

LOTTE SHOPPING CO., LTD.

**Separate 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 separate financial statements of LOTTE SHOPPING CO., LTD. ("the Company"), which comprise the separate statement of financial position as of December 31, 2024 and 2023, the separate 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 separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2024 and 2023, and its separate financial performance and its separate 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 Company's Internal Control over Financial Reporting ("ICFR") 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 Company's internal control over financial reporting.

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 Separate Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the separate 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 separate financial statements as of and for the year ended December 31, 2024. These matters were addressed in the context of our audit of the separate 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 investment in subsidiaries impairment in the LOTTE Himart Co., Ltd

As described in Note 13 to the separate financial statements, as of December 31, 2024, the carrying amount of investment in subsidiaries of LOTTE Himart Co., Ltd in the separate statements of financial position of the Company is ₩635,170 million. Also, the impairment loss of ₩243,990 million is recognized for the year ended December 31, 2024.

The Company reviews at the end of each reporting period on whether there are any indicators of impairment regarding the investment in subsidiaries, and has performed impairment test on investment in subsidiaries for which indicators of impairment were identified by estimating the recoverable amount of the respective investment in subsidiaries. When the recoverable amount is less than the carrying amount, the difference between those amounts has been recognized as impairment loss. In estimating the recoverable amount, management's judgment is involved in determining the key assumptions such as sales growth rate, discount rate, and terminal growth rate that have a significant impact on the estimated recoverable amount. Considering significant degree of judgment in estimating recoverable amount, we identified assessment of investment in subsidiaries impairment in the LOTTE Himart Co., Ltd as a key audit matter.

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

- We understood the Company's impairment assessment process for each investment in subsidiary, and tested the design and operating effectiveness of the management review controls related to impairment assessment;
- We assessed the basis of management's judgment to identify the indicators of impairment on investment in subsidiary and evaluated whether such basis is in compliance with the Company's accounting policy;
- We compared the forecast estimated in prior year with current year's actual performance to assess the Company's ability to accurately forecast;
- We assessed the competence, qualification and objectivity of external experts engaged by the Company to assess recoverable amount of investment in subsidiaries;
- 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 Company's forecast 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 Company.

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

As described in Note 2 to the separate financial statements, the Company 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 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 ₩7,886,084 million, amounted to ₩12,062 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 Company's land revaluation process and tested the design and operating effectiveness of the management review controls related to land re-valuation;
- We assessed the competence, qualification and objectivity of external experts engaged by the Company 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 separate financial statements may differ from those generally accepted and applied in other countries.

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

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

In preparing the separate financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 separate 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 Company'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 separate 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separated financial statements, including the disclosures, and whether the separated financial statements represent the underlying transactions



and events in a manner that achieves fair presentation.

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 separated 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 separate 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.
Separate Statements of Financial Position
As of December 31, 2024 and 2023

(In Korean won)	Notes	2024	2023
Assets			
Current assets			
Cash and cash equivalents	6,7,35,40 ₩	1,013,653,403,995	1,006,072,435,019
Trade and other receivables	5,7,38,40	474,144,629,713	716,668,746,171
Other financial assets	6,7,23,40	394,393,059,739	383,397,184,459
Inventories	8	416,585,055,764	429,430,347,015
Income tax refund receivables	34	8,765,087,423	-
Other non-financial assets	9	26,585,622,048	65,220,638,443
Assets held for sale	10	177,763,576,968	20,379,149,566
		<u>2,511,890,435,650</u>	<u>2,621,168,500,673</u>
Non-current assets			
Other receivables	5,7	41,390,169,799	107,717,243,779
Investments in subsidiaries, associates and joint ventures	11,12,13,38	3,528,685,017,381	3,833,927,114,968
Other financial assets	6,7,23,40	1,213,488,389,862	1,097,843,431,161
Property, plant and equipment, net	14	19,337,106,229,254	11,281,416,471,603
Right-of-use assets	14,39	2,360,615,900,173	2,840,945,008,654
Investment property, net	15	1,471,385,195,778	1,337,017,897,934
Goodwill	16	34,605,394,978	111,341,594,859
Intangible assets, net	16	53,190,355,210	39,457,440,938
Deferred tax assets	34	-	50,282,008,038
Other non-financial assets	9	2,089,357,018	1,974,094,209
Defined benefit assets	22	50,808,693,969	116,215,238,400
		<u>28,093,364,703,422</u>	<u>20,818,137,544,543</u>
Total assets	₩	<u>30,605,255,139,072</u>	<u>23,439,306,045,216</u>

See accompanying notes to the separate financial statements.

LOTTE SHOPPING CO.,LTD.
Separate 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	7,18,40	₩ 1,706,898,739,226	2,588,205,453,079
Trade and other payables	7,17,40	1,993,006,403,462	2,068,536,921,964
Other financial liabilities	7,23,40	492,145,168,926	499,833,430,122
Lease liabilities	7,39	724,603,744,257	694,704,187,399
Current tax liabilities	34	-	176,541,154
Unearned revenues	19	200,259,318,234	202,497,201,618
Provisions	20	8,619,545,907	13,743,547,525
Other non-financial liabilities	21	1,098,924,057,217	1,223,913,299,321
Liabilities held for sale	10	92,246,101,937	-
		<u>6,316,703,079,166</u>	<u>7,291,610,582,182</u>
Non-current liabilities			
Borrowings and debentures, net of issuance costs	7,18,40	4,304,502,038,146	2,759,903,577,872
Other payables	7,17	1,707,804,250	2,823,028,823
Other financial liabilities	7,23,40	74,602,743,140	94,064,733,257
Lease liabilities	7,39	3,422,187,277,638	3,685,520,248,721
Other long-term employee benefits	22	23,718,837,189	21,422,154,088
Deferred tax liabilities	34	1,948,857,098,476	-
Unearned revenues	19	7,367,763,550	7,044,756,790
Provisions	20	153,409,559,054	148,326,110,371
		<u>9,936,353,121,443</u>	<u>6,719,104,609,922</u>
Total liabilities		<u>16,253,056,200,609</u>	<u>14,010,715,192,104</u>
Equity			
Share Capital	1,24	141,443,775,000	141,443,775,000
Capital Surplus	24	3,590,535,627,005	3,590,535,627,005
Capital adjustments	25	(2,861,143,072,226)	(2,856,562,337,456)
Retained earnings	26	7,744,469,660,731	8,648,747,850,984
Accumulated other comprehensive income (loss)	27	5,736,892,947,953	(95,574,062,421)
Total equity		<u>14,352,198,938,463</u>	<u>9,428,590,853,112</u>
Total liabilities and equity		₩ <u>30,605,255,139,072</u>	<u>23,439,306,045,216</u>

See accompanying notes to the separate financial statements.

LOTTE SHOPPING CO.,LTD.
Separate Statements of Comprehensive Income
For the years ended December 31, 2024 and 2023

(In Korean won)	Notes	2024	2023
Sales	29,38	₩ 8,413,294,214,738	8,648,595,514,393
Cost of sales	8,32,38	(3,712,752,554,673)	(3,873,372,901,306)
Gross profit		4,700,541,660,065	4,775,222,613,087
Selling, general and administrative expenses	30,32,38	(4,317,619,188,110)	(4,292,477,670,423)
Bad debt expense	30,32,40	(2,071,219,686)	(525,700,323)
Operating profit		380,851,252,269	482,219,242,341
Other income	31	147,792,618,174	194,695,418,785
Other expenses	31	(733,529,999,451)	(183,838,384,184)
Other bad debt recovery (expense)	31	(38,261,221,581)	9,004,237,157
Finance income - Interest income calculated using the effective interest method	33	79,010,561,827	91,131,007,270
Finance income - Others	33	350,830,129,791	234,116,851,835
Finance costs	33	(1,035,895,734,625)	(517,032,981,584)
Profit (Loss) before income tax		(849,202,393,596)	310,295,391,620
Income tax revenue	34	90,378,841,187	13,762,259,872
Profit (Loss) for the year		(758,823,552,409)	324,057,651,492
Other comprehensive income (loss)			
Items that will never be reclassified to profit or loss			
Remeasurements of net defined benefit liabilities		(48,227,398,220)	(97,553,614,423)
Fair value gain (loss) through other comprehensive income on equity instruments		29,815,728,486	6,856,639,788
Other comprehensive income on revaluation surplus		7,886,084,533,165	-
Income tax effect		(2,079,596,476,699)	24,182,149,128
Total items that will never be reclassified to profit or loss		5,788,076,386,732	(66,514,825,507)
Items that will be subsequently reclassified to profit or loss			
Fair value gain (loss) through other comprehensive income on debt instruments		117,325,650	201,401,726
Gain (loss) on valuations of derivatives		8,277,401,340	(4,131,169,008)
Income tax effect		(2,030,309,192)	681,306,541
Total items that will be subsequently reclassified to profit or loss		6,364,417,798	(3,248,460,741)
Other comprehensive income (loss) for the year, net of tax	27	5,794,440,804,530	(69,763,286,248)
Total comprehensive income (loss) for the year		5,035,617,252,121	254,294,365,244
Earnings (loss) per share	28		
Basic earnings (loss) per share		₩ (26,841)	11,463

See accompanying notes to the separate financial statements.

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

(In Korean won)		Share capital	Capital surplus	Capital adjustment	Retained earnings	Accumulated other comprehensive income(loss)	Total equity
Balance at January 1, 2023	₩	141,443,775,000	3,590,535,627,005	(2,856,562,337,456)	8,493,220,958,670	(101,048,423,351)	9,267,589,599,868
Comprehensive income (loss) for the year:							
Income for the year		-	-	-	324,057,651,492	-	324,057,651,492
Other comprehensive income (loss):							
Net change in equity instruments at fair value through other comprehensive income		-	-	-	-	8,722,821,671	8,722,821,671
Net change in debt instruments at fair value through other comprehensive income		-	-	-	-	158,914,182	158,914,182
Gain or loss on valuation of derivatives		-	-	-	-	(3,407,374,923)	(3,407,374,923)
Remeasurements of defined benefit liabilities		-	-	-	(75,237,647,178)	-	(75,237,647,178)
Subtotal		-	-	-	(75,237,647,178)	5,474,360,930	(69,763,286,248)
Total comprehensive income (loss) for the year		-	-	-	248,820,004,314	5,474,360,930	254,294,365,244
Transactions with owners of the Company recognized directly in equity:							
Dividends		-	-	-	(93,293,112,000)	-	(93,293,112,000)
Balance at December 31, 2023	₩	141,443,775,000	3,590,535,627,005	(2,856,562,337,456)	8,648,747,850,984	(95,574,062,421)	9,428,590,853,112

See accompanying notes to the separate financial statements.

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

(In Korean won)	Share capital	Capital surplus	Capital adjustment	Retained earnings	Accumulated other comprehensive income(loss)	Total equity
Balance at January 1, 2024	₩ 141,443,775,000	3,590,535,627,005	(2,856,562,337,456)	8,648,747,850,984	(95,574,062,421)	9,428,590,853,112
Comprehensive income (loss) for the year:						
Loss for the year	-	-	-	(758,823,552,409)	-	(758,823,552,409)
Other comprehensive income (loss):						
Net change in equity instruments at fair value through other comprehensive income	-	-	-	-	21,944,376,166	21,944,376,166
Net change in debt instruments at fair value through other comprehensive income	-	-	-	-	86,351,678	86,351,678
Other comprehensive income on revaluation surplus	-	-	-	-	5,804,158,216,410	5,804,158,216,410
Gain or loss on valuation of derivatives	-	-	-	-	6,278,066,120	6,278,066,120
Remeasurements of defined benefit liabilities	-	-	-	(38,026,205,844)	-	(38,026,205,844)
Subtotal	-	-	-	(38,026,205,844)	5,832,467,010,374	5,794,440,804,530
Total comprehensive income (loss) for the year	-	-	-	(796,849,758,253)	5,832,467,010,374	5,035,617,252,121
Transactions with owners of the Company recognized directly in equity:						
Changes due to business combination	-	-	(4,580,734,770)	-	-	(4,580,734,770)
Dividends	-	-	-	(107,428,432,000)	-	(107,428,432,000)
Balance at December 31, 2024	₩ 141,443,775,000	3,590,535,627,005	(2,861,143,072,226)	7,744,469,660,731	5,736,892,947,953	14,352,198,938,463

See accompanying notes to the separate financial statements.

LOTTE SHOPPING CO.,LTD.
Separate 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	₩	(758,823,552,409)	324,057,651,492
Adjustments	35	2,083,604,391,844	1,059,758,767,662
Changes in operating assets and liabilities	35	71,926,772,572	(232,697,606,210)
Income taxes refunded (paid)		(1,050,466,689)	58,144,118,893
Net cash provided by operating activities		1,395,657,145,318	1,209,262,931,837
Cash flows from investing activities			
Decrease of lease deposit		23,687,263,999	32,947,905,072
Decrease of short-term financial instruments		573,600,000,000	893,508,848,235
Decrease in short-term loans		2,661,295,415	6,898,168,380
Proceeds from sale of debt instruments at fair value through profit or loss		11,700,281,114	14,788,076,383
Proceeds from sale of debt instruments at fair value through other comprehensive income		693,309,084	388,493,532
Collection of long-term loans		-	343,350,000
Proceeds from sale of investment in subsidiaries, associates and joint ventures		12,224,528,888	7,318,085,124
Proceeds from disposal of property, plant and equipment		25,335,922,307	92,527,562,562
Proceeds from disposal of intangible assets		388,000	60,000
Proceeds from disposal of assets held for sale		82,938,141,270	9,897,154,815
Collection of financial lease receivables		12,477,302,519	41,715,052,794
Advances received		8,763,500,000	32,550,000,000
Cash inflows from settlement of derivatives		9,338,375,005	6,612,017,464
Cash inflow from business combination		16,436,945,743	-
Increase of lease deposit		(4,542,826,967)	(4,980,000,000)
Increase of short-term financial instruments		(578,100,000,000)	(444,600,000,000)
Increase in short-term loans		(2,817,647,352)	(2,020,448,350)
Purchase of long-term financial instruments		(362,969)	(10,000,000,000)
Purchase of equity instruments at fair value through other comprehensive income		(59,277,117,900)	-
Purchase of investments in subsidiaries, associates and joint ventures		(186,920,224,422)	(188,128,611,893)
Acquisition of property, plant, and equipment		(795,493,642,380)	(436,754,441,690)
Acquisition of intangible assets		(2,683,929,280)	(2,251,285,690)
Increase of advance payments		(4,000,000,000)	(40,584,950,000)
Interest received		53,893,055,506	68,764,767,939
Dividends received		162,576,451,428	179,739,548,656
Net cash provided by (used in) investing activities	₩	(637,508,990,992)	258,679,353,333

See accompanying notes to the separate financial statements.

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

(In Korean won)	Notes	2024	2023
Cash flows from financing activities			
Increase in rental deposits	₩	20,639,403,922	19,094,782,380
Proceeds from short-term borrowings		850,000,000,000	450,000,000,000
Proceeds from long-term borrowings		1,128,317,095,932	257,942,245,397
Proceeds from issuance of debentures		1,478,000,922,241	767,090,311,225
Decrease in rental deposits		(24,973,961,381)	(13,287,314,341)
Repayment of short-term borrowings		(700,000,000,000)	(200,000,000,000)
Repayment of current portion of long-term borrowings		(1,157,996,512,833)	(1,000,000,000,000)
Repayment of debentures		(1,196,512,500,000)	(930,969,480,000)
Repayment of lease liabilities		(637,163,958,127)	(560,519,446,421)
Interest paid		(329,877,646,901)	(324,530,831,893)
Dividends paid		(107,428,432,000)	(93,293,112,000)
Net cash used in financing activities		(676,995,589,147)	(1,628,472,845,653)
Net increase (decrease) in cash and cash equivalents		81,152,565,179	(160,530,560,483)
Cash and cash equivalents at the beginning of the year		1,006,072,435,019	1,166,440,601,007
Effect of exchange rate fluctuation on cash and cash equivalents		(213,772,650)	162,394,495
Reclassification of disposal group held for sale		(73,357,823,553)	-
Cash and cash equivalents at the end of the year	₩	1,013,653,403,995	1,006,072,435,019

See accompanying notes to the separate financial statements.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate Financial Statements

As of December 31, 2024 and 2023

1. Organization and description of the Company

LOTTE SHOPPING CO.,LTD. (the “Company”) was established on July 2, 1970 in the Republic of Korea to engage in retail operations through department stores. 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 Company’s stock was listed on the Korea Exchange through an initial public offering on February 9, 2006. The shareholders of the 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
Hotel Lotte Busan Co., Ltd.	220,326		1,101,630	0.78
Shin, Young Ja	77,654		388,270	0.27
Treasury shares	18,115		90,575	0.06
Others	11,256,950		56,284,750	39.80
Total	28,288,755	₩	141,443,775	100.00

2. Basis of Accounting

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

The separate 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 document and interpretation document announced by the International Accounting Standard Board (IASB).

These financial statements are separate financial statements prepared in accordance with K-IFRS No.1027 Separate Financial Statements presented by a parent, an investor in an associate or a venturer in a joint venture in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

(a) Basis of measurement

The separate 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

Financial statements of the Company are prepared in the currency of the main economic environment whereby operation takes place (hereinafter ‘functional currency’). The financial performance and position of the Company are presented in Korean won, the functional and presentation currency.

K-IFRS permits the use of significant accounting estimates in preparing the separate 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.

Notes to the Separate Financial Statements

As of December 31, 2024 and 2023

2. Basis of Accounting, continued

(c) Estimates and assumptions

The preparation of financial statements requires assumptions and estimates of the future, and management requires judgement to apply the accounting policies of the Company. Estimates and assumptions are continuously evaluated and are made in consideration of reasonably foreseeable future events in light of past experience and current circumstances. The results of an accounting estimate will rarely be the same as the actual results, posing a significant risk of causing significant adjustments.

Estimates and assumptions regarding management's judgement 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.

(d) Changes in Accounting Policies

Except for the following changes, the Company has consistently applied the same accounting policies to all periods presented in these financial statements.

-Tangible Assets (application of the revaluation model under K-IFRS No. 1016 "Tangible Assets")

During the current year, the Company changed its accounting policy for land classified as Tangible Assets from the cost model to the revaluation model. This change has been applied prospectively and the comparative financial statements have not been restated.

Following the application of the revaluation model, the carrying amount of land as of the end of the current fiscal year is KRW 14,634,117,284 thousand. As a result of applying the revaluation model, the pre-tax other comprehensive income recognized in the statement of comprehensive income is KRW 7,886,084,533 thousand, and the pre-tax revaluation loss recognized in profit or loss is KRW 12,062,550 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 Company

The Company 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 1001 Presentation of Financial Statements - Classification of Liabilities as Current/Non-current, Non-current liabilities with covenants

The amendments to K-IFRS 1001 clarify the classification of liabilities as current or non-current based on rights that are in substance 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 adoption of the amendments does not have a significant impact on the Company's separate financial statements.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate 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 Company, continued

- (b) Amendments to K-IFRS 1007, Statement of Cash Flows, and 1107, Financial Instruments: Presentation - Disclosure of information about supplier financing arrangements

The amendments add to the disclosure objectives in K-IFRS 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 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 adoption of the amendments does not have a significant impact on the Company's separate financial statements.

- (c) Amendments to K-IFRS 1116, Leases - Lease liability in a sale-and leaseback

The amendments require the seller-lessee to calculate the 'lease payments' or 'revised lease payments' in a way that does not result in the seller-lessee recognizing any gain or loss for the rights of use that the seller-lessee continues to retain after the lease commences. The adoption of the amendments does not have a significant impact on the Company's separate financial statements.

- (d) Amendments to K-IFRS 1001, Presentation of Financial Statements - Disclosure of crypto assets

The amendments prescribe additional disclosures for holding crypto assets, holding crypto assets on behalf of customers, and issuing crypto assets. The adoption of the amendments does not have a significant impact on the Company's separate financial statements.

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

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

- (a) Amendments to K-IFRS 1021, The Effects of Changes in Foreign Exchange Rates, and K-IFRS 1101, First-time Adoption of Korean International Financial Reporting Standards – Lack of Exchangeability

The amendments require entities to assess whether a currency is exchangeable into another currency. If it is not, entities are required to estimate the spot exchange rate and disclose relevant information. The amendments are applied for annual periods beginning on or after January 1, 2025, with early application permitted. The Company is currently assessing the impact of the amendments on the separate financial statements.

- (b) Amendments to K-IFRS 1109, Financial Instruments, and K-IFRS 1107, Financial Instruments: Disclosures

K-IFRS 1109, Financial Instruments, and K-IFRS 1107, Financial Instruments: Disclosures, have been amended to address questions raised in practice and to introduce new disclosure requirements. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted. The Company is currently assessing the impact of the amendments on the separate financial statements.

