other investing activities		(184,000,000,000)	-
Cash outflows from changes in the scope of consolidation		(11,065,404,616)	-
Interest received		105,599,957,710	132,430,911,165
Dividends received		168,498,891,123	148,428,735,130
Net cash used in investing activities	₩	(1,067,564,078,537)	(198,923,684,759)

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows, continued
For the years ended December 31, 2024 and 2023

(In Korean won)	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Cash flows from financing activities			
Proceeds from short-term borrowings	₩	2,957,124,083,179	2,408,860,313,617
Proceeds from long-term borrowings		1,857,047,136,825	1,254,446,461,692
Proceeds from issuance of debentures		2,811,280,315,827	1,309,704,590,553
Increase of leasehold deposits received		56,775,848,712	33,691,808,239
Capital contribution from subsidiaries		186,919,097,600	69,124,424
Issuance of hybrid securities		-	149,206,220,000
Cash inflows from settlement of derivatives transactions		1,964,199,914	-
Cash inflows from other financing activities		-	11,316,109
Repayment of short-term borrowings		(2,900,832,528,358)	(2,046,529,452,926)
Repayment of current portion of long-term borrowing		(1,666,760,970,300)	(1,797,374,783,059)
Repayment of long-term borrowing		(25,953,661,360)	(12,300,766,120)
Redemption of debentures		(2,328,512,500,000)	(1,501,969,480,000)
Decrease of leasehold deposits received		(31,728,559,524)	(20,303,363,917)
Payment of hybrid securities interest		(12,230,000,000)	(10,610,000,000)
Repayment of lease liabilities		(643,511,540,716)	(582,140,398,819)
Repayment of hybrid securities		(30,000,000,000)	(140,000,000,000)
Decrease of non-controlling interest liabilities		(15,000,000)	(18,000,000)
Acquisition of subsidiary		(744,600,000)	-
Cash outflows from other financing activities		(1,358,662,880)	-
Interest paid		(583,889,259,371)	(546,133,603,701)
Dividends paid		(143,195,554,793)	(149,518,700,589)
Net cash used in financing activities		(497,622,155,245)	(1,650,908,714,497)
Net increase (decrease) in cash and cash equivalents		22,712,418,215	(210,019,421,330)
Cash and cash equivalents as at the beginning of the year		1,589,717,984,770	1,800,809,705,742
Effect of exchange rate fluctuation on cash and cash equivalents		15,774,173,023	(3,673,184,308)
Reclassification of disposal group held for sale		(73,357,823,553)	2,600,884,666
Cash and cash equivalents at the end of the year	₩	1,554,846,752,455	1,589,717,984,770

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

1. General Information of Reporting Entity

(a) Organization and description of the Company

LOTTE SHOPPING CO.,LTD. (the “Company” or the “Parent Company”) was established on July 2, 1970 in the Republic of Korea to engage in retail operations through department stores. The Company’s operations is comprised of 31 department stores (including 2 consignment operation locations), 22 outlet stores, 110 discount stores (including 1 consignment operation location), 171 supermarkets, and 6 shopping malls (including 1 consignment operation location) as of December 31, 2024. The consolidated financial statements are comprised of the interest of the Company, its subsidiaries (together referred to as the “Group”) and the Group’s associates and joint ventures.

The Company’s stock was listed on the Korea Exchange through an initial public offering on February 9, 2006. The shareholders of the Parent Company as of December 31, 2024, are as follows:

<i>(in thousands of Korean won, except number of shares)</i>	Number of shares (in shares)		Amount	Percentage of ownership (%)
Lotte Corporation	11,315,503	₩	56,577,515	40.00
Shin, Dong Bin	2,893,049		14,465,245	10.23
Hotel Lotte Co., Ltd.	2,507,158		12,535,790	8.86
Shin, Young Ja	220,326		1,101,630	0.78
Hotel Lotte Pusan Co., Ltd.	77,654		388,270	0.27
Treasury shares	18,115		90,575	0.06
Others	11,256,950		56,284,750	39.8
Total	28,288,755	₩	141,443,775	100.00

(b) Description of subsidiaries

(i) A summary of the subsidiaries of the Company as of December 31, 2024, is as follows:

December 31, 2024								
Subsidiaries	Location	Main business	Fiscal year end		Capital (in millions of Korean won)	Percentage of ownership (%)		
						Parent Company	Subsidiary	Total
Woori Home Shopping & Television Co., Ltd.	Korea	TV Home-shopping	Dec. 31	₩	40,000	53.49	-	53.49
Lotte GFR Co., Ltd.	Korea	Apparel manufacturing and sales	Dec. 31		48,325	99.99	-	99.99
Lotte Gimhae Development Co., Ltd.	Korea	Building management service	Dec. 31		300	100.00	-	100.00
CS Mart Co., Ltd.	Korea	Distribution	Dec. 31		6,384	99.95	-	99.95
LOTTE Himart Co., Ltd.	Korea	Consumer electronics retail	Dec. 31		118,039	65.25	-	65.25
Lotte Ulsan Development Co., Ltd.	Korea	Real estate development	Dec. 31		25,200	98.81	-	98.81
Lotte Cultureworks Co., Ltd. (*1)	Korea	Cinema	Dec. 31		24,366	86.37	-	86.37

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2024 and 2023

1. General Information of Reporting Entity, continued

(b) Description of subsidiaries, continued

(i) A summary of the subsidiaries of the Company as of December 31, 2024, is as follows:, continued

Subsidiaries	Location	Main business	Fiscal year end	December 31, 2024			
				Capital (in millions of Korean won)	Percentage of ownership (%)		
					Parent Company	Subsidiary	Total
LOTTE CINEMA VIETNAM CO., LTD.	Vietnam	Cinema	Dec. 31	₩ 33,440	-	90.00	90.00
Lotte corporate venture fund No. 1	Korea	Investment on new technology	Dec. 31	2,130	18.78	79.81	98.59
Lotte Homeshopping Innovation Fund No. 1	Korea	Investment on new technology	Dec. 31	7,917	-	98.52	98.52
LOTTE Shopping Innovation Fund No. 1	Korea	Investment on new technology	Dec. 31	30,000	99.00	-	99.00
SMART LOTTE SHOPPING INNOVATION FUND	Korea	Investment on new technology	Dec. 31	12,160	69.08	-	69.08
IMM Heim Coinvestment I Private Equity Fund	Korea	Assets managements	Dec. 31	352,857	83.71	16.13	99.84
Heim II Limited	Korea	Assets managements	Dec. 31	342,900	-	100.00	100.00
Lotte DMC Development Co., Ltd.	Korea	Real estate development	Dec. 31	5,000	95.00	-	95.00
LOTTE REIT Co., Ltd. (*2)	Korea	Real estate business, real estate lease	Dec. 31	144,484	42.04	-	42.04
Lotte Incheon Town Co., Ltd	Korea	Real estate development	Dec. 31	65,000	100.00	-	100.00
KC-K Contents Investment Association	Korea	Investment on movie production	Dec. 31	7,250	-	96.56	96.56
LKH 1st., Co., Ltd. (*3)	Korea	Finance	Dec. 31	0	-	-	-
New Star Gimpo Hangang 1st Co., Ltd. (*3)	Korea	Finance	Dec. 31	0	-	-	-
KS 1st Co., Ltd. (*3)	Korea	Finance	Dec. 31	0	-	-	-
FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3	Korea	Real estate business	Dec. 31	37,000	98.65	-	98.65
Momentum 1st Co., Ltd. (*3)	Korea	Finance	Dec. 31	0	-	-	-
New star K-town 1st Co., Ltd. (*3)	Korea	Finance	Dec. 31	0	-	-	-
New star K-town 2nd Co., Ltd. (*3)	Korea	Finance	Dec. 31	0	-	-	-
LS Incheon 1st Co., Ltd. (*3)	Korea	Finance	Dec. 31	0	-	-	-
LOTTE PROPERTIES (CHENGDU) HK LIMITED	Hong Kong	Holding company	Dec. 31	386,813	77.60	-	77.60
Lotte Properties (Chengdu) Limited	China	Real estate lease	Dec. 31	491,973	-	100.00	100.00
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.	Singapore	Holding company	Dec. 31	980,142	100.00	-	100.00

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

1. General Information of Reporting Entity, continued

(b) Description of subsidiaries, continued

(i) A summary of the subsidiaries of the Company as of December 31, 2024, is as follows:, continued

Subsidiaries	Location	Main business	Fiscal year end	December 31, 2024			
				Capital (in millions of Korean won)	Percentage of ownership (%)		
					Parent Company	Subsidiary	Total
LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY	Vietnam	Distribution	Dec. 31	420,281	-	99.99	99.99
PT. LOTTE SHOPPING INDONESIA	Indonesia	Distribution	Dec. 31	56,414	-	80.00	80.00
PT. LOTTE MART INDONESIA	Indonesia	Distribution	Dec. 31	256,182	-	100.00	100.00
PT. LOTTE Shopping Avenue Indonesia	Indonesia	Distribution	Dec. 31	94,145	-	100.00	100.00
Lotte Shopping Plaza Vietnam Co., Ltd.	Vietnam	Distribution	Dec. 31	29,708	-	100.00	100.00
LOTTE E-COMMERCE VIETNAM CO., LTD	Vietnam	Distribution	Dec. 31	29,807	-	100.00	100.00
LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD.	Singapore	Holding company	Dec. 31	316,634	90.00	-	90.00
LOTTE PROPERTIES HANOI CO., LTD.	Vietnam	Distribution	Dec. 31	317,577	-	100.00	100.00

(*1) In accordance with the stock repurchase agreement (see Note 38), shares issued to non-controlling shareholders as of December 31, 2019 have been classified as financial liabilities. The legal ownership of the Company on Lotte Cultureworks Co., Ltd., is 86.37%. However, 100% ownership has been applied for the purpose of reporting the consolidated financial statements.

(*2) Although the voting rights of the shares held by the Company do not exceed 50%, the entity has been classified as a subsidiary considering the Company's control in substance. The business year starts on January 1 and ends on June 30, with the subsequent business year starting on July 1 and ending on December 31.

(*3) Although the Company do not hold any shares, the entities have been classified as subsidiaries considering the Company's control in substance in accordance with the fund supplementation agreement (see Note 39).

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2024 and 2023

1. General Information of Reporting Entity, continued

(b) Description of subsidiaries, continued

(ii) A summary of the subsidiaries of the Company as of December 31, 2023, is as follows:

December 31, 2023								
Subsidiaries	Location	Main business	Fiscal year end		Capital (in millions of Korean won)	Percentage of ownership (%)		
						Parent Company	Subsidiary	Total
Woori Home Shopping & Television Co., Ltd.	Korea	TV Home-shopping	Dec. 31	₩	40,000	53.49	-	53.49
Lotte GFR Co., Ltd.	Korea	Apparel manufacturing and sales	Dec. 31		41,337	99.99	-	99.99
Lotte Gimhae Development Co., Ltd.	Korea	Building management service	Dec. 31		300	100.00	-	100.00
Lotte Suwon Station Shopping Town Co., Ltd.	Korea	Real estate development	Dec. 31		100,000	100.00	-	100.00
CS Mart Co., Ltd.	Korea	Distribution	Dec. 31		6,384	99.95	-	99.95
LOTTE Himart Co., Ltd. (*1)	Korea	Consumer electronics retail	Dec. 31		118,039	65.25	-	65.25
Lotte Ulsan Development Co., Ltd.	Korea	Real estate development	Dec. 31		25,200	96.83	-	96.83
Lotte Cultureworks Co., Ltd. (*2)	Korea	Cinema	Dec. 31		24,366	86.37	-	86.37
LOTTE CINEMA VIETNAM CO., LTD.	Vietnam	Cinema	Dec. 31		33,440	-	90.00	90.00
Lotte corporate venture fund No. 1	Korea	Investment on new technology	Dec. 31		2,130	18.78	79.81	98.59
Lotte Homeshopping Innovation Fund No. 1	Korea	Investment on new technology	Dec. 31		8,932	-	98.52	98.52
LOTTE Shopping Innovation Fund No. 1	Korea	Investment on new technology	Dec. 31		30,000	99.00	-	99.00
SMART LOTTE SHOPPING INNOVATION FUND	Korea	Investment on new technology	Dec. 31		12,160	69.08	-	69.08
IMM Heim Coinvestment I Private Equity Fund	Korea	Assets managements	Dec. 31		352,857	83.71	16.13	99.84
Heim II Limited	Korea	Assets managements	Dec. 31		342,900	-	100.00	100.00
Lotte DMC Development Co., Ltd.	Korea	Real estate development	Dec. 31		5,000	95.00	-	95.00
LOTTE REIT Co., Ltd. (*3)	Korea	Real estate business, real estate lease	Dec. 31		121,484	50.00	-	50.00
Lotte Incheon Town Co., Ltd	Korea	Real estate development	Dec. 31		65,000	100.00	-	100.00
KC-K Contents Investment Association	Korea	Investment on movie production	Dec. 31		7,250	-	96.56	96.56
LKH 1st., Co., Ltd. (*4)	Korea	Finance	Dec. 31		0	-	-	-
New Star Gimpo Hangang 1st Co., Ltd. (*4)	Korea	Finance	Dec. 31		0	-	-	-

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

1. General Information of Reporting Entity, continued

(b) Description of subsidiaries, continued

(ii) A summary of the subsidiaries of the Company as of December 31, 2023, is as follows:, continued

Subsidiaries	Location	Main business	Fiscal year end	December 31, 2023			
				Capital (in millions of Korean won)	Percentage of ownership (%)		
					Parent Company	Subsidiary	Total
KS 1st Co., Ltd. (*4)	Korea	Finance	Dec. 31	₩ 0	-	-	-
JM 1st Co., Ltd. (*4)	Korea	Finance	Dec. 31	0	-	-	-
Lotte Department Store (Chengdu) Co., Ltd.	China	Distribution	Dec. 31	87,706	100.00	-	100.00
LOTTE PROPERTIES (CHENGDU) HK LIMITED	Hong Kong	Holding company	Dec. 31	217,888	73.46	-	73.46
Lotte Properties (Chengdu) Limited	China	Real estate lease	Dec. 31	491,973	-	100.00	100.00
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.	Singapore	Holding company	Dec. 31	980,142	100.00	-	100.00
LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY	Vietnam	Distribution	Dec. 31	420,281	-	99.99	99.99
PT. LOTTE SHOPPING INDONESIA	Indonesia	Distribution	Dec. 31	56,414	-	80.00	80.00
PT. LOTTE MART INDONESIA	Indonesia	Distribution	Dec. 31	174,400	-	100.00	100.00
PT. LOTTE Shopping Avenue Indonesia	Indonesia	Distribution	Dec. 31	94,145	-	100.00	100.00
Lotte Shopping India Private Limited	India	Distribution	Dec. 31	18	-	100.00	100.00
LOTTEMART C&C INDIA PRIVATE LIMITED	India	Distribution	Dec. 31	1,092	-	100.00	100.00
Lotte Shopping Plaza Vietnam Co., Ltd.	Vietnam	Distribution	Dec. 31	29,708	-	100.00	100.00
LOTTE E-COMMERCE VIETNAM CO., LTD	Vietnam	Distribution	Dec. 31	29,807	-	100.00	100.00
LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD.	Singapore	Holding company	Dec. 31	316,634	90.00	-	90.00
LOTTE PROPERTIES HANOI CO., LTD.	Vietnam	Distribution	Dec. 31	317,577	-	100.00	100.00

(*1) The Company repaid exchangeable bonds which are exchangeable for shares of LOTTE Himart Co., Ltd. upon maturity during 2023.

(*2) In accordance with the stock repurchase agreement (see Note 38), shares issued to non-controlling shareholders as of December 31, 2019 have been classified as financial liabilities. The legal ownership of the Company on Lotte Cultureworks Co., Ltd., is 86.37%. However, 100% ownership has been applied for the purpose of reporting the consolidated financial statements.

(*3) Although the voting rights of the shares held by the Company do not exceed 50%, the entity has been classified as a subsidiary considering the Company's control in substance. The business year starts on January 1 and ends on June 30, with the subsequent business year starting on July 1 and ending on December 31.

(*4) Although the Company do not hold any shares, the entities have been classified as subsidiaries considering the Company's control in substance in accordance with the fund supplementation agreement (see Note 39).

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

1. General Information of Reporting Entity, continued

(c) Financial information of significant subsidiaries as of December 31, 2024 and 2023 are summarized as follows:

(i) December 31, 2024

		2024				
(in thousands of Korean won)						
Subsidiaries (*)		Assets	Liabilities	Equity	Sales	Profit (loss) for the year
Woori Home Shopping & Television Co., Ltd.	₩	1,559,831,001	282,958,693	1,276,872,308	924,883,774	68,373,762
CS Mart Co., Ltd.		200,952,278	60,351,346	140,600,932	280,236,257	(3,756,267)
LOTTE Himart Co., Ltd.		1,880,255,212	1,013,614,600	866,640,612	2,356,656,540	(592,556,522)
Lotte Cultureworks Co., Ltd.		820,754,348	608,326,131	212,428,217	394,801,533	(18,478,000)
LOTTE REIT Co., Ltd.		2,623,648,647	1,454,150,864	1,169,497,783	125,423,320	16,455,032
Lotte Incheon Town Co.,Ltd		414,891,698	374,970,251	39,921,447	-	(6,434,568)
IMM Heim Coinvestment I Private Equity Fund		98,915,211	1,525,357	97,389,854	-	(2,949,669)
Heim II Limited		443,686,649	337,588,930	106,097,719	-	9,544,896
FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3		123,690,492	72,073,952	51,616,540	5,336,293	335,983
LOTTE PROPERTIES (CHENGDU) HK LIMITED		164,631,819	359,400,159	(194,768,340)	-	(166,540,185)
Lotte Properties (Chengdu) Limited		255,007,526	110,093,126	144,914,400	19,461	(124,295,971)
LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY		515,572,690	228,692,151	286,880,539	396,465,521	19,000,116
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.		678,479,330	44,645,942	633,833,388	-	(8,336,120)
PT. LOTTE SHOPPING INDONESIA		345,947,057	210,872,057	135,075,000	897,934,890	9,662,357
PT. LOTTE MART INDONESIA		102,684,871	100,235,505	2,449,366	202,589,480	(8,191,241)
LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD.		376,202,356	83,552	376,118,804	-	(33,297)
LOTTE PROPERTIES HANOI CO., LTD.		809,683,011	584,423,407	225,259,604	67,514,536	(53,482,600)
LOTTE CINEMA VIETNAM CO., LTD.		71,597,707	277,678,603	(206,080,896)	57,501,152	(10,856,675)
PT. LOTTE Shopping Avenue Indonesia		96,349,615	157,993,218	(61,643,603)	21,382,976	(6,571,962)

(*) This information does not reflect consolidated adjustments such as fair value adjustments and is based on the separate financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

1. General Information of Reporting Entity, continued

(c) Financial information of significant subsidiaries as of December 31, 2024 and 2023 are summarized as follows;
continued

(ii) December 31, 2023

		2023				
(in thousands of Korean won)						
Subsidiaries (*)		Assets	Liabilities	Equity	Sales	Profit (loss) for the year
Woori Home Shopping & Television Co., Ltd.	₩	1,608,297,702	299,290,714	1,309,006,988	941,607,042	50,334,451
Lotte Suwon Station Shopping Town Co., Ltd.		385,506,472	366,292,964	19,213,508	33,157,812	(3,538,026)
CS Mart Co., Ltd.		159,052,978	46,884,304	112,168,674	297,052,546	1,963,169
LOTTE Himart Co., Ltd.		2,370,680,946	1,120,890,822	1,249,790,124	2,610,137,030	(35,368,735)
Lotte Cultureworks Co., Ltd.		882,541,521	798,088,999	84,452,522	517,278,881	(42,898,091)
LOTTE REIT Co., Ltd.		2,313,651,239	1,258,189,832	1,055,461,407	118,079,876	9,043,399
Lotte Incheon Town Co.,Ltd		373,652,314	327,289,834	46,362,480	120,000	(3,324,719)
IMM Heim Coinvestment I Private Equity Fund		101,869,042	1,529,519	100,339,523	-	(76,641,701)
Heim II Limited		443,461,579	346,908,756	96,552,823	-	(74,029,805)
LOTTE PROPERTIES (CHENGDU) HK LIMITED		258,443,986	439,471,580	(181,027,594)	-	(85,945,118)
Lotte Properties (Chengdu) Limited		347,546,726	98,538,102	249,008,624	441,699	(48,344,008)
LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY		494,156,059	249,007,043	245,149,016	362,630,409	11,497,995
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.		563,871,968	29,223	563,842,745	-	(27,820,732)
PT. LOTTE SHOPPING INDONESIA		331,185,942	216,771,134	114,414,808	888,964,162	11,280,063
PT. LOTTE MART INDONESIA		96,468,298	166,656,276	(70,187,978)	201,631,456	(8,998,791)
LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD.		329,983,210	41,811	329,941,399	-	(21,761)
LOTTE PROPERTIES HANOI CO., LTD.		723,576,744	486,903,604	236,673,140	19,726,728	(34,122,423)
LOTTE CINEMA VIETNAM CO., LTD.		73,670,233	253,994,561	(180,324,328)	44,798,170	(10,529,004)
PT. LOTTE Shopping Avenue Indonesia		99,422,171	149,644,347	(50,222,176)	20,208,557	(10,334,082)

(*) This information does not reflect consolidated adjustments such as fair value adjustments and is based on separate financial statements.

(d) Changes in the scope of consolidation

(i) Entities included in the subject of consolidated financial statements to subsidiaries in 2024 are as follows:

Subsidiaries	Description
FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3	Acquisition of Control (Additional Equity Interest Purchase)
Momentum 1st Co., Ltd.	Newly Incorporated
New star K-town 1st Co., Ltd.	Newly Incorporated
New star K-town 2nd Co., Ltd.	Newly Incorporated
LS Incheon 1st Co., Ltd.	Newly Incorporated

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2024 and 2023

1. General Information of Reporting Entity, continued

(d) Changes in the scope of consolidation, continued

(ii) Entities excluded from subsidiaries in 2024 are as follows:

Subsidiaries	Description
Lotte Suwon Station Shopping Town Co., Ltd.	Merger
Lotte Department Store (Chengdu) Co., Ltd.	Disposal
Lotte Shopping India Private Limited	Liquidated
LOTTEMART C&C INDIA PRIVATE LIMITED	Liquidated
JM 1st Co., Ltd.	Loss of Control (Termination of Agreement)

(e) Non-controlling interests

Financial information relating to each of the Group's subsidiaries that has material non-controlling interest as of December 31, 2024 and 2023 are summarized as follows:

(i) December 31, 2024

(In thousands of Korean won)

Subsidiaries	LOTTE REIT Co., Ltd. (*2)	Woori Home Shopping & Television Co., Ltd. (*1,2)	LOTTE Himart Co., Ltd. (*2)
NCI percentage (*3)	57.96%	46.51%	33.42%
Current assets	₩ 40,918,283	955,225,760	553,721,430
Non-current assets	2,571,186,838	689,354,044	1,154,798,998
Current liabilities	470,627,858	200,286,503	521,259,296
Non-current liabilities	983,523,006	85,477,366	503,192,731
Net assets	1,157,954,257	1,358,815,935	684,068,401
Carrying amount of NCI	671,142,575	630,587,321	228,947,353
Dividends paid to NCI	24,130,003	9,301,260	2,319,731
Revenue	125,423,320	924,883,774	2,356,656,540
Profit (loss) for the year	16,455,032	64,687,264	(53,042,481)
Total comprehensive income (loss)	16,455,032	(16,770,423)	163,345,482
Profit (loss) attributable to NCI	8,711,358	30,083,653	(17,726,295)
Total comprehensive income attributable to NCI	8,711,358	(7,799,303)	54,595,080
Cash flows from operating activities	116,725,912	41,830,807	109,494,124
Cash flows from investing activities	(341,271,072)	(76,926,847)	90,939,040
Cash flows from financing activities	230,240,968	(24,473,171)	(227,184,550)
Effect due to changes in exchange rate	-	(3,303,332)	-
Net increase (decrease) in cash and cash equivalents	₩ 5,695,808	(62,872,543)	(26,751,386)

(*1) The financial information for the subsidiaries is based on consolidated financial statements.

(*2) The information of the above subsidiaries has been adjusted to reflect fair value adjustments from business combination and others, but not intercompany transactions.

(*3) The NCI percentage is effective interest.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2024 and 2023

1. General Information of Reporting Entity, continued

(e) Non-controlling interests, continued

(ii) December 31, 2023

(In thousands of Korean won)

Subsidiaries		LOTTE REIT Co., Ltd. (*2)	Woori Home Shopping & Television Co., Ltd. (*1,2)	LOTTE Himart Co., Ltd. (*2)
NCI percentage (*3)		50.00%	46.51%	33.42%
Current assets	₩	47,216,378	868,695,008	660,763,364
Non-current assets		2,254,891,334	826,440,084	990,647,958
Current liabilities		685,431,754	184,162,051	698,332,509
Non-current liabilities		572,758,078	118,388,731	425,419,996
Net assets		1,043,917,880	1,392,584,310	527,658,817
Carrying amount of NCI		521,958,940	646,291,743	176,672,004
Dividends paid to NCI		30,652,687	23,253,150	2,319,731
Revenue		118,079,876	941,607,042	2,610,137,030
Profit (loss) for the year		9,043,399	47,549,906	(34,274,450)
Total comprehensive income (loss)		9,043,399	9,033,754	(37,372,267)
Profit (loss) attributable to NCI		4,521,699	22,113,702	(11,455,237)
Total comprehensive income attributable to NCI		4,521,699	4,201,265	(12,490,592)
Cash flows from operating activities		108,750,853	(44,194,655)	262,651,222
Cash flows from investing activities		(3,450,926)	(6,042,694)	(106,069,538)
Cash flows from financing activities		(119,205,054)	(61,719,992)	(111,894,755)
Effect due to changes in exchange rate		-	(3,005,354)	-
Net increase (decrease) in cash and cash equivalents	₩	<u>(13,905,127)</u>	<u>(114,962,695)</u>	<u>44,686,929</u>

(*1) The financial information for the subsidiaries is based on consolidated financial statements.

(*2) The information of the above subsidiaries has been adjusted to reflect fair value adjustments from business combination and others, but not intercompany transactions.

(*3) The NCI percentage is effective interest.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

1. General Information of Reporting Entity, continued

(f) Changes in the Company's ownership interest in subsidiaries

The changes in the Company's ownership interest in subsidiaries during the current period due to paid-in capital increases and capital reductions without consideration are summarized as follows:

(In thousands of Korean won)

Subsidiaries	Type	Amount	The Parent Company's percentage of ownership		The Parent Company's portion in net assets	
			Before	After	Before	After
Lotte GFR Co., Ltd.	Capital increase	₩ 9,999,995	99.99%	99.99%	₩ 44,524,228	54,523,916
PT. LOTTE MART INDONESIA	Capital increase	81,781,106	92.20%	92.20%	(68,594,853)	6,807,896
LOTTE PROPERTIES (CHENGDU) HK LIMITED	Capital reduction	(11,832,496)	73.46%	77.60%	(243,816,337)	(266,758,336)
LOTTE REIT Co., Ltd.	Capital increase	145,841,337	50.00%	42.04%	508,788,760	489,109,036
LOTTE PROPERTIES (CHENGDU) HK LIMITED	Capital increase	180,757,122	77.60%	77.60%	(409,861,110)	(269,587,081)

2. Basis of the Accounting

The following are the important accounting policies that have been applied to the preparation of consolidated financial statements. Unless otherwise stated, these policies will continue to be applied during the indicated accounting period.

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards (hereinafter referred to as "K-IFRS" or "K-IFRS"). The Korean International Financial Reporting Standards shall mean the contents being endorsed in Korea among the standard documents and interpretation documents announced by the International Accounting Standard Board ("IASB").

(a) Basis of measurement

The consolidated financial statements have been prepared based on historical cost except for the following.

- Specific financial assets and financial liabilities (including derivatives)
- Assets held for sale measured at fair value less costs to sell
- Defined benefit plans and plan assets measured at fair value
- Land measured at fair value

(b) Functional and presentation currency

The financial statements of the Parent Company and each subsidiary are prepared in functional currency of the respective operation. The consolidated financial statements are presented in Korean won, the Parent Company's functional currency.

K-IFRS permits the use of significant accounting estimates in preparing the consolidated financial statements and require management to make judgements in applying accounting policies. Refer to Note 4 for details of significant assumptions, estimates and application of complex, high levels of judgement.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

2. Basis of the Accounting, continued

(c) Changes in Accounting Policies

Except for the matters described below, the group has applied consistent accounting policies to the current period and the prior period financial statements presented for comparative purposes.

- Property, Plant, and Equipment (Application of the Revaluation Model under K-IFRS 1016 'Property, Plant, and Equipment')

During the current period, the group changed its accounting policy for land, a component of property, plant, and equipment, from the cost model to the revaluation model. This change in accounting policy has been applied prospectively, and accordingly, the prior period financial statements presented for comparative purposes have not been restated.

Following the change to the revaluation model in the current period, the carrying amount of land classified as property, plant, and equipment in the statement of financial position at the end of the period is ₩17,664,874,211 thousand. Due to the application of the revaluation model, pre-tax other comprehensive income recognized in the statement of comprehensive income amounts to ₩ 9,408,901,000 thousand, while the pre-tax revaluation loss recognized in profit or loss is ₩ 12,932,267 thousand.

3. Significant Accounting Policies and Changes in Disclosure

The following are significant accounting policies applied to the preparation of financial statements. These policies will continue to be applied in the period shown, unless otherwise mentioned.

3.1 Amendments and enactments of standards and interpretations applied by the Group

The Group applied the following enacted/amended standards and interpretations for the first time for the annual reporting period commencing on January 1, 2024:

- (a) Amendments to K-IFRS No. 1001, Presentation of Financial Statements - Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants.

The amendments to K-IFRS No. 1001 clarify the classification of liabilities as current or non-current based on rights that are in existence at the end of the reporting period, which is unaffected by management's intentions or expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments introduce a definition of settlement to make clear that settlement includes the transfer to the counterparty of the entity's own equity instruments, however, it would be excluded if an option to settle the liability by the transfer of the entity's own equity instruments is recognized separately from the liability as an equity component of a compound financial instrument. In addition, covenants that an entity is required to comply with after the end of the reporting period would not affect classification of a liability as current or non-current at the reporting period. When an entity classifies a liability that is subject to the covenants requiring compliance within twelve months after the reporting period as non-current, the entity shall disclose information in the notes to explain the risk that the liability could become repayable within twelve months after the reporting period. The amendment to this standard has no significant impact on the consolidated financial statements.

- (b) Amendments to K-IFRS No. 1007 'Statement of Cash Flows' and K-IFRS No. 1107 'Financial Instruments: Disclosures' – Disclosure of Information on Supplier Finance Arrangements

The amendments add to the disclosure objectives in K-IFRS No. 1007, Statement of Cash Flows, that information about supplier financing arrangements should be disclosed to enable users of financial statements to assess the impact of those arrangements on the Company's liabilities and cash flows. The amendments also amend K-IFRS No. 1107, Financial Instruments: Presentation, to add supplier financing arrangements as an example of a requirement to disclose information about an entity's exposure to liquidity risk. The amendments to this standard do not have a significant impact on the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

3. Significant Accounting Policies and Changes in Disclosure, continued

3.1 Amendments and enactments of standards and interpretations applied by the Group, continued

(c) Amendments to K-IFRS No. 1116 'Leases' – Lease Liabilities Arising from Sale and Leaseback Transactions

When subsequently measuring lease liabilities arising from sale and leaseback transactions, lease payments or modified lease payments are determined in a manner that does not recognize any gains or losses related to the right-of-use asset held by the seller-lessee. The enactment of this standard does not have a significant impact on the consolidated financial statements.

(d) Amendments to K-IFRS No. 1001 'Presentation of Financial Statements' – 'Disclosures of crypto assets

The amendments prescribe additional disclosures for holding crypto assets, holding crypto assets on behalf of customers, and issuing crypto assets. The enactment of this standard does not have a significant impact on the consolidated financial statements.

3.2 Amendments and enactments of standards and interpretations not applied by the Group

The following are amendments to accounting standards and interpretations which have not been adopted the Group as it is not yet effective for the annual reporting period commencing on January 1, 2024:

(a) Amendments K-IFRS No. 1021 'Effects of Changes in Foreign Exchange Rates' and K-IFRS No. 1101 'First-time Adoption of International Financial Reporting Standards' – Lack of Exchangeability

The amendment requires evaluating the exchangeability of a currency and, if it is not exchangeable with another currency, estimating the spot exchange rate and disclosing related information. This amendment is applicable for fiscal years beginning on or after January 1, 2025, with early adoption permitted. The group is currently reviewing the impact of this amendment on its consolidated financial statements.