- (c) Annual improvements to K-IFRS Volume 11

The Annual Improvements to K-IFRS Volume 11 are effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted. The company does not expect the amendments to have a material impact on the separate financial statements.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate Financial Statements

As of December 31, 2024 and 2023

3. Significant Accounting Policies and Changes in Disclosure, continued

3.3 Cash and cash equivalents

The Company 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.

3.4 Foreign currency translation

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 other than functional currency or translation of monetary foreign currency assets and liabilities are recognized in profit or loss. However, gains or losses on monetary items that are related to the effective portion of a qualifying cash flow hedge or a hedge of a net investment, or that arise from monetary items that form part of the net investment in a foreign operation of the reporting entity, are recognized in other comprehensive income.

Foreign exchange differences related to borrowings and private loans are shown in the income statement as finance expenses, and other foreign exchange differences are shown in other income or other expenses. Foreign exchange differences arising from non-monetary financial assets and liabilities are regarded as part of fair value fluctuation gains and losses, and foreign exchange differences arising from equity instruments measured at fair values through profit or loss are recognized as current profit or loss, and foreign exchange differences between equity instruments measured at fair value through other comprehensive income are recognized as included in other comprehensive income.

3.5 Financial assets

(a) Classification

The Company classifies the financial assets in the following categories.

- i. Financial assets measured at fair value through profit or loss
- ii. Financial assets measured at fair value through other comprehensive income
- iii. Financial assets measured at amortized cost

Classification is based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

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 Company 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 Company 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 Company 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.

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

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

3. Significant Accounting Policies and Changes in Disclosure, continued

3.5 Financial assets, continued

(b) Measurement, continued

(i) Debt instrument

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company 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 costs' in the year in which it arises.

(ii) Equity instrument

The Company subsequently measures all equity investments at fair value. Where the Company'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 costs' in the statement of profit or loss. The impairment loss (reversal) on equity instrument measured at fair value through other comprehensive income is not separately recognized.

(c) Impairment

The Company 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 Company applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate Financial Statements

As of December 31, 2024 and 2023

3. Significant Accounting Policies and Changes in Disclosure, continued

3.5 Financial assets, continued

(d) Recognition and derecognition

Standard purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Company 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 Company has transferred substantially all the risks and rewards of ownership.

If the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company 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 Company or the counterparty.

3.6 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 costs' depending on the nature of the transaction.

(a) Hedge accounting

The Company holds forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. The Company 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).

On initial designation of the hedge, the Company 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 derivative instruments designated as hedging instruments and qualifying for fair value hedge accounting are recognized in profit or loss for the current period. Changes in the fair value of the hedged item attributable to the hedged risk are also recognized in profit or loss. The changes in the fair value of the hedging instrument and the changes in the fair value of the hedged item attributable to the hedged risk are recognized in the same line item of the separate statement of comprehensive income related to the hedged item. The Company 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 profit or loss for the current period from the date the hedge accounting is discontinued.

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

3. Significant Accounting Policies and Changes in Disclosure, continued

3.6 Derivatives, continued

(a) Hedge accounting, continued

(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. Any ineffective portion of changes in the fair value of the derivatives is recognized in profit or loss 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 loss for the current period.

(b) Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately only if the following criteria have been met: (i) the economic characteristics and risks are not closely related to that of the host contract, (ii) a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and (iii) the hybrid (combined) instrument is not measured at fair value through profit or loss. Changes in the fair value of embedded derivatives separated from the host contract are recognized in profit or loss for the current period.

(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.

3.7 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 at amortized cost using the effective interest method, deducting the allowance for doubtful accounts.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate Financial Statements

As of December 31, 2024 and 2023

3. Significant Accounting Policies and Changes in Disclosure, continued

3.8 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 following methods:

Classification	Department store	Discount store Supermarket	E-commerce
Merchandise	Retail method	Moving average method	Total weighted average method
Finished goods	-	Moving average method	-
Others	Specific identification method	Specific identification method	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.

3.9 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.

3.10 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 performed periodically to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period.

Any increase in the carrying amount arising on revaluation is recognized in other comprehensive income and accumulated in equity as revaluation surplus, net of deferred tax. However, if a revaluation decrease for the same asset was previously recognized in profit or loss, the increase is recognized in profit or loss to the extent of that prior decrease.

A decrease in the carrying amount resulting from revaluation is recognized in profit or loss. However, if a revaluation surplus exists for the same asset, the decrease is recognized in other comprehensive income to the extent of the remaining surplus.

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 directly attributable to the acquisition or construction of the asset, costs necessary to bring the asset to the location and condition required for it to operate as intended by management, and the initial estimate of the costs of dismantling and removing the asset 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.

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

3. Significant Accounting Policies and Changes in Disclosure, continued

3.10 Property, plant and equipment, continued

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

	<u>Useful lives (years)</u>
Buildings	10 – 50
Structures	7 – 40
Machinery	5 – 30
Vehicles	5
Display fixtures	5
Furniture and fixtures	5

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.

3.11 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.

3.12 Intangible assets

The goodwill is measured in the manner described in K-IFRS 1110 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.

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

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 with indefinite useful lives 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 costs incurred during the research phase are recognized as expenses 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 expenses when incurred.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate Financial Statements

As of December 31, 2024 and 2023

3. Significant Accounting Policies and Changes in Disclosure, continued

3.13 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 10 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.

3.14 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.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate Financial Statements

As of December 31, 2024 and 2023

3. Significant Accounting Policies and Changes in Disclosure, continued

3.15 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.

3.16 Financial liabilities

(a) Classification and measurement

The financial liabilities of the Company 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, or a derivative that is not designated as effective hedging instrument is classified as a short-term financial liability held for trading.

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 'trade and other payables', 'borrowings and debentures' 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.

3.17 Provisions

When the Company 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.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate Financial Statements

As of December 31, 2024 and 2023

3. Significant Accounting Policies and Changes in Disclosure, continued

3.18 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 Company when reporting taxes in situations in which applicable tax code regulations may vary depending on the interpretation. The Company 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.

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 Company 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 Company 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 Company is subject to the Global Minimum Tax under Pillar Two legislation. There was no additional corporate income tax expense recognized in the current period in relation to this matter. The Company has also applied the exception to the recognition and disclosure requirements for deferred taxes related to Pillar Two income taxes.

3.19 Employee benefits

(a) Retirement benefits

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

Defined contribution plan is a retirement pension plan in which the Company 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.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate Financial Statements

As of December 31, 2024 and 2023

3. Significant Accounting Policies and Changes in Disclosure, continued

3.19 Employee benefits, continued

(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 Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service. If an employee has legal or constructive obligation to be paid as a result of past services 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.

3.20 Revenue recognition

(a) Sales of goods and rendering of services

The Company operates department stores, outlet stores, discount stores, supermarkets and e-commerce business. 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 Company acts as an agent, the Company recognizes net sales, after deducting the cost of specific sales, as revenue upon delivery to customers.

(b) Customer loyalty programs

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

LOTTE SHOPPING CO.,LTD.

Notes to the Separate Financial Statements

As of December 31, 2024 and 2023

3. Significant Accounting Policies and Changes in Disclosure, continued

3.20 Revenue recognition, continued

(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 Korea 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.

3.21 Leases

(a) Lessor

If the Company 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. In addition, when the Company, as a lessee, subleases the underlying asset to a third party, it determines whether the sublease is classified as a finance lease based on the right-of-use asset associated with the head lease.

(b) Lessee

The Company 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 Company 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 Company (lessee) according to the residual value guarantee
- iv. Exercise price of the purchase option if it is reasonably certain that the Company (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 Company (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.

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

3. Significant Accounting Policies and Changes in Disclosure, continued

3.21 Leases, continued

(b) Lessee, continued

The Company calculates the incremental borrowing rate as follows:

- i. Interest rates based on market-observed credit ratings are reflected

The Company 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.

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 Company 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 Company which include extension and termination options. These conditions are used to maximize operational flexibility in terms of contract management.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate Financial Statements

As of December 31, 2024 and 2023

3. Significant Accounting Policies and Changes in Disclosure, continued

3.22 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, gain or losses on the disposal of financial assets, 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 Company'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, impairment losses on hedging instruments recognized in profit or loss and impairment losses on investments in subsidiaries, associates and joint ventures. Interest on borrowings is recognized in profit or loss using the effective interest method over the applied period.

3.23 Emission rights

The Company 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 Company 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.

3.24 Government Grants

The government grants are recognized at fair value when there is reasonable assurance that the grant will be received and the conditions added to the grant will be complied with. Subsidies related to assets are presented as a deduction when calculating the carrying amount of assets, and subsidies related to income are deferred and presented as a deduction from expenses and income related to the purpose of granting government subsidies.

3.25 Authorization of financial statements

The separate 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.

Notes to the Separate 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 Company. 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 14 and 16).

(b) Income taxes

The Company 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 Company 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 Company 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 Company makes judgment for the application of these assumptions and the selection of input variables used for impairment models in consideration of the Company's experience, current market conditions and future forecast information as of the financial reporting date (see Note 5 and 40).

(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 22).

(f) Revenue recognition

The Company 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 Company's revenue is affected by the estimated changes in the expected return rate.

(g) Provision for restoration cost

The Company 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.
Notes to the Separate Financial Statements
As of December 31, 2024 and 2023

4. Significant Accounting Estimates and Assumptions, continued

(h) Provision for restructuring cost

The Company recognizes restructuring provision when a detailed formal restructuring plan has been approved and the Company 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 Company 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 Company exercises the extension option (not exercise the termination option).
- iii. Other than the above, the Company 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 Company bears the obligation to exercise (or not exercise) the option. The Company 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) Asset revaluation

Land is measured at fair value based on valuations performed by an independent appraiser. Revaluations are conducted periodically to ensure that the carrying amount of the asset does not differ materially from its fair value as of the reporting date. The valuation is performed using the Officially Announced Reference Land Price Method, which adjusts the standard reference land price to reflect the specific characteristics of the subject land, and the Sales Comparison Method, which estimates the value by comparing it with similar properties and adjusting for differences to reflect the condition of the subject land.

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	₩	341,390,758	173,452,338	9,702,767	524,545,863
Reduction: allowance for doubtful accounts		(4,193,704)	(46,205,029)	(2,500)	(50,401,233)
Net carrying amount		<u>337,197,054</u>	<u>127,247,309</u>	<u>9,700,267</u>	<u>474,144,630</u>
Non-current:					
Total carrying amount		-	15,169,005	26,266,814	41,435,819
Reduction: allowance for doubtful accounts		-	(42,804)	(2,845)	(45,649)
Net carrying amount	₩	<u>-</u>	<u>15,126,201</u>	<u>26,263,969</u>	<u>41,390,170</u>

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

5. Trade and Other Receivables, continued

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

(in thousands of Korean won)

		Trade receivables	Other receivables	Lease receivables	Total
Current:					
Total carrying amount	₩	367,672,500	333,834,080	29,438,863	730,945,443
Reduction: allowance for doubtful accounts		(3,262,354)	(10,907,973)	(106,370)	(14,276,697)
Net carrying amount		<u>364,410,146</u>	<u>322,926,107</u>	<u>29,332,493</u>	<u>716,668,746</u>
Non-current:					
Total carrying amount		-	15,759,836	92,281,101	108,040,937
Reduction: allowance for doubtful accounts		-	(1,964)	(321,729)	(323,693)
Net carrying amount	₩	<u>-</u>	<u>15,757,872</u>	<u>91,959,372</u>	<u>107,717,244</u>

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	₩	1,400,000	504,623	Reserved for e-finance business, Pledged assets
	Ordinary deposit, etc.	INDUSTRIAL BANK OF KOREA		-	4,500,000	Pledged assets
Other financial assets (current)	Special deposits	INDUSTRIAL BANK OF KOREA and others		105,500,000	105,500,000	Deposits for mutually beneficial cooperation fund
	Ordinary deposit, etc.	Shinhan Bank and others		2,463,172	2,462,925	Trust reserve, Pledged assets
Other financial assets (non-current)	Special deposits	Shinhan Bank and others		8,000	8,000	Deposit for Current Account Opening
	Other comprehensive income - Fair value	Busan city hall		15,734,606	10,865,095	Payment guarantee
	Total		₩	<u>125,105,778</u>	<u>123,840,643</u>	

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

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)			<u>2024</u>	<u>2023</u>
Financial assets measured at fair value (*1):				
Fair value through profit or loss	Current assets:			
	Short-term financial instruments	₩	105,500,000	105,500,000
	Current debt instruments		1,472,880	-
	Current derivatives assets held for trading		637,158	-
	Non-current assets:			
	Long-term financial instruments		-	10,583,849
	Non-current debt instruments		2,948,401	4,309,154
	Non-current derivatives assets held for trading		11,013,044	17,580,849
	Subtotal		<u>121,571,483</u>	<u>137,973,852</u>
Fair value through other comprehensive income	Current assets:			
	Current debt instruments		4,343,395	682,603
	Non-current assets:			
	Equity instruments		146,831,852	75,491,298
	Non-current debt instruments		-	4,181,376
	Subtotal		<u>151,175,247</u>	<u>80,355,277</u>
Derivatives assets	Current derivatives assets held for hedging		48,818,555	53,607,040
	Non-current derivatives assets held for hedging		77,692,915	6,388,905
	Subtotal		<u>126,511,470</u>	<u>59,995,945</u>
Financial assets not being measured at fair value:				
Financial assets at amortized cost (*2)	Current assets:			
	Cash and cash equivalents		1,013,653,404	1,006,072,435
	Trade and other receivables		474,144,630	716,668,746
	Short-term financial instruments		158,100,000	153,600,000
	Short-term loans		156,352	-
	Accrued income		4,632,795	4,615,473
	Current portion of lease deposits		70,731,925	65,392,068
	Non-current assets:			
	Long-term financial instruments		2,463,172	2,462,925
	Deposits for current account		8,000	8,000
	Long-term accrued income		152,775	102,882
	Other account receivables		41,390,170	107,717,244
	Lease deposits		972,378,231	976,734,193
	Subtotal		<u>2,737,811,454</u>	<u>3,033,373,966</u>
	Total financial assets	₩	<u>3,137,069,654</u>	<u>3,311,699,040</u>

(*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.

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

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

7. Fair Value of Financial Instruments, continued

(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	₩	263,600,000	259,100,000
Short-term loans		156,352	-
Accrued income		4,632,795	4,615,473
Current portion of lease deposits		70,731,925	65,392,068
Current debt instruments		5,816,275	682,603
Current derivatives assets held for hedging		48,818,555	53,607,040
Current derivatives assets held for trading		637,158	-
Total		<u>394,393,060</u>	<u>383,397,184</u>
Non-current:			
Long-term financial instruments		2,463,172	13,046,774
Deposits for current account		8,000	8,000
Long-term accrued income		152,775	102,882
Lease deposits		972,378,231	976,734,193
Equity instruments		146,831,852	75,491,298
Non-current debt instruments		2,948,401	8,490,530
Non-current derivatives assets held for hedging		77,692,915	6,388,905
Non-current derivatives assets held for trading		11,013,044	17,580,849
Total	₩	<u>1,213,488,390</u>	<u>1,097,843,431</u>

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

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:

(in thousands of Korean won,
except number of shares)

	2024				2023
	Number of shares (in shares)	Percentage of ownership		Acquisition cost	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
Shinhan Financial Group Co., Ltd.	311,118	0.06%		2,247,354	14,824,773
INNOCEAN WORLDWIDE INC(*).	2,060,000	5.15%		39,943,400	39,943,400
Subtotal				98,370,161	143,111,334
Non-marketable equity instruments measured at fair value through other comprehensive income:					
Lotte Properties (Shenyang) Limited	145,577,256	17.93%		183,792,722	1,581,426
Others	-	-		676,946	2,139,092
Subtotal				184,469,668	3,720,518
Debt instruments measured at fair value through other comprehensive income:					
National housing bond	-	-		4,229,310	4,343,395
Subtotal				4,229,310	4,343,395
Total			₩	287,069,139	151,175,247

(*) 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.
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7. Fair Value of Financial Instruments, continued

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

<i>(in thousands of Korean won)</i>		2024	2023
Financial liabilities measured at fair value:			
	Non-current derivatives liabilities held for hedging ₩	1,586,817	26,569,754
	Subtotal	<u>1,586,817</u>	<u>26,569,754</u>
Financial liabilities not being measured at fair value:			
Financial liabilities at amortized cost (*)			
	Current:		
	Trade and other payables	1,993,006,403	2,068,536,922
	Short-term borrowings	600,000,000	450,000,000
	Current portion of long-term borrowings	110,000,000	884,943,005
	Current portion of long-term debentures	996,898,739	1,253,262,448
	Accrued expenses	124,111,186	100,068,051
	Current portion of rental deposits	168,462,520	196,649,376
	Non-current:		
	Other payables	1,707,804	2,823,029
	Long-term borrowings	1,251,662,944	316,384,722
	Long-term debentures	3,052,839,094	2,443,518,856
	Rental deposits	72,465,850	65,561,005
	Others	550,076	1,933,974
	Subtotal	<u>8,371,704,616</u>	<u>7,783,681,388</u>
Other financial liabilities	Current lease liabilities	724,603,744	694,704,187
	Non-current lease liabilities	3,422,187,278	3,685,520,249
	Current financial guarantee liabilities	197,005,981	203,116,003
	Other current financial liabilities	<u>2,565,482</u>	<u>-</u>
	Subtotal	<u>4,346,362,485</u>	<u>4,583,340,439</u>
Total financial liabilities	₩	<u><u>12,719,653,918</u></u>	<u><u>12,393,591,581</u></u>

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

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

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:			
Current financial guarantee liabilities	₩	197,005,981	203,116,003
Other current financial liabilities		2,565,482	-
Accrued expenses		124,111,186	100,068,051
Current portion of rental deposits		168,462,520	196,649,376
Total	₩	492,145,169	499,833,430
Non-current:			
Non-current derivatives liabilities held for hedging	₩	1,586,817	26,569,754
Rental deposits		72,465,850	65,561,005
Others		550,076	1,933,974
Total	₩	74,602,743	94,064,733

(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 variables)

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

<i>(in thousands of Korean won)</i>		2024			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	₩	-	-	121,571,483	121,571,483
Financial assets at fair value through other comprehensive income		143,111,334	4,343,395	3,720,518	151,175,247
Derivatives assets held for hedging		-	126,511,470	-	126,511,470
Total		143,111,334	130,854,865	125,292,001	399,258,200

<i>(in thousands of Korean won)</i>		2023			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	₩	-	-	137,973,852	137,973,852
Financial assets at fair value through other comprehensive income		73,494,306	4,863,979	1,996,992	80,355,277
Derivatives assets held for hedging		-	59,995,945	-	59,995,945
Total		73,494,306	64,859,924	139,970,844	278,325,074

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7. Fair Value of Financial Instruments, continued

(f) Fair value hierarchy, continued

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

(in thousands of Korean won)

		2024			
		Level 1	Level 2	Level 3	Total
Derivatives liabilities held for hedging	₩	-	1,586,817	-	1,586,817
Total	₩	-	1,586,817	-	1,586,817

(in thousands of Korean won)

		2023			
		Level 1	Level 2	Level 3	Total
Derivatives liabilities held for hedging	₩	-	26,569,754	-	26,569,754
Total	₩	-	26,569,754	-	26,569,754

In measuring Level 2 fair values, the Company used price, index, etc. such as foreign exchange rates and interest rates.

In measuring Level 3 fair values, the Company used net asset valuation models and discounted cash flow models 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 includes financial instruments that have carrying value with 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:

(in thousands of Korean won)

		2024	2023
Beginning balance	₩	139,970,844	162,617,532
Total gain or loss for the year		(53,304,770)	5,135,979
Gain (loss) included in profit and loss		(53,446,870)	5,287,422
Gain (loss) included in OCI		142,100	(151,443)
Purchases		59,277,118	-
Disposal, etc.		(20,651,191)	(27,782,667)
Ending balance	₩	125,292,001	139,970,844

(h) Sensitivity analysis

For the fair value of Level 3 financial instruments, change in a single significant unobservable variable, assuming other variables are constant, would have the following effects on the fair values at the end of the reporting period:

(i) Settlement agreement

(in thousands of Korean won)

		Discount rate	
		5% Decrease	5% Increase
Settlement agreement	₩	14,220	(14,151)

LOTTE SHOPPING CO.,LTD.
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8. Inventories

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

<i>(in thousands of Korean won)</i>		2024	2023
Merchandise	₩	366,600,495	368,997,861
Valuation allowance		(8,422,668)	(7,708,706)
Finished goods		11,749,372	10,436,199
Valuation allowance		(77)	(5)
Semi-finished goods		4	5
Raw materials		13,264,149	11,639,024
Ingredients		52,730	98,018
Supplies		636,903	597,918
Materials-in-transit		19,945,397	21,370,949
Unsold building		11,363,388	2,907,412
Unfinished building		-	13,700,963
Land		-	6,275,171
Packing materials		1,395,363	1,115,538
Total	₩	416,585,056	429,430,347

(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	₩ 3,697,229,236	3,856,453,788
Increase in provision of inventories	714,033	287,246

9. Other Non-financial Assets

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

<i>(in thousands of Korean won)</i>		2024	2023
Current:			
Advance payments	₩	13,455,619	52,885,508
Prepaid expenses		12,832,007	12,048,304
Other current assets		297,996	286,826
Total		26,585,622	65,220,638
Non-current:			
Long-term advance payments		1,121,184	1,028,284
Long-term prepaid expenses		968,173	945,810
Total	₩	2,089,357	1,974,094

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10. Assets and Liabilities Held for Sale

Details of assets and liabilities classified as held for sale as of December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Assets of disposal groups classified as held for sale	₩	98,773,531	-
Assets held for sale		78,990,046	20,379,150
Total		177,763,577	20,379,150
Liabilities of disposal groups classified as held for sale		92,246,102	-
Total		92,246,102	-

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

The Company classified the assets and liabilities of the mobile gift certificate business under the E-commerce division as a disposal group held for sale as of December 31, 2024. Details of the assets and liabilities classified as a disposal group held for sale are 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 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

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

<i>(in thousands of Korean won)</i>		2024	2023
Land, etc. (*1,2)	₩	78,990,046	20,379,150

(*1) During the prior year, the Company classified assets amounting to KRW 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.

(*2) During the current year, the Company 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.

LOTTE SHOPPING CO.,LTD.
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11. Investments in Associates

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

(in thousands of Korean won)

Company	Location	Major operation	2024		Book value
			Percentage of ownership (%)		
FRL Korea Co., Ltd.	Korea	Import and selling of apparel	49.00	₩	24,826,942
Zara Retail Korea Co., Ltd.	Korea	Import and selling of apparel	20.00		16,105,746
Coralis S.A.	Luxembourg	Holding company	22.50		39,372,940
LOTTE HOTEL & RETAIL VIETNAM PTE. LTD. (*1)	Singapore	Holding company	9.99		7,092,535
LOTTE PROPERTIES HCMC COMPANY LIMITED	Vietnam	Real estate development	40.00		79,487,854
Lotte Startup Fund I (*2,3,4)	Korea	Investment on new technology	7.35		1,144,040
Prototype	Korea	Service	20.00		-
Lotte-KDB Open Innovation Fund (*3)	Korea	Investment on new technology	25.52		8,000,000
Lotte Card Co., Ltd.	Korea	Credit finance business	20.00		325,238,801
Eugene Unicorn Private Equity Fund (*4)	Korea	Trust business and collective investment business	47.06		11,307,857
FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3 (*5)	Korea	Finance business	-		-
INNOCEAN WORLDWIDE INC. (*6)	Korea	Advertising agency and production of advertisements	-		-
MUJIKOREA CO.LTD	Korea	Sale of household goods	40.00		350,000
LOTTE Vietnam Open Innovation Fund (*7)	Vietnam	Investment on new technology	28.25		256,053
Total				₩	<u>513,182,768</u>

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As of December 31, 2024 and 2023

11. Investments in Associates, continued

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

(in thousands of Korean won)

Company	Location	Major operation	2023		Book value
			Percentage of ownership (%)		
FRL Korea Co., Ltd.	Korea	Import and selling of apparel	49.00	₩	24,826,942
Zara Retail Korea Co., Ltd.	Korea	Import and selling of apparel	20.00		16,105,746
Coralis S.A.	Luxembourg	Holding company	22.50		39,372,940
LOTTE HOTEL & RETAIL VIETNAM PTE. LTD. (*1)	Singapore	Holding company	9.99		7,092,535
LOTTE PROPERTIES HCMC COMPANY LIMITED	Vietnam	Real estate development	40.00		79,487,854
Lotte Startup Fund I (*2,3,4)	Korea	Investment on new technology	7.35		1,880,000
Prototype	Korea	Service	20.00		-
Lotte-KDB Open Innovation Fund	Korea	Investment on new technology	25.52		16,000,000
Lotte Card Co., Ltd.	Korea	Credit finance business	20.00		325,238,801
Eugene Unicorn Private Equity Fund (*4)	Korea	Trust business and collective investment business	47.06		12,141,114
FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3	Korea	Finance business	19.99		10,857,000
INNOCEAN WORLDWIDE INC.	Korea	Advertising agency and production of advertisements	5.15		46,565,311
MUJIKOREA CO.LTD	Korea	Sale of household goods	40.00		350,000
LOTTE Vietnam Open Innovation Fund	Vietnam	Investment on new technology	-		-
Total				₩	<u>579,918,243</u>

(*1) The Company classified the investment in LOTTE HOTEL & RETAIL VIETNAM PTE. LTD. as an investment in an associate, as its subsidiary, LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD., holds a 40% equity interest in the entity.

(*2) The Company classified Lotte Startup Fund I as investment in associates, as the Company's subsidiaries Woori Home Shopping & Television Co., Ltd and LOTTE Himart Co., Ltd. hold 7.35% of shares, respectively.

(*3) During the current year, a portion of the capital contribution was distributed.

(*4) The Company performed an impairment test for the investee companies based on external valuation agency and, as a result of the impairment test, recognized impairment loss for the years ended December 31, 2024 and 2023 as follows.

(in thousands of Korean won)

	2024	2023
Eugene Unicorn Private Equity Fund	₩ 833,257	254,211
Lotte Startup Fund I	715,960	-
	₩ <u>1,549,217</u>	<u>254,211</u>

(*5) During the current year, the Company acquired a 78.7% equity interest in FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3 for KRW 42,721,000 thousand. Due to the change in ownership percentage, the investment was reclassified from investments in associates to investments in subsidiaries.

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

11. Investments in Associates, continued

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

(*6) During the current year, the Company determined that it no longer has significant influence due to a change in the subject exercising the right to nominate directors, and accordingly excluded the investment from investments in associate.

(*7) The details of Acquisitions as of December 31, 2024 are summarized as follows

<i>(in thousands of Korean won)</i>		<u>2024</u>
LOTTE Vietnam Open Innovation Fund	₩	256,053

12. Investments in Joint Venture

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

<i>(in thousands of Korean won)</i>		<u>2024</u>			
<u>Company</u>	<u>Location</u>	<u>Major operation</u>	<u>Percentage of ownership (%)</u>	<u>Carrying amount</u>	
STL Co., Limited	Korea	Import and sales of apparel	50.00	₩	1,784,000
LOTTE JTB Co., Ltd.	Korea	Travel business	50.00		896,137
Total				₩	<u>2,680,137</u>

<i>(in thousands of Korean won)</i>		<u>2023</u>			
<u>Company</u>	<u>Location</u>	<u>Major operation</u>	<u>Percentage of ownership (%)</u>	<u>Carrying amount</u>	
STL Co., Limited	Korea	Import and sales of apparel	50.00	₩	1,784,000
LOTTE JTB Co., Ltd.	Korea	Travel business	50.00		896,137
Total				₩	<u>2,680,137</u>

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13. Investments in Subsidiaries

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

(in thousands of Korean won)	2024				
	Name of entity	Location	Major operation	Percentage of ownership (%) (*1)	Book Value
Woori Home Shopping & Television Co., Ltd.	Korea	TV Home Shopping	53.49	₩	396,883,074
Lotte Gimhae Development Co., Ltd.	Korea	Building Maintaining Service company	100.00		300,000
Lotte Suwon Station Shopping Town Co., Ltd. (*2)	Korea	Real estate development	-		-
Lotte GFR Co., Ltd. (*3)	Korea	Apparel manufacturing and selling	99.99		62,069,626
CS Mart Co., Ltd.	Korea	Distribution	99.95		111,677,439
LOTTE Himart Co., Ltd. (*4)	Korea	Consumer electronics retail	65.25		635,169,668
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD. (*4, 5)	Singapore	Holding company	100.00		540,618,569
LOTTE PROPERTIES (CHENGDU) HK LIMITED (*3, 4)	Hong Kong	Holding company	77.60		-
Lotte Ulsan Development Co., Ltd.(*3)	Korea	Real estate development	98.81		25,527,400
LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD.	Singapore	Holding company	90.00		299,040,381
Lotte Cultureworks Co., Ltd.	Korea	Cinema	86.37		234,588,987
Lotte corporate venture fund No. 1 (*6)	Korea	Investment on new technology	18.78		400,000
Lotte DMC Development Co., Ltd.	Korea	Real estate business	95.00		4,750,000
LOTTE REIT Co., Ltd. (*7)	Korea	Real estate business	42.04		441,366,340
Lotte Incheon Town Co., Ltd	Korea	Real estate business	100.00		101,894,076
Lotte Department Store (Chengdu) Co., Ltd. (*3, 4, 8)	China	Department Store	-		-
LOTTE Shopping Innovation Fund No.1 (*4)	Korea	Investments in new technology	99.00		16,989,738
IMM Heim Coinvestment I Private Equity Fund	Korea	Finance business	83.71		79,568,814
SMART LOTTE SHOPPING INNOVATION FUND	Korea	Investment in new technology	69.08		8,400,000
FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3 (*3)	Korea	Real estate business	98.65		53,578,000
					₩ 3,012,822,112

LOTTE SHOPPING CO.,LTD.
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13. Investments in Subsidiaries, continued

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

(*3) Details acquired during the year 2024 are as follows:

<i>(in thousands of Korean won)</i>		2024
Lotte GFR Co., Ltd.	₩	9,999,995
LOTTE PROPERTIES (CHENGDU) HK LIMITED		140,381,027
Lotte Ulsan Development Co., Ltd.		744,600
Lotte Department Store (Chengdu) Co., Ltd.		33,402,500
FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3 (*)		42,721,000
Total	₩	227,249,122

(*) During the current year, the Company acquired a 78.7% equity interest in FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3 for KRW 42,721,000 thousand. Due to the change in ownership percentage, the investment in the entity was reclassified from investment in associates to investment in subsidiaries.

(*4) The Company recognized impairment loss during year 2024 and 2023. The recognized impairment loss is caused by worsened profit and loss, net assets reduction, etc. of subsidiaries.

The details of recognized impairment loss during the year 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024 (*)	2023
LOTTE Himart Co., Ltd.	₩	243,990,189	-
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.		22,371,754	2,232,315
LOTTE PROPERTIES (CHENGDU) HK LIMITED		140,381,027	-
Lotte Department Store (Chengdu) Co., Ltd.		33,402,500	4,014,000
LOTTE Shopping Innovation Fund No. 1		12,710,262	-
IMM Heim Coinvestment I Private Equity Fund		-	74,794,405
Total	₩	452,855,732	81,040,720

(*) The Company recognized impairment loss by calculating recoverable amount based on the value in use and net fair value measured by external valuation agency for the impairment test. The calculation of value in use is based on the following assumptions.

- The cash flow of International Business Center Company Limited, indirectly held through LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD. (Joint Venture agreement with its business partners, which is scheduled to conclude operations in 2035), were individually calculated in consideration of past average growth rate based on past - experience, actual operating results and business plans until 2035, and objective growth rates estimated by external professional institution.

- The cash flows of PT. LOTTE SHOPPING INDONESIA, which is indirectly held through LOTTE Himart Co., Ltd. and LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD. was calculated in consideration of past average growth rate based on past experience, actual operating results, and business plans for the next five years and objective average growth rate estimated by external professional institution. The cash flow after five years is estimated assuming a growth rate of 1.0%.

- In order to estimate value in use, the weighted average cost of capital ranging from 6.17% to 13.49% was used in year 2024 (7.35% to 14.51% in year 2023).

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

13. Investments in Subsidiaries, continued

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

- LOTTE PROPERTIES (CHENGDU) HK LIMITED, Lotte Department Store (Chengdu) Co., Ltd., LOTTE Shopping Innovation Fund No. 1 used Net Asset Value method.

(*5) During the current year, the Company liquidated Lotte Shopping India Private Limited and LOTTEMART C&C INDIA PRIVATE LIMITED, which were indirectly held through LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.

(*6) As the Company's subsidiary, Woori Home Shopping, holds a 79.81% interest in Lotte corporate venture fund No. 1, the related investment has been classified as an investment in a subsidiary.

(*7) During the current year, the Company did not participate in a rights offering of LOTTE REIT Co., Ltd. resulting in a decrease in its ownership interest. Although the Company's voting rights in the investee fell below 50%, the investment has been classified as a subsidiary considering the Company's de facto control.

(*8) During the current year, the Company disposed of Lotte Department Store (Chengdu) Co., Ltd.

(b) The fair value of marketable shares in subsidiaries as of December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

		2024	2023
LOTTE Himart Co., Ltd.	₩	111,673,737	158,037,591
LOTTE REIT Co., Ltd.		370,527,548	383,283,415

14. 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	₩	6,760,095,301	-	-	7,874,021,983	14,634,117,284
Buildings		5,853,256,792	(2,423,997,808)	(95,542,851)	-	3,333,716,133
Structures		310,520,776	(152,473,775)	(51,519,953)	-	106,527,048
Machinery		114,138,160	(67,325,507)	(40,353,701)	-	6,458,952
Vehicles		4,311,926	(3,749,886)	(255,097)	-	306,943
Display fixtures		48,993,248	(48,892,075)	(50,552)	-	50,621
Fixtures, tools and equipment		4,387,409,001	(3,432,790,347)	(371,300,139)	-	583,318,515
Construction-in-progress		672,610,733	-	-	-	672,610,733
Total	₩	18,151,335,937	(6,129,229,398)	(559,022,293)	7,874,021,983	19,337,106,229

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14. Property, Plant and Equipment, continued

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

(in thousands of Korean won)

		2023			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	6,744,766,407	-	-	6,744,766,407
Buildings		5,536,057,123	(2,302,674,849)	(1,434,180)	3,231,948,094
Structures		293,488,916	(144,586,325)	(27,384,641)	121,517,950
Machinery		115,141,719	(65,486,817)	(37,152,144)	12,502,758
Vehicles		4,262,577	(3,773,564)	(258,979)	230,034
Display fixtures		49,583,396	(49,459,127)	(50,552)	73,717
Fixtures, tools and equipment		4,124,437,549	(3,263,023,514)	(259,342,767)	602,071,268
Construction-in-progress		568,306,244	-	-	568,306,244
Total	₩	17,436,043,931	(5,829,004,196)	(325,623,263)	11,281,416,472

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

(in thousands of Korean won)

		2024							
		Beginning balance	Acquisitions	Business Combination	Depreciation	Impairment	Disposals	Revaluation surplus	Others (*)
Land	₩	6,744,766,407	19,616,553	-	-	-	(15,990,082)	7,874,021,983	11,702,423
Buildings		3,231,948,094	9,504,997	169,810,084	(139,878,040)	(108,034,375)	(218,828)	-	170,584,201
Structures		121,517,950	392,150	15,729,853	(7,929,540)	(24,145,159)	(3,160)	-	964,954
Machinery		12,502,758	77,687	-	(2,526,989)	(3,250,521)	(343,983)	-	-
Vehicles		230,034	162,534	-	(86,347)	(3,062)	(10)	-	3,794
Display fixtures		73,717	-	-	(23,047)	-	(49)	-	-
Fixtures, tools and equipment		602,071,268	121,561,184	2,679	(220,718,387)	(121,760,867)	(5,244,089)	-	207,406,727
Construction-in-progress		568,306,244	626,625,793	-	-	-	(3,533)	-	(522,317,771)
Total	₩	11,281,416,472	777,940,898	185,542,616	(371,162,350)	(257,193,984)	(21,803,734)	7,874,021,983	(131,655,672)

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

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14. Property, Plant and Equipment, continued

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

(in thousands of
Korean won)

		2023						Ending balance
		Beginning balance	Acquisitions	Depreciation	Impairment	Disposals	Others (*)	
Land	₩	6,657,709,734	29,258,143	-	-	(56,642,269)	114,440,799	6,744,766,407
Buildings		3,210,059,116	12,419,871	(127,241,461)	(146,314)	(8,910,552)	145,767,434	3,231,948,094
Structures		130,260,807	76,182	(8,383,207)	(9,905)	(426,816)	889	121,517,950
Machinery		19,803,219	206,999	(3,713,492)	(3,600,177)	(193,791)	-	12,502,758
Vehicles		231,975	120,126	(104,715)	(545)	(2,818)	(13,989)	230,034
Display fixtures		124,483	-	(27,946)	(22,758)	(62)	-	73,717
Fixtures, tools and equipment		619,875,182	148,098,778	(211,895,635)	(22,965,494)	(4,034,736)	72,993,173	602,071,268
Construction-in- progress		547,260,315	315,402,913	-	(845,943)	(1,123,734)	(292,387,307)	568,306,244
Total	₩	11,185,324,831	505,583,012	(351,366,456)	(27,591,136)	(71,334,778)	40,800,999	11,281,416,472

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

(d) The amount of land measured using the revaluation model, if it had been carried at historical cost, is as follows:

(in thousands of Korean won)

		Revaluation model	Cost model
Land	₩	14,634,117,284	6,760,095,301

As a result of applying the revaluation model to land, the pre-tax other comprehensive income recognized in the statement of comprehensive income for the current year amounted to KRW 7,886,084,533 thousand, and the pre-tax revaluation loss recognized in profit or loss amounted to KRW 12,062,550 thousand.

(e) The following is an analysis of property, plant and equipment measured at fair value using valuation techniques. Details on the fair value hierarchy are described in Note 7. All land measured at fair value by the Company falls under Level 3 of the fair value hierarchy.

(in thousands of Korean won)

		2024		
		Level 1	Level 2	Level 3
Land (*)	₩	-	-	14,571,054,904

(*) The total fair value as of the end of the current year differs from the total carrying amount of land due to the inclusion of land that is not subject to fair value measurement.

(f) The company's valuation process

The Company recognizes subsequent measurements of land based on revalued amounts, which represent the fair value as of the revaluation date. The fair value of land as of December 31, 2024, was determined based on valuations conducted by independent and qualified external appraisers: Daehwa Appraisal Co., Ltd., Dooyo Appraisal & Consulting Ltd., and Taepyeongyang Appraisal Co., Ltd. The Company's finance officer reviews the assumptions and valuation changes in the independent appraisal reports for reasonableness and reports directly to the Board of Directors and the Audit Committee. Discussions and conclusions regarding the valuation process are regularly shared among the finance officer, the Audit Committee, and the Board of Directors in alignment with the Company's reporting date (at least once every three years, or more frequently when significant changes in value occur).

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14. Property, Plant and Equipment, continued

(g) Information on Fair Value Measurements Using Significant Unobservable Inputs

(in thousands of Korean won)

	Fair Value as of December 31, 2024 (*)	Valuation Method	Significant unobservable inputs	Relationship between unobservable inputs and fair value
Land	₩ 13,350,533,188	Official Land Price-Based Valuation Method: Fair value is determined based on the officially announced standard land prices of parcels adjacent to the subject land. Adjustments are made to reflect differences in valuation dates, as well as individual and other relevant factors.	Time adjustment (fluctuation rate of land price)	An increase (decrease) in the land price fluctuation rate leads to an increase (decrease) in fair value.
			Individual factors	An increase (decrease) in the adjustment for plot-specific conditions leads to an increase (decrease) in fair value.
			Other factors	An increase (decrease) in the adjustment for overall land price levels leads to an increase (decrease) in fair value.
	1,220,521,716	Comparable Sales Method: Fair value is measured by comparing the subject property with similar properties for which transaction data is available. Adjustments are made for differences in conditions, timing, and value-forming factors to reflect the characteristics of the subject property.	Condition adjustments	An increase (decrease) in the condition adjustment increases (decreases) the fair value.
			Time adjustments (fluctuation rate of land price)	An increase (decrease) in the time adjustment increases (decreases) the fair value.
			Value-forming factors	An increase (decrease) in value-forming factors increases (decreases) the fair value.

(*) The total fair value at the end of the current year differs from the total carrying amount of land by the carrying amount of land not subject to fair value measurement.

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14. Property, Plant and Equipment, continued

(h) Changes in revaluation surplus and restrictions on dividend distributions

(in thousands of Korean won)

		2024
Revaluation surplus(*)	₩	5,804,158,216

(*) 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.