(b) Amendments to K-IFRS No. 1109 'Financial Instruments' and K-IFRS No. 1107 'Financial Instruments: Disclosures'

The amendments to K-IFRS No. 1109 'Financial Instruments' and K-IFRS No. 1107 'Financial Instruments: Disclosures' were made to address practical concerns and incorporate new requirements. These amendments will be applicable for fiscal years beginning on or after January 1, 2026, with early adoption permitted. The group is currently reviewing the impact of these amendments on its consolidated financial statements.

(c) K-IFRS Annual improvements volume 11

K-IFRS Annual Improvements Volume 11 will be applicable for fiscal years beginning on or after January 1, 2026, with early adoption permitted. The group expects that these amendments will not have a significant impact on its financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

3. Significant Accounting Policies and Changes in Disclosure, continued

3.3 Basis of Consolidation

The Group has prepared the consolidated financial statements in accordance with K-IFRS No. 1110 Consolidated Financial Statements

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The Group accounts for business combinations using the acquisition method. The consideration transferred is measured at fair value of acquisition date, and in case of identifiable assets / liabilities / contingent liability being acquired from business combination, it is initially measured at the fair value of acquisition date. The Group judges non-controlling interests, which provide a proportional share of net assets upon the liquidation, on each business combination, and measures with fair value or proportionate share among net assets of the acquiree. Unless required by other standards, other non-controlling interests are measured at fair value. Acquisition costs are recognized as a loss incurred in the reporting period.

Goodwill is measured as the excess amount arising from the difference between the aggregate value of the consideration transferred, the amount of any non-controlling interest (NCI), the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, and the net of the acquisition date fair value of the identifiable assets acquired and liability assumed. When the consideration transferred and other components mentioned above is less than the fair value amount of acquired net assets of subsidiaries, such difference is recognized as profits and losses for the current period.

Any bonds, outstanding liabilities, profit and expense, and unrealized gains, etc. arising from intercompany transactions within the Group is removed. Moreover, the accounting policy of subsidiaries are modified for the consistent application of the accounting policies adopted by the Group, in the case that differences exist.

Transactions with non-controlling interests that do not result in a loss of control are directly recognized as equity attributable to the owner of Parent Company as the difference between the adjustment amount of non-controlling interests and the fair value of consideration paid or received.

When the Group loses control over subsidiaries, the remaining shares are re-measured at fair value at the time of the event and the related difference is recognized as profits and losses for the current period.

(b) Associates

Associates are entities over which the Group has significant influence. Investment in associates are initially recognized at cost when acquired with equity method applied subsequently. Unrealized gains arising from transactions between the Group and its associates is removed according to the proportionate share held by the Group in associates. The equity method shall be discontinued if the Group's interest for the loss of associates equals or exceeds the investment interest in the associates (including the long-term investment interest that forms part of the net investment). However, if the Group has a legal obligation to the associates for additional losses or if the Group is obligated to make payments on behalf of the associates after the Group's interest is reduced to zero (0), only that amount shall be recognized as a loss and liability. Furthermore, if there are any objective indicators of impairment on the investment in associates, the difference between the recoverable amount of the investment and the carrying amount is recognized as an impairment loss. When using the financial statements of the associate to apply the equity method, the Group reviews whether the Group's accounting policies have been applied to the same transactions or events in similar circumstances and adjusts the financial statements of the associate if necessary.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

3. Significant Accounting Policies and Changes in Disclosure, continued

3.3 Basis of Consolidation, continued

(c) Joint Arrangements

A joint arrangement whereby more than two contract parties own joint control, are categorized as joint operation or joint venture. Co-operators have rights and obligations regarding assets and liabilities of the joint operation, and recognizes its share of assets, liabilities, profits and expenses of the joint operation. Participants of joint ventures have rights to the net assets and the equity method is applied.

3.4 Cash and cash equivalents

The Group classifies investment assets with maturity of less than 3 months from the acquisition date as cash and cash equivalents. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents, for example in the case of preferred stocks when it has a short maturity with a specified redemption date.

3.5 Foreign currency translation

(a) Functional and presentation currency

The Group measures the items included in the financial statements of individual entities within the Group by applying the currency in the main economic environment in which each business activity is conducted ("functional currency"). The functional currency of the parent company is Korean won, and the consolidated financial statements are prepared in Korean won.

(b) Foreign currency transaction and translation at the end of the reporting period

Foreign currency transactions are recognized as functional currencies with the exchange rate of the transaction date or, in case of items that are remeasured, the exchange rate of the evaluation date. Transactions made in currencies other than the functional currency (foreign currency) are recorded using the exchange rate of the transaction date. Foreign exchange differences arising from settlement of foreign currency transactions or translation of monetary foreign currency assets and liabilities are recognized in profit or loss. However, the gain or loss on monetary items related to the effective portion of the cash flow hedge or net investment that meets the conditions or that are part of the reporting entity's net investment in the foreign operation is recognized in other comprehensive income.

Foreign exchange differences related to borrowings are recognized in the income statement as financial expenses, whereas other foreign exchange differences are recognized in other income or other expenses.

Foreign exchange differences arising from non-monetary financial assets and liabilities are regarded as part of gain or loss from change in fair value. Foreign exchange differences arising from equity instruments measured at fair value through profit or loss are recognized in profit or loss, and foreign exchange differences arising from equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income.

3.6 Financial assets

(a) Classification

The Group classifies the financial assets in the following categories.

- ① Financial assets measured at fair value through profit or loss
- ② Financial assets measured at fair value through other comprehensive income
- ③ Financial assets measured at amortized cost

The classification depends on the Group's business model for managing the financial assets and the cash flows characteristics of financial assets according to its contract.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

3. Significant Accounting Policies and Changes in Disclosure, continued

3.6 Financial assets, continued

(a) Classification, continued

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. Gains and losses from investments in debt instruments are recognized in profit or loss or other comprehensive income depending on the business model in which the investment is held. The Group reclassifies debt investments only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, classification will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of the investments in equity instruments that are not accounted for as other comprehensive income are recognized in profit or loss.

(b) Measurement

At initial recognition, the Group measures a financial asset at fair value. For financial asset not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition is added to its fair value. Transaction costs of financial assets measured at fair value through profit or loss are expensed through profit or loss. And any difference between the fair value and the transaction price at the initial recognition is recognized in profit or loss.

Hybrid (combined) contracts with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(i) Debt instrument

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into the following three measurement categories:

- Financial assets measured at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'Finance income' using the effective interest rate method.

- Financial assets measured at fair value through other comprehensive income

Assets that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

- Financial assets measured at fair value through profit or loss

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of profit or loss within 'Finance income or expenses' in the year in which it arises.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

3. Significant Accounting Policies and Changes in Disclosure, continued

3.6 Financial assets, continued

(b) Measurement, continued

(ii) Equity instrument

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments is recognized in profit or loss as 'Financial income' when the right to receive payments have been confirmed.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'Finance income or expenses' in the statement of profit or loss. The impairment loss (reversal) on equity instrument measured at fair value through other comprehensive income is not recognized.

(c) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost or fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade and lease receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

(d) Recognition and derecognition

Standard purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

If the Group has retained substantially all the risks and rewards of ownership of the transferred financial asset—such as through recourse in the event of the debtor's default—the Group continues to recognize the asset in its entirety and recognizes a financial liability for the consideration received.

(e) Offsetting of financial instruments

Financial assets and liabilities are offset, with the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis or realize the assets simultaneously exists with an intention to settle the liability. The legally enforceable right must not be contingent on future events and be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

3.7 Derivatives

Derivatives are initially recognized at fair value and remeasured at fair value subsequently. Changes in the fair value of derivatives that do not meet the application requirements for hedge accounting are recognized in the income statement as 'finance income or finance expenses' depending on the nature of the transaction.

(a) Hedge accounting

The Group holds forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. The Group designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities, or firm commitments (fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (cash flow hedge).

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

3. Significant Accounting Policies and Changes in Disclosure, continued

3.7 Derivatives, continued

(a) Hedge accounting, continued

On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items including the risk management objectives and strategy. The document includes risk management methods, related hedged items, commencement of the hedge relationship and the methods used to assess the effectiveness of the hedging instrument at offsetting the change in the fair value or cash flow of the hedged items due to hedging risk during subsequent periods.

(i) Fair value hedge

Changes in the fair value of a derivative designated as a hedging instrument and that qualifies for fair value hedge accounting are recognized in profit or loss for the current period. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the consolidated statement of comprehensive income. The Group discontinues fair value hedge accounting if the hedge relationship is not designated or the hedging instrument expires, is sold, terminated, exercised, or the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from gain or loss on the hedged item attributable to the hedged risk is amortized to profits and losses for the current period from the date the hedge accounting is discontinued.

(ii) Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivatives is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity, while the ineffective portion is recognized in profit or loss. Any ineffective portion of changes in the fair value of the derivatives is recognized in profits and losses for the current period. If the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the period during which the forecasted transaction occurs. However, if the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or losses for the current period.

(b) Embedded derivative

If an embedded derivative is not closely related to the economic characteristics and risks of the host contract, and if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, the embedded derivative is accounted for separately from the host contract unless the hybrid financial instrument is classified as at fair value through profit or loss. Changes in the fair value of the separated embedded derivative are recognized in profit or loss.

(c) Other derivatives

Changes in the fair value of derivatives, excluding derivatives designated as a hedging instrument which effectively hedge risk, are recognized in profit or loss for the current period.

3.8 Trade receivables

Trade receivables are initially recognized as an amount of unconditional consideration if it does not include a significant financial component when it is recognized at fair value. The trade receivables are subsequently measured by deducting the allowance for doubtful accounts at amortized cost using the effective interest method.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

3. Significant Accounting Policies and Changes in Disclosure, continued

3.9 Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

The cost of inventories is based on the total-weighted average method, moving average method and retail method except for goods-in-transit of which cost is determined by the specific identification method.

When inventories are sold, the carrying amount is recognized as cost of sales in the period in which the related revenue is recognized. Write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. Reversal of any write-down of inventories, arising from an increase in net realizable value, is deducted from cost of sales for the period in which the reversal occurs.

3.10 Non-current assets held for sale

Non-current assets are classified as held for sale when the carrying amount is primarily recovered through the sale transaction and is highly likely to be sold. Such assets are measured at the lower of the carrying amount and fair value less cost of sales.

3.11 Property, plant and equipment

Land, excluding land for employee housing, is measured at fair value based on valuations performed by an independent external appraiser. Revaluations are conducted periodically to ensure that the carrying amount of the asset does not differ materially from its fair value at the reporting period-end.

If the carrying amount of an asset increases due to revaluation, the increase is recognized in other comprehensive income (OCI) and added to equity under the revaluation surplus category, net of deferred tax. However, if a revaluation decrease was previously recognized in profit or loss for the same asset, the revaluation increase is recognized in profit or loss to the extent of the previously recognized decrease.

Conversely, if the carrying amount of an asset decreases due to revaluation, the decrease is recognized in profit or loss. However, if there is a balance in the revaluation surplus for that asset, the revaluation decrease is recognized in OCI to the extent of that balance.

Property, plant and equipment are initially measured at cost. Except for land to which the revaluation model is applied, all property, plant and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property, plant and equipment, excluding land, are depreciated over the estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed on a straight-line basis.

The estimated useful lives of the Group's property, plant and equipment are as follows:

	Useful lives (years)
Buildings	5 – 50
Structures	7 – 40
Machinery	5 – 30
Tools and equipment	3 – 5
Vehicles	5
Display fixtures	5
Furniture and fixtures	5
Other property, plant and equipment ("Other PP&E")	5 – 20

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As of December 31, 2024 and 2023

3. Significant Accounting Policies and Changes in Disclosure, continued

3.11 Property, plant and equipment, continued

Depreciation methods, useful lives and residual values of property, plant and equipment are reviewed at the end of each reporting date and adjusted, if appropriate, as a change in accounting estimates.

A component of an asset with a cost significant in comparison to the total cost of property, plant and equipment, is depreciated individually.

Gains and losses on disposal of an item of property, plant and equipment are recognized in other non-operating profit or loss as the difference between the proceeds from disposal and the carrying amount of property, plant and equipment. Revaluation surplus recognized in equity in relation to an item of property, plant and equipment is transferred to retained earnings upon disposal of the asset

3.12 Borrowing costs

The borrowing costs incurred to acquire or construct a qualifying asset are capitalized during the period in which the asset is prepared for its intended use. Return on investment from the temporary operation of a special purpose loan to acquire the qualifying asset is deducted from the borrowing costs that are capitalizable during the period. Other borrowing costs are recognized as expenses in the period in which they occur.

3.13 Intangible assets

The goodwill is measured in the manner described in Note 3.3(a) and is presented at cost less accumulated impairment losses. Intangible assets other than goodwill are initially recognized at historical cost and are presented at cost less accumulated amortization and accumulated impairment losses.

Club membership is not amortized as there is no foreseeable limit to the available period. The following intangible assets with a limited useful life are amortized on a straight-line basis during the estimated useful life.

	Useful lives (years)
Industrial property rights	5
Rights to use facility	5 – 20
Other intangible assets (*)	4 – 10

(*) Among other intangible assets, film copyrights are expensed as cost of sales during the period when the related sales are realized. If uncertainties to the realization of related sales arise, intangible asset impairment losses are recognized.

Useful lives and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Any changes are accounted for as changes in accounting estimates.

Research and internally generated development cost during the research phase are recognized as an expense when incurred. Development costs are recognized as intangible assets when there is technical feasibility to complete the asset, the company has intention and exerts effort to complete the asset for sale or use, acquisition of required resources are probable, future benefits for the asset is demonstrated and the cost of the asset can be measured reliably. Other development costs are recognized as an expense when incurred.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

3. Significant Accounting Policies and Changes in Disclosure, continued

3.14 Investment property

Property held for the purpose of rentals or benefiting from capital appreciation is classified as investment property. However, if the property held by the Company does not meet the requirements of investment property in accordance with K-IFRS No.1040, it is classified as property, plant and equipment. Whether investment property requirements are met is judged based on the degree of significant exposure to the risk of changes in cash flows arising from property use, and the significant service provision to property users. Investment property is measured at cost at initial recognition, including transaction costs incurred at acquisition, and presented at initial cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will arise and the cost of the item can be measured reliably. The carrying amount related to the item replaced by the subsequent cost is derecognized. The costs of regular repair and maintenance are recognized in profit or loss as incurred.

Investment property, excluding land, are depreciated on a straight-line basis over its estimated useful life between 5 to 50 years. Depreciation methods, useful lives and residual values of the investment property are reviewed at the end of each reporting date and adjusted, if appropriate, as a change in accounting estimates.

3.15 Impairment of non-financial assets

Non-financial assets, other than assets arising from employee benefits, inventories and deferred tax assets, are reviewed at the end of the reporting period for indication of impairment. If any indication exists, the asset's recoverable amount is estimated. Goodwill acquired from business combination, intangible assets that have indefinite useful lives or that are not yet available for use are tested for impairment annually by comparing their recoverable amount to their carrying amount, irrespective of any impairment indication.

If the recoverable amount for the individual asset cannot be estimated, assets are grouped together into smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets ("CGU" or Cash Generating Unit). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a discount rate that reflect current market assessments of the time value of money and other risks specific to the asset or CGU for which estimated future cash flows have not been adjusted.

An impairment loss is recognized in profit or loss if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Goodwill acquired from a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the business combination. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Impairment loss for goodwill cannot be reversed in subsequent periods. Reversal of impairment losses are only allowed if there has been a change in the estimates used to determine the recoverable amount subsequent to the recognition of the loss after reviewing the assets (except goodwill) for existence of impairment losses recognized in previous periods or indications of decrease in value. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.16 Trade payables and other payables

Trade payables and other payables are liabilities relating to goods or services received before the end of the reporting period that have not been settled. Trade payables and other payables are presented as current liabilities unless the payment due is 12 months after the reporting period. The payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

3. Significant Accounting Policies and Changes in Disclosure, continued

3.17 Financial liabilities

(a) Classification and measurement

The financial liabilities measured at fair value through profit or loss are financial instruments held for trading. Financial liabilities incurred principally for the purpose of repurchasing in the near term are classified as short-term financial liabilities held for trading. In addition, an embedded derivative separated from a host contract or a derivative that is not designated as effective hedging instrument is classified as a short-term financial liability held for trading. In accordance with stock repurchase agreement (See Note 38.(h)), shares issued to non-controlling shareholders are classified as financial liabilities.

Non-derivative financial liabilities, excluding financial liabilities measured at fair value through profit or loss, financial guarantee contracts, and financial liabilities arising from a transfer of financial assets which do not qualify for derecognition, are classified as financial liabilities measured at amortized cost. It is represented as 'payables', 'borrowings' or 'other financial liabilities', etc. on the statement of financial position.

The preferred stock whose redemption is mandatory at a specific future date is classified as a liability. Along with interest expenses resulting from other financial liabilities, the interest expense incurred from the redemption of the preferred stock using effective interest method is recognized as a finance expense on the statement of comprehensive income.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

3.18 Provisions

When the Group has a present legal or constructive obligation as a result of a past event, with a high probability that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation, sales return provisions, recovery provisions, litigation provisions, etc. are recognized. Provisions are measured at the present value of the expected expenditure amount to fulfil the obligation, and the increase in the provision due to passage of time is recognized as interest expenses.

3.19 Current and deferred income taxes

Income tax expense consists of current and deferred income taxes. Income tax directly attributable to other comprehensive income or equity is recognized in the relevant items. Other income tax are recognized in profit or loss.

The current income tax expense is measured based on tax laws enacted or substantially enacted as of the end of the reporting period. The management periodically assesses the tax policies applied by the Group when reporting taxes in situations in which applicable tax code regulations may vary depending on the interpretation. The Group recognizes current tax expenses based on the amount expected to be paid to the tax authorities.

Deferred income tax is recognized as the expected income tax effect of recovering or settling the carrying amount of assets and liabilities for temporary differences between the carrying amount and the tax base. However, deferred tax assets and liabilities arising from the initial recognition of assets and liabilities in transactions other than business combinations are not recognized if the transaction does not affect accounting or taxable income.

Deferred tax assets are recognized when there is a high probability of future taxable income where deductible temporary differences may be used.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

3. Significant Accounting Policies and Changes in Disclosure, continued

3.19 Current and deferred income taxes, continued

Deferred tax liabilities are recognized excluding cases where the timing of reversal for the temporary differences to be added related to investment interests in subsidiaries, associates and joint ventures can be controlled and the temporary differences are highly unlikely to be reversed in the foreseeable future. Furthermore, deferred tax assets are recognized only when the deductible temporary differences arising from such assets are highly likely to be reversed in the foreseeable future and the taxable income is expected to arise where temporary differences can be used.

Deferred tax assets and liabilities are offset when the Group is legally entitled to offset current tax asset and current tax liability, and the deferred tax assets and liabilities are related to income taxes levied by the same taxation authority. The current tax assets and liabilities shall be offset if the Group retains the legal rights to offset, intends to settle the net amount and intends to settle the liability simultaneously upon the realization of the asset.

The group is subject to the global minimum tax under the Pillar Two legislation. However, no additional corporate tax expense was recognized during the current period. Additionally, the group has applied the exception to the recognition and disclosure requirements for deferred taxes related to the Pillar Two corporate tax.

3.20 Employee benefits

(a) Retirement benefits

Retirement benefit plan of the Group is classified into defined contribution plan and defined benefit plan.

Defined contribution plan is a retirement pension plan in which the group pays a fixed amount of contributions to a separate fund, which is recognized as an expense when the employees provide employment service.

Defined benefit plan is all retirement pension plans other than the defined contribution plan. Generally, defined benefit plans determine the amount of retirement pension benefits to be paid when employees retire due to factors such as age, service period or salary level. The liabilities accounted for in the statement of financial position in relation to the defined benefit plan are the current value of the defined benefit obligation as of the end of the reporting period less the fair value of the plan assets. The defined benefit obligation is calculated according to the projected unit credit method by an independent actuary every year, and the present value of the defined benefit obligation is calculated by discounting the expected future cash outflow at the interest rate of the high-quality corporate bonds with a similar maturity to the payment date. The remeasurement component related to the net defined benefit liability is recognized in other comprehensive income.

In the event of a plan amendment, reduction or settlement, the gain or loss from past service cost or settlement is recognized in profit or loss.

(b) Short-term employee benefits

Short-term employee benefits which will be settled within 12 months from the end of the reporting period in which the employee provided the service are recognized in profit or loss at the time the service is provided. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service. If an employee has a legal or constructive obligation to be paid as a result of past service and is able to reliably estimate the amount of debt, the amount expected to be paid as a profit distribution and bonus is recognized as a liability.

(c) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are expected to be settled beyond 12 months after the end of the annual reporting period in which the employees have rendered the related service. The net obligation in respect of long-term employee benefits is the present value of future benefits that employees have earned in return for their service in the current and prior periods. Variables arising from remeasurements are recognized in profit or loss.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

3. Significant Accounting Policies and Changes in Disclosure, continued

3.21 Revenue recognition

(a) Sales of goods and rendering of services

The Group operates department stores, outlet stores, discount stores, consumer electronic retailers, supermarkets, e-commerce, cinemas, etc. Sales of goods from contracts with customers are generally recognized when the goods are delivered to the customers. Under K-IFRS No.1115, revenue is recognized applying the following five-step process to contracts with customers:

- ① Identify contract with customers
- ② Identify the separate performance obligations
- ③ Determine the transaction price of the contract
- ④ Allocate the transaction price to each of the separate performance obligations, and
- ⑤ Recognize the revenue as each performance obligation is satisfied.

Under K-IFRS No.1115, in the case of certain specific sales where the Group acts as an agent, the Group recognizes net sales, after deducting the cost of specific sales, as revenue upon delivery to customers.

(b) Customer loyalty program

The Group operates customer loyalty programs. The customer can use the accumulated award credits (“points”) for discount for their future purchase of goods or services. The revenue from award credits is recognized when the points are redeemed or expired, and the related contractual liability is recognized until the points are redeemed or expired. The points provide the customers with benefits that they would not otherwise have if there were no contract entered. Accordingly, the obligation related to providing points to customers is a separate performance obligation. Transaction price for each performance obligation is allocated based on stand-alone selling price of goods and points. The management estimates the stand-alone selling price of points based on discounts to be provided when the points are redeemed and the probability of redemption from past experience.

(c) Commissions

When the Group acts as an agent for the principal in a transaction, the net amount of commission equal to the value generated by the Group is recognized as revenue.

(d) Rental income

Rental income from investment property, net of lease incentives granted, is recognized in profit or loss on a straight-line basis over the term of the lease, and other rental income is recognized in profit or loss as a certain proportion of the transaction amount.

(e) Self-sale Construction: apply to Korean Accounting Institute 2017-I-KQA015

Revenue from the self-sale construction is recognized as a progress criterion for contracts that meet the conditions of the 2017-I-KQA015 question and answer by the Korea Accounting Institute. This accounting treatment is effective only for K-IFRS.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

3. Significant Accounting Policies and Changes in Disclosure, continued

3.22 Leases

(a) Lessor

If the Group is a lessor, the lease income from the operating lease is recognized on a straight-line basis over the lease term. Initial direct costs incurred while entering into the operation lease are added to the carrying amount of the underlying asset and is expensed over the lease term on the same basis as the lease income. Each lease asset is presented on the statement of financial position based on its characteristics.

Furthermore, when the Group subleases the underlying assets to a third party, the Group judges whether the lease is a finance lease or not based on the right-of-use assets of the main lease.

(b) Lessee

The Group leases multiple offices, warehouses, retail stores, equipment and vehicles. Lease contracts are generally for a fixed period, but there may be extension and termination options as described in (ii) below.

Lease terms are negotiated individually and include various terms and conditions. There are no other restrictions imposed under the lease agreements, but the leased asset cannot be provided as collateral for a loan.

The Group recognizes the right-of-use assets and its corresponding liability at the commencement of the lease on which the leased asset becomes available for use.

Assets and liabilities arising from leases are initially measured at present value. The lease liability includes the net present value of the following lease payments:

- i. Fixed lease payments (including in-substance fixed lease payment) less lease incentives to be received
- ii. Variable lease payments initially measured using indexes or rates at the commencement date
- iii. Expected payments to be made by the Group (lessee) according to the residual value guarantee
- iv. Exercise price of the purchase option if it is reasonably certain that the Group (lessee) will exercise the purchase option
- v. Amount paid to terminate the lease if the lease period reflects the exercise of the option to terminate the lease by the Group (lessee)

Furthermore, the measurement of lease liabilities includes lease payments to be made under the extension option which are reasonably certain.

The lease payment shall be discounted using the implicit interest rate of the lease if the calculation of the rate is simple. If not, the lessee shall use the lessee's incremental borrowing rate, which is the interest rate applied to borrow the funds necessary to acquire an asset of similar value as a right-of-use asset with similar collateral over a similar economic period.

The Group calculates the incremental borrowing rate as follows:

- i. If possible, changes in financial position after receiving third-party financing at the latest third-party financing interest rate received by individual lessees are reflected
- ii. For leases held by subsidiaries that have not recently received third-party financing, an upward approach is used to adjust credit risk to risk-free interest rates
- iii. Interest rates based on market-observed credit ratings are reflected

The Group is exposed to a potential future increase in variable lease payments which are not included in the lease liability until the index or rate is valid for variable lease payments subject to such index or rate. Lease liability is re-evaluated and right-of-use asset is adjusted when the adjustment amount of the lease payment subject to indexes or rates is valid.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

3. Significant Accounting Policies and Changes in Disclosure, continued

3.22 Leases, continued

(b) Lessee, continued

Each lease payment is allocated according to the repayment of the lease liability and the finance expenses. Finance expenses shall be recognized in profit or loss over the lease term to the amount calculated to yield an interest for a fixed period on the lease liability balance for each period.

Right-of-use assets are measured at cost including the following amounts.

- i. Initial measurement amount of the lease liability
- ii. Lease payments made on or before lease commencement date less lease incentive received
- iii. Lessee's direct cost of opening a lease
- iv. Estimated cost of restoration

Right-of-use assets are depreciated over the period from the commencement of the lease to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term. If it is reasonably certain that the Group will exercise the purchase option, right-of-use assets are depreciated over the useful life of the underlying asset. The assets are reviewed for the indication of impairment at the end of each reporting period, and if indication of impairment exists, the recoverable amount for those assets is estimated.

Recoverable amount is estimated by individual asset, or by its cash generating unit to which the asset belongs if the recoverable amount of individual asset cannot be estimated. The recoverable amount is determined to be the higher of the value in use and fair value less cost of disposal. Value in use is estimated by discounting the future cash flows expected to be generated by the asset or cash-generating unit at an appropriate discount rate that reflects the time value of money and the current market assessment of the specific risks of an asset which are not adjusted when estimating future cash flow.

Short-term leases for equipment and vehicles and lease payments related to all low value leases are recognized in profit or loss on a straight-line basis. Short-term lease is a lease with a lease term of 12 months or less, and low value lease assets consist of IT devices and low value office furniture.

(i) Variable lease payments

Some property leases include variable lease payment terms that subject to changes in indexes or rates, such as sales links generated by stores and the consumer price index. Individual stores may be subject to variable lease payment terms up to 100% of their lease payments. Variable lease payment terms are used for a variety of reasons, including minimizing the fixed cost of new stores. Variable lease payments linked to sales shall be recognized in profit or loss in the period in which the conditions for variability have occurred.

(ii) Extension option and termination option

There are multiple lease contracts, including property, of the Group which include extension and termination options. These conditions are used to maximize operational flexibility in terms of contract management.

3.23 Finance income and finance costs

Finance income includes interest income on funds invested (including financial instruments at fair value through profit or loss), dividend income and changes in the fair value of financial instruments at fair value through profit or loss and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Finance cost includes interest expense on borrowings, changes in the fair value of financial assets recognized through profit or loss and impairment losses on hedging instruments recognized in profit or loss. Interest on borrowings is recognized in profit or loss using the effective interest method over the applied period.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

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3. Significant Accounting Policies and Changes in Disclosure, continued

3.24 Operating segments

The Group divides segments based on internal reporting data periodically reviewed by the chief operating decision maker to make decisions on the resources to be allocated to and evaluate the performance of such segments. As explained in Note 37, the Group divides its operating segments into department stores, discount stores, consumer electronic retailers, TV home shopping, supermarkets, cinema, e-commerce and others.

3.25 Emission rights

The Group accounts for greenhouse gas emission rights and the related liability as below pursuant to the Act on Allocation and Trading of Greenhouse Gas Emission.

(i) Greenhouse gas emission right

Greenhouse gas emission rights consist of emission allowances allocated from the government free of charge and allowances purchased from the market. The cost includes any directly attributable costs incurred during the normal course of business.

Emission rights held for the purpose of executing obligations are classified as an intangible asset, initially measured at cost and are carried at cost less accumulated impairment losses after initial recognition. Emission rights held for short-term profits are classified as current asset, measured at fair value with any changes in fair value recognized as profit or loss in the respective reporting period. The Group derecognizes an emission right asset when the emission allowance is unusable, disposed of or submitted to government in which future economic benefits are no longer expected to be realized.

(ii) Emission liability

Emission liability is a present obligation of submitting emission rights to the government regarding emission of greenhouse gas. Emission liability is recognized when outflow of resources in performing the obligation is probable and the costs required to perform the obligation can be reliably estimated. Emission liability is the carrying amount of emission rights held by the Company to be submitted to the government for the performing period and the expenses expected to be incurred in complying with the obligations for emissions exceeding the quantity of emission rights held. Emission liabilities are removed upon submission to the government.

3.26 Government Grants

Grants from the government are recognized at fair value when there is reasonable assurance that the grant will be received and related conditions will be complied with. Government grants related to assets are presented in the statement of financial position as a deduction to the carrying amount of the asset. Grants related to profits are deferred as a deduction to expenses related to the purpose of the grant or as deferred revenue whereby recognition is made to 'other revenue' on a systematic basis over the period of the useful life of each associated asset and the costs to be subsidized by the government.

3.27 Authorization of financial statements

The consolidated financial statements have been authorized through the board of directors meeting held on March 6, 2025 and may be modified subsequent to the shareholders' meeting.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

4. Significant Accounting Estimates and Assumptions

The preparation of financial statements requires assumptions and estimates of the future with management's judgment required to apply the accounting policies of the Group. Estimates and assumptions are continuously evaluated and are made in consideration of reasonably foreseeable future events taking in account past experience and current circumstances. The results of an accounting estimate will rarely be consistent as the actual results, posing a significant risk of material adjustments.

Estimates and assumptions regarding management's judgment and significant risks that may affect the adjustment of the carrying amount of assets and liabilities in the following fiscal year are as follows. Additional information about significant judgement and estimation of some items is included in the individual notes.

(a) Impairment of non-financial assets

The recoverable amount of the cash generating unit for the impairment assessment of assets held, such as right-of-use assets and goodwill, is determined based on the calculation of value in use and net fair value (see Note 13 and 15).

(b) Income taxes

The income tax on taxable income of the Group is determined by applying tax laws and judgment of taxation authorities in various countries. Therefore, uncertainty exists in determining the final tax effect (see Note 34).

The Group levies additional income taxes calculated according to the method provided by the tax law when certain amount of taxable income is not used for investment, wage increase, etc. for a specific period. Therefore, corresponding tax effects should be reflected when measuring current and deferred taxes. As a result, uncertainty exists in determining the final tax effect since the income tax levied on the Group varies on the level of investment and wage increase of each year.

(c) Fair value of financial instruments

In principle, the fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group makes judgment on the selection and assumptions of various valuation techniques based on important market conditions as of the end of the reporting period (see Note 7).

(d) Impairment of financial assets

The loss allowance for financial assets is measured based on assumptions about default risk and expected loss rates. The Group makes judgment for the application of these assumptions and the selection of input variables used for impairment models in consideration of the Group's experience, current market conditions and future forecast information as of the financial reporting date (see Note 5 and 41).

(e) Net defined benefit liability

The present value of the net defined benefit liability is affected by various factors determined by actuarial methods, especially changes in discount rates (see Note 21).

(f) Revenue recognition

The Group recognizes the refund liabilities and the right to the goods for the products expected to be returned by the customers after the sale. Based on experience accumulated at the portfolio level at the time of sale, the return rate is forecasted by the expected value method. The Group's revenue is affected by the estimated changes in the expected return rate.