(i) The impairment losses recognized for cash-generating units for the years ended December 31, 2024 and 2023 are summarized as follows. The Company has calculated recoverable amounts for cash-generating units that have indication of impairment based on projected financial plans which have been approved by management.

(in thousands of Korean won)

		2024				
		Department store	Discount store	Supermarket	E-Commerce	Total
Impairment loss on property, plant and equipment	₩	164,088,132	79,813,488	13,083,037	209,327	257,193,984
Impairment loss on right-of-use assets		210,329,646	80,418,929	10,626,643	4,762,265	306,137,483
Impairment loss on intangible assets (excluding goodwill)		430,964	2,104,449	40,685	1,441,480	4,017,578
Impairment loss on goodwill		70,883,829	16,446	975,856	-	71,876,131
Total	₩	<u>445,732,571</u>	<u>162,353,312</u>	<u>24,726,221</u>	<u>6,413,072</u>	<u>639,225,176</u>

(in thousands of Korean won)

		2023				
		Department store	Discount store	Supermarket		Total
Impairment loss on property, plant and equipment	₩	7,178,693	15,954,717	4,457,726		27,591,136
Impairment loss on right-of-use assets		53,967,751	50,431,371	6,304,503		110,703,625
Impairment loss on intangible assets (excluding goodwill)		88,135	4,553,542	272,783		4,914,460
Total	₩	<u>61,234,579</u>	<u>70,939,630</u>	<u>11,035,012</u>		<u>143,209,221</u>

LOTTE SHOPPING CO.,LTD.
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14. Property, Plant and Equipment, continued

The calculation of value in use of each cash-generating unit and fair value less costs to sell were based on the following key assumptions:

- The cash flows were estimated based on experience, actual historical results of operations and the following 5-year business plan. The annual revenue growth rate for the following 5-year business plan was estimated based on an analysis of average revenue growth rates in the past and objective growth rates estimated by external agencies. The cash flow after the 5-year period is estimated based on an assumption of inconstant growth rate about 0.0% ~ 1.0%.

- For the department store, discount store, and supermarket, weighted average cost of capital was applied at discount rate of 4.90% (2023: 5.98%) and e-commerce was applied at discount rate of 7.40% (2023: 9.61%), in determining recoverable amount of each cash-generating unit for peer industry.

The relevant values through major assumption are based on external and internal data (historical data) based on the management's estimation of future trends for the distribution industry.

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

(in thousands of Korean won)		2024			
Pledged assets		Book amount	Guaranteed amount	Reason for pledge	Guarantee recipient
Buildings	₩	199,169,749	38,364,085	Borrowings, Security deposit for lease	Shinhan Bank and others
Land		305,476,906	3,700,847	Borrowings, Provisional attachment on interests	National Health Insurance Service and others

(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	₩	26,196,514	19,885,713
Capitalization interest rates		3.79%	3.42%

LOTTE SHOPPING CO.,LTD.
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15. Investment Property

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

		2024				2023			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	870,109,511	-	-	870,109,511	887,226,134	-	-	887,226,134
Buildings		559,131,288	(236,865,283)	(13,925,704)	308,340,301	529,214,889	(228,716,767)	-	300,498,122
Right-of-use assets		791,988,198	(296,593,017)	(202,459,797)	292,935,384	278,755,649	(92,814,681)	(36,647,326)	149,293,642
Total	₩	2,221,228,997	(533,458,300)	(216,385,501)	1,471,385,196	1,695,196,672	(321,531,448)	(36,647,326)	1,337,017,898

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

		2024			
		Beginning balance	Depreciation	Others (*)	Ending balance
Land	₩	887,226,134	-	(17,116,623)	870,109,511
Buildings		300,498,122	(12,936,177)	20,778,356	308,340,301
Right-of-use assets		149,293,642	(52,635,111)	196,276,853	292,935,384
Total	₩	1,337,017,898	(65,571,288)	199,938,586	1,471,385,196

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

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

		2023			
		Beginning balance	Depreciation	Others (*)	Ending balance
Land	₩	981,641,996	-	(94,415,862)	887,226,134
Buildings		314,085,188	(13,281,767)	(305,299)	300,498,122
Right-of-use assets		198,967,784	(21,354,950)	(28,319,192)	149,293,642
Total	₩	1,494,694,968	(34,636,717)	(123,040,353)	1,337,017,898

(*) Others include reclassification between accounts, impairment loss, 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:

		2024	2023
Rental income	₩	131,943,052	121,778,981
Direct operating expense (including maintenance and repair expenses)		78,128,935	51,605,567

LOTTE SHOPPING CO.,LTD.
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15. Investment Property, continued

(e) Fair value of investment property as of December 31, 2024 is as follows:

<i>(in thousands of Korean won)</i>	Location	Book value	Fair value
Land, buildings, etc.	40-1 Jamsil-dong, Songpa-gu, Seoul and 149 others.	₩ 1,471,385,196	4,843,297,189

16. Goodwill and Intangible Assets

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

<i>(in thousands of Korean won)</i>		2024				2023			
		Acquisition cost	Accumulated amortization	Accumulated impairment losses	Book value	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Book value
Goodwill	₩	664,610,006	-	(630,004,611)	34,605,395	676,109,383	-	(564,767,788)	111,341,595
Industrial property rights		8,549,976	(7,332,690)	(863,820)	353,466	8,138,199	(7,142,740)	(497,277)	498,182
Rights to use facility		39,370,258	(38,560,129)	(608,395)	201,734	39,260,164	(38,538,613)	(607,945)	113,606
Membership		17,404,352	-	(2,299,089)	15,105,263	17,404,352	-	(2,250,842)	15,153,510
Construction-in-progress		21,425,530	-	-	21,425,530	-	-	-	-
Other intangible assets		194,150,408	(114,836,364)	(63,209,681)	16,104,363	194,613,938	(111,164,682)	(59,757,113)	23,692,143
Total	₩	945,510,530	(160,729,183)	(696,985,596)	87,795,751	935,526,036	(156,846,035)	(627,880,965)	150,799,036

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

<i>(in thousands of Korean won)</i>		2024							
		Beginning balance	Acquisition	Merge	Amortization	Impairment	Disposals	Others (*)	Ending Balance
Goodwill	₩	111,341,595	-	-	-	(71,876,131)	-	(4,860,069)	34,605,395
Industrial property rights		498,182	241,750	1	(190,425)	(367,119)	(742)	171,819	353,466
Rights to use facility		113,606	-	-	(40,035)	(514)	-	128,677	201,734
Membership		15,153,510	-	-	-	(48,247)	-	-	15,105,263
Construction-in-progress		-	1,854,402	-	-	-	-	19,571,128	21,425,530
Other intangible assets		23,692,143	862,022	1	(6,398,788)	(3,601,698)	(1,742)	1,552,425	16,104,363
Total	₩	150,799,036	2,958,174	2	(6,629,248)	(75,893,709)	(2,484)	16,563,980	87,795,751

(*) Others include reclassification between accounts and other similar adjustments.

LOTTE SHOPPING CO.,LTD.
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16. Goodwill and Intangible Assets, continued

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

(in thousands of
Korean won)

		2023					
		Beginning balance	Acquisitions	Amortization	Impairment	Disposals	Ending balance
Goodwill	₩	112,405,595	-	-	-	-	111,341,595
Industrial Property rights		370,340	251,017	(198,949)	(868)	-	498,182
Rights to use facility		170,541	-	(56,935)	-	-	113,606
Membership		15,088,840	128,363	-	(63,693)	-	15,153,510
Other intangible assets		21,898,330	1,453,320	(6,499,256)	(4,849,899)	(387)	23,692,143
Total	₩	149,933,646	1,832,700	(6,755,140)	(4,914,460)	(387)	150,799,036

(*) Others include reclassification between accounts and other similar adjustments.

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

(in thousands of Korean won)

		2024	2023
Department store	₩	33,772,291	104,656,120
Discount store		-	16,447
Supermarket		833,104	1,808,960
E-Commerce		-	4,860,068
Total	₩	34,605,395	111,341,595

The same valuation methods and assumptions used for cash generating units recoverable amount calculation have been used to calculate goodwill impairment above (See Note 14).

LOTTE SHOPPING CO.,LTD.
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17. 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	₩	272,013,317	273,002,897
Other payables		1,720,993,086	1,795,534,025
Total		<u>1,993,006,403</u>	<u>2,068,536,922</u>
Non-current:			
Long-term other payables		1,707,804	2,823,029
Total	₩	<u>1,707,804</u>	<u>2,823,029</u>

The Company participates in supplier financing arrangements under which payment obligations arising from the purchase of goods are transferred to financial institutions. Under these arrangements, 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 Company includes amounts subject to the supplier financing arrangements in trade and other payables. No such amounts were recognized as of the end of the current year. 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.

18. 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	₩	600,000,000	450,000,000
Current portion of long-term borrowings		110,000,000	885,000,000
Current portion of discount on long-term borrowings		-	(56,995)
Current portion of long-term debentures		997,200,000	1,253,525,000
Current portion of discount on long-term debentures		(301,261)	(262,552)
Total		<u>1,706,898,739</u>	<u>2,588,205,453</u>
Non-current:			
Long-term borrowings		1,261,422,000	316,504,440
Discount on long-term borrowings		(9,759,056)	(119,718)
Long-term debentures		3,058,750,000	2,448,654,000
Discount on long-term debentures		(5,910,906)	(5,135,144)
Total	₩	<u>4,304,502,038</u>	<u>2,759,903,578</u>

LOTTE SHOPPING CO.,LTD.
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18. 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
Korea Development Bank	General loans of local currency	-	₩ -	200,000,000
INDUSTRIAL BANK OF KOREA	General loans of local currency	-	-	50,000,000
Shinhan Bank(*)	Commercial papers	91days, interest rate of CD+1.20	100,000,000	100,000,000
KEB Hana Bank	Commercial papers	-	-	100,000,000
Korea Investment & Securities Co., Ltd.	Commercial papers	3.79	100,000,000	-
Shinhan Securities Co.,Ltd.	Commercial papers	3.79	100,000,000	-
MUFG Bank(*)	General loans of local currency	91 days, interest rate of CD+0.70	100,000,000	-
Shinhan Bank(*)	Commercial papers	91 days, interest of CD+1.25	100,000,000	-
SK Securities.Co., Ltd.	Commercial papers	3.66	100,000,000	-
		Total	₩ 600,000,000	450,000,000

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

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18. Borrowings and Debentures, continued

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

(in thousands of Korean won)

Lender	Details	Maturity	Annual interest rate(%)	2024	2023
Shinhan Bank(*1)	General loans of local currency	2025.02.10	-	₩ -	100,000,000
NongHyup Bank	General loans of local currency	2025.04.28	4.58	50,000,000	50,000,000
Mizuho Corporate Bank, Ltd.	General loans of local currency	2024.08.16	-	-	100,000,000
LD1Q 1st (Tr. A) and others	Borrowings of local currency	2024.10.28	-	-	390,000,000
LD1Q 1st (Tr. B)	Borrowings of local currency	2024.10.28	-	-	100,000,000
Mizuho Corporate Bank, Ltd.	General loans of local currency	2025.01.27	2.90	60,000,000	60,000,000
Woori Bank	General loans of local currency	2024.06.16	-	-	195,000,000
S First L	Borrowings of local currency	2024.06.24	-	-	100,000,000
The Export-Import Bank of Korea	General loans of foreign currency	2026.03.03	6.55	121,422,000	106,504,440
INDUSTRIAL BANK OF KOREA	General loans of local currency	2026.06.03	4.56	100,000,000	-
INDUSTRIAL BANK OF KOREA	General loans of local currency	2027.08.14	3.61	200,000,000	-
Woori Bank	General loans of local currency	2026.06.17	4.42	195,000,000	-
Yuanta Securities Korea Co., Ltd.	Commercial papers	2026.03.30	3.55	100,000,000	-
HANWHA INVESTMENT & SECURITIES CO., LTD	Commercial papers	2024.06.24	3.55	60,000,000	-
Shinhan Securities Co.,Ltd.	Commercial papers	2026.03.03	3.55	30,000,000	-
KB SECURITIES CO.,LTD.	Commercial papers	2026.03.30	3.55	30,000,000	-
Shinhan Bank(*2)	General loans of local currency	2026.10.11	91 days, interest rate of CD+ 0.95	100,000,000	-
INDUSTRIAL BANK OF KOREA	General loans of local currency	2027.11.15	3.59	150,000,000	-
NongHyup Bank(*2)	General loans of local currency	2026.11.21	MOR(3M) + 0.58	75,000,000	-
SMBC Bank	General loans of local currency	2026.12.18	3.64	100,000,000	-
Subtotal				1,371,422,000	1,201,504,440
Less: Discount on borrowings				(9,759,056)	(176,713)
Subtotal				1,361,662,944	1,201,327,727
Less: Current portion of long-term borrowings, net of discount				(110,000,000)	(884,943,005)
Total				₩ 1,251,662,944	316,384,722

(*1) Prepayments as of October 31, 2024

(*2) As of December 31, 2024, 91 days, interest rate of CD: 3.39%, MOR(3M): 3.66%

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18. 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
66-3rd (local currency)	2025-06-23	2.98	₩	140,000,000	140,000,000
70-3rd (local currency)	2026-04-04	2.48		70,000,000	70,000,000
73-3rd (local currency)	2024-06-15	-		-	100,000,000
75th (local currency)	2024-08-07	-		-	150,000,000
77-3rd (local currency)	2028-05-30	3.47		100,000,000	100,000,000
79th (local currency)	2033-08-07	3.55		70,000,000	70,000,000
80th (local currency)	2038-08-29	3.40		30,000,000	30,000,000
82-2nd (local currency)	2024-01-30	-		-	150,000,000
82-3rd (local currency)	2029-01-30	2.73		140,000,000	140,000,000
83-1st (local currency)	2024-08-29	-		-	100,000,000
83-2nd (local currency)	2026-08-28	1.67		70,000,000	70,000,000
83-3rd (local currency)	2029-08-29	1.80		110,000,000	110,000,000
86-1st (local currency)	2025-07-18	2.20		30,000,000	30,000,000
86-2nd (local currency)	2030-07-19	2.58		20,000,000	20,000,000
88-1st (local currency)	2025-09-23	2.07		135,000,000	135,000,000
88-2nd (local currency)	2030-09-23	2.55		60,000,000	60,000,000
89-1st (local currency)	2024-04-16	-		-	170,000,000
89-2nd (local currency)	2026-04-16	2.13		190,000,000	190,000,000
89-3rd (local currency)	2031-04-16	2.95		35,000,000	35,000,000
90-1st (foreign currency)	2024-05-21	-		-	128,940,000
90-2nd (foreign currency)	2024-05-20	-		-	225,645,000
91st (foreign currency)	2024-08-19	-		-	128,940,000
92nd (foreign currency)	2025-03-25	2.54		235,200,000	206,304,000
93-1st (local currency)	2024-09-06	-		-	100,000,000
93-2nd (local currency)	2025-09-05	4.86		110,000,000	110,000,000
93-3rd (local currency)	2027-09-07	4.93		40,000,000	40,000,000
94th (foreign currency)	2025-11-28	4.87		147,000,000	128,940,000
95-1st (local currency)	2025-02-21	4.41		70,000,000	70,000,000
95-2nd (local currency)	2026-02-23	4.55		190,000,000	190,000,000
95-3rd (local currency)	2028-02-23	4.79		40,000,000	40,000,000
96-1st (local currency)	2025-07-11	4.66		130,000,000	130,000,000
96-2nd (local currency)	2026-07-10	4.82		120,000,000	120,000,000
96-3rd (local currency)	2028-07-11	4.96		20,000,000	20,000,000
97-1st (foreign currency) (*)	2026-08-18	SOFR+1.20		147,000,000	128,940,000
97-2nd (foreign currency) (*)	2026-08-21	3MTermSOFR+1.00		73,500,000	64,470,000
98-1st (local currency)	2026-01-16	4.11		110,000,000	-
98-2nd (local currency)	2027-01-18	4.27		185,000,000	-
98-3rd (local currency)	2029-01-18	4.33		40,000,000	-

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18. 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
99-1st (local currency)	2026-04-16	3.87	120,000,000	-
99-2nd (local currency)	2027-04-16	4.00	330,000,000	-
99-3rd (local currency)	2029-04-16	4.20	50,000,000	-
100-1st (foreign currency)	2027-05-17	4.80	147,000,000	-
100-2nd (foreign currency)	2027-05-21	5.08	147,000,000	-
		3M Term SOFR +		
100-3rd (foreign currency) (*)	2027-05-17	1.20	110,250,000	-
101st (foreign currency) (*)	2026-07-30	SOFR + 0.80	147,000,000	-
102nd (foreign currency) (*)	2027-09-30	SOFR + 0.95	147,000,000	-
Subtotal			4,055,950,000	3,702,179,000
Less: Discount on debentures			(6,212,167)	(5,397,696)
Total book value			₩ 4,049,737,833	3,696,781,304
Less: Current portion of debentures			(996,898,739)	(1,253,262,448)
Total book value			₩ 3,052,839,094	2,443,518,856

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

(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	₩	110,000,000	997,200,000	1,107,200,000
2026.01.01 ~ 2026.12.31		911,422,000	1,237,500,000	2,148,922,000
2027.01.01 ~ 2027.12.31		350,000,000	1,106,250,000	1,456,250,000
2028.01.01 ~ 2028.12.31		-	160,000,000	160,000,000
After 2029.01.01		-	555,000,000	555,000,000
Total	₩	1,371,422,000	4,055,950,000	5,427,372,000

(f) In connection with certain borrowings and debentures issued as of December 31, 2024, the Company has entered into agreements with financial institutions, which include covenants such as maintaining a certain debt ratio and credit rating. As of December 31, 2024, the Company followed all such financial covenants

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19. 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 (*)	₩	64,078,410	67,817,925
Unearned rental income		467,524	1,305,148
Deferred income (*)		135,713,384	133,374,129
Current subtotal	₩	200,259,318	202,497,202
Non-current:			
Unearned rental income		7,367,764	7,044,756
Non-current subtotal		7,367,764	7,044,756
Total	₩	207,627,082	209,541,958

(*) Deferred income for the years 2024 and 2023 include contract liabilities described in Note 29.

20. 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	₩	-	15,756,260	(15,756,260)	-
Provision for sales return		903,074	18,976	(74,333)	847,717
Provision for restoration		7,983,520	1,474,295	(6,191,626)	3,266,189
Provision for litigation		2,379,115	954,014	(1,421,702)	1,911,427
Provision for restructuring		453,250	6,320,568	(6,061,105)	712,713
Other provisions		2,024,588	1,876,347	(2,019,435)	1,881,500
Total	₩	13,743,547	26,400,460	(31,524,461)	8,619,546
Non-current:					
Provision for restoration		148,326,110	12,669,893	(7,586,444)	153,409,559
Total	₩	148,326,110	12,669,893	(7,586,444)	153,409,559

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20. Provisions, continued

(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	₩	-	15,854,172	(15,854,172)	-
Provision for sales return		1,133,299	43,609	(273,834)	903,074
Provision for restoration		1,918,234	6,469,406	(404,120)	7,983,520
Provision for litigation		2,453,573	49,823	(124,281)	2,379,115
Provision for restructuring		2,222,108	-	(1,768,858)	453,250
Other provisions		5,624,810	1,536,060	(5,136,282)	2,024,588
Total	₩	<u>13,352,024</u>	<u>23,953,070</u>	<u>(23,561,547)</u>	<u>13,743,547</u>
Non-current:					
Provision for restoration		157,102,986	3,724,077	(12,500,953)	148,326,110
Total	₩	<u>157,102,986</u>	<u>3,724,077</u>	<u>(12,500,953)</u>	<u>148,326,110</u>

21. 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	₩	36,913,356	65,742,507
Withholdings of value added tax		35,552,305	51,839,986
Advances received(*)		1,025,964,983	1,103,942,803
Advance received for sale(construction)		493,413	2,388,003
Total	₩	<u>1,098,924,057</u>	<u>1,223,913,299</u>

(*) Deferred income for the years 2024 and 2023 include contract liabilities described in Note 29.

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22. 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
		<hr/>	<hr/>
Present value of defined benefit obligations	₩	764,636,013	691,281,507
Fair value of plan assets		(815,556,887)	(807,496,745)
Others (*)		112,180	-
Net defined benefit asset		<hr/> (50,808,694) <hr/>	<hr/> (116,215,238) <hr/>

(*) 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
		<hr/>	<hr/>
Present value of other long-term employee benefits	₩	23,732,392	21,422,154
Others (*)		(13,555)	-
Total	₩	<hr/> 23,718,837 <hr/>	<hr/> 21,422,154 <hr/>

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

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22. 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	₩	691,281,507	587,824,325
Current service costs		69,199,131	64,257,875
Past service costs		24,417,754	-
Interest costs		29,935,931	29,893,464
Remeasurements:			
Actuarial loss from change in demographic assumptions		(506,758)	(2,889,914)
Actuarial gain from change in financial assumptions		43,102,475	79,709,090
Actuarial gain from experience adjustments		924,760	11,413,100
Subtotal		43,520,477	88,232,276
Benefit payments		(94,911,683)	(79,068,629)
Others		1,192,896	142,196
Ending balance	₩	764,636,013	691,281,507

(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	₩	807,496,745	763,543,712
Return on plan assets		35,544,689	40,036,996
Remeasurements		(4,706,920)	(9,321,337)
Employer contribution		70,700,000	85,192,818
Benefit payments		(95,309,372)	(69,922,780)
Others		1,831,745	(2,032,664)
Ending balance	₩	815,556,887	807,496,745

The estimated contribution to the plan for the next annual reporting period is ₩ 71,458,400 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	₩	815,539,894	807,478,705
Contributions to the National Pension Fund		16,993	18,040
Total	₩	815,556,887	807,496,745

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22. 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	₩	69,199,131	64,257,875
Past service costs		24,417,754	-
Interest costs		29,935,931	29,893,464
Return on plan assets		(35,544,689)	(40,036,996)
Contributions to defined contribution plans and others(*)		31,289,741	12,192,295
Long-term employee benefits		5,322,289	4,232,787
Total	₩	124,620,157	70,539,425

(*) The company recognized ₩29,967,953 thousand in dismissal benefits due to voluntary retirement and others during 2024, and ₩9,651,097 thousand during 2023.

(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	3.41% ~ 4.54%	4.02% ~ 5.01%
Expected rate of promotion	1.20% ~ 2.81%	1.43% ~ 2.57%
Expected rate of increase in salaries	3.00% ~ 5.03%	2.23% ~ 5.33%

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)	₩	(50,490,703)	57,209,919
Expected rate of promotion (1%p movement)		51,792,439	(45,021,003)
Expected rate of salary increase (1%p movement)		56,922,252	(51,168,559)

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	₩	83,376,491	96,081,043	258,222,054	458,066,619	1,228,484,075

The weighted average duration of the defined benefit obligation is 7.86 years.

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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 Company 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.	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			1. Settlement of differences between the selling price of underlying assets and the principal of investment				
		LEP No. 4 Co., Ltd.			73,000,000							
		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				KB Securities	
		LOG No. 3 Co., Ltd.			24,300,000			2. Settlement of differences between the actual dividends and standard dividends on each dividend payment date	None	None		-
		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							

(b) Hedge Accounting

As of December 31, 2024, the Company 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 Company entered into interest swap contracts for the purpose of hedging interest rate changes for certain debentures 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.

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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(won)	Annual Interest Rate	Payable interest rate	Maturity	Remarks
Currency Swap	92nd (foreign currency)	USD 160,000,000	KRW 1,212.00	2.54%	3.10%	2025.03.25	MUFG Bank
	94th (foreign currency)	USD 100,000,000	KRW 1,352.30	4.87%	5.77%	2025.11.28	MUFG Bank
	97-1st (foreign currency)	USD 100,000,000	KRW 1,341.60	SOFR+1.68%	4.74%	2026.08.18	Kookmin Bank
	97-2nd (foreign currency)	USD 50,000,000	KRW 1,336.90	3M Term SOFR+1.00%	4.19%	2026.08.21	KEB Hana Bank
	100-1st (foreign currency)	USD 100,000,000	KRW 1,370.40	4.80%	4.15%	2027.05.17	SMBC Bank
	100-2nd (foreign currency)	USD 100,000,000	KRW 1,369.90	5.08%	4.25%	2027.05.21	MUFG Bank
	100-3rd (foreign currency)	USD 75,000,000	KRW 1,370.00	3M Term SOFR+1.20%	4.20%	2027.05.17	INDUSTRIAL BANK OF KOREA
	101st (foreign currency)	USD 100,000,000	KRW 1,381.00	SOFR+0.80%	3.36%	2026.07.30	DBS Bank
	102nd (foreign currency)	USD 100,000,000	KRW 1,321.00	SOFR+0.95%	3.23%	2027.09.30	DBS Bank
	Long-term borrowing (foreign currency)	USD 82,600,000	KRW 1,308.77	6.55%	5.30%	2026.03.03	The Export-Import Bank of Korea
	Short-term borrowing	KRW 100,000,000	Not Applicable	91 days, interest rate of CD+1.20%	4.62%	2026.03.17	Shinhan Bank
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
	Long-term borrowing	KRW 75,000,000	Not Applicable	MOR(3M)+0.58%	3.64%	2026.11.23	NongHyup Bank

(c) 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	₩ 140,233,560	Profit or loss (*1)
		9,421,045	Other comprehensive income(*2)
	Interest swaps	(1,143,644)	Other comprehensive income(*2)
Trade	Total return swap	701,129	Profit or loss

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

(*2) The aggregate amounts of gain on valuation of derivatives incurred as of December 31, 2024 are ₩ 8,277,401 thousand. The Company recognized accumulated other comprehensive loss of ₩ 6,278,066 thousand (less tax effects of ₩ 1,999,335 thousand).

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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:

*(in thousands of Korean won,
except for number of shares)*

		2024	2023
Authorized shares (shares)		60,000,000	60,000,000
Par value per share	₩	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:

(in thousands of Korean won)

		2024	2023
Additional paid-in capital	₩	3,414,873,024	3,414,873,024
Others		175,662,603	175,662,603
Total	₩	3,590,535,627	3,590,535,627

25. Capital Adjustments

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

(in thousands of Korean won)

		2024	2023
Treasury stocks	₩	3,803,077	3,803,077
Changes due to merger		57,267,791	52,687,056
Other capital adjustments		2,800,072,204	2,800,072,204
Total	₩	2,861,143,072	2,856,562,337

26. Retained Earnings

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

(in thousands of Korean won)

		2024	2023
Legal reserves	₩	277,788,613	267,045,770
Voluntary reserves		8,220,052,125	8,120,052,125
Unappropriated retained earnings (deficit)		(753,371,078)	261,649,956
Total	₩	7,744,469,660	8,648,747,851

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26. Retained Earnings, continued

(b) The appropriation of retained earnings for the years ended December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Unappropriated retained earnings carried over from prior year	₩	43,478,681	12,829,952
Remeasurements of net defined benefit liabilities		(38,026,207)	(75,237,647)
Profit (Loss) for the year		(758,823,552)	324,057,651
Unappropriated retained earnings (deficit)		(753,371,078)	261,649,956
Transfers such as voluntary reserves		900,000,000	-
Appropriation of retained earnings			
Legal reserve		10,742,843	10,742,843
Voluntary reserve		-	100,000,000
Dividends (Cash dividend %, in Korean won):		107,428,432	107,428,432
Common stock: ₩3,800(76%) in 2024 and ₩3,800(76%) in 2023			
		118,171,275	218,171,275
Unappropriated retained earnings to be carried forward	₩	28,457,647	43,478,681

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:

<i>(in thousands of Korean won)</i>		2024			
		Beginning balance	Changes for the year	Tax effects for the year	Ending balance
Fair value gain (loss) through other comprehensive income	₩	(79,606,679)	29,933,054	(7,902,326)	(57,575,951)
Cash flow hedge		(15,967,383)	8,277,401	(1,999,335)	(9,689,317)
Revaluation surplus		-	7,886,084,533	(2,081,926,317)	5,804,158,216
Total	₩	(95,574,062)	7,924,294,988	(2,091,827,978)	5,736,892,948

<i>(in thousands of Korean won)</i>		2023			
		Beginning balance	Changes for the year	Tax effects for the year	Ending balance
Fair value gain (loss) through other comprehensive income	₩	(88,488,416)	7,058,043	1,823,694	(79,606,679)
Cash flow hedge		(12,560,007)	(4,131,170)	723,794	(15,967,383)
Total	₩	(101,048,423)	2,926,873	2,547,488	(95,574,062)

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28. Earnings (losses) per Share

(a) Basic 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>		2024	2023
Profit (loss) for the year	₩	(758,823,552,409)	324,057,651,492
Weighted average number of common shares outstanding (in shares)		28,270,640	28,270,640
Basic Earnings (loss)	₩	(26,841)	11,463

(b) Diluted earnings (losses) per share

Basic and diluted earnings (losses) per share are the same since any potential common shares have not been issued.

29. Sales

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

<i>(in thousands of Korean won)</i>		2024	2023
Sales of merchandise	₩	13,098,706,427	13,272,226,429
Sales of products		676,410,745	620,030,551
Other sales (*)		377,708,614	370,140,623
Total sales		14,152,825,786	14,262,397,603
Revenue from contracts with customers			
Sales discounts and sales returns		1,308,595,331	1,167,478,667
Provision for sales return and deferred sales		256,316,539	245,923,662
Cost of specific sales		5,753,689,031	5,783,093,082
Total sales deduction		7,318,600,901	7,196,495,411
Revenue from other sources: rental revenue		1,579,069,330	1,582,693,322
Total	₩	8,413,294,215	8,648,595,514

(*) During the year 2024, other sales include a government grant of ₩ 24,967,277 thousand (year 2023 ₩ 21,558,643 thousand) received from Korea Agro-Fisheries & Food Trade Corporation and Korea Fisheries Association to promote agricultural consumption.

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29. Sales, continued

- (b) The contract assets and liabilities of the Company recognized in relation 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			
Advances from Sales	₩	-	20,585,906
Total contract assets		-	20,585,906
Contract liabilities			
Customer loyalty programs		133,923,125	131,496,207
Gift vouchers		997,876,104	1,060,108,529
Advances from house office sales		493,413	2,388,003
Others		42,844,438	42,435,624
Total contract liabilities	₩	1,175,137,080	1,236,428,363

- (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	₩	131,496,207	122,300,521
Others		42,129,191	42,404,167
Total		173,625,398	164,704,688
Collected			
Gift vouchers		576,194,322	576,054,996
Total	₩	576,194,322	576,054,996

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

(in thousands of Korean won)

	Book amount	Within 1 year	Between 1-5 years	Over 5 years
₩	997,876,104	590,557,733	402,628,353	4,690,018

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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	₩	869,797,284	854,393,038
Retirement benefits		118,535,280	65,604,741
Long-term employee benefits		5,254,956	4,184,721
Employee benefits		175,582,508	175,346,435
Training expenses		8,012,950	7,277,490
Travel expenses		12,310,412	11,533,857
Vehicle maintenance expenses		1,394,267	1,177,603
Insurance premiums		6,225,779	6,472,379
Taxes and dues		161,403,724	177,915,979
Entertainment expenses		1,026,766	997,068
Supplies expenses		36,436,066	37,308,985
Publication expenses		498,951	518,818
Communication expenses		8,916,273	8,582,791
Utility expenses		287,639,548	285,204,613
Repairs and maintenance		34,919,776	33,421,357
Rental expenses		144,550,379	151,735,673
Depreciation		844,230,516	831,767,278
Amortization		6,579,828	6,740,321
Commission expenses		504,516,925	518,493,227
Service commission expenses		751,610,602	756,678,503
Advertising expenses		90,335,741	98,991,368
Samples expenses		224,974	230,362
Sales commissions		102,904,543	101,237,686
Sales promotion expenses		78,596,101	92,132,256
Decoration expenses		17,880,692	22,136,010
Bad debt expenses		2,071,220	525,700
Transportation expenses		34,171,439	34,757,831
Research and development expenses		147,397	219,556
Compensation expenses		10,088,618	5,060,971
Reversal of provisions		(161,679)	(313,217)
Others		3,988,572	2,669,971
Total	₩	<u>4,319,690,408</u>	<u>4,293,003,371</u>

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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	₩	1,100,408	1,446,197
Gain on foreign currency translation		723,497	-
Gain on disposal of property, plant and equipment		8,079,280	40,164,093
Gain on disposal of intangible assets		388	-
Gain on termination of financial lease		14,444,046	103,795,465
Gain on disposal of right-of-use assets		20,348,038	31,263,347
Gain on assets held for sale		95,780,389	-
Miscellaneous gains		7,316,572	18,026,316
Total	₩	<u>147,792,618</u>	<u>194,695,418</u>
Other expenses:			
Loss on foreign currency transactions	₩	1,193,279	1,518,372
Loss on foreign currency translation		-	145,880
Loss on disposal of property, plant and equipment		4,483,592	4,904,375
Impairment loss on right-of-use assets		306,137,483	110,703,625
Impairment loss on property, plant and equipment		257,193,984	27,591,136
Loss on disposal of intangible assets		2,484	327
Impairment loss on intangible assets		75,893,710	4,914,460
Loss on revaluation of property, plant and equipment		12,062,550	-
Loss on lease expiration		17,850,403	3,114,151
Loss on disposal of right-of-use assets		44,280,520	18,098,045
Loss on disposal of assets held for sale		1,064,000	-
Donations		10,123,529	8,301,845
Other bad debt expenses (reversal)		38,261,222	(9,004,237)
Miscellaneous losses		3,244,465	4,546,169
Total	₩	<u>771,791,221</u>	<u>174,834,148</u>

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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	₩	3,701,679,673	3,808,328,082
Changes in inventories		11,458,724	21,001,664
Employee benefits		1,182,875,170	1,112,636,282
Rental expenses		146,850,338	153,879,649
Depreciation and amortization		856,468,791	843,259,588
Sales commissions		102,904,543	101,237,686
Sales promotion expenses		78,596,101	92,132,256
Commission expenses		504,810,357	518,790,570
Service expenses		770,640,077	774,019,592
Advertising expenses		90,335,741	98,991,368
Utility expenses		290,830,507	288,231,566
Taxes and dues		161,636,448	178,162,092
Others		133,356,492	175,705,877
Total of costs of goods sold and selling, general and administration expenses	₩	<u>8,032,442,962</u>	<u>8,166,376,272</u>

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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)

		<u>2024</u>	<u>2023</u>
Finance income:			
Interest income according to the effective interest rate method	₩	79,010,562	91,131,007
Dividend income		162,712,771	179,871,137
Gain on foreign currency transactions		735,843	845,278
Gain on foreign currency translation		-	9,194,962
Gain on valuation of debt instrument measured at fair value through profit or loss		1,120,579	1,021,136
Gain on disposal of debt instrument measured at fair value through profit or loss		1,684,715	2,995,468
Gain on disposal of debt instrument measured at fair value through other comprehensive income		55,399	29,185
Gain on valuation of derivatives held for hedging		140,233,560	14,033,500
Gain on valuation of derivatives held for trading		701,129	1,301,626
Gain on transaction of derivatives held for hedging		24,380,000	13,745,000
Gain on transaction of derivatives held for trading		2,764,477	8,422
Gain on disposal of investments in subsidiaries, associates and joint ventures		4,204,529	7,198,085
Gain on disposal of assets held for sale		-	3,873,053
Reversal of financial guarantee liabilities		5,099,853	-
Financial guarantee income		7,137,275	-
Total	₩	<u>429,840,692</u>	<u>325,247,859</u>
Finance costs:			
Interest expense according to the effective interest rate method	₩	349,594,037	345,958,438
Loss on foreign currency transactions		25,329,616	14,183,598
Loss on foreign currency translation		140,233,560	14,033,500
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 trading		57,879	21,109
Financial guarantee costs		1,679,009	52,328,325
Impairment loss on investments in subsidiaries, associates and joint ventures		454,404,949	81,294,930
Loss on disposal of investments in subsidiaries, associates and joint ventures		6,900,993	-
Total	₩	<u>1,035,895,735</u>	<u>517,032,982</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 assets at fair value through profit or loss	Financial assets 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	Other financial liabilities	Total
Recognized in profit or loss										
Interest income	₩	52,530,468	26,480,069	25	-	-	-	-	-	79,010,562
Interest expense(*1)		-	-	-	-	-	-	(349,594,036)	-	(349,594,036)
Dividend income		-	-	3,089,138	5,880,202	-	-	-	-	8,969,340
Valuation/Disposal		-	-	2,805,294	55,399	3,407,727	164,613,560	-	-	170,881,980
Impairment loss		-	-	-	(57,695,692)	-	-	-	-	(57,695,692)
Exchange differences		(237,993)	1,254,679	-	-	-	-	(165,213,393)	-	(164,196,707)
Financial guarantee income/costs		-	-	-	-	-	-	-	10,558,118	10,558,118
Subtotal		52,292,475	27,734,748	5,894,457	(51,760,091)	3,407,727	164,613,560	(514,807,429)	10,558,118	(302,066,435)
Recognized in other comprehensive income (loss)										
Fair value gain through other comprehensive income (*2)		-	-	-	29,933,054	-	-	-	-	29,933,054
Gain(Loss) on valuation of derivatives (*2)		-	-	-	-	-	8,277,401	-	-	8,277,401
Subtotal		-	-	-	29,933,054	-	8,277,401	-	-	38,210,455
Total	₩	52,292,475	27,734,748	5,894,457	(21,827,037)	3,407,727	172,890,961	(514,807,429)	10,558,118	(263,855,980)

(*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)

		2023								
		Cash and cash equivalents	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets 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	Other financial liabilities	Total
Recognized in profit or loss										
Interest income	₩	62,494,097	28,636,910	-	-	-	-	-	-	91,131,007
Interest expense(*1)		-	-	-	-	-	-	(345,958,438)	-	(345,958,438)
Dividend income		-	-	2,579,282	6,954,781	-	-	-	-	9,534,063
Valuation/Disposal		-	-	4,016,604	29,185	1,270,818	18,583,538	-	-	23,900,145
Exchange differences		431,143	5,419	-	-	-	-	(18,831,474)	-	(18,394,912)
Financial guarantee costs		-	-	-	-	-	-	-	(52,328,325)	(52,328,325)
Subtotal		62,925,240	28,642,329	6,595,886	6,983,966	1,270,818	18,583,538	(364,789,912)	(52,328,325)	(292,116,460)
Recognized in other comprehensive income (loss)										
Fair value gain through other comprehensive income (*2)		-	-	-	7,058,042	-	-	-	-	7,058,042
Gain(Loss) on valuation of derivatives (*2)		-	-	-	-	-	(4,131,169)	-	-	(4,131,169)
Subtotal		-	-	-	7,058,042	-	(4,131,169)	-	-	2,926,873
Total	₩	62,925,240	28,642,329	6,595,886	14,042,008	1,270,818	14,452,369	(364,789,912)	(52,328,325)	(289,189,587)

(*1) Interest expense of financial assets at amortized cost includes interest on leases.

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

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34. Income Taxes

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

<i>(in thousands of Korean won)</i>		2024	2023
Current income taxes	₩	(7,891,162)	13,370,042
Deferred tax due to temporary differences		1,999,139,107	(51,995,758)
Total income tax effect		1,991,247,945	(38,625,716)
Income tax charged directly to equity		(2,081,626,786)	24,863,456
Income tax revenue	₩	(90,378,841)	(13,762,260)

(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	₩	(7,902,326)	1,823,694
Gain (loss) on valuation of derivatives		(1,999,335)	723,794
Remeasurements of defined benefit liabilities		10,201,192	22,315,968
Revaluation surplus		(2,081,926,317)	-
Income tax charged directly to equity	₩	(2,081,626,786)	24,863,456

Income tax related to fair value gain (loss) through other comprehensive income, gain (loss) on valuation of derivatives, remeasurements of defined benefit liabilities, 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	₩	(849,202,394)	310,295,392
Income tax using statutory tax rate		(196,165,753)	71,678,235
Adjustment:		105,786,912	(85,440,495)
Tax effects on non-taxable income		(21,416,962)	(25,894,049)
Tax effects on non-deductible expense		4,642,513	7,058,489
Tax credit		-	(741,971)
Adjustment for prior periods		(8,043,832)	1,105,469
Changes in impracticable contemporary difference		97,418,041	17,086,106
Changes in deferred tax due to change in tax rate		34,687,337	21,854,661
Changes in deferred tax assets for loss carried forward		4,288,304	(98,259,830)
Others		(5,788,489)	(7,649,370)
Income tax revenue	₩	(90,378,841)	(13,762,260)
Effective tax rate(*)		-	-

(*) The effective tax rates for 2024 and 2023 have not been presented due to income tax revenue incurred.