(g) Provision for restoration cost

The Group considers past restoration experiences and current market restoration costs in determining the timing and amount of outflow of resources used as a variable in the measurement of provision for restoration costs.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

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4. Significant Accounting Estimates and Assumptions, continued

(h) Provision for restructuring cost

The Group recognizes restructuring provision when a detailed formal restructuring plan has been approved and the Group has raised a valid expectation in those affected that the plan will be implemented – either by starting to implement the plan or announcing its main features to those affected.

(i) Leases

In determining the lease term, management considers all relevant facts and circumstances which may initiate economic incentive to exercise the extension option or to not exercise the termination option. The duration of the extension option (or the duration of the termination option) is included in the lease term only if it is reasonably certain that the extension option will be exercised (or termination option not exercised).

Factors related to the exercise of the extension or termination option are as follows:

- i. If a payment of a significant penalty for terminating (not extending) is required, it is generally reasonably certain that the Group exercises the extension option (not exercise the termination option).
- ii. If the lease improvement is expected to have significant residual value, it is generally reasonably certain that the Group exercises the extension option (not exercise the termination option).
- iii. Other than the above, the Group considers other factors including the term and cost of the past lease and business disruptions expected to replace the leased asset.

The lease term is re-evaluated if the option is exercised (or not exercised) or if the Group bears the obligation to exercise (or not exercise) the option. The Group changes its judgment whether the exercise of extension option (or not) is reasonably certain only in circumstances that significant events or change of situation, that are within the scope of the lessee's control, and which affect the determination of the lease term, occur.

(j) Revaluation of property, plant, and equipment

Land is measured at fair value based on valuations conducted by an independent appraisal institution. Revaluations are performed periodically to ensure that the carrying amount of the asset does not differ materially from its fair value at the end of the reporting period.

The valuation applies the Officially Announced Land Price Method, which adjusts the standard officially announced land price according to the characteristics of the subject land, and the Comparable Sales Method, which estimates the price by comparing it to transactions of similar properties and adjusting for the specific conditions of the subject property.

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5. Trade and Other Receivables

(a) Trade and other receivables as of December 31, 2024 are as follows:

<i>(in thousands of Korean won)</i>		Trade receivables	Other receivables	Lease receivables	Total
Current:					
Total carrying amount		590,139,997	196,318,348	11,091,339	797,549,684
Reduction: allowance for doubtful accounts		(17,701,564)	(59,491,200)	(85,757)	(77,278,521)
Net carrying amount	₩	<u>572,438,433</u>	<u>136,827,148</u>	<u>11,005,582</u>	<u>720,271,163</u>
Non-current:					
Total carrying amount		1,874,544	23,794,985	39,191,443	64,860,972
Reduction: allowance for doubtful accounts		-	(622,804)	(236,671)	(859,475)
Net carrying amount	₩	<u>1,874,544</u>	<u>23,172,181</u>	<u>38,954,772</u>	<u>64,001,497</u>

(b) Trade and other receivables as of December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>		Trade receivables	Other receivables	Lease receivables	Total
Current:					
Total carrying amount		652,879,250	357,623,947	22,502,298	1,033,005,495
Reduction: allowance for doubtful accounts		(8,025,052)	(20,240,576)	(302,713)	(28,568,341)
Net carrying amount	₩	<u>644,854,198</u>	<u>337,383,371</u>	<u>22,199,585</u>	<u>1,004,437,154</u>
Non-current:					
Total carrying amount		8,496,562	17,006,344	71,047,608	96,550,514
Reduction: allowance for doubtful accounts		-	(121,462)	(321,730)	(443,192)
Net carrying amount	₩	<u>8,496,562</u>	<u>16,884,882</u>	<u>70,725,878</u>	<u>96,107,322</u>

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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6. Restricted Deposits

Restricted deposits included in short-term and long-term financial instruments as of December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

Account	Description	Depository		2024	2023	Details
Cash and cash equivalents	Ordinary deposit, etc.	INDUSTRIAL BANK OF KOREA and others	₩	7,170,000	538,671	Reserved for e-finance business, etc.
	Ordinary deposit, etc.	INDUSTRIAL BANK OF KOREA and others		22,961,551	7,028,488	Pledged assets, etc.
Other financial assets (current)	Special deposits	INDUSTRIAL BANK OF KOREA and others		230,800,000	230,800,000	Deposits for mutually beneficial cooperation fund, etc.
Other financial assets (non-current)	Ordinary deposit, etc.	Shinhan Bank and others		2,614,372	2,462,925	Pledged assets, etc.
	Restricted deposit	Shinhan Bank and others		22,500	25,000	Deposit for Current Account Opening
	Other comprehensive income - Fair value	Busan city hall		15,734,606	10,865,095	Payment guarantee
			₩	<u>279,303,029</u>	<u>251,720,179</u>	

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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7. Fair Value of Financial Instruments

(a) Carrying amount and fair value of financial assets as of December 31, 2024 and 2023 are summarized as follows:

(in thousands of Korean won)			2024	2023
Financial assets measured at fair value (*1):				
Fair value through profit or loss	Current assets:			
	Short-term financial instruments	₩	230,500,000	230,500,000
	Current debt instruments		1,672,883	2,200,001
	Current derivatives assets held for trading		637,157	-
	Non-current assets:			
	Long-term financial instruments		-	10,583,849
	Non-current debt instruments		51,907,988	50,446,241
	Non-current derivatives assets held for trading		11,013,044	17,580,849
	Subtotal		295,731,072	311,310,940
Fair value through other comprehensive income	Current assets:			
	Current debt instruments		4,343,395	682,603
	Non-current assets:			
	Equity instruments		463,596,101	494,333,931
	Non-current debt instruments		-	4,181,376
	Subtotal		467,939,496	499,197,910
Derivatives assets	Current derivatives assets held for hedging		74,762,476	56,804,369
	Non-current derivatives assets held for hedging		84,582,245	8,552,019
	Subtotal		159,344,721	65,356,388
Financial assets not being measured at fair value:				
Financial assets at amortized cost (*2)	Current assets:			
	Cash and cash equivalents		1,554,846,752	1,589,717,985
	Trade and other receivables		720,271,163	1,004,437,154
	Short-term financial instruments		775,207,329	773,071,119
	Short-term loans		236,506,765	235,885,810
	Accrued income		14,795,229	10,759,755
	Current portion of lease deposits		79,958,275	83,051,035
	Non-current assets:			
	Long-term financial instruments		3,512,289	2,491,425
	Long-term loans		4,775,917	3,983,477
	Long-term accrued income		152,775	102,883
	Lease deposits		1,064,577,281	1,091,966,978
	Long-term trade and other receivables		64,001,497	96,107,322
	Subtotal		4,518,605,272	4,891,574,943
	Total financial assets	₩	5,441,620,561	5,767,440,181

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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As of December 31, 2024 and 2023

7. Fair Value of Financial Instruments, continued

(a) Carrying amount and fair value of financial assets as of December 31, 2024 and 2023 are summarized as follows, continued

(*1) Marketable financial assets traded in the active market are measured at fair value based on the market prices at the end of the reporting period. Non-marketable financial assets that do not have a quoted market price in an active market are measured at fair value based on valuation of external appraiser at the end of the reporting period.

(*2) Differences between fair value and carrying amount of financial assets at amortized cost are immaterial.

(b) Other financial assets as of December 31, 2024 and 2023 are summarized as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Current:			
Short-term financial instruments	₩	1,005,707,329	1,003,571,119
Short-term loans		236,506,765	235,885,810
Accrued income		14,795,229	10,759,755
Current portion of lease deposits		79,958,275	83,051,035
Current debt instruments		6,016,278	2,882,604
Current derivatives assets held for trading		637,157	-
Current derivatives assets held for hedging		74,762,476	56,804,369
Total		<u>1,418,383,509</u>	<u>1,392,954,692</u>
Non-current:			
Long-term financial instruments		3,512,289	13,075,274
Long-term loans		4,775,917	3,983,477
Long-term accrued income		152,775	102,883
Lease deposits		1,064,577,281	1,091,966,978
Non-current debt instruments		51,907,988	54,627,617
Non-current equity instruments		463,596,101	494,333,931
Non-current derivatives assets held for trading		11,013,044	17,580,849
Non-current derivatives assets held for hedging		84,582,245	8,552,019
Total	₩	<u>1,684,117,640</u>	<u>1,684,223,028</u>

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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7. Fair Value of Financial Instruments, continued

(c) Financial assets at fair value through other comprehensive income as of December 31, 2024 and 2023 are summarized as follows:

	2024				2023
	Number of shares (in shares)	Percentage of ownership	Acquisition cost	Carrying amount	Carrying amount
Marketable equity instruments measured at fair value through other comprehensive income:					
BNK Financial Group Inc.	8,543,826	2.67%	₩ 56,179,407	88,343,161	61,002,918
Shinhan Financial Group Co., Ltd.	311,118	0.06%	2,247,354	14,824,773	12,491,388
momo.com Inc.	19,983,625	7.92%	1,259,429	298,637,990	406,672,863
INNOCEAN WORLDWIDE INC. (*)	2,060,000	5.15%	39,943,400	39,943,400	-
Others	-	-	7,574,500	1,991,674	5,856,761
Subtotal			107,204,090	443,740,998	486,023,930
Non-marketable equity instruments measured at fair value through other comprehensive income:					
Rael	58,548	0.49%	567,950	1,721,311	1,574,707
PT. Lotte Capital Indonesia	250,000	15.63%	2,277,500	3,141,196	3,172,118
Others	-	-	197,476,602	14,992,596	3,563,176
Subtotal			200,322,052	19,855,103	8,310,001
Debt instruments measured at fair value through other comprehensive income:					
National housing bond	-	-	4,229,310	4,343,395	4,863,979
Subtotal			4,229,310	4,343,395	4,863,979
Total			₩ 311,755,452	467,939,496	499,197,910

(*) During the current period, investments in associates were classified as equity instruments at fair value through other comprehensive income (FVOCI). (See Note 11.)

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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7. Fair Value of Financial Instruments, continued

(d) Carrying amount and fair value of financial liabilities as of December 31, 2024 and 2023 are summarized as follows:

<i>(in thousands of Korean won)</i>			2024	2023
Financial liabilities measured at fair value:				
Fair value through profit or loss	Current financial liabilities	₩	45,212,931	44,418,121
	Non-current financial liabilities		8,709,850	-
	Subtotal		53,922,781	44,418,121
Derivatives liabilities	Current derivatives liabilities held for hedging		3,079,724	664,209
	Non-current derivatives liabilities held for hedging		1,902,278	36,512,616
	Subtotal		4,982,002	37,176,825
Financial liabilities not being measured at fair value:				
Financial liabilities at amortized cost (*)				
	Current:			
	Trade payables and other payables		2,514,469,648	2,624,928,138
	Short-term borrowings		2,103,660,267	1,970,384,377
	Current portion of long-term borrowings		879,350,119	1,333,384,069
	Short-term debentures		213,894,109	9,990,314
	Current portion of long-term debentures		1,216,478,305	1,832,217,006
	Accrued expenses		314,315,722	329,418,697
	Current portion of rental deposits		182,755,154	213,787,621
	Non-current:			
	Other payables		1,707,804	4,266,031
	Long-term borrowings		2,415,664,266	1,648,014,467
	Long-term debentures		3,591,218,324	2,618,210,752
	Rental deposits		78,194,217	36,677,044
	Others		550,077	10,917,811
	Subtotal		13,512,258,012	12,632,196,327
Other financial liabilities	Current lease liabilities		751,239,722	672,388,914
	Non-current lease liabilities		3,593,991,814	4,173,403,498
	Financial guarantee liabilities		26,073	27,554
	Subtotal		4,345,257,609	4,845,819,966
Total financial liabilities		₩	17,916,420,404	17,559,611,239

(*) Differences between fair value and carrying amount of financial liabilities at amortized cost are immaterial.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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7. Fair Value of Financial Instruments, continued

(e) Other financial liabilities as of December 31, 2024 and 2023 are summarized as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Current:			
Accrued expenses	₩	314,315,722	329,418,697
Current portion of rental deposits		182,755,154	213,787,621
Current derivatives liabilities held for hedging		3,079,724	664,209
Current financial liabilities		45,212,931	44,418,121
Financial guarantee liabilities		26,073	27,554
Total	₩	<u>545,389,604</u>	<u>588,316,202</u>
Non-current:			
Rental deposits	₩	78,194,217	36,677,044
Non-current derivatives liabilities held for hedging		1,902,278	36,512,616
Non-current financial liabilities		8,709,850	-
Others		550,077	10,917,811
Total	₩	<u>89,356,422</u>	<u>84,107,471</u>

(f) Fair value hierarchy

Fair values are categorized into different levels in a fair value hierarchy based on the variables used in the valuation techniques as follows:

- ✓ Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities on the valuation date
- ✓ Level 2: variables other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- ✓ Level 3: variables for the assets or liabilities that are not based on observable market data (unobservable inputs)

The fair value measurements of financial instruments that are measured at fair value, classified by fair value hierarchy as of December 31, 2024 and 2023 are as follows:

(i) December 31, 2024

<i>(in thousands of Korean won)</i>		2024			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	₩	-	-	295,731,072	295,731,072
Financial assets at fair value through other comprehensive income		443,740,997	4,343,395	19,855,104	467,939,496
Derivatives assets held for hedging		-	159,344,721	-	159,344,721
Total		<u>443,740,997</u>	<u>163,688,116</u>	<u>315,586,176</u>	<u>923,015,289</u>
Financial liabilities at fair value through profit or loss		-	-	53,922,781	53,922,781
Derivatives liabilities held for hedging		-	4,982,002	-	4,982,002
Total	₩	<u>-</u>	<u>4,982,002</u>	<u>53,922,781</u>	<u>58,904,783</u>

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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As of December 31, 2024 and 2023

7. Fair Value of Financial Instruments, continued

(f) Fair value hierarchy, continued

(ii) December 31, 2023

(in thousands of Korean won)

		2023			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	₩	-	-	311,310,940	311,310,940
Financial assets at fair value through other comprehensive income		486,023,930	4,863,979	8,310,001	499,197,910
Derivatives assets held for hedging		-	65,356,388	-	65,356,388
Total		<u>486,023,930</u>	<u>70,220,367</u>	<u>319,620,941</u>	<u>875,865,238</u>
Financial liabilities at fair value through profit or loss		-	-	44,418,121	44,418,121
Derivatives liabilities held for hedging		-	37,176,825	-	37,176,825
Total	₩	<u>-</u>	<u>37,176,825</u>	<u>44,418,121</u>	<u>81,594,946</u>

In measuring Level 2 fair values, the Group used market price, etc. of the asset at the end of the reporting period.

In measuring Level 3 fair values, the Group used discounted cash flow model and net asset valuation model using variables such as forecasted annual revenue growth rate and risk-adjusted discount rate, capital cost, etc. Fair value of financial instruments at Level 3 included financial instruments that has a carrying value with a reasonable approximation of fair value.

(g) Level 3 fair values

Changes in Level 3 fair values as of December 31, 2024 and 2023 are as follows:

		2024	2023
(in thousands of Korean won)			
Beginning balance	₩	275,202,820	298,200,665
Total gain or loss for the year		(58,055,507)	18,479,073
Gain (loss) included in profit and loss for the year		(57,282,817)	15,955,994
Gain (loss) included in OCI		(772,690)	2,523,079
Purchases		78,099,939	14,503,512
Disposal, etc.		(33,583,858)	(55,980,430)
Ending balance	₩	<u>261,663,394</u>	<u>275,202,820</u>

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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7. Fair Value of Financial Instruments, continued

(h) Sensitivity analysis

For the fair value of Level 3 financial instruments, a change in one of the significant unobservable variables, assuming other variables are constant, would have the following effects on the fair values:

(i) Financial assets at fair value through profit of loss

		Discount rate	
		1%p Decrease	1%p Increase
(in thousands of Korean won)			
Financial assets at fair value through profit of loss	₩	114,868	(102,087)

(ii) Financial assets at fair value through other comprehensive income

		Discount rate	
		1%p Decrease	1%p Increase
(in thousands of Korean won)			
Financial assets at fair value through other comprehensive income	₩	196,042	(165,310)

(iii) Settlement agreement

		Discount rate	
		5% Decrease	5% Increase
(in thousands of Korean won)			
Settlement agreement	₩	14,220	(14,151)

(iv) Financial liabilities at fair value through profit or loss

		Discount rate	
		1%p Decrease	1%p Increase
(in thousands of Korean won)			
Financial liabilities at fair value through profit or loss	₩	19,570,367	(14,915,916)

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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8. Inventories

(a) Inventories as of December 31, 2024 and 2023 are summarized as follows:

(in thousands of Korean won)

		2024			2023		
		Acquisition cost	Valuation allowance	Book value	Acquisition cost	Valuation allowance	Book value
Merchandise	₩	1,007,296,789	(27,022,012)	980,274,777	930,891,031	(25,399,757)	905,491,274
Finished goods		22,584,602	(2,803,147)	19,781,455	21,723,860	(2,017,764)	19,706,096
Semi-finished goods		4	-	4	5	-	5
Work in process		387,008	-	387,008	446,980	-	446,980
Raw materials		13,943,537	(139,189)	13,804,348	12,411,369	(203,415)	12,207,954
Ingredients		1,448,094	-	1,448,094	1,213,556	-	1,213,556
Supplies		1,140,506	-	1,140,506	912,240	-	912,240
Materials-in-transit		23,527,900	-	23,527,900	22,339,732	-	22,339,732
Unsold building		93,555,969	(29,266,290)	64,289,679	76,756,999	(26,295,602)	50,461,397
Unfinished building		435,824,018	-	435,824,018	250,142,957	-	250,142,957
Land		-	-	-	6,275,171	-	6,275,171
Total	₩	1,599,708,427	(59,230,638)	1,540,477,789	1,323,113,900	(53,916,538)	1,269,197,362

(b) For the years ended December 31, 2024 and 2023, the amount of inventories recognized as cost of goods sold and changes in allowance for valuation losses of inventories are as follows:

		2024	2023
Cost of goods sold:			
Amount of inventories recognized as cost of goods sold	₩	7,005,152,489	7,444,938,800
Increase(decrease) in valuation allowance of inventories		5,314,100	(4,296,243)

9. Other Non-financial Assets

Other non-financial assets as of December 31, 2024 and 2023 are summarized as follows:

(in thousands of Korean won)

		2024	2023
Current:			
Advance payments	₩	16,756,006	62,235,367
Prepaid expenses		31,004,946	37,063,655
Prepaid value added tax		23,699,898	27,976,007
Other non-financial assets		2,480,281	2,275,340
Total		73,941,131	129,550,369
Non-current:			
Long-term advance payments		120,812,775	122,710,506
Long-term prepaid expenses		7,721,848	5,468,549
Total	₩	128,534,623	128,179,055

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10. Assets and Liabilities Held for Sale

Assets and liabilities held for sale as of December 31, 2024 and 2023 are summarized as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Assets of disposal group held for sale	₩	98,773,531	-
Assets held for sale		90,130,211	167,431,224
Total		188,903,742	167,431,224
Liabilities of disposal group held for sale		92,246,102	-
Total	₩	92,246,102	-

(a) Assets and liabilities of disposal groups classified as held for sale

At the end of the current period, the group classified the assets and liabilities of the e-commerce division's mobile gift certificate business as a disposal group held for sale. The details of the assets and liabilities classified as a disposal group held for sale as of the end of the current period are as follows.

Assets and liabilities of disposal asset group held for sale as of December 31,2024 are summarized as follows:

<i>(in thousands of Korean won)</i>		2024
Assets within disposal groups:		
Cash and cash equivalents	₩	73,357,824
Trade and other receivables		19,130,831
Other non-financial assets		13,913
Property, plant and equipment and other intangible assets		6,270,963
Total		98,773,531
Liabilities within disposal groups:		
Trade and other payables		3,318,200
Other financial liabilities		56,348
Other non-financial liabilities		88,871,554
Total	₩	92,246,102

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10. Assets and Liabilities Held for Sale, continued

(b) Assets held for sale as of December 31, 2024 and 2023 are summarized as follows:

(in thousands of Korean won)

		2024	2023
Land, etc. (*1, 2)	₩	90,130,211	167,431,224

(*1) During the prior year, the Group classified ₩ 147,052,074 thousand of land, to which control will be transferred upon conversion to a management land trust in accordance with a joint agreement, as assets held for sale; however, during the current year, the land was reclassified to inventories due to contract cancellation.

(*2) During the prior year, the Group classified assets amounting to ₩ 20,374,611 thousand related to three stores under the Supermarket division as assets held for sale following the approval of business closure and decisions to dispose of related properties, and the assets were sold during the current year.

Additionally, during the current year, the group classified assets amounting to KRW 78,985,507 thousand related to employee housing under the Department Store division and one store under the Discount store division as assets held for sale, as well as two stores from the electronics specialty store division, amounting to ₩ 11,041,175 thousand, as assets held for sale.

11. Investments in Associates

(a) The details of associates as of December 31, 2024 and 2023, are summarized as follows:

(in thousands of Korean won)

(in thousands of Korean won)	2024				
	Company	Location	Major operation	Percentage of ownership (%)	Book value
FRL Korea Co., Ltd.	Korea	Import and selling of apparel	49.00	₩	209,175,559
Zara Retail Korea Co.,Ltd	Korea	Import and selling of apparel	20.00		28,282,275
LOTTE CARD Co.,Ltd.	Korea	Credit finance business	20.00		482,690,264
LOTTE PROPERTIES HCMC COMPANY LIMITED	Vietnam	Real estate development	40.00		120,803,775
Eugene Unicorn Private Equity Fund	Korea	Trust and collective investment business	47.06		9,698,341
LOTTE-KDB Open Innovation Fund	Korea	Investment on new technology	41.47		19,319,393
INNOCEAN WORLDWIDE INC. (*)	Korea	Advertising agency and advertisement production	-		-
HANSSEM CO., LTD	Korea	Home remodeling and home furnishing	15.19		430,990,128
Others	-	-	-		101,865,908
Total				₩	1,402,825,643

(*) During the current period, the entity was excluded from associates as it was determined that significant influence could no longer be exercised due to a change in the party exercising the right to nominate directors.

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11. Investments in Associates, continued

(a) The details of associates as of December 31, 2024 and 2023, are summarized as follows:, continued

					2023
					(in thousands of Korean won)
Company	Location	Major operation	Percentage of ownership (%)	Book value	
FRL Korea Co., Ltd.	Korea	Import and selling of apparel	49.00	₩	202,628,650
Zara Retail Korea Co.,Ltd	Korea	Import and selling of apparel	20.00		26,417,891
LOTTE CARD Co.,Ltd.	Korea	Credit finance business	20.00		479,181,114
LOTTE PROPERTIES HCMC COMPANY LIMITED	Vietnam	Real estate development	40.00		108,805,481
Eugene Unicorn Private Equity Fund	Korea	Trust and collective investment business	47.06		10,724,098
LOTTE-KDB Open Innovation Fund	Korea	Investment on new technology	41.47		26,202,557
INNOCEAN WORLDWIDE INC.	Korea	Advertising agency and advertisement production	5.15		62,375,113
HANSSEM CO., LTD	Korea	Home remodeling and home furnishing	15.19		432,515,117
Others	-	-	-		112,860,001
Total				₩	<u>1,461,710,022</u>

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES **Notes to the Consolidated Financial Statements** **As of December 31, 2024 and 2023**

11. Investments in Associates, continued

(b) Changes in investments in associates for the years ended December 31, 2024 and 2023 are summarized as follows:

(in thousands of Korean won)

		2024								
		Beginning balance	Acquisition	Dividends	Profit (loss) accounted for by equity method	Changes in equity accounted for by equity method	Impairment	Disposal	Others (*1, 2)	Ending balance
FRL Korea Co., Ltd.	₩	202,628,650	-	(88,200,000)	79,511,743	15,235,166	-	-	-	209,175,559
Zara Retail Korea Co.,Ltd		26,417,891	-	(6,880,000)	8,757,680	-	-	-	(13,296)	28,282,275
Lotte Card Co., Ltd.		479,181,114	-	(15,590,842)	22,992,379	(2,130,660)	-	-	(1,761,727)	482,690,264
LOTTE PROPERTIES HCMC COMPANY LIMITED		108,805,481	-	-	2,634,980	9,363,314	-	-	-	120,803,775
Eugene Unicorn Private Equity Fund		10,724,098	-	(57)	(1,025,700)	-	-	-	-	9,698,341
LOTTE-KDB Open Innovation Fund		26,202,557	-	-	9,670,855	149,780	-	(16,703,799)	-	19,319,393
INNOCEAN WORLDWIDE INC. (*3)		62,375,113	-	(2,420,500)	(9,886)	2,140,627	-	-	(62,085,354)	-
HANSSEM CO., LTD		432,515,117	-	(30,494,170)	18,014,173	11,975,215	-	-	(1,020,207)	430,990,128
Others		112,860,001	1,916,053	-	(5,274,075)	2,944,984	(113,157)	(4,079,055)	(6,388,843)	101,865,908
Total	₩	1,461,710,022	1,916,053	(143,585,569)	135,272,149	39,678,426	(113,157)	(20,782,854)	(71,269,427)	1,402,825,643

(*1) Others include changes in equity method-retained earnings and others.

(*2) During the current period, the carrying amount includes FL Jeju Nohyung Private Real Estate Investment Trust No. 3, which was classified as a subsidiary investment, and INNOCEAN WORLDWIDE INC, which was classified as an equity instrument at fair value through other comprehensive income (FVOCI).

(*3) During the current period, due to a change in the party exercising the right to nominate directors, it was determined that significant influence could no longer be exercised. As a result, the investment in the associate was reclassified as an equity instrument at fair value through other comprehensive income (FVOCI).

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES **Notes to the Consolidated Financial Statements** **As of December 31, 2024 and 2023**

11. Investments in Associates, continued

(b) Changes in investments in associates for the years ended December 31, 2024 and 2023 are summarized as follows;

(in thousands of Korean won)

		2023								
		Beginning balance	Acquisition	Dividends	Profit (loss) accounted for by equity method	Changes in equity accounted for by equity method	Impairment	Disposal	Others (*1)	Ending balance
FRL Korea Co., Ltd.	₩	221,090,576	-	(88,200,000)	68,572,460	1,165,614	-	-	-	202,628,650
Zara Retail Korea Co.,Ltd		22,966,044	-	(4,000,000)	7,481,517	-	-	-	(29,670)	26,417,891
Lotte Card Co., Ltd.		435,388,020	-	(13,199,092)	70,956,488	(11,681,727)	-	-	(2,282,575)	479,181,114
LOTTE PROPERTIES HCMC COMPANY LIMITED		104,073,369	-	-	4,935,176	(203,064)	-	-	-	108,805,481
Eugene Unicorn Private Equity Fund		12,395,325	-	(263)	(1,814,569)	-	-	-	143,605	10,724,098
CHOROKBAEM MEDIA CO.,LTD.		9,495,359	-	-	(433,618)	115	(4,348,233)	(4,814,548)	100,925	-
LOTTE-KDB Open Innovation Fund		26,634,132	-	-	(480,195)	48,620	-	-	-	26,202,557
INNOCEAN WORLDWIDE INC.		59,340,848	-	(2,214,501)	5,200,607	343,748	-	-	(295,589)	62,375,113
HANSSEM CO., LTD		470,223,677	42,900,000	(16,087,194)	(13,816,064)	(156,376)	(49,535,857)	-	(1,013,069)	432,515,117
Others (*2)		63,374,017	-	(654,387)	2,340,575	(1,599,692)		(4,710,532)	54,110,020	112,860,001
Total	₩	1,424,981,367	42,900,000	(124,355,437)	142,942,377	(12,082,762)	(53,884,090)	(9,525,080)	50,733,647	1,461,710,022

(*1) Others include changes in equity method-retained earnings and others.

(*2) Due to the sale of LOTTE HOTEL & RETAIL VIETNAM PTE.LTD. in 2023, which owned Lotte Holdings Hong Kong Ltd. and HAI THANH – LOTTE COMPANY LIMITED classified as assets held for sale, ₩ 54,321,732 thousand has been reclassified to associates.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES **Notes to the Consolidated Financial Statements** **As of December 31, 2024 and 2023**

11. Investments in Associates, continued

(c) Financial information of significant associates as of and for the years ended December 31, 2024 and 2023, are summarized as follows:

		2024							
		Current asset	Non-current asset	Current liabilities	Non-current liabilities	Sales	Operating income (loss)	Other comprehensive income (loss) (*2)	Total comprehensive income (loss) (*2)
FRL Korea Co., Ltd.	₩	639,964,562	195,417,251	337,289,427	71,203,491	1,141,840,921	229,363,577	31,092,175	193,361,039
Zara Retail Korea Co.,Ltd		125,755,356	235,692,939	120,663,894	99,373,026	459,182,771	50,774,027	(66,478)	43,721,920
Lotte Card Co., Ltd. (*1)		24,947,723,940	-	21,421,441,732	-	3,034,830,705	168,960,216	(19,461,939)	117,750,607
LOTTE PROPERTIES HCMC COMPANY LIMITED		246,804,794	56,695,658	1,491,015	-	-	(2,213,185)	-	6,587,450
Eugene Unicorn Private Equity Fund		6,025,818	58,302,002	3,226,324	2,876,562	11,831,352	(2,950,978)	-	(2,179,733)
LOTTE-KDB Open Innovation Fund		6,702,120	49,639,768	820,573	-	30,861,661	23,337,975	361,200	23,699,381
HANSSEM CO., LTD (*3)		512,255,324	747,035,157	472,033,806	288,857,660	1,908,390,760	31,229,316	(2,377,014)	147,603,442

(*1) All financial information is presented as current asset and current liabilities since Lotte Card Co., Ltd. is a finance company that does not classify asset and liabilities as current or non-current.

(*2) Other comprehensive income (loss) and total comprehensive income (loss) exclude amounts attributed to non-controlling shareholders.

(*3) This financial information reflects the revaluation model applied to land among property, plant, and equipment.

		2023							
		Current asset	Non-current asset	Current liabilities	Non-current liabilities	Sales	Operating income (loss)	Other comprehensive income (loss) (*2)	Total comprehensive income (loss) (*2)
FRL Korea Co., Ltd.	₩	532,599,407	102,890,003	184,071,086	37,890,467	971,239,177	164,193,930	2,378,805	142,322,601
Zara Retail Korea Co.,Ltd		112,111,242	227,469,416	111,389,000	96,102,202	445,148,608	56,437,592	(148,348)	37,259,237
Lotte Card Co., Ltd. (*1)		22,557,105,479	-	19,449,568,998	-	2,546,443,827	231,960,911	(69,802,968)	297,362,659
LOTTE PROPERTIES HCMC COMPANY LIMITED		231,338,277	42,108,052	1,403,805	28,821	-	(3,065,886)	-	10,398,775
Eugene Unicorn Private Equity Fund		9,055,250	56,978,209	1,711,891	2,592,308	11,152,956	(6,408,107)	-	(3,856,515)
LOTTE-KDB Open Innovation Fund		5,995,117	57,425,849	232,492	-	10,287,748	(1,158,009)	105,200	(1,052,809)
INNOCEAN WORLDWIDE INC.		2,020,689,305	563,224,584	1,406,507,147	234,410,032	2,092,893,299	149,440,870	10,070,743	111,141,935
HANSSEM CO., LTD		370,351,535	681,081,968	522,859,213	185,887,852	1,966,947,034	1,946,609	(5,201,973)	(67,357,204)

(*1) All financial information is presented as current asset and current liabilities since Lotte Card Co., Ltd. is a finance company that does not classify asset and liabilities as current or non-current.

(*2) Other comprehensive income (loss) and total comprehensive income (loss) exclude amounts attributed to non-controlling shareholders.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES **Notes to the Consolidated Financial Statements** **As of December 31, 2024 and 2023**

11. Investments in Associates, continued

- (d) The reconciliation of the net assets of the significant associates to the carrying amount of the equity interest in the associate as of December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

		2024						
		Net assets (a) (*1)	Ownership % (b)	Group's share of net asset (a*b)	Impairment	Goodwill	Others (*2)	Carrying amount
FRL Korea Co., Ltd.	₩	426,888,896	49.00	209,175,559	-	-	- ₩	209,175,559
Zara Retail Korea Co.,Ltd.		141,411,376	20.00	28,282,275	-	-	-	28,282,275
Lotte Card Co., Ltd.		3,526,282,208	20.00	705,256,336	(105,209,336)	-	(117,356,736)	482,690,264
LOTTE PROPERTIES HCMC COMPANY LIMITED		302,009,437	40.00	120,803,775	-	-	-	120,803,775
Eugene Unicorn Private Equity Fund		49,872,369	47.06	23,469,350	(13,771,009)	-	-	9,698,341
LOTTE-KDB Open Innovation Fund.		55,521,314	41.47	23,023,193	-	-	(3,703,800)	19,319,393
HANSSEM CO., LTD (*3, 4)		404,030,678	21.69	87,649,327	(184,615,799)	451,004,261	76,952,339	430,990,128

(*1) Net assets exclude non-controlling interests.

(*2) Others include unamortized amounts such as difference of fair values.

(*3) The effective ownership percentage is listed.

(*4) This financial information reflects the revaluation model applied to land among property, plant, and equipment.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES **Notes to the Consolidated Financial Statements** **As of December 31, 2024 and 2023**

11. Investments in Associates, continued

- (d) The reconciliation of the net assets of the significant associates to the carrying amount of the equity interest in the associate as of December 31, 2024 and 2023 are as follows:, continued

(in thousands of Korean
won)

won)		2023						
		Group's share			Impairment	Goodwill	Others (*2)	Carrying amount
		Net assets (a)	Ownership %	of net asset				
		(*1)	(b)	(a*b)				
FRL Korea Co., Ltd.	₩	413,527,858	49.00	202,628,650	-	-	- ₩	202,628,650
Zara Retail Korea Co.,Ltd.		132,089,455	20.00	26,417,891	-	-	-	26,417,891
Lotte Card Co., Ltd.		3,107,536,481	20.00	621,507,203	(105,209,336)	-	(37,116,753)	479,181,114
LOTTE PROPERTIES HCMC COMPANY LIMITED		272,013,703	40.00	108,805,481	-	-	-	108,805,481
Eugene Unicorn Private Equity Fund		52,052,103	47.06	24,495,107	(13,771,009)	-	-	10,724,098
LOTTE-KDB Open Innovation Fund.		63,188,474	41.47	26,202,557	-	-	-	26,202,557
INNOCEAN WORLDWIDE INC.		915,555,336	5.15	47,151,100	-	10,471,877	4,752,136	62,375,113
HANSSEM CO., LTD (*3)		341,807,215	21.69	74,150,736	(184,615,799)	451,004,261	91,975,919	432,515,117

(*1) Net assets exclude non-controlling interests.

(*2) Others include unamortized amounts such as difference of fair values.

(*3) The effective ownership percentage is listed.

LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2024 and 2023

11. Investments in Associates, continued

- (e) Current and accumulated changes in equity of associates, unrecognized due to cessation of equity method as of December 31, 2024 are as follows:

<i>(in thousands of Korean won)</i>	2024	
	Unrecognized profits and losses for the year	Unrecognized accumulated losses
Prototype	₩ 9,890	(178,394)
Shandong Longzhile Cinema Co., Ltd.	-	(4,925,196)

- (f) The fair value of the shares held by material marketable associates as of December 31, 2024 and 2023 are as follows.

(i) December 31, 2024

<i>(in thousands of Korean won, except for number of shares)</i>	Number of shares (in shares)	Market price per share (Korean Won)	Market value	Book value
HANSSEM CO., LTD	3,574,932	47,550	169,988,017	430,990,128

(ii) December 31, 2023

<i>(in thousands of Korean won, except for number of shares)</i>	Number of shares (in shares)	Market price per share (Korean Won)	Market value	Book value
INNOCEAN WORLDWIDE INC.	2,060,000	21,400	44,084,000	62,375,113
HANSSEM CO., LTD	3,574,932	53,500	191,258,862	432,515,117

LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2024 and 2023

12. Investments in Joint Venture

(a) The details of joint ventures as of December 31, 2024 and 2023 are summarized as follows:

(in thousands of Korean won)

Company	Location	Major operation	2024	
			Percentage of ownership (%)	Carrying amount
STL Co., Limited	Korea	Import and sales of apparel	50.00	₩ 4,329,966
International Business Center Company Limited	Vietnam	Distribution	50.00	35,042,399
LOTTE JTB Co., Ltd.	Korea	Travel business	50.00	2,610,437
Total				₩ <u>41,982,802</u>

(in thousands of Korean won)

Company	Location	Major operation	2023	
			Percentage of ownership (%)	Carrying amount
STL Co., Limited	Korea	Import and sales of apparel	50.00	₩ 3,807,831
International Business Center Company Limited	Vietnam	Distribution	50.00	37,432,457
LOTTE JTB Co., Ltd.	Korea	Travel business	50.00	-
Total				₩ <u>41,240,288</u>

LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2024 and 2023

12. Investments in Joint Venture, continued

(b) Changes in joint ventures for the years ended December 31, 2024 and 2023, are summarized as follows:

(in thousands of Korean won)

(in thousands of Korean won)		2024						
		Beginning balance	Dividends	Share of profit (loss) of associates	Share of other comprehensive income (loss) of associate s	Impairment	Others (*)	Ending balance
STL Co., Limited	₩	3,807,831	-	522,135	-	-	-	4,329,966
International Business Center Company Limited		37,432,457	(3,855,640)	4,043,266	1,352,300	(13,633,234)	9,703,250	35,042,399
LOTTE JTB Co., Ltd.		-	-	2,788,298	-	-	(177,861)	2,610,437
Total	₩	41,240,288	(3,855,640)	7,353,699	1,352,300	(13,633,234)	9,525,389	41,982,802

(*) Others include changes such as foreign currency translation.

(in thousands of Korean won)

(in thousands of Korean won)		2023						
		Beginning balance	Dividends	Share of profit (loss) of associates	Share of other comprehensive income (loss) of associate s	Impairment	Others (*)	Ending balance
STL Co., Limited	₩	3,077,805	-	730,026	-	-	-	3,807,831
International Business Center Company Limited		40,500,210	(3,345,856)	3,984,563	(162,005)	(4,731,841)	1,187,386	37,432,457
LOTTE JTB Co., Ltd.		-	-	-	-	-	-	-
Others		497,802	-	(515,836)	18,034	-	-	-
Total	₩	44,075,817	(3,345,856)	4,198,753	(143,971)	(4,731,841)	1,187,386	41,240,288

(*) Others include changes such as foreign currency translation.

LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES **Notes to the Consolidated Financial Statements** **As of December 31, 2024 and 2023**

12. Investments in Joint Venture, continued

(c) Financial information of material joint ventures as at and for the years ended December 31, 2024 and 2023 are summarized as follows:

(in thousands of Korean won)

		2024							
		Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Operating income (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
STL Co., Limited	₩	9,609,622	965,082	1,192,178	8,529	17,728,512	791,795	-	1,044,270
International Business Center Company Limited		14,047,314	38,970,609	13,942,994	1,861,924	23,539,529	10,511,243	-	8,092,589
LOTTE JTB Co., Ltd.		136,620,157	42,400,833	157,099,470	6,630,447	19,765,012	2,842,708	(355,723)	6,516,902

(in thousands of Korean won)

		2023							
		Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Operating income (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
STL Co., Limited	₩	8,812,357	1,022,854	1,348,812	156,673	20,044,381	1,239,624	-	1,460,053
International Business Center Company Limited		13,351,215	38,104,534	14,529,289	2,793,307	22,562,842	10,418,522	-	7,969,126
LOTTE JTB Co., Ltd.		142,697,002	46,085,740	173,915,935	6,086,930	17,466,462	1,252,044	(588,716)	4,902,490

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2024 and 2023

12. Investments in Joint Venture, continued

(d) The reconciliation of the net assets of the joint ventures to the carrying amount of the equity interest in the investment in associates as of December 31, 2024 and 2023 are summarized as follows:

(in thousands of Korean won)

		2024					
		Net assets (a)	Ownership % (b)	Group's share of net asset (a*b)	Goodwill	Impairment Loss	Others (*) Carrying amount
STL Co., Limited	₩	9,373,997	50.00	4,686,998	-	(357,032)	- ₩ 4,329,966
International Business Center Company Limited		37,213,005	50.00	18,606,502	40,415,381	(43,900,506)	19,921,022 35,042,399
LOTTE JTB Co., Ltd.		15,291,074	50.00	7,645,537	1,185,842	(6,220,942)	- 2,610,437

(*) Others include unrecognized amounts such as foreign currency differences arising from translation.

(in thousands of Korean won)

		2023					
		Net assets (a)	Ownership % (b)	Group's share of net asset (a*b)	Goodwill	Impairment Loss	Others (*) Carrying amount
STL Co., Limited	₩	8,329,727	50.00	4,164,863	-	(357,032)	- ₩ 3,807,831
International Business Center Company Limited		34,133,152	50.00	17,066,576	40,415,381	(30,267,272)	10,217,772 37,432,457
LOTTE JTB Co., Ltd.		8,779,876	50.00	4,389,938	1,185,842	(6,220,942)	645,162 -

(*) Others include unrecognized amounts such as profit or loss and foreign currency differences arising from translation.

(e) Unrecognized current and accumulated changes in equity of joint ventures due to cessation of equity method as of December 31, 2024 are summarized as follows

(in thousands of Korean won)

		2024	
		Unrecognized losses for the year	Unrecognized accumulated losses
LOTTE ENTERTAINMENT VIETNAM CO.,LTD	₩	(339,060)	(599,664)

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2024 and 2023

13. Property, Plant and Equipment

(a) Details of property, plant and equipment as of December 31, 2024 and 2023 are summarized as follows:

(in thousands of
Korean won)

		2024				
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Revaluation Surplus	Book value
Land	₩	8,268,905,478	-	-	9,395,968,733	17,664,874,211
Buildings		8,081,001,067	(2,969,441,423)	(160,775,956)	-	4,950,783,688
Structures		327,777,276	(160,385,593)	(53,595,212)	-	113,796,471
Machinery		427,844,276	(215,427,483)	(46,552,020)	-	165,864,773
Vehicles		9,363,799	(7,247,045)	(422,714)	-	1,694,040
Display fixtures		455,357,625	(389,028,835)	(25,731,187)	-	40,597,603
Furniture and fixtures		4,958,083,156	(3,893,732,953)	(409,382,733)	-	654,967,470
Tools and equipment		124,500,006	(103,545,761)	(4,439,554)	-	16,514,691
Other PP&E		45,846,520	(29,301,578)	(5,846,210)	-	10,698,732
Construction-in-progress		686,606,709	-	-	-	686,606,709
Total	₩	23,385,285,912	(7,768,110,671)	(706,745,586)	9,395,968,733	24,306,398,388

(in thousands of Korean
won)

		2023			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	8,204,889,382	-	(332,204)	8,204,557,178
Buildings		8,127,232,457	(2,929,241,352)	(38,208,535)	5,159,782,570
Structures		314,515,829	(152,844,025)	(27,937,638)	133,734,166
Machinery		387,294,894	(191,422,009)	(43,094,425)	152,778,460
Vehicles		6,496,601	(4,780,534)	(350,721)	1,365,346
Display fixtures		499,048,562	(433,069,034)	(26,744,657)	39,234,871
Furniture and fixtures		4,684,455,208	(3,708,342,678)	(274,562,175)	701,550,355
Tools and equipment		118,698,908	(97,404,580)	(4,434,835)	16,859,493
Other PP&E		41,882,644	(26,379,282)	(5,239,851)	10,263,511
Construction-in-progress		586,567,303	-	-	586,567,303
Total	₩	22,971,081,788	(7,543,483,494)	(420,905,041)	15,006,693,253

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2024 and 2023

13. Property, Plant and Equipment, continued

(b) Changes in property, plant and equipment for the year ended December 31, 2024 are as follows:

(in thousands
of Korean
won)

of Korean won)

		2024								
		Beginning balance	Acquisitions	Business Combination	Depreciation	Impairment	Disposals	Revaluation Surplus	Others (*)	Ending balance
Land	₩	8,204,557,178	19,616,553	119,424,370	-	455,824	(15,990,082)	9,395,968,733	(59,158,365)	17,664,874,211
Buildings		5,159,782,570	10,848,161	31,712,344	(212,744,168)	(138,729,654)	(545,361)	-	100,459,796	4,950,783,688
Structures		133,734,166	1,398,130	-	(9,129,009)	(25,667,421)	(3,160)	-	13,463,765	113,796,471
Machinery		152,778,460	27,887,519	-	(22,589,893)	(3,506,406)	(357,264)	-	11,652,357	165,864,773
Vehicles		1,365,346	623,451	-	(503,195)	(6,259)	(27,994)	-	242,691	1,694,040
Display fixtures		39,234,871	12,733,840	-	(15,021,616)	(1,247,876)	(903,376)	-	5,801,760	40,597,603
Furniture and fixtures		701,550,355	154,358,098	-	(258,660,372)	(145,732,756)	(7,299,309)	-	210,751,454	654,967,470
Tools and equipment		16,859,493	4,106,783	-	(6,528,793)	(14,822)	(83,924)	-	2,175,954	16,514,691
Other PP&E		10,263,511	1,448,391	-	(38,835)	(281,250)	(738,367)	-	45,282	10,698,732
Construction-in-progress		586,567,303	636,257,719	-	-	-	(3,533)	-	(536,214,780)	686,606,709
Total	₩	15,006,693,253	869,278,645	151,136,714	(525,215,881)	(314,730,620)	(25,952,370)	9,395,968,733	(250,780,086)	24,306,398,388

(*) Others include reclassification between accounts, changes in acquisition cost, effects of changes in foreign exchange rates, etc.

(c) Changes in property, plant and equipment for the year ended December 31, 2023 are as follows:

(in thousands of
Korean won)

		2023						
		Beginning balance	Acquisitions	Depreciation	Impairment	Disposals	Others (*)	Ending balance
Land	₩	8,061,108,548	103,959,455	-	-	(56,642,269)	96,131,444	8,204,557,178
Buildings		4,723,626,133	258,117,892	(206,604,046)	(3,375,164)	(9,014,938)	397,032,693	5,159,782,570
Structures		134,919,285	89,194	(8,879,264)	(9,905)	(426,816)	8,041,672	133,734,166
Machinery		34,531,718	9,311,410	(15,736,021)	(3,665,590)	(166,552)	128,503,495	152,778,460
Vehicles		1,192,063	734,837	(498,189)	(545)	(70,759)	7,939	1,365,346
Display fixtures		35,827,699	12,350,852	(16,221,441)	(2,362,566)	(622,089)	10,262,416	39,234,871
Furniture and fixtures		735,631,948	174,989,466	(253,347,732)	(26,591,759)	(5,645,019)	76,513,451	701,550,355
Tools and equipment		14,554,846	2,917,419	(6,453,173)	(115,084)	(20,257)	5,975,742	16,859,493
Other PP&E		11,077,732	150,353	(3,041,824)	(1,014,664)	(1,041,945)	4,133,859	10,263,511
Construction-in-progress		572,953,770	348,136,845	-	(845,943)	(1,123,734)	(332,553,635)	586,567,303
Total	₩	14,325,423,742	910,757,723	(510,781,690)	(37,981,220)	(74,774,378)	394,049,076	15,006,693,253

(*) Others include reclassification between accounts, changes in acquisition cost, effects of changes in foreign exchange rates, etc.

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13. Property, Plant and Equipment, continued

- (d) As of the end of the current period, the amount of land measured under the revaluation model, if recognized at historical cost, is as follows:

<i>(in thousands of Korean won)</i>		Revaluation model	Cost model
Land	₩	17,664,874,211	8,268,905,478

In relation to the application of the revaluation model for land, the pre-tax other comprehensive income recognized in the statement of comprehensive income for the current year amounts to ₩ 9,408,901,000 thousand, while the pre-tax revaluation loss recognized in profit or loss amounts to ₩ 12,932,267 thousand.

- (e) The following is an analysis of property, plant, and equipment measured at fair value using valuation techniques. A detailed explanation of the fair value hierarchy is provided in Note 7. All land measured at fair value by the group falls under Level 3 of the fair value hierarchy.

<i>(in thousands of Korean won)</i>		Revaluation model	Revaluation model	Cost model
Land	₩	-	-	17,394,419,289

- (*) At the end of the current period, the total fair value differs from the total carrying amount of land by the carrying amount of land that is not subject to fair value assessment.

- (f) Valuation process of the group

The group recognizes the subsequent measurement of land at its revalued amount, which represents the fair value as of the revaluation date. As of the end of the current period, the fair value of the land was determined based on valuations conducted by independent and qualified external appraisal firms—Daehwa appraisal corporation, Duyo appraisal corporation, Taepyeongyang appraisal corporation, and Jeil appraisal corporation—as of December 31, 2024. The chief financial officer of the group reviews the assumptions in the independent valuation reports and assesses whether the changes in value are reasonable. The chief financial officer directly reports the findings to the board of directors and the Audit Committee. Discussions and results regarding the valuation process are regularly shared among the chief financial officer, the audit committee, and the board of directors in alignment with the company's reporting schedule, at least once every three years, or more frequently if significant value fluctuations occur.

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13. Property, Plant and Equipment, continued

(g) Information on fair value measurements using significant unobservable inputs, is as follows:

<i>(in thousands of Korean won)</i>	Fair Value at the End of the Current Period (*)	Valuation Methodology	Significant Unobservable Inputs	Relationship Between Unobservable Inputs and Fair Value
	₩ 16,088,746,398	Publicly Announced Land Price-Based Valuation Method: The fair value is determined based on the publicly announced standard land prices of the subject land and nearby properties. However, adjustments are made for the reporting date, individual factors, and other factors to reflect the fair value.	Adjustment for the reporting date (Land price fluctuation rate) Individual factors (Land parcel conditions, etc.) Other factors (Land price level, etc.)	If the land price fluctuation rate increases (decreases), the fair value will increase (decrease) If the adjustment for land parcel conditions, etc. increases (decreases), the fair value will increase (decrease) “If the adjustment for land price level, etc. increases (decreases), the fair value will increase (decrease)
Land	1,305,672,891	Comparable Sales Method: The fair value is determined by comparing the subject property with similar properties based on transaction cases, and then adjusting for subsequent changes, reporting date adjustments, and comparison of value drivers to reflect the current status of the subject property	Post-Adjustment Adjustment for the reporting date (Land price fluctuation rate) Factors Influencing Value	If the subsequent adjustment increases (decreases), the fair value will increase (decrease) If the adjustment for the reporting date increases (decreases), the fair value will increase (decrease) If the value drivers increase (decrease), the fair value will increase (decrease)

(*) The total fair value at the end of the period differs by the amount of the book value of land that is not subject to fair value assessment from the total book value of all land

(h) The book value of revaluation surplus and the restrictions on shareholder dividends related to the revaluation surplus are as follows.

(in thousands of Korean won)

		2024
Revaluation surplus(*)	₩	7,128,571,572

(*) The revaluation surplus is not available for dividend distribution. However, it may be reclassified to retained earnings upon the disposal of land and may subsequently affect dividend distributions.

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13. Property, Plant and Equipment, continued

- (i) The Group performed impairment tests for cash-generating units of department stores, discount stores, consumer electronic retailers, supermarkets, cinemas, e-commerce, etc. that have indication of impairment. The details of impairment losses recognized for the year ended December 31, 2024 are summarized as follows:

(in thousands of Korean won)

Korean won)		2024								
		Department Store	Discount store	Consumer electronic retailer	Supermarket	Cinema	E-Commerce	TV Home Shopping	Others	Total
Impairment loss on property, plant and equipment	₩	200,914,080	95,324,083	1,969,193	15,018,730	358,271	209,327	-	936,936	314,730,620
Impairment loss on intangible assets (excluding goodwill)		461,979	2,104,815	(20,413)	40,685	9,902	1,441,480	-	148,370	4,186,818
Impairment loss on goodwill		73,375,166	16,446	331,141,731	975,856	-	-	4,969,059	-	410,478,258
Impairment loss on right-of-use asset		217,834,556	74,485,154	3,199,957	15,353,984	6,452,659	4,762,265	-	47,151	322,135,726
Impairment loss on investment properties		-	-	111,147	-	2,529,613	-	-	120,503,640	123,144,400
Total	₩	492,585,781	171,930,498	336,401,615	31,389,255	9,350,445	6,413,072	4,969,059	121,636,097	1,174,675,822

The Group performed impairment tests for cash-generating units of department stores, discount stores, consumer electronic retailers, supermarkets, cinemas, e-commerce, etc. that have indication of impairment. The details of impairment losses recognized for the year ended December 31, 2023 are summarized as follows:

(in thousands of Korean won)

		2023						
		Department Store	Discount store	Consumer electronic retailer	Supermarket	Cinema	Others	Total
Impairment loss on property, plant and equipment	₩	7,178,693	18,178,897	4,799,811	5,342,534	656,542	1,824,743	37,981,220
Impairment loss on intangible assets (excluding goodwill)		88,135	4,553,542	(123,939)	272,783	61,175	176,936	5,028,632
Impairment loss on right-of-use asset		43,422,183	48,370,330	3,886,721	7,434,779	2,934,944	225,300	106,274,257
Impairment loss on investment properties		-	-	-	-	-	23,431,759	23,431,759
Total	₩	50,689,011	71,102,769	8,562,593	13,050,096	3,652,661	25,658,738	172,715,868

The valuation method and discount rate applied in calculating the recoverable amount of a cash-generating unit with signs of impairment are consistent with the assumptions applied in calculating the recoverable amount of a cash-generating unit with goodwill.

- (j) Pledged property, plant and equipment provided by the Group as of December 31, 2024 is as follows:

(in thousands of Korean won)

Offered assets (*)		2024				Guarantee recipient
		Book amount	Guaranteed amount	Type of borrowings	Amount of borrowings	
Land and buildings	₩	3,496,906,545	2,469,819,725	Secured Loan and others	1,673,995,255	Shinhan Bank and others

(*) Offered as collateral for borrowings, security deposit for lease, and provisional attachment on interests.

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13. Property, Plant and Equipment, continued

- (k) The capitalized borrowing costs and capitalization interest rates for the years ended December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

		2024	2023
Capitalized borrowing costs	₩	55,470,443	43,915,550
Capitalization interest rates		3.61%~11.49%	3.19%~11.49%

14. Investment Property

- (a) Investment properties as of December 31, 2024 and 2023 are summarized as follows:

(in thousands of Korean won)

		2024				2023			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	1,155,679,991	-	(643,187)	1,155,036,804	827,022,418	-	(766,807)	826,255,611
Buildings		665,457,328	(193,610,211)	(4,016,412)	467,830,705	452,872,474	(154,611,882)	(1,803,098)	296,457,494
Others (*)		654,264,616	(73,850,941)	(344,499,242)	235,914,433	709,278,396	(93,555,896)	(188,829,980)	426,892,520
Total	₩	2,475,401,935	(267,461,152)	(349,158,841)	1,858,781,942	1,989,173,288	(248,167,778)	(191,399,885)	1,549,605,625

- (*) Others include right-of-use assets reclassified as investment property.

- (b) Changes in investment property for the year ended December 31, 2024 are as follows:

		2024				
		Beginning balance	Acquisitions	Depreciation	Others (*2)	Ending balance
Land	₩	826,255,611	282,689,319	-	46,091,874	1,155,036,804
Buildings		296,457,494	64,562,759	(15,818,323)	122,628,775	467,830,705
Others (*1)		426,892,520	11,880,942	(12,676,153)	(190,182,876)	235,914,433
Total	₩	1,549,605,625	359,133,020	(28,494,476)	(21,462,227)	1,858,781,942

- (*1) Others include right-of-use assets reclassified as investment property.

- (*2) Others include reclassification between accounts, impairment loss, changes in acquisition cost, the effects of changes in foreign exchange rates and others.

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14. Investment Property, continued

(c) Changes in investment property for the year ended December 31, 2023 are as follows:

		2023				
(in thousands of Korean won)		Beginning balance	Acquisitions	Depreciation	Others (*2)	Ending balance
Land	₩	845,652,597	43,832,233	-	(63,229,219)	826,255,611
Buildings		281,987,581	26,019,162	(12,799,763)	1,250,514	296,457,494
Others (*1)		943,950,021	11,929,059	(25,943,392)	(503,043,168)	426,892,520
Total	₩	2,071,590,199	81,780,454	(38,743,155)	(565,021,873)	1,549,605,625

(*1) Others include right-of-use assets reclassified as investment property.

(*2) Others include reclassification between impairment loss, accounts, changes in acquisition cost, the effects of changes in foreign exchange rates and others.

(d) Income and expense from investment property

The details of income and expense from investment property for the years ended December 31, 2024 and December 31, 2023 are as follows:

		2023	2023
<i>(in thousands of Korean won)</i>			
Rental income	₩	190,885,289	174,440,923
Direct operating expense (including maintenance and repair expenses)		91,126,740	63,644,929

(e) Fair value of investment property as of December 31, 2023 is as follows:

		Book value	Fair value
<i>(in thousands of Korean won)</i>			
Land, buildings and others	₩	1,858,781,942	5,911,696,398

15. Goodwill and Intangible Assets

(a) Intangible assets as of December 31, 2024 and 2023 are summarized as follows:

		2024				2023			
		Acquisition cost	Accumulated amortization	Accumulated impairment losses	Book value	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Book value
<i>(in thousands of Korean won)</i>									
Goodwill	₩	2,560,440,140	-	(2,085,427,351)	475,012,789	2,568,679,561	-	(1,681,718,561)	886,961,000
Industrial property rights		147,378,856	(9,979,455)	(872,905)	136,526,496	146,925,499	(9,758,292)	(506,126)	136,661,081
Rights to use facility		39,446,816	(38,619,793)	(608,762)	218,261	39,330,752	(38,590,095)	(607,945)	132,712
Membership		29,889,625	-	(3,621,258)	26,268,367	29,909,860	-	(3,602,487)	26,307,373
Construction-in-progress		25,139,611	-	-	25,139,611	-	-	-	-
Other intangible assets		508,860,533	(350,288,831)	(70,140,154)	88,431,548	512,553,157	(326,881,738)	(76,962,563)	108,708,856
Total	₩	3,311,155,581	(398,888,079)	(2,160,670,430)	751,597,072	3,297,398,829	(375,230,125)	(1,763,397,682)	1,158,771,022

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15. Goodwill and Intangible Assets, continued

(b) Changes in intangible assets for the year ended December 31, 2024 are as follows:

(in thousands of Korean won)

		2024					
		Beginning balance	Acquisition	Amortization	Impairment	Disposals	Ending Balance
Goodwill	₩	886,961,000	-	-	(410,478,258)	-	475,012,789
Industrial property rights		136,661,081	265,800	(221,344)	(367,356)	(742)	136,526,496
Rights to use facility		132,712	-	(43,644)	(880)	-	218,261
Membership		26,307,373	150,234	-	(27,835)	(161,405)	26,268,367
Construction-in-progress		-	7,325,569	-	-	(213,000)	25,139,611
Other intangible assets		108,708,856	14,042,539	(57,871,425)	(3,790,747)	(748,348)	88,431,548
Total	₩	1,158,771,022	21,784,142	(58,136,413)	(414,665,076)	(1,123,495)	751,597,072

(*) Others include reclassification between accounts and foreign exchange effects.

(c) Changes in intangible assets for the year ended December 31, 2023 are as follows

(in thousands of Korean won)

		2023					
		Beginning balance	Acquisition	Amortization	Impairment	Disposals	Ending Balance
Goodwill	₩	886,804,558	-	-	-	-	886,961,000
Industrial property rights		136,520,664	265,951	(228,019)	(1,451)	-	136,661,081
Rights to use facility		193,389	-	(60,570)	-	-	132,712
Membership		25,741,990	1,405,863	-	60,246	(900,726)	26,307,373
Other intangible assets		91,488,709	45,091,132	(122,805,760)	(5,087,427)	(8,536,025)	108,708,856
Total	₩	1,140,749,310	46,762,946	(123,094,349)	(5,028,632)	(9,436,751)	1,158,771,022

(*) Others include reclassification between accounts and foreign exchange effects.

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15. Goodwill and Intangible Assets, continued

(d) Impairment testing for cash-generating units with goodwill

For purpose of impairment testing, goodwill is allocated to CGUs which are expected to create synergy within the Group.

Details of the goodwill allocated to the groups of cash-generating units as of December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Department store	₩	31,280,952	104,656,119
Discount store		41,178,608	37,804,937
Consumer electronic retailer		132,596,485	463,738,216
TV home shopping		268,327,393	273,296,452
Supermarket		833,104	1,808,961
E-Commerce		-	4,860,068
Others		796,247	796,247
Total	₩	475,012,789	886,961,000

Recoverable amount of the cash-generating unit for each operating segment above is measured at higher of value in use and net fair value. Net fair value is the amount obtainable from the estimated proceeds from the sales of the asset in an arm's length transaction between knowledgeable and willing parties, less estimated costs of disposal. The value in use of each cash-generating unit was determined by discounting its estimated future cash flows as relevant cash-generating units are continuously used. The approach used to determine value in use as of December 31, 2024 was consistent with those used in 2023. The calculation of value in use was based on the following key assumptions:

- Cash flows were estimated based on past experience, actual historical results of operations and a 5-year business plan.
- Revenue growth rate for the following five years is estimated using the past average growth rate and the objective estimation of an external specialist. The future cash flow in 5 years has been estimated with the assumption of 0%~2.0% (2023: 0%~2.0%) growth rate.
- The weighted average cost of capital from the Group's industry is applied as the discount rate in determining the recoverable amount of the cash-generating units. The weighted average costs of capital for each cash-generating unit are as follows:

	2024	2023
Department store	4.90%	5.98% ~ 8.56%
Discount store	4.90%	5.98% ~ 9.88%
Consumer electronic retailer	6.17%	7.35%
TV home shopping	8.05%	9.83%
Supermarket	4.90% ~ 5.24%	5.98%
Cinema	8.09% ~ 10.93%	9.98% ~ 11.43%
E-Commerce	7.40%	9.61%
Others	11.95%	12.19%

The values through major assumption represent the management's estimation of future trends for the distribution industry. As a result of impairment testing on basis of external and internal sources (historical data) as of December 31, 2024, impairment losses were recognized for department stores, discount stores, supermarkets, consumer electronic retailers and e-commerce for which the recoverable amounts of the cash-generating units are less than their book value.

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15. Goodwill and Intangible Assets, continued

(d) Impairment testing for cash-generating units with goodwill, continued

During the current period, an impairment loss on goodwill was recognized as the carrying amount of certain cash-generating units exceeded their recoverable amounts. There was no impairment loss on goodwill recognized in the previous period.

(in thousands of Korean won)

		2024
Department store	₩	73,375,167
Discount store		16,444
Supermarket		975,857
Consumer electronic retailer		331,141,731
TV home shopping		4,969,059
Total	₩	<u>410,478,258</u>

(e) Impairment testing of other intangible assets with indefinite estimated useful lives

Details of intangible assets with indefinite estimated useful lives as of December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

		2024	2023
Department store	₩	11,516,356	11,564,603
Discount store		1,447,834	1,447,834
Consumer electronic retailer		139,914,462	139,905,221
TV home shopping		6,520,844	6,520,844
Supermarket		1,606,465	1,606,465
Cinema		803,155	803,155
E-Commerce		534,608	534,608
Total	₩	<u>162,343,724</u>	<u>162,382,730</u>

As a result of the Group's impairment test on indefinite intangible assets, ₩ 27,835 thousand was recognized as a reversal of impairment loss for 2024 and ₩ 60,246 thousand was recognized as reversal of impairment loss in 2023.

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16. Trade and Other Payables

Details of trade and other payables as of December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Current:			
Trade payables	₩	601,797,100	592,993,337
Other payables		1,912,672,548	2,031,934,801
Total		<u>2,514,469,648</u>	<u>2,624,928,138</u>
Non-current:			
Long-term other payables		1,707,804	4,266,031
Total	₩	<u>1,707,804</u>	<u>4,266,031</u>

The group participates in supplier financing arrangements under which payment obligations arising from the purchase of goods are transferred to financial institutions. Under these agreements, the financial institutions settle the Company's obligations to suppliers on its behalf, and the Company subsequently repays the financial institutions. This improves payment efficiency and enables the Company to offer early payment terms to suppliers compared to the original payment due dates.

The group includes amounts subject to the supplier financing arrangements in trade and other payables. As of the end of the period, ₩ 3,065 million has been recognized, with no amounts paid by the financial institution to the supplier. The payment due date under the arrangement can be set flexibly for up to 180 days from the obligation recognition date, with an additional extension of up to 30 days from the scheduled payment date. In comparison, similar obligations not subject to the arrangement are generally settled within 30 days from the obligation recognition date.