(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
Investments in subsidiaries and associates	₩	(21,813,497)	(7,808,714)	-	(29,622,211)
Depreciation		34,745,344	44,827,950	-	79,573,294
Allowance for doubtful accounts		3,950,510	(310,555)	-	3,639,955
Accrued income		(1,032,891)	3,835	-	(1,029,056)
Losses on valuation of inventories		1,689,566	(2,545)	-	1,687,021
Provision for sales return		135,271	(25,165)	-	110,106
Property, plant, and equipment		(11,780,410)	(13,175,891)	-	(24,956,301)
(Capitalization of borrowing costs)					
Land		(15,614,521)	-	-	(15,614,521)
Land (asset revaluation)		(885,470,277)	3,230,681	(2,081,926,317)	(2,964,165,913)
Accrued expense		6,783,427	(1,483,883)	-	5,299,544
Construction-in-progress		(8,456,783)	8,728,156	-	271,373
Impairment loss on intangible assets		19,855,405	(3,086,484)	-	16,768,921
Lease deposit		40,106,593	(5,301,471)	-	34,805,122
Goodwill		1,854,226	(2,147,663)	-	(293,437)
Fair value loss through other comprehensive income		28,554,569	-	(7,902,326)	20,652,243
Gain (loss) on valuation of derivatives		646,889	1,504,059	(1,999,335)	151,613
Salaries and retirement benefits		(6,837,344)	4,084,780	10,201,192	7,448,628
Right-of-use assets and lease liabilities		311,535,657	66,232,769	-	377,768,426
Loss carried forward		465,543,776	20,147,553	-	485,691,329
Others		85,886,498	(32,929,732)	-	52,956,766
Total	₩	50,282,008	82,487,680	(2,081,626,786)	(1,948,857,098)

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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
Investments in subsidiaries and associates	₩	(26,728,097)	4,914,600	-	(21,813,497)
Depreciation		44,252,584	(9,507,240)	-	34,745,344
Allowance for doubtful accounts		3,134,865	815,645	-	3,950,510
Accrued income		(990,551)	(42,340)	-	(1,032,891)
Losses on valuation of inventories		1,721,780	(32,214)	-	1,689,566
Provision for sales return		172,441	(37,170)	-	135,271
Property, plant, and equipment		(9,933,609)	(1,846,801)	-	(11,780,410)
(Capitalization of borrowing costs)					
Land		(15,673,667)	59,146	-	(15,614,521)
Land (asset revaluation)		(892,376,445)	6,906,168	-	(885,470,277)
Accrued expense		5,270,873	1,512,554	-	6,783,427
Construction-in-progress		(5,476,199)	(2,980,584)	-	(8,456,783)
Impairment loss on intangible assets		23,318,546	(3,463,141)	-	19,855,405
Lease deposit		47,648,561	(7,541,968)	-	40,106,593
Goodwill		2,018,239	(164,013)	-	1,854,226
Exchangeable bonds		(55,751)	55,751	-	-
Fair value loss through other comprehensive income		26,730,875	-	1,823,694	28,554,569
Gain (loss) on valuation of derivatives		(1,338,267)	1,261,362	723,794	646,889
Salaries and retirement benefits		(23,625,900)	(5,527,412)	22,315,968	(6,837,344)
Right-of-use assets and lease liabilities		351,344,401	(39,808,744)	-	311,535,657
Loss carried forward		391,244,044	74,299,732	-	465,543,776
Others		77,627,527	8,258,971	-	85,886,498
Total	₩	(1,713,750)	27,132,302	24,863,456	50,282,008

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

(in thousands of Korean won)

		2024	2023
Investments in subsidiaries and associates	₩	2,414,775,921	2,062,246,140
Loss carried forward (expire at 2037)		102,358,136	81,887,728

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34. Income Taxes, continued

(g) As of December 31, 2024 and 2023, the amounts of deferred and current tax assets and liabilities using gross amounts before off-setting are as follows:

<i>(in thousands of Korean won)</i>		<u>2024</u>	<u>2023</u>
Deferred tax assets	₩	1,913,812,982	1,951,624,126
Deferred tax liabilities		3,862,670,081	1,901,342,118
Current tax assets		8,765,087	-
Current tax liabilities		-	176,541

35. Separate Statement 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>		<u>2024</u>	<u>2023</u>
Cash	₩	12,151,772	16,773,668
Deposits		51,359,456	34,798,767
Other cash equivalents		950,142,176	954,500,000
Total	₩	<u>1,013,653,404</u>	<u>1,006,072,435</u>

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35. Separate Statement 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:

<i>(in thousands of Korean won)</i>		2024	2023
Income tax revenue	₩	(90,378,841)	(13,762,260)
Retirement benefits		88,008,127	54,114,343
Long-term employee benefits		5,322,289	4,232,787
Depreciation		849,839,543	836,504,447
Amortization		6,629,248	6,755,140
Impairment loss on property, plant and equipment		257,193,984	27,591,136
Impairment loss on intangible assets and goodwill		75,893,710	4,914,460
Financial guarantee costs		1,679,009	52,328,325
Impairment losses on equity instruments measured at fair value through other comprehensive income		57,695,692	-
Impairment loss on right-of-use assets		306,137,483	110,703,625
Loss on foreign currency translation		140,233,560	14,179,380
Loss on foreign currency transactions		25,329,616	14,183,598
Loss on disposal of property, plant and equipment		4,483,592	4,904,375
Loss on revaluation of property, plant and equipment		12,062,550	-
Loss on disposal of intangible assets		2,484	327
Loss on disposal of right-of-use assets		44,280,520	18,098,045
Loss on disposal of assets held for sale		1,064,000	-
Bad debt expense		2,071,220	525,700
Other bad debt expense (reversal)		38,261,222	(9,004,237)
Loss on valuation of derivatives		-	9,213,082
Loss on transactions of derivatives		57,879	21,109
Rental expenses (amortization of present value discount, etc.)		120,964	27,318
Loss on lease termination		17,850,403	3,114,151
Loss on disposal of investments in subsidiaries, associates and joint ventures		6,900,993	-
Impairment losses on investments in subsidiaries, associates and joint ventures		454,404,949	81,294,930
Interest expense		349,594,037	345,958,438
Other expenses without cash outflows, etc.		5,314,687	2,888,772
Reversal of provision		(161,679)	(313,217)
Financial guarantee income		(7,137,275)	-
Reversal of financial guarantee liabilities		(5,099,853)	-
Gain on foreign currency translation		(723,497)	(9,194,962)
Gain on foreign currency transactions		(735,843)	(845,278)
Gain on disposal of property, plant and equipment		(8,079,280)	(40,164,093)
Gain on valuation of debt instrument at fair value through profit or loss		(1,120,579)	(1,021,136)
Gain on disposal of debt instrument at fair value through profit or loss		(1,684,715)	(2,995,468)
Gain on valuation of derivatives		(140,934,689)	(15,335,126)
Gain on transactions of derivatives		(27,144,477)	(13,753,422)
Gain on lease termination		(14,444,046)	(103,795,465)
Gain on disposal of right-of-use assets		(20,348,038)	(31,263,347)
Gain on disposal of investments in subsidiaries, associates and joint ventures		(4,204,529)	(7,198,086)

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35. Separate Statement 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
Gain on disposal of debt instruments measured at fair value through other comprehensive income	₩	(55,399)	(29,185)
Gain on disposal of assets held for sale		(95,780,389)	(3,873,053)
Gain on disposal of intangible assets		(388)	-
Income without other cash inflows, etc.		(3,175,211)	(4,714,434)
Rental income		(3,895,307)	(3,529,808)
Interest income		(79,010,562)	(91,131,007)
Dividends income		(162,712,771)	(179,871,137)
Decrease (increase) in trade receivables		24,727,756	(42,762,342)
Decrease (increase) in other receivables		142,866,142	(97,413,508)
Decrease in other financial assets		7,090,370	1,112,254
Decrease in inventories		41,222,865	17,221,109
Decrease in other non-financial assets		3,451,137	9,439,788
Decrease in trade payables		(1,496,542)	(39,466,520)
Increase (decrease) in other payables		(80,956,499)	25,596,506
Increase(decrease) in other financial liabilities		21,808,230	(9,432,632)
Decrease in other non-financial liabilities		(11,619,013)	(13,864,780)
Increase (decrease) in unearned revenues		(1,360,541)	18,007,998
Decrease in provisions		(406,670)	(5,638,503)
Payment of other long-term employee benefits		(3,099,200)	(3,150,700)
Payment of defined benefit liabilities		(94,342,238)	(80,357,932)
Decrease (Increase) in plan assets		24,040,974	(11,988,344)
Total	₩	2,155,531,164	827,061,161

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

35. Separate Statement 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	₩	(17,553,107)	45,828,571
Acquisition of right-of-use assets		15,509,196	21,192,850
Acquisition of lease liabilities		14,961,976	20,220,210
Increase in debt due to merger		173,000,000	-
Increase in property, plant, and equipment and intangible assets due to merger		185,542,618	-
Increase in right-of-use assets due to merger		174,482,783	-
Increase in lease liabilities due to merger		190,581,775	-

(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						
		Other assets		Liabilities from financial activities				
		Current derivatives assets held for hedging	Non-Current derivatives assets held for hedging	Leasehold deposit received	Short-term borrowings and debentures	Long-term borrowings and debentures	Lease liabilities	Total
Beginning balance	₩	53,607,041	6,388,905	262,210,381	2,588,205,453	2,759,903,578	4,380,224,436	10,050,539,794
Net cash flow from financing activities		-	-	(4,334,557)	(2,204,509,013)	2,606,318,018	(786,261,853)	(388,787,405)
Non-cash flows								
Transfer to current portion		(6,477,595)	6,477,595	-	1,159,344,876	(1,159,344,876)	-	-
Foreign currency translation		-	-	-	71,336,000	93,277,560	-	164,613,560
Change in lease liabilities		-	-	-	-	-	213,148,769	213,148,769
Merger		-	-	-	173,000,000	-	190,581,775	363,581,775
Others		1,689,109	64,826,415	(16,947,455)	(80,478,577)	4,347,758	149,097,895	122,535,145
Ending balance	₩	48,818,555	77,692,915	240,928,369	1,706,898,739	4,304,502,038	4,146,791,022	10,525,631,638

LOTTE SHOPPING CO.,LTD.
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35. Separate Statement of Cash Flows, continued

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

(in thousands of Korean won)

		2023						
		Other assets		Liabilities from financial activities				
		Current derivatives assets held for hedging	Non-Current derivatives assets held for hedging	Leasehold deposit received	Short-term borrowings and debentures	Long-term borrowings and debentures	Lease liabilities	Total
Beginning balance	₩	21,905,472	41,804,520	272,869,925	2,142,203,826	3,866,163,788	5,280,721,036	11,625,668,567
Net cash flow from financing activities		-	-	5,807,468	(1,680,969,480)	1,025,032,557	(722,566,043)	(1,372,695,498)
Non-cash flows								
Transfer to current portion		40,698,265	(40,698,265)	-	2,129,541,864	(2,129,541,864)	-	-
Foreign currency translation		-	-	-	22,032,500	(3,448,962)	-	18,583,538
Change in lease liabilities		-	-	-	-	-	(340,150,770)	(340,150,770)
Others		(8,996,696)	5,282,650	(16,467,012)	(24,603,257)	1,698,059	162,220,213	119,133,957
Ending balance	₩	53,607,041	6,388,905	262,210,381	2,588,205,453	2,759,903,578	4,380,224,436	10,050,539,794

36. Greenhouse Gases Emission Rights

(a) Emission Right

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

(b) Emission liabilities

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

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

37. Contingencies and Commitments

(a) As of December 31, 2024, the Company 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 (local currency)	KRW	1,310,000,000	1,130,000,000
General loan (foreign currency)	USD	82,600,000	82,600,000
Commercial paper	KRW	820,000,000	720,000,000
Buyer's credit	KRW	290,000,000	-
Bank overdraft	KRW	30,000,000	-
Letter of credit	USD	23,000,000	5,875,894

(b) 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.

(c) As of December 31, 2024, the Company currently has 21 ongoing lawsuits as a plaintiff with damage claims amounting to ₩ 25,239,239 thousand and 30 lawsuits as a defendant with damage claims amounting to ₩ 35,443,353 thousand. The management believes that the ultimate resolutions of other legal actions will not have a material impact on the financial position of the Company.

The above includes 12 lawsuits as a defendant with damages related to victims of humidifier disinfectant amounting to ₩ 32,339,308 thousand. The Company 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.

(d) As of December 31, 2024, the Company has entered into loan agreements securing trade receivables with INDUSTRIAL BANK OF KOREA and others amounting to ₩ 260,000,000 thousand.

(e) 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.

(f) Brand usage contracts, etc.

The Company is 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.

On the other hand, the company is liable for the debts prior to the spin-off with Lotte Corporation, in accordance with Article 530-9, Paragraph 1 of the Commercial Act.

LOTTE SHOPPING CO.,LTD.
Notes to the Separate Financial Statements
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37. Contingencies and Commitments, continued

- (g) The Company 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:
- ① The Company disposed of land and buildings of 3 stores including Lotte mart Jeju store to KTB Confidence Private Real Estate Investment Trust No.29 for ₩ 220 billion in 2008 and the Company has been leasing back Jeju store from FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No.3 (Formerly, Hyundai Infiniti Private Equity Real Estate Investment Trust No.1) and Daedeok store from Mirae Castle. In the case of the Jeju branch, the Company has the right to preferentially purchase the land and building of the leased property at fair value during the six-month period prior to the lease expiration date or within six months after 54 months have elapsed from the lease succession date. For the Daedeok branch, the Company has the preemptive options to purchase the land and the building at a fair value at the end of the lease. The operation of Hangdong store was discontinued during the year 2020 and the Company has no preemptive options to purchase the land and the building.
 - ② The Company disposed of land and buildings of 6 stores including Lotte department store Bundang store to Lotte Retail Real Estate Investment Trust No.1~4 for ₩ 594.9 billion in 2010 and 2011, Lotte department store Bundang store is leased from IGIS Specialized Investment Private Real Estate Investment Trust No.389, and Lotte mart Sasang store and Lotte mart Iksan store from KB Lotte Master Lease Specialized Investment Private Real Estate Investment Trust No.8. The Company has the preemptive options to purchase the land and the building at a fair value at the end of the lease. The operation of Lotte mart Suji store was discontinued in 2019 and Guro store and Dobong store were discontinued during the year 2020 and the Company has no preemptive options to purchase the land and the building.
 - ③ The Company has been leasing the building of Lotte outlet Esiapolis store from KB Star Retail Private Real Estate Investment Trust No.1 since 2013. According to the real estate sales contract concluded on June 25, 2018, Marston Specialized Investment Private Equity Investment Trust No.31 transferred its status as a lessor under the lease contract and the Company has the preferential right of negotiation to purchase the building.
 - ④ In 2013, the Company disposed of buildings of Lotte outlet Gwangmyeong store to KTB Confidence Private Real Estate Investment Trust No.55 for ₩ 146.9 billion and the Company has been leasing the assets from Kiwoomcore No.1 Reit Co. Ltd. And the Company disposed of land and buildings of Lotte mart Yangdeok to KTB Confidence Private Real Estate Investment Trust No.81 for ₩ 55.1 billion and the Company has been leasing back the assets from Koreit Masan Lotte mart Specialized Investment Private Real Estate Investment Trust No.12. The Company has the preferential right of negotiation to purchase the land and the building at the end of the lease.
 - ⑤ In 2014, the Company disposed of land and buildings of 2 Lotte department stores including Ilsan store and 5 Lotte mart stores including Bupyeong store to KB Lotte Master Lease Private Real Estate Investment Trust No.1 for ₩ 601.7 billion and the Company has been leasing back the assets. The Company disposed of land and buildings of 2 Lotte department stores including Dongrae store and 3 Lotte mart stores including Sungjung store to Capstone Private Real Estate Investment Trust No.11 for ₩ 500.1 billion and the Company has been leasing back the assets. The Company has the preferential right of negotiation to purchase the land and the building at the end of the lease.
 - ⑥ 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 and the Company has been leasing back from KORAMCO. The Company has the preferential right of negotiation to purchase the land and the building at the end of the lease.
 - ⑦ The Company has been leasing the land and buildings of Lotte department store Gangnam store of LOTTE REIT Co., Ltd. after making an investment in kind for ₩ 269.7 billion in 2019. The Company disposed of the land and buildings of 5 branches including Lotte department store Changwon store and 4 branches including Lotte mart Euiwang store for ₩ 1,062.9 billion and the Company has been leasing back the assets. The Company has the preferential right of negotiation to purchase the land and the building at the end of the lease.

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

37. Contingencies and Commitments, continued

- (g) The Company 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:, continued
- ⑧ During 2021, the Company has sold 3 branches including Lotte department store Jungdong store and 2 branches including Lotte mart Gyeyang store for ₩ 682.7 billion to LOTTE REIT Co., Ltd. and has been leasing back the assets. The Company has the preferential right of negotiation to purchase the land and the building at the end of the lease.
- (h) 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 as payment guarantees.
- (i) Lotte Cultureworks Co., Ltd., a subsidiary of the Company, 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 with cash if the Company did not hold an initial public offering (IPO) within a certain period based on agreement with the new owner. The Company confirmed that it did not oppose performance of such obligation unless it violated the law.
- (j) In accordance with stock trading agreement on May 10, 2019 with the seller and contract takeover agreement on July 19, 2022 with seller, the common shares of 2,060,000 from INNOCEAN WORLDWIDE INC. cannot be disposed of or provided as pledged assets without the prior written consent from the seller until the fifth year from the date of contract commitment or the IPO completion date of Lotte Cultureworks Co., Ltd. Also, if the Company wishes to sell the shares from INNOCEAN WORLDWIDE INC. after the prohibition period of third-party transfers, the seller can exercise its preferential right to purchase directly or by designating the third party.
- (k) During 2019, the Company granted LOTTE REIT Co., Ltd. the preferential right of negotiation to purchase 17 branches including Lotte department store Myeongdong and 67 branches including Lotte Mart Gangbyeon. During 2020, Lotte Mart Geumjung, Seohyun, Yangju, Euijungbu were terminated and Yeongtong terminated during 2024. During 2021, Lotte department Ansan, Jungdong and Lotte Mart Gyeyang, Chuncheon were transferred to LOTTE REIT Co., Ltd. Lotte Mart Worldtower was transferred to LOTTE Property & Development. LOTTE REIT Co., Ltd. does not hold any preferential right to purchase.
- (l) The Company has call options that can be exercised until the fourth year from the date of initial acquisition of 69.88% shares in Joonggo-nara owned by Eugene Unicorn Private Equity Fund and other investors.
- (m) The Company has preferential subscription rights and preferential purchase claim rights that shall be exercised after three years from the initial date of acquisition for shares in Hanssem, held by Heim Limited Company, Heim No.1 Limited Company, and Heim No.2 Limited Company.
- (n) As of December 31, 2024, the Company has concluded agreement, in regard to asset-backed commercial papers (face value of ₩ 193,000,000 thousand, balance of amount to replenish debt: ₩ 192,920,000 thousand, maturity on January 13th, 2025) issued by LKH 2nd. Co., Ltd., and New Star Gimpo Hangang 2nd. Co., Ltd., to replenish funds in case it is impossible to repay principal and interests. Terms of the fund replenishment agreements with subsidiaries are detailed in Note 38 (h).

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

37. Contingencies and Commitments, continued

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

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

38. Related Party Transactions

(a) Details of the Company's major shareholders and subsidiaries 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

(*) It has a significant influence over the Company.