17. Borrowings and Debentures

(a) Borrowings and debentures as of December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Current:			
Short-term borrowings	₩	2,103,660,267	1,970,384,377
Current portion of long-term borrowings		880,644,822	1,338,716,245
Current portion of discounts on borrowings		(1,294,703)	(5,332,176)
Short-term debentures		213,894,109	9,990,314
Current portion of debentures		1,217,200,000	1,833,525,000
Current portion of discount on debentures		(721,695)	(1,307,994)
Total		<u>4,413,382,800</u>	<u>5,145,975,766</u>
Non-current:			
Long-term borrowings		2,430,975,712	1,652,417,358
Discount on long-term borrowings		(15,311,446)	(4,402,891)
Long-term debentures		3,598,750,000	2,623,654,000
Discount on debentures		(7,531,676)	(5,443,248)
Total	₩	<u>6,006,882,590</u>	<u>4,266,225,219</u>

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17. Borrowings and Debentures, continued

(b) Short-term borrowings as of December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

Lender	Details	Annual interest rate (%)	2024	2023
Shinhan Bank	Commercial papers	3.66 ~ 5.33	₩ 1,259,200,000	726,200,000
Woori Bank and others (*1)	General loans of local currency	91days, interest rate of CD+0.70 ~ 91days, interest of CD+2.61	144,500,000	426,443,645
KEB Hana Bank and others (*2)	General loans of foreign currency	3.20 ~ 3M JIBOR+1.10	699,960,267	817,740,732
Total			₩ 2,103,660,267	1,970,384,377

(*1) As of December 31, 2024, 91days, interest rate of CD: 3.39%

(*2) As of December 31, 2024, 3M JIBOR: 6.92%

(c) Long-term borrowings as of December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

Lender	Details	Annual interest rate (%)	2024	2023
Shinhan Securities Co., Ltd. and others	Commercial papers	3.55~3.69	₩ 250,000,000	200,000,000
Mizuho Corporate Bank, Ltd. and others (*1)	General loans of local currency	2.90~3M Financial Bonds I (Bank Bonds) AAA+6.15	2,387,338,771	1,518,894,523
LDIQ No.1 and others	Borrowings of local currency	-	-	763,000,000
The Export-Import Bank of Korea and others (*2)	General loans of foreign currency	3M Term SOFR + 1.95 ~ 6.55	674,281,763	509,239,080
Subtotal			3,311,620,534	2,991,133,603
Less: Discount on long-term borrowings			(16,606,149)	(9,735,067)
Subtotal			3,295,014,385	2,981,398,536
Less: Current portion of long-term borrowings, net of discount			(879,350,119)	(1,333,384,069)
Total			2,415,664,266	1,648,014,467

(*1) As of December 31, 2024, 3M Financial Bonds I (Bank Bonds) AAA: 3.34%

(*2) As of December 31, 2024, 3M Term SOFR : 4.31%

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17. Borrowings and Debentures, continued

(d) Debentures as of December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

Description	Maturity	Annual interest rate (%)		2024	2023
66-3 rd (local currency)	2025-06-23	2.98	₩	140,000,000	140,000,000
70-3 rd (local currency)	2026-04-04	2.48		70,000,000	70,000,000
73-3 rd (local currency)	2024-06-15			-	100,000,000
75 th (local currency)	2024-08-07	-		-	150,000,000
77-3 rd (local currency)	2028-05-30	3.47		100,000,000	100,000,000
79 th (local currency)	2033-08-07	3.55		70,000,000	70,000,000
80 th (local currency)	2038-08-29	3.40		30,000,000	30,000,000
82-2 nd (local currency)	2024-01-30	-		-	150,000,000
82-3 rd (local currency)	2029-01-30	2.73		140,000,000	140,000,000
83-1 st (local currency)	2024-08-29	-		-	100,000,000
83-2 nd (local currency)	2026-08-28	1.67		70,000,000	70,000,000
83-3 rd (local currency)	2029-08-29	1.80		110,000,000	110,000,000
86-1 st (local currency)	2025-07-18	2.20		30,000,000	30,000,000
86-2 nd (local currency)	2030-07-19	2.58		20,000,000	20,000,000
88-1 st (local currency)	2025-09-23	2.07		135,000,000	135,000,000
88-2 nd (local currency)	2030-09-23	2.55		60,000,000	60,000,000
89-1 st (local currency)	2024-04-16	-		-	170,000,000
89-2 nd (local currency)	2026-04-16	2.13		190,000,000	190,000,000
89-3 rd (local currency)	2031-04-16	2.95		35,000,000	35,000,000
90-1 st (foreign currency)	2024-05-21	-		-	128,940,000
90-2 nd (foreign currency)	2024-05-20	-		-	225,645,000
91 st (foreign currency)	2024-08-19	-		-	128,940,000
92 nd (foreign currency)	2025-03-25	2.54		235,200,000	206,304,000
93-1 st (local currency)	2024-09-06	-		-	100,000,000
93-2 nd (local currency)	2025-09-05	4.86		110,000,000	110,000,000
93-3 rd (local currency)	2027-09-07	4.93		40,000,000	40,000,000
94 th (foreign currency)	2025-11-28	4.87		147,000,000	128,940,000
95-1 st (local currency)	2025-02-21	4.41		70,000,000	70,000,000
95-2 nd (local currency)	2026-02-23	4.55		190,000,000	190,000,000
95-3 rd (local currency)	2028-02-23	4.79		40,000,000	40,000,000
96-1 st (local currency)	2025-07-11	4.66		130,000,000	130,000,000
96-2 nd (local currency)	2026-07-10	4.82		120,000,000	120,000,000
96-3 rd (local currency)	2028-07-11	4.96		20,000,000	20,000,000
97-1 st (foreign currency) (*1)	2026-08-18	SOFR + 1.20		147,000,000	128,940,000
97-2 nd (foreign currency) (*1)	2026-08-21	3M SOFR + 1.00		73,500,000	64,470,000
98-1 st (local currency)	2026-01-16	4.11		110,000,000	-
98-2 nd (local currency)	2027-01-18	4.27		185,000,000	-

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17. Borrowings and Debentures, continued

(d) Debentures as of December 31, 2024 and 2023 are as follows:, continued

(in thousands of Korean won)

Description	Maturity	Annual interest rate (%)	2024	2023
98-3 rd (local currency)	2029-01-18	4.33	40,000,000	-
99-1 st (local currency)	2026-04-16	3.87	120,000,000	-
99-2 nd (local currency)	2027-04-16	4	330,000,000	-
99-3 rd (local currency)	2029-04-16	4.2	50,000,000	-
100-1 st (foreign currency)	2027-05-17	4.8	147,000,000	-
100-2 nd (foreign currency)	2027-05-21	5.08	147,000,000	-
100-3 rd (foreign currency) (*1)	2027-05-17	3M Term SOFR + 1.20	110,250,000	-
101 st (foreign currency) (*1)	2026-07-30	SOFR + 0.80	147,000,000	-
102 nd (foreign currency) (*1)	2027-09-30	SOFR + 0.95	147,000,000	-
3-2 nd collateralized public bond (LOTTE REIT Co.,Ltd.)	2024-07-29	-	-	90,000,000
3-3 rd collateralized public bond (LOTTE REIT Co.,Ltd.)	2024-07-28	-	-	80,000,000
4 th collateralized public bond (LOTTE REIT Co.,Ltd.)	2024-07-16	-	-	70,000,000
5-1 st collateralized public bond (LOTTE REIT Co.,Ltd.)	2024-03-17	-	-	75,000,000
5-2 nd collateralized public bond (LOTTE REIT Co.,Ltd.)	2024-09-17	-	-	125,000,000
6-1 st collateralized public bond (LOTTE REIT Co.,Ltd.)	2025-08-06	3.45	80,000,000	-
6-2 nd collateralized public bond (LOTTE REIT Co.,Ltd.)	2026-08-06	3.45	160,000,000	-
7-1 st collateralized public bond (LOTTE REIT Co.,Ltd.)	2025-10-02	3.45	50,000,000	-
7-2 nd collateralized public bond (LOTTE REIT Co.,Ltd.)	2026-10-07	3.45	75,000,000	-
Short-term bonds (LOTTE REIT Co.,Ltd.)	2025-02-14	3.6	10,000,000	-
8 th corporate bond (LOTTE Himart Co., Ltd.)	2024-06-28	-	-	140,000,000
9-1 st corporate bond (LOTTE Himart Co., Ltd.)	2025-02-03	5.11	80,000,000	80,000,000
9-2 nd corporate bond (LOTTE Himart Co., Ltd.)	2026-02-03	5.18	55,000,000	55,000,000
10-1 st corporate bond (LOTTE Himart Co., Ltd.)	2026-04-16	4.41	50,000,000	-
10-2 nd corporate bond (LOTTE Himart Co., Ltd.)	2027-04-16	4.46	50,000,000	-
11-1 st corporate bond (LOTTE Himart Co., Ltd.)	2026-10-23	3.78	50,000,000	-
11-2 nd corporate bond (LOTTE Himart Co., Ltd.)	2027-10-22	3.95	80,000,000	-
5 th corporate bond (local currency) (Momentum 1 st Co., Ltd.)	2025-02-20	4.5	82,300,000	-
6 th corporate bond (local currency) (Momentum 1 st Co., Ltd.)	2025-02-20	4.5	121,600,000	-
8 th (local currency) (Lotte Cultureworks Co., Ltd.)	2025-02-08	7.80	10,000,000	10,000,000
9 th (local currency) (Lotte Cultureworks Co., Ltd.)	2026-02-27	5.66	20,000,000	20,000,000

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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17. Borrowings and Debentures, continued

(d) Debentures as of December 31, 2024 and 2023 are as follows:, continued

(in thousands of Korean won)

Description	Maturity	Annual interest rate (%)	2024	2023
10 th (local currency) (Lotte Cultureworks Co., Ltd.)	2025-03-06	-	-	10,000,000
15 th (local currency) (Lotte Cultureworks Co., Ltd.)	2024-12-15	-	-	10,000,000
Subtotal			5,029,850,000	4,467,179,000
Less: Discount on debentures			(8,259,262)	(6,760,928)
Total book value			₩ 5,021,590,738	4,460,418,072
Less: Current portion of debentures (*2)			(1,430,372,414)	(1,842,207,320)
Total			₩ 3,591,218,324	2,618,210,752

(*1) As of December 31, 2024, 3M SOFR: 4.31%, SOFR: 4.69%

(*2) The amount of short-term bonds is included

(e) Annual repayment schedule of long-term borrowings and debentures as of December 31, 2024 is as follows:

(in thousands of Korean won)

		2024		
		Borrowings	Debentures	Total
2025.01.01 ~ 2025.12.31	₩	880,644,822	1,431,100,000	2,311,744,822
2026.01.01 ~ 2026.12.31		1,776,904,065	1,647,500,000	3,424,404,065
2027.01.01 ~ 2027.12.31		654,071,647	1,236,250,000	1,890,321,647
2028.01.01 ~ 2028.12.31		-	160,000,000	160,000,000
After 2029.01.01		-	555,000,000	555,000,000
Total	₩	3,311,620,534	5,029,850,000	8,341,470,534

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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18. Unearned Revenues

The details of unearned revenues as of December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Current:			
Membership points (*)	₩	2,077,583	1,428,604
Other points (*)		64,081,947	67,886,111
Unearned rental income		836,139	1,685,025
Others (*)		150,325,827	155,803,372
Sub-total	₩	217,321,496	226,803,112
Non-current:			
Unearned rental income		26,624,357	23,890,972
Sub-total	₩	26,624,357	23,890,972
Total		243,945,853	250,694,084

(*) Others include contract liabilities described in Note 29.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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19. Provisions

(a) Changes in provisions for the year ended December 31, 2024 are as follows:

<i>(in thousands of Korean won)</i>		Beginning balance	Increase	Decrease	Ending balance
Current:					
Provision for bonus payable	₩	-	23,302,754	(23,302,754)	-
Provision for sales return		7,097,464	3,735,022	(3,589,994)	7,242,492
Provision for restoration		2,273,291	2,225,369	(774,807)	3,723,853
Provision for litigation		9,294,265	7,121,138	(8,336,852)	8,078,551
Provision for restructuring (*1)		453,250	6,320,568	(6,061,105)	712,713
Other provisions (*2)		12,116,196	9,217,255	(11,095,670)	10,237,781
Total	₩	<u>31,234,466</u>	<u>51,922,106</u>	<u>(53,161,182)</u>	<u>29,995,390</u>
Non-current:					
Provision for restoration		<u>133,965,688</u>	<u>15,685,052</u>	<u>(10,371,156)</u>	<u>139,279,584</u>
Total	₩	<u>133,965,688</u>	<u>15,685,052</u>	<u>(10,371,156)</u>	<u>139,279,584</u>

(*1) The Group recognized the compensation cost for the store companies due to restructuring as a provision.

(*2) Other provisions include provision for broadcasting reserve fund and others.

(b) Changes in provisions for the year ended December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>		Beginning balance	Increase	Decrease	Ending balance
Current:					
Provision for bonus payable	₩	-	26,726,096	(26,726,096)	-
Provision for sales return		8,390,254	2,757,990	(4,050,780)	7,097,464
Provision for restoration		4,306,185	975,257	(3,008,151)	2,273,291
Provision for litigation		9,507,619	70,785	(284,139)	9,294,265
Provision for restructuring (*1)		4,495,452	-	(4,042,202)	453,250
Other provisions (*2)		<u>13,968,408</u>	<u>13,946,627</u>	<u>(15,798,839)</u>	<u>12,116,196</u>
Total	₩	<u>40,667,918</u>	<u>44,476,755</u>	<u>(53,910,207)</u>	<u>31,234,466</u>
Non-current:					
Provision for restoration		<u>131,739,487</u>	<u>9,048,643</u>	<u>(6,822,442)</u>	<u>133,965,688</u>
Total	₩	<u>131,739,487</u>	<u>9,048,643</u>	<u>(6,822,442)</u>	<u>133,965,688</u>

(*1) The Group recognized the compensation cost for the store companies due to restructuring as a provision.

(*2) Other provisions include provision for broadcasting reserve fund and others.

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20. Other Non-financial Liabilities

Other non-financial liabilities as of December 31, 2024 and 2023 are summarized as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Current:			
Withholdings	₩	65,623,529	116,667,631
Withholdings of value added tax		49,566,424	70,294,891
Advances received (*)		1,136,859,196	1,422,791,637
Other liabilities		4,718,740	3,435,501
Total	₩	<u>1,256,767,889</u>	<u>1,613,189,660</u>

(*) Amounts at the end of the current period and the prior period include the contract liabilities in Note 29

21. Employee Benefits

(a) Details of defined benefit liabilities as of December 31, 2024 and 2023 are summarized as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Present value of defined benefit obligations	₩	993,031,548	890,003,574
Fair value of plan assets		(1,063,691,404)	(1,064,563,799)
Others (*)		112,180	-
Net defined benefit asset		<u>(70,547,676)</u>	<u>(174,560,225)</u>
Defined benefit asset		76,941,333	181,240,417
Defined benefit liability	₩	<u>6,393,657</u>	<u>6,680,192</u>

(*) Reclassified to a disposal group held for sale due to the planned transfer of the mobile gift certificate business under the e-commerce segment.

(b) Details of present value of other long-term employee benefits as of December 31, 2024 and 2023 are summarized as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Present value of other long-term employee benefits	₩	28,968,868	27,360,318
Others (*)		(13,555)	-
Total	₩	<u>28,955,313</u>	<u>27,360,318</u>

(*) Reclassified to a disposal group held for sale due to the planned transfer of the mobile gift certificate business under the e-commerce segment.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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21. Employee Benefits, continued

(c) Changes in the defined benefit obligations for the years ended December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Beginning balance	₩	890,003,574	781,336,593
Current service costs		97,098,773	89,335,269
Past service costs		32,621,141	-
Interest costs		39,782,823	41,326,279
Remeasurements:			
Actuarial loss from change in demographic assumptions		(53,045)	(1,413,376)
Actuarial gain from change in financial assumptions		50,288,561	89,088,140
Actuarial gain from experience adjustments		394,913	5,098,656
Subtotal		50,630,429	92,773,420
Benefit payments		(111,967,797)	(107,457,848)
Others		(5,137,395)	(7,310,139)
Ending balance	₩	993,031,548	890,003,574

(d) Changes in the plan assets for the years ended December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Beginning balance	₩	1,064,563,799	1,036,331,267
Return on plan assets		48,238,508	56,128,440
Remeasurements		(7,334,138)	(10,507,500)
Employer contribution		78,135,227	91,989,239
Benefit payments		(116,110,892)	(96,788,284)
Others		(3,801,100)	(12,589,363)
Ending balance	₩	1,063,691,404	1,064,563,799

The estimated contribution to the plan for the next annual reporting period is ₩ 97,649,562 thousand.

(e) The components of plan assets as of December 31, 2024 and 2023 are summarized as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Principal guaranteed insurance policies	₩	1,063,615,946	1,064,470,129
Contributions to the National Pension Fund		75,458	93,670
Total	₩	1,063,691,404	1,064,563,799

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21. Employee Benefits, continued

(f) Expenses recognized for the years ended December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Current service costs	₩	97,098,773	89,335,269
Past service costs		32,621,141	-
Interest costs		39,782,823	41,326,279
Return on plan assets		(48,238,508)	(56,128,440)
Contributions to defined contribution plans and others (*)		34,022,692	17,612,172
Long-term employee benefits		5,157,855	5,628,190
Total	₩	<u>160,444,776</u>	<u>97,773,470</u>

(*) The Group recognized severance payments of ₩ 30,020,639 thousand during the current period (₩ 10,008,852 thousand in the prior period) due to voluntary retirement and other factors.

(g) Defined benefit obligation

① Actuarial assumptions

The principal actuarial assumptions used as of December 31, 2024 and 2023 are as follows:

	2024	2023
Discount rate	3.29~7.13%	4.02~7.14%
Expected rate of promotion	0.91~3.90%	1.43~2.76%
Expected rate of increase in salaries	1.00~7.00%	2.00~7.00%

② Sensitivity analysis

Effects on defined benefit obligation from reasonably possible changes at the reporting date to each of the relevant actuarial assumptions are as follows:

<i>(in thousands of Korean won)</i>		Increase	Decrease
Discount rate (1%p movement)	₩	(66,236,740)	75,185,107
Expected rate of promotion (1%p movement)		69,018,888	(60,149,587)
Expected rate of salary increase (1%p movement)		74,968,916	(67,257,282)

Although the analysis does not take account the full distribution of cash flows expected under the plan, it provides an approximation of the sensitivity of the assumptions shown.

(h) Information about the maturity profile of the defined benefit obligation as of December 31, 2024 is as follows:

<i>(in thousands of Korean won)</i>		Less than 1 year	Between 1-2 years	Between 2-5 years	Between 5-10 years	Over 10 years
Benefits payment	₩	109,034,326	122,333,086	337,114,690	591,969,048	1,564,251,895

The weighted average duration of the defined benefit obligation is 7.91 years.

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22. Hybrid securities

(a) Details of hybrid securities classified as equity as of December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

	Issue date	Expiration date	Interest (%)	2024	2023
7 th private bond type of hybrid securities	2022-02-25	2052-02-25	-	₩ -	30,000,000
11 th private bond type of hybrid securities	2023-04-20	2053-04-20	8.1	40,000,000	40,000,000
12 th private bond type of hybrid securities	2023-06-29	2053-06-29	7.8	30,000,000	30,000,000
13 th private bond type of hybrid securities	2023-12-14	2053-12-14	7.6	50,000,000	50,000,000
14 th private bond type of hybrid securities	2023-12-15	2053-12-15	8.1	30,000,000	30,000,000
Subtotal				150,000,000	180,000,000
Issuance cost				(1,339,758)	(1,339,758)
Total				<u>148,660,242</u>	<u>178,660,242</u>

(b) Condition for issuance of bond type hybrid securities are as follows:

(in thousands of Korean won)

	11 th private bond type of hybrid securities	12 th private bond type of hybrid securities	13 th private bond type of hybrid securities	14 th private bond type of hybrid securities
Amount	₩ 40,000,000	₩ 40,000,000	₩ 50,000,000	₩ 30,000,000
Expiration date	30 years (expiration may be extended at the Group's discretion at maturity)			
Interest	Issue date ~ 2025.04.20: 8.10 % 2.0% step-up interest rate applied after 2 years from issuance 0.5% increase per year after application of step-up interest rates	Issue date ~ 2025.06.29: 7.80 % 2.0% step-up interest rate applied after 2 years from issuance 0.5% increase per year after application of step-up interest rates	Issue date ~ 2025.06.14: 7.60 % 2.0% step-up interest rate applied after 1 year 6 months from issuance 0.5% increase per year after application of step-up interest rates	Issue date ~ 2025.06.15: 8.10 % 2.0% step-up interest rate applied after 1 year 6 months from issuance 0.5% increase per year after application of step-up interest rates
Condition of interest payment	July 20, 2023 for the first time, 3 months' interest is deferred on the 20 th of every 3 months until the expiration date.	September 29, 2023 for the first time, 3 months' interest is deferred on the 29 th of every 3 months until the expiration date.	March 14, 2024 for the first time, 3 months' interest is deferred on the 14 th of every 3 months until the expiration date.	March 15, 2024 for the first time, 3 months' interest is deferred on the 15 th of every 3 months until the expiration date.
Others	Early repayment rights can be exercised every year after 2 years from issuance and thereafter.	Early repayment rights can be exercised every year after 2 years from issuance and thereafter.	Early repayment rights can be exercised every interest payment date after 1 year 6 months from issuance and thereafter.	Early repayment rights can be exercised every interest payment date after 1 year 6 months from issuance and thereafter.

11th, 12th, 13th and 14th hybrid security's expiration can be extended at Lotte Cultureworks Co., Ltd.'s decision making at maturity. Furthermore, bond interest payment may be deferred by Lotte Cultureworks Co., Ltd.'s own right. If interest payment is deferred, dividends on common stock cannot be resolved or paid until the deferred interest is paid in full.

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23. Derivatives

(a) Details of derivatives outstanding as of December 31, 2024 are as follows:

Purpose	Type	Description
Risk hedge	Currency swaps	At the maturity of the swap, the principal and the interest payments for debentures and borrowings in foreign currency based on floating rates are exchanged back with the principal and fixed interest rate payments in local currency.
	Interest swaps	Fixed interest is paid regarding variable interest of KRW and foreign currency borrowings.
Trade	Total return swap (*)	Cash flows of an investor in beneficiary are exchanged with contracted cash flows.
	Stock Options	The right to purchase stocks in stock market.

(*) Total return swap of the Group as of December 31, 2024 are as follows:

(in thousands of Korean won)

Name	Guaranteed Seller	Guaranteed Buyer	Conclusion date of agreement	Maturity date	Agreement Amount	Underlying assets	Purpose of agreement	Description of agreement and settlement method	Special relationship with contract party or issuance company of underlying assets	Collateral	Brokerage financial company	Special agreement
TRS	LOTTE SHOPPING CO., LTD.	LOG No. 1 Co., Ltd.	2022-02-17	2025-02-17	₩ 40,000,000	Real estate investment trust related beneficiary certificates	Settlement of disposal of underlying assets	1. Settlement of differences between the selling price of underlying assets and the principal of investment 2. Settlement of differences between the actual dividends and standard dividends on each dividend payment date	None	None	KB Securities	-
		LOG No. 3 Co., Ltd.			24,300,000							
		LOY No. 1 Co., Ltd.			57,000,000						Korea Investment & Securities Co., Ltd.	
		LOY No. 2 Co., Ltd.	2024-06-13	2025-01-13	65,000,000							
		LOY No. 3 Co., Ltd.			41,000,000							
		Kimpo Hangang Park No. 1 Co., Ltd.	2024-06-13	2025-01-13	29,800,000						Korea Investment & Securities Co., Ltd.	
		Kimpo Hangang Park No. 2 Co., Ltd.			120,000							
		LEP No. 1 Co., Ltd.			30,000,000							
		LEP No. 2 Co., Ltd.	2021-04-29	2026-04-29	70,000,000						KB Securities	
		LEP No. 3 Co., Ltd.			50,000,000							
		LEP No. 4 Co., Ltd.			73,000,000							

(b) Hedge Accounting

As of December 31, 2024, the Group entered into currency swap contracts to hedge fair value risk related to the repayment of foreign currency-denominated debentures and borrowings, which are subject to changes in exchange rates. The gain or loss arising from changes in the fair value of derivatives is recognized in profit or loss for the period, as the foreign exchange gain or loss from the debentures and borrowings can be hedged through the currency swaps. Other gains or losses arising from the currency swap contracts are recognized in other comprehensive income.

Meanwhile, the Group entered into interest swap contracts for the purpose of hedging interest rate changes for certain debentures and borrowings issued in foreign currency and borrowings in Korean won. Effective portion of gain or loss on derivatives arising from the interest rate swaps is recognized in other comprehensive income and any ineffective portion is recognized in profit or loss for the period. The gain or loss on derivatives from the interest swap contracts are recognized in other comprehensive income as it is determined to be all effective.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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23. Derivatives, continued

(b) Hedge Accounting, continued

Details of derivative contracts for hedging as of December 31, 2024 are as follows:

(in thousands of Korean won, full foreign currency)

Type	Description	Amount	Exchange Rate (KRW, VND)	Annual Interest Rate	Payable interest rate	Maturity	Remarks
Currency Swap	92 nd (foreign currency)	USD 160,000,000	KRW 1,212.0	2.54%	3.10%	2025.03.25	MUFG Bank
	94 th (foreign currency)	USD 100,000,000	KRW 1,352.3	4.87%	5.77%	2025.11.28	MUFG Bank
	97-1 st (foreign currency)	USD 100,000,000	KRW 1,341.6	SOFR+1.68%	4.74%	2026.08.18	Kookmin Bank
	97-2 nd (foreign currency)	USD 50,000,000	KRW 1,336.9	3M Term SOFR+1.00%	4.19%	2026.08.21	KEB Hana Bank
	100-1 st (foreign currency)	USD 100,000,000	KRW 1,370.4	4.80%	4.15%	2027.05.17	SMBC Bank
	100-2 nd (foreign currency)	USD 100,000,000	KRW 1,369.9	5.08%	4.25%	2027.05.21	MUFG Bank
	100-3 rd (foreign currency)	USD 75,000,000	KRW 1,370.0	3M Term SOFR+1.20%	4.20%	2027.05.17	INDUSTRIAL BANK OF KOREA
	101 st (foreign currency)	USD 100,000,000	KRW 1,381.0	SOFR + 0.80%	3.36%	2026.07.30	DBS Bank
	102 nd (foreign currency)	USD 100,000,000	KRW 1,321.0	SOFR + 0.95%	3.23%	2027.09.30	DBS Bank
		USD 82,600,000	KRW 1,308.8	6.55%	5.30%	2026.03.03	The Export-Import Bank of Korea
		USD 40,000,000	VND 23,250	3M Term SOFR+1.95%	7.35%	2027.06.28	Woori Bank
		USD 30,000,000	VND 24,850	3M Term SOFR+1.95%	11.49%	2027.06.28	Woori Bank
		USD 30,000,000	VND 24,780	3M Term SOFR+1.95%	6.80%	2027.06.28	Woori Bank
		USD 25,000,000	VND 23,750	3M Term SOFR+1.95%	10.10%	2026.03.27	Woori Bank
	Long-term Borrowing	USD 75,000,000	VND 23,190	3M Term SOFR+1.95%	7.27%	2025.05.23	Woori Bank
		USD 30,000,000	VND 24,530	3M Term SOFR+1.95%	5.75%	2025.05.23	Standard Chartered Bank
		USD 40,000,000	VND 23,480	3M Term SOFR+1.95%	8.22%	2025.05.23	Woori Bank
		USD 40,000,000	VND 23,530	3M Term SOFR+1.95%	7.83%	2025.05.23	Woori Bank
		USD 65,000,000	VND 25,340	3M Term SOFR+1.95%	7.05%	2025.05.23	Woori Bank
		USD 40,000,000	VND 24,862	1Y Term SOFR+1.00%	4.89%	2025.09.03	BNP Paribas
		USD 20,000,000	VND 24,872	1Y Term SOFR+1.00%	4.82%	2025.09.03	Maritime Bank
		USD 10,000,000	VND 25,455	3M Term SOFR+1.30%	6.69%	2025.06.25	Shinhan Bank
	Short-term borrowing	USD 10,000,000	VND 25,455	3M Term SOFR+1.26%	6.68%	2025.06.27	Shinhan Bank
		USD 13,500,000	VND 24,525	3M Term SOFR+1.30%	5.25%	2025.09.12	Shinhan Bank
		USD 10,000,000	VND 24,525	3M Term SOFR+1.30%	5.05%	2025.09.12	Woori Bank
		USD 7,000,000	VND 24,850	3M Term SOFR+3.00%	6.77%	2025.10.10	Shinhan Bank

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23. Derivatives, continued

(b) Hedge Accounting, continued

Details of derivative contracts for hedging as of December 31, 2024 are as follows:, continued

(in thousands of Korean won, full foreign currency)

Type	Description	Amount	Exchange Rate (KRW, VND)	Annual Interest Rate	Payable interest rate	Maturity	Remarks
Interest Swap	Long-term borrowing	KRW 100,000,000	Not Applicable	91 days, interest rate of CD +0.95%	4.00%	2026.10.11	Shinhan Bank
		KRW 75,000,000	Not Applicable	MOR (3M)+ 0.58%	3.64%	2026.11.23	NongHyup Bank
	Short-term borrowing	KRW 100,000,000	Not Applicable	91 days, interest rate of CD +1.20%	4.62%	2026.03.17	Shinhan Bank
		KRW 40,000,000	Not Applicable	91 days, interest rate of CD +1.30%	4.39%	2025.04.15	Shinhan Bank

(c) Fair value of derivatives outstanding as of December 31, 2024 and 2023 are summarized as follows:

(in thousands of Korean won)

Description	Type	2024		2023	
		Assets	Liabilities	Assets	Liabilities
Risk hedge	Currency swaps	₩ 159,315,471	3,395,184	65,064,483	36,733,652
	Interest swaps	29,250	1,586,817	291,905	443,173
Trade	Total return swap	11,650,201	-	17,580,849	-
	Total	₩ 170,994,922	4,982,001	82,937,237	37,176,825

(d) Gain or loss on valuation of derivatives for the year ended December 31, 2024 is as follows:

(in thousands of Korean won)

Purpose	Type	Amount	Note
Risk hedge	Currency swaps	₩ 162,774,363	Profit or loss (*)
		33,877,595	Other comprehensive income
	Interest swaps	(1,406,300)	Other comprehensive income
Trade	Total return swap	701,129	Profit or loss

(*) Fair value hedging is applied to the exchange rate swap portion of currency swaps.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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24. Share Capital and Capital Surplus

(a) The share capital of the Company as of December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won, except for number of shares)</i>		2024	2023
Authorized shares(shares)		60,000,000	60,000,000
Par value per share (in thousands of Korean won)	₩	5	5
Number of shares issued(shares)		28,288,755	28,288,755
Share capital	₩	141,443,775	141,443,775

(b) Capital surplus as of December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Additional paid-in capital	₩	3,414,873,024	3,414,873,024
Others		159,423,943	159,476,390
Total	₩	3,574,296,967	3,574,349,414

25. Capital Adjustments

Capital adjustments as of December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Treasury stocks	₩	3,803,077	3,803,077
Other capital adjustments		3,044,578,441	3,015,871,309
Total	₩	3,048,381,518	3,019,674,386

26. Retained Earnings

Details of retained earnings as of December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Legal reserves	₩	277,788,613	267,045,770
Voluntary reserves		8,220,052,125	8,120,052,125
Unappropriated retained earnings (deficit)		(1,000,183,550)	243,024,693
Total	₩	7,497,657,188	8,630,122,588

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27. Accumulated Other Comprehensive Income (loss)

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

		2024			
		Beginning balance	Changes for the year	Tax effects for the year	Ending balance
Fair value gain (loss) through other comprehensive income	₩	65,112,779	(28,765,816)	7,091,750	43,438,713
Exchange rate differences on translating foreign operations		324,291	32,048,232	-	32,372,523
Cash flow hedge		(45,733,977)	30,290,028	(1,963,248)	(17,407,197)
Revaluation surplus		-	9,313,604,422	(2,185,032,850)	7,128,571,572
Interests in the other comprehensive income in investment in associates		(31,083,348)	42,825,507	(8,439,899)	3,302,260
Total	₩	(11,380,255)	9,390,002,373	(2,188,344,247)	7,190,277,871

(in thousands of Korean won)

		2023			
		Beginning balance	Changes for the year	Tax effects for the year	Ending balance
Fair value gain (loss) through other comprehensive income	₩	76,475,424	(20,773,988)	9,411,343	65,112,779
Exchange rate differences on translating foreign operations		12,762,738	(12,352,646)	(85,801)	324,291
Cash flow hedge		(9,015,999)	(37,575,729)	857,751	(45,733,977)
Interests in the other comprehensive income in investment in associates		(19,599,791)	(12,297,371)	813,814	(31,083,348)
Total	₩	60,622,372	(82,999,734)	10,997,107	(11,380,255)

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2024 and 2023

28. Earnings (losses) per Share

(a) Basic earnings (losses) per share and diluted earnings (losses) per share for the years ended December 31, 2024 and 2023 are as follows:

<i>(in Korean won, except for number of shares)</i>		<u>2024</u>	<u>2023</u>
Net earnings (loss) attributable to controlling interests	₩	(968,016,249,419) ₩	174,403,554,447
Diluted net earnings (loss) attributable to common shareholders		(968,016,249,419)	174,403,554,447
Interest on hybrid securities		(12,230,000,000)	(10,610,000,000)
Weighted average number of common shares outstanding (in shares)		28,270,640	28,270,640
Weighted average number of common shares for diluted earnings per share (in shares)		28,270,640	28,270,640
Basic earnings (loss) per share		(34,674)	5,794
Diluted net earnings (loss) per share		(34,674)	5,794

The group has not issued any potential common shares; therefore, basic earnings (loss) per share and diluted earnings (loss) per share are the same.

(b) Weighted average number of common shares

<i>(in number of shares)</i>	<u>2024</u>	<u>2023</u>
Initial number of common shares outstanding	28,288,755	28,288,755
Treasury share	(18,115)	(18,115)
Weighted average number of common shares outstanding	28,270,640	28,270,640

29. Sales

(a) Details of sales recognized in the consolidated comprehensive income statement for the years ended December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		<u>2024</u>	<u>2023</u>
Sales of merchandise	₩	17,859,004,234	18,428,309,691
Sales of products		695,643,657	643,876,866
Other sales (*)		1,435,739,479	1,401,349,300
Total sales		19,990,387,370	20,473,535,857
Revenue from contracts with customers			
Sales discounts and sales returns		1,522,117,223	1,374,628,884
Provision for sales return and deferred sales		266,215,478	256,178,766
Cost of specific sales		5,836,821,167	5,898,242,477
Total sales deduction		7,625,153,868	7,529,050,127
Revenue from other sources: rental revenue		1,621,344,768	1,611,378,150
Total	₩	13,986,578,270	14,555,863,880

(*) Other sales include a government grant of ₩ 25,778,074 thousand (2023: ₩ 21,558,643 thousand) received in 2024 from Korea Agro-Fisheries & Food Trade Corporation and Korea Fisheries Association as part of an initiative to promote agricultural consumption.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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As of December 31, 2024 and 2023

29. Sales, continued

- (b) The contract assets and liabilities of the Group recognized related to the revenue from contracts with customers as of December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Contract assets			
Receivables from real estate sales	₩	-	23,015,905
Total contract assets		-	23,015,905
Contract liabilities			
Customer loyalty program		139,804,610	138,199,276
Gift vouchers		1,001,980,687	1,062,536,855
Advances from real estate sales		983,351	2,824,593
Others		156,484,590	154,911,977
Total contract liabilities	₩	1,299,253,238	1,358,472,701

- (c) The amounts recognized as revenue and redemption of gift vouchers for the year ended December 31, 2024, in relation to contract liabilities carried forward from the year ended December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Revenue			
Customer loyalty programs	₩	138,343,174	130,204,427
Others		152,369,348	155,175,394
Total		290,712,522	285,379,821
Collected			
Gift vouchers		578,194,525	579,589,489
Total	₩	578,194,525	579,589,489

- (d) Expected satisfaction of performance obligation in relation to gift vouchers by period is as follows:

(in thousands of Korean won)

	Book amount	1 year	Between 1-5 years	Over 5 years
₩	1,001,980,687	593,734,474	403,541,045	4,705,168

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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As of December 31, 2024 and 2023

30. Selling, General and Administrative Expenses and Bad Debt Expenses

Details of selling, general and administrative expenses and bad debt expenses for the years ended December 31, 2024 and December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Salaries	₩	1,300,510,956	1,261,020,682
Retirement benefits		154,294,498	91,207,830
Long-term employee benefits		5,090,522	5,580,125
Employee benefits		254,668,843	253,037,478
Training expenses		12,150,822	12,300,324
Travel expenses		19,691,893	19,134,769
Vehicle maintenance expenses		2,475,882	2,292,983
Insurance premiums		10,150,935	10,660,156
Taxes and dues		191,797,996	199,770,321
Entertainment expenses		3,134,186	3,269,080
Supplies expenses		53,937,491	58,314,580
Publication expenses		1,185,328	1,159,823
Communication expenses		18,555,713	17,863,196
Utility expenses		362,378,487	353,210,068
Repairs and maintenance		53,052,986	48,401,282
Rental expenses		149,655,381	170,955,431
Depreciation		1,051,489,941	1,044,322,567
Amortization		29,082,185	28,870,791
Commission expenses		1,089,905,962	1,151,078,261
Service commission expenses		934,406,242	946,403,804
Advertising expenses		159,100,538	169,959,065
Samples expenses		230,890	245,305
Sales commissions		128,396,934	128,104,013
Sales promotion expenses		98,893,853	111,048,651
Decoration expenses		19,237,584	23,496,116
Bad debt expenses		12,763,288	2,398,329
Transportation expenses		139,287,070	142,579,198
Research and development expenses		244,407	298,443
Provisions (reversal)		(8,754,215)	590,105
Compensation expenses		10,854,475	5,642,360
Others		4,237,067	3,085,372
Total	₩	<u>6,262,108,140</u>	<u>6,266,300,508</u>

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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31. Other Income and Expenses

Details of other income and expenses for the years ended December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Other income:			
Gain on foreign currency transactions	₩	1,293,729	1,855,868
Gain on foreign currency translation		793,630	101,329
Gain on disposal of property, plant, and equipment		8,944,197	40,804,491
Reversal of impairment loss on property, plant, and equipment		455,823	-
Gain on disposal of intangible assets		5,862	368,154
Reversal of impairment loss on intangible assets		20,413	123,939
Gain on lease expiration		50,531,984	46,071,755
Gain on disposal of right-of-use assets		18,972,182	63,899,795
Amortization on negative goodwill		27,169,969	-
Gain on disposal of assets and liabilities held for sale		95,780,389	2,433,472
Reversal of impairment losses on other non-current assets		4,470	4,375
Miscellaneous gains		21,552,797	25,999,899
Total	₩	<u>225,525,445</u>	<u>181,663,077</u>
Other expenses:			
Loss on foreign currency transactions	₩	1,673,191	2,119,128
Loss on foreign currency translation		214,022	396,656
Impairment loss on investment in properties		123,144,400	23,431,759
Loss on disposal of property, plant and equipment		8,483,696	8,252,042
Loss on revaluation of property, plant and equipment		12,932,268	-
Impairment loss on property, plant and equipment		315,186,444	37,981,220
Loss on disposal of intangible assets		838,109	8,557,964
Impairment loss on intangible assets		414,685,489	5,152,571
Loss on lease expiration		18,754,929	67,551
Loss on disposal of right-of-use assets		21,279,193	17,195,930
Impairment loss on right-of-use assets		322,135,726	106,274,257
Loss on disposal of assets held for sale		1,064,000	-
Impairment losses on other non-current assets		227,349	-
Donations		17,540,353	15,759,133
Other bad debt expenses (reversal)		42,221,885	(8,731,679)
Miscellaneous losses		13,348,514	109,097,035
Total	₩	<u>1,313,729,568</u>	<u>325,553,567</u>

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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32. Nature of expenses

Details of nature of expenses for the years ended December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Purchase of inventories	₩	7,278,101,669	7,371,622,146
Changes in inventories		(269,863,993)	120,534,155
Employee benefits		1,731,009,069	1,624,190,539
Rental expenses		151,977,394	173,100,643
Depreciation and amortization		1,116,141,940	1,173,728,237
Sales commissions		128,396,934	128,104,013
Sales promotion expenses		101,347,055	111,340,218
Commission expenses		1,103,600,046	1,151,597,763
Service expenses		957,502,490	967,657,256
Advertising expenses		165,742,265	169,959,065
Utility expenses		367,091,147	357,678,789
Taxes and dues		192,113,698	200,016,434
Others		490,304,591	497,929,891
Total of costs of goods sold and selling, general and administration expenses	₩	13,513,464,305	14,047,459,149

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES **Notes to the Consolidated Financial Statements** **As of December 31, 2024 and 2023**

33. Finance Income and Finance Costs

(a) Details of finance income and finance costs for the years ended December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

		2024	2023
Finance income:			
Interest income according to the effective interest rate method	₩	144,824,096	161,344,495
Dividend income		21,505,002	20,786,863
Gain on foreign currency transactions		16,643,657	19,035,794
Gain on foreign currency translation		150,288	14,304,250
Gain on valuation of debt instrument measured at fair value through profit or loss		6,532,701	9,477,159
Gain on disposal of debt instrument measured at fair value through profit or loss		1,776,680	6,034,147
Gain on disposal of debt instrument measured at fair value through other comprehensive income		55,399	29,185
Reversal of impairment loss on investments in financial assets measured at amortized cost		-	73,503,780
Gain on changes in conditions of financial liabilities measured at amortized cost		-	2,492,010
Gain on valuation of derivatives held for hedging		162,774,363	32,005,845
Gain on valuation of derivatives held for trading		701,129	23,493,924
Gain on transaction of derivatives held for hedging		249,337,754	13,778,373
Gain on transaction of derivatives held for trading		2,764,477	8,422
Gain on disposal of investments in subsidiaries and associates		1,194,943	1,279,769
Gain on disposal of assets and liabilities held for sale		-	34,584,071
Financial guarantee income		63,204	-
Total	₩	<u>383,919,693</u>	<u>412,158,087</u>
Finance costs:			
Interest expense according to the effective interest rate method	₩	621,334,771	595,448,377
Loss on foreign currency transactions		29,156,035	16,697,431
Loss on foreign currency translation		164,426,969	35,881,775
Loss on valuation of debt instrument measured at fair value through profit or loss		9,136,529	17,148,300
Loss on disposal of debt instrument measured at fair value through profit or loss		90,542	-
Loss on disposal of equity instrument measured at fair value through other comprehensive income		15,678	-
Impairment loss on equity instruments measured at fair value through other comprehensive income		57,695,692	-
Loss on valuation of derivatives held for hedging		-	9,194,962
Loss on valuation of derivatives held for trading		-	18,120
Loss on transaction of derivatives held for hedging		3,598,144	6,446,815
Loss on transaction of derivatives held for trading		57,879	21,109
Loss on repayment of debenture		272,449	-
Loss on repayment of borrowings		99,926	-
Loss on disposal of investments in subsidiaries and associates		33,054,416	379,893
Impairment loss on investments in associates and joint ventures		13,746,391	58,615,931
Total	₩	<u>932,685,421</u>	<u>739,852,713</u>

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33. Finance Income and Finance Costs, continued

(b) Details of finance income and finance costs by financial instruments category for the years ended December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

		2024							
		Cash and cash equivalents	Financial assets at amortized cost	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	Derivatives assets and liabilities held for trading	Derivatives assets and liabilities held for hedging	Financial liabilities at amortized cost	Total
Recognized in profit or loss :									
Interest income	₩	77,928,256	66,893,781	2,059	-	-	-	-	144,824,096
Interest expense(*1)		-	-	-	-	-	-	(621,334,771)	(621,334,771)
Dividend income		-	-	3,391,321	18,113,748	-	-	-	21,505,069
Valuation / Disposal		-	-	(917,689)	39,721	3,407,727	184,109,973	(372,375)	186,267,357
Impairment loss		-	-	-	(57,695,692)	-	-	-	(57,695,692)
Exchange differences		7,709,961	4,367,970	-	(331,590)	-	-	(188,535,400)	(176,789,059)
Financial guarantee expense		-	-	-	-	-	-	63,204	63,204
Subtotal		85,638,217	71,261,751	2,475,691	(39,873,813)	3,407,727	184,109,973	(810,179,342)	(503,159,796)
Recognized in other comprehensive income (loss)(*2)									
Fair value gain through other comprehensive income		-	-	-	(76,684,019)	-	-	-	(76,684,019)
Gain (loss) on valuation of derivatives		-	-	-	-	-	32,471,295	-	32,471,295
Subtotal		-	-	-	(76,684,019)	-	32,471,295	-	(44,212,724)
Total	₩	85,638,217	71,261,751	2,475,691	(116,557,832)	3,407,727	216,581,268	(810,179,342)	(547,372,520)

(*1) Interest expense includes interest on leases

(*2) The gain or loss on valuation is amount before offsetting effect of income taxes.

(in thousands of Korean won)

(in thousands of Korean won)		2023							
		Cash and cash equivalents	Financial assets at amortized cost	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	Derivatives assets and liabilities held for trading	Derivatives assets and liabilities held for hedging	Financial liabilities at amortized cost	Total
Recognized in profit or loss :									
Interest income	₩	107,543,144	53,801,351	-	-	-	-	-	161,344,495
Interest expense(*1)		-	-	-	-	-	-	(595,448,377)	(595,448,377)
Dividend income		-	-	2,579,282	18,207,581	-	-	-	20,786,863
Valuation / Disposal		-	-	(1,636,994)	29,185	23,463,117	30,142,441	2,492,010	54,489,759
Reversal of impairment loss		-	73,503,780	-	-	-	-	-	73,503,780
Exchange differences		12,529,726	(1,634,377)	(49,418)	4,738	-	-	(30,089,831)	(19,239,162)
Subtotal		120,072,870	125,670,754	892,870	18,241,504	23,463,117	30,142,441	(623,046,198)	(304,562,642)
Recognized in other comprehensive income (loss)(*2)									
Fair value gain through other comprehensive income		-	-	-	(45,155,107)	-	-	-	(45,155,107)
Gain (loss) on valuation of derivatives		-	-	-	-	-	(41,401,260)	-	(41,401,260)
Subtotal		-	-	-	(45,155,107)	-	(41,401,260)	-	(86,556,367)
Total	₩	120,072,870	125,670,754	892,870	(26,913,603)	23,463,117	(11,258,819)	(623,046,198)	(391,119,009)

(*1) Interest expense includes interest on leases

(*2) The gain or loss on valuation is amount before offsetting effect of income taxes.

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34. Income Taxes

(a) Income tax expense for the years ended December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Current income taxes	₩	21,908,544	21,239,130
Deferred tax due to temporary differences		2,133,411,188	(47,874,166)
Total income tax effect		2,155,319,732	(26,635,036)
Income tax charged directly to equity		(2,182,474,499)	41,415,345
Income tax expense (revenue)	₩	<u>(27,154,767)</u>	<u>14,780,309</u>

(b) Details of income tax charged directly to equity for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Fair value gain (loss) through other comprehensive income	₩	20,102,797	16,050,514
Exchange differences on translating foreign operations		-	(85,801)
Gain (loss) on valuation of derivatives		(1,945,132)	924,998
Remeasurements of defined benefit liabilities		11,743,290	23,638,976
Revaluation surplus		(2,204,698,950)	-
Interests in the other comprehensive income in investment in associates		(7,676,504)	886,658
Income tax charged directly to equity	₩	<u>(2,182,474,499)</u>	<u>41,415,345</u>

Income tax related to fair value gain (loss) through other comprehensive income, exchange differences on translating foreign operations, gain (loss) on valuation of derivatives, remeasurements of defined benefit liabilities, changes in equity of equity method investments, and revaluation surplus are recognized in other comprehensive income (loss).

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34. Income Taxes, continued

(c) Income tax expense and related accounting benefits for the years ended December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Profit (loss) before income tax expense	₩	(1,021,230,039)	183,960,745
Income tax using statutory tax rate		(235,442,139)	42,956,932
Adjustment:			
Tax effects on non-taxable income		(27,083,748)	(31,651,223)
Tax effects on non-deductible expense		37,318,076	13,851,184
Tax credit		(6,118,840)	(1,592,772)
Adjustment for prior periods		(6,253,874)	3,419,606
Tax effects on share of profit (loss) of subsidiaries and associates		(5,749,687)	7,974,509
Changes in impracticable contemporary difference		109,640,652	(2,493,588)
Changes in deferred tax due to change in tax rate		51,471,932	29,493,291
Changes in deferred tax assets for loss carried forward		125,177,478	(53,362,903)
Others		(70,114,617)	6,185,273
Income tax expense (revenue)	₩	<u>(27,154,767)</u>	<u>14,780,309</u>
Effective tax rate(*)		-	8.03%

(*) The effective tax rates for 2024 has not been presented due to loss before income tax.

(d) As of December 31, 2024, deferred tax assets and liabilities are measured using the expected future tax rate to be applied for the year in which temporary differences are expected to be reversed.

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34. Income Taxes, continued

(e) Changes in deferred tax assets (liabilities) for the years ended December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

		2024			
		Beginning balance	Profit or loss	Equity	Ending balance
Buildings	₩	1,929,279	(6,337,671)	-	(4,408,392)
Depreciation		34,446,934	35,579,025	-	70,025,959
Allowance for doubtful accounts		4,319,850	(188,019)	-	4,131,831
Accrued income		(1,811,687)	(725,936)	-	(2,537,623)
Unearned revenues		633,355	(162,627)	-	470,728
Long-term prepaid expenses		(108,407)	-	-	(108,407)
Losses on valuation of inventories		2,886,200	(15,117)	-	2,871,083
Provision for sales return		842,190	80,137	-	922,327
Property, plant and equipment (capitalization of borrowing costs)		(13,370,002)	(12,882,208)	-	(26,252,210)
Land		(20,001,889)	13,576,715	-	(6,425,174)
Land (asset revaluation)		(896,520,361)	(8,753,274)	(2,204,698,950)	(3,109,972,585)
Provision for mileage program		3,735	(2,979)	-	756
Accrued expense		10,058,745	(2,370,236)	-	7,688,509
Gain (loss) on foreign currency translation		(300)	300	-	-
Construction-in-progress		(8,471,097)	8,728,156	-	257,059
Other intangible assets		(16,354,554)	(1,753,162)	-	(18,107,716)
Lease deposit		50,792,770	(6,531,426)	-	44,261,344
Goodwill		1,798,991	(2,147,663)	-	(348,672)
Investments in subsidiaries and associates		(50,334,205)	2,512,738	(7,676,504)	(55,497,971)
Fair value gain (loss) on equity instruments through other comprehensive income		(92,188,260)	-	20,102,797	(72,085,463)
Gain on valuation of derivatives		617,991	1,472,718	(1,945,132)	145,577
Salaries and retirement benefits		(9,018,854)	4,434,855	11,743,290	7,159,291
Right-of-use assets and lease liabilities		325,969,247	43,002,649	-	368,971,896
Loss carried forward		525,362,815	9,109,497	-	534,472,312
Others		103,705,267	(27,563,161)	-	76,142,106
Total	₩	(44,812,247)	49,063,311	(2,182,474,499)	(2,178,223,435)

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34. Income Taxes, continued

(e) Changes in deferred tax assets (liabilities) for the years ended December 31, 2024 and 2023 are as follows:, continued

(in thousands of Korean won)

		2023			
		Beginning balance	Profit or loss	Equity	Ending balance
Buildings	₩	(1,101,042)	3,030,321	-	1,929,279
Depreciation		58,628,907	(24,181,973)	-	34,446,934
Allowance for doubtful accounts		3,565,716	754,134	-	4,319,850
Accrued income		(1,802,266)	(9,421)	-	(1,811,687)
Unearned revenues		629,117	4,238	-	633,355
Long-term prepaid expenses		(1,361,300)	1,252,893	-	(108,407)
Losses on valuation of inventories		3,227,875	(341,675)	-	2,886,200
Provision for sales return		1,039,282	(197,092)	-	842,190
Property, plant and equipment (capitalization of borrowing costs)		(9,603,197)	(3,766,805)	-	(13,370,002)
Land		(17,500,233)	(2,501,656)	-	(20,001,889)
Land (asset revaluation)		(918,271,590)	21,751,229	-	(896,520,361)
Provision for mileage program		238,577	(234,842)	-	3,735
Accrued expense		6,161,302	3,897,443	-	10,058,745
Gain (loss) on foreign currency translation		(11,027)	10,727	-	(300)
Construction-in-progress		(5,490,582)	(2,980,515)	-	(8,471,097)
Other intangible assets		(14,179,561)	(2,174,993)	-	(16,354,554)
Lease deposit		56,388,857	(5,596,087)	-	50,792,770
Goodwill		1,962,740	(163,749)	-	1,798,991
Exchangeable bonds		(55,751)	55,751	-	-
Investments in subsidiaries and associates		(44,212,623)	(7,008,240)	886,658	(50,334,205)
Fair value gain (loss) on equity instruments through other comprehensive income		(108,238,774)	-	16,050,514	(92,188,260)
Gain on valuation of derivatives		(1,578,458)	1,271,451	924,998	617,991
Salaries and retirement benefits		(36,778,681)	4,120,851	23,638,976	(9,018,854)
Translation difference of foreign subsidiaries		6,253,131	-	(85,801)	6,167,330
Right-of-use assets and lease liabilities		380,693,582	(54,724,335)	-	325,969,247
Loss carried forward		454,883,036	70,479,779	-	525,362,815
Others		93,935,255	3,602,682	-	97,537,937
Total	₩	(92,577,708)	6,350,116	41,415,345	(44,812,247)

(f) As of December 31, 2024 and 2023, the temporary differences related to investments in subsidiaries and associates for which deferred tax assets and liabilities were not recognized are as follows:

(in thousands of Korean won)

		2024	2023
Investments in associates	₩	329,092,456	329,613,279
Investments in subsidiaries		57,954,490	71,880,976
Total	₩	387,046,946	401,494,255

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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35. Consolidated Statements of Cash Flows

(a) As of December 31, 2024 and 2023, the details of cash and cash equivalents are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Cash	₩	15,321,702	24,024,152
Deposits		321,841,997	340,101,221
Other cash equivalents		1,217,683,054	1,225,592,611
Total	₩	1,554,846,753	1,589,717,984

(b) Adjustments for cash flows from operating activities and changes in operating assets and liabilities for the years ended December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Income tax expense (income)	₩	(27,154,767)	14,780,309
Retirement benefits		121,264,229	74,533,107
Long-term employee benefits		5,157,855	5,628,190
Depreciation		1,058,005,526	1,050,633,888
Amortization		58,136,413	123,094,349
Loss on disposal of intangible assets		838,109	8,557,964
Impairment loss on intangible assets		414,685,489	5,152,571
Loss on foreign currency translation		164,640,991	36,278,431
Loss on foreign currency transactions		29,156,035	16,697,431
Loss on disposal of property, plant and equipment		8,483,696	8,252,042
Impairment loss on property, plant and equipment		315,186,444	37,981,220
Impairment loss on investment in properties		123,144,400	23,431,759
Loss on lease termination		18,754,929	67,551
Loss on disposal of right-of-use assets		21,279,193	17,195,930
Impairment loss on right-of-use assets		322,135,726	106,274,257
Bad debt expense		12,763,288	2,398,329
Other bad debt expense (reversal)		42,221,885	(8,731,679)
Contribution (reversal) to provisional liabilities		(8,754,215)	590,105
Loss on revaluation of property, plant, and equipment		12,932,268	-
Other Non-Current Impairment Loss		227,349	-
Loss on valuation of debt instrument at fair value through profit or loss		9,136,529	17,148,300
Loss on disposal of debt instrument at fair value through profit or loss		90,542	-
Loss on disposal of equity instrument at fair value through other comprehensive income		15,678	-
Loss on impairment of equity instrument at fair value through other comprehensive income		57,695,692	-
Loss on transactions of derivatives		3,656,023	6,467,924
Loss on valuation of derivatives		-	9,213,082
Loss on repayment of debenture		272,449	-
Loss on repayment of borrowings		99,926	-
Equity method loss on instrument in associates and joint ventures		7,144,967	23,650,492
Loss on disposal of investments in subsidiaries and associates		33,054,416	379,893
Impairment loss on investments in associates and joint ventures		13,746,391	58,615,931

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35. Consolidated Statements of Cash Flows, continued

(b) Adjustments for cash flows from operating activities and changes in operating assets and liabilities for the years ended December 31, 2024 and 2023 are as follows:, continued

<i>(in thousands of Korean won)</i>	2024	2023
Loss on disposal of assets held for sale	1,064,000	-
Other expenses without cash outflows, etc.	9,512,760	78,721,206
Interest expense	621,334,771	595,448,377
Gain on foreign currency translation	(943,918)	(14,405,578)
Gain on foreign currency transactions	(16,643,657)	(19,035,794)
Gain on disposal of property, plant and equipment	(8,944,197)	(40,804,491)
Gain on disposal of intangible assets	(5,862)	(368,154)
Gain on the disposal of assets and liabilities held for sale	(95,780,389)	(37,017,542)
Gain on lease termination	(50,531,984)	(46,071,755)
Gain on disposal of right-of-use assets	(18,972,182)	(63,899,795)
Gain on valuation of debt instrument at fair value through profit or loss	(6,532,701)	(9,477,159)
Gain on disposal of debt instrument at fair value through profit or loss	(1,776,680)	(6,034,147)
Gain on disposal of debt instrument at fair value through other comprehensive income	(55,399)	(29,185)
Gain on changes in conditions of financial liabilities measured at amortized cost	-	(2,492,010)
Gain on transactions of derivatives	(27,698,231)	(13,786,795)
Gain on valuation of derivatives	(163,475,492)	(55,499,769)
Equity method profit on instrument in associates and joint ventures	(149,770,815)	(170,791,622)
Gain on disposal of investments in subsidiaries and associates	(1,194,943)	(1,279,769)
Reversal of impairment loss on investments in financial assets measured at amortized cost	-	(73,503,780)
Other income without cash inflows, etc.	(33,524,333)	(11,101,130)
Interest income	(144,824,096)	(161,344,495)
Dividend income	(21,505,002)	(20,786,863)
Decrease (increase) in trade receivables	54,607,582	(106,194,604)
Decrease (increase) in other receivables	148,082,140	(90,442,055)
Decrease in other financial assets	7,023,344	1,132,107
Decrease (increase) in inventories	(68,552,246)	117,141,049
Decrease in other non-financial assets	12,848,735	45,580,011
Decrease in trade payables	(8,422,810)	(24,311,986)
Decrease in other payables	(131,817,163)	(2,444,080)
Increase in other financial liabilities	13,844,136	56,199,407
Decrease (increase) in unearned revenues	(5,550,254)	19,292,913
Increase (decrease) in provisions	3,710,423	(14,647,942)
Decrease in other non-financial liabilities	(62,863,916)	(35,897,223)
Payment of defined benefit liabilities	(111,521,533)	(106,849,283)
Payment of other long-term employee benefits	(3,620,640)	(4,051,788)
Decrease in plan assets	37,407,267	8,080,739
Total	₩ 2,592,924,171	1,427,318,391

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35. Consolidated Statements of Cash Flows, continued

(c) Non-cash transactions for the years ended December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Other payables for acquisition of property, plant and equipment	₩	(36,699,331)	71,712,161
Other payables for acquisition of intangible assets		475,856	(462,287)
Acquisition of right-of-use assets		46,703,820	83,857,841
Reclassification of borrowings and debentures from non-current to current		2,097,844,822	3,170,601,075

(d) Adjustments in liabilities arising from financial activities for the years ended December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024					
		Liabilities from financing activities					
		Leasehold Deposits Received	Short-term borrowings and debentures	Long-term borrowings and debentures	Financial liabilities at fair value through profit or loss (*2)	Lease liabilities	Derivatives for hedging
							Total
Beginning balance	₩	250,464,665	5,145,975,766	4,266,225,219	44,418,121	4,845,792,412	(28,179,563)
Net cash flow from financing activities		25,047,289	(3,938,981,915)	4,642,373,791	-	(833,451,709)	-
Non-cash flows (*1)		(14,562,582)	3,206,388,950	(2,901,716,420)	9,504,660	332,890,834	(126,183,157)
Ending balance	₩	260,949,372	4,413,382,801	6,006,882,590	53,922,781	4,345,231,537	(154,362,720)

(*1) Gain (loss) on valuation and transaction of derivatives assets, interest expenses of borrowings and debentures, gain (loss) on foreign currency translation, reclassification from non-current portion to current portion and others are included.

(*2) Due to the conditional repurchase agreement of trading in-kind contributions of Lotte Cultureworks Co., Ltd, the estimated repurchase amount for the future were classified as current financial liabilities at fair value through profit or loss.

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35. Consolidated Statements of Cash Flows, continued

(in thousands of Korean
won)

		2023						
		Liabilities from financing activities						
		Leasehold Deposits Received	Short-term borrowings and debentures	Long-term borrowings and debentures	Current financial liabilities at fair value through profit or loss (*2)	Lease liabilities	Derivatives for hedging	Total
Beginning balance	₩	246,695,716	4,789,441,453	4,866,439,908	41,812,073	5,380,800,961	(62,787,639)	15,262,402,472
Net cash flow from financing activities		13,388,444	(2,937,013,402)	2,551,850,286	-	(772,495,501)	-	(1,144,270,173)
Non-cash flows (*1)		(9,619,495)	3,293,547,715	(3,152,064,975)	2,606,048	237,486,952	34,608,076	406,564,321
Ending balance	₩	250,464,665	5,145,975,766	4,266,225,219	44,418,121	4,845,792,412	(28,179,563)	14,524,696,620

(*1) Gain (loss) on valuation and transaction of derivatives assets, interest expenses of borrowings and debentures, gain (loss) on foreign currency translation, reclassification from non-current portion to current portion and others are included.

(*2) Due to the conditional repurchase agreement of trading in-kind contributions of Lotte Cultureworks Co., Ltd, the estimated repurchase amount for the future were classified as current financial liabilities at fair value through profit or loss.

36. Greenhouse Gases Emission Rights

(a) Emission Right

The Group has participated in the allocation and trading system of emissions since 2015. From year 2021 to 2025 is the third plan of the commitment period, and in December 2020, the emission rights for each implementation year of the plan period are 770,535 tCO₂-eq for year 2021, 2022, and 2023, and 748,998 tCO₂-eq for year 2024 and 2025 and allocated respectively.

Furthermore, the Group has carried forward emission right of 70,693 tCO₂-eq from the previous compliance period. As of December 31, 2023, there is no pledged emission, and the Group submitted emission right of 722,214 tCO₂-eq and 721,012 tCO₂-eq to the government in 2022 and 2023. The Group has 717,226 tCO₂-eq of emission rights as of December 31, 2024.

(b) Emission liabilities

The Group sold 14,296 tCO₂-eq of emission rights in 2024 and estimated 723,218 tCO₂-eq of emission in 2024.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

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37. Operating Segment

- (a) The Group reports the business segments based on the nature of goods and services to aid the decision making of top management as follows:

Classification	Department store(*)	Discount store(*)	Consumer electronic retailer	Supermarket	TV home shopping	Cinema	E-Commerce	Others(*)
Main business	Retail stores for middle and high-end merchandise	Retail and whole-sale stores for middle and low price merchandise	Consumer electronics	Retail and whole-sale stores for middle and low price merchandise	Business using broadcast channel	Movie and video screening business	Retail industry under e-commerce regulation	Others
Main products or services	Sales of merchandise and leasing		Sales of home appliance	Sales of merchandise and leasing	Sales of merchandise, etc.	Operating movie theaters, etc.	Sales of merchandise, leasing, etc.	
Main Customers	General Consumers							

(*) During the current period, due to the merger of Lotte Suwon Station Shopping Town, its business segment was reclassified, and the related segment information for the prior period was restated accordingly. Additionally, during the prior period, with the opening of the LOTTE MALL West Lake Hanoi shopping mall, the business segments of LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD. and LOTTE PROPERTIES HANOI CO., LTD. were reclassified, and the related segment information for the prior period was restated accordingly.