Subsidiaries	Percentage of ownership (%)		
	Company	Subsidiaries	Total
Woori Home Shopping & Television Co., Ltd.	53.49	-	53.49
Lotte GFR Co., Ltd.	99.99	-	99.99
Lotte Gimhae Development Co., Ltd.	100.00	-	100.00
CS Mart Co., Ltd.	99.95	-	99.95
LOTTE Himart Co., Ltd.	65.25	-	65.25
Lotte Ulsan Development Co., Ltd.	98.81	-	98.81
Lotte Cultureworks Co., Ltd.	86.37	-	86.37
LOTTE CINEMA VIETNAM CO., LTD.	-	90.00	90.00
Lotte corporate venture fund No. 1	18.78	79.81	98.59
Lotte Homeshopping Innovation Fund No.1	-	98.52	98.52
LOTTE Shopping Innovation Fund No. 1	99.00	-	99.00
SMART LOTTE SHOPPING INNOVATION FUND	69.08	-	69.08
IMM Heim Coinvestment I Private Equity Fund	83.71	16.13	99.84
Heim No.2 Limited Company	-	100.00	100.00
Lotte DMC Development Co., Ltd.	95.00	-	95.00
LOTTE REIT Co., Ltd.	42.04	-	42.04
Lotte Incheon Town Co., Ltd.	100.00	-	100.00
LOTTE PROPERTIES (CHENGDU) HK LIMITED	77.60	-	77.60
Lotte Properties (Chengdu) Limited	-	100.00	100.00

LOTTE SHOPPING CO.,LTD.
Notes to the Separate Financial Statements
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38. Related Party Transactions, continued

(a) Details of the Company's major shareholders and subsidiaries as of December 31, 2024 are as follows:, continued

Subsidiaries	Percentage of ownership (%)		
	Company	Subsidiaries	Total
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.	100.00	-	100.00
LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY	-	99.99	99.99
PT. LOTTE SHOPPING INDONESIA	-	80.00	80.00
PT. LOTTE MART INDONESIA	-	100.00	100.00
PT. LOTTE Shopping Avenue Indonesia	-	100.00	100.00
Lotte Shopping Plaza Vietnam Co., Ltd.	-	100.00	100.00
LOTTE E-COMMERCE VIETNAM CO., LTD	-	100.00	100.00
LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD.	90.00	-	90.00
LOTTE PROPERTIES HANOI CO., LTD.	-	100.00	100.00
KC-K Contents Investment Association	-	96.56	96.56
FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No.3	98.65	-	98.65
LKH 1st., Co., Ltd.	-	-	-
New Star K-town 1st Co., Ltd.	-	-	-
New Star K-town 2nd Co., Ltd.	-	-	-
New Star Gimpo Hangang 1st Co., Ltd.	-	-	-
KS 1st Co., Ltd.	-	-	-
Momentum 1st Co., Ltd.	-	-	-
LS Incheon 1st Co., Ltd.	-	-	-

LOTTE SHOPPING CO.,LTD.
Notes to the Separate Financial Statements
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38. Related Party Transactions, continued

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

(in thousands of Korean won)

(in thousands of Korean won)		2024				
Name of related parties		Sales	Purchase	Acquisition of property, plant and equipment and intangible assets	Other income (*3)	Other expenses (*3)
Shareholders:						
Lotte Corporation	₩	1,674,234	-	-	-	33,462,840
Hotel Lotte Co., Ltd.		37,277,784	13,784	82,429,492	-	36,776,200
Hotel Lotte Pusan Co., Ltd.		5,535,284	-	2,326,881	34,771	9,137,471
Subtotal		44,487,302	13,784	84,756,373	34,771	79,376,511
Subsidiaries:						
Woori Home Shopping & Television Co., Ltd.		2,058,749	109,088	-	10,698,740	20,271,387
LOTTE Himart Co., Ltd. (*1)		47,396,962	-	145,936	4,644,206	538,408
Lotte Cultureworks Co., Ltd.		57,054,409	-	-	118,152	139,167
Lotte Suwon Station Shopping Town Co., Ltd. (*4)		1,484,019	-	-	-	2,284,404
CS Mart Co., Ltd.		13,895,317	-	-	-	284,225
LOTTE REIT Co., Ltd.		-	-	116,018	24,129,990	26,879,623
Others		22,899,276	-	-	8,309,482	5,773,077
Subtotal		144,788,732	109,088	261,954	47,900,570	56,170,291
Associates:						
FRL Korea Co., Ltd.		33,909,812	-	-	88,200,000	-
Zara Retail Korea Co., Ltd.		9,741,905	-	-	6,880,000	-
Lotte Card Co., Ltd.		3,884,875	-	-	15,637,046	143,257,087
Others (*5)		11,055,121	6,307,018	-	2,420,557	-
Subtotal		58,591,713	6,307,018	-	113,137,603	143,257,087
Others (*2):						
Lotte Well food Co., Ltd.		3,627,586	95,588,923	-	-	8,270,931
LOTTE CHILSUNG BEVERAGE CO., LTD.		8,716,776	34,594,117	-	346	60,656
LOTTE INNOVATE Co., Ltd. (Formerly, Lotte Data Communication Company)		1,276,890	-	43,592,731	-	94,796,862
Korea Seven Co., Ltd.		11,907,420	-	-	-	3,128,681
Lotte GRS Co., Ltd.		6,753,668	2,418,105	-	21,918	6,237,104
LOTTE Property & Development (*6)		10,152,157	-	747,392	1,964,200	31,799,610
LOTTE STATION B/D. CO.		7,269,807	-	-	326,696	135,696
LOTTE INTERNATIONAL CO., LTD.		183,931	59,739,654	-	-	-
LOTTE Engineering & Construction Co., LTD.		2,082,595	-	357,335,436	2,033	769,865
Lotte Aluminum Co., Ltd.		20,959	1,007,585	346,950	-	396,747
Lotte Global Logistics Co., LTD.		265,674	-	-	-	194,490,553
Others		17,237,571	3,518,781	2,320,053	125,117	72,053,029
Subtotal		69,495,034	196,867,165	404,342,562	2,440,310	412,139,734
Total	₩	317,362,781	203,297,055	489,360,889	163,513,254	690,943,623

(*1) The Company sold gift vouchers to the LOTTE Himart Co., Ltd. for a total of ₩ 11,591,162 thousand for the year ended December 31, 2024.

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

(*3) The Company entered into lease agreements with related parties. As a result, interest income received in accordance with amortization of financial 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.

(*4) The amount related to Lotte Suwon Station Shopping Town Co., LTD. includes transactions that occurred prior to the merger date.

(*5) The amount related to INNOCEAN WORLDWIDE INC. includes transactions that occurred before it was reclassified from an associate to another related party.

(*6) The amount includes KRW 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.
Notes to the Separate Financial Statements
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38. 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 (*3)	Other expenses (*3)
Shareholders:						
Lotte Corporation	₩	1,479,589	-	-	-	31,711,259
Hotel Lotte Co., Ltd.		66,199,698	-	196,306	-	40,256,860
Hotel Lotte Pusan Co., Ltd.		5,578,869	-	3,136,790	-	9,372,192
Subtotal		73,258,156	-	3,333,096	-	81,340,311
Subsidiaries:						
Woori Home Shopping & Television Co., Ltd.		2,710,550	-	-	26,746,850	19,785,887
LOTTE Himart Co., Ltd. (*1)		55,509,058	-	39,516	4,734,873	785,164
Lotte Cultureworks Co., Ltd.		55,462,451	-	-	1,436,078	174,977
Lotte Suwon Station Shopping Town Co., Ltd.		7,777,522	-	-	-	26,512,308
CS Mart Co., Ltd.		11,734,148	-	-	-	442,656
LOTTE REIT Co., Ltd.		-	-	93,838	30,652,687	29,234,402
Others(*4)		24,711,196	-	-	9,962,517	4,167,423
Subtotal		157,904,925	-	133,354	73,533,005	81,102,817
Associates:						
FRL Korea Co., Ltd.		37,800,887	-	-	88,200,000	-
Zara Retail Korea Co., Ltd.		11,484,439	-	-	4,000,000	-
Lotte Card Co., Ltd.		3,682,050	-	-	13,463,155	138,449,214
Others		9,760,967	3,827,728	-	2,882,173	1,825,340
Subtotal		62,728,343	3,827,728	-	108,545,328	140,274,554
Others (*2):						
Lotte Well food Co., Ltd..		433,970	95,339,985	-	2,332	8,675,326
LOTTE CHILSUNG BEVERAGE CO., LTD.		8,946,541	39,645,844	-	-	50,438
Lotte Data Communication Company		859,708	-	17,972,256	-	108,998,541
Korea Seven Co., Ltd.		9,168,235	-	-	-	1,994,578
Lotte GRS Co., Ltd.		7,360,578	2,138,569	-	23,928	6,746,960
LOTTE Property & Development		8,327,804	-	-	-	33,115,852
LOTTE STATION B/D. CO.		7,757,249	-	-	-	174,432
LOTTE INTERNATIONAL CO., LTD.		87,389	74,222,036	-	-	-
LOTTE Engineering & Construction Co., LTD.		1,038,660	-	170,772,597	-	414,453
Lotte Aluminum Co., Ltd.		152,775	3,868,204	53,737	-	3,871,112
Lotte Global Logistics Co., LTD.		270,665	-	5,921	-	206,676,484
Others		16,128,372	2,066,294	32,268,787	339,625	67,090,628
Subtotal		60,531,946	217,280,932	221,073,298	365,885	437,808,804
Total	₩	354,423,370	221,108,660	224,539,748	182,444,218	740,526,486

(*1) The Company sold gift vouchers to the LOTTE Himart Co., Ltd. for a total of ₩ 24,959,391 thousand for the year ended December 31, 2023.

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

(*3) The Company entered into lease agreements with related parties. As a result, interest income received in accordance with amortization of financial 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.

(*4) Other income include interest income on purchases of beneficiary certificates issued by LKH 1st., Co., Ltd., and New Star Gimpo Hangang 1st Co., Ltd.

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

38. 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)		2024				
		Cash contribution	Return on Investment	Loan Transaction		Borrowings
				Borrow	Return	
Name of related parties						
Major Shareholders:						
Hotel Lotte Co., Ltd.	₩	-	-	-	-	-
Subtotal		-	-	-	-	-
Subsidiary:						
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.		-	-	-	-	-
IMM Heim Coinvestment I Private Equity Fund		-	-	-	-	-
Lotte GFR Co., Ltd.		9,999,995	-	-	-	-
LKH 1st., Co., Ltd.		-	-	845,373	768,525	-
New Star Gimpo Hangang 1st Co., Ltd.		-	-	164,943	149,989	-
Lotte Department Store (Chengdu) Co., Ltd.		33,402,500	-	-	-	-
LOTTE PROPERTIES (CHENGDU) HK LIMITED)		140,381,027	-	-	-	-
Subtotal		183,783,522	-	1,010,316	918,514	-
Associates:						
LOTTE-KDB Open Innovation Fund		-	8,000,000	-	-	-
Lotte start up fund No. 1		-	20,000	-	-	-
LOTTE Vietnam Open Innovation Fund		256,053	-	-	-	-
Subtotal		256,053	8,020,000	-	-	-
Others (*1):						
Lotte Properties (Shenyang) Limited		59,277,118	-	-	-	-
LOTTE Capital (*2)		-	-	-	-	62,179,487
Subtotal		59,277,118	-	-	-	62,179,487
Total	₩	243,316,693	8,020,000	1,010,316	918,514	62,179,487

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

38. Related Party Transactions, continued

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

(in thousands of Korean won)

		2023				
Name of related parties		Cash contribution	Return on Investment	Sale of stock	Loan Transaction	
					Borrow	Return
Major Shareholders:						
Hotel Lotte Co., Ltd. (*3)	₩	-	-	9,897,155	-	-
Subtotal		-	-	9,897,155	-	-
Subsidiary:						
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.		108,239,040	-	-	-	-
IMM Heim Coinvestment I Private Equity Fund		35,875,576	-	-	-	-
Lotte GFR Co., Ltd.		39,999,996	-	-	-	-
LKH 1st., Co., Ltd.		-	-	-	1,690,631	85,354,298
New Star Gimpo Hangang 1st Co., Ltd.		-	-	-	329,817	35,398,999
Lotte Department Store (Chengdu) Co., Ltd.		4,014,000	-	-	-	-
LOTTE PROPERTIES (CHENGDU) HK LIMITED)		-	-	-	-	-
Subtotal		188,128,612	-	-	2,020,448	120,753,297
Associates:						
LOTTE-KDB Open Innovation Fund		-	-	-	-	-
Lotte start-up fund No. 1		-	120,000	-	-	-
Lotte Vietnam Open Innovation Fund		-	-	-	-	-
Subtotal		-	120,000	-	-	-
Others(*1):						
Lotte Properties (Shenyang) Limited		-	-	-	-	-
LOTTE Capital (*4)		-	-	-	-	50,000,000
Subtotal		-	-	-	-	50,000,000
Total	₩	188,128,612	120,000	9,897,155	2,020,448	120,753,297
						50,000,000

(*1) Although the entities are not related parties under K-IFRS No.1024, the entities are considered to be part of the Large Enterprise Company in accordance with the Monopoly Regulation.

(*2) The amount includes borrowings of ₩ 22,179,487 thousand assumed through the merger with Lotte Suwon Station Shopping Town Co., Ltd and repayment of borrowings amounting to KRW 40,000,000 thousand incurred through S-Bright Dongtan during the current year.

(*3) The Company has sold common shares of LOTTE HOTEL & RETAIL VIETNAM PTE.LTD. for ₩ 9,897,155 thousand in 2023

(*4) The Company has repaid ₩ 50,000,000 thousand of borrowings related to L Incheon 1st Ltd to Lotte Capital during 2023.

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

38. 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	Other receivables	Financial lease receivables	Trade payables	Other payables	Lease liabilities
Shareholders:						
Lotte Corporation	₩ 7,276	131,727	-	-	2,462,380	27,992,590
Hotel Lotte Co., Ltd.	1,531	63,459,119	-	-	11,471,633	190,386,000
Hotel Lotte Pusan Co., Ltd.	-	17,161,990	-	-	2,120,222	15,761,755
Subtotal	8,807	80,752,836	-	-	16,054,235	234,140,345
Subsidiaries:						
Woori Home Shopping & Television Co., Ltd. (*2)	14,715,402	114,217	-	11,421	2,867,347	-
LOTTE Himart Co., Ltd.	2,971,758	279,399	423,936	-	9,438,821	246,266
Lotte Cultureworks Co., Ltd.	1,373,937	769,906	3,766,936	-	31,499,641	-
CS Mart Co., Ltd.	9,888,667	3,927,380	-	-	452,100	3,373,217
LOTTE REIT Co., Ltd.	-	105,278,532	-	-	10,489,944	525,819,253
Others	773	11,193,144	-	-	9,312,919	31,236,632
Subtotal	28,950,537	121,562,578	4,190,872	11,421	64,060,772	560,675,368
Associates:						
FRL Korea Co., Ltd.	1,192,304	55	-	-	11,390,303	-
Zara Retail Korea Co., Ltd.	-	-	-	-	4,997,444	-
Lotte Card Co., Ltd. (*2)	68,961,320	49,850	-	-	29,888,040	-
Others	71,236	-	-	-	6,885,035	-
Subtotal	70,224,860	49,905	-	-	53,160,822	-
Others (*1):						
Lotte Well-Food Co., Ltd.	865,476	99,227	-	8,636,942	8,595,238	-
LOTTE CHILSUNG BEVERAGE CO., LTD.	254,312	168,886	-	1,936,954	11,341,215	-
LOTTE INNOVATE Co., Ltd. (Formerly, Lotte Data Communication Company)	-	75,918	-	-	34,247,706	3,683,142
Korea Seven Co., Ltd.	267,925	825,977	-	-	2,186,516	7,513,144
Lotte GRS Co., Ltd.	431,254	-	423,287	-	3,970,513	-
LOTTE Property & Development	3,600,000	5,245,562	-	-	7,222,086	308,100,923
LOTTE STATION B/D. CO.	2,717,500	9,930,106	-	-	4,327,134	3,215,326
LOTTE INTERNATIONAL CO., LTD.	807,101	10,171	-	3,310,359	27,558	-
LOTTE Engineering & Construction Co., Ltd.	2,033	7,438	-	-	71,636,994	1,147,733
Lotte Global Logistics Co., Ltd.	-	25,313	-	-	17,989,990	5,425,883
Others	1,033,053	8,665,615	1,371,156	423,231	20,165,933	2,430,747
Subtotal	9,978,654	25,054,213	1,794,443	14,307,486	181,710,883	331,516,898
Total	₩ 109,162,858	227,419,532	5,985,315	14,318,907	314,986,712	1,126,332,611

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

(*2) The receivable amount from consumer sales in trade receivables is included.

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

38. 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	Other receivables	Financial lease receivables	Trade payables	Other payables	Lease liabilities
Shareholders:						
Lotte Corporation	₩ 5,500	116,826	-	-	2,521,225	29,721,204
Hotel Lotte Co., Ltd.	939,827	72,463,887	-	-	25,531,752	214,369,876
Hotel Lotte Pusan Co., Ltd.	-	17,165,731	-	-	3,031,610	17,247,069
Subtotal	945,327	89,746,444	-	-	31,084,587	261,338,149
Subsidiaries:						
Woori Home Shopping & Television Co., Ltd. (*2)	13,800,049	104,947	-	-	3,025,210	-
LOTTE Himart Co., Ltd.	5,207,543	302,032	2,043,581	-	12,560,078	-
Lotte Cultureworks Co., Ltd.	4,194,809	1,201,695	47,680,973	-	31,505,441	-
Lotte Suwon Station Shopping Town Co., Ltd.	-	794,591	-	-	1,186,738	5,472,134
CS Mart Co., Ltd.	9,503,236	4,843,555	-	-	763,345	679,508
LOTTE REIT Co., Ltd.	-	105,278,532	-	-	10,259,083	618,422,950
Others	4,058	12,007,620	16,142	-	6,558,239	-
Subtotal	32,709,695	124,532,972	49,740,696	-	65,858,134	624,574,592
Associates:						
FRL Korea Co., Ltd.	1,864,040	84	-	-	12,656,254	-
Zara Retail Korea Co., Ltd.	-	-	-	-	5,620,264	-
Lotte Card Co., Ltd. (*2)	50,741,006	-	-	-	16,223,351	-
Others	41,773	-	-	-	6,153,441	35,153,483
Subtotal	52,646,819	84	-	-	40,653,310	35,153,483
Others (*1):						
Lotte Well-Food Co., Ltd..	689,995	232,164	-	7,615,457	14,163,665	-
LOTTE CHILSUNG BEVERAGE CO., LTD.	230,211	180,048	-	2,587,489	11,212,937	-
Lotte Data Communication Company	-	76,474	-	-	27,520,389	3,805,464
Korea Seven Co., Ltd.	107,447	517,095	-	-	2,435,404	6,479,409
Lotte GRS Co., Ltd.	445,803	-	901,796	42,147	5,006,903	-
LOTTE Property & Development	3,000,000	7,151,757	-	-	7,396,535	348,077,840
LOTTE STATION B/D. CO.	2,977,408	10,366,135	-	-	6,427,458	4,466,016
LOTTE INTERNATIONAL CO., LTD.	876	11	-	3,262,831	29,197	-
LOTTE Engineering & Construction Co., Ltd.	-	71,758	-	-	55,949,162	1,462,449
Lotte Aluminum Co., Ltd.	11,718	3,495	-	218,257	347,042	-
Lotte Global Logistics Co., Ltd.	-	26,111	-	-	17,820,965	9,711,942
Others (*3)	894,750	16,109,464	7,692,534	577,746	70,611,190	2,803,202
Subtotal	8,358,208	34,734,512	8,594,330	14,303,927	218,920,847	376,806,322
Total	₩ 94,660,049	249,014,012	58,335,026	14,303,927	356,516,878	1,297,872,546

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

(*2) The receivable amount from consumer sales in trade receivables is included.

(*3) Other payables include ₩ 40,000,000 thousand of payables in Lotte Capital due to the merger of LOTTE Town Dongtan Co., LTD.

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

38. Related Party Transactions, continued

(e) The amount of lease payments receivable collection and lease liability payment for the years ended December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

Name of related parties	2024	
	Collection of lease payments receivable (*2)	Payment of lease liabilities (*3)
Shareholders:		
Lotte Corporation	₩ -	2,396,474
Hotel Lotte Co., Ltd.	-	83,530,273
Hotel Lotte Pusan Co., Ltd.	-	13,939,064
Subtotal	-	99,865,811
Subsidiaries:		
Lotte Cultureworks Co., Ltd.	825,372	-
LOTTE Himart Co., Ltd.	289,757	21,800
Lotte Suwon Station Shopping Town Co., Ltd. (*4)	-	5,483,083
Lotte REIT Co., Ltd.	-	109,456,858
FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3	-	4,982,168
Others	-	750,000
Subtotal	1,115,129	120,693,909
Associates:		
Lotte Card Co., Ltd	44,316	-
Subtotal	44,316	-
Others (*1):		
LOTTE INNOVATE Co., Ltd. (Formerly, Lotte Data Communication Company)	-	3,465,650
LOTTE Property & Development	-	56,370,306
LOTTE STATION B/D. CO.	-	1,478,770
LOTTE Rental Co., Ltd.	-	1,785,556
Others	1,048,709	8,461,673
Subtotal	1,048,709	71,561,955
Total	₩ 2,208,154	292,121,675

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

(*2) Interest income received for lease payments receivable is included.

(*3) Interest expense paid for financial lease liabilities is included.

(*4) The amounts related to Lotte Suwon Station Shopping Town Co., Ltd include transactions that occurred prior to the merger date.