- (b) Information about reportable segments as of and for the years ended December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

		2024								
		Department store	Discount store	Consumer electronic retailer	Supermarket	TV home shopping	Cinema	E-commerce	Others	Total
Revenue from customers	₩	3,319,326,592	5,576,453,783	2,356,656,540	1,296,162,132	924,883,774	451,729,454	119,807,052	235,687,287	14,280,706,614
Inter-segment sales		81,425,685	39,038,268	702,970	14,290,810	13,751,817	204,177	18,448,977	126,265,640	294,128,344
External sales		3,237,900,907	5,537,415,515	2,355,953,570	1,281,871,322	911,131,957	451,525,277	101,358,075	109,421,647	13,986,578,270

(in thousands of Korean won)

		2023								
		Department store	Discount store	Consumer electronic retailer	Supermarket	TV home shopping	Cinema	E-commerce	Others	Total
Revenue from customers	₩	3,336,412,674	5,734,660,104	2,610,137,030	1,306,319,293	941,607,042	562,077,051	135,136,009	243,034,483	14,869,383,686
Inter-segment sales		104,655,437	51,074,468	824,681	12,181,232	14,254,159	(458,024)	16,093,807	114,894,046	313,519,806
External sales		3,231,757,237	5,683,585,636	2,609,312,349	1,294,138,061	927,352,883	562,535,075	119,042,202	128,140,437	14,555,863,880

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2024 and 2023

37. Operating Segment, continued

(c) Segment sales and profit for the years ended December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

		Sales		Operating profit (loss)	
		2024	2023	2024	2023
Department store	₩	3,319,326,592	3,336,412,674	399,893,338	486,456,571
Discount store		5,576,453,783	5,734,660,104	64,997,842	87,258,730
Consumer electronic retailer		2,356,656,540	2,610,137,030	1,720,858	8,223,021
Supermarket		1,296,162,132	1,306,319,293	29,309,007	25,614,768
TV home shopping		924,883,774	941,607,042	49,806,976	8,253,833
Cinema		451,729,454	562,077,051	276,635	(8,384,115)
E-Commerce		119,807,052	135,136,009	(68,511,400)	(85,556,008)
Others		235,687,287	243,034,483	55,172,591	50,178,322
Segment total		14,280,706,614	14,869,383,686	532,665,847	572,045,122
Intercompany transaction adjustments		(294,128,344)	(313,519,806)	(59,551,882)	(63,640,390)
After consolidation adjustments	₩	13,986,578,270	14,555,863,880	473,113,965	508,404,732

(in thousands of Korean won)

		Depreciation and amortization		Net profit (loss) for the year	
		2024	2023	2024	2023
Department store	₩	680,007,816	655,740,175	61,949,979	736,076,263
Discount store		228,864,211	237,261,673	(357,116,590)	(168,842,088)
Consumer electronic retailer		116,071,700	123,908,816	(376,870,004)	(20,956,112)
Supermarket		44,659,986	44,693,467	36,156,801	(33,103,950)
TV home shopping		21,799,524	28,698,720	59,400,996	47,929,175
Cinema		97,445,180	168,572,766	(51,108,656)	(46,624,736)
E-Commerce		5,058,236	4,590,292	(70,896,727)	(98,365,940)
Others		41,867,667	44,398,346	(168,402,484)	(184,513,476)
Segment total		1,235,774,320	1,307,864,255	(866,886,685)	231,599,136
Intercompany transaction adjustments		(119,632,380)	(134,136,018)	(127,188,587)	(62,418,700)
After consolidation adjustments	₩	1,116,141,940	1,173,728,237	(994,075,272)	169,180,436

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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37. Operating Segment, continued

(d) Segment assets and liabilities as of December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

		Assets		Liabilities	
		2024	2023	2024	2023
Department store	₩	23,001,651,178	17,550,756,628	14,704,942,472	12,790,842,219
Discount store		8,961,566,506	7,434,969,813	2,291,763,738	2,520,569,785
Consumer electronic retailer		1,725,806,338	1,996,839,492	1,013,614,600	1,120,890,822
Supermarket		957,281,706	889,368,098	257,682,648	294,133,480
TV home shopping		1,912,461,106	1,968,342,904	285,792,885	302,579,799
Cinema		821,959,899	953,509,436	757,176,859	977,162,885
E-Commerce		194,175,498	349,867,728	192,843,780	243,404,864
Others		6,075,177,622	5,255,924,099	3,982,248,179	3,059,128,705
Segment total		43,650,079,853	36,399,578,198	23,486,065,161	21,308,712,559
Intercompany transaction adjustments		(4,647,035,268)	(5,754,879,501)	(1,516,637,882)	(1,500,463,581)
After consolidation adjustments	₩	39,003,044,585	30,644,698,697	21,969,427,279	19,808,248,978

(e) Sales, before consolidation adjustments, by geographical areas for the years ended December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

Region		2024	2023
Domestic	₩	12,610,509,960	13,284,134,156
China		7,581,539	20,631,162
Vietnam		540,707,770	453,814,193
Indonesia		1,121,907,345	1,110,804,175
Total	₩	14,280,706,614	14,869,383,686

(f) The Group has no external customers contributing to more than 10% of sales in 2024 and 2023.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES **Notes to the Consolidated Financial Statements** **As of December 31, 2024 and 2023**

38. Contingencies and Commitments

(a) As of December 31, 2024, the Group has the following credit commitments with financial institutions:

(in thousands of Korean won, full foreign currency)

	<u>Currency</u>	<u>Credit line</u>	<u>Amount used under credit facility</u>
General loan	KRW	2,770,272,273	2,476,838,771
	VND	1,175,000,000,000	498,981,353,435
	USD	841,700,000	841,700,000
	IDR	1,790,000,000,000	1,170,000,000,000
Commercial paper	KRW	1,609,200,000	1,509,200,000
Buyer's credit	KRW	460,000,000	3,065,156
Bank overdraft	KRW	53,000,000	-
Letter of credit	USD	34,000,000	10,592,967
	EUR	500,000	84,631
	CAD	969,284	969,284

(b) Material operational contracts of the Group are as follows:

(i) LOTTE SHOPPING CO.,LTD.

In accordance with the management contracts with LOTTE STATION B/D.CO., Lotte Property & Development Co., Ltd. and CS MART CO., LTD, the Company is responsible for the operation of department stores, shopping malls and supermarkets. In return, the Company receives 10% of operating profits (before depreciation expenses) for department stores and supermarkets and 9% of operating profits (before depreciation expenses) for shopping malls as management fees which is recorded as other sales.

(ii) Woori Home Shopping & Television Co., Ltd.

Woori Home Shopping & Television Co., Ltd., a subsidiary of the Group, has concluded a partnership card issuance agreement with Lotte Card Co., Ltd. and BC Card Co., Ltd. The agreement is renewed annually after the contract end date. Furthermore, Woori Home Shopping & Television Co., Ltd. has concluded an agreement with Lotte Global Logistics Co., Ltd., CJ Logistics Corporation and HANJIN CO., LTD for logistics services. Additionally, there are multiple supply contracts for broadcast programs with cable TV broadcasters.

(c) As of December 31, 2024, the Group currently has 33 ongoing lawsuits as a plaintiff with damage claims amounting to ₩ 51,562,870 thousand and 43 lawsuits as a defendant with damage claims amounting to ₩ 54,315,138 thousand. Regarding 17 lawsuits as a defendant, the Group recorded ₩ 8,078,551 thousand as provision.

The above includes 12 lawsuits as a defendant with damages related to victims of humidifier disinfectant amounting to ₩ 32,339,308 thousand. The Group has estimated the expected loss and has recognized a provision of ₩ 1,089,756 thousand in regard to the claim on victims of humidifier disinfectant as of December 31, 2024.

The Group management believes that the ultimate resolutions of other legal actions, excluding the abovementioned lawsuits, will not have a material impact on the financial position of the Group.

The lawsuit between Lotte Properties (Chengdu) Limited, a subsidiary of the Group, and the Chinese government is ongoing regarding land-raising payments. The subsidiary's funds were suspended by the Chinese government in relation to the lawsuit in 2021, but the suspension has since been terminated as of August 3, 2023.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

38. Contingencies and Commitments, continued

(d) As of December 31, 2024, the commitment limit of the secured loan of credit sales the Group has entered with INDUSTRIAL BANK OF KOREA and others amounts to ₩ 785,600,000 thousand.

(e) As of December 31, 2024, LOTTE Himart Co., Ltd., a subsidiary of the Group, may issue short-term electronic bonds with a limit of ₩ 200,000,000 thousand. No related bond has been issued.

(f) Performance guarantees and others

(i) LOTTE SHOPPING CO.,LTD.

As of December 31, 2024, the Company has been provided performance guarantees for its operation amounting to ₩ 72,990,951 thousand (112 cases) from Seoul Guarantee Insurance Company.

(ii) Woori Home Shopping Co., Ltd.

As of December 31, 2024, Woori Home Shopping Co., Ltd., a subsidiary of the Group, has been provided payment guarantees for product sales from the INDUSTRIAL BANK OF KOREA (₩ 4,600,000 thousand) and agreement performance guarantee from Seoul Guarantee Insurance Company (₩ 2,032,905 thousand).

(iii) LOTTE Himart Co., Ltd.

As of December 31, 2024, LOTTE Himart Co., Ltd., a subsidiary of the Group, has been provided guarantees from Seoul Guarantee Insurance Company in relation to supply agreements with suppliers amounting to ₩ 2,543,854 thousand.

(g) Brand usage contracts, etc.

The Group and some subsidiaries are in contracts with Lotte Corporation for the use of brand, management consulting, and management support service as of December 31, 2024. The cost for use of brand is 0.2% of sales less advertising expenses. Management consulting and management support service fees are allocated by Lotte Corporation, based on objective and reasonable allocation criteria, for the costs that have been incurred in the course of performing such relevant business plus 5% mark up of such allocated amount.

The Group is jointly liable for the debts of Lotte Corporation and consolidated company prior to spin-off, in accordance with Article 530-9, Paragraph 1 of the Commercial Act.

(h) Lotte Cultureworks Co., Ltd., a subsidiary of the Group, issued common shares of 7,687,456 and received 1,860,000 common stock shares of INNOCEAN WORLDWIDE INC. as contribution in kind in 2019. At the issuance date, Lotte Cultureworks Co., Ltd. agreed to purchase all shares issued to the new owner in cash if Lotte Cultureworks Co., Ltd. does not hold an initial public offering (IPO) within a certain period based on agreement with the new owner. The Company will not oppose performance of such obligation unless it violates the law. The new owner cannot transfer the shares to the third party voluntarily nor provide it as pledged assets without consent from Lotte Cultureworks Co., Ltd. until the listing date. If the new owner wishes to sell the shares after the listing date, Lotte Cultureworks Co., Ltd. can exercise its preferential right to purchase directly or by designating the third party.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

38. Contingencies and Commitments, continued

(i) In accordance with stock trading agreement concluded on May 10, 2019 with the seller and contract takeover agreement on July 19, 2022, the common shares of 2,060,000 of INNOCEAN WORLDWIDE INC. cannot be disposed of or provided as pledged assets without the prior consent from the seller until the fifth year from the date of contract takeover agreement or the IPO completion date of Lotte Cultureworks Co., Ltd. Furthermore, if the Group wishes to sell the shares of INNOCEAN WORLDWIDE INC. after the listing date to a third party, the seller can exercise its preferential right to purchase directly or by designating the third party.

(j) As of December 31, 2024, the Company has provided investment commitments (LOC, LOU) to Standard Chartered Bank Korea Ltd and others in relation to loan agreements for the following subsidiaries: PT. LOTTE SHOPPING INDONESIA and LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY. However, the investment commitment is not considered a payment guarantee.

(k) Lotte Cultureworks Co., Ltd., a subsidiary of the Group, has purchased ₩ 300,000 thousand of subordinate debentures issued by Kodit 2023 the 1st Securitization Specialty Co., Ltd. of the SPC who has the right of pledge for the debentures. Meanwhile, in relation to the 8th private equity bond, an early redemption of ₩ 10,000,000 thousand exists if the credit rating of the subsidiary, Lotte Cultureworks Co., Ltd., falls below BBB0 or if it is excluded from the Lotte Group.

(l) The Group has a call option to exercise 69.88% of its shares in Joonggonara Inc. held by affiliated companies, Eugene Unicorn Private Equity Fund and other investors from the date of first acquisition to the fourth year.

(m) The Group holds a preferential subscription right and a preferential purchase claim right that can be exercised after three years from the date of initial acquisition for shares in Hanssem CO., LTD owned by Heim CO., Ltd, Heim No.1 CO.,Ltd, and Heim No.2 CO., Ltd. In accordance with the loan agreement, 8,339,691 shares with voting rights in Hanssem CO., LTD, owned by Heim CO., Ltd, Heim No.1 CO.,Ltd, and Heim No.2 CO., Ltd are pledged to Korea Investment & Securities Co., Ltd and 21 others which is subject to loss in benefits of the deadline if financial criteria are not met. Financial criteria include the maintenance of the net debt to EBITDA ratio related to Hanssem CO., LTD Investment below a certain level annually, starting from December 2024 and the quarterly LTV(Loan to Value Ratio) below 85% from December 2024. However, if Hanssem CO., LTD's EBITDA exceeds the standard amount, the LTV is not considered to be violated.

(n) Others

The Group disposed of land and buildings to structured entities and has been leasing back assets and operation of some stores has been discontinued following end of lease term. Details are as follows:

(i) The Group disposed of land and buildings of 2 stores including Lotte mart Daeduk branch to KTB Confidence Private Real Estate Investment Trust No.29 for ₩ 166 billion in 2008. The Group has since been leasing back the Daeduk branch from Mirae Castle. The Group has the preemptive options to purchase the land and the building at fair value at the end of the lease. During 2020, the operation for Lotte mart Hangdong store was discontinued for which the Group does not have preemptive options to purchase.

(ii) The Group disposed of land and buildings of 6 stores including Lotte department store Bundang branch to Lotte Retail Real Estate Investment Trust No.1~4 for ₩ 594.9 billion in 2010 and 2011. The Group has since been leasing back Lotte department store Bundang branch from IGIS Specialized Investment Private Real Estate Investment Trust No.389 and Lotte mart Sasang store, Lotte mart Iksan store from KB Lotte Master Lease Specialized Investment Private Real Estate Investment Trust No.8. The Group has the preemptive options to purchase the land and the building at fair value at the end of the lease. During the 2019, the operation for Lotte mart Suji store was discontinued and during the year 2020, the operation for Lotte mart Guro, Dobong branch was discontinued for which the Group does not have preemptive options to purchase.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES **Notes to the Consolidated Financial Statements** **As of December 31, 2024 and 2023**

38. Contingencies and Commitments, continued

(n) Others, continued

(iii) The Group has been leasing the building of Lotte outlet Esiapolis branch from KB Star Retail Private Real Estate Investment Trust No.1 since 2013. In accordance with the real estate sales contract concluded on June 25, 2018, Mastern Specialized Investment Private Real Estate Investment Trust No.31 took over the status as a lessor. The Group has the preferential right of negotiation to purchase the building.

(iv) In 2013, the Group sold the buildings of Lotte outlet Gwangmyeong store to KTB Confidence Private Real Estate Investment Trust No.55 for ₩ 146.9 billion for which the Group has been leasing the assets from Kiwoomcore Retail No. 1 Reit Co. Ltd. The Group disposed of land and buildings of Lotte mart Yangdeok branch to KTB Confidence Private Real Estate Investment Trust No.81 for ₩ 55.1 billion for which the Group has been leasing back the assets from Koreit Masan Lotte mart Specialized Investment Private Real Estate Investment Trust No.12. The Group has the preferential right of negotiation to purchase the land and the building at the end of the lease.

(v) In 2014, the Group sold land and buildings of 2 Lotte department stores including Ilsan branch and 5 Lotte mart stores including Bupyeong branch to KB Lotte Master Lease Private Real Estate Investment Trust No.1 for ₩ 601.7 billion for which the Group has been leasing back the assets. The Group sold land and buildings of 2 Lotte department stores including Dongrae branch and 3 Lotte mart stores including Sungjung branch to Capstone Private Real Estate Investment Trust No.11 for ₩ 500.1 billion for which the Group has been leasing back the assets. The Group has the preferential right of negotiation to purchase the land and the building at the end of the lease.

(vi) During 2018, the land and buildings of Lotte Mart's Geumcheon branch were sold for ₩ 64.2 billion to the KORAMCO Specialty Investment Private Property Investment Trust No.82 for which the Group has been leasing back from KORAMCO. The Group has the preferential right of negotiation to purchase the land and the building at the end of the lease.

The Group does not consolidate these structured entities.

(o) As of December 31, 2024, the Group has concluded agreement, in regard to asset-backed commercial papers (₩ 193,000,000 thousand of par value, balance of amount to replenish debt: ₩ 192,920,000 thousand, maturity on January 13th, 2025) issued by LKH 2nd Co., Ltd., New Star Gimpo Hangang 2nd Co., Ltd., to replenish funds in case of failures in repayment of principal and interests. Terms of the fund replenishment agreements with subsidiaries are detailed in Note 39 (b), (c).

(p) As of December 31, 2024, details of payment guarantees provided regarding foreign currency debentures issued by the Group are as follows.

Description	Advisor	Maturity	Guaranteed Amount (Full amount in USD)
92 nd (foreign currency)	MUFG Bank	2025.03.25	160,000,000
94 th (foreign currency)	MUFG Bank	2025.11.28	100,000,000
97-1 st (foreign currency)	Kookmin Bank	2026.08.18	100,000,000
97-2 nd (foreign currency)	KEB Hana Bank	2026.08.21	50,000,000
100-1 st (foreign currency)	SMBC Bank	2027.05.17	100,000,000
100-2 nd (foreign currency)	MUFG Bank	2027.05.21	100,000,000

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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39. Inter Company Transactions and Balances with Consolidated Companies

- (a) The Group has provided payment guarantees and collaterals for consolidated companies as of December 31, 2024 as follows:

(Full foreign Currency)

Consolidated company	Guarantee recipient	Guaranteed amount	Guarantee period	Remarks
Subsidiaries				
PT. LOTTE MART INDONESIA	Shinhan Bank	IDR 250,000,000,000	April 14, 2024 ~ April 14, 2025	Payment guarantee for financing
	KEB Hana Bank	IDR 170,000,000,000	February 25, 2024 ~ February 25, 2025	
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD	Kookmin Bank	USD 30,000,000	July 26, 2024 ~ July 25, 2025	
Lotte Cinema Vietnam Co., Ltd.	The Export-Import Bank of Korea	USD 7,000,000	October 7, 2024 ~ October 10, 2025	Collateral guarantee for financing
		USD 10,000,000	June 25, 2024 ~ June 25, 2025	
		USD 13,500,000	September 13, 2024 ~ September 12, 2025	
	Kookmin Bank	USD 10,000,000	June 28, 2024 ~ June 27, 2025	
	KEB Hana Bank	USD 10,000,000	September 13, 2024 ~ September 12, 2025	
	Kookmin Bank	USD 165,000,000	March 8, 2024 ~ March 7, 2025	
LOTTE PROPERTIES (CHENGDU) HK LIMITED	NongHyup Bank	USD 48,600,000	March 15, 2024 ~ March 7, 2025	Payment guarantee for financing
	KEB Hana Bank	USD 30,000,000	March 7, 2024 ~ March 7, 2025	
	Kookmin Bank and 3 others	USD 250,000,000	May 23, 2022 ~ May 23, 2025	
LOTTE PROPERTIES HANOI CO., LTD	The Export-Import Bank of Korea	USD 125,000,000	June 27, 2022 ~ June 28, 2027	

- (b) As of December 31, 2024, the Group is in agreement to jointly provide fund supplementation agreement for KS 1st Co., Ltd., LKH 1st Co., Ltd., New Star Gimpo Hangang 1st Co., Ltd., New Star K-town 2nd Co., Ltd., and LS Incheon 1st Co., Ltd., in default of the principal and interest on asset-backed commercial papers (₩ 85,000,000 thousand of par value, maturity on April 17, 2025), asset-backed commercial papers (₩ 197,800,000 thousand of par value, maturity on January 13, 2025), asset-backed commercial papers (₩ 38,400,000 thousand of par value, maturity on January 13, 2025), asset-backed commercial papers (₩ 220,000,000 thousand of par value, maturity on January 21, 2025) and asset-backed commercial papers (₩ 148,000,000 thousand of par value, maturity on January 21, 2025).
- (c) As of December 31, 2024, the subsidiary Lotte Culture works Co., Ltd. issued the 16th private bond type of hybrid securities amounting to ₩ 200,000,000 thousand to Momentum 1st Co., Ltd. The group has entered into an agreement to provide financial support if Momentum 1st Co., Ltd. is unable to repay the principal and interest on the asset-backed short-term bonds (with a face value of ₩ 203,900,000 thousand, maturing on February 20, 2025).

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES **Notes to the Consolidated Financial Statements** **As of December 31, 2024 and 2023**

40. Related Party Transactions

(a) Details of the Group's major shareholders as of December 31, 2024 are as follows:

Related company	Percentage of ownership (%)
Lotte Corporation (*)	40.00
Hotel Lotte Co., Ltd.	8.86
Hotel Lotte Pusan Co., Ltd.	0.78

(*) Holds significant influence over the Company.

(b) Transactions which occurred in the normal course of business with related parties for the years ended December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

Name of related parties	2024				
	Sales	Purchase	Acquisition of property, plant and equipment and intangible assets	Other income (*2)	Other expenses (*2)
Shareholders:					
Lotte Corporation ₩	2,953,497	-	-	-	46,559,912
Hotel Lotte Co., Ltd.	41,685,393	13,784	82,450,192	-	38,549,805
Hotel Lotte Pusan Co., Ltd.	5,535,285	-	2,326,881	34,771	9,142,527
Subtotal	50,174,175	13,784	84,777,073	34,771	94,252,244
Associates and Join ventures:					
FRL Korea Co., Ltd.	33,909,812	-	-	-	-
Zara Retail Korea Co., Ltd.	9,741,905	-	-	-	-
LOTTE CARD Co., Ltd.	3,965,037	-	-	953	189,019,524
HANSSEM Co., LTD.	7,427,261	66,815	-	76,858	16,437,418
Others(*3)	15,918,173	10,681,950	-	2,505,133	10,748,264
Subtotal	70,962,188	10,748,765	-	2,582,944	216,205,206
Others (*1):					
Lotte Engineering & Construction Co., Ltd.	2,856,711	-	396,276,499	2,033	1,035,451
Lotte Well food Co.,Ltd.	8,954,928	109,498,976	-	21,653	9,407,636
Lotte Chilsung Beverage Co., Ltd.	9,147,937	45,354,487	-	346	121,689
LOTTE INNOVATE Co., Ltd.(formerly, Lotte Data Communication Company)	1,488,351	-	52,588,408	75,629	134,350,155
DAEHONG COMMUNICATIONS INC.	1,310,136	-	311,220	-	19,306,756
Lotte Station B/D. Co., Ltd.	7,724,412	-	-	650,515	1,014,346
Lotte GRS Co., Ltd.	6,952,632	3,358,168	-	21,918	6,521,193
Lotte International Co., Ltd.	233,650	60,118,431	-	-	-
LOTTE ALUMINIUM CO., LTD.	21,082	1,211,000	346,950	-	412,896
Lotte Global Logistics Co., Ltd.	5,671,405	-	-	9,896	233,256,254
Korea Fuji Film Co., Ltd.	653,898	55,700	-	-	3,625
LOTTE Property&Development(*4)	10,181,370	-	747,392	1,964,200	33,683,249
LOTTE ASSET DEVELOPMENT CO.,LTD.	1,163,723	-	1,664,460	-	33,575
Korea Seven Co., Ltd.	11,984,085	3,644	-	-	3,324,171
Others	25,110,324	15,027,520	9,706,604	128,256	83,936,864
Subtotal	93,454,644	234,627,926	461,641,533	2,874,446	526,407,860
Total ₩	214,591,007	245,390,475	546,418,606	5,492,161	836,865,310

(*1) Although the entities are not related parties under K-IFRS No.1024, the entities are considered to be part of the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act and overseas affiliates.

(*2) The Group has in lease agreements with related parties. As a result, interest income received in accordance with amortization of lease receivables and interest expense paid in accordance with amortization of lease liabilities for the year ended December 31, 2024 are included in other income and expenses.

(*3) The amount related to INNOCEAN WORLDWIDE INC. includes transaction details prior to its reclassification from an associate to another related party.

(*4) The amount includes ₩ 1,964,200 thousand from the disposal of pre-emptive rights received from LOTTE REIT Co., Ltd. during the current year.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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40. Related Party Transactions, continued

(b) Transactions which occurred in the normal course of business with related parties for the years ended December 31, 2024 and 2023 are as follows:, continued

(in thousands of Korean won)

(in thousands of Korean won)		2023				
Name of related parties		Sales	Purchase	Acquisition of property, plant and equipment and intangible assets	Other income (*2)	Other expenses (*2)
Shareholders:						
Lotte Corporation	₩	3,332,130	-	131,687,101	-	45,097,228
Hotel Lotte Co., Ltd.		67,529,063	-	613,147	-	41,695,935
Hotel Lotte Pusan Co., Ltd.		5,578,869	-	3,136,790	-	9,377,596
Subtotal		76,440,062	-	135,437,038	-	96,170,759
Associates and Join ventures:						
FRL Korea Co., Ltd.		37,800,887	-	-	-	-
Zara Retail Korea Co., Ltd.		11,484,439	-	-	-	-
LOTTE CARD Co., Ltd.		3,754,803	-	-	264,062	188,089,658
HANSSEM Co., LTD.		8,291,895	95,019	28,585,980	277,996	7,436,222
Others		12,373,174	9,849,778	4,002,600	86,657	13,170,172
Subtotal		73,705,198	9,944,797	32,588,580	628,715	208,696,052
Others (*1):						
Lotte Engineering & Construction Co., Ltd.		1,482,113	-	175,151,114	-	667,970
Lotte Well food Co.,Ltd.		2,169,571	111,276,262	72,162,900	8,832	10,841,426
Lotte Chilsung Beverage Co., Ltd.		9,177,726	51,385,295	-	-	87,703
Lotte Data Communication Company		1,190,165	-	25,959,945	159,694	151,475,885
DAEHONG COMMUNICATIONS INC.		370,872	-	-	-	22,399,539
Lotte Station B/D. Co., Ltd.		8,479,043	-	-	407,932	1,329,821
Lotte GRS Co., Ltd.		7,484,428	3,436,771	-	23,928	7,013,692
Lotte International Co., Ltd.		96,601	75,208,751	-	-	-
LOTTE ALUMINIUM CO., LTD.		152,775	5,217,699	53,737	867	3,969,618
Lotte Global Logistics Co., Ltd.		5,450,318	-	5,921	21,949	249,743,872
Korea Fuji Film Co., Ltd.		629,002	23,321	-	132	13,114
LOTTE Property&Development		8,380,380	-	-	-	35,271,067
LOTTE ASSET DEVELOPMENT CO.,LTD.		-	-	188,190	-	62,730
Korea Seven Co., Ltd.		9,194,360	-	-	-	2,193,868
Others		38,731,113	11,987,623	165,330,916	160,932	91,730,258
Subtotal		92,988,467	258,535,722	438,852,723	784,266	576,800,563
Total	₩	243,133,727	268,480,519	606,878,341	1,412,981	881,667,374

(*1) Although the entities are not related parties under K-IFRS No.1024, the entities are considered to be part of the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act and overseas affiliates.

(*2) The Group has is in lease agreements with related parties. As a result, interest income received in accordance with amortization of lease receivables and interest expense paid in accordance with amortization of lease liabilities for the year ended December 31, 2023 are included in other income and expenses.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
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40. Related Party Transactions, continued

(c) Fund transactions with related parties for the year ended December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

(in thousands of Korean won)		2024				
Name of related parties		Return on Investment	Cash Lending	Redemption	Cash Contribution	Paid-in Capital Increase
Associates:						
LOTTE-KDB Open Innovation Fund	₩	13,000,000	-	-	-	-
Lotte start-up fund No. 1		60,000	-	-	-	-
Busan Lotte creative film Fund		1,066,676	-	-	-	-
Hemisphere Film Investors III LLC		1,280,113	-	-	-	-
Stonebridge Innovation Quarter Fund		900,000	-	-	-	-
LOTTE-IMBC Contents Investment Association		669,890	-	-	-	-
Lotte Home shopping – Wadiz next brand specialized Fund		-	-	-	360,000	-
LOTTE Vietnam Open Innovation Fund		-	-	-	256,053	-
The edition Health Co., Ltd.		-	-	-	500,000	-
KVI-Culture works Korea film investment union 1 st		-	-	-	800,000	-
Others (*1):						
LOTTE Capital (*2, 3)		-	20,000,000	74,248,589	-	-
Lotte Properties(Shenyang) Limited		-	-	-	59,277,118	-
LOTTE Property&Development		-	-	-	-	58,880,000
Total	₩	16,976,679	20,000,000	74,248,589	61,193,171	58,880,000

(*1) Although the entities are not related parties under K-IFRS No.1024, the entities are considered to be part of the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act and overseas affiliates.

(*2) It includes the amount generated through the major shareholders during the current period.

(*3) Includes ₩ 22,179,487 thousand of redemptions made via Suwon Landmark the 4th and ₩ 40,000,000 thousand of redemptions made via S-Bright Dongtan during 2024.

(in thousands of Korean won)

(in thousands of Korean won)		2023				
Name of related parties		Cash Lending	Redemption	Sale of stock	Stock purchase	Return on Investment
Shareholders:						
Hotel Lotte Co., Ltd. (*1)	₩	-	-	9,897,155	-	-
Associates and joint ventures:						
HANSSEM Co., LTD. (*2)		-	-	-	17,575,470	-
LOTTE-IMBC Contents Investment Association		-	-	-	-	999,600
Lotte start-up fund No. 1		-	-	-	-	360,000
Stonebridge Innovation quarter Investment Association		-	-	-	-	750,000
Hemisphere Film Investors III LLC		-	-	-	-	216,984
Others (*4):						
LOTTE Capital (*3)		32,000,000	80,318,331	-	-	-
Total	₩	32,000,000	80,318,331	9,897,155	17,575,470	2,326,584

(*1) The Group has sold 10% ownership and 1 share of LOTTE HOTEL & RETAIL VIETNAM PTE. LTD. to Hotel Lotte in 2023.

(*2) The Group has acquired 319,554 of treasury stocks of HANSSEM CO., LTD during 2023.

(*3) Includes ₩ 50,000,000 thousand of redemptions made via L Incheon 1st Ltd during 2023.

(*4) Although the entities are not related parties under K-IFRS No.1024, the entities are considered to be part of the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act and overseas affiliates.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

40. Related Party Transactions, continued

(d) Account balances with related parties as of December 31, 2024 and 2023 are summarized as follows:

(in thousands of Korean won)

Name of related parties	2024						
	Receivables			Payables			
	Trade receivables	Financial lease receivables	Other receivables	Trade payables	Borrowings	Lease liabilities	Other payables
Shareholders:							
Lotte Corporation	₩ 7,276	-	909,844	-	-	27,992,590	3,604,484
Hotel Lotte Co., Ltd.	119,040	-	66,471,280	-	-	197,476,957	33,031,218
Hotel Lotte Pusan Co., Ltd.	-	-	17,161,990	-	-	15,761,755	2,120,731
Subtotal	126,316	-	84,543,114	-	-	241,231,302	38,756,433
Associates and joint ventures:							
FRL Korea Co., Ltd.	1,192,304	-	55	-	-	-	11,390,303
Zara Retail Korea Co.,Ltd	-	-	-	-	-	-	4,997,444
LOTTE CARD Co.,Ltd. (*2)	174,875,213	-	9,499,385	-	-	-	37,196,485
HANSSEM CO., LTD	446,118	1,371,156	100,000	63,800	-	-	6,815,759
Others	429,265	-	1,838,970	64,482	-	25,279,398	8,666,227
Subtotal	176,942,900	1,371,156	11,438,410	128,282	-	25,279,398	69,066,218
Others (*1):							
Lotte Engineering & Construction Co., Ltd.	2,033	-	43,438	-	-	1,147,733	71,829,687
Lotte Well food Co.,Ltd.	1,297,336	-	1,443,203	10,466,228	-	666,813	16,104,223
Lotte Chilsung Beverage Co., Ltd.	390,437	-	168,963	3,212,332	-	-	11,388,106
LOTTE INNOVATE Co., Ltd.(formerly, Lotte Data Communication Company)	-	-	5,343,561	53,900	-	3,683,142	43,208,179
DAEHONG COMMUNICATIONS INC.	688,424	-	64,038	-	-	-	5,780,881
Lotte Station B/D Co., Ltd.	2,853,232	-	12,498,055	-	-	7,367,441	4,958,168
Lotte GRS Co., Ltd.	441,770	423,287	303,657	100,064	-	-	4,239,907
Lotte International Co., Ltd.	842,308	-	10,171	3,318,783	-	-	107,133
Lotte Global Logistics Co., Ltd.	439,657	-	34,729	-	-	6,285,510	26,614,607
Korea Fuji Film Co., Ltd.	20,346	-	-	1,427	-	-	509,631
LOTTE Property & Development	3,620,116	-	5,445,562	-	-	308,100,923	7,250,311
LOTTE ASSET DEVELOPMENT CO., LTD	11,451	-	1,135,144	-	-	-	9,568
Others (*3)	6,648,922	-	9,365,536	1,595,510	30,000,000	11,181,546	18,664,069
Subtotal	17,256,032	423,287	35,856,057	18,748,244	30,000,000	338,433,108	210,664,470
Total	₩ 194,325,248	1,794,443	131,837,581	18,876,526	30,000,000	604,943,808	318,487,121

(*1) Although the entities are not related parties under K-IFRS No.1024, the entities are considered to be part of the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act and overseas affiliates.

(*2) Trade receivables include receivables from consumer sales.

(*3) Other borrowings are from Lotte Capital including the 14th unguaranteed unsecured hybrid securities of ₩ 30,000,000 thousand, issued by the subsidiary, Lotte Cultureworks Co., Ltd.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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As of December 31, 2024 and 2023

40. Related Party Transactions, continued

(d) Account balances with related parties as of December 31, 2024 and 2023 are summarized as follows:, continued

(in thousands of Korean won)

Name of related parties	2023						
	Receivables			Payables			
	Trade receivables	Financial lease receivables	Other receivables	Trade payables	Borrowings	Lease liabilities	Other payables
Shareholders:							
Lotte Corporation	₩ 5,500	-	911,835	-	-	29,721,204	3,183,663
Hotel Lotte Co., Ltd.	939,827	-	75,432,847	-	-	223,165,209	26,261,139
Hotel Lotte Pusan Co., Ltd.	-	-	17,165,731	-	-	17,247,069	3,032,178
Subtotal	945,327	-	93,510,413	-	-	270,133,482	32,476,980
Associates and joint ventures:							
FRL Korea Co., Ltd.	1,864,040	-	84	-	-	-	12,656,254
Zara Retail Korea Co.,Ltd	-	-	-	-	-	-	5,620,264
LOTTE CARD Co.,Ltd. (*2)	152,780,072	-	3,621,817	-	-	-	34,219,962
HANSSEM CO., LTD	507,922	7,649,210	-	124,051	-	-	6,855,197
Others	494,133	-	1,684,202	819,624	-	61,432,564	7,079,617
Subtotal	155,646,167	7,649,210	5,306,103	943,675	-	61,432,564	66,431,294
Others (*1):							
Lotte Engineering & Construction Co., Ltd.	5,504	-	71,758	-	-	1,462,449	56,391,072
Lotte Well food Co.,Ltd.(formerly, Lotte Confectionery Co., Ltd.)	1,123,285	-	1,381,326	9,940,222	-	619,892	21,756,035
Lotte Chilsung Beverage Co., Ltd.	239,451	-	182,039	4,065,664	-	-	11,225,321
Lotte Data Communication Company	-	3,164,923	1,409,846	-	-	3,805,464	37,526,577
DAEHONG COMMUNICATIONS INC.	1,241,483	-	30,160	-	-	-	8,408,853
Lotte Station B/D Co., Ltd.	3,121,444	-	12,934,084	-	-	5,339,278	7,188,187
Lotte GRS Co., Ltd.	457,192	901,796	305,173	170,130	-	-	5,271,584
Lotte International Co., Ltd.	876	-	11	3,287,113	-	-	68,508
LOTTE ALUMINIUM CO., LTD.	11,718	-	3,495	218,988	-	-	572,140
Lotte Global Logistics Co., Ltd.	431,638	-	1,276,704	-	-	10,477,591	28,605,082
Korea Fuji Film Co., Ltd.	14,216	-	66	10,137	-	-	644,058
LOTTE Property & Development	3,083,789	-	10,280,526	-	-	355,955,057	7,496,712
LOTTE ASSET DEVELOPMENT CO., LTD	-	-	-	-	-	-	23,001
Others (*3)	12,361,205	43,323	16,816,418	1,705,285	83,952,430	10,143,265	32,042,790
Subtotal	22,091,801	4,110,042	44,691,606	19,397,539	83,952,430	387,802,996	217,219,920
Total	₩ 178,683,295	11,759,252	143,508,122	20,341,214	83,952,430	719,369,042	316,128,194

(*1) Although the entities are not related parties under K-IFRS No.1024, the entities are considered to be part of the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act and overseas affiliates.

(*2) Trade receivables include receivables from consumer sales.

(*3) Other borrowings are from Lotte Capital including the tenth unguaranteed private bond of ₩ 10,000,000 thousand, facility rental agreement asset backed loans of ₩ 1,772,943 thousand, the 14th unguaranteed unsecured hybrid securities of ₩ 10,000,000 thousand, issued by the subsidiary, Lotte Cultureworks Co., Ltd. and borrowings of ₩ 40,000,000 thousand and ₩ 22,179,487 thousand, respectively generated via S-Bright Dongtan and Suwon Landmark the 4th.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2024 and 2023

40. Related Party Transactions, continued

- (e) The amount of financial lease payment receivable collected and lease liability paid for the year ended December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	
Name of related parties		Collection of financial lease receivable (*2)	Payment of lease liabilities (*3)
Shareholders:			
Lotte Corporation	₩	-	2,396,474
Hotel Lotte Co., Ltd.		-	86,602,090
Hotel Lotte Pusan Co., Ltd.		-	13,939,064
Subtotal		-	102,937,628
Associates:			
Lotte Card Co, Ltd.		44,316	-
HANSSEM CO., LTD		871,346	-
Others		-	5,253,511
Subtotal		915,662	5,253,511
Others (*1):			
LOTTE Property & Development		-	58,063,778
Lotte Station B/D Co., Ltd.		-	2,601,974
Korea Seven Co., Ltd.		-	3,860,567
Lotte Engineering & Construction Co., Ltd.		-	363,479
LOTTE INNOVATE Co., Ltd.(formerly, Lotte Data Communication Company)		295,305	3,465,650
Others		177,362	7,088,650
Subtotal		472,667	75,444,098
Total	₩	1,388,329	183,635,237

(*1) Although the entities are not related parties under K-IFRS No.1024, the entities are considered to be part of the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act and overseas affiliates.

(*2) Includes interest income received for financial lease receivables.

(*3) Includes interest expense paid for lease liabilities.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2024 and 2023

40. Related Party Transactions, continued

- (e) The amount of financial lease payment receivable collected and lease liability paid for the year ended December 31, 2024 and 2023 are as follows:, continued

<i>(in thousands of Korean won)</i>		2023	
Name of related parties		Collection of financial lease receivable (*2)	Payment of lease liabilities (*3)
Shareholders:			
Lotte Corporation	₩	-	9,251,950
Hotel Lotte Co., Ltd.		-	81,896,767
Hotel Lotte Pusan Co., Ltd.		-	13,681,731
Subtotal		-	104,830,448
Associates:			
Lotte Card Co, Ltd.		53,448	-
HANSSEM CO., LTD		2,254,384	-
Others		319,366	11,627,782
Subtotal		2,627,198	11,627,782
Others (*1):			
LOTTE Property & Development		-	58,045,384
Lotte Station B/D Co., Ltd.		-	2,375,529
Korea Seven Co., Ltd.		-	3,262,854
Korea Fuji Film Co., Ltd.		3,601	-
Lotte Engineering & Construction Co., Ltd.		-	350,658
Lotte Data Communication Company		466,347	3,624,715
Others		369,053	8,363,114
Subtotal		839,001	76,022,254
Total	₩	3,466,199	192,480,484

(*1) Although the entities are not related parties under K-IFRS No.1024, the entities are considered to be part of the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act and overseas affiliates.

(*2) Includes interest income received for financial lease receivables.

(*3) Includes interest expense paid for lease liabilities.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2024 and 2023

40. Related Party Transactions, continued

- (f) Details of payment guarantees and collateral provided by the Group for the financial supports to related parties as of December 31, 2024 are as follows. No collateral or payment guarantees are provided by related parties:

(in USD)

Name of company	Guaranteed by	Guaranteed amount	Guarantee period	Remarks
Joint ventures				
International Business Center Company Limited	Shinhan Bank	USD 3,000,000	April 2, 2024~ April 1, 2025	Payment guarantee for financing
	KEB Hana Bank	USD 3,000,000	April 4, 2024~ April 3, 2025	
Lotte Entertainment Vietnam Co, Ltd.	Shinhan Bank	USD 3,060,000	October 4, 2024~ September 26, 2025	

- (g) Details of purchase card transactions with Lotte Card Co., Ltd. as of December 31, 2024 are as follows:

(in thousands of Korean won)

Classification	Name of corporation		Contractual amount	Used amount	Repayment	Outstanding balance
In the perspective of user	LOTTE SHOPPING CO.,LTD.	₩	290,000,000	2,333,797,945	2,340,846,848	-
	LOTTE Himart Co., Ltd.		150,000,000	973,205,746	973,205,746	-
	Lotte Cultureworks Co., Ltd.		20,000,000	16,015,677	16,782,681	3,065,156

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

41. Risk Management

(a) Management of financial risks

(i) Objectives and policies of the Group

Risk management activities of the Group identify credit risk, liquidity risk, market risk and any other potential risks that may affect the Group's financial performance to reduce, eliminate and avoid the potential risk to a tolerable level. The management of the risk level will support a stable and consistent business performance, contributing to strengthening the Group's competitiveness by reducing finance costs through the improvement of the financial structure and efficiency of capital operations.

The Group has established risk management policies In an Integrated perspective to implement the financial risk management system and is complying with the risk management policies and procedures by performing strict controls and reviews by management.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group which may occur if a customer or counterparty to a financial instrument fails to meet its contractual obligations during ordinary transaction or investment activity.

Most of the Group's profit is generated from individual customers who carry low credit risk. Furthermore, the Group deposits cash and cash equivalents and short-term financial instruments with financial institutions with high credit ratings, limiting the Group's exposure to credit risk.

① Exposure to credit risk

The book value of financial assets represents the maximum exposure to credit risk. The Group's maximum exposure to credit risk as of December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Cash equivalents (*1)	₩	1,539,525,050	1,565,693,833
Trade and other receivables		784,272,660	1,100,544,476
Other financial assets (current)		1,418,383,509	1,392,954,692
Other financial assets (non-current) (*2)		1,220,521,538	1,189,889,098
Total	₩	4,962,702,757	5,249,082,099

(*1) Cash held by the Group is excluded as there is no exposure to credit risk.

(*2) Equity instruments at fair value through other comprehensive income are excluded as there is no exposure to credit risk.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2024 and 2023

41. Risk Management, continued

(a) Management of financial risks, continued

(ii) Credit risk, continued

② Credit risk exposure for overdue and impairment of financial assets

Aging and impairment of financial assets as of December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

	2024			2023		
	Total carrying amount	Probability of default (%)	Allowance for doubtful accounts	Total carrying amount	Probability of default (%)	Allowance for doubtful accounts
Trade and other receivables						
Not due	₩ 782,691,310	1.98%	₩ 15,512,962	₩ 1,071,131,681	0.18%	₩ 1,917,205
0 ~ 3 months overdue	10,335,196	11.31%	1,168,829	22,629,792	2.14%	484,762
3 ~ 6 months overdue	11,109,050	58.24%	6,469,685	3,012,375	18.47%	556,418
6 ~ 9 months overdue	1,848,885	76.43%	1,413,040	1,841,826	11.52%	212,229
9 ~ 12 months overdue	1,588,862	81.15%	1,289,431	2,334,498	43.27%	1,010,122
12 ~ 15 months overdue	1,057,095	98.96%	1,046,125	2,961,520	10.60%	313,795
More than 15 months overdue	<u>53,780,258</u>	<u>95.27%</u>	<u>51,237,924</u>	<u>25,644,318</u>	<u>95.60%</u>	<u>24,517,002</u>
Subtotal	862,410,656		78,137,996	1,129,556,010		29,011,533
Other financial assets (current)						
Not due	1,420,361,510	0.14%	1,978,000	1,394,932,692	0.14%	1,978,000
15 months overdue	-	-	-	-	-	-
Subtotal	1,420,361,510		1,978,000	1,394,932,692		1,978,000
Other financial assets (non-current)						
Not due	1,220,521,538	-	-	1,189,889,098	-	-
More than 15 months overdue	<u>1,567,302</u>	<u>100.00%</u>	<u>1,567,302</u>	<u>1,678,190</u>	<u>100.00%</u>	<u>1,678,190</u>
Subtotal	<u>1,222,088,840</u>		<u>1,567,302</u>	<u>1,191,567,288</u>		<u>1,678,190</u>

Changes in the allowance for doubtful accounts for trade and other receivables for the years ended December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

	2024	2023
Beginning balance	₩ 29,011,533	38,769,781
Provision (Reversal)	55,021,060	(6,634,650)
Write-off	(6,474,530)	(3,113,999)
Collection of write-off	450	105
Others	<u>579,483</u>	<u>(9,704)</u>
Ending balance	₩ <u>78,137,996</u>	<u>29,011,533</u>

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES **Notes to the Consolidated Financial Statements** **As of December 31, 2024 and 2023**

41. Risk Management, continued

(a) Management of financial risks, continued

(ii) Credit risk, continued

② Credit risk exposure for overdue and impairment of financial assets, continued

Changes in the allowance for doubtful accounts for other financial assets (current) for the years ended December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		<u>2024</u>	<u>2023</u>
Beginning Balance	₩	1,978,000	1,899,978
Provision		-	112,000
Write-off		-	(33,978)
Ending balance	₩	<u>1,978,000</u>	<u>1,978,000</u>

Changes in the allowance for doubtful accounts for other financial assets (non-current) for the years ended December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		<u>2024</u>	<u>2023</u>
Beginning Balance	₩	1,678,190	2,678,190
Reversal		(35,888)	-
Write-off		(75,000)	(1,000,000)
Ending balance	₩	<u>1,567,302</u>	<u>1,678,190</u>

③ Payment guarantees

As of December 31, 2024, the Group has provided financial guarantees to associates and joint ventures amounting to ₩ 13,318,200 thousand.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities, requiring settlement by cash or other financial assets, due to an adverse managerial or external environment.

The Group predicts and responds to potential liquidity risk in a timely manner through consistently analyzing the schedule of cash flows and establishing short and long-term capital management plans to systematically manage liquidity risk.

Furthermore, the Group deposits a reasonable amount with financial institutions with high credit ratings to make provisions for potential liquidity risks. The Group maintains a credit line for overdraft and general loans with various financial institutions and is able to raise funds through domestic and foreign financial markets based on high credit ratings. The management of the Group believes that it is possible to redeem liabilities using cash flows from operating activities and cash in-flow from financial assets.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

41. Risk Management, continued

(a) Management of financial risks, continued

(iii) Liquidity risk, continued

Maturities of financial liability agreements as of December 31, 2024 are as follows:

(in thousands of Korean won)

		2024				
	Book Value	3 months or less	3 ~ 6 months	6 months ~ 1 year	More than 1 year	Contractual Cash Flow
Trade payables and other payables ₩	2,516,177,452	2,508,233,653	1,407,800	4,851,712	1,707,804	2,516,200,969
Borrowings and debentures (*1,2)	10,420,265,391	1,970,588,876	854,395,582	1,937,879,943	7,461,207,808	12,224,072,209
Lease liabilities	4,345,231,536	190,142,918	205,844,351	374,954,715	4,566,664,042	5,337,606,026
Other financial liabilities	634,719,952	448,504,043	51,320,511	28,796,138	3,541,068,387	4,069,689,079
Financial guarantee contract (*2)	26,073	13,318,200	-	-	-	13,318,200
Total ₩	17,916,420,404	5,130,787,690	1,112,968,244	2,346,482,508	15,570,648,041	24,160,886,483

(*1) Includes interest expenses.

(*2) Benefit of time may be forfeited if the Group fails to comply with the clause in agreements related to borrowings and debentures (maintenance of financial ratio and credit rating, etc.).

The Group does not expect that the cash flows included in the maturity analysis will vary significantly in terms of timing and amount.

(iv) Market risk

Market risk is the risk that fair values of financial instruments and future cash flow will vary due to uncertainties in market prices. The objective of market risk management is to manage and control market risk exposures within tolerable levels, while optimizing the Group's profits.

The Group buys and sells various derivatives to manage market risks. All such transactions are carried out under strict supervision of the internal management, and generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

① Currency risk

The Group is exposed to currency risk on assets and liabilities that are denominated in currencies other than Korean won, the functional currency of the Group. Major currencies which generate exchange positions include USD, CNY and others. The objective of exchange risk management is to maintain stable financial activities by minimizing uncertainties from changes in exchange rates and profit and loss fluctuations. Foreign currency trade for speculation is strictly prohibited.

The Group hedges currency risks of foreign currency-denominated borrowings and debentures through currency swap transactions with financial institutions. The Group enters into forward exchange contracts with major financial institutions to avoid the risks of exchange rate fluctuations for the use of foreign currency funds.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2024 and 2023

41. Risk Management, continued

(a) Management of financial risks, continued

(iv) Market risk, continued

① Currency risk, continued

Monetary assets and liabilities denominated in foreign currencies other than the Group's functional currency as of December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

		2024		2023	
		Assets	Liabilities	Assets	Liabilities
USD	₩	2,908,990	2,149,414,438	166,244,935	1,668,224,689
EUR		109,426	4,381,011	7,760	4,752,874
JPY		-	183,828	-	71
GBP		-	-	-	47,631
CNY		4,018,272	-	3,651,188	-
CAD		-	630,820	-	1,559,394
TWD		27	-	-	-
Total	₩	<u>7,036,715</u>	<u>2,154,610,097</u>	<u>169,903,883</u>	<u>1,674,584,659</u>

The exchange rates applied for the years ended December 31, 2024 and 2023 are as follows:

(in Korean won)

		Average rate		Closing rate	
		2024	2023	2024	2023
USD	₩	1,363.98	1,305.41	1,470.00	1,289.40
EUR		1,475.05	1,412.36	1,528.73	1,426.59
JPY		9.0036	9.3124	9.3648	9.1266
GBP		1,742.68	1,624.19	1,843.67	1,641.79
HKD		174.81	166.75	189.30	165.06
CNY		189.20	184.22	201.27	180.84
CAD		995.49	967.38	1,023.96	974.64
AUD		899.64	867.29	913.68	880.08
TWD		42.48	41.92	44.81	41.98

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

41. Risk Management, continued

(a) Management of financial risks, continued

(iv) Market risk, continued

① Currency risk, continued

The Group regularly measures exchange risks on Korean won against foreign currency fluctuations. Assuming all other variables are constant, sensitivity analysis of income before taxes for 10% fluctuations in each foreign currency exchange rate is as follows. Borrowings and debentures with currency swaps are not included as currency risk is hedged.

(in thousands of Korean won)		2024		2023	
		10% increase	10% decrease	10% increase	10% decrease
USD	₩	(888,364)	888,364	14,847,184	(14,847,184)
EUR		(427,158)	427,158	(474,512)	474,512
JPY		(18,383)	18,383	(7)	7
GBP		-	-	(4,763)	4,763
CNY		401,827	(401,827)	365,119	(365,119)
CAD		(63,082)	63,082	(155,939)	155,939
TWD		3	(3)	-	-
Total	₩	(995,157)	995,157	14,577,082	(14,577,082)

The above sensitivity analysis is related to the Group's monetary assets and liabilities, denominated in a currency other than the Group's functional currency, as of December 31, 2024.

② Interest rate risk

Interest rate risk is the risk of changes in interest income and expense from deposits and borrowings due to fluctuations in the market interest rate. Interest rate risk of the Group arises from variable interest rate financial instruments and borrowings. The purpose of interest rate risk management is to minimize value fluctuation of financial assets and liabilities from uncertainties caused by changes in interest rates.

The Group makes interest swap transactions with financial institutions for hedging interest rate risk of variable borrowings and debentures.

The book value of the Group's variable interest-bearing financial instruments as of December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)		2024	2023
Financial assets	₩	26,838,212	64,495,820
Financial liabilities		3,691,473,461	2,732,567,854

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2024 and 2023

41. Risk Management, continued

(a) Management of financial risks, continued

(iv) Market risk, continued

② Interest rate risk, continued

The table below summarizes the impact of changes in interest rates on deposits and borrowings with floating interest rate on the Group's interest income and expense that would be incurred in relation to the deposits and borrowings for the years ended December 31, 2024 and 2023. The analysis is based on the assumption that the interest rate has increased or decreased by 100 basis points with all other variables held constant. Borrowings and debentures for which the Group has entered into interest rate swap transactions are not included.

(in thousands of Korean won)		2024		2023	
		100bps increase	100bps decrease	100bps increase	100bps decrease
Interest income	₩	268,382	(268,382)	644,958	(644,958)
Interest expenses		21,387,903	(21,387,903)	16,005,836	(16,005,836)

③ Price risk

The Group is exposed to fluctuations of price in equity instrument at fair value through other comprehensive income. The book value of the marketable equity instrument at fair value through other comprehensive income as of December 31, 2024 and 2023 are ₩ 443,740,998 thousand and ₩ 486,023,930 thousand, respectively. Assuming that other variables are constant, 10% fluctuation of the prices of the equity instruments will affect other comprehensive income in 2024 and 2023 by ₩44,374,100 thousand and ₩ 48,602,393 thousand, respectively.

(b) Capital Management

The objective of the Group's capital management is maximization of shareholders' profits by maintaining an appropriate capital structure. The Group makes necessary improvements to the capital structure through monthly monitoring of financial ratios such as liabilities to equity ratios and net borrowings to equity ratios to achieve an optimal capital structure.

The liabilities to equity ratios and net borrowings to equity ratios as of December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)		2024	2023
Liabilities (A)	₩	21,969,427,279	19,808,248,978
Equity (B)		17,033,617,306	10,836,449,719
Deposits (C)		2,548,744,669	2,568,408,423
Borrowings (D)		10,420,265,391	9,412,200,985
Liabilities to equity ratio (A/B)		128.98%	182.79%
Net borrowings to equity ratio ((D-C)/B)		46.21%	63.16%

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2024 and 2023

42. Lease

(a) Amount recognized in the consolidated statement of financial position

Details of leases recognized in the consolidated statement of financial position as of December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Right-of-use assets:			
Land	₩	695,386,875	792,408,284
Buildings		2,364,959,749	2,784,043,092
Vehicles		2,593,243	3,151,877
Others		46,015,875	53,400,996
Total		<u>3,108,955,742</u>	<u>3,633,004,249</u>
Investment property		191,211,828	279,973,452
Financial Lease receivables:			
Current		11,005,582	22,199,585
Non-current		38,954,772	70,725,878
Total		<u>49,960,354</u>	<u>92,925,463</u>
Lease liabilities:			
Current		751,239,722	672,388,914
Non-current		3,593,991,814	4,173,403,498
Total	₩	<u>4,345,231,536</u>	<u>4,845,792,412</u>

(b) Amount recognized in the consolidated statement of comprehensive income (loss)

Details of leases recognized in the consolidated statement of comprehensive income (loss) for the years ending December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Depreciation expense on right-of-use assets			
Land and buildings	₩	492,518,809	490,624,043
Vehicles		2,002,424	2,035,862
Others		9,773,937	8,449,139
Total	₩	<u>504,295,170</u>	<u>501,109,044</u>
Depreciation expense on investment properties	₩	12,676,153	25,943,392
Interest expenses on lease liabilities		189,940,168	204,019,854
Interest income on financial lease receivables		3,371,471	4,028,563
Leases of low-value assets and short-term leases, etc.		100,935,230	117,724,514
Impairment loss on right-of-use assets		322,135,726	106,274,257

Total cash outflow for leases for the year ended December 31, 2024 and 2023 are ₩ 820,394,962 thousand and ₩ 772,495,501 thousand.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2024 and 2023

42. Lease, continued

(c) Changes in right-of-use assets for the years ending December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Beginning balance	₩	3,633,004,249	4,059,086,448
Acquisition of right-of-use assets		46,703,820	84,232,841
Depreciation expenses		(504,295,170)	(501,109,044)
Impairment loss on right-of-use assets		(322,135,726)	(106,274,257)
Others (*)		255,678,569	97,068,261
Ending balance	₩	3,108,955,742	3,633,004,249

(*) Others include lease contract modification and termination, investment in properties, sub-lease replacement, etc.

(d) The contractual maturity of lease liabilities as of December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

		2024					
		Less than 6 months	6 months~ 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Total minimum lease payments	₩	395,987,270	374,954,715	691,431,411	1,710,580,028	2,164,652,602	5,337,606,026
Net minimum lease payments		385,789,169	365,450,553	578,143,601	1,389,882,397	1,625,965,816	4,345,231,536

(in thousands of Korean won)

		2023					
		Less than 6 months	6 months~ 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Total minimum lease payments	₩	348,784,792	345,106,922	712,266,882	1,832,794,034	2,778,076,460	6,017,029,090
Net minimum lease payments		337,379,885	335,009,029	596,464,602	1,502,982,669	2,073,956,227	4,845,792,412

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2024 and 2023

42. Lease, continued

(e) The contractual maturity of financial lease receivables as of December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

		2024				
		Less than 6 months	6 months~ 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years
Total minimum lease payments	₩	8,410,693	6,321,198	13,225,182	22,457,855	7,970,366
Net minimum lease payments		6,510,869	4,580,470	11,750,869	20,228,291	7,212,283
		Total				
		58,385,294				

(in thousands of Korean won)

		2023				
		Less than 6 months	6 months~ 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years
Total minimum lease payments	₩	13,493,890	10,445,937	28,246,906	37,352,145	17,556,949
Net minimum lease payments		12,609,399	9,892,899	24,929,180	32,160,392	13,958,036
		Total				
		107,095,827				

(f) Operating lease

The Group has operating lease agreements to lease property, plant and equipment. The collection plan of lease receivables related to the operating lease contracts as of December 31, 2024 and 2023 are as follows:

		2024	2023
Within 1 year	₩	101,137,003	100,033,087
Within 1 ~ 2 years		45,405,261	53,106,835
Within 2 ~ 3 years		35,229,441	35,458,632
Within 3 ~ 4 years		25,680,209	29,256,992
Within 4 ~ 5 years		15,487,723	17,143,687
Over 5 years		15,247,874	13,048,392
Total(*)	₩	238,187,511	248,047,625

(*) Variable lease payments due to changes in sales are not included.

The lease income related to the operating lease recognized by the Group during 2024 and 2023 are ₩ 1,621,344,768 thousand and ₩ 1,611,378,150 thousand respectively.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES **Notes to the Consolidated Financial Statements** **As of December 31, 2024 and 2023**

43. Business combinations

The group entered into a transfer agreement for the acquisition of shares in Mirae Castle Co., Ltd. and FL Jeju Nohyung General Private Real Estate Investment Trust No. 3 Income Certificates on December 21, 2023, and completed the acquisition on January 10, 2024. The details are as follows.

(a) Identifiable net assets

(in thousands of Korean won)

		2024
Cash and cash equivalents	₩	315,284
Property, plant, and equipment		151,136,714
Other assets		126,744
Borrowings		(65,018,800)
Other liabilities		(5,811,973)
Identifiable net assets of the controlling interest		<u>80,747,969</u>

The identifiable net assets from the business combination amount to ₩ 81,854,105 thousand, and the non-controlling interest amounts to ₩ 1,106,136 thousand.

(b) Bargain purchase gain

(in thousands of Korean won)

		2024
Total consideration transferred	₩	53,578,000
Fair value of net assets		80,747,969
Bargain purchase gain		<u>(27,169,969)</u>

44. Subsequent events

- (a) According to the resolution of the board of directors on December 12, 2024, the Group merged Lotte Incheon Town Co., Ltd., a subsidiary, as of February 18, 2025.
- (b) The group transferred the Lotte Mobile Gift Certificate and Lotte Mobile Coupon business to Lotte Members Co., Ltd. as of January 31, 2025.
- (c) The group resolved a paid-in capital increase of \$ 313,208,117 for LOTTE PROPERTIES (CHENGDU) HK LIMITED at the Board of Directors meeting on July 25, 2024, and completed a paid-in capital increase of \$ 212,323,441 as of March 4, 2025.

Independent Auditor's Report on Internal Control over Financial Reporting for Consolidation Purposes

Based on a report originally issued in Korean

To the Shareholders and Board of Directors of

LOTTE SHOPPING CO., LTD.

Opinion on Internal Control over Financial Reporting for Consolidation Purposes

We have audited LOTTE SHOPPING CO., LTD. and its subsidiaries ("the Group")' internal control over financial reporting ("ICFR") for consolidation purposes as of December 31, 2024 based on the criteria established in the Conceptual Framework for Designing and Operating ICFR ("ICFR Design and Operation Framework") issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea (the "ICFR Committee").

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting for consolidation purposes as of December 31, 2024, based on ICFR Design and Operation Framework.

We also have audited, in accordance with Korean Standards on Auditing (KSAs), the consolidated financial statements of the Group, which comprise the consolidated statements of financial position as of December 31, 2024 the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising material accounting policy information and other explanatory information, and our report dated March 14, 2025 expressed an unmodified opinion on those consolidated financial statements.

Basis for Opinion on Internal Control over Financial Reporting for Consolidation Purposes

We conducted our audit in accordance with KSAs. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting for Consolidation Purposes section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control over financial reporting in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Internal Control over Financial Reporting for Consolidation Purposes

The Group's management is responsible for designing, operating and maintaining effective internal control over financial reporting for consolidation purposes and for its assessment of the effectiveness of internal control over financial reporting for consolidation purposes, included in the accompanying ICFR Operating Status Report for Consolidation Purposes.

Those charged with governance are responsible for overseeing the Group's internal control over financial reporting for consolidation purposes.

Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting for Consolidation Purposes

Our responsibility is to express an opinion on the Group's internal control over financial reporting for consolidation purposes based on our audit. We conducted our audit in accordance with KSAs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting for consolidation purposes was maintained in all material respects.

Our audit of internal control over financial reporting for consolidation purposes included obtaining an understanding of internal control over financial reporting for consolidation purposes, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk.



Definition and Limitations of Internal Control over Financial Reporting for Consolidation Purposes

A company's internal control over financial reporting for consolidation purposes is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with Korean International Financial Reporting Standards ("K-IFRS"). A company's internal control over financial reporting for consolidation purposes includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Group; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with K-IFRS, and that receipts and expenditures of the Group are being made only in accordance with authorizations of management and directors of the Group; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Group's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting for consolidation purposes may not prevent or detect material misstatements in the consolidated financial statements. 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.

The engagement partner on the audit resulting in this independent auditors' report is Si Woo Kim.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 14, 2025

This report is effective as of March 14, 2025, 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 internal control over financial reporting for consolidation purposes. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

ICFR Operating Status Report for Consolidation Purposes

To the Shareholders, Board of Directors, and Audit Committee of LOTTE SHOPPING CO.,LTD.

We, as the Chief Executive Officer and the Internal Accounting Manager of LOTTE SHOPPING CO.,LTD. (“the Company”), assessed operating status of the Company’s Internal Control over Financial Reporting (“ICFR”) for consolidation purposes for the year ending December 31, 2024.

Design and operation of the ICFR for consolidation purposes is the responsibility of the Company’s management, including the Chief Executive Officer and the Internal Accounting Manager (collectively, “We”, “Our” or “Us”).

We evaluated whether the Company effectively designed and operated its ICFR for consolidation purposes to prevent and detect errors or frauds which may cause a misstatement in the consolidated financial statements to ensure preparation and disclosure of reliable financial information.

We used the ‘Conceptual Framework for Designing and Operating Internal Control over Financial Reporting’ issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea (the “ICFR Committee”) as the criteria for design and operation of the Company’s ICFR for consolidation purposes. And we conducted an evaluation of the ICFR for consolidation purposes based on the ‘Management Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting’ issued by the ICFR Committee.

Based on our assessment, we concluded that the Company’s ICFR for consolidation purposes is designed and operated effectively as of December 31, 2024, in all material respects, in accordance with the ‘Conceptual Framework for Designing and Operating Internal Control over Financial Reporting’.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statements which might cause material misunderstandings of the readers, and we have reviewed and verified this report with sufficient care.

February 3th, 2025

Kim Sang Hyun (Signature)

Chief Executive Officer

Kim Won Jae (Signature)

Internal Accounting Manager

English translation of report originally issued in Korean