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

38. Related Party Transactions, continued

- (e) The amount of lease payments receivable collection and lease liability payment for the years ended December 31, 2024 and 2023 are as follows:, continued

(in thousands of Korean won)

Name of related parties	2023	
	Collection of lease payments receivable (*2)	Payment of lease liabilities (*3)
Shareholders:		
Lotte Corporation	₩ -	2,349,484
Hotel Lotte Co., Ltd.	-	79,623,367
Hotel Lotte Pusan Co., Ltd.	-	13,681,731
Subtotal	-	95,654,582
Subsidiaries:		
Lotte Cultureworks Co., Ltd.	8,849,812	-
LOTTE Himart Co., Ltd.	2,113,955	-
Lotte Suwon Station Shopping Town Co., Ltd.	-	32,898,500
Lotte REIT Co., Ltd.	-	107,578,910
Others	25,600	750,000
Subtotal	10,989,367	141,227,410
Associates:		
Lotte Card Co., Ltd	53,448	-
MUJIKOREA CO.LTD	312,727	-
FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No.3 (Formerly, Hyundai Infiniti Private Equity Real Estate Investment Trust No.1)	-	4,908,540
Subtotal	366,175	4,908,540
Others (*1):		
Lotte Data Communication Company	-	3,624,715
LOTTE Property & Development	-	55,142,104
LOTTE STATION B/D. CO.	-	1,476,967
LOTTE Rental Co., Ltd.	6,605	1,672,903
Others	2,627,071	7,802,300
Subtotal	2,633,676	69,718,989
Total	₩ 13,989,218	311,509,521

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

(*2) Interest income received for lease payments receivable is included.

(*3) Interest expense paid for financial lease liabilities is included.

- (f) The contents of compensation of major management during the years ended December 31, 2024 and 2023 are as follows:

(in thousands of Korean won)

Classification	2024	2023
Short-term salary	₩ 31,811,154	32,786,359
Retirement benefits	4,354,182	4,169,403
Other long-term benefits	62,107	(72,730)
Total	₩ 36,227,443	36,883,032

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

38. Related Party Transactions, continued

- (g) Details of payment guarantees, and collateral provided by the Company for the financial supports to the related parties as of December 31, 2024 are as follows, and no collateral and payment guarantees are provided by the related parties:

(in full foreign currency)

Name of company	Guaranteed by	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
	KEB Hana Bank	IDR 170,000,000,000	Feb 25, 2024 ~ Feb 25, 2025	
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD	Kookmin Bank	USD 30,000,000	July 26, 2024 ~ July 25, 2025	
LOTTE PROPERTIES (CHENGDU) HK LIMITED	Kookmin Bank	USD 165,000,000	March 8, 2024 ~ March 7, 2025	
	NongHyup Bank	USD 48,600,000	March 15, 2024 ~ March 7, 2025	
	KEB Hana Bank	USD 30,000,000	March 7, 2024~ March 7, 2025	
LOTTE PROPERTIES HANOI Co., LTD.	Kookmin Bank, 3 others	USD 250,000,000	May 23, 2022~ May 23, 2025	
	The Export-Import Bank of Korea	USD 125,000,000	June 27, 2022~ June 28, 2027	
Joint ventures:				
International Business Center Company Limited	Shinhan Bank	USD 3,000,000	April 2, 2024 ~ April 1, 2025	
	KEB Hana Bank	USD 3,000,000	April 4, 2024 ~ April 3, 2025	

- (h) As of December 31, 2024, the Company entered in agreement to jointly provide financial support for KS 1st Co., Ltd., LKH 1st., Co., Ltd., New Star Gimpo Hangang 1st Co., Ltd., New Star K-town 2nd co, LTD., LS Incheon 1 St., Co., Ltd., and Momentum 1 st., 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), asset-backed commercial papers (₩ 148,000,000 thousand of par value, maturity on January 21, 2025), and asset-backed short-term bonds (₩ 203,900,000 thousand of par value, maturity on February 20, 2025).

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

38. Related Party Transactions, continued

(i) Dividends recognized from related parties during the year ended December 31, 2024 are as follows:

(in thousands of Korean won)

Name of related parties		Contractual amount
Subsidiaries:		
Woori Home Shopping & Television Co., Ltd.	₩	10,698,740
LOTTE Himart Co., Ltd.		4,620,982
LOTTE REIT Co., Ltd.		24,129,990
IMM Heim Coinvestment I Private Equity Fund		24,995
FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No.3		1,177,392
Subtotal		40,652,099
Associates:		
Lotte Card Co., Ltd.		15,590,774
Zara Retail Korea Co., Ltd.		6,880,000
FRL Korea Co., Ltd.		88,200,000
Eugene Unicorn Private Equity Fund		57
INNOCEAN WORLDWIDE INC.(*1)		2,420,501
Subtotal		113,091,332
Total	₩	153,743,431

(*1) The amount related to INNOCEAN WORLDWIDE INC. includes transactions that occurred before it was reclassified from an associate to another related party.

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

(in thousands of Korean won)

Classification		Contractual amount	Used amount	Repayment	Outstanding balance
In the perspective of user	₩	290,000,000	2,333,797,945	2,340,846,848	-

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

39. Lease

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

Details recognized in the separate statement of financial position related to lease as of December 31, 2024 and 2023 are as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Right-of-use assets:			
Land	₩	315,991,130	265,860,715
Buildings		2,034,321,006	2,562,368,324
Vehicles		1,447,645	2,122,503
Others		8,856,119	10,593,467
Total	₩	<u>2,360,615,900</u>	<u>2,840,945,009</u>
Investment property		292,935,384	149,293,642
Financial lease receivables:			
Current		9,700,267	29,332,493
Non-current		26,263,969	91,959,372
Total	₩	<u>35,964,236</u>	<u>121,291,865</u>
Lease liabilities:			
Current		724,603,744	694,704,187
Non-current		3,422,187,278	3,685,520,249
Total	₩	<u>4,146,791,022</u>	<u>4,380,224,436</u>

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

Details recognized in the separate statement of comprehensive income (loss) related to lease during 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	₩	405,941,003	443,170,312
Vehicles		1,284,599	1,311,662
Others		5,880,302	6,019,301
Total	₩	<u>413,105,904</u>	<u>450,501,275</u>
Bad debt expense (reversal) on financial lease payment receivables	₩	(422,754)	(458,269)
Depreciation expense on investment in properties		52,635,111	21,354,950
Impairment loss on right-of-use assets		306,137,483	110,703,625
Interest expense on lease liabilities		149,097,895	162,046,597
Interest income on financial lease receivables		1,783,429	5,402,066
Gain on lease termination		14,444,046	103,795,465
Gain on disposal of right-of-use assets		20,348,038	31,263,347
Loss on lease termination		17,850,403	3,114,151
Loss on disposal of right-of-use assets		44,280,520	18,098,045
Leases of low-value assets and short-term leases, etc.		98,960,121	102,391,574

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

39. Lease, continued

(c) Changes in right-of-use assets as of January 1, 2024 and December 31, 2024 are as follows:

(in thousands of Korean won)

		Property	Vehicles	Others	Total
January 1, 2024	₩	2,828,229,039	2,122,503	10,593,467	2,840,945,009
Depreciation expenses		(405,941,003)	(1,284,599)	(5,880,302)	(413,105,904)
Acquisition of right-of-use assets		11,772,993	1,645,064	2,091,139	15,509,196
Impairment loss on right-of-use assets		(301,125,869)	(769,270)	(4,242,344)	(306,137,483)
Others (*)		217,376,976	(266,053)	6,294,159	223,405,082
December 31, 2024	₩	<u>2,350,312,136</u>	<u>1,447,645</u>	<u>8,856,119</u>	<u>2,360,615,900</u>

(*) Others are consisting of modification and termination of lease contract, investment in real estate, and sub-lease replacements, etc.

(d) Changes in right-of-use assets as of January 1, 2023 and December 31, 2023 are as follows:

(in thousands of Korean won)

		Property	Vehicles	Others	Total
January 1, 2023	₩	3,598,871,630	2,136,644	9,573,116	3,610,581,390
Depreciation expenses		(443,170,312)	(1,311,662)	(6,019,301)	(450,501,275)
Acquisition of right-of-use assets		12,664,762	1,638,723	7,264,364	21,567,849
Impairment loss on right-of-use assets		(108,849,074)	(302,655)	(1,551,896)	(110,703,625)
Others (*)		(231,287,967)	(38,547)	1,327,184	(229,999,330)
December 31, 2023	₩	<u>2,828,229,039</u>	<u>2,122,503</u>	<u>10,593,467</u>	<u>2,840,945,009</u>

(*) Others are consisting of modification and termination of lease contract, investment in real estate, and sub-lease replacements, etc.

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

(in thousands of Korean won)

		Less than 6 months	6 months~ 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Total minimum lease payments	₩	370,687,839	367,741,815	655,996,313	1,653,584,617	1,859,568,688	4,907,579,272
Net minimum lease payments		363,919,336	360,684,408	567,357,140	1,406,862,467	1,447,967,671	4,146,791,022

Total cash outflow of lease liabilities during the year of 2024 is ₩ 786,261,853 thousand.

(f) The contractual maturity of lease receivables as of December 31, 2024 are as follows:

(in thousands of Korean won)

		Less than 6 months	6 months~ 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Total minimum lease payments	₩	7,037,760	5,747,084	9,184,318	14,209,202	5,950,986	42,129,350
Net minimum lease payments		5,393,696	4,309,071	8,475,733	12,683,318	5,107,763	35,969,581

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

39. Lease, continued

(g) Operating lease

The Company entered and maintained an operating lease agreement to lease property, plant, and equipment. The collection plan of lease payments related to the operating lease contract as of December 31, 2024 and 2023 is as follows:

<i>(in thousands of Korean won)</i>		2024	2023
Within 1 year	₩	105,341,459	87,327,319
Within 1 ~ 2 years		46,702,373	51,089,694
Within 2 ~ 3 years		41,482,628	39,631,225
Within 3 ~ 4 years		19,298,438	36,288,922
Within 4 ~ 5 years		5,647,844	20,673,650
Over 5 years		14,637,328	16,184,787
Total (*)	₩	<u>233,110,070</u>	<u>251,195,597</u>

(*) Variable lease payment due to changes in sales are not included.

The lease income related to the operating lease consisting of variable lease payment amounting to ₩ 1,232,695,407 thousand and fixed lease payment amounting to ₩ 139,613,462 thousand are recognized during 2024 and variable lease payment amounting to ₩ 1,261,402,051 thousand and fixed lease payment amounting to ₩ 112,023,971 thousand are recognized during 2023 by the Company.

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

40. Risk Management

(a) Management of financial risks

(i) Objectives and policies of the Company

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

The Company has established risk management policies from an integrated perspective to implement the financial risk management system and is complying with the risk management policies and procedures through strict controls and reviews by management.

(ii) Credit risk

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

① Exposure to credit risk

The book value of financial assets represents the maximum exposure to credit risk. The Company'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)	₩	1,001,501,632	989,298,767
Trade and other receivables		515,534,800	824,385,990
Other financial assets (current)		394,393,060	383,397,184
Other financial assets (non-current) (*2)		1,066,656,538	1,022,352,133
Total	₩	2,978,086,030	3,219,434,074

(*1) Cash held by the Company 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.
Notes to the Separate Financial Statements
As of December 31, 2024 and 2023

40. 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		
		Total carrying amount	Probability of default (%)	Allowance for doubtful accounts
Trade and other receivables				
Not past due	₩	524,547,837	0.00%~0.24%	₩ 13,887,511
0 ~ 3 months past due		748,469	0.00%~28.72%	55,335
3 ~ 6 months past due		4,477,194	0.00%~50.68%	488,167
6 ~ 9 months past due		119,955	0.00%~56.25%	47,780
9 ~ 12 months past due		331,316	0.00%~60.57%	211,178
12 ~ 15 months past due		60,993	100%	60,993
15 months past due		35,695,918	100%	35,695,918
Total		565,981,682		50,446,882
Other financial assets (current)				
Not due	₩	394,393,060	0.00%	₩ -
Total		394,393,060		-
Other financial assets (non-current)				
Not due	₩	1,066,656,538	0.00%	₩ -
Total		1,066,656,538		-

(in thousands of Korean won)

		2023		
		Total carrying amount	Probability of default (%)	Allowance for doubtful accounts
Trade and other receivables				
Not past due	₩	819,514,831	0.00%~0.57%	₩ 743,130
0 ~ 3 months past due		4,776,534	0.00%~12.51%	72,824
3 ~ 6 months past due		1,253,052	0.00%~37.63%	383,530
6 ~ 9 months past due		32,690	11.81%~69.80%	11,775
9 ~ 12 months past due		172,729	28.32%~94.84%	152,587
12 ~ 15 months past due		4,013	100%	4,013
15 months past due		13,232,531	100%	13,232,531
Total		838,986,380		14,600,390
Other financial assets (current)				
Not due	₩	383,397,184	0.00%	₩ -
Total		383,397,184		-
Other financial assets (non-current)				
Not due	₩	1,022,352,133	0.00%	₩ -
More than 15 months overdue		110,888	100.00%	110,888
Total		1,022,463,021		110,888

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

40. Risk Management, continued

(a) Management of financial risks, continued

(ii) Credit risk, continued

Changes in the allowance for doubtful accounts for trade and other receivables 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	₩	14,600,390	24,782,465
Provision (Reversal)		40,368,329	(8,478,537)
Write-off		(4,530,405)	(1,703,538)
Others		8,568	-
Ending balance	₩	<u>50,446,882</u>	<u>14,600,390</u>

No changes have occurred in the allowance for doubtful accounts related to other financial assets (current) for the years ended December 31, 2024.

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	₩	110,888	1,110,888
Write-off		(75,000)	(1,000,000)
Reversal		(35,888)	-
Ending balance	₩	<u>-</u>	<u>110,888</u>

- Payment guarantees

As of December 31, 2024, the Company has provided financial guarantees to associates and joint ventures amounting to ₩ 1,000,524,000 thousand.

(iii) Liquidity risk

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

The Company predicts and respond 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 Company deposits a reasonable amount with financial institutions with high credit ratings to make provisions for potential liquidity risks. The Company maintains a credit line for overdraft and general loans with various financial institutions and is able to raise funds through financial markets based on the Company's domestic credit rating (AA-). The management of the Company 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.
Notes to the Separate Financial Statements
As of December 31, 2024 and 2023

40. 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 and other payables	₩ 1,994,714,207	1,993,006,403	-	-	1,707,804	1,994,714,207
Borrowings and debentures (*1,2)	6,011,400,777	1,053,095,861	339,266,486	791,000,512	5,704,517,310	7,887,880,169
Lease liabilities	4,146,791,022	185,593,663	185,094,175	367,741,816	4,169,149,618	4,907,579,272
Other financial liabilities (*3)	369,741,931	468,373,488	3,532,792	21,428,765	80,716,122	574,051,167
Financial guarantee contract (*2)	197,005,981	1,000,524,000	-	-	-	1,000,524,000
Total	₩ 12,719,653,918	4,700,593,415	527,893,453	1,180,171,093	9,956,090,854	16,364,748,815

(*1) Includes interest expenses.

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

(*3) The amount includes liabilities related to capital support fees (see Note 38.(8))

The Company 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, whilst optimizing the Company's profits.

The Company 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 Company seeks to apply hedge accounting in order to manage volatility in profit or loss.

① Currency risk

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

The Company hedges currency risks of foreign currency denominated borrowings and debentures through currency swap transactions with financial institutions. The Company 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.
Notes to the Separate Financial Statements
As of December 31, 2024 and 2023

40. 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 Company'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	₩	13,159,200	1,431,059,803	13,791,988	1,125,441,238
EUR		-	1,921,971	3,533	891,603
JPY		-	183,828	-	-
IDR		65,896	-	-	-
CNY		3,963	-	3,560	-
GBP		-	-	-	47,631
CAD		-	44,014	-	-
Total	₩	13,229,059	1,433,209,616	13,799,081	1,126,380,472

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
IDR		0.0861	0.0857	0.0911	0.0836
CNY		189.20	184.22	201.27	180.84
GBP		1,742.68	1,624.19	1,843.67	1,641.79
CAD		995.49	967.38	1,023.96	974.64

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

40. Risk Management, continued

(a) Management of financial risks, continued

(iv) Market risk, continued

① Currency risk, continued

The Company 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 of each foreign currency exchange rates are 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	₩	447,140	(447,140)	703,419	(703,419)
EUR		(192,197)	192,197	(88,807)	88,807
JPY		(18,383)	18,383	-	-
IDR		6,590	(6,590)	-	-
CNY		396	(396)	356	(356)
GBP		-	-	(4,763)	4,763
CAD		(4,402)	4,402	-	-
Total	₩	239,144	(239,144)	610,205	(610,205)

The above sensitivity analysis is related to the Company's monetary assets and liabilities, denominated in a currency other than the Company'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 Company arises on 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 Company makes interest swap transactions with financial institutions for hedging interest rate risk of variable borrowings and debentures.

The book value of the Company'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	₩	-	-
Financial liabilities		1,097,433,316	815,548,252

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

40. 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 Company'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 Company 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	₩	-	-	-	-
Interest expenses		3,000,000	(3,000,000)	3,950,000	(3,950,000)

③ Price risk

The Company 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 ₩ 143,111,334 thousand and ₩ 73,494,306 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 ₩ 14,211,133 thousand and ₩ 7,349,431 thousand, respectively.

(b) Capital Management

The objective of the Company's capital management is maximization of shareholders' profits by maintaining an appropriate capital structure. The Company 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)	₩	16,253,056,201	14,010,715,192
Equity (B)		14,352,198,938	9,428,590,853
Deposits (C)		1,267,572,804	1,261,445,542
Borrowings (D)		6,011,400,777	5,348,109,031
Liabilities to equity ratio (A/B)		113.24%	148.60%
Net borrowings to equity ratio ((D-C)/B)		33.05%	43.34%

LOTTE SHOPPING CO.,LTD.

Notes to the Separate Financial Statements

As of December 31, 2024 and 2023

41. Business combination

- (a) According to the resolution of the board of directors on December 14, 2023, the Company merged Lotte Suwon Station Shopping Town Co., Ltd., a subsidiary, as of March 1, 2024.
- (b) The above merger was a business combination under common control between the Company and its subsidiary. Accordingly, the assets and liabilities acquired were recognized at their carrying amounts as presented in the consolidated financial statements of the Company and its subsidiary. The difference between the book value of the investment in the subsidiary and the net assets recognized was accounted for as an adjustment to equity.
- (c) The assets acquired and liabilities assumed as of the merger date under the business combination under common control are as follows.

<i>(in thousands of Korean won)</i>	<u>Amount</u>
I. Consideration transferred (Carrying amount of investment in subsidiary before the merger)	₩ 23,477,930
II. Amount recognized as identifiable assets and liabilities:	
Cash and cash equivalents	16,436,946
Trade and other receivables	1,413,516
Property, plant and equipment and intangible assets	185,542,618
Right-of-use assets	174,482,783
Other financial assets	4,898,396
Other non-financial assets	1,120,154
Other assets	60,856
Trade and other payables	1,176,414
Borrowings and debentures	173,000,000
Financial lease liabilities	190,581,775
Other financial liabilities	299,885
Total identifiable net assets	18,897,195
III. Adjustment to equity	(4,580,735)

42. Subsequent events

- (a) According to the resolution of the board of directors on December 12, 2024, the Company merged Lotte Incheon Town Co., Ltd, a subsidiary, as of February 18, 2025.
- (b) The Company transferred its Lotte Mobile Gift Certificate and Lotte Mobile Coupon businesses to Lotte Members Co., Ltd., as of January 31, 2025.
- (c) The Company resolved to subscribe to a paid-in capital increase of USD 313,208,117 in LOTTE PROPERTIES (CHENGDU) HK LIMITED at the Board of Directors' meeting held on July 25, 2024, and contributed USD 212,323,441 on March 4, 2025

Independent Auditor's Report on Internal Control over Financial Reporting

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

We have audited LOTTE SHOPPING CO., LTD.'s (the Company) internal control over financial reporting ("ICFR") 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 Company maintained, in all material respects, effective internal control over financial reporting 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 separate financial statements of the Company, which comprise the separate statements of financial position as of December 31, 2024, the separate statements of comprehensive income, 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 separate financial statements.

Basis for Opinion on Internal Control over Financial Reporting

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 section of our report. We are independent of the Company 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

The Company's management is responsible for designing, operating and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying ICFR Operating Status Report.

Those charged with governance are responsible for overseeing the Company's internal control over financial reporting.

Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting

Our responsibility is to express an opinion on the Company's internal control over financial reporting 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 was maintained in all material respects.

Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, 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

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Korean International Financial Reporting Standards ("K-IFRS"). A company's internal control over financial reporting 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 Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with K-IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect material misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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. 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

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 the year ending December 31, 2024.

Design and operation of ICFR 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 to prevent and detect errors or frauds which may cause a misstatement in 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. And we conducted an evaluation of ICFR 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 